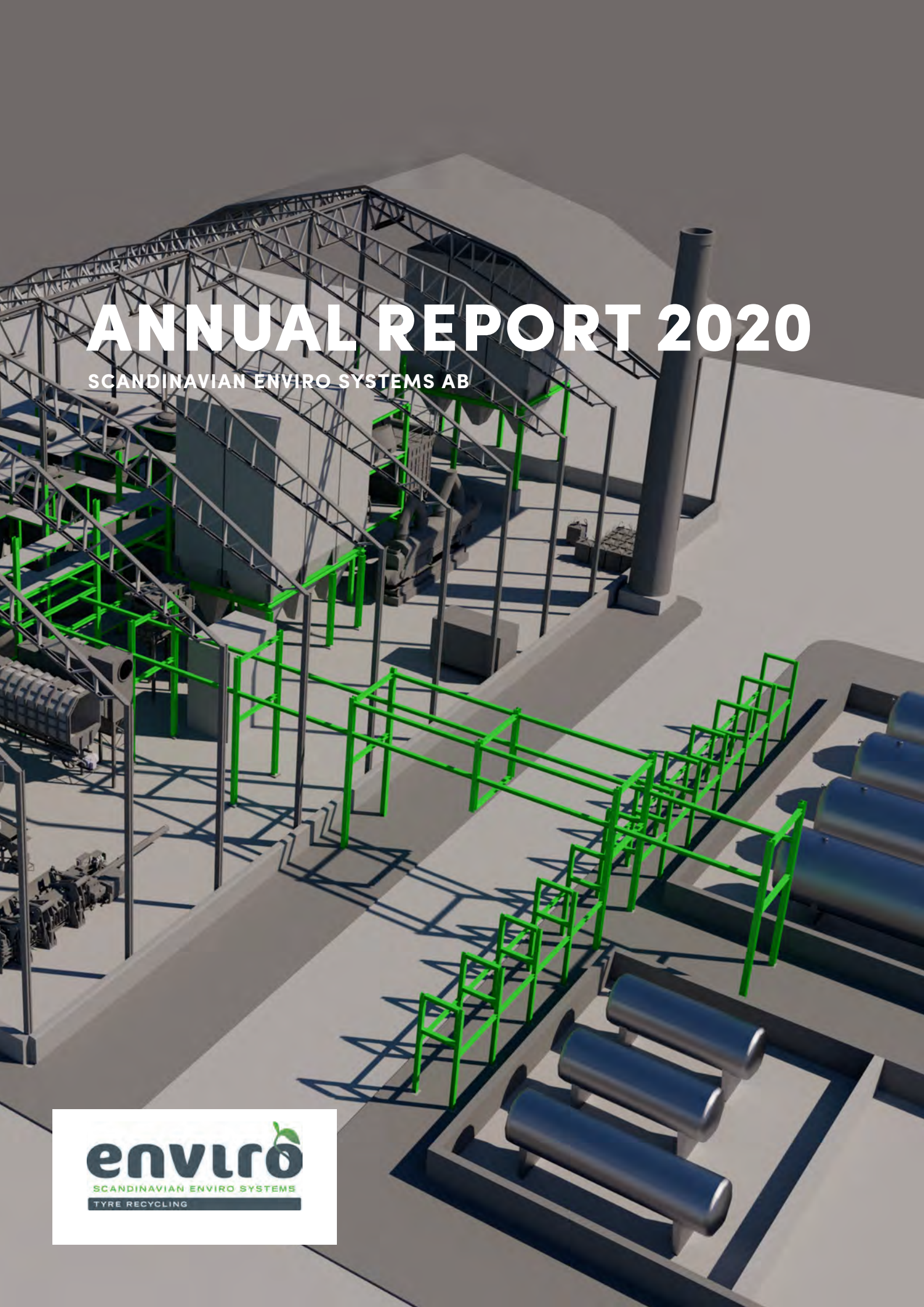
ANNUAL REPORT 2020

SCANDINAVIAN ENVIRO SYSTEMS AB



CONTENT

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.

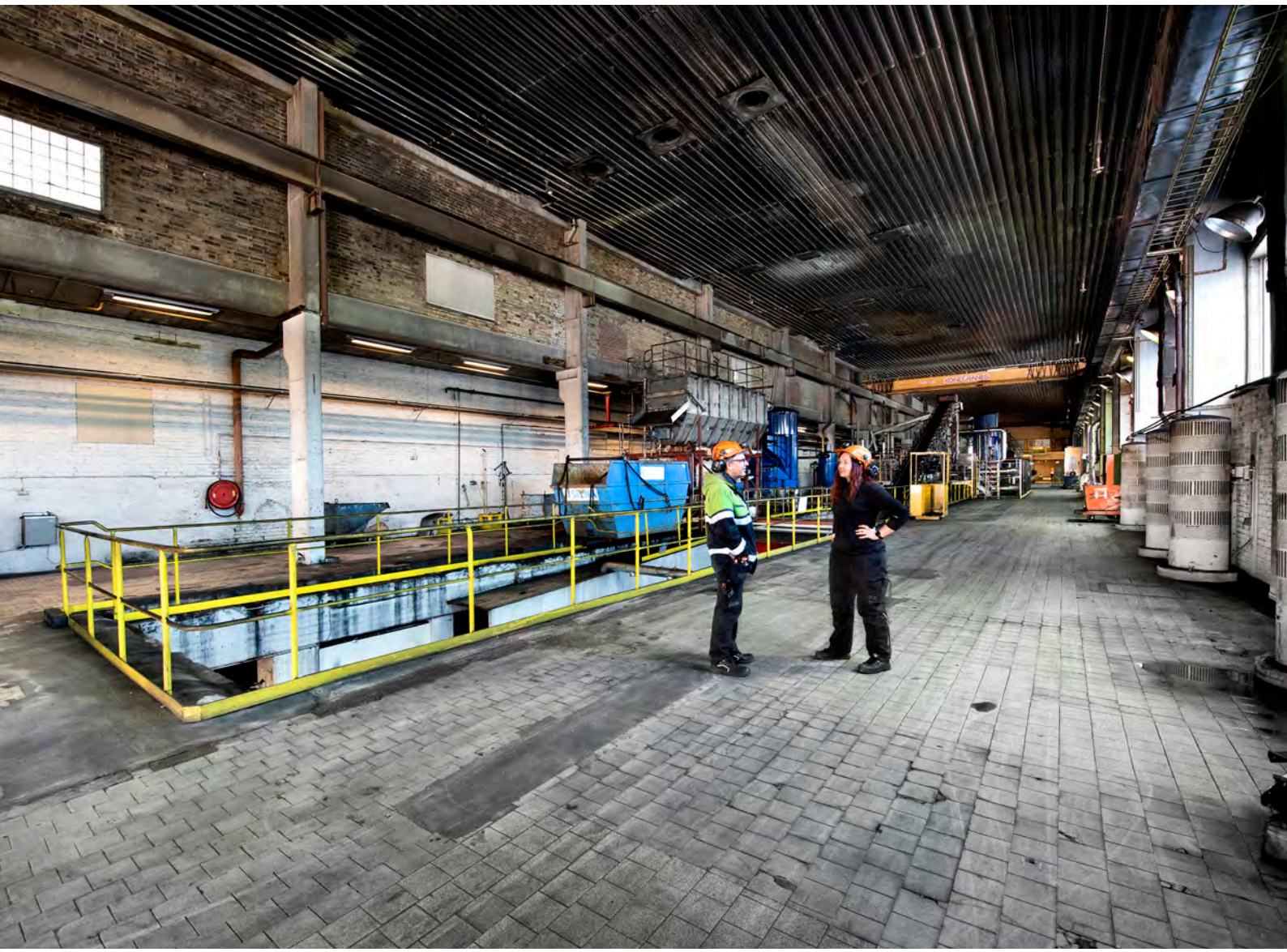
This annual report contains certain forward-looking statements that reflect Enviro's present view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "believe", "estimate", and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking statements. Forward-looking statements are inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. A forward-looking statement is not a guarantee of future results or development, and actual outcomes may differ materially from those set out in the forward-looking statements. Enviro does not undertake any obligation to publicly announce any update or change in forward-looking statements as a result of new information, future events, or similar circumstances other than as required by applicable laws and regulations.

Scandinavian Enviro Systems AB, Gothenburg 2021
Graphic design: Anna Larsson Design

Cover image: 3D model of an Enviro plant intended to recycle 30,000 end-of-life tyres per year.
Image on the right: Process engineer Carl-Johan Pihlgren calibrates a valve for oil handling at the plant in Åsensbruk.

“The agreement with Michelin, one of the world’s largest tyre producers, is decisive confirmation of our technology and paves the way for a very exciting phase of expansion.”

CEO THOMAS SÖRENSSON



Inside the plant in Åsensbruk.

THE PAST YEAR

Significant events

- DECEMBER: Enviro and Michelin agree on key principles for strategic partnership.
- NOVEMBER: Recovered carbon black from Enviro is introduced in a customer-specific rubber compound from Trelleborg Mixing Forsheda.

  Feasibility study investigates conditions for tyre recovery with Enviro's technology in the UK.
- SEPTEMBER: Improved market conditions for pyrolysis oil could strongly increase revenues from Enviro's plants.
- JULY: Enviro and Michelin prolong letter of intent regarding strategic partnership.
- APRIL: Enviro strengthens its financial position after completing MSEK 32.5 share issue to Michelin

  Enviro Systems conducts a private placement of approximately MSEK 32.5 as part of a strategic partnership with Michelin.

Events after the end of the period

- MARCH 2021: Enviro wins international sustainability award in the Recircle Awards.

  Press release from Extraordinary General Meeting regarding approval of the strategic partnership agreement with Michelin.

  Enviro provides information on partnership with Michelin and long-term ambitions.
- FEBRUARY 2021: Enviro announces further details of partnership agreements with Michelin.

  Enviro and Michelin sign definitive agreements on strategic partnership.
- JANUARY 2021: Enviro receives order from Michelin for engineering services worth MSEK 4.

SCANDINAVIAN ENVIRO SYSTEMS AB

has developed a technology for the recycling of end-of-life tyres through pyrolysis, a process of heating in an oxygen-deficient environment that allows a material to disintegrate without incineration. The valuable materials recovered through the process using this unique technology are carbon black, oil, steel and gas.

Enviro's business concept is to develop, construct and operate recycling plants through shared ownership. The company has its own production plant in Åsensbruk, Dalsland, in Sweden, which also serves as a demonstration and test facility. Over the past five years, the plant has delivered, for example, recovered carbon black for more than 100 million rubber components intended for Volvo Cars. In addition, Enviro also delivers carbon black for tyre production to multinationals that include Trelleborg.

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

A WORD FROM THE CEO

2020 — THE MAJOR BREAKTHROUGH

For many years, we have been driven by our conviction of the strong commercial possibilities for the pyrolysis technology developed by Scandinavian Enviro Systems. 2020 was the year when this technology had its major breakthrough, manifested in the form of an agreement on a long-term strategic partnership with Michelin, the world's largest tyre producer. The agreement is a decisive confirmation of our technology and paves the way for an exciting phase of expansion.

It is with a large measure of pride and satisfaction that we summarise Enviro's 2020 financial year. Pride, because despite many adversities and very limited resources, we have succeeded in developing a world-leading recycling technology that has now had its major breakthrough. It has been a long and sometimes frustrating journey, occasionally with a strong headwind, as we tried to convince a hesitant market of the benefits of our technology.

Satisfaction, because we know that our recovery technology will result in significant environmental gains as end-of-life tyres now truly become part of the circular economy. Our recovered carbon black and pyrolysis oil are in line to become premium products; they are no longer merely the result of the technical process – they are the economic engine that drives the recycling process. Nonetheless, we are far from satisfied; the agreement with Michelin is only the beginning.

It is now important to make capitalise on the good conditions that we have created for broad commercial expansion.

THREE OF FOUR CORNERSTONES IN PLACE

We have identified four decisive, strategic requirements that we need to have in place to enable broad, commercial expansion. The first three cornerstones are scalability, industrialisation and carbon black quality. Scalability is to demonstrate that our technology also works in large-scale recycling. Industrialisation is to demonstrate that our pyrolysis technology is appropriate for sustainable, effective recycling of large volumes of end-of-life tyres. The third decisive requirement is to further raise the quality of recovered carbon black. At our plant in Åsensbruk, we can produce recovered carbon black of very high quality, but we also believe that it should be possible to further enhance this technology, thereby expanding the area of application for recovered carbon black. The strategic partnership with Michelin means that we have these three decisive conditions in place. The jointly owned full-scale plant in Chile will demonstrate that we can both scale up the technology and industrialise it – and together with Michelin, our objective is to develop recovered carbon black so that it can replace most of the virgin carbon black.

THE FOURTH CORNERSTONE

The fourth cornerstone involves the recovery of the oil that is contained in the tyre rubber, so-called pyrolysis oil. In this area, as we have already communicated, we have several activities under way; these include a feasibility study in the UK in cooperation with an international oil company and certification of pyrolysis oil in accordance with the EU REACH environmental regulation, which would facilitate the trading and transportation of the oil.

SUBSTANTIAL MARKET FOR RECOVERED CARBON BLACK

Global demand for virgin carbon black is expected to amount 16.5 million tonnes this year, with a total value of approximately USD 22 billion.* In the long term, recovered carbon black is expected to replace up to half of this volume. For Enviro, this naturally entails an enormous

*Smithers Rapra.

opportunity and we have therefore communicated that our aim is to establish four new recycling plants per year over the next ten years, totalling nearly 30 plants by 2030. This requires that we build a strong internal organisation and that we establish new collaborations with industrial players and identify ways of financing the plants. For this purpose, dialogue is in progress with a number of players in the tyre, chemicals and oil industries, as well as players in the capital market. The interest is considerable, not least because, at the current price levels and in budget terms, a full-scale plant could achieve an EBITDA margin of approximately 60 per cent and the investment of approximately MSEK 400 would be repaid in only four years.

EXCITING PHASE AWAITS

2020 was the breakthrough year. We are now validating our technology in cooperation with the tyre industry's largest player, which is also our largest owner. We are never been better positioned: in a world that needs to adjust, we have a recognised, patented technology for recycling with significant customer benefits and major commercial potential. However, hard, long-term and purposeful work is still required to fully realise these opportunities, but the strategic alliance with Michelin has undoubtedly placed us in "pole position".

THOMAS SÖRENSSON CHIEF EXECUTIVE OFFICER

CEO Thomas Sörensson.

STRATEGIC OUTLOOK

STRONG MEGATREND

The pressure is increasing on the world's companies to reduce their environmental footprint due to climate change and the growing need for a more resource-efficient and circular economy. Customers, end-consumers, the capital market, public authorities and lawmakers are pushing the companies in this respect and contributing to changed behaviour. Until only a few years ago, sustainability was something of an option that could generate some competitive advantages for a company, but nowadays it is business-critical and an absolute necessity. And the level of ambition is increasing all the time. The goal of becoming fossil-free now not only comprises obvious factors, such as increased electrification, but also more and more parts of the entire value chain. In Sweden, two constellations are competing to be first in the world to manufacture fossil-free steel and Volvo Group has already announced plans to produce the world's first truck made of fossil-free steel. The pressure from investors is also considerable and Blackrock, one of the world's largest investors, has made it absolutely clear that it is stepping up its demands and expectations in this respect in relation to the companies in which it invests.

