



2022

Annual Report | Scandinavian Enviro Systems AB

Content

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 Annual Report shall prevail.

This Annual Report contains certain forward-looking statements that reflect Enviro's present view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "believe", "estimate", and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking statements.

Forward-looking statements are inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. A forward-looking statement is not a guarantee of future results or development, and actual outcomes may differ materially from those set out in the forward-looking statements.

Enviro does not undertake any obligation to publicly announce any update or change in forward-looking statements as a result of new information, future events, or similar circumstances other than as required by applicable laws and regulations.

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We said
We did

We will develop a technology that processes the world's end-of-life tires better and more sustainably.

In 2000, Enviro's founder was granted patents for the CFC pyrolysis process in 13 European countries, and Scandinavian Enviro Systems was established the following year. The patents were supplemented and expanded in 2006 and 2015.

We will build a demonstration facility for recycling of end-of-life tires to show that the technology works, and that we can recover valuable substances by using it.

Our facility in Åsensbruk was completed in 2013, and testing was inaugurated.

We will commercialize and industrialize our technology since it has great potential to resolve the problem of sustainability in the tire and rubber industries.

An initial cooperation agreement with a commercial operator was signed with AnVa Polytech, which manufactures items such as rubber detailing for the Swedish automotive industry. This was followed up in 2016 by a supply contract. Using Enviro's recovered carbon black, AnVa had already delivered 160 million chassis plugs to Volvo Cars by 2021. In 2018, recovered carbon black from Enviro was sold for the first time for use in tires.

To refine our technology and facilitate broad commercialization and industrialization, we need to set up close collaboration with a major tire manufacturer.

In 2020, Enviro signed agreements on a strategic partnership with the French company Michelin, the world's largest tire manufacturer. At the same time, Michelin stepped in as the largest owner in Enviro. During 2022 Michelin presented the first environmentally sustainable tire, which is approved for road use. The passenger car tire contained 45 percent of sustainable materials, such as recovered Carbon Black from Enviro.

To make our recovered carbon black and oil more commercially viable, we intend to try to have it environmentally certified under ISCC and classified under the EU REACH directive.

In September of 2021, the oil and carbon black that Enviro recovers at its facility in Åsensbruk was awarded sustainability certification in accordance with the International Sustainability & Carbon Certification (ISCC). In doing so, Enviro became the first company in the world to

receive ISCC certification for recovered carbon black, and for carbon black in general. In June 2022, our pyrolysis oil was approved as an intermediate under the EU REACH ordinance, and we were able to deliver our first commercial order for pyrolysis oil to a US oil company. After that, the company successfully completed production tests in which our oil was used for the manufacture of biofuel. In February 2023, the US oil company followed up by placing a further order for oil.

To broaden the ownership of the Company and try to gain participation of more institutional investors as shareholders

In connection with a directed rights issue in May 2023 we got participation of several institutional investors such as Coeli Circulus, Cicero Fonder, Handelsbanken Fonder, Skandia and Öhman Fonder.

By 2030, we will establish recycling plants with a total recycling capacity of around 1 million metric tons of end-of-life tires. We will be assisted by an external financial adviser in order to find a solution to how we will secure the long-term financing and execution of our plan. Our initial focus is on Europe and on establishing a facility in western Sweden.

In March 2023, Enviro partnered with the French infrastructure investor Antin Infrastructure Partners to form a joint venture that will be the world's first large-scale tire recycling company. The parties agreed on a financed plan for establishing recycling plants in Europe by 2030 with a total annual capacity of 1 million metric tons of end-of-life tires. The first plant will be established in Uddevalla.

We will, as soon as it is practically possible, review the long-term capital need in order to finance Enviro's ownership in the commonly owned tire recycling company.

The above mentioned rights issue creates conditions for a part ownership of up to 30 percent in the commonly owned tire recycling company.

We will sign long-term supply contracts regarding our recovered carbon black and oil.

In conjunction with its formation, the joint venture that Enviro formed in March 2023 together with Antin Infrastructure Partners signed multi-year supply contracts with Michelin regarding recovered carbon black and oil from the first plants to be established.



Significant events during the year

- November 2022** Enviro receives a pyrolysis oil order worth MSEK 2 from Preem.
- November 2022** Leading US oil company has made successful production tests with Enviro's oil.
- September 2022** Enviro initiates detailed design stage for its plant in Uddevalla.
- June 2022** Enviro's pyrolysis oil approved under REACH.
- June 2022** Enviro granted environmental permit for planned facility in Uddevalla.
- May 2022** Michelin presents an even more sustainable MC tire using Enviro's recovered carbon black.
- February 2022** Enviro receives a pyrolysis oil order worth MSEK 2 from a subsidiary of a leading US oil company.

Significant events after year end

- May 2023** Enviro has successfully completed a directed share issue of 150 million shares and raised proceeds of SEK 300 million.
- March 2023** Enviro and Antin Infrastructure Partners to create, with the support of Michelin, the world's first large-scale tire recycling group.
- March 2023** Preem has performed successful production tests of Enviro's recovered pyrolysis oil.
- February 2023** Enviro receives follow-up order for oil from a leading US oil company.

Scandinavian Enviro Systems AB

Scandinavian Enviro Systems AB is contributing to an increased environmental and financial sustainability through a patented technology for recovery of valuable raw materials from discarded and worn-out products, where under tires. New manufacturing of tires containing carbon black, which is recovered with help of Enviro's technology, results

in up to 93 percent lower emissions of CO₂ compared to usage of virgin carbon black. Enviro has its head office in Gothenburg and runs its own plant for ELT tires in Åsensbruk, Sweden. The French tire manufacturer Michelin is the largest owner. Enviro was founded in 2001 and is listed on the Nasdaq First North Growth Market.

Advances in 2022 paved the way for our major breakthrough

Through our agreements with Antin and Michelin, the world's first large-scale tire recycling company has been formed

The agreement with Antin may not have been finalized and communicated until March 2023, but since it is such a crucial event and the foundation for it was by and large laid in 2022, it should also be center stage when 2022 is summed up. There are multiple reasons, but the most important is naturally the enormously comprehensive positive change that the agreement, in one stroke, means for Enviro and its shareholders. After many years of hard work and a great deal of patience, we now finally have the decisive conditions in place to begin our expansion in earnest.

The French company Antin is one of Europe's leading investors in infrastructure, with total investments of over EUR 30 billion, or just over SEK 330 billion. As you already know, Michelin is our largest owner and the world's largest tire manufacturer. Through this cooperation, we gain access to financially strong investors who will finance our expansion while one of the world's leading tire manufacturers has signed supply contracts for both the recovered carbon black and pyrolysis oil that we will be extracting at the forthcoming plants. The fact that Michelin is also planning to become a partner in the plants that the joint venture will be establishing is also a sign of strength.

What will this mean for Enviro in more tangible terms? To begin with, it means that we can now finalize the preparations for the financing decisions that the joint venture will have to make as regards establishment in Uddevalla. However, the plant in Uddevalla is only the first of several plants. Right from the start, the parties in the joint venture have a plan to construct plants across Europe by 2030 with a total annual recycling capacity of up to one million metric tons of end-of-life tires. As support for the roll-out, the parties have also agreed on a plan for how the establishment of the plants is to be financed, which is of course a vital component. Finding a solution to financing our expansion plan over the long term has been a priority task for the company for several years, and because of the agreement we now have such a solution in place.

For Enviro, the agreement also means that we have the possibility of owning up to 30 percent of the joint venture which, together with our representation on the Board of Directors, is key for our opportunities for participation and for quality assurance of the plants that will be established on the basis of our technology. Of course, the purely financial value for Enviro that ownership will represent over time



CEO Thomas Sörensson.

should also be added to this. Beyond the fact that we will receive direct revenue through both service fees and an asset fee based on the profitability of the respective plant, ownership will of course also provide us with the possibility of building up long-term value for Enviro through the returns that the joint venture's plants generate.

What was it that finally allowed us to pull all of this off? Well, besides years of hard work on several fronts, it was of course – after all – also our leading pyrolysis technology. It allowed us to recover carbon black and oil whose high quality was confirmed by existing customers, the ISCC certifications we have received, and the tests that were carried out on our materials. Both a leading US oil company and the Swedish company Preem have conducted successful production tests on our oil to see how suitable it is for the production of substances such as biofuel. In the former case, the tests led to commercial deliveries in early 2023. In 2022, our recovered carbon black was used by Michelin to produce the world's first environmentally sustainable passenger car tire approved for road use, with a full 45 percent sustainable materials. The fact that our recovered

materials are of the highest quality is also confirmed by the price levels that we have established in the market.

It has been very hard work with many twists and considerable frustration along the way, both for us working at Enviro and for you shareholders. Believe me, I understand you, because my employees and I have felt the same from time to time. For a couple of decades, we have known that we were sitting on a market-leading technology that could mean an environmental revolution when it comes to how we take care of and manufacture tires in a more circular way. We have patiently worked on, refined, improved, and – not least – prepared ourselves for this phase. Despite all this, the breakthrough has been long in coming. Until now. Now, the long period of frustration and waiting is over – for Enviro, growth and a time of harvest await. As the CEO of a listed company, satisfaction and pride are not part of my everyday life, but at the moment I can not help but be just that – satisfied and proud. A very exciting future awaits!

Thomas Sörensson
Chief Executive Officer



Expansion plan

Our European expansion plan secured

To succeed at large-scale industrialization and commercialization of our recycling technology, Enviro announced an expansion plan that aims to establish plants by 2030 with a total capacity of roughly one million metric tons of end-of-life tires. As a result of the formation of a joint venture together with Antin Infrastructure Partners, we have now found a solution for financing this plan over the long term.

Based on Enviro's leading recycling technology, and

with the support of Michelin, the joint venture decided upon will create the world's first large-scale tire recycling company. By 2030, the joint venture plans to establish plants across Europe with a total annual recycling capacity of one million metric tons of end-of-life tires, which is in line with Enviro's previously communicated plan. The parties also have a plan for financing the construction of the plants. Michelin has signed a multi-year agreement for supplies of recovered carbon black and oil from the forth-

coming plants, and plans to become a partner in the joint venture in pace with the construction of the future plants. The first full-scale plant that the joint venture establishes will be the previously planned plant in Uddevalla. Enviro has already applied for and received both environmental permits and construction permits for a plant in Lillesjö, in the Uddevalla Municipality. The plant in Uddevalla is estimated to be in full operation by 2025, and after a successful launch the addition of further plants in Europe is being accelerated. The joint venture has initiated a process to ensure rapid scale-up and to reach the goal of one million metric tons – corresponding to one third of all end-of-life tires in Europe – by 2030.

Initial phase in Europe

The agreements that form the foundation of the joint venture with Antin mean that Enviro will retain full control of its patented technology, outlicensing it to the joint venture on an exclusive basis in Europe. The conditions for expansion outside of Europe are also very good. Globally, more than a billion end-of-life tires are generated annually, a volume that is expected to increase by between 4 and 5 percent per year. Enviro is one of a few companies that has succeeded in developing a functioning industrial method for the effective recovery of valuable constituent raw materials. The formation of the joint venture further confirms Enviro's leading position in the field.



Module-based recycling plant

Enviro's pyrolysis process is module based, which means that each complete module's functionality and capacity are verified. Examples include reactor and condenser modules. The modules are assembled and tested at the supplier prior to delivery to the site to reduce time and risk during installation and commissioning. A reactor module has a capacity of more than 6,000 tonnes of tires per year. A plant with five reactor modules has a capacity of 34,500 tonnes of tires per year. The project time to construct a plant is estimated at 12–18 months from the start of the project.

Management of parallel projects

To be able to deliver projects at the pace and scope that is planned, Enviro is establishing collaboration with partners within project execution and with various areas of responsibility. The aim is for such partners to be responsible for the areas that do not form part of Enviro's core process. Accordingly, the risks and the need for capital for each project are minimised, at the same time as scope is created to streamline the processes closely related to the core activities and where Enviro generates the most value. The approach also entails that in future, the company can work towards series manufacturing of equipment for the main process and thereby further increase the profitability related to plant deliveries.

Enviro's recovered oil. >



Strategic outlook

Hard work and deliberate strategic choices yielded the breakthrough with Antin

It is easiest to write about your strategy afterwards, since everything then appears as well calculated and executed. Reality is rarely that simple, and a company's development is rarely that straightforward – luck and timing are frequently components that come into play when a company finally succeeds. In Enviro's case, however, I would like to assert that the favorable position we now occupy is not due to chance. We have worked hard and followed a clear strategy that is based on a routine and obviously relevant analysis of our industry and business environment.

Early on, Enviro identified the major opportunities that exist for our unique pyrolysis technology. It was a question, on the one hand, of the tire industry's need to find a more efficient approach to managing the large amounts of end-of-life tires that are generated around the world, and on the other the need that the tire industry has for producing environmentally more sustainable tires. Moreover, there is a connection between them – by recovering carbon black and selling it to the tire industry, we could make the industry more circular and thereby environmentally more

sustainable. Since the tire industry consumes over 70 percent of all carbon black, this would also be good business. The choices we made were thus simple ones – we decided to prioritize the production of commercially viable recovered carbon black.

Major initial challenges

To succeed at this, we had to overcome a range of difficulties. To begin with, we needed not only to refine our technology so that the recovered raw materials were of high enough quality, but also to make it scalable and modular. The tire industry is a gigantic one, as is their need for carbon black. If we were to become an attractive alternative for the tire industry and achieve real change, it would not be enough to recover a few hundred metric tons of tires in Sweden every year. We needed to be able to recover millions of metric tons of tires every year and produce enormous amounts of carbon black and oil that consistently maintains the same high level of quality. And as a small company, we would have to manage this essentially on our own. This was no small challenge we were facing.



Chairman of the board **Alif Blomqvist**.

