



Interim report for the period 1 January – 30 September 2019

Scandinavian Biogas Fuels International AB (publ)
Corp. Reg. Nr. 556528-4733

Scandinavian Biogas has secured financing for repayment of the bond loan.

Third quarter in brief

- In September the Company secured financing for repayment of the outstanding 2016/2020 bond loan of SEK 230 million maturing on 10 February 2020.
- Net sales totalled SEK 87.3 million (63.0), a year-on-year increase of 38.6%.
- EBITDA was SEK 22.6 million (-14.5), a year-on-year improvement attributable primarily to the plant at Södertörn and Skogn. The plant in Skogn was in operation during the July–September 2019 period, but not during the comparative period. The comparative period also includes a one-off cost of SEK 16.2 million attributable to court rulings.
- The Group posted an operating profit of SEK 0.8 million (-31.1).
- The Group posted a loss after tax of SEK -14.7 million (-45.7).
- The directed share issue yielded SEK 60.4 million and the rights issue SEK 10.3 million before transaction costs. Issue expenses totalled SEK 9.1 million.
- A new share issue of SEK 21.6 million was conducted in the Norwegian subsidiary during the quarter. Scandinavian Biogas Fuels International's share in the issue amounted to SEK 10.9 million.

First nine months in brief

- In September the Company secured financing for repayment of the outstanding 2016/2020 bond loan of SEK 230 million maturing on 10 February 2020.
- A 7.5-year LBG supply contract was signed between Norwegian subsidiary Biokraft and Hurtigruten.
- The Group issued new shares during the period. The directed share issues yielded SEK 100.0 million before transaction costs. Subordinated shareholder loans totalling SEK 34 million along with interest of SEK 2.5 million were converted to shares in a set-off issue. The rights issue yielded SEK 10.3 million before transaction costs. Transaction costs totalled SEK 9.1 million.
- Net sales totalled SEK 263.8 million (192.5), an increase of 36.3% attributable primarily to the plant at Skogn. The plant in Skogn was in operation during the January–September 2019 period. The plant was not in operation during the corresponding period in 2018. The comparative period also includes a one-off cost of SEK 16.2 million attributable to court rulings.
- EBITDA was SEK 58.8 million (-15.1), with the year-on-year improvement due mainly to commissioning of the plant at Skogn, Norway, and a one-off cost 2018 of SEK 16.2 million attributable to court rulings.
- The Group posted an operating loss of SEK -6.7 million (-59.2).
- The Group posted a loss after tax of SEK -50.3 million (-89.5).

Significant events after the end of the period

- No significant events occurred after the end of the interim period.

CEO comments on the interim period

”The Group's profitability and cash flow from operating activities improved significantly during the first three quarters and we were able to secure the refinancing of the corporate bond, which is very gratifying.

The biogas study in Sweden will be published before the year-end. We assume that the conditions for the Swedish biogas industry will be strengthened.”

Matti Vikkula
President and CEO

All financial information in this report pertains to the Group unless otherwise specified. Figures in brackets relate to the year-earlier period.

Every care has been taken in the translation of this report. However, in the event of discrepancies, the original Swedish will supersede the English translation.

About Scandinavian Biogas

As one of the Nordic region's largest private producers of biogas, Scandinavian Biogas helps customers and partners with what we are best at – designing and operating biogas plants with high resource and energy efficiency. In this way, we support the transition from fossil to renewable energy.

Scandinavian Biogas, founded in 2005, sells renewable energy based on compressed biogas (CBG) and liquid biogas (LBG), as well as several related services. With world-leading expertise in the design and operation of biogas facilities to optimise biogas and bio-fertiliser production, we are market leaders in large-scale biogas production in the Nordic region and South Korea.

A fundamental part of Scandinavian Biogas's strategic focus is the development of methods and services to improve biogas and bio-fertiliser production efficiency for established as well as new types of waste. The main feedstocks currently used are wastewater sludge, food waste, salmon farming waste, and residues from industrial processes. Based on our research and development work with new and more efficient methods, biogas can be produced far more cost- and resource-efficiently than ever before, and we work continuously to develop and improve the digestion process when producing biogas from biomass. We also have leading expertise in purification processes for upgrading biogas to vehicle fuel quality.

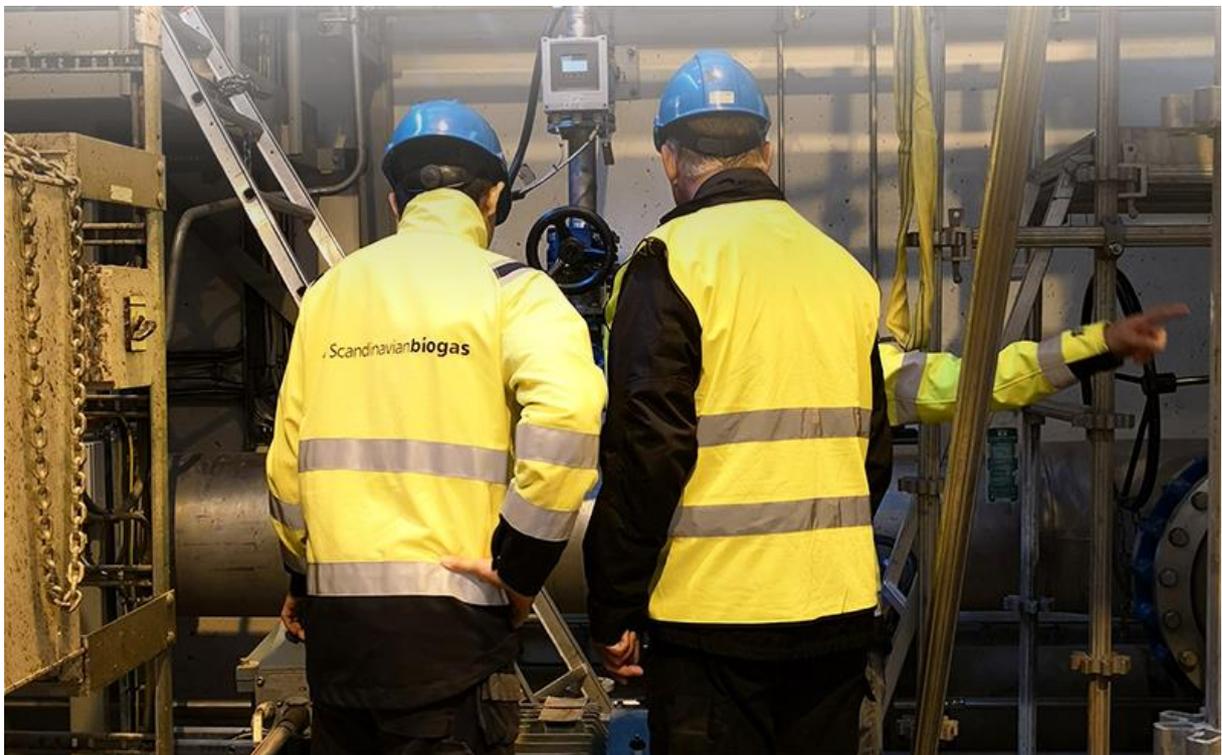
Our main products are biogas used in heat production, upgraded and liquid biogas used as vehicle fuel, and bio-fertiliser as a substitute for artificial fertiliser. Focus is on markets in the Nordic region and South Korea.

In close collaboration with partners and customers, we also work to identify growth projects outside our Nordic home market. These projects may include value-creation services in the design, construction and operation of new plants and improving existing plants' efficiency through process improvements.