OUR CONTRIBUTION

Enviro, with its leading recycling technology for end-of-life tyres, is at the centre of this development. We can not only help the tyre industry to resolve the major problem it faces on account of its producer responsibility that requires it to handle enormous amounts of end-of-life tyres, we can also offer stable revenue streams from a business that contributes to reduced carbon emissions and generally more circular use of key resources. When the recovered materials, such as carbon black, oil and steel, are reused, the positive environmental effects are substantial. New tyres made of carbon black that has been recovered using our technology result in significantly lower carbon emissions than if they had been made using virgin carbon black. The same effect is achieved by recovered steel, but primarily oil, which, due to its high content of renewable, biological oil, has highly positive environmental consequences when it is used to replace fossil oil.

ENORMOUS MARKET POTENTIAL

The major tyre manufacturers, with Michelin at the fore, have now begun to seriously investigate the possibilities to increasingly use recovered carbon black in their production processes. All major manufacturers have announced very aggressive targets for the proportion of renewable materials that their tyres will include in the coming decades. However, since the traditional suppliers of carbon black are largely continuing to focus on fossil-based solutions, the alternatives available to date are few. This is where a large and growing gap is emerging between what the carbon black producers can deliver and what their customers are demanding. This gap could have a value of USD 22 billion* and creates an excellent opportunity for Enviro and its technology – a gap that we now intend to take full advantage of.

LEADING STRATEGIC POSITION

Through the partnership with Michelin, we have achieved three of four cornerstones – the establishment of our first full-scale plant, industrialisation of our technology, further development of our carbon black – and have thereby taken the leading strategic position to create a circular economy for tyres.

The agreement with Michelin does not impose any restrictions on our freedom to develop our business or to own and develop our technology.

MARKET POTENTIAL

The conditions for our expansion are based on the three markets on which we are dependent – tyres, carbon black and pyrolysis oil. The steel and oil markets are enormous and considerably larger than the nonetheless significant carbon black market. Accordingly, it is access to collected tyres and the demand for carbon black that limit our market potential.

Our estimate of the total market potential is therefore based on access to collected tyres and the amount of recovered carbon black contained in these, as well as on our assessment of the extent to which recovered carbon black can replace newly produced carbon black.

*Smithers Rapra.

Today's offering of recovered carbon black corresponds to a couple of full-scale plants, meaning about 15,000 tonnes. This can be placed in comparison to Michelin's annual consumption of approximately two million tonnes, or about 220 full-scale plants.

If we base our calculations on the collected tyres available and the amount of carbon black that we can recover from these globally, it corresponds to more than 900 Enviro plants. To manage the growth in the number of collected car tyres alone would require the establishment of 23 full-scale plants annually.

If, instead, we we base our calculations on our estimate of the extent to which we can replace newly produced carbon black, which corresponds to up to 38 per cent, with recovered carbon black, it is equal to about 800 full-scale plants. A share that will increase over time.

Accordingly, the conclusion is that our market potential is enormous and theoretically, it amounts to about 50 per cent of the demand gap that we have identified, USD 22 billion, between what the market requires and what the old industry's producers can offer. Our current growth ambition of more than 30 plants by 2030 is thus a mere drop in the ocean. Our major challenge will be our ability to implement and preferably surpass our expansion plan. And it will always be dependent on us being able to attract and retain the best talents in each area.

ALF BLOMQVIST CHAIRMAN

Chairman Alf Blomqvist.

Bridgestone has clarified its long-term environmental target of achieving a carbon neutral state by 2050 and beyond.

By 2050 at the latest, Continental plans to close its product and resource cycles and to avoid waste at the end of product's service life.

Michelin is committed to making our tires 100% sustainable by 2050 ... an ambitious target for the Group, a leader in sustainable mobility.

Fully replace petroleum-derived oils by 2040 ... and reduce greenhouse gases by 25% by 2023 from a 2010 baseline.

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, Enviro signs a supply agreement with AnVa Polytech for deliveries of carbon black for the company's production of chassis plugs for Volvo Cars. This is after Enviro demonstrated that the recovered carbon black greatly reduces the product's environmental impact. King Carl XVI Gustaf visits the plant in Åsensbruk in April. In August, the Chilean government grants project support of more than MSEK 1 to develop a modelling tool for the project design of plants.

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. 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 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 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.

2020

In April, tyre manufacturer Michelin becomes a shareholder in the company through a directed share issue (private placement). After the implementation of the issue, Michelin has 20 per cent of the shares and votes and thus becomes the largest shareholder in the company. The issue generates approximately MSEK 32.5 for the company before issue expenses. In conjunction with publication of the above, Enviro and Michelin also announced a declaration of intent covering the construction of a joint plant, a joint development agreement and joint supply agreement. Market conditions for Enviro's recovered oil improve during the year.

The Board of Directors and members of the management at Åsensbruk. From left: Urban Folcker (CFO), Stefan Tilk (member), Peter Möller (member), Björn Olausson (member), Nina Macpherson (member), Jan Bruzelius (member), Alf Blomqvist (Chairman), Sander Vermeulen (member) and Thomas Sörensson (CEO).

CUSTOMER BENEFIT

A TECHNOLOGY WITH LARGE AND CLEAR CUSTOMER BENEFIT

Our technology offers our customers solutions to major problems related to the environment and resource management, at the same time as it generates significant revenue for the recovered materials. The recovery technology developed by Enviro thus provides very substantial customer benefits for players in the tyre and rubber industries. The choice by Michelin to enter a strategic partnership with us in the past year and to become our single largest owner is clear confirmation of this.

The need for more effective management of end-of-life tyres coincides to a large extent with the producer responsibility that is being introduced in more and more markets. In brief, this means that a tyre manufacturer is obliged to dispose of their products after they have reached the end of their useful life. For a long time, however, the manufacturers had no environmentally acceptable 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 as filler materials for construction purposes. Burning or burying tyres has no positive effects on the environment, and at the same time entails a waste of valuable resources. Enviro's leading recovery technology offers a very attractive alternative to this.

Our technology provides the possibility of recovering carbon black, oil and steel from end-of-life tyres – important raw materials for the manufacturing of new tyres and rubber components. The recycling of tyres in itself entails an environmental gain compared with them being burned or buried, but the positive environmental effects are even greater when the recovered material is used instead for new (virgin) carbon black, fossil oil or new steel. It can be added here that not only Michelin but also other tyre manufacturers have understood the benefits of recovered carbon black and have announced plans for a strong increase in its use.

Trends that impact the future offering of tyres.

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

POSITIVE TREND/DRIVER

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

Rendering of a plant, based on Enviro's technology, intended to recycle 30,000 end-of-life tyres per year.

According to a life-cycle assessment conducted by the Swedish Environmental Research Institute IVL, tyre rubber manufactured using carbon black recovered by Enviro's method resulted in a reduction in carbon emissions of between 79 and 84 per cent compared with the use of virgin carbon black. Regardless of whether a tyre manufacturer with producer responsibility chooses themselves to use the recovered carbon black in their own production or to sell it, this environmental gain will arise when the carbon black is used. The economic gain arises in the same way: either as a saving on the purchasing cost of carbon black or as sales revenue. The recovered carbon black is also in demand beyond the tyre and rubber industries; for manufacturers and suppliers of virgin carbon black, it has now become interesting to also be able to offer their customers recovered products.

The recovered pyrolysis oil can be used in a large number of industrial applications. The oil is derived from the natural rubber contained in the tyres and accordingly, has a high organic content, meaning that it can be considered renewable. When such oil is used instead of fossil oil, a significant environmental gain arises as the amount of carbon dioxide in the atmosphere does not increase over time. In a corresponding manner, the use of the recovered steel entails environmental gains in terms of the extraction of iron ore and steel manufacturing.

THE BUSINESS MODEL

Enviro's business model is primarily based on full or part ownership of recycling plants based on our proprietary and patented recycling technology. Through full or part ownership, Enviro can control the plants' operation and thereby ensure the quality of the recovered products, which is a necessary requirement for the stable and profitable sale of carbon black, oil and steel. Already today, prices for the type of carbon black and oil that our plants can produce are so high that a full-scale plant, with an annual capacity of 30,000 tonnes of tyres, is estimated to be able to achieve an EBITDA margin of approximately 60 per cent, meaning that such an investment could be repaid in four years. There are no indications that the demand or prices for these materials will diminish going forward. It is natural that Enviro wants to own the recycling plants that are based on the company's technology when these are expected to demonstrate such favourable earnings capacity.

In certain cases, when ownership is not an option, Enviro may nonetheless sell plants and licences to operators deemed to be capable of managing and, together with Enviro, developing the technology.

Enviro's six main sources of revenue

1. Profit from plants that the company wholly or partially owns and operates.
2. Licence revenues and royalties from plants that use the company's technology.
3. Revenue from the sale of recovered material.
4. Revenue from sale of machinery and equipment based on the company's technology.
5. Revenue in conjunction with jointly owned plants – sales of plants based on the company's technology
6. Revenue from consulting services for design, training, installation, maintenance, etc., for sold plants.

Possible partnerships in the business model

For future plants, Enviro is seeking long-term partnerships; preferably with parties that add value upstream or downstream in the value chain.

Examples of attractive parties upstream in the value chain are recycling companies that have access to large volumes and types of tyres that are required for the recovery of the carbon black, which is in demand by our customers.

It is equally interesting to create partnerships downstream in the value chain with players that are involved in the sale of the plants' products. These could be, for example, tyre and rubber manufacturers or petrochemical companies. The strategic partnership that the company has entered with Michelin is an excellent example of how such partnerships can be structured.

Players outside the value chain may also be attractive and important partners. These are primarily financial players who are considering becoming joint investors in Enviro's future plants, attracted by the combination of healthy profitability and a distinct sustainability profile.

Principles for collaboration

For Enviro – as a technology-driven company with finite resources – it is of the utmost importance to select the right collaborative partners to construct and operate large plants. Accordingly, Enviro has defined eight principles to safeguard the company's interests in the long and short term. These principles characterise the strategic partnership with Michelin and will also provide guidance for other potential partnerships.

1. Freedom to operate our business:

We need to ensure that individual business relationships do not limit us from developing new future business at alternative locations and with alternative partners.

2. Scalability:

We need to have the possibility to allow our business to 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 crucial for us that we, freely and without any restrictions, are able to deploy our technologies as we grow our business.

4. Control of quality and pricing:

We need to ensure that our products meet the required standard and quality, at the same time as the delivery volumes for each market are adapted to demand.

5. Profitability:

We have a responsibility to our shareholders and other stakeholders to strive for profitability. Our strategic partnerships must have sustainable profitability.

6. Financial structure:

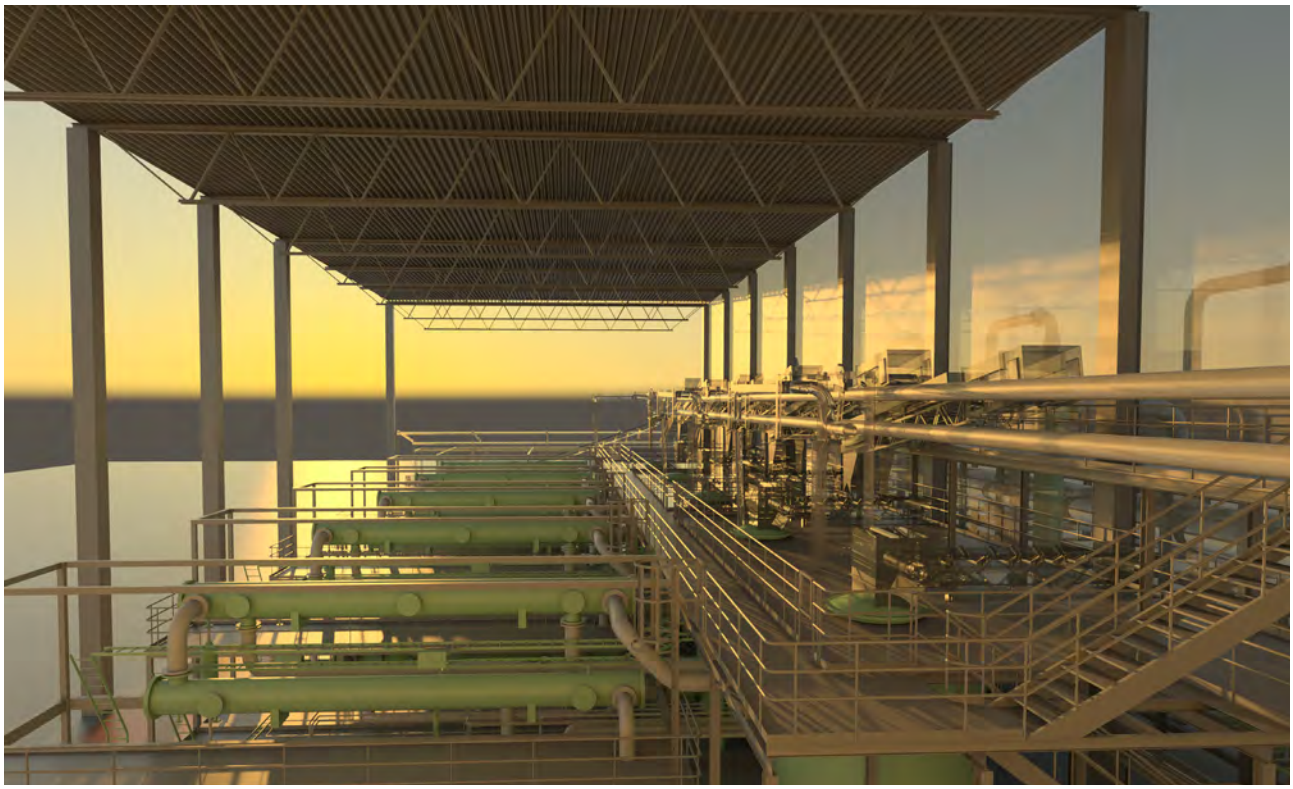
Each potential strategic partnership requires a solid financial solution, adapted to our financial structure.

7. Optimising our resources:

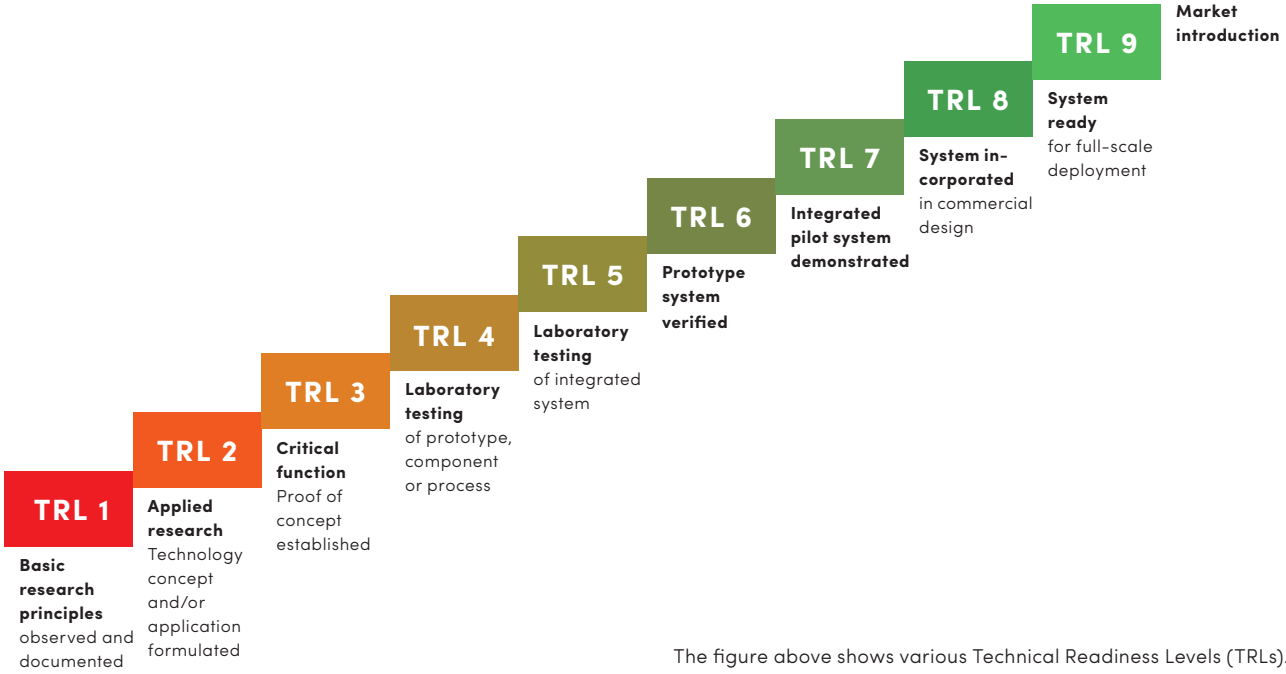
We are still a relatively small company with limited resources, which means that we must carefully prioritise our potential partnerships.

