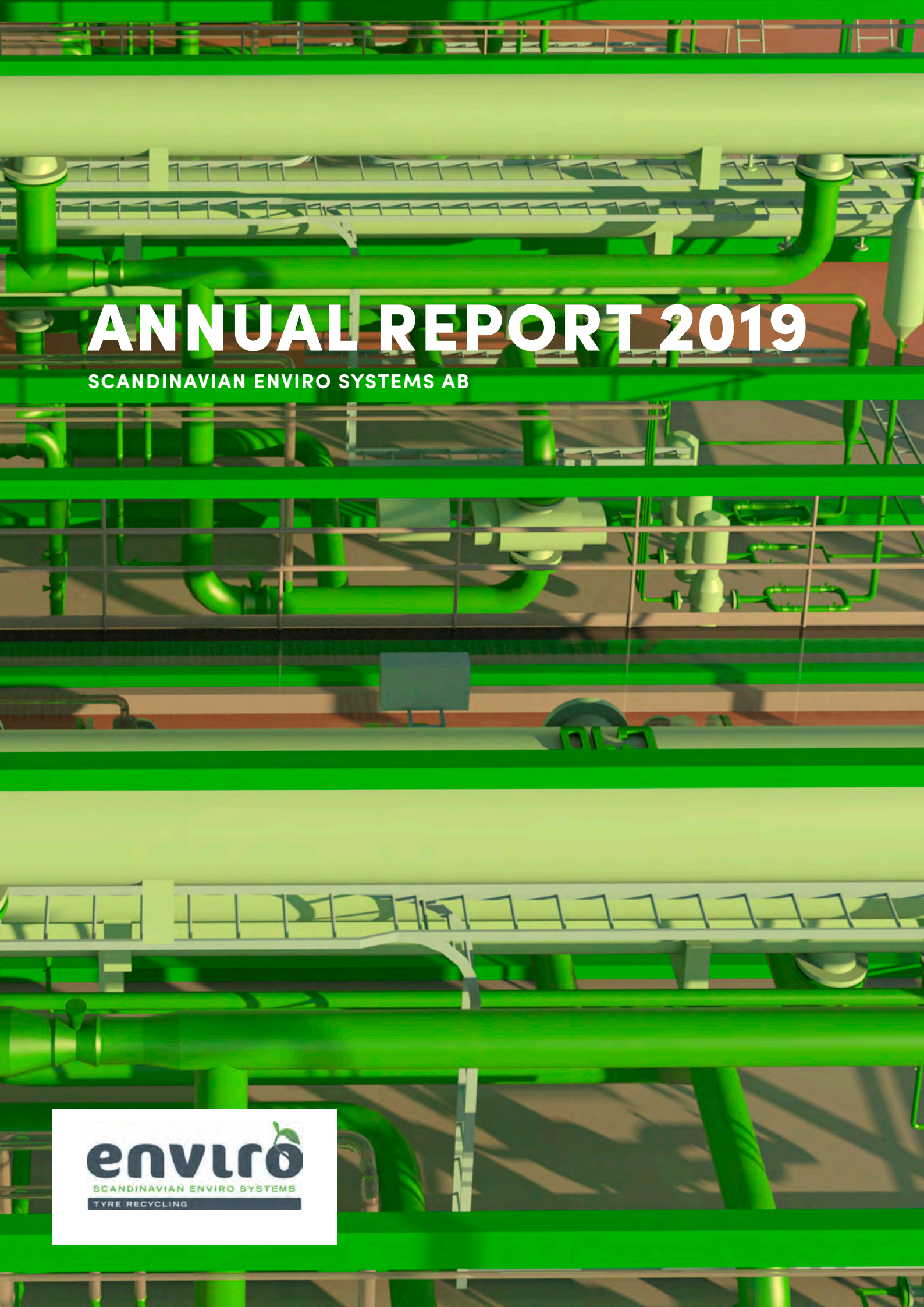


ANNUAL REPORT 2019

SCANDINAVIAN ENVIRO SYSTEMS AB

enviro
SCANDINAVIAN ENVIRO SYSTEMS
TYRE RECYCLING

CONTENTS

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 Annual Report shall prevail.

Scandinavian Enviro Systems AB, GOTHENBURG 2020
Graphic Design: Anna Larsson Design

Picture cover: 3d-modell of a plant from Enviro intended to recover 30 000 tonnes of ELT tyres per year. Picture to the right: Equipment for combustion gas treatment and the tank for own produced nitrogen gas in the plant in Åsensbruk, Dalsland.

“Our recovery technology for tyres reduces the effect on the climate and environment while, at the same time, reclaimed materials generate new income.”

CEO THOMAS SÖRENSSON

THE PAST YEAR

Significant events

- NOVEMBER: The government-run research institute RISE started a project with the oil company Nynas AB with the aim to convert Enviro's recovered oil into base oil products.
- SEPTEMBER: Working capital in the company was strengthened by the inflow of approximately SEK 48.6 million gross, through the redemption of a warrants (TO2), which was part of the preferential issue from 2018.
- AUGUST: The company signed one term sheet with the American company Treadcraft regarding a plant in New York State, and another in September regarding licensing for this plant.
- JUNE: Trelleborg Lanka placed an order for up to EUR 180,000 for Enviro's recovered carbon black
- MARCH A life cycle assessment from IVL found that recovered carbon black leads to about 80% lower CO2-emissions compared to the manufacturing of new carbon black.
- FEBRUARY Elysium ApS (planned joint venture with Enviro as a part-owner) signed a term-based rental agreement for land for a plant in Nyborg, Denmark.

Events after the end of the period

- MARCH 2020: Elysium ApS (planned joint venture with Enviro as a participant) received their environmental permit from local authorities (some possibility for appeal still remains).
- COVID-19: We currently have no indication of any decisive effect on the company, but due to the significant uncertainty and the ever-changing nature of the situation, it is impossible to predict how this will affect Enviro in the future. We do, however, realise that the events occurring as a consequence of the virus will have some effect on the company as well. During this sensitive, and in many ways challenging, time ahead, we carefully follow the development of news and are prepared to make any required adjustments.
- APRIL 2020: The company completed a directed rights issue of approximately SEK 32.5 million as a part of a strategic partnership with Michelin. Currently, the partnership is considered to contain 4 areas:
  - A development agreement
  - A share investment total of 20 percent in Enviro after the issue
  - A common project to construct a plant
  - A common delivery agreement between Michelin and Enviro*

SCANDINAVIAN ENVIRO SYSTEMS AB

has developed a unique technology for recovering materials from ELT tyres through pyrolysis, a process which uses heat in an oxygen-poor environment to cause a substance to decompose without incineration. The valuable substances that are recovered from the process by using this unique technology are carbon black (charcoal), oil, steel and gas.

Enviro's business concept is to develop, erect and operate recycling plants by establishing partnerships as a partial plant owner. The company has its own production plant in Åsensbruk, Dalsland, which also functions as a demonstration and test plant. For example, the plant has delivered recovered carbon black for over 80 million rubber components to Volvo Cars over the last 4 years and also supplies recovered carbon black (rCB) for tyre manufacturing to multinationals such as Trelleborg and Hexpol.

The company was founded in 2001, has three fundamental patents for its recovery process, approximately 20 employees and is listed on Nasdaq First North Growth Market in Stockholm. Today, Enviro has approximately 5,000 shareholders.

*Since this event has occurred during 2020, nothing further is mentioned about this in the annual report, which is intended to cover 2019.

From inside the plant in Åsensbruk.

A WORD FROM THE CEO

Global forces within environmental topics and the circular economy provide an increased customer value and a good basis for business development.

Sustainability issues have attracted major attention and considerable increased interest during the past year. Fundamentally, this is about an increased insight into the challenges in the environment area, which now require a completely new perspective regarding our impact on the climate and our use of finite resources. The concept of circular economy – which builds on an increased reuse of resources – has never been more relevant and Enviro's technology is more interesting than ever before.

Enviro has, since the start about 20 years ago, always claimed the same thing – the reuse of finite resources in the tyre and rubber industry has to increase. It is good for the environment and good for the economy. What happened during the last year is that a matter which originally was only relevant for the tyre and rubber industry, now permeates more and more areas. Tyre manufacturers are no longer expected to simply take responsibility for their products when they are sold, now they must meet certain standards for a more resource-friendly production as well as sustainable use of finite and strategic resources.

Understandably this is good news for Enviro. Our company possesses a self-developed, leading technology that is able to contribute to less environmentally damaging management of ELT tyres, reduced carbon dioxide release and a reduced overuse of the earth's resources. Thereby, the customer benefits are both clear and immediate.

A good example of this is our customer AnVa Polytech in Sunne. The company manufactures rubber parts for the automotive industry and has used recovered carbon black from our plant in Åsensbruk for many years. Since 2016, they have delivered about 80 million more sustainable rubber parts for Volvo Cars. Since our recovered carbon black generates 79 to 84 percent lower carbon dioxide emissions than the alternative, the environmental advantages for Volvo Cars are obvious. Around the world, the interest now increases for recovered carbon black and during the past year we have seen many large participants within the tyre industry announce that that they intend to increase their use of recovered carbon black. However, the recycling that generates the recovered carbon black is preferable since this also leads to an overall reduced consumption of crude oil and classically produced steel.

INCREASED INTEREST IN THE OIL

During 2019, we have noticed a clear increase in interest from both research institutes and oil companies for the oil we recover from tyres. Complete recipes for tyre content is a secret that the manufacturers do not share, but based on experience, our pyrolysis process generates oil corresponding to 45–50% of the included tyre material. In addition to providing larger income streams for our recovery plants, recovery of oil reduces the emission of climate-affecting carbon dioxide, since it can replace fossil fuels. The recovered oil can be processed to higher value oil products or used as an energy source, including in our own recovery process. A special advantage of the oil that is recovered from tyres is that it has a relatively high bio-content, since tyres consist in part of natural rubber. In some tyres, such as mining tyres, the bio-content in the oil is nearly 80 percent. Use of bio-oil means that the addition of "fossil" carbon atoms to the circuit is reduced, which is important from a climate perspective.

Another factor that contributes to an increased interest in our recovered oil is the regulations and tax changes that are now introduced in several countries, including Great Britain, to stimulate an increased use of recovered oil for environmental reasons. When it comes to the possibilities for using oil, Enviro has started and intensified cooperation between both the research institute and oil companies during the last year.

ONGOING NEGOTIATIONS

Since we intend to be part owner in future plants, we have to make basic analyses of all aspects, legal as well as operational, before initiating a project. It is therefore partly due to our that our negotiations about establishing plants take time. As a small company with limited resources, we also have to find creative financing solutions. This takes time, as there are many different issues where we must come to agreement terms with our partners. Nevertheless, we are slowly but surely moving forward. After the end of last year, Elysium has been granted an environmental permit for a planned plant in Nyborg, Denmark. Danish authorities have also recently decided to update the plan regulations for the proposed location for a recovery plant, which makes it possible to construct a plant without major changes to the basic design. Furthermore, we have ongoing negotiations with the American company Treadcraft, but we have previously communicated that we cannot currently predict a time for when these are estimated to be completed. Simultaneously, negotiations are underway with other potential partners regarding the establishing of plants.

TECHNICAL VERIFICATION IN ÅSENSBSRUK

The investment program in Åsensbruk has continued according to plan and we are continuously working toward a volume increase in the plant. In parallel with this, the new recruitments that are needed in order for us to produce and deliver the quantities that are expected from us, are progressing. A significant part of these additional investments will also give us the technical possibilities to verify our technology in future plants. For instance, this is related to the possibility of using both recovered oil and gas in our recovery process, which increases the efficiency and reduces the energy costs.

THOMAS SÖRENSSON CHIEF EXECUTIVE OFFICER

CEO Thomas Sörensson.

STRATEGIC OUTLOOK

CLIMATE CHANGE

The effects of climate change already influence both our daily lives and our financial growth. It is likely that the powerful heat waves and droughts, forest fires, more frequent and extensive storms, and the more rapidly melting polar ice, are a result of climate change.

The increase in the earth's average temperature by 1.5 to 2 degrees, which we are probably headed toward, is believed to cause significant increases in ocean levels, reduced food supply, more international conflicts and an increased flow of refugees.*

In the face of these threats, the industry is generally forced to change to an unparalleled extent, in order to reduce CO_2 (carbon dioxide) emissions into the atmosphere. Businesses must therefore swiftly implement strong measures, aiming to limit climate risks in their business plans.**

The companies that develop innovative solutions to these challenges will be the winners of the future.

SUSTAINABILITY WILL BE THE CORE OF COMPANY STRATEGIES IN THE FUTURE

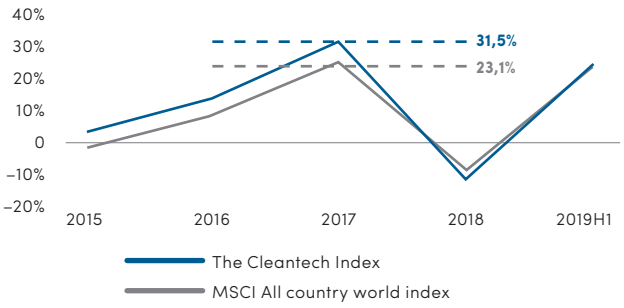
The entire industrial landscape will probably look different in the near future, which means that sustainable technology in a business is a profitable business. As a result, interest in investing in Cleantech and "green" industrial projects is expanding at an explosive rate, both internationally and in Sweden.

"Green" shares (the cleantech index) have during recent years developed better than the world index. The world's largest investor, Blackrock, suggests that "climate risk equals investment risk" and will therefore act against boards and company managements that are not making sufficient progress in their sustainability development. The companies that fail to take sustainability questions seriously will incur difficulties in gaining access to capital.

It is clear that the tyre industry has assimilated to these challenges and formulated ambitious and long-term environmental goals for their respective operations. Some quotes that illustrate this:

In recent years, the cleantech index has performed better than MSCI world index

Development of the Cleantech Index
2015–2019H1, Index total returns



Development of Cleantech compared with the stock market in general

Stronger environmental requirements increase the demand for sustainable alternatives

Bridgestone:
"Will increase the recycled materials in vision 2025"

Continental:
"Will increase recycled materials in new tire production to 10% before 2025"

Michelin:
"Ambition 2048: Tires will be made using 80% sustainable materials and 100% of tires will be recycled"

*IPPC Chanel, SR15 SPM Version 2019
**McKinsey & Company, "Summit recap sustainability at a tipping point"

INCREASED IN FOCUS ON OUR STRATEGIC POSITION

Considering the aforementioned background, Enviro's positioning on the market is very favourable. It does, however, require that we are well prepared to quickly be able to make the right strategic decision, so that we can capitalise on the possibilities that are offered through our unique technology and market position.

We have prepared ourselves during 2019 by investing in a complete contract platform and by verification and industrialisation of our technology. We have developed and evaluated different financing alternatives. However, most importantly, we have met and evaluated potential strategic partners in the form of tyre manufacturers, carbon black manufacturers as well as chemical and oil companies , this in addition to our ongoing negotiations regarding individual plants. These discussions have led to us increasing our focus and ambitions regarding our strategic position. It is still of utmost importance to build our first full-scale plant, but we aim to simultaneously combine this with empowering out strategic position in relation to the largest consumers of carbon black and oil.

Action	Effect	Strategic partner
1) Construct plants	• Demonstrate full scale	• Access to ELT
2)) Increase value of plants/technology		
• Increase capacity	◦ Volume	- Management - Industrial partner
• Increase quality rCB	◦ Demand/price > available market	- CB manufacturers - Tyre manufacturers 74% - Rubber manufacturers 20%
• Increase oil quality	◦ Demand/price	- Oil companies - Chemical companies
3) Spread the technology to other waste-based products, for example carbon fibre		

Enviro can assume a strong strategic position based on sustainability given the right strategic partnership.

