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The cover features a photo of the Henriksdal biogas treatment plant in Stockholm. Adjacent is the Henriksdal wastewater treatment plant, one of the largest wastewater treatment plants in Sweden.

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BIOGAS – THE MOST ENVIRONMENTALLY FRIENDLY VEHICLE FUEL

Biogas contributes to sustainable development to a greater extent than any other vehicle fuel. Replacing other fuels with biogas effectively reduces the emission of greenhouse gases, nitrogen oxides, hydrocarbon and particulates, making an impact both locally and globally.

Biogas - a high-quality energy carrier that can be produced locally in every country

Biogas is usually produced from sludge from wastewater treatment plants and organic waste from households, restaurants and slaughterhouses. Residue from the agricultural and forest industries can also be used for biogas production. In addition to producing biogas, the digestion process also yields a biomass slurry that can be used as a fertilizer in many cases. Every country and every city worldwide has the opportunity to manage the organic waste produced in the region, turning it into biogas and biomass slurry, thereby increasing the availability of locally produced fossil-free energy. Utilizing the energy and nutrient resources of organic waste and residues to produce biogas is a good way to improve the opportunities for sustainable development. It is also an excellent alternative to the disposal of waste, which in many cases involves the discharge of both greenhouse gases and polluted leachate. For many countries, the domestic production of biogas is also an opportunity to reduce dependence on imported energy.

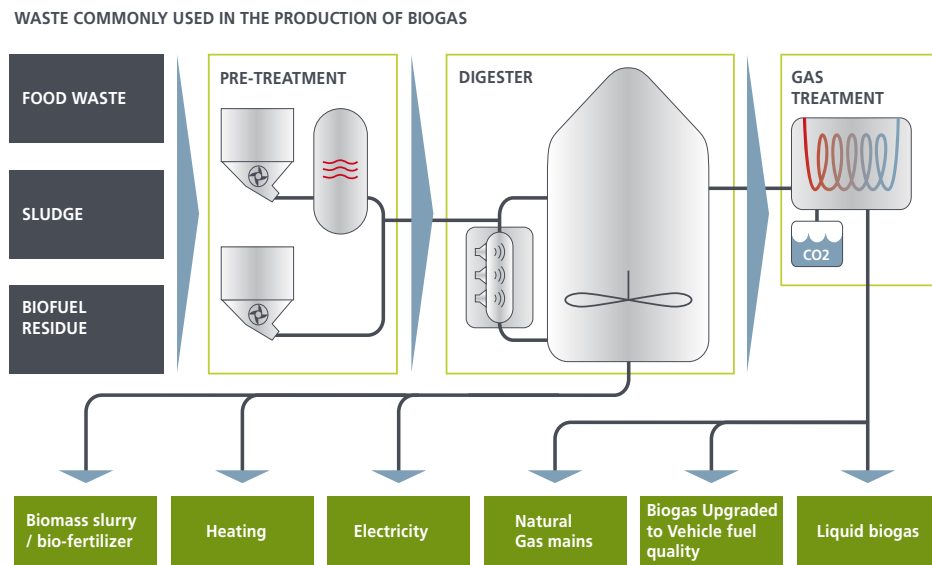
In Sweden, a pioneer country in biogas production, a large part of the total biogas production is upgraded to vehicle fuel quality through cleaning and raising the methane concentration to at least 96 percent. If methane is cooled, the gas can be liquefied, making it easier and cheaper to manage. This product is known as LBG (liquid biogas).

Biogas and natural gas differ by origin

Methane (CH_4) is the main energy-carrying component of both natural gas and biogas. In both cases methane is formed through the anaerobic decomposition of organic matter. Biogas, however, is produced in the degradation processes of materials that are in circulation on the surface of the earth, while natural gas was formed in similar processes between 50- 400 million years ago and is now, often together with oil, encapsulated in fossil layers below the surface. When natural gas is utilized as vehicle fuel or to generate heat and electricity it releases carbon dioxide (CO_2) that has not been in circulation for a very long time, thus increasing the amount of carbon dioxide in the atmosphere. Biogas usage also gives off CO_2 emissions, but has no net CO_2 impact on the atmosphere as the carbon in biogas is derived from carbon already in circulation at the surface.

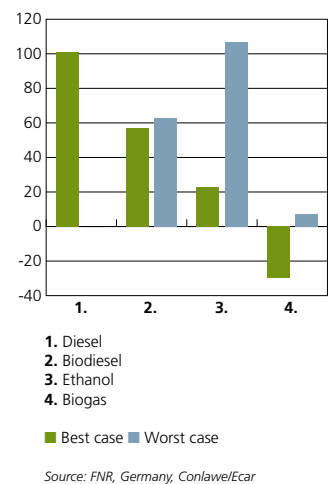
Vehicle fuel available at filling stations is composed of pure biogas, pure natural gas, or a mixture of both. While biogas capacity is being built up around the world, natural gas meanwhile meets the growing demand for such fuels, facilitating the transition to environmentally friendly biogas in the long-term.

Overview of a biogas production facility



CARBON DIOXIDE EMISSIONS

index, Diesel = 100



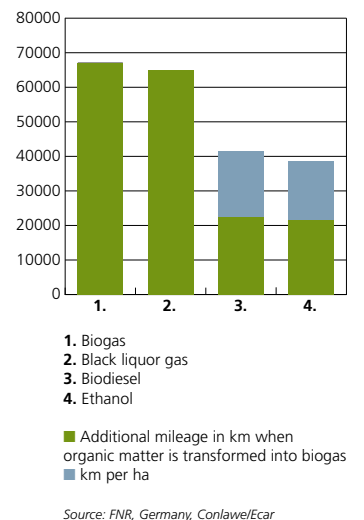
Biogas – the production process

In large-scale biogas production, biogas is normally produced in a digester equipped with systems for stirring and heating. The process may be mesophilic (30–37 °C) or thermophilic (50–55 °C). Active bacterial flora in the digester breaks down the added organic matter in anaerobic conditions to produce biogas, which consists mainly of methane and carbon dioxide. Another by-product of the process is a nutritious digestate, which in many cases can be used as bio-fertilizer. The processes are often continuous, with organic material being constantly added to the digester while digestate material is extracted. The average time the material spends in the digester is called residence time and is determined by the volume of material that is added to and removed daily. The biogas produced, so-called 'raw gas', is discharged from the digester through a pipeline and is then used to produce electricity and heat or is upgraded to vehicle fuel quality.

Scandinavian Biogas is primarily focused on improving the mesophilic process and is now able to produce biogas in a resource-efficient manner. A typical residence time for the type of processes implemented by the company is 15 - 25 days.

FULL EFFICIENCY

km per ha



2010 IN SHORT

Key events during the year

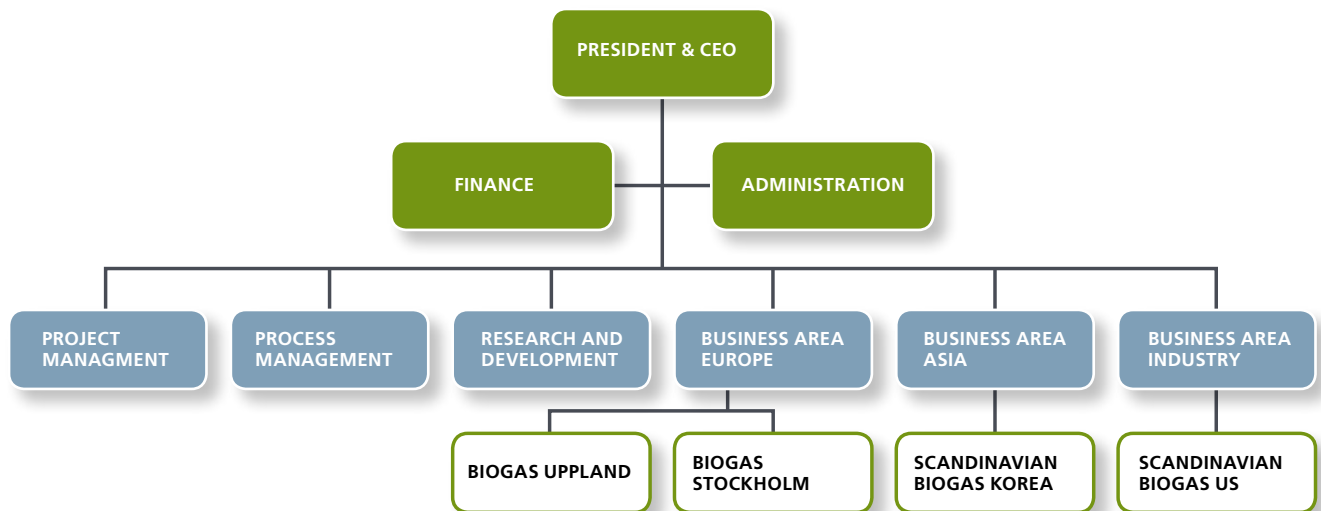
- Net sales: SEK 73 million
- Operating loss: SEK 54.6 million
- Total assets: SEK 403 million
- Equity assets ratio: 31.7%
- Scandinavian Biogas acquired Fordonsgas Stockholm AB from Stockholm Vatten AB on August 31, 2010, comprising the gas upgrade facilities at the Bromma and Henriksdal wastewater treatment plants as well as the biogas production plant at Loudden.
- Scandinavian Biogas's operations started to generate revenues in 2010 from biogas production at the Youngyun wastewater treatment plant in South Korea as well as from the gas upgrade facilities at Bromma and Henriksdal in Stockholm.
- In conjunction with the acquisition of Fordonsgas Stockholm AB, Scandinavian Biogas implemented a rights issue of SEK 91 million, as well as a SEK 25.1 million directed issue. In addition, the company issued SEK 47.5 million in convertible bonds. The aim of these financing activities was to finance the acquisition.
- Scandinavian Biogas signed letters of intent with two major U.S. food producers, one in August and one in September 2010.
- In June 2010, Scandinavian Biogas and Upplands Lokaltrafik (UL) signed a shareholders' agreement regarding the joint ownership of Biogas Uppland in equal parts, 50/50. The aim of the agreement is to secure biogas supply for UL's buses. Furthermore, on December 29, Biogas Uppland acquired property in Enköping, Sweden, in order to build a biogas production plant. The company took possession of the property at the beginning of 2011.
- In September 2010, Scandinavian Biogas and EkoNord Invest AB entered into an agreement regarding the possibility of establishing a large-scale biogas production plant in Jämtland, Sweden.
- In order to implement focused marketing efforts in the Industry business area, a wholly-owned subsidiary has been established in the U.S., domiciled in Delaware, with a branch office in New York.

Operations

Scandinavian Biogas is a leading player in large-scale biogas production. The company possesses world leading expertise in how to optimize the construction and operations of digesters in order to maximize the production of high quality biogas, regardless of the nature or composition of the organic waste being used. With a strategic focus on R&D, the company continues to place great importance on the development of methods that enable the efficient production of biogas from both established and new types of waste and residue. The company's knowledge and methodology enable biogas production today to be performed in a more cost- and resource-efficient manner than before.

* All information, unless otherwise stated, pertains to the group. Information in parentheses pertains to the previous year.

SCANDINAVIAN BIOGAS ORGANIZED FOR AN EFFECTIVE WORK PROCESS



Expertise and commitment create success

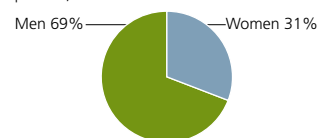
Scandinavian Biogas's business is heavily dependent on employee expertise and willingness to implement and successfully operate biogas production more efficiently and at a lower cost than the competition. Overall, the company's employees have a high level of education, with extensive knowhow and experience in process management, operations and development, which together constitute the company's core expertise.

Securing the right competence is essential to achieving success. However, achieving success also requires teamwork, the proper attitude, and a strong commitment and determination to excel over past performance. In many cases, Scandinavian Biogas's work is about breaking new ground and operating in an entrepreneurial environment. It is also about finding a reward in every challenge and celebrating progress together.

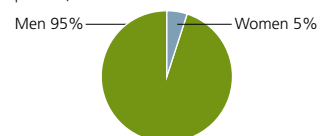
Scandinavian Biogas sets the bar high when it comes to leadership and building a strong corporate culture that gives people the room to develop, enjoy their work and feel motivated. Another important internal goal is to ensure that employees feel respected, believe that the company takes responsibility and values their work. A first step in this endeavor was the collective labor agreement that the company entered into in early 2010. In addition, Scandinavian Biogas implemented a stock option program for staff as an extra economic incentive.

At year-end 2010, the company employed 45 people in Sweden. Among them, one is a professor, three have PhDs and 41 have other forms of academic degrees. 31 percent of employees were women and 69 percent men. In addition, Scandinavian Biogas employs 19 people in Scandinavian Biogas Korea, one woman and 18 men.