8. Transparency:

Enviro is a listed company, which means that it is vital that we can be transparent in our partnerships, their content and their scope.



Rendering of a plant, based on Enviro's technology, intended to recycle 30,000 end-of-life tyres per year.



The figure above shows various Technical Readiness Levels (TRLs). SES has been estimated at between 7 and 8 on this scale by several independent audits.

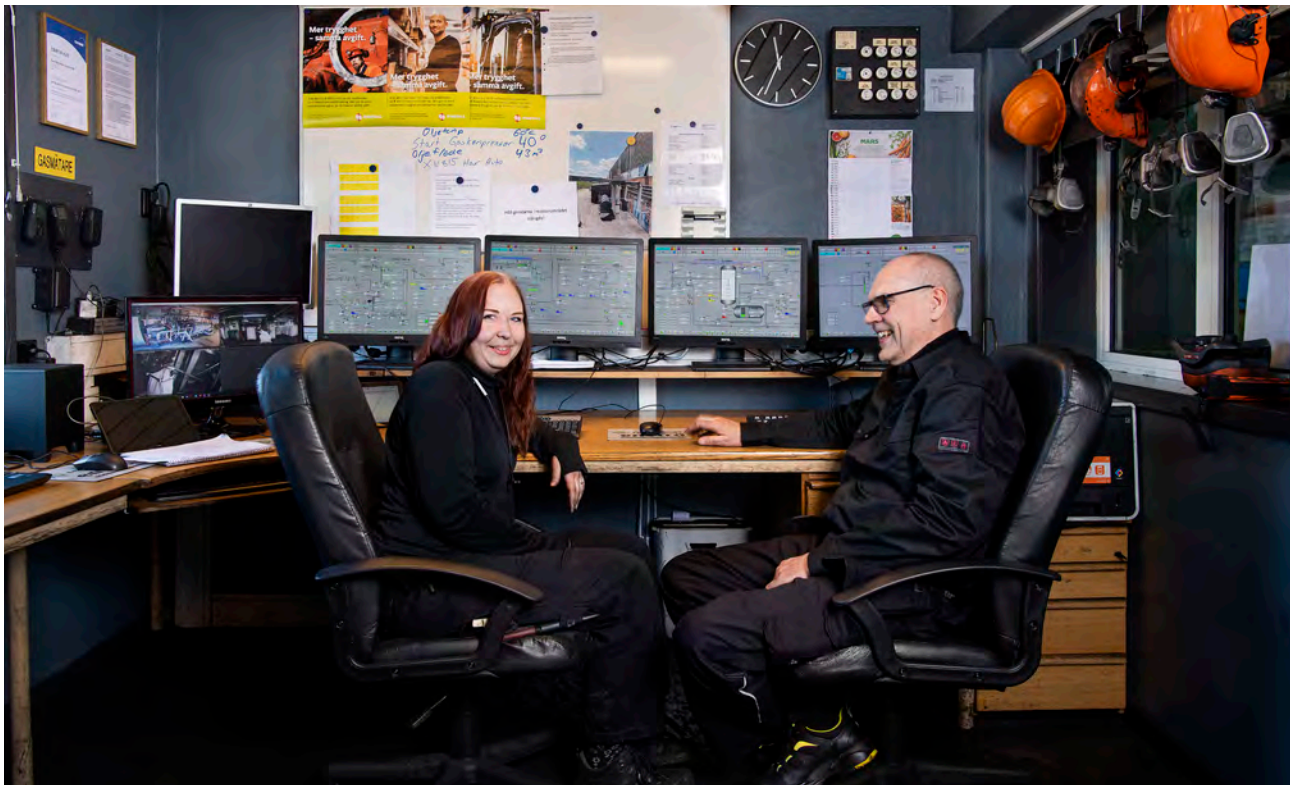
Module-based recycling plants

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 of tyres per year. A standard-design plant comprises five complete modules and has an annual recycling capacity of 30,000 tonnes of tyres.

The project time to construct a plant is estimated at approximately 18 months from the start of the project.

MANAGEMENT OF PARALLEL PROJECTS

To be able to deliver projects at the pace and scope that is planned, Enviro is establishing collaboration with partners within project execution and with various areas of responsibility. The aim is for such partners to be responsible for the areas that do not form part of Enviro's core process. Accordingly, the risks and the need for capital for each project are minimised and scope is created to streamline the processes closely related to the core activities, where Enviro generates the most value. This also means that in future, the company can work toward series manufacturing of equipment for the main process and thereby increase the profitability related to plant deliveries.



Enviro's pyrolysis process is carefully monitored in the control room.

Investment calculation for recycling plant

The table below is an investment calculation that shows that a recycling plant for 30,000 tonnes of tyres per year has an excellent profit margin. Naturally, the margin may vary for reasons that include the market prices of recovered carbon black and oil, the price of raw materials, energy prices and payroll costs, etc., but will normally always be highly attractive. The calculation is based on EU conditions, with the investment amounting to approximately MSEK 407. This is an investment level that is expected to decrease for future plants given that the detail design now being prepared can be reused. In addition, Enviro is expected to gain increased purchasing power through repeat purchases and increasing volumes.

Below is an example of an income statement from a potential plant in the EU. The example addresses two scenarios – namely a scenario in which discounts must be provided on the recovered carbon black. The oil price in this case is set at EUR 500 per tonne. The second scenario shows what the estimate would look like if no discount were given on the recovered carbon black and with a price of EUR 1,000 per tonne for the recovered oil.

ASSUMPTIONS: BASE & FULL POTENTIAL

- Base case: Recovered carbon black is sold at a 15 per cent discount compared with virgin carbon black and recovered oil at EUR 500 per tonne
- Full potential: No discount on recovered carbon black and EUR 1,000 per tonne for recovered oil
- The investment in a 30,000-tonne recycling plant comprises:

CAPEX*	MSEK
Land	0
Property	0
Local permissions	3
Local installation	40
Plant	364
Total	**407**

* excluding working capital

Market prices	€/ton	Discount	Recovery rate from 1 ton ELT	Excluding own usage	Sellable	Market values/ton ELT (€)	Share of market value
Virgin Carbon Black	1,143						
Brent oil USD/barrel	68						
Recovered carbon black	972–1,143	15–0%	31%	31%	97,0%	290–341	57–45%
Recovered oil	500–1,000	0%	51%	40%	100%	201–403	39–53%
Recovered steel	141	0%	15%	15%	99,5%	22–22	4–3%
Recovered gas	N/A	N/A	3%	N/A	N/A	N/A	N/A
Total			**100%**	**86%**		**514–766**	**100%**

Investment calculation for recycling plant

- **Our objective is to enter** the market for commercial industrial recovered carbon black (rCB) plants with the goal of building and operating them.
- **Our verified technology** is based on our own patent/IP and has been verified in our commercial plant in Åsensbruk, Sweden.
- **The return on the investment** made in a plant is highly favourable, with a repayment time of approximately four years and an EBITDA margin of >58%.

	Own installment MSEK
Investment	**407**
Projected annual Profit and Loss Statement	**Base vs Full pot.**
Turnover Carbon Black	105 - 124
Turnover Oil	70 - 140
Turnover Steel	8 - 8
Total turnover	**183 - 272**
Variable costs	
Direct material cost	-6
Direct wages expenses	-8
Other variable expenses	-40
Gross profit	**129 - 218**
Gross profit margin %	70 - 80%
Fixed costs	
Indirect salary expenses	-11
Other fixed expenses	-11
EBITDA	**107 - 196**
EBITDA-margin %	58 - 72%
Key ratios	
Payback time, years (Investment/EBITDA)	**3,8 – 2,1**

ENVIRO AND MICHELIN'S JOINT PLANT IN CHILE

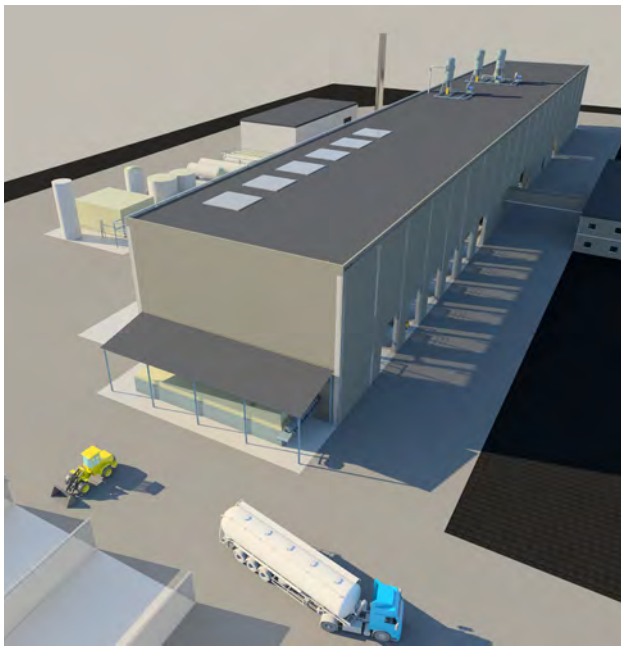
The first concrete result of our strategic partnership with Michelin is the establishment of a jointly owned recycling plant in Chile. The plant, which will be a full-scale facility with the capacity to recycle 30,000 tonnes of tyres per year, will be owned by a joint venture that in turn is 10-per cent owned by Enviro and 90-per cent by Michelin. The ownership of the company is regulated by a shareholder agreement between Enviro and Michelin.

The plant in Chile will be a full-scale facility, which will give Enviro the opportunity to demonstrate that our technology can be scaled up and industrialised. These are decisive requirements for our future expansion. The reason for the location of the plant in Chile is the large volume of end-of-life tyres from off-highway vehicles used in the country's mining industry for which producer responsibility is about to be introduced. The plant is scheduled to start production in 2023.

Enviro will receive royalties from the joint venture and profit-sharing proportionate to its ownership. Enviro will also receive payment for design, and engineering and project services related to the establishment of the plant in Chile; approximately MSEK 15 in total.

Through the close and positive cooperation between Enviro and Michelin, it has been possible to reach agreements that restrict Enviro's guarantee commitments toward Michelin. The guarantee risk for our plant in Chile is thus MSEK 300 lower than the corresponding demands placed on Enviro in negotiations with other parties.

Due to COVID-19, signing of the cooperation agreements between Enviro and Michelin was carried out remotely. In the foreground, from left, representing Michelin: Sander Vermeulen, Vice President Marketing & Business Development Strategy & New Businesses High-Tech Materials, Sonia Artinian-Fredou, Executive Vice President High Tech Materials, Noémie Assenat, Vice President Director Mergers & Acquisitions Group. In the background, from top to left, from SES: Thomas Sörensson, CEO, Urban Folcker, CFO, Nina Macpherson, Board member, and Alf Blomqvist, Chairman of the Board.



Rendering of a plant, based on Enviro's technology, intended to recycle 30,000 end-of-life tyres per year.

ENVIRO'S EXPANSION PLAN

Completely new conditions for Enviro's next phase — the company's expansion.

The strategic partnership with Michelin and the increased interest in recovered carbon black and recovered oil against the background of a growing focus on sustainability, has created entirely new conditions for Enviro's next phase – the one that is all about expansion. As we communicated earlier, we will endeavour to establish four new recycling plants per year over the next ten years, a total of up to approximately 30 plants by 2030, with an initial focus on Western Sweden and Central Europe. It is now important that Enviro as a company makes the right moves to make optimal use of the major opportunities on offer. Our activities aimed at achieving this can be organised into four main areas: financing, plant establishment, personnel and talent, and sales.

PLANT ESTABLISHMENT:

We have begun to organise and prepare ourselves to be able to construct several plants per year. One of the activities we have conducted as part of this is the development of a module-based plant concept with short lead times, by which selected suppliers deliver turnkey components based on our patented recycling technology.

LOCALISATION AND ENVIRONMENTAL PERMITS:

To optimise our delivery and distribution capacity to satisfy the steadily growing demand of our various customers, we need to create organisational conditions to be able to secure construction and environmental permits for a significant portfolio of sites.

FINANCING:

Our ambition to be part-owner of all of the plants will require that we have the financial resources to invest in each new plant that is established. The size of each single investment will depend on the size of our ownership. Together with a global investment bank, Enviro has commenced the work to prepare a long-term financial plan. A major advantage for us in this context is our green profile combined with the favourable opportunities for the stable cash flows offered by the sale of recovered materials from our plants.

SALES:

To plan for and dimension our future portfolio of plants and their associated financing, it is important that we continue to build up our sales pipeline for recovered carbon black and pyrolysis oil. For this purpose, we engage in discussions with strategic customers who want to become part-owners of plants, and customers who only want to buy our recovered products. We have long-established customer contacts and following the partnership with Michelin, we have seen a clear increase in the number of interested customers and the supply volume in demand.

PERSONNEL AND COMPETENCE:

No technology, however good it is, can be successfully rolled out without the support of the right personnel, the right competences and the right ambition. We believe that having a distinct environmental profile and being able to offer exciting work assignments in a company on the threshold of robust international expansion will give us good prospects of successfully recruiting the right competences.

MARKET OVERVIEW

RECOVERY OF VALUABLE RAW MATERIALS

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

CARBON BLACK GENERAL

Traditionally, carbon black is manufactured from fossil resources (crude oil) and has characteristics that makes it appropriate as a strengthening and filler material, mainly in rubber products. In vehicle tyres, carbon black contributes to diverting heat from the tyre's contact surface, which reduces the negative impact of heat on the useful life of the tyre. Essentially all material that is black contains carbon black in some form, often up to 30 per cent of the material's total volume. The tyre industry is the largest consumer of carbon black, with consumption of nearly 11 million tonnes per year, which is more than 70 per cent of the carbon black that is produced. Other applications are, for example, different types of rubber, plastic and pigment products, including cosmetics. Global demand for virgin carbon black is expected to amount 16.5 million tonnes in 2021, with a total value corresponding to approximately USD 22 billion. In the long term, recovered carbon black is expected to replace up to half of this volume.

According to the independent analyst Pal Arjunan's forecast, the global market for carbon black in the next few years will show average annual growth of 4.3 per cent, while the growth in value is expected to be 8.8 per cent. Asia, and China and India in particular, will account for the majority of the estimated increase in the production capacity for carbon black in the next five years. Several macro-economic forces support this development, such as growth of vehicle fleets and significantly tightened environmental legislation, which will eliminate older plants.

The changes that are occurring within the oil industry are also expected to affect the availability and prices of raw materials for carbon black. For example, the uncertainties are considerable about how the effects of stricter regulation of sulphur in oil for marine use affect the carbon black market. Carbon black is traded globally, but increased transportation costs, potential trade conflicts and COVID-19 are affecting how the large consumers need to act to safeguard their supplies.