TO SUCCEED, THE COMPANY'S ENTIRE COMPETENCE MUST BE USED EFFECTIVELY

With the above background, the company thinks that its positioning on the market is very favourable. Still, Enviro believes that it is important to make the right decisions, not only strategically, to be able to capitalise on the possibilities the company has invested in partly through their unique technology, partly through their current market positioning. The conditions we work with based on our limited resources are:

We will:

- Identify and evaluate our many strategic alternatives
- Verify our technology and industrialise efficient production
- Plan for plant projects that we have never previously undertaken
- Maintain our balance sheet and finance our projects
- Continuously update our tactics and strategy based on the swift changes of the market

At the same time, we will:

- Recover carbon black, oil and steel from tyres
- Further improve our technology regarding sustainability
- Identify new customers, customer groups and usage areas for our products, globally
- Sell our current and future products globally
- Administrate our staff, plants and stock exchange listing

Enviro is a relatively small company where all available competencies, not only management and other employees, but also the board of the company, need to be involved in solving these strategic assignments.

ALF BLOMQVIST CHAIRMAN OF THE BOARD

HISTORY

1994

The CFC process “Carbonize by Forced Convection” is invented by Bengt-Sture Ershag.

1998

A first patent application is submitted and work to build a pilot plant begins.

2000

Swedish method patent granted “Process for the recovery of carbon and hydrocarbon compounds from polymetric material, preferably in the form of ELT tyres, by pyrolysis reactor”. The patent is referred to as CFC as described above. The CFC technology is patented in 19 countries.

2001

Enviro is established as a company and registered with the Swedish Companies Registration Office.

2005–2010

The company builds six pilot plants of different sizes. The work on further developing the technology results in a patent application in 2006 for a second patent with the title, “Plant for the recovery of carbon and hydrocarbon compounds by pyrolysis”, which was granted in 2009. The patent is called EHD “Enhanced Heat Distribution”. In 2006 and 2008, Enviro completed two new issues and raised additional capital in 2009 through a targeted issue.

2013

The construction of the factory in Åsensbruk through the subsidiary, Tyre Recycling in Sweden AB, is completed, and tests commenced in the full-scale plant which functions as a production and demonstration plant. Discussions begin with potential customers in Sweden, the United States, Poland, Great Britain, Chile, Russia, South Africa and China for deliveries of plants with a capacity of approximately 30,000 tonnes of ELT tyres per year.

2014

The commercialization phase for Åsensbruk is initiated, and Enviro offers a public issue and is listed on Nasdaq First North in June of 2014. Cooperation agreement signed with AnVa Polytech.

2015

An agreement is signed with Stena Recycling for deliveries of oil from Åsensbruk. The Nordic Project Fund (Nopef) provides financial support for investigating market establishment in Chile. A declaration of intent is signed during the year with a Chinese customer for the sale of a plant, without reaching a final agreement. The Swedish and international patent application is submitted for APR, “Arrangement and Process for Recycling”, which, according to Enviro’s assessment, reinforces the earlier EHD patent through an improved distribution of the gas in the reactor.

2016

In February 2016, Enviro signs a supply agreement with AnVa Polytech for deliveries of carbon black to the company’s production of chassis plugs for Volvo Cars. This is done after Enviro has demonstrated that its recovered carbon black greatly reduces the product’s environmental impact. King Carl XVI Gustaf visits the plant in Åsensbruk on April 6. In August 2016, the Chilean government grants project support of just over one million Swedish crowns to develop a modelling tool for designing plants, Basic Design, together with a reseller.

2017

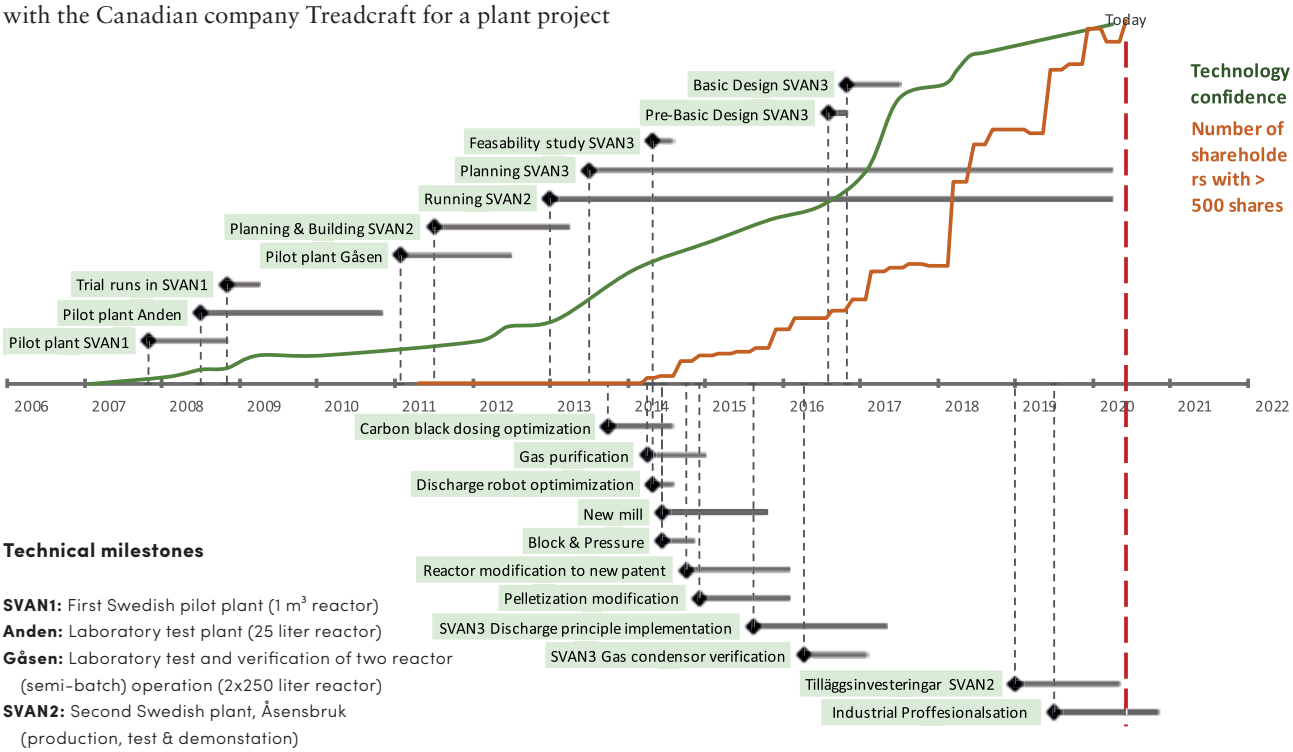
In January, EUIPO registers and approves a EUIPO trademark, EnviroCB, for the sale of carbon black on a larger scale. In February, after extensive testing, an international tyre manufacturer gives a positive review regarding the quality of the material. A new sales manager with an international focus is recruited. The pipe manufacturer, Alvenius, buys components containing Enviro's carbon black for its pipe production. In April, Volvo Cars' purchases of chassis plugs increase while Enviro's recovered oil is approved as a fuel in Wärtsilä's power plant. In July, Enviro launches its Basic Design for complete recycling plants. This enables the company to offer a commercially accepted material, a patented technology and an effective tool for presenting and implementing construction projects.

2018

In January, Hexpol's subsidiary in Sri Lanka placed an order for Enviro's recovered materials. Enviro celebrated 50 million components delivered to Volvo Cars. In May, an additional MoU was signed for a plant for 30,000 tonnes of tyres per year, now with the Danish Company WindSpace A/S. During the summer, a MoU was signed with the Canadian company Treadcraft for a plant project of the same size in Niagara Falls, USA. Enviro begins an attempt to recover discarded carbon fibre from the aviation industry through pyrolysis. The share owners decided on a preferential issue that brought the company about SEK 84.5 million before issue costs.

2019

In February, Elysium ApS, the company's partner in Denmark, signed a leasing contract for a plant grounds in Denmark. In March, Enviro reported that the production of recovered carbon black reduces the CO_2 footprint by more than 80% compared with production of virgin carbon black. In June, Enviro received their largest single order ever for recovered carbon black: Trelleborg Lanka placed an order for up to 180,000 EUR. In August and September, the company signed term sheets with American Treadcraft for delivery of a plant and a license agreement. In September, the previous year's issue relating to a warrants (TO_2) came due, which brought the company about SEK 48.6 million before issue costs. In September, Enviro could share a new project in cooperation with RISE, among others, with the purpose of converting the company's recovered oil to base oil products.



Technical milestones

SVAN1: First Swedish pilot plant (1 m^3 reactor)
Anden: Laboratory test plant (25 liter reactor)
Gåsen: Laboratory test and verification of two reactor (semi-batch) operation (2x250 liter reactor)
SVAN2: Second Swedish plant, Åsensbruk (production, test & demonstation)
SVAN3: Next generation plant (for sale)

CUSTOMER BENEFIT

Enviro's own recovery technology offers a significant customer benefit for operators within the tyre and rubber industry. Our technology offers our customers, not only solutions to important resource- and environment-related problems, but also income associated with the recovered materials.

Our customer's needs for a more effective management of end-of-life tyres coincides with the so-called producer responsibility that exists in many markets. In brief, this means that a tyre manufacturer is obligated to dispose of their products after they are discarded. For a long time, however, the manufacturers had few alternatives for this – a majority of all collected tyres were therefore either burned for fuel in industrial processes or ground up to granulate and used in the plant jobs. To burn or granulate tyres has negative effects on the environment, and at the same time means that volatile and valuable resources are wasted. Enviro's leading recovery technology offers a very attractive alternative to this.

Through our technology, tyre manufacturers have the possibility to recover carbon black, oil and steel – important raw materials for the manufacturing of new tyres and rubber parts. Thereby, the manufacturers reduce their environmental impact, while at the same time using the recovered material in their own processes or selling them and generating external income. There is a demand for the recovered material even outside of the tyre industry; suppliers of virgin carbon black are interested in carbon black, and the oil has become increasingly more attractive to oil companies.

The recovered oil can be used for a long list of applications and, when it replaces fossil oil it contributes to reducing climate emissions, thanks to its high bio-content. The recovered carbon black also has clear advantages from a climate perspective. Rubber that is manufactured from carbon black which has been recovered through Enviro's method provides between 79 and 84 percent lower carbon dioxide emission compared to the use of virgin carbon black, according to a life cycle assessment done by the Swedish Environmental Institute IVL. The recovered steel has a wide network of customers within many industries.

The large tyre manufacturers have, during the past year, noticed the advantages with recovered carbon black and several of them have announced plans to significantly increase their use of it.

Trends affecting future supply of tires are regulation, more vehicles globally and environmental focus

SUPPLY OF VEHICLES

- The number of passenger cars is expected to increase with 3.1% per year 2016–2024 globally
  - All regions are expected to grow but strongest growth will be in developing markets
- Growth in vehicle fleets is estimated to drive the sales of tyres as well as the quantity of end-of-life tyres

REGULATION

- Regulation concerning handling of end-of-life tyres has become stricter during recent years globally
  - This trend, with stricter regulations, is expected to continue in the future too
- For example, disposing tyres in a landfill is forbidden in the EU since 2003
- Trend is present both in mature economies and in emerging economies such as China and India

LIFE CYCLE AND ENVIRONMENT

- Increased focus on material life cycle and the environment is a clear global trend
- In EU, countries are encouraged to follow a waste management hierarchy where recovery is better than disposal of waste
- Tyre and rubber producers can both be forced under producer responsibility rules to ensure that ELT volumes are managed and see a strategic value in controlling the output material

POSITIVE TREND/DRIVER

Careful quality checks are done for each individual batch of recovered carbon black.

THE BUSINESS MODEL

As mentioned earlier, Enviro has decided to change the previous business model, which consisted purely of sales to plants. The business model now also includes partial ownership of the plants that the company will construct. Through a partial ownership, Enviro has a better possibility to take care of the operation of the plants and thereby also the quality of the recovered products, which is necessary for stable and profitable sales, both of the recovered carbon black and of the oil. The good income that these recovery plants are able to create, will make it possible to achieve a sustainable cash flow, as opposed to the one time income that generally is the result of a pure plant sale.

Enviro's 5 main sources of revenue

1. Returns on profit shares from plants that the company either completely or partially owns and operates.
2. Revenue from sold plants and components.
3. Royalties from sold plants for Enviro's patented technology.
4. Revenue from the sale of recovered materials.
5. Revenue for consulting services in design, training, installation, maintenance, etc. for sold plants.

Possible partnerships in the new business model

Enviro seeks long-term partnerships with the plants; preferably partnerships that add value upstream or downstream in the value chain.

Processes are ongoing with recycling companies that have access to the quantities and types of tyres that are needed to recover the carbon black that customers demand, examples of which are the players in the US.

Another very interesting solution is to create partnerships downstream in the value chain with players that are connected to the outlets for the plants' products. This may, for example, be about connecting with tyre and rubber manufacturers or players in the petrochemical industry. We are seeing an interest from these types of actors, and discussions have been initiated.

Dialogues are also underway with financial actors who have a positive view of the profitability and return generated through Enviro's technology and the rapidly growing mega-trend around sustainability and material recycling.

Principles for collaboration

For a technological driven company with a size of Enviro's it is of utmost importance to select the right partners to establish and operate larger plants. In connection with the selections that the company is facing, Enviro has defined 8 principles, which will shield the interests of the company both short and long term. These principles will be indicative for our selection of our partnerships.

1. Freedom to operate our business:

We need to make sure that individual business relationships do not limit us from development of new future business at alternative locations and with alternative partners.

2. Scalability:

We need to have the possibility to let our business grow by using a reasonably consistent and reproducible model without having to "reinvent the wheel" for each future project.

3. Own our technology:

It is very important to us that we, freely and without any restrictions, are able to deploy our technologies as we grow our business.

4. Control over quality and go-to-market pricing:

We need to ensure that our products are up to requested standard and quality in parallel with that volumes can be delivered to the market in such structured way that optimal pricing is achieved.

5. Profitability:

We have a responsibility to our shareholders to ensure a sustainable profitability, continuous development and securing of a high quality.

6. Optimizing our bandwith:

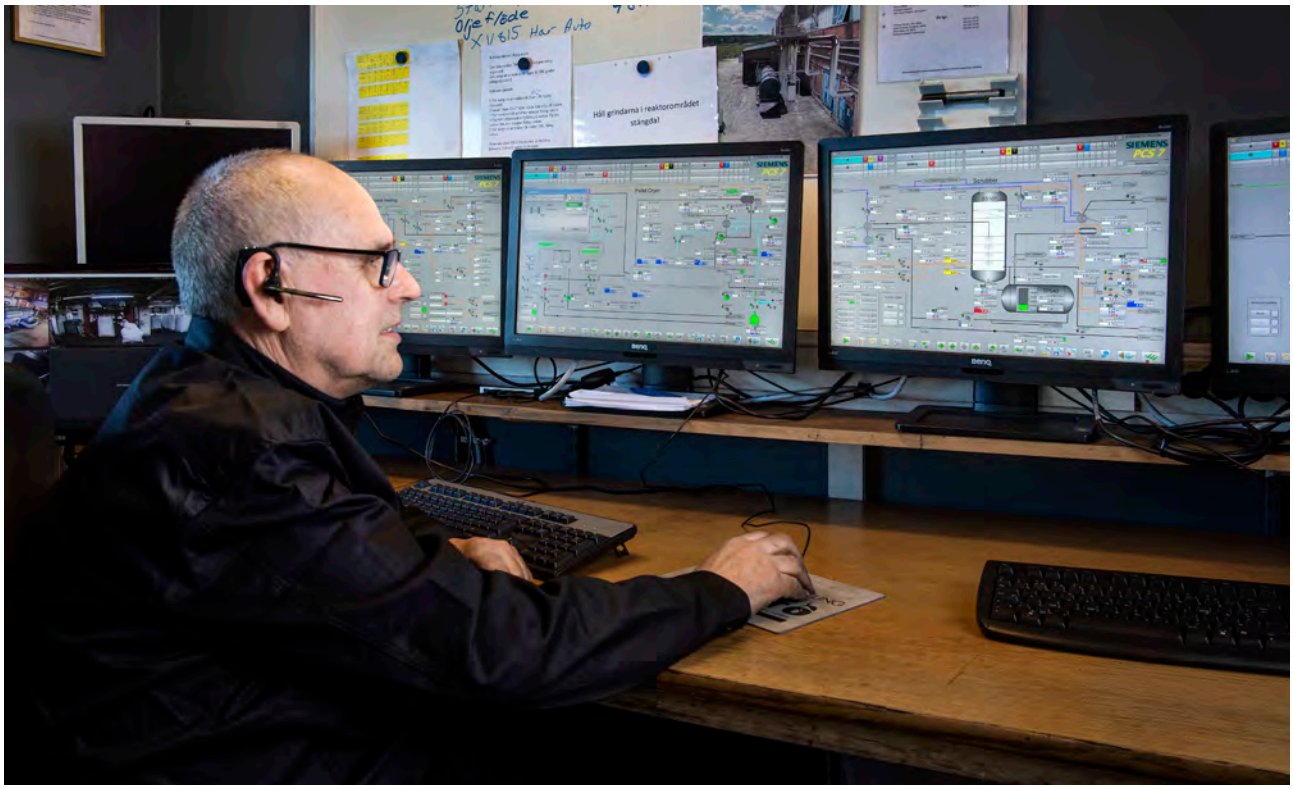
Even as we are fortunate enough to have a number of opportunities, we are still a relatively small company with limited resources so we need to prioritize our projects thoroughly.