HOLD Technology™

One of Scandinavian Biogas's success achievements is its self-developed HOLD Technology™, an advanced process technology used to optimise large-scale biogas production. The method is one of the most effective in the world and has been utilised on a full scale in Ulsan, South Korea, where production efficiency has increased 3-5 times since the Company took over in 2007. HOLD stands for High Organic Load Digestion.

The method, developed by the Company's R&D department in close collaboration with Linköping University, is founded on three cornerstones: efficient design of biogas plants and their mechanical parts; expertise and well-proven methodology regarding substrates that work best in various combinations; and methods for introducing substrate to the digestion tank to allow the microorganisms to maintain efficient production with a high substrate utilisation rate.



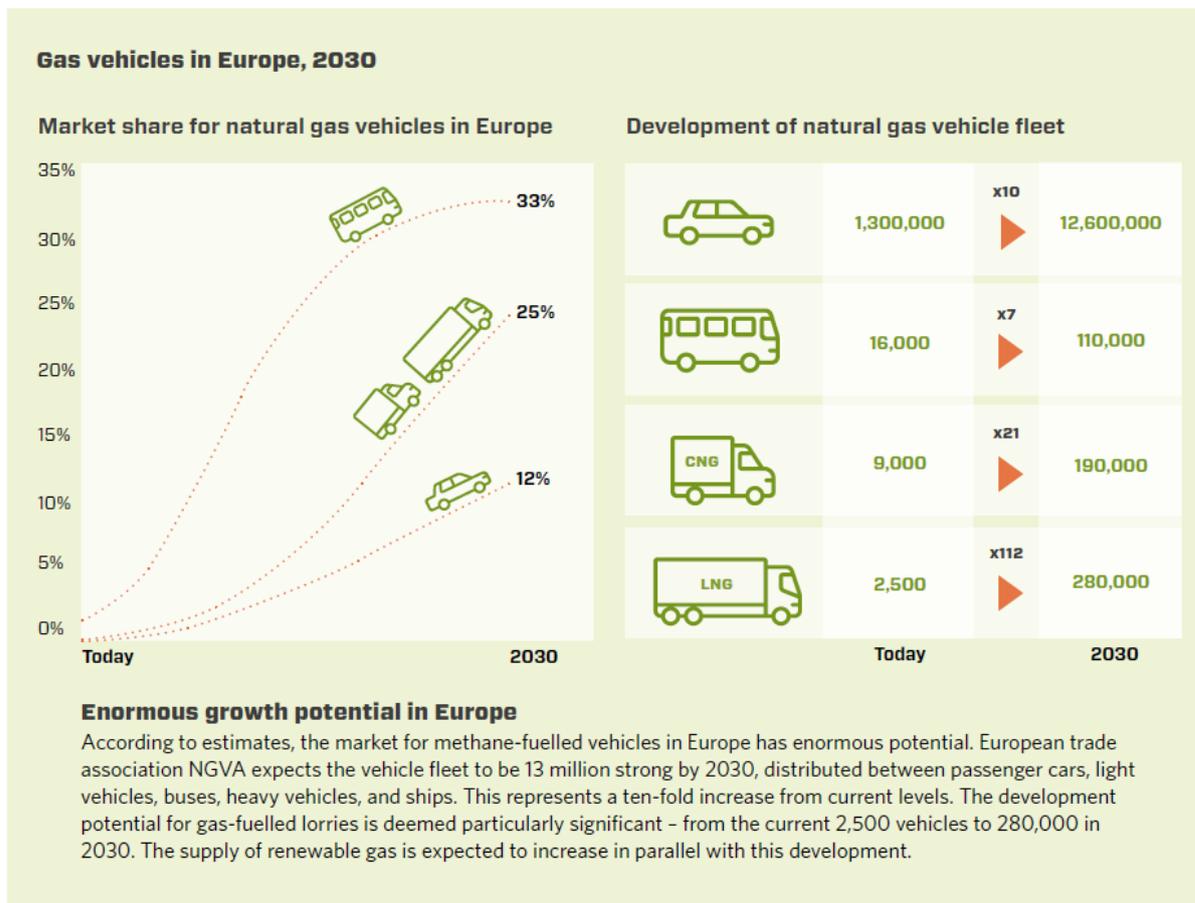
Market and key drivers

Today's infrastructure for gas is well developed, and biogas can easily be blended into existing natural gas flows. Biogas has many advantages as an energy source. It is normally produced from organic waste that has few other uses, which means that biogas extraction increases the circularity of the energy system and the economy. With low particle and nitric oxide emissions, biogas also benefits the local environment.

The biogas market

Biogas has a wide range of applications. The purpose for which biogas is used is partly determined by conditions and demand in markets where it is produced. In Scandinavia, biogas is used primarily as fuel or for heating, with the greatest growth potential found in the vehicle fuel market and industrial processes. In South Korea, biogas is more commonly used to produce industrial heat.

Scandinavian Biogas works with five main market segments for biogas. In addition to these, the bio-fertiliser by-product market is also significant. A prerequisite for realising the long-term potential of biogas is scaling up liquid biogas, LBG, production, as it is easier to use gas in liquid form in industry and as vehicle fuel. Liquid biogas is also better suited for longer transports and can therefore open the way for a Scandinavian biogas market. Biogas is currently distributed locally and regionally by lorry or via a gas pipeline network.



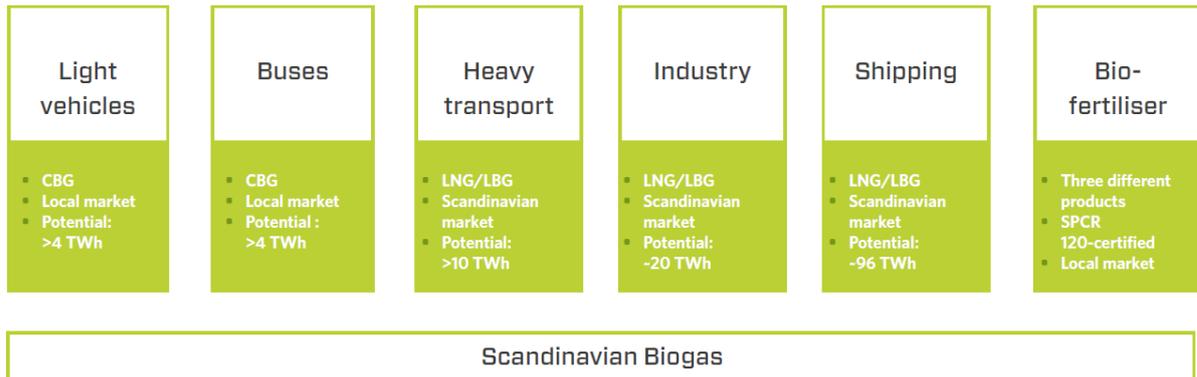
Source: NGVA, ngva.eu/wp-content/uploads/2018/10/2018-09-24-LNG-workshop-presentations-merged.pdf

Feedstock for biogas

Substrate is needed to produce biogas, and in most cases various types of waste are used as feedstock. Today, as the circular economy mind-set gains more traction, more and more players view waste as a valuable resource. This increases competition for certain waste streams. To improve efficiency and strengthen competitiveness in this area, Scandinavian Biogas places great emphasis on identifying new substrates.