CARBON BLACK WITH DIFFERENT CHARACTERISTICS

The production of virgin carbon black is consolidated to a smaller number of large producers. The leading companies have broad product portfolios, with varying types of carbon black comprising specific characteristics to meet various customer needs. In a tyre, for example, there are up to eight different types of carbon black in different parts of the tyre. The companies develop characteristics and adapt the products to create various characteristics and, accordingly, competitive advantages. Depending on which type of end-of-life tyre and which parts of the tyre are recycled, a mixture of carbon black with varying properties can be recovered. By removing different parts of the tyre before

Company	Market Share
CABOT	12.8%
ADITYA BIRLA GROUP	12.8%
orion ENGINEERED CARBONS	7.4%
TOKAI CARBON	6.8%
	6.6%
Continental Carbon	5.1%
Total	**51.5%**

The six largest producers of virgin carbon black and their market shares. Together, these represent more than half of the total carbon black market.

they enter process, the carbon black's characteristics can be customised for specific applications, but with the price of an increase in residual waste. Even without prior sorting of the tyres to be recycled, it is possible to produce carbon black of high and even quality, with highly favourable profitability.

THE TYRE MARKET

The production volume of tyres in 2020 was estimated to be about 20.6 million tonnes, with a value of nearly USD 247 billion*. All tyre types are expected to have continued growth until 2024, although the rate of growth will slow somewhat, primarily in terms of volume. When the quantity of new tyres in the market increases, so too does the quantity of end-of-life tyres that must be managed, and demand for sustainable alternatives to satisfy this need will become ever more critical. The anticipated increase between 2019 and 2024 alone corresponds to approximately three million tonnes of tyres that will need to be processed sooner or later.

A SUSTAINABLE ALTERNATIVE

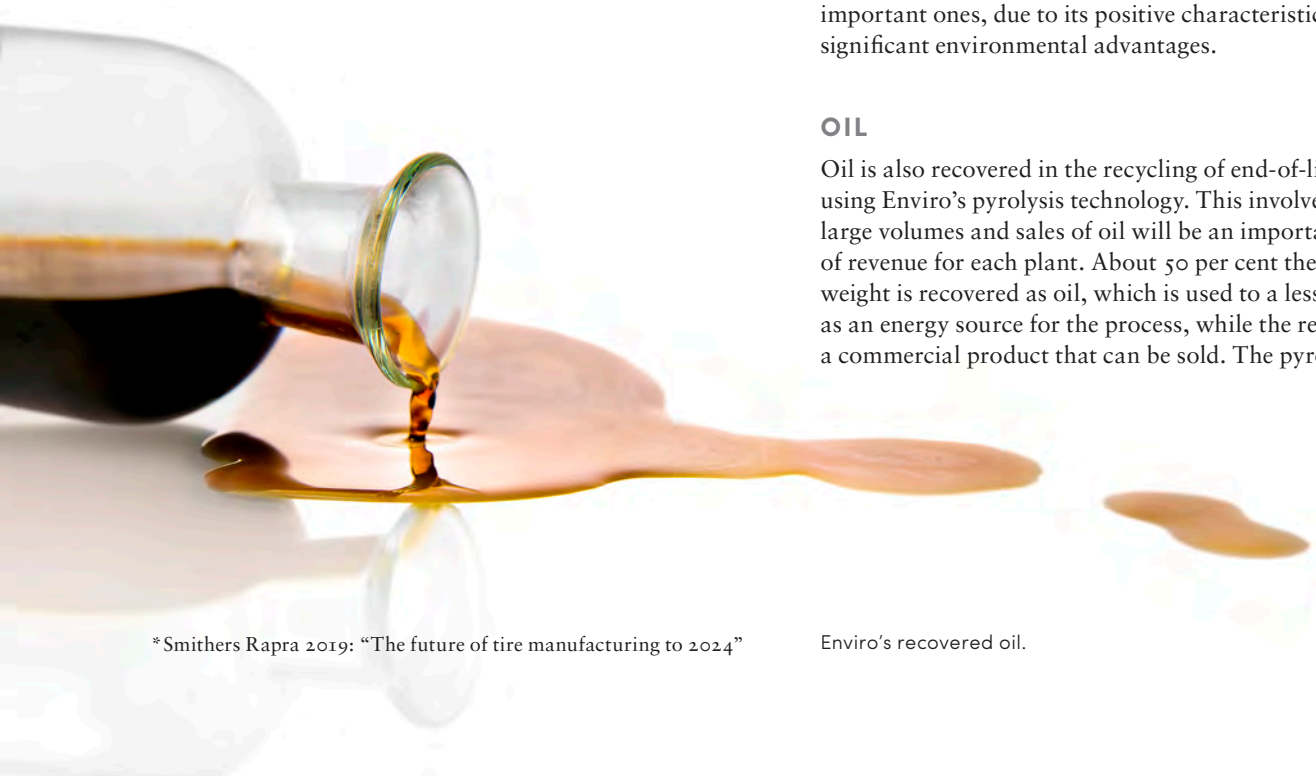
For a long time, Enviro has highlighted the major environmental advantages and customer benefits of using recovered materials in the tyre and rubber industry. During the past year, the industry has finally recognised this and begun its transition. Enviro's strategic partnership with Michelin, the world's largest tyre manufacturer, and Michelin's entry as the single largest shareholder in Enviro, represents a large and important breakthrough for recovered carbon black and for Enviro's technology. Several other tyre manufacturers have also communicated clear goals, in some cases concrete volume goals, regarding the use of recovered material. Enviro's LCA (Life Cycle Assessment) shows that by replacing carbon black produced from fossil fuel with recovered carbon black from Enviro, the CO_2 impact is reduced by about 80 per cent. This type of reduced environmental impact has become even more attractive to the tyre and rubber industry.

- Michelin (France) has the ambition for 2050 that 100 per cent of the tyre will be recovered and that 100 per cent of the contents of the tyre will be manufactured sustainably.
- Continental (Germany) has set the goal of closing its product and resource loop not later than 2050 and to avoid waste after the end of the product life cycle.
- Bridgestone (Japan) has clarified its long-term environmental goal, which entails achieving a carbon-neutral status from 2050 and onward.
- Goodyear (USA) has the goal of completely eliminating petroleum-based oils in 2040, as well as reducing greenhouse gas emissions by 25 per cent by 2023, using 2010 as the benchmark.

The volumes of recovered carbon black that are available remain very modest in comparison to the volumes of virgin carbon black. However, the trend is clear: leading tyre manufacturers are driving the development towards the implementation of more sustainably produced materials and recovered carbon black is definitely one of the most important ones, due to its positive characteristics and its significant environmental advantages.

OIL

Oil is also recovered in the recycling of end-of-life tyres using Enviro's pyrolysis technology. This involves relatively large volumes and sales of oil will be an important source of revenue for each plant. About 50 per cent the tyre's weight is recovered as oil, which is used to a lesser extent as an energy source for the process, while the remainder is a commercial product that can be sold. The pyrolysis oil



Enviro's recovered oil.

*Smithers Rapra 2019: "The future of tire manufacturing to 2024"

from end-of-life tyres has certain characteristics that make it an attractive replacement for fossil oil, both in combustion applications and as an additive in fuel, such as diesel. In the past year, interest has increased in more circular areas of use for base oils and other chemicals. Tests using the pyrolysis oil as a fuel and a raw material in the manufacturing of new carbon black were conducted in cooperation with companies in the carbon black industry. As pyrolysis oil becomes increasingly available, further areas of use will open up as a result of the oil's obvious environmental and sustainability advantages.

The new global regulations to limit the sulphur content in bunker oil to 0.5 per cent, which came into force in 2020, are expected to bring significant changes for petroleum-related industries. The regulations are expected to not only affect the production of bunker oil, which is a very large part of total oil consumption, but also other refined products, 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 amended regulations.

STEEL

Global steel production (Crude steel) declined in 2020 to 1,864 million tonnes, while the figure in 2019 was about 1,880 million tonnes according to the World Steel Association's (WSA) calculations. However, it was noted that production in China rose by 52 million tonnes in the same period. In the EU, production declined by approximately 12 per cent in 2020. The price for steel scrap correlates with the demand for raw steel.

COMPETITORS

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

No recovery at all: The end-of-life tyres are used, for example, in agriculture, on competition tracks, in playgrounds or in harbours.

Landfill: This occurs in countries where it is still permitted. There has been a ban on landfill deposits in the EU since 2003.

Incineration: Broken down, or sometimes whole, tyres are burned to produce energy. The majority of all end-of-life tyres are incinerated. It is likely that energy recovery will remain the main recovery method in large parts of the world due to the absence of alternative treatment methods.

Granulation: The tyres are cut up and the steel and textile fibre removed before they are granulated. The granulate can then be cast into different types of shock-absorbing products, such as running tracks or playground safety surfacing. They are also often used in loose form on artificial football fields and in equestrian sports. If not handled correctly, the material can spread to the surroundings and accumulate over time as sediment in waterways and lakes.

Retreading: A well-established solution that provides an extended useful life for truck and bus tyres and is used globally. Tyres can be retreaded at most three or four times, depending on wear and tear. Accordingly, the method does not provide a long-term circular solution to close the loop.

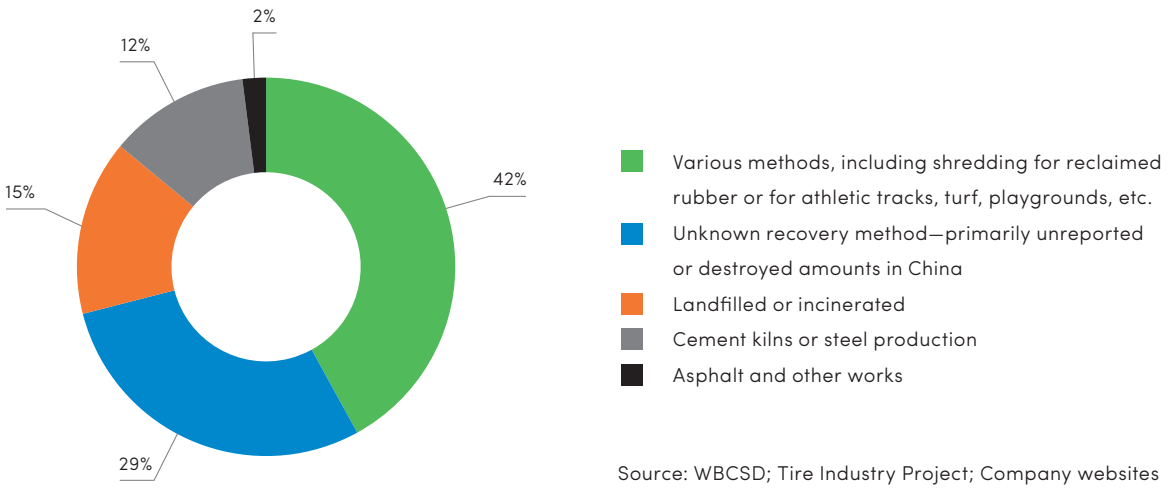
Enviro's recovered steel.

Cryo-technology: The tyre is frozen and thereafter broken down into small fragments. These fragments can be used in tyres and other rubber applications. It is, however, a relatively expensive process. Since the material comprises complete rubber fragments from the recovered tyres, the stability of the raw materials for use in new products is uncertain.

Devulcanisation: This process entails that the sulphur in the rubber is removed, which makes it possible to vulcanise the material anew. Since this material also comprises entire fragments of rubber from the recovered tyres, the method generates uncertainty in the form of variations in the raw materials.

Pyrolysis: There are multiple operators that work with pyrolysis of tyres. However, of these, there are only a few who have the ability to manufacture high-quality carbon black. They include Delta Energy (USA) and Boulder Industries (USA).

30.9 million tons of ELTs produced per year—and no truly sustainable way to recover ELTs making ELTs an ever-increasing environmental burden.



Source: WBCSD; Tire Industry Project; Company websites

COLLECTION AND RECOVERY OF TYRES

The European Tyre and Rubber Manufacturers Association (ETRMA), which represents the largest tyre manufacturers, measures and reports to the EU on the extended producer responsibility for tyres. In 2018, 91 per cent of all end-of-life tyres were recycled in the EU, Norway, Switzerland, Serbia and Turkey, meaning that recycling decreased 1 percentage point compared with 2017. Recovery by the ETRMA's definition include all the various processing methods, including incineration. It was not possible to determine what happened to the remaining 9 per cent.

In 2017, approximately 1.47 million tonnes of granulated material (rubber, steel and textiles) was recovered. A total of approximately 1.25 million tonnes was used to produce energy, of which 75 per cent was used in the cement industry and the remaining 25 per cent by power stations and heating of homes. About 96,000 tonnes was recovered as material for land development and a small portion through pyrolysis, or recovered for energy in steelworks, foundries or other industries.

In Sweden, the tyre manufacturers' organisation SDAB (Svensk Däckåtervinning AB), which is responsible for local management of producer responsibility, reports that about 95,000 tonnes of tyres are recovered per year (2019). Ragn- Sells, which holds the contract with SDAB for collection and recovery, reports that 70 per cent of the tyre material in Sweden is recovered for energy and about 26 percent is recovered for materials, such as granulation. The tendency in recent years is for energy recovery in Sweden to increase, while materials recovery is declining.

SUSTAINABILITY

END-OF-LIFE TYRES — A GLOBAL ENVIRONMENTAL PROBLEM

Each year, the amount of end-of-life tyres that must be processed globally increases by about 31 million tonnes*. Far too much of this amount is sent to landfill, but the associated risks are becoming more noticeable – for example, the risk of fires that produce toxic smoke and can be difficult to extinguish, as well as the risk of water collection points that become breeding grounds for mosquitoes. The World Health Organisation (WHO) classifies tyre landfills as potential risk zones for infectious diseases, such as dengue fever and malaria. Other types of pests are also attracted to landfills. In most countries, this has led to a prohibition of landfill below ground and at sea, as well as demands for the remediation of existing sites.

The tyre industry is subject to producer responsibility, meaning that the industry needs to take care of its products when they have come to the end of their useful life, that is, when they have become waste. This can be achieved through the national industry organisations or free market players, and, and in exceptional circumstances, through public authorities. The EU has adopted the so-called waste hierarchy to rank various methods of managing waste according to their resource efficiency and environmental impact.

At the top of the waste hierarchy – or environmentally best – is complete avoidance of waste, which is impossible in the case of tyres. The next level of the hierarchy is reuse, which occurs to a large degree through rethreading, particularly of truck and bus tyres. However, rethreading is not end-of-life management, but leads sooner or later to a lower rung of the hierarchy. This is followed by recovery as material. This is what Enviro does; out of the end-of-life tyres, clean materials such as carbon black, oil, gas and steel are recovered and are used to produce new tyres and/or other products. Material recovery can also take the form of the tyre being atomised through grinding or cryogenics, after which the granulate is included as a raw material in other products. The next step in the waste hierarchy is recovery as energy, meaning incineration of the whole or broken down tyre for energy production. The cement industry is an player that uses this possibility to a large degree and regularly uses tyres as a source of energy in its processes. Advanced flue gas treatment is required if incineration is to be environmentally acceptable, but the cement industry also has the advantage that some of the hazardous incineration products are bound in the ready cement. Of the end-of-life tyres used as an energy source in Europe in 2018, approximately 940,000 tonnes were used in the cement industry.