Åsensbruk was decisive

In hindsight, it is easy to state that daring to invest in building our own recycling plant on a small scale was a smart decision – it helped us to refine the technology and to figure out how we should construct our reactors to make them modular and scalable. The plant in Åsensbruk also helped us convince potential customers and investors of the quality of the raw materials we were recovering, and of the possibilities that the technology entailed. With that done, we soon had our first commercial customers, one of whom was AnVa Polytech, which successfully replaced virgin carbon black with 100 percent recovered carbon black to produce rubber detailing for the Swedish automotive industry. The reports of what we had done spread to the major tire manufacturers, who began ordering smaller amounts of our carbon black to test whether it kept its promises.

A partnership was necessary

The dialogue with the tire industry gave us another insight – we needed to establish a close collaboration with one of its main players in order to refine our technology and develop our production. We decided to try to bring about a strategic

partnership with one of the giants of the industry: Michelin. Once again, it was our leading technology and the quality of our recovered carbon black that clinched the deal. As a result of the partnership becoming a fact, we had proven the most difficult part – namely, that we could manufacture recovered carbon black that was good enough even for the best. The fact that Michelin also chose to become the single largest owner was further confirmation of our technological position and our possibilities. In parallel with the discussions with Michelin, we also were in dialogue with various oil companies to ascertain their interest in the recovered oil. Recovering good quality carbon black is the more difficult process, technically speaking; recovering oil is easier. At the same time, the oil is an outstanding by-product that can not only promote increased sustainability in several industries but can also improve returns for our recycling plants.

Having come this far, we faced the next challenge: establishing a sufficient number of recycling plants so that our technology would become commercially relevant. Major customers of recovered carbon black and oil need access to large volumes of both for a transition to actually



be possible – something that in turn requires the possibility of establishment in an entire region such as Europe. Of course, establishment on this order of magnitude requires excellent access to capital, and we therefore needed to find a financial partner with sufficient muscle – we therefore chose Greenhill & Co to be our financial partner. Together, we initiated the successful partnership that ultimately led to the agreement to form a joint venture together with Antin Infrastructure Partners.

Infrastructure with stable yield

Antin is one of Europe's largest investment funds that targets infrastructure investments. Simply put, it means that they invest in operations that constitute necessary infrastructure in their respective industries. It is often a question of operations that provide good, predictable revenue streams over a long period of time, which is an attractive characteristic that yields a number of advantages including high valuations and good possibilities for loan financing. Antin's choice of Enviro as its entry into the tire recycling industry is no coincidence. Behind that decision lies a careful analysis in which we were evaluated against our competitors – and where we and our technology stood out as the absolute best.

Maintaining control over the technology

The joint venture that we have now formed will generate large amounts of value for its owners in pace with the establishment of the plants. Initially, we have no ownership in the company, but we have the right to buy a stake of up to 30 percent of the company while we have representation on the board of directors from the very beginning. The agreement also means that we maintain control over our technology, which is entirely crucial for us. Our technology is at the heart of what we do, and it lies behind everything we have been able to achieve. Enviro will now be able to focus on our technology, on product development, and on our customers while the joint venture focuses on establishing and constructing recycling plants throughout Europe. All in all, this means that forming the Joint Venture together with Antin, and with the support of Michelin, that we reduce our financial, operational and technological risk. After our recently completed directed share issue we have now secured financing for an ownership in the Joint Venture of up to 30 percent.

Radical changes

While we have been following our plan, radical events have taken place in our business environment that were impossible to foresee but have made Enviro's technology and position even more significant. The pandemic tangibly clarified the risks of lengthy supply chains. Russia's invasion of Ukraine clarified the risks of being too dependent on individual countries and having too low a level of self-sufficiency. Our technology means that Europe's end-of-life tires can now be transformed into strategic and valuable raw materials that increase the continent's degree of self-sufficiency while having a highly positive impact on the environment. Citing concrete examples would not be out of place here. Our expansion plan with Antin through 2030 means that we will then be able to recover 330,000 metric tons of carbon black, which corresponds to barely 80 percent of Russia's previous exports of virgin carbon black to Europe. Once these 330,000 metric tons of recovered carbon black are being used in the tire industry, it will promote a reduction of approximately 670,000 metric tons in CO₂ emissions. The oil that is recovered in parallel with the carbon black has an estimated total energy content of 6 TWh; moreover, it is highly renewable since it largely comes from natural rubber. 6 TWh corresponds roughly to what Reactor 1 at the Forsmark nuclear power station produced over the whole of 2022. However, we are hoping that our customers will find more circular areas of use for recovered oil.

Circular facilitators

Enviro was founded over 20 years ago on the idea that something better could be done with a discarded tire than incinerating it or shredding it and using it as landfill. With this idea as a starting point, we developed a technology that over the years has become increasingly relevant and increasingly attractive to the industries who use our recovered raw materials. In parallel with this development, climate impact and the more sustainable use of the earth's resources have become some of the most noticeable and crucial issues of our time. To Enviro, it has become clear that our technology is not only a more efficient way of resolving an individual problem of waste, but also that our technology is a facilitator of a more circular use of resources in general. It has been a long journey, but I am firmly convinced that it still has only just begun.

Alf Blomqvist

Chairman of the Board

< Liquid nitrogen is used in the laboratory in the plant in Åsensbruk. The image below shows Enviro's recovered carbon black in a lab environment.

History

1994

The CFC process “Carbonize by Forced Convection” is invented by Bengt-Sture Ershag.

1998

A first patent application is submitted and work to build a pilot plant begins.

2000

Swedish method patent granted “Process for the recovery of carbon and hydrocarbon compounds from polymetric material, preferably in the form of ELT tires, by pyrolysis reactor”. The patent is referred to as CFC as described above. The CFC technology is patented in 19 countries.

2001

Enviro is established as a company and registered with the Swedish Companies Registration Office.

2005–2010

The company builds six pilot plants of different sizes. The work on further developing the technology results in a patent application in 2006 for a second patent with the title, “Plant for the recovery of carbon and hydrocarbon compounds by pyrolysis”, which was granted in 2009. The patent is called EHD “Enhanced Heat Distribution”.

2013

The construction of the factory in Åsensbruk through the subsidiary, Tyre Recycling in Sweden AB, is completed, and tests commenced in the full-scale plant which functions as a production and demonstration plant. Discussions begin with potential customers in Sweden, the United States, Poland, Great Britain, Chile, Russia, South Africa and China for deliveries of plants with a capacity of approximately 30,000 tonnes of ELT tires per year.

2014

The commercialization phase for Åsensbruk is initiated, and Enviro offers a public issue and is listed on Nasdaq First North in June of 2014. Cooperation agreement signed with AnVa Polytech.

2015

An agreement is signed with Stena Recycling for deliveries of oil from Åsensbruk. The Nordic Project Fund (Nopef) provides financial support for investigating market establishment in Chile. The Swedish and international patent application is submitted for APR, “Arrangement and Process for Recycling”, which, according to Enviro’s assessment, reinforces the earlier EHD patent through an improved distribution of the gas in the reactor.

2016

In February, Enviro signs a supply agreement with AnVa Polytech for deliveries of carbon black for the company’s production of chassis plugs for Volvo Cars. This is after Enviro demonstrated that the recovered carbon black greatly reduces the product’s environmental impact. His Majesty Carl XVI Gustaf visits the plant in Åsensbruk in April. In August, the Chilean government grants project support of more than MSEK 1 to develop a modelling tool for the project design of plants.

2017

In January, EUIPO registers and approves a EUIPO trademark, EnviroCB, for the sale of carbon black on a larger scale. In February, after extensive testing, an international tire manufacturer gives a positive review regarding the quality of the material. A new sales manager with an international focus is recruited. The pipe manufacturer, Alvenius, buys components containing Enviro's carbon black for its pipe sealing production. In April, Volvo Cars' purchases of chassis plugs increase while Enviro's recovered oil is approved as a fuel in Wärtsilä's power plant. In July, Enviro launches its Basic Design for complete recycling plants. This enables the company to offer a commercially accepted material, a patented technology and an effective tool for presenting and implementing construction projects.

2018

In January, Hexpol's subsidiary in Sri Lanka placed an order for Enviro's recovered materials. Enviro celebrated 50 million components delivered to Volvo Cars. Enviro begins an attempt to recover discarded carbon fibre from the aviation industry through pyrolysis. The share owners decided on a preferential issue that brought the company about SEK 84.5 million before issue costs.

2019

In March, Enviro reported that the production of recovered carbon black reduces the CO2 footprint by more than 80% compared with production of virgin carbon black. In June, Enviro received their largest single order ever for recovered carbon black: Trelleborg Lanka placed an order for up to 180,000 EUR. In September, the previous year's issue relating to a warrants (TO2) came due, which brought the company about SEK 48.6 million before issue costs. In September, Enviro could share a new project in cooperation with RISE, among others, with the purpose of converting the company's recovered oil to base oil products.

2020

In April, tire manufacturer Michelin becomes a shareholder in the company through a directed share issue (private placement). After the implementation of the issue, Michelin has 20 per cent of the shares and votes and thus becomes the largest shareholder in the company. The issue generates approximately MSEK 32.5 for the company before issue expenses. In conjunction with publication of the above, Enviro and Michelin also announced a declaration of intent covering the construction of a joint plant, a joint development agreement and joint supply agreement. Market conditions for Enviro's recovered oil improve during the year.

2021

In February, Enviro and Michelin signed definitive agreements on strategic partnership. The partnership involves a jointly owned recycling plant in Chile and the associated engineering services. Enviro won the international sustainability prize, Recircle Awards. Michelin began using the company's recovered carbon black in racing tires. Enviro conducted two directed share issues (private placements), which generated approximately MSEK 146 before issue costs. Michelin retained its 20-per cent holding on both occasions. The company conducted two incentive programmes that were approved by the Annual General Meeting. As a result of this, the company generated approximately MSEK 6. In September, the company obtained its certification for its recovered carbon black and oil in accordance with ISCC plus and ISCC EU. In November, an application for an environmental permit was submitted for the future plant in Uddevalla.

2022

In February, Enviro received an order for recovered oil at a value of MSEK 2 from a subsidiary of a leading oil company. In June, the company was granted an environmental permit for the planned recycling plant in Uddevalla. In June, the company was approved under REACH for its recovered oil for up to 1,000 metric tons per year, which means that the oil can be classified as a product and not, as previously, as waste. In November, Enviro received an order from Preem for its recovered oil at a value of MSEK 2.

Customer benefit

Crucial technology for the transition, with great potential for profitability

The tire industry is faced with a double transition where, on the one hand, it must assume greater responsibility for tires that have already been manufactured in accordance with producer responsibility, and on the other must transition and increase the proportion of sustainable materials in new tires. Enviro's unique technology recovers valuable materials from end-of-life tires such as carbon black, which in turn can be used in manufacturing new tires. Our technology thus offers a more sustainable approach to managing all end-of-life tires while it also provides the tire industry with access to recovered materials, which can enable increased circularity. Several major tire manufacturers, including Michelin and Bridgestone, have communicated the goal that by 2050 all of their tires will consist of 100 percent sustainable materials, and both regard

recovered carbon black from end-of-life tires as crucial for achieving that goal. Our majority owner, Michelin, has taken up the cause and, in the autumn of 2022, presented, as the first tire manufacturer in the world, two tires approved for regular road vehicles that had a high proportion of renewable materials. Passenger vehicle tires include materials such as recovered and ISCC certified* carbon black from Enviro's plant in Åsensbruk. The customer benefit of our technology is very clear in not only the tire industry, but in the fuel industry and chemicals industry as well. The oil that we recover, known as pyrolysis oil, can be used in a broad range of applications and – owing to its significant renewable content – promotes a reduction in emissions with a climate impact when it replaces fossil-based oil. The fact that our recovered oil has been ISCC certified and additionally classified under the REACH directive makes it commercially viable and a highly useful raw material



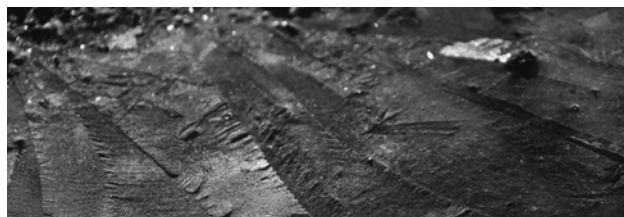
for producing renewable fuel. In 2022, we received orders for our oil from both US and Swedish fuel producers. Both have successfully used our oil to produce biofuel, and the US company subsequently placed a follow-up order for additional deliveries.

Business model

The major customer benefit of our technology and the recovered raw materials that it delivers mean that control over the technology itself is crucial to our business model. It has long been a vital issue for us that facilities that are established on the basis of our technology are owned either in whole or in part by us. The joint venture we have now formed together with Antin Infrastructure Partners, with the support of Michelin, is fully compliant with this model. On the basis of our technology, the joint venture will create the world's first large-scale tire recycling company and has a plan that encompasses both establishment and financing of recycling plants across Europe with a total annual capacity of 1 million metric tons of end-of-life tires. Enviro's patented technology is licensed to the joint venture, with an exclusive license for Europe. Enviro will also be responsible for research and development, and serve as the sales agent. As remuneration, Enviro will receive service fees from the joint venture company as well as an asset fee based on the profitability of the plants. Additionally, Enviro has the option to acquire a 30 percent stake in the joint venture, which over time will provide Enviro with the possibility of building up long-term value for the company and its shareholders. Outside Europe, Enviro is free to establish plants together with other partners as well.

Through full or partial ownership, Enviro can control the operation of the facilities and thereby ensure the quality of the recovered carbon black, oil, and steel. The increasing geopolitical turbulence of the past year has reduced access to carbon black and drastically increased prices for both carbon black and oil. Enviro's understanding is that this will improve pricing over time, which will make the investment calculation even more attractive.

* International Sustainability & Carbon Certification





Market position

A leading sustainable alternative

Enviro's leading recycling technology has been confirmed by partnerships and collaborations with leading industrial and financial operators. Our technology has also been validated as a result of certifications and tests, as well as in production processes using our recovered raw materials. Enviro helps both tire manufacturers and fuel companies reach their sustainability goals in the ongoing transition.