In Sweden, sewage sludge is the most common substrate used in biogas production. Most Swedish treatment plants are equipped with digestion tanks, which limits the growth potential for sewage sludge as a substrate. Food waste is one substrate with great growth potential, as only a small amount of Swedish household food waste is currently being collected. In 2016, 40 per cent of food waste was collected and only 32 per cent of food waste was used for biogas production.¹ Meat industry and forestry residues are other feedstocks with developing potential as biogas substrates.

Main market segments for biogas



Compressed biogas (CBG) for **light vehicles** is currently the main segment for biogas in Sweden, although this market is currently dependent on policy instruments.

Public transport is a strong market for biogas and will remain a key driver in the industry. In 2017, approximately 20 per cent of Sweden's **buses** ran on biogas, a year-on-year increase of 10 per cent.

An increasing number of **heavy vehicles** on the motorways are powered by alternative fuels such as biogas. Volvo, Scania, MAN, Mercedes and Iveco are some of the companies that have invested heavily in developing efficient, sustainable fuel solutions. The Euro 6 and other gas engines are essentially as effective as diesel engines.



"Our new lorries that run on liquid biogas have significantly less environmental impact than diesel lorries. They are also much more fuel efficient than the gas-fuelled lorries currently on the market."

*Mats Franzén,
Product Manager at Volvo Trucks*

Approximately 9 TWh of gas is used annually by Swedish **industry**, with biogas representing only a small share of this amount.² The transition to gas enables more precise process control. The food industry is particularly interested in gas as a fuel. Estrella, for example, has been using biogas in its production of crisps and snacks since 2017.

¹ Matavfall i Sverige – uppkomst och behandling. Swedish Environmental Protection Agency, p. 12

² Swedish Energy Agency

The **shipping** sector has increased its use of gas as fuel in recent years. A 2017 review of newly ordered vessels with links to Sweden showed that half of all new vessels were built to run on gas. Although mainly liquid natural gas is being used, biogas can easily be blended with natural gas, or can replace it entirely. The Norwegian shipping company Hurtigruten decided in 2018 to invest over NOK 7 billion in technology and sustainable solutions through the year 2021. The vessels will run on a combination of natural gas and liquid biogas, making Hurtigruten the world's first shipping company to use biogas on a large scale.³ In May 2019 it was announced that Hurtigruten and our Group's Norwegian subsidiary, Biokraft, have signed an agreement for the delivery of liquid biogas over a 7.5-year period.

Market for bio-fertiliser by-product

A residue is formed when organic waste is broken down into biogas. This residue is called 'digested sludge' at treatment plants and 'bio-fertiliser' when produced at other types of plants. Digested sludge and bio-fertiliser can both be used to advantage as fertiliser. Bio-fertiliser is made of nutrients recovered from waste, and some substrates are more appropriate than others. Animal waste, for example, needs to be heat-treated to kill bacteria and infective agents, while vegetable waste does not.

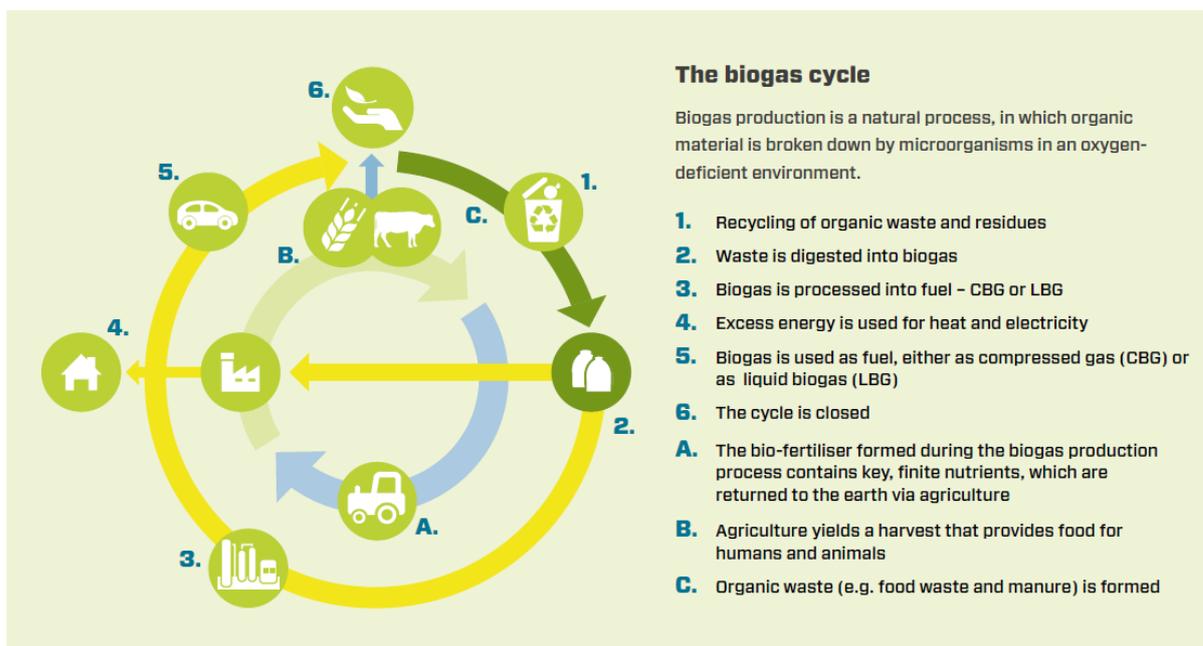
Because bio-fertiliser is rich in nitrogen and phosphorous, it can be highly beneficial in organic farming, where alternatives for nitrogen and phosphorous fertilisers are limited. Today, around half of all bio-fertiliser produced by Swedish biogas plants is utilised. Fertiliser production will be a significant revenue stream for the biogas plants going forward.

Circular economy of biogas

Circular economy is a term referring to economic models that view circular cycles as a business opportunity. The approach is inspired by nature's cycle, with the goal of utilising waste as raw material to the greatest possible extent through re-use or recycling.

Biogas is often highlighted as a cornerstone of the circular economy, as it forms part of a closed loop in which waste, wastewater and forestry and industrial residues are used in renewable products such as fuel, electricity and heat.⁴ Nutrients in the waste can also be returned to the earth via agriculture as bio-fertiliser. The circle is closed when gas and bio-fertiliser are used.

Organic waste is processed in Scandinavian Biogas's production of biogas. This gives rise to renewable and locally produced fuel and bio-fertiliser. Nutrients are returned to the earth through agriculture in the form of bio-fertiliser. In this way, Scandinavian Biogas closes the circle, participates in the circular economy and promotes a sustainable society. Biogas is the most eco-friendly vehicle fuel from a comprehensive perspective and helps reduce CO₂ emissions.



³ Hurtigruten, www.hurtigruten.no/om-oss/presse/presse-mynewsdesk/#/pressreleases/hurtigruten-investerer-over-7-milliarder-i-groenn-teknolo-gi-skjal-seile-paa-doed-fisk-2799539

⁴ www.energi.se/om-oss/nyheter-och-press-nyheter/biogas-nyckel-foer-cirkulaer-ekonomi/

Group

Scandinavian Biogas Fuels International AB (publ) is the Parent Company of the Scandinavian Biogas Group, which comprises several wholly and co-owned companies registered in Sweden, Norway and South Korea. The Group's businesses are mainly operated through subsidiaries. Scandinavian Biogas Fuels International AB (publ) is domiciled and headquartered in Stockholm, Sweden. At 30 September 2019 the Company had a total of 75 (76) employees: 40 (42) in Sweden, 20 (20) in South Korea and 15 (14) in Norway.