At the very bottom of the waste hierarchy is landfill, which means that the tyre is deposited in landfill more or less untreated. Depositing tyres in landfill is prohibited in the EU and many other countries, at least below the ground and in lakes and at sea. Granulation or shredding of tyres for use as filler material in land development is a handling method that can be described as being close to landfill, but it is nonetheless classified as material recovery. Nearly half1 of all end-of-life tyres in the EU are granulated in some form and the portion that is not turned into moulded rubber products is mainly used in the preparation of artificial grass pitches for football, running tracks and as playground safety surfacing.

The expanding use of tyre granulate has been criticised from an environmental perspective, since it is considered that the leaching of hazardous substances from the granulate risks affecting the groundwater. The Swedish Environmental Research Institute IVL has therefore suggested a series of actions to reduce the risk of the spread of granulate on land. The tyre and rubber industry is now aware that more sustainable alternatives are required and is showing growing interest in genuine material recovery and increased use of recovered carbon black in rubber manufacturing. Naturally, this is favourable for Enviro and its leading method for tyre recovery.

* Global ELT Management —A global state of knowledge on regulation management systems impacts of recovery and technologies (2019).

LIFE CYCLE ASSESSMENT SHOWS STRONG REDUCTION IN CO2 EMISSIONS

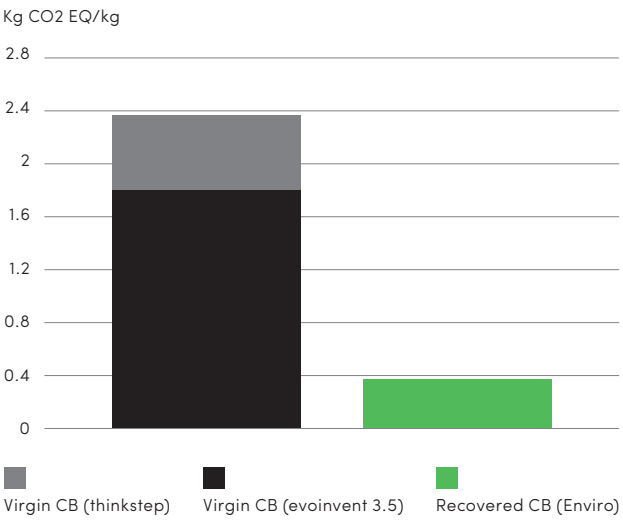
The Swedish Environmental Research Institute IVL, together with Enviro, has conducted a life cycle assessment (LCA) of the recovered material that is extracted using Enviro's pyrolysis technology with the aim of providing a complete picture of the material's environmental effects. The results show that the manufacturing of rubber using recovered carbon black, instead of using virgin carbon black, reduces the total climate impact of CO_2 emissions by 79-84 per cent. Accordingly, Enviro's recovered carbon black provides the tyre and rubber industry access to a material that is adapted to a circular economy and significantly reduces the industry's environmental impact. The other recovered material from tyres, such as oil, steel and gas, also contribute to 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 one-way flights from Stockholm to New York. In addition, there are reductions in emissions related to recovered oil, gas and steel.

Stricter environmental legislation, producer responsibility and a global trend towards more sustainable production have resulted in growing interest in Enviro's recovered materials and Enviro's plant concept.

Global Warming Potential, GWP, is an index that compares the greenhouse effect of greenhouse gases on a common scale with carbon dioxide. The diagram shows a comparison between virgin carbon black and Enviro's recovered carbon black in terms of CO_2 emissions. (Thinkstep and Ecoinvent 3.5 are two different global databases for LCA data relating 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 with specific trade goods, both of which in this case are virgin CB for rubber applications.

Image from inside the plant at Åsensbruk, in Dalsland. Meticulous quality control is conducted for each individual batch of recovered carbon black.

RESEARCH & DEVELOPMENT

CARBON BLACK

The strategic partnership with Michelin will provide Enviro with favourable conditions to further develop its recycling technology. Michelin is the world's largest tyre producer and has extensive experience of using carbon black in tyre rubber. In cooperation with Michelin, we will develop our technology so that the quality of the recovered carbon black is further enhanced, which will broaden its area of application and increase its commercial potential. Michelin has already successfully tested the use of carbon black recovered at our plant in Åsensbruk in various types of high-performance tyres. International producers of solid tyres, including Trelleborg, already use our carbon black in their tyre production.

A particularly interesting project in which Enviro is participating aims to evaluate a highly specialised type of rubber waste as a raw material for our process. The waste contains only a fraction of virgin carbon black and a specific polymer type. Initial laboratory tests indicate that we can derive from this material a potentially highly interesting recovered carbon black that has a very high surface area (BET) and very low ash content, which makes for an extremely favourable combination. The global volume of this rubber waste is considerable and is localised at production sites and where the final product is used. The oil recovered from this rubber waste is also very interesting, in terms of quantity and with a high bio-content (renewable oil from natural rubber). Another feature that makes this waste interesting is its low chemical content compared with the end-of-life tyres that Enviro usually has as its raw material for recycling.

OIL

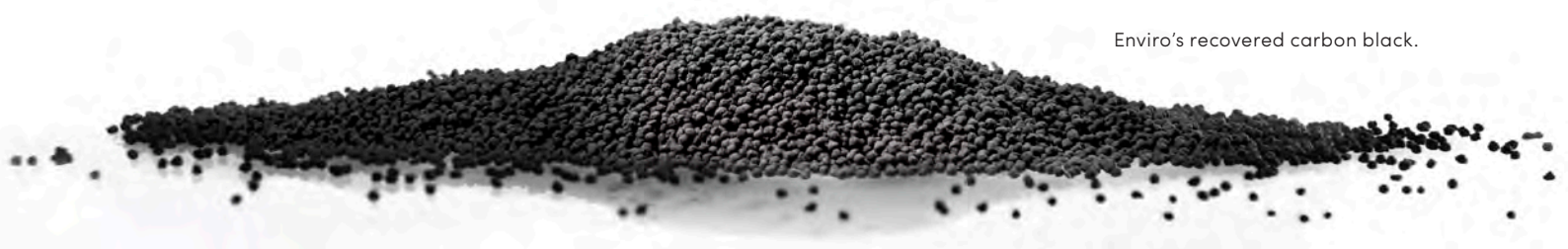
Since November 2019, a development project pertaining to Enviro's recovered oil has been in progress under the leadership of RISE (Research Institutes of Sweden) with Nynas AB and Enviro as the other participants. The project aims to further develop manufacturing processes, in which fractions of pyrolysis oil (TPO) are converted to various base oil products, such as lubricants and process oils. An earlier project, also under the leadership of RISE, found that Enviro's recovered oil could easily be blended with fossil fuels, such as diesel. Interim results from the ongoing project demonstrate that the oil is also highly interesting for base oil products. A number of distillations have been conducted by RISE and the distillates have been delivered to Nynäs, which conducts testing using fractioned (filtered and distilled) pyrolysis oil. Further results are expected at the end of 2021.

CARBON FIBRE

Enviro also participates in a RISE project aimed at recovering pure carbon fibre from composite material. Enviro's pyrolysis technology for end-of-life tyres is being used in these trials and the results to date indicate that the recovered carbon fibre material can be used for commercial purposes. In the ongoing project, the recovered carbon fibre (longer, not micronised fibres) is evaluated based on key properties such as maximum load, tensile strength and modulus of elasticity. The need for any necessary post-processing will also be evaluated.

The automotive industry's interest in light but also strong material is increasing rapidly. Carbon fibre components weigh significantly less than the corresponding components of steel, but can be equally as strong. Since the reduction in weight entails lower fuel/energy consumption, the automotive industry's use of lightweight design based on carbon fibre materials will likely increase going forward. At the same time, the need to recycle carbon fibre composites will increase as used windpower units are to be scrapped. In other words, carbon fibre is a very exciting development area for Enviro.

The research project is continuing with further tests and the further development of the recovered material with commercialisation as the objective.



Enviro's recovered carbon black.

Image from inside the plant at Åsensbruk, in Dalsland.

Meticulous quality control is conducted for each individual batch of recovered carbon black.

THE PLANT IN ÅSENSBRUK

Enviro has operated a production plant in Åsensbruk in Mellerud Municipality, Västra Götaland, for the past eight years. It is a half-scale plant operated with the following main purposes:

1. To produce and sell recovered materials from the plant.
2. To demonstrate that the company's technology works.
3. To conduct pyrolysis tests of various types of tyres, different rubber and, where appropriate different material, such as carbon fibre.

Enviro has worked systematically with strategic customers to establish recovered carbon black as a raw material in various applications in the rubber industry. In recent years, the interest and demand have increased significantly, which requires increased capacity in the Swedish plant in Åsensbruk. During 2020, sales of recovered carbon black to Volvo Cars' subcontractor AnVa Polytech AB, intended for rubber components for all of the company's newly produced cars, have continued at an undiminished pace and sales of carbon black were also made to tyre producers, including Trelleborg.

Interest in Enviro's recovered oil has also increased significantly, not least from large refineries and oil companies. It has been found that Enviro's oil can be mixed with other oil and used as 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 highly attractive commercially.

In Åsensbruk, availability is now being increased through optimisation of operations and capacity build-out. The objective of the investments is to meet the increasing demand for recovered carbon black with continued high quality and delivery reliability. The investments, which were approximately MSEK 6 (10) in 2020, can be divided into the following main categories:

1. Investments intended to increase robustness and operational reliability.
2. Investments intended to increase efficiency and capacity.
3. Investments intended to verify the technology for future plants.
4. Investments required to secure an updated environmental permit.

Investments intended to increase robustness and operational reliability

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

Investments intended to increase efficiency and capacity

These include 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 intended to verify the technology for future plants

These include a completely new burner for heating. In addition to using the gas released in the process and that has already been used as an energy source, it will now be possible to also use the recovered oil as an energy source and thereby replace the more expensive purchased petroleum gas. It also includes more effective and safer cleaning of flue gases that are produced primarily in connection with the pelletising of carbon black.

Investments required to secure an updated environmental permit

These include measurement instruments and follow-up systems for analysis and reporting to the related authorities. These investments were completed in 2020.

Once these additional investments have been made, the plant is expected to have a maximum annual capacity of about 5,500 tonnes of end-of-life tyres per year with continuous operation, or about 1,600 tonnes of recovered carbon black.

CORPORATE GOVERNANCE

BASIS

Good corporate governance, risk management and internal control are central features of successful operations and crucial in maintaining confidence among the company's stakeholders. The aim of corporate governance is to ensure that the company is managed on behalf of the shareholders in as efficiently a manner as possible.

CORPORATE GOVERNANCE STRUCTURE

The corporate bodies that govern the company are the general meeting, the Board of Directors, the Chief Executive Officer (CEO) and the auditor. The general shareholders' meeting (the Annual General Meeting) is to be held annually within six months of the end of the financial year. The company's financial year is to be 1 January–31 December. The Annual General Meeting is to appoint the Board of Directors and auditor. The Board of Directors appoints the CEO. The auditor reviews the annual report and the administration by the Board of Directors and the CEO. The tasks of the Nomination Committee are established by the Annual General Meeting and comprise proposing members of the Board of Directors, the chairman and auditor for election at the Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting is the company's highest decision-making body and the forum at which the shareholders' rights are exercised. At the Annual General Meeting, resolutions are made on the proposals from the Nomination Committee, the Board of Directors and the shareholders, as well as any other decisions included in the current articles of association or legislation. Resolutions include (i) adoption of the income statement and balance sheet, (ii) appropriation of the company's profit or loss, and (iii) the election of the Board of Directors and auditor and determination of their fees. The meeting resolves on the discharge from responsibility of the Board members and the CEO. According to the company's articles of association, the Board of Directors of the company is to comprise not fewer than three and not more than ten members without deputies.

SHAREHOLDERS

Information on the company's shares and shareholders is presented on pages 34–35.

NOMINATION COMMITTEE

The Annual General Meeting adopts the principles for the structure of the Nomination Committee. According to the most recent resolution by the Annual General Meeting, the current Nomination Committee was appointed, in summary, in accordance with the following principles: The Nomination Committee is to comprise four members, of whom one member is to be the Chairman of the Board, who also convenes the first meeting. The other three members are to be appointed by the three largest shareholders in the company by number of votes as of the last banking day in September, with one representative being appointed to the Nomination Committee by each of these shareholders. If a shareholder refrains from appointing a representative, the right to appoint a representative is transferred to the next largest shareholder in terms of votes. The Chairman of the Nomination Committee is to be the member who, on the formation of the Nomination Committee, represents the largest shareholder by number of votes, unless the Nomination Committee unanimously resolves to appoint another person. If an equal number of votes arises when the Nomination Committee votes, the Chairman of the Nomination Committee has the casting vote. For the composition of the Nomination Committee prior to the close of the next Annual General Meeting, the Chairman of the Board of Directors is to ask the largest shareholders by number of votes to appoint three members for the Nomination Committee.

The Nomination Committee's mandate applies until a new Nomination Committee has been appointed. If, during the Nomination Committee's mandate period, one or more of the shareholders that have appointed representatives to the Nomination Committee are no longer among the three largest shareholders by number of votes, then the representatives appointed by these shareholders are to vacate their positions and the shareholder or shareholders that are then among the three largest shareholders by number of votes are entitled to appoint their representatives. Unless there are special reasons, no changes are to be made to the composition of the Nomination Committee if there are only marginal changes to the number of votes or if the change occurs later than three months before the Annual General Meeting. Changes to the composition of the Nomination Committee are to be announced as soon as they occur.

The company is to announce the Nomination Committee's composition by press release on the company's website as soon as the representatives have been appointed, but not later than six months before the Annual General Meeting.

Ahead of the 2021 Annual General Meeting, the following Nomination Committee has been appointed:

Peter Sandberg (Chairman, appointed by Pegroco Invest)
Sander Vermeulen (appointed by Michelin)
Lennart Persson (representing himself)
Alf Blomqvist (convener of the first meeting and representing the Board of Directors)

The composition was communicated by press release and on the company's website on 19 November 2020 and changed chairmanship on 26 April 2021.

BOARD OF DIRECTORS AND MANAGEMENT MODEL

The Board of Directors has the ultimate responsibility for the company's organisation and administration. The Board currently comprises seven members, of whom one woman and six men. The Board has no deputies.

The work of the Board of Directors is governed by the Swedish Companies Act, the articles of association and the work instruction adopted by the company's Board of Directors. The company's work instruction stipulates, for example, the distribution of responsibility between the Board of Directors and the CEO.

ACTIVE BOARD WORK

The company's Nomination Committee has deliberately chosen to recruit persons to the Board of Directors who can take an active and operational role in contributing to the development of the company strategically and in business terms. A small company like Enviro, which has a technology with major commercial potential, but is still at an early phase, has an extensive need to become associated with leading and decisive competence. At the same time, a small company that is in such a phase usually has neither the size nor the resources required to attract and recruit key competencies in all areas and for all positions of importance. Accordingly, Enviro's owners have chosen to also try to gain these competences and this experience through the Board of Directors. The persons who are on the Board of Enviro have thus also been recruited on these premises and with the clear understanding that a Board position at Enviro requires a commitment that is different to and greater than a Board assignment in a smaller listed company would usually require. This means that, in addition to participating in scheduled and extra Board meetings, a member of Enviro's Board of Directors is expected to continuously participate actively in negotiations, agreement discussions and various forms of evaluations. In terms of the negotiations that led to the partnership with Michelin, the members of the Board played a decisive role in their finalisation.

At its meetings, the Board of Directors also discusses the company's future development, quarterly reports, budgets, financing and conducts the customary follow-up of the strategic and operating activities of the company. The Board also evaluates the company's financial reporting on a quarterly basis and places demands on its content and structure to ensure a high level of quality. Each year, the company's auditor participates in the meeting at which the year-end report is approved. The company's CEO Thomas Sörensson is co-opted and participates continuously in the Board's meetings, with the same applying to the company's CFO Urban Folcker, who is also secretary at the Board meetings.

