ANNUAL REPORT 2013

Scandinavianbiogas

CONTENTS

In March 2013, 13 percent of Stockholm Lokaltrafik's buses were fueled by biogas primarily sourced from Scandinavian Biogas. The image shows one of these buses in traffic.

Scandinavian Biogas
Fuels International AB
Holländargatan 21 A
SE-111 60 Stockholm, Sweden

Telephone: + 46 (08) 503 872 20

info@scandianvianbiogas.com
www.scandinavianbiogas.com

2013 IN BRIEF (2012), according to IFRS

EBITDA MSEK 2013

21,4

(-3,4)

NET SALES
MSEK 2013

145,5

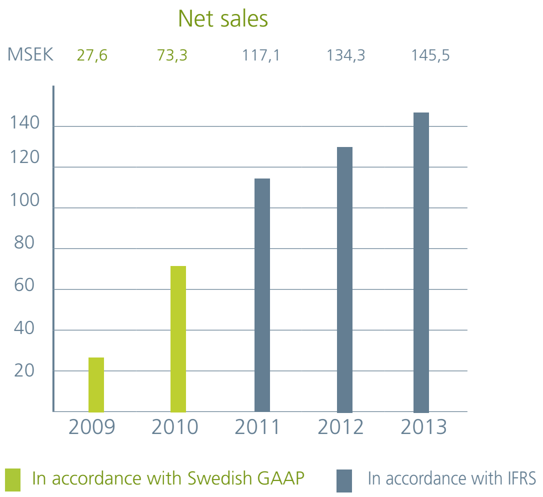
(134,3)

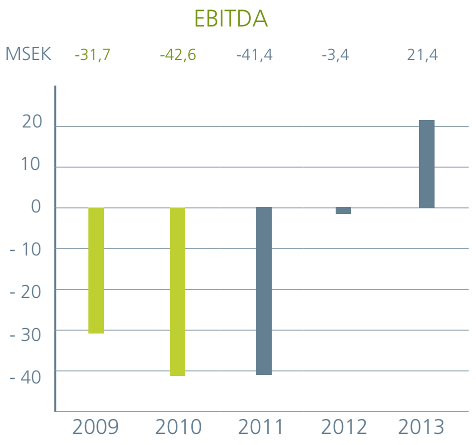
- The Bromma and Henriksdal plants produced 10.1 million normal cubic meters of upgraded fuel quality biogas, equivalent to an increase in production of 6 percent. All gas produced was sold further to customers.

- Food waste management at the Youngyun biogas plant in South Korea increased to an average of 208 tons per day, an increase of 8 percent compared to last year. Sales of produced gas also increased, reaching 9.1 million normal cubic meters of raw gas, equivalent to 6.3 million normal cubic meters of fuel quality biogas. This represents an increase of 4 percent from last year.

- Group subsidiary Scandinavian Biogas Korea Co., Ltd., operating in Ulsan in South Korea, conducted a refinancing in December, resulting in new loans at advantageous conditions. This has significantly improved the liquidity of the group, among other things enabling Scandinavian Biogas Korea Co., Ltd. to repay a portion, around MSEK 19, of its inter-company loan from Scandinavian Biogas Fuels AB.

- During the year the group conducted a number of new issues of shares and convertibles in part to finance a few minor investments and in part to finance preparations for the company's two main projects in Stockholm.





The Group reported in accordance with IFRS for the first time in 2012.

DEVELOPMENT AND PERFORMANCE

ACHIEVED IN 2013

10,1	million Nm^3 upgraded biogas was sold in Sweden in 2013
6 %	Production in Sweden increased by 6 percent, compared to 2012
4 %	Sales in South Korea increased by 4 percent, compared to 2013
8 %	Food waste management in South Korea increased by 8 percent

WHAT WE DO

Scandinavian Biogas is one of Sweden's largest private producers of biogas. Operations focus on industrial level production and the company possesses leading expertise in how biogas plants should be designed and operated in order to achieve consistently high levels of biogas production. The company's method for large-scale production is probably the most efficient in the world. Biogas projects are managed in close cooperation with private and municipal stakeholders in the Nordic region, particularly in east central Sweden, which is the company's main market today. In addition, Scandinavian Biogas produces biogas in South Korea.

2013

The company's biogas plant in Ulsan was appointed the most efficient in South Korea

Ida Andersson demonstrates rape seed expellers, organic material whose biogas yield has been evaluated at the research facility in Linköping.

DEVELOPMENT AND PERFORMANCE, cont.

Scandinavian Biogas Fuels International AB

Group	2013	2012	2011
Net sales	145 488	134 266	117 111
EBITDA	21 394	-3 385	-41 446
EBITDA %	14,7 %	-2,5%	-35,4%
EBIT	-9 191	-15 490	-103 127
EBIT %	-6,3 %	-11,5 %	-88,1%

Operations and food waste management

Operations	2013	2012	2011
Net sales	124 330	124 715	94 728
EBITDA	41 852	35 266	15 662
EBITDA %	33,7 %	28,3 %	16,5 %
EBIT	24 703	21 186	-6 389
EBIT %	19,9 %	17,0 %	-6,7%

The tables show the group's main business areas.

All amounts are in SEK thousand

Biogas buses parked at the bus depot below Henriksdal. The fueling station is connected directly to the Scandinavian Biogas plant at the top of the hill.

BUSINESS CONCEPT AND GOALS

Business concept

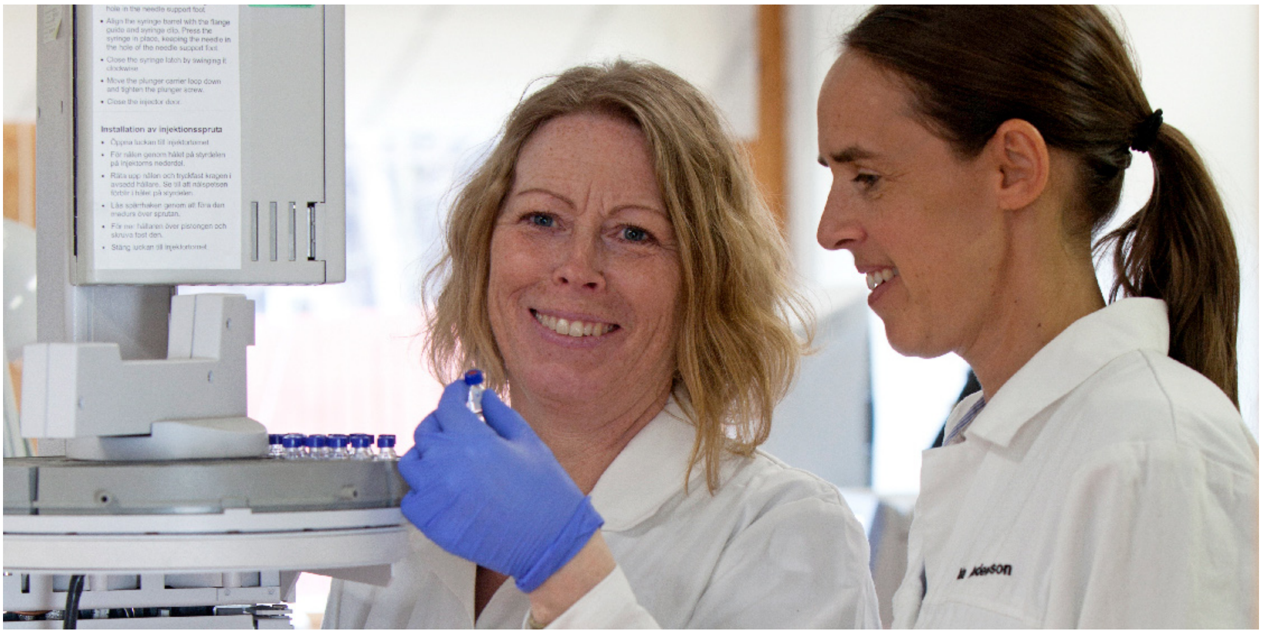
To be a leader in the design and operation of biogas plants

Vision - how we generate value for our shareholders

Our vision is to be a leader in large-scale biogas production

Mission - our contribution to society

Our mission is to contribute to and facilitate the transition from fossil fuel to renewable energy



Carina Almé and Ida Andersson work at the Scandinavian Biogas research facility in Linköping.

OUR BUSINESS OBJECTIVES

30 million Nm^3

Achieve an annual production of 30 million Nm^3 fuel quality biogas in the coming years in Sweden. This entails a five-fold increase in volume from 2011 levels.

40%

EBITDA-margin of at least 40%

20%

Project IRR of at least 20%

CEO COMMENTARY

We are helping Sweden to become a more sustainable community by supplying the fuel market and in particular the municipal bus services with increased volumes of biogas every year. In South Korea, we are helping the city of Ulsan to solve environmental problems with food waste. For the past two years, we have turned the group's financial performance around. This gives us the leeway in 2014 to start identifying new projects aimed at creating greater volumes of biogas, new revenue streams for the future, and thereby enabling us to achieve our strategic objectives.

All plants reached full capacity in production

In 2013, we were once again successful in increasing production in all Scandinavian Biogas plants, surpassing our forecast for both our geographic markets.

The Swedish plants in Bromma and Henriksdal supplied 10.1 million normal cubic meters of fuel quality biogas, with the entire volume sold due to high demand. As a result, sales were up 6 percent compared to last year.

Both the Bromma and Henriksdal plants are now producing at full capacity, which means that no major volume increases can be achieved with the current production lines. Work to increase the capacity of Henriksdal from its current 7.5 million to a planned capacity of 15 million normal cubic meters biogas is being prioritized by management and endeavors to make this a reality continues.

> ” During 2014 we will start preparing the company for further expansion

The plant in South Korea generates profit In 2013, the plant in South Korea reached an important milestone, with 2013 being the first year the plant generated a profit. Production amounted to 10.7 million normal cubic meters of raw gas. A total of 9.1 million of this was sold, equivalent to 6.3 million normal cubic meters of fuel quality biogas. This entails a sales increase of 4 percent from last year, which was primarily achieved due to the fact that management of food waste was up by 8 percent.

Since the willingness to pay for renewable biogas is still strangely low in South Korea, our revenues are primarily generated from fees for the management of food waste, quite the opposite from the situation in Sweden. An important change on the revenue side in South Korea came about as a result of a successful renegotiation of our food waste management contracts.

Furthermore, we carried out a refinancing of our South Korean operations, which for the first time enabled Scandinavian Biogas Korea Co., Ltd., to repay part of an intergroup loan of around MSEK 19 to Scandinavian Biogas Fuels AB. This, together with an increase in revenues and other cost efficiency measures, mainly in the form of reduced staff, has resulted in the company now being fully financed, with no additional capital injections required for the coming year. Hand in hand with increased financial control, we have succeeded in moving Scandinavian Biogas's operations to a new and much more promising financial position.

Biogas produced in collaboration with municipalities Today, our operations, both in Sweden and South Korea, are carried out in close collaboration with various municipalities. The biogas is produced from sewage sludge from the municipal water works and from food waste from the city's inhabitants. Our business is significantly impacted by the municipal political process, which means that decisions and as a result projects tend to be drawn out at times. Our operations are also dependent on various permits, such as environmental permits, which also tend to be drawn out at times. This is our reality and our everyday situation. In the future, it will be possible to balance production based on sludge and food waste with the production of biogas using other organic materials that are not dependent on municipal and political decisions to the same extent.

Leading expertise We, the employees of Scandinavian Biogas, have a lot to be proud of today. Through efficiency and our expertise in process implementation and operations management we have demonstrated that the company really is a leading player in our industry in terms of competence. Confirmation of this is that our plant in Ulsan in South Korea was appointed by the authorities as the most efficient company in the country. And even if similar benchmarking is not carried out in Sweden, we can conclude that our plants here are producing at full capacity, just three years after being acquired. That we succeeded in doing this is thanks to the outstanding efforts of our highly knowledgeable staff.

Expansion through new biogas plants Creating long-term profitability is our most important task. We have therefore set goals to achieve an annual production of at least 30 million normal cubic meters of biogas in Sweden. We will achieve this in part through the expansion of Henriksdal in collaboration with Stockholm Vatten, and in part through the construction of a new biogas plant in Sofielund in collaboration with SRV Återvinning AB.

Today, Scandinavian Biogas is in a more promising financial situation and consequently the executive management team has decided to start preparing the company in 2014 for further expansion. This includes plans to make new investment decisions in 2016 aimed at creating additional value for our shareholders, for humanity and for our planet.

Stockholm, March 2014
Matti Vikkula

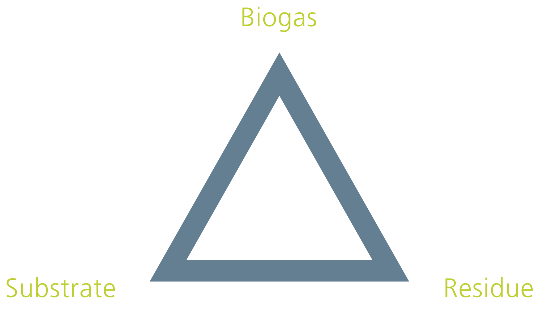
President and CEO,
Scandinavian Biogas Fuels International AB

PROCESS FOR PROJECT DEVELOPMENT AND OPERATION

THE FOUNDATION OF BIOGAS PROJECTS

All Scandinavian Biogas projects are based on three attributes – substrate, biogas and digestate. These are the starting points for the identification of new projects and they follow the project throughout the company's commitment and ownership.

A key point is to assess the potential and financial consequences of the substrate in question, in other words the organic material to be used in biogas production. Another is to assess the pricing and sales potential of the biogas produced, as well as the conditions for residue, a waste product formed during the production of biogas.



Each biogas project depends on the market conditions for the organic material or substrate used in production, on the market for biogas, as well as the on the market for or the subsequent cost of the production of by-products, i.e. digestate.

PROCESS FOR DEVELOPMENT AND OPERATIONS

Evaluation of new projects	Feasibility study and project definition	Investment phase	Operation
Year 1	Year 2	Year 3-4	Year 5-20
• Identification of potential projects • Evaluation of project • Feasibility study • Investment appraisal • Analysis of the facility and site conditions • Application for license • Logistics • IRR potential • Opportunities for the group to take on a decisive role • Assessment of opp ortunities for sharing responsibility and ownership	• Analysis of substrate, biogas and digestate conditions • Licenses granted • Contracts with customers/partners • Main suppliers secured • IRR potential • Financing secured • Investment decisions	• Investment • Project design • Mechanical engineering design • Procurements • Construction • Installation • Start-up	• Continuous operation • Capacity optimization • Continuous monitoring of operations and business • Activities to improve profitability • Capacity enhancement

THE MARKET AND DRIVING FORCES

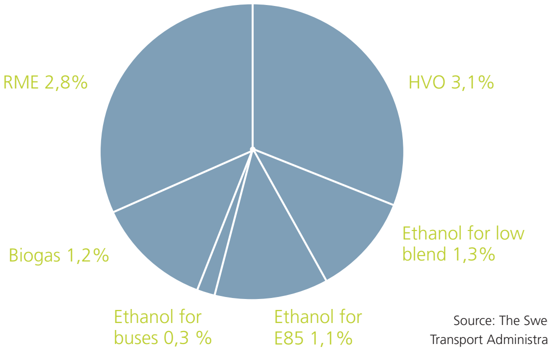
The need to replace fossil fuels with renewable energy continues to pose a global challenge with little progress. Sweden is a forerunner in this field, with the highest share of renewable energy in relation to total energy consumption in the EU, and is also a leading nation when it comes to the use of environmentally friendly fuels in the transport sector. Despite this, Sweden faces a national challenge to increase the share of renewable fuels by around 80 percent by 2030.[1]

Policy objectives and increased demand for accountability drives development The availability of renewable energy at competitive rates continues to be a huge global challenge, which applies to all EU countries including Sweden. This, in tandem with the fact that the energy issue is becoming increasingly more current due to increasing demands from politicians and other stakeholders whose more rigorous demands call for increased social and environmental accountability. For an increasing number of organizations sustainable energy has become a strategically important issue and even a prerequisite for doing business.

