



## ANNUAL REPORT **2015**

**Net sales totalled  
SEK 176 million**

**A new food waste based  
biogas plant in operation  
at Södertörn**

**Construction of the Nordic  
region's largest biogas plant at  
Henriksdal almost completed**

**The Parent Company  
became a public limited  
liability company**



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In times when the risks are "peak everything" with unstable prices and the ensuing consequences, maybe tomorrow's winners will be those countries and companies that protect themselves by switching to circular production methods, renewable energy sources and service-oriented lifecycle analysis for their customers and citizens."

Johan Rockström, professor of environmental science and director of the Stockholm Resilience Center.



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Market and key drivers



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New biogas plant at Södertörn

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*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.*



## 2015 in brief

### Conversion of convertible bonds

All outstanding convertible bonds were converted into shares at the beginning of 2015 and accrued interest was paid to the convertible bond holders.

### Inauguration of a new biogas plant

In October, a new food waste based biogas plant was inaugurated by the Minister for Energy, Ibrahim Baylan, and the Chairman of Scandinavian Biogas, Göran Persson.

### New facility at Henriksdal

Expansion of a new production line at Henriksdal was close to completion at the year-end. The new facility, which processes raw gas into vehicle fuel will have the capacity to produce an additional 125 gigawatt hours per year.

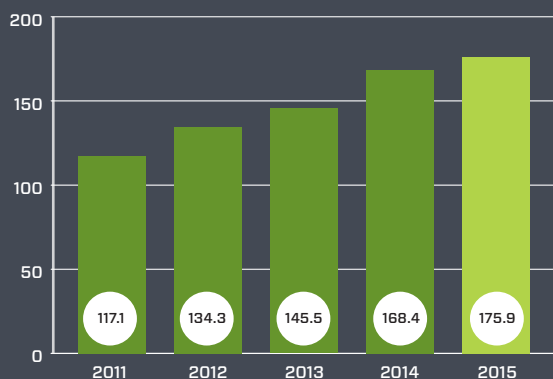
### Public limited liability company

In December 2015, the Parent Company changed company category from a privately held- to a public limited liability company.

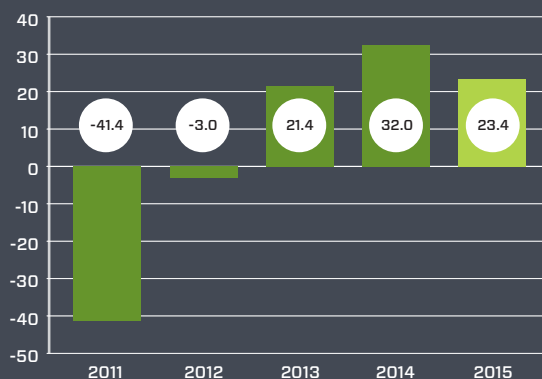


Scandinavian Biogas Chairman Göran Persson and the Minister for Energy Ibrahim Baylan at the inauguration of the new food waste based biogas plant in Södertörn. Also seen in the background is the Municipal Executive Board Chairman, Daniel Dronjak Nordqvist, Huddinge municipality.

NET SALES, SEK million



EBITDA, SEK million





Minister for Energy, Ibrahim Baylan, and the Chief Technology Officer of Scandinavian Biogas, Jean Collin.



There was a good turnout at the inauguration of Scandinavian Biogas's new biogas plant at Södertörn in October 2015.

# Development and performance

## Scandinavian Biogas Fuels International AB

Group	2012	2013	2014	2015
Net sales	134,266	145,488	168,376	175,891
EBITDA	-2,955	21,407	31,958	23,358
EBITDA %	-2.2%	14.7%	19.0%	13.3%
EBIT	-15,490	-9,191	-5,281	-16,817
EBIT %	-11.5%	-6.3%	-3.1%	-9.6%
Net results	-46,094	-29,739	10,525	-21,362

## Biogas production and food waste management\*

Core operations	2012	2013	2014	2015
Net sales	124,695	124,160	137,269	136,023
EBITDA	35,266	41,852	43,506	35,224
EBITDA %	28.3%	33.7%	31.7%	25.9%
EBIT	21,186	27,279	30,998	24,015
EBIT %	17.0%	22.0%	22.6%	17.7%
Net results	8,191	14,262	18,649	11,892

The proforma table above shows the core operations at the plants in Ulsan, Henriksdal and Bromma. The amounts are adjusted for non-recurring items and appropriations that are not a part of regular operations. The amounts are not adjusted for intragroup transactions or non-controlling interests and do not include shared Group costs.

\*Scandinavian Biogas Recycling AB and Scandinavian Biogas Södertörn AB are not included in the diagram since their operations were still in startup phase during the financial year.

## Performance in 2015

Group sales of biogas 2015

**171** GWh

Inauguration of new biogas plant with an estimated annual production capacity of

**80** GWh

Group net sales totalled

**176** MSEK

### The biogas cycle

1. Recycling of organic waste and residues
2. Waste is digested into biogas
3. Biogas is processed into fuel – CBG or LBG
4. Excess energy is used for heat and electricity
5. Biogas is used as fuel such as gas – CBG, or liquid biogas, LBG
6. The circle is closed in a circular process

- A. In the biogas process a bio-fertilizer is formed that contains key, finite nutrients, which are returned to the earth via agriculture.
- B. Agriculture yields a harvest that provides food for humans and animals.
- C. Finally, organic waste is formed, such as food waste and manure.





# Business concept and goals

## Business concept

Our business is to be a leader in the design, management and operation of biogas plants.