All Board decisions are based on extensive decision documentation and are concluded following discussions led by the Chairman of the Board.

FEES

The table pertains to the Board members elected at the 2020 Annual General Meeting

Name	Born	Elected in	Role within the Board	Fee determined
Alf Blomqvist	1956	2017	The Chairman	250,000
Jan Bruzelius	1946	2018	Member	125,000
Nina Macpherson	1958	2020	Member	125,000
Peter Möller	1952	2017	Member	125,000
Björn Olausson	1964	2019	Member	125,000
Stefan Tilk	1964	2015	Member	125,000
Sander Vermeulen	1972	2020	Member	125,000*

* Has declined his fee in line with Michelin's policy on Board fees for its employees who have Board positions in wholly or partly owned companies.

The Board has a mandate to pay fees to individual Board members on market remuneration terms for work that is not normally included in a Board assignment.

BOARD COMMITTEES

The Board has not appointed any committees.

CEO

The CEO is responsible for the company's operating activities in accordance with the adopted strategy and the Board's instruction. The CEO reports continuously to the Board on the development of operations.

AUDITOR

The auditor reviews the annual report, the accounts and the administration by the Board of Directors and the CEO, and reports to the Annual General Meeting. At the 2020 Annual General Meeting, the auditing firm PricewaterhouseCoopers AB was re-elected, with Public Authorised Accountant Johan Palmgren as Auditor in Charge. During 2020, he was also auditor in charge for companies including Bulten AB and Troax Group AB. No deputy auditors were elected.

GOVERNANCE DOCUMENTS AND INTERNAL CONTROL

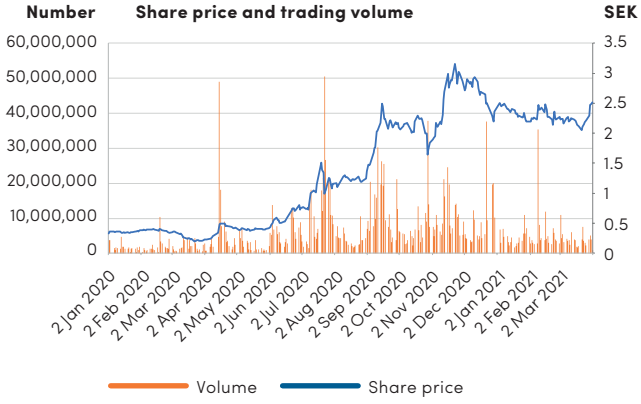
The company has established control systems and conducts transparent operations. The current governance documents are reviewed continuously. In addition, the Board continuously evaluates the financial statements obtained in conjunction with the Board meetings.

THE ENVIRO SHARE

Enviro's long-term goal is to create a healthy, risk-adjusted return for its shareholders.

TRADING AND NUMBER OF SHARES

Scandinavian Enviro Systems AB's shares are listed for trading on Nasdaq First North Growth Market under the ticker SES. Mangold Fondkommission AB is the company's Certified Adviser. The total number of shares at 30 December 2020 was 580,826,115 (464,660,892). Each share entitles the holder to one vote at the general meeting. The shares are denominated in SEK and each share has a nominal value of SEK 0.04. All shares are freely transferable.



SHARE PRICE TREND AND MARKET CAPITALISATION

At 31 December 2020, the last price paid for the share was SEK 2.360 (0.354) and the market capitalisation was MSEK 1,370.7 (164.5). The share price rose 567 per cent (-6%) during the year. The market capitalisation rose 733 per cent compared with the preceding year. During the year, approximately 1,676 million shares (693) were traded, corresponding to approximately 207 per cent (150) of the average number of shares during the year.

CAPITAL CONTRIBUTIONS

In 2020, a directed share issue (private placement) was resolved and implemented for Michelin, which held 20 per cent of the number of shares and votes in the company after the issue. Accordingly, Michelin was also the largest shareholder. In conjunction with the directed share issue, the company received a capital contribution of MSEK 32.5 before emission expenses.

ENVIRO'S OWNERS

At 30 December 2020, Enviro had 13,221 (4,715) shareholders, each with a holding of more than 500 shares. There was a total of 17,079 shareholders at 30 December 2020. Enviro's largest owner was Michelin Ventures S.A.S. Other major owners, in descending order, were Försäkringsbolaget Avanza Pension, Nordnet Pensionsförsäkring AB, Lennart Persson and Pegroco Invest AB.

List of shareholders at 30 December 2020

Total number of shares	**580,126,115**
Number of shareholders	**17,079**

Owners	Number of shares	Ownership share %
Michelin Ventures S.A.S	116,165,223	20.00%
Försäkringsbolaget Avanza Pension	37,951,636	6.53%
Nordnet Pensionsförsäkring AB	15,940,745	2.74%
Lennart Persson	11,931,525	2.05%
Pegroco Invest AB (inklusive Pegroco Holding AB)	5,150,000	0.89%
Conatum AB (inklusive huvudägare)	4,800,649	0.83%
Leif Rydén	3,501,021	0.60%
Swedbank Försäkring AB	3,418,823	0.59%
Thomas Larsson	3,320,000	0.57%
Lars Thunell	3,020,000	0.52%
Other shareholders	375,626,493	64.67%
Total	**580,826,115**	**100.0%**

Source: Euroclear Sweden AB and information available to the company

Year	Events	Change in number of shares	Total number of shares	Nominal share value, SEK	Change in share capital, SEK	Share capital, SEK
	Opening balance, 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
2020	Directed share issue (private placement)	116,165,223	580,826,115	0.04	4,646,609	23,233,045

The company's gas tank whose function is to balance gas requirements during the process.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

ALF BLOMQVIST (born 1956)
CHAIRMAN OF THE BOARD, Board member since 2017. Education at the Stockholm School of Economics. Alf has a background that includes the posts of CEO of Ledstiernan, head of Corporate Finance at Swedbank Markets and head of Equity Capital Markets at Carnegie. Other current positions: Chairman of the Board 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. Direct and indirect shareholding: 2,100,000 shares. Independent in relation to the company and its major owners.

JAN BRUZELIUS (born 1946)
BOARD MEMBER since 2018. M.Sc. 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. Direct and indirect shareholding: 1,300,000 shares. Independent in relation to the company and its major owners.

NINA MACPHERSON
(born 1958) BOARD MEMBER since 2020. Bachelor of Law from Stockholm University. Former Chief Legal Officer and secretary to the Board of Directors of Ericsson, Board member of Traton SE, Board member of Scania AB, member of the Swedish Securities Council, member of the Advisory Board of Pactumize AB. Direct and indirect shareholding: 210,000 shares. Independent in relation to the company and its major owners.

PETER MÖLLER (born 1952)
BOARD MEMBER since 2017. M.Sc. from Chalmers University of Technology and B.Sc. in Finance & Administrations from Uppsala University. Peter has a background that includes such posts as CEO and COO within the SAS Group, CEO of Atlas Copco Tool Division and COO of SAAB Automobil. Direct and indirect shareholding: 180,542 shares. Independent in relation 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, and Björkemar Construction & Consulting BCC AB, previously Area Vice President, Sales, Asia & Pacific, Metso Fiber and Metso Power. Direct and indirect shareholding: 93,368 shares. Independent in relation to the company and its major owners.

STEFAN TILK (born 1964)
BOARD MEMBER since 2015. M.Sc. from Chalmers University of Technology and studies in economics at ESADE Business School. CEO of NEVS, formerly CEO of Geveko and Elof Hansson Group. Former Senior Vice President of Volvo Bus Corporation. Board member of GAIS. Board member of Fluicell, Elways, Mimer Information Technology, Araucania Invest, Frutas, RGNT Electric and STilk. Direct and indirect shareholding: 600,000 shares. Independent in relation to the company and its major owners.

SANDER VERMEULEN
(born 1972) BOARD MEMBER since 2020. Degree in Automotive Engineering at Polytechnic School of Automobile Technics in Apeldoorn, the Netherlands. Oversees the End-of-Life Rubber Products Recycling Business for the Michelin group. Previously Sander has had a number of positions within the Michelin Group within sales, marketing, business development as well as positions within purchasing. He has been stationed in Beijing, Seoul, Shanghai and the headquarter in France. Direct and indirect shareholding: 0 shares. Proposed by Michelin, a major shareholder of the company.

GROUP MANAGEMENT, AUDITOR

GROUP MANAGEMENT

THOMAS SÖRENSSON
(born 1976) CEO since 2016. Market economist from IHM and training courses at Harvard Executive Education. Commenced MBA, Heriot Watt University. Board member of Weester AB and the subsidiaries Tyre Recycling in Sweden AB, SES IP AB and BSIP AB. Thomas has a background that includes the posts of Export Director at Opus Equipment AB, General Manager at B&B Tools in Shanghai, China, and Board member of the Swedish Chamber of Commerce in China. Direct and indirect shareholding: 520,480 shares.

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

OLOV ERSHAG (born 1984)
COO since 2017. M.Sc. in Engineering from Luleå Technical University. He has been employed at the company since 2008. Direct and indirect shareholding: 813,256 shares.

FREDRIK OLOFSSON
(born 1971) SALES MANAGER since 2017. M.Sc. in Engineering from Chalmers University of Technology. Fredrik has a background that includes the posts of Sales Manager and Quality and IT Manager at Ulinco AB. Direct and indirect shareholding: 66,100 shares.

MARIA TIGER (born 1968)
SENIOR PROJECT MANAGER since 2020. B.Sc. in Engineering from the University of Borås. Maria has a background that includes the post of project manager at Segula Technologies, Midroc Project Management and Camfill Farr Power Systems. Direct and indirect shareholding: 10,000 shares.

AUDITOR

JOHAN PALMGREN (born 1974)
Johan Palmgren is a partner at PwC and a Public Authorised Accountant with about 20 years' experience of working with listed companies in various industries, including Bulten AB and Troax Group AB. Direct and indirect shareholding: 0.

“It is difficult not to feel a large measure of pride, but also satisfaction, when summarising 2020 as the CEO of Enviro.”

CEO THOMAS SÖRENSSON

FINANCIAL REPORTS

DIRECTOR'S 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 2020.

THE COMPANY'S OPERATIONS

Business concept

End-of-life tyres are a large and global environmental problem. The company has developed a unique technology for the recycling of end-of-life tyres through pyrolysis, a process of heating in an oxygen-deficient environment that allows a material to disintegrate without incineration. The valuable materials recovered through the process using this unique technology are carbon black, oil, steel and gas.

Enviro's business concept is to develop, construct and operate recycling plants through full or shared ownership. The company has its own recycling plant in Åsensbruk, Dalsland, in Sweden, which serves as a production plant, as well as a demonstration and test facility.

Business model

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

1. Profit from plants that the company wholly or partially owns and operates.
2. Licence revenues and royalties from plants that use the company's technology.
3. Revenue from the sale of recovered material.
4. Revenue from sale of machinery and equipment based on the company's technology.
5. Revenue in conjunction with jointly owned plants – sales of plants based on the company's technology
6. Revenue from consulting services for design, 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 new production.

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, technology and development.

THE COMPANY'S RESULTS AND FINANCIAL POSITION

Group

Net revenue amounted to MSEK 1.5 (1.1). The operating loss was MSEK -49.8 (-44.4) and loss after tax amounted to MSEK -50.0 (-44.8).

The year-on-year decline in earnings was primarily attributable to higher external overhead costs in the form of consultant support for the plant agreements, for example, and operating costs related to the maintenance and improvement of the plant in Åsensbruk, totalling MSEK 4.9 more than in the corresponding period in 2019. Personnel costs were approximately MSEK 1.3 higher than for the preceding year, mainly due to strengthening of the staff.

The Group's investments in fixed assets amounted to MSEK 10.8 (10.9). The investments comprise additional investments in the plant in Åsensbruk, a PDP for the future plant and patent application costs. Cash flow from operating activities after investing activities amounted to MSEK -48.4 (-42.0). The decline in cash flow was mainly due to a lower operating result after adjustment for working capital of MSEK 6.6, of which MSEK 1.1

was related to changes in working capital. However, investments were lower at MSEK 0.2 compared with 2019.

Liquid assets amounted to SEK 39.6 (58.7) million at the end of the period. Solidity was 90 (90) %.

Previously during the year (Q2) capital of approximately SEK 32,5 million (before issue costs) was added to the company in connection with a directed share issue to Michelin.

The parent company

The parent company's net revenue was SEK 3.2 (3.2) million and the result after financial items was SEK -48.5 (-47.8) million. Almost the entire gross revenue is for debited services to a subsidiary. Further, the company has had higher externa fixed costs, mainly solicitor and consultancy costs, which were SEK 0.8 million higher than last year. The personnel costs were SEK 0.2 million higher than during the same period previous year. Investments in fixed assets were SEK 4.4 (0.6) million. The year's investments are mainly related to a PDP as well as the company's patent.

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

Personnel

At the end of the year there were 22 (20) people employed in the group, of which 7 (7) were employed in the parent company.

Future outlook and financing

Enviro has signed an agreement with Michelin for the construction of a joint plant in Chile. In parallel with this, the company is working on an expansion plan, which contains an ambition to initiate the construction of 30 fully or partly owned plants by 2030. The company is working together with an international investment bank to design a strategic financing plan for this purpose.

To secure continuous operation and its future investment requirement, Enviro, as part of a strategic partnership, conducted a directed share issue (private placement) in spring 2020 of approximately MSEK 32.5 before issue expenses, by which Michelin (through its wholly owned subsidiary Michelin S.A.S.) obtained 20-per cent ownership in the company after the issue. However, the company currently does not have adequate liquidity to operate until the end of 2021. Accordingly, the Board of Directors resolved to sign an agreement with a major international investment bank to establish a long-term strategic financial plan for the company, which also includes the short-term capital requirement.

The company has the ambition to establish further recycling plants based on the company's patented recovery technology, in addition to the plant jointly owned with Michelin. The company has prepared an expansion plan for this.

To succeed in this endeavour, the company needs to build up the necessary in-house organisation, establish new collaborations with industrial operators and identify ways of financing the new plants and the company's operation. Should the company succeed in these respects, the ultimate aim is to establish four new recycling plants per year over the next ten years, bringing the total to approximately 30 by 2030. The prioritised markets are initially West Sweden and Central Europe.

Unless additional capital can be secured in 2021, uncertainties will arise relating to the company's financing situation, which could lead to doubts about the company's ability to continue its planned operations. The annual report has been prepared on a going concern basis, since the management and the Board of Directors deem there to be realistic alternatives for securing financing.

MULTI-YEAR COMPARISON

The Group's economic development in summary.

	2020	2019	2018	2017	2016
EBITDA, KSEK	-36,969	-31,716	-23,445	-23,844	-26,261
Equity ratio, %	90.0	90.0	83.6	80.7	82.9
Operating margin, %	neg	neg	neg	neg	neg
Return on capital employed, %	-31.8	-25.5	-23.0	-23.7	-19.7
Intrest-bearing liabilities, KSEK	3,944	7,112	22,280	19,656	21,418
Earnings per share before dilution, SEK	-0.09	-0.13	-0.32	-0.32	-0.49

Key performance indicators are presented in Note 1

SIGNIFICANT EVENTS AFTER THE BALANCE-SHEET DATE

At the beginning of February, three agreements were signed with Michelin that were conditional upon the approval of the general meeting of shareholders. These pertained to a shareholder agreement for a plant in Chile jointly owned by Michelin, a license agreement and an agreement for engineering services in connection with the future jointly owned plant. At an Extraordinary General Meeting on March 9, 2021, there was a unanimous resolution to implement these related party transactions with Michelin, including the parties' intention to construct a jointly owned plant in Chile. This plant will be 90-per cent owned by Michelin and 10 per cent by Enviro. The anticipated revenues from this project are revenues for design, engineering work, etc., of approximately MSEK 15, as well as unspecified future royalties and shares in profit.