Swedish politicians more ambitious than the EU Sweden is a leading country in terms of the advance of renewable energy usage, which in 2012 amounted to 51 percent.[2] This can be compared to a consumption of fossil fuels such as coal, oil and natural gas, which continues to account for around 80 percent of energy usage both in the EU and globally.[3]

BIOFUEL

Biofuels accounted for 9.8 percent of all transport fuels in 2013, with the remaining 90.2% broken down as follows: 49.5 diesel oil, 39.9 percent gasoline and 0.9 percent natural gas. The distribution between the different biofuels is illustrated in the diagram below.



Source: The Swedish Transport Administration

POLITICAL OBJECTIVES

2030 Political objective in Sweden - A fossile fuel free transport sector by 2030

2050 Political objective in Sweden - An emissions neutral country by 2050

Politicians in Sweden continue to push for development towards a more sustainable society and have set up a target for a fossil fuel free transport sector by 2030, as well as to be an emissions neutral country by 2050.[4] These goals are significantly more ambitious than the new environmental goals proposed by the EU, which includes a target to increase the share of renewable energy to 30 percent of average energy usage by 2030. Worth noting, is that a previous goal where at least 10 percent of energy usage should consist of biofuel has been removed. A global survey from 2011 however shows that about 50 countries have set specific targets to increase usage of environmentally friendly biofuel.[3]

Progress is being made albeit too slowly According to the Swedish Transport Administration, in order to achieve Sweden's goal of a fossil fuel free public transport sector, the share of fossil fuels used in road transport needs to decline by 80 percent and that the availability of biofuel must reach levels of between 15-20 TWh by 2030. [6] The pace of development of biofuels today in Sweden is not sufficient enough to fulfill national climate goals, and according to the Swedish Transport Administration's assessment new measures and instruments need to be developed. Furthermore, a large number of full-scale plants for the production of biofuel are needed, as well as a well-developed distribution system and vehicles designed for these biofuels. [7]

MARKET AND DRIVING FORCES, cont.

Biogas is a key part of the Swedish energy transition In 2013, the share of biofuels in road transport increased from 7.9 percent in 2012 to 9.8 percent, contributing to a 350,000 ton reduction in greenhouse gas emissions.[8] The biogas consumption trend was also positive with an increase in sales of vehicle gas by 5 percent, amounting to a total delivery of around 146 million normal cubic meters of vehicle gas.

Of the total amount of biogas produced, the share of biogas upgraded to fuel quality in 2012 rose to 53 percent, corresponding to an increase of 15 percent from the year before. The share of biogas in the supply of transport fuel also performed well, amounting to 61 percent in 2013. The industry objective is to achieve production levels close to 2.5 TWh by 2015. [9]

The market for biogas in Sweden Of significant importance for biogas development is that the national climate goals are monitored by Sweden’s county councils and municipalities and that the authorities concerned have sufficient capacity to administer different types of permits.

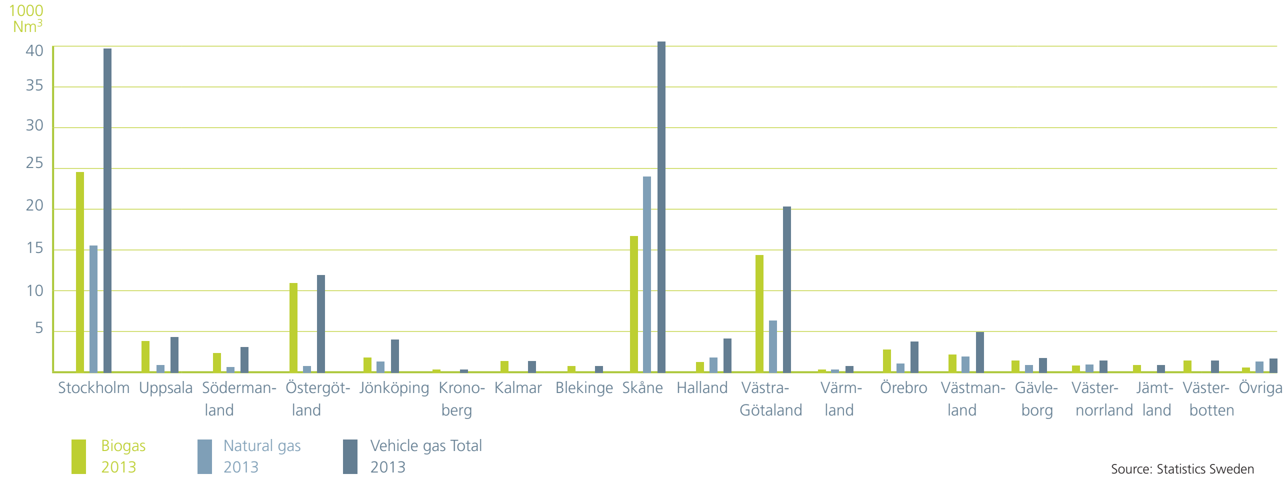
A large proportion of the biogas produced by Scandinavian Biogas today fuels Stockholms Lokaltrafik (SL), the Stockholm public transport system. A positive development is that SL continues to set up ambitious targets such as that 75 percent of SL’s buses will run on renewable fuels by 2016. SL has also adopted a sustainability strategy, in which, among other things, the company has elected to prioritize biogas as transport fuel. [10]

Today, Scandinavian Biogas competes with technical suppliers of biogas plants and companies with a similar offer to design and operate biogas production. In addition, there is growing competition in other industries for the organic materials used in biogas production. Key to the company’s competitiveness is continued development efforts to further improve the efficiency of the biogas process from existing and new types of organic matter and to continually identify new solutions to facilitate efficient biogas production.

Crucial to the biogas market is that biogas prices can be maintained at a level equivalent to the current prices of gasoline and diesel in Sweden. Due to production costs, biogas cannot compete with the current price of natural gas or the price of biogas in southern Sweden, which is held down by subsidized biogas from the continent.

DELIVERY OF VEHICLE GAS IN 2013

Deliveries of vehicle gas rose by 5 percent in 2013, increasing to 146 million normal cubic meters, of which 89 million normal cubic meters were renewable biogas.

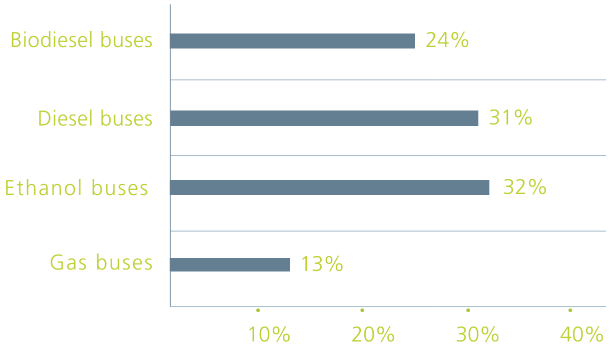


Source: Statistics Sweden

MARKET AND DRIVING FORCES, cont.

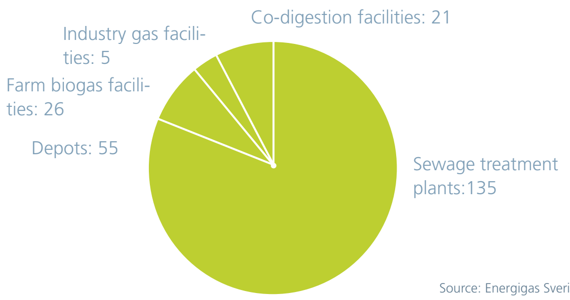
DISTRIBUTION OF BUSES IN THE SL FLEET, March 2013

Goal December 2016: At least 75 percent of the bus fleet fueled by renewable fuel.



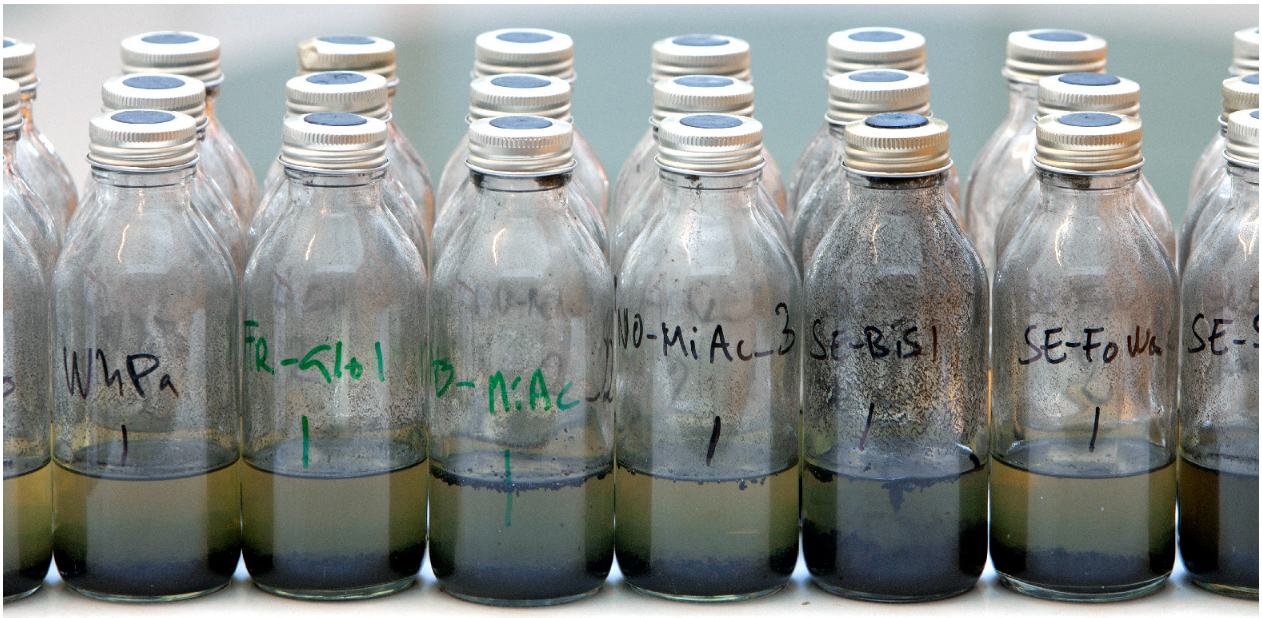
Source: Transport Administration, Stockholm County Council

BIOGAS FACILITIES



Source: Energigas Sverige

In 2012 biogas was produced at 242 facilities in Sweden, of which some 50 plants upgrade the gas to vehicle fuel quality. In Laholm, Falkenberg, Helsingborg, Malmö, Bjuv, Gothenburg, Stockholm, Lidingö and Lund the upgraded gas is fed into the gas net.



Sources:
1. The Transport Administration's report on emissions from road traffic in 2014.
2. Naturvårdsverket, the Swedish Environmental Protection Agency
3. International Energy Agency, IEA , annual report on global energy transition from November 2013.
4. Government Offices.
5. Road map 2050, and investigation on a fossil fuel free transport system
6. Transport Administration report on emissions from road traffic in 2014.
7. Transport Administration report on emissions from road traffic in 2014.
8. Transport Administration report on emissions from road traffic in 2014.
9. Energigas Sverige
10. Traffic Management Stockholm County Council

THE NORDICS AND EAST CENTRAL SWEDEN

– Scandinavian Biogas's main market

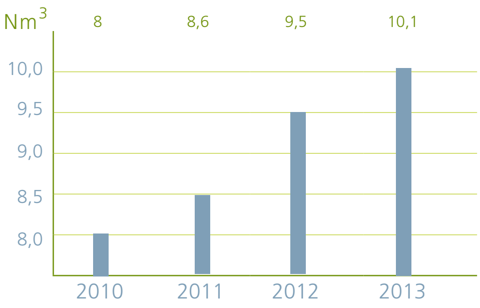
Scandinavian Biogas's Swedish operations are carried out in close collaboration with Stockholm Vatten and help facilitate Stockholm's sustainable development. During the year, the company increased profitability as well as the supply of clean biogas.

Continued high production volumes in 2013 The plants at Bromma and Henriksdal continued to produce at high volumes in 2013. In total, sales in the Swedish market rose to 10.1 million normal cubic meters of fuel quality biogas. This corresponds to an increase of 6 percent from the previous year, exceeding the forecast by 7 percent. These volumes were achieved thanks to the tremendous efforts of the company's highly trained operations team, who, among other things, managed to increase availability at Henriksdal from 96 percent in 2012 to 99.3 percent of available operating time in 2013. This means that the facilities are now operating at full capacity and that an increase in production can only be achieved by realizing plans for a further upgrade of the Henriksdal facility.

Industrial plants in Bromma and Henriksdal The operational activities in Stockholm mainly include the biogas upgrading facilities in Bromma and Henriksdal. Biogas production is carried out through a win-win collaboration between Scandinavian Biogas and Stockholm Vatten, in which sludge from the sewage treatment plants in Bromma and Henriksdal is digested together with other types of organic waste, such as grease from the restaurant grease traps. The upgrade to fuel quality biogas is conducted at the production unit in Bromma, using Pressure Swing Adsorption Technology (PSA), while at the plant in Henriksdal uses water wash technology at two parallel lines.

INCREASED PRODUCTION VOLUMES

Production at the plants in Bromma and Henriksdal amounted to 10.1 million normal cubic meters of upgraded fuel quality biogas, representing an increase of 6 percent. All gas produced was sold.



Scandinavian Biogas contributes to an increase in availability of renewable vehicle fuel The bulk of biogas produced by the company is delivered to Stockholms Lokaltrafik (SL), which means that Scandinavian Biogas is helping the city to achieve its environmental goals. In recent years, SL has steadily increased the number of biogas buses and is now working to achieve a target of fueling 75 percent of its bus fleet with renewable fuel by 2016.

> *Scandinavian Biogas provides greater Stockholm with renewable biogas*

Expansion to double capacity of Henriksdal Scandinavian Biogas intends to increase the production capacity at Henriksdal from a current plant capacity of 7.5 million to around 15 million normal cubic meters of fuel quality biogas. The project has been granted an environmental permit for the construction of a second production line for upgrading, and work on the project is ongoing. The expansion will be carried out in collaboration with Stockholm Vatten following a decision from the city's politicians.

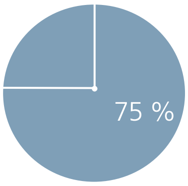
Expansion south of Stockholm In order to increase the supply of biogas in the Stockholm area, Scandinavian Biogas intends to build a new production plant south of Stockholm. The project will be implemented at the Sofielund waste facility in close cooperation with SRV Återvinning AB, a waste management company owned by five municipalities in the southern parts of the county. The plant will initially produce about 8 million normal cubic meters of fuel quality biogas, mainly from food waste from these municipalities.

Initial plans for the new facility already project for an expansion of a total capacity of 16 million standard cubic meters of biogas, with the intention to minimize the cost of such an investment. All agreements were signed in the first quarter of 2014, which means that construction preparations have begun in the project. The goal is for the facility to be operational in the first half of 2015.

Financially unfavorable conditions in Varberg and Loudden The company's plant in Varberg, completed in 2012, was not deployed during the year due to low biogas prices in the region. This is because gas prices in the Swedgas network are kept low by subsidized biogas from the continent, while there is a lack of political interest in supporting a local market. Scandinavian Biogas thus continues its efforts to find an alternative solution. The biogas plant at Loudden also lacks the requisites for commercial operation, due to its size. The value of both of these plants has been impaired by a total of MSEK 13.

COLLABORATION WITH SL

In collaboration with SL we want to help Stockholm to be Europe's most attractive metropolitan region.



SL's goal is that at least 75% of the buses in greater Stockholm will be powered by renewable fuel by December 2016.

SOUTH KOREA – generates profit

In 2013, the Scandinavian Biogas biogas plant in South Korea generated a profit for the first time. A new sales record was achieved along with improved liquidity. Moreover, the company was named the most efficient one in the country by the Korean authorities, generating positive awareness.

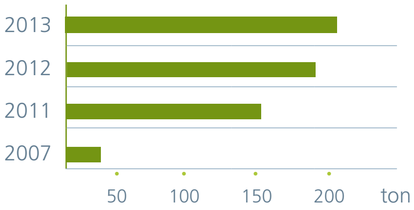
A challenging situation turned to profit Over the past three years, the Scandinavian Biogas plant in Ulsan has enjoyed significant earnings growth. The change came about through an operational efficiency program, as well as by renegotiating the contracts with the city of Ulsan. Furthermore, a renegotiation of financial covenants has improved liquidity significantly. Thanks to the combination of all these efforts, the plant now generates a profit.

