

Update concerning agreement of establishment in the US and Denmark as well as market development

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.

During the second half of 2019, Scandinavian Enviro Systems (Enviro) continued negotiations with WindSpace A/S from Denmark and TreadCraft Limited regarding the establishment of local vehicle tyre recycling facilities based on Enviro Systems' technology. The earlier negotiations with EE-TDF Cleveland LLC are currently halted for reasons of prioritization.

"Interest in recycling in general and recovered carbon black in particular has increased sharply this year, which has strengthened the market position of Enviro and our technology," says Thomas Sörensson, CEO of Enviro Systems.

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For more than 1.5 years, Enviro Systems has been negotiating with various parties regarding the establishment of recycling facilities for end-of-life tyres based on Enviro's leading recycling technology. The company has communicated continuously concerning these negotiations regarding calculated timeframes as well as estimates of when any final agreements may be in place.

WindSpace A/S

Danish company WindSpace A/S is the party with which Enviro has negotiated the longest. Here, the original memorandum of understanding, MOU, was signed in May 2018 whereby Enviro announced that an estimated agreement on a joint venture for the establishment of a facility would be in place within 18 months. [In February 2019, Enviro announced that a conditional lease had been signed by the counterpart for the land in Denmark](#) where the facility was expected to be established and that negotiations for a final agreement was expected to be complete in 2019. At present, there is no assessment of when a final agreement might be reached, but the negotiations continue unabated while the necessary permit tests are carried out by the relevant Danish authorities according to the usual procedures.

TreadCraft Limited

At the end of June 2018, Enviro announced that a Memorandum of Understanding (MOU) was signed between the company and the American company TreadCraft Ltd regarding the establishment of a recovery facility in Buffalo, New York, USA. A final agreement between the parties was then expected to be in place within 6 months. At the end of December 2018, Enviro announced that the MOU had been extended by another 6 months, and [in August 2019 a first memorandum of understanding was signed](#). This was a term sheet between the parties that established essential conditions such as the scope of delivery, installation price, payment and delivery terms, warranties, penalties, applicable law, and more. In mid-September 2019, [a second intention was signed regarding additional central](#)

terms of the contract. At the same time, it was announced that final agreements were expected to be carried out during the second half of 2019 and that these were conditional to financing.

“Negotiations with TreadCraft will continue, but we cannot at this stage specify a date for when they can be expected to run their course. At the same time, the work on financing is also ongoing and here we have communicated that we are developing a public, international corporate bond to finance our ownership of upcoming recovery facilities,” says Thomas Sörensson, CEO of Enviro Systems.

Increasing interest

Since the first MOUs on the establishment of recovery facilities was signed just over 1.5 years ago, the interest in recovery of end-of-life rubber tyres has increased significantly. On top of this, environmental awareness is generally increasing alongside climate discussions and the problem of over-utilization of finite resources. During this period, several leading players in the industry also had external experts review Enviro's projects and concluded that Enviro's technology is on the cutting edge in terms of development with a high so-called Technical Readiness Level (TRL).

In the tyre industry, the growing interest is also driven by producer responsibility and the ever-increasing quality of recovered carbon black, but also by the realization that recycled carbon black offers great benefits to the customer. The increased opportunities to recover and refine the oil in the tyres have further increased interest in Enviro's recovery technology.

“The tyre and rubber manufacturers have now seriously begun to realize the benefits of using recovered carbon black, but also recovered oil. In both cases, it provides great opportunities for them to reduce both their own and their customers' environmental impact,” says Thomas Sörensson, noting that the growing interest brought along increasing deliveries from Enviro's own facility in Åsensbruk.

“During the year, we made boosting investments in Åsensbruk, which has led to higher deliveries to customers such as Trelleborg and Elastomeric.”

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Enviro is a company developing, building and operating industrial plants for material recovery from End of Life Tyres (ELT). The company has developed a process, based on a patented technology, where gas generated in the process is heating the tyres in absence of oxygen.

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