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 99 % of the group's net revenue.

PROPOSED DISPOSITION OF PROFIT

Unrestricted equity according to the balance sheet:

	KSEK
Share premium reserve	404,663
Carried forward	-230,962
Profit/loss for the year	**-48,544**
	125,157

The Board of Directors proposes that the unrestricted equity of KSEK 125,157 be carried forward.

CONSOLIDATED INCOME STATEMENT

KSEK	Note	2020	2019
Net turnover	3	1,508	1,089
Changes in inventories of products in progress, finished goods and work in progress on behalf of others		357	35
Other operating revenue	4	29	63
		1,894	**1,187**
Operating expenses			
Raw materials and consumables		-370	-621
Other external costs	5,6	-20,270	-15,393
Personnel costs	7	-18,223	-16,888
Depreciation and write-downs of tangible and intangible fixed assets	8, 9, 10,11	-12,822	-12,719
Total operating expenses		**-51,685**	**-45,622**
Operating profit/loss		**-49,791**	**-44,435**
Profit/loss from financial items			
Other interest income and similar items	12	184	178
Interest expenses and similar expenses	13	-395	-498
Total result from financial items		**-211**	**-320**
Profit/loss after financial items		**-50,002**	**-44,755**
Tax on profit/loss for the year	14	-	-
Loss for the year		**-50,002**	**-44,755**

CONSOLIDATED BALANCE SHEET

ASSETS KSEK	Note	Dec 31, 2020	Dec 31, 2019
Fixed assets			
Intangible fixed assets			
Capitalized expenditures for development	15	33,740	34,903
Concessions, patents, licenses and similar rights	10	3,882	4,108
Goodwill	8	3,657	4,876
		41,279	43,887
Tangible fixed asets			
Machinery and other technical facilities	11	70,387	69,885
Inventory, tools and installations	9	252	135
		70,639	**70,020**
Financial fixed assets			
Other long-term receivables		148	148
		148	**148**
Total non-current assets		**112,066**	**114,054**
Current assets			
Inventories etc.			
Raw materials and consumables		66	84
Goods being manufactured		123	49
Finished products and goods for resale		580	165
Spare parts inventory		1,022	361
		1,790	**659**
Short-term receivables			
Accounts receivable		154	320
Deferred tax assets		314	304
Other short-term receivables		1,652	1,715
Prepaid expenses and accrued revenue	16	1,083	1,074
		3,202	**3,413**
Cash on hand	25	**39,577**	**58,666**
Total current assets		**44,569**	**62,738**
Total assets		**156,635**	**176,792**

CONSOLIDATED BALANCE SHEET (CONT.)

EQUITY AND LIABILITIES KSEK	Note	Dec 31, 2020	Dec 31, 2019
Equity	20		
Share capital		23,233	18,586
Other contributed capital		405,165	377,315
Other equity including profit/loss for the year		-236,768	-236,766
Total equity		**141,630**	**159,136**
Non-current liabilities			
Other liabilities to credit institutions	17, 18	776	3,944
Total non-current liabilities		**776**	**3,944**
Current liabilities			
Liabilities to credit institutions		3,168	3,168
Accounts payable		3,217	3,178
Other current liabilities		2,524	2,550
Accrued costs and prepaid income	19	5,320	4,817
Total current liabilities		**14,229**	**13,713**
Total equity and liabilities		**156,635**	**176,792**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	Share capital	Other contributed capital	Other equity	Total equity
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**
Profit/loss for the year	-	-	-50,002	-50,002
Rights issue cash	4,647	27,880		32,527
Issue costs	-	-30		-30
Equity Dec 31, 2020	**23,233**	**405,165**	**-286,768**	**141,630**

CONSOLIDATED STATEMENT OF CASH FLOWS

KSEK	Note	2020	2019
Operating activities			
Operating profit/loss before financial items		-49,791	-44,435
Adjustment for items not included in the cash flow, etc.	23	12,822	12,719
Capital gains/losses on fixed assets		184	178
Interest received		-395	-498
		-37,180	**-32,035**
Increase/decrease in inventories		-1,131	-383
Increase/decrease in accounts receivable		166	-172
Increase/decrease in other short-term receivables		45	-235
Increase/decrease in accounts payable		39	548
Increase/decrease in other current operating liabilities		477	1 317
Cash flow from operating activities		**-37,584**	**-30,960**
Investment activities			
Investments in intangible fixed assets		-4,420	-580
Investments in tangible fixed assets		-6,413	-10,309
Increase/decrease in long-term receivables		-	-148
Cash flow from financing activities		**-10,834**	**-11,037**
Financing activies			
New rights issue		32,526	93,633
Issue costs		-30	-2,671
Amortization of debt		-3,168	-15,168
Cash flow from financing activities		**29,328**	**75,794**
This year's cash flow		-19,090	33,797
Cash and cash equivalents at beginning of year		58,666	24,869
Cash and cash equivalents at the end of the year	25	**39,576**	**58,666**

STATEMENT OF INCOME, PARENT COMPANY

KSEK	Note	2020	2019
Net turnover	3	3,207	3,192
Other Income	4	29	63
		3,237	**3,255**
Operating expenses			
Other external costs	5,6	-35,728	-34,931
Personnel costs	7	-10,258	-10,489
Depreciation and write-downs of tangible and intangible fixed assets	9,10	-5,839	-5,811
Total operating expenses		**-51,825**	**-51,232**
Operating profit/loss		**-48,588**	**-47,977**
Profit/loss from financial items			
Other interest income and similar profit/loss items	12	90	178
Interest expenditures and similar profit/loss items	13	-46	-29
Total result from financial items		**44**	**149**
Profit/loss after financial items		**-48,544**	**-47,827**
Appropriations	26	-	4,500
Tax on profit/loss for the year	14	-	-
Loss for the year		**-48,544**	**-43,327**

BALANCE SHEET, PARENT COMPANY

ASSETS KSEK	Note	Dec 31, 2020	Dec 31, 2019
Non-current assets			
Intangible fixed assets			
Capitalized expenditures for development	15	33,690	34,583
Concessions, patents, licenses and similar rights	10	3,882	4,108
		37,572	38,960
Tangible fixed assets			
Inventory, tools and installations	9	105	135
Financial fixed assets			
Shares in subsidiaries	27	36,891	36,891
Receivables from group companies		42,521	38,001
Other long-term receivables		148	148
		79,559	**75,039**
Total non current assets		**117,236**	**114,134**
Current assets			
Receivables			
Accounts receivable		2	-
Current tax assets		264	264
Other short-term receivables		1,631	1,674
Prepaid expenses and accrued revenue	16	677	671
		2,574	**2,609**
Cash on hand	25	36,741	56,300
Total current assets		**39,315**	**58,909**
Total assets		**156,551**	**173,043**

BALANCE SHEET, PARENT COMPANY (CONT.)

EQUIY AND LIABILITIES KSEK	Note	Dec 31, 2020	Dec 31, 2019
Equity	20		
Restricted equity			
Share capital		23,233	18,586
Unregistered share capital		-	-
Restricted reserves		502	502
Reserve for development expenses		2,449	2,820
		26,184	**21,908**
Unrestricted equity			
Premium fund		444,160	416,281
Issue costs		-39,467	-39,467
Gain or loss carried forward		-230,962	-188,007
Loss for the year		-48,544	-43,327
		125,157	**145,480**
Total equity		**151,341**	**167,388**
Current liabilities			
Accounts payable		522	881
Other current liabilities		1,496	1,406
Accrued costs and prepaid income	19	3,191	3,368
Total current liabilities		**5,210**	**5,654**
Total equity and liabilities		**156,551**	**173,043**

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, 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**
Balance of profits of previous year	-	-	-	-	-	-	-43,327	43,327	-
Profit/Loss for the year	-	-	-	-	-	-	-	-48,544	-48,544
Reserve for additional development costs	-	-	-	-	-	-	-	-	-
Reserve for development costs outgoing	-	-	-	-372	-	-	372	-	-
New rights issue	4,647	-	-	-	27,880	-	-	-	32,527
Issue costs	-	-	-	-	-30	-	-	-	-30
Equity Dec 31, 2020	**23,233**	**-**	**502**	**2,449**	**404,663**	**-**	**-230,962**	**-48,544**	**151,341**

*The share capital per Dec. 31, 2020 consisted of 23,233,044.60 SEK (580,826,115) shares.

CASH FLOW STATEMENT, PARENT COMPANY

KSEK	Note	2020	2019
Operating activities			
Operating profit/loss before financial items		-48,588	-47,977
Adjustment for items not included in the cash flow, etc.	23	5,839	5,811
Interest received		90	178
Interest paid		-46	- 29
		-42,706	-42,016
Increase/decrease in other short-term receivables		35	-184
Increase/decrease in accounts payable		-359	-259
Increase/decrease in other current operating liabilities		-85	1,345
Cash flow from operating activities		**-43,114**	**-41,114**
Investment activities			
Investments in intangible fixed assets		-4,420	-580
Investments in tangible fixed assets		-	-84
Change in long-term receivables		-4,520	-8,938
Cash flow from investing activities		**-8,940**	**-9,602**
Financiering activities			
New rights issue		32,526	96,633
Issue costs		-30	-2,671
Acquired/Paid Group contributions		-	4,500
Amortization/admission of debt		-	-12,000
Cash flow from financing activities		32,496	83,462
This year's cash flow		**-19,558**	**32,746**
Cash and cash equivalents at beginning of year		**56,300**	**23,533**
Cash and cash equivalents at the end of the year	25	**36,741**	**56,299**

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
Monetary assets and liabilities in foreign currency are valued at the closing day rate. Transactions in foreign currency are translated at the spot rate for the transaction date.

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 2020, it was decided to conduct a directed share issue (private placement) in the company with Michelin as the new shareholder of 20 per cent of the shares after the completed issue, with the company generating proceeds of approximately MSEK 32.5 before issue expenses. However, the company currently does not have adequate liquidity to operate until the end of 2021. Accordingly, the Board of Directors resolved to sign an agreement with a major international investment bank to establish a long-term strategic financial plan for the company, which also includes the short-term capital requirement. On any sale of a plant, combined with ownership of the company, the financing will be a key issue.

Unless additional capital can be secured in 2021, uncertainties will arise relating to the company's financing situation, which could lead to doubts about the company's ability to continue its planned operations. The annual report has been prepared on a going concern basis, since the management and the Board of Directors deem there to be realistic alternatives for securing financing.

The company has the ambition to establish further recycling plants based on the company's patented recovery technology, in addition to the plant jointly owned with Michelin. The company has prepared an expansion plan for this. To succeed in this endeavour, the company needs to build up the necessary in-house organisation, establish new collaborations with industrial operators and identify ways of financing the new plants, as well as the company's operation. Should the company succeed in these respects, the ultimate aim is to establish four new recycling plants per year over the next ten years, bringing the total to approximately 30 by 2030. The prioritised markets are initially West Sweden and Central Europe.

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
ESTIMATES 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.

During 2020, it was decided to conduct a directed share issue (private placement) in the company with Michelin as the new shareholder of 20 per cent of the shares after the completed issue, with the company gaining approximately MSEK 32.5 before issue expenses. However, the company currently does not have adequate liquidity to operate until the end of 2021. Accordingly, the Board of Directors resolved to sign an agreement with a major international financial advisor to establish a long-term strategic financial plan for the company, which also includes the short-term capital requirement. On any sale of a plant, combined with ownership of the company, the financing will be a key issue.

Unless additional capital can be secured in 2021, uncertainties will arise relating to the company's financing situation, which could lead to doubts about the company's ability to continue its planned operations. The annual report has been prepared on a going concern basis, since the management and the Board of Directors deem there to be realistic alternatives for securing financing.

The company has the ambition to establish further recycling plants based on the company's patented recovery technology, in addition to the plant jointly owned with Michelin. The company has prepared an expansion plan for this. To succeed in this endeavour, the company needs to build up the necessary in-house organisation, establish new collaborations with industrial operators and identify ways of financing the new plants, as well as the company's operation. Should the company succeed in these respects, the ultimate aim is to establish four new recycling plants per year over the next ten years, bringing the total to approximately 30 by 2030. The prioritised markets are initially West Sweden and Central Europe.

In conjunction with the company's assessment of future investment requirements and liquidity, the company conducted an impairment test. The purpose of this is partly to ensure that the assets have the ability to generate adequate revenue in the future amounting to the balance-sheet values at the closing date, present-valued with a discount rate for future cash flow, and partly to provide a realistic view of the company's future operation and future cash flows under given circumstances. Important factors that are included in the design of this calculation are, for example, the level of the discount rate, future oil and carbon black prices, the prices of raw materials, and grants for recovering valuable materials from these.

NOTE 3
NET SALES DISTRIBUTED OPERATION AREAS

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Net sales are distributed by operational areas according to the following:				
Product sales	1,508	1,089	-	-
Service revenues	15	-	3,207	3,192
Sum total	**1,523**	**1,089**	**3,207**	**3,192**

NOTE 4
OTHER OPERATING REVENUES

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Contributions from projects	0	63	0	63

NOTE 5
RENUMERATION TO THE AUDITORS

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
PwC				
Audit assignment	-180	-183	-180	-183
Tax services	-27	-26	-27	-26
Other services	-46	-9	-46	-9
Total	**-253**	**-218**	**-253**	**-218**

NOTE 6
OPERATIONAL LEASING AGREEMENTS

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Future minimum lease fees, to be paid for non-terminable lease agreements:				
To become due for payment within one year	-1,893	-1,893	-480	-480
To become due for payment in more than one year, but not later than 5 years	-1,891	-3,784	-360	-840
	-3,784	-5,677	-840	-1,320
Leasing payments expensed during the period	-1,996	-1,695	-513	-269

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	
	2020	**2019**	**2020**	**2019**
Average number of employees				
Women	3	1	1	1
Men	17	15	6	6
Total	**20**	**16**	**7**	**7**
Salaries, compensation, social costs, and pension costs				
Salaries and other compensation	14,328	12,400	8,500	7,870
Social payments	4,142	4,109	2,557	2,642
Pension costs	1,141	1,230	993	1,124
Total	**19,611**	**17,739**	**12,050**	**11,636**
Board of directors, CEO and managment				
Salaries and other compensation	6,922	5,528	6,922	5,528
Pension costs	953	950	953	950
Other employees				
Salaries and other compensation	7,406	6,872	1,578	2,342
Pension costs	188	280	40	174

Out of the group's and parent company's pension costs, SEK 953 thousand (SEK 950 thousand) applies to company's management, concerning 5 (4) individuals.

Out of the corporate group's salary costs, which include board remuneration reported as other costs, SEK 1,908 thousand (SEK 1,285 thousand) applies to the company's Board of Directors, concerning 7 (6) individuals.

Compensation has been provided to the following individuals

Thomas Sörensson,CEO, SEK 1,453 thousand (SEK 1,463 thousand) as well as pension of SEK 338 thousand (SEK 345 thousand)

Alf Blomqvist, chairman of the board, SEK 1,596 thousand (SEK 768 thousand). Out of the compensation of SEK 1,596 thousand SEK 887 thousand consists of an increased board fee according to a resolution at an extra ordinary general meeting held on Feb. 27, 2020. The remaining part of the amount consists of partly a board fee accoring to a resolution from the annual general meeting held on May 19, 2020, which is SEK 155 thousand until the end of 2020, partly it consists of SEK 554 thousand related to other assignments according to an agreement with the board.

