ANNUAL REPORT 2011

Scandinavianbiogas

This document is an English language translation of the Swedish original. In the event of any discrepancy between the English translation and the Swedish original, the Swedish original shall prevail.

The cover features one of the 240 SL biogas buses that operate in the Stockholm area. Biogas buses contribute to a reduction in greenhouse gasses as well as to better air locally thanks to low emissions of particulates and nitrogen oxides.

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

Telephone: +46 (8) 503 872 20
Fax: +46 (8) 503 872 21

info@scandinavianbiogas.com
www.scandinavianbiogas

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2011 IN BRIEF (2010)

Significant events during the year

- Net sales SEK 98.2 million (73.3)
- Operating loss SEK 104.0 million (-54.6)
- Total assets SEK 385.3 million (403.3)
- Production volumes and sales of biogas increased by 10 percent at Fordonsgas Stockholm AB's plants in Bromma and Henriksdal as a result of an extensive efficiency program.
- Applications to assume Stockholm Vatten's permit to operate biogas operations in accordance with the Environmental Code have been submitted to the County Administrative Board. It is anticipated that Scandinavian Biogas will take over these permits in 2012.
- A feasibility study was initiated to expand operations at Henriksdal to 20 million normal cubic meters (Nm^3) of upgraded biogas.
- Increased costs and revenue losses incurred because a subcontractor failed to deploy a facility for liquid biogas in Loudden and failed to deliver equivalent facilities to Varberg in Sweden and Ulsan in South Korea.
- Scandinavian Biogas has partially changed its business strategy. Going forward the company will only finance investments in the Nordic region. For projects outside this region, the company will seek collaboration with strong financial partners.
- On May 2, Matti Vikkula became the new CEO of Scandinavian Biogas Fuels International AB. The former CEO assumed the position of marketing director.
- Development projects implemented at the biogas facility in South Korea led to an increase in production volumes and raw gas towards the year-end.
- Scandinavian Biogas carried out a rights issue of shares, generating SEK 17.6 million, as well as a rights issue and directed issue of convertibles that generated a capital injection of SEK 30 million. The company intends to implement a number of investments at the plants in Varberg, Sweden and Ulsan, South Korea.

BIOGAS FACTS

MORE THAN 30

Swedish cities use biogas as fuel in the public transport system.

AVERAGE NUMBER OF EMPLOYEES IN 2011

45	Number of employees in Sweden
20	Number of employees in South Korea

8.6

Million normal cubic meters of vehicle fuel quality biogas were produced at Scandinavian Biogas plants in Sweden in 2011, making the company the largest supplier of biogas in Stockholm.

121 MILLION

Normal cubic meters of vehicle gas was sold in Sweden in 2011, of which 75.1 million was eco-friendly biogas.

A PIONEER

Sweden is a pioneer and world leader in using biogas as a fuel. The environmental benefits of biogas are greatest when used by heavy vehicles in urban environments.

CHALLENGE

The transition to renewable fuel has been identified by Swedish politicians as one of society's greatest challenges.

GOAL

The political objective in Sweden is to increase the percentage of renewable fuel from the current level used today of 6 percent to a completely fossil-free vehicle stock by 2030.

2005

Scandinavian Biogas was established

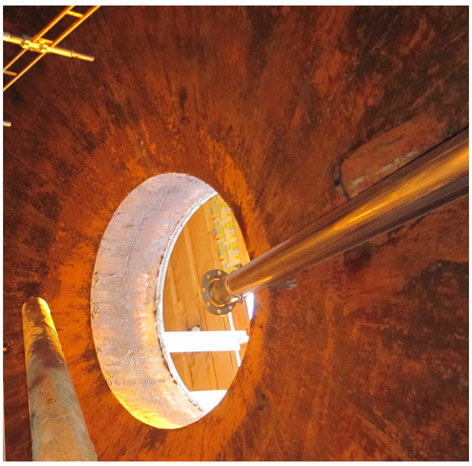
CUSTOMERS

Scandinavian Biogas's largest client in Sweden is SL (Stockholm public transport), which currently operates 240 buses in Stockholm city's public transport system. Biogas is also supplied and sold to Stockholm Gas as well as through the company's filling station at Bromma, which is the largest in Sweden in terms of volume. The raw gas produced in South Korea is sold to a private company. The gas is combusted and the energy is used for heating.

NEW FILLING STATION FOR BIOGAS

Scandinavian Biogas's filling station in Bromma was inaugurated in April 2011 and has quickly become the largest in Sweden in terms of volume. At the year-end 2011, there were 39,000 gas-powered vehicles in Sweden.

> IN SWEDEN, BIOGAS HAS BECOME A STRATEGIC ISSUE AND A PREREQUISITE FOR THE TAXI, PUBLIC TRANSPORT AND SANITIZATION INDUSTRIES.



GEOGRAPHY

Scandinavian Biogas sells biogas in Sweden and South Korea. In the years up to 2014, the company intends to primarily expand in the Nordic region, initially in Stockholm and Mälardalen. For projects outside the Nordic region, the company will seek collaboration with strong financial partners allowing them to stand for the majority of the investment.

NET SALES IN SEK MILLION

73.3	2010
98.2	2011

Sweden is the world leader in the use of biogas as a vehicle fuel. In 2010, 9.4 percent of the total number of registered buses were biogas buses, with a total of 572 biogas buses in the Stockholm area.

Scandinavian biogas's mission is on a commercial basis to ensure greater access to biogas, thereby facilitating the transition from fossil fuel to renewable energy.

44%

Of the biogas produced in Sweden today is upgraded and sold as fuel, with an equal percentage used for heating.

BUSINESS CONCEPT, MISSION AND VISION

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

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 biogas from different types of organic material. With a strategic focus on research and development, the company continues to place great importance on the development of methods that facilitate the efficient production of biogas from both established and new types of waste and residue. The company's knowledge and methodologies enable biogas production to be performed in a more cost and resource-efficient manner today than before.

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 the large-scale production of biogas

Geographic focus

Our offering in the Nordic market comprises full responsibility for building, owning and operating biogas plants. For projects in other markets, our strategy is seek long term collaboration with strong financial partners, in which case Scandinavian Biogas's revenues are based on consultancy fees, licensing and capacity optimization.

Biogas - our core business

Through research and development, 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. In our work we apply extensive knowledge and experience from earlier projects, as well as the findings from the testing and evaluation of 300 different organic materials, carried out at the company's research and development center in Linköping.

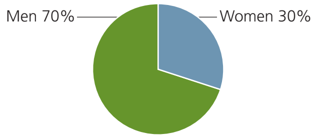
EMPLOYEES

INDIVIDUAL DRIVE CHANNELED TOWARDS COMMON GOALS

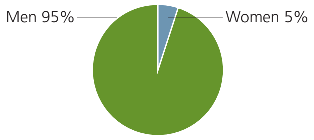
Scandinavian Biogas's HR ambition, in collaboration and dialog with management and employees, is to work towards fulfilling the company's vision, strategy and goals. Another key task is to develop and retain qualified personnel, which is a challenge in times that require the implementation of cost saving measures, organizational changes and staff reductions. Another priority is to continuously identify the need for skills enhancement in order to maintain a competitive edge, as well as seeing to what extent this can be resolved using the existing skills set within the company. This is particularly important in a young niche industry where the recruitment base – with the right expertise and experience in the field – is limited.

During the year, a number of employees underwent expertise development. However, a number of expertise requirements remain to be met, which will be a key task in 2012. Moreover, the company carried out a major reorganization. This was welcomed throughout the organization and active support from employees facilitated the implementation of the process.

GENDER DISTRIBUTION IN SWEDEN
Percent, 2010



GENDER DISTRIBUTION IN SOUTH KOREA
Percent, 2010



AMONG THE 45 EMPLOYEES IN THE COMPANY'S SWEDISH OPERATIONS:

1	professor
2	PhDs
30	other academic degrees

CEO COMMENTARY

Financial year 2011

2011 was a challenging year with major costs, unforeseen expenses and revenues losses. At the same time, the company was successful in increasing biogas production at all operational plants, which is confirmation that extensive development work carried out during the year has had a positive impact on both production volumes and the company's financial situation.

Sales volumes in the Swedish market amounted to 8.6 million normal cubic meters (Nm^3) of upgraded vehicle fuel quality biogas in 2011, an increase of 10 percent. Biogas production also increased in South Korea due to a higher rate of production primarily in the last few months of the year. During the year, a total volume of 7.7 million Nm^3 of raw gas was sold by the plant, equivalent to 4.7 million Nm^3 upgraded vehicle fuel quality biogas.

The company incurred significant revenue losses and increased expenses because one of the company's subcontractors was unable to deploy a liquid gas production facility at Loudden due to technical problems. Furthermore, the same subcontractor failed to supply and construct an upgrading facility in Varberg as well as an equivalent facility for Scandinavian Biogas's operations in South Korea. We aim to resolve the situation either with the current subcontractor or with proven technology from another operator.

A challenging year financially with major organizational changes

Financially, the group reported a significant loss in 2011. In order to reverse this trend we conducted extensive efficiency work during the year, restructuring the company from a functional structure to an organization that is structured according to business areas. We also implemented changes to gain improved economic control and enhanced economic processes. Furthermore, we have streamlined a number of functions and cut our employee base. Our work to reverse negative cost trends continues, and we are constantly implementing additional endeavors aimed at generating positive operating income (EBITDA).

Sweden – an attractive growth market with limited risk

Backed by Sweden's environmentally conscious population, Swedish politicians have long had the mandate and the autonomy to champion environmental issues. What once began as state and municipal aid and development programs has made Sweden a pioneer and a world leading nation in the use of biogas as fuel. Today, Sweden produces around 121 million Nm^3 of biogas, of which 44 percent is used as fuel.

