



Interim report for the period 1 January – 30 June 2020

Scandinavian Biogas Fuels International AB (publ)
Org.nr. 556528-4733

Improved cash flow during January–June 2020 period compared to 2019

Second quarter in brief

- Net sales totalled SEK 77.4 million (89.6), a year-on-year decrease of 13.6%.
- Operating EBITDA for the period was SEK 13.2 million (17.7).
- EBITDA was SEK 5.8 million (17.7). The judicial decision issued in South Korea in July 2020 had a negative impact of SEK 11.6 million on the item ‘raw materials and consumables’ for the quarter.
- The Group posted an operating loss of SEK -19.9 million (-4.4), due in part to the judicial decision in South Korea and to insurance compensation received in Norway.
- The Group posted a loss after tax of -37.4 million (-23.3).
- A total negative impact on earnings of SEK 18.0 million was posted during the period due to the judicial decision in South Korea.
- The credit facility of 200 MSEK was noticed during the quarter. Repayment should be performed before the 30th of September.
- Operating cash flow totalled SEK 26.6 million (-3.9), due in part to improved underlying profitability and improved working capital.

First half-year in brief

- Net sales totalled SEK 174.6 million (176.6) MSEK, a year-on-year decrease of 1.1%.
- Operating EBITDA for the period was SEK 37.6 million (36.3), confirmation that underlying profitability is on a par with the corresponding period last year.
- EBITDA was 36.9 million (36.3). The year-on-year improvement is mainly due to one-off effects: insurance compensation of SEK 10.9 million received in Norway and the negative entry of SEK 11.6 million in conjunction with the judicial decision in South Korea.
- The Group posted an operating loss of SEK -7.2 million (-7.6).
- The Group posted a loss after tax of SEK -39.5 million (-35.6).
- A total negative impact on earnings of SEK 18.0 million was posted due to the judicial decision in South Korea.
- Operating cash flow totalled SEK 61.9 million (-11.1), due in part to improved underlying profitability and improved working capital.

Significant events after the end of the period

Business opportunities throughout the world have been impacted by the COVID-19 in early 2020. The impact on the Group’s business after the end of the period remains limited. Management is closely monitoring the situation and regularly assessing ways in which the situation may affect operations.

The judicial decision in South Korea regarding the upgrading dispute was issued in early July. The ruling was negative, and the previous decision was upheld. The outcome had a negative impact on consolidated profit/loss of SEK 18.0 million.

Management continues to actively work with various financing solutions to ensure a more long-term financing solution. Management is engaged in concrete negotiations with several independent parties deemed capable of refinancing the short-term credit facility of SEK 200 million. As of the date of publication of this interim report, however, such financing has not been finalised.

CEO comments on the interim period

‘The year began well and satisfactorily during the first quarter, but we cannot be satisfied with second quarter results. We failed to achieve the planned profitability, for several reasons. In July we received the unexpected judgment in the upgrading dispute in South Korea. Measures were taken during the second quarter to mitigate the judgement’s negative impact.

Although COVID-19 has had a major economic impact globally and in Scandinavia, its impact on the Group’s business has been limited. The Group is continuing its preparations for the planned growth opportunities, focused on Stockholm LBG and Skogn II investments. The timing of other growth opportunities is affected by financing options in domestic and foreign capital, which have been impacted by COVID-19. Based on the Biogas Commission’s proposal, published before the turn of the year, it appears that conditions for the Swedish biogas industry will be strengthened. The 2020 spring budget also increased the production subsidy for biogas production in Sweden by SEK 120 million.’

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.

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 June 2020 the Company had a total of 78 (74) employees: 41 (39) in Sweden, 21 (20) in South Korea and 16 (15) in Norway.