## Vision - how we develop value for shareholders

Our vision is to be world-leading in large-scale biogas production.

## Mission - our contribution to society

Our mission is to contribute to making the transition from fossil fuels to renewable energy possible.

### Business goals 2016

**300** GWh

Achieve an annual production of 300 gigawatt hours

### Business goals 2020

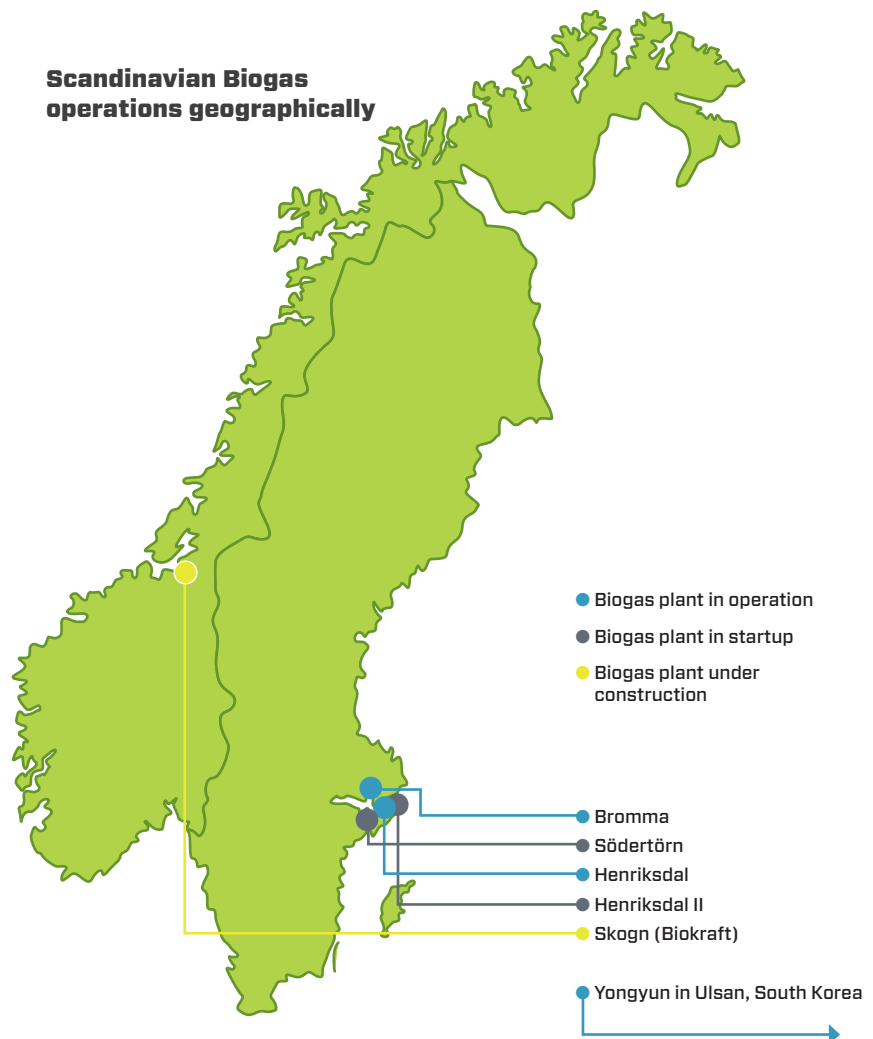
**1000** GWh = 1 TWh

Achieve an annual production of one terawatt hour of biogas

## Strategies

- » Continuously improve efficiency at existing plants.
- » Increase competitiveness through research and development.
- » Well-defined processes for identifying and closing deals for new projects.
- » Contribute to building up the market for biogas by also supplying liquid biogas, LBG.
- » Develop partnerships with municipalities and private operators.
- » Increase the demand for biogas with particular emphasis on heavy goods vehicles.

## Scandinavian Biogas operations geographically



**CEO COMMENTARY**

”New investments, competent employees and high growth. Our path towards a fossil-free society.”

In 2015, we put a new food waste based biogas plant into operation at Södertörn. In addition, we are in the final stages of construction of a new upgrading plant at Henriksdal, which will thereby become the largest production facility for biogas in the Nordic region. In early 2016, we entered into a new agreement under which we are building a new facility for liquid biogas in Norway.

Scandinavian Biogas is therefore in an expansionary phase of growth that will bring about a significant increase in sales in the coming years.

**Leading, world class biogas expertise**

2015 was a successful year thanks to a focus on goals and the hard work of our employees, which, among other things, included the construction of our two new plants. In Sweden, we have demonstrated our expertise in constructing complex new projects, while our biogas plant in the city of Ulsan has once again received considerable attention for its effectiveness. It was honoured with the “best practice” award in a national evaluation by the South Korean environmental authorities.

**Biogas production during the year**

The production of biogas during the year amounted to 171 gigawatt hours, of which 105 were generated by our Swedish plants in Henriksdal, Bromma and Södertörn, with the volume

of biogas from the plant in South Korea amounting to 66 gigawatt hours. This means that production was on par with the previous year, with the plants thereby continuing to deliver in accordance with their full technical production capacity for the fourth consecutive year.

**From climate agreement to concrete action**

2015 was a milestone from an environmental perspective. At the climate summit in Paris, a binding agreement was signed, under which the world’s nations agreed to transition from fossil fuels to renewable energy. Moreover, the world has committed to reporting its progress every five years. In order to hold the increase in global average temperature to well below two degrees Celsius above pre-industrial levels, total global emissions of carbon dioxide must be kept below 1 000 billion tonnes. This means that coal and oil must be kept in the ground and that renewable fuels must be increased – to completely dominate as soon as possible.