Financial overview

	1 July – 30 September 2019	1 July – 30 September 2018	1 January – 30 September 2019	1 January – 30 September 2018	1 January – 31 December 2018
	3 months	3 months	9 months	9 months	12 months
Net sales	87,275	62,999	263,814	192,497	275,234
EBITDA	22,555	-14,525	58,807	-15,103	-6,247
Operating results	816	-31,071	-6,737	-59,192	-71,808
Balance sheet total	1,300,653	1,189,301	1,300,653	1,189,301	1,234,842
Adjusted equity/assets ratio	27.3%	22.1%	27.5%	22.1%	20.5%

Consolidated net sales totalled SEK 87.3 million (63.0) for third quarter 2019 and SEK 263.8 million (192.5) for the first nine months of the year, an increase of 37.0 per cent as compared with the same period last year. The largest part of the increase – approximately 30% – is attributable to the plant at Skogn, which was commissioned during the second half of 2018. Total revenues amounted to SEK 99.3 million (70.3) for the July–September 2019 period and SEK 303.2 million (210.6) for the full interim period. Costs for raw materials and consumables increased 33.6 per cent (20.0) compared with the first nine months of 2018, due mainly to the commissioning of the plant at Skogn. Other external costs decreased during the interim period, due mainly to the one-off cost of SEK 16.2 million in 2018 attributable to court rulings. Personnel costs are on a par with the comparative period. Consolidated EBITDA totalled SEK 22.6 million (-14.5) for the July–September 2019 period and SEK 58.8 million (-15.1) for the January–September 2019 period. The Group posted an operating profit of SEK 0.8 million (-31.1) for third quarter 2019 and an operating loss of SEK -6.7 million (-59.2) for the first nine months of the year.

The Group posted a loss after tax of SEK -14.7 million (-45.7) for third quarter 2019, of which SEK 1.8 million (0.9) is attributable to unrealised exchange rate fluctuations. The Group posted a loss after tax of SEK -50.3 million (-89.5) for the full interim period, of which SEK 2.6 million (4.4) is attributable to unrealised exchange rate fluctuations, mainly due to long-term intra-group financing of foreign subsidiaries.

Total assets at 30 September 2019 amounted to SEK 1,330.7 million (1,189.3), a 9.4 per cent year-on-year increase. Lease-related borrowing totalled SEK 341.1 million (289.6). During the July–September interim period equity was impacted by net profit/loss, as well as by SEK 70.7 million from new share issues and SEK 10.7 million attributable to the minority.

The consolidated cash balance was SEK 139.6 million (30.6) at 30 September 2019.

Investments

Investments in tangible and intangible assets during the interim period totalled SEK 31.4 million (41.9).

The carrying amount of the Group's tangible and intangible assets was SEK 1,028.9 million (987.2) at 30 September 2019. SEK 335.9 million (274.3) of this amount pertains to leased assets held by the Group under lease contracts subject to IFRS 16.

Significant events during the January–September period

Financing secured for repayment of 2016/2020 bond loan

In September the Company secured financing for repayment of the outstanding 2016/2020 bond loan of SEK 230 million maturing on 10 February 2020. The credit facility amounts to a total of SEK 230 million and has a maturity of up to 24 months from the date of loan repayment, which is expected to take place in conjunction with repayment of the bond loan on 10 February 2020. The loan has more favourable terms than the current bond.

Long-term supply contract for the plant at Skogn, Norway

A 7.5-year LBG supply contract was signed between Norwegian subsidiary Biokraft and Hurtigruten.

Group share issues

The Group conducted share issues during the period totalling SEK 146.8 million before transaction costs. Transaction costs totalled SEK 9.1 million. A rights issue of SEK 10.3 million and a directed share issue of SEK 60.4 million, before transaction costs, were conducted during the July–September period.

A share issue of SEK 21.6 million was conducted in the Norwegian subsidiary in September. Scandinavian Biogas International Fuels AB's share in the issue amounts to SEK 10.9 million.

Incident at the plant at Skogn

An incident occurred in a tank at the plant at Skogn, Norway, in September. No persons were injured. Production was maintained at expected levels and a technical investigation of the incident is being conducted. The tank is valued at approximately SEK 6 million and large portions of the tank will likely need to be replaced. The technical investigation is expected to be concluded in October.

Improved production stability at Södertörn, Sweden

The positive trend for production at Södertörn, confirmed during the first half of the year, continued during the third quarter. Production remain high despite the cyclical shortfall of organic waste during the summer months. Development work at the operations department, which commenced during the first half of the year, is proceeding and is focused on further minimising production disruptions and maintenance costs.

Written procedure

The Group identified a risk that the adjusted equity/assets ratio requirement may not be met for the first and second quarters of 2019 and therefore initiated a process during Q1 2019 to propose that bondholders waive the requirement. During April 2019 a clear majority of bondholders confirmed their support of the Group's proposal to waive the adjusted equity/assets ratio requirement for the first and second quarters of 2019. The terms of the waiver specified a fee of 1.00% and receipt of at least SEK 80 million, exclusive of transaction costs, from the directed share issue or subordinated loans, with a minimum of SEK 30 million to be received by 30 June 2019 and the remainder, up to SEK 50 million, by 31 August 2019. The terms of the waiver were fulfilled through the new share issues that were conducted. The original loan terms have been followed as from 30 September 2019 and have now been satisfied.

Production and sales

Business Area Sweden

Operations in Sweden sold a total of 15.0 million Nm³ (14.8) of biogas during the interim period, corresponding to approximately 147 GWh (145). Customer deliveries of biogas were made according to plan and all agreements have been fulfilled in full. Business Area Sweden processed an average of 136 tonnes (146) of organic waste per day.

Business Area Norway

Commissioning of the liquid biogas facility at Skogn, Norway, started in late June 2018 and customer sales of 6.9 million Nm³ (0.1) of liquid biogas (LBG) were conducted during the interim period, corresponding to approximately 69 GWh (1).

Business Area South Korea

The facility in South Korea received an average of 192 tonnes (179) of food waste per day during the interim period. Sales of raw gas during the same period amounted to 6.6 million Nm³ (6.6), or approximately 40 GWh (40). A total of 8.0 million Nm³ (7.6) of raw gas was produced.

Financing

The business is financed by way of equity, loans from external creditors and finance leasing. In Sweden, a major portion of the production facilities are leased under lease agreements with durations of around 25 years. Non-current interest-bearing liabilities, exclusive of leases, totalled SEK 310.2 million (337.6) as at 30 September 2019. The change is attributable to refinancing at Business Area Sweden during 2018. The consolidated cash balance was SEK 139.6 million (30.6) at the same date.

Any need for additional working capital is expected to be financed with debt or equity, subordinated to the corporate bond. The Group wants to expand and is actively working on new projects. The Group expects that financing of major future projects will require various types of co-operation and financing, depending on the project's structure and positioning.

As authorised by the 2019 AGM, the Group finalised a process during Q3 2019 to conduct a directed share issue to a number of institutional and private investors. In total, the Company issued shares with a value of SEK 146.8 million.