Increased production and renegotiated contracts The biogas production in South Korea generates revenue primarily through fees for managing food waste from the residents of Ulsan that Scandinavian Biogas converts into environmentally friendly biogas. The increase in profitability is due to an increase in the volumes of food waste that are managed and that the price of this service has been renegotiated. As the price of biogas in South Korea is low, only a small portion of revenues come from the sale of biogas.

Production volumes during the year amounted to 10.7 million normal cubic meters of raw gas. Sales amounted to 9.1 million normal cubic meters of raw gas, equivalent to 6.3 million cubic meters of upgraded fuel quality biogas. This is equivalent to an increase in volume of 8 percent year on year.

Plant efficiency generates interest The biogas facility at the Youngyun wastewater treatment plant in Ulsan, operates through the management, pretreatment and digestion of vast amounts of food waste from the city of Ulsan, together with primary sludge from the treatment plant. The gas production is then sold to customers locally. Cooperation with the city Ulsan is regulated by a licensing agreement with a term of 15 years.

INCREASED TREATMENT OF FOOD WASTE



When Scandinavian Biogas was contracted in 2007, it treated about 40 tons of food waste per day. In 2011, the amount of treated food waste increased to 156 tons per day, in 2012 to 191 tons and in 2013 the corresponding figure was on average 208 tons of treated food waste per day. A result that in a short time made the plant into South

> ”The Youngyun biogas plant was appointed by the authorities as the most efficient in South Korea

Korea’s most efficient biogas plant, generating great interest in the facility both from South Korean politicians and the media.

Success and new legislation creates new opportunities in South Korea At the start of 2013, a new environmental law came into force in South Korea, prohibiting the dumping of food waste in the sea, and also involving hefty fines for cities that continued ocean dumping after 2014. The biogas plant in Ulsan has quickly become known and the city has positioned it as a role model in terms of efficiency and environmentally sound management of food waste. This in turn has led to an increase of interest and belief in biogas, with this method of organ waste disposal proving to be one of the few possible options available in a country with a large population, efficient waste management and where the lack of land is great.

This development has created opportunities. With the reversal of Scandinavian Biogas’s previous negative trend, there is more room for maneuver. In light of this, executive management has made a strategic decision to start identifying new biogas projects in 2014, with the intent to make new investment decisions in 2016, i.e., additional investments besides the facilities in Sofielund and Henriksdal in Stockholm. Growth through new projects may also be a reality in South Korea.

EXECUTIVE MANAGEMENT

Matti Vikkula

President and CEO

CEO of Scandinavian Biogas since 2011. Mr. Vikkula holds a Masters in Economics from the Helsinki School of Economics. He is also Chairman of AinaCom OY. Previously employed by the telecom operator Elisa, Saunalahti and was a partner at PwC Management Consulting.

Michael Olausson

Vice President and Head of Business Development

Employed since 2009. Mr. Olausson works with client and business strategies, as well as development of new business opportunities and collaborations. The company's research department is part of this department. Before joining Scandinavian Biogas, Olausson was employed by the Swedish Arms Forced, Deloitte, and completed an MBA at the Stockholm School of Economics.

Professor Jörgen Ejlertsson

Vice President and R&D Director

Cofounder of Scandinavian Biogas Fuels AB. Since the start he has been active within research and development issues. He has a Major in Agricultural sciences from the Swedish University of Agricultural Sciences (SLU), and a PhD in environmental microbiology from Linköping University.

EXECUTIVE MANAGEMENT, cont.

Lotta Lindstam

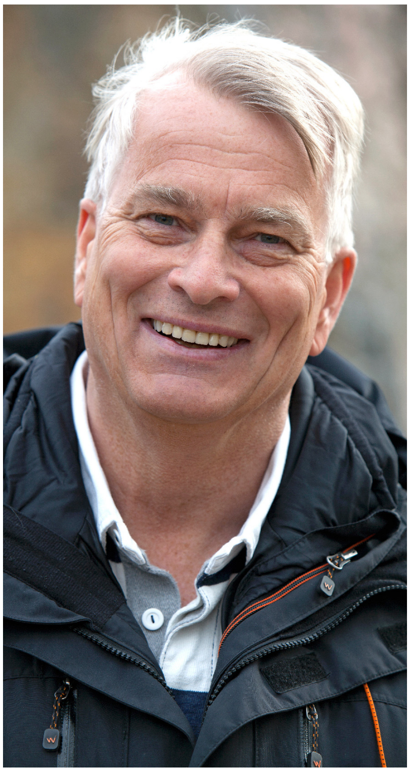
Head of Finance and Administration

Employed since 2011. Ms. Lindstam is responsible for the finance department and external financial reporting, as well as reporting to management and the board. Graduate of IHM Business School.

Jean Collin

CIO

Employed since 2007. Mr. Collin is responsible for the engineering department, where he in collaboration with a team of project managers, process experts and constructors, develop new biogas facilities and assist the operations department with development projects. Master of Engineering from ISARA, European Master Agroecology, Lyon.



Lars Hammarlo

Head of Operations

Employed since 2009. Mr. Hammarlo is responsible for the company's plants in Sweden as well as the further development of operating activities to facilitate increased profitability.

BOARD OF DIRECTORS

Göran Persson, *Chairman of the Board*

Born 1949. Chairman of Scandinavian Biogas since November 26, 2009. Chairman of the board of Sveaskog and Scandinavian Air Ambulance and member of the board of the World Resources Institute. Formerly Prime Minister of Sweden 1996 - 2006, Chancellor of the Exchequer 1994 - 1996, Member of Parliament and Vice Chairman of the Standing Committee on Finance 1993 - 1994, Member of Parliament and Chairman of the Agriculture Committee 1991 - 1992 and Minister for Schools 1989 - 1991. Chairman of the Remuneration Committee (RC) and the Property Committee (PC). Göran Persson's extensive experience covers public affairs, financial markets, mergers & acquisitions, international politics and the EU.

Phil Metcalfe

Born 1970. Elected as a board member in 2009. Currently employed as an energy specialist at Novator, where he has a focus on renewable energy investments. Previously Executive Director at Goldman Sachs International. Founder and board director of several privately-held companies specializing in environmental emission trading solutions.

Andreas Ahlström

Born 1976. Elected as board member in 2011. M.SC. from the Hanken School of Economics in Helsinki. Since autumn 2010, he has worked for Ahlström Capital with overall responsibility for the company's new investments in Cleantech. Mr. Ahlström is currently on the board of three of the company's fund portfolio companies.

Anders Bengtsson

Born 1963. Elected as a board member in 2009. MBA from the Monterey Institute of International Studies, USA. 20 years of experience as CEO of small and mid-sized companies and several years of experience as a management consultant including Semcon AB. He is a board member of Bengtssons Tidnings AB, where he is also partner. He is also engaged in investing in renewable energy companies, among others, and has a number of other board engagements.

BOARD OF DIRECTORS, cont.

Hans Hansson

Born 1947. Elected as board member in 2013. Economist. Hansson experience includes CEO of seven companies within the Scania group including CEO of Scania's bus operations, CEO of Scania's bus factory in Denmark and has established a bus factory in Russia. Today he works as a director at Scania as well as a board member of Ripasso Energy, Leax Group, ATG as well as Chairman of the Board of Svensk Galopp.

Jan Lönnblad

Born 1952. M.Sci. (Econ.) from the Swedish School of Economics and Business Administration, Helsinki. Jan Lönnblad has 25 years of experience as CEO in international logistics and supply chain companies. Last four years either Chairman of the Board or Board Member in start-up companies in cleantech, renewable energy and health care. Mr. Lönnblad has also been responsible for several acquisitions and de-investment processes during the last 15 years. At the moment he is also Chairman of the Board of John Nurminen Oy.

Andreas Berg

Born 1975. Mr. Berg has a M.Sc. in Biology from the University of Linköping. Today he is employed as research director at Scandinavian Biogas. Employee representative.

BOARD OF DIRECTORS REPORT

The Board of Directors and CEO of Scandinavian Biogas Fuels International AB, corporate registration number 556528-4733, hereby submit the Annual Report and Consolidated Accounts for the financial year 2013.

Operations

Scandinavian Biogas is today a leading player of large-scale biogas production that possess world-leading expertise in the design and operation of biogas plants in order to optimize production and hence profitability for each respective plant.

The business concept is to be a leader in the design and operation of biogas plants. This is achieved by constantly improving the digestion process of the biogas production from different types of substrates, mainly from food waste, sludge from wastewater treatment, as well as from industrial processes such as food and biofuels production. Furthermore, the company provides leading expertise in purification processes of the digester gas for upgrading biogas to fuel quality.

The company also works with research and development, which means that Scandinavian Biogas continues to place great importance on developing methods for efficient biogas production from both established and new types of wastes and residues. The company's expertise and methods implies that biogas production can now be carried out much more cost- and resource-efficient than previously.

Scandinavian Biogas Fuels International AB is domiciled and headquartered in Stockholm, with R&D operations in Linköping. At year-end the company had 29 employees in Sweden and 20 in South Korea.

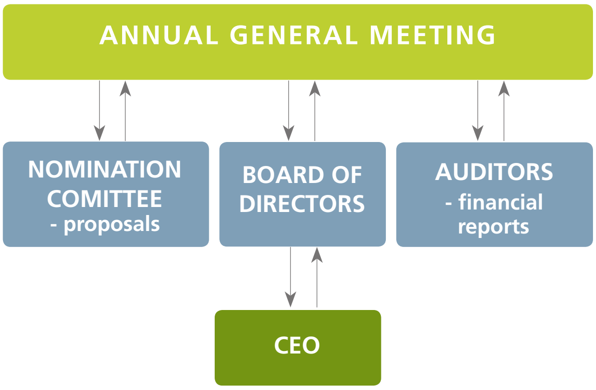
The Group

Scandinavian Biogas Fuels International AB has the structure of a holding company where the Group's operations are conducted in subsidiaries, primarily in Scandinavian Biogas Fuels AB and Fordonsgas Stockholm AB, which are 100 percent owned by Scandinavian Biogas Fuels International AB. Operations are also conducted by Scandinavian Biogas Korea Co. Limited, of which the company owns 82 percent and Biogas Uppland AB, which is in turn owned in equal parts together with Upplands Lokaltrafik.

During June 2013, 100 percent of a shelf company was acquired, which now operates under the name Scandinavian Biogas Recycling AB. The dormant subsidiaries in Hong Kong and the U.S. were closed during the year since there are no plans to operate in these countries.

Corporate Governance

Corporate governance, management, and controls of Scandinavian Biogas are performed through a division of responsibilities between shareholders at the Annual General Meeting, The Board of Directors, and the CEO in accordance with the Swedish Companies Act. The Company's corporate governance is organized and controlled as illustrated below.



Financial Overview

Scandinavian Biogas Fuels International Group reported for the first time in accordance with IFRS in 2012. This means that figures for 2011 have also been revised. 2010 and earlier are shown based on previously applied principles, Swedish GAAP.

Group (KSEK)	**IFRS**	**IFRS**	**IFRS**	**SGAAP**	**SGAAP**
	2013-12-31	**2012-12-31**	**2011-12-31**	**2010-12-31**	**2009-12-31**
Net sales	145 488	134 266	117 111	73 291	27 634
Operating loss	-9 191	-15 490	-103 127	-54 601	-38 098
Total Assets	428 741	419 777	407 752	403 337	210 053
Equity asset ratio, %	41,9	37,9	13,1	31,7	17,8

BOARD OF DIRECTORS REPORT, cont.

Consolidated net sales amounted to SEK 145 million, an increase of 8.4 percent year on year. Sales were effected by, among other things, the plant in Ulsan South Korea, which has been able to further increase its production, largely due to the increased receipt of food waste. In addition, production facilities in Bromma and Henriksdal increased during the year and the subsidiary Biogas Uppland AB increased its sales by about 80 percent after group eliminations. Fordonsgas Stockholm had net sales of SEK 80.3 million and the Korean subsidiary had net sales equivalent to SEK 44.0 million during the year. Consolidated operating profit improved by SEK 6.3 million from the previous year, and the Group's EBITDA improved by SEK 24.8 million.

During the fall of 2013, equity increased by approximately SEK 50.5 million, including interest, after the conversion of AC Cleantech convertible bonds issued in 2010. The number of shares increased by 10.8 million, from 67.6 million to 78.4 million. Three convertible bonds issues totaling approximately 11 million convertibles were made during the year and provided a total of nearly SEK 40 million to the Group.

The Group equity ratio increased by 10.6 percentage points from last year and is now 41.9%.

Ownership Structure as per reporting date, in percent %

AC Cleantech	34,1%
Bengtssons Tidnings AB and closely related parties	30,3%
Novator	7,7%
Ajanta OY and closely related parties	5,7%
John Nurminen OY	5,3%
Danielsson family including related companies	3,5%
Other	13,4%

Significant events during the year

Increased production and improved profitability for the facilities in the Stockholm area

The facilities in Henriksdal and in Bromma continued to produce high volumes of biogas. In 2013, total production amounted to 10.1 million normal cubic meters, which is an increase of 6 percent compared to 2012. Given demand for biogas exceeds supply the Company sold the total amount of gas produced.

Increased production and profits at the facility in South Korea

The plant in Ulsan, despite a couple of shutdowns due to maintenance, managed to beat last year's sales record making its first profit during 2013. The receipt of food waste has averaged 208 tons per day, compared to 191 tons per day received in 2012.

Refinancing in South Korea

A successful refinancing of the subsidiary Scandinavian Biogas Korea Co., Ltd. in Ulsan was completed in December 2013. In short, this meant that the loans with Korean Development Bank have been repaid in full and that new loans at favorable terms were taken with Daegu Bank. This has significantly improved the Group's liquidity and Scandinavian Biogas Korea Co., Ltd. was able to repay a portion (approximately 19 million) of its intercompany loan from Scandinavian Biogas Fuels AB.

Increased Capital in order to finance projects and development

Scandinavian Biogas, in 2013, also completed the issuance of shares and convertible bonds. The aim was to partly finance some smaller investments, and to partly finance the preparatory work for the company's two main projects in Stockholm.

Information regarding risks and uncertainties

The following describes the main risks that may effect the Scandinavian Biogas operations and its future development. The account does not purport to be comprehensive and the risks are not listed in any order of significance. See also Note 3 Financial risk management.

Industrial company, but with a continued need for funding

Scandinavian Biogas has gone from being a development company to becoming an industrial company. However, the company has a need for funding of projects related to facilities the company undertakes to design, build and operate, as well as a continued need of financing for development activities. The funding requirement poses a risk in that interesting projects may be impossible to implement, or that the liquidity issue becomes a problem for the company. This risk is managed through long-term financial planning in collaboration with banks and owners.

Competition and maintaining a competitive edge

Scandinavian Biogas's operations are entirely dependent on the demand for biogas. Today, biogas is one of the most environmentally attractive sources of renewable energy, and as the market matures more companies will be established. Competition for the organic material used in biogas

BOARD OF DIRECTORS REPORT, cont.

production is expected to increase, both from other biogas producers and from producers of other types of renewable energy. It is therefore vital that the company continues strategic research and development activities that facilitates the digestion of new types of substrates as well as finding ways to increase biogas output from the organic waste already digested today.

Revenue generation

Revenue streams from biogas production differ from market to market. At the same time, the price of biogas is of key significance to Scandinavian Biogas. It is important that the price level is maintained at a level that is more or less equivalent to today's Swedish petrol and diesel prices. Future changes in tax laws or the price of other renewable fuels with a price suppression effect constitute a risk.

Employees

Scandinavian Biogas' operations are dependent on employee knowledge and expertise. If Scandinavian Biogas were to lose key personnel, this may pose a risk to the company's ability to complete ongoing projects and ensure future performance.

Political risks

The political situation in countries where Scandinavian Biogas operates is of great significance to the company's operations. Customers primarily include municipalities, cities and public sector entities and companies. This means that any change in a country's political situation may have a major impact on the assignment and the company's ability to generate revenues despite previously reached agreements. Many assignments are also contract-based, with revenue streams spanning over time horizons of up to 15 years. The uncertainty of unforeseen events that may occur in the future poses a risk for the company. The company's continued expansion into markets with stable business sectors may mitigate this type of risk. The risk of any political decisions that might have a negative impact on the production of biofuels is currently deemed to be limited.

