



The cover picture shows the biogas plant in Ulsan, South Korea, in which Scandinavian Biogas has invested and operates.

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WE WILL ENGAGE IN A DIALOGUE WITH DECISION MAKERS IN SOME OF THE WORLD'S LARGEST CITIES AND EXPOUND ON THE GREAT RESOURCES THEY HAVE IN ORGANIC WASTE, WHICH TODAY THEY REGARD AS AN ENVIRONMENTAL PROBLEM

Göran Persson, Chairman of the Board

2009 IN BRIEF

Key events during the year

- Net sales SEK 27,634 thousand
- Operating loss SEK 38,098 thousand
- Balance sheet total SEK 210,053 thousand
- Equity/assets ratio SEK 17.8 percent
- In 2009, Scandinavian Biogas carried out a number of new issues of shares totaling SEK 120.5 million, of which a rights issue conducted at the end of the year generated SEK 70 million.
- The project to upgrade biogas production for the city of Ulan in South Korea was in the process of being completed at the year end. All rebuilding has been completed and both biogas reactors, each with a volume of 7,000 cubic meters, are in operation. The plant will be completed in its entirety during the first quarter 2010.
- A letter of intent was signed regarding divestment of the company's biogas project in Varberg. The aim is to establish cooperation with the buyer and at the same time to free up resources for more profitable projects. Scandinavian Biogas will continue to operate the facility and retain a portion of the profits.
- Göran Persson, Sweden's former prime minister, was elected as the new Chairman of the Board, replacing Erik Danielsson. In conjunction with this the composition of the board also changed.
- Anders Tuvlind was appointed as new CEO of the company.

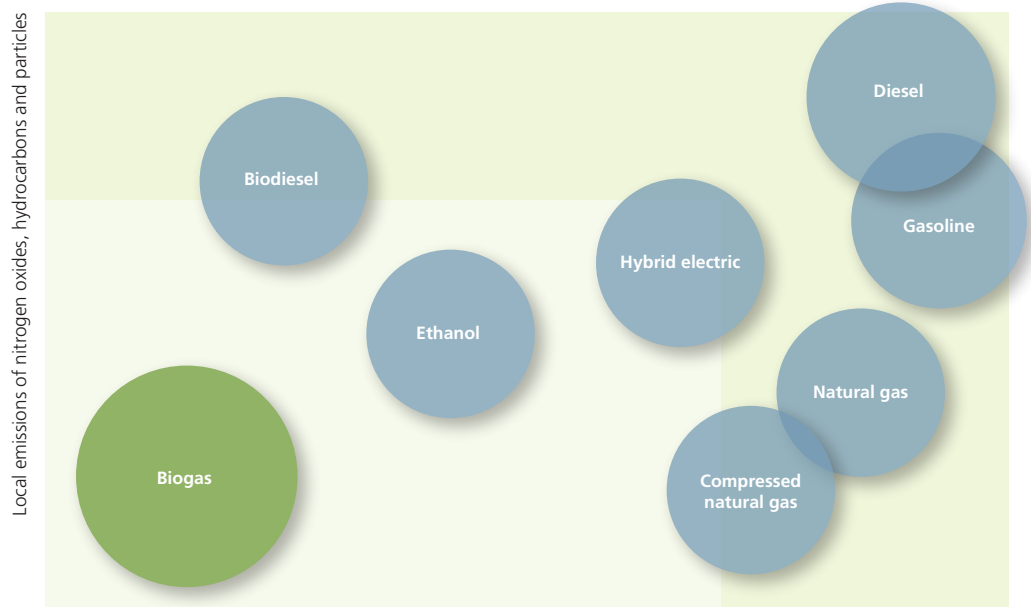
Key events after the year end

- On January 26, 2010, Scandinavian Biogas entered into an agreement to acquire Stockholm Vatten Utveckling AB. The deal is expected to be completed in the first half of 2010.
- On January 1, 2010, Scandinavian Biogas became a member of Teknikföretagen, The Association of the Swedish Engineering Industries.

BIOGAS

Biogas contributes to sustainable development to a greater extent than any other vehicle fuel. This is because biogas effectively reduces emissions of greenhouse gases, nitrogen oxides, hydrocarbon and particles, making a positive impact on the environment both locally and globally.

ILLUSTRATIVE COMPARISON OF DIFFERENT FUELS



Global effects of carbon dioxide (CO₂) emissions
Source: Based on environmental data for fuel, IVL, Swedish Environmental Institute 2001

FROM PIONEER TO WORLD LEADING EXPERTISE

Scandinavian Biogas is a leading player in industrial and large-scale biogas production. Through partnerships with customers such as wastewater treatment, ethanol and biodiesel plants, the company contributes its expertise and assumes responsibility for the construction and operation of biogas facilities. Scandinavian Biogas's operations facilitate optimal waste management by converting waste into to renewable, green energy.

In existing facilities, Scandinavian Biogas can increase both the amount of organic waste that is treated and the biogas output by three to five times. The company's customers include public entities such as municipalities, cities or state-owned companies.

Scandinavian Biogas was established in 2005 by some of the most influential people in biogas development in Sweden, and continues to recruit prominent names in the industry today. The company carries out extensive and targeted investments in R&D, and as a result Scandinavian Biogas today possesses world leading expertise on how biogas production facilities should be constructed and operated. This expertise enables plants to maximize their output of high-quality biogas regardless of what type or combination of organic waste is used.

Biogas

Biogas can be produced from nearly any kind of organic waste, such as sludge from wastewater treatment plants, food waste from households and restaurants, slaughterhouse waste, as well as residue from the agriculture and forestry industries. Biogas is formed through anaerobic fermentation, in which organic waste is broken down by microorganisms, producing Methane (CH_4) and carbon dioxide (CO_2). In Sweden, the gas is cleaned and upgraded to vehicle fuel, with methane levels of at least 97 percent. When methane is cooled down it becomes a liquid, making it easier and less expensive to manage. This product is called LBG (liquefied biogas).

CEO commentary

WE CONTRIBUTE TO SUSTAINABLE DEVELOPMENT, GREATER ACCESS TO RENEWABLE ENERGY AND CREATE NEW JOB OPPORTUNITIES IN AN INDUSTRY OF THE FUTURE

Large-scale biogas production, in combination with increased access to other renewable sources of energy, will contribute to making the transition from fossil fuel to green energy possible. Our industry is an industry of tomorrow. By constructing, operating and owning biogas facilities, we are responsible for efficient production of biogas, which we continuously improve upon during the contract period with our customers. This means that we as a company are creating new jobs in a new industry, contributing to sustainable development. Our work also gives the market access to larger volumes of biogas, while creating value for shareholders.

Biogas's potential is above all as a carbon neutral and eco-friendly fuel. Many forward-thinking municipalities have already realized this, and more and more are participating in terms of biogas-driven public transportation and private sector taxis. This is because the benefits of biogas as a fuel are without competition when it comes to reducing greenhouse gas emissions and decreasing pollution locally, while maintaining a high level of energy efficiency.