The Group identified a risk that the adjusted equity/assets ratio requirement may not be met for the first and second quarters of 2019 and therefore initiated a process during Q1 2019 to propose that bondholders waive the requirement. During April 2019 a clear majority of bondholders confirmed their support of the Group's proposal to waive the adjusted equity/assets ratio requirement for the first and second quarters of 2019. The terms of the waiver specified a fee of 1.00% and receipt of at least SEK 80 million, exclusive of transaction costs, from the directed share issue or subordinated loans, with a minimum of SEK 30 million to be received by 30 June 2019 and the remainder, up to SEK 50 million, by 31 August 2019. The terms of the loan were fulfilled through the new share issues conducted during the January–September 2019 period.

The share

The number of shares changed during the first nine months of the year and totalled 168,256,961 (107,098,839) at 30 September 2019. The quotient value is SEK 0.20 per share. Each share carries one vote. All outstanding shares are ordinary shares and therefore carry the right to equal shares in the assets and profit of Scandinavian Biogas Fuels International AB (publ).

Warrants

All options held by employees and the CEO as at 31 March 2018 expired on 1 April 2018 without being exercised. Accordingly, there are no outstanding warrants.

Ownership structure at 30 September 2019, %

Bengtssons Tidnings AB and related parties	24.4%
AC Cleantech Growth Fund 1 Holding AB and related parties	21.3%
AB Apriori	20.5%
Wipunen Varainhallinta Oy	11.6%
Erik Danielsson and family, incl. companies	4.1%
Reliquum and related parties (formerly Novator Biogas Sweden SARL)	3.6%
Ajanta Oy and related parties	3.5%
John Nurminen Oy and related parties	2.6%
Other	8.4%
Total	100.0%

Significant risks and operational uncertainties

Disputes

Following are updates on what has happened regarding the Group's disputes since the turn of the year. The status is otherwise unchanged; please refer to the 2018 Annual Report for details.

The South Korean subsidiary initiated legal proceedings in Ulsan's administrative court in 2017 regarding certain service costs that Ulsan City invoiced to the subsidiary. During summer 2018, the court ruled that the invoices are not subject to administrative law. The Group appealed the court's ruling and an appellate ruling is expected during the coming 12 months.

On 23 August 2018 the court in Ulsan announced its ruling regarding the ongoing dispute with Ulsan City concerning the contractual obligation to invest in a gas upgrading facility at the Ulsan site by the end of 2017. The ruling has been appealed and the lawsuit is ongoing. During summer 2019, the presiding judge asked an independent financial adviser to provide an opinion on the dispute and present alternative financial consequences. The financial adviser's opinion has been submitted to the judge. The Group and our legal advisers consider the opinion to be positive for SBK Ulsan. The lawsuit is proceeding.

As previously communicated, one of the Group's suppliers to the project at Skogn, Norway, has made compensation claims, mainly for groundwork. A demand for NOK 78 million was filed in October 2018. The Group has, however, previously entered into a settlement agreement with the supplier and continues to be of the opinion that the specified compensation is covered by the settlement. Nevertheless, for precautionary purposes, the Group reserved NOK 5 million of the demand amount in its Norwegian company in December 2018 as an increased capital cost pursuant to generally accepted practice.

Significant risks and uncertainties are detailed in the most recent annual report, which is available on www.scandinavianbiogas.com.

Related-party transactions

During second quarter 2019 subordinated shareholder loans totalling SEK 34 million from the largest shareholders, along with interest of SEK 2.5 million, were converted to shares. During the month of September a subordinated shareholder loan of SEK 20 million was received. No other related-party transaction took place during the January–September 2019 period.

Parent Company

Operations

The Group's operations are primarily conducted in its subsidiaries, while the Parent Company serves as more of a Group administrator.

Net sales and financial performance

The Parent Company's total revenues amounted to SEK 0.3 million (0.3) during third quarter 2019 and SEK 2.1 million (1.1) during the first nine months of the year. The increase is attributable to re-invoicing to subsidiaries, with corresponding expenses included in operating expenses. The Parent Company posted a loss after tax of SEK -6.3 million (-12.8) for the July–September 2019 period and SEK -14.4 million (-26.8) for the January–September 2019 period.

Liquidity and financial position

Cash balances at 30 September 2019 totalled SEK 81.9 million (0.1). Total assets amounted to SEK 614.1 million (502.7).

No significant events or changes have taken place since publication of the 2018 Annual Report that have any bearing on the Group's or Parent Company's earnings or financial position other than those addressed in this report.

Significant events after the end of the period

No significant events took place after the end of the period.

Outlook

There is a great need for renewable energy that can replace fossil fuels, such as coal, oil and natural gas, at reasonable prices. According to various studies of renewable alternatives that can be mass-produced, interest in biogas has increased. This in turn bolsters demand for biogas, which is expected to gain further traction as it becomes more available. In the heavy transport and other sectors, demand for liquid biogas is expected to increase significantly in coming years. However, the current market price of fossil energy causes some uncertainty as to the biogas market price as well as the growth of new investments in renewable energy.

The Swedish parliament and government are clearly interested in biogas as a component of the future fossil-free energy solution. The government-appointed Biogas Commission was scheduled to submit its report in June 2019, but the inquiry period has been extended to December 2019 to ensure that the proposed measures are feasible and well supported.

The Group's long-term goal is to utilise Scandinavian Biogas's expertise and experience to ensure the expansion of biogas supply and use. Deliveries can be made not only from the Company's facilities but also by third parties, contributing to Group sales via licencing, operating or service agreements, etc.

The Group's long-term goal is to ensure:

- growth corresponding to a 20–30% increase in average annual biogas sales and deliveries
- total capacity of one terawatt hour (1 TWh) achieved during the first stage, with growth based on own production or on contractual knowledge management
- project profitability of at least 15% IRR
- an EBIT margin of at least 10%
- an equity/assets ratio of at least 30%

Based on planned investments and improvements at Södertörn, the Group has a goal of achieving approximately SEK 500 million in annual sales and profitability of at least 30% (EBITDA %). Gross investments are estimated to correspond to around SEK 300 million, approximately half of which is expected to be financed by investment grant.

In recent years, the Group has pursued increased production in the Stockholm area – an effort that remains under way. The combined full technical capacity of all plants in Sweden, at full capacity, is estimated at over 30 million Nm³ of fuel-quality biogas, or approximately 300 GWh. The environmental permit at Södertörn, granted in 2017, also enables a sharp production increase at Södertörn over time. The plant in South Korea is expected to continue to have an annual production capacity of around 65 GWh. In addition, the annual production capacity in Norway is estimated at approximately 12.5 million Nm³ of liquid biogas, or about 120 GWh. With its current plants and ongoing projects, the Group's total production capacity is expected to be close to 500 GWh at full capacity.