Financial overview

	1 Apr – 30 June 2020	1 Apr – 30 June 2019	1 Jan – 30 June 2020	1 Jan – 30 June 2019	1 Jan – 31 Dec 2019
	3 months	3 months	6 months	6 months	12 months
Net sales	77,433	89,626	174,577	176,539	363,559
EBITDA	5,756	17,668	36,904	36,252	87,848
EBITDA, %	7.4%	19.7%	21.1%	20.5%	24.2%
Operating EBITDA	13 230	17 668	37 557	36 252	75 777
Operating EBITDA %	17,1%	19,7%	21,5%	20,5%	20,8%
Operating results	-19 903	-4,433	-7 228	-7,553	-1,940
Balance sheet total	1,172,873	1,274,116	1,172,873	1,274,116	1,294,063
Adjusted equity/assets ratio	22.3%	22.4%	22.3%	22.4%	26.6%

Consolidated net sales totalled SEK 77.4 million (89.6) for second quarter 2020, and SEK 174.6 million (176.5) for the first six months of the year, an increase of 1.1 per cent as compared with the same period last year. Total revenues amounted to SEK 92.3 million (102.4) for the April–June 2020 period and SEK 208.1 million (204.0) for the first six months of the year. Costs for raw materials and consumables increased 0.3 per cent (43.1) compared with the first half of 2019, due mainly to the judicial decision in South Korea. Other external costs decreased during the January–June interim period, due in part to lower consultancy fees. Personnel costs increased somewhat. Consolidated EBITDA totalled SEK 5.8 million (17.7) for the April–June 2020 period and SEK 36.9 million (36.3) for the January–June 2020 period. The Group operating EBITDA amounted to SEK 37.6 million (36.3) MSEK for the January–June 2020 period mostly due to Norway where the purchase of substrate are more stabilized than in comparison period. The Group posted an operating loss of SEK -12.3 million (-4.4) for second quarter 2020 and an operating profit of SEK 0.4 million (-7.6) for the first half of the year.

The Group posted a loss after tax of SEK -37.4 million (-23.3) for second quarter 2020, of which SEK -6.0 million (-1.8) is attributable to unrealised exchange rate fluctuations. The Group posted a loss after tax of SEK -39.5 million (-35.6) for the full interim period, of which SEK -6.6 million (0.8) is attributable to unrealised exchange rate fluctuations, mainly due to long-term intra-group financing of foreign subsidiaries. A total negative impact on earnings of SEK 18.0 million was posted during the period due to the judicial decision in South Korea. Of this amount, SEK 11.6 million pertains to the item 'raw materials and consumables' as part of a change in 'other provisions', and SEK 6.4 million to the item 'depreciation, amortisation and impairment of tangible and intangible assets' representing a write-down of the concession pertaining to South Korea.

Total assets at 30 June 2020 amounted to SEK 1,172.9 million (1,274.1), a 7.9 per cent year-on-year decrease. Lease-related borrowing totalled SEK 315.1 million (326.0). During the interim period equity was impacted only by net profit/loss and by changes in exchange rate effects.

The consolidated cash balance was SEK 83.8 million (80.0) at 30 June 2020.

Investments

Investments in tangible and intangible assets during the interim period totalled SEK 40.6 million (23.4).

The carrying amount of the Group's tangible and intangible assets was SEK 955.0 million (1,050.1) at 30 June 2020. SEK 310.9 million (348.1) of this amount pertains to leased assets held by the Group under lease contracts subject to IFRS 16.

Significant events during the January–June period

Decreased biogas production and delivery during first six months of the year

Biogas production at the plants at Skogn and Södertörn reached record levels at year-end 2019, and both plants produced and delivered biogas at essentially full capacity. 2020 started strong, with somewhat decreased production during the April–June period as a result of production stoppages at the plants in Norway and at Södertörn as well as reduced gas sales due to COVID-19.

Production and sales

Business area Sweden

Operations in Sweden sold a total of 9.9 million Nm³ (10.2) of biogas during the interim period, corresponding to approximately 96 GWh (100). Customer deliveries of biogas were made according to plan and all agreements have been fulfilled in full. Business Area Sweden processed an average of 205 tonnes (195) of organic waste per day during the interim period.