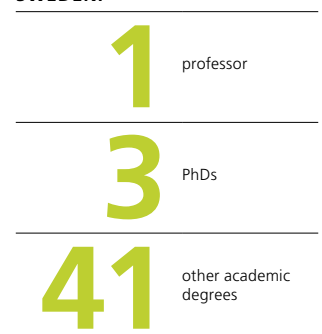
GENDER DISTRIBUTION SWEDEN
 percent, 2010



GENDER DISTRIBUTION SOUTH KOREA
 percent, 2010



OF THE 45 EMPLOYEES IN SWEDEN:



BUSINESS CONCEPT, MISSION, VISION AND STRATEGIC OBJECTIVES

Scandinavian Biogas business concept is to be a leader in the design and operation of biogas production plants.

Biogas - our core business

Through research and development (R&D), Scandinavian Biogas has developed methods to continuously improve the digestion process for biogas production from biomass, mainly from the large amount of waste generated during the treatment of sewage and from industrial processes such as production of food and biofuels. Scandinavian Biogas has also designed a standardized solution concept for the anaerobic digestion of organic waste generated by multinational companies with many production units. This solution produces biogas for electricity/heating or for upgrading biogas to vehicle fuel quality, while greatly reducing the volume of waste, and in many cases making it possible to do away with waste disposal completely.

Strategic objectives in 2010

Solid knowhow that is constantly being fine-tuned

Scandinavian Biogas's core competence is to develop and operate biogas production plants and to continuously improve the biogas production process, enabling efficient and profitable production of biogas from organic waste and residues. The company applies proprietary methodologies in this work, which are continually evaluated and improved upon in regard to process performance both in facilities in operation, and on a lab scale- and in feasibility testing. Scandinavian Biogas's production methodology combined with employee experience and expertise is Scandinavian Biogas's main strength.

Replicability as a strategy

The company's strategy is to use the knowledge and experience gained through the design, startup and operation of Scandinavian Biogas's two reference sites in Loudden, Sweden and Youngyun, South Korea to facilitate establishment in new markets and to enhance facility construction and operation. Through its reference sites, the company has also gathered experience in putting together attractive long-term financing solutions for these types of investment-heavy projects. Furthermore, continued investment in strategic R&D has proved vital to maintaining a competitive edge. The aim is to develop new biogas production methods that facilitate resource and cost-efficient digestion of both established and untested types of organic wastes and residues.

Mission – our contribution to society

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

Vision - our business and how we generate value for our shareholders

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

Project groups assembled to achieve ambitious goals

In conjunction with Scandinavian Biogas’s development into a gas production company that has started to generate revenues, the company carried out some restructuring. This has been done to supplement the company’s leading expertise in R&D and operational and process management, with strategic expertise in marketing and financing. During the past year, the company also built up a local organization in South Korea with the relevant skills needed to achieve high growth in Northeast Asia.

Achieved 2010

Growth

- Following the acquisition of Fordonsgas Stockholm, Scandinavian Biogas has now established itself as one of the largest producers of Biogas in Sweden.
- Since taking over the facilities at Henriksdal and Bromma, the production of biogas has increased and additional measures have been taken in collaboration with Stockholm Vatten to continuously increase production.
- Scandinavian Biogas strengthened its position in central Sweden by entering into an agreement with Upplands Lokaltrafik (UL) regarding joint 50/50 ownership of Biogas Uppland with a view to building up local biogas production.

Strategic measures

- Establishment of a local organization in South Korea in order to achieve ambitious expansion targets in Asia.
- Strategic initiative targeting the U.S. with the intent to meet demand from private sector operators.

Revenue and financing

- In 2010, Scandinavian Biogas became a gas production company that has started to generate revenues.

Focus 2011

Growth

- Application for environmental permits and the planning of Biogas Uppland’s first biogas production plant in Enköping.
- Complete all four digesters at the Getterö wastewater plant in Varberg as well as a receptor for receiving external organic waste.
- Focused marketing efforts to secure further projects in South Korea and other priority markets in Northeast Asia.
- Complete the feasibility study that Scandinavian Biogas is carrying out in collaboration with EkoNord and depending on the results of the study may commence planning and preparatory work.

Strategic measures

- Evaluation and decision on possible establishment in the U.S.
- Implementation of a feasibility study aimed at defining a development plan for biogas production at Henriksdal. The goal is to double production volumes by 2015.

Revenue and financing

- Produce and sell liquid biogas from Loudden.
- Review of investment costs, as well as formulation and negotiation of financing solutions that facilitate Scandinavian Biogas’s continued expansion.

CEO commentary

THE NEED FOR RENEWABLE ENERGY TO REPLACE FOSSILE FUEL AT A REASONABLE COST IS AND WILL REMAIN ENORMOUS

Through a far-sighted energy policy, Sweden has shown that it is possible to combine the reduction of greenhouse gas emissions with continued successful economic development. Climate change is a challenge faced by every country worldwide and is an issue that will have an impact both on economic growth and the ability to create new jobs. This challenge was highlighted as early as 2001 during Sweden's Presidency of the EU, led by the Swedish prime minister at that time, Göran Persson, who has been the Chairman of Scandinavian Biogas for just over a year. Biogas is an industry of the future that can contribute to the future competitiveness of a country. It is an industry that provides countries with the opportunity to gain access to locally produced renewable energy, thereby reducing their dependence on fossil fuel.

At Scandinavian Biogas, in addition to creating value for shareholders, our efforts are also focused on pushing for a national energy policy that is in line with the EU Renewable Energy Directive. Facilitating the availability of renewable energy at affordable prices is highlighted as a prerequisite for the achievement of this objective. In many cases, the potential for biogas as an energy carrier is considerable.

Our contribution at a community level requires us to succeed in our business activities and this year, once again, we have demonstrated that we continue to deliver. During the year we achieved high growth targets and Scandinavian Biogas has taken the step to become a gas production company with gas production in South Korea and at three plants in Sweden. Progress is demonstrated in that we started to generate revenues from the end of summer 2010 and that we managed to complete the acquisition of Stockholm Vatten AB's gas production facilities, which was a rather complex transaction. As a result of this development, Scandinavian Biogas is one of the largest producers of biogas in Sweden today.

The acquisition of Fordonsgas Stockholm AB was completed on August 31 and comprises the gas upgrade facilities at Bromma and Henriksdal as well as the biogas production plant at Loudden. In parallel with work to complete the acquisition, the company implemented a rights issue which was fully subscribed, generating SEK 91 million for the company. Scandinavian Biogas also carried out a SEK 25.1 million directed issue targeting EkoNord Invest AB and John Nurminen Oy. Scandinavian Biogas also issued SEK 47.5 million in convertible bonds to Ahlström Capital's GreenTech Fond. The aim of these financing activities was to raise financing for the acquisition of Fordonsgas Stockholm AB.

A consequence of the acquisition is that we have now taken on the responsibility to increase the availability of biogas in the Stockholm region in collaboration with Stockholm Vatten. Scandinavian Biogas and Stockholm Vatten's shared objective is to more than double production and thereby achieve an annual production rate of 20 million normal cubic meters from these facilities through 2015. This is work that commenced in conjunction with the acquisition, in which a number of measures have been taken to optimize the operation of these facilities, contributing

to Bromma and Henriksdal reaching a production volume of 8.7 million normal cubic meters in the fourth quarter, 2010.

Furthermore, Scandinavian Biogas and Upplands Lokaltrafik (UL), after Scandinavian Biogas won the public tender, entered into a shareholders' agreement regarding a 50/50 co-ownership of Biogas Uppland, with a view to jointly developing the supply of locally produced biogas. This is yet another example of how Scandinavian Biogas successfully carries out close collaboration with a public sector company, in this case with the objective to provide UL's long-distance coaches with a sufficient supply of biogas. This project is also of strategic importance in that it further reinforces Scandinavian Biogas's strong position in central Sweden.

Scandinavian Biogas's business has also developed outside Sweden and during the year we put considerable effort into laying the groundwork for future value creation. A key step forward is the breakthrough made by our new Industry business area, which signed letters of intent with two major U.S. food producers. This breakthrough marked the start of focused marketing efforts for the Industry business area, managed by our new offices in the U.S. Furthermore, at our reference site in South Korea, we completed and deployed a new receptor for food waste and new pre-treatment processes - one for food waste and one for wastewater sludge. We have also started construction of a new gas upgrade facility. These improvements are of key importance in the optimization of biogas production at the Youngyun wastewater plant in Ulsan.



SCANDINAVIAN BIOGAS CREATES VALUE FOR SHAREHOLDERS AND IS PUSHING FOR A NATIONAL ENERGY POLICY THAT IS IN LINE WITH THE EU RENEWABLE ENERGY DIRECTIVE.

These are just some of the success stories achieved by Scandinavian Biogas's skilled employees who continue to show great commitment and a desire to succeed. Another success factor is the strong team effort that our employees continue to demonstrate, without which we would not have been able to come this far. Another key challenge in our continued expansion is therefore to secure our attractiveness as an organization, which includes giving employees room to grow and enjoy their work. We will continue our efforts to develop a corporate culture in which employees feel that they are respected, that the company takes responsibility and values their efforts.

At the end of last year I promised a period of historical growth – a promise that we have managed to deliver on and more. Scandinavian Biogas is now regarded as a leading edge company, and was named the seventh fastest-growing technology company in Sweden (Sweden Technology Fast 50) and the 105th fastest growing EMEA company (Technology Fast 500 EMEA), according to Deloitte's yearly survey.

All the signs point to that Scandinavian Biogas will outperform these placements in 2011 through continued expansion in Sweden and our strategic markets in Northeast Asia and the U.S. At the same time, the company has now started to generate ever increasing revenues.

Anders Tuvlind, President & CEO

BUSINESS MODEL



A growing industry of the future

Scandinavian Biogas business model is based on an ever-increasing demand for renewable energy that the company meets through large-scale production of biogas. This is done by managing and transforming organic waste and residues into biogas through anaerobic digestion. In this way, the inherent energy and nutrients of waste can be utilized in a more sustainable manner than is often the case today. The company's proprietary methodology has given rise to world-leading knowledge of how biogas plants should be designed and operated in order to maximize the output of biogas. Scandinavian Biogas assumes responsibility for production and part-ownership, as well as risk and reward in close collaboration with partners. This results in more efficient production of biogas at a lower cost than has been previously possible. In addition, the company is goal oriented in its work to maintain competitiveness through continued investment in strategic R&D. A key focus is the development of more effective and profitable methods of resource-efficient digestion using different types of waste and residue.

World leading expertise in the construction and operation of biogas plants

One of Scandinavian Biogas's key strengths is the extensive knowledge of our employees in the design and operation of biogas production plants. Overall, employees at Scandinavian Biogas have a high level of education, four of whom have a background in research. Our staff includes people with expertise in development, process and operation management, people who are considered to be among the most prominent figures in Swedish biogas production. Over the past two years, the company has reinforced the employee base with a number of key personnel in sales, marketing and financing.

Verified knowledge

The company's main focus is on the digestion process and the drive to continually maximize the outcome of biogas, almost independent of the nature and the composition of the organic waste used. In order to optimize biogas production, the company puts to use the knowhow and experience gained from Scandinavian Biogas's reference facilities in Sweden and South Korea, as well as knowledge gathered during the testing and evaluation of over 200 different organic materials at the company's R&D center in Linköping.

Partnerships and common goals

Scandinavian Biogas's offering encompasses taking total responsibility for biogas production through constructing, owning and operating biogas facilities. Existing facilities are redesigned and adapted to local conditions, with Scandinavian Biogas often maintaining responsibility for operations and implementing continuous improvements in order to optimize the biogas production process. Projects are usually carried out in partnership with public sector organizations or private sector operators. However, in some cases Scandinavian Biogas remains the sole owner of the biogas production plant. In such cases, Scandinavian Biogas takes responsibility for initial investments and sales of the biogas produced.

Two parallel business areas

	Public sector	Private sector
Business focus	<ul style="list-style-type: none"> Industrial plants customized to specific needs Focus on size and geographic market 	<ul style="list-style-type: none"> Multinational players with multiple facility needs Standardized replicable solutions
Customers	<ul style="list-style-type: none"> Plant owners (municipalities) Suppliers of substrates Buyers of biogas 	<ul style="list-style-type: none"> Multinational companies with access to substrate and the need for green energy
Offering	<ul style="list-style-type: none"> Reduced investment in plants Compliance with waste management regulations CSR gains 	<ul style="list-style-type: none"> Reduced cost for waste facilities Reduced energy costs CSR gains

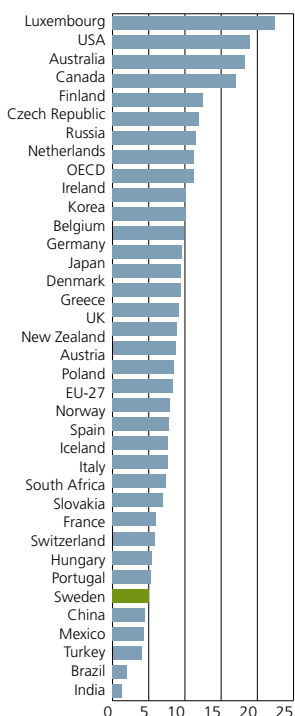
Business-focus and customer segmentation

Scandinavian Biogas seeks to increase the value of the group's assets and generate cash flow. The company also seeks to hedge risk through two parallel business areas. One business area is focused on public sector operations, often wastewater treatment plants that need to manage large amounts of sludge. The second business area was established at year-end of 2009 in order to meet demand from private operators who need to manage significant amounts of organic waste. This business area primarily targets major national or multinational companies with a large number of production facilities of similar character in need of a standardized waste management solution. Scandinavian Biogas's biogas production plants are usually designed to co-digest different types of organic matter.