The formation of the world's first large-scale tire recycling company in partnership with Antin Infrastructure Partners is one of many key confirmations of the leading position of our technology. Antin is one of Europe's leading infrastructure investors, and the decision to form a joint venture alongside Enviro was preceded on Antin's side by an exhaustive and detailed evaluation of existing recycling technologies. The joint venture that was formed

has support from Michelin, which in 2020 entered into a strategic partnership with Enviro and since then has also been the company's single largest owner. The partnership with Michelin was also entered into following an exhaustive evaluation of how well Enviro's recycling technology stands up in relation to that of existing competitors. Since Michelin is the world's largest tire manufacturer, both the partnership and ownership are a clear confirmation of Enviro's technology and position.

Certified under ISCC

The quality of Enviro's recovered raw materials has also been confirmed by the sustainability certifications under the International Sustainability & Carbon Certification (ISCC), which Enviro received for both the recovered carbon black and the recovered oil. The calculations by ISCC show

that each unit of virgin carbon black that is replaced in tire manufacture by Enviro's recovered carbon black yields a reduction in carbon emissions of 93 percent. Enviro became the first company in the world to receive ISCC certification for recovered carbon black, and for carbon black in general. Due to the fact that the oil was also certified, it is very attractive for fuel producers who, in accordance with the EU system for mass balance, can use it to produce biofuels that can be commercialized as 100 percent renewable.

In 2022, Enviro's pyrolysis oil was also approved as an intermediate under the EU REACH ordinance, which further increased its commercial value. The pricing on the orders that Enviro has received for recovered oil confirms the greater commercial value of pyrolysis oil with higher and more consistent quality.

Successful use

In 2022, a subsidiary of a leading US oil company conducted successful production tests of Enviro's recovered oil. The tests were intended to determine whether the oil was suitable for production of various biofuels, and after the successful outcome, the company followed up with its first commercial order. The Swedish fuel company Preem also conducted successful production tests using Enviro's oil. In the autumn of 2022, Michelin presented the world's

first environmentally sustainable tire approved for use on regular vehicles. The passenger vehicle tire contained 45 percent sustainable material, including recovered carbon black delivered by Enviro.

Support from the tire industry

As a recovery technology, pyrolysis has gained support in recent years from the tire industry, and Michelin and the Japanese company Bridgestone – two of the industry's leading operators – have challenged the tire and rubber industries to increase the use of carbon black that has been recovered through pyrolysis. In the autumn of 2022, both manufacturers issued a joint assessment that there are conditions for a total annual market of up to 1 million metric tons of recovered carbon black by 2030. The tire industry is the largest consumer of carbon black, with consumption of nearly 11 million metric tons per year – corresponding to more than 70 percent of all carbon black produced. The global demand for virgin carbon black is expected to amount to 14.7 million metric tons in 2022, with a total value corresponding to approximately USD 23.2 billion.* Over the long term, recovered carbon black is expected to replace up to half of this market.

* Source: The US market research company Notch Consulting. The stated market prices are based on an average for all carbon black prices in December 2021.





Sustainability

A world **without waste.**

End-of-life tires – a global environmental problem

Each year, there are roughly 1 billion additional end-of-life tires around the world that must be taken care of. Globally, end-of-life tires are a very large environmental problem, since they often end up being disposed of in landfill or by unregulated incineration. In Europe and some other markets, there is producer responsibility legislation that regulates that end-of-life tires must be collected and recycled in a manner other than landfill. Despite this, less than half of the tires collected go to material recovery, often in the form of granulation. The majority end up being used for

energy recovery, which is of a lower priority according to the EU's waste hierarchy.

Of these 1 billion tires, 42 percent are currently used for some form of materials recovery, whereas 15 percent are used for energy through incineration and 41 percent are landfill or status unknown. Enviro's process offers a solution to a global environmental problem. In Sweden, we have an excellent collection function, but the proportion that goes to incineration is around 65 percent.*

* SDAB, 2020, <https://www.sdab.se/om-oss/statistik/>.

Circularity that makes the difference

An end-of-life tire contains a large amount of recoverable raw materials that are in demand:

- Carbon black, which is in particular demand from tire manufacturers when producing new tires. At present, carbon black produced from raw oil is primarily used.
- Oil, which after treatment can replace fossil-based raw materials for carbon black, plastics, and base oils, and as an admixture to replace fossil-based raw materials in the production of biofuel.
- Steel, which is cast into new steel products.
- Gas, which is used as a source of energy in the process.

Enviro's unique process facilitates recovery of around 94 percent of the material in the tire. As a substitute for fossil-based raw materials in tire production, the materials also facilitate a dramatic reduction of CO₂ emissions.

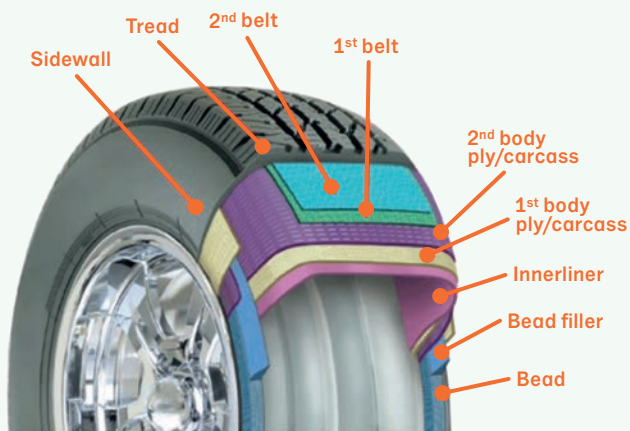
Other

Enviro achieved REACH registration of recovered oil in 2022 (oil that can be sold as a product and not as waste).

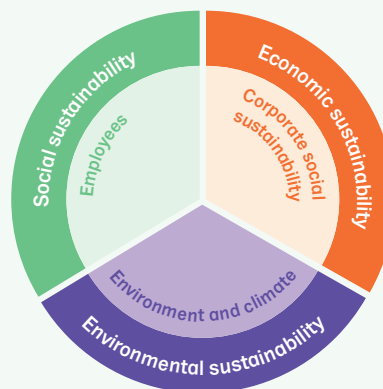
In 2021, Enviro became the first recycling company to be certified for its recovered carbon black in accordance with the International Sustainability & Carbon Certification (ISCC). At the same time, ISCC EU certification was obtained for the oil, which meets the REDII directive for reduction of fossil-based raw materials in fuels, and ISCC Plus certification, which customers can use in their traceability for products further downstream.

Enviro's sustainability initiatives

Enviro's sustainability initiatives focus on three areas: Responsible business, Environment and climate, and Employees. Each area of focus is directly linked to the three dimensions of sustainable development: Economic sustainability, Environmental sustainability, and Social sustainability.



Exploded view of a passenger tire.



Areas of focus in Enviro's sustainability initiatives. In pace with the realization of Enviro's expansion plan, the need for focus and clarity in its sustainability initiatives is increasing in importance.

Stakeholder analysis

- Customer: The world's two leading tire manufacturers, Michelin and Bridgestone, set the goal in 2021 of being carbon neutral by 2050 and that by the same year, they will have 100 percent renewable material in their tires.

From Michelin's official web site*:

"Recovery of carbon black from end-of-life tires. In a unique process developed by partner company Enviro end-of-life tires are decomposed by pyrolysis to recover some of their components, including carbon black and oil. The recovered carbon black can be reused in the production of new tires. With this technology, 56 million* tires could be recycled each year to make new Michelin tires."

- Shareholders and financiers: the interest in circular investments makes Enviro a long-term and sustainable investment that meets the requirements in the EU Taxonomy.
- The global sustainable society: central to all of Enviro's sustainability initiatives is our vision of 'a world without waste'.
- Employees: Our profile as a sustainable company attracts the best competence and sets stringent requirements on ourselves as employers and employees.

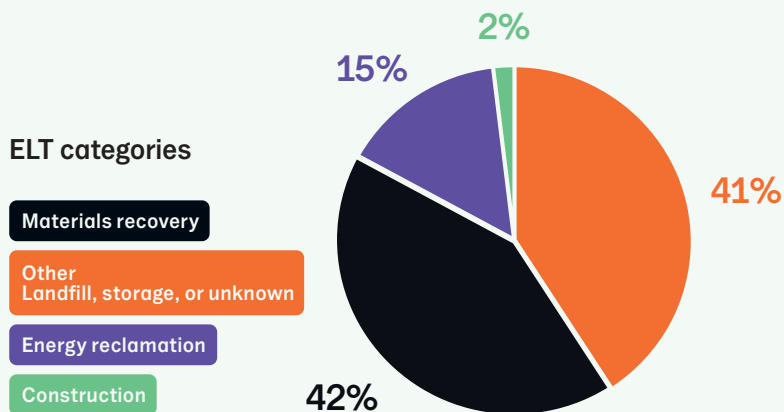
Conclusions from the stakeholder analysis

In consultation with our stakeholders, we have selected four key issues in these focal areas that properly describe our priorities, as well as the sustainability phase that Enviro is currently in.

Key issues in Enviro's sustainability agenda

- 'Leading enabler of circularity for valuable raw materials'
- Climate impact in the operation
- Health and safety issues
- Entrepreneurship and strong values

* www.michelin.com/en/innovation/vision-concept/sustainable



Re-use of end-of-life (ELT) tires globally.

Sustainability goals and key issues

Leading enabler of circularity for valuable raw materials

In Enviro's vision, 'a world without waste' is defined as the most important issue in our sustainability initiatives. Focusing on sustainability as our contribution to an entire value chain is both complex and powerful. Enviro's contributions to our customers' sustainability initiatives are the linchpin of our own.

Results for 2022

- Of the outgoing material from Åsensbruk, 93 percent material recovery was achieved in accordance with the waste hierarchy.

Climate impact in the operation

Our production is energy-intensive, and thus requires a great deal of focus on the development process and on monitoring the consumption of electricity and energy in our production in order to reduce the need for energy. Where access to renewably produced energy is good and stable, it is our first choice for our energy supply. In markets where this is absent, we have the possibility of using energy from the recovered tires.

Results for 2022

- 93 percent lower CO₂ emissions with the use of recovered carbon black from Åsensbruk.

Health and safety issues

Being a safe and secure workplace is naturally the highest priority for us at Enviro.

Results for 2022

- 0 accidents with sickness absence.

Entrepreneurship and strong values

Enviro is on a rapid journey from entrepreneurship to industrialization and scaling up. Being an attractive employer that offers work tasks on the leading edge of the circular economy, challenging work, and a stimulating environment for and of the best competences is the crucial facilitator for our entire vision.

Two of the company's values – "have integrity and be good, dedicated to make a difference" and "empower others and win as a team" comprise key pillars in achieving the goals.

Results for 2022

- The number of employees in the Group increased from 23 in 2021 to 36 in 2022
- The expansion plan has been established
- REACH registration of recovered oil (oil that can be sold as a product and not as a waste)

The plant in Åsensbruk

The largest climate benefit is achieved by increasing the volumes of recovered material, since they substantially reduce the climate impact of the customers' products in the manufacturing of tire and rubber products, but also in the production of biobased oil and new products from recovered steel.

In 2022, a number of measures were taken and investments made to further improve accessibility and reliability in the plant

- Using the recovered gas and portions of the oil as a source of energy in our own process reduces the need for fossil fuels, which mitigates the plant's climate impact. The plant in Åsensbruk uses the same type of flue gas treatment, online measurement and reporting as future facilities will have. This means that the strictest requirements for these types of facility in the EU are met. During 2021, the carbon black from Åsensbruk was certified under ISCC Plus, and the oil under ISCC EU and ISCC Plus. Oil from Åsensbruk obtained REACH registration in 2022.
- The ISCC certification shows that the recovered carbon black from Åsensbruk, compared with the corresponding amount of virgin fossil-based carbon black, generates a reduction in CO₂ emissions of 93 percent*.
- At a production level of 9,000 metric tons of recovered carbon black per year, the reduction in CO₂ is approximately 50,000 metric tons of CO₂ per year.

* LCA conducted in 2019 by the Swedish Environmental Research Institute (IVL) and Enviro





The plant in Åsensbruk

Feed of ELT chips in the plant in Åsensbruk.

Enviro has operated a recycling plant in Åsensbruk in Mellerud Municipality, Västra Götaland, Sweden, for the past nine years. It is a plant operated with the following main purposes:

1. To produce and sell recovered materials from the plant.
2. To demonstrate that the company's technology works.
3. To conduct pyrolysis tests of various types of tires, different rubber and, where appropriate different material, such as carbon fiber.

In June, the company's pyrolysis oil was approved as an intermediate under the EU REACH ordinance. The approval that has now been received means that Enviro can sell up to 1,000 metric tons of pyrolysis oil per year. In order to support broad commercialization of the oil and the company's expansion plan, the company will apply for REACH approval for the sale of unlimited volumes.

In September 2021, the company received certification of both its recovered carbon black and recovered oil.

Apart from achieving higher commercial values through this for both recovered carbon black and recovered oil, the company can also assist its customers in achieving their sustainability goals.

Enviro has worked systematically with strategic customers to establish recovered carbon black as a raw material in various applications in the rubber industry. In recent years, the interest and demand have increased significantly, which requires greater capacity in the Swedish plant in



From inside the plant at Åsensbruk.

Åsensbruk. During 2022, sales of recovered carbon black to Volvo Cars' subcontractor AnVa Polytech AB, intended for rubber components for all of the company's newly produced cars, have continued at an undiminished pace and sales of recovered carbon black were also made to tire manufacturers such as Michelin and rubber compounders such as Trelleborg.

Interest in Enviro's recovered oil has also increased significantly, not least from large refineries and oil com-

panies. During the year, deliveries at an aggregate value of MSEK 4 were made to Preem and another leading oil company. Approximately half of the valuable material that is recovered from end-of-life tires is oil, which means that this component is highly attractive commercially.

In Åsensbruk, availability is now being increased through optimization of operations and capacity build-out. Moreover, the plant has been in continual shift operation since August of 2022.