These advances, together with specific environmental targets have resulted in a stronger political will to contribute to the development of biogas, removing trade barriers and support other operations with potential and ability in order to expand the range of renewable energy. As a growth company in the biogas industry the conditions for expansion in Sweden are particularly favorable.

Change of business strategy to focus on strong growth in the Nordic region

Our most important task is to create the conditions for long-term profitability. Our aim is thus to achieve production volumes of 30 million Nm^3 of vehicle fuel quality biogas – a target that entails a fivefold increase in production over three years.

In order to realize this ambitious rate of growth, Scandinavian Biogas is planning to implement an expansion of the facility at Henriksdal, thereby facilitating an increase in production from 6.6 million Nm^3 of vehicle fuel quality biogas to around 20 million by the end of 2014. Furthermore, the company intends to build a new biogas plant with an annual production volume of 5.5 million Nm^3 of vehicle fuel quality biogas.

This has led Scandinavian Biogas to partially change its business strategy and going forward the company will now only finance investments in the Nordic region. For projects outside this region, Scandinavian Biogas will seek collaboration with strong financial partners allowing them to co-finance development.

A PREREQUISITE FOR OUR SUCCESS IS THAT SCANDINAVIAN BIOGAS IS NOW ABLE TO DEMONSTRATE THAT WE HAVE THE CAPACITY TO GENERATE POSITIVE OPERATING INCOME.

This also led to a decision to terminate marketing efforts in Asia for additional production units, based on that the decision making process in these markets has proved to be very long.

Investments that create value

A condition for making future investments possible is that the financing process currently being initiated and the current rights issue of convertibles are both implemented according to plan and that the company will have the opportunity to concentrate on our planned expansion.

2011 was a challenging year from a financial perspective, placing considerable demands on the adaptability and flexibility of all employees in the organization. Necessary efficiency measures resulted in staff reductions and for many reasons it is particularly important that we are now able to solve the company's financing needs, thereby allowing us to focus on our core business.

The driving force is to be successful both commercially and at a community level

Today, Scandinavian Biogas is one of Sweden's largest suppliers of biogas in terms of volume and the leading operator in the Stockholm region. Through dialog and close collaboration with Swedish politicians and other industry players, we want to continue to push for the fulfillment of European and Swedish environmental objectives, enabling us to jointly realize the goal of a fossil fuel free transport sector by 2030. A prerequisite for our success is that Scandinavian Biogas is now able to demonstrate that we have the capacity to generate positive operating income.

Matti Vikkula, President and CEO,
Scandinavian Biogas Fuels International AB

MARKET OVERVIEW

Renewable energy – an industry of the future with almost unlimited demand

The supply of eco-friendly and renewable energy at competitive prices is one of the biggest challenges of the international community. This is a pivotal issue when it comes to growth, competitiveness and the ability to create new jobs. There is an enormous need for renewable energy, as up to 80 percent of the current global energy supply consists of fossil fuels. Today, many countries find themselves in the same situation as Sweden was in during 1970 oil crisis, which led to Sweden reducing its dependency on oil from a fossil fuel usage of about 80 percent energy in relation to final energy consumption than any other EU country.

Progress in the vehicle fuel section however remains marginal, even in Sweden, where the percentage of fossil fuel has not fallen more than 3 percent in 40 years. The issue has therefore been declared as a top environmental priority by Swedish politicians, with a goal in Sweden of gradually improving the energy efficiency of the transport system, putting an end to dependency on fossil fuels and reducing impact on the environment. The political objective is to have a fossil fuel free transport stock by 2030, completely eliminating the transport sectors dependence on fossil fuel.

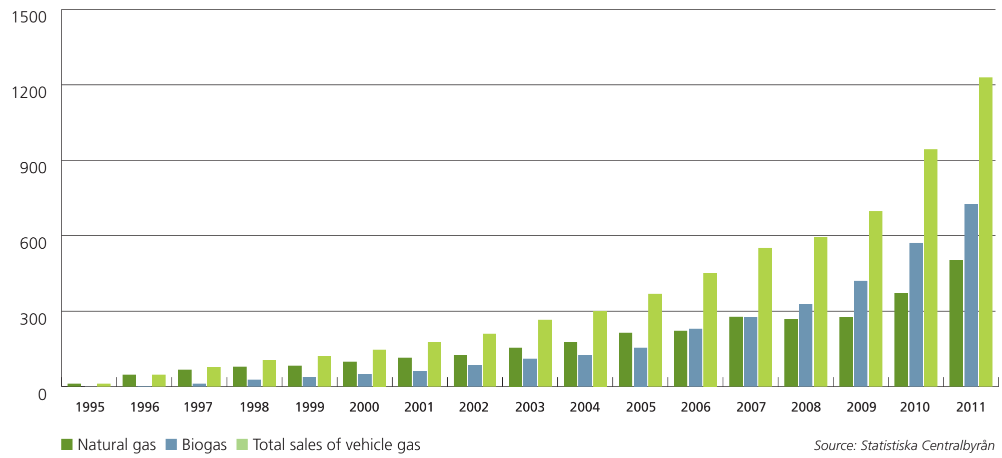
Politicians' ability to act continues to drive development

For Scandinavian Biogas and other players in the renewable energy industry, this entails continued strong demand for renewable fuels and also demonstrates that there is a growing political will to support an expansion in the production of biogas.

Scandinavian Biogas has partially changed its business strategy and over the next few years will

In 2011, sales of vehicle gas in Sweden amounted to 121 million normal cubic meters (Nm³), of which 75.1 million was upgraded vehicle fuel quality biogas and 45.9 million Nm³ of natural gas. This represents a sales growth of 27 percent year on year.

VEHICLE GAS DEVELOPMENT IN SWEDEN



Source: Statistiska Centralbyrån

concentrate expansion in the Stockholm and Mälardalen regions. It is therefore of key importance to the company's continued development that politicians in Stockholm city and elsewhere initiate a series of efforts to promote biogas production in the region and also continue to drive demand for biogas through more rigorous requirements in public procurement processes.

Among the factors that are key to Scandinavian Biogas's development, one is the biogas that the company' sells to SL, which in 2011 was equivalent to the majority of the biogas produced at the Henriksdal upgrade plant. Today, SL is world leader in consumption of biogas as a fuel, powering the 230 biogas buses that operate in the Stockholm public transport system. At the year-end 2011, 58 percent of SL's buses were powered by renewable energy such as biogas, ethanol and biodiesel. This is a figure that the bus company intends to surpass by 2016, with the objective to power over 75 percent of the bus fleet with renewable energy.

Sweden leads development of biogas as a fuel

Today, Sweden is one of the leading nations in biogas production, standing out in particular as a frontrunner leading the international development of biogas as vehicle fuel. Although several countries, EU countries in particular, produce large volumes of biogas on an annual basis, it is used to a very limited extent or not at all as vehicle fuel.

Significant growth in the Swedish biogas market in 2011

The biogas market in Sweden continued to expand during the year. Sales in 2011 amounted to 121 million normal cubic meters (Nm^3) of vehicle gas, of which 75.1 million was upgraded vehicle fuel quality biogas. These volumes make up around 44 percent of the total annual production of biogas in Sweden.

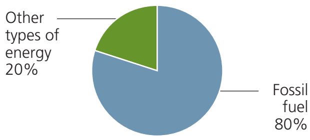
Compared to 2010, the consumption of biogas is up by 27 percent, of which almost 70 percent was sold in Stockholm county, Västra Götaland and Skåne. Overall growth however was greatest in other parts of Sweden, where Gävleborg county increased the supply of biogas by 400 percent, Västernorrland county by 80 percent and Jönköping by 50 percent.

Competition in biogas production is expected to increase

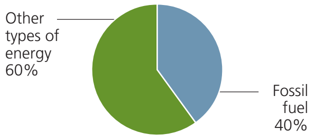
Today, competition in the biogas production industry comprises different types of facility providers, consultancy companies and international energy companies. Both the supply and price of the organic material used to produce biogas are key factors in maintaining competitiveness and the ability to offer biogas at competitive prices. Today, Scandinavian Biogas in some cases charges a fee for waste disposal while in other cases pays for the organic material.

Also key to the company's competitiveness is targeted research and development aimed at making the biogas process more efficient using both existing and new types of organic material and to continuously identify new solutions that promote the efficient production of biogas.

GLOBAL ENERGY SUPPLY
Percent, 2011

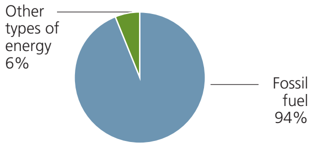


ENERGY SUPPLY IN SWEDEN
Percent, 2011



Source: International Energy Agency

TRANSPORT SECTOR IN SWEDEN
Percent, 2011



Source: Ekonomifakta

FORDONSGAS STOCKHOLM AB
CAPACITY IMPROVEMENTS AND INCREASED PRODUCTION

HENRIKSDAL PLANT CAPACITY

11.5 million Nm³/ year = raw gas capacity

6.8 million Nm³/ year =upgraded vehicle fuel quality biogas

Higher production volumes at Bromma and Henriksdal

In 2011, Scandinavian Biogas sold 8.6 million normal cubic meters (Nm³) of vehicle fuel quality biogas in Sweden, equivalent to a production increase of 10 percent from the year before. The increase is the result of an extensive development and operating efficiency program.

