

New local legislation prevents Scandinavian Enviro Systems and Vanlead project in Guangzhou

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

With reference to the press release dated Dec 20th, 2017 "Changes in local legislation delays agreement with Vanlead" Scandinavian Enviro Systems AB (publ) (Enviro or The Company) hereby announces that local legislation now prevents the joint project with Vanlead in Guangzhou, China.

The two parties have been working hard to execute the project of a 30 000 ton per year capacity tyre recycling plant at Vanlead's premises (site) in Guangzhou, China.

The project had to be re-evaluated following the new (Nov 2017) stricter local regulations implemented by the Chinese authorities in relation to this specific site's geographical location. The specific site is located in an industrial area for tyre production and is consequently not approved for production of petrochemical substances with a flash point below 60°C. As reference Ethanol has a flash point of 12°C and Gasoline <-20°C. Enviro and Vanlead have worked intensively and closely to optimize several options for the oil fractions with a flash point below 60°C produced in Enviro's technology. The different alternatives discussed in order to meet the new flash point regulations were finally insufficient for this specific site selected by the customer.

"It is encouraging that a major tyre manufacturer takes this kind of initiative and confirm our technology and material quality. On the other hand it is certainly sad that we are not able to realize a project at this site after all the hard work put in by both teams for a long time", says Thomas Sörensson CEO, Enviro.

The project has been developing for more than a year and many tests of the recovered carbon black has been made to ensure that Enviro's technology can recover a quality that is approved for new tyre production. All such tests have been positive and approved by both parties and external laboratories. Vanlead confirms that the selection of Enviro's technology in the bidding process has been based on the fact that the technology and experience is meeting their high expectations.

"Enviro's technology will be a competitive alternative in China and globally independent of this project. International tyre manufacturers are now actively open to implement recovered material of our quality, based on our technology. That is now a fact", says Thomas Sörensson CEO, Enviro.

Vanlead announces to Enviro: "We also hope that we could still have the opportunity to cooperate with you in the future".

"Vanlead and Enviro will keep the door open to future cooperation in China or internationally", says Thomas Sörensson CEO, Enviro.

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Enviro is an environmental technology company that offers profitable recycling of tyres and provides processed materials, primarily to the rubber industry. The company sells complete environmental plants to industrial investors and also runs its own plant for worn-out tyres in Åsensbruk, Sweden. Enviro was founded in 2001 and has its head office in Gothenburg; it has 20 employees and is listed on the Nasdaq First North with Mangold Fondkommission AB as certified advisor. <https://www.envirosystems.se/en/>