The investments, which amounted to approximately MSEK 14 (6) in 2022, can be divided into the following main categories:

Investments intended to increase robustness and operational reliability

Investments intended to increase efficiency and capacity

Investments intended to verify the technology for future plants

Investments required to secure an updated environmental permit

Corporate Governance

Basis

Good corporate governance, risk management and internal control are central features of successful operations and crucial in maintaining confidence among the company's stakeholders. The aim of corporate governance is to ensure that the company is managed on behalf of the shareholders in as efficiently a manner as possible.

Corporate Governance structure

The corporate bodies that govern the company are the general meeting, the Board of Directors, the Chief Executive Officer (CEO) and the auditor. The general shareholders' meeting (the Annual General Meeting) is to be held annually within six months of the end of the financial year. The company's financial year is to be 1 January–31 December. The Annual General Meeting is to appoint the Board of Directors and auditor. The Board of Directors appoints the CEO. The auditor reviews the annual report and the administration by the Board of Directors and the CEO. The tasks of the Nomination Committee are established by the Annual General Meeting and comprise proposing members of the Board of Directors, the chairman and auditor for election at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting is the company's highest decision-making body and the forum at which the shareholders' rights are exercised. At the Annual General Meeting, resolutions are made on the proposals from the Nomination Committee, the Board of Directors and the shareholders, as well as any other decisions included in the current articles of association or legislation. Resolutions include (i) adoption of the income statement and balance sheet, (ii) appropriation of the company's profit or loss, and (iii) the election of the Board of Directors and auditor and determination of their fees. The meeting resolves on the discharge from responsibility of the Board members and the CEO. According to the company's articles of association, the Board of Directors of the company is to comprise not fewer than three and not more than ten members without deputies.

Shareholders

Information on the company's shares and shareholders is presented on pages 32–33.

Nomination committee

The Annual General Meeting adopts the principles for the structure of the Nomination Committee. According to the most recent resolution by the Annual General Meeting, the current Nomination Committee was appointed, in summary, in accordance with the following principles: The

Nomination Committee is to comprise four members, of whom one member is to be the Chairman of the Board, who also convenes the first meeting. The other three members are to be appointed by the three largest shareholders in the company by number of votes as of the last banking day in September, with one representative being appointed to the Nomination Committee by each of these shareholders. If a shareholder refrains from appointing a representative, the right to appoint a representative is transferred to the next largest shareholder in terms of votes.

The Nomination Committee's mandate applies until a new Nomination Committee has been appointed. If, during the Nomination Committee's mandate period, one or more of the shareholders that have appointed representatives to the Nomination Committee are no longer among the three largest shareholders by number of votes, then the representatives appointed by these shareholders are to vacate their positions and the shareholder or shareholders that are then among the three largest shareholders by number of votes are entitled to appoint their representatives. Unless there are special reasons, no changes are to be made to the composition of the Nomination Committee if there are only marginal changes to the number of votes or if the change occurs later than three months before the Annual General Meeting. Changes to the composition of the Nomination Committee are to be announced as soon as they occur.

The company is to announce the Nomination Committee's composition by press release on the company's website as soon as the representatives have been appointed, but not later than six months before the Annual General Meeting. Ahead of the 2023 Annual General Meeting, the following Nomination Committee has been appointed: Sander Vermeulen (chairman, appointed by Michelin), Magnus Sigurd (representing Jula Holding AB) and Alf Blomqvist (convener of the first meeting and representing the Board of Directors). This is the same Nomination Committee as in 2022 with the exception of Lennart Persson, who has passed away and has not been replaced. Due to long negotiations in the previously communicated agreement with Antin as well as subsequent considerations the company's ownership and structure, the company decided to wait with changes in the Nomination Committee.

Board of Directors and management model

The Board of Directors has the ultimate responsibility for the company's organisation and administration. The Board currently comprises seven members, of whom one woman and six men. The Board has no deputies.

The work of the Board of Directors is governed by the Swedish Companies Act, the articles of association and

the work instruction adopted by the company's Board of Directors. The company's work instruction stipulates, for example, the distribution of responsibility between the Board of Directors and the CEO.

Active board work

The company's Nomination Committee has deliberately chosen to recruit persons to the Board of Directors who can take an active and operational role in contributing to the development of the company strategically and in business terms. A small company like Enviro, which has a technology with major commercial potential, but is still at an early phase, has an extensive need to become associated with leading and decisive competence. At the same time, a small company that is in such a phase usually has neither the size nor the resources required to attract and recruit key competencies in all areas and for all positions of importance. Accordingly, Enviro's owners have chosen to also try to gain these competences and this experience through the Board of Directors. The persons who are on the Board of Enviro have thus also been recruited on these premises and with the clear understanding that a Board position at Enviro requires a commitment that is different to and greater than a Board assignment in a smaller listed company would usually require. This means that, in addition to participating in scheduled and extra Board meetings, a member of Enviro's Board of Directors is expected to continuously participate actively in negotiations, agreement discussions and various forms of evaluations. In terms of the negotiations that led to the partnership with Michelin, the members of the Board played a decisive role in their finalisation.

At its meetings, the Board of Directors also discusses the company's future development, quarterly reports, budgets, financing and conducts the customary follow-up of the strategic and operating activities of the company. The Board also evaluates the company's financial reporting on a quarterly basis and places demands on its content and structure to ensure a high level of quality. Each year, the company's auditor participates in the meeting at which the year-end report is approved. The company's CEO Thomas Sörensson is co-opted and participates continuously in the Board's meetings, with the same applying to the company's CFO Staffan Kullberg, who is also secretary at the Board meetings.

All Board decisions are based on extensive decision documentation and are concluded following discussions led by the Chairman of the Board.

The Board of Directors' work is evaluated annually under the leadership of the Chairman of the Board. The result of the evaluation is presented to the Board and discussed

afterwards, with the aim of optimising the Board's work. The work of the Chairman is evaluated by the Board in the absence of the Chairman. The conclusions from the evaluations and discussions are conveyed to the Nomination Committee.

Fees

The table pertains to the Board members elected at the 2022 Annual General Meeting.

Name	Born	Elected year	Roll in board	Decided fee
Alf Blomqvist	1956	2017	Chairman	300 000
Nina Macpherson	1958	2020	Member	150 000
Peter Möller	1952	2017	Member	150 000
Björn Olausson	1964	2019	Member	150 000
Sander Vermeulen	1972	2020	Member	150 000*

* Has declined his fee in line with Michelin's policy on Board fees for its employees who have Board positions in wholly or partly owned companies.

The Board has a mandate to pay fees to individual Board members on market remuneration terms for work that is not normally included in a Board assignment.

Board committees

The Board has not appointed any committees.

CEO

The CEO is responsible for the company's operating activities in accordance with the adopted strategy and the Board's instruction. The CEO reports continuously to the Board on the development of operations.

Auditor

The auditor reviews the annual report, the accounts and the administration by the Board of Directors and the CEO, and reports to the Annual General Meeting. At the 2022 Annual General Meeting, the auditing firm PricewaterhouseCoopers AB was re-elected, with Public Authorised Accountant Johan Palmgren as Auditor in Charge. During the year he was also auditor in charge for companies including Bulten AB and Troax Group AB. No deputy auditors were elected.

Governance documents and internal control

The company has established control systems and conducts transparent operations. The current governance documents are reviewed continuously. In addition, the Board continuously evaluates the financial statements obtained in conjunction with the Board meetings.

The Enviro share

Trading and number of shares

Scandinavian Enviro Systems AB's shares are listed for trading on Nasdaq First North Growth Market under the ticker SES. Mangold Fondkommission AB is the company's Certified Adviser. The total number of shares at December 30, 2022 was 656,615,589 (656,615,589). Each share entitles the holder to one vote at the general meeting. The shares are denominated in SEK and each share has a nominal value of SEK 0.04. All shares are freely transferable.

Share price trend and market capitalization

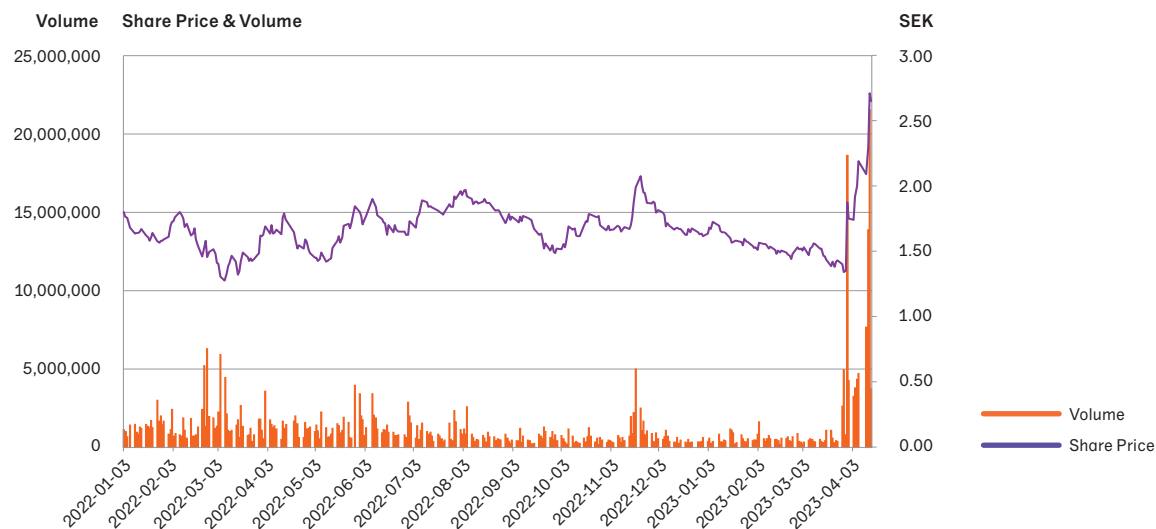
At December 30, 2022 the last price paid for the share was SEK 1.62 (SEK 1.80) and the market capitalization was SEK 1,063,1 million (SEK 1,181.9 million). After year end the stock price has increased significantly after the company communicated to the market about a creating of a commonly owned tire recycling company together with Antin

and Michelin. The share price fell with 10 percent during 2022 while the share price fell with 24 percent during 2021. After year end the stock price has increased significantly after the company communicated to the market about a creating of a commonly owned tire recycling company together with Antin and Michelin as well as a directed share issue. The market capitalization fell with 10 percent compared to the previous year. During the year, approximately 277 (667) million shares were traded, corresponding to approximately 42 (111) percent of the average number of shares during the year.

Enviro's owners

At December 30, 2022, Enviro had 18,491 (18,780) shareholders. Enviro's largest owner was Michelin Ventures S.A.S. Other major owners, in descending order, were Försäkringsbolaget Avanza Pension, Nordnet Pensionsförsäkring AB, Lennart Persson's estate and BNY Mellon BA/BV.





Share holders list per Dec 30, 2022

Total number of shares	656,615,589	
Number of shareholders	18,491	
Share owner	Number of shares	Owner share %
Michelin Ventures S.A.S	131,323,117	20.0 %
Försäkringsbolaget Avanza Pension	50,390,772	7.7 %
Nordnet Pensionsförsäkring AB	19,337,824	2.9 %
Lennart Perssons dödsbo	11,931,525	1.8 %
BNY Mellon BA/NV, Brussels	9,062,000	1.4 %
JULA Holding AB	5,700,000	0.9 %
Conatum AB (inklusive huvudägare)	4,800,649	0.7 %
Swedbank Försäkring AB	4,554,580	0.7 %
Leif Rydén	4,001,021	0.6 %
Clearstream Banking S.A.	3,250,490	0.5 %
Other share holders	412,263,611	62.8 %
Total	656,615,589	100 %

Source: Euroclear Sweden AB and information available to the company.

During May 2023 a directed share issue was conducted, which could imply that the ownership of the company has changed significantly during the spring of 2023.

Year	Event	Change number of shares	Total number of shares	Nominal share value, SEK	Changes in share capital, SEK	Share capital, SEK
	Opening balance amount 2015		21,158,235	0.04		846,329
2015	Share rights issue	25,389,882	46,548,117	0.04	1,015,595	1,861,925
2016	Share rights issue	69,822,174	116,370,291	0.04	2,792,887	4,654,812
2018	Directed offset issues	15,648,849	132,019,140	0.04	625,954	5,280,766
2018-19	Share rights issue	211,230,624	343,249,764	0.04	8,449,225	13,729,991
2019	Warrants TO2	121,411,128	464,660,892	0.04	4,856,445	18,586,436
2020	Directed share issue	116,165,223	580,826,115	0.04	4,646,609	23,233,045
2021	Directed share issue	10,000,000	590,826,115	0.04	400,000	23,633,045
2021	Directed share issue	65,789,474	656,615,589	0.04	2,631,579	26,264,624

Board of Directors

Board of Directors



Alf Blomqvist (born 1956)
Chairman of the board,
Board member since 2017

Education at the Stockholm School of Economics. Alf has a background that includes the posts of CEO of Ledstiernan, head of Corporate Finance at Swedbank Markets and head of Equity Capital Markets at Carnegie. Other current positions: Chairman of the Board in Alelion Energy Systems AB, board member of E14 Invest and E14 Invest II, Chairman of the Board in Blomqvist Unlimited AB, Chairman of the board of Blomqvist Listed Sustainability AB. Direct and indirect shareholding: 2,100,000 shares. Direct and indirect ownership LTIP 2021/2025: 2,563,934. Independent in relation to the company and its larger shareholders.



Nina Macpherson (born 1958)
Board member since 2020

Bachelor of Law from Stockholm University. Former Chief Legal Officer and secretary to the Board of Directors of Ericsson, Board member of Traton SE, Board member of Scania AB, member of the Swedish Securities Council, board member and chairman of the Nomination Committee of Netel Holding AB, member of the Advisory Board of Pactumize AB. Direct and indirect shareholding: 210,000 shares. Direct and indirect ownership LTIP 2021/2025: 1,281,966. Independent in relation to the company and its larger shareholders..