7. Transparency:

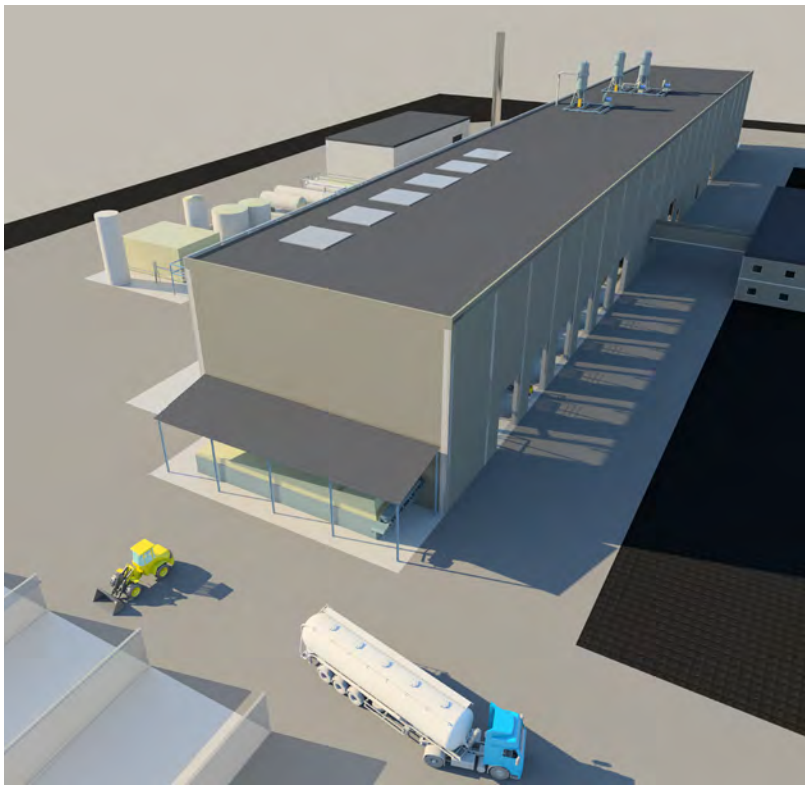
As a listed company that has elected to expand its technology together with strategically fitting partners, it is important for our development that we are allowed to be transparent in regards to our partnerships and the contents of these.

8. Financial structure:

As a somewhat smaller company the financial structure is vital to us. This requires a solid financial structure together with our strategically fitting partners.



Careful monitoring of Enviro's pyrolysis process from the control room.



3D-image of a plant designed to recover 30,000 tonnes of end-of-life tyres per year.

Module-based recovery plants

Enviro's pyrolysis process is module based, which means that each complete module's functionality and capacity are verified. Expressed simply, a complete module consists of a reactor module and a condenser module. These are installed and tested in container modules before delivery on site. Each module has a capacity of 6,000 tonnes End-of-Life-Tyres per year. A complete plant, in a standard practice, can be scaled up or down between 18,000, 24,000 or 30,000 tonnes.

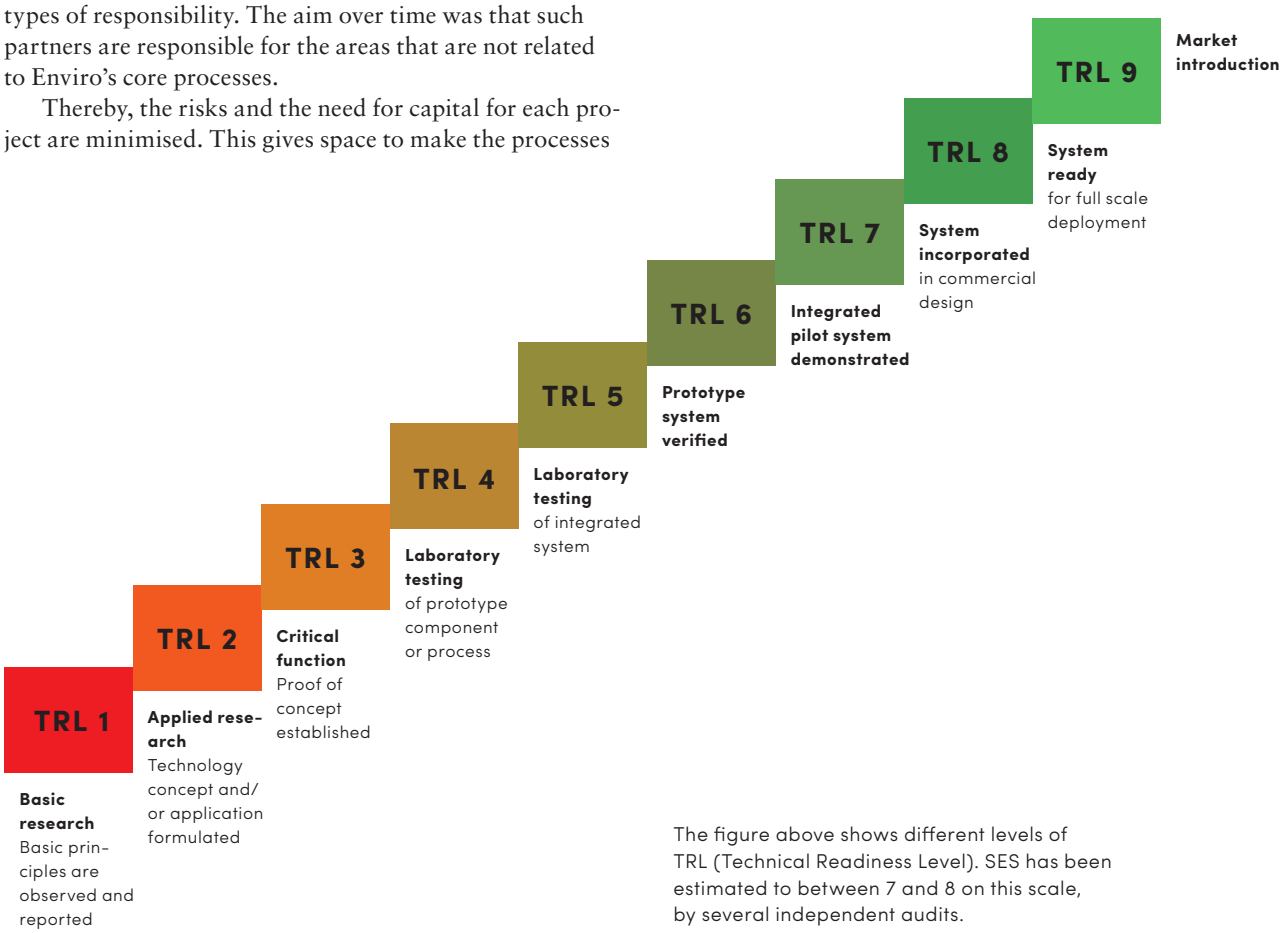
The project time to construct a plant is estimated to be 18–24 months from the start of the project.

MANAGEMENT OF PARALLEL PROJECTS

To be able to deliver a project at the pace and scope that is planned, Enviro has established collaborations with partners within project execution, for distributing different types of responsibility. The aim over time was that such partners are responsible for the areas that are not related to Enviro's core processes.

Thereby, the risks and the need for capital for each project are minimised. This gives space to make the processes that are more closely related to the core activity and where Enviro generates the most value, more efficient. This also means that the company in the future can work toward series manufacturing of equipment for the main process and through increased efficiency increase profitability around the plant deliveries. Dialogues are ongoing with Swedish and International partners regarding the commitment of responsibility and delivery primarily according to the EPS principle (Engineering, Procurement, Supervision).

These structures and methods make it possible for Enviro to manage parallel projects, though with a time-related difference between the start of the different projects of between 6 months to one year.



The figure above shows different levels of TRL (Technical Readiness Level). SES has been estimated to between 7 and 8 on this scale, by several independent audits.

MARKET OVERVIEW

RECOVERY OF VALUABLE RAW MATERIALS

Material recovery through pyrolysis from end-of-life tyres yields four valuable resources that divide into approximately 30 percent carbon black, 50 percent oil, 10 percent steel and 10 percent gas. In Enviro's plants, carbon black represents up to 80 percent of the sales value and oil represents about 15 percent, however the balance is expected to change as the interest in oil with a high bio-content increases. The total added value thereby, is expected to rise over time. Enviro's pyrolysis technology provides a higher and more even quality for carbon black and oil than what was possible previously through traditional pyrolysis. This means that the monetary value, in combination with the substantial sustainability advantages generated by both carbon black and oil, further increase the attractiveness of Enviro's technology.

CARBON BLACK GENERAL

Traditionally, carbon black was manufactured from fossil resources and used for its characteristics as a strengthening and fill material, mainly in rubber products. To a large extent, all material that is black contains carbon black in some form, often up to 30 percent of the material's total volume. The tyre industry is the largest consumer, with nearly 11 million tonnes per year being consumed, which is more than 70% of the carbon black that is produced. Other applications are, for example, different types of rubber, plastic and pigment products including cosmetics. The volume for this global market is estimated to approximately 14 million tonnes in 2018 and its value is about 17 billion dollars for the same year. (Markets. business insider.com and https://www.grandviewresearch. com/). According to the independent analyst Pal Arjunan's estimate, the market will show an average annual growth in value (CAGR) of 8.8 percent until 2023, while the volume growth corresponds to a CAGR of 4.3 percent. Asia, with China and India, is responsible for the majority of the estimated increase in the production capacity for carbon black in the next five years. Several macro-economic forces support the development, clear examples of this are growth within vehicle fleets and significantly increasing restrictions in environmental legislation. The changes that now occur quickly within the oil industry are also expected to affect availability and prices for raw materials for carbon black. Uncertainties are great regarding how the effects of, for example, stricter regulation of sulphur in oil for marine use may affect the carbon black market both short and long term. Carbon black is traded globally but increased transportation costs, potential trade conflicts and COVID-19 affect how the supply is secured by users in the future.

CARBON BLACK WITH DIFFERENT CHARACTERISTICS

The market to produce virgin carbon black is consolidated to a smaller number of large producers. The leading actors have wide product portfolios with different types of carbon black with specific characteristics to meet different customer needs. In a tyre, for example, there are up to 8 different types of carbon black in different parts of the tyre. In varying ways, the actors develop characteristics and adapt the product to create competitive features and advantages. Several of them tend to gravitate toward special material in order to achieve greater profitability faster rather than material types of large volumes and lower profitability. It is primarily in the volume segment that recovered carbon black could replace up to 100% of the virgin carbon black in a series of applications. Depending on which type of end-of-life tyre and which parts of the tyre are used, a mixture of carbon black with varying characteristics can be recovered. By sorting different parts of the tyre, specific characteristics can be achieved that are relevant to particular applications, but also causes a larger amount of remaining waste. Since the raw material of a end-of-life tyre is significantly cheaper than the raw material for virgin carbon black, very good profitability can be created consistantly for the volume material from manufactures of recovered carbon black of high and even quality.

THE TYRE MARKET

In 2019, the production volume of tyres was estimated to be about 19.3 million tonnes, with a value of nearly 249 billion dollars. All tyre types are expected to have a continued increase until 2024. The growth is expected to be reduced in volume somewhat until 2024 (CAGR 4.0%–3.4%) but only marginally in value (3.5%–3.3%), in comparison to the years 2014 – 2019.

The above means that the quantity of end-of-life tyres that has to be managed will continue to increase, and the requirement for sustainable alternatives will become ever more relevant. The increase just between 2019 and 2024 corresponds to about 3 million tonnes of tyres.

A SUSTAINABLE ALTERNATIVE

For a long time, Enviro has communicated the large environmental advantages and customer benefits of using recovered material in the tyre and rubber industry. During the past year, the industry has finally recognised this and begun its transition. Within solid tyres, Enviro material is already used. Several of the tyre manufacturers have communicated clear goals regarding the use of recovered material and some of them are also transparent with the initial volumes. Enviro's LCA (Life Cycle Assessment) shows that by replacing virgin fossil fuel produced carbon black with recovered carbon black from Enviro, the CO_2 impact is reduced by about 80%. This type of reduced environmental impact has become even more attractive to the tyre and rubber industry.

- Continental (Germany) has set the goal of increasing the recovered material in new tyre production to 10 percent before 2025 in their sustainability report. They have also in 2019 communicated that they will, additionally, purchase recovered carbon black mainly from at least one official actor, Pyrolyx in the USA.
- Michelin (France) has a goal of using at least 30 percent recovered material in 2020 in their tyre production. The ambition for 2048 is that 100 percent of the tyre will be recovered and that 80 percent of the contents of the tyre will be manufactured.
- Bridgestone (Japan) has set a goal in their environmental report that they, by 2050, will work toward the use of 100 percent sustainable material in their production. Through their part ownership in Delta Energy Group LLC they have access to recovered carbon black in increasing amounts, which was publicised in 2019.

The volumes of recovered carbon black that are in demand are modest in comparison to the volumes of virgin carbon black. The patterns are, however, obvious: leading tyre manufacturers are a driving force in working toward the implementation of more sustainable materials and recovered carbon black is definitely one of the most important ones, thanks to its good characteristics and its significant environmental advantages.

OIL

One of the resources that is recovered through Enviro's technology is oil. This comprises of relatively large volumes on an annual basis, and the sales of oil are an important source of income for a plant. About 50 percent of the weight in tyre materials is recovered for oil which in a smaller portion is used as an energy source for the process, while the remainder is a commercial product that is sold on the market. The pyrolysis oil from end-of-life tyres has certain characteristics that make it interesting as a replacement for fossil oil, both in combustion applications and as an additive in fuel, such as diesel. Last year, the interest increased in more circular usage areas in base oil and other chemicals. Tests using the oil as both fuel and a raw material in the manufacturing of carbon black have been conducted together with actors within the carbon black industry. The usage areas are expected to grow as a part of the efforts to replace fossil resources in these areas, for sustainability and resource reasons.

The total energy requirements that are expected to be covered by oil are estimated to increase globally by 7.3 million barrels per day, from 97.2 million barrels per day in 2017 to 104.5 million barrels per day during 2023. Nearly 95 percent of the growth is ascribed to emerging countries like China and India.* According to OPEC's predictions, oil retains its place as the leading energy source until 2040 and it is predicted to then represent approximately 28 percent of the total energy needs. Despite the relatively low growth rates for fossil fuel until then, it is predicted that oil, carbon and gas represent about 75 percent of the total energy source at the time, a reduction of only 6 percent since 2015.** The new global regulations to limit the content of sulphur in bunker oil to 0.5 percent that take force in 2020, are expected to cause significant changes for petroleum-related industries. During 2020, the production

*Source: OPEC, www.OPEC.org
**Source: OPEC, World Oil Outlook 2018 Executive Summary

Enviro's recovered oil.

is expected to reduce somewhat, to facilitate adjusting to the new requirements, and then quickly increase again thereafter. The regulation is expected to not only affect production of bunker oil, which is a very large part of the total consumption, but also other products further down the scale, such as carbon black and polymers. The need for alternative raw materials, such as bio-based oil and gas and recovered oil is expected to increase as an effect of the aforementioned development.