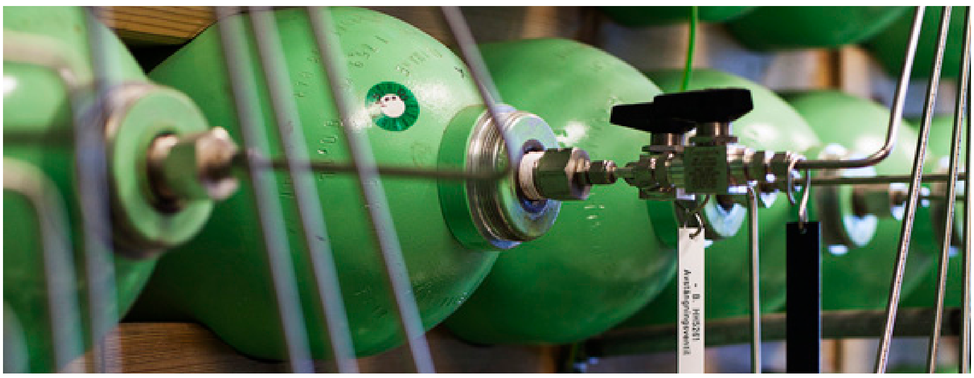
An additional development program has been started up in order to boost raw gas production at Stockholm Vatten's plants in Bromma and Henriksdal. This research project also includes optimization of the digestion of the organic materials used today. Substantial improvements have also been made in measuring both incoming and produced volumes. In addition, a review of existing supply contracts has been carried out. Furthermore, process optimization work has resulted in an increase in the operational uptime of the plant, which reached 95 percent in 2011.

Operations in Stockholm are conducted within the Fordonsgas Stockholm AB subsidiary, which was acquired from Stockholm Vatten in the third quarter 2010. Biogas production is conducted in close collaboration with Stockholm Vatten and includes the upgrade facilities at the Henriksdal and Bromma wastewater treatment plants as well as a production facility at Loudden.

Henriksdal supplies large parts of Stockholm with biogas

The Henriksdal upgrade facility is adjacent to the Henriksdal wastewater treatment plant, which treats water from around 690,000 people in central and south Stockholm. This treatment plant is one of the largest underground treatment plants in the world. Biogas production is a close collaboration between Stockholm Vatten and Scandinavian Biogas, both of which are responsible for facilitating an increase in the production of biogas. Raw gas production today is carried out by co-digesting sewage sludge and restaurant waste in Stockholm Vatten's plants and then upgraded to vehicle fuel quality biogas at Scandinavian Biogas's two upgrade facilities using water wash technology (WS).

Sales from Henriksdal during the year amounted to 6.2 million normal cubic meters (Nm³) of upgraded vehicle fuel quality biogas Scandinavian Biogas is planning to invest in a new upgrade facility, thereby increasing production capacity to 20 million Nm³ by the end of 2014 when the plant is expected to be in fully optimized operation.



Well functioning access to biogas in Bromma at the new filling station

Scandinavian Biogas sold 2.4 million Nm^3 of vehicle fuel quality biogas from the upgrade facility at Bromma in 2011, an increase of 10 percent from the year before. The facility is located beside the Bromma wastewater treatment plant, which treats water from around 290,000 people in the north and west areas of Stockholm, Sundbyberg and parts of the municipalities of Järfälla and Ekerö. Biogas is produced by digesting sludge from the wastewater treatment plant and upgraded in two production lines using Pressure Swing Absorption (PSA) technology.

Sweden's most modern biogas filling station, directly connected to the biogas production facility, was inaugurated in April, equipped with the latest technology. The filling station has quickly become Stockholm's largest in terms of volume sold.

BROMMA PLANT CAPACITY

5.2 million Nm^3/year = raw gas capacity

3.1 million Nm^3/year =upgraded vehicle fuel quality biogas

Loss of revenues from Loudden due to technical problems

The first stage of the redevelopment of a shutdown wastewater plant at Loudden in Stockholm was completed in 2010, which now has a production capacity of 700,000 normal cubic meters (Nm^3) of vehicle fuel quality biogas. The facility was designed for the efficient digestion of new types of organic material in line with leading frontier research and the expertise that Scandinavian Biogas gained through strategic investments in proprietary research and development.

In 2010 and 2011, the facility was deployed and test run, pending the completion of a state-of-the-art upgrade facility for liquid biogas, which at the year-end 2011 had still not been deployed due to technical problems. Scandinavian Biogas continues to seek a solution to the problem with the current subcontractor, but is also conducting studies to find an alternative solution.

BIOGAS UPPLAND

A NEW STRATEGY TO RESOLVE BIOGAS SUPPLY FOR REGIONAL BUS SERVICES

With the common goal of securing the long-term supply of biogas to the regional bus service in Uppsala county, Scandinavian Biogas and UL (Upplands Lokaltrafik) formed the jointly owned company Biogas Uppland in 2010, owned in equal parts. This was done to secure a long-term stable supply of biogas at a controlled cost and competitive market prices. The production of biogas in this partnership is part of the efforts to meet UL's environmental targets, which entail that 90 percent of the region's bus fleet will be powered by renewable fuels by 2020.

UL's decision to prioritize biogas over other renewable alternatives is based on the results of a preliminary study which determined that biogas reduces the emission of carbon dioxide, particulates and nitrogen oxide to a greater extent than any other renewable alternative. In relation to this, a feasibility study was carried out, which pointed to a lack of availability of biogas in the region, but that it would be possible to expand proprietary production.

In conjunction with the next phase of the project, an in-depth analysis has shown that the short-term supply of biogas will increase substantially through investments being made elsewhere in the region. This means that plans to construct a facility within the framework of the company will be done at a later date, when the planned production is consistent with estimated demand. Instead, purchasing these volumes on a contract basis is, in the short-term, a much more cost effective solution for Biogas Uppland, at limited risk. Furthermore, this means that Scandinavian Biogas will have access to previously earmarked resources, which can be used for expansion in other areas of the company.

VARBERG

THE GETTERÖVERKET PLANT'S BIOGAS VOLUMES ARE EXPECTED TO EXCEED THE MUNICIPALITY'S GOAL BY 60 PERCENT

The collaboration between Varberg municipality and Scandinavian Biogas was initiated as a part of the municipality's comprehensive environmental program in which one of the goals is to achieve production of 1.9 million normal cubic meters (Nm^3) of upgraded vehicle fuel quality biogas by the end of 2012. This joint project encompasses a production capacity of 3.1 million Nm^3; leading to that biogas production at Getteröverket alone will exceed previous goals, thereby also contributing to fulfilling local, regional and national environmental objectives.

In 2011, the renovation of all four of the plant's digesters, each with a volume of 900 cubic meters, was completed. Furthermore, a receiving station was finished for external substrate with a capacity of 18,000 tons per year. Biogas production is done in a closed process, in which sludge from the wastewater treatment plant is co-digested with external organic material.

The project, which was meant to be fully completed in 2012, will only be able to be test run and deployed on a smaller scale as Scandinavian Biogas's subcontractor has been unable to deliver and build a biogas upgrade facility as contracted. In order to resolve this predicament, extensive negotiations are ongoing to find a solution as soon as possible.

GETTERÖVERKET PLANT CAPACITY

5.5	million Nm^3/ year = raw gas capacity
3.1	million Nm^3/ year =upgraded vehicle fuel quality biogas

The Getteröverket plant in Varberg has the capacity to receive 18,000 tons of organic material per year for co-digestion with sludge from the wastewater treatment plant.

SOUTH KOREA

2011 – A SIGNIFICANT YEAR WITH SUCCESSES AND SETBACKS

Scandinavian Biogas's facility at the Yongyun wastewater plant in Ulsan, South Korea sold 7.7 million normal cubic meters (Nm^3) of raw gas in 2011, equivalent to 4.7 million Nm^3 of upgraded vehicle fuel quality biogas. The plant's production volumes during the last few months of the year surpassed stipulated goals, which can be attributed to several key development projects that were carried out in 2011. These mainly covered improvements of the plant's production capacity through a number of optimization measures, leading to the more stable pretreatment of food waste and a more even flow in gas production. Furthermore, Scandinavian Biogas has invested in and completed a reject water treatment facility in order to reduce the load from the biogas process at the Yongyun wastewater treatment plant, an investment of around SEK 12 million.

The plant's financial performance was however significantly lower than initially estimated because a substantial portion of revenue was lost due to the fact that Scandinavian Biogas has had major problems with a subcontractor, which failed to deliver and implement a biogas upgrade facility. Scandinavian Biogas is working intensively to find a solution to the problem, both in South Korea and for other company facilities affected by the problem.

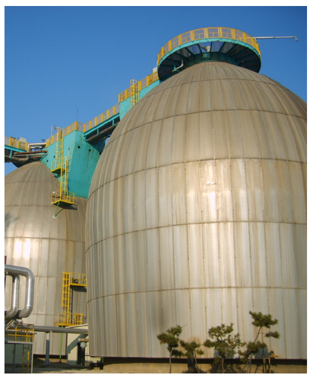
Continuous improvement process

In order to streamline the digestion process, thereby significantly increasing biogas production, Scandinavian Biogas has renovated and optimized the existing facilities, built a new receiver facility for food waste as well as new pretreatment facilities, one for sludge and one for food waste. The result is an efficient biogas production process in which the treatment of food waste has increased from 40 tons to 156 tons per day, representing a fourfold increase of raw gas production. With the exception of the upgrade facility, 2011 entailed significant success for Scandinavian Biogas in South Korea. Revenues generated by the Yongyun plant are partly from the sales of produced biogas and partly in the form of fees for receiving food waste.