MARKET OVERVIEW

CARBON DIOXIDE EMISSIONS PER CAPITA

Ton per capita, 2007



Source: UNECCC

Growing global demand for fossil-free energy

Environmental issues and the manner in which significant reductions in emissions of greenhouse gases can be implemented while remaining competitive are high on the agenda of the international community and are addressed daily by international bodies, nations and the trade and industry sectors, in which energy supply is a key area. The need for renewable energy that can replace fossil fuels such as coal and oil at reasonable prices is and will remain considerable.

Market conditions are favorable for companies in the business of providing renewable energy and Scandinavian Biogas sells all the gas that the company produces.

As an energy carrier, biogas is particularly attractive when it is upgraded to vehicle fuel quality. Significant environmental benefits can be achieved by replacing other fuels with biogas in that greenhouse gases and particulates are reduced.

An industry in which competition is expected to increase

Today, Scandinavian Biogas has few competitors using the same business model. However, competition exists in the form of different types of construction contractors, consulting companies and international energy companies. Sweden has long held a leading position in the production of biogas for vehicle fuel, while nations such as Denmark, the Netherlands and Germany have focused their biogas production primarily on the digestion of manure and crop residues to generate green power. An increase in competition is expected however as the market matures, which means that targeted R&D will be crucial for maintaining long-term competitiveness.

Strategic markets for further expansion

Strategic work carried out by the company in 2009 to facilitate continued expansion led to a tangible plan of action in 2010. This in turn led to detailed growth targets, including Mälardalen in Sweden, South Korea and an analysis of a number of interesting projects in Northeast Asia. In addition, Scandinavian Biogas launched focused marketing efforts in the U.S. including the establishment of a U.S. subsidiary. The aim is to meet the waste management needs of large national and multinational companies in the food industry with large amounts organic waste.

Sweden – ambitious environmental goals drive development

Sweden has long positioned itself internationally as a pioneer in environmental management by, among other actions, investing in biogas development and subsidizing the production of vehicle fuel quality biogas. This has led to a competitive head start, in which Scandinavian Biogas is a key player. Biogas produced in Sweden is almost exclusively used as vehicle fuel, particularly in public transportation, taxis and sanitation services. However, to some extent, it is also used to fuel privately owned cars.

Politicians in Sweden have ambitious goals to sharply reduce emissions of greenhouse gases, in which the traffic sector, accounting for nearly half of the country's carbon dioxide emissions, is

singled out as a top priority. Action plans have been established and a call to action has been made to the country's municipalities. Consequently, public transportation entities in many parts of the country are working towards implementing vehicle fleets that are powered solely by renewable fuels, with biogas usually given priority over other alternatives. As a result, over 32,000 gas-powered vehicles are registered in Sweden and more than 30 Swedish cities use biogas buses for public transportation, among other emission-reducing actions today.

A problem for biogas consumers is that biogas demand often exceeds supply. There is therefore a major need for a substantial increase in biogas production. In addition, competition for organic material that can be digested in an efficient manner is increasing, which will impact both the supply and pricing of the same. It is therefore essential to develop new methods for biogas production that enable digestion of more types of organic waste.

In Sweden today, the conditions are favorable for continued growth and retaining a competitive edge in the biogas field. This is because Sweden has an ample supply of skilled personnel, a significant structural capital in the form of good relations with other players in the industry, and a constructive environment for R&D. Moreover, the country's large forested areas provide an extensive supply of new types of organic matter, which may play an important role in future biogas production.

South Korea - a market with expansion opportunities

South Korea is the world's 13th largest economy and the fastest growing member of the OECD. Business conditions in the country are generally favorable, with a strong capital market and a lack of attractive investment opportunities in renewable energy, which improves funding opportunities. The country is heavily dependent on imports of fossil fuels and there is a lack of domestic renewable energy sources because of limited land area, high population density and adverse conditions for wind-, solar- and hydro-power.

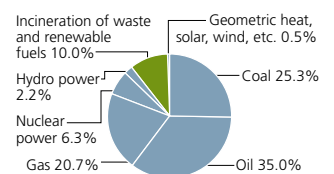
Accordingly, producing biogas from the country's organic waste and residues is an attractive business opportunity. From an overall perspective, the production of methane from anaerobic digestion of organic waste has the potential to replace 18 percent of the natural gas consumed in South Korea today.

The government's focus on "Low Carbon, Green Growth" is driving investment in the renewable energy sector. Moreover, the impending ban on the dumping of organic waste at landfills and into the sea will further increase the cost of waste management for municipalities and makes biogas production the most cost effective way to treat organic waste.

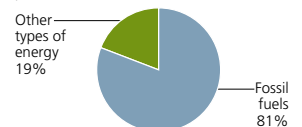
Because of South Korea's high population density and consumption levels as well as the widespread source separation of organic waste at a household level, there are considerable, untapped quantities of high quality organic waste on which industrial biogas production can be based.

Even the competitive situation is favorable. Existing plant owners lack the required knowledge to carry out efficient biogas production and the substrate sources are to a large part still not under contract.

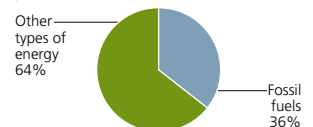
GLOBAL ENERGY SUPPLY
 percent, 2005



GLOBAL ENERGY SUPPLY
 percent, 2005



ENERGY SUPPLY IN SWEDEN
 percent, 2005



Source: Ekonomifakta

FORDONSGAS STOCKHOLM AB

SUPPLYING STOCKHOLMERS WITH BIOGAS

Acquisition of Fordonsgas Stockholm AB

Scandinavian Biogas's acquisition of Stockholm Vatten's biogas cleaning facilities at Bromma and Henriksdal and its production facility for liquid biogas at Loudden was completed in summer 2010. The net purchase price for the acquisition was SEK 160 million and the deal provides Scandinavian Biogas with a solid platform for future expansion. It is estimated that the three plants together produce around 10.1 million standard cubic meters of vehicle fuel quality biogas per year. This volume of gas generates a turnover for the company of around SEK 80 million. The scope of these operations means that Scandinavian Biogas, following the acquisition, is one of the largest biogas producers in Sweden.

The biogas market in the Stockholm region

The demand for biogas in the Stockholm region greatly exceeds supply. The use of biogas and natural gas as a vehicle fuel has increased steadily in recent years. In the case of biogas, this positive trend can be linked to an increased focus by politicians and municipalities on working towards an environmentally friendly and sustainable use of energy in society. One of the goals of Stockholm's main public transportation company, Stockholms Lokaltrafik's (SL), is to power half of its bus fleet by environmentally friendly fuel before the end of 2011. Furthermore, SL's environmental goal aims for its entire fleet of buses to be powered by environmentally friendly fuel by the end of 2025. Around 145 of SL's buses are already powered by biogas today, a figure that is rising steadily.

Developing and optimizing plant operation

Following the acquisition of the aforementioned facilities, Scandinavian Biogas has initiated work to drive development and operational efficiency. At the same time, opportunities to drastically increase biogas production at the facility adjacent to the Henriksdal wastewater plant, through investment, are being explored. Production output in the fourth quarter 2010 proceeded as planned, with the Bromma plant producing around 2.1 million standard cubic meters and the Henriksdal plant 6.6 million standard cubic meters of vehicle fuel quality biogas per year. Work is underway to finalize the biogas production plant at Loudden. Already today, the biogas-producing part is in operation, while the gas facility will be operational in first half of 2011.

The Bromma gas upgrade facility

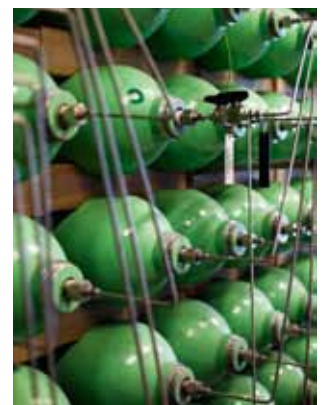
The biogas upgrade facility in Bromma is adjacent to the Bromma sewage plant. This plant is one of Sweden's first wastewater treatment plants purifying wastewater from 290,000 people in the western region of Stockholm. Today, the plant produces some 3–4 million normal cubic meters of raw gas per year from the digestion of sewage sludge. This gas is then upgraded by Scandinavian Biogas to 2 to 2.4 million normal cubic meters of vehicle fuel quality biogas. The upgrade is made using Pressure Swing Absorption (PSA) technology. The Bromma plant is equipped with two PSA facilities with a joint capacity for upgrading 5 million standard cubic meters of raw gas. Today,

nearly all of upgraded biogas produced in Bromma is sold at Scandinavian Biogas's public filling station for vehicle fuel, which is located directly beside the gas upgrade plant.

Large volumes at Henriksdal

The biogas upgrade facility at Henriksdal is located at the top of Henriksdalsberget, where Henriksdal's sewage plant is situated. Henriksdal is one of Sweden's largest wastewater treatment plants, treating wastewater from approximately 690,000 people, mainly from central and southern parts of Stockholm. The Henriksdal wastewater treatment plant produces about 11 million normal cubic meters of raw gas per year from the digestion of sewage sludge. This raw gas is then upgraded by Scandinavian Biogas to about 6.6 million normal cubic meters of vehicle fuel quality biogas using water wash (WAS) technology. The Henriksdal upgrade plant has two WAS facilities, which theoretically have the capacity to handle 12 million standard cubic meters of biogas per year. The majority of the upgraded gas is sold on long-term leases to SL and Stockholm Gas AB.

The picture on the left shows the newly constructed biogas filling station in Bromma, located adjacent to the gas upgrade facility. To the right is the Henriksdal gas upgrade facility.



In addition to boosting the operating efficiency of the facility and thereby increasing production, Scandinavian Biogas, in partnership with Stockholm Vatten, aims to develop the potential for a significant increase in gas production at the Henriksdal plant. This will be done by making investments to secure the supply of external organic matter for co-digestion with sewage sludge from wastewater treatment plants. In addition, the capacity of the gas upgrade facility will be expanded through investment in additional production lines.

The production unit at Loudden.

Formerly a closed-down wastewater treatment plant, Loudden has now been renovated and rebuilt by Scandinavian Biogas into a state of the art biogas production plant. Loudden is operated in its entirety by Scandinavian Biogas. Rather than sewage sludge, the biogas produced here is predominantly made from secondary grain residue from Lantmännen AB. The biogas is then upgraded to liquid biogas (LBG) using cryogenic upgrading technology. The production of liquid biogas facilitates reduces distribution and handling costs and opens up opportunities for alternative areas of uses. The biogas production part of the plant at Loudden began producing raw gas at the end of the year and the gas upgrade facility for the production of liquid biogas will be operational in first half of 2011. The plant will produce 700,000 normal cubic meters of vehicle fuel quality biogas in LBG form on an annual basis. A doubling of this production volume is planned for 2012 and preparations are ongoing.

The operational biogas facility at Loudden is one of the world most modern facilities for biogas production. The plant is designed for the digestion of new types of waste such as agricultural residues.



BIOGAS UPPLAND DEVELOPING THE MARKET FOR BIOGAS LOCALLY

Scandinavian Biogas's collaboration with Upplands Lokaltrafik (UL) began at the year-end 2008 when Scandinavian Biogas won a public tender conducted by UL in order to secure the long-term supply of biogas. Through the deal, UL also aims to achieve ambitious goals in reducing the environmental impact of its regional buses.

According to Sweden's new environmental objectives, at least 40 percent of regional buses must be powered by fossil-free fuels from 2012. The amount of fossil-free vehicle fuel will then be gradually increased until 2020, when 90 percent of all bus traffic should be powered by fossil-free fuel. This is an enormous challenge for UL. Its bus fleet of around 240 buses consumes about 11 million liters of diesel annually. A key point is that UL has chosen to prioritize biogas over other renewable fuel alternatives, as biogas reduces emissions of carbon dioxide, particulates and nitrogen oxide to a greater extent than other alternative. UL's owners, the county council and the eight municipalities of Uppsala County, are pioneers, providing inspiration for a more environmentally friendly public transport system through this initiative.

First plant expected to be ready for operation in 2012

A feasibility study was carried out shortly after Scandinavian Biogas won the public tender. The project showed good potential and as a result both parties decided to establish Biogas Uppland, owned in equal parts by both parties, with the responsibility to supply UL's regional buses with biogas.