Dependence on decisions by public authorities

Scandinavian Biogas's operations are dependent, to some extent, on approval and authorization from public authorities in different countries. In some cases the time to process work permits may take up to a year, or longer, with some projects consequently coming to a halt; this may risk a delay in the project. To operate a biogas plants in Sweden requires a permit under the Environmental Code. This requirement effects the company at the facilities operated at Henriksdals sewage treatment plant, Bromma sewage treatment plant and Loudden. All of these facilities have valid permits.

Long sales cycle for new projects

The sales cycle, from the first point of contact with the customer to the generation of revenues, may span several years. In general, projects are extensive and complex to carry out. Furthermore, entrance into new markets involves both a major personnel effort and a cultural understanding. These factors pose a risk, which may be mitigated through effectively managed market studies, employees with local knowledge and strong networks, as well as experience from successfully completing similar projects.

Dependence on partners

Scandinavian Biogas's operations normally involve partnering with public sector companies; any change in political climate or culture may pose a risk. Any major changes in a customer's operations or focus may also pose a risk.

Disputes

Scandinavian Biogas activities are highly dependent on the completion of agreements entered with partners and subcontractors, which may pose a risk. These agreements may also be subject to interpretation, thereby causing disputes.

Accidents and environmental hazards

A major leakage of methane is one example of environmental risk in biogas production. Accidents may also occur. Scandinavian Biogas continuously works to enhance the company's safety and security procedures, which in many areas are now integrated with the day-to-day business processes. The company continuously strives to mitigate the risk of accidents and environmental hazards.

Currency

Overseas operations constitute a possible currency risk for the company. There are no significant loans or debts in foreign currencies; however, there is a loan, primarily denominated in USD, from Scandinavian Biogas Fuels AB to the South Korean operations.

Interest rates

Certain larger borrowings in the group carry variable interest components, which may constitute an interest rate risk. In order to mitigate interest rate risk the company has

BOARD OF DIRECTORS REPORT, cont.

entered into an interest rate swap that runs until December 30, 2015, corresponding to a loan amount of SEK 47.5 million. The hedge converts the variable interest rate at a fixed rate.

Expectations regarding future development

There is a continued great need for renewable energy that can replace fossil fuels such as coal, oil and natural gas at reasonable prices. The demand for biogas continued to exceed supply in Sweden.

This means that Scandinavian Biogas will be able to sell all the biogas it produces. The greatest environmental benefits are achieved for heavy city traffic such as bus traffic, which is why more and more cities are opting to prioritize biogas over other renewable fuel alternatives and where the lack of available biogas is currently the only major limiting factor.

The Swedish public transport system is by far the frontrunner in this area and there are indications that biogas-powered public transport services are spreading to the other Nordic countries. The current increase in use of biogas by the public transport system lays the foundation for expanded production, particularly in metropolitan areas. Scandinavian Biogas through the subgroup company Biogas Stockholm Finans AB has an especially good basis for further expansion in Stockholm. However, it is important that there is continued political interest in supporting the production of biogas, as biogas cannot compete with natural gas prices given the more costly production in the foreseeable future.

Financing activities

The company conducts financing activities on an ongoing basis in an effort to ensure that the current business plan can be realized.

- A refinancing of Scandinavian Biogas Korea Co. Ltd. was completed in December 2013. Therefore the previous loan from KDB was repaid and a new loan was taken with Daegu Bank. This freed up Group capital by approximately 19 million SEK.
- During the year, a small number of convertible bond issues were completed with a total subscription amount of 40 million SEK.
- In October, 1.25 million SEK was raised through a new loan from AC Finance BV. The loan will be repaid within one year from the date of receipt.

Project investments in the investment plan for 2014 are planed to be largely financed through a collaboration with a financial partner, Proventus Capital partners AB.

The Company expects that over time the financing of major projects will require different types of financing and partnerships depending on the project's structure and location. The goal is to eventually reach between 60 and 70 percent senior lending per project.

The Share

As of December 31, 2013, the Company had 78,414,661 shares with a nominal value of SEK 0.20 per share. Each share carries one vote. All outstanding shares are ordinary shares and therefore retain an equal share in Scandinavian Biogas Fuels International's assets and earnings.

Convertibles outstanding 2013-12-31

Type	Number
Rights issue - convertibles KV3	6 965 249
Private placement – convertibles KV4	37 263 289
Private placement - convertibles KV5	649 463
Total outstanding convertibles (note 24)	**11 378 001**

Significant events after year-end

Private Placement Convertible issue

A private placement of a convertible bond issue with the Group CEO was made in January 2014 and resulted in new capital of approximately SEK 1 million and 300 thousand new convertibles.

Ready for a new biogas project south of Stockholm

On March 3, 2014 Scandinavian Biogas signed an agreement with SRV Återvinning AB, which means the construction of the project in Sofielund can now begin. The plant will be built in close cooperation with SRV Återvinning AB and is projected to have a capacity of 8 million normal cubic meters of biogas fuel capacity. However, the new facility is at the outset planned for a total capacity of 16 million normal cubic meters of biogas fuel so that the plant, with a limited investment, can quickly be expanded. The goal is to have the new biogas plant fully operational during the second half of 2015.

BOARD OF DIRECTORS REPORT, cont.

Proposed allocation of profit

The Board of Directors and CEO propose that the following amount, SEK 283 734 311, be allocated as follows:

	Amount in SEK
Profit/loss brought forward	-219 158 021
Share premium reserve	513 166 951
Loss for the year	-10 274 619
Total	283 734 311
Carried forward to next year	283 734 311
Total	283 734 311

With regard to the company's performance and financial position, please refer to the following financial statements and accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS

Amounts in SEK thousand — **Financial year**

	Note	2013	2012
Operating income			
Net sales	5	145 488	134 266
Work performed for own use and capitalized	7	16 404	8 887
Other operating income	10	269	504
Total		**162 161**	**143 657**
Operating expenses			
Raw materials and consumables		-83 791	-77 036
Other external costs	8	-18 240	-30 705
Personnel costs	9	-38 723	-38 871
Depreciation and impairment of tangible and intangible fixed assets		-30 585	-12 105
Other operating costs	10	-13	-430
Total operating costs		**-171 352**	**-159 147**
Operating Income/loss		**-9 191**	**-15 490**
Financial income	11	2 491	7 002
Financial costs	11	-20 219	-36 467
Net financial items		**-17 728**	**-29 465**
Results before tax		**-26 919**	**-44 955**
Tax on results for the year	12	-2 820	-1 139
Net income/loss for the year		**-29 739**	**-46 094**
Other total income/loss			
Translation adjustments	13	-132	90
Other total income/loss, net after tax		**-132**	**90**
Comprehensive income/loss for the year		**-29 871**	**-46 004**
All items in Other Comprehensive Income represents items that can be reversed in the income statement.			
Net income/loss attributable to:			
Parent company shareholders		-30 150	-41 487
Non-controlling interests		411	-4 607
		-29 739	**-46 094**
Total comprehensive income attributable to:			
Parent company shareholders		-30 290	-41 409
Non-controlling interests		419	-4 595
Total		**-29 871**	**-46 004**

Notes on page 34 through 65 form an integrated part of this annual report.

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousands	**Note**	**2013-12-31**	**2012-12-31**
Assets			
Non-current assets			
Intangible assets	14		
Goodwill		-	-
Capitalized development expenses		2 952	2 073
Concessions and similar rights		128 086	135 590
Patents and licenses		11	12
Total intangible assets		**131 049**	**137 675**
Tangible assets	15		
Buildings and land		96 198	96 083
Machinery and equipment		54 351	48 914
Equipment, fixtures and fittings		1 529	1 547
Construction in progress		71 158	76 699
Total tangible assets		**223 236**	**223 243**
Financial assets			
Other long-term receivables		1 323	1 665
Total financial assets		**1 323**	**1 665**
Deferred tax assets	16	506	508
Total fixed assets		**356 114**	**363 091**
Current assets			
Account receivables	20	16 788	23 755
Other receivables		2 627	1 333
Pre-paid expenses and accrued income	21	5 319	7 535
Liquid assets	22	47 893	24 063
Total current assets		**72 627**	**56 686**
Total assets		**428 741**	**419 777**

Notes on page 34 through 65 form an integrated part of this annual report.

CONSOLIDATED BALANCE SHEET, cont.

Amounts in SEK thousands	**Note**	**2013-12-31**	**2012-12-31**
EQUITY			
Shareholders equity			
Share capital	23	15 683	13 518
Other capital		654 348	605 982
Reserves		-510	-370
Retained earnings including this years comprehensive income		-491 466	-461 313
		178 055	**157 817**
Non-controlling interests		**1 575**	**1 155**
Total equity		**179 630**	**158 972**
LIABILITIES			
Non-current liabilities			
Borrowings	24	122 283	131 604
Convertible debt	24	39 361	40 378
Derivative instrument	19	990	1 591
Deferred tax liability	16	18 191	15 374
Total long-term liabilities		**180 825**	**188 947**
Current liabilities			
Borrowings	24	24 706	2 000
Borrowings from shareholders	24	4 981	13 434
Account payables		9 340	30 111
Other short-term liabilities		3 880	1 832
Accrued expenses and deferred income	25	25 379	24 481
Total short-term liabilities		**68 286**	**71 858**
Total equity and liabilities		**428 741**	**419 777**

Notes on page 34 through 65 form an integrated part of this annual report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Shareholders equity						
Amounts in SEK thousands	**Note**	**Capital stock**	**Additional paid in stock**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Opening balance January 1, 2012		**5 355**	**462 480**	**-448**	**-419 826**	**47 561**	**5 751**	**53 312**
Income for the period					-41 487	**-41 487**	-4 607	**-46 094**
Other comprehensive income								
Translation adjustments				78	-	**78**	12	**89**
Total comprehensive income				**78**	**-41 487**	**-41 409**	**-4 596**	**-46 005**
New issue		154	2907			**3 061**		**3 061**
Costs associated with new issue[1]			-815			**-815**		**-815**
Convertible debt - converted		8 009	141 410			**149 419**		**149 419**
Total contributions by and distributions to shareholders, included in equity		**8 163**	**143 502**	**-**	**-**	**151 665**	**-**	**151 665**
Closing balance December 31, 2012		**13 518**	**605 982**	**-370**	**-461 313**	**157 817**	**1 156**	**158 973**
Opening balance January 1, 2013		**13 518**	**605 982**	**-370**	**-461 313**	**157 817**	**1 156**	**158 973**
Net Income					-30 150	**-30 150**	411	**-29 739**
Other comprehensive income								
Translation adjustments				-140	-3	**-143**	8	**-135**
Total comprehensive income				**-140**	**-30 153**	**-30 293**	**419**	**-29 874**
Costs associated to new issue[1]			-16			**-16**		**-16**
Convertible debt - converted		2 165	48 382			**50 547**		**50 547**
Total contributions by and distributions to shareholders, included in equity		**2 165**	**48 366**	**-**	**-**	**50 531**	**-**	**50 531**
Closing balance December 31, 2013		**15 683**	**654 348**	**-510**	**-491 466**	**178 055**	**1 575**	**179 630**

Notes on page 34 through 65 form an integrated part of this annual report.

1) The tax effect of share issue costs recognized in equity amounts to 3 KSEK (214 KSEK).

CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in SEK thousands		Financial year	
	Note	2013	2012
Cash flow from operations			
Operating income before financial results		-9 191	-15 490
Depreciation/impairments		15 593	26 606
Other non-cash items	30	16 951	-2 615
Interest received		184	811
Interest paid		-25 998	-35 720
Tax paid		2	-164
Cash flow from operations before changes in working capital		**-2 459**	**-26 572**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		7 889	-20 732
Increase/decrease in operating liabilities		-11 845	9 430
Total change in working capital		**-3 956**	**-11 302**
Cash flow from operations		**-6 415**	**-37 733**
Cash flow from financing activities			
Acquisition of intangible assets	14	-3 609	-12 817
Acquisitions of tangible assets	15	-22 143	-16 324
Acquisitions of financial assets		-	-700
Divestment of financial assets		352	348
Increase/decrease in short-term financial assets		2 307	6 191
Cash flow from investments		**-23 093**	**-23 302**
Cash flow from financing activities			
New share issue		-	75 281
Borrowings		68 706	15 411
Amortization of debt		-24 574	-45 107
Increase/decrease of short-term financial liabilities		-9 206	-
Cash flow from financial activities		**53 338**	**45 585**
Decrease/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	22	24 063	39 654
Cash and cash equivalents at end of year	22	**47 893**	**24 063**

Notes on page 34 through 65 form an integrated part of this annual report.

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousands	**Note**	**2013**	**2012**
Operating income			
Net sales	5, 6	1 740	1 703
Total operating income		**1 740**	**1 703**
Operating expenses			
Other external costs	8	-3 822	-5 471
Personnel costs	9	-173	-176
Other operating costs	10	-4	-5
Total operating costs		**-3 999**	**-5 652**
Operating income/loss		**-2 259**	**-3 949**
Interest expenses	11	-8 016	-15 691
Income after financial items		**-8 016**	**-15 691**
Income before appropriations and taxes		**-10 275**	**-19 640**
Appropriations			
Group contributions		-	-32 000
Total appropriations		**-**	**-32 000**
Results before tax		**-10 275**	**-51 640**
Taxes	12	-	-
Net income/ loss for the year		**-10 275**	**-51 640**

In the Parent Company there are no items reported as other comprehensive income and hence total comprehensive income is in accordance with this year’s results.

Notes on page 34 through 65 form an integrated part of this annual report.

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousands	**Note**	**2013-12-31**	**2012-12-31**
ASSETS			
Non-current assets			
Financial assets			
Participation in Group companies	17	250 050	250 050
Receivables from Group companies		97 825	77 250
Total financial assets		**347 875**	**327 300**
Total non-current assets		**347 875**	**327 300**
Current assets			
Short-term receivables			
Receivables from Group companies		1 187	-
Other Receivables		179	78
Prepaid expenses and accrued income	21	106	157
Total current assets		**1 472**	**235**
Cash and bank	22	**2 010**	**1 096**
Total current assets		**3 482**	**1 331**
Total assets		**351 357**	**328 631**

Notes on page 34 through 65 form an integrated part of this annual report.

PARENT COMPANY BALANCE SHEET, cont.

Amounts in SEK thousands	**Note**	**2013-12-31**	**2012-12-31**
EQUITY AND LIABILITIES			
Equity	23		
Restricted equity			
Share capital		15 683	13 518
Statutory reserve		2 043	2 043
Total restricted equity		**17 726**	**15 561**
Non-restricted equity			
Retained earnings		-219 158	-167 518
Share premium reserve		513 167	464 801
Net income		-10 275	-51 640
Total non-restricted equity		**283 734**	**245 643**
Total equity		**301 460**	**261 204**
Non-current liabilities			
Convertible debt	24	39 361	40 378
Total non-current liabilities		**39 361**	**40 378**
Current liabilities			
Borrowings	24	4 981	13 434
Accounts payables		578	2 995
Other liabilities		47	95
Accrues expenses and deferred income	25	4 930	10 525
Total current liabilities		**10 536**	**27 049**
TOTAL EQUITY AND LIABILITIES		**351 357**	**328 631**
Pledged Assets	26	**-**	**-**
Contingent liabilities	27	**97 000**	**99 000**

Notes on page 34 through 65 form an integrated part of this annual report.

PARENT COMPANY CHANGE IN EQUITY

Amounts in SEK thousands		**Restricted equity**		**Non-restricted equity**		
	Note	**Capital stock**	**Statutory Reserves**	**Share premium reserve**	**Retained earnings**	**Total equity**
Opening balance January 1, 2012		**5 355**	**2 043**	**321 299**	**-167 518**	**161 179**
Comprehensive income						
Income for the period					-51 640	**-51 640**
Total comprehensive income					**-51 640**	**-51 640**
Transactions with shareholders						
New share issue		154		2 907		**3 061**
Transactions costs[1]				-815		**-815**
Convertible debt - converted		8 009		141 410		**149 419**
Opening balance January 1, 2013		**13 518**	**2 043**	**464 801**	**-219 158**	**261 204**
Comprehensive income						
Income for the period					-10 275	**-10 275**
Total comprehensive income					**-10 275**	**-10 275**
Transactions with shareholders						
Transactions costs[1]				-16		**-16**
Convertible debt - converted		2 165		48 382		**50 547**
Closing balance December 31, 2013		**15 683**	**2 043**	**513 167**	**-229 433**	**301 460**

Notes on page 34 through 65 form an integrated part of this annual report.