Business area Norway

Sales of liquid biogas at Skogn, Norway, during the interim period totalled 4.6 million (4.6) Nm³, corresponding to approximately 45 GWh (46). Commissioning of the liquid biogas facility at Skogn, Norway, started in late June 2018.

Business area South Korea

The facility in South Korea received an average of 189 tonnes (183) of food waste per day during the reporting period. Sales of raw gas during the same period amounted to 4.8 million Nm³ (4.2), or approximately 29 GWh (26). A total of 5.5 million Nm³ (5.2) 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 268.8 million (314.2) as at 30 June 2020. The consolidated cash balance was SEK 83.8 million (80.0) at the same date.

Any need for additional working capital is expected to be financed with debt or equity. 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.

The Company's outstanding 2016/2020 bond loan of SEK 230 million (ISIN SE0007784111) was repaid on 10 February 2020 and replaced by a private credit facility of SEK 200 million. The credit facility has a maturity of up to 24 months and shall be repaid by 30 September 2020. Management is engaged in concrete negotiations with several independent parties deemed capable of refinancing the short-term credit facility of SEK 200 million. As of the date of publication of this interim report, however, such financing has not been finalised. Management is actively working with various financing solutions to ensure a more long-term financing solution.

The share

The total number of shares is 168,256,961 (107,098,839). 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).

Ownership structure at 30 June 2020, %

Bengtssons Tidnings AB and related parties	24.5%
AC Cleantech Growth Fund 1 Holding AB and related parties	21.3%
Apriori AB	20.5%
Wipunen Asset Management	11.6%
Erik Danielsson and family, incl. companies	4.2%
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	8.2%
Total	100.0%

Significant risks and operational uncertainties

Disputes

Following are updates on what has happened regarding the Group's disputes since turn of the year 2018/19. The status is otherwise unchanged; please refer to the 2019 Annual Report for details.

The South Korean subsidiary has been involved in a dispute with Ulsan City since 2018 regarding the contractual obligation to invest in a gas upgrading facility in Ulsan by the end of 2017. The lawsuit has proceeded, and the judicial decision issued in July 2020 was unexpectedly negative. The judge upheld the previous decision, meaning that the subsidiary is obliged to pay a 50% penalty on biogas sales. Following review of the decision, the management team and Board of Directors consider the ruling to be incorrect. An appeal was filed with the Supreme Court during summer 2020. The amount of time required for the lawsuit to proceed in the Supreme Court remains unclear. Assessments were updated in the consolidated annual accounts in response to the judicial decision issued in July, resulting in an increase of SEK 11.6 million in 'other provisions' and an SEK 6.4 million write-down of the concession pertaining to South Korea. The result for the first six months of 2020 has therefore been adjusted SEK 18.0 million.

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. The court has ruled in various phases that the invoices are not subject to administrative law. Given that the service costs are not subject to administrative law, the South Korean subsidiary has initiated a civil lawsuit.

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 and was subsequently lowered to NOK 64 million. 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 and 2019 as an increased capital cost pursuant to generally accepted practice. Settlement negotiations are underway.

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

Related-party transactions

A subordinated shareholder loan of SEK 20 million (issued in September 2019) was repaid during first quarter 2020, along with interest of SEK 567 thousand. 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. The Company's outstanding 2016/2020 bond loan of SEK 230 million (ISIN SE0007784111) was repaid on 10 February 2020 and replaced by a private credit facility of SEK 200 million. The lenders are parties related to the Company.

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 0.8 million (0.3) during second quarter 2020 and SEK 1.5 million (1.8) during the first six months of the year. The Parent Company posted a loss after tax of SEK -65.0 million (-4.6) for the April–June 2020 period and SEK -71.3 million (-8.2) for the January–June 2020 period. The negative result for the first half of the year is attributable to the judicial decision in South Korea. As a precautionary measure, a subsidiary has written down some receivables related to South Korean subsidiaries and has thus exhausted its equity. The subsidiary's write-downs amount to SEK 61.6 million and resulted in a shareholder contribution from the Parent Company of SEK 62 million. The shareholder contribution has since been written down in its entirety.