Peter Möller (born 1952)
Board member since 2017

M.Sc. from Chalmers University of Technology and B.Sc. in Finance & Administrations from Uppsala University. Peter has a background that includes such posts as CEO and COO within the SAS Group, CEO of Atlas Copco Tool Division and COO of SAAB Automobil. Direct and indirect shareholding: 180,542 shares. Direct and indirect ownership LTIP 2021/2025: 400,000. Independent in relation to the company and its larger shareholders.



Björn Olsson (born 1964)
Board member since 2019

Market economist from IHM Business School. CEO at Elof Hansson International, Chairman of the board in Björkemar Construction & Consulting BCC AB, previously Area Vice President, Sales, Asia & Pacific, Metso Fiber and Metso Power. Direct and indirect shareholding: 114,599 shares. Direct and indirect ownership LTIP 2021/2025: 900,000. Independent in relation to the company and its larger shareholders.



Sander Vermeulen (born 1972)
Board member since 2020

Degree in Automotive Engineering at Polytechnic School of Automobile Technics in Apeldoorn, the Netherlands. Oversees the End-of-Life Rubber Products Recycling Business for the Michelin group. Previously Sander has had a number of positions within the Michelin Group within sales, marketing, business development as well as positions within purchasing. He has been stationed in Beijing, Seoul, Shanghai and the headquarter in France. Direct and indirect shareholding: 0 shares. Direct and indirect ownership LTIP 2021/2025: 0 Proposed by Michelin, a major shareholder of the company.

Group Management and Auditor

Group Management



Thomas Sörensson (born 1976)
CEO since 2016

Market economist from IHM and training courses at Harvard Executive Education. Commenced MBA, Heriot Watt University. Board member and owner of WTTG International AB, board member of the subsidiaries Tyre Recycling in Sweden AB, SES IP AB and BSIP AB. Thomas has a background that includes the posts of Export Director at Opus Equipment AB, General Manager at B&B Tools in Shanghai, China, and Board member of the Swedish Chamber of Commerce in China. Direct and indirect shareholding: 370,480 shares. Direct and indirect ownership LTIP 2021/2024: 1,794,754.



Staffan Kullberg (born 1962)
CFO since 2022

M. Sc. In Business and Economics from University of Gothenburg. Staffan has a background as CFO including Ratos portfolio company Speed Group Holding, Volvo Information Technology AB, Volvo Trucks Group Thailand Ltd and Hero Group North Europe. Direct and indirect shareholding: 0 shares. Direct and indirect ownership LTIP 2021/2024: 0



Urban Folcker (born 1961)
CFO 2016-2022, Business Control Manager since 2022

M.Sc. in Business and Economics from Stockholm University. Chairman of the subsidiary Tyre Recycling in Sweden AB. Urban has a background as CFO of companies including Container Centralen A/S (Denmark) and Stago B.V. (Netherlands). Direct and indirect shareholding: 1,098,041 shares. Direct and indirect ownership LTIP 2021/2024: 1,346,066.



Fredrik Alpner (born 1978)
Site Manager since 2022

B.Sc. from Malmö Högskola. Fredrik has a background as Site Manager for Grace Catalyst AB. Direct and indirect shareholding: 123,586 shares. Direct and indirect ownership LTIP 2021/2024: 0



Olov Ershag (born 1984)
COO since 2017

M.Sc. in Engineering from Luleå Technical University. He has been employed at the company since 2008. Direct and indirect shareholding: 800,000 shares. Direct and indirect ownership LTIP 2021/2024: 897,376.



Fredrik Olofsson (born 1971)
Sales manager since 2017

M.Sc. in Engineering from Chalmers University of Technology. Fredrik has a background that includes the posts of Sales Manager and Quality and IT Manager at Ulinco AB. Direct and indirect shareholding: 0 shares. Direct and indirect ownership LTIP 2021/2024: 400,000.



Maria Tiger (born 1968)
Senior Project Manager since 2020

B.Sc. in Engineering from the University of Borås. Maria has a background that includes the post of project manager at Segula Technologies, Midroc Project Management and Camfill Farr Power Systems. Direct and indirect shareholding: 0 shares. Direct and indirect ownership LTIP 2021/2024: 0.



Johan Palmgren (born 1974)

Johan Palmgren is a partner at PwC and a Public Authorised Accountant with about 20 years' experience of working with listed companies in various industries, including Bulten AB and Troax Group AB. Direct and indirect shareholding: 0.



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Director's Report

Information about the business

The Board of Directors and the CEO of Scandinavian Enviro Systems AB (publ), Gothenburg, 556605-6726, hereby submits the annual report and consolidated financial statements for 2022.

The company's operations

Business concept

End-of-life tires are a large and global environmental problem. The company has developed a unique technology for the recycling of end-of-life tires through pyrolysis, a process of heating in an oxygen-deficient environment that allows a material to disintegrate without incineration. The valuable materials recovered through the process using this unique technology are carbon black, oil, steel and gas.

Enviro's business concept is to develop, construct and operate recycling plants through full or shared ownership. The company has its own recycling plant in Åsensbruk, Dalsland, in Sweden, which serves as a production plant, as well as a demonstration and test facility.

The business

Enviro develops, builds, owns and operates plants for material recovery of valuable resources from end-of-life tires in an international market. The company has developed a technology based on a patented technology, where heated tire material in an oxygen-poor environment enables the material to be recovered without incineration. Therefore, an environmentally friendly recovery method is achieved, where the gas is used to operate the plant and the valuable resources carbon black, oil and steel are sold to market. The materials are used in new products, which helps the customers to reach sustainability targets as well as the need for fossil resources is reduced.

Enviro, founded in 2001, has a main office in Gothenburg and operates a plant for recovery of discarded tires in Åsensbruk. The company is listed for trade on Nasdaq First North Growth Market in Stockholm.

Enviro's pyrolysis technology provides higher and more even quality of carbon black and oil than what has previously been possible through traditional pyrolysis, which means that a larger portion of recovered carbon black can replace virgin carbon black. In addition to a process with a lower cost level, CO₂ emission decrease of about 93 percent is achieved, compared with new production.

The company operates an industrial plant in Åsensbruk for commercial use that also allows customers to test the recovered products. The plant has a theoretical capacity of approximately 6,000 tonnes of end-of-life tires per year and proves that recovered carbon black's quality is high and consistent on a commercial level. Part of the plant's capacity is used for tests of new material types and the development of our range of carbon black offerings.

In addition to increasingly tighter restrictions and increasing raw material prices for the production of virgin carbon black, Enviro believes that the market has experienced a paradigm shift where environmental awareness is spreading globally and is starting to have an impact on the industry. The demand for recovered carbon black is increasing significantly, which is in line with the increased demand for sustainably-produced, environmentally friendly products. There is also a large interest for the recovered oil, which has a significant bio-content.

In spite of the increasing demand for carbon black, supply

is expected to fall short of the growing demand in the next 5 years due to macroeconomic forces such as the growing vehicle industry, increasing environmental demands and a lack of production capacity.

During the year we have communicated that the subsidiary TYRE Recycling in Sweden AB (TYRE) has received a sales order both from a subsidiary to a leading oil company as well as from Preem for a total value of around MSEK 4.7. Round about half of the valuable materials that is recovered from End-of-Life-Tires (ELT) is oil, which contains a bio-content of closer to 50 percent, which makes it very interesting for usage, especially for oil companies and raffineries.

During the year the company also communicated that it had received approval for its pyrolysis oil as an intermediate in conjunction with the EU regulation REACH for up to 1,000 metric tons per year and that Enviro will apply for a REACH approval for sales of unlimited volumes.

Group structure

Enviro Group is comprised of the parent company, Scandinavian Enviro Systems AB (publ), with its registered office in Gothenburg, as well as three fully-owned Swedish subsidiaries. The parent company's activities include, in addition to the sale of plants, group wide functions such as management, finance, technology and development.

The company's results and financial position

Group

Net revenues for the period were MSEK 8.0 (7.6). Operating results totalled MSEK -83.8 (-57.0), and earnings after tax were MSEK -83.6 (-57.0).

The decrease of the result compared to last year with MSEK 26.6 is explained of by a lower gross profit of MSEK 0.9 as a larger sale to Michelin was included in the sales figures of last year, higher external costs of MSEK 17.3 compared with 2021, mainly in connection with lawyer and consultancy support including the new branding platform of the company, higher running costs in connection with freight and improvements, including electricity costs in the plant in Åsensbruk with MSEK 2.4. The personnel costs were totally MSEK 8.1 higher than last year partly due to strengthening of the staff in both the parent company and the subsidiary, partly due to a payment of a stay-on bonus to key employees in connection with the incentive programme LTIP 2021/2024, which was approved by the Annual General Meeting and running reservations for future payments for this. In addition to that depreciation has been MSEK 0.6 higher than during the same period last year. The finance net, on the other hand, was MSEK 0.3 higher than during the same period 2021.

Investments of the group in fixed assets amounted to MSEK 32.9 (14.4). The investments consist of additional investments in the plant in Åsensbruk, as well as a Front End Engineering Design (FEED) for the coming plants, of which Uddevalla is the first one. Also, investments have been made in a so-called Detailed Design (DD), which applies to engineering hours for the Uddevalla plant. The cash flow from operating activities after investing activities for the period were MSEK -98.5 (-55.7).

The decrease in the cashflow is related to a lower operating result before adjustments of working capital of MSEK 26.0. However, the change in working capital has been positive during the year with MSEK 1.5 compared to last year. The investments have been MSEK 18.4 higher compared to the same period in 2021.

The group cash amounted to MSEK 30.0 (123.2) at the end of the period.

The equity/assets ratio was 84 (93) percent.

Parent company

The net revenues for the parent company totaled MSEK 4.2 (8.6), and the result after tax was MSEK -73.2 (-53.4). Around 76 (37) percent of the turnover are sales related to group companies for internal services. In last year's turnover a part of the engineering services which is included in the previously communicated agreements between the company and Michelin. For the rest the company has incurred higher external expenses of MSEK 8.8 compared to 2021, mainly consultancy and lawyer expenses. The staff costs are MSEK 6.1 higher than during the same period last year partly due to strengthening of the staff, partly due to a payment of a stay-on bonus to key employees in connection with the incentive programme LTIP 2021/2024, which was approved by the Annual General Meeting and running reservations for future payments for this. The investments in fixed assets amounted to MSEK 18.6 (8.1). The investments for the year are mainly related to a FEED for future plants as well as in a so-called Detailed Design (DD), which applies to engineering hours for the Uddevalla plant.

The Equity/assets ratio at the period-end was 92 (96) percent.

Staff and organisation

The group has 36 (23) employees at the period-end.

Future outlook and financing

As earlier communicated, the company is working on an expansion plan, which contains an ambition to initiate the construction of plants with the capacity to recycle 1,000,000 tonnes of end-of-life tires with full or part-ownership by 2030. To succeed in this endeavour, the company needs to build up the necessary in-house organisation, establish new collaborations with industrial operators and identify ways of financing the new plants, as well as the company's operation. Europe, and in particular, the EU, are the prioritised markets.

After the end of the year, Enviro announced that it had formed a joint venture company together with Antin Infrastructure Partners to use Enviro's technology as a base for creating the world's first large-scale tire recycling company. Up through 2030, the joint venture plans to construct plants across Europe with a total annual recycling capacity of up to one million metric tons of end-of-life tires. The parties in the joint venture have agreed on a plan for financing the construction of the facilities. Antin is one of Europe's leading infrastructure investors, and will fund the initial investments. Michelin, which is already the largest owner in Enviro, is supporting the joint venture via a multi-year supply contract for recovered materials from the first plants to be established. Michelin plans to become a partner in the joint venture in pace with the construction of future plants. Enviro is not an initial owner of the joint venture company, but has an option to acquire an ownership share that ultimately will correspond to 30 percent. As soon as practically possible within the next 24 months, Enviro's Board of Directors intends to review the company's long-term capital requirements in order to finance the company's ownership in the joint venture. From the very beginning, Enviro will have representation on the board of the joint venture company. Enviro will receive revenue through both service fees and an asset fee based on the profitability of the respective plants while having the possibility of building up long-term value through its ownership in the joint venture. The first full-scale plant that the joint venture will establish will be the previously planned facility in Uddevalla.

During the year the group has, via its subsidiary Tyre Recycling in Sweden AB, obtained a bank loan of MSEK 6.5, which mainly will be used for financing of a substantial part of the investments in the plant in Åsensbruk. The loan has a duration of 8 (eight) years and has currently an interest of around six (6) percent.

In 2021, the Board of Directors signed an agreement with a major international financial advisor, Greenhill & Co to establish a long-term strategic financial plan for the company, which also includes the short-term capital requirement of its future expansion plan.

After the end of the year, Enviro secured financing in the form of an external loan of MSEK 40.

After the end of the year Enviro has successfully completed a directed share issue of 150 million shares and raised proceeds of SEK 300 million. A number of new Swedish and international institutional investors, including Cicero Fonder, Coeli Circulus, Handelsbanken Fonder, Skandia and Öhman Fonder, participated in the Directed Share Issue.

Multi-year comparison

The Group's economic development in summary.

	2022	2021	2020	2019	2018
EBITDA, KSEK	-69,753	-43,453	-36,969	-31,716	-23,445
Equity ratio,%	84,0	93,5	90,4	90,0	83,6
Operating margin, %	Neg	Neg	Neg	neg	neg
Return on capital employed, %	-44,2	-30,4	-31,8	-25,5	-23,0
Intrest-bearing liabilities, KSEK	6,024	777	3,944	7,112	22,280
Earnings per share before dilution, SEK	-0.13	-0.10	-0.09	-0.13	-0.32

Definitions of key performance indicators are presented in Note 1

Businesses obligated to obtain permits or report according to the environmental

The company's subsidiary Tyre Recycling in Sweden AB operates a business obligated to obtain a permit/report according to the environmental code. The obligation to report/obtain a permit is for an environmental permit to operate the plant in Åsensbruk. The businesses obligated to report/obtain a permit corresponds to 100 % of the group's net revenue. "In June the Company was granted an environmental permit for the planned recycling plant in Uddevalla.

