

Enviro and Michelin Agree on Key Principles for 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.

As part of the strategic partnership negotiations, Scandinavian Enviro Systems (publ) (“Enviro” or “The Company”) and the French global tyre manufacturer Michelin have agreed on the principle terms for establishing a first jointly owned recycling plant and a license agreement regulating the terms of use for Enviro’s recycling technology as well as subsequent compensation. The agreement is subject to the approval of Enviro’s owners at an Extraordinary General Meeting (EGM) and the closing will be done after the EGM. Notice of an EGM will be sent out separately.

The key principle terms have been negotiated as a result of the letter of intent regarding a strategic partnership that was announced by both companies in April this year. The agreed key principles include terms for the establishment of a first jointly owned recycling plant, and terms for how Michelin shall compensate Enviro for use of the company’s patented recycling technology for end-of-life tyres. The agreement on compensation applies to the first plant as well as for any future plants that Michelin might decide to build.

Regarding the right to use Enviro’s patented recycling technology and subsequent compensation, the parties have agreed as follows:

- That Michelin is entitled to establish its own recycling plants based on Enviro’s technology
- That Michelin, when establishing such plants, shall pay an upfront lumpsum to Enviro with a predetermined, fixed non-recurring amount as well as royalties based on a percentage of the plant’s sales
- That the license agreement shall remain in force until 2035
- That Enviro is entitled to continue establishing recycling plants together with other parties

“Despite the pandemic and the ensuing delays, we have now been able to finalize our agreement regarding a strategic partnership with Michelin. This is obviously a very important milestone for Scandinavian Enviro Systems and also a very significant validation of our technology given Michelin’s position in the global tyre market. The protracted negotiations were never part of the plan but on the up-side both Michelin and other international manufacturers were given more time to test our recovered carbon black with great results. This and the now reached agreement bode well for the future”, says Enviro’s Chairman Alf Blomqvist.

“Reaching a main principles agreement on the content of a Strategic Partnership Agreement was critical for both parties as it sets the course for our common actions in light of our win-win partnership. I am delighted that we have managed to reach these main principles agreements in a year where the unprecedented sanitary situation has made it very difficult to ‘sit together’ and plot the course for our future collaboration! I am excited to start working on concrete actions in light of our partnership once Enviro has obtained approval by its shareholders vote to move forward together”, said Sander Vermeulen, Vice President Marketing & Business Development, Strategy &

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

New Businesses High-Tech Materials at Michelin and director of the board of Scandinavian Enviro Systems.

Letter of intent from April

The letter of intent to enter into a strategic partnership announced by Enviro and Michelin in April this year encompassed a total of four main areas. In addition to an already completed investment in Enviro's shares, which made Michelin the largest owner of Enviro with a total holding of 20 percent, the letter of intent also included a joint project to construct a facility to industrialise the technology, a development agreement to broaden the application of Enviro's pyrolysis technology and a joint supply agreement between the parties. Regarding the development agreement and joint supply agreement, negotiations are ongoing.

Extraordinary General Meeting

Before the agreements can be signed by the parties and enter into force, they must be approved by Enviro's shareholders at an Extraordinary General Meeting. The reason is that Michelin is deemed a related party by virtue of its 20 percent ownership in the company, and a related-party transaction requires the approval of shareholders at a General Meeting. At an extra Board meeting in January 2021, Enviro's Board will make a decision to convene an Extraordinary General Meeting, to gain approval for the agreement. At the EGM the vital parts of the agreement will be presented to the shareholders.

For further information, please contact:

Thomas Sörensson, CEO of Enviro, +46 (0)735-10 53 43, thomas.sorensson@envirosystems.se
Urban Folcker, Enviro CFO, +46 (0)760-00 13 11, urban.folcker@envirosystems.se
Alf Blomqvist, Chairman of the Board of Enviro, +46 (0)733 149 700, alf@blomqvistunlimited.com

Mangold Fondkommission AB, +46 (0)8 503 01 550, ca@mangold.se, is Enviro's Certified Adviser on Nasdaq First North Growth Market Stockholm.

Scandinavian Enviro Systems AB

Herkulesgatan 1K
SE-417 01 Gothenburg
info@envirosystems.se
www.envirosystems.se

This disclosure contains information that Scandinavian Enviro Systems is obliged to make public pursuant to the EU Market Abuse Regulation (EU nr 596/2014). The information was submitted for publication, through the agency of the contact person, on 22-12-2020 08:30 CET.

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