Liquidity and financial position

Cash balances at 30 June 2020 totalled SEK 0.3 million (37.0). Total assets amounted to SEK 602.9 million (542.0) at the same date.

No significant events or changes have taken place since publication of the 2019 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

Business opportunities throughout the world have been impacted by the corona virus in early 2020. The impact on the Group's business after the end of the period remains limited. Management is closely monitoring the situation and regularly assessing ways in which the situation may affect operations.

The judicial decision in South Korea regarding the upgrading dispute was issued in early July. The ruling was negative, and the previous decision was upheld. The outcome had a negative impact on consolidated profit/loss of SEK 18.0 million. Read more in the Disputes section above.

Management continues to actively work with various financing solutions to ensure a more long-term financing solution. Management is engaged in concrete negotiations with several independent parties deemed capable of refinancing the short-term credit facility of SEK 200 million. As of the date of publication of this interim report, however, such financing has not been finalised.

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 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 submitted its report in December 2019.

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 the market transformation in Scandinavia, the Group expects to see increased demand for biogas – particularly liquid biogas (LBG). The Group plans investments and improvements in line with market needs. The Group has a goal of achieving approximately SEK 500 million in annual sales and profitability of at least 30% (EBITDA %).

In recent years the Group has worked on increasing biogas deliveries and production. This work remains under way but is now focused on LBG. 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand	1 Apr – 30 June 2020	1 Apr – 30 June 2019	1 Jan – 30 June 2020	1 Jan – 30 June 2019	1 Jan – 31 Dec 2019
Operating income					
Net sales	77,433	89,626	174,577	176,539	363,559
Capitalised work on own account	4,553	4,071	9,040	9,143	12,033
Other operating income	10,285	8,756	24,501	18,270	31,458
Total	92,271	102,453	208,118	203,952	407,050
Operating expenses					
Raw materials and consumables	-53,263	-51,179	-104,183	-100,889	-192,383
Other external costs	-16,520	-17,776	-32,195	-34,115	-59,313
Personnel costs	-16,732	-15,830	-34,836	-32,696	-67,506
Depreciation, amortisation and impairment of tangible and intangible assets	-25,651	-21,706	-43,885	-43,090	-88,526
Other operating expenses	-18	-395	-247	-715	-1,262
Total operating expenses	-112,184	-106,886	-215,346	-211,505	-408,990
Operating profit/loss	-19,913	-4,433	-7,228	-7,553	-1,940
Net exchange differences	-6,069	-1,795	-6,642	775	1,274
Financial income	62	36	130	65	141
Financial expense	-11,741	-17,590	-26,163	-29,607	-62,631
Net financial items	-17,748	-19,349	-32,675	-28,767	-61,216
Profit/loss before tax	-37,661	-23,782	-39,903	-36,320	-63,156
Income tax	223	437	442	684	7,306
Profit/loss for the period	-37,438	-23,345	-39,461	-35,636	-55,850
Other comprehensive income					
Actuarial results on post-employment benefits	-	0	0	-10	-10
Exchange differences	4,547	2,745	-8,747	7,836	3,682
Other comprehensive income for the period, net after tax	4,547	2,745	-8,747	7,826	3,672
Total comprehensive income for the period	-32,891	-20,600	-48,208	-27,810	-52,178
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	-32,634	-16,447	-35,733	-25,760	-42,536
Non-controlling interests	-4,804	-6,898	-3,728	-9,876	-13,314
Total comprehensive income attributable to:	-37,438	-23,345	-39,461	-35,636	-55,850
Parent Company shareholders	-29,127	-14,125	-39,539	-21,584	-40,834
Non-controlling interests	-3,764	-6,474	-8,669	-6,225	-11,344
	-32,891	-20,600	-48,208	-27,809	-52,178