From an international perspective, Sweden has long had a leading position in the production of biogas. As a result, Scandinavian Biogas has had the opportunity to attract some of the most prominent expertise in the industry to the company. One of our recurring challenges, as a pioneer in biogas development, has been to secure the ongoing financing of the company, a challenge that intensified during the financial crisis. We managed to solve this by targeting our work, resulting in a number of positive effects realized in the third and fourth quarter.

In 2009, we conducted a number of smaller new issues of shares. In addition, we carried out a larger new issue in two steps, which strengthened Scandinavian Biogas's balance sheet by SEK 98.4 million. Interest in this new issue was considerable and it was oversubscribed by 40 percent. On November 26, Göran Persson, Sweden's former prime minister, accepted the offer of taking over as chairman of the board, which was a key milestone. As the new chairman, he is an important resource in the company's current phase of expansion. Taking over the baton at a very exciting stage in the company's development, Göran Persson will be able to build further on the platform that has largely been created by the drive and entrepreneurial spirit of the company's founder and former chairman of the board, Erik Danielsson.

The company exited 2009 with the wind in its sails. During the year we just about completed two of our most important projects, one of which is the reconstruction of the previously discontinued wastewater treatment plant at Loudden in Stockholm. This was made possible thanks to an innovative approach by Stockholm Vatten. The project is expected to be completed during the first six months of 2010 and from a technology perspective the facility will be one of the world's most modern and futuristic biogas plants.

” IN 2010 WE FACE A HISTORIC GROWTH PHASE AND WILL BE FOCUSING OUR RESOURCES ON THE TWO MARKETS WE KNOW BEST

We also completed the reconstruction of a biogas plant in the city of Ulsan, South Korea during the year, which will be put into operation in two phases. The plant is also one of the most modern of its kind and is testimony that the customer has a lot to gain by outsourcing operation of the plant to us. The project required large up-front investments, which means that the financial backing received from ALMI and KDB (Korean Development Bank) and their will to invest in new eco-friendly technology has been vital to our success in South Korea.

We are now entering a new year with two key benchmarks. In 2010, we face a historic growth phase and will be focusing our resources on the two markets we know best, creating more business above all in Sweden and South Korea.

Anders Tuvlind, President and CEO,
Scandinavian Biogas Fuels International AB

BUSINESS MODEL

Scandinavian Biogas' operations are based on fulfilling mankind's need for green and renewable energy. We meet this need by applying world leading waste-to-energy expertise and technology and transforming organic waste that is otherwise considered an environmental problem into biogas. Our proprietary methods provide us with leading knowledge on how digesters can best be constructed and operated in order to maximize biogas output. We assume responsibility for production, and in close collaboration with our customers, we share ownership, risk and profit, resulting in a higher output of high quality biogas at a lower cost than has been previously possible.

World leading expertise

One of Scandinavian Biogas' key strengths is the extensive knowledge possessed by our employees in the field of biogas production. The founders, still active in the company, are among the most influential people in biogas development today and the company continues to attract leading individuals in biogas production, sales and marketing.

Our operations are focused on the anaerobic digestion process and to continually maximize the output of high-quality biogas, whatever the nature or composition of the organic waste being used. In order to optimize the production of biogas, the company uses proprietary methods, which are analyzed and improved in day-to-day digester operations. Furthermore, targeted initiatives are being carried out to enable efficient digestion of new types of organic waste with high biogas potential, which already today is considered one of the company's cutting-edge skills.

Our starting point is the large scale need for renewable energy

The starting point for the company's operations is the large-scale exponentially growing need for renewable energy. This is the resulting effect of the continued increase in consumption of energy by the global population, while at the same time all nations of the world must take responsibility for a sustainable society, in which the reduction of greenhouse gas emissions plays an important role. Biogas, produced on an industrial level, can make a significant contribution in meeting the overall demand for renewable energy, particularly as motor vehicle fuel. Biogas reduces greenhouse gas emissions to a greater extent than other biofuels and moreover a significantly greater amount of energy can be produced per land area compared to biodiesel and ethanol, as most organic material can be converted to energy.

In close collaboration with customers, Scandinavian Biogas' offering includes total responsibility for constructing, owning and operating biogas facilities. The facilities are rebuilt and adapted to local conditions, with Scandinavian Biogas often maintaining responsibility for operations and carrying out continuous improvement in order to constantly adapt and optimize the biogas production process. Scandinavian Biogas also takes responsibility for initial investments and sales of the produced biogas.

We share the same agenda as our customers

Scandinavian Biogas collaborates with customers based on partnerships and joint projects, often with public sector organizations such as wastewater treatment, ethanol and biodiesel plants as

TWO PRIORITIZED BUSINESS AREAS

	Public sector	Private sector
Business focus	<ul style="list-style-type: none"> ● Industrial plants constructed according to specific needs ● Focus on size and geographic market 	<ul style="list-style-type: none"> ● Multinational players with multiple facility needs ● Standardized replicable solutions
Customers	<ul style="list-style-type: none"> ● Plant owners (municipalities) ● Substrate suppliers ● Biogas buyers 	<ul style="list-style-type: none"> ● Multinational companies with access to substrate and in need of green energy.
Offering	<ul style="list-style-type: none"> ● Reduced investment in facilities ● Regulatory compliance in waste management ● CSR benefits 	<ul style="list-style-type: none"> ● Reduced costs for waste management facilities ● Reduced energy costs ● CSR benefits

well as landfills. Contract periods are long and usually run for 15 years or more. The customer's core business often has a focus other than biogas production, and biogas production is often initiated by the desire to reduce sludge volumes and improve organic waste management.

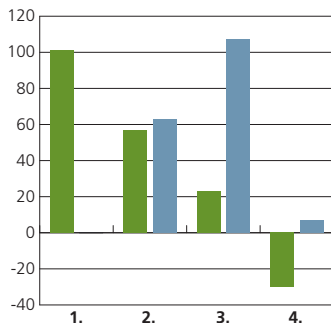
Joint ventures with leading partners

An important part of the company's business strategy is the close cooperation that the company enjoys with select partners. One such example is Scandinavian Biogas' collaboration with the Dutch Gastreatment Services, in which the companies have jointly developed a cryogenic technology that transforms biogas into liquid biogas (LBG). Another example is UltraSonus technology, through which ultrasound waves break down organic material into small parts, greatly facilitating waste management and contributing to more efficient biogas production. The company UltraSonus is now a part of Scandinavian Biogas.