Lennart Persson, board member (resigned on May 19, 2020) SEK 59 thousand (SEK 125 thousand)

Stefan Tilk, board member, SEK 125 thousand (SEK 125 thousand)

Jan Bruzelius, board member, SEK 125 thousand (SEK 125 thousand)

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

Björn Olausson, board member, SEK 125 thousand (SEK 125 thousand)

Nina Macpherson (started on May 19, 2020) SEK 68 thousand

Sander Vermeulen (started on May 19, 2020) 0 kr

Other management SEK 3,178 thousand (SEK 2,724 thousand) as well as pension of SEK 571 thousand (SEK 605 thousand), concerning 4 (3) individuals.

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	
	2020	**2019**	**2020**	**2019**
Number of board directors on balance sheet date				
Women	1	-	1	-
Men	6	6	6	6
Total	**7**	**6**	**7**	**6**
Number of chief executives and other senior executives				
Women	1	-	1	-
Men	4	4	4	4
Total	**5**	**4**	**5**	**4**

NOTE 8
GOODWILL

	Group	
	2020	**2019**
Opening acquisition cost	12,191	12,191
This year's changes		
Closing accumulated acquisition costs	12,191	12,191
Opening depreciation	-7,314	-6,096
This year's changes		
-Depreciation	-1,219	-1,219
Closing accumulated depreciations	-8,534	-7,314
Closing residual value according to plan	3,657	4,876

NOTE 9
INVENTORY, TOOLS AND INSTALLATIONS

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Opening acquisition cost	345	261	345	261
This year's changes	150	84		84
-Purchases	-	-	-	-
-Sales	-	-	-	-
Closing accumulated acquisition costs	**495**	**345**	**345**	**345**
Opening depreciation	-210	-189	-210	-189
This year's changes				
-Depreciation	-33	-21	-30	-21
-Refund in connection with divestment	-	-	-	-
Closing accumulated depreciation	**-243**	**-210**	**-240**	**-210**
Closing residual value according to plan	252	135	105	135

NOTE 10
CONCESSIONS, PATENTS, LICENSES AND SIMILAR RIGHTS

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Opening acquisition cost	7,675	7,094	7,675	7,094
This year's capitalized expenses, purchases	466	581	466	581
Sales and disposals	-	-	-	-
Closing accumulated acquisition costs	**8,141**	**7,675**	**8,141**	**7,675**
Opening depreciation	-3,567	-2,894	-3,567	-2,894
Sales and disposals	-	-	-	-
Depreciation for the year	-692	-673	-692	-673
Closing accumulated depreciation	**-4,259**	**-3,567**	**-4,259**	**-3,567**
Closing residual value according to plan	**3,882**	**4,108**	**3,882**	**4,108**

NOTE 11
MACHINERY AND OTHER TECHNICAL FACILITIES

	Group	
	2020	**2019**
Opening acquisition cost	88,254	78,029
This year's changes		
Purchasing	6,263	10,225
Sales and disposals	-	-
Closing accumulated acquisition costs	**94,517**	**88,254**
Opening depreciation	-18,369	-12,680
Sales and disposals	-	-
Depreciation for the year	-5,761	-5,689
Closing accumulated depreciation	**-24,130**	**-18,369**
Closing residual value according to plan	**70,387**	**69,885**

NOTE 12
OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Interest revenues	184	178	90	178
Sum total	**184**	**178**	**90**	**178**

NOTE 13
NTEREST EXPENDITURES AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Other interest costs and similar profit/loss items	-395	-498	-46	-29
Sum total	**-395**	**-498**	**-46**	**-29**

NOTE 14
TAX ON PROFIT/LOSS FOR THE YEAR

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Tax on profit/loss for the year	0	0	0	0
Reported result before tax	-50,002	-44,755	-48,544	-43,326
Taxes calculated according to current tax rate 21,4% (22%)	10,700	9,578	10,388	9,272
Tax effect from non-deductible expenses	-16	-22	-11	-14
Tax effect from deductible expenses that are reported against equity	-	-572	-	-572
Non-reported part of unused tax losses	-10,684	-8,984	-10,377	-8,686
Reported tax costs	**-**	**-**	**-**	**-**

Parent company and companies within the Group have accumulated losses carry forward. For the tax year 2020 losses carried forward in the Group amount to SEK 319,325 thousand (SEK 270,655 thousand) and in the parent company they amount to SEK 314,338 thousand (SEK 265,872 thousand). Due to 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 68,336 thousand (SEK 57,920 thousand) and in the parent company they amount to SEK 67,268 thousand (SEK 56,897 thousand).

NOTE 15
CAPITALIZED EXPENDITURES FOR DEVELOPMENT

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Opening acquisition cost	51,224	51,224	51,174	51,174
Capitalized expenditures for the year, internal development	3,955	-	3,955	-
Closing accumulated acquisition costs	**55,179**	**51,224**	**55,129**	**51,174**
Opening depreciation	-16,321	-11,204	-16,321	-11,204
Sales and disposals	-	-	-	-
Depreciation for the year	-5,118	-5,117	-5,118	-5,117
Closing accumulated depreciation	**-21,439**	**-16,321**	**-21,439**	**-16,321**
Closing residual value according to plan	**33,740**	**34,903**	**33,690**	**34,853**

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 REVENUE

	Group		Parent company	
	Dec 31, 2020	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**
Prepaid rents	514	514	156	149
Other items	569	560	521	522
	1,083	**1,074**	**677**	**671**

NOTE 17
NON-CURRENT LIABILITIES

	Group	
	Dec 31, 2020	**Dec 31, 2019**
Long-term liabilities apply to payments according to the following:		
Liabilities to credit institutions		
Between 1 and 5 years	776	3,944
Summa	**776**	**3,944**

NOTE 18
LIABILITIES THAT APPLY TO SEVERAL ITEMS

	Group	
	Dec 31, 2020	**Dec 31, 2019**
Non-current liabilities		
Other liabilities to credit institutions	776	3,944
Current liabilities		
Other liabilities to credit institutions	3,168	3,168
Sum total	**3,944**	**7,112**

NOTE 19
ACCRUED COSTS AND PREPAID INCOME

	Group		Parent company	
	Dec 31, 2020	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**
Accrued interest expenses	8	14	-	-
Accrued salaries	514	450	479	450
Accrued vacation pay	1,743	1,543	967	849
Accrued social security contributions	943	932	541	583
Special payroll tax	315	273	241	273
Other items	1,796	1,605	963	1,213
Sum total	**5,320**	**4,817**	**3,191**	**3,368**

NOTE 20
SHARE CAPITAL

Share capital as of December 31, 2020 consisted of 580,826,115 (464,660,892) shares with a ratio value SEK 0.04 per share.

NOTE 21
PLEDGED COLLATORAL

	Group		Parent company	
	Dec 31, 2020	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**
Personal deductions and liabilities				
Concerning liabilities to credit institution				
Corporate mortgages	39,350	39,350	-	-
Blocked funds	184	184	50	50
Amount of pledged collateral	**39,534**	**39,534**	**50**	**50**

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, 2020	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**
Contingent liabilities				
Guarantees for subsidiary	-	-	5,944	7,112
Total contingent liabilities	**0**	**0**	**5,944**	**7,112**

NOTE 23
ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Depreciation	-12,822	-12,719	-5,839	-5,811
Total adjustments	**-12,822**	**-12,719**	**-5,839**	**-5,811**

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

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

NOTE 25
LIQUID ASSETS

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Bank holdings	39,576	58,666	36,741	56,300
Liquid funds in the cash flow statement	**39,576**	**58,666**	**36,741**	**56,300**

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

	2020	**2019**
Group contributions received	-	4,500
Sum total	**-**	**4,500**

NOTE 27
SHARES IN GROUP COMPANIES

	2020	**2019**
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	Gothenburg	100.0
SES IP AB	556894-0695	Gothenburg	100.0
BSIP Innovation AB	556950-7469	Gothenburg	100.0

Parent company	Capital-share %	Voting rights share %	Number of shares	Equity	Book value Dec. 31, 2020	Book value Dec. 31, 2019
Tyre Recycling in Sweden AB	100	100	1,000,000	23,443	24,600	24,600
SES IP AB	100	100	500	33	50	50
BSIP Innovation AB	100	100	100	47	12,241	12,241
Sum total				**23,523**	**36,891**	**36,891**

NOTE 28
TRANSACTIONS WITH RELATED PARTIES

For the period Jan-Dec 2020 costs have been taken of SEK 0.5 million concerning a consultancy fee to P 30 Ltd. Further the chairman of the board Alf Blomqvist has received compensation for other assignments of SEK 0.6 million. The subsidiary Tyre Recycling in Sweden AB has invoiced two different Michelin-owned companies for an amount of around SEK 0.2 million. This concerns sales of recovered carbon black and packaging material. This sales is evaluated by the company management to be according to market conditions.

	2020	2019
Sales to group companies		
Share of annual purchases and sales related to Group companies is provided below.		
Purchase, (%)	70	70
Sales, (%)	99	100
	-	-
Loan to group companies		
Loan tol Tyre Recycling in Sweden AB:		
Opening balance	37,997	29,207
Additional loan	-	-
Amortization	4,520	-8,790
Closing balance	**42,517**	**37,997**

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

Other

separate notes contain information concerning
- Salaries etc. to the board and CEO
- Pledged assets for Group companies

NOTE 29
EVENTS FOLLOWING BALANCE DATE

At the beginning of February, three agreements were signed with Michelin that are conditional upon the approval of the general meeting of shareholders. These pertained to a shareholder agreement for a plant in Chile jointly owned by Michelin, a license agreement and an agreement for engineering services in connection with the future jointly owned plant. At an Extraordinary General Meeting on 9 March 2021, there was a unanimous resolution to implement these related party transactions with Michelin, including the parties' intention to construct a jointly owned plant in Chile. This plant will be 90-per cent owned by Michelin and 10 per cent by Enviro. The anticipated revenues from this project are revenues for design, engineering work, etc., of approximately MSEK 15, as well as unspecified future royalties and shares in profit.

NOTE 30
SUGGESTION FOR RESULTS DISPOSITION

Unrestricted equity according to the balance sheet:

Share premium reserve	404,663
Carried forward	-230,962
Profit/loss for the year	**-48,544**
	125,157

The Board of Directors proposes that the unrestricted equity of KSEK 125,157 be carried forward.

Carried forward	125,157
	125,157

THE INCOME STATEMENTS AND THE BALANCE SHEETS WILL BE SUBMITTED TO THE ANNUAL GENERAL MEETING ON MAY 20, 2021, FOR DETERMINATION

GOTHENBURG APRIL 29, 2021

ALF BLOMQVIST
CHAIRMAN

JAN BRUZELIUS

NINA MACPHERSON

PETER MÖLLER

BJÖRN OLAUSSON

STEFAN TILK

SANDER VERMEULEN

THOMAS SÖRENSSON
CEO

OUR AUDIT REPORT WAS SUBMITTED ON APRIL 29, 2021

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 Systems AB for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 40–62 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 2020 and its 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
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–39. The Board of Directors and the Managing Director are responsible for this other information.

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.

Emphasis of matter
Without qualifying our opinion above, we want to draw attention to the information in the administration report under the heading "Future outlook and financing" and in Note 1 under the heading "The company's ability to continue the business" within the annual accounts, where it is stated that the company does not have adequate liquidity until the end of 2021 and that the board of directors have taken actions to form a long term strategic financial plan for the company, which also includes the short term financial need. The management and the board of directors consider that there are realistic alternatives in order to secure the financing.

We would like to emphasize the importance of ensuring that financing can be secured in one of the ways that the management and the Board of directors considers realistic.

Responsibilities of the Board of Director's 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 intend 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 Director's and the Managing Director of Scandinavian Enviro Systems AB, for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's 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 Director's 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' 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. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets 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:

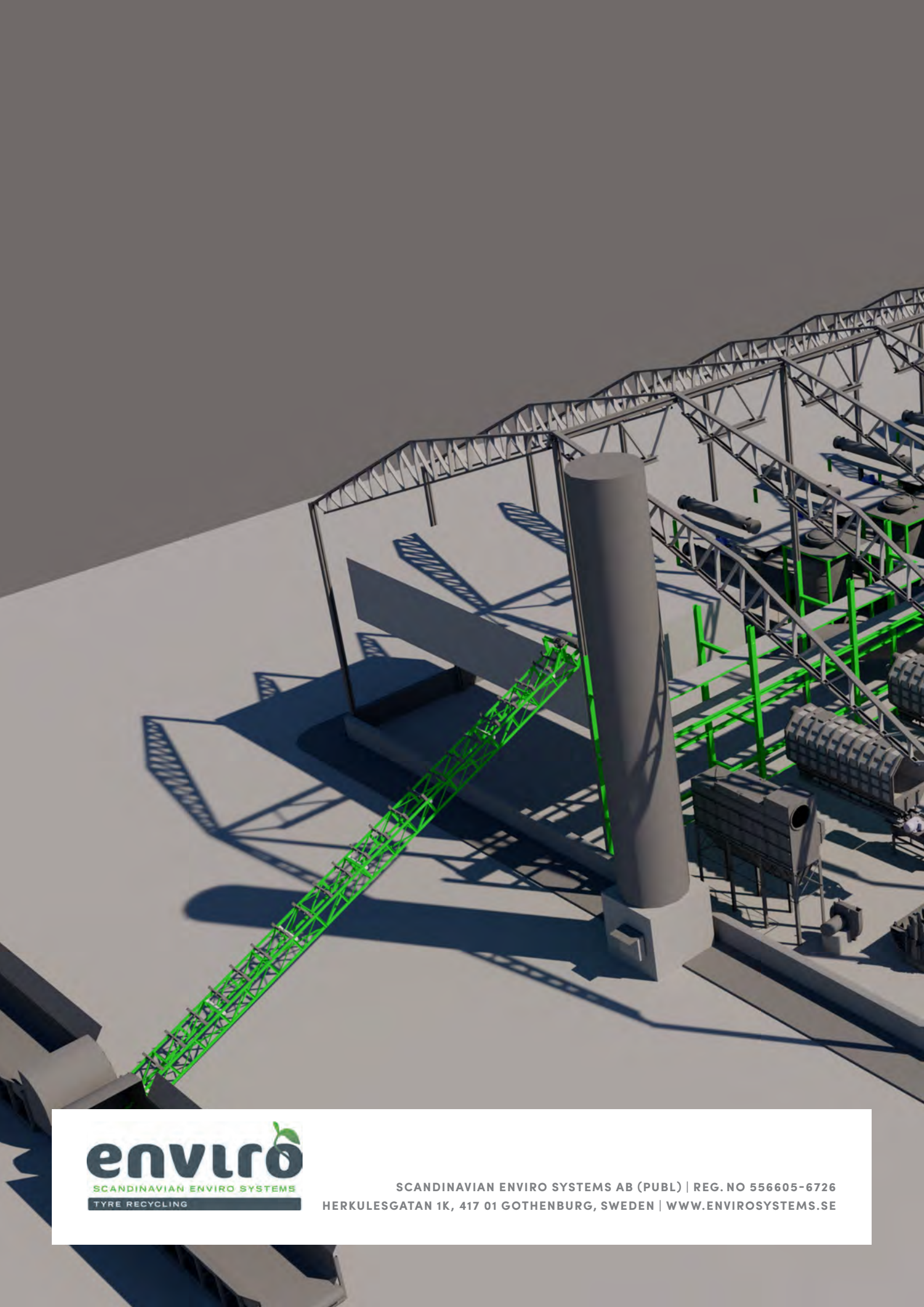
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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.

Göteborg April 29, 2021
PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant



enviro
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TYRE RECYCLING

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