Under the auspices of UL, the purpose of the new company is to secure a long-term, stable supply of biogas at a controlled cost. This will be achieved by establishing biogas production in the Uppsala region, where Enköping is planned as the location for the first plant. The plant is dimensioned for an annual production of 10 million normal cubic meters of vehicle fuel quality biogas and is expected to be completed and in operations by late 2012. After that, Biogas Uppland intends to expand the business with additional facilities.



VARBERG GETTERÖ WASTEWATER TREATMENT PLANT CONTRIBUTES TO THE ACHIEVEMENT OF SWEDISH ENVIRONMENTAL OBJECTIVES

In cooperation with the municipality of Varberg, Scandinavian Biogas is implementing a project aimed at significantly increasing biogas production at the Getterö wastewater treatment plant. The project is one of the municipality's prioritized endeavors and is part of a comprehensive environmental initiative.

In order to maximize biogas production, the plant has been designed with a special reception station for external material with the capacity to receive about 18,000 tons of organic waste per year. The biogas plant will co-digest sludge from the wastewater treatment plant and organic waste, including food industry waste. Raw gas produced in the four reactors, each with a volume of 900 cubic meters, will be treated in an anaerobic process in a newly built gas upgrade facility and deliver approximately 3.1 million standard cubic meters of vehicle fuel quality biogas. The rebuilt biogas production facility is expected to be operational in 2012.

The project is a key milestone in Varberg municipality's environmental work, in which raw gas, previously only used for heating the municipality's offices, will instead be upgraded making it suitable, among other things, for distribution via the municipality's general gas mains.



USA

NEW LOCAL OFFICE TO OPEN UP THE DOOR TO THE U.S. MARKET

Scandinavian Biogas's new Industry business area made a breakthrough in the U.S. market, signing letters of intent with two major U.S. food producers in late summer 2010. The contracts entailed the implementation of three feasibility studies, which were completed during the fourth quarter. Business potential in the U.S. market is considered promising and Scandinavian Biogas has therefore initiated focused marketing efforts spearheaded by the newly established office in the U.S.

The new Industry business area was launched at year-end 2009. The objective with the new office is to meet demand from private operators, mainly national and multinational companies in the food industry that need to manage large amounts of organic waste. To adapt to these customers' needs, Scandinavian Biogas has designed standardized modules, which together with a couple of different digestion alternatives, could involve both energy savings and significant environmental benefits.

Customers targeted by the Industry business area generally have ten or more uniform concept-built production plants, enabling easy and cost-efficient implementation of Scandinavian Biogas's standardized modules.



ULSAN TARGETS IN SOUTH KOREA EXCEEDED

Industrial city chooses biogas in comprehensive environmental initiative

Ulsan is an industrial city with approximately one million inhabitants. From 1980–2000 the city grew quickly, driven by rapidly-growing heavy industry. Ulsan's extensive industrial activity soon gave rise to significant environmental problems. In the 2000s, high levels of air pollution and sanitary problems related to waste management became everyday problems in the lives of city residents. In the last decade, the extent of waste management problems has forced the city of Ulsan to dump organic waste into the sea off the coast, and deposit substantial amounts of waste in landfills. This resulted in major environmental problems and poor quality of life for residents. Politicians soon realized that the situation was unsustainable and began work on finding solutions for more sustainable development. Thanks to a visionary city council, discussions were initiated with Scandinavian Biogas regarding how organic waste management problems could be solved by implementing anaerobic digestion for biogas production. These discussions led to a fruitful collaboration between the city of Ulsan and Scandinavian Biogas, resulting in that work commenced on a biogas production facility adjacent to the Youngyun wastewater treatment plant.

First reference plant to facilitate continued expansion

The plant in Ulsan is Scandinavian Biogas's first biogas production unit in South Korea, which Scandinavian Biogas intends to use as a platform for future expansion in the country by replicating the project. In Ulsan, sludge from the wastewater treatment plant is co-digested today with food waste at the existing treatment plant. In order to increase capacity further, a new receptor for food waste and new pre-treatment facilities, one for food waste and one for sludge, have been completed and deployed. The Ulsan plant is a key reference plant for Scandinavian Biogas in South Korea and the rest of Northeast Asia. The large-scale biogas production carried out at the plant demonstrates how local substrate can be put to valuable use, solving the problems of urban waste. Scandinavian Biogas has shown that by adapting the design of an existing biogas production plant and implementing a more efficient digestion process, the company has been able to double the flow of organic material through the plant, in turn doubling the digestion of organic matter and quadrupling the production of biogas in the existing digesters. The project in Ulsan is based on Scandinavian Biogas's business model, comprising three main components: design, construction and operation.

The Ulsan plant and its business model

In November 2007, Scandinavian Biogas won a contract from the city of Ulsan to improve biogas production and the processing of organic waste at the Youngyun treatment plant. The plant is the first of its kind in South Korea when it comes to the co-digestion of household waste and sewage sludge. Scandinavian Biogas has increased the plant's digestion efficiency and built a pre-treatment facility for organic waste, which allowed an increase in the treatment of food waste from 40 to 180 tons per day and a fourfold increase in biogas production to approximately 10 million standard cubic meters per year. Furthermore, Scandinavian Biogas has constructed a biogas upgrade facility to enable the upgrade of biogas to vehicle fuel quality. Scandinavian Biogas has a 15 year contract with the city of Ulsan and the project began generating revenues in May 2010.

These revenues come from sales of produced biogas and from fees for receiving waste. Additional revenue improvement measures have been identified to facilitate greater profitability over time.

Biogas plant expansion reduced environmental problems in Ulsan

A reduction of greenhouse gas emissions equivalent to 17,000 tons of carbon dioxide per year has greatly improved the environment of the city of Ulsan. This is aside from the methane that previously leaked from many landfills. Furthermore, a reduction in the dumping of food waste into the sea will improve the marine environment, leading to reduced algal blooms and eutrophication problems. Moreover, the biogas plant has led to an improved living environment and a better quality of life for residents in Ulsan. In addition to environmental benefits, the project has also resulted in direct economic gains, meaning that the city of Ulsan does not need to make any additional investments in the biogas plant or cover the cost of the day-to-day operation of the facility, as this is financed by the increased biogas production. The urban environment has improved as the city has centralized waste reception to one location, thereby enabling the city to close several old storage and preparation facilities for food waste. The biogas plant in Ulsan is also a solid foundation and a key reference site for Scandinavian Biogas's continued expansion in the South Korean market.



BOARD OF DIRECTORS



Göran Persson, *Chairman*

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 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 spans public affairs, financial markets, mergers & acquisitions, international politics and the EU.



Anders Bengtsson

Born 1963. Elected as 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 and has a number of other board engagements.



Fredrik Danielsson

Born 1974. Elected as board member in 2009. Fredrik Danielsson joined Carnegie as a financial analyst in 1998. In 2000, he became chief analyst for the telecommunications sector and was ranked as number one in Sweden for three consecutive years. In 2004, he was recruited to become a partner of the London-based private equity firm Novator LLP. Mr. Danielsson has been a board member of two listed companies, Scribona AB and Ruukki Group Oy.



Orri Hauksson

Born 1971. Elected as board member in 2009. Orri Hauksson has an MBA from Harvard Business School and a Mechanical Engineering degree from the University of Iceland. He has held several posts for the past decade, i.e. as Political Adviser to Iceland's prime ministers, VP of R&D and M&A at Iceland's incumbent Telco and is currently the Managing Director of the Federation of Icelandic Industries. Mr. Hauksson has also held a number of board assignments, including Elisa Communications (Telco), Straumur, Eimskip, and Sulphco as well as a private equity fund.

Phil Metcalfe

Born 1970. Elected as 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 member of several privately-held companies specializing in environmental emission trading solutions.



Raif Nisametdin

Born 1963. Elected as board member in 2009. MBA from the Helsinki School of Economics. Finance Director at Mergin Oy 1988–1992. Research assistant at the Helsinki School of Economics, department of accounting 1990–1992. Director of family owned company 1992–1994. Managing Director at Mazot Oy. Today, Mr. Nisametdin is involved in Finntyr Consulting and Trading Oy, Rhed Consulting Oy and Espan Matto Oy.



Anders Wijkman

Born 1944. Elected as board member in 2007. Member of the board of Svensk Kärnbränslehantering AB and the Tällberg Foundation. University degree in political science at the University of Stockholm. Since 1999, Mr. Wijkman has been a member of the European parliament. Mr. Wijkman has also been a member of several government task forces on issues related to the environment, sustainable development and energy.



Jonas Bengtsson

Born 1969. Elected as deputy board member in 2009. MBA from Stockholm University. Five years experience in the banking and finance industries. Ten years self-employed and as an investor. Board member and partner in Bengtssons Tidningsaktiebolag (BTAB Invest). Invests in companies in the renewable energy and commercial real estate industries, among others. Has a number of other board engagements.



BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO of Scandinavian Biogas Fuels International AB, corporate identity number 556528-4733, hereby submit the 2010 Annual Report.

Operations

Scandinavian Biogas is a leading player in large-scale biogas production. The company possesses world leading expertise in how to optimize the construction and operations of digesters in order to maximize the production of high quality biogas, regardless of the nature or composition of the organic waste being used. With a strategic focus on research and development (R&D), the company continues to place great importance on developing methods that enable the efficient production of biogas from both established and new types of waste and residue. The company's knowledge and methods enable biogas production today to be carried out in a more cost- and resource-efficient manner than before.

The company's business concept is to be a leader in the design and operation of biogas plants. This is achieved by continually improving the digestion process for biogas production from biomass, primarily from waste such as the large amount of sludge produced at wastewater treatment plants and waste from industrial processes such as food and biofuel production. To meet the demand from private operators, the company has also developed a standardized solution designed to solve environmental problems with organic waste for major national or multinational companies. These facilities can be integrated at a large number of production plants and contribute considerable environmental benefits.

Scandinavian Biogas Fuels International AB is domiciled in Uppsala, Sweden and headquarter in Stockholm, with R&D operations in Linköping. At year-end 2010, the company had 45 employees and continues to expand rapidly in Sweden and abroad.

Ownership structure

Scandinavian Biogas Fuels International AB has the character of a holding company and the Group's operations are conducted in subsidiaries, primarily in Scandinavian Biogas Fuels AB, which is 100 percent owned by Scandinavian Biogas Fuels International AB. Operations are also conducted by Scandinavian Biogas Korea Limited, of which the company owns 82 percent and Biogas Uppland AB, which is owned in equal parts in collaboration with Upplands Lokaltrafik (UL).

Financial overview

Group (SEK thousand)	Dec. 31, 2010,	Dec. 31, 2009	Dec. 31, 2008	Dec 31, 2007	Dec 31, 2006
Net sales	73,291	27,634	3,185	2,932	328,
Operating income/loss	-54,601	-38,098	-45,346	-24,575	-7,491
Balance sheet total	403,337	210,053	84,435	56,808	27,584
Equity/assets ratio, %	31.7%	17.8	Neg.	69.8	78.9

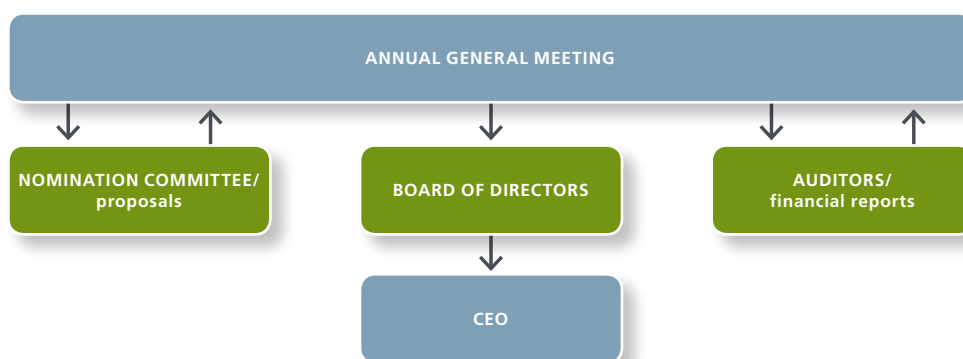
Consolidated net sales are SEK 73.3 million, an increase of SEK 45.7 million (165%) year on year. Turnover was influenced by, among other things, the start of operations of the company's subsidiary in South Korea and the acquisition of Fordonsgas Stockholm AB. In 2010, the South Korean subsidiary generated sales of SEK 16.8 million and Fordonsgas Stockholm generated sales of SEK 30.6 million from the date of acquisition.

Consolidated non-current assets increased by SEK 224.7 million last year to SEK 302.8 million. This is largely due to continued investment in Ulsan (SEK 47.4 million) and the assets resulting from the acquisition of Fordonsgas Stockholm (SEK160.0 million).