MARKET OVERVIEW

CARBON DIOXIDE EMISSIONS

index, Diesel = 100



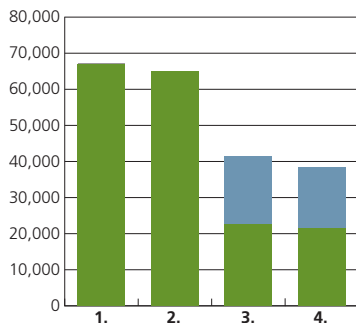
1. Diesel
2. Biodiesel
3. Ethanol
4. Biogas

■ Best outcome ■ Worst outcome

Source: FNR (Agency for Renewable Resources), Germany, Conlaw/Eucar

FUEL EFFICIENCY

Km/ha



1. Biogas
2. Black liquor gas
3. Biodiesel
4. Ethanol

■ Additional mileage in km when bi-products are transformed into biogas
■ km/ha

Source: FNR (Agency for Renewable Resources), Germany, Conlaw/Eucar

One of tomorrow's green industries

Scandinavian Biogas is a pioneer with world leading expertise in biogas production, whose operations contribute to meeting part of the global demand for renewable and eco-friendly forms of energy. The industry is still in its infancy, but has awakened major interest and Scandinavian Biogas continuously receives inquiries from potential customers all over the world. Biogas is particularly attractive as an energy source when it is upgraded to a fuel, as it is both a high-quality fuel and has major environmental benefits in that it reduces greenhouse gas emissions to a greater extent than other energy sources (95–120 percent). This strategy was established in Sweden, a frontrunner country in biogas production, whose approach other countries can be expected to follow.

Competitive environment

Scandinavian Biogas has few competitors today with operations that are based on the same business model. However, competition exists in the form of various types of facility suppliers, consultancy firms, and international energy companies. Sweden has long had a leading position in the production of biogas, with the most extensive knowledge being found in Sweden, or neighboring countries such as Denmark, the U.K. and Germany. Since the industry is a highly attractive growth industry at the development stage, more companies are expected to enter the market. Therefore, Scandinavian Biogas' targeted investments in R&D are vital when it comes to maintaining long-term competitiveness.

Strategic markets for further expansion

In 2009, Scandinavian Biogas carried out extensive strategy work in order to focus its operations on markets with the greatest potential for high profitability, thereby facilitating further expansion. One requirement is that the market must have basic infrastructure, such as sewage treatment, waste management and energy distribution. Sweden and Korea are Scandinavian Biogas' primary markets today. In 2010, the company will further expand its market analysis and intends to prioritize a number of markets in the Nordic region, Eastern Europe and Asia for further expansion in the coming years.

Sweden

Sweden is the company's home market, which means that the company has access to significant structural capital in the form of strong, solid relationships with industry stakeholders. The environment is favorable for creating profitable deals, carrying out R&D and developing new, innovative projects.

In Sweden, biogas is used almost exclusively as fuel, particularly in the public transportation and the taxi industry. A number of Swedish municipalities have already established ambitious environmental goals and are currently working actively to operate public transportation using fossil-free fuels. To the extent possible today, regular biogas-driven vehicles are prioritized over other alternatives. One problem for users of biogas is that the demand for biogas often exceeds supply. A solution to this problem is dependent on political resolutions, new sanctions and



the construction of efficient biogas plants. Another challenge is the competition for available substrates, which will impact both the availability and pricing of the same. It is therefore of great importance to develop new methods for biogas production that enable digestion of more types of organic waste.

South Korea

South Korea is a rapidly growing economy, with a well-developed infrastructure. Despite this, environmental issues have long been neglected. In recent years, however, the country has developed ambitious strategies to tackle environmental problems. New legislation, which comes into force in 2012, prohibits current waste management methods. The city of Ulsan, in collaboration with Scandinavian Biogas, has addressed the problem by digesting waste and generating biogas instead. In conjunction with the ongoing completion of the project in Ulsan, other cities in South Korea are expected to show interest.

FOUR SUCCESSFUL PROJECTS



SECURING SUFFICIENT SUPPLY OF BIOGAS IN UPPLAND

Upplands Lokaltrafik, the regional public transport system in Uppland, Sweden, aims for at least 240 of its bus fleet to be biogas-driven, a goal that is well on its way to being realized. Following a public tender process, Upplands Lokaltrafik entered into a joint venture with Scandinavian Biogas in order to secure a sufficient supply of biogas going forward. The project is in full swing and as early as 2014 around 80 percent of regional buses will be biogas-driven. Production is expected to exceed 10 million cubic meters of methane per year.



VARBERG MUNICIPALITY SOLVES WASTE PROBLEM WITH BIOGAS

In collaboration with Varberg municipality, Scandinavian Biogas is operating a project aimed at increasing the local wastewater treatment plant's biogas production to fifteen times its current capacity. The project has strong community ties and the upgraded plant will have the capacity to handle a significant proportion of municipal waste from households and industries. Reconstruction of the facility is expected to be completed in late 2010/early 2011. The biogas will be distributed via the municipal gas network.

SUCCESS IN SOUTH KOREA

In 2007, Scandinavian Biogas was awarded the contract to upgrade biogas production for the city of Ulsan in South Korea. The plant consists of two biogas reactors, with digester volumes of 7,000 cubic meters each. Since the start of operations, the plant's capacity to process sludge and food waste has quadrupled, while the production of biogas has increased fivefold. Production has now reached over 10 million standard cubic meters of biogas per year.

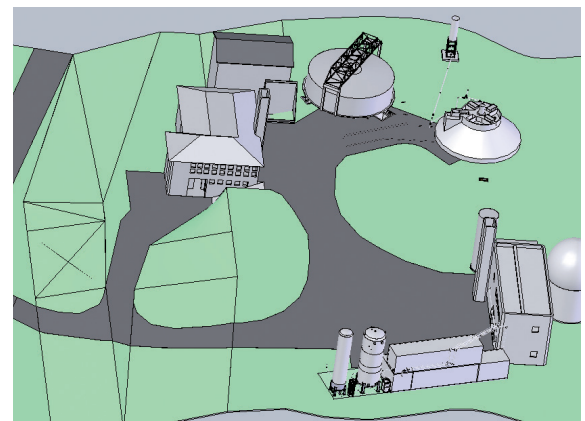
The upgraded production means real major economic and environmental benefits for the city of Ulsan, where food waste is now converted to renewable energy in the form of biogas.

Scandinavian Biogas has invested in gas cleaning technology from Scandinavian GtS, which enables the gas to be upgraded to vehicle fuel standards.



LOUDDEN IN STOCKHOLM – ONE OF THE WORLD'S MOST MODERN BIOGAS PLANTS

In autumn 2009, Stockholm Vatten commissioned Scandinavian Biogas to rebuild the previously discontinued wastewater treatment plant in Loudden, Stockholm, with the aim of meeting the growing demand for biogas and creating one of the world's most modern agricultural waste-to-energy facilities. The upgraded facility will process crop waste and damaged crops from Swedish farms. The project will be completed in the first half of 2010 and will have the capacity to produce one million standard cubic meters of biogas per year.



BOARD OF DIRECTORS



Göran Persson, *Chairman of the Board*

Born 1949. Chairman of Scandinavian Biogas since November 26, 2009. Chairman of the board of Sveaskog and Scandinavian Air Ambulance and member of the board of the World Resources Institute. Formerly Prime Minister 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 board member in 2009. Member of the board of Bengtssons Tidnings AB, where he is also partner and involved in restructuring the family business into an investment company. He is also engaged in investing in small start-ups, and has a number of other board engagements.