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From a Swedish perspective, an increase in the use of biogas is part of the drive towards a fossil-free Sweden and a transport sector that is independent of fossil fuels.”

Matti Vikkula  
President and CEO



From a Swedish perspective, an increase in the use of biogas is part of the drive towards a fossil-free Sweden and a transport sector that is independent of fossil fuels. Up to 2030, the estimate is that the realizable production of biogas could increase from today's 1.8 terawatt hours to 15, of which it is estimated that 12 terawatt hours would be used by the transport sector and three by industry, according to the goals put forward by The Swedish Gas Association.

### **Ambitious goals and increased growth**

Our goal is to increase the supply of biogas to one terawatt hour by 2020. During the past year, we have made key progress in achieving this goal. This means that we are now on track to increase our production capacity to 300 gigawatt hours in Sweden, which we will achieve when both the plants in Södertörn and Henriksdal are fully operational.

### **New facility for liquid gas**

Our next project, a strategically important milestone in the development of the Group, is to build a completely new plant for liquid biogas in Norway, with which we will achieve a level of total production for the Group of close to 500 gigawatt hours. In an agreement signed in early 2016, Scandinavian Biogas acquired just over 50 percent of the shares in Biokraft Holding AS, which, together with TrønderEnergi AS, we now own 93 percent. The acquisition was financed by a corporate bond issue, which will be listed on Nasdaq Stockholm in the month of April.

The new facility will be built adjacent to the Norske Skog AS paper mill in Skogn outside Trondheim, and is scheduled to be operational during the second half of 2017. This means that we continue to create growth and expand our operations geographically, and that we are starting to produce biogas from new types of waste such as waste from paper mills and the fishing industry, based on our HOLD-technology™.

Stockholm, March 2016

Matti Vikkula

*President and CEO,*  
Scandinavian Biogas Fuels International AB (publ)

### **New opportunities for fossil-free operations**

For the Nordic market, the plant in Norway means that the availability of liquid biogas will increase substantially, this time in the northern region, where the supply of biogas is still low. This is a key development, especially for heavy goods transport, which is in great need of sustainable fuel alternatives, as well as for those striving to operate completely fossil-free.

### **Sweden has the potential to demonstrate that this is possible**

Sweden is a humanitarian superpower, in which the world has great confidence. An enormous responsibility now rests on our politicians. It is up to you to drive the development of public transport solutions by means of policy instruments and attractive incentives.

There needs to be a dramatic upsurge in the demand for sustainable fuel. Purchasing green vehicles must be cost efficient and easy on the wallet. Filling up the tank with fossil-free fuel must be made simpler and less expensive. We have to invest more on the excellent options that already work well today. We must act without delay, if we are to successfully combat global warming.

Financial support must be redirected to increase the demand for sustainable transport solutions. The Green Gas principle is an example of an initiative that promotes development. We must build industrial biogas plants with the capacity to produce at least 100 gigawatt hours or more. In order to create greater economies of scale, we need to design plants with an annual output of 200 to 500 gigawatt hours going forward.

Sweden's most important contribution from an environmental standpoint is to show other countries that it is possible to transition to renewable energy, while creating growth and prosperity for its citizens. We want to drive development forward before it is too late.



# Market and key drivers

On December 12, 2015, the nations of the world signed a new global, legally-binding, climate agreement, COP21. Ruling politicians the world over committed to strongly increasing their environmental efforts in order to hold the increase in global average temperature to well below two degrees Celsius above pre-industrial levels. The environmental work must also endeavour to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. This will involve a major transformation for the countries of the world, but can also open up great opportunities for an industry such as biogas production.



PHOTO: ROSS ANANIA

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**Investors across Europe will now have the confidence to do much more to address the risks arising from high carbon assets and to seek opportunities linked to the low carbon transition already transforming the world's energy system and infrastructure.”**

Stephanie Pfeifer, Chief Executive, Institutional Investors Group on Climate Change, IIGCC, in conjunction with the signing of the climate agreement in Paris, COP21, in 2015.

## Political goals in Sweden

# 2018

at least 50 percent of food waste from households, shops and restaurants is to be sorted and the nutrients utilized. Of this, at least 40 percent must be treated to make use of the inherent energy.

# 2030

The transport sector in Sweden is to be independent of fossil fuel.

# 2050

Sweden is to be a zero emissions nation.

### No business conducted on a dead planet

Greenhouse gas emissions have become societal issue globally that will impact countries, municipalities, companies and individuals. The trend is that fossil fuel is associated with risk, while interest in investing in sustainable technology and renewable alternatives is increasing. An example of this is seen in Germany, which introduced its "Energiewende" (Energy Transition), because the alternative was deemed to be too high a risk. For companies, sustainability can mean new opportunities for increased revenues, reduced costs and greater competitiveness, while reducing the risks.

According to statistics from Bloomberg New Energy Finance, USD 329 billion was invested in renewable energy in 2015. There is reason to believe that sustainable investments will continue to increase.

### Swedish politicians want to be best in class

Swedish politicians have long wanted to lead the way in sustainability with the ambition to continue to drive environmental issues forward, primarily in Sweden but also internationally. This was confirmed by Swedish Prime Minister Stefan Löfven at the opening of Parliament in September 2015, at which he expressed that Sweden would become one of the world's first fossil-free welfare state.

Through the binding-agreement in Paris, politicians have taken on the task of making an energy revolution a reality. Swedish politicians need to demonstrate that they can lead Sweden into a new future. The challenge is to move from words to action, while creating the conditions for growth and prosperity.