Effective waste management through biogas production

Despite the fact that the plant has seen successes and setbacks during the year, 2011 represents an important milestone as it is the first year that the plant's renovated and considerably more efficient digesters have been running for a full 12 months of operations. The biogas production unit at Yongyun is the first facility in South Korea to co-digest sludge and food waste collected from city residents. Biogas production contributes to resolving the extensive environmental problems that the city of Ulsan previously faced with food waste, transforming considerable fraction of 57,000 tons of waste a year into renewable energy. Furthermore, the project means that the city of Ulsan is well prepared for the new environmental legislation that takes effect from year-end 2013, prohibiting the dumping of food waste into the sea. Scandinavian Biogas has a 15 year contract with the city of Ulsan.

In 2011, 20 people were employed at Scandinavian Biogas's operations in South Korea, of which there was one woman and 19 men.



THE 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 of Sweden 1996 - 2006, Chancellor of the Exchequer 1994 - 1996, Member of Parliament and Vice Chairman of the Standing Committee on Finance 1993 - 1994, Member of Parliament and Chairman of the Agriculture Committee 1991 - 1992 and Minister for Schools 1989 - 1991. Chairman of the Remuneration Committee (RC) and the Property Committee (PC). Göran Persson's extensive experience covers public affairs, financial markets, mergers & acquisitions, international politics and the EU.

Anders Bengtsson

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

Fredrik Danielsson

Born 1974. Elected as a 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 the listed companies, Scribona AB and Ruukki Group Oy.

Phil Metcalfe

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

Raif Nisametdin

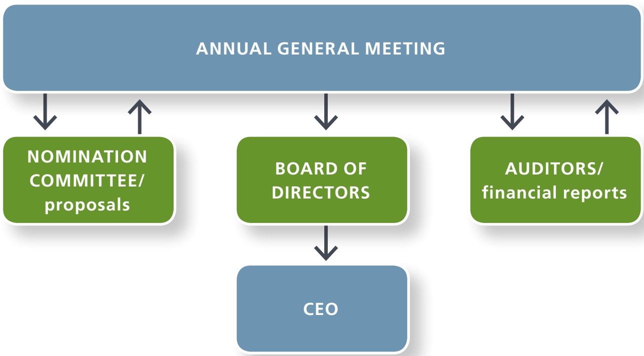
Born 1963. Elected as board member in 2009. MBA from the Helsinki School of Economics. Finance Director at Mergin Oy 1988–1992. Research assistant at the Helsinki School of Economics, department of accounting 1990–1992. Director of family owned company 1992–1994. Managing Director at Mazot Oy. Today,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

Andreas Ahlström

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

BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO of Scandinavian Biogas Fuels International AB, corporate registration number 556528-4733, hereby submit the 2011 Annual Report.



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. With a strategic focus on research and development, 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 practices also means that the biogas production today can be performed in a more cost and resource-efficient way 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.

Scandinavian Biogas Fuels International AB is domiciled and headquartered in Stockholm, with R&D operations in Linköping. At year-end 2011, the company had 39 employees in Sweden and 20 in South Korea.

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 and Fordonsgas Stockholm AB, which are 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).

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 above:

Results and financial position

Consolidated net sales amounted to SEK 98.2 million, an increase of 34 percent year on year. Among other things, sales were affected by the fact that production at Fordonsgas Stockholm, unlike 2010, was included in the accounts for the full 12-month period, as well as the fact that the subsidiary in South Korea managed to increase production. Fordonsgas Stockholm reported net sales of SEK 64.5 million and the subsidiary in South Korea reported net sales of SEK 30.3 million.

Consolidated intangible assets decreased by SEK 25.0 million from the previous year, due to the impairment of goodwill related to Ultra Sonus, while consolidated property, plant and equipment increased by SEK 25.9 million, largely due to investments in the Varberg facility. An impairment write down of SEK 17.7 million was also made to the plant at Scandinavian Biogas Korea.

In conjunction with the further development of Fordonsgas Stockholm and Varberg, the subsidiary Fordonsgas Stockholm AB has taken out another bank loan, which on the balance sheet date amounted to SEK 101.25 million. During the year, convertible loans of around SEK 30 million were issued to shareholders in a rights issue. The company also entered into a number of short-term loans from shareholders totaling SEK 57 million, of which around SEK 50 million with two large shareholders.

Ownership structure

Novator:	22.3%
Bengtssons Tidnings AB and related parties:	18.9%
Ajanta Oy:	10.9%
Danielsson family, including company:	9.8%
John Nurminen Oy and related parties:	7.3%
Others:	30.8%

Financial overview

Group (SEK thousand)	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007
Net sales	98,206	73,291	27,634	3,185	2,932
Operating loss	-103,964	-54,601	-38,098	-45,346	-24,575
Total assets	385,294	403,337	210,053	84,435	56,808
Equity assets ratio, %	6.7	31.7	17.8	Neg.	69.8

Significant events during the year

Development of Fordonsgas Stockholm AB's facilities in Bromma and Henriksdal

The productivity of the facilities at Bromma and Henriksdal has been greatly enhanced following comprehensive efficiency program. A total of 8.6 million normal cubic meters (Nm3) of upgraded vehicle fuel quality biogas was sold from these facilities, equivalent to a 10 percent increase in production. Furthermore, operational uptime increased significantly to nearly 95 percent, a development that has been achieved after one year under Scandinavian Biogas's management.

Application for permit in accordance with the environmental code

Application for a permit in accordance with the environmental code for the operation of the upgrade facilities in Bromma and Henriksdal was submitted during the year to the County Administrative Board. The intention is to transfer the operations to Fordonsgas Stockholm AB, as the facilities are currently operated under Stockholm Vatten's permit. It is anticipated that the permit for Henriksdal will be granted in the first half of 2012 and for Bromma later in the year.

Feasibility study for Henriksdal

A feasibility study investigating the proposed expansion of production capacity at Henriksdal was initiated, looking into increasing the production capacity to 20 million normal cubic meters (Nm^3) of upgraded vehicle fuel quality biogas.

Loss of revenues due to technical issues related to the upgrade of liquid biogas (LBG)

The company incurred major problems and lost revenues because a subcontractor was unable to deploy a facility for liquid biogas at Loudden and also failed to construct an upgrade facility in Varberg and at the Yongyun plant in Ulsan, South Korea. Scandinavian Biogas is continuing efforts to find a solution with the current supplier, but is also in discussions with another supplier of proven technology. Among other things, the problems have led to delays in the deployment of the facilities in Loudden and Varberg and have also caused a substantial loss of revenue from the plant in Ulsan, South Korea.

Restructuring and partial change of strategy

Scandinavian Biogas has partially changed its business strategy. Going forward the company will only finance investments in the Nordic region. For projects outside this region, the company will seek collaboration with strong financial partners, allowing them to finance large parts of the investments.

Furthermore, Scandinavian Biogas has undergone a reorganization from a functional structure to an organization that is structured according to business areas, aimed at improving economic control and project management of operations. In conjunction with the reorganization the company downsized the number of employees.

Change of CEO

On May 2, 2011, Matti Vikkula became the new CEO of Scandinavian Biogas Fuels International AB. The former CEO, Anders Tuvlind, assumed the position of marketing director.

Increased production volumes in the last months of the year in South Korea

During the year, several key development projects were implemented in the biogas production process at Yongyun, which led to a more stable operation in the pretreatment of food waste and also a more even flow in gas production. In turn, this led to an increased rate of production during the last months of the year. Sales from the Yongyun biogas facility in 2011 amounted to 7.7 million normal cubic meters (Nm^3) raw gas, equivalent to 4.7 million Nm^3 upgraded biogas.

Raising capital to finance the completion of Varberg and Ulsan

During the spring and summer 2011, Scandinavian Biogas implemented a rights issue of shares as well as a rights issue and directed issue of convertibles in order to raise capital to finance continued investment in Varberg, Sweden and Ulsan, South Korea, and to continue market preparations in the company's different business areas.

Forest residue

In 2011, Scandinavian Biogas Fuels carried out a study to investigate the possibilities of producing biogas from forest products (especially forest residue). The study looked into opportunities both today and in the coming years, focusing on technology developed by potential partners that could be integrated with Scandinavian Biogas's existing technology. Findings indicated that opportunities will be good for biogas production from forest residue in the relatively near future.

Impairment of Ultra Sonus

Ultra Sonus and Scandinavian Biogas Fuels AB merged a few years ago. It was believed that Ultra Sonus's expertise in ultrasound treatment of sludge would add value to Scandinavian Biogas Fuels' expertise in biogas production, and that together the companies could offer a strong total concept. Ultra Sonus's assets such as test facilities, test data, expertise and employees were included in the merger.

Due to developments after the merger, however, the ultrasound facility no longer holds any value to Scandinavian Biogas's biogas production process. The goodwill previously reported in the balance sheet after the merger has now been deemed of no value to Scandinavian Biogas Fuels and has therefore been written down by SEK 24.0 million.

Risks and uncertainties

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 evolving from a development company to becoming an established industrial player. This means that the company is still to some extent in the build up phase 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. Such risk is managed through long-term financial planning in collaboration with banks and shareholders. For more information see heading Financing activities in the Board of Directors' report.

Competition and maintaining a competitive edge

Scandinavian Biogas's operations are entirely dependent on the demand for biogas. Today, biogas is one of the most environmentally attractive sources of renewable energy, and as the market matures more companies will be established. Competition for the organic material used in biogas production is expected to increase, both from other biogas producers and from producers of other types of renewable energy. It is therefore vital that the company continues strategic research and development activities that facilitate 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 production differ 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. Today the risk of falling biogas prices is very low.