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	Note	30 June 2020	30 June 2019	31 Dec 2019
ASSETS				
Non-current assets				
Intangible assets				
Capitalised development costs		11,722	12,340	11,713
Concessions and similar rights		53,392	72,654	67,832
Patents and licences		941	1,553	1,423
Goodwill		6,482	7,036	6,833
Total intangible assets		72,537	93,583	87,801
Tangible assets				
	4			
Buildings and land		343,157	226,766	367,237
Plant and machinery		452,620	324,287	489,616
Equipment, tools, fixtures and fittings		11,530	18,560	11,693
Construction work in progress		75,173	386,070	44,175
Total tangible assets		882,480	955,683	912,721
Financial assets				
Deferred tax assets		21,750	16,218	23,453
Other non-current receivables	5	15,985	14,594	19,066
Total financial assets		37,735	30,812	42,519
Other non-current assets				
Accrued income and prepaid expenses		1,110	1,556	1,333
Total other non-current assets		1,110	1,556	1,333
Total non-current assets		993,862	1,081,634	1,044,374
Current assets				
Inventories, etc.				
Raw materials and consumables		11,917	11,976	14,770
Total inventories		11,917	11,976	14,770
Current receivables				
Trade accounts receivable		34,994	65,853	65,670
Other receivables	6	30,548	19,846	17,914
Prepaid expenses and accrued income		17,724	14,835	14,951
Cash and cash equivalents		83,828	79,972	136,384
Total current receivables		167,094	180,506	234,919
Total current assets		179,011	192,482	249,689
TOTAL ASSETS		1,172,873	1,274,116	1,294,063

CONSOLIDATED BALANCE SHEET, continued

Amounts in SEK thousand	Note	30 June 2020	30 June 2019	31 Dec 2019
EQUITY				
Equity attributable to Parent Company shareholders				
Share capital		33,651	27,763	33,651
Other paid-in capital		880,048	824,456	880,048
Translation reserve		1,492	7,770	5,298
Retained earnings including comprehensive income for the period		-778,906	-726,397	-743,173
		136,285	133,592	175,824
Non-controlling interests		44,424	46,605	53,098
Total equity		180,709	180,197	228,922
LIABILITIES				
Non-current liabilities				
Borrowings	7	566,611	638,089	597,942
Deferred tax liabilities		1,915	2,007	1,961
Other provisions		38,564	33,869	21,917
Total non-current liabilities		607,090	673,965	621,820
Current liabilities				
Borrowings	7	234,955	265,370	296,465
Accounts payable		74,235	69,778	66,326
Other liabilities		30,224	28,477	30,403
Accrued expenses and deferred income		45,660	56,329	50,127
Total current liabilities		385,074	419,954	443,321
TOTAL EQUITY AND LIABILITIES		1,172,873	1,274,116	1,294,063

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 2019	21,420	754,685	3,636	-700,637	79,104	52,830	131,893
Profit/loss for the period				-25,760	-25,760	-9,876	-35,636
Other comprehensive income							
Actuarial results on post- employment benefits				-8	-8	-2	-10
Exchange differences			4,176	8	4,184	3,653	7,837
Total comprehensive income			4,176	-25,760	-21,584	-6,225	-27,810
New share issue	6,343	69,771			76,114		76,114
Contribution from non- controlling interests							
Total contribution from and value transfers to shareholders, reported directly in equity	6,343	69,771			76,114		76,114
Closing balance, 30 June 2019	27,763	824,456	7,770	-726,397	133,592	46,406	180,197
Opening balance, 1 January 2020	33,651	880,048	5,297	-743,173	175,823	53,093	228,922
Profit/loss for the period				-35,733	-35,733	-3,728	-39,461
Actuarial results on post- employment benefits							
Exchange differences			-3,806		-3,806	-4,941	-8,747
Total comprehensive income			-3,806	-35,733	-39,539	-8,669	-48,208
Contribution from non- controlling interests							0
Total contribution from and value transfers to shareholders, reported directly in equity	-	-	-	-	-	-	-
Closing balance, 30 June 2020	33,651	880,048	1,491	-778,906	136,284	44,424	180,709