### Transition to biofuels can be decisive

On a yearly basis, Sweden consumes just over 370 terawatt hours of energy, of which 53 percent was renewable in 2015. A quarter of the total energy consumption in Sweden is used by the transport sector, most of which is still fossil fuel. The transition to renewable fuels will therefore be an important factor in Sweden's endeavours to achieve key climate goals. In just five years from now, a milestone entailing a cut in greenhouse gas emissions by 40 percent from 1990 levels is to be met. Ten years later, in 2030, a further goal of a zero impact vehicle fleet is to be achieved.

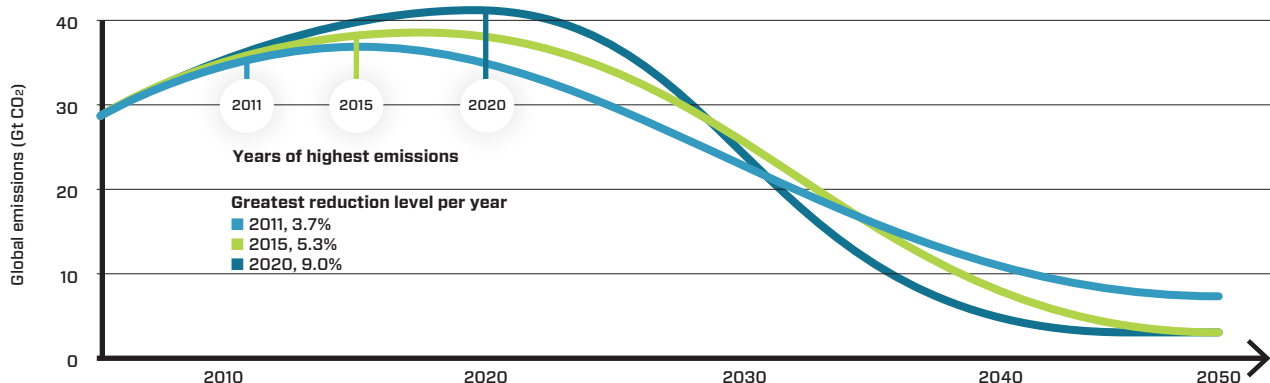
### Sustainable vehicle fuel increasing

The proportion of sustainable fuels amounted to 11.7 terawatt hours in 2014, equivalent to 13 percent of the total vehicle fuel consumption for domestic transport in Sweden. This biofuel contributed to reducing greenhouse gas emissions by 2.3 million tonnes of carbon dioxide equivalents, compared to what it would have been if fossil fuel had been used.

### Municipalities, public entities and regulations driving demand

Biofuel alternatives currently consist primarily of biogas, biodiesel and ethanol. Many hoped for the rapid development of electric vehicles, but for longer journeys and heavy loads battery capacity and range will remain a challenge for the foreseeable future. At the same time, the transition from fossil fuel to renewable fuel is moving slowly, despite the fact that Sweden continues to be best in class.

## CARBON EMISSIONS



"If the world is to regain a working climate, carbon dioxide must be phased out of the global economy by 2050."

Source: International Energy Agency, IEA, World Energy Outlook.

Sweden is a world-leader in the use of biogas. The demand for biogas is greatest in the public transport sector, in the waste management industry, and from taxis and various municipal operators. A significant demand for biogas also comes from Swedavia, which operates the majority of Sweden's airports. Within Skånetrafiken, 99 percent of all city buses run on biogas, while the public transport system in Stockholm, where Scandinavian Biogas has its primary business, has opted to use a number of renewable alternatives.

**Fossil fuels dominate road traffic**

Of the total number of registered buses in Sweden today, 73 percent are powered by fossil petrol or diesel. The share of biogas buses amounts to 17 percent, which means that biogas is the dominant renewable alternative.

Fossil fuel dependency is even greater among cars, with 93 percent of road traffic powered by fossil petrol and diesel. When it comes to heavy trucks, almost 99 percent of them run on fossil fuel and development towards renewable fuels is moving very slowly.

**Environmental sustainability policies require financial support**

A prerequisite for an increase in volumes of biogas is that there is continued political support for building a well-functioning market. One such signal came in late 2015, when biogas, together with other biofuels, was granted an additional tax exemption to the end of 2020. The market for biogas would also be positively impacted if more municipalities and other businesses began to impose stricter environmental standards in the procurement of transport, both in terms of carbon reduction and also regarding particulate emissions.

**Biogas recycles organic waste and residues**

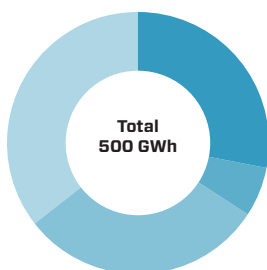
The biogas produced in Sweden consists to 98 percent of various types of organic waste, such as sewage sludge, organic waste from households, the food industry, slaughterhouses, and manure. In 2015, biogas production amounted to 1.8 terawatt hours, of which 57 percent was processed into vehicle fuel. The largest proportion of biogas comes from Skåne, Västra Götaland and Stockholm County, where more than half of Sweden's biogas is produced. In addition to producing vehicle fuel, the biogas production process also produces a coveted bi-product in the form of bio-fertilizer.

A total of 1.6 terawatt hours of vehicle fuel was delivered, of which 70 percent was biogas. Since 2012, liquid biogas is also produced in Sweden, for which a production volume of 41 gigawatt hours was achieved in 2014. In the transition of heavy vehicles to independence from fossil fuels, it is deemed that liquid biogas will play a key role going forward, of which volumes will increase significantly.