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 countries where Scandinavian Biogas operates is of great significance to the company's operations. Customers primarily include municipalities, cities and public sector entities and companies. This means that any change in a country's political situation may have a major impact on the assignment and the company's ability to generate revenues despite contracts entered into previously.

Many assignments are also contract-based, with revenue streams spanning time horizons of up to 15 years. The uncertainty of unforeseen events that may occur in the future poses a risk for the company. The company's continued expansion into markets with stable business sectors may mitigate this type of risk. The risk of any political decisions that might have a negative impact on the production of biofuels is currently deemed to be very low.

Dependence on decisions by public authorities

Scandinavian Biogas's operations are dependent to some extent on approval and authorization from public authorities in different countries. In some cases the time to process work permits may take up to a year or longer with some projects consequently coming to a halt. This may pose the risk of a delay in the 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 well-carried out market studies, employees with local knowledge and strong networks, as well as experience 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. The company is currently not involved in any 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 debts in foreign currency in the legal structure of the company's Swedish operations.

Interest rates
Certain larger loans in the group carry variable interest components, which may constitute an interest rate risk. In order to mitigate interest rate risk the company has entered into an interest rate swap which runs until December 30, 2015, corresponding to a loan amount of SEK 67.5 million. The hedge converts the variable interest rate to a fixed rate. At December 31, 2011, the derivative was valued at a negative SEK 1.2 million. As the derivative is intended for hedging, the negative value was not reported in the balance sheet or charged to earnings in 2011.

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, however an application has been submitted to the County Administrative Board for this permit to be taken over by Fordonsgas Stockholm AB. Loudden is not affected by this as its permit is held by Fordonsgas Stockholm.

Expectations regarding future development
There is a major need for renewable energy that can replace fossil fuels such as coal and oil at reasonable prices. In the evaluation of renewable alternatives that can be mass-produced, interest in biogas has increased as has the demand for biogas, which is expected to increase further as availability increases. In many parts of the world, not least in Sweden, the demand for biogas continues to be greater than the supply. This means that Scandinavian Biogas will be able to sell all the biogas it produces. 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.
The Swedish public transport system is by far the frontrunner in this area and there are indications that biogas-powered public transport services are spreading to the other Nordic countries. The increase in use of biogas by the public transport system today lays the foundation for expanded production, particularly in metropolitan areas. Moreover, Scandinavian Biogas's successful deal with Fordonsgas Stockholm is a solid basis for expansion in the Stockholm region.

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

- In spring 2011, the company secured a short-term loan from two large shareholders of a total of SEK 25.1 million.
- In spring 2011, the company carried out a rights issue of shares at a total issue amount of SEK 17.6 million.
- In late spring 2011, the company conducted a rights issue of convertibles at a total issue amount of SEK 26.7 million.
- In the summer and autumn, the company raised another bank loan at a total amount of SEK 35 million.
- During the autumn, the company conducted a small directed issue of convertibles for shareholders that did not have the opportunity to participate in the previous issue of convertible bonds. The total issue amount was SEK 2.7 million.
- In December 2011, the company raised a number of smaller bridge loans from some of the larger shareholders at a total amount of SEK 6.8 million.

Financing of the existing operations for the coming year calls for a major recapitalization. In order to resolve financing and strengthen liquidity during the coming financial year, the company is working on several different alternatives. A total solution for the company's financing over the coming 2-3 years is being finalized and will be presented in the second quarter 2012. The total solution is necessary for the company's continued development. In the run up to the finalization of this financing solution, the company will be financed by bridge loans from larger shareholders.

The financing will be resolved by obtaining a new senior loan from a bank, various types of capital injections through issuance of convertibles and shares, and major capitalization through a rights issue. The convertible issues described below are part of the financing solution. The Board is of the opinion that a financing solution will generally be resolved in accordance with the proposal under completion.

The company also expects that the financing of larger projects over time will require different types of financing and partnerships depending on the structure and placement of the project. The goal is to eventually reach a senior leverage ratio of 60 and 70 percent per project.

The share

After registration of the rights issue and the directed issue in 2011, the company had 26,776,476 at the end of the financial year with a par value of SEK 0.20 per 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 convertibles and options

Type	Number	Holders	Term
Employee stock options	440,000	Majority of employees	Until June 30, 2013
Convertibles, directed	2,622,441	AC Cleantech	Until January 1, 2016
Convertibles, rights issue	3,838,913	Various shareholders	Until April 30, 2012
Convertibles, directed	338,375	AC Cleantech	Until April 30, 2012

Significant events after the year-end

Closure of the sales office in South Korea

Following the results of marketing efforts in Asia, the company decided to reduce its operations in Asia, resulting in the closure of the office in Seoul, South Korea and termination of other marketing efforts in the rest of Asia.

Decision to conduct a rights issue of convertibles

In March 2012, the company decided to conduct a rights issue of convertibles at a total issue amount of SEK 84 million. Earlier convertibles and bridge loans were also offered to be offset and the issue is expected to raise approximately SEK 30 million in new capital. This issue is under implementation and will close at the end of April. It is part of the comprehensive financing plan for the company which will be presented in full in the second quarter 2012.

Proposed allocation of profit

The Board of Directors and CEO propose that the following amount, SEK 153,781,582, be allocated as follows:

	Amount in SEK
Profit/loss brought forward	-77,125,430
Share premium reserve	321,299,257
Loss for the year	-90,392,245
Carried forward to next year	153,781,582
Total	**153,781,582**

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, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Operating income			
Net sales	1	98,206	73,291
Work performed for own use and capitalized	2	11,093	1,605
Other operating income	3	1,996	744
		111,295	**75,640**
Operating expenses			
Raw materials and consumables		-58,336	-33,218
Other external costs	4,5	-45,783	-46,818
Personnel costs	6	-48,866	-38,173
Depreciation/amortization of non-current assets	7	-15,622	-11,771
Impairment of non-current assets	7	-43,313	-234
Other operating costs	8	-3,339	-27
Operating income/loss		**-103,964**	**-54,601**
Results from financial items			
Results from participations in group companies	9	–	3,157
Results from non-current securities and receivables		-302	-765
Interest income and similar items	10	5,750	3,819
Interest expense and similar items	11	-27,888	-11,015
Results before tax		**-126,404**	**-59,405**
Tax on results for the year	12	-4,335	-681
Non-controlling interest in results for the year		3,601	2,266
Net income/loss for the year		**-127,138**	**-57,820**

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	Note	Dec 31, 2011	Dec 31, 2010
ASSETS			
Non-current assets			
Intangible assets			
Capitalized investment expenditure	13	3,785	3,898
Patents and licenses	14,15	14	880
Goodwill	16	–	24,020
		3,799	**28,798**
Tangible assets			
Buildings and land	17	98,102	100,206
Machinery and equipment	18	145,413	150,849
Pilot facilities	19	419	1,480
Construction in progress and advance payment for property, plant and equipment	20	84,722	50,264
		328,656	**302,799**
Financial assets			
Other long-term securities	24	931	623
Other long-term receivables		363	627
		1,294	**1,250**
Total non-current assets		**333,749**	**332,847**
Current assets			
Current receivables			
Trade accounts receivable		5,220	9,309
Other receivables		2,008	9,868
Prepaid expenses and accrued income	25	4,663	18,126
		11,891	**37,303**
Restricted cash equivalents	26	19,828	5,089
Cash and bank balances		19,826	28,098
Total current assets		**51,545**	**70,490**
TOTAL ASSETS		**385,294**	**403,337**

EQUITY AND LIABILITIES

Amounts in SEK thousand	Note	Dec 31, 2011	Dec 31, 2010
EQUITY AND LIABILITIES			
Equity	27		
Share capital		5,355	5,043
Restricted reserves		2,043	9,172
Non-restricted reserves		145,561	171,475
Net income/loss for the year		-127,138	-57,820
Total Equity		**25,821**	**127,870**
Non-controlling interests		4,934	6,930
Provisions			
Provisions for deferred tax		13,266	8,931
		13,266	**8,931**
Non-current liabilities			
Long-term interest-bearing liabilities	28	134,808	131,048
Convertible loans	29	69,686	38,122
		204,494	**169,170**
Current liabilities			
Debts to credit institutions		29,686	4,000
Advances from clients		–	503
Other loans	30	57,496	43,093
Trade accounts payable		22,369	22,172
Other current liabilities		1,354	4,945
Accrued expenses and deferred income	32	25,874	15,723
		136,779	**90,436**
TOTAL EQUITY AND LIABILITIES		**385,294**	**403,337**

PLEDGED ASSETS AND CONTINGENT LIABILITIES

Amounts in SEK thousand	Note	Dec 31, 2011	Dec 31, 2010
	33		
Pledged assets to secure own liabilities and provisions		264,281	251,112
Contingent liabilities		4,472	6,000