[1] The tax effect of share issue costs recognized in equity amount to 3 KSEK (214 KSEK).

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK thousands		**Financial year**	
	Note	**2013**	**2012**
Operating activities			
Results before financial items		-2 259	-3 949
Adjustments for items not included in cash flow	30	-	-32 000
Interest received		-13 996	-18 524
Taxes paid		-	19
Cash flow from operations before changes in working capital		**-16 255**	**-54 454**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		-1 237	3 723
Increase/decrease in operating liabilities		-2 080	2 553
Total change in working capital		**-3 317**	**6 276**
Cash flow from operations		**-19 572**	**-48 178**
Cash flow from investment activities			
Investments in other financial assets		-20 575	-29 135
Cash flow from investment activities		**-20 575**	**-29 135**
Cash flow from financing activities			
New share issue		-	75 281
Borrowings		41 061	3 013
Cash flow from financial activities		**41 061**	**78 294**
Cash flow for the year		**914**	**981**
Cash and cash equivalents at the beginning of the year	22	1 096	115
Cash and cash equivalents at the end of the year	22	2 010	1 096

Notes on page 34 through 65 form an integrated part of this annual report

NOTES

Note 1 General information

The company, Scandinavian Biogas Fuels International AB, operates in a limited liability company and is domiciled in Stockholm, Sweden. The head office is at Holländargatan 21A, 111 60 Stockholm.

The Board approved for publication the consolidated accounts and the annual accounts on March 26, 2014.

All amounts are in thousands Swedish Krona (SEK) unless otherwise stated. Figures in brackets relate to the previous year.

Note 2 Summary of significant accounting principles

The principal accounting policies applied in these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of presentation

The consolidated financial statements for Scandinavian Biogas Fuels AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, RFR 1 Additional rules for Group Accounting and the Swedish Annual Accounts Act. This report is the second for the company prepared in accordance with IFRS.

The consolidated financial statements have been prepared using the acquisition cost method. The principal accounting policies applied in these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The parent company's financial statements are prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. If the Parent Company applies accounting principles other than those applied by the Group, these will be listed separately at the end of this note.

The preparation of financial statements in conformity with IFRS requires the use of certain significant estimates for accounting purposes. It also requires management to exercise its judgment in applying the Group's accounting policies, see Note 4 Significant estimates and judgments.

New and amended standards that have been applied by the Group

Below are the standards applied by the Group for the first time for the financial year beginning January 1, 2013 and which have a material impact on the consolidated financial statement.
IAS 1 "Presentation of Financial Statements" has been changed regarding "Other comprehensive income". The most significant change in the revised IAS 1 is the requirement that items recognized in "other comprehensive income" will be presented in two groups. The distribution is based on whether or not the items may be reclassified to the income statement (reclassification adjustments).

IAS 19 "Employee Benefits" was amended in June 2011. The amendment requires only certain new disclosures since the Group has no defined benefit plans.

IFRS 13 "Fair value" aims is to make valuations at fair value more consistent and less complex by providing a precise definition and a common source of IFRS fair value measurements and related disclosures. The standard provides guidance for fair value measurements for all types of assets and liabilities, financial and non-financial. The requirements do not extend to when fair value should be applied but provide guidance on how it should be applied when other IFRS already require or permit fair value.

Amendments to IAS 36 "Impairment of Assets" for disclosures about the recovery value indicates that the information be provided about the basis for calculating the recoverable amount of impaired assets if the recoverable amount was based on fair value less cost of sales. The Group has elected to apply this standard from 1 January 2013 and it has not had any effect on the financial statements.

New standards, amendments and interpretations to existing standards that have not been applied in advance by the Group
A number of new standards and interpretations will be effec-

tive for the financial year beginning after January 1, 2013 which have not been applied when preparing these financial statements. None of these are expected to have a material impact on the consolidated financial statements with the exception of the following:

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the controlling interest as the decisive factor in determining whether an entity should be included in the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group intends to adopt IFRS 10 for the Financial year beginning January 1, 2014 and the company has not yet assessed the full impact on the financial statements.

IFRS 12 "Disclosure of interests in other companies" includes disclosure requirements for subsidiaries, joint ventures, associated companies, and unconsolidated structured entity. The Group intends to adopt IFRS 12 for the financial year beginning January 1, 2014 and has not yet assessed the full impact on the financial statements.

IFRS 9 "Financial Instruments" sets out the classification, valuation and recognition of financial assets and liabilities. IFRS 9 was originally issued in November 2010 for financial instruments, and in October 2011 for financial liabilities and replaces parts of IAS 39 related to the classification and valuation of financial instruments. IFRS 9 requires financial assets to be classified into two categories: measurement at fair value or measurement at acquisition cost. Classification is determined at initial recognition based on the company's business model and the characteristics of the contractual cash flows. For financial liabilities, there are no major changes compared with IAS 39. The biggest change relates to liabilities that are designated at fair value. For these, the portion of the fair value change that is attributable to the company's own credit risk shall be recognized in other comprehensive income rather than profit unless this causes inconsistencies in the accounts (accounting mismatch). The Group has not yet evaluated the impact. The Group will assess the impact of the remaining phases of IFRS 9 when they are completed by the IASB.

None of the other IFRS or IFRIC interpretations, which have not yet come into force, are expected to have a material impact on the Group.

2.2 Consolidated Financial Statements

A subsidiary is an entity where the Group has the power to govern over the financial and operating policies (controlling interest) in a way that usually accompanies a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. A subsidiary is no longer consolidated from the date that control ceases.

The acquisition method is used to report the Group's business combinations. The consideration for the acquisition of a subsidiary is the fair value of the transferred assets, liabilities and equity interests issued by the Group. The purchase price also includes the fair value of all assets and liabilities that are the result of an agreement on a conditional purchase price. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition.

The amount by which the purchase price exceeds the fair value of identifiable net assets acquired is recorded as goodwill. If the amount is less than the fair value of the acquired subsidiary's assets, in the event of a so-called "Bargain purchase", the difference is recognized directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure a consistent application of the Group's policies.

2.3 Translation of foreign currencies

Functional currency and reporting currency

The various units have the local currency as the functional currency given the local currency has been defined as the currency of the primary economic environment in which the entity mainly operates. The consolidated financial statements are presented in Swedish Kronor (SEK), which are both the Company's functional currency and the presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation of foreign subsidiaries

The results and financial position of all Group entities that have a functional currency different from the reporting currency are translated into the reporting currency. Assets and liabilities from each entity's balance sheet are translated from their functional currency into the Group's reporting currency, the Swedish Kronor, at the exchange rate prevailing at the closing date. Income and expenses from each income statement are translated to Swedish Kronor at the average exchange rates prevailing at each transaction date. Exchange differences arising on translation of foreign operations are recognized in other comprehensive income.

2.4 Intangible assets

Goodwill

Goodwill represents the excess of the cost over the fair value of the Group's share of the acquired identifiable net assets at the date of acquisition. Goodwill arising from the acquisition of subsidiaries is recognized as an intangible asset. Goodwill is always considered to have an indefinite useful life and is therefore tested annually for impairment rather than continuous depreciation. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units, determined in accordance with the Group's operating segments, which are expected to benefit from the business combination in which the goodwill arose.

Capitalized expenditures for development and similar work

Capitalized expenditures for development and similar work consists of:

Internally developed intangible assets

Scandinavian Biogas Fuels International Group engages in research and development. Research costs are expensed as the research expenditures are incurred. Development expenditures or such costs incurred in the development phase of an internal project, and which are directly attributable to the development and testing of the substrates on which biogas can be produced, are recognized as intangible assets when all the criteria in IAS 38 p 57 are satisfied.

Separately acquired research and development projects

For research and development projects acquired separately, the conditions for recognition as an asset, under paragraph IAS 38 p 21, must be satisfied. Acquisition value and directly attributable costs are capitalized. Additional costs for separately acquired development projects are expensed if these research and development costs do not meet the criteria for recognition as an asset under IAS 38 p 57. Additional expenses incurred in connection with developing and meeting the criteria for recognition as an asset is added to the cost of the acquired research and development project.

Depreciation of acquired research and development is applied as straight line over 5 years.

Depreciation of internally generated intangible assets is applied straight line over 5 years.

Concessions and similar rights

The subsidiary in South Korea has signed a service agreement that does not grant the right to the Company to control the use of the infrastructure for public services. The Group recognizes an intangible asset to the extent that the company has a right to charge for the use of the public service (see 2.18 Agreement for economic and social services). Depreciation is on the straight-line method based on the contract period, in other words, 15 years until March 2026.

2.5 Tangible fixed assets

Tangible fixed assets are stated at value at cost less depreciation. Value at cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's reported value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will benefit the Group and the cost of the asset can be reliably measured. The carrying value of any replaced part is removed. All other repairs and maintenance are expensed in the income statement in the period in which they arise.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost is depreciated separately. There is no depreciation on land and construction in progress. Depreciation on other assets is applied straight line as follows:

Buildings	30 years
Machinery and equipment	10-20 years
Equipment, fixtures and fittings	3-5 years

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if necessary. An asset's carrying value is immediately written down to its recoverable value if the asset's carrying value exceeds its estimated recoverable value.

Gains and losses on disposal of property, plant, and equipment are determined by comparing proceeds with the carrying value and are recognized in other operating income and other operating expenses.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not written down but tested annually for impairment. Assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as the amount by which the asset's carrying value exceeds its recoverable value. The recoverable value is the higher of an asset's fair value less costs related to its sale and its value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment testing for goodwill is performed at the operating segment level.

2.7 Financial instruments – general

Financial instruments are found in various balance sheet items and are described in 2.8-2.12. The general rules that apply to financial instruments are found in section 2.7.

2.7.1 Classification

The Group classifies its financial assets and liabilities in the following categories: Financial assets and liabilities, valued at fair value via the Income statement, Borrowings, Receivables, and Other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

Financial assets and liabilities recognized at fair value through the income statement

Financial assets and liabilities recognized at fair value via the income statement are financial instruments held for trading. Financial derivative instruments are classified as "Held for trading" unless identified as Hedging instruments. The Group uses this category to classify derivative instruments (interest rate swaps).

Loans and receivables

Loans and receivables are financial assets that are not derivatives and that have fixed or determinable payments that are not quoted in an active market. They are included in current assets unless they are items with maturities greater than 12 months after the balance sheet date, and are instead classified as fixed assets. Group "Loans and receivables", consisting of "Accounts receivables", "Liquid assets" (see note 2.8 and 2.9), and financial instruments that are otherwise included in "Other receivables".

Other financial liabilities

Group Borrowings, Loans from shareholders, Convertible debt, Payables and the part of Other current liabilities relating to financial instruments are classified as "Other financial liabilities".

2.7.2 Reporting and valuation

Purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Financial instruments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through the income statement. Financial assets recognized at fair value through the income statement are initially recognized at fair value, while related transaction costs are recognized in the income statement. Financial assets are derecognized when the rights to receive cash flows from the instruments have expired or have been transferred and the Group has transferred substantially all risks and benefits of ownership. Financial liabilities are derecognized when the obligation in the agreement has been fulfilled or otherwise terminated. Financial assets and liabilities at fair value through the income statement are subsequently carried at fair value after the date of acquisition. Loans and accounts receivables and other financial liabilities are carried at amortized cost after the acquisition date, applying the effective interest method.

Gains and losses arising from changes in fair value of financial assets and liabilities, recognized at fair value through income statement, are reported in the period incurred and are included in net financial cost as it relates to financing activities.

2.7.3 Netting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when there is a legally enforceable right to net the recognized amounts and an intention to adjust them on a net basis or to realize the asset and adjust the liability.

2.7.4 Impairment financial instrument

Assets carried at acquisition cost (loans and receivables)

The Group assesses at each reporting date whether there is objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets is impaired and is written down only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The impairment is calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. The asset's carrying amount is written down and the impairment amount is recognized in the consolidated income statement within "Other external costs" or "net financial items" depending on which financial asset is impaired. If the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated income statement within "Other external costs" or "Net financial items" depending on which financial asset was impaired.

2.8 Convertible debt

Compound financial instruments issued by the Group covers convertible bonds that the holder can demand be converted to shares, and the number of shares to be issued is not effected by changes in the fair value of the shares.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not entail the right of conversion into shares. The equity component is recognized initially as the difference between the fair value of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. After acquisition, the liability component of a compound financial instrument is measured at acquisition cost using the effective interest method.

Scandinavian Biogas Fuels International resolved to report the convertible debt as a liability in its entirety since the equity component is not significant.

2.9 Derivative instrument

Derivatives are financial instruments recognized in the balance sheet on the trade date and are measured at fair value, both initially and in subsequent revaluations. The gain or loss arising from revaluations is recognized in profit or loss when the requirements for hedge accounting are not met.

The fair value of a derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining hedged item is less than 12 months.

2.10 Account receivables

Account receivables are financial instruments consisting of amounts due from customers for goods and services sold in the ordinary course of business. If payment is expected within a year, or less, they are classified as current assets. If not, they are reported as non-current assets.

Trade account receivables are recognized initially at fair value and subsequently measured at acquisition cost using the effective interest method, less any provisions for impairment.

2.11 Liquid Assets

Liquid assets are financial instruments and include cash and bank balances, in both the balance sheet and in the statement of cash flow.

2.12 Accounts payables

Accounts payables are financial instruments and represent obligations to pay for goods and services acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are reported as non-current liabilities.

Accounts payables are recognized at nominal value. The carrying value of accounts payable are assumed to approximate their fair value, as this post is short-term in nature.

2.13 Borrowings

Borrowings and Loans from shareholders are financial instruments and are recognized initially at fair value, net of transaction costs. Borrowings are subsequently stated at acquisition cost and any difference between the proceeds (net of transaction costs) and the redemption value and are recognized in the income statement over the term of the loan using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are reported as part of such assets acquisition value. Capitalization ceases when all the activities necessary to prepare the asset for its intended use or sale are substantially complete.

Financial income arising when specifically borrowed capital is temporarily invested pending use in the financing of the assets reduces the capitalized borrowing costs. All other borrowing costs are expensed as incurred.

2.15 Current and deferred tax

Tax expense comprises current and deferred tax. The current tax expense is calculated on the basis of the tax rules, which at balance sheet date has been enacted or in practice enacted in countries where the parent and its subsidiaries operate and generate taxable income.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred tax liability is paid.

Deferred tax assets on tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the loss can be utilized.

Deferred tax assets and liabilities are offset when there is either a legally enforceable right to offset current tax assets and tax liabilities, or when the deferred tax assets and liabilities relating to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, and where the intention is to settle the balances through net payments.

2.16 Employee benefits

Pensions obligations

The Group has both a defined benefit plan and a defined contribution plan.

The Group’s major defined benefit plan is the ITP plan secured through fees to Alecta (occupational pension company). The Group did not have access to information to make it possible to report this plan as a defined benefit for neither financial years 2013 nor 2012. The plan is therefore reported as defined contribution.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available to the Group.

Bonus plans

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision when there is a legal obligation or a constructive obligation as a result of past praxis.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received, or receivable for goods sold, in the Group's operating activities. Revenue from sale of goods mainly consists of the sale of biogas. Revenue is recognized net of VAT and discounts and after eliminating sales within the Group.

Revenue from sale of goods is recognized when risks and rewards of ownership of the goods have passed to the buyer, which usually occurs in connection with the delivery, and when the revenue and associated costs can be measured reliably and it is probable that the economic benefits associated with the sale of the units benefit the Group.

Revenues from services relates primarily to the development of customer biogas plants. Revenue from the sale of services is recognized over the period services are rendered. Revenue is calculated by the assessed degree of completion of the specific transaction based on how much of the services rendered are of the total services to be performed.

2.18 Agreements for economic and social services

As part of the South Korean operations, there are agreements for economic and social services linked to the biogas plant. Infrastructure associated with agreements on economic and social services should not be reported as a tangible asset because the Group does not bear the right to control the use of the infrastructure of public services under the service agreement. The compensation that the Group received or will receive is recognized at fair value. The compensation is deemed to be the right to an intangible asset when the Group, through the agreement, obtains the right (license) to charge users of the public service.