Fredrik Danielsson

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



Orri Hauksson

Born 1971. Elected as board member in 2009. Member of the board of SulphCo and Taeknivorur. Mr. Hauksson has previous board experience from a number of listed companies including Elisa, Straumur and Elmskip. He holds a mechanical engineering degree from the University of Iceland and an MBA from the Harvard Business School. Mr. Hauksson has also had several assignments as political adviser to prime ministers of Iceland and was VP of R&D and M&As for the Icelandic company Telco.



Phil Metcalfe

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



Raif Nisametdin

Born 1963. Elected as board member in 2009. MBA at 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. Mr. Nisametdin is today involved in Finntyr Consulting and Trading Oy, Rhed Consulting Oy and Espan Matto Oy.



Anders Wijkman

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

BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO of Scandinavian Biogas Fuels International AB, 556528-4733 hereby present the 2009 Annual Report.

Operations

Scandinavian Biogas is a leading player in large-scale biogas production. The company has world leading expertise in how digesters should be constructed and operated in order to maximize the production of high quality biogas, whatever the nature or composition of the organic waste being used. The company's knowhow and practices also means that biogas production can be performed at a lower cost than has been previously possible.

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 production and biofuel production. To meet the demand from private operators, the company created a standardized replication solution during the year, designed to solve environmental problems with organic waste for multinational companies. These facilities can be integrated at a large number of production plants and contribute considerable environmental benefits.

The company is domiciled in Uppsala, Sweden and headquarter in Stockholm, with R&D operations in Linköping. At year-end 2009, the company had 40 employees and continues to expand rapidly in Sweden and abroad.

Ownership structure

Scandinavian Biogas Fuels International AB has the character of a holding company and the Group's operations are conducted in subsidiaries, primarily in Scandinavian Biogas Fuels AB, which is 100 percent owned by Scandinavian Biogas Fuels International AB. Operations are also conducted by the wholly owned subsidiary Biogas Uppland AB, and Scandinavian Biogas Korea Limited, in which the Group's ownership stake is 82 percent.

Financial overview

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

Key events during the year

Operations in South Korea

The assignment to upgrade biogas production at the wastewater treatment plant in the city of Ulsan, South Korea, continued during the year. Both digesters are now in operation, each with a digester volume of 7,000 cubic meters. As a result of the project, the plant's capacity to digest sludge and food waste has quadrupled, while production of biogas has increased fivefold.

Letter of intent regarding the company's biogas project in Varberg

A letter of intent was signed between Scandinavian Biogas and a larger player in the energy industry regarding divestment of Scandinavian Biogas' biogas project in Varberg. The purpose of the divestment is to initiate collaboration with the buyer. Furthermore, the deal will enable Scandinavian Biogas to free up resources that can be used in more profitable projects. Scandinavian Biogas will continue to be responsible for plant operations and will retain a portion of profits. The deal is expected to be completed in the first half of 2010.

Other active projects

Scandinavian Biogas carried out comprehensive strategy work during the year, which among other outcomes resulted in an increased focus on the Swedish and South Korean markets. A consequence of this is that the company has decided in the short term not to expand into the Chinese and Croatian markets.

New CEO

On June 24, 2009, the company appointed Anders Tuvlind as CEO on a consultancy basis. His consultancy assignment became a permanent position on December 1, 2009.

New Board of Directors

At an extraordinary general meeting of shareholders on November 26, 2009, it was decided in accordance with a resolution passed by principal shareholders to elect Göran Persson, Sweden's former prime minister, as the new chairman of the board. Orrik Hauksson, Fredrik Danielsson, Raif Nisametdin and Anders Bengtsson were elected as new ordinary board members and Jonas Bengtsson was elected as deputy board member. Anders Wijkman and Phil Metcalfe were re-elected as board members, while Erik Danielsson and Gert Schyborger left the board.

Expectations regarding future development

One of the greatest challenges the world faces is the issue of energy production and how the transition from fossil fuels such as coal, oil and nuclear power can be made as seamlessly as possible and thereby feasible. In the ongoing evaluation of renewable energy alternatives that can be mass produced, interest in biogas has increased and today there is a rapidly growing demand for biogas as vehicle fuel, among other uses. In many parts of the world, not least in Sweden, the demand for biogas significantly exceeded supply in 2009.

A reasonable estimate is that demand for biogas in the near future will further increase as knowledge about the benefits of biogas spreads to more countries, municipalities, business communities and the general public. A key information channel for the spread of such information is the release of new research on the environmental benefits of biogas. One such example is a report in which the Swedish Energy Agency showed that biogas can reduce greenhouse gas emissions by more than 95 percent and that biogas is therefore the alternative fuel with the least impact on the environment.

Scandinavian Biogas continuously receives inquiries from potential customers all over the world, usually stemming from environmental problems with organic waste that need to be addressed or demands from politicians to increase the share of renewable energy. Inquiries are also received from suppliers in need of securing access to sufficient amounts of biogas for public transportation.

Scandinavian Biogas' goal is to concentrate the company's resources on projects with the greatest potential and to focus on operations on markets in the Nordic region as well as select markets in Eastern Europe and Asia.

Information on risks and uncertainties

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

Development company on its way to becoming established

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

Competition and maintaining a leading position

Scandinavian Biogas' operations are entirely dependent on the demand for biogas. Today, biogas is one of the most environmentally attractive sources of renewable energy, with a growing demand, particularly for use as vehicle fuel. As the market matures, competition for substrate will increase, which is why it is vital that the company continues strategic R&D activities investigating the use of new types of substrate as well as finding ways to increase biogas output from the substrates that are digested today.

Political risks

The political situation in the countries where Scandinavian Biogas operates is of great significance to the company's operations. Customers primarily include municipalities, cities and public sector entities such as water, sewage and waste disposal plants. This means that any change in a country's political situation may have a major impact on the assignment and the company's

ability to generate revenues despite contracts entered into previously. Many assignments are also contract-based, with revenue streams spanning time horizons of up to 15 years. 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 climates may reduce this type of risk.

Long sales cycles for new contracts

The sales cycle from the first contact to the generation of revenues may span several years and there are no guarantees that sales efforts will lead to revenues. Scandinavian Biogas' future earnings growth is, among other factors, dependent on continuous access to sufficiently sizeable streams of waste, that the demand for and price of biogas is upheld, and that there is market potential for digester bi-products. Any significant change in these conditions would pose a risk to the company's operations.

Dependence on partners

Scandinavian Biogas' operations normally involve partnership and co-ownership with customers of the facilities that the company constructs and operates. Therefore, any major changes in a customer's operations or focus pose a risk.

Financing

Directed issues, etc.

The company actively engaged in work to raise financing in 2009 in order to ensure realization of the company's business plan. This work resulted in several new issues of shares during the year.

- Directed issue, SEK 9.6 million. Decided at the end of 2008 and registered on January 21, 2009. The issue targeted a new investor who covered the Group's short-term capital requirements in the fourth quarter.
- Directed issue, SEK 12.5 million. Registered September 17, 2009. Directed to Ajanta Oy, which is currently the fourth largest shareholder in the company.
- Directed issue, SEK 28.4 million. Registered November 9, 2009. Primarily directed to BTAB Invest, which is currently the third largest shareholder in the company.
- Rights issue, SEK 70 million. Registered for the most part on January 13, 2010. Oversubscribed by around 40 percent. Partly implemented (SEK 30 million) in an offset of debts from 2008 and earlier, which improved the balance sheet.