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK thousand	Note	Dec 31, 2011	Dec 31, 2010
Operations			
Results before financial items		-103,964	-54,601
Depreciation/amortization		15,762	12,005
Adjustments for items not included in the cash flow, etc.	34	51,521	8,746
		-36,681	**-33,850**
Interest received		343	649
Interest paid		-15,671	-16,799
Tax paid		–	-681
Cash flow from operations before changes in working capital		**-52,009**	**-50,681**
Cash flow from changes in working capital			
Increase(-)/Decrease (+) in inventories		–	125
Increase(-)/Decrease (+) in operating receivables in the parent company		25,412	-25,743
Increase(+)/Decrease (-) in operating liabilities		-2,409	6,872
Cash flow from operations		**-29,006**	**-69,427**
Investing activities			
Acquisition of subsidiaries		–	-27,193
Acquisition of intangible assets		-706	-4,048
Purchase of property, plant and equipment		-67,937	-204,538
Divestment of property, plant and equipment		–	118
Acquisition of financial assets		-386	-370
Divestment of financial assets		34	–
Increase/decrease in short-term financial investments		5,407	6,327
Cash flow from investing activities		**-63,588**	**-229,704**
Financing activities			
New share issues		27,202	148,571
Borrowings		63,064	101,770
Repayment of debt		-16,605	153
Increase/decrease in short-term financial liabilities in the parent company		25,400	-10,552
Dividends to/contributions from non-controlling interests		–	3,409
Cash flow from financing activities		**99,061**	**243,351**
Cash flow for the year		**6,467**	**-55,780**
Cash and cash equivalents at the beginning of the year		33,187	88,967
Cash and cash equivalents at the end of the year		39,654	33,187

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand	Note	Jan 1, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Operating income			
Net sales	1	1,713	2,385
Other operating income	3	–	3
		1,713	**2,388**
Operating expenses			
Raw materials and consumables		–	–
Other external costs	4,5	-4,116	-2,464
Personnel costs	6	-163	-122
Other operating costs	8	-6	–
Operating income/loss		**-2,572**	**-198**
Results from financial items			
Results from participations in group companies	9	-75,000	-75,000
Interest income and similar items	10	1	3,194
Interest expense and similar items	11	-12,821	-5,121
Results after financial items		**-90,392**	**-77,125**
Results before tax		**-90,392**	**-77,125**
Net income/loss for the year		**-90,392**	**-77,125**

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	Note	Dec 31, 2011	Dec 31, 2010
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	21	250,050	250,050
Receivables from Group companies	23	48,115	45,326
		298,165	**295,376**
Total non-current assets		**298,165**	**295,376**
Current assets			
Current receivables			
Receivables from Group companies		3,813	–
Tax assets		19	19
Other receivables		–	4,225
Prepaid expenses and accrued income	25	145	255
		3,977	**4,499**
Cash and bank balances		115	2,529
Total current assets		**4,092**	**7,028**
TOTAL ASSETS		**302,257**	**302,404**

EQUITY AND LIABILITIES

Amounts in SEK thousand	Note	Dec 31, 2011	Dec 31, 2010
EQUITY			
Restricted Equity	27		
Share capital (26,776,476 shares)		5,355	5,043
Statutory reserve		2,043	2,043
		7,398	**7,086**
Non-restricted equity			
Profit or loss brought forward		-77,125	–
Share premium reserve		321,299	297,709
Net income/loss for the year		-90,392	-77,125
		153,782	**220,584**
Total equity		**161,180**	**227,670**
Non-current liabilities			
Convertible loans	29	69,686	38,122
		69,686	**38,122**
Current liabilities			
Loans	30	57,496	33,093
Trade accounts payable		1,965	2
Liabilities to group companies		–	4
Other current liabilities		129	425
Accrued expenses and deferred income	32	11,801	3,088
		71,391	**36,612**
TOTAL EQUITY AND LIABILITIES		**302,257**	**302,404**

PLEDGED ASSETS AND CONTINGENT LIABILITIES

Amounts in SEK thousand	Note	Dec 31, 2011	Dec 31, 2010
	33		
Pledges and collateral to secure own liabilities		–	18,804
Contingent liabilities		112,722	6,000

PARENT COMPANY STATEMENT OF CASH FLOWS

Amounts in SEK thousand	Note	Dec 31, 2011	Dec 31, 2010
Operating activities			
Results before financial items		-2,572	-198
		-2,572	**-198**
Interest received		1	24
Interest paid		-3,758	-10,514
Tax paid		–	–
Cash flow from operating activities before working capital changes		**-6,329**	**-10,688**
Cash flow from working capital changes			
Increase(-)/Decrease (+) in consolidated operating assets		522	-3,743
Increase(+)/Decrease (-) in operating liabilities		1,394	-5,541
Cash flow from operating activities		**-4,413**	**-19,972**
Investing activities			
Investments in subsidiaries		-75,000	-165,050
Investments in other financial assets		-2,789	-30,282
Increase/decrease in short-term financial investments		–	3,170
Cash flow from investing activities		-77,789	-192,162
Financing activities			
New share issues		23,902	148,571
Borrowings		31,564	38,122
Repayment of debt		-81	–
Increase/decrease in short-term financial dept in the group		24,403	-12,052
Cash flow from financing activities		**79,788**	**174,641**
Cash flow for the year		**-2,414**	**-37,493**
Cash and cash equivalents at the beginning of the year		2,529	40,022
Cash and cash equivalents at the end of the year		115	2,529

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 smaller limited liability companies. The accounting principles remain unchanged from last year. When general guidance is lacking from the Swedish Accounting Standards Board, guidance is taken from the recommendations of the Swedish Financial Accounting Standards Council and, where appropriate, recommendations by FAR – the institute for the accountancy profession in Sweden. 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 Stockholm, Sweden. The company's headquarters are located at Holländargatan 21A, 111 60 Stockholm.

Consolidated accounts

Scope

The consolidated accounts are compiled in accordance with the Swedish Financial Accounting Standard Council's recommendation 1:00 and encompass the parent company, subsidiaries in which the parent company owns shares corresponding to 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.

Acquisition method

The consolidated accounts include subsidiaries in which the parent company directly or indirectly holds more than 50% of the votes or otherwise exercises controlling influence. The Group's annual accounts are prepared in accordance with the acquisition method, entailing that the equity of a subsidiary at the time of acquisition - defined as the difference between the fair value of identifiable assets, liabilities and potential obligations - is eliminated in its entirety. Consolidated equity includes the share of the subsidiary's equity arising 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.

Non-controlling interests

Non-controlling interests are reported in net income/loss for the year in the consolidated accounts. Non-controlling interests in subsidiary equity is reported in a separate item in the consolidated balance sheet.

Leasing agreements

Leasing agreements are classified as operating leases 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 operating 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 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 anticipated 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 entitlement to the dividend 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.

Sale of Biogas

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

R&D expenses

Expenditure on R&D is recognized as an expense when it occurs. Expenditure for development attributable to a single product is recognized as an asset on the balance sheet when it is probable 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 and impairment. 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 date 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 date 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 principles for non-current assets

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

The following depreciation intervals are applied:

	Group Years	Parent company Years
Goodwill	10	–
Intangible assets	5	5
Machinery, equipment and other technical installations	5	5
Computers	3	3
Buildings and plants	30	–
Machinery and technical installations that are part of the buildings	20	–

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.

Convertible loans

Issue expenses attributable to the convertibles issue are amortized over the term of the convertibles. The group does not separate the equity and debt components, instead the total issue amount is recognized as a liability.

Convertible debentures totaling SEK 70,344 thousand were signed in 2010 and 2011. The convertibles are not recognized in equity, and the issue costs are divided over the contract period, with SEK 658 thousand outstanding at December 31, 2011.

Convertible debentures totaling SEK 26,872 thousand were signed during the summer 2011 with a number of shareholders. The loans carry an annual interest rate equal to STIBOR 90 days plus 9 percentage points, due April 30, 2012. The conversion rate is SEK 7 per share. A maximum of 3,838,913 new shares may be issued under these loans.

Ahlström Capital signed a convertible debenture in autumn 2011 at a nominal amount of SEK 2,707 thousand. The loan carries an annual interest rate equal to STIBOR 90 day plus 9 percentage points, due April 30, 2012. The conversion rate is SEK 8 per share. A maximum of 338,375 new shares may be issued under this loan.

Ahlström Capital also signed a convertible debenture in 2010, with SEK 38,879 thousand outstanding at Dec 31, 2011. The interest rate is contingent on several conditions and is currently 9 percent. The conversion rate is SEK 17 per share and is raised in accordance with the terms of the convertibles over time, but may also be adjusted downwards in conjunction with the raising of capital at rates lower than SEK 17 per share.

Taxes

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 performance indicators

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

Financial instruments

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 at closing. Market rates and an estimation of the company's risk premium are used as the basis for estimates of market values on long-term loans. For other financial instruments, primarily short-term loans, the assessment of market value approximates book value.

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

Securities and financial receivables. 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.

Loans. Loans are recognized initially at fair value, net of transaction costs incurred. If the reported amount differs from the amount to be repaid at maturity, then the difference is allocated as interest expense or interest income over the term of the loan. In this manner, the reported amount is consistent with the amount to be repaid at maturity. Financial liabilities first cease to be reported when they have been settled on the basis of repayment or when repayment has been waived.

Hedging of fixed interest rates

An interest rate swap contract protects the group against changes in interest rate. Any difference in interest rate receivable or payable due to an interest rate swap is reported under Interest expense and similar items, and amortized over the contract period. Interest rate instruments that do not meet the criteria for hedge accounting are valued at the closing date, at which time provisions for unrealized losses are made.

Transaction exposure. Trade accounts receivable and trade accounts payable in foreign currency are valued at closing day rates.

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 flows

Statement of cash flows. 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.