2.19 Leasing

The Group holds leases for office space, cars, coffee machines, and copiers.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement over the lease period. All leases are classified as operating leases within the Group.

2.20 Statement of cash flow

The Statement of cash flow is prepared using the indirect method. This means that operating income is adjusted for transactions that do not result in cash payments during the period and for any income or expense attributable to the investment or financing cash flows.

2.21 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new ordinary shares or options are recognized, net of tax, in equity as a deduction from the proceeds.

2.22 Parent company accounting principles

The Parent Company applies other accounting principles than the Group as per below.

Presentation

The income statement and balance sheet follow the Swedish Annual Accounts Act. The income statement, however, refers to the statement of comprehensive income and other comprehensive income, which are reported separately. Statement of changes in equity also follows the group's table form but must contain the columns specified in the Annual Accounts Act. Furthermore, there are difference in terms, compared with the consolidated financial statements, particularly in respect of financial income and expenses and equity.

Interests in subsidiaries

Investments in subsidiaries are carried at cost after deduction for any impairment losses. Costs include acquisition-related expenses and any additional considerations.

An estimate of recoverable amount is made when there is an indication that the investments in subsidiaries decreased in value. If this is lower than the carrying amount, an impairment loss is recognized. Impairment losses are reported in "Income from participation in Group companies".

Leasing agreements

All leases, regardless if they are financial or operational are classified as "Operating leases".

Financial instrument

IAS 39 is not applied in the parent company and financial instruments are valued at cost.

Guarantees / financial guarantees

The parent company has signed guarantees on behalf of subsidiaries. Such a commitment is classified under IFRS as a "Financial guarantee contract". For these agreements the parent applies relaxation rules according to RFR 2 (IAS 39, p.2), and accordingly report the surety as a contingent liability. When the parent company believes that it is likely to require a payment to settle an obligation, a provision is made.

Note 3 Financial risk management

3.1 Financial risk factors

The Group, through its activities, is exposed to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall strategy focuses on reducing the potential adverse effects on financial performance.

a) Market risk

(i) Currency risk

Scandinavian Biogas is exposed to currency risk given there are foreign currency transactions (transaction risk) and foreign subsidiaries (translation risk).

Transaction risk

Transaction risk is the risk of impact on consolidated net income and cash flow due to the value of the commercial flows in foreign currencies, and changes in exchange rates. Scandinavian Biogas makes certain purchases in EUR but has no significant currency risk since they do not have any significant foreign currency transactions.

Translation risk

The Group has a risk on the translation of foreign subsidiaries' net assets to the consolidating currency, the Swedish Krona (SEK). Foreign subsidiaries are located in South Korea (KRW). The Group is also effected by the foreign subsidiary's income statement when translated into SEK. This exposure is not hedged.

During 2013, the foreign exchange differences recognized in the consolidated income statement amounted to SEK 2,309 thousand (SEK 1,876 thousand).

The Group has analyzed its sensitivity to changes in exchange rates. If the Swedish Krona had weakened/ strengthened by 1% against the U.S. dollar, with all other variables held constant, the net income would have been SEK 617 thousand higher/lower per 2013-12-31 (SEK 698 thousand higher/lower per 2012-12-31).

(ii) Interest rate risk

The Group has interest-bearing financial assets and liabilities where changes linked to market interest rates effect earnings and cash flow from operations. Interest rate risk is the risk that changes in market interest rates effects the Group's net profit negatively. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash assets at floating rates. In 2013 and 2012, the Group's borrowings were at variable interest rates in Swedish Krona.

The Group manages, to some extent, the interest rate risk relating to cash flows using interest rate swaps with the financial effect of converting borrowings from floating to fixed interest rate for a portion of the borrowings. The interest rate swaps mean that the Group agrees with other parties to exchange, at specified intervals (currently quarterly), the difference between the interest amount under the fixed contract rate and the variable interest amount calculated on the contracted nominal amount.

Of the Group's total interest-bearing debt of SEK 191 million (SEK 231 million), SEK 137 524 thousand SEK (101,351 thousand) is at fixed interest rates and the remaining variable. The Group is therefore exposed to a certain amount of interest rate risk.

Scandinavian Biogas has cash and cash equivalents amounting to SEK 47,893 thousand (SEK 24,063 thousand) at variable rates. The Group's interest income is effected by changes in interest rates.

Variable-rate liabilities as per balance sheet date amounted to SEK 53,807 thousand (SEK 130,127 thousand) and the Group's liquid assets amounted to SEK 47,893 thousand (SEK 24,063 thousand). A change in interest rates of + / - 1% would result in an impact on net interest income of + / - SEK 0.5 million (SEK 1.3 million).

b) Credit risk

Credit risk or counterparty risk is the risk that the counterparty to a financial transaction does not fulfill its obligations when due. Scandinavian Biogas' credit risk includes "Liquid assets", "Accounts receivables" and "Other receivables". Regarding cash and derivatives, credit risk is considered to be low given the counterparties are large well-known banks such as the Nordic bank Nordea, with a high credit rating (credit rating AA), and Daegu Bank (credit rating C-) where loans to the Group are higher than deposits. Scandinavian Biogas estimates the risk of losses is low when sales are made to large, stable customers where the Group has good experience of WTP (willingness to pay). The Group monitors customers' credit ratings, and reviews the credit terms if necessary.

c) Liquidity risk

Liquidity risk is the risk of the Group having insufficient funds for payment of its obligations related to financial liabilities.

The objective of the Company's liquidity management is to minimize the risk that the Group will not have sufficient cash to meet its commercial obligations. Cash flow forecasts are prepared regularly. Management closely monitors rolling forecasts of the Group's liquidity reserve to ensure that the Group has sufficient cash resources to meet the needs of current operations. Liquidity risks in the operating companies Fordonsgas Stockholm AB and Scandinavian Biogas Korea Co., Ltd. are considered small, while the risk is higher in the development company Scandinavian Biogas Fuels AB.

During the coming year, the existing businesses will require additional funding through capital contribution, although the need, due to a number of active measures, has decreased significantly compared to previous years. Capital contribution requirements will continue until that time that the upcoming major projects supply sufficient cash flow. To solve the funding and improve liquidity in the coming financial year, the company is working with a limited number of financing scenarios.

Funding will be resolved through different types of project financing, and possibly through refinancing and various types of capital contributions through the issuance of convertibles and/or shares.

As of December 31 2013, the Group's liquid assets amounted to SEK 47,893 thousand (SEK 24,063 thousand). The Group has no undrawn credit facilities. Future liquidity burdens are otherwise for payment of accounts payable and other current liabilities and repayment of loans. The table below shows the contractual, undiscounted cash flows that comprise financial liabilities, split by the duration on the balance sheet date to the contractual maturity date. Based on the Group's assessment, convertible debt and some shareholder loans (see Note 24 Borrowings) will not be settled by payment, and are therefore not included in the table.

As per December 31, 2013 (KSEK)	**Less than 1yr**	**Between 1-2 yrs**	**Between 2-5yrs**	**Greater than 5yrs**
Borrowings	34 532	69 628	66 645	-
Convertible debt	-	-	2 255	-
Loans from shareholders	1 277	-	3 936	-
Accounts payable	9 340	-	-	-
Other current liabilities	1 437	-	-	-

As per December 31, 2012 (KSEK)	**Less than 1yr**	**Between 1-2 yrs.**	**Between 2-5yrs**	**Greater than 5yrs**
Borrowings	11 507	31 341	120 398	-
Convertible debt	-	-	-	-
Loans from shareholders	-	-	-	-
Accounts payable	30 111	-	-	-
Other current liabilities	164	-	-	-

3.2 Capital risk management

The Group's goal with regard to its capital structure is to safeguard the Group in its ability to continue its operations, in order to continue to provide returns to shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

The Group evaluates capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term borrowings and long-term debt in the consolidated balance sheet) less cash and cash equivalents. Equity capital is calculated as equity in the consolidated balance sheet plus 78% of the untaxed reserves. Total capital is calculated as net debt plus shareholders' equity.

	2013-12-31	**2012-12-31**
Total borrowings (Note 24)	191 331	187 416
Less: Liquid assets (Note 22)	-47 893	-24 063
Net debt	**143 438**	**163 353**
Adjusted equity	179 630	158 972
Total capital	**323 068**	**322 325**
Gearing ratio	44,4%	50,7%

3.3 Calculation of fair value

The carrying value less impairment provision of trade account receivables and other receivables and trade payables and other liabilities are assumed to approximate their fair values given they are short-term in nature.

The financial assets and liabilities that are measured at fair value in the consolidated statement are derivative financial instruments. These instruments are included in Level 2 of the fair value hierarchy; in other words, there exists observable data for the asset or liability, either directly by prices, for example, or indirectly through derived price quotations, for example, but there are no quoted prices in active markets for identical assets and liabilities.

Note 4 Significant estimates and judgment

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates and assumptions for accounting purposes

The Group makes estimates and assumptions concerning the future. The accounting estimates that result from these, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of material adjustments to the carrying values of assets and liabilities within the next financial year are outlined below.

Testing for impairment of construction in progress

Each year, the Group examines whether any impairment is needed relating to construction in progress, in accordance with the accounting policy described in Note 2.5. The recoverable value of cash-generating units was partly determined by calculating the value in use, applying certain estimates to make the calculation. Assessment of the net realizable value was also used in the calculation of recoverable value. The impairment test was performed at an installation level.

Valuation of loss carry forwards

The Group tests annually whether it is appropriate to activate the deferred tax assets for the year's tax loss carry forwards. Deferred tax assets are only recognized for loss carry forwards when it is probable they can be utilized against future taxable income and against temporary taxable differences. No part of the loss carry forwards has been valued, as at present it is estimated that future profits will not be sufficient to be used against them.

Agreements for economic and social services

Based on the agreements regarding economic and social services, an intangible asset (concession rights) is recognized to the extent that the Group has the right to charge users of the public service. The intangible asset is recognized based on the fair value of the consideration that the Group has received or will receive. The fair value was estimated at the present value of future cash flows from the concession rights, which the Group expects to receive. The assessment of the expected future cash flows requires management to make estimates and assumptions concerning the future.

Capitalized development expenditure

Development expenditure, or such costs incurred in the development phase of an internal project, which is directly attributable to the development and testing of the substrates on which biogas can be produced are recognized as intangible assets when all the criteria in IAS 38 p 57 are satisfied. To make assessments on the expenditure capitalized requires estimates and judgments that are made based on expectations of future cash flows that the asset is expected to generate.

Investment in Biogas Uppland

Management has analyzed the degree of influence the Group has over Biogas Uppland and has determined that the Group has control over operations. This has been determined on representation on the board and contract terms, even though the Group holds a 50% stake. The investment has been classified as a subsidiary company and has been consolidated.

Note 5 Distribution of net sale

Net sales are distributed by type of income as follows:

Group	**2013**	**2012**
Sale of goods, South Korea	17 406	13 194
Sale of goods, Sweden	100 704	91 532
Sale of services, South Korea	26 608	26 946
Sale of services, Sweden	770	2 594
Group total	**145 488**	**134 266**

Parent Company	**2013**	**2012**
Sale of services	1 740	1 703
Parent Company total	**1 740**	**1 703**

Note 6 The Parent Company's sales to and purchases from Group companies

During the year, the Parent Company invoiced subsidiaries SEK 1,740 thousand (SEK 1,703 thousand) for group services. The Parent company has purchased services from subsidiaries in the amount of SEK 66 thousand (SEK 0 thousand).

Note 7 Capitalized costs

The company has activated staff costs related to work performed on new construction in progress and development projects. The costs capitalized relate to direct labor costs, social fees and a mark-up for other expenses.

Note 8 Remuneration to auditors

Audit assignments refer to the examination of annual accounts, the Board and the Managing Director, and other tasks incumbent on the company's auditors. This includes advice or other assistance resulting from observations made during the audit or performance of such tasks. Everything else is considered other assignments.

Group	**2013**	**2012**
PwC		
Audit	935	899
Audit-related fees	31	35
Tax guidance	179	271
Other services	465	41
Total	**1 610**	**1 246**
Other auditors		
Audit	33	0
Audit-related fees	0	0
Tax guidance	15	0
Other services	15	0
Total	**63**	**0**
Group total	**1 673**	**1 246**

Parent Company	**2013**	**2012**
PwC		
Audit	433	297
Audit-related fees	16	25
Tax guidance	52	62
Other services	465	23
Total	**966**	**407**
Other auditors		
Audit	0	0
Audit-related fees	0	0
Tax guidance	0	0
Other services	0	0
Total	**0**	**0**
Parent Company total	**966**	**407**

Note 9 Employee benefits etc.

Group	**2013**	**2012**
Salaries and benefits	26 643	30 123
Social contributions	7 601	8 093
Pension costs - defined contribution plans	2 783	3 218
Group total	**37 027**	**41 434**

Salaries and other remuneration and social security expenses	**2013**	**2013**	**2012**	**2012**
	Wages and salaries (including bonuses)	**Social security expenses (pension costs)**	**Wages and salaries (including bonuses)**	**Social security expenses(pension costs)**
Board members, CEOs and other senior executives	5 966	2 569	1 210	185
	(-)	(1 186)	(-)	(-)
Other employees	21 404	7 088	28 913	11 125
	(-)	(1 598)	(-)	(3 218)
Group total	**27 371**	**9 657**	**30 123**	**11 311**
	(-)	**(2 784)**	**(-)**	**(3 218)**

Gender distribution of the Group (including subsidiaries) for directors and other senior executives	**2013**	**2013**	**2012**	**2012**
	Total on balance sheet date	**Of which women**	**Total on balance sheet date**	**Of which women**
Board of Directors	7	0	6	0
Chief Executive Officer and other senior executives	6	1	6	1
Group total	**13**	**1**	**12**	**1**

Parent Company	**2013**	**2012**
Salaries and benefits	550	533
Social security expenses	173	168
Share options granted to directors and employees	-	-
Pension costs, defined contribution plans	**723**	**701**

Salaries and other remuneration and social security expenses	**2013**	**2013**	**2012**	**2012**
	Wages and salaries (including bonuses)	**Social security expenses (pension costs)**	**Wages and salaries (including bonuses)**	**Social security expenses (pension costs)**
Board members, CEOs and other senior executives	550	173	533	168
	(-)	(-)	(-)	(-)
Other employees	-	-	-	-
Parent Company total	**550**	**173**	**533**	**168**
	(-)	**(-)**	**(-)**	**(-)**

Average number of employees by geographical breakdown by country	2013	2013	2012	2012
	Average number of employees	Of which women	Average number of employees	Of which women
Sweden	-	-	-	-
Parent Company total	**-**	**-**	**-**	**-**
Subsidiary				
Sweden	32	9	33	9
South Korea	21	1	24	3
Poland	-	-	-	-
China	-	-	-	-
USA	-	-	-	-
Subsidiary total	**53**	**10**	**57**	**12**
Group total	**53**	**10**	**57**	**12**

Gender distribution for the Board and other senior executives of the parent company	2013	2013	2012	2012
	Total on balance sheet date	Of which men	Total on balance sheet date	Of which men
Board of Directors	7	7	6	6
Chief Executive Officer and other senior executives	1	1	1	1
Parent Company total	**8**	**8**	**7**	**7**

Note 10 Other operating income and other operating expenses

	Group		Parent Company	
Other operating income	**2013**	**2012**	**2013**	**2012**
Foreign exchange gains	212	52	-	-
Other	57	452	-	-
Total other operating income	**269**	**504**	**-**	**-**

	Group		Parent Company	
Other operating costs	**2013**	**2012**	**2013**	**2012**
Foreign exchange losses	9	430	4	5
Other	4	0	0	0
Total other operating costs	**13**	**430**	**4**	**5**

Note 11 Financial income and expenses / Interest income and expenses

	Group		Parent Company	
Financial income / interest income	**2013**	**2012**	**2013**	**2012**
Interest income on bank deposits	147	811	-	-
Foreign exchange gains	2 307	6 018	-	-
Other financial income	37	173	-	-
Total financial income / interest income	**2 491**	**7 002**	**-**	**-**

	Group		Parent Company	
Financial costs / interest expenses	**2013**	**2012**	**2013**	**2012**
Interest expense on borrowings	17 582	28 646	8 016	15 690
Write-down of shares in subsidiaries	-	-	-	-
Foreign exchange losses	201	3 764	-	-
Other financial expenses	2 436	4 057	-	1
Total financial costs / interest expenses	**20 217**	**36 467**	**8 016**	**15 691**
Total financial items – net	**-17 728**	**-29 465**	**-8 016**	**-15 691**

Note 12 Income Tax / Tax on profit

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Current tax:				
Current tax on income for the year	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
Total current tax	**-**	**-**	**-**	**-**
Deferred tax (see Note 16):				
Occurrence and repatriation of temporary differences	-2 820	-3 334	-	-
Effect of change in the Swedish tax rate	-	2 195	-	-
Total deferred tax	**-2 820**	**-1 139**	**-**	**-**
Income tax	**-2 820**	**-1 139**	**-**	**-**

Income tax on profit differs from the theoretical amount that would arise when using the weighted average tax rate to profits of the consolidated companies as follows:

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Profit before tax	-26 919	-44 955	-10 275	-51 640
Income tax calculated according to national rates applicable prior to results in each country	6 192	9 749	2 261	13 581
Tax effects of:				
- Non-taxable income	5 315	7 497	4	214
- Non-deductible expenses	-2 280	-3 971	-	-
- Tax losses for which no deferred tax assets were recognized	-12 047	-16 609	-2 264	-13 796
Adjustment in respect of prior years	-	-	-	-
Re-valuation of deferred tax - change in Swedish tax rate *	-	2 195	-	-
Tax	**-2 820**	**-1 139**	**-**	**-**

Weighted average tax rate for the Group is 23.0% (21.7%), and for the Parent company 22.0% (26.3%).