In conjunction with the acquisition of Fordonsgas Stockholm, the new subsidiary Fordonsgas Stockholm entered into a loan agreement with Nordea at the amount of SEK 77.5 million on the balance sheet date. During the year, the company also issued convertible bonds to Ahlström Capital's cleantech fund, which on the balance sheet date amounted to a nominal value of SEK 38.9 million. In conjunction with the acquisition of Fordonsgas Stockholm, short-term loan agreements were entered into with Ajanta Oy and the Bengtsson group, which together amounted to SEK 32.6 million on the balance sheet date. A previous loan from Novator was fully converted to shares during the year in conjunction with the issuance of rights issues.

Corporate governance

The corporate governance, management and control of Scandinavian Biogas is done 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 followed up as illustrated below:



Ownership structure

Novator	22,6%
Bengtssons Tidnings AB and related parties	19,1%
Danielsson family, including company	10,1%
Ajanta Oy.	8,9%
John Nurminen Oy and related parties	6,8%
Others	32,4%

Compared to last year, ownership structure among the four largest shareholders has changed primarily due to the size of their participation in rights issues issued during the year and by the fact that some dilution has occurred, resulting from the implementation of a directed issue and that some of the convertibles issued were used to subscribe to shares. John Nurminen Oy is a new owner whose ownership stake was primarily acquired through the directed issue. All share issues implemented during the year are detailed under the heading "Financing activities" in the Board of Directors' report.

Key events during the year

Acquisition of Fordonsgas Stockholm AB

Scandinavian Biogas Fuels International acquired Fordonsgas Stockholm AB from Stockholm Vatten on August 31, 2010, comprising the gas upgrade facilities at the Bromma and Henriksdal wastewater treatment plants as well as the biogas production plant at Loudden. As a result of the acquisition, Scandinavian Biogas became one of the largest biogas producers in Sweden.

Sales of gas from the biogas production facilities in Ulsan, South Korea and from Bromma and Henriksdal, Sweden

The Youngyun biogas facility in Ulsan, South Korea is now operational and began generating revenues in May 2010. These revenues come from fees for receiving waste, where average daily deliveries are 180 tons per day, as well as sales of biogas produced at the facility. Additional revenues are generated from biogas sales at the acquired facilities in Bromma and Henriksdal in Sweden.

Financing activities to fund the acquisition of Fordonsgas Stockholm AB

During the summer 2010, Scandinavian Biogas carried out financing activities to fund the acquisition of Fordonsgas Stockholm AB. These activities encompassed a fully-subscribed rights issue of SEK 91 million, as well as a directed issue of a total of SEK 25.1 million to EkoNord Invest AB and John Nurminen Oy. In addition, the company issued SEK 47.5 million in convertible bonds to Ahlström Capital's GreenTech Fond.

Letters of intent with two major U.S. food producers

Scandinavian Biogas signed letters of intent with two major U.S. food producers, one in August and one in September 2010, for the implementation of three feasibility studies. These were completed at the year-end 2010. In conjunction with this work, the company initiated focused marketing efforts targeting the U.S. market.

Biogas Uppland AB

In June 2010, Scandinavian Biogas and Upplands Lokaltrafik (UL) signed a shareholders' agreement regarding the joint ownership of Biogas Uppland in equal parts (50/50). The aim of the agreement is to secure biogas supply for Upplands Lokaltrafik (UL). Furthermore, on December 29, 2010, Biogas Uppland acquired property in Enköping with the intention of building a biogas production facility. The company took possession of the property at the beginning of 2011.

Collaboration with EkoNord

In September 2010, Scandinavian Biogas and EkoNord Invest AB entered into an agreement regarding the possibility of establishing large-scale biogas production in Jämtland, Sweden. A feasibility study is currently being carried out and is expected to be completed by mid-2011.

Company registration

In order to implement focused marketing efforts in the Industry business area, a wholly-owned subsidiary has been established in the U.S., domiciled in Delaware, with a branch office in New York.

Future performance expectations

The need for renewable energy that can replace fossil fuels like coal and oil at reasonable prices is enormous. In the ongoing evaluation of renewable energy alternatives that can be mass produced,

interest in biogas has grown as has the demand for biogas, which is expected to increase even more as availability increases. In many parts of the world, not least in Sweden, the demand for biogas significantly exceeds supply. For Scandinavian Biogas this means that it will be able to sell all the biogas it produces.

Biogas contributes to sustainable development to a greater extent than any other fuel. The greatest environmental benefits are achieved in heavy city traffic, such as bus traffic, which is the reason more and more cities are electing to prioritize biogas over other renewable fuel alternatives, with the lack of availability of biogas currently being the only major limiting factor.

Sweden is a pioneer in this area, and the country's strategy is expected to spread to other countries. In the development of a new industry such as this, the need for consensus and dialogue between businesses and politicians, authorities and the public sector is of particular importance. Scandinavian Biogas's acquisition of Fordonsgas Stockholm AB is an example of a well-functioning collaboration between a public sector organization and an industrial partner, both of which are taking responsibility for increasing the production and thereby the supply of biogas. A similar project is well on the way to realization through Biogas Uppland. This indicates that there should be potential to develop other projects of a similar nature and Scandinavian Biogas has identified some particularly interesting opportunities in Sweden and South Korea, as well as certain countries in Northeast Asia. The fact that Scandinavian Biogas can now showcase two reference objects, Loudden in Sweden and the biogas plant at the Youngyun wastewater treatment plant in Ulsan South Korea, is also a supporting factor. What these projects have in common is their complexity and that they require large initial investments, which means that the sales cycle and the period up until the project begins to generate revenues are typically long.

Risks and uncertainties

Below some of the risks and uncertainties that may be significant to Scandinavian Biogas's operations and future developments are described. The account does not purport to be comprehensive and the risk factors are not listed in any order of significance.

Development company on its way to becoming established

Scandinavian Biogas is now taking the step from being a development company to becoming an established one. This means that the company is still at a build up stage and financing is required for projects related to the facilities the company undertakes to design, construct and operate. Financing requirements pose the risk that interesting projects may be impossible to carry out or that liquidity issues may become a problem for the company. As a result, it can be anticipated that Scandinavian Biogas will implement more share issues in order to secure the company's development and continued expansion. For more information see heading "Financing activities" in the Board of Directors' report.

Competition and maintaining a leading position

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. In turn, this will increase the competition for organic material used in biogas production. It is therefore vital that the company continues strategic R&D activities investigating the digestion of new types of substrate as well as finding ways to increase biogas output from the organic waste already digested today.

Revenue generation

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

Employees

Scandinavian Biogas operations are totally dependent on employee expertise and experience. 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 the countries where Scandinavian Biogas operates is of great significance to the company's operations. Customers primarily include municipalities, cities and public sector entities such as water, sewage and waste disposal plants. 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 contracts entered into previously. Many assignments are also contract-based, with revenue streams spanning time horizons of up to 15 years or longer. 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.

Dependence on decisions made by public authorities

Scandinavian Biogas's operations are dependent to some extent on the approval of and authorization by 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 pose the risk of a delay in a project.

Long sales cycles for new contracts

The sales cycle from the first point of contact with the customer to the generation of revenues may span several years. As a rule, the projects are extensive and complex to carry out. Furthermore, entrance into new markets involves major work efforts and cultural understanding. All of these factors pose a risk, which may be mitigated through thorough market studies, employees with local knowledge and strong networks, as well as experience in successfully completing similar projects.

Dependence on partners

As 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 into 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 during the production process. Scandinavian Biogas works continuously 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 may constitute a currency risk for the company. Currency risk increases as the company establishes new operations abroad. There are no significant loans or receivables in foreign currency in the Swedish part of the group's legal structure.

Interest rates

Certain larger loans in the group carry variable interest components, which may constitute an interest rate risk. When entering into a loan agreement, the company may consider hedging the loan, which has been done in one instance. The estimated earnings impact of one (1) percentage point change in the underlying interest rates with regard to the loans and loan amounts reported by the company at the year-end would be equivalent to + / - SEK 1 million on an annual basis.

Authorization and notification requirements under the Swedish Environmental Code

Operating a biogas plant in Sweden requires a permit under the Swedish Environmental Code. For Scandinavian Biogas this encompasses the Henriksdal and Bromma wastewater plants and the Loudden biogas production plant. At Henriksdal and Bromma, operations are still run under Stockholm Vatten's permit. At Loudden, formal authorization is held by Fordonsgas Stockholm. Change notifications have been submitted to the relevant county council in the case of facilities for which a decision has been made regarding a change or expansion of operations.

Financing activities

The company conducts active funding work on an ongoing basis to ensure it is possible to implement of the current business plan.

- In early 2010, final registration of the rights issue approved by the AGM on November 26, 2009 was carried out. The issue generated SEK 70 million.
- On July 23, 2010, the company resolved to implement a SEK 91 million rights issue. This issue was fully subscribed, with the last part registered on October 18, 2010.
- On July 23, 2010, the company resolved to implement a directed issue of SEK 25.1 million. The issue targeted John Nurminen Oy and Ekonord Invest AB, and was registered on September 2, 2010.
- On July 23, 2010, the company resolved to issue SEK 47.5 million in convertible bonds to Ahlström Capital's AC Cleantech fund.
- In November 2010, Ahlström Capital elected to exercise the convertibles in part, converting SEK 9.5 million to shares, which were registered on December 7, 2010.

Additional capital injections are needed to fund operations over the next 12 months. In order to solve funding and improve liquidity in the coming financial year the company is considering a number of different solutions.

The assessment is that funding will be solved through a refinancing of existing loans, various types of capital contributions and significant capital raising activities. The company expects that the long-term financing of larger projects will require different types of funding solutions and partnerships depending on the project structure and location.

Project funding

A key factor in the company's ability to expand is its capacity is to continue to secure project funding and investment contributions. The goal is to achieve at least 70 per cent loan to value per project.

Share

After registration of the rights issue and the directed issue in 2010, the company has 25,216,532 shares with a par value of SEK 0.20 share. Each share carries one vote. All outstanding shares are ordinary shares and carry equal rights to participate in the assets and earnings of Scandinavian Biogas Fuels International.

Outstanding and exercised stock options

Theoretical number of new shares	Holders	Exercise price	Term	
564,000	Treco International S.A.	SEK 23	Until January 1, 2011	Not redeemed
524,476	Ajanta Comm. V.	SEK 12.60	Until January 31, 2011	Redeemed
440,000	Scandinavian Biogas Fuels AB (personal)	SEK 27	Until June 30, 2013	Registered on June 21, 2010

In accordance with a resolution passed by shareholders at the 2010 annual general meeting, the company issued 440,000 warrants to the subsidiary Scandinavian Biogas Fuels AB. These were thereafter offered and awarded to employees of Scandinavian Biogas Fuels AB as employee stock options, whereby social security contributions and taxes were reported and the value of the options paid.

Key events after the period end

Exercise of options outstanding

In January 2011, Ajanta exercised options equivalent to 524,476 new shares.

Proposed appropriation of the company's profit or loss

The Board of Directors and the CEO propose that the following funds SEK 220,583,732 be appropriated as follows:

	Amount in SEK
Share premium reserve	297 709 162
Net loss for the year	-77 125 430
Carried forward to next year	220 583 732
Total	220 583 732

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

CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousand	Note	Jan. 1, 2010 – Dec. 31, 2010	Jan. 1, 2009 – Dec. 31, 2009
Operating revenues			
Net sales	1	73,291	27,635
Work performed for its own use by the company and capitalized	2	1,605	5,246
Other operating revenues	3	744	826
		75,640	33,707
Operating expenses			
Raw materials and consumables		-33,218	–
Other external costs	4,5	-46,818	-38,263
Personnel costs	6	-38,173	-26,698
Depreciation/amortization and write-downs of intangible and tangible assets	7	-12,005	-6,352
Other operating costs	8	-27	-492
		-54,601	-38,098
Results from financial items			
Results from participations in group companies	9	3,157	6,844
Results from participations in associated companies	10	–	-2,210
Results from non-current securities and receivables		-765	-798
Interest income and similar items	11	3,819	2,485
Interest expense and similar items	12	-11,015	-5,403
		-59,405	-37,180
Results before tax			
Tax on results for the year	13	-681	-17
Minority share in results for the year		2,266	655
		-57,820	-36,542

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	Note	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Non-current assets			
Intangible assets			
Capitalized investment expenditure	14	3,898	–
Patents and licenses	15,16	880	1,768
Goodwill	17	24,020	27,863
		28,798	29,631
Tangible assets			
Buildings and land	18	100,206	–
Equipment, tools and installations	19	150,849	1,167
Pilot facilities	20	1,480	2,653
Construction in progress and advance payment for tangible non-current assets	23	50,264	74,305
		302,799	78,125
Financial assets			
Other long-term securities	25	623	765
Other long-term receivables		627	880
		1,250	1,645
Total non-current assets		332,847	109,401
Current assets			
Inventories, etc.			
Raw materials and consumables		–	125
		–	125
Current receivables			
Trade accounts receivable		9,309	3,780
Other receivables		9,868	6,356
Prepaid expenses and accrued income	26	18,126	1,424
		37,303	11,560
Restricted cash and cash equivalents	27	5,089	47,574
Cash and bank balances		28,098	41,393
Total current assets		70,490	100,652
TOTAL ASSETS		403,337	210,053