NOTES

NOTE 1 Breakdown of revenues

	Jan 1, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Group		
Net sales by significant revenue source		
Sale of gas, South Korea	11,387	5,678
Sale of gas, Sweden	64,105	21,785
Commissioned assignments, South Korea	18,884	11,162
Commissioned assignments, Sweden	3,830	34,666
Total	**98,206**	**73,291**
Parent company		
Net sales per significant revenue source		
Commissioned assignments, Sweden	1,713	2,385
Total	**1,713**	**2,385**

NOTE 2 Work performed for own use 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, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Group		
Exchange rate gains on receivables/liabilities of operational nature	749	102
Other	1,247	642
Total	**1,996**	**744**
Parent company		
Exchange rate gains on receivables/liabilities of operational nature	–	3
Total	**–**	**3**

NOTE 4 Auditor fees and expenses

	Jan 1, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Group		
PwC		
Audit fees	820	780
Audit-related services	30	27
Tax services	143	368
Other services	65	378
Total	**1,058**	**1,553**
Parent company		
PwC		
Audit fees	185	150
Audit-related services	30	7
Tax services	8	–
Other services	9	276
Total	**232**	**433**

NOTE 5 Lease payments for operating leases

	Jan 1, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Group		
Assets held through operating leases		
Leasing costs for the financial year – cars	317	331
– computers	150	116
	467	**447**
Contracted future leasing fees	383	788
Parent company		
Assets held through operating leases	–	–
	–	–

NOTE 6 Employees and personnel costs

Average number of employees

	Jan 1, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Total parent company	–	–
Of whom men	–	–
Subsidiaries, Sweden	45	45
Of whom men	*30*	*31*
Subsidiaries, South Korea	20	19
Of whom men	*17*	*18*
Total subsidiaries	65	64
Of whom men	*47*	*49*
Total Group	**65**	**64**
Of whom men	*47*	*49*

Gender distribution in management on the balance sheet date

	Dec 31, 2011	Dec 31, 2010
Parent company		
Board of Directors	6	6
Of whom men	100%	100%
CEO and other senior executives	1	1
Of whom men	100%	100%
Group		
Board of Directors	17	24
Of whom men	100%	96%
CEO and other senior executives	1	–
Of whom men	0%	–

Salaries, other compensation and social security expenses

	Jan 1, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Parent company		
Board and CEO	517	417
Total	**517**	**417**
Social security expenses	162	116
(of which pension expenses)	–	–
Subsidiaries		
Board and CEO	1,261	2,860
Other employees	27,684	22,353
Total	**28,945**	**25,213**
Social security expenses	10,849	8,581
(of which pension expenses)	*3,808*	*2,620*
Group		
Board and CEO	1,778	3,277
Other employees	27,684	22,353
Total	**29,462**	**25,630**
Social security expenses	11,011	8,697
(of which pension expenses) [1)]	*3,808*	*2,620*

[1)] of the group's total pension expenses, SEK 199 thousand (486) pertains to the company's Board of Directors and CEO. The group's outstanding pension obligations to them is SEK 0 thousand (0). No pension expenses were made in the parent company, nor are there any outstanding obligations.

Total personnel costs includes a restructuring reserve of SEK 4,652 thousand (0) for severance pay in subsidiaries.

The former Chairman of the Board received consulting fees from a group company at commercial rates amounting to SEK 0 thousand (262). The current Chairman of the Board received consultancy fees at market rates amounting to SEK 280 thousand (770) as well as regular board fees.

The current CEO is paid in consultancy fees from 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 expenses and taxes were reported and paid for the value of the options. The options' expire on June 30, 2013 with an exercise price of SEK 27.

NOTE 7 Depreciation/amortization and impairment of tangible and intangible assets

	Jan 1, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Group		
Depreciation/amortization		
Licenses	866	904
Capitalized investment expenditure and similar work	818	134
Goodwill	–	3,843
Buildings and land	2,104	702
Pilot facilities	1,061	1,173
Machinery and equipment	10,773	5,015
	15,622	11,771
Impairment		
Construction in progress	–	234
Goodwill	24,020	–
Machinery and equipment	19,293	–
	43,313	**234**
	58,935	**12,005**

NOTE 8 Other operating costs

	Jan 1, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Group		
Exchange rate losses on receivables/liabilities of an operating nature	3,339	12
Other	–	15
Total	**3,339**	**27**
Parent company		
Exchange rate losses on receivables/liabilities of an operating nature	6	–
Total	**6**	**–**

NOTE 9 Results from participations in group companies

	Jan 1, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Group		
Directed issue in Biogas Uppland AB	–	3,157
Total	**–**	**3,157**
Parent company		
Impairment of participations in subsidiaries	-75,000	-75,000
Total	**-75,000**	**-75,000**

NOTE 10 Interest income and similar items

	Jan 1, 2011– Dec 31, 2011	Jan 1, 2010– Dec 31, 2010
Group		
Interest income, Other	343	493
Other financial income	–	156
Exchange rate gains on financial assets and liabilities	5,407	3,170
Total	**5,750**	**3,819**
Parent company		
Interest income, other	1	24
Exchange rate gains on financial assets and liabilities	–	3,170
Total	**1**	**3,194**

NOTE 11 Interest expense and similar items

	Jan 1, 2011–Dec 31, 2011	Jan 1, 2010–Dec 31, 2010
Group		
Interest expense, other	-24,710	-10,465
Exchange rate losses	-3,051	391
Other	-127	-941
Total	**-27,888**	**-11,015**
Parent company		
Interest expense, other	-12,740	-5,121
Exchange rate losses	-81	–
Total	**-12,821**	**-5,121**

NOTE 12 Taxes

	Jan 1, 2011–Dec 31, 2011	Jan 1, 2010–Dec 31, 2010
Group		
Current tax	–	-29
Deferred tax	-4,335	-652
Total	**-4,335**	**-681**
Parent company	**–**	**–**

No deferred tax relating to reserves is reported. Group companies have a tax deficit in excess of untaxed reserves. The group's tax loss carryforwards are expected to be used against future taxable profits.

NOTE 13 Capitalized expenditure for development and similar work

	Dec 31, 2011	Dec 31, 2010
Group		
Accumulated acquisition value:		
At the start of the year	4,032	–
New acquisitions	706	4,032
	4,738	4,032
Accumulated depreciation according to plan:		
At the start of the year	-134	–
Depreciation for the year according to plan	-819	-134
	- 953	-134
Carrying amount at the year-end	**3,785**	**3,898**

NOTE 14 Patents

	Dec 31, 2011	Dec 31, 2010
Group		
Accumulated acquisition value:		
At the start of the year	16	–
New acquisitions	–	16
	16	16
Accumulated amortization according to plan:		
-At the start of the year	–	–
-Amortization for the year according to plan	-2	–
	-2	–
Carrying amount at the year-end	**14**	**16**

NOTE 15 Licenses

	Dec 31, 2011	Dec 31, 2010
Group		
Accumulated acquisition value:		
At the start of the year	4,518	4,518
	4,518	**4,518**
Accumulated amortization according to plan:		
At the start of the year	-3,654	-2,750
Amortization for the year according to plan	-864	-904
	-4,518	**-3,654**
Carrying amount at year-end	**–**	**864**

NOTE 16 Goodwill

	Dec 31, 2011	Dec 31, 2010
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	-14,411	-10,568
Amortization for the year according to plan	–	-3,843
	-14,411	**-14,411**
Accumulated impairment		
Impairment for the year	-24,020	–
	-24,020	–
Carrying amount at year-end	**–**	**24,020**

Pertains to goodwill attributable to UltraSonus technology

NOTE 17 Buildings and land

	Dec 31, 2011	Dec 31, 2010
Group		
Accumulated acquisition value:		
At the start of the year	103,075	–
Acquisition of subsidiaries	–	103,075
	103,075	**103,075**
Accumulated depreciation according to plan:		
At the start of the year	-2,869	–
Acquisition of subsidiaries	–	-2,167
Depreciation for the year according to plan	-2,104	-702
	-4,973	**-2,869**
Carrying amount at the year-end	**98,102**	**100,206**
Carrying amount pertaining to land	41,300	41,300
Carrying amount pertaining to buildings	56,802	58 906
	98,102	**100,206**

NOTE 18 Machinery and equipment

	Dec 31, 2011	Dec 31, 2010
Group		
Accumulated acquisition value:		
At the start of the year	160,484	2,485
New purchases	25,449	158,037
Sale and disposal	-144	-141
Translation differences	-569	103
	185,220	**160,484**
Accumulated depreciation according to plan:		
At the start of the year	-9,635	-1,318
Acquisition of subsidiaries	–	-3,326
Sale and disposal	14	23
Depreciation for the year according to plan	-10,912	-5,015
Translation differences	19	1
	-20,514	**-9,635**
Accumulated impairment		
Impairment for the year	-19,293	–
	-19,293	–
Carrying amount at the year-end	**145,413**	**150,849**

Of total impairment for the year, SEK 17,550 thousand pertains to the company's operations in Ulsan, South Korea.

NOTE 19 Pilot facilities

	Dec 31, 2011	Dec 31, 2010
Group		
Accumulated acquisition value:		
At the start of the year	7,584	7,584
	7,584	**7,584**
Accumulated depreciation according to plan:		
At the start of the year	-5,244	-4,070
Depreciation for the year according to plan	-1,060	-1,173
	-6,304	**-5,243**
Accumulated impairment:		
At the start of the year	-861	-861
	-861	**-861**
Carrying amount at year-end	**419**	**1,480**

NOTE 20 Construction in progress and advance payment for property, plant and equipment

	Dec 31, 2011	Dec 31, 2010
Group		
Accumulated acquisition value:		
At the start of the year	50,264	74,305
Investments	42,108	11,567
Acquisition of subsidiaries	–	26,754
Impairment	–	-234
Reclassifications	-8,011	-62,210
Advances paid during the year	380	–
Translation differences	-19	82
Carrying amount at year-end	**84,722**	**50,264**

NOTE 21 Parent company participations in Group companies

	Dec 31, 2011	Dec 31, 2010
Parent company		
Accumulated acquisition value:		
At the start of the year	439,348	274,298
Acquisitions	–	90,050
Shareholder contributions	75,000	75,000
	514,348	**439,348**
Accumulated impairment:		
At the start of the year	-189,298	-114,298
Impairment for the year	-75,000	-75,000
	-264,298	**-189,298**
Carrying amount at year-end	**250,050**	**250,050**

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

This refers to the percentage of capital owned, which also corresponds to the percentage of votes for the total number of shares.