STEEL

The global steel production (Crude steel) increased in 2018 to 1816 million tonnes, the figure in 2017 was about 1732 million tonnes according to World Steel Association's (WSA) calculations. It can be noted that USA, China, India and Vietnam increased steel consumption the most. In EU, the production reduced during 2018 after an increase during 2017. The Price for steel scrap correlates with the demand for raw steel. Infrastructure projects in developing countries are the primary source for increased demand.

COMPETITORS

Enviro's competitive landscape is a complex mixture of existing material suppliers of carbon black, oil and steel, as well as recover technology, competing technologies within pyrolysis and newly developed materials. The following are the most relevant competing recovery options:

No recovery at all: In some markets, where laws and regulations permit it, no recovery occurs at all, which means that tyres are dumped locally in more or less randomly selected places.

Enviro's recovered steel.

"Reuse": The end-of-life tyres are used in agriculture, on competition tracks, in playgrounds or in harbours.

Landfill: This occurs in countries where this is allowed. Within EU, there has since 2003 been a ban on dumping in landfills.

Incineration: Whole or most often parts of tyres are burned to produce energy. The majority of all end-of-life tyres are incinerated. Energy recovery will probably for some time continue to be the main recovery method in large parts of the world, because of the large volumes.

Granulation: The tyres are cut up and released from steel and fibre before they are granulated into different particle sizes. The particles are able to serve as different types of shock dampening products, such as running tracks or pads for playgrounds. They are also often used in loose form on artificial football fields and in equestrian sports. The particles, if not handled correctly, can spread to the environment and accumulate over time as sediment in waterways and similar places.

Rethread: A solution that provides an extended life cycle for truck and bus tyres and is used globally. The tyre can be rethreaded at most three or four times, however not all tyres, depending on wear and tear. The method does therefore not provide a final solution for a circular network.

Cryo-technology: The tyre is frozen and thereafter broken down into small particles. The particles can be used in tyres and other rubber applications. It is, however, a relatively expensive process. Since the particles consist of an entire rubber fragment from the recovered tyres, the stability of the raw materials is uncertain.

Devulcanisation: This process means that the sulphur in the rubber is removed, which makes it possible to again vulcanise the product. Since the particles consist of entire fragments of rubber from the recovered tyres, this method produces uncertainty regarding variations in the raw materials. Consequently, rubber waste from production provides greater opportunities to achieve stable quality.

There are multiple actors who work with pyrolysis of tyres. Of these, there are still a limited number who have the ability to manufacture high quality carbon black. Among these few actors such as Pyrolyx (Germany, currently putting a plant in operation in USA), Delta Energy (USA), Bolder Industries (USA) and Black Bear (The Netherlands) can be mentioned.

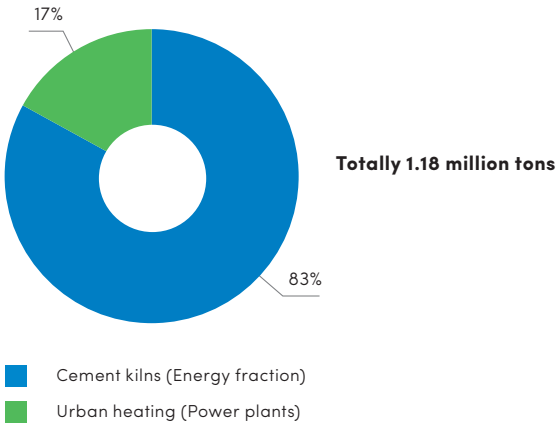
RECOVERY OF TYRES

The European organisation ETRMA (European Tyre and Rubber Manufacturers Association), which consists of representatives from the largest tyre manufacturers, measures and reports regularly to The EU regarding the increased responsibility of manufacturers. The latest numbers from ETRMA show that 92 percent of all tyres that are put on the market within EU, Norway, Switzerland, Serbia and Turkey are recovered. What happens with the remaining 8 percent has not been possible to determine. The numbers indicate that about 1.95 million tonnes of tyre material, mainly rubber, steel and a small amount of textile fibres, were recovered during 2017. Last year, the rate of recovery fluctuated between 93 and 95 percent, according to ETRMA. Recovery means, according to ETRMA's definition, all the options described below.

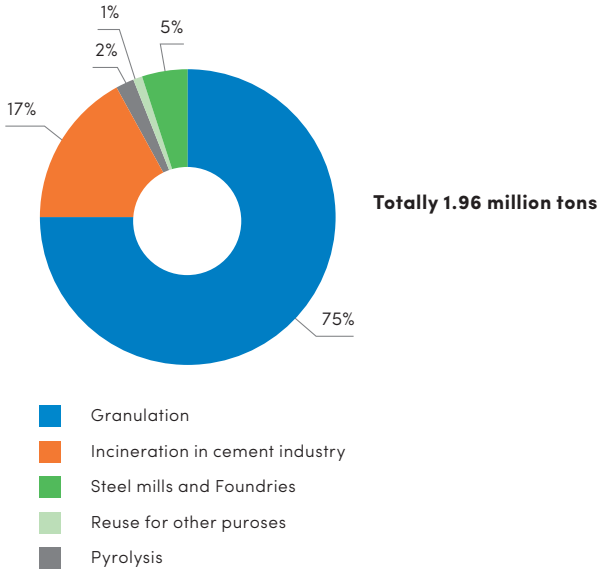
In the numbers approximately 1.47 million tonnes of granulated material (rubber, steel and textiles) are included. An additional 326,000 tonnes have been recovered for energy in the cement industry, about 105,000 tonnes have been recovered within ground plants and a smaller portion through pyrolysis, or energy recovery in steel work, foundries and other industries.

In Sweden, SDAB (Swedish Tyre Recovery AB), which is the tyre manufacturers' organisation for locally managing the responsibility of the manufacturer, reports that about 95,000 tonnes of tyres are recovered per year. Ragn-Sells, who holds the contract with SDAB for collection and recovery, reports that 59% of the tyre material in Sweden is recovered for energy and about 34 percent is recovered for materials, such as granulation.

Energy recovery of ELT´s (2017)
Europe (EU28 + Norway, Switzerland and Turkey)



Material recovery ELT's (2017)
Europe (EU28 + Norway, Switzerland and Turkey)



The diagram shows statistics from 2017 collected by ETRMA (European Tyre and Rubber Manufacturers' Association https://www.etrma.org/), based on reports from countries within EU(and Norway, Switzerland and Turkey.)

ENVIRONMENTAL IMPACT

END-OF-LIFE TYRES – A GLOBAL ENVIRONMENTAL PROBLEM

Each year, about 17 million tonnes of tyres* are discarded, which in some way has to be taken care of. The majority is put in landfills, but the associated risks are becoming more noticeable–it has, among other things, to do with the risk of long-lasting fires that produce poisonous smoke and can be difficult to extinguish, but also includes the risk of water collection points that become attractive breeding grounds for mosquitoes. Consequently, The World Health Organisation (WHO) classifies tyre landfills as potential risk zones for infectious diseases, such as yellow fever and malaria. Other types of pests are also attracted to landfills. This increased attention has led to both a prohibition in most countries of landfill below ground and at sea as well as plans for cleaning of existing sites.

For the tyre industry a so-called producer responsibility has been applied, which means that the industry have to manage their own products when they are discarded. This has occurred through national industry organisations or on the free market, and in exceptional circumstances through the authorities' care. To achieve the best possible degree of resource efficiency, the so-called waste hierarchy is used within the EU to describe different methods for this management, including its advantages and disadvantages. One of the methods that the waste hierarchy describes which is of low value, is the incineration of all or parts of tyres for energy manufacturing. The cement industry is one of the actors who welcomed this possibility and began to use tyres as an energy source in their processes. For the environmental consequences of such use to be acceptable, access to appropriate filtration equipment is required.

Granulating, or shredding, of tyres with the purpose to create filling material in construction work, is another management method that has grown quickly, and today nearly half of all end-of-life tyres within EU end up as granulate. From the granulate business, a completely new industry has emerged, which covers both suppliers of equipment and services such as production and sales of granulate. In order to increase the usage area, equipment has been developed that can handle different types of tyres and produce different sizes of granulate. Among the main usage areas for granulate are construction of artificial football fields, running tracks and as pads for playgrounds. Granulate is also used to create different types of cast rubber components.

In line with the ever-greater attention to environmental problems, and excessive use of the earth's resources, the requirements and expectations for a more effective and resource-efficient recovery have increased. The expanded use of granulate has been criticised from an environmental perspective, since it is reported that the granulate may be affecting the groundwater. IVL Swedish Environment Institute has therefore suggested a series of actions to reduce the spread. The tyre and rubber industry is aware that more sustainable alternatives are important for the future, which has brought a growing interest for increased material recovery and increased use of recovered carbon black in rubber manufacturing. In turn, this has led to a significantly increased interest from the industry for Enviro and its leading method for tyre recovery.

* Pal Arjunan 2016 The future of Carbon Black to 2023. UK: Smithers Rapra.

THE LIFE CYCLE ASSESSMENT SHOWS A SIGNIFICANT REDUCTION OF CO2 EMISSIONS

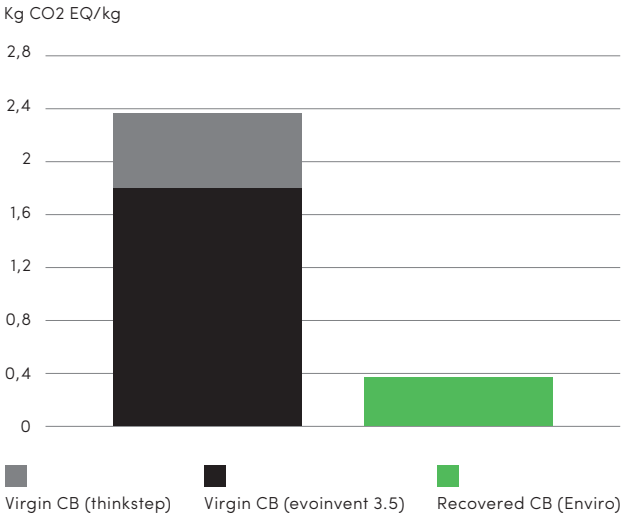
IVL Swedish Environment Institute, together with Enviro, have conducted a life cycle assessment, LCA, of the recovered material that is extracted with Enviro's pyrolysis technology. The aim is to provide a complete picture of the material's environmental effects. The results show that the manufacturing of rubber with carbon black that has been recovered with Enviro's method instead of using virgin carbon black, reduces the total climate impact of CO_2 emissions by 79 – 84 percent. Thereby, Enviro's recovered carbon black provides the tyre and rubber industry access to circular material that significantly reduces the global environmental impact. The other recovered material from tyres, such as oil, steel and gas cause reduced emissions of greenhouse gases.

An example: The 9,000 tonnes of recovered carbon black that an Enviro plant produces in one year replaces virgin carbon black, reducing the emissions of greenhouse gases by a total of 12,900 – 18,000 tonnes. This corresponds to over 40,000 flights from Stockholm to New York one way. In addition, there are reductions in emissions related to recovered oil, gas and steel.

Stricter environmental regulations, producer responsibility and a globally ongoing movement toward more sustainable production causes an increased interest in Enviro's recovered material and Enviro's plant concept

Global Warming Potential, GWP, is an index that compares the greenhouse effect of greenhouse gasses on a common scale with that of carbon dioxide (CO_2). The diagram shows a comparison between virgin carbon black and Enviro's recovered carbon relating to CO_2 emissions. (Thinkstep and Ecoinvent 35 are two different global databases for LCA data connected to specific trade goods, which in this case is virgin carbon black for rubber applications.)

Global Warming Potential (GWP100), Carbon black



The diagram shows a comparison between virgin CB and Enviro's rCB regarding CO2 emissions. Thinkstep and Ecoinvent 3.5 are two different global databases for LCA-data connected to specific trade goods that both, in this case, are virgin CB for rubber applications.

RESEARCH & DEVELOPMENT

Careful control of the recovered carbon black's "surface" which is an important part of its characteristics.

CARBON BLACK

Together with several tyre and rubber manufacturers, the company continues to develop carbon black that meets the different requirements of the market. Enviro focuses on adding its recovered carbon black to new types of rubber applications. For example, during the past 12-month period, two international producers of solid tyres, Hexpol and Trelleborg, now use our recovered carbon black in their tyre production.

A project in which Enviro participates aims at evaluating a very controlled type of rubber waste (only a fraction of virgin carbon black and a polymer type). Initial laboratory tests indicate a potentially very interesting recovered carbon black that has a significantly higher surface area (BET) and very low ash content. The global volume of this rubber waste is very large and is localised partly at production sites, but also in even larger volumes where the final product is used. The oil that is recovered from this rubber waste is also quite interesting, from a quantity stand-point and bio-content, but also in relation to other chemicals not present, compared with Enviro's normal feedstock (end-of-life-tyres).

To continually improve the production, Enviro develops support processes that optimise the efficiency.

OIL

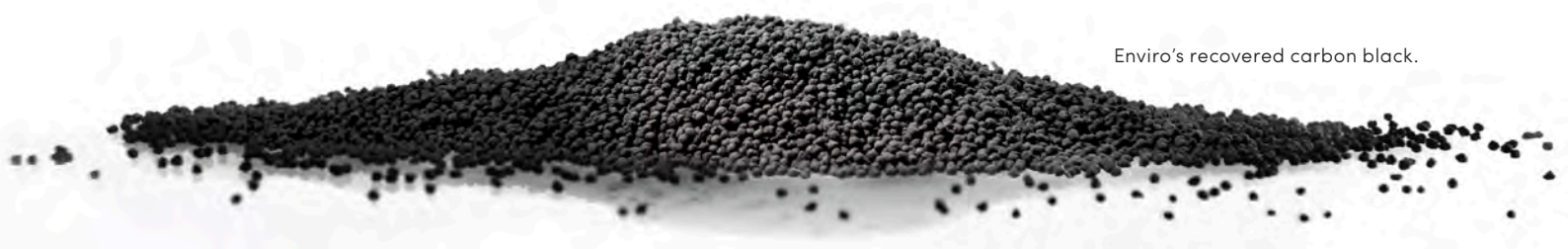
During November 2019, a development project started regarding Enviro's recovered oil. The project is led by RISE (Research Institutes of Sweden AB) and also has Nynas AB and Enviro as participants. The project is a continuation of the project that was operated by RISE, Enviro and Ragn-Sells with support of Vinnova regarding Enviro's oil. This project concluded that it is possible to blend Enviro's recovered oil in fuel such as diesel. In November 2019, the continuation project started, aimed at further developing manufacturing processes where fractions of pyrolysis oil is converted to base oil products, such as lubricants and process oils. Ongoing assessments in the project show that the oil continues to be very interesting. Several distillations have now been completed with RISE, and the distillates are now sent to Nynas for further analysis and tests.