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK thousand

	1 Apr – 30 June 2020	1 Apr – 30 June 2019	1 Jan – 30 June 2020	1 Jan – 30 June 2019	1 Jan – 31 Dec 2019
Cash flow from operating activities					
Operating profit/loss before financial items	-19,890	-4,433	-7,228	-7,553	-1,940
Amortisation/depreciation	25,399	21,706	43,885	43,090	88,526
Other non-cash items	20,372	-3,763	19,333	-5,070	-16,365
Interest received	-	12	-	24	141
Interest paid	-8,234	-9,490	-15,488	-16,961	-36,437
Cash flow from operating activities before changes in working capital	17,647	4,032	40,502	13,530	33,925
Cash flow from changes in working capital					
Increase/decrease in inventories	2,058	-1,826	2,853	-6,477	-9,271
Increase/decrease in operating receivables	843	18,401	15,269	11,322	13,321
Increase/decrease in operating liabilities	6,016	-24,501	3,263	-29,433	-37,991
Total changes in working capital	8,917	-7,926	21,385	-24,588	-33,941
Cash flow from operating activities	26,564	-3,894	61,887	-11,058	-16
Cash flow from investing activities					
Acquisition of intangible assets	-2,083	-75	-2,417	-214	-402
Acquisition of tangible assets	-19,800	-6,939	-38,158	-23,149	-46,726
Disposal of tangible assets	-	-	41	-	305
Divestment/amortisation of other financial assets	-	111	-	222	333
Restricted bank balances and other changes in financial assets	5	6,889	-112	3,970	-680
Cash flow from investing activities	-14,994	-7,015	-36,564	-23,821	-51,621
Cash flow from financing activities					
New share issue	-	39,616	-	39,616	101,153
Loans raised	7	-	197,500	-	20,000
Loan and lease amortisation	7	-11,039	-273,172	-20,518	-40,282
Contribution to/from non-controlling interests	-	-	-	-	11,761
Cash flow from financing activities	-12,922	28,577	-75,672	19,098	92,632
Total cash flow for the period	-1,352	17,668	-50,348	-15,781	40,995
Decrease/increase in cash and cash equivalents					
Cash and cash equivalents at beginning of period	85,934	62,301	136,384	94,788	94,788
Exchange differences in cash and cash equivalents	-755	2	-2,208	964	601
Cash and cash equivalents at end of period	83,828	79,972	83,828	79,972	136,384

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand

	1 Apr – 30 June 2020	1 Apr – 30 June 2019	1 Jan – 30 June 2020	1 Jan – 30 June 2019	1 Jan – 31 Dec 2019
Operating income					
Net sales	812	299	1,466	1,762	2,383
Total operating income	812	299	1,466	1,762	2,383
Operating expenses	-1,215	-539	-2,393	-1,974	-2,870
Operating profit/loss	-403	-240	-927	-212	-487
Net financial items	-64,604	-4,361	-70,443	-7,979	-20,022
Profit/loss before appropriations and tax	-65,007	-4,601	-71,370	-8,191	-20,509
Appropriations					
Group contributions received/paid	-	-	-	-	24,719
Total appropriations	-	-	-	-	24,719
Profit/loss before tax	-65,007	-4,601	-71,370	-8,191	4,210
Income tax	-	-	-	-	-
Profit/loss for the period	-65,007	-4,601	-71,370	-8,191	4,210