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	Note	Dec. 31, 2010	Dec. 31, 2009
EQUITY AND LIABILITIES			
Equity	28		
Share capital		5,043	2,140
New issues under registration		–	39,520
Restricted reserves		9,172	8,660
Non-restricted reserves		171,475	23,579
Net income/loss for the year		-57,820	-36,542
Total equity		127 870	37 357
Minority interests		6,930	5,787
Provisions			
Provisions for deferred tax		8,931	–
		8 931	–
Non-current liabilities	29		
Long-term interest-bearing liabilities		131,048	8,500
Other liabilities to credit institutions		–	58,900
Convertible loans	30	38,122	–
		169 170	67 400
Current liabilities			
Liabilities to credit institutions		4,000	12,500
Advances from clients		503	–
Other loans	31	43,093	45,145
Trade accounts payable		22,172	17,385
Other current liabilities		4,945	3,076
Accrued expenses and deferred income	33	15,723	21,403
		90 436	99 509
TOTAL EQUITY AND LIABILITIES		403 337	210 053

PLEGDED ASSETS AND CONTINGENT LIABILITIES

Amounts in SEK thousand	Note	Dec. 31, 2010	Dec. 31, 2009
	35		
Pledged assets to secure own liabilities and provisions		251,112	95,362
Contingent liabilities		98,620	6,000

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK thousand	Note	Dec. 31, 2010	Dec. 31, 2009
Operating activities			
Results before financial items		-54,601	-38,098
Depreciation/amortization		12,005	6,352
Adjustments for items not included in the cash flow, etc.		8,746	-2,230
		-33,850	-33,976
Interest received		649	68
Interest paid		-16,799	-2,166
Tax paid		-681	-17
Cash flow from operations before changes in working capital		-50,681	-36,091
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		125	-3
Increase (-)/Decrease (+) in operating assets		-25,743	8,571
Increase (+)/Decrease (-) in operating liabilities		6,872	7,547
Cash flow from operations		-69,427	-19,976
Investing activities			
Acquisition of subsidiaries		-27,193	-
Divestment of subsidiaries		-	65
Acquisition of intangible assets		-4,048	-
Divestment of intangible assets		-	2,057
Acquisition of tangible assets		-204,538	-59,525
Divestment of tangible assets		118	3,665
Acquisition of financial assets		-370	-765
Divestment of financial assets		-	-2,210
Increase/decrease in short-term financial investments		6,327	9,261
Cash flow from investing activities		-229,704	-47,452
Financing activities			
New share issues		148 571	87 941
Loans		101 770	67 400
Amortization of loans payable		153	-258
Increase / decrease in current financial liabilities		-10,552	-9,319
Dividend / contribution to / from minority		3,409	6,442
Cash flow from financing activities		243,351	152,206
Cash flow for the year		-55,780	84,778
Cash and cash equivalents at beginning of year		88,967	4,189
Cash and cash equivalents at the year-end		33,187	88,967

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand	Note	Jan. 1, 2010 – Dec. 31, 2010	Jan. 1, 2009 – Dec. 31, 2009
Operating revenues			
Net sales	1	2,385	–
Other operating revenues	3	3	–
		2,388	–
Operating expenses			
Raw materials and consumables		–	–
Other external costs	4,5	-2,464	-6,596
Personnel costs	6	-122	–
		-198	-6,596
Results from financial items			
Results from participations in group companies	9	-75,000	-24,360
Interest income and similar items	11	3,194	1,916
Interest expense and similar items	12	-5,121	-4,370
		-77,125	-33,410
income/loss before tax		-77,125	-33,410
Net income/loss for the year		-77,125	-33,410

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	Note	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Non-current assets			
Financial assets			
Participations in group companies	21	250,050	160,000
Receivables from group companies	24	45,326	15,044
		295,376	175,044
Total non-current assets		295,376	175,044
Current assets			
Current receivables			
Tax receivables		19	19
Other receivables		4,225	685
Prepaid expenses and accrued income	26	255	52
		4,499	756
Cash and bank balances		2,529	40,022
Total current assets		7,028	40,778
TOTAL ASSETS		302,404	215,822

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	Note	Dec. 31, 2010	Dec. 31, 2009
EQUITY AND LIABILITIES			
Equity	28		
Restricted equity			
Share capital (25,216,532 shares)		5,043	2,140
New issues under registration		–	39,520
Statutory reserve		2,043	2,043
		7,086	43,703
Non-restricted equity			
Share premium reserve		297,709	145,931
Net income/loss for the year		-77,125	-33,410
		220,584	112,521
Total equity		227,670	156,224
Non-current liabilities			
Convertible loans	29,30	38,122	–
		38,122	–
Current liabilities			
Loans	31	33,093	45,145
Trade accounts payable		2	2,835
Liabilities to group companies		4	–
Other current liabilities		425	125
Accrued expenses and deferred income	33	3,088	11,493
		36,612	59,598
TOTAL EQUITY AND LIABILITIES		302,404	215,822

PLEGGED ASSETS AND CONTINGENT LIABILITIES

Amounts in SEK thousand	Note	Dec. 31, 2010	Dec. 31, 2009
	35		
Pledged assets to secure own liabilities and provisions		18,804	16,328
Contingent liabilities		6,000	6,000

PARENT COMPANY STATEMENT OF CASH FLOWS

Amounts in SEK thousand	Note	Dec. 31, 2010	Dec. 31, 2009
Operating activities			
Results before financial items		-198	-6,596
		-198	-6,596
Interest received		24	-
Interest paid		-10,514	-1,048
Tax paid		-	-19
Cash flow from operations before changes in working capital		-10,688	-7,663
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		-3,743	-412
Increase (-)/Decrease (+) in operating assets		-5,541	5,593
Increase (+)/Decrease (-) in operating liabilities		-19,972	-2,482
Investing activities			
Acquisition of subsidiaries		-165,050	-24,470
Divestment of subsidiaries		-	65
Acquisition of financial assets		-30,282	-15,044
Increase/decrease in short-term financial investments		3,170	1,916
Cash flow from investing activities		-192,162	-37,533
Financing activities			
New share issues		148,571	87,941
Loans		38,122	-
Amortization of loans payable		-	-301
Increase / decrease in current financial liabilities		-12,052	-7,754
Cash flow from financing activities		174,641	79,886
Cash flow for the year		-37,493	39,871
Cash and cash equivalents at beginning of year		40,022	151
Cash and cash equivalents at the year-end		2,529	40,022

ACCOUNTING PRINCIPLES AND NOTES TO THE FINANCIAL STATEMENTS

Amounts in SEK thousand unless otherwise stated.

General accounting principles

This Annual Report is prepared in accordance with the Annual Accounts Act and the general recommendations of the Swedish Accounting Standards Board, with the exception of BFNAR 2008:1 Annual Reports for small entities. The accounting principles remain unchanged from last year. When general guidance is lacking from the Accounting Standards Board, guidance is taken from the recommendations of the Financial Accounting Standards Board in Sweden and, where appropriate, recommendations by FAR. In such cases this is noted.

The company's domicile, etc.

The company Scandinavian Biogas Fuels International AB is a limited liability company domiciled in Uppsala, Sweden. The company's headquarters are located at Kungsbron 1, 111 22, Stockholm.

Consolidated reporting

Scope

The consolidated accounts are compiled in accordance with the Financial Accounting Standard Board's recommendation 1:00 and encompass the parent company, subsidiaries in which the parent company owns shares corresponding to more than 100 percent of the votes, and companies in which the parent company controls more than 50 percent of the voting rights or otherwise exercises a controlling influence.

Purchase method

The consolidated accounts are prepared in accordance with the purchase method. This means that identifiable assets and liabilities in the acquired company are accounted for at fair values. The acquisition analysis establishes the cost of the shares or business, as well as the fair value on the acquisition date of the company's identifiable assets, debts assumed and contingent liabilities. Goodwill is reported when the fair value of the purchase consideration exceeds the fair value of the acquired operation's equity. In cases of negative goodwill, identification of the assets that may be considered to contribute the least to the company's future performance is made and they are written down accordingly. Consolidated equity includes parent company equity and the share of the subsidiary's equity that accrued after the company was acquired.

The current method is applied for translating the income statement and balance sheets of independent foreign operations. Under the current method, all assets, provisions and liabilities are translated at the closing day rate and all items in the income statement are translated at an average exchange rate. Any resulting exchange rate differences are transferred directly to equity.

Leasing agreements

Leasing agreements are classified as operational leasing when the financial benefits and risks attributable to the object essentially remain with the lessor. Payments as per these contracts are expensed linearly over the leasing period.

The group and parent company report all leasing contracts as operational leases. Leasing fees are expensed linearly over the leasing period.

Classification

Non-current assets, non-current liabilities and provisions consist essentially of amounts expected to be recovered or settled more than twelve months from the balance sheet date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or settled within twelve months from the balance sheet date.

Valuation principles, etc.

Assets, provisions and liabilities are shown at historical cost unless otherwise stated.

Revenue recognition

Revenue is reported in the income statement when it is probable that the economic benefit will accrue to the Group and the benefit can be measured reliably.

Revenue from service assignments is normally recognized when the economic benefit for the rendering of the service can be measured reliably and that the economic benefit will accrue to the group. The company applies the percentage of completion method. This means that in cases where the degree of completion can be measured reliably revenue is recognized based on the degree of completion on the

balance sheet date. The stage of completion is normally determined based on the proportion of costs that incurred on the balance sheet date in relation to the estimated total costs of the assignment. Only expenditures relating to work carried out are included in expenditures on the balance sheet date. Only expenditures relating to work carried out or to be carried out are included in calculating the total costs. An expected loss is immediately recognized as an expense.

Revenue in the form of license fees/dividends due to another's use of company assets are recognized as revenue when it is probable that the economic benefits associated with the transaction will fall to the group and can be measured reliably. License revenues are accrued in accordance with the financial implications of the agreement. Dividends are recognized when the shareholder's right to receive payment has been established.

Revenue for the sales of goods is recognized when the significant risks and benefits associated with the ownership of the goods has passed to the buyer and when the revenue amount can be measured reliably.

Biogas sales

Sales of biogas are recognized upon delivery to the customer, in accordance with terms of sale. Sales are reported net of VAT and discounts.

R&D expenses

Expenditure on R&D is recognized as an expense when it occurs. Expenditure for development attributable to a single project is recognized as an asset on the balance sheet when it is probably that the amount can be recovered in the future. The asset is amortized during the period in which sales in conjunction with the project are expected to occur.

The carrying amount of development costs recognized as an asset on the balance sheet is tested annually for possible impairment write-downs, provided the asset has not gone into operation. Subsequently, the value is tested if events or changed circumstances indicate that the carrying amount may not be recoverable.

Tangible and intangible assets

Tangible and intangible assets are recognized at cost after deduction of accumulated depreciation/amortization. When a tangible asset's depreciable value has been established, the asset's residual value is observed. If a tangible or intangible asset on the balance sheet has a lower value than the book value then the asset is written down to the lower value if it can be assumed that the depreciation in value is permanent

Goodwill

Goodwill represents the excess of cost over the fair value of the Group's share of the acquired subsidiary's net assets when purchased. If the value of goodwill on the balance sheet has a lower value than the book value then it is written down to the lower value if it can be assumed that the depreciation in value is permanent

Depreciation/amortization principles for non-current assets

Depreciation/amortization is done systematically over the asset's estimated useful life.

The following depreciation intervals are applied:

	Group	Parent
Goodwill	10 years	–
Intangible assets	5 years	5 years
Equipment, inventory and other technical installations	5 years	5 years
Computers	3 years	3 years
Buildings and plants	30 years	–
Plant and machinery that are part of the buildings	20 years	–

Receivables

Receivables are reported at the lower of nominal value and the amount expected to be received

Receivables and liabilities in foreign currencies

Receivables and liabilities are valued at the closing day rate. Transactions in foreign currencies are translated at the transaction day rate.

Tax

Deferred tax is recognized using the balance sheet method, based on temporary differences between the carrying amount of assets and liabilities for taxation purposes and the amounts used for financial reporting purposes.

Deferred tax liabilities are recognized in the balance sheet for all taxable temporary differences

- except if the deferred tax is related to goodwill or is related to an asset or a liability in a transaction that is not a business combination or merger and, at the time of the transaction, affects neither accounting nor taxable profit or loss, and
- that is related to investment in subsidiaries, associated companies and interests in joint ventures, except where the group has controlling influence over when the reversal of the temporary difference should be made and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax due to loss carryforwards is not recognized as the group believes that it will not be utilized in the reasonable future.

Definition of key ratios

Equity/assets ratio – adjusted equity as a percentage of the balance sheet total.