CARBON FIBRE

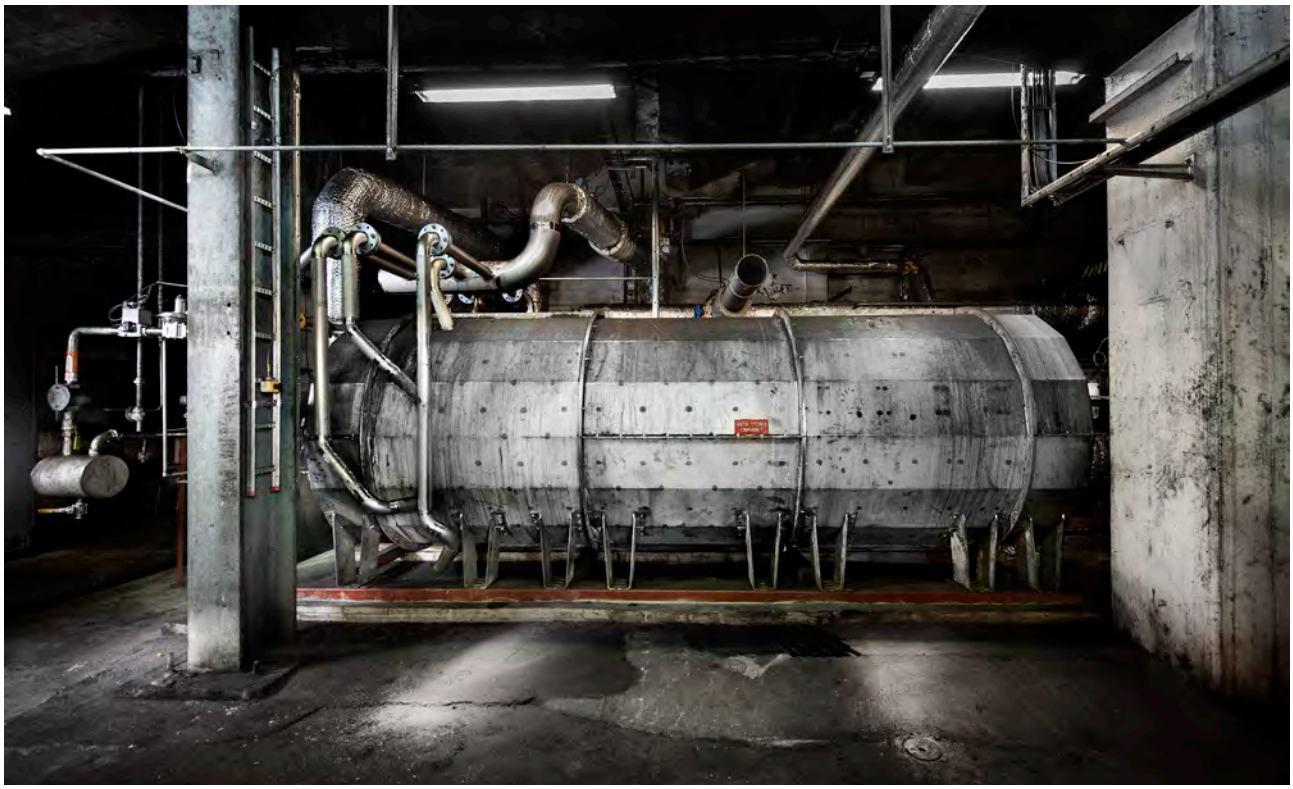
Together with RISE, Enviro participates in a research project that aims at recovering pure carbon fibre material from composite materials. Enviro's technology for recovery from end-of-life tyres is used in the trial, which indicates that the material can be used for commercial purposes. Ongoing projects evaluate important characteristics of recovered carbon fibre (longer fibres, not micronised), such as maximum load, tensile strength and modulus of elasticity. Potentially necessary post-processing will also be discussed and evaluated.

The vehicle industry's interest in light, but strong material grows quickly. Components of carbon fibre reduces the weight of a vehicle without negatively affecting tensile strength, and light components with carbon fibre material in vehicles are expected to increase in the future.

The next steps in the research project are additional tests and to develop the material with commercialisation as a goal.



Enviro's recovered carbon black.



The company's new combustion chamber for the pyrolysis process.

The company's gas tank is designed to even out the need for gas during the process.

THE PLANT IN ÅSENSBRUK

Enviro operates its plant in Åsensbruk with the following main purposes:

1. To produce and sell recovered material from the plant
2. To be able to show that the company's technology works
3. To conduct tests with pyrolysis of different types of tyres, other rubber and occasionally other material like, for example, carbon fibre.

Enviro has long-term and systematically worked with strategic customers to establish recovered carbon black in applications within the rubber industry. During the past year, interest has increased noticably. The higher demand requires increased availability, partly short-term in the Swedish plant in Åsensbruk, partly in the future plants. During 2019, sales of recovered carbon black to Volvo Car's subcontractor AnVa Polytech AB have continued at an undiminishing rate, intended for rubber components for company's entire production of new personal vehicles. In addition, recovered carbon black was also sold to tyre manufacturers such as Hexpol and Trelleborg.

During the last year, interest has also increased significantly for Enviro's recovered oil, including from several large refining and oil companies. It has been found that Enviro's oil can be mixed and used in fuel, such as diesel. It is currently being investigated if Enviro's oil can be used for different base oil products. Approximately half of the valuable material that is recovered from end-of-life tyres is oil, which means that this component is commercially excellent.

In Åsensbruk, availability in both capacity and through operating optimisation has been increased. The objective with the investments is to meet the increasing demand with continued high quality and delivery security. The investments, which were approximately SEK 10 million during 2019, can be divided into the following main categories:

1. Investments that are intended to increase robustness and operating stability
2. Investments that are intended to increase efficiency and capacity
3. Investments that are intended to verify the technology for future plants
4. Investments that are intended for an updated environmental permit

Investments that are intended to increase robustness and operating stability

These include, among other things, a new combustion chamber, a new combustion burner oil/gas and a new tube heat exchanger for the pyrolysis process for efficient heating of pyrolysis gas using the flue gasses from the burner.

Investments that are intended to increase efficiency and capacity

This includes investments in improvements in separating carbon and steel after the pyrolysis process, an improved purging process (exchange of oxygen with nitrogen in the process) and also improvement of the cooling process after heating the tyre material.

Investments that are intended to verify the technology for future plants

This includes a new burner for heating, which makes it possible to not only use the gas released in the process, but also the recovered oil as an energy source, and thereby replace more expensively purchased LPG gas. It also enables a more effective and safer cleaning of flue gasses that are produced primarily in connection with the pelletising of carbon black.

Investments that are intended for an updated environmental permit

This includes measurement instruments and follow-up systems for analysis and reporting to the related authorities.

Since these additional investments have been done, the plant is expected to have an annual capacity of about 5,500 tonnes of end-of-life tyres per year, or about 1,600 tonnes of recovered carbon black per year.

To be able to use the increased technical capacity in its full, Enviro will during the year recruit operators to make possible an increased number of production shifts.

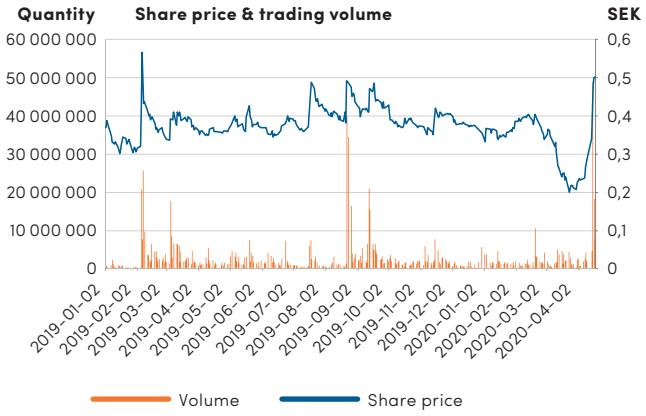
The plant in Åsensbruk seen from the neighbouring lake.

THE ENVIRO SHARE

Enviro's goal is to create a good risk-adjusted return for its shareholders in the long term.

TRADE AND NUMBER OF SHARES

Scandinavian Enviro Systems AB is listed for trade on Nasdaq First North Growth Market with the ticker symbol SES. Mangold Fondkommission AB is the Certified Adviser of the company. Total number of shares per December 31, 2019 was 464,660,892 (132,019,140). Each share entitles the holder to one vote at the Annual General Meeting. The shares are denominated in SEK and each share has a quota value of SEK 0.04. All shares are freely transferable.



SHARE PRICE DEVELOPMENT AND STOCK EXCHANGE VALUE

As of December 31, 2019, the last closing price for the share was SEK 0.354 (0.375) and the market value was SEK 164.5 (50.2) million. After final registration of the, during 2018, decided rights issue per February 7, 2019 the market value was SEK 147.6 million. The share price has fallen with 6 percent during 2019 while the share price has fallen with 86 percent during 2018. The market value has increased with 227 percent compared to last year and with 11 percent compared with the market value after the final registration of the rights issue in the beginning of 2019. During the year there were approximately 693 (343) million shares, which equals approximately 150 (260) percent of the average number of shares during the year.

CAPITAL CONTRIBUTION

During 2018 it was decided to conduct a rights issue. Final registration took place in February 2019. In connection with this warrants were included as an option, which each gave a right to subscribe a one share per unit to the shareholders that took part in the rights issue. Approximately 57 percent of the warrants were subscribed to in September 2019, which gave the company additional capital of around SEK 48.6 million before transaction costs.

ENVIRO'S OWNERS

Per December 30, 2019 Enviro had 4,715 (4,023) owners with more than 500 shares respectively. Enviro's biggest owner was Pegroco Invest AB. Other major owners were in descending order Försäkringsbolaget Avanza Pension, Nordnet Pensionsförsäkring AB, TAMT AB and Lennart Persson.

Share holders list per Dec 30, 2019

Total number of shares	**464 660 892**
Number of share owners with a possession of more than 500 shares	**4 715**

Share owner	Number of shares	Owner share %
Pegroco Invest AB (including Pegroco Holding AB)	36 321 908	7,78%
Försäkringsbolaget Avanza Pension	33 564 647	6,59%
Nordnet Pensionsförsäkring AB	18 409 313	4,53%
TAMT AB (including main owner)	15 439 646	4,05%
Lennart Persson	11 904 525	2,26%
Swedbank Försäkring AB	5 590 448	2,20%
Per Holmlund	5 280 000	2,08%
Conatum AB (including main owner)	4 800 649	2,02%
Leif Rydén	3 501 021	1,18%
Signera Holding AB (including main owner)	3 266 430	1,18%
Other share holders	326 582 305	66,12%
Total	**464 660 892**	**100%**

Source: Euroclear Sweden AB and information available to the company

Year	Event	Change number of shares	Total number of shares	Nominal share value, SEK	Changes in equity, SEK	Share capital, SEK
	Opening balance amount 2015		21 158 235	0,04		273 043
2015	Share rights issue	25 389 882	46 548 117	0,04	1 015 595	1 861 925
2016	Share rights issue	69 822 174	116 370 291	0,04	2 792 887	4 654 812
2018	Directed offset issues	15 648 849	132 019 140	0,04	625 954	5 280 766
2018-19	Share rights issue	211 230 624	343 249 764	0,04	8 449 225	13 729 991
2019	Warrants TO2	121 411 128	464 660 892	0,04	4 856 445	18 586 436

Picture from inside the plant in Åsensbruk, Dalsland.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

ALF BLOMQVIST (born 1956)
CHAIRMAN OF THE BOARD, board member since 2017. Studies at the Stockholm School of Economics. Alf has a background that includes a post as CEO of Ledstiernan, as head of Corporate Finance at Swedbank Markets and as head of Equity Capital Markets at Carnegie. Other relevant positions: Board member and Chairman of the Audit Committee of B3IT AB (publ.) Since 2012, member of the Market Council of Alternativa Aktiemarknaden since 2004, Board member of Blomqvist Unlimited AB since 1988, Board member of E14 Invest AB. Shareholdings: 1,547,714 shares. Independent to the company and its major owners.

JAN BRUZELIUS (born 1946)
BOARD MEMBER since 2018. Master of Science Economics & Business from the Stockholm School of Economics. Formerly President and CEO of IL Recycling AB. Former board member of Nord A/S, Denmark (EQT) and former board member of Norfolier Greentec A/S, Norway. Shareholdings: 1,000,000 shares. Independent to the company and its major owners.

PETER MÖLLER (born 1952)
BOARD MEMBER since 2017. Master of Science from Chalmers University of Technology and studies at Uppsala University. Peter has a background including posts as CEO and COO within the SAS Group, CEO of Atlas Copco Tool Division and COO in SAAB Automobil. Shareholdings: 135 542 shares. Independent to the company and its major owners.

BJÖRN OLAUSSON (born 1964)
BOARD MEMBER since 2019. Market Economist from IHM Business School. CEO at Elof Hansson International, board member of Elof Hansson Ltda (Brazil) and Paper Testing Instruments Gmbh (Austria), board member of Elof Hansson India Pte, previously Area Vice President, Sales, Asia & Pacific, Metso Fiber and Metso Power. Shareholdings: 93 368 shares. Independent to the company and its major owners.

LENNART PERSSON (born 1948)
BOARD MEMBER since 2001 and Chairman until 2011. M.Sc. from Lund University of Technology. Lennart is also a board member of BBI Basic Board Industries. Shareholdings: 11 904 525 aktier. Independent to the company and its major owners.

STEFAN TILK (born 1964)
BOARD MEMBER since 2015. MSc from Chalmers University of Technology and economic study at ESADE Business School. CEO in NEVS,previous CEO at Geveko and Elof Hansson Group. Previous Senior Vice President at Volvo Bus Coorporation. Board member of GAIS and chairman of the board at Fluicell. Shareholdings: 600 000 aktier. Independent to the company and its major owners.

GROUP MANAGEMENT, AUDITOR

GROUP MANAGEMENT

THOMAS SÖRENSSON (born 1976)
CEO since 2016. Market economist from IHM and education at Harvard Executive Education. Commenced an MBA at Heriot Watt University. Board member of Weester AB as well as the subsidiaries Tyre Recycling in Sweden AB, SES IP AB and BSIP AB. Thomas has a background among other as Export Director at Opus Equipment AB, General Manager at B&B Tools in Shanghai, China as well as board member of Swedish Chamber of Commerce in China. Shareholdings: 520 480 shares.

URBAN FOLCKER (born 1961)
CFO since 2016. Master of Science Economics & Business from Stockholm University. Chairman of the subsidiary Tyre Recycling in Sweden AB. Urban has a background as CFO for companies such as Svendborg Brakes A/S, Container Centralen A/S (Denmark) and Stago B.V. (Netherlands). Shareholdings: 1 098 041 shares.

OLOV ERSHAG (born 1984)
COO since 2017. MSc from Luleå University of Technology. Has been employed by the company since 2008. Shareholdings: 813 256 shares.

FREDRIK OLOFSSON (born 1971)
SALES MANAGER since 2017. MSc from Chalmers University of Technology. Fredrik has a background, among others, as Sales- and Quality Manager at Ulinco AB. Shareholdings: 66 100 shares.

AUDITOR

JOHAN PALMGREN (born 1974)
Johan Palmgren is a partner at PwC and an authorized auditor with about 20 years of experience working with listed companies in different industries, which include AB Volvo and Hexatronic Group AB. Shareholdings: 0

FINANCIAL REPORTS

DIRECTORS REPORT

INFORMATION ABOUT THE BUSINESS

The Board of Directors and the CEO of Scandinavian Enviro Systems AB (publ), Gothenburg, 556605-6726, hereby submits the annual report and consolidated financial statements for 2019.

THE COMPANY'S OPERATION

Business concept

Enviro develops, constructs, owns and operates plants for material recovery of valuable resources from end-of-life tyres for an international market. The company has developed a process, based on a patented technology, where heated tyres in an oxygen free environment allows the different materials from the tyres to be recovered without incineration. The valuable resources that are recovered via this unique technology are carbon black (char), oil, steel and gas.

Enviro's business concept is to develop, erect and operate recycling plants by establishing partnerships as a partial plant owner. The company has its own production plant in Åsensbruk, Dalsland, which also functions as a demonstration and test plant.

Business model

The company's business model is based on the following potential sources of income:

I. Returns on profit shares from plants that the company either completely or partially owns and operates
II. Income from sold plants and components
III. Royalties from sold plants using Enviro's patented technology.
IV. Income from the sale of recovered material
V. Income from consulting services for designing, training, installation, maintenance etc. for sold plants

THE BUSINESS

Enviro develops, builds, owns and operates plants for material recovery of valuable resources from end-of-life tyres in an international market. The company has developed a technology based on a patented technology, where heated tyre material in an oxygen-poor environment enables the material to be recovered without incineration. Therefore, an environmentally friendly recovery method is achieved, where the gas is used to operate the plant and the valuable resources carbon black, oil and steel are sold to market. The materials are used in new products, which helps the customers to reach sustainability targets as well as the need for fossil resources is reduced. Enviro, founded in 2001, has a main office in Gothenburg and operates a plant for recovery of discarded tyres in Åsensbruk. The company is listed for trade on Nasdaq First North Growth Market in Stockholm.

Enviro's pyrolysis technology provides higher and more even quality of carbon black and oil than what has previously been possible through traditional pyrolysis, which means that a larger portion of recovered carbon black can replace virgin carbon black. In addition to a process with a lower cost level, CO2 emission decrease of about 80 percent is achieved, compared with manufacturing of virgin products.