2015 was a super environmental year for the nations of the world. Scientists and politicians are in agreement for the first time. Enough people have realized that the risk of a human disaster on earth is great and that future prosperity can no longer be created from fossil fuel energy.

Biogas is a unique product as it contributes to closing the ecocycle, and in this context is a key contribution to a new world order in the joint creation of a new fossil-free and resource-efficient global society.

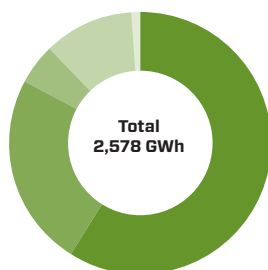
**BIOGAS CONSUMPTION, NORWAY 2011**



- 28% Heat
- 6% Processed into fuel
- 30% Flaring
- 35% Gas powered engines

**Norway's** strategy is to increase the availability of biogas by expanding biogas production. The market is largely driven by the public bus system.

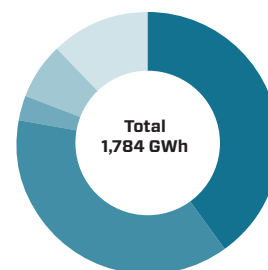
**BIOGAS CONSUMPTION, SOUTH KOREA 2013**



- 59% Electricity
- 24% Heat
- 5% Biogas sales
- 11% Flaring
- 1% Vehicle fuel

**The market** is made up of a few large biogas plants, from which 83 percent of the biogas produced is used as electricity or heat. Only one percent was used for vehicle fuel in 2013.

**BIOGAS PRODUCTION, SWEDEN 2014**



- 40% Co-digestion plants
- 38% Wastewater treatment plants
- 3% Agriculture
- 7% Industrial facilities
- 12% Landfills

**Development** is driven by state and municipal environmental goals. Today, Sweden is the world leader in the use of biogas as vehicle fuel, of which a large proportion is used by municipal bus services.



## EXPANSION - THREE NEW BIOGAS PROJECTS - SÖDERTÖRN

# Södertörn's food waste based biogas plant – the first in Stockholm County

In October, 2015 Scandinavian Biogas inaugurated a new food waste based biogas plant in Södertörn. This means that biogas production in the Group's Swedish operations has now been expanded to include organic waste from households and food industry rejects. This is in line with community development in Stockholm County, where many municipalities are now working to multiply the amount of collected food waste, as to date these volumes have been significantly lower than in other regions of the country.

### Production of two sustainable products

Construction of the Södertörn biogas plant began in May 2014 and was inaugurated in autumn 2015. The facility is located at the Gladö Kvarn recycling plant and is a joint project with SRV återvinning AB, which is owned by the municipalities of Huddinge, Haninge, Salem, Botkyrka and Nynäshamn.

The process involves several steps, starting with the collection of food waste, which is done primarily by SRV återvinning AB. The food waste is then managed and treated in a pre-treatment plant before it is digested in one of the plant's two digesters. Finally, the gas is cleaned and processed into fuel. Then the biogas is ready to be distributed to customers.

In parallel with the production of biogas, some 14 000 tonnes of dewatered bio-fertilizer will also be produced when the plant reaches full capacity. This means that important nutrients like nitrogen, phosphorus and potassium will be returned to the earth through bio-fertilization. Today, the plant at Södertörn is the first food waste based biogas plant in Stockholm County.

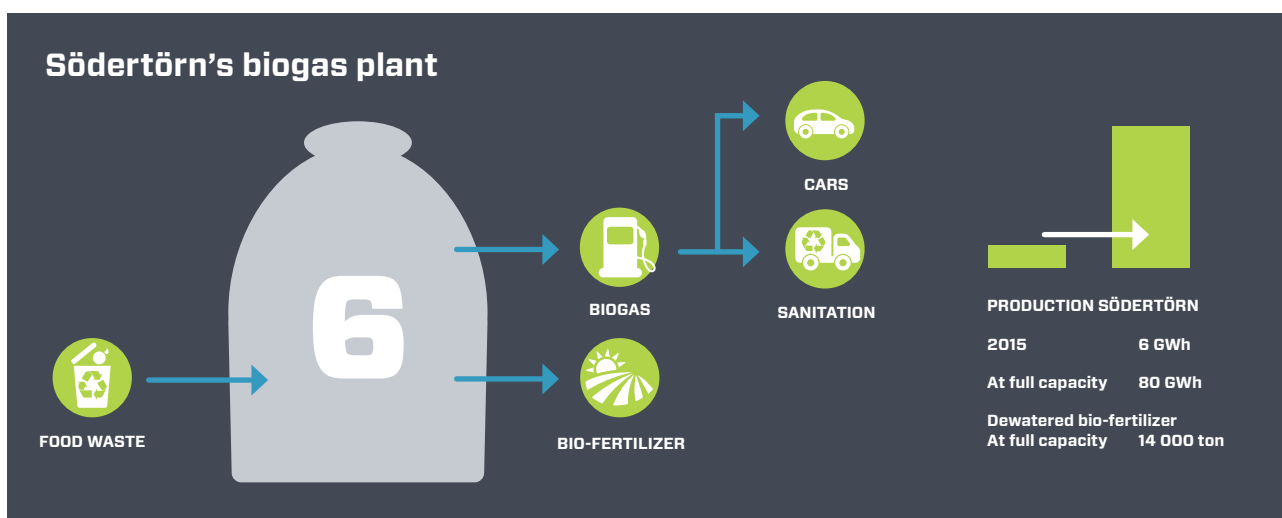
### Opening ceremony and production start

On October 2, 2015 the new biogas plant at Södertörn was inaugurated by Sweden's Minister for Energy, Ibrahim Baylan, together with the Chairman of the Board of Scandinavian Biogas, Göran Persson, to a great media fanfare.