* Following the amendment of the Swedish corporate tax rate from 26.3% to 22%, which was adopted in December 2012 and will apply from January 1, 2013, the carrying amount of deferred tax is recalculated. Deferred tax at December 31, 2012 is as such calculated at 22%.

	Group		Parent Company	
Income tax is recognized in equity during the year as follows:	**2013**	**2012**	**2013**	**2012**
Current tax:				
- Transaction costs	3	214	3	214
Deferred tax:				
- Transaction costs	-	-	-	-
Total income tax recognized in equity	**3**	**214**	**3**	**214**

Note 13 Exchange differences

Exchange rate differences are recognized in the income statement as follows:

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Exchange rate differences in operating profit	203	-378	-4	-5
Net financial items	2 106	2 254	-	-
Total exchange rate differences in the income statement	**2 309**	**1 876**	**-4**	**-5**

Note 14 Intangible assets

Group	Goodwill	Capitalized development expenditure	Concessions and similar rights	Patents and licenses	Total
As per January 1, 2012					
Acquisition value	38 431	5 303	163 621	16	**207 371**
Accumulated depreciation and impairment	-38 431	-953	-40 801	-2	**-80 187**
Opening balance	**-**	**4 350**	**122 820**	**14**	**127 184**
Financial year 2012					
Opening balance	-	4 350	122 820	14	**127 184**
Purchases/reprocessing	-	955	11 862	-	**12 817**
Disposals	-24 020	-2 285	-	-	**-26 305**
Translation differences	-	-	2 363	-	**2 363**
Depreciation	-	-947	-19 005	-2	**-19 954**
Impairment	24 020	-	17 550	-	**41 570**
Closing balance	**-**	**2 073**	**135 590**	**12**	**137 675**
As per December 31, 2012					
Acquisition value	-	2 226	178 069	16	**180 311**
Accumulated depreciation and impairment	-	-153	-42 479	-4	**-42 636**
Closing balance	**-**	**2 073**	**135 590**	**12**	**137 675**
Financial year 2013					
Opening balance	-	2 073	135 590	12	**137 675**
Purchases/reprocessing	-	2 210	1 399	-	**3 609**
Reclassification	-	-	-1 609	-	**-1 609**
Translation differences	-	-	1 624	-	**1 624**
Depreciation	-	-141	-8 918	-1	**-9 060**
Impairments	-	-1 190	-	-	**-1 190**
Closing balance	**-**	**2 952**	**128 086**	**11**	**131 049**
As per December 31, 2013					
Acquisition value	-	4 436	161 050	4 534	**170 020**
Accumulated depreciation and impairment	-	-1 484	-32 964	-4 523	**-38 971**
Closing balance	**-**	**2 952**	**123 086**	**11**	**131 049**

The total research and development expense during the period amounted to SEK 1,393 thousand (4,777 thousand).

Note 15 Tangible fixed assets

Group	Land and buildings	Machinery and other technical equipment	Equipment, fixtures and installations	New construction in progress	Total
As per January 1, 2012					
Acquisition value	103 075	53 492	13 056	94 544	**264 167**
Accumulated impairments and depreciation	-4 877	-10 857	-11 226	-9 822	**-36 782**
Carrying amount	**98 198**	**42 635**	**1 830**	**84 722**	**227 385**
Financial year 2012					
Opening balance	98 198	42 635	1 830	84 722	**227 385**
Purchases	54	9 986	1 113	14 819	**25 972**
Activations	-	-	-	-9 648	**-9 648**
Sales and scrapping	-	-	-2 375	-1 379	**-3 754**
Reclassifications	-	-157	156	-	**-1**
Translation differences	-	-	13	70	**83**
Depreciation	-2 169	-3 550	-933	-	**-6 652**
Impairment	-	-	1 743	-11 885	**-10 142**
Closing balance	**96 083**	**48 914**	**1 547**	**76 699**	**223 243**
As per December 31, 2012					
Acquisition value	103 129	63 305	11 546	98 406	**276 386**
Accumulated impairments and depreciation	-7 046	-14 391	-9 999	-21 707	**-53 143**
Carrying amount	**96 083**	**48 914**	**1 547**	**76 699**	**223 243**
Financial year 2013					
Opening balance	96 083	48 914	1 547	76 699	**223 243**
Purchases	2 291	9 284	499	21 660	**33 734**
Activations	-	-	-	-11 591	**-11 591**
Sales and scrapping	-	-	-9	-2 695	**-2 704**
Reclassifications	-	-	-	-339	**-339**
Translation differences	-	-	2	-	**2**
Depreciation	-2 176	-3 847	-510	-	**-6 533**
Impairment	-	-	-	-12 576	**-12 576**
Closing balance	**96 198**	**54 351**	**1 529**	**71 158**	**223 236**
As per December 31, 2013					
Acquisition value	105 420	72 589	12 019	105 491	**295 519**
Accumulated impairments and depreciation	-9 222	-18 238	-10 490	-34 333	**-72 283**
Carrying amount	**96 198**	**54 351**	**1 529**	**71 158**	**223 236**

As of December 31, 2013, new construction in progress consists primarily of capital expenditures in the Swedish plants in Sofielund, Varberg, Loudden and Henriksdal.

During the year, the Group capitalized borrowing costs of SEK 0 thousand (SEK 0 thousand) of qualifying assets in the form of construction in progress.

Impairment losses relate to both the plant in Varberg, which was written down to its estimated value in use, and the plant in Loudden, which was written down to its estimated net realizable value.

With regard to the plant in Varberg, the impairment is based on an appraisal of the biogas market on Sweden's west coast which has had a negative trend due to low-cost imported biogas from the continent, the outcome of negotiations with partners and the degree of the remaining need for investment, which has now been further specified. The WACC of 12 percent has been used.

As for the plant in Loudden, the impairment is based partly on technological developments applicable to the manufacture of liquid biogas with cryogenic technology that does not support continued work on upgrading the plant at Loudden, and partly on indications from regulators that environmental permits for expanded volumes will not be granted due to the broader development of Stockholm Norra Djurgårdsstaden.

Note 16 Deferred tax

	Group		Parent Company	
	2013	2012	2013	2012
Deferred tax expense relating to temporary differences	-2 946	-1 540	-	-
Deferred tax income related to temporary differences	127	401	-	-
Total deferred tax in the Income Statement	**-2 819**	**-1 139**	**-**	**-**

Deferred tax assets and liabilities are as follows:	Group	
Deferred tax assets	**2013-12-31**	**2012-12-31**
Deferred tax assets to be utilized after more than 12 months	506	508
Deferred tax assets to be used within 12 months	-	-
Total deferred tax assets	**506**	**508**
Deferred tax liabilities		
Deferred tax assets to be utilized after more than 12 months	18 191	15 374
Deferred tax liabilities to be used within 12 months.	-	-
Total deferred tax liabilities	**18 191**	**15 374**
Deferred tax liabilities / assets (net)	**-17 685**	**-14 866**

Changes in deferred tax assets and liabilities during the year that have been recognized in profit or loss, without regard to offsets made within the same tax jurisdiction, are shown below:

Deferred tax liabilities	2013-12-31	2012-12-31
As of January 1	**15 374**	**14 072**
Accelerated depreciation	2 722	1 353
Development costs	224	186
Transaction expenses - loans	-129	-237
As per December 31	**18 191**	**15 374**

Deferred tax assets	2013-12-31	2012-12-31
As of January 1	**508**	**344**
Component depreciation	130	124
Financial derivative instruments	-132	40
As per December 31	**506**	**508**

Deferred tax assets are recognized as tax loss carry forwards to the extent that it is probable that they can be utilized against future taxable profits. Loss carry forwards do not expire at any particular time other than the South Korean loss carry forward, which matures after 10 years.

Note 17 Shares in Group Companies

Parent Company	**2013-12-31**	**2012-12-31**
Accumulated acquisition value		
Opening balance	514 348	514 348
	514 348	**514 348**
Accumulated impairment		
Opening balance	-264 298	-264 298
	-264 298	**-264 298**
Closing carrying amount at year-end	**250 050**	**250 050**

The Parent Company holds interests in the following subsidiaries:

Name	**Corporate ID**	**Domicile**	**Share capital**	**Number of shares**	**Carrying value**	
					2013-12-31	**2012-12-31**
Scandinavian Biogas Fuels AB	556691-9196	Stockholm	100 %	166 667	160 000	160 000
Biogas Stockholm Finans AB	556807-2986	Stockholm	100 %	50 000	90 050	90 050
Biogas Uppland AB	556636-0227	Uppsala	50 %	1 000	-	-
Scandinavian Biogas Sofielund AB	556712-1735	Stockholm	100 %	100 000	-	-
Scandinavian Biogas Fuels i Varberg AB	556748-8357	Varberg	100 %	100 000	-	-
Scandinavian Biogaz Polska Sp.z o o.o	0000295603	Gdynia (Poland)	100 %	50	-	-
Scandinavian Biogas Korea Co., Ltd.	610-84-00961	Ulsan (South Korea)	82 %	81 000	-	-
Scandinavian Biogas Korea Co., Ltd.	285011-0174239	Seoul (South Korea)	90 %	1 008	-	-
Fordonsgas Stockholm AB	556489-7899	Stockholm	100 %	1 000	-	-
Scandinavian Biogas Recycling AB	556934-4384	Stockholm	100 %	500	-	-
Total					**250 050**	**250 050**

Voting Shares in accordance with the equity shares.

Biogas Uppland AB is consolidated given Scandinavian Biogas Fuels AB has the right to appoint the Chairman, who in turn holds the casting vote. This means that Scandinavian Biogas Fuels is deemed to have control over Biogas Uppland AB.

In June 2013, a shelf company with a share capital of SEK 50 thousand was acquired for SEK 50 thousand, now Scandinavian Biogas Recycling AB (556934-4384),

During the 2013 financial year, the following companies were liquidated: Scandinavian Biogas China Ltd., China Biogas Ltd. and Scandinavian Biogas US Inc.

Note 18 Financial instruments by category

Group Assets in the Balance Sheet	Assets at fair value via the income statement	Loans and receivables	Total
December 31, 2013			
Accounts receivables	-	16 788	**16 788**
Other receivables	-	4 078	**4 078**
Liquid assets	-	47 893	**47 893**
Total	**-**	**68 759**	**68 759**
December 31, 2012			
Accounts receivables	-	23 755	**23 755**
Other receivables	-	1 665	**1 665**
Liquid assets	-	24 063	**24 063**
Total	**-**	**49 483**	**49 483**

Group Liabilities in the balance sheet	Liabilities at fair value via the income statement	Other financial liabilities	Total
December 31, 2013			
Borrowings	-	146 989	**146 989**
Financial derivative instruments	990	-	**990**
Convertible debt	-	39 361	**39 361**
Loans from shareholders	-	4 981	**4 981**
Accounts payables	-	9 340	**9 340**
Other liabilities	-	1 437	**1 437**
Total	**990**	**202 108**	**203 098**
December 31, 2012			
Borrowings	-	133 604	**133 604**
Financial derivative instruments	1 591	-	**1 591**
Convertible debt	-	40 378	**40 378**
Loans from shareholders	-	13 434	**13 434**
Accounts payables	-	30 111	**30 111**
Other liabilities	-	164	**164**
Total	**1 591**	**217 691**	**219 282**

Note 19 Financial derivative instruments

	2013-12-31		2012-12-31	
	Asset	**Liability**	**Asset**	**Liability**
Interest rate swaps	-	990	-	1 591
Current maturities	-	-	-	-

Derivatives are classified as assets or long-term liabilities when the maturity of the derivative instrument exceeds 12 months.

Interest rate swaps

At December 31, 2013, the notional amount of outstanding interest rate swaps amounted to SEK -990 thousand (SEK -1 591 thousand).

On December 31, 2013 the fixed interest rate was 2,47 % (2,47 %). The variable interest rate is based on STIBOR. Gains and losses on interest rate swaps are recognized in net financial items (note 11).

Note 20 Accounts receivable

Group	2013-12-31	2012-12-31
Accounts receivables	17 016	23 755
Less: provision for doubtful debts	-228	-
Accounts receivable – net	**16 788**	**23 755**

As of December 31, 2013, Account receivables were SEK 16, 788 thousand (SEK 23,755 thousand).

As of December 31, 2013, Account receivables amounting to SEK 2,806 thousand (SEK 12,852 thousand) were past due but impairment was not deemed necessary.

The aging analysis of Account receivables is as follows:

	2013-12-31	2012-12-31
1-30 days	2 806	12 852
31-60 days	-	-
> 61 days	-	-
Total overdue Account receivables	**2 806**	**12 852**

Changes in the allowance for doubtful receivables are as follows:

	2013-12-31	2012-12-31
As per January 1		
Provision for doubtful receivables	-228	-
Receivables written off during the year as uncollectible	-	-
Unused amounts reversed	-	-
As per December 31	**-228**	-

Allocations to, and reversals of, provisions for doubtful receivables are included in other external expenses. Outstanding Account receivables, as per balance sheet date, have no collateral or any guarantees.

Note 21 Prepaid expenses and accrued income

Group	**2013-12-31**	**2012-12-31**
Accrued income	100	1 383
Prepaid insurance	1 421	1 491
Prepaid rent	420	405
Borrowing Fee	2 808	3 182
Other items	570	1 074
Group total	**5 319**	**7 535**

Parent Company	**2013-12-31**	**2012-12-31**
Prepaid insurance	71	122
Other items	35	35
Parent Company total	**106**	**157**

Note 22 Liquid assets / bank balances

Liquid assets in the balance sheet and cash flow statement include the following items:

Group	**2013-12-31**	**2012-12-31**
Cash and bank balances	47 893	24 063
Group total	**47 893**	**24 063**

Parent Company	**2013-12-31**	**2012-12-31**
Cash and bank balances	2 010	1 096
Parent Company total	**2 010**	**1 096**

Liquid assets include cash and cash equivalents with restrictions on SEK 2,780 thousand (SEK 509 thousand) borrowed by Scandinavian Biogas Korea Co. The funds are subject to certain restrictions and therefore cannot be used freely in the Group.

Note 23 Share capital and other capital

	Number of shares (thousands)	Share Capital	Additional paid in capital	Total
As per December 31, 2012	**67 591**	**13 518**	**605 982**	**619 500**
Conversion of convertible debt	10 824	2 165	48 366	**50 531**
As per December 31, 2013	**78 415**	**15 683**	**654 348**	**670 031**

The share capital consists of 78 414 661 shares. The shares have 1 vote / share.

All shares issued by the parent company are fully paid.

In 2010, the Parent company issued convertible bonds with a nominal value of SEK 47 500 thousand, of which SEK 40 764 thousand was remaining as of the beginning of the financial year. During the fall of 2013, these were converted to shares, including interest.