The company operates an industrial plant in Åsensbruk for commercial use that also allows customers to test the recovered products. The plant has a theoretical capacity of approximately 6,000 tonnes of end-of-life tyres per year and proves that recovered carbon black's quality is high and consistent on a commercial level. Part of the plant's capacity is used for tests of new material types and the development of our range of carbon black offerings.

In addition to increasingly tighter restrictions and increasing raw material prices for the production of virgin carbon black, Enviro believes that the market has experienced a paradigm shift where environmental awareness is spreading globally and is starting to have an impact on the industry. The demand for recovered carbon black is increasing significantly, which is in line with the increased demand for sustainably-produced, environmentally friendly products.

In spite of the increasing demand for carbon black, supply is expected to fall short of the growing demand in the next 5 years due to macroeconomic forces such as the growing vehicle industry, increasing environmental demands and a lack of production capacity.

Group structure

Enviro Group is comprised of the parent company, Scandinavian Enviro Systems AB (publ), with its registered office in Gothenburg, as well as three wholly-owned Swedish subsidiaries. The parent company's activities include, in addition to the sale of plants, group wide functions such as management, finance, techology and development.

THE COMPANY'S RESULTS AND FINANCIAL POSITION

The Group

Net revenue was SEK 1.1 (1.1) million. The Operating Profit was SEK -44.4 (-36.1) million and the results after tax is SEK -44.8 (-38.8) million.

The decreasing results compared to the previous year are explained by the following factors: Higher fixed costs in connection to legal and consulting support for future plant contracts, marketing costs and ongoing costs in connection with improvements to the plant in Åsensbruk of in total SEK 4.8 million. The personnel costs are about SEK 2.7 million higher than the previous year, primarily related to further employment, travel costs and staff returning from parental leave. The interest net is SEK 2.4 million lower due to all interest-bearing short-term loans from the parent company now being amortised.

The group's investments in fixed assets increased to SEK 11.0 (0.8) million. In addition, the company has paid a deposit of SEK 0.2 million in connection with a new rental contract. The investments consist of additional investments in the plant

in Åsensbruk and from patent application costs. The cash flow from the ongoing business after the investment business was SEK -42.0 (-25.8) million during the period. The reduction of the cash flow is related mainly to the decreased business results after adjustment of the business capital of SEK 6.0 million, and higher investments of SEK 10.2 million compared to the corresponding period in 2018. Liquid assets amounted to SEK 58.7 (24.9) million at the end of the period.

Final liquidity of about SEK 45.1 million for the preferential issue in November occurred in January 2019. In addition, a short-term loan from Pegroco Invest of SEK 12 million was amortised in January. In connection with this, the company has had company mortgages of SEK 12 million returned. Enviro received a capital contribution of approximately SEK 48.6 million gross in connection with the redemption of warrants (TO2) in September 2019.

Solidity was 90 (84) %.

The parent company

The parent company's net revenue was SEK 3.2 (3.2) million and results after financial posts was SEK -47.8 (-43.6) million. The entire gross revenue is for debited services to a subsidiary. The main reason for the decreasing results is that the company has higher fixed costs, mainly legal and consulting costs, which are SEK 4.1 million higher than the previous year, and personnel costs, which are SEK 1.9 million higher than the previous year and relate to personnel who returned from parental leave and travel costs. The interest net is SEK 2.0 million better thanks to all interest-bearing short-term loans being amortised. Investments in fixed assets were SEK 0.7 (0.4) million. The year's investments are mainly related to the company's patent.

Solidity was 97 (91) % at the end of the period.

Personnel

At the end of the year there were 20 (17) people employed in the group, of which 7 (7) were employed in the parent company.

Future outlook and financing

Enviro currently has long-lasting negotiations with potential partners in Denmark, USA, UAE etc. The expectations for 2020 are that, during the year, we sign a contract with a partner where Enviro will be part owner in a plant, designed for 30,000 tonnes of end-of-life tyres per year.

To ensure ongoing operations, future investment needs and participation in any joint ventures in connection with sales of plants, Enviro, has during the end of 2018 and the beginning of 2019, conducted a preferential issue that brought the company about SEK 84.5 million gross. In addition, the company has received about SEK 48.6 million gross in connection with a warrant (TO2), expiring in September 2019, which was a part of this issue. This issue has ensured that the company has working capital that covers a longer period than until the end of 2020. After the end of the period, the company has received additional capital of about SEK 32.5 million in connection with a directed new issue to Michelin Ventures S. A S. Financing in connection with plant sales with Enviro's part ownership will be an important matter.

MULTI-YEAR COMPARISON

The Group's economic development in summary.

	2019	2018	2017	2016	2015
EBITDA, KSEK	-31,716	-23,445	-23,844	-26,261	-24,335
Equity Ratio, %	90.0	83.6	80.7	82.9	81.0
Operating margin, %	neg	neg	neg	neg	neg
Return on capital employed, %	-25.5	-23.0	-23.7	-19.7	-16.0
Interest bearing liabilities, KSEK	7,112	22,280	19,656	21,418	25,954
Earnings per sharebefore dilution, SEK	-0.13	-0.32	-0.32	-0.49	-0.60

Key number definitions can be found in note 1

BUSINESSES OBLIGATED TO OBTAIN PERMITS OR REPORT ACCORDING TO THE ENVIRONMENTAL CODE

The company's subsidiary Tyre Recycling in Sweden AB operates a business obligated to obtain a permit/report according to the environmental code. The obligation to report/obtain a permit is for an environmental permit to operate the plant in Åsensbruk. The businesses obligated to report/obtain a permit corresponds to 100 % of the group's net revenue.

COVID-19

Currently, we have no indication of any decisive effect on the company, but due to the significant uncertainty and the ever-changing nature of the situation, it is impossible to predict how this will affect Enviro in the future. We do, however, realise that the events occurring as a consequence of the virus will have some effect on the company as well. During this sensitive, and in many ways challenging period time ahead, we carefully follow the development of news and are prepared to make any required adjustments.

SUGGESTIONS FOR RESULTS DISPOSITION

Free equity according to the balance sheet

	KSEK
Premium fund	376,814
Carried forward	-188,007
Profit/loss for the year	**-43,327**
	145,480

The board suggests that the unrestricted equity, SEK 145,480 thousand, is carried forward.

CONSOLIDATED INCOME STATEMENT

KSEK	Note	2019	2018
Net turnover	3	1,089	1,129
Changes in inventories of work in progress, finished goods and work in progress on behalf of others		35	-17
Other operating revenue	4	63	345
		1,187	**1,457**
Operating expenses			
Raw materials and consumables		-621	-600
Other external costs	5,6	-15,393	-10,608
Personnel costs	7	-16,888	-13,693
Depreciation and write-downs of tangible and intangible fixed assets	8, 9, 10,11	-12,719	-12,652
Total operating expenses		**-45,622**	**-37,554**
Operating profit/loss		**-44,435**	**-36,097**
Profit/loss from financial items			
Other interest income and similar items	12	178	61
Interest expenses and similar expenses	13	-498	-2 749
Total result from financial items		**-320**	**-2 689**
Profit/loss after financial items		**-44,755**	**-38,786**
Tax on profit/loss for the year	14	-	-
Loss for the year		**-44,755**	**-38,786**

CONSOLIDATED BALANCE SHEET

ASSETS KSEK	**Note**	**Dec 31, 2019**	**Dec 31, 2018**
Subscribed capital- unpaid		**-**	**45 069**
Non-current assets			
Intangible fixed assets			
Capitalized expenditures for development	15	34,903	40,020
Concessions, patents, licenses and similar rights	10	4,108	4,200
Goodwill	8	4,876	6,095
		43,887	**50,316**
Tangible fixed assets			
Machinery and other technical equipment	11	69,885	65,349
Inventory, tools and installations	9	135	72
		70,020	**65,421**
Financial assets			
Other long-term receivables		148	-
		148	**-**
Total non-current assets		**114,054**	**115,737**
Inventories etc			
Raw materials and consumables		84	97
Work in progress		49	63
Finished products and goods for resale		165	116
Spare parts inventory		361	-
		659	**276**
Short-term receivables			
Accounts receivables		320	148
Tax receivables		304	324
Other short-term receivables		1,715	1,687
Prepaid expenses and accrued income	16	1,074	847
		3,413	**3,006**
Cash on hand	25	**58,666**	**24,869**
Total current assets		**62,738**	**28,151**
TOTAL ASSETS		**176,792**	**188,957**

CONSOLIDATED BALANCE SHEET (CONT.)

EQUITY AND LIABILITIES KSEK	**Note**	**Dec 31, 2019**	**Dec 31, 2018**
Equity	20		
Share capital		18,586	5,281
Other contributed capital		377,315	344,728
Other equity including profit/loss for the year		-236,766	-192,011
Total equity		**159,136**	**157,997**
Non-current liabilities			
Other liabilities to credit institutions	17, 18	3,944	7,112
Total non-current liabilities		**3,944**	**7,112**
Current liabilities			
Liabilities to credit institutions		3,168	3,168
Accounts payable		3,178	2,629
Other current liabilities		2,550	14,787
Accrued costs and prepaid income	19	4,817	3,263
Total current liabilities		**13,713**	**23,848**
Total equity and liabilities		**176,792**	**188,957**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	Share capital	Other contributed capital	Other equity	Total equity
Equity Dec 31, 2017	**4,655**	**261,742**	**-153,226**	**113,171**
Profit/loss for the year	-	-	-38,786	-38,786
Rights issue cash	626	97,488		98,114
Issue costs	-	-14,502		-14,502
Equity Dec 31, 2018	**5,281**	**344,728**	**-192,012**	**157,997**
Profit/loss for the year	-	-	-44,755	-44,755
Rights issue cash	13,306	35,259		48,565
Issue costs	-	-2,671		-2,671
Equity Dec 31, 2019	**18,586**	**377,316**	**-236,766**	**159,136**

CONSOLIDATED STATEMENT OF CASH FLOWS

KSEK	Note	2019	2018
Operating activities			
Operating profit/loss before financial items		-44,435	-36,097
Adjustment for items not included in the cash flow, etc.	23	12,719	12,652
Capital gains/losses on fixed assets		-	4
Interest received		178	61
Interest paid		-498	-2,749
		-32,035	**-26,130**
Increase/decrease in inventories		-383	4
Increase/decrease in accounts receivable		-172	-78
Increase/decrease in other short-term receivables		-235	33
Increase/decrease in accounts payable		548	1,065
Increase/decrease in other current operating liabilities		1,317	152
Cash flow from operating activities		**-30,960**	**-24,953**
Investment activities			
Investments in intangible fixed assets		-580	-402
Investments in tangible fixed assets		-10,309	-409
Increase/decrease in long-term receivables		-148	-
Cash flow from financing activities		**-11,037**	**-811**
Financing activies			
New rights issue		93,633	13,622
Issue costs		-2,671	-14,502
Ongoing new share issue		-	39,423
Amortization of debt		-15,168	2,624
Cash flow from financing activities		**75,794**	**41,167**
This year's cash flow		33,797	15,403
Cash and cash equivalents at beginning of year		24,869	9,466
Cash and cash equivalents at the end of the year	25	**58,666**	**24,869**

STATEMENT OF INCOME, PARENT COMPANY

KSEK	Note	2019	2018
Net turnover	3	3,192	3 192
Other Income	4	63	345
		3,255	**3,537**
Operating expenses			
Other external costs	5,6	-34,931	-30,760
Personnel costs	7	-10,489	-8,575
Depreciation and write-downs of tangible and intangible fixed assets	9,10	-5,811	-5,745
Total operating expenses		**-51,232**	**-45,081**
Operating profit/loss		**-47,977**	**-41,545**
Profit/loss from financial items			
Other interest income and similar profit/loss items	12	178	4
Interest expenditures and similar profit/loss items	13	-29	-2,032
Total result from financial items		**149**	**-2,028**
Profit/loss after financial items		**-47,827**	**-43,573**
Appropriations	26	4,500	6,200
Tax on profit/loss for the year	14	-	-
Loss for the year		**-43,327**	**-37,373**

BALANCE SHEET, PARENT COMPANY

ASSETS KSEK	**Noet**	**Dec 31, 20191**	**Dec 31, 2018**
Non-current assets			
Subscribed capital- unpaid		-	45,069
Intangible fixed assets			
Capitalized expenditures for development	15	34,853	39,970
Concessions, patents, licenses and similar rights	10	4,108	4,200
		38,960	44,170
Tangible fixed assets			
Fixtures, tools and installations	9	135	72
Financial fixed assets			
Shares in subsidiaries	27	36,891	36,891
Receivables from group companies		38,001	29,211
Other long-term receivables		148	-
		75,039	**66,101**
Total non current assets		**114,134**	**110,344**
Current assets			
Short term receivables			
Current tax assets		264	264
Other short-term receivables		1 674	1,687
Prepaid expenses and accrued income	16	671	473
		2 609	**2,425**
Cash on hand	25	56,300	23,553
Total current assets		**58,909**	**25,978**
Total assets		**173,043**	**181,391**

BALANCE SHEET, PARENT COMPANY (CONT.)

EQUIY AND LIABILITIES KSEK	**Not**	**Dec 31, 2019**	**Dec 31, 2018**
Equity			
Restricted equity			
Share capital		18,586	5,281
Unregistered share capital		-	8,449
Restricted reserves		502	502
Reserve for development expenses		2,820	3,192
		21 908	**17,424**
Unrestricted equity			
Premium fund		416,281	296,530
Ongoing issue		-	76,043
Issue costs		-39,467	-36,796
Gain or loss carried forward		-188,007	-151,006
Loss for the year		-43,327	-37,373
		145,480	**147,398**
Total equity		**167,388**	**164,822**
Current liabilities			
Accounts payable		881	1,141
Other current liabilities		1,406	13,367
Accrued costs and prepaid income	19	3,368	2,061
Total current liabilities		**5,654**	**16,568**
Total equity and liabilities		**173,043**	**181,391**

CHANGES IN EQUITY, PARENT COMPANY

KSEK	Share-capital*	Ongoing issue	Re-serve-fund	Fund for develop-ment costs	Premium fund	Ongoing issue	Retained earnings	Result for the period	Total equity
Equity Dec 31, 2017	**4,655**	**-**	**502**	**3,565**	**261,240**	**-**	**-115,885**	**-35,493**	**118,583**
Balance of profits of previous year	-	-	-	-	-	-	-35,493	35,493	-
Profit/Loss for the year	-	-	-	-	-	-	-	-37,373	-37,373
Reserve for additional development costs	-	-	-	-	-	-	-	-	-
Reserve for development costs outgoing	-	-	-	-372	-	-	372	-	-
Rights issue	626	8,449	-	-	12,996	76,043	-	-	98,114
Issue costs	-	-	-	-	-212	-14,290	-	-	-14,502
Equity Dec 31, 2018	**5,281**	**8,449**	**502**	**3,193**	**274,024**	**61,753**	**-151,006**	**-37,373**	**164,822**
Balance of profits of previous year	-	-	-	-	-	-	-37,373	37,373	-
Profit/Loss for the year	-	-	-	-	-	-	-	-43,327	-43,327
Reserve for additional development costs	-	-	-	-	-	-	-	-	-
Reserve for development costs outgoing	-	-	-	-372	-	-	372	-	-
New rights issue	13,306	-8,449	-	-	105,460	-61,753	-	-	48,564
Issue costs	-	-	-	-	-2,671	-	-	-	-2,671
Equity Dec 31, 2019	**18,586**	**-**	**502**	**2,821**	**376,813**	**-**	**-188,007**	**-43,327**	**167,388**

*The share capital per Dec. 31, 2019 consisted of 464,660,892 (132,019,140) shares.