During the fourth quarter 2015, the plant was put into operation and production increased gradually. Sales for the year totalled a volume of 5 gigawatt hours of biogas.

### Increased volumes of biogas from households

When production is fully operational, the plant at Södertörn will have the capacity to produce 80 gigawatt hours of biogas per year, by extracting energy from 50 000 tons of organic waste. This is equivalent to the amount of organic waste that over 600 000 Swedes discard per year. For residents of Stockholm County, the plant means an increase in locally produced fossil-free fuel, and that every individual can choose to drive a car powered by the food waste that they themselves or others have discarded.



Biogas production in Södertörn allows energy from different types of food waste, such as from households, schools, restaurants and food industries, to be transformed into fossil-free biogas. This can then be used as vehicle fuel.

**EXPANSION - THREE NEW BIOGAS PROJECTS - HENRIKSDAL**

# Largest biogas plant in the Nordic region

Construction of the new upgrading plant at Henriksdal is close to completion. As a result of the new plant, the capacity to upgrade biogas to vehicle fuel will increase by 125 gigawatt hours. It is estimated that total production will thereby be 200 gigawatt hours when the entire plant is fully operational. The biogas facility at Henriksdal in Stockholm will thereby be the largest in the Nordic region.

**Need increasing as Stockholm grows**

Stockholm is one of Europe’s fastest growing cities today. It is estimated that in 2040 the population will be around 1.3 million people, which means that Stockholm is growing faster than politicians have previously estimated.

To meet the needs of more and more residents, the City of Stockholm has decided that the wastewater treatment capacity shall be modernized and expanded, along with an expansion of biogas production. The expansion of the upgrading facility at Henriksdal is part of a larger project called SFA, Stockholms Framtida Avloppsvattenrening, Stockholm’s Future Wastewater Treatment, which is a part of the City of Stockholm’s “Vision 2040” environmental goal.

**In close collaboration with Stockholm Vatten**

Today, all biogas production at Henriksdal is conducted in close collaboration with Stockholm Vatten, which is responsible for slurry and raw gas production, while Scandinavian Biogas operates the upgrading facilities. The expansion, which is a complement to the existing facility, is being built with Pressure Swing Absorption (PSA) technology, which will facilitate greater volumes of raw gas from Stockholm Vatten’s digester to be processed into vehicle fuel. Subsequently, a project to expand raw gas production is ongoing in parallel, by successively increasing the organic load of the existing digesters.

When the plant reaches a production volume of 200 gigawatt hours, biogas production at Henriksdal will be able to deliver the equivalent of 20 percent of the total biogas that was delivered in Sweden in 2014.



Sludge from the wastewater treatment plant is processed together with grease separator sludge from restaurants into raw gas, and then transformed into fossil-free vehicle fuel.

**EXPANSION - THREE NEW BIOGAS PROJECTS - SKOGN, TRONDHEIM**

# New facility for liquid biogas outside Trondheim

In early 2016, an agreement was entered to invest in a new plant for liquid biogas in Norway. This marks a strategically important development, which expands the Group’s operations geographically to include another Nordic country. Production will be based on new types of organic waste from paper mills and the fishing industry.

**New Norwegian-Swedish collaboration**

The transaction involved Scandinavian Biogas acquiring just over 50 percent of the shares in Biokraft Holding AS, with a joint ownership of 93 percent together with the Norwegian company TrønderEnergi AS. The gross investment amounted to NOK 370 million. The acquisition of shares was financed by means of a corporate bond issue, which will be listed on Nasdaq Stockholm in April 2016.

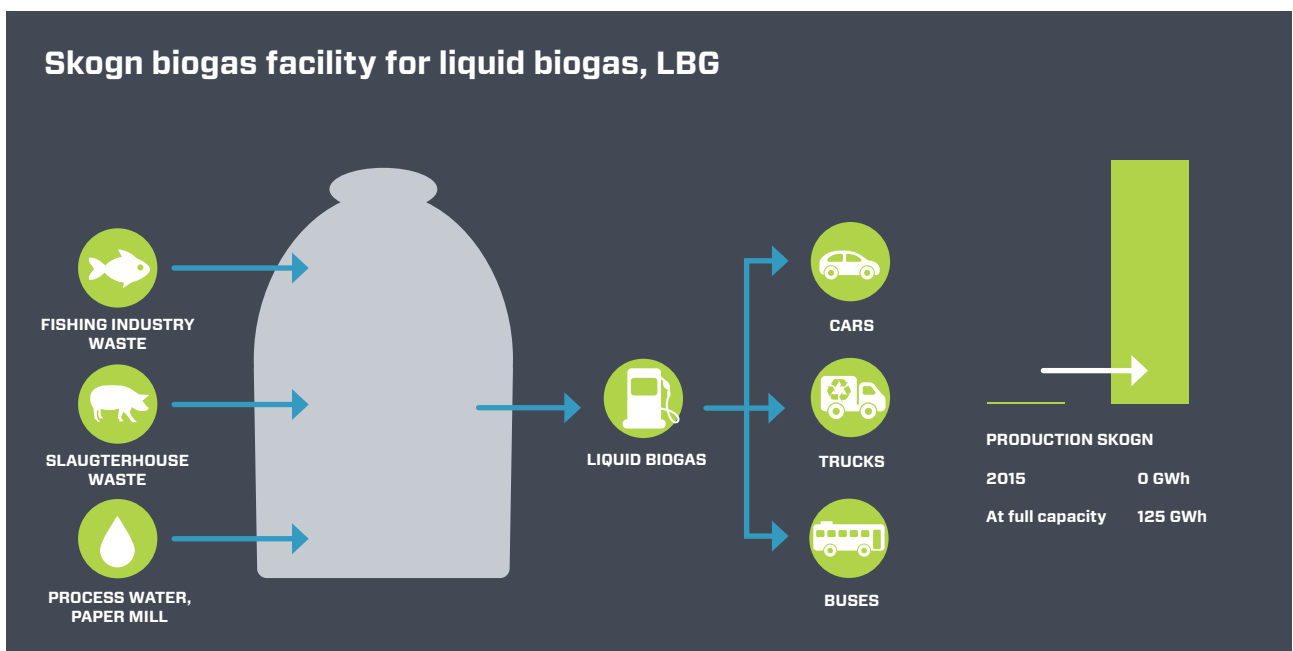
**New waste products become liquid biogas**