In light of this, the Board of Directors is of the opinion that the company is now in a good financial position and able to continue expansion and completion of key company commitments such as Ulsan in South Korea.

Project funding

A key factor in the company's ability to expand is its capacity to continue to secure project funding and investment contributions. The company's project financing goal of achieving a minimum of a 70 percent loan-to-value level per project remains unchanged.

Share

After registration of the rights issue in 2010, the company has 17,833,442 shares with a par value of SEK 0.20 share. Each share carries one vote. All outstanding shares are ordinary shares and carry equal rights to participate in the assets and earnings of Scandinavian Biogas Fuels International.

Key events after the year-end

Agreement with Stockholm Vatten to acquire biogas production

Scandinavian Biogas Fuels International AB entered into an agreement with Stockholm Vatten on January 26, 2010, to acquire Stockholm Vatten Utveckling AB. The acquisition encompasses facilities to upgrade biogas in Stockholm, at Henriksdal, Bromma and Loudden. The deal is expected to be completed in the first half of 2010. Under the terms of the agreement, Scandinavian Biogas is responsible, both in the long and short term, for the further development of biogas production from the acquired plants. Financing of the transaction will be done through loans and equity capital generated through a new share issue.

Employees

On January 1, 2010, the company became a member of Teknikföretagen, The Association of the Swedish Engineering Industries, which regulates the relationship between employers and employees. The agreement covers a total of 35 people.

Proposed appropriation of the company's profit or loss

The Board of Directors and the CEO propose that the following funds SEK 112,521,106 be appropriated as follows:

	Amount in SEK
Share premium reserve	145,931,427
Net loss for the year	-33,410,322
	112,521,105
Carried forward to next year	112,521,106
Total	112,521,106

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

INCOME STATEMENT – GROUP

Amounts in SEK thousand	Note	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Operating income			
Net sales		27,634	3,185
Work performed for its own use by the company and capitalized	1	5,246	3,471
Other operating revenues	2	826	1,129
		33,706	7,785
Operating expenses			
Other external costs	3,4	-38,263	-19,853
Personnel costs	5	-26,698	-24,426
Depreciation/amortization and write-downs of intangible and tangible assets	6	-6,352	-7,636
Other operating costs	7	-491	-1,216
		-38,098	-45,346
Operating profit/loss			
Results from financial items			
Results from participations in Group companies	8	6,844	–
Results from participations in associated companies	9	-2,210	–
Results from non-current securities and receivables		-798	–
Interest income and similar items	10	2,485	337
Interest expense and similar items	11	-5,403	-10,306
		-37,180	-55,315
Profit/loss after financial items			
Results before tax			
Tax on results for the year	12	-17	–
Minority share in results for the year		655	34
		-36,542	-55,281
Net loss for the year			

BALANCE SHEET – GROUP

Amounts in SEK thousand	Note	Dec. 31, 2009	Dec. 31, 2008
ASSETS			
Non-current assets			
Intangible assets			
Licenses	13	1,768	2,671
Patents	14	–	2,058
Goodwill	15	27,863	31,706
		29,631	36,435
Tangible assets			
Equipment, tools and installations	16	1,167	1,228
Pilot facilities	17	2,653	3,782
Facilities in progress and advance payment for tangible non-current assets	18	74,305	16,922
		78,125	21,932
Financial assets			
Other securities held as non-current assets	21	765	–
Other long-term receivables		880	1,626
		1,645	1,626
Total non-current assets		109,401	59,993
Current assets			
Inventories, etc.			
Raw materials and consumables		125	122
		125	122
Current receivables			
Trade accounts receivable		3,780	2,625
Receivables from Group companies		–	1,017
Other receivables		6,356	4,224
Prepaid expenses and accrued income	22	1,424	12,265
		11,560	20,131
Restricted liquid funds	23	47,574	–
Cash and bank balances		41,393	4,189
Total current assets		100,652	24,442
TOTAL ASSETS		210,053	84,435

BALANCE SHEET – GROUP

Amounts in SEK thousand	Note	Dec. 31, 2009	Dec. 31, 2008
EQUITY AND LIABILITIES			
Equity	24,29		
Share capital		2,140	1,318
New issues under registration		39,520	–
Restricted reserves		8,660	3,262
Non-restricted reserves		23,579	36,899
Net loss for the year		-36,542	-55,281
Total equity		37,357	-13,802
Minority interest		5,787	–
Non-current liabilities			
Long-term interest-bearing liabilities	25	58,900	–
Other debt to credit institutes		8,500	–
		67,400	–
Current liabilities			
Liabilities to credit institutes		12,500	19,000
Loans	26,29	45,145	47,899
Trade accounts payable		17,385	10,245
Liabilities to associated companies		–	885
Other current liabilities		3,076	6,031
Accrued expenses and deferred income	27,29	21,403	14,177
		99,509	98,237
TOTAL EQUITY AND LIABILITIES		210,053	84,435

PLEGGED ASSETS AND CONTINGENT LIABILITIES

Amounts in SEK thousand	Note	Dec. 31, 2009	Dec. 31, 2008
Pledged assets to secure own liabilities and provisions	28		
Lien on assets		50,328	34,800
Shares		27,667	50,207
Bank accounts		17,597	–
Total		95,592	85,007
Contingent liabilities			
Other contingent liabilities		6,000	9,000
Total		6,000	9,000

INCOME STATEMENT – PARENT COMPANY

Amounts in SEK thousand	Note	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Operating income			
Net sales		–	–
Other operating revenues	2	–	39,598
		–	39,598
Operating expenses			
Other external costs	3,4	-6,596	-1,553
Personnel costs	5	–	-84
Operating profit/loss		-6,596	37,961
Results from financial items			
Results from participations in Group companies	8	-24,360	-89,938
Interest income and similar items	10	1,916	22
Interest expense and similar items	11	-4,370	-9,809
Results after financial items		-33,410	-61,764
Profit/loss before tax		-33,410	-61,764
Net loss for the year		-33,410	-61,764

BALANCE SHEET – PARENT COMPANY

Amounts in SEK thousand	Note	Dec. 31, 2009	Dec. 31, 2008
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	19	160,000	160,065
Receivables from Group companies	20	15 044	–
		175,044	160,065
Total non-current assets		175,044	160,065
Current assets			
Current receivables			
Receivables from Group companies		–	245
Tax receivables		19	–
Other receivables		685	80
Prepaid expenses and accrued income		52	–
		756	325
Cash and bank balances		40,022	151
Total current assets		40,778	476
TOTAL ASSETS		215,822	160,541