During 2013, the Parent company completed three convertible bond issues totaling 11 378 001 convertibles. Between January 1 and April 10, 2016, the holder can convert these convertibles to shares, and they can be converted by the company during the period January 1, 2015 and April 10, 2016. The conversion price is SEK 3.50.

The 440 000 warrants issued by the Parent company to the subsidiary Scandinavian Biogas Fuels AB in accordance with the decision at the General Annual meeting in 2010, expired June 30, 2013. No options were exercised, as the exercise price was higher than the market value.

Note 24 Borrowings

Group	**2013-12-31**	**2012-12-31**
Long-term		
Loans from credit institutions	122 283	131 604
Convertible debt	39 361	40 378
Total long-term borrowings	**161 644**	**171 982**
Short-term		
Loans from credit institutions	24 706	2 000
Loans from shareholders	4 981	13 434
Total short-term borrowings	**29 687**	**15 434**
Total borrowings	**191 331**	**187 416**

Parent Company	**2013-12-31**	**2012-12-31**
Long-term		
Convertible debt	39 361	40 378
Total long-term borrowings	**39 361**	**40 378**
Short-term		
Loans from shareholders	4 981	13 434
Total short-term borrowings	**4 981**	**13 434**
Total borrowings	**44 342**	**53 812**

Bank loans

The bank loans mature in 2017 and carry an average interest rate of 6.8% per annum (8.8%). The Group's borrowings are in SEK and KRW.

Total borrowings include bank loans and other borrowings against collateral of SEK 317,610 thousand (SEK 334,433 thousand). Security for the bank loans consists of company real estate and pledges of shares in subsidiaries.

The carrying amount and fair value of long-term debt are as follows:

	Carrying amount		**Fair value**	
	2013-12-31	**2012-12-31**	**2013-12-31**	**2012-12-31**
Bank loans	122 283	131 604	122 283	131 604
Convertible debt	39 361	40 378	39 361	40 378

The fair value of current borrowings is equivalent to its carrying amount as any discount effect is not significant.

Convertible debt

Parent company issued convertible bonds with a nominal value of SEK 47 500 thousand August 31, 2010 of which SEK 40 764 thousand were remaining at the beginning of the financial year. During the fall of 2013, these were converted, including interest, to shares.

The Parent company issued convertible bonds three times during 2013 at a total nominal value of SEK 39 823 thousand. The bonds expire April 30, 2016 at their nominal value, or they can be converted to shares at the request of the holder at the price of SEK 3.50/share. The company can also request that the debt be converted to shares. The value of the debt, including the equity component (conversion rights), was determined at issuance. Given the equity component is not significant, Scandinavian Biogas Fuels International AB decided to report the convertible bonds as a liability in its entirety. The convertible bonds carry a fixed interest rate of 8%.

Convertible debt is reported in the balance sheet as follows:

	2013	2012
Nominal value of convertible debt issued on August 31, 2010 (Debt)	40 764	40 764
Converted	-52 686	-
Nominal value of convertible bonds issued in 2013 (Debt)	39 823	-
Accrued Interest	2 182	10 309
Capitalized interest	11 922	-
Debt as of December 31	**42 005**	**51 073**

The fair value of current borrowings is equivalent to its carrying amount, as the discount effect is not significant. Fair values are based on cash flows discounted using a rate based on the interest rate of 8.0% (15.0%).

Note 25 Accrued expenses and deferred income

Group	**2013-12-31**	**2012-12-31**
Accrued interest	2 507	8 558
Accrued payroll related expenses	5 119	7 170
Restructuring	1 128	85
Accrued purchase of gas and electricity	9 291	4 265
Accrued directors' fees	1 560	1 477
Other items	5 773	2 926
Group total	**25 378**	**24 481**

Parent Company	**2013-12-31**	**2012-12-31**
Accrued interest	2 507	8 487
Accrued payroll related expenses	490	386
Accrued directors' fees	1 560	1 477
Other items	373	175
Parent Company total	**4 930**	**10 525**

Note 26 Pledged assets

Group	**2013-12-31**	**2012-12-31**
Chattel mortgages	132 188	84 000
Real estate mortgages	65 000	65 000
Shares in Fordonsgas Stockholm AB	117 181	110 107
Shares in Scandinavian Biogas Korea Co. Ltd.	3 160	-
Shares in Scandinavian Biogas Fuels i Varberg AB	81	100
Group total	**317 610**	**259 207**

Parent Company	**2013-12-31**	**2012-12-31**
Chattel mortgages on behalf of other group companies	-	-
Parent Company total	**-**	**-**

Note 27 Contingent liabilities

Group	**2013-12-31**	**2012-12-31**
Other contingent liabilities	-	-
Group total	**-**	**-**

Parent Company	**2013-12-31**	**2012-12-31**
Contingent liability for subsidiaries bank loans	97 000	99 000
Parent Company total	**97 000**	**99 000**

Guarantees for subsidiaries' loans from financial institutions are concerning general guarantees.

Note 28 Lease agreements

Operational leases

Operational leases relate primarily to office space, cars, coffee machines and copiers. There is no subleasing. Cars are leased with a three-year agreement by which i) the car is returned at no charge ii) the car lease can be extended on a 1-year basis, or iii) the car can be purchased at the agreed residual value. Leasing of copiers is based on 3-year agreements, after which the copier is returned or the lease is extended on a one-year basis.

Future minimum lease payments under non-cancellable operational leases applicable at the reporting date are payable as follows:

Group	**2013-12-31**	**2012-12-31**
Within one year	284	283
After one year but within five years	165	189
Later than five years	-	-
Group total	**448**	**472**

The Group costs for operational leases during the financial year amounted to SEK 420 thousand (SEK 368 thousand). The Parent Company has no leases.

Note 29 Pension obligations

The Group has both defined benefit plans (through pension insurance, Alecta) and defined contribution pension plans.

All of the Group's pension plans are recognized as defined contribution plans as the Group does not have access to information that makes it possible to report the defined benefit plan.

The amounts recognized in the income statement are as follows:

Group	2013	2012
Charge to income statement for: Expenses for defined contribution pension plan	2 783	3 218
Total profit / loss	**2 783**	**3 218**

Pensions insurance with Alecta

Commitments for retirement pensions and family pensions for employees in Sweden are secured through insurance with Alecta (occupational pensions). According to a statement from the Financial Reporting Board, UFR 3, this is a defined benefit plan that covers several employers. For the financial years 2013 and 2012, the Group has not had access to information that makes it possible to report this plan as a defined benefit plan. The ITP plan, secured through Alecta, is therefore recognized as a defined contribution plan. Annual pension fees with Alecta amounted to SEK 2,368 thousand (SEK 3,218 thousand). Alecta's surplus can be distributed to policyholders and / or the insured. At year-end 2013, Alecta's surplus in the form of the collective funding ratio was 148% (129%). The funding ratio is the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial assumptions, which do not comply with IAS 19.

Note 30 Other non-cash items

Group	2013-12-31	2012-12-31
Impairment of tangible and intangible assets	18 418	17 924
Reversal of impairment of tangible and intangible assets	-	-19 293
Other	-1 467	-1 246
Group Total	**16 951**	**-2 615**

Parent company	2013-12-31	2012-12-31
Group contributions	-	-32 000
Parent company total	**-**	**-32 000**

Note 31 Share based payments

Options program 2010

The group offered employees, at no charge, to subscribe for options in June 2010. The options were not contingent upon the employee fulfilling an employment term (no vesting period). This program meant that employees had the right to subscribe for options (equity instruments) where the employees were given the opportunity to subscribe for shares, against remuneration, at a given price during the subscription period. The options were exercisable until June 30, 2013, in other words, three years after the subscription date. The Group had no legal or constructive obligation to repurchase or settle the options in cash. No options were exercised.

Note 32 Transactions with related parties

AC Cleantech Growth Fund I Holding owns 34.1% and Bengtssons Tidnings AB (and related parties) own 30.3% of the shares in Scandinavian Biogas Fuels International AB. Both these two owners are considered to have significant influence over the Group. Of the remaining 35.6% of the shares, there is no other single owner with more than 10%. Other related parties are Group subsidiaries and senior executives of the Group, in other words Board and Management, in addition to their family members.

The following transactions occurred with related parties:

(a) Sale of goods and services	**2013**	**2012**
Sale of goods:		
- No sale of goods has been made to related parties outside the Group	-	-
Sale of services:		
- No sale of services has been made to related parties outside the Group	-	-
Total	**-**	-

(b) Purchase of goods and services	**2013**	**2012**
Purchase of goods:		
- Key management personnel (consulting services)	140	-
- Other related parties (consulting)	432	432
Total	**572**	**432**

Goods and services are bought and sold to subsidiaries on normal commercial terms.
Services purchased from related parties are based on normal commercial terms and on a commercial basis.

(c) Remuneration to senior executives	**2013**	**2012**
Senior executives received the following remuneration (Note 9 Employee benefits, etc.):		
Salaries and other short-term employee benefits	6 677	5 443
Termination compensation	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based compensation	-	-
Total	**6 677**	**5 443**

In the table above, salaries and other employee benefits includes expensed bonuses to the CEO and other senior management of about SEK 500 thousand (SEK 1,034 thousand) including social security expenses for the financial year 2013 (2012). The 2012 bonus was converted to convertibles during 2013.

The Chairman and Directors receive remuneration as determined by the Annual General Meeting. They are not paid for committee work. With regard to the parent company's salaries and compensation, expenses related to the Board amounted to SEK 550 thousand (SEK 533 thousand), while the subsidiary's "Other external expenses", amounting to SEK 0 thousand (SEK 4,233 thousand), relate to consulting fees and bonus to the CEO, as well as SEK 70 thousand (SEK 0 thousand) relating to consulting fees to the Chairman of the Board.

(d) Loans from related parties	**2013**	**2012**
Loans from companies with significant influence over the company		
Opening balance	60 466	121 841
Loans taken during the year	26 331	47 786
Converted amount	-50 530	-123 461
Interest expense	-6 685	14 300
Interest paid	-	-
At year-end	**29 582**	**60 466**

Ahlström Capital entered into a convertible loan of SEK 47.5 million in 2010 of which SEK 40 764 thousand remained as of 2012-12-31. The loan, including the majority of the interest, was converted to shares during the fall 2013.

As at December 31, 2013, AC Capital and Bengtssons Tidnings AB had a total claim, excluding interest, of SEK 4,962 thousand (SEK 11,414 thousand) in the form of short-term "Loans from shareholders". The loans from 2012 have been converted in their entirety to convertibles, including interest, during 2013 and loans as per December 31, 2013 will be repaid during 2014. The latter is comprised of two parts, where one part is based on a fixed interest rate of 9% and the other part consists of a variable rate based on STIBOR 3M plus 8%. The interest rate terms of the loans were STIBOR 3M plus 9-12%, as per December 31, 2012.

Note 33 Events after the balance sheet date

Rights issue – convertible bond issue

During January 2014, a rights issue of convertible bonds was reached with the Group CEO. The transaction was completed at a price of SEK 3.50/convertible where 300,000 convertibles were issued providing approximately SEK 1 million in capital. The terms of the transaction are in principle identical to the other three convertible issues carried out during 2013.

Ready for a new biogas project south of Stockholm

On March 3, 2014 Scandinavian Biogas signed an agreement with SRV Återvinning AB, which means the construction of the project in Sofielund can now begin. The plant will be built in close cooperation with SRV Återvinning AB and is projected to have a capacity of 8 million normal cubic meters of biogas fuel capacity. However, the new facility is at the outset planned for a total capacity of 16 million normal cubic meters of biogas fuel capacity so that the plant, with a limited investment, can quickly be expanded. The goal is to have the new biogas plant fully operational during the second half of 2015.

The consolidated income statement and balance sheet will be submitted to the Annual Meeting of Shareholders 2014-04-25 for adoption.

The Board and the CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and give a true and fair view of the Group's financial position and results. The annual accounts have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the financial position and results.

The Directors' Report for the Group and Parent Company provides a fair review of the development of the Group and the Parent Company's financial position and results and describes material risks and uncertainties facing both the Parent Company and the companies included in the Group.

Stockholm 2014-03-26

Göran Persson
Chairman of the Board

Matti Vikkula
Managing Director & Chief Executive Officer

Anders Bengtsson
Member of the Board

Andreas Ahlström
Member of the Board

Phil Metcalfe
Member of the Board

Jan Lönnblad
Member of the Board

Hans Hansson
Member of the Board

Andreas Berg
Member of the Board

Our audit report was submitted on 2014-03-26

Öhrlings PricewaterhouseCoopers AB

Leonard Daun

Authorized public accountant

AUDIT REPORT

To the annual general meeting of the shareholders of Scandinavian Biogas Fuels International AB, corporate identity nr. 556528-4733

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Scandinavian Biogas Fuels International AB for the financial year 2013. The company's annual accounts are included in the printed version of this document on pages 19-66.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Chief Executive Officer determine necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conduct our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2013 and of their financial performance and cash flows for the year then ended in accordance International Financial Reporting Standards, as adopted by the EU, and 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 annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Scandinavian Biogas Fuels International AB for the year 2013.

Responsibility 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, and the Board of Directors and the Managing Director are responsible for the administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the prosed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

We recommend to the annual 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.

Uppsala, March 26, 2014

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorized Public Accountant

GLOSSARY

Energy carrier is defined as a substance or a physical process that is used to store or transport energy, such as electricity, hydrogen, ethanol, gasoline and methane.

Energy sources are defined as natural resources or natural phenomena that can be converted into energy forms such as light, movement and heat. A distinction is made between stored (fossil) and abundant (renewable) energy sources. Examples of stored energy include: oil, natural gas and coal, while biomass, hydro-, wind- and solar energy are examples of renewable energy sources.

Vehicle fuel: Energy source used as fuel in vehicles. The raw gas produced in the biogas process must be cleaned and upgraded to 97±1% methane in order to be defined and sold as vehicle fuel.

Pretreatment of biogas production: Organic material used in the production of biogas needs to be pretreated prior to the digestion process. The purpose of pretreatment is to increase the material's total biogas potential (i.e. the quantity of biogas which can be extracted from the material) and/or to increase the speed of digestion. The pre-treatment may be thermal, chemical or mechanical, and combinations of one or more methods may be used. The treatment opens up/breaks down complex organic molecules, making them more accessible to digestion microorganisms.

Gas cleaning: The raw gas is purified from water vapor, sulfur compounds and particulates. The gas may then be further processed to separate methane and carbon dioxide. Vehicle fuel quality biogas contains 97±1% methane.

Cryogenic biogas upgrading: Raw gas purified from water vapor, sulfur compounds and particulates can be upgraded to vehicle fuel by cooling. The method is based on the fact that methane and carbon dioxide have different condensation temperatures (at which gas becomes liquid). Carbon dioxide condenses at -79°C at atmospheric pressure, while methane must be cooled at -161°C at atmospheric pressure to convert to liquid.

Methane is an odorless gas with high energy content (~10 kWh per normal cubic meter). Methane (CH4) is the simplest hydrocarbon and is composed of one carbon atom and four hydrogen atoms.

Natural gas is a stored (fossil) gas mixture consisting of methane to approximately 90 percent.

Normal cubic meter compared to a liter: A normal cubic meter of biogas upgraded to vehicle fuel (97 % methane and 3 % CO2) contains as much energy as 1.1 liters of gasoline.

Organic wastes: Waste from plants and animals.

Substrate: Organic material that is digested in a biogas process.

Raw gas: Gas that is formed in a biogas process, the raw mainly contains methane and carbon dioxide but also sulfur compounds, water vapor, particulates, etc.

Digester: Gas tight container for the anaerobic digestion of organic material.

Digestat is the part of the organic material / substrate that has not been converted to biogas but remains in the solid / liquid form.

Co-digestion: Anaerobic digestion of various substrates in a process.

Water wash is commonly used for separation of methane and carbon dioxide. This method is based on the fact that carbon dioxide is more soluble in water than methane.

Greenhouse gases are gases that have the ability to absorb the infrared radiation reflected from the Earth to the atmosphere (Greenhouse effect). The greenhouse effect is essential for life on earth (without it the Earth's average temperature would be around –18 °C). However, due to human activity the concentration of greenhouse gases are increasing. Examples of greenhouse gases are carbon dioxide, methane, water vapor and nitrogen oxides.