CASH FLOW STATEMENT, PARENT COMPANY

KSEK	Note	2019	2018
Operating activities			
Operating profit/loss before financial items		-47,977	-41,545
Adjustment for items not included in the cash flow, etc.	23	5,811	5,745
Capital gains/losses on fixed assets		-	4
Interest received		178	4
Interest paid		-29	-2,032
		-42,016	-37,824
Increase/decrease in other short-term receivables		-184	-17
Increase/decrease in accounts payable		-259	-696
Increase/decrease in other current operating liabilities		1,345	-147
Cash flow from operating activities		**-41,114**	**-37,291**
Investment activities			
Investment in intangible fixed assets		-580	-402
Investment in tangible fixed assets		-84	-
Change in long term receivables		-8,938	2,160
Cash flow from investing activities		**-9,602**	**-1,758**
Financing activities			
New rights issue		93,633	13,622
Issue costs		-2,671	-14,502
Ongoing new share issue		-	39,423
Acquired/Paid Group contributions		4,500	6,200
Amortization/admission of debt		-12,000	6,000
Cash flow from financing activities		83,462	50,743
This year's cash flow		**32,746**	**15,210**
Cash and cash equivalents at beginning of year		**23,553**	**8,342**
Cash and cash equivalents at the end of the year	25	**56,299**	**23,553**

NOTES FOR GROUP AND PARENT COMPANY

NOTE 1
ACCOUNTING AND VALUATION PRINCIPLES

General accounting principles
Scandinavian Enviro System AB 's Annual Report and Consolidated Financial Statements have been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board 's general recommendations BFNAR 2012: 1 *Annual Report and Consolidated Financial Statements* (K3).

The accounting principles remain unchanged in comparison with the previous year.

Foreign currencies
Sales of goods are reported when material risks and benefits are transferred from sellers to buyers in accordance with the terms of sale. Sales are reported after deduction of VAT and discounts.

Revenue
Goods
Sales of goods are reported when material risks and benefits are transferred from sellers to buyers in accordance with the terms of sale. Sales are reported after deduction of VAT and discounts.

Assignments
For future fixed-price service assignments, income and expenses are reported which are attributable to a performed service assignment as revenue and costs in relation to the completion date of the assignment on the balance sheet date (percentage of completion). The completion rate of an assignment is determined by comparing costs incurred on the balance sheet date with the estimated total expenses. In cases where the outcome of an assignment can not be calculated reliably, revenue is reported only to the extent that corresponds to the resulting assignment costs likely to be received from the client. An expected loss on an assignment is immediately recognized as an expense.

For service assignments in the current account, the income attributable to a service assignment is reported as revenue as work is performed and materials are delivered or consumed.

Other types of revenue
Future royalties are normally based on the turnover generated by the plant based on the company 's patent. Revenue is reported in accordance with the agreement 's financial implications.

Interest income is reported in accordance with the effective interest rate method.

Income taxes
Current taxes are valued based on the tax rates and tax rules applicable on the balance sheet date. Deferred taxes are valued based on the tax rates and tax rules which were decided before the balance sheet date.

Deferred tax liabilities relating to temporary differences attributable to investments in subsidiaries are not reported in the consolidated accounts as the parent company can, in any case, control the timing of reversal of the temporary differences and it is not considered likely that a reversal will take place in the foreseeable future.

Deferred tax assets relating to loss carry forwards or future tax deductions are reported to the extent that the deduction can be offset against surplus in future taxation.

Receivables and liabilities are only reported using net accounting when there is legal right to offset.

Intangible assets
Intangible fixed assets are reported at acquisition cost less accumulated depreciation and write-downs. Depreciation is made linearly over the estimated useful life.

The activation model is applied to internally and externally generated intangible assets. The write-down period for internally generated and external intangible fixed assets amounts to ten years.

In accordance with the rules in K3, a reserve for development costs has been formed corresponding to the book value of the capitalized development costs invested since 2016.

Goodwill is written off on a straight-line basis over the estimated useful life. Upon the parent company 's acquisition of BSIP Innovation AB in 2013, the total right to future royalty income from plant sales transferred to Scandinavian Enviro Systems AB. The goodwill arising from the acquisition is written off over ten years.

Tangible fixed assets
Tangible fixed assets are reported at acquisition cost minus the write-off amount. The acquisition cost includes expenses directly attributable to the acquisition of the asset. When a component in a fixed asset is replaced, any remaining part of the old component is retired, and the acquisition cost of the new component is capitalized. Additional expenses relating to assets not divided into components are added to the acquisition cost if they are expected to provide the company with future financial benefits, insofar as the asset 's performance increases in relation to the asset 's value as of the acquisition date.

Expenses for ongoing repairs and maintenance are reported as expenses.

Realized gains and losses on disposal of fixed assets are reported as Other operating income and Other operating expenses.

Property, plant and equipment are depreciated systematically over the asset 's estimated useful life. When the depreciable amount of the asset is determined, the residual value of

the asset will be taken into account. The Linear depreciation method is used for other types of tangible assets.

The following depreciation periods are applied:

Machinery and other technical facilities	7–15 years
Inventory, tools and installations	5–15 years

Depreciation takes place according to the component method in accordance with the rules in K3.

No borrowing costs are capitalized.

Write-down of non-financial assets
When there is an indication that the value of an asset has decreased, a test is done to determine the need for write-down. If the asset has a recoverable amount lower than the carrying amount, it is written down to the recoverable amount. When assessing the need for write-down, the assets are grouped at the lowest levels where there are separate, identifiable cash flows (cash-generating units). For assets other than goodwill, which were previously written down, a review is made for each balance sheet date to determine whether a reversal should be done.

In the profit- and loss statement, write-downs and reversals of write-downs are reported in the function for which the asset is used.

Leases
All Group leases where the company is the leaseholder are classified as operating leases (lease). The leasing fee is reported as a cost linearly over the lease period.

Financial instruments
Financial instruments recognized in the balance sheet include accounts receivable and other receivables, accounts payable and loan liabilities. The instruments are reported in the balance sheet when the company becomes a party to the instrument 's contractual terms. Financial assets are derecognized when the right to receive cash flows from the instrument has expired or is transferred and the Group has transferred virtually all risks and benefits associated with ownership. Financial liabilities are derecognized when liabilities have been adjusted or otherwise terminated.

Accounts receivables and other receivables
Receivables are reported as current assets, with the exception of items with expiration dates more than 12 months after the balance sheet date, which are classified as fixed assets. Receivables are taken up to the amount that is expected to be paid after deduction of individually-assessed doubtful receivables.

Loans payable and accounts payables
Loans payable and accounts payables are initially recognized at acquisition cost minus a deduction for transaction costs. If the reported amount differs from the amount to be repaid at the maturity date, the difference is recognized as interest expense over the term of the loan using the instrument 's effective interest rate. As a result, at the maturity date, the reported amount and the amount to be repaid correspond.

Impairment testing of financial fixed assets
At each balance sheet date, Scandinavian Enviro Systems AB (publ) assesses whether there is any indication of impairment in any of the financial assets. Write-down occurs if the decline in value is deemed to be permanent. Write-downs are recognized in the income statement Profit from other securities and receivables that are fixed assets. The impairment need is tested individually for shares and participations and other individual financial assets that are material. Examples of indications of impairment need are negative economic circumstances or adverse changes in industry conditions in companies whose shares Scandinavian Enviro Systems AB (publ) invested in. Impairment of assets valued at accrued acquisition value is calculated as the difference between the asset 's carrying amount and the present value of the management 's best estimate of future cash flows discounted with the asset 's original effective interest rate. If write-downs are made, the write-down amount is determined as the difference between the carrying amount and the higher of the fair value less costs for sale and the present value of future cash flows (based on the best estimate of management).

Shares and participations in subsidiaries
Shares and participations in subsidiaries are reported at cost less any impairment losses. The acquisition value includes the purchase price paid for the shares as well as acquisition costs.

Inventories
Inventories are valued at the lowest of 97 percent of the acquisition value and net realizable value according to the income tax provisions. Cut tyres and LPG storage for use in production and produced oil are considered a homogeneous product group, so collective valuation is applied to these items.

The acquisition value is determined using the first-in, first-out method (FIFU). For commodities, all expenses are directly attributable to the acquisition of the goods in the acquisition value. For goods under manufacture and finished goods, the cost includes raw materials, direct salaries and other direct manufacturing costs.

Reporting for business sectors and geographic markets
The Group 's business operations relate to plant sales, service sales and product sales. Plant sales can be done virtually anywhere in the world and will generate revenue pertaining to both construction costs and royalties based on a percentage of the plant 's turnover. Service, training, etc. will also be offered as a service offering to installed plants. Production and product sales of recovered carbon black, oil and steel will occur in installations operated by the company, which is currently the plant in Åsensbruk, Sweden. No division is made at this time according to geographic markets.

Cash Flow Analysis
The cash flow statement is prepared according to an indirect method. The reported cash flow includes only transactions that have resulted in payments. Blocked bank funds are reported as cash. Changes in these funds therefore does not affect the cash flow statement, but are reported separately in Note 25.

Reclassifications
No reclassifications have been made.

The company 's ability to continue the business
During 2018, it was decided to conduct a preferential issue in the company, which after final registration brought in about SEK 84.5 million before issue costs. In addition, the company has received about SEK 48.6 million gross in connection with a warrant (TO2), expiring in September 2019, which was a part of this issue. With this capital addition, the board judges that the company has a continued ability to continue the business. Through plant sales combined with partial ownership of the company, financing is a key matter. After the end of the period, additional capital was received by the Company of about SEK 32.5 million in connection with a directed issue to Michelin Ventures S. A. S.

Parent Company 's accounting principles
The same accounting and valuation principles are applied in the Parent Company as in the Group, except in the cases listed below

Appropriations
Group contributions are reported as transfer to/from untaxed reserves. A group contribution to a subsidiary is reported as an expense and reduces the parent company 's profit for the period

Shares in subsidiaries
Shares in subsidiaries are reported at acquisition cost less any write-downs. Conditional shareholders ' contributions are added to the acquisition value when they are submitted.

Key Definitions
EBITDA
Profit/loss before depreciations

Solidity
Shareholders ' equity and untaxed reserves (less deferred tax) in relation to the balance sheet total.

Operating margin
Operating profit/loss through net sales.

Return on capital employed
Profit after financial items plus interest expenses in relation to average capital employed, where capital employed is equity and interest-bearing liabilities.

NOTE 2
ESTIMATIONS AND ASSESSMENTS

Scandinavian Enviro Systems AB makes estimates and assessments of the future which, from an accounting perspective, are important for the valuation of the Group 's assets. Impairment testing of assets is based on the cash flows that are expected to result in the future.

The valuation of the Group 's intangible assets is based on the Group conducting sales of plants, with an associated return. The assumptions underlying the valuation are that the sale of the plants will start in 2020 and that there will then be continuous sales of plants in the following years. The assumptions are based largely on the market conditions that exist in terms of volumes and shortcomings in alternative recovery solutions for end-of-life tyres combined with the profitability of the company 's process.

Impairment testing of assets is based on the cash flows that are expected to result in the future. The subsidiary, Tyre Recycling in Sweden AB, as of 2016 receives an annual market and sales contribution from the parent company of SEK 25.0 million. This contribution is intended to cover the additional expenses incurred by the parent company 's activities for the sale of plants. An impairment test, including this contribution, has been implemented and results in positive future cash flows.

The valuation of the company 's plant in Åsensbruk occurs according to its commissioning to commercial operation in 2016 as well as the fact that the products it produces can be provisioned. The valuation relies on estimates to a large degree, the most important being the capacity of the plant, capacity utilization and its rate of return. Since the plant has only been had limited use, this can be considered an uncertainty factor.

A prerequisite for the company 's sales plans to be realized is also that all the products produced in the process reach a continued market acceptance in the customer base.

A prerequisite for the Group 's total sales plans to be realized is also that all the products intended to be produced in the process achieve market acceptance at the customer level. Before the customer tests that were implemented have resulted in such acceptance, there is an uncertainty in the assessment.

To ensure ongoing operations, future needs for investment and participation in any joint ventures in connection with sales of plants, the company, at the end of 2018, decided to conduct a preferential issue within the company, which after final registration brought about SEK 84.5 million before issue costs. In addition, the company has received about SEK 48.6 million gross in connection with a warrant (TO2), expiring in September 2019, which was a part of this issue. With this capital addition, the board judges that the company has a continued ability to continue the business. With a plant sale combined with partial ownership of the company, financing is a key matter. After the end of the year, the company has completed a directed new issue of about SEK 32.5 million to Michelin Ventures S. A. S. Parts of this amount will be used for part ownership in a future plant.

In connection with the company 's assessment of future investment requirements and liquidity, the company has conducted an impairment test. The purpose of this is partly to ensure that the assets have the ability to generate discounted cash flows in the future amounting to the balance value at closing date, partly to give a realistic view to the company concerning the operation and future cash flows under given circumstances. Important factors that are included in the construction of this calculation are for example number of plants, the level of the calculated interest, future oil- and carbon black prices and prices of the raw materials as well as subsidies for recovering valuable materials from these.

NOTE 3
NET SALES DISTRIBUTED OPERATIONAL AREAS

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Net sales are distributed by operational areas according to the following:				
Product sales	1,089	1,129	–	–
Service revenues	–	–	3,192	3,192
Sum total	1,089	1,129	3,192	3,192

NOTE 4
OTHER OPERATING REVENUES

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Contributions from projects	63	345	63	345

NOTE 5
RENUMERATION TO THE AUDITORS

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
PwC				
Audit assignment	-183	-140	-183	-140
Tax services	-26	-45	-26	-45
Other services	-9	-139	-9	-139
Sum total	**-218**	**-324**	**-218**	**-324**

NOTE 6
OPERATIONAL LEASE AGREEMENTS

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Future minimum lease fees, to be paid for non-terminable lease agreements:				
To become due for payment within one year	-1 893	-1 467	-480	-84
To become due for payment in more than one year, but not later than 5 years	-3 784	-4 264	-840	–
	-5 677	-5 731	-1 320	-84
Leasing payments expensed during the period	-1 695	-1 529	-269	-146

The operating lease for rented plants/premises is contained in the corporate group 's accounting. The lease agreement for the Swedish factory property runs through Jan. 31, 2023. The lease agreement for the office on Herkulesgatan, Gothenburg, runs through Sep. 30, 2022.

NOTE 7
SALARIES, OTHER COMPENSATIONS AND SOCIAL COSTS

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Average number of employees				
Women	1	1	1	1
Men	15	14	6	6
Total	**16**	**15**	**7**	**7**
Salaries, compensation, social costs, and pension costs				
Salaries and other compensation	12,400	9,774	7,870	6,099
Social payments	4,109	3,121	2,642	2,043
Pension costs	1,230	1,110	1,124	1,010
Total	**17,739**	**14,005**	**11,636**	**9,152**
Board of directors, CEO and managment				
Salaries and other compensation	5,410	3,639	5,410	3,709
Pension costs	950	645	950	645
Other employees				
Salaries and other compensation	6,990	6,017	2,460	2,390
Pension costs	280	465	174	365

Out of the parent company 's pension costs, SEK 950 thousand (SEK 645 thousand) applies to company 's management, concerning 4 (3) individuals. Out of the corporate group 's pension costs, SEK 950 thousand (SEK 645 thousand) applies to company 's management, concerning 4 (3) individuals.

Out of the corporate group 's salary costs, which include board remuneration reported as other costs, SEK 1,285 thousand (SEK 705 thousand) applies to the company 's Board of Directors, concerning 6 (5) individuals.

Compensation has been provided to the following individuals

Thomas Sörensson, CEO SEK 1,463 thousand (SEK 1,142 thousand) as well as a pension of SEK 345 thousand (SEK 247 thousand)

Stig-Arne Blom, Chairman of the Board (resigned March 13, 2018) SEK 0 (SEK 24 thousand)

Alf Blomqvist, Chairman of the Board as of March 13, 2018, previously a board member) SEK 700 thousand (SEK 235 thousand) The renumeration has been adjusted in connection with a decision in an extraordinary general Meeting on Feb. 27, 2020.

Anders Ilstam, (resigned May 3, 2018), board member SEK 0(SEK 80 thousand)

Lennart Persson, Director SEK 125 thousand (SEK 104 thousand)

Stefan Tilk, styrelseledamot SEK 125 thousand (SEK 118 thousand)

Jan Bruzelius, board member (as of May 3, 2018) SEK 125 thousand (73) thousand

Peter Möller, board member SEK 125 thousand (SEK 118 thousand)

Björn Olausson. Board member (started May 9, 2019), SEK 73 thousand (SEK 0 thousand)

Other management SEK 2,724 thousand (SEK 1,808 thousand) as well as a pension of SEK 605 thousand (SEK 398 thousand), for 3 (2) people

Severance pay agreement

An agreement has been reached with the Chief Executive Officer for six months of severance pay, in the event that termination is initiated by the company.