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 June 2020	30 June 2019	31 Dec 2019
ASSETS				
Non-current assets				
Financial assets				
Participations in group companies		230,613	189,453	226,613
Receivables from group companies		343,382	283,813	313,073
Other non-current receivables	5	-	-	-
Total financial assets		573,995	473,266	539,686
Total non-current assets		573,995	473,266	539,686
Current assets				
Current receivables				
Receivables from group companies		24,792	26,381	36,084
Other receivables		0	73	169
Prepaid expenses and accrued income		3,754	5,250	504
Total current receivables		28,546	31,704	36,757
Cash and bank balances		332	36,997	57,225
Total current assets		28,878	68,701	93,982
TOTAL ASSETS		602,873	541,967	633,668
EQUITY AND LIABILITIES				
Equity		282,855	280,287	354,222
Non-current liabilities				
Interest-bearing loans	7	0	0	0
Intra-group loans		113,719	23,000	23,000
Total non-current liabilities		113,719	23,000	23,000
Current liabilities				
Borrowings	7	200,019	230,019	250,226
Accounts payable		356	452	135
Liabilities to group companies		3,070	2,826	2,008
Other liabilities		145	0	0
Accrued expenses and deferred income		2,709	5,383	4,077
Total current liabilities		206,299	238,680	256,446
TOTAL EQUITY AND LIABILITIES		602,873	541,967	633,668

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 Holländargatan 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.

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 2019.

Accounting principles used in this report are in accordance with the principles applied the previous financial year. The Parent Company will continue to report its rent for premises as an operating lease.

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.

	1 Apr – 30 June 2020	1 Apr – 30 June 2019	1 Jan – 31 June 2020	1 Jan – 30 June 2019	1 Jan – 31 Dec 2019
Income statement by segment					
Business Area Sweden	56,997	62,665	119,997	125,045	246,702
Business Area South Korea	14,798	12,905	28,775	26,182	56,042
Business Area Norway	20,914	26,769	56,776	52,473	103,138
Service Centre and R&D	2,647	1,578	7,334	4,143	9,576
Eliminations	-2,085	-1,463	-4,765	-3,890	-8,408
Group total	93,271	102,454	208,118	203,953	407,050
Operating expenses by segment					
Business Area Sweden	-43,163	-44,077	-90,107	-89,947	-180,288
Business Area South Korea	-23,739	-11,595	-34,640	-22,579	-35,168
Business Area Norway	-14,905	-23,364	-35,941	-44,573	-81,938
Service Centre and R&D	-7,793	-7,225	-15,291	-14,504	-30,215
Eliminations	2,085	1,475	4,765	3,902	8,408
Group total	-86 516	-84,786	-171,214	-167,701	-319,202
EBITDA					
Business Area Sweden	13,119	18,588	29,890	35,098	66,413
Business Area South Korea	-8,940	1,310	-5,865	3,603	20,873
Business Area Norway	6,009	3,404	20,835	7,899	21,200
Service Centre and R&D	-4,433	-5,634	-7,957	-10,348	-20,639
Eliminations	0	0	0	0	0
Group total	5,754	17,668	36,903	36,253	87,848
Depreciation/amortisation and impairment & Other operating expenses	-25,669	-22,101	-44,132	-43,805	-89,788
Operating results	-19,913	-4,433	-7,228	-7,553	-1,940

NOTE 4 Tangible assets

Investments in tangible assets during second quarter 2020 totalled SEK 38.2 million (23.1).

The Group capitalised borrowing costs on qualifying assets in the amount of SEK 0.0 million (1.0) during the interim period.

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

	30 June 2020	30 June 2019	31 Dec 2019
Buildings and land	145,932	159,206	152,425
Plant and machinery	158,844	174,944	167,708
Equipment, tools, fixtures and fittings	6,169	13,989	7,708
Construction work in progress	0	0	0
Carrying amount	310,945	348,139	327,841

The Group applied a discount rate of 3.45% 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.

During the January–June 2020 period EBITDA was improved by approximately SEK 16.1 million (16.0), as IFRS 16 reduces operating expenses while simultaneously increasing aggregate depreciation/amortisation and financial expense by a corresponding amount.