Subsidiaries / Corp reg no. / Domicile	Number Of shares	in %	Carrying amount
Direct holdings			
Scandinavian Biogas Fuels AB 556691-9196, Uppsala	166,667	100	160,000
Biogas Stockholm Finans AB 556807-2986, Stockholm	50,000	100	90,050
Indirect holdings			
Biogas Uppland AB 556636-0227, Uppsala *)	1,000	50	–
Scandinavian Biogas Fuels Himmerfjärden AB 556712-1735, Uppsala	100,000	100	–
Scandinavian Biogas Fuels i Varberg AB 56748-8357, Varberg	100,000	100	–
Scandinavian Biogaz Polska Sp.z o o.o. 0000295603, Gdynia (Poland)	50	100	–
Scandinavian Biogas Korea Co., Ltd. 610-84-00961, Ulsan (South Korea)	81,000	82	–
Scandinavian Biogas China Ltd. 1246310, Hong Kong (China)	1	100	
China Biogas Ltd. 1416275, Hong Kong (China)	1	100	–
Scandinavian Biogas Korea Co., Ltd. 285011-0174239, Ilsan (South Korea)	1,008	90	–
Fordonsgas Stockholm AB 556489-7899, Stockholm	1,000	100	–
			250,050

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

NOTE 22 Related party transactions

Scandiavian Biogas Fuels International AB is the main parent company of the group. Related party transactions are conducted on commercial terms.

Purchases and sales between group companies

For the parent company, 5 percent (21) of net purchases and 100 percent (100) 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 CEOs

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 Receivables from Group companies

	Dec 31, 2011	Dec 31, 2010
Parent company		
Accumulated acquisition value:		
At the start of the year	45,326	15,044
Additional receivables	2,789	30,282
Carrying amount at year-end	**48,115**	**45,326**
Recovery		
Parent company		
Amount at which it is expected that the asset will be recovered after more than twelve months	48,115	45,326

NOTE 24 Other long-term securities held as assets

	Dec 31, 2011	Dec 31, 2010
Group		
Accumulated acquisition value:		
At the start of the year	623	765
Additional assets	312	623
Impairment	–	-765
Translation differences	-4	–
Carrying amount at year-end	**931**	**623**

NOTE 25 Prepaid expenses and accrued income

	Dec 31, 2011	Dec 31, 2010
Group		
Accrued income	543	14,779
Prepaid insurance premiums	545	233
Prepaid rent	1,295	454
Other items	2,280	2,660
	4,663	**18,126**
Parent company		
Prepaid insurance premiums	106	103
Other items	39	152
	145	**255**

NOTE 26 Restricted cash equivalents

The amount refers to cash received from borrowings 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 27 Equity

	Share capital	Restricted reserves	Non-restricted reserves
Group			
Closing balance according to last year's balance sheet	5,043	9,172	113,655
Use of convertibles, April	105		6,503
Rights issue, September	207		17,396
Issue costs			-309
Shareholder contributions from non-controlling interests			1,650
Net income/loss for the year			-127,138
Transfer between restricted and non-restricted equity		-6,962	6,962
Translation differences		-167	-296
Balance at the year-end	**5,355**	**2,043**	**18,423**

	Share capital	Share premium reserve	Statuary reserve	Non-restricted equity
Parent company				
Closing balance according to last year's balance sheet	5,043	297,709	2,043	-77,125
Use of convertibles, April	105	6 503		
Rights issue, September	207	17 396		
Issue costs		-309		
Net income/loss for the year				-90,392
Balance at the year-end	**5,355**	**321,299**	**2,043**	**-167,517**

The number of shares during the year increased from 25,216,532 shares to 26,776,476 shares, at a quota value of SEK 0.2. All shares are paid in full. There are 440,000 outstanding options.

NOTE 28 Long-term interest-bearing liabilities

	Dec 31, 2011	Dec 31, 2010
Group		
Loan raised by Scandinavian Biogas Korea Ltd (Ulsan)	42,558	57,048
Loan raised by Scandinavian Biogas Fuels AB	4,500	6,500
Loan raised by Fordonsgas Stockholm AB	87,750	67,500
Carrying amount at year-end	**134,808**	**131,048**
Amount by which the debt item is expected to be paid more than twelve months from the balance sheet date	125,308	103,548
Amount by which the debt item is expected to be paid more than five years from the balance sheet date	9,500	27,500
Parent company		
Loans	–	–
Carrying amount at the year-end	**–**	**–**

NOTE 29 Convertible loans

	Dec 31, 2011	Dec 31, 2010
Group		
Carrying amount at the start of the year	38,122	–
Capitalization of interest	1,886	–
New convertibles	29,579	47,500
Use of convertibles	–	-8,621
Issue costs	-172	-827
Breakdown of issue costs over the term	271	70
Carrying amount at the year-end	**69,686**	**38,122**
Parent company		
Carrying amount at the start of the year	38,122	–
Capitalization of interest	1,886	–
New convertibles	29,579	47,500
Use of convertibles	–	-8,621
Issue costs	-172	-827
Breakdown of issue costs over the term	271	70
Carrying amount at the year-end	**69,686**	**38,122**

NOT 30 Other loans

	Dec 31, 2011	Dec 31, 2010
Group		
Debts to credit institutions	–	10,000
Short-term loans from shareholders	57,496	33,093
	57,496	**43,093**
Parent company		
Short-term loans from shareholders	57,496	33,093
	57,496	**33,093**

NOTE 31 Financial risks

Financial risks are described in the Board of Directors' report.

NOTE 32 Accrued expenses and deferred income

	Dec 31, 2011	Dec 31, 2010
Group		
Accrued interest expenses	10,611	2,338
Accrued payroll related costs	4,096	2,680
Restructuring reserves	4,652	–
Other items	6,515	10,705
	25,874	**15,723**
Parent company		
Accrued interest expenses	10,427	2,338
Accrued payroll related costs	297	160
Other items	1,077	590
	11,801	**3,088**

NOTE 33 Pledged assets and contingent liabilities

	Dec 31, 2011	Dec 31, 2010	
Group			
Pledged assets			
Liens on assets	84,000	67,804	For loans from credit institutions
	84,000	**67,804**	
Liens on property	65,000	65,000	For loans from credit institutions
	65,000	**65,000**	
Shares in Scandinavian Biogas Korea Co. Ltd.	–	20,096	For loans from credit institutions
Shares in Fordonsgas Stockholm AB	95,453	92,620	For loans from credit institutions
	95,453	**112,716**	
Bank assets in Scandinavian Biogas			
Korea Co. Ltd.	19,828	5,089	For loans from credit institutions
Bank guarantee	–	503	For advances from customers
	264,281	**251,112**	
Contingent liabilities			
Contingent liabilities	4,472	6,000	For loans from credit institutions

Shares in Scandinavian Biogas Korea Co. Ltd. are pledged and have a book value of SEK 1.

Parent company			
Liens on assets	–	800	For subsidiary loans from credit institutions
Liens on assets	–	18,004	For loans from credit institutions
	–	**18,804**	
Parent company			
Contingent liabilities	108,250	6,000	For subsidiary loans from credit institutions
Contingent liabilities	4,472	–	For loans from credit institutions
	112,722	**6,000**	

NOTE 34 Adjustments for items not included in the cash flow, etc.

	Dec 31, 2011	Dec 31, 2010
Impairment of goodwill	24,020	–
Impairment machinery and equipment, South Korea	17,672	–
Impairment of filling station, Sweden	1,621	–
Capital gains on divestment of non-current assets	130	–
Reclassification	8,011	–
Unallocated translation differences	67	–
Other items	–	8,746
Total	**51,521**	**8,746**

Stockholm, April 11, 2012

Göran Persson
Chairman of the Board

Matti Vikkula
CEO

Anders Bengtsson
Board member

Fredrik Danielsson
Board member

Andreas Ahlström
Board member

Phil Metcalfe
Board member

Raif Nisametdin
Board member

Our audit report, which deviates from the standard presentation, was submitted on April 11, 2012.

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.

AUDITOR'S REPORT

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Scandinavian Biogas Fuels International AB for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 18-42.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the group as of 31 December 2011 and of their financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Scandinavian Biogas Fuels International AB for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

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

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

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

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

Opinions

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

Emphasis of Matter

Without it qualifying our opinion, we would like to bring attention to the company's administration report, from reading which it is apparent that the company is reliant on further external financing to enable continued operations. It is also stated in the administration report that the Board of Directors is actively working to secure long-term financing but, as of the date of submission of this audit report, such financing is yet to be secured. If financing cannot be secured, this represents a significant factor of uncertainty, raising substantial doubts regarding the company's ability to continue operations. The annual report has been prepared according to the principles for continued operations.

Stockholm, April 11, 2012

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
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 °C at atmospheric pressure, while methane must be cooled at -161 °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±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 °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°C and 37 °C.

Methane is an odorless gas with high energy content (~ 10 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 ° 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 ± 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.

Scandinavian Biogas
Holländargatan 21 A
SE-111 60 Stockholm
Sweden

Telephone: +46 (8) 503 872 20
Fax: +46 (8) 503 872 21
info@scandinavianbiogas.com
www.scandinavianbiogas.com