

Enviro and Michelin prolongs letter of intent regarding strategic partnership

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.

Scandinavian Enviro Systems (publ) and the French global tyre manufacturer Michelin, has prolonged the letter of intent regarding a strategic partnership which was announced in April 2020. Initially the parties expected that a final agreement would have been reached by mid-year 2020, but the negotiations have been somewhat delayed, partly due to the ongoing pandemic. Therefore, Enviro and Michelin are prolonging the letter of intent until the end of October this year where both companies assess that they will be able to provide more details at the latest. Simultaneously the exclusivity agreement is also prolonged until October 31 this year.

On April 15, Enviro and Michelin announced that they had signed a letter of intent regarding a strategic partnership. In connection with this, Enviro conducted and finalized a directed share issue (private placement) of approximately SEK 32.5 million to Michelin, corresponding to ownership of 20 percent after the completed issue, which Michelin subscribed for through its wholly owned subsidiary Michelin Ventures SAS. Following the completion of the issue at the end of April, Michelin became the largest owner of Enviro.

The parties have agreed that the partnership, in addition to the directed share issue, will comprise the following three main axes that were communicated earlier:

- A Development Agreement to deploy Enviro's pyrolysis technology on a larger scale
- A shared 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

After the letter of intent was signed, the companies initiated more detailed negotiations in each of the main axes and, although the negotiations have proceeded well, the parties have not succeeded in keeping to the schedule as announced earlier, by which a final agreement was to be ready around mid-year 2020. The letter of intent, which was announced in April, also contained an exclusivity, which was in power until July 31 and which meant that Enviro could co-operate with other tyre manufacturers and tyre suppliers only after this date. In connection with the prolongation of the letter of intent this exclusivity also is prolonged until the end of October 2020.

“Our negotiations are continuing with undiminished strength, but factors including the ongoing pandemic, with the accompanying travel restrictions, have meant that we have been unable to proceed as quickly as we had hoped. Therefore, we have jointly decided to prolong our letter of intent until the end of October this year and our joint assessment is that we will be able to provide new information at the end of October this year at the latest,” says Thomas Sörensson, CEO of Enviro.

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 Nasdaq First North Growth Market with Mangold Fondkommission AB, tel. +46 (0)8 5030 1550, ca@mangold.se, as its Certified Advisor. www.envirosystems.se

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