The Group expects 2019 operational profitability (EBITDA) to exceed SEK 100 million, as the plant at Skogn is expected to be fully operational and the government production subsidy will have a positive impact on Södertörn's profitability.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand	1 July – 30 September 2019	1 July – 30 September 2018	1 January – 30 September 2019	1 January – 30 September 2018	1 January – 31 December 2018
Operating income					
Net sales	87,275	62,999	263,814	192,497	275,234
Capitalised work on own account	3,625	2,729	12,768	8,107	13,077
Other operating income	8,374	4,612	26,644	10,024	21,901
Total	99,274	70,340	303,226	210,628	310,212
Operating expenses					
Raw materials and consumables	-46,758	-43,517	-147,647	-114,060	-166,336
Other external costs	-13,906	-24,557	-48,021	-61,098	-81,664
Personnel costs	-16,055	-16,791	-48,751	-50,573	-68,459
Depreciation, amortisation and impairment of tangible and intangible assets	-21,556	-16,443	-64,646	-42,704	-64,057
Other operating expenses	-183	-103	-898	-1,385	-1,504
Total operating expenses	-98,458	-101,411	-309,963	-269,820	-382,020
Operating profit/loss	816	-31,071	-6,737	-59,192	-71,808
Net exchange differences	1,818	-854	2,593	4,387	3,794
Financial income	35	56	100	121	161
Financial expense	-17,407	-13,858	-47,014	-34,857	-49,238
Net financial items	-15,554	-14,656	-44,321	-30,349	-45,283
Profit/loss before tax	-14,738	-45,727	-51,058	-89,541	-117,091
Income tax	37	-4	721	30	7,163
Profit/loss for the period	-14,701	-45,731	-50,337	-89,511	-109,928
Other comprehensive income					
Actuarial results on post-employment benefits	-	-	-10	-	-349
Exchange differences	-2,266	-1,805	5,570	9,329	2,002
Other comprehensive income for the period, net after tax	-2,266	-1,805	5,560	9,329	1,653
Total comprehensive income for the period	-16,967	-47,536	-44,777	-80,182	-108,275
All items in the Group's other comprehensive income may be reversed in the income statement.					
Profit/loss for the period attributable to:					
Parent Company shareholders	-10,066	-38,591	-35,826	-75,757	-90,408
Non-controlling interests	-4,635	-7,140	-14,511	-13,754	-19,520
	-14,701	-45,731	-50,337	-89,511	-109,928
Total comprehensive income attributable to:					
Parent Company shareholders	-11,708	-39,552	-33,293	-71,153	-90,279
Non-controlling interests	-5,269	-7,984	-11,484	-9,029	-17,996
	-16,967	-47,536	-44,777	-80,182	-108,275

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS				
Non-current assets				
Intangible assets				
Capitalised development costs		11,975	13,431	12,975
Concessions and similar rights		71,246	80,374	78,210
Patents and licences		1,510	1,278	1,488
Goodwill		6,976	7,013	6,617
Total intangible assets		91,707	102,096	99,290
Tangible assets				
	4			
Buildings and land		221,627	188,704	186,350
Plant and machinery		317,456	318,700	335,017
Equipment, tools, fixtures and fittings		13,104	11,129	10,936
Construction work in progress		385,263	366,556	358,124
Total tangible assets		937,450	885,089	890,427
Financial assets				
Deferred tax assets		17,333	10,666	16,956
Other non-current receivables	5	14,553	25,763	14,248
Total financial assets		31,886	36,429	31,204
Other non-current assets				
Accrued income and prepaid expenses		1,444	1,889	1,778
Total other non-current assets		1,444	1,889	1,778
Total non-current assets		1,062,204	1,025,503	1,022,699
Current assets				
Inventories, etc.				
Raw materials and consumables		13,175	6,793	5,499
Total inventories		13,175	6,793	5,499
Current receivables				
Trade accounts receivable		56,316	44,976	44,058
Other receivables	6	18,049	64,426	52,982
Prepaid expenses and accrued income		11,288	17,019	14,816
Cash and cash equivalents		139,621	30,584	94,788
Total current receivables		203,672	157,005	206,644
Total current assets		238,449	163,798	212,143
TOTAL ASSETS		1,300,653	1,189,301	1,234,842

CONSOLIDATED BALANCE SHEET, continued

Amounts in SEK thousand	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
EQUITY				
Equity attributable to Parent Company shareholders				
Share capital		33,651	21,420	21,420
Other paid-in capital		880,105	754,685	754,685
Translation reserve		6,169	6,476	3,636
Retained earnings including comprehensive income for the period		-736,463	-684,354	-700,637
		183,462	98,227	79,104
Non-controlling interests		52,026	58,615	52,789
Total equity		235,488	156,842	131,893
LIABILITIES				
Non-current liabilities				
Borrowings	7	628,297	611,405	853,815
Deferred tax liabilities		1,984	2,064	2,053
Other provisions		33,577	31,650	37,315
Total non-current liabilities		663,858	645,119	893,183
Current liabilities				
Borrowings	7	281,312	250,364	25,749
Accounts payable		38,354	70,994	86,755
Other liabilities		23,475	15,920	39,923
Accrued expenses and deferred income		58,166	50,062	57,339
Total current liabilities		401,307	387,340	209,766
TOTAL EQUITY AND LIABILITIES		1,300,653	1,189,301	1,234,842

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousand	Attributable to Parent Company shareholders					Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Translation reserve	Retained earnings	Total		
Opening balance, 1 January 2018	21,420	754,685	1,872	-608,597	169,380	59,544	228,924
Profit/loss for the period				-75,757	-75 757	-13,754	-89,511
Other comprehensive income							
Exchange differences			4,604	-	4,604	4,725	9,329
Total comprehensive income			4,604	-75,757	-71,153	-9,029	-80,182
Contribution from non-controlling interests						8,100	8,100
Total contribution from and value transfers to shareholders, reported directly in equity						8,100	8,100
Closing balance, 30 September 2018	21,420	754,685	6,476	-684,354	98,227	58,615	156,842
Opening balance, 1 January 2019	21,420	754,685	3,636	-700,637	79,104	52,789	131,893
Profit/loss for the period				-35,826	-35,826	-14,511	-50,337
Other comprehensive income							
Actuarial results on post-employment benefits				-8	-8	-2	-10
Exchange differences			2,533	8	2,541	3,029	5,570
Total comprehensive income			2,533	-35,826	-33,293	-11,484	-44,777
New share issue	12,231	134,548			146,779		146,779
Issue expenses		-9,128			-9,128		-9,128
Contribution from non-controlling interests						10,721	10,721
Total contribution from and value transfers to shareholders, reported directly in equity	12,231	125,420			137,651	10,721	148,372
Closing balance, 30 September 2019	33,651	880,105	6,169	-736,463	183,462	52,026	235,488

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK thousand	Note	1 July – 30 September 2019	1 July – 30 September 2018	1 January – 30 September 2019	1 January – 30 September 2018	1 January – 31 December 2018
Cash flow from operating activities						
Operating profit/loss before financial items		816	-31,071	-6,737	-59,192	-71,808
Amortisation/depreciation		21,556	16,446	64,646	42,704	64,057
Other non-cash items		-4,856	9,423	-9,926	2,241	10,923
Interest received		1	56	25	121	121
Interest paid		-6,845	-8,850	-23,806	-30,230	-37,236
Cash flow from operating activities before changes in working capital		10,672	-13,996	24,202	-44,356	-33,943
Cash flow from changes in working capital						
Increase/decrease in inventories		-1,426	-1,336	-7,903	-5,381	-3,623
Increase/decrease in operating receivables		11,757	-10,302	23,079	-17,929	-33,841
Increase/decrease in operating liabilities		-31,860	22,429	-61,293	20,996	69,645
Total changes in working capital		-21,529	10,791	-46,117	-2,314	32,181
Cash flow from operating activities		-10,857	-3,205	-21,915	-46,670	-1,762
Cash flow from investing activities						
Acquisition of intangible assets		-38	-317	-252	-723	-1,679
Acquisition of tangible assets		-8,043	-19,377	-31,192	-41,208	-48,859
Disposal of tangible assets		-	5,731	-	6,515	6,985
Divestment/amortisation of other financial assets		111	138	333	360	444
Restricted bank balances and other changes in financial assets	5	-258	-86	-938	11,980	21,701
Cash flow from investing activities		-8,228	-13,911	-32,049	-23,076	-21,408
Cash flow from financing activities						
New share issue		61,537	-	101,153	-	-
Loans raised	7	20,000	2,090	20,000	70,500	94,735
Loan and lease amortisation	7	-11,496	-4,924	-32,014	-67,547	-72,233
Contribution to/from non-controlling interests		10,721	-108	10,721	8,100	7,644
Cash flow from financing activities		80,762	-2,942	99,860	11,053	30,146
Total cash flow for the period		61,677	-20,058	45,896	-58,693	6,976
Decrease/increase in cash and cash equivalents						
Cash and cash equivalents at beginning of period		79,972	51,048	94,788	86,885	86,885
Exchange differences in cash and cash equivalents		-2,097	-406	-1,063	2,392	927
Cash and cash equivalents at end of period		139,621	30,584	139,621	30,584	94,788

In conjunction with the transition to IFRS 19 as from 1 January 2019, there was an increase in negative cash flow from financing activities and in positive cash flow from operating activities. This is due to the fact that previous operating leases are now covered by IFRS 16 and, accordingly, the 'loan and lease amortisation' item will be increased as from this financial year.

