

Enviro provides information on partnership with Michelin and long-term ambitions

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

In the virtual information disclosure to be published by Scandinavian Enviro Systems (publ) (“Enviro” or “The Company”) today, March 2 at 4:00 p.m. the company will respond to questions on subjects that include the license agreement with Michelin. In the information disclosure, Enviro will also report on how the partnership with Michelin is relevant from a strategic perspective and what the company’s long-term plans are.

The virtual information disclosure has been arranged to provide Enviro’s shareholders and the capital market the opportunity to ask questions and obtain additional information ahead of the Extraordinary General Meeting which is to be held on 9 March 2021. The information disclosure will be published today, March 2 at 4:00 p.m. in the form of a video-recorded meeting. Representatives of the company’s management and Board of Directors will participate in the meeting, including the company’s CEO Thomas Sörensson and its Chairman, Alf Blomqvist.

Several questions have been submitted regarding the license agreement with Michelin and in this regard, the company’s observations included the following:

- The license agreement will be in force until the year 2035.
- The agreement entitles Michelin to establish their own recycling plants based on Enviro’s technology in ten specified markets. No establishment may be made in markets other than these without the express permission of Enviro.
- When establishing its own plants, over and above the future jointly owned plant in Chile, Michelin will compensate Enviro with a fixed amount per plant and pay percentage-based royalties to Enviro based on the plant’s sales. Calculation of the sales will be based on market terms.
- Through the agreements signed with Michelin, Enviro has limited its guarantee commitments in relation to Michelin and the guarantee risk is up to MSEK 300 lower than the demands made of Enviro in earlier negotiations with other parties.

Apart from the company responding to questions regarding the agreements with Michelin, Enviro’s Chairman, Alf Blomqvist, also reports on how the partnership with Michelin is relevant from a long-term strategic perspective and for the company’s expansion going forward. Blomqvist’s observations includes the following:

- That the partnership provides decisive conditions for the company’s expansion phase.
- That the demand for virgin carbon black is expected to amount to more than 16.5 million tonnes this year and that recovered carbon black has a long-term potential to replace half of the virgin carbon black that is in demand today.

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

- That the company, in addition to the plant jointly owned with Michelin, has the ambition of establishing additional recycling plants based on the company's patented recycling technology. To succeed in this endeavor, the company needs to build up the necessary in-house organization, establish new collaborations with industrial operators and identify new ways of financing the new plants. Should the company succeed in these respects, the ambition over time is to establish four new recycling plants per year over the next ten years, which could bring the total to approximately 30 by 2030. The prioritized markets are initially West Sweden and Central Europe.
- That the company is conducting dialogues with several players in the tyre, chemical and oil industries on collaboration regarding the establishments of such plants.
- That the company is conducting dialogue with various players in the capital market on potential alternatives for financing the establishment of these plants, as well as their initial operation. As a calculation example, the company has assumed that the establishment of a full-scale recycling plant entails a theoretical investment cost for the company of approximately SEK 300 million per plant.
- That the increased interest in recycled materials from end-of-life tyres, including carbon black and oil, entails that a full-scale plant with an annual capacity of 30,000 tons, at current price levels, could theoretically achieve an EBITDA margin of approximately 60 percent and that the investment in such a plant could thus be repaid in four years. The theoretical EBITDA margin has previously been communicated by the company.

The reason for the Extraordinary General Meeting to be held on 9 March is the fact that Michelin is to be regarded as a closely related party due to its large shareholding in Enviro. To enable the agreements that form the basis of the strategic partnership with Michelin to take effect, they must first be adopted by an Extraordinary General Meeting. On 16 February, Enviro published notice of an Extraordinary General Meeting on 9 March 2021, which will be conducted using a postal ballot due to the pandemic.

Notice of the said Extraordinary General Meeting was published separately on 16 February and is available on the company website via the following link:
<https://www.envirosystems.se/app/uploads/NOTICE1.pdf>

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