Proposed disposition of profit

Unrestricted equity according to the balance sheet:

Share premium reserve (including capital addition via incentive programs)	KSEK 544,199
Carried forward	-361,657
Profit/loss for the year	-73,240
	109,302

The Board of Directors proposes that the unrestricted equity of KSEK 109,302 be carried forward.

Consolidated Income Statement

KSEK	Note	2022	2021
Net turnover	3	7,976	7,592
Changes in inventories of products in progress, finished goods and work in progress on behalf of others		-538	586
Other operating revenue	4	221	403
		7,660	8,580
Operating expenses			
Raw materials and consumables		-1,527	-1,493
Other external costs	5,6	-43,743	-26,517
Personnel costs	7	-32,142	-24,024
Depreciation and write-downs of tangible and intangible fixed assets	8, 9, 10,11,15	-14,031	-13,446
Total operating expenses		-91,443	-65,480
Operating profit/loss		-83,783	-56,900
Profit/loss from financial items			
Other interest income and similar items	12	709	163
Interest expenses and similar expenses	13	-514	-298
Total result from financial items		195	-135
Profit/loss after financial items		-83,588	-57,034
Tax on profit/loss for the year	14	-	-
Loss for the year		-83,588	-57,034

Consolidated Balance Sheet

ASSETS KSEK	Note	Dec 31, 2022	Dec 31, 2021
Fixed assets			
Intangible fixed assets			
Capitalized expenditures for development	15	48,948	36,383
Concessions, patents, licenses and similar rights	10	2,868	3,410
Goodwill	8	1,219	2,438
		53,034	42,232
Tangible fixed assets			
Machinery and other technical facilities	11	78,310	70,412
Inventory, tools and installations	9	454	260
		78,764	70,672
Financial fixed assets			
Other long-term receivables		-	148
		-	148
Total non-current assets		131,798	113,051
Current assets			
Inventories etc.			
Raw materials and consumables		52	96
Goods being manufactured		12	110
Finished products and goods for resale		907	1,276
Spare parts inventory		1,120	817
		2,091	2,298
Short-term receivables			
Accounts receivable		774	368
Deferred tax assets		692	390
Other short-term receivables		2,921	2,281
Prepaid expenses and accrued revenue	16	2,590	1,402
		6,977	4,441
Cash on hand	25	29,979	123,245
Total current assets		39,047	129,984
Total assets		170,846	243,036

Consolidated Balance Sheet (cont.)

EQUITY AND LIABILITIES KSEK	Note	Dec 31, 2022	Dec 31, 2021
Equity	20		
Share capital		26,265	26,265
Other contributed capital		544,701	544,701
Other equity including profit/loss for the year		-427,390	-343,802
Total Equity		143,575	227,163
Non-current liabilities			
Other liabilities to credit institutions	17, 18	5,208	-
Total non-current liabilities		5,208	-
Current liabilities			
Liabilities to credit institutions	18	816	776
Accounts payable		9,333	5,543
Other current liabilities		1,303	1,375
Accrued costs and prepaid income	19	10,611	8,178
Total current liabilities		22,063	15,072
Total current liabilities		170,846	243,036

Consolidated Statement of Changes in Equity

KSEK	Share capital	Other contributed capital	Other equity	Total Equity
Equity Dec 31, 2020	23,233	405,165	-286,768	141,630
Profit/loss for the year	-	-	-57,034	-57,034
Capital additions via incentive programs	-	5,586		5,586
Rights issue cash	3,032	142,919		145,950
Issue costs	-	-8,969		-8,969
Equity Dec 31, 2021	26,265	544,701	-343,802	227,163
Profit/loss for the year	-	-	-83,588	-83,588
Equity Dec 31, 2022	26,265	544,701	-427,390	143,575

Consolidated Statement of Cash Flows

KSEK	Note	2022	2021
Operating activities			
Operating profit/loss before financial items		-83,783	-56,900
Adjustment for items not included in the cash flow, etc.	23	14,031	13,446
Interest received/losses on fixed assets		407	163
Interest paid		-212	-298
		-69,557	-43,588
Increase/decrease in inventories		207	-508
Increase/decrease in accounts receivable		-406	-214
Increase/decrease in other short-term receivables		-2,131	-1,024
Increase/decrease in accounts payable		3,789	2,326
Increase/decrease in other current operating liabilities		2,361	1,709
Cash flow from operating activities		-65,736	-41,299
Investment activities			
Investments in intangible fixed assets		-18,413	-8,095
Investments in tangible fixed assets		-14,512	-6,337
Changes in long-term receivables		148	-
Cash flow from financing activities		-32,778	-14,432
Financing activities			
New rights issue		-	145,950
Issue costs		-	-8,969
Capital additions via incentive programs		-	5,586
Obtaining of loan		6,500	-
Amortization of debt		-1,252	-3,168
Cash flow from financing activities		5,248	139,399
This year's cash flow		-93,266	83,669
Cash and cash equivalents at beginning of year		123,245	39,576
Cash and cash equivalents at the end of the year	25	29,979	123,245

Statement of Income, Parent Company

KSEK	Note	2022	2021
Net turnover	3,27	4,199	8,612
Other Income	4	210	391
		4,408	9,003
Operating expenses			
Other external costs	5,6	-50,125	-41,252
Personnel costs	7	-21,278	-15,197
Depreciation and write-downs of tangible and intangible fixed assets	9,10,15	-6,443	-5,954
Total operating expenses		-77,846	-62,403
Operating profit/loss		-73,438	-53,400
Profit/loss from financial items			
Other interest income and similar profit/loss items	12	395	154
Interest expenditures and similar profit/loss items	13	-197	-162
Total result from financial items		198	-8
Profit/loss after financial items		-73,240	-53,408
Appropriations		-	-
Tax on profit/loss for the year	14	-	-
Loss for the year		-73,240	-53,408

Balance Sheet, Parent Company

ASSETS KSEK	Note	Dec 31, 2022	Dec 31, 2021
Non-current assets			
Intangible fixed assets			
Capitalized expenditures for development	15	48,898	36,333
Concessions, patents, licenses and similar rights	10	2,868	3,410
		51,765	39,744
Tangible fixed assets			
Inventory, tools and installations	9	270	129
		270	129
Financial fixed assets			
Shares in subsidiaries	26	36,891	36,891
Receivables from group companies	27	59,771	50,031
Other long-term receivables		-	148
		96,661	79,559
Total non current assets		148,697	126,942
Current assets			
Receivables			
Accounts receivable		88	117
Current tax assets		552	264
Other short-term receivables		2,916	2,249
Prepaid expenses and accrued revenue	16	1,896	870
		5,452	3,500
Cash on hand	25	27,985	119,172
Total current assets		33,437	122,672
Total assets		182,134	249,614

Balance Sheet, Parent Company (cont.)

EQUIY AND LIABILITIES KSEK	Note	Dec 31, 2022	Dec 31, 2021
Equity	20		
Restricted equity			
Share capital		26,265	26,265
Restricted reserves		502	502
Reserve for development expenses		31,192	13,125
		57,959	39,892
Unrestricted equity			
Premium fund		587,079	587,079
Issue costs		-48,466	-48,466
Gain or loss carried forward		-361,657	-290,183
Capital addition via incentive programs		5,586	5,586
Loss for the year		-73,240	-53,408
		109,302	200,609
Total equity		167,261	240,501
Current liabilities			
Accounts payable		6,184	3,185
Other current liabilities		498	389
Accrued costs and prepaid income	19	8,191	5,540
Total current liabilities		14,873	9,114
Total equity and liabilities		182,134	249,614

Changes in Equity, Parent Company

KSEK	Share Capital*	Reserve- fund	Fund for develop- ment costs	Premium fund	Retained earnings	Result for the period	Total equity
Equity Dec 31, 2020	23,233	502	2,449	404,663	-230,962	-48,544	151,341
Balance of profits of previous year	-	-	-	-	-48,544	48,544	-
Profit/Loss for the year	-	-	-	-	-	-53,408	-53,408
Reserve for additional development costs	-	-	11,049	-	-11,049	-	-
Reserve for outgoing development costs	-	-	-372	-	372	-	-
New rights issue	3,032	-	-	142,919	-	-	145,951
Capital additions via incentive programs	-	-	-	5,586	-	-	5,586
Issue costs	-	-	-	-8,969	-	-	-8,969
Equity Dec 31, 2021	26,265	502	13,126	544,199	-290,183	-53,408	240,501
Balance of profits of previous year	-	-	-	-	-53,408	53,408	-
Profit/Loss for the year	-	-	-	-	-	-73,240	-73,240
Reserve for additional development costs	-	-	18,221	-	-18,221	-	-
Reserve for outgoing development costs	-	-	-155	-	155	-	-
Equity Dec 31, 2022	26,265	502	31,192	544,199	-361,657	-73,240	167,261

*The share capital per Dec. 31, 2022 consisted of 26 264 623,56 SEK (656 615 589 shares).

Cash Flow Statement, Parent Company

KSEK	Note	2022	2021
Operating activities			
Operating profit/loss before financial items		-73,438	-53,400
Adjustment for items not included in the cash flow, etc.	23	6,443	5,954
Interest received		218	154
Interest paid		-20	162
		-66,797	-47,454
Increase/decrease in other short-term receivables		-1,952	-927
Increase/decrease in accounts payable		2,999	2,663
Increase/decrease in other current operating liabilities		2,760	1,241
Cash flow from operating activities		-62,990	-44,477
Investment activities			
Investments in intangible fixed assets		-18,413	-8,095
Investments in tangible fixed assets		-193	-54
Change in long-term receivables		-9,592	-7,510
Cash flow from investing activities		-28,198	-15,659
Financing activities			
New rights issue		-	145,950
Issue costs		-	-8,969
Capital addition via incentive programs		-	5,586
Cash flow from financing activities		-	142,567
This year's cash flow		-91,188	82,431
Cash and cash equivalents at beginning of year		119,173	36,741
Cash and cash equivalents at the end of the year	25	27,985	119,172

Notes for Group and Parent Company

Note 1 Accounting and valuation principles

General accounting principles

Scandinavian Enviro System AB's Annual Report and Consolidated Financial Statements have been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's general recommendations BFNR 2012: 1 Annual Report and Consolidated Financial Statements (K3).

The Company's accounting currency is Swedish Krona (SEK). The accounting principles remain unchanged in comparison with the previous year.

Foreign currencies

Monetary assets and liabilities in foreign currency are valued at the closing day rate. Transactions in foreign currency are translated at the spot rate for the transaction date.

Revenue

Goods

Sales of goods are reported when material risks and benefits are transferred from sellers to buyers in accordance with the terms of sale. Sales are reported after deduction of VAT and discounts.

Assignments

For future fixed-price service assignments, income and expenses are reported which are attributable to a performed service assignment as revenue and costs in relation to the completion date of the assignment on the balance sheet date (percentage of completion). The completion rate of an assignment is determined by comparing costs incurred on the balance sheet date with the estimated total expenses. In cases where the outcome of an assignment can not be calculated reliably, revenue is reported only to the extent that corresponds to the resulting assignment costs likely to be received from the client. An expected loss on an assignment is immediately recognized as an expense.

For service assignments in the current account, the income attributable to a service assignment is reported as revenue as work is performed and materials are delivered or consumed.

Other types of revenue

Future royalties are normally based on the turnover generated by the plant based on the company's patent. Revenue is reported in accordance with the agreement's financial implications.

Interest income is reported in accordance with the effective interest rate method.

Income taxes

Current taxes are valued based on the tax rates and tax rules applicable on the balance sheet date. Deferred taxes are valued based on the tax rates and tax rules which were decided before the balance sheet date.

Deferred tax liabilities relating to temporary differences attributable to investments in subsidiaries are not reported in the consolidated accounts as the parent company can, in any case, control the timing of reversal of the temporary differences and it is not considered likely that a reversal will take place in the foreseeable future.

Deferred tax assets relating to loss carry forwards or future

tax deductions are reported to the extent that the deduction can be offset against surplus in future taxation.

Receivables and liabilities are only reported using net accounting when there is legal right to offset.

Remuneration to employees

Short-term remunerations

Short-term remunerations within the Group consist of salary, social fees, paid vacation, paid sick-leave, health care and bonus. Short-term remuneration is reported as a cost and a liability when there is a legal or informal obligation to pay out a remuneration.

Remuneration after the end of employment

Remuneration in connection with termination of employment is applicable when any company within the group decides to terminate an employment contract before the normal time for termination of employment or when an employee accepts an offer of voluntary resignation in exchange for such a remuneration. If the remuneration does not give the company a future financial benefit a liability and a cost is reported when the company has a legal or informal obligation to grant such a remuneration. The remuneration is valued to the best estimate of the remuneration that would be required to settle the obligation per balance date.

Incentive program LTIP 2021/2024 and LTIP 2021/2025

LTIP 2021/2025
2021 an incentive program was conducted to the board of directors who were then in service. Six of the board members, including the chairman, acquired warrants at market conditions for around MSEK 2.9, which also was added as a proceed to the company. As the transaction was conducted under market conditions it is evaluated as a non-benefit transaction. The warrants give the owner the right to acquire the same number of shares at a pre-given price in 2025.

LTIP 2021/2024

2021 an incentive program was conducted to management team and key employees. A total of ten employees acquired warrants at market conditions for around MSEK 2,7 which also was added as a proceed to the company. As the transaction was conducted under market conditions it is evaluated as a non-benefit transaction. The warrants give the owner the right to acquire the same number of shares at a pre-given price in 2024. In combination with this a stay on bonus was agreed upon, which implies that the employees who have acquired the warrants receive a bonus, which corresponds to the net purchase amount for the warrants after three years. The bonus is to be paid out as a one time remuneration in three rates (2022, 2023 and 2024).

Remuneration to the board and management

The chairman of the board as well as the board members receive a board fee according to a resolution made by the Annual General Meeting. The CEO does not receive a board fee.

