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Scandinavian Enviro Systems (publ) is conducting a private placement of approximately MSEK 32.5 as part of a strategic partnership with Michelin

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

The Board of Directors of Scandinavian Enviro Systems (Enviro), has in accordance with a letter of intent regarding a long-term strategic partnership with the French global tyre manufacturer Michelin, today resolved to conduct a private placement of approximately MSEK 32.5, by which Michelin (through its wholly-owned subsidiary Michelin Ventures SAS) will subscribe for shares in Enviro corresponding to holdings of 20% after the issue. The strategic partnership is intended to include, among other things, the establishment of a jointly owned recycling plant for end-of-life tyres and joint development work to expand the possibilities for the materials that are recycled using Enviro's technology.

The placement is expected to be completed by April 29, 2020, at the latest.

A final agreement on the strategic partnership is expected to be signed about mid-year 2020.

This strategic partnership provides Enviro with significantly improved conditions for global establishment of recycling plants based on Enviro's patented and leading technology.

"Michelin is one of the world's leading tyre manufacturers and this collaboration means that we can become established globally in a way that we would never have managed alone," says Enviro's Chairman Alf Blomqvist.

The partnership between Michelin and Enviro is currently intended to be based on four main axes:

- A Development Agreement to deploy Enviro's pyrolysis technology on a larger scale
- Michelin's stake of 20% of Enviro's capital, amounting to SEK 32,526,262.44 or the equivalent of 116,165,223 shares, making Michelin the largest shareholder in Enviro
- The common project to build a factory to industrialize the technology. The location of the plant will be confirmed at a later date
- A joint Supply Agreement between Michelin and Enviro

Private placement of approximately MSEK 32.5

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

The long-term nature of the strategic partnership is confirmed by Michelin's investment in Enviro. The investment is being made by way of a directed share issue (private placement) of a total of 116,165,223 shares at a subscription price of SEK 0.28 per share, whereby, the share capital will be increased by SEK 4,646,608.92. The subscription price has been determined through arm's-length negotiations between Enviro and Michelin and corresponds to a premium of 16 %, compared with the average volume weighted price paid for the share during the period March 16 to April 14 2020. The Board of Directors assesses that the share issue is being carried out at market terms. In total, the share issue will generate proceeds of approximately MSEK 32.5 before transaction costs.

The issuance of new shares is directed to Michelin. The reason for the deviation from the shareholders' preferential rights is to, in a cost and time-effective manner, raise capital in order to strengthen the company's financial position and to facilitate Enviro's future investments pursuant to the partnership with Michelin. In light of the above, Enviro's Board of Directors finds that there are objectively valid reasons to deviate from the shareholders' preferential rights. The new share issue is carried out by virtue of the authorization that the Board of Directors received from the Annual General Meeting (AGM) on May 9, 2019 and requires no further AGM resolutions.

Michelin is expected to subscribe and pay for the new shares as soon as is practically possible after publication of this press release. Following registration of the share issue by the Swedish Companies Registration Office, which is expected to be made not later than April 29, 2020, the share capital will amount to SEK 23,233,044.60 and the number of shares to 580,826,115, of which 20% will be held by Michelin. The issue entails a dilution effect of 20% in terms of voting rights.

Final agreement

The current letter of intent contains no provisions that prevent Enviro from collaborating with other tyre manufacturers or tyre suppliers after July 31, 2020.

"For us, this has been a central feature of our negotiations since we do not wish to limit our growth opportunities in the market at this stage," says Alf Blomqvist, Chairman of Enviro, who has headed the negotiations.

A final agreement is expected to be completed by mid 2020.

Shared plant

A central feature of the letter of intent is the establishment of a recycling plant based on Enviro's technology. The parties have agreed that this will be owned by Michelin and Enviro jointly, but the final terms and conditions regarding ownership shares, commercial conditions and financing remain to be negotiated. At the current time, the parties do not want to communicate a precise time when these are expected to be finalized. For Enviro, ownership of the plant is key because it provides the opportunity to share in the revenue streams that this generate. Through part-ownership, the company can also ensure quality and continued product development. Part of the proceeds that the company receives from the share issue will be invested in the plant.

"As we have refined our method and enhanced the degree of recycling of the component materials, we have also improved the revenue potential. Being a partner in the plants is therefore a central part of our strategy," says Thomas Sörensson, CEO of Enviro Systems.

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Joint technology development

Enviro is world-leading in the recycling of end-of-life vehicle tyres and has developed a method that recycles the component materials, including carbon black, oil and steel. Carbon black is a central component in the manufacturing of tyres and rubber, but the oil and steel can also be reused. Enviro foresees major opportunities for the further refinement of its technology and, accordingly, in the letter of intent, the parties have also agreed on a further joint development of this technology.

“By further developing our technology, we will also be able to recycle other finite and strategic materials, as well as expanding the area of use for the recovered carbon black, so that it can be used for more products,” says Thomas Sörensson.

Significant environmental benefits

For a number of years now, Enviro has been a supplier of recycled carbon black for use in the production of rubber items for the automotive industry, with Volvo Cars being one of the users. A life cycle analysis conducted by the Swedish Environmental Research Institute (IVL) shows that the production of rubber with carbon black that has been recycled using Enviro’s method leads to 79 - 84% lower greenhouse gas emissions, compared with production using virgin carbon black.

Due diligence investigation

At Michelin’s request, and based on the assessment that it would be in the shareholders’ interest, the Board of Directors has permitted Michelin to conduct a due diligence investigation prior to the publication of this press release. Michelin did not receive any price-sensitive information in conjunction with the due diligence.

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This information is information that Scandinavian Enviro Systems AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was issued for publication through the agency of the contact persons set out above on April 15, 2020, at 08:30 CEST.

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