Financial instruments

Financial instruments recognized in the balance sheet include securities, other financial receivables, trade accounts receivable, trade accounts payable, lease liabilities and loan liabilities. The market value of financial instruments is based on the current market quotation on the balance sheet date. Market rates and an estimation of the company's risk premium is used as the basis for estimates of market values on long-term loans. For other financial instruments, primarily short-term loans and investments for which market values are not listed, the assessment of market value approximates book value.

Trade account receivables are reported as current assets at the amount expected to be received after deductions for bad debts individually assessed.

Securities and financial receivables acquired as long-term holdings are initially reported at fair value and subsequently measured at amortized cost using the effective interest method, less provisions for value depreciation.

Securities acquired as short-term investments are reported in accordance with minimum market value principle at the lower of cost or market. During valuation, this principle is applied to the equity portfolio as a whole and fixed income portfolio as a whole, with unrealized losses offset against unrealized gains in the respective portfolio, with any derivatives reported gross.

All securities transactions are reported on the transaction date.

Loan liabilities are recognized initially at proceeds received less transaction costs. If the reported amount differs from the amount to be repaid at maturity, the difference such as interest expenses or interest liabilities are accrued over the term of the loan. In this way, the reported amount is consistent with the amount to be repaid at maturity.

A financial liability is derecognized when the obligation in the contract has been fulfilled or annulled or has expired.

Transaction exposure. Trade accounts receivable and trade accounts payable in foreign currency are valued at closing day rates. Currency hedging transactions concerning future flows in foreign currency affect results to the extent that the hedged receivables and liabilities are reported on the balance sheet. Hedging transactions are valued at the closing rate and the revaluation is reported in operating income. No hedging transactions occurred during the year.

Offset of financial assets and financial liabilities. Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Statement of cash flow

The statement of cash flow is prepared using the indirect method. The reported cash flow comprises only transactions that involve income/expenses. In addition to cash and cash equivalents, liquid assets comprise short-term financial investments that are exposed to insignificant risk of value fluctuation in that they are

- traded on the open market at known prices or
- have terms shorter than three months or less from date of purchase.

NOTES

NOTE 1 Breakdown of revenues

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Group		
Net sales by significant revenue type		
Sale of gas, Korea	5,678	–
Sale of gas, Sweden	21,785	–
Commissioned assignments, Korea	11,162	–
Commissioned assignments, Sweden	34,666	27,635
Total	73,291	27,635
Parent company		
Net sales by significant revenue type		
Commissioned assignments, Sweden	2,385	–
Total	2,385	–

NOTE 2 Work performed for its own use by the company and capitalized

The company has capitalized expenditures for personnel working on new facilities in progress. Capitalized expenditures concern direct salary costs, social security expenses and a surcharge for other overhead costs.

NOTE 3 Other operating income

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Group		
Exchange rate gains on receivables/ liabilities operational in character	102	410
Other	642	416
Total	744	826
Parent company		
Exchange rate gains on receivables/ liabilities operational in character	3	–
Total	3	–

NOTE 4 Auditor fees and expenses

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Group		
PwC		
Audit fees	-780	-527
Audit-related services	-27	-60
Tax services	-368	-140
Other services	-378	-131
Grant Thornton		
Audit fees	–	-13
Audit-related services	–	–
Tax services	–	–
Other services	–	-153
Total	-1,553	-1,024
Parent company		
PwC		
Audit fees	-150	-153
Audit-related services	-7	-30
Tax services	–	–
Other services	-276	-10
Total	-433	-193

NOTE 5 Lease payments for operational leases

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Group		
Assets held through operational leases		
Leasing costs for the financial year:		
Cars	-331	-177
Computers	-116	-119
Contracted future leasing fees	-788	-484
Parent company		
Assets held through operational leases		
	–	–

NOTE 6 Employees and personnel expenses**Average number of employees**

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Total parent company	–	–
<i>of which men</i>	–	–
Subsidiaries	45	33
<i>of which men</i>	31	25
Subsidiaries, Korea	19	5
<i>of which men</i>	18	5
Total subsidiaries	64	38
<i>of which men</i>	49	30
Group total	64	38
<i>of which men</i>	49	30

Gender distribution in company management

	Percentage of women	
	Dec 31, 2010	Dec 31, 2009
Parent company		
Board of Directors	–	–
Other senior executives	–	–
Group		
Board of Directors	4%	8%
Other senior executive	10%	12%

Absence due to illness – Group

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Total sickness absence as a percentage of regular working hours	0.40%	0.30%
Percentage of total sickness absence related to consecutive sick leave for 60 days or more	–	–
Sickness absence by gender:		
Men	0.30%	0.30%
Women	0.80%	0.30%
Sickness absence by age:		
29 years old or younger*)	–	–
30–49 years old	0.70%	0.30%
50 years old or older*)	–	–

*) Not reported as the number of employees in the group is less than ten and the information may pertain to a single person.

Salaries, other compensation and social security expenses

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Parent company		
Board of Directors and CEO	417	246
Total	417	246
Social security expenses <i>(of which pension expenses)</i>	116	–
	–	–
Subsidiaries		
Board of Directors and CEOs	2,860	1,904
Other employees	22,353	16,816
Total	25,213	18,720
Social security expenses <i>(of which pension expenses)</i>	8,581	6,563
	2,620	1,421
Group		
Board of Directors and CEO	3,277	2,150
Other employees	22,353	16,816
Total	25,630	18,966
Social security expenses <i>(of which pension expenses)¹⁾</i>	8,697	6,563
	2,620	1,421

¹⁾ Of the group's pension costs, SEK 486 thousand (SEK 251 thousand) relates to the Board of Directors and CEO for 24 (17) people. The Group's outstanding pension obligations to these people is SEK 0 thousand (last year SEK 0 thousand). There have been no pension expenses in the parent company, nor are there any outstanding obligations.

The former chairman of the board received consulting fees from the group at market rates amounting to SEK 282 thousand (862). The current chairman of the board received consultancy fees from the parent company at market rates amounting to SEK 770 thousand (2,250) as well as regular board fees.

The CEO's salary is paid by Scandinavian Biogas Fuels AB.

In accordance with a resolution passed by shareholders at the 2010 annual general meeting, the company issued 440,000 warrants to the subsidiary Scandinavian Biogas Fuels AB. These were thereafter offered and awarded as employee stock options to employees of Scandinavian Biogas Fuels AB, whereby social security contributions and taxes were reported and the value of the options paid. The options' expire on June 30, 2013 with an exercise price of SEK 27.

NOTE 7 Depreciation/amortization and write-downs of non-current tangible and intangible assets

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Group		
Licenses	-904	-904
Capitalized development costs and similar work	-134	
Goodwill	-3,843	-3,843
Buildings and land	-702	
Pilot facilities	-1,173	-1,168
Equipment, tools and installations	-5,015	-437
	-11 771	-6 352
Write-downs		
Construction in progress	-234	
Total	-12,005	-6,352

NOTE 8 Other operating costs

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Group		
Exchange rate losses on receivables/liabilities operational in character	-12	-490
Other	-15	-2
Total	-27	-492

NOTE 9 Results from participations in group companies

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Group		
Directed issue in Scandinavian Biogas Korea Co. Ltd.	-	6,844
Directed issue in Biogas Uppland AB	3,157	-
Total	3,157	6,844
Parent company		
Write down of participations in subsidiaries	-75,000	-24,360
Total	-75,000	-24,360

NOTE 10 Results from participations in associated companies

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Group		
Capital gains from divestment of shares	-	-2,210
Total	-	-2,210

NOTE 11 Interest income and similar items

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Group		
Interest income, other	493	47
Other financial income	156	21
Exchange rate gains on assets and liabilities	3,170	2,417
Total	3,819	2,485
Parent company		
Interest income, other	24	
Exchange rate gains on assets and liabilities	3,170	1,916
Total	3,194	1,916

NOTE 12 Interest expense and similar items

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Group		
Interest expense, other	-10,465	-5,086
Exchange rate losses	391	-258
Other	-941	-59
Total	-11,015	-5,403
Parent company		
Interest expense, other	-5,121	-4,112
Exchange rate losses	-	-258
Total	-5,121	-4,370

NOTE 13 Tax for the year

	Jan 1, 2010 – Dec. 31, 2010	Jan 1, 2009 – Dec 31, 2009
Group		
Current tax	29	17
Deferred tax	652	-
Total	681	17
Parent company	-	-

No deferred tax related to reserves is reported. The group's companies have tax-related deficits that exceed untaxed reserves. It is expected that the group's tax loss carryforward will be offset against future taxable profits.

NOTE 14 Capitalized development expenditure and similar works

	Dec 31, 2010	Dec 31, 2009
Group		
Accumulated cost:		
New acquisitions	4,032	–
	4 032	–
Accumulated amortization:		
Amortization for the year according to plan:	-134	–
	-134	–
Carrying amount at year-end	3,898	–

NOTE 15 Patents

	Dec 31, 2010	Dec 31, 2009
Group		
Accumulated acquisition value:		
At the start of the year	–	2,190
New acquisitions	16	–
Divestment of participations in associated companies	–	-2,190
	16	–
Accumulated amortization according to plan:		
At the start of the year	–	-132
Divestment of participations in associated companies	–	132
Amortization for the year according to plan	–	–
Carrying amount at year-end	16	–

NOTE 16 Licences

	Dec 31, 2010	Dec 31, 2009
Group		
Accumulated acquisition value:		
Acquisition of subsidiaries	4,518	4,518
	4 518	4 518
Accumulated amortization according to plan:		
Acquisition of subsidiaries	-2,750	-1,846
Amortization for the year according to plan	-904	-904
	-3 654	-2 750
Carrying amount at year-end	864	1,768

NOTE 17 Goodwill

	Dec 31, 2010	Dec 31, 2009
Group		
Accumulated acquisition value:		
At the start of the year	38,431	38,431
	38 431	38 431
Accumulated amortization according to plan:		
At the start of the year	-10,568	-6,725
Amortization for the year according to plan	-3,843	-3,843
	-14 411	-10 568
Carrying amount at year-end	24,020	27,863

NOTE 18 Buildings and land

	Dec 31, 2010	Dec 31, 2009
Group		
Accumulated acquisition value:		
Acquisition of subsidiaries	103,075	–
	103 075	–
Accumulated depreciation according to plan:		
Acquisition of subsidiaries	-2,167	–
Depreciation for the year according to plan	-702	–
	-2 869	–
Carrying amount at the year-end	100,206	–
Carrying amount pertaining to land	41,300	–
Carrying amount pertaining to buildings	58,906	–
	100,206	–

NOTE 19 Equipment, tools and installations

	Dec 31, 2010	Dec 31, 2009
Group		
Accumulated acquisition value:		
At the start of the year	2,485	2,114
New purchases	158,037	380
Divestment of participations in associated companies	-	-8
Sale and disposal	-141	-2
Translation differences	103	1
	160 484	2 485
Accumulated depreciation according to plan:		
At the start of the year	-1,318	-886
Acquisition of subsidiaries	-3,326	-
Divestment of participations in associated companies		4
Sale and disposal	23	1
Depreciation for the year according to plan	-5,015	-436
Translation differences	1	-1
	-9 635	-1 318
Carrying amount at year-end	150,849	1,167

NOTE 20 Pilot facilities

	Dec 31, 2010	Dec 31, 2009
Group		
Accumulated acquisition value:		
At the start of the year	7,584	7,545
New acquisitions		39
	7 584	7 584
Accumulated depreciation and disposal according to plan		
At the start of the year	-4,070	-2,902
Depreciation for the year according to plan	-1,173	-1,168
	-5 243	-4 070
Accumulated write-downs:		
At the start of the year	-861	-861
	-861	-861
Carrying amount at year-end	1,480	2,653
Parent company		
Accumulated acquisition value:	-	-
Accumulated depreciation according to plan	-	-
Carrying amount at year-end	-	-

NOTE 21 Parent company participations in group companies

	Dec 31, 2010	Dec 31, 2009
Group		
Accumulated acquisition value:		
At the start of the year	274,298	250,003
Acquisitions	165,050	24,360
Divestments		-65
	439 348	274 298
Accumulated write downs:		
At the start of the year	-114,298	-89,938
Write downs for the year	-75,000	-24,360
	-189 298	-114 298
Carrying amount at year-end	250,050	160,000

Specification of the parent company's holdings of shares and participations in group companies

Refers to share of capital, which also corresponds to the percentage of votes for total number of shares.

Subsidiaries / Corp. id. no./ Domicile	Number of shares	in %	Reported value
Scandinavian Biogas Fuels AB 556691-9196, Uppsala, Sweden	166,667	100	160,000
Biogas Uppland AB, 556636-0227, Uppsala, Sweden ^{*)}	1 000	50	
Scandinavian Biogas Fuels Himmerfjärden AB 556712-1735, Uppsala, Sweden	100,000	100	
Scandinavian Biogas Fuels i Varberg AB, 56748-8357, Varberg, Sweden	100,000	100	
Scandinavian Biogaz Polsks Sp.zo o.o, 0000295603, Gdynia, Poland	50	100	
Scandinavian Biogas Korea Co., Ltd., 610-84-00961, Ulsan, Korea	81,000	82	
Scandinavian Biogas China Ltd. 1246310, Hong Kong, China	1	100	
Scandinavian Biogas Korea, Co. Ltd. 285011-0174239, Ilsan, Korea	1,008	90	
Biogas Stockholm Finans AB, 556807-2986, Stockholm, Sweden	50,000	100	90,050
			250,050

^{*)} Biogas Uppland AB is consolidated as the group has controlling interest through contractual agreement

NOTE 22 Transactions with related parties

The company is the parent of the largest group. Related party transactions are conducted on commercial terms.