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand	1 July – 30 September 2019	1 July – 30 September 2018	1 January – 30 September 2019	1 January – 30 September 2018	1 January – 31 December 2018
Operating income					
Net sales	316	301	2,078	1,129	1,430
Total operating income	316	301	2,078	1,129	1,430
Operating expenses	14	-582	-1,960	-3,142	-4,172
Operating profit/loss	330	-281	118	-2,013	-2,742
Net financial items	-6,592	-4,564	-14,571	-9,756	-15,598
Profit/loss before appropriations and tax	-6,262	-4,845	-14,453	-11,769	-18,340
Appropriations					
Group contributions received/paid	-	-8,000	-	-15,000	-25,000
Total appropriations	-	-8,000	-	-15,000	-25,000
Profit/loss before tax	-6,262	-12,845	-14,453	-26,769	-43,340
Income tax	-	-	-	-	-
Profit/loss for the period	-6,262	-12,845	-14,453	-26,769	-43,340

No items are recognised as other comprehensive income in the Parent Company and, accordingly, total comprehensive income corresponds with profit/loss for the period.

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS				
Non-current assets				
Financial assets				
Participations in group companies		200,334	184,053	189,453
Receivables from group companies		294,789	266,312	266,828
Other non-current receivables	5	-	-	-
Total financial assets		495,123	450,365	456,281
Total non-current assets		495,123	450,365	456,281
Current assets				
Current receivables				
Receivables from group companies		36,771	49,045	48,270
Other receivables		147	14	202
Prepaid expenses and accrued income		147	3,091	3,415
Total current receivables		37,065	52,150	51,887
Cash and bank balances		81,901	141	1,649
Total current assets		118,966	52,291	53,536
TOTAL ASSETS		614,089	502,656	509,816
EQUITY AND LIABILITIES				
Equity		335,563	228,937	212,365
Non-current liabilities				
Interest-bearing loans	7	-	18,501	262,565
Intra-group loans		23,000	23,000	23,000
Total non-current liabilities		23,000	41,501	285,565
Current liabilities				
Borrowings	7	249,220	226,821	19
Accounts payable		-	180	932
Liabilities to group companies		1,584	418	6,112
Other liabilities		439	-	129
Accrued expenses and deferred income		4,283	4,799	4,693
Total current liabilities		255,526	232,218	11,886
TOTAL EQUITY AND LIABILITIES		614,089	502,656	509,816

NOTES

NOTE 1 General information

Parent Company Scandinavian Biogas Fuels International AB (publ), corporate registration number 556528-4733, operates as a public, limited liability company and is registered in Stockholm, Sweden. The headquarters are located at Hölländargatan 21A, SE-111 60, Stockholm, Sweden.

Unless otherwise specified, all amounts are stated in SEK thousand. Figures in brackets pertain to the year-earlier period.

The interim information presented on pages 1-11 comprises an integrated component of this financial statement.

NOTE 2 Summary of key accounting policies

Scandinavian Biogas Fuels International AB (publ) applies the International Financial Reporting Standards (IFRS) as adopted by the European Union. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Parent Company's report has been prepared in accordance with Chapter 9 of the Annual Accounts Act and RFR 2, Accounting for Legal Entities. The interim report is to be read alongside the annual report for the financial year ending 31 December 2018.

Accounting principles used in this report are in accordance with the principles applied the previous financial year, with the exception of what is described in relation to IFRS 16 below.

IFRS 16 Leases has replaced IAS 17 'Leases'. Nearly all lease agreements are now recognised in the balance sheet, as distinction is no longer made between operating and finance lease agreements. Under the new standard, an asset (the right to use a lease asset) and a financial obligation to pay leasing fees are recognised. Short-term leases and leases of low-value assets are excluded. The standard mainly affects recognition of the Group's operating lease agreements. IFRS 16 involves recognition by the Group of a large number of the lease agreements previously recognised as operating leases (e.g. land and storage tank leases) as assets and liabilities as from 1 January 2019. This signifies a decrease in other external costs and an increase in amortisation and financial expense. The standard also involves increased disclosure in the annual report. The Group has elected to apply a modified retroactive approach. The total effect on assets and liabilities in the consolidated balance sheet is estimated at approximately SEK 356 million and approximately SEK 359 million, respectively, from 1 January 2019 based on existing lease agreements, a large portion of which are already managed as finance leases.

No other IFRS or IFRIC interpretations that are not yet effective are expected to have any significant impact on the Group.

NOTE 3 Segment reporting

Scandinavian Biogas's operations are divided into three segments based on geographic location. The Group's operations are managed and reported based on operating segments Business Area Sweden, Business Area South Korea and Business Area Norway. Operations also include the Service Centre and Research & Development segment. The business areas are geographic organisations, with the head of each business area reporting directly to the President & CEO.

Segment data is based on the same accounting policies as those applied by the Group as a whole and is consolidated (i.e. cleared of intra-group items).

All employees in Sweden are employed by subsidiary Scandinavian Biogas Fuels AB in the Service Centre and R&D segment, which then invoices other Group companies for work performed.

As part of the reorganisation concluded in late 2018, a large share of costs previously reported in Service Centre and R&D are reported in the business areas as from 1 January 2019. Comparative periods show values identical to those from the periods in which they were recognised and have not been restated.

	1 Jul – 30 Sep 2019	1 Jul – 30 Sep 2018	1 Jan – 30 Sep 2019	1 Jan – 30 Sep 2018	1 Jan – 31 Dec 2018
Income for Segments					
Business Area Sweden	58,158	49,400	183,203	159,227	220,440
Business Area South Korea	15,247	13,938	41,429	37,904	52,215
Business Area Norway	24,479	5,725	76,952	10,917	29,718
Service Centre and R&D	2,931	8,283	7,074	26,306	44,859
Eliminations	-1,542	-7,006	-5,432	-23,726	-37,020
Group total	99,273	70,340	303,226	210,628	310,212
Operating expenses for Segments					
Business Area Sweden	-40,962	-41,383	-130,897	-128,046	-177,133
Business Area South Korea	-12,605	-18,485	-35,183	-40,362	-53,297
Business Area Norway	-18,255	-11,843	-62,828	-23,072	-44,470
Service Centre and R&D	-6,440	-20,160	-20,943	-57,977	-73,158
Eliminations	1,542	7,006	5,432	23,726	31,599
Group total	-76,719	-84,865	-244,419	-225,731	-166,336
EBITDA					
Business Area Sweden	17,195	8,017	52,306	31,181	43,307
Business Area South Korea	2,642	-4,547	6,245	-2,458	-1,082
Business Area Norway	6,224	-6,118	14,124	-12,155	-14,752
Service Centre and R&D	-3,508	-11,877	-13,869	-31,671	-28,299
Eliminations	-	-	-	-	-5,421
Group total	22,554	-14,525	58,807	-15,103	-6,247
Depreciation and amortisation	-21,738	-16,546	-65,544	-44,089	-65,561
Operating profit/loss	816	-31,071	-6,737	-59,192	-71,808

NOTE 4 Tangible assets

Investments in tangible assets during the first nine months of 2019 totalled SEK 31.2 million (41.9).