A new biogas facility for liquid biogas will be constructed adjacent to Norsk Skog’s paper mill in Skogn, outside Trondheim. The facility is expected to be ready for deployment by mid-2017. At the facility, waste products from the Norwegian salmon industry will be digested into raw gas and then processed into liquid biogas, LBG. Process water from the adjacent paper mill will also be used.

At full production capacity, the plant will produce 125 gigawatt hours, making a significant contribution to renewable vehicle fuel in Norway, where it will largely be used in bus transport.

**Future fuel for heavy goods vehicles**

Today, liquid biogas is regarded as an excellent vehicle fuel for the future as it facilitates both long journeys and being able to operate completely free of fossil fuels. The vast majority however do not have access to liquid biogas because the volume produced, both in Sweden and other countries, is still very low. In the future, it is believed that liquid biogas will be particularly attractive to trucking companies, bus companies, the heavy goods transport sector, and shipping, due to its quality, and the high reduction in emissions that it facilitates.



The Norwegian biogas plant outside Trondheim will produce liquid biogas, LBG, based on waste products from the salmon industry and process water from the Skogn paper mill.

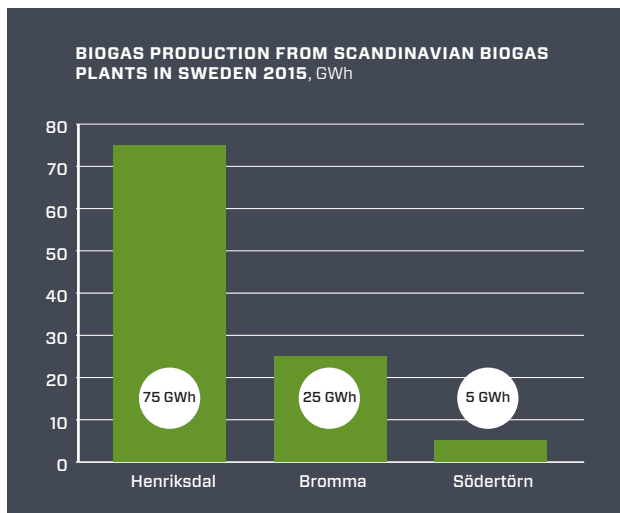


# Swedish operating activities growing

Today the Group's production of biogas in Sweden is conducted at the biogas plants at Henriksdal and Bromma, and since the fourth quarter 2015 at Södertörn as well. The operations are run in very close collaboration with Stockholm Vatten and SRV återvinning.

## Well-run operations and high production

Over the past four years, the plants in Bromma and Henriksdal have produced high volumes, equivalent to the full technical capacity of the existing facilities.



In 2015, production amounted to 75 gigawatt hours at Henriksdal, with 25 gigawatt hours at Bromma. Despite the fact that raw gas volumes were somewhat lower for a period, production levels were the same as last year, if not slightly higher. A total of 5 gigawatt hours of biogas was sold from the newly started facility in Södertörn, which was put into operation in the fourth quarter 2015.

## Capacity improvements and increased production in sight

The operations in Bromma and Henriksdal are driven by sludge from the wastewater treatment plant being co-digested with grease trap waste from restaurants. The resulting biogas is then processed into vehicle fuel at the production facility at Bromma using Pressure Swing Adsorption technology (PSA), while the plant at Henriksdal uses water wash technology (WWT) via two parallel lines, with a third about to be completed.

In recent years, Scandinavian Biogas has carried out several extensive efficiency improvement projects. These have enabled production to increase from 60 to 75 gigawatt hours at Henriksdal. When the third upgrading facility is fully operational, volumes can be increased to a capacity of 200 gigawatt hours of biogas.



Today, a large part of the biogas produced is sold to Stockholm Public Transport (SL), as well as via resellers to filling stations and via direct sales to transport companies.

## SOUTH KOREA

# The Group's industrial biogas production in Ulsan is a hallmark of quality

Three years ago, the Scandinavian Biogas plant at Yongyun in South Korea was named the most effective in the country. In 2015, it has once again generated a lot of attention as the authorities honoured it with the “best practice” award. The plant has become a symbol and benchmark for efficient biogas production.

### Consistent, quality production in 2015

The operations in South Korea performed well in terms of volumes of treated food waste for the fourth year in a row. Revenues are generated from fees for food waste management, which amounted to an average of 194 tonnes per day, which is slightly lower than the year before. Additional revenues were generated through the sale of raw gas, which totalled 66 gigawatt hours in 2015.