Remuneration to the CEO and other management officers
Remuneration to the CEO and other management consist of base salary, benefits and in some cases a stay on bonus which has been described under "Incentive program LTIP 2021/2024 and LTIP 2021/2025" as well as pension. Management is equal

to the individuals who have been part of the management team during the year. The group management consisted at year end of six individuals including the CEO. All individuals in the management team are employed in Sweden.

Intangible assets

Intangible fixed assets are reported at acquisition cost less accumulated depreciation and write-downs. Depreciation is made linearly over the estimated useful life.

The activation model is applied to internally and externally generated intangible assets. The write-down period for internally generated and external intangible fixed assets amounts to ten years.

In accordance with the rules in K3, a reserve for development costs has been formed corresponding to the book value of the capitalized development costs invested since 2016.

Goodwill is written off on a straight-line basis over the estimated useful life. Upon the parent company's acquisition of BSIP Innovation AB in 2013, the total right to future royalty income from plant sales transferred to Scandinavian Enviro Systems AB. The goodwill arising from the acquisition is written off over ten years.

Tangible fixed assets

Tangible fixed assets are reported at acquisition cost minus the write-off amount. The acquisition cost includes expenses directly attributable to the acquisition of the asset. When a component in a fixed asset is replaced, any remaining part of the old component is retired, and the acquisition cost of the new component is capitalized. Additional expenses relating to assets not divided into components are added to the acquisition cost if they are expected to provide the company with future financial benefits, insofar as the asset's performance increases in relation to the asset's value as of the acquisition date.

Expenses for ongoing repairs and maintenance are reported as expenses.

Realized gains and losses on disposal of fixed assets are reported as Other operating income and Other operating expenses.

Property, plant and equipment are depreciated systematically over the asset's estimated useful life. When the depreciable amount of the asset is determined, the residual value of the asset will be taken into account. The Linear depreciation method is used for other types of tangible assets.

The following depreciation periods are applied:

Machinery and other technical facilities	7–15 years
Inventory, tools and installations	5–15 years

Depreciation takes place according to the component method in accordance with the rules in K3.

No borrowing costs are capitalized.

Write-down of non-financial assets

When there is an indication that the value of an asset has decreased, a test is done to determine the need for write-down. If the asset has a recoverable amount lower than the carrying amount, it is written down to the recoverable amount. When assessing the need for write-down, the assets are grouped at the lowest levels where there are separate, identifiable cash flows (cash-generating units). For assets other than goodwill,

which were previously written down, a review is made for each balance sheet date to determine whether a reversal should be done.

In the profit and loss statement, write-downs and reversals of write-downs are reported in the function for which the asset is used.

Leases

All Group leases where the company is the leaseholder are classified as operating leases (lease). The leasing fee is reported as a cost linearly over the lease period.

Financial instruments

Financial instruments recognized in the balance sheet include accounts receivable and other receivables, accounts payable and loan liabilities. The instruments are reported in the balance sheet when the company becomes a party to the instrument's contractual terms. Financial assets are derecognized when the right to receive cash flows from the instrument has expired or is transferred and the Group has transferred virtually all risks and benefits associated with ownership. Financial liabilities are derecognized when liabilities have been adjusted or otherwise terminated.

Accounts receivable and other receivables

Receivables are reported as current assets, with the exception of items with expiration dates more than 12 months after the balance sheet date, which are classified as fixed assets. Receivables are taken up to the amount that is expected to be paid after deduction of individually-assessed doubtful receivables.

Loans payable and accounts payable

Loans payable and accounts payable are initially recognized at acquisition cost minus a deduction for transaction costs. If the reported amount differs from the amount to be repaid at the maturity date, the difference is recognized as interest expense over the term of the loan using the instrument's effective interest rate. As a result, at the maturity date, the reported amount and the amount to be repaid correspond.

Impairment testing of financial fixed assets

At each balance sheet date, Scandinavian Enviro Systems AB (publ) assesses whether there is any indication of impairment in any of the financial assets. Write-down occurs if the decline in value is deemed to be permanent. Write-downs are recognized in the income statement Profit from other securities and receivables that are fixed assets.

The impairment need is tested individually for shares and participations and other individual financial assets that are material. Examples of indications of impairment need are negative economic circumstances or adverse changes in industry conditions in companies whose shares Scandinavian Enviro Systems AB (publ) invested in. Impairment of assets valued at accrued acquisition value is calculated as the difference between the asset's carrying amount and the present value of the management's best estimate of future cash flows discounted with the asset's original effective interest rate. If write-downs are made, the write-down amount is determined as the difference between the carrying amount and the higher of the fair value less costs for sale and the present value of future cash flows (based on the best estimate of management).

Shares and participations in subsidiaries

Shares and participations in subsidiaries are reported at cost less any impairment losses. The acquisition value includes the purchase price paid for the shares as well as acquisition costs.

Inventories

Inventories are valued at the lowest of the acquisition value and net realizable value according to the income tax provisions. Cut tires and LPG storage for use in production and produced oil are considered a homogeneous product group, so collective valuation is applied to these items.

The acquisition value is determined using the first-in, first-out method (FIFO). For commodities, all expenses are directly attributable to the acquisition of the goods in the acquisition value. For goods under manufacture and finished goods, the cost includes raw materials, direct salaries and other direct manufacturing costs.

Reporting for business sectors and geographic markets

The Group's business operations relate to plant sales, service sales and product sales. Plant sales can be done virtually anywhere in the world and will generate revenue pertaining to both construction costs and royalties based on a percentage of the plant's turnover. Service, training, etc. will also be offered as a service offering to installed plants. Production and product sales of recovered carbon black, oil and steel will occur in installations operated by the company, which is currently the plant in Åsensbruk, Sweden. No division is made at this time according to geographic markets.

Cash Flow Analysis

The cash flow statement is prepared according to an indirect method. The reported cash flow includes only transactions that have resulted in payments. Blocked bank funds are reported as cash. Changes in these funds therefore does not affect the cash flow statement, but are reported separately in Note 25.

Reclassifications

No reclassifications have been made.

Future outlook and financing

As previously communicated the company is working on an expansion plan, which contains an ambition to initiate the construction of plants with the capacity to recycle 1,000,000 tonnes of end-of-life tires with full or part-ownership by 2030. To succeed in this endeavour, the company needs to build up the necessary in-house organisation, establish new collaborations with industrial operators and identify ways of financing the new plants, as well as the company's operation. Europe, and in particular, the EU, are the prioritised markets. This work has been on-going during 2022 and is still on-going in 2023. On any sale of a plant, combined with ownership of the company, the financing will be a key issue.

After the end of the year, Enviro announced that it had formed a joint venture company together with Antin Infrastructure Partners to use Enviro's technology as a base for creating the world's first large-scale tire recycling company. Up through 2030, the joint venture plans to construct plants across Europe with a total annual recycling capacity of up to one million metric tons of end-of-life tires. The parties in the joint venture have agreed on a plan for financing the construction of the facilities.

Antin is one of Europe's leading infrastructure investors, and will fund the initial investments. Michelin, which is already the largest owner in Enviro, is supporting the joint venture via a multi-year supply contract for recovered materials from the first plants to be established. Michelin plans to become a partner in the joint venture in pace with the construction of future plants. Enviro is not an initial owner of the joint venture company, but has an option to acquire an ownership share that ultimately will correspond to 30 percent. As soon as practically possible within the next 24 months, Enviro's Board of Directors intends to review the company's long-term capital requirements in order to finance the company's ownership in the joint venture. From the very beginning, Enviro will have representation on the board of the joint venture company. Enviro will receive revenue through both service fees and an asset fee based on the profitability of the respective plants while having the possibility of building up long-term value through its ownership in the joint venture. The first full-scale plant that the joint venture will establish will be the previously planned facility in Uddevalla.

During the year the group has, via its subsidiary Tyre Recycling in Sweden AB, obtained a bank loan of MSEK 6.5, which mainly will be used for financing of a substantial part of the investments in the plant in Åsensbruk. The loan has a duration of 8 (eight) years and has currently an interest of around six (6) percent.

In 2021, the Board of Directors signed an agreement with a major international financial advisor, Greenhill & Co to establish a long-term strategic financial plan for the company, which also includes the short-term capital requirement of its future expansion plan.

After the end of the year, Enviro secured financing in the form of an external loan of MSEK 40.

After the end of the year Enviro has successfully completed a directed share issue of 150 million shares and raised proceeds of SEK 300 million. A number of new Swedish and international institutional investors, including Cicero Fonder, Coeli Circulus, Handelsbanken Fonder, Skandia and Öhman Fonder, participated in the Directed Share Issue.

Parent Company's accounting principles

The same accounting and valuation principles are applied in the Parent Company as in the Group, except in the cases listed below

Appropriations

Group contributions are reported as transfer to/from untaxed reserves. A group contribution to a subsidiary is reported as an expense and reduces the parent company's profit for the period.

Shares in subsidiaries

Shares in subsidiaries are reported at acquisition cost less any write-downs. Conditional shareholders' contributions are added to the acquisition value when they are submitted.

Key Definitions

EBITDA

Profit/loss before depreciations

Solidity

Shareholders' equity and untaxed reserves (less deferred tax) in relation to the balance sheet total.

Operating margin

Operating profit/loss through net sales.

Return on capital employed

Profit after financial items plus interest expenses in relation to average capital employed, where capital employed is equity and interest-bearing liabilities.

Note 2

Estimates and assessments

Scandinavian Enviro Systems AB makes estimates and assessments of the future which, from an accounting perspective, are important for the valuation of the Group's assets. Impairment testing of assets is based on the cash flows that are expected to result in the future.

The valuation of the Group's intangible assets is based on the Group conducting sales of plants, with an associated return. The assumptions underlying the valuation is partly the revenue from erecting the with Michelin agreed plant in Chile, partly the start of an expansion plan, with the ambition to construct plants across Europe with a total annual recycling capacity of up to one million metric tons of end-of-life tires with full or part ownership up until 2030. The assumptions are based largely on the market conditions that exist in terms of volumes and shortcomings in alternative recovery solutions for end-of-life tires combined with the profitability of the company's process.

Impairment testing of assets is based on the cash flows that are expected to result in the future. The subsidiary, Tyre Recycling in Sweden AB, as of 2016 receives an annual market and sales contribution from the parent company of SEK 25.0 million. This contribution is intended to cover the additional expenses incurred by the parent company's activities for the sale of plants. An impairment test, including this contribution, has been implemented and results in positive future cash flows.

The valuation of the company's plant in Åsensbruk occurs according to its commissioning to commercial operation in 2016 as well as the fact that the products it produces can be provisioned. The valuation relies on estimates to a large degree, the most important being the capacity of the plant, capacity utilization and its rate of return. Since the plant has only been had limited use, this can be considered an uncertainty factor.

A prerequisite for the company's sales plans to be realized is also that all the products produced in the process reach a continued market acceptance in the customer base.

Before the customer tests that were implemented have resulted in such acceptance, there is an uncertainty in the assessment.

Enviro has signed an agreement with Michelin for the construction of a joint plant in Chile. In parallel with this, the company is working on an expansion plan, which contains an ambition to initiate the construction of plants with the capacity to recycle 1,000,000 tonnes of end-of-life tires with full or part-ownership by 2030. To succeed in this endeavour, the

company needs to build up the necessary in-house organisation, establish new collaborations with industrial operators and identify ways of financing the new plants, as well as the company's operation.

After the end of the year, Enviro announced that it had formed a joint venture company together with Antin Infrastructure Partners to use Enviro's technology as a base for creating the world's first large-scale tire recycling company. Up through 2030, the joint venture plans to construct plants across Europe with a total annual recycling capacity of up to one million metric tons of end-of-life tires. The parties in the joint venture have agreed on a plan for financing the construction of the facilities. Antin is one of Europe's leading infrastructure investors, and will fund the initial investments. Michelin, which is already the largest owner in Enviro, is supporting the joint venture via a multi-year supply contract for recovered materials from the first plants to be established. Michelin plans to become a partner in the joint venture in pace with the construction of future plants. Enviro is not an initial owner of the joint venture company, but has an option to acquire an ownership share that ultimately will correspond to 30 percent. As soon as practically possible within the next 24 months, Enviro's Board of Directors intends to review the company's long-term capital requirements in order to finance the company's ownership in the joint venture. From the very beginning, Enviro will have representation on the board of the joint venture company. Enviro will receive revenue through both service fees and an asset fee based on the profitability of the respective plants while having the possibility of building up long-term value through its ownership in the joint venture. The first full-scale plant that the joint venture will establish will be the previously planned facility in Uddevalla.

In 2021, the Board of Directors signed an agreement with a major international financial advisor to establish a long-term strategic financial plan for the company, which also includes the short-term capital requirement. Intensive efforts in this respect have been ongoing in 2022 and is still ongoing in 2023. On any sale of a plant, combined with ownership of the company, the financing will be a key issue.

In conjunction with the company's assessment of future investment requirements and liquidity, the company conducted an impairment test. The purpose of this is partly to ensure that the assets have the ability to generate adequate revenue in the future amounting to the balance-sheet values at the closing date, present-valued with a discount rate for future cash flow, and partly to provide a realistic view of the company's future operation and future cash flows under given circumstances.

Note 3
Net sales distributed operation areas

	Group		Parent Company	
	2022	2021	2022	2021
Net sales are distributed by operational areas according to the following:				
Product sales	6,029	6,110	-	4,020
Service revenues	1,947	1,482	4,199	4,592
Total	7,976	7,592	4,199	8,612

Note 4
Other operating revenues

	Group		Parent Company	
	2022	2021	2022	2021
Contributions from projects	93	323	81	311
Other contributions and revenues	129	80	129	80
Total	222	403	210	391

Note 5
Remuneration to the auditors

	Group		Parent Company	
	2022	2021	2022	2021
PwC				
Audit assignment	-257	-385	-257	-385
Tax services	-37	-32	-37	-32
Other services	-60	-127	-60	-127
Total	-354	-545	-354	-545

Note 6
Operational leasing agreements

	Group		Parent Company	
	2022	2021	2022	2021
Future minimum lease fees, to be paid for non-terminable lease agreements:				
To become due within one year	-3,842	-2,232	-1,506	-373
To be due later, but within five years	-7,000	-155	-2,134	-
	-10,842	-2,387	-3,640	-373
Leasing payments expensed during the period	-3,245	-2,163	-1,134	-524

The operating lease for rented plants/premises is contained in the corporate accounting. The lease agreement for the Swedish plant runs through Jan 31, 2026. The corporate accounting contains operational lease for rented plants/premises. The lease agreement for the office at Frihamnen, Gothenburg, runs until May 31, 2025.