Board directors and senior executives

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Number of board directors on balance sheet date				
Women	–	–	–	–
Men	6	5	6	5
Total	**6**	**5**	**6**	**5**
Number of chief executives and other senior executives				
Women	–	–	–	–
Men	4	3	4	3
Total	**4**	**3**	**4**	**3**

NOTE 8
GOODWILL

	Group	
	2019	**2018**
Opening acquisition cost	12,191	12,191
This year 's changes		
Closing accumulated acquisition costs	12,191	12,191
Opening depreciations	-6,096	-4,876
This year 's changes		
Depreciations	-1,219	-1,219
Closing accumulated depreciations	-7,314	-6,095
Closing residual value according to plan	4,876	6,096

NOTE 9
INVENTORY, TOOLS AND INSTALLATIONS

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Opening acquisition cost	261	367	261	367
This year 's changes				
Purchases	84	-	84	-
-Sales	-	-106	-	-106
Closing accumulated acquisition costs	**345**	**261**	**345**	**261**
Opening depreciations	-189	-278	-189	-278
This year 's changes				
Depreciations	-21	-13	-21	-13
-Refund in connection with divestment	-	102	-	102
Closing accumulated depreciations	**-210**	**-189**	**-210**	**-189**
Closing residual value according to plan	135	72	135	72

NOTE 10
CONCESSIONS, PATENTS, LICENSES AND SIMILAR RIGHTS

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Opening acquisition cost	7,094	6,693	7,094	6,693
This year 's capitalized expenses, purchases	581	401	581	401
Sales and disposals	-	-	-	-
Closing accumulated acquisition costs	**7,675**	**7,094**	**7,675**	**7,094**
Opening depreciations	-2,894	-2,279	-2,894	-2,279
Sales and disposals	-	-	-	-
Depreciation for the year	-673	-615	-673	-615
Closing accumulated depreciations	**-3,567**	**-2,894**	**-3,567**	**-2,894**
Closing residual value according to plan	**4,108**	**4,200**	**4,108**	**4,200**

NOTE 11
MACHINERY AND OTHER TECHNICAL EQUIPMENT

	Group	
	2019	**2018**
Opening acquisition cost	78,029	77,620
This year 's changes		
Purchasing	10,225	409
Sales and disposals	-	-
Closing accumulated acquisition costs	**88,254**	**78,029**
Opening depreciations	-12,680	-6,992
Sales and disposals	-	-
Depreciation for the year	-5,689	-5,688
Closing accumulated depreciations	**-18,369**	**-12,680**
Closing residual value according to plan	**69,885**	**65,349**

NOTE 12
OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Interest revenues	178	61	178	4
Sum total	**178**	**61**	**178**	**4**

NOTE 13
INTEREST EXPENDITURES AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Other interest costs and similar profit/loss items	-498	-2,749	-29	-2,032
Sum total	**-498**	**-2,749**	**-29**	**-2,032**

NOTE 14
TAX ON PROFIT/LOSS FOR THE YEAR

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Tax on profit/loss for the year	0	0	0	0
Reported pretax profit or loss	-44,755	-38,787	-43,326	-37,373
Taxes calculated according to current tax rate 21,4% (22%)	9,578	8,533	9,272	8,222
Tax effect from non-deductible expenses	-22	-32	-14	-27
Tax effect from deductible expenses that are reported against equity	-572	14 502	-572	14 502
Non-reported part of unused tax losses	-8,984	-23,003	-8,686	-22,697
Reported tax costs	**-**	**-**	**-**	**-**

Parent company and companies within the Group have accumulated losses carry forward. For the tax year 2019 losses carried forward in the Group amount to SEK 270,655 thousand (SEK 187,014 thousand), and in the parent company they amount to SEK 265,872 thousand (SEK 185,901 thousand). As a result of historical results, deferred tax recoverable with reference to losses carried forward have not been reported. The underlying value of the deferred tax with reference to these losses in the corporate group amount to SEK 57,920 thousand (SEK 38,525 thousand) and in the parent company they amount to SEK 56,897 thousand (SEK 38,296 thousand).

NOTE 15
CAPITALIZED EXPENDITURES FOR DEVELOPMENT

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Opening acquisition cost	51,224	51,224	51,174	51,174
Capitalized expenditures for the year, internal development	-	-	-	-
Closing accumulated acquisition costs	**51,224**	**51,224**	**51,174**	**51,174**
Opening depreciations	-11,204	-6,087	-11,204	-6,087
Sales and disposals	-	-	-	-
Depreciation for the year	-5,117	-5,117	-5,117	-5,117
Closing accumulated depreciations	**-16,321**	**-11,204**	**-16,321**	**-11,204**
Closing residual value according to plan	**34,903**	**40,020**	**34,853**	**39,970**

The depreciation period for balanced expenditures is ten years. This is a result of the company 's expectation that the capitalized expenses will generate an added value that extends to this length of time at a minimum. The depreciation period is also justified by the company 's intellectual property protection which, from a broader perspective, is reflected by the company 's patents, through which these expenses are partially tied and essentially extends over a longer period than this.

NOTE 16
PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Prepaid rents	514	382	149	38
Other items	560	465	522	435
	1,074	**847**	**671**	**473**

NOTE 17
NON-CURRENT LIABILITIES

	Group	
	Dec 31, 2019	**Dec 31, 2018**
Long-term liabilities apply to payments according to the following:		
Liabilities to credit institutions		
Between 1 and 5 years	3,944	7,112
Sum total	**3,944**	**7,112**

NOTE 18
LIABILITIES THAT APPLY TO SEVERAL ITEMS

	Group	
	Dec 31, 2019	**Dec 31, 2018**
Non-current liabilities		
Other liabilities to credit institutions	3,944	7,112
Current liabilities		
Other liabilities to credit institutions	3,168	3,168
Sum total	**7,112**	**10,280**

NOTE 19
ACCRUED COSTS AND PREPAID INCOME

	Group		Parent company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Accrueed interest expenses	14	20	-	-
Accrued salaries	450	-	450	-
Accrued vacation pay	1,543	1,118	849	591
Accrued social security contributions	932	605	583	341
Special payroll tax	273	245	273	245
Other items	1,605	1,275	1,213	884
Summa	**4,817**	**3,263**	**3,368**	**2,061**

NOTE 20
SHARE CAPITAL

Share capital as of December 31, 2019 consisted of av 464,660,892 (132,019,140) shares with a ratio value SEK 0.04 per share. After the final registration of the completed preferential rights issue in February 2019, the share capital consisted of 343,249,764 shares with a quota value of SEK 0.04 per share.

NOTE 21
PLEDGED COLLATORAL

	Group		Parent company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Personal deductions and liabilities				
Concerning liabilities to credit institution				
Corporate mortgages	39,350	51,350	-	12,000
Blocked funds	184	184	50	50
Amount of pledged collateral	**39,534**	**51,534**	**50**	**12,050**

Out of a total of SEK 2,342 thousand of reported patents, a certain amount is pledged on behalf of a subsidiary.

NOTE 22
CONTINGENT LIABILITIES

	Group		Parent company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Contingent liabilities				
Guarantees for subsidiary	-	-	7,112	10,280
Total contingent liabilities	**0**	**0**	**7,112**	**10,280**

NOTE 23
ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW ETC.

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Write-downs	-12,719	-12,652	-5,811	-5,745
Total adjustments	**-12,719**	**-12,652**	**-5,811**	**-5,745**

NOTE 24
NON-MATERIAL CASH TRANSACTIONS IN INVESTEMENT AND FINANCING OPERATIONS

During this year, no non-material cash transactions were executed.

NOTE 25
LIQUID ASSETS

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Bank holdings	58,666	24,869	56,300	23,553
Liquid funds in the cash flow statement	**58,666**	**24,869**	**56,300**	23,553

Out of corporate group 's bank balance, SEK 184 thousand (SEK 184 thousand) consists of blocked bank funds. Out of parent company 's bank deposits, SEK 50 thousand (SEK 50 thousand) consists of blocked bank funds.

NOTE 26
APPROPRIATIONS

	2019	**2018**
Group contributions received	4,500	6,200
Sum total	**4,500**	**6,200**

NOTE 27
SHARES IN GROUP COMPANIES

	2019	**2018**
Opening acquisition value	36,891	36,891
Closing balance acquisition value	**36,891**	**36,891**
Closing residual value according to plan	**36,891**	**36,891**

The group	**Org nr**	**Registered office**	**Capital-share (%)**
Tyre Recycling in Sweden AB	556784-1787	Göteborg	100,0
SES IP AB	556894-0695	Göteborg	100,0
BSIP Innovation AB	556950-7469	Göteborg	100,0

Moder-bolaget	Capital-share %	Voting rights share %	Number of shares	Equity	Book value Dec. 31, 2019	Book value Dec. 31, 2018
Tyre Recycling in Sweden AB	100	100	1,000,000	23,680	24,600	24,600
SES IP AB	100	100	500	35	50	50
BSIP Innovation AB	100	100	100	47	12,241	12,241
Sum total				**23,762**	**36,891**	**36,891**

NOTE 28
TRANSACTIONS WITH RELATED PERSONS

Transactions with related persons
An amount regarding a consultancy fee of SEK 0.2 million has been reserved during 2019.

	2019	2018
Sales to group companies		
Share of annual purchases and sales related to Group companies is provided below.		
Purchase, (%)	70	81
Sales, (%)	100	100
	-	-
Loan to group companies		
Loan to Tyre Recycling in Sweden AB:		
Opening balance	29,207	31,370
Additional loan	-	-
Amortization	-8,790	-2,063
Closing balance	**37,997**	**29,207**

The loan to Tyre Recycling in Sweden AB is interest-free and without a fixed repayment date.

Other

Separate notes contain information on
- Salaries etc. to the Board and CEO
- Pledged assets for Group companies

NOTE 29
EVENTS FOLLOWING BALANCE DATE

- FEBRUARY 2020: In an extraordinary General Meeting it was decided to increase the board fee to the chairman retroactively as of July 1, 2019. The amount regarding 2019 was approximately SEK 0.4 million excluding regulated social fees, which has been reserved during this year
- MARCH 2020: Elysium ApS (planned joint venture with Enviro as a participant) received their environmental permit from local authorities (some possibility for appeal still remains)).
- APRIL 2020: The company completed a directed rights issue of approximately SEK 32.5 million as a part of a strategic partnership with Michelin. Currently, the partnership is considered to contain 4 areas:
  - A development agreement
  - A share investment total of 20 percent in Enviro after the issue
  - A common project to construct a plant
  - A common delivery agreement between Michelin and Enviro
- COVID-19: We currently have no indication of any decisive effect on the company, but due to the significant uncertainty and the ever-changing nature of the situation, it is impossible to predict how this will affect Enviro in the future. We do, however, realise that the events occurring as a consequence of the virus will have some effect on the company as well. During this sensitive, and in many ways challenging, time ahead, we carefully follow the development of news and are prepared to make any required adjustments.

NOTE 30
SUGGESTIONS FOR RESULTS DISPOSITION

Free equity according to the balance sheet:

Premium fund	376,814
Carried forward	-188,007
Profit/loss for the year	**-43,327**
	145,480

The Board of Directors proposes that the profits be disposed so that:

Carried forward	145,480
	145,480

THE INCOME AND BALANCE SHEETS WILL BE SUBMITTED TO THE ANNUAL GENERAL MEETING ON MAY 19, 2020 FOR CONFIRMATION.

GOTHENBURG APRIL 23, 2020

ALF BLOMQVIST
CHAIRMAN

JAN BRUZELIUS

PETER MÖLLER

BJÖRN OLAUSSON

LENNART PERSSON

STEFAN TILK

THOMAS SÖRENSSON
CEO

OUR AUDIT REPORT WAS SUBMITTED ON APRIL 23, 2019

PRICEWATERHOUSECOOPERS AB

JOHAN PALMGREN
CERTIFIED PUBLIC ACCOUNTANT

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Scandinavian Enviro System AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 36–58 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises of page 1-35 but does not include the annual accounts, consolidated accounts and our auditor's report thereon.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Scandinavian Enviro Systems AB (publ) för for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

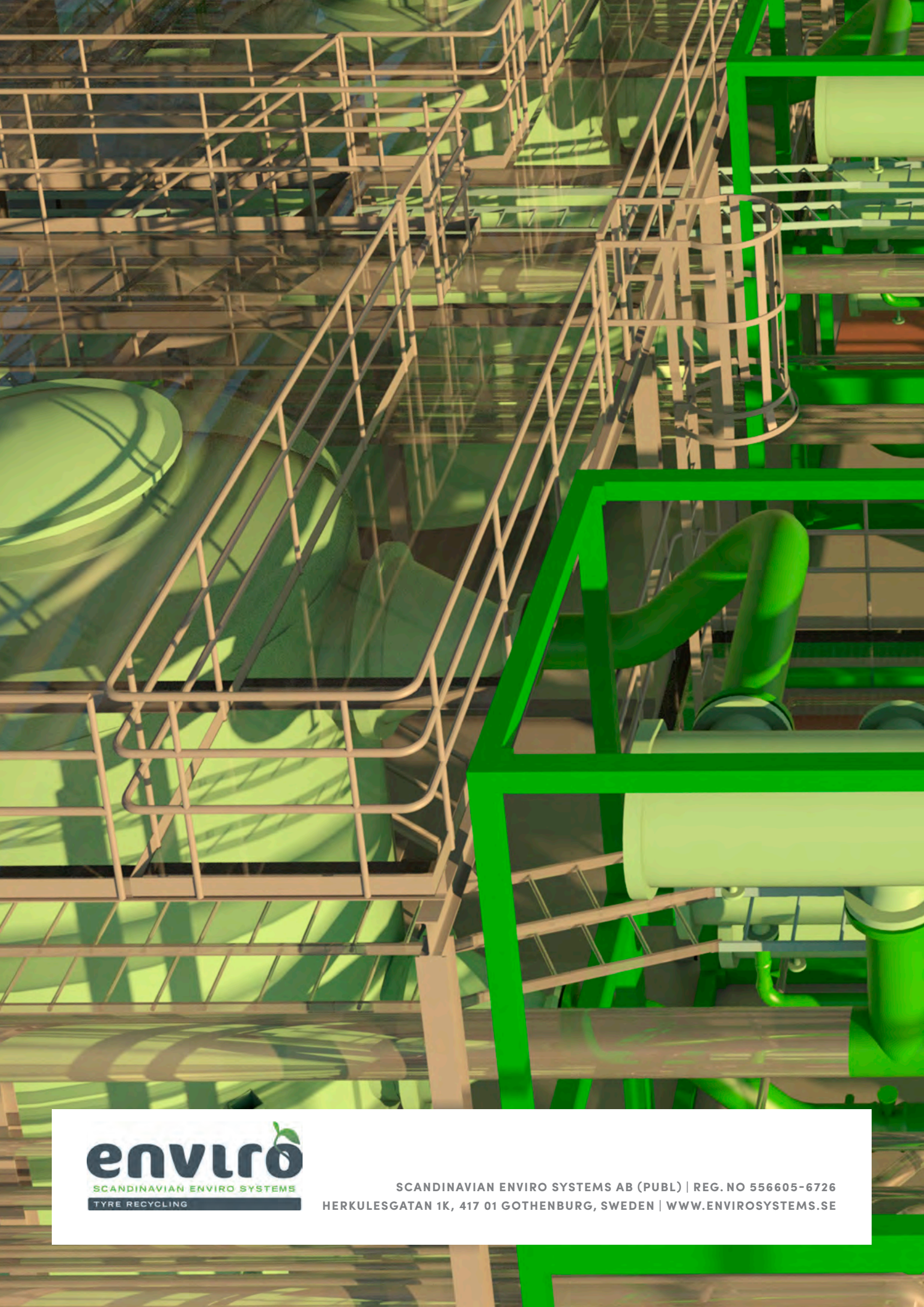
Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Gothenburg April 23, 2020
PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant



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