BALANCE SHEET – PARENT COMPANY

Amounts in SEK thousand	Note	Dec. 31, 2009	Dec. 31, 2008
EQUITY AND LIABILITIES			
Equity	24		
Restricted equity			
Share capital (10700066 shares)		2,140	1,318
New issues under registration		39,520	26
Statutory reserve		2,043	2,043
		43,703	3,387
Non-restricted equity			
Share premium reserve		145,931	160,180
Net loss for the year		-33,410	-61,764
		112,521	98,416
Total equity		156,224	101,803
Non-current liabilities			
Liabilities to Group companies		–	43
		–	43
Current liabilities			
Liabilities to credit institutes		–	5,000
Loans	26	45,145	47,899
Trade accounts payable		2,835	94
Other current liabilities		125	12
Accrued expenses and deferred income	27	11,493	5,690
		59,598	58,695
TOTAL EQUITY AND LIABILITIES		215,822	160,541

PLEGDED ASSETS AND CONTINGENT LIABILITIES

Amounts in SEK thousand	Note	Dec. 31, 2009	Dec. 31, 2008
Pledges and collateral for own liabilities	28		
Liens on assets		16,328	800
Other pledged collateral, etc.		–	160 000
Total		16,328	160,800
Contingent liabilities			
Other contingent liabilities		6,000	9,000
Total		6,000	9,000

ACCOUNTING PRINCIPLES AND NOTES TO THE FINANCIAL STATEMENTS

Amounts in SEK thousand unless otherwise stated.

General accounting principles

This Annual Report is prepared in accordance with the Annual Accounts Act and the general recommendations of the Swedish Accounting Standards Board, with the exception of BFNAR 2008:1 Annual Reports for small entities. The accounting principles remain unchanged from last year.

The company's domicile, etc.

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

Consolidated reporting

Scope

The consolidated accounts cover the parent company, subsidiaries in which the parent company owns shares corresponding to more than 100 percent of the votes, and companies in which the parent company controls more than 50 percent of the voting rights or otherwise exercises a controlling influence.

Acquisition method

The consolidated accounts are prepared in accordance with the acquisition method. According to the acquisition method, an acquired subsidiary's assets and liabilities are included at the market value as the basis for determining the purchase price of the shares. The difference between the purchase price and the acquired company's equity is recorded as goodwill. Consolidated equity includes parent company equity and the share of the subsidiary's equity that accrued after the company was acquired.

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

Joint ventures

Joint ventures are classified as operations where a Group company, together with one or more co-owners, has a joint controlling influence. The Group is only involved in joint ventures that are independent legal entities and these are reported in the consolidated accounts in accordance with the proportional method. According to the proportional method the Group's share of assets, liabilities, revenues and expenses in the jointly controlled company are included together item by item with the corresponding items in the consolidated income statement and balance sheet.

In the Parent Company, shares in joint ventures are reported at cost less any write-downs.

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.

Goodwill is amortized on a straight-line basis over its estimated useful life. Goodwill is amortized over 10 years.

Associated companies

Associated companies are those companies which are not subsidiaries, but where the parent company, directly or indirectly, holds at least 20 percent of the voting rights of all the shares or otherwise exercises a significant influence.

Investments in associated companies are accounted for in accordance with the equity method. Under the equity method, shares in a company are reported at cost on the date of acquisition and subsequently adjusted to recognize the Group's share in the changes in the associated company's net assets. Share value includes goodwill (net of accumulated amortization) on acquisition. Associated companies' accumulated profits, not allocated as dividends, are reported in the consolidated income statement as an equity reserve, under restricted reserves. Unrealized intercompany profits are eliminated with the ongoing portion of the consolidated earnings.

Leasing agreements

Leasing agreements are classified as financial leasing, and leasing objects are reported as non-current assets in the Group's balance sheet, when the Group, as lessee, essentially gains financial benefits and bears financial risks that are attributable to the leasing objects. Equivalent future obligations, such as payment of leasing fees, are reported as liabilities. At the start of the leasing period, the assets and liabilities are reported at the lesser of the leasing object's fair value and current value of the minimum leasing fees.

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

The parent company reports all leasing contracts, regardless of whether they are financial or operational, such as rental contracts (operational leasing contracts). Leasing fees are written off linearly over the leasing period.

Classification

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

Valuation principles, etc.

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

Revenue recognition

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

Revenue from service assignments is normally recognized when the economic benefit for the rendering of the service can be measured reliably and that the economic benefit will accrue to the Group. The company applies the percentage of completion method. This means that in cases where the degree of completion can be measured reliably revenue is recognized based on the degree of completion on the balance sheet date. The stage of completion is normally determined based on the proportion of costs that incurred on the balance sheet date in relation to the estimated total costs of the assignment. Only expenditures relating to work carried out are included in expenditures on the balance sheet date. Only expenditures relating to work carried out or to be carried out are included in calculating the total costs. An expected loss is immediately recognized as an expense.

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

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

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 probably that the amount can be recovered in the future. The asset is amortized during the period in which sales in conjunction with the project are expected to occur.

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

Tangible and intangible assets

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

Depreciation principles for Tangible assets

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

The following depreciation intervals are applied:

	Group	Parent company
Intangible assets	5 years	5 years
Equipment, inventory and other technical installations	5 years	5 years
Computers	3 years	3 years

Receivables

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

Receivables and liabilities in foreign currencies

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

Tax

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

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

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

Definition of key ratios

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

NOTES

NOTE 1 Work performed for its own use by the company and capitalized

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

NOTE 2 Other operating revenue

	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Group		
Exchange rate gains on receivables/liabilities operational in character	410	314
Other	416	815
Total	826	1 129
Parent company		
Transfer of assets and liabilities	–	39 128
Other	–	470
Total	–	39 598

NOTE 3 Auditor fees and expenses

	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Group		
<i>PricewaterhouseCoopers</i>		
Auditor fees	-527	-305
Other assignments	-331	-67
<i>Grant Thornton</i>		
Auditor fees	-13	–
Other assignments	-153	–
Total	-1,024	-372
Parent company		
<i>Öhrlings PricewaterhouseCoopers AB</i>		
Auditor fees	-153	-81
Other assignments	-40	-26
Total	-193	-107

NOTE 4 Lease payments for operational leases

	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Group		
Assets held through operational leases		
Leasing costs for the financial year – cars	-177	-231
Leasing costs for the financial year – computers	-119	-114
	-296	-345
Contracted future leasing fees	-484	-232
Parent company		
Assets held through operational leases		
Leasing costs for the financial year – computers	-	-29
	-	-29
Contracted future leasing fees	-	-17

NOTE 5 Employees and personnel costs

Average number of employees

	Jan. 1, 2009 Dec. 31, 2009	of which men	Jan. 1, 2008 Dec. 31, 2008	of which men
Total parent company	-	-	-	-
Subsidiaries	33	25	33	23
Subsidiaries, Korea	5	5	-	-
Total subsidiaries	38	30	33	23
Group total	38	30	33	23

Gender distribution in company management

	Percentage of women, 2009	Percentage of women, 2008
Group		
Board of Directors	8	6
Other senior executives	12	12

Salaries, other compensation and social security expenses

	Jan. 1, 2009 Dec. 31, 2009	of which pension costs ¹⁾	Jan. 1, 2008 Dec. 31, 2008	of which pension costs ¹⁾
Parent company				
Board of Directors and CEO	246	-	131	-
Total	246	-	131	-
Subsidiaries				
Board of Directors and CEO	1,904	-	1,858	-
Other employees	16,816	-	14,456	-
Total	18,720	-	16,314	-
Social security expenses	6,563	1,421	7,060	1,747
Group				
Board of Directors and CEO	2,150	-	1,989	-
Other employees	16,816	-	14,456	-
Total	18,966	-	16,445	-
Social security expenses	6,563	1,421	7,060	1,747

¹⁾ of the Group's pension costs, SEK 251 thousand (last year SEK 447 thousand) relates to the Board of Directors and CEO for 17 (11) people. The Group's outstanding pension obligations to these people is SEK 0 thousand (last year SEK 0 thousand). There have been no pension costs in the parent company, nor are there any outstanding obligations.