Note 7 Salaries, other compensation and social costs

	Group		Parent Company	
	2022	2021	2022	2021
Average number of employees				
Women	4	4	2	2
Men	22	17	10	7
Total	26	21	12	9
Salaries, compensation, social costs and pension costs				
Salaries and other compensation	23,330	17,802	15,460	11,628
Social payments	7,286	5,836	5,024	3,905
Pension costs	1,918	1,564	1,779	1,407
Total	32,534	25,202	22,263	16,940
Board of directors, CEO and Management				
Salaries and other compensation	10,556	8,570	10,556	8,570
Pension costs	1,416	1,246	1,416	1,246
Other employees				
Salaries and other compensation	12,774	9,232	4,904	3,058
Pension costs	502	318	363	161

Out of the group's and parent company's pension costs, SEK 1 416 thousand (SEK 1,246 thousand) applies to the company's management, concerning 6 (5) individuals.

Out of the Group's corporate salary costs, which include board remuneration reported as other costs, SEK 2,353 thousand (SEK 2,184 thousand) applies to the company's board of directors, concerning 7 (after the AGM 2022) (7) individuals.

Compensation has been provided to the following individuals:

Thomas Sörensson, CEO SEK 2,361 thousand (SEK 2,305 thousand) as well as pension of SEK 428 thousand (456 thousand)
 Alf Blomqvist, chairman of the board, SEK 1,756 thousand (SEK 1,559 thousand). Out of the compensation of SEK 1,756 thousand, SEK 280 thousand consists of the board fee as decided by the AGM and the remaining part of the amount, SEK 1,476 thousand, consists of a compensation according to an agreement with the board.
 Stefan Tilk, board member, (resigned 22-05-19) SEK 125 thousand (SEK 125 thousand)
 Jan Bruzelius, board member, (resigned 220519)

SEK 58 thousand (SEK 125 thousand)
 Peter Möller, board member, SEK 138 thousand (SEK 125 thousand)
 Björn Olausson, board member, SEK 138 thousand (SEK 125 thousand,
 Nina Macpherson, board member, SEK 138 thousand (SEK 125 thousand)
 Sander Vermeulen, board member, has declined his board fee) SEK 0 thousand (SEK 0 thousand)
 Other management SEK 5,842 thousand (SEK 4,149) thousand) as well as pension of SEK 988 thousand (SEK 790 thousand), concerning 5 (4) individuals.

Severance pay agreement

An agreement has been reached with the CEO for six months severance pay, in the event that termination is initiated by the company.

Board directors and senior executives

	Group		Parent Company	
	2022	2021	2022	2021
Number of board directors on balance sheet day				
Women	1	1	1	1
Men	4	6	4	6
Total	5	7	5	7
Number of chief executives and other senior executives				
Women	1	1	1	1
Men	5	4	5	4
Total	6	5	6	5

Note 8 Goodwill

	Group	
	2022	2021
Opening acquisition cost	12,191	12,191
This year's changes		
Closing accumulated acquisition costs	12,191	12,191
Opening depreciation	-9,753	-8,534
This year's changes		
-Depreciation	-1,219	-1,219
Closing accumulated depreciation	-10,972	-9,753
Closing residual value according to plan	1,219	2,438

Note 9
Inventory, tools and installations

	Group		Parent Company	
	2022	2021	2022	2021
Opening acquisition cost	417	495	267	345
This year's changes				
-Purchases	268	54	193	54
-Sales	-	-132	-	-132
Closing accumulated acquisition costs	685	417	460	267
Opening depreciation	-157	-243	-138	-240
This year's changes				
-Depreciation	-74	-45	-52	-30
-Refund in connection with divestment	-	132	-	132
Closing accumulated depreciation	-231	-157	-190	-138
Closing residual value according to plan	454	260	270	129

Note 10
Concessions, patents, licenses and similar rights

	Group		Parent Company	
	2022	2021	2022	2021
Opening acquisition cost	8,385	8,141	8,385	8,141
This year capitalized Purchases	193	244	193	244
Sales and disposals				
Closing accumulated acquisition costs	8,578	8,385	8,578	8,385
Opening depreciation	-4,975	-4,259	-4,975	-4,259
Sales and disposals	-	-	-	-
Depreciation for the year	-735	-716	-735	-716
Closing accumulated depreciation	-5,710	-4,975	-5,710	-4,975
Closing residual value according to plan	2,868	3,410	2,868	3,410

Note 11
Machinery and other technical facilities

	Group	
	2022	2021
Opening acquisition cost	100,800	94,517
This year's changes		
Purchasing	14,244	6,283
-Sales and disposals	-	-
Closing accumulated acquisition costs	115,044	100,800
Opening depreciation	-30,388	-24,130
Refund in connection with divestment	-	-
This years depreciation	-6,347	-6,258
Closing accumulated depreciation	-36,735	-30,388
Closing residual value according to plan	78,309	70,412

Note 12
Other interest income and similar profit/loss items

	Group		Parent Company	
	2022	2021	2022	2021
Interest revenues	325	69	306	69
Currency gains	384	94	89	85
Total	709	163	395	154

Note 13
Interest expenditures and similar profit/loss items

	Group		Parent Company	
	2022	2021	2022	2021
Other interest costs loss items	-212	-166	-20	-30
Currency losses	-302	-132	-177	-132
Total	-514	-298	-197	-162

Note 14
Tax on profit/loss for the year

	Group		Parent Company	
	2022	2021	2022	2021
Tax on profit/loss for the year	0	0	0	0
Reported result before tax	-83,588	-57,034	-73,239	-53,408
Taxes calculated according to current tax rate 20.6% (20.6%)	17,219	11,749	15,087	11,002
Tax effect from non-deductible expenses	-57	-27	-44	-20
Tax effect from deductible expenses that are reported against equity				
Non-reported part of unused tax losses	-17,162	-11,722	-15,043	-10,982
Reported tax costs	-	-	-	-

Parent company and companies within the Group have accumulated losses carry forward. For the tax year 2022 losses carried forward in the Group amount to SEK 466,144 thousand (SEK 375,052 thousand) and in the parent company SEK 449,671 thousand (SEK 367,679 thousand). Due to historical results, deferred tax recoverable with reference to losses carried forward have not been reported. The underlying value of the deferred tax with reference to these losses in the corporate group amount to SEK 96,020 thousand (SEK 77,261 thousand) and in the parent company to SEK 92,632 thousand (SEK 75,742 thousand).

Note 15
Capitalized expenditures for development

	Group		Parent Company	
	2022	2021	2022	2021
Opening acquisition cost	63,029	55,179	62,979	55,129
Capitalized expenditures for the year, development	18,221	7,850	18,221	7,850
Closing accumulated acquisition costs	81,250	63,029	81,200	62,979
Opening depreciation	-26,646	-21,439	-26,646	-21,439
Sales and disposals	-	-	-	-
This years depreciation	-5,656	-5,207	-5,656	-5,207
Closing accumulated depreciation	-32,302	-26,646	-32,302	-26,646
Closing residual value according to plan	48,948	36,383	48,898	36,333

The depreciation period for balanced expenditures is ten years. This is a result of the company's expectation that the capitalized expenses will generate an added value that extends to this length of time at a minimum. The depreciation period is also justified by the company's intellectual property protection which, from a broader perspective, is reflected by the company's patents, through which these expenses are partially tied and essentially extends over a longer period than this.

Note 16
Prepaid expenses and accrued revenue

	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Prepaid rents	975	608	391	171
Other items	1,571	794	1,505	700
Total	2,546	1,402	1,896	871

Note 17
Non-current liabilities

	Group	
	Dec 31, 2022	Dec 31, 2021
Long-term liabilities apply to payments according to the following:		
Liabilities to credit institutions		
Between 1 and 5 years	3,246	-
Between 5 and 10 years	1,962	-
Total	5,208	-

Note 18
Liabilities that apply to several items

	Group	
	Dec 31, 2022	Dec 31, 2021
Long-term liabilities		
Other liabilities to credit institutions	5,208	-
Short-term liabilities		
Other liabilities to credit institutions	816	776
Summa	6,024	776

Note 19
Accrued cost and prepaid income

	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Accrued interest expenses	1	-	-	-
Accrued salaries	995	29	945	-
Accrued vacation pay	2,625	2,305	1,638	1,434
Accrued social contributions	1,611	1,158	1,116	722
Special pay roll tax	914	487	773	341
Other items	4,465	4,199	3,719	3,043
Total	10,611	8,178	8,191	5,540

Note 20
Share capital

Share capital as of December 31, 2022 consisted of 656,615,589 (656,615,589) shares with a ratio value SEK 0.04 per share.

Note 21
Pledged collateral

	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Personal deductions and liabilities				
Concerning liabilities to credit institution				
Corporate mortgages	10,000	39,350	-	-
Blocked funds	184	184	50	50
Amount of pledged collateral	10,184	39,534	50	50

Out of the total of SEK 1,644 thousand of reported patents, a certain amount is pledged on behalf of a subsidiary.

Note 22
Contingent liabilities

	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Contingent liabilities				
Guarantees for subsidiary	-	-	6,024	778
Total contingent liabilities	-	-	6,024	778

Note 23
Adjustment for items not included in cash flow

	Group		Parent Company	
	2022	2021	2022	2021
Depreciation	-14,031	-13,446	-6,443	-5,954
Total adjustments	-14,031	-13,446	-6,443	-5,954

Note 24
Non-material cash transactions in investment and financing operations

During the year, no non-material cash transactions were executed.

Note 25
Liquid assets

	Group		Parent Company	
	2022	2021	2022	2021
Bank holdings	29,979	123,245	27,985	119,173
Liquid funds in the cash flow statement	29,979	123,245	27,985	119,173

Out of corporate group's bank balance, SEK 184 thousand (SEK 184 thousand) consists of blocked bank funds.
Out of parent company's bank deposits, SEK 50 thousand (SEK 50 thousand) consists of blocked bank funds.

Note 26
Shares in group companies

	2022	2021
Opening acquisition value	36,891	36,891
Closing balance acquisition value	36,891	36,891
Closing residual value according to plan	36,891	36,891

Group	Org nr	Registered office	Capital-share (%)
Tyre Recycling in Sweden AB	556784-1787	Gothenburg	100.0
SES IP AB	556894-0695	Gothenburg	100.0
BSIP Innovation AB	556950-7469	Gothenburg	100.0

Parent company	Capital-share %	Voting rights share %	Number of shares	Equity	Book value Dec. 31, 2022	Book value Dec. 31 2021,
Tyre Recycling in Sweden AB	100	100	1,000,000	11,908	24,600	24,600
SES IP AB	100	100	500	30	50,	50
BSIP Innovation AB	100	100	100	47	12,241	12,241
Total				21,115	36,891	36,891

Note 27 Transactions with closely related parties

The parent company has invoiced Michelin according to existing agreement with MSEK 1.0. Further, in the parent company, for 2022 consultancy fees to P 30 Ltd, (Peter Möller, board member), of MSEK 1.1 have been included. In addition to that consultancy fees to Blomqvist Unlimited AB (Alf Blomqvist, chairman of the board) of MSEK 1.3 have been included. Further, consultancy fees to M & K Industrials AB (Nina Macpherson, board member) of MSEK 0.3 have been included. Finally, the subsidiary Tyre Recycling in Sweden AB has invoiced six different Michelin-owned companies for an amount of around MSEK 2.1. This concerns sales of recovered carbon black and services. These transactions are evaluated by the company management to be according to market conditions.

	2022	2021
Sales to group companies		
Share of annual purchases and sales related to Group companies is provided below.		
Purchase, (%)	50	61
Sales, (%)	77	37
Loan to group companies		
Loan to Tyre Recycling in Sweden AB:		
Opening balance	50,031	42,521
Additional loan	9,740	7,510
Amortization	-	-
Closing balance	59,771	50,031

The loan to Tyre Recycling in Sweden AB is interest-free and without a fixed repayment date.

Other

Separate notes contain information

- Concerning Salaries etc. to the board and CEO
- Pledged assets for Group companies

Note 28 Events following balance date

Enviro and Antin Infrastructure Partners to create, with the support of Michelin, the world's first large-scale tire recycling group.

The company successfully completed a directed share issue of 150 million shares and raised proceeds of SEK 300 million. A number of new Swedish and international institutional investors, including Cicero Fonder, Coeli Circulus, Handelsbanken Fonder, Skandia and Öhman Fonder, participated in the Directed Share Issue.

Note 29 Suggestion for results disposition

Unrestricted equity according to the balance sheet:

Share premium reserve (including capital addition via incentive programs)	544,199
Carried forward	-361,657
Profit/loss for the year	-73,240
	109,302

The Board of Directors proposes the following results disposition:

To be carried forward	109,302
	109,302

**The income statements and the balance sheets will be submitted to
the Annual General Meeting on June 14, 2023, for determination**

Gothenburg May 17, 2023

Alf Blomqvist
Chairman

Nina Macpherson

Peter Möller

Björn Olausson

Sander Vermeulen

Thomas Sörensson
CEO

Our audit report was submitted on May 17, 2023.

PricewaterhouseCoopers AB

Johan Palmgren
Certified public accountant

Auditor's report, unofficial translation to the general meeting of the shareholders of Scandinavian Enviro Systems AB (publ), corporate identity number 556605-6726

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Scandinavian Enviro Systems AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 38–61 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and can be found on pages 1–37. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Scandinavian Enviro Systems AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Gothenburg May 17, 2023
PricewaterhouseCoopers AB

Johan Palmgren
Authorized Public Accountant