Group	30 June 2020	30 June 2019	31 Dec 2019
Restricted bank balances	9,984	11,368	15,819
Other	6,003	3,226	3,248
Total	15,987	14,594	19,066

NOTE 5 Other current receivables

Other current receivables include SEK 12.3 million (38.6) related to the accrued delay penalty for the facility at Skogn.

NOTE 6 Borrowings

The carrying amount and fair value of non-current borrowing are as follows (the 2019 corporate bond is entered as current borrowing, as it matured in February 2020):

	<i>Carrying amount</i>			<i>Fair value</i>		
	30 June 2020	30 June 2019	31 Dec 2019	30 June 2020	30 June 2019	31 Dec 2019
Liabilities to credit institutions	258,183	292,221	280,241	258,183	292,221	280,241
Corporate bond	0	0	0	0	0	0
Liabilities related to finance leases	297,775	323,876	311,475	297,775	323,876	311,475
Other non-current borrowings	10,653	21,992	6,226	10,653	21,992	6,226
Total	566,611	638,089	597,942	566,611	638,089	597,942

The fair value of current borrowing corresponds to the carrying amount, as the discounting effect is not of a material nature.

NOTE 7 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 Apr – 30 June 2020	1 Apr – 30 June 2019	1 Jan – 30 June 2020	1 Jan – 30 June 2019	1 Jan – 31 Dec 2019
EBITDA					
Operating results	-19,913	-4,433	-7,228	-7,553	-1,940
-Depreciation, amortisation and impairment of tangible and intangible assets	25,651	21,706	43,885	43,090	88,526
-Other operating expenses	18	395	247	715	1,262
EBITDA	5,756	17,668	36,904	36,252	87,848

Operating EBITDA

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

	1 Apr – 30 June 2020	1 Apr – 30 June 2019	1 Jan – 30 June 2020	1 Jan – 30 June 2019	1 Jan – 31 Dec 2019
Operating EBITDA					
EBITDA	5 756	17 688	36 904	36 252	87 878
Change in other provisions due to litigation process in Korea	11 564	0	11 564	0	-12 070
Reimbursement in Norway	-4 090	0	-10 891	0	0
Operating EBITDA	13 230	17 668	37 577	36 252	75 778

Gross profit/loss

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

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 20.7 million (22.0) and pertain to loans from minority shareholders in Biokraft Holding AS to that company.

ADJUSTED EQUITY/ASSETS RATIO	30 June 2020	30 June 2019	31 Dec 2019
Total equity (incl. non-controlling interests)	180,709	180,197	228,922
Subordinated loans (incl. Enova)	98,658	110,461	127,910
	279,367	290,658	356,832
Total assets	1,172,873	1,274,116	1,294,063
Grant from Enova	77,929	25,905	47,841*
	1,250,802	1,300,021	1,341,904
Adjusted equity/assets ratio	22.3%	22.4%	26.6%

*includes amount attributable to changed accounting principles following adoption of IFRS 16 as of 1 January 2019.

NOTE 8 Events after the end of the period

Business opportunities throughout the world have been impacted by the corona virus in early 2020. The impact on the Group's business after the end of the period remains limited. Management is closely monitoring the situation and regularly assessing ways in which the situation may affect operations.

The judicial decision in South Korea regarding the upgrading dispute was issued in early July. The ruling was negative, and the previous decision was upheld. The outcome had a negative impact on consolidated profit/loss of SEK 18.0 million. Read more in the Disputes section above.

Management continues to actively work with various financing solutions to ensure a more long-term financing solution. Management is engaged in concrete negotiations with several independent parties deemed capable of refinancing the short-term credit facility of SEK 200 million. As of the date of publication of this interim report, however, such financing has not been finalised.

This interim report has not been audited.

Stockholm, 20 August 2020

Göran Persson
Chairman of the Board

Matti Vikkula
Chief Executive Officer

Anders Bengtsson
Board member

Andreas Ahlström
Board member

David Schelin
Board member

Sara Anderson
Board member

Malin Gustafsson
Board member
Employee representative

Lars Bengtsson
Board member
Employee representative