The Group capitalised borrowing costs on qualifying assets of SEK 0.9 million (6.7) during the interim period.

Tangible assets include leased items held by the Group under finance lease agreements in the amounts presented below:

	30 Sep 2019	30 Sep 2018	31 Dec 2018
Buildings and land	155,116	110,602	109,298
Plant and machinery	171,665	150,147	170,410
Equipment, tools, fixtures and fittings	9,147	6,539	5,867
Construction work in progress	-	6,974	6,974
Carrying amount	335,928	274,262	292,549

The Group applied a discount rate of 3.20% for Business Area Sweden, as this corresponds to the interest rate on current bank loans and is on a par with the current ground rent interest rate. The discount rate applied for Business Area Norway was 4.43%, corresponding to the interest rate on the business area's current bank loans.

With the transition to IFRS 16, several previous operating leases are now included in the overview presented above. There is also a difference in the discount rate, and the assets were depreciated during the interim period. Changes to accounting policy IAS 17 and the Group's previous calculations have been systemised to comply with IFRS 16. During the interim period EBITDA was improved by approximately SEK 25.3 million, as IFRS 16 reduces operating expenses while simultaneously increasing aggregate depreciation/amortisation and financial expense by a corresponding amount. The change for the 1 January–30 September 2019 period is presented below:

	1 Jan 2019
Opening carrying amount less construction work in progress:	285,575
Change to accounting policy	16,110
<u>Additional rights of use:</u>	
Buildings	1,244
Land	44,961
Vehicles	415
Equipment, fixtures and fittings	7,885
Depreciation of rights of use during the interim period	-20,262
Carrying amount 30 September 2019	335,928

NOTE 5 Other non-current receivables

Group	30 Sep 2019	30 Sep 2018	31 Dec 2018
Restricted bank balances	10,801	22,208	10,688
Other	3,752	3,555	3,560
Total	14,553	25,763	14,248

NOTE 6 Other current receivables

Other current receivables include SEK 12.4 million (38.5) related to the accrued delay penalty for the facility at Skogn.

NOTE 7 Borrowings

The carrying amount and fair value of non-current borrowing are as follows (the corporate bond maturing in February 2020 is entered as current borrowing for Q1, Q2 and Q3 2019):

	<i>Carrying amount</i>			<i>Fair value</i>		
	30 Sep 2019	30 Sep 2018	31 Dec 2018	30 Sep 2019	30 Sep 2018	31 Dec 2018
Liabilities to credit institutions	299,472	298,203	283,422	299,472	298,203	283,422
Corporate bond	-	-	227,402	-	-	225,102
Liabilities related to finance leases	318,009	273,846	287,821	318,009	273,846	287,821
Other non-current borrowings	10,816	39,356	55,170	10,816	39,356	55,170
Total	628,297	611,405	853,815	628,297	611,405	851,515

The fair value of current borrowing corresponds to the carrying amount, as the discounting effect is not of a material nature. At 30 September 2019 the corporate bond's carrying amount was SEK 232,651 thousand (231,262) at fair value.

With the transition to IFRS 16, the standard now covers several previous operating leases, resulting in a significant increase in current and non-current lease-related liabilities. A summary of the changes is presented below:

	1 Jan 2019
Opening carrying amount less construction work in progress:	304,551
Change to accounting policy	7,305
<i>Additional lease agreements (amount as per rights of use):</i>	
Buildings	1,244
Land	44,961
Vehicles	415
Equipment, fixtures and fittings	7,885
Lease amortisation during the interim period	-25,264
Carrying amount 30 September 2019	341,097

NOTE 8 Definition of key ratios

Operating results/EBIT

Operating results provide an overview of the Group's total earnings generation and are calculated as operating results before financial items and tax.

EBITDA

EBITDA is a profitability measure considered by the Group as relevant for investors interested in earnings generation before investments in assets. The Group defines EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) as operating results exclusive of other operating expenses and amortisation/depreciation and impairment of tangible and intangible assets.

	1 July – 30 September 2019	1 July – 30 September 2018	1 January – 30 September 2019	1 January – 30 September 2018	1 January – 31 December 2018
EBITDA					
Operating results	816	-31,071	-6,737	-59,192	-71,808
-Depreciation, amortisation and impairment of tangible and intangible assets	21,556	16,443	64,646	42,704	64,057
-Other operating expenses	183	103	898	1,385	1,504
EBITDA	22,555	-14,525	58,807	-15,103	-6,247

Gross profit/loss

Gross profit/loss is a profitability measure showing the Company's revenues less variable production costs.

	1 July – 30 September 2019	1 July – 30 September 2018	1 January – 30 September 2019	1 January – 30 September 2018	1 January – 31 December 2018
Gross profit/loss					
Total revenues	99,274	70,340	303,226	210,628	310,212
-Raw materials and consumables	-46,758	-43,517	-147,647	-114,060	-166,336
Gross profit/loss	52,516	26,823	155,579	96,568	143,876

Adjusted equity/assets ratio

The equity/assets ratio shows the proportion of assets financed with equity. The Group uses an adjusted equity/assets ratio, as this metric is defined in the corporate bond prospectus. The adjusted equity/assets ratio is calculated as the sum of total equity (including non-controlling interests) and subordinated loans divided by total assets adjusted for the grant from Enova. The grant from Enova for the Norwegian project at Skogn is included in the prospectus as a subordinated loan, but is a grant that does not require repayment. Subordinated loans at the end of the interim period totalled SEK 42.0 million (39.4) and pertain to loans from the main shareholders to the Parent Company, and to loans from minority shareholders in Biokraft Holding AS to that company.

ADJUSTED EQUITY/ASSETS RATIO	30 Sep 2019	30 Sep 2018	31 Dec 2018
Total equity (incl. non-controlling interests)	235,488	156,842	131,893
Subordinated loans (incl. Enova)	129,714	125,148	138,375
	365,202	281,990	270,268
Total assets	1,300,653	1,189,301	1,234,842
Grant from Enova and change to accounting policy (IFRS 16)	37,369	85,792	83,205
	1,338,022	1,275,093	1,318,047
Adjusted equity/assets ratio	27.3%	22.1%	20.5%

NOTE 10 Events after the end of the period

No significant events took place after the end of the period.

This interim report has not been audited.

The next interim report will be published and made available on www.scandinavianbiogas.com on 20 February 2020.

Stockholm, 31 October 2019

Göran Persson
Chairman of the Board

Matti Vikkula
Chief Executive Officer

Anders Bengtsson
Board member

Andreas Ahlström
Board member

Hans Hansson
Board member

Sara Anderson
Board member

David Schelin
Board member

Malin Gustafsson
Board member

Stefan Engström
Board member

Lars Bengtsson
Board member