Purchases and sales between group companies

For the parent company, 21 percent of net purchases and 100 percent of net sales were from/to group subsidiaries. For purchases and sales between group companies the same pricing principles apply as for transactions with external parties.

Obligations for pensions and similar benefits for board members and senior executives

See note 6 for more information

Severance packages

No agreements have been entered into regarding severance packages with the CEO and other senior executives.

NOTE 23 Construction in progress and advance payment for tangible non-current assets

	Dec 31, 2010	Dec 31, 2009
Group		
At the start of the year	74,305	16,922
Investments	11,567	59,106
Divestments of projects in progress		-3,660
Acquisition of subsidiaries	26,754	–
Write downs	-234	–
Reclassification	-62,210	–
Advance payments made during the year	–	–
Translation difference	82	1,937
Carrying amount at year-end	50,264	74,305

NOTE 24 Participations in group companies

	Dec 31, 2010	Dec 31, 2009
Parent company		
Accumulated acquisition value:		
At the start of the year	15,044	–
Future receivables	30,282	15,044
Carrying amount at year-end	45,326	15,044
Recovery		
Parent company		
Amount by which the asset expects to be recovered after more than twelve months	45,326	15,044

NOTE 25 Other securities held as long-term assets

	Dec 31, 2010	Dec 31, 2009
Group		
Accumulated acquisition value:		
At the start of the year	765	–
Future assets	623	–
Write downs	-765	–
Reclassification	–	765
Carrying amount at year-end	623	765

Company previously reported as a joint venture

	Dec 31, 2010	Dec 31, 2009
Group		
Revenues		2,671
Expenses		-1,608
Operating income		1,063
Net income/loss for the year		1,063

NOTE 26 Prepaid expenses and accrued income

	Dec 31, 2010	Dec 31, 2009
Group		
Accrued income	14,779	320
Prepaid insurance premiums	233	52
Prepaid rent	454	–
Other items	2,660	1,052
	18,126	1,424
Parent company		
Prepaid insurance premiums	103	–
Prepaid rent	–	52
Other items	152	–
	255	52

NOTE 27 Restricted liquid funds

The amount refers to cash received from loans raised by Scandinavian Biogas Korea Co. Ltd. The funds are subject to certain restrictions and may only be used for project costs and running costs in the specific subsidiary and may not be used freely within the group.

NOTE 28 Equity

	Share capital	Issues under registration	Restricted reserves	Non-restricted reserves
Group				
Closing balance according to last year's balance sheet				
Opening balance	2,140	39,520	8,660	-12,963
Rights issue, December 2009	1,426	-39,520		68,552
Rights issue, July	1,070			89,881
Directed issue, July	295			24,767
Exercise of convertibles, November	112			9,388
Issue costs				-7,400
Net income/loss for the year				-57,820
Transfer between restricted and non-restricted equity			1,826	-1,826
Translation differences for the year			-1,314	1,076
Balance at the year-end	5,043	-	9,172	113,655

	Share capital	Issues under registration
Parent company		
Closing balance according to last year's balance sheet		
Opening balance	2,140	39,520
Rights issue, December 2009	1,426	-39,520
Rights issue, July	1,070	
Directed issue, July	295	
Exercise of convertibles, November	112	
Balance at the year-end	5,043	-

	Share premium reserve	Statutory reserve	Un-restricted equity
Parent company			
Closing balance according to last year's balance sheet			
Opening balance	145,931	2,043	-33,410
Rights issue, December 2009	68,552		
Rights issue, July	89,881		
Directed issue, July	24,767		
Exercise of convertibles, November	9,388		
Issue costs	-7,400		
Disposition in accord. with AGM			
- Loss coverage from funds	-33,410		33,410
Net income/loss			-77,125
Closing balance	297,709	2,043	-77,125

The number of shares during the year increased from 10,700,066 shares to 25,216,532 shares, at a quota value of SEK 0.2.

NOTE 29 Long-term interest-bearing liabilities

	Dec 31, 2010	Dec 31, 2009
Group		
Loan raised by Scandinavian Biogas Korea Co. Ltd.	57,048	58,900
Loan raised by Scandinavian Biogas Fuels AB	6,500	8,500
Loan raised by Fordonsgas Stockholm AB	67,500	-
Convertible loan raised by Scandinavian Biogas Fuels International AB	38,122	-
Carrying amount at year-end	169,170	67,400
Amount of liability that is expected to be paid more than twelve months from the due date	141,670	24,452
Amount of liability that is expected to be paid more than five years from the due date	27,500	42,948
Parent Company		
Convertible loan	38,122	-
Carrying amount at the year-end	38,122	-
Amount of liability that is expected to be paid more than twelve months from the due date	38,122	-
Amount of liability that is expected to be paid more than five years from the due date	-	-

NOTE 30 Convertible debentures

Convertible bonds with a nominal value of SEK 47,500 thousand was issued to Ahlström Capital cleantech fund in 2010, currently with an interest rate of 9%. The interest rate is dependent on several conditions, but is at least 6% and at most 15% and is not linked to any market rate. The loan matures on March 31, 2016. The loan and accumulated interest may be converted into shares until January 1, 2015. During the fall 2010, Ahlström Capital elected to partially convert the loan and at December 31, 2010, SEK 38,879 thousand of the loan remained. The conversion rate is SEK 17 per share but will be raised in accordance with the terms of the convertibles over time. A maximum of 2,622,441 new shares can be issued for the outstanding loan under the terms of the agreement.

NOTE 31 Other loans

	Dec 31, 2010	Dec 31, 2009
Group		
Liabilities to credit institutions	10,000	–
Bills of exchange payable	33,093	45,145
	43,093	45,145
Parent company		
Bills of exchange payable	33,093	45,145
	33,093	45,145

NOTE 32 Financial risks

Financial risks are described in the Board of Directors' report

NOTE 33 Accrued expenses and deferred income

	Dec 31, 2010	Dec 31, 2009
Group		
Accrued interest expenses	2,338	7,731
Accrued payroll related costs	2,680	1,948
Deferred revenue		6,500
Other items	10,705	5,224
	15,723	21,403
Parent company		
Accrued interest expenses	2,338	7,731
Accrued payroll related costs	160	96
Other items	590	3,666
	3,088	11,493

NOTE 34 Disclosures on acquisitions for the period

During the year the following subsidiaries were acquired:

Company	Operations	Acquisition date	Share of capital	Voting rights
Biogas Stockholm Finance AB	Management and administration	June 15, 2010	100	100
Fordonsgas Stockholm AB	Production and upgrade of biogas	August 31, 2010	100	100
Scandinavian Biogas Korea Co. Ltd. (Seoul)	Marketing and administration	March 18, 2010	90	90

All acquired subsidiaries are reported in the consolidated financial statements using the purchase method.

In the financial statements at December 31, 2010, the total purchase price was estimated at SEK 93,135 thousand, as below:

Paid in cash	SEK 27,574 thousand
Shareholders' contributions	SEK 62,807 thousand
Estimated additional purchase sum	SEK 134 thousand
Other acquisition costs	SEK 2,620 thousand
Total	SEK 93,135 thousand

For all subsidiaries acquired during the year, the total value of acquired assets and liabilities, purchase price and the impact on the Group's cash resources as follows:

Tangible assets	SEK 160,000 thousand
Other current assets	SEK 13,222 thousand
Current liabilities	SEK -145,656 thousand
Total purchase price	SEK 27,566 thousand
Cash and cash equivalents in acquired companies	SEK -373 thousand
Effect on consolidated cash and cash equivalents from acquisitions during the year	SEK 27,193 thousand
Payment of the purchase price for the previous year's acquisition	SEK 0 thousand
Total cash flow from investments in subsidiaries	SEK 27,193 thousand

NOTE 35 Pledged assets and contingent liabilities

	Dec 31, 2010	Dec 31, 2009	
Pledged assets			
Group			
Liens on assets	67,804	34,800	For loans from credit institutions
Liens on assets	–	15,528	For loans from Novator Sarl
	67,804	50,328	
Lien on property	65,000	–	For loans from credit institutions
Shares in Scandinavian Biogas Korea Co. Ltd.	20,096	26,672	For loans from credit institutions
Shares in Fordonsgas Stockholm AB	92,620	–	For loans from credit institutions
Shares in Scandinavian GTS AB	–	765	For loans from credit institutions
	112,716	27,437	
Bank accounts in Scandinavian Biogas			
Korea Co. Ltd.	5,089	17,579	For loans from credit institutions
Bank guarantee	503	–	For advances from customers
	251,112	95,362	
Contingent liabilities			
	6,000	6,000	For loans from credit institutions
	92,620	–	General guarantee for subsidiaries
	98,620	6,000	
Parent company			
Liens on assets	800	800	For subsidiary loans from credit institutions
Liens on assets	18,004	–	For loans from credit institutions
Liens on assets	–	15,528	For loans from Novator Sarl
	18,804	16,328	
Contingent liabilities			
	6,000	6,000	For subsidiary loans from credit institutions

Uppsala, April 12, 2011

Göran Persson
Chairman of the Board

Anders Tuvlind
CEO

Anders Bengtsson
Board member

Fredrik Danielsson
Board member

Orri Hauksson
Board member

Phil Metcalfe
Board member

Raif Nisametdin
Board member

Anders Wijkman
Board member

Our audit report was submitted on April 12, 2010

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorized Public Accountant

The Group's income statement and balance sheet, and the parent company's balance sheet are subject to approval by shareholders at the Annual General Meeting.

AUDIT REPORT

**To the annual meeting of the shareholders of
Scandinavian Biogas Fuels International AB
Corporate identity number 556528-4733**

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Scandinavian Biogas Fuels AB for the year 2010. The company's annual accounts and the consolidated accounts are included in the printed version on pages 22-49. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Uppsala, April 12, 2011

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Auktoriserad revisor
(Authorized Public Accountant)

GLOSSARY

Biofertilizer: digestate which is certified according to SPCR 120 for use as a fertilizer.

Black liquor gas: obtained from gasification of black liquor from the pulp and paper industry. The gas can be used for the production of vehicle fuel, for example.

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

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

CSR (Corporate Social Responsibility): responsibility for the impact that companies have on their surroundings. CSR is usually divided into four areas - human rights, labor, environment and anticorruption.

Digestate: is the part of the organic material/substrate that is not converted into biogas, but remains in solid / liquid form.

Energy carriers are defined as a substance or a physical process that is used to store or transport energy, for example: 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.

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 $97\pm 1\%$ 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 $-18\text{ }^{\circ}\text{C}$). 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.

LBG (liquid biogas): methane produced in the digestion process, which is then purified, upgraded and condensed into liquid form by cooling.

Leachate: water that is drained from a landfill (garbage dump). Leachate primarily comes from rain that falls over a landfill and then filters through the deposited waste. Leachate often carries with it pollutants from the landfill.

Mesophilic digestion occurs most often at temperatures between $30\text{ }^{\circ}\text{C}$ and $37\text{ }^{\circ}\text{C}$.

Methane is an odorless gas with high energy content ($\sim 10\text{ kWh}$ per normal cubic meter). Methane (CH_4) is the simplest hydrocarbon and is composed of one carbon atom and four hydrogen atoms. Natural gas is a stored (fossil) gas mixture and consists of approximately 90 percent methane. Natural gas is a stored (fossil) gas mixture that contains approximately 90 percent methane.

Normal cubic meter compared to a liter: A normal cubic meter of biogas upgraded to vehicle fuel (97% methane and 3% CO_2) contains as much energy as 1.1 liters of gasoline.

Organic material: material derived from plants and animals.

Organic waste: waste from plants and animals.

Pretreatment of biogas production: in some cases the 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 also be used. The treatment opens up/breaks down complex organic molecules, making them more accessible to digestion microorganisms.

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

Reactors: Gas tight container for decomposition of organic matter.

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

Thermophilic digestion is usually done at temperatures between 50 and $55\text{ }^{\circ}\text{C}$.

Vehicle fuel: energy carriers used as fuel in vehicles. The raw gas produced in the biogas process must be cleaned and upgraded to $97 \pm 1\%$ methane in order to be defined and sold as vehicle fuel.

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.



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CARBON OFFSET PAPER

The Scandinavian Biogas Annual Report is carbon offset, done by reinvesting the environmental impact of the paper in an environmental project in Mozambique. The Annual Report is printed on Cocoon, an eco-friendly paper made of 100 percent recycled fiber.





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