The former Chairman of the Board received consulting fees from the Group at market rates amounting to SEK 862 thousand. The current Chairman of the Board has received consultancy fees from the parent company at market rates amounting to SEK 2,250 thousand. These consultancy fees are billed through a company.

Absence due to illness – Group

	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Total sick leave as a percentage of regular working hours	0.3%	0.4%
Percentage of total sick leave related to consecutive sick leave for 60 days or more	–	–
Sick leave by gender		
Men	0.3%	0.4%
Women	0.3%	0.2%
Sick leave by age:		
29 years old or younger	–	–
30-49 years old	0.3%	0.4%
50 years old or older	0.5%	–

NOTE 6 Depreciation/amortization/write-downs of non-current tangible and intangible assets

	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Group		
Concessions, patents, licenses, trademarks	-904	-1,036
Goodwill	-3,843	-3,843
Pilot facilities	-1,168	-1,501
Equipment, tools and installations	-437	-395
	-6,352	-6,775
Write-downs		
Pilot facilities	–	-861
	-6,352	-7,636

NOTE 7 Other operating costs

	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Group		
Exchange rate losses on receivables/liabilities operational in character	-490	-45
Divestment of facilities	–	-1,117
Other	-1	-54
	-491	-1 216

NOTE 8 Results from participations in Group companies

	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Group		
Directed issue in Scandinavian Biogas Korea Co. Ltd.	6,844	–
Parent company		
Write down of subsidiary shares	-24,360	-89,938

NOTE 9 Results from participations in associated companies

	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Group		
Capital gains from divestment of shares	-2 210	–
	-2 210	–

NOTE 10 Other Interest income and similar items

	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Group		
Interest income, other	47	178
Other financial revenue	21	–
Exchange rate gains on assets and liabilities	2,417	159
	2,485	337
Parent company		
Interest income, other	–	22
Exchange rate gains on assets and liabilities	1,916	–
	1,916	22

NOTE 11 Interest expense and similar items

	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Group		
Interest expense, other	-5,086	-4,931
Exchange rate losses	-258	-5,359
Other	-59	-16
	-5,403	-10,306
Parent company		
Interest expense, other	-4,112	-4,450
Exchange rate losses	-258	-5,359
	-4,370	-9,809

NOTE 12 Tax for the year

	Jan. 1, 2009 Dec. 31, 2009	Jan. 1, 2008 Dec. 31, 2008
Group		
Current tax	17	–
	17	–

No deferred tax on untaxed reserves is reported. Companies in the Group have taxable deficits in excess of untaxed reserves. It is expected that the Group's loss carry-forward will be used against future taxable profit.

NOTE 13 Licenses

	Dec. 31, 2009	Dec. 31, 2008
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	-1,846	-943
– Amortization for the year according to plan	-904	-904
	-2,750	-1,847
Reported value at the year-end	1,768	2,671

NOTE 14 Patents

	Dec. 31, 2009	Dec. 31, 2008
Group		
Accumulated acquisition value:		
– At the start of the year	2,190	1,894
– New acquisitions	–	296
– Divestment of participations in associated companies	-2,190	–
	–	2,190
Accumulated amortization according to plan		
– At the start of the year	-132	–
– Divestment of participations in associated companies	132	–
– Amortization for the year according to plan	–	-132
	–	-132
Reported value at the year-end	–	2,058

NOTE 15 Goodwill

	Dec. 31, 2009	Dec. 31, 2008
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	-6,725	-2,882
– Amortization for the year according to plan	-3,843	-3,843
	-10,568	-6,725
Reported value at the year-end	27,863	31,706

NOTE 16 Equipment, tools and installations

	Dec. 31, 2009	Dec. 31, 2008
Group		
Accumulated acquisition value:		
– At the start of the year	2,114	1,315
– New purchases	380	799
– Divestment of participations in associated companies	-8	–
– Sale and disposal	-2	–
– Translation differences	1	–
	2,485	2,114
Accumulated depreciation according to plan		
– At the start of the year	-886	-507
– Divestment of participations in associated companies	4	–
– Sale and disposal	1	–
– Depreciation for the year according to plan	-436	-379
– Translation differences	-1	–
	-1,318	-886
Reported value at the year-end	1,167	1,228

NOTE 17 Pilot facilities

	Dec. 31, 2009	Dec. 31, 2008
Group		
Accumulated acquisition value:		
– At the start of the year	7,545	7,369
New acquisitions	39	176
	7,584	7,545
Accumulated depreciation according to plan		
– At the start of the year	-2,902	-1,401
Depreciation for the year according to plan	-1,168	-1,501
	-4,070	-2,902
Accumulated write-downs:		
– At the start of the year	-861	–
Write-downs for the year	–	-861
	-861	-861
Reported value at the year-end	2,653	3,782
Parent company		
Accumulated acquisition value:		
– At the start of the year	–	663
Sale and disposal	–	-663
	–	–
Accumulated depreciation according to plan		
– At the start of the year	–	-13
Sale and disposal	–	13
	–	–
Reported value at the year-end	–	–

NOTE 18 Facilities in progress and advance payment for tangible non-current assets

	Dec. 31, 2009	Dec. 31, 2008
Group		
At the start of the year	16,922	1,156
Investments	59,106	15,766
Divestments of projects in progress	-3,660	–
Translation differences	1,937	–
Reported value at the year-end	74,305	16,922

NOTE 19 Participations in Group companies

	Dec. 31, 2009	Dec. 31, 2008
Accumulated acquisition value:		
– At the start of the year	250,003	160,065
– Acquisitions	24,360	89,938
– Divestments	-65	–
	274,298	250,003
Accumulated write downs:		
– At the start of the year	-89,938	–
– Write downs for the year	-24,360	-89,938
	-114,298	-89,938
Reported value at the year-end	160,000	160,065

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

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

Subsidiaries / Corp. reg. no/ Domicile	Number of shares	in %	Reported value
Scandinavian Biogas Fuels AB 556691-9196, Uppsala, Sweden	166,667	100	160,000
Biogas Uppland AB, 556636-0227, Uppsala	1,000	100	
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 Polsks Sp.zo o.o, 0000295603, Gdynia (Poland)	50	100	
Scandinavian Biogas Korea Co., Ltd., 610-84-00961, Ulsan (Korea)	81,000	82	
Scandinavian Biogas China Ltd. 1246310, Hong Kong (China)	1	100	
			160,000

NOTE 20 Receivables from Group companies

	Dec. 31, 2009	Dec. 31, 2008
Parent company		
Accumulated acquisition value:		
– Future receivables	15,044	–
Reported value at the year-end	15,044	–
Recovery		
Amount of the asset expected to be recovered after more than twelve months	15,044	–

NOTE 21 Other securities held as non-current assets

	Dec. 31, 2009	Dec. 31, 2008
Group		
Accumulated acquisition value:		
– Reclassification	765	–
Reported value at the year-end	765	–

The holding concerns Group shares in Scandinavian GtS AB, which as a result of the divestment of shares in the company has gone from being recognized as a joint venture in accordance with the proportional method to a long-term securities holding. The holding was reported as a joint venture until Dec. 31, 2009, and the income statement was impacted of the holding up to that date.

In 2008, the figures as shown below were included in the Group's balance sheet.

Company previously reported as a joint venture

	Dec. 31, 2009	Dec. 31, 2008
Group		
Non-current assets		
Other long-term receivables	–	2,062
Financial assets	–	13
Current assets	–	-3,237
Total assets	–	-390
Equity	–	-1,324
Liabilities	–	934
Total equity and liabilities	–	-390
Revenue	2,671	556
Expense	-1,608	-1,419
Operating profit/loss	1,063	-863
Net loss for the year	1,063	-863

NOTE 22 Prepaid expenses and accrued income

SEK 10,912 thousand of the 2008 amount concerns items related to the divestment of the Himmerfjärds project.

NOTE 23 Restricted liquid funds

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

NOTE 24 Equity

	Share capital	Issues under registration	Restricted reserves	Non-restricted reserves
Group				
Closing balance according to last year's balance sheet	1,318		3,262	-18,382
Directed issue, January	92			9,533
Exercise of warrants, July	41			
Directed issue, September	305			12,198
Directed issue, November	384			27,983
Matured options issue				-151
Rights issue		39,520		
Issue costs				-2,073
Net loss for the year				-36,542
Shift between restricted and non-restricted equity			5,398	-5,398
Exchange rated differences for the year				-131
Balance at the year end	2,140	39,520	8,660	-12,963

	Share capital	Emission under registration	Share premium reserve	Statutory reserve	non-restricted equity
Parent company					
Closing balance according to last year's balance sheet	1,318	26	160,180	2,043	-61,764
Directed issue, January	92	-	9,533	-	-
Exercise of warrants, July	41	-			
Directed issue, September	305	-	12,198	-	-
Directed issue, November	384	-	27,983	-	-
Matured options issue	-	-26	-125	-	-
Rights issue	-	39,520			
Issue costs			-2,074		
Appropriation as per AGM					
- Loss coverage from funds			-61,764		61,764
Net loss for the year					-33,410
Balance at the year-end	2,140	39,520	145,931	2,043	-33,410

The number of shares during the year has increased from 6,591,616 shares to 10,700,066 shares. The par value is SEK 0.2 SEK per share. All shares are fully paid.

Ongoing new issue

An extraordinary general meeting of shareholders on November 26, 2009 approved a rights issue of SEK 70 million. The total number of shares following the issue amounts to 17,833,442.

The issue was partially offset with the result that the part that concerned payment by offset could not be reported as equity at the year-end, December 31, 2009. In March 2010, the issue was fully registered with the result that equity has been strengthened by an additional SEK 30,458 thousand and liabilities have decreased at a corresponding amount. See Note 29 also.

NOTE 25 Long-term interest-bearing liabilities

	Group	Parent company
Loan raised by Scandinavian Biogas Korea Co. Ltd.	58,900	–
Loan raised by Scandinavian Biogas Fuels AB	8,500	–
Reported value at the year-end	67,400	–
Amount of liability that is expected to be paid more than twelve months from the due date	24,452	–
Amount of liability that is expected to be paid more than five years from the due date	42,948	–

NOTE 26 Loans

	Group	Parent company
Novator Sarl	37,171	37,171
Euro China Capital AB	5,928	5,928
Other	2,046	2,046
	45,145	45,145

When the current issue was registered in 2010, SEK 27,606 thousand of the above was offset against new shares in the company. See Note 29 also.

NOTE 27 Accrued expenses and deferred income

	Dec. 31, 2009	Dec. 31, 2008
Group		
Accrued expenditure interest	7,731	4,752
Accrued payroll related costs	1,948	2,149
Deferred revenue	6,500	3,100
Other items	5,224	4,176
	21,403	14,177
Parent company		
Accrued expenditure interest	7,731	4,667
Accrued payroll related costs	96	99
Other items	3,666	924
	11,493	5,690

NOTE 28 Pledged assets and contingent liabilities

	Dec. 31, 2009	Comments
Group		
Liens on assets	34,800	For loans from credit institutes
Liens on assets	15,528	For loans from Novator Sarl
	50,328	
Shares in Scandinavian Biogas Korea Co. Ltd.	26,672	For loans from credit institutes
Shares in Scandinavian GtS AB	765	For loans from credit institutes
	27,437	
Bank accounts in Scandinavian Biogas Korea Co. Ltd.	17,597	For loans from credit institutes
	95,362	
Contingent liabilities	6,000	For loans from credit institutes
Parent company	800	For subsidiary loans from credit institutes
Liens on assets	15,528	For loans from Novator Sarl
	16,328	
Contingent liabilities	6,000	For subsidiary loans from credit institutes

NOTE 29 Effect of registration of issues after the year-end

Part of the ongoing issue of SEK 70 million was paid by offset of receivables in the company. These may not be reported as equity until registration of the issue has actually been carried out at the Swedish Companies Registration Office. Below the effect that the registration of the new issue of shares had on major items in the Group's balance sheet after the closing date is shown.

	Dec. 31, 2009	Effect	After registration of the issue
Balance sheet item			
Cash and bank balances	41,393	521	41,914
Equity	37,357	30,459	67,816
Loans	45,145	-27,607	17,538
Trade accounts payable	17,385	-1,849	15,536
Accrued expenses and deferred income	21,403	-482	20,921

The effect of the above changes includes a strengthening of the Group's equity/assets ratio from 17.8 percent to 32.2 percent.

AUDIT REPORT

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Scandinavian Biogas Fuels International AB for the year 2009. The company's annual accounts and the consolidated accounts are included in the printed version on pages 17 – 45. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

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

Uppsala, April 26, 2010

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorized Public Accountant

Uppsala, April 23, 2010

Göran Persson
Chairman of the Board

Anders Tuvlind
CEO

Anders Bengtsson
Board member

Fredrik Danielsson
Board member

Orri Hauksson
Board member

Phil Metcalfe
Board member

Raif Nisametdin
Board member

Anders Wijkman
Board member

Our audit report was submitted on April 26, 2010

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorized Public Accountant

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

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CARBON OFFSET PAPER

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