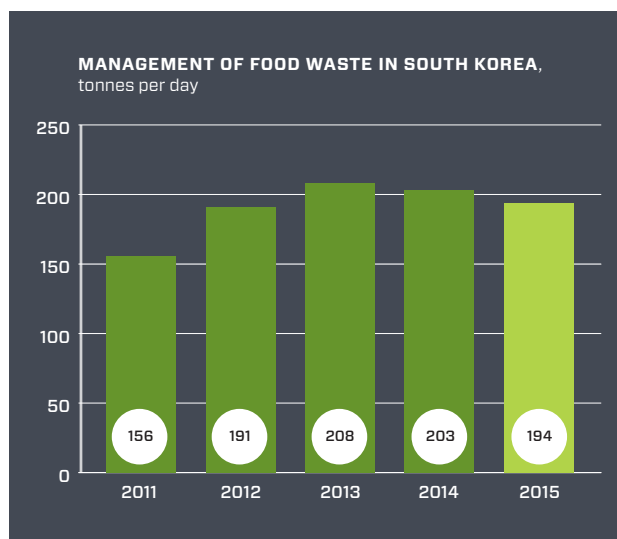
### Five-fold production

When Scandinavian Biogas was first contracted by the city of Ulsan in 2007, an average of 40 tonnes of food waste per day was managed. In 2011, the amount of food waste being managed increased to 156 tonnes per day, and to 191 tonnes per day in 2012. This level has been maintained and even exceeded in some years. This has been achieved by the Group's HOLD-technology™, facilitating a five-fold increase in the amount of food waste being managed since Scandinavian Biogas took over responsibility for running the Yongyun Biogas plant.

### 15-year agreement runs until 2026

Production includes the management, pre-treatment and digestion of large volumes of waste from the inhabitants of the city of Ulsan, together with primary sludge from the adjacent Yongyun wastewater treatment plant. The operations in Ulsan are built on close cooperation with the major metropolis and is regulated by a concession agreement that runs until 2026.

Initially, there were plans to build an upgrading plant. But with the prices of gas in South Korea remaining low, Group management has chosen to wait until such an investment can be made more profitably. If the price of fossil free gas were to rise, this could be on the table again.



### Environment on the political agenda

In South Korea, major endeavours are ongoing to become a leading environmental nation. The country is implementing a number of initiatives to develop an efficient and sustainable transport sector, to reduce greenhouse gas emissions, as well as extensive work to boost energy efficiency.

At the initiative of President Park Geun-Hye, the country has formulated a national environmental goal to reduce greenhouse gas emissions by 30 percent by 2020. Furthermore, the mayor of Seoul is working to transform the city of 20 million into a world leading environmental metropolis.

# Executive management



**Matti Vikkula**  
President and CEO

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



**Michael Wallis Olausson**  
Vice President and Director  
of Business Development

Employed since 2009. Responsible for client and business strategies, as well as development of new business opportunities and collaborations. The company's R&D unit is part of this department. Before joining Scandinavian Biogas, Wallis Olausson was employed by the Swedish Armed Forces, Deloitte, and completed an MBA at the Stockholm School of Economics.



**Jörgen Ejlertsson**  
Vice President and Director  
of Research & Development

Professor Ejlertsson is a co-founder of Scandinavian Biogas Fuels AB. Since the start he has been active within research and development issues. He majored in Agricultural Sciences at the Swedish University of Agricultural Sciences (SLU) in Uppsala, and has a PhD in environmental microbiology, with a thesis on Water in nature and society, from Linköping University.



## Executive management, cont.



**Lotta Lindstam**  
CFO

Employed since 2011. Responsible for the finance department and external financial reporting, as well as reporting to management and the board. Prior to joining the company, Lindstam worked at Metro and at the French publisher Hachette. A business controller, she graduated from the IHM Business School.



**Jean Collin**  
CTO

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



**Lars Hammarlo**  
COO

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

# Board of Directors



## **Göran Persson**

Chairman of the board

Born 1949. Chairman of Scandinavian Biogas since November 26, 2009. Chairman of the board of Cambio Health Care AB and Pegroco Invest AB, among others. 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 Nomination Committee and the Remuneration Committee. Persson's extensive experience covers public affairs, financial markets, mergers & acquisitions, international politics and the EU.



## **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. Ahlström is currently on the board of three of the company's fund portfolio companies. He is on the Nomination Committee and the Remuneration Committee.



## **Sara Anderson**

Born 1976.  
Elected as board member in 2015. M.Sc in Chemical Engineering from the Royal Institute of Technology in Stockholm. Anderson has more than ten years of experience from working with implementation and increased use of biogas as a vehicle fuel. Since 2014, she works as a consultant and expert in fuel and transportation at 2050 Consulting. Prior to that, she was responsible for fuel and energy strategy at Stockholm Public Transport (SL). Anderson is on the Audit Committee.



## **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 a partner. Bengtsson is also engaged in investing in renewable energy companies, among others, and has a number of other board engagements. Bengtsson is on the Remuneration Committee and the Audit Committee.

## Board of Directors, cont.



### **Hans Hansson**

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



### **Peter Lönnblad**

Born 1979.  
Elected as board member in 2015.  
M.Sc. from Åbo Akademi University in Åbo. For the past two years, Lönnblad has been CEO of the Finnish Parent Company John Nurminen Oy and for more than 10 years has held senior positions within the John Nurminen Group. Lönnblad holds several board member positions in the John Nurminen Group, as well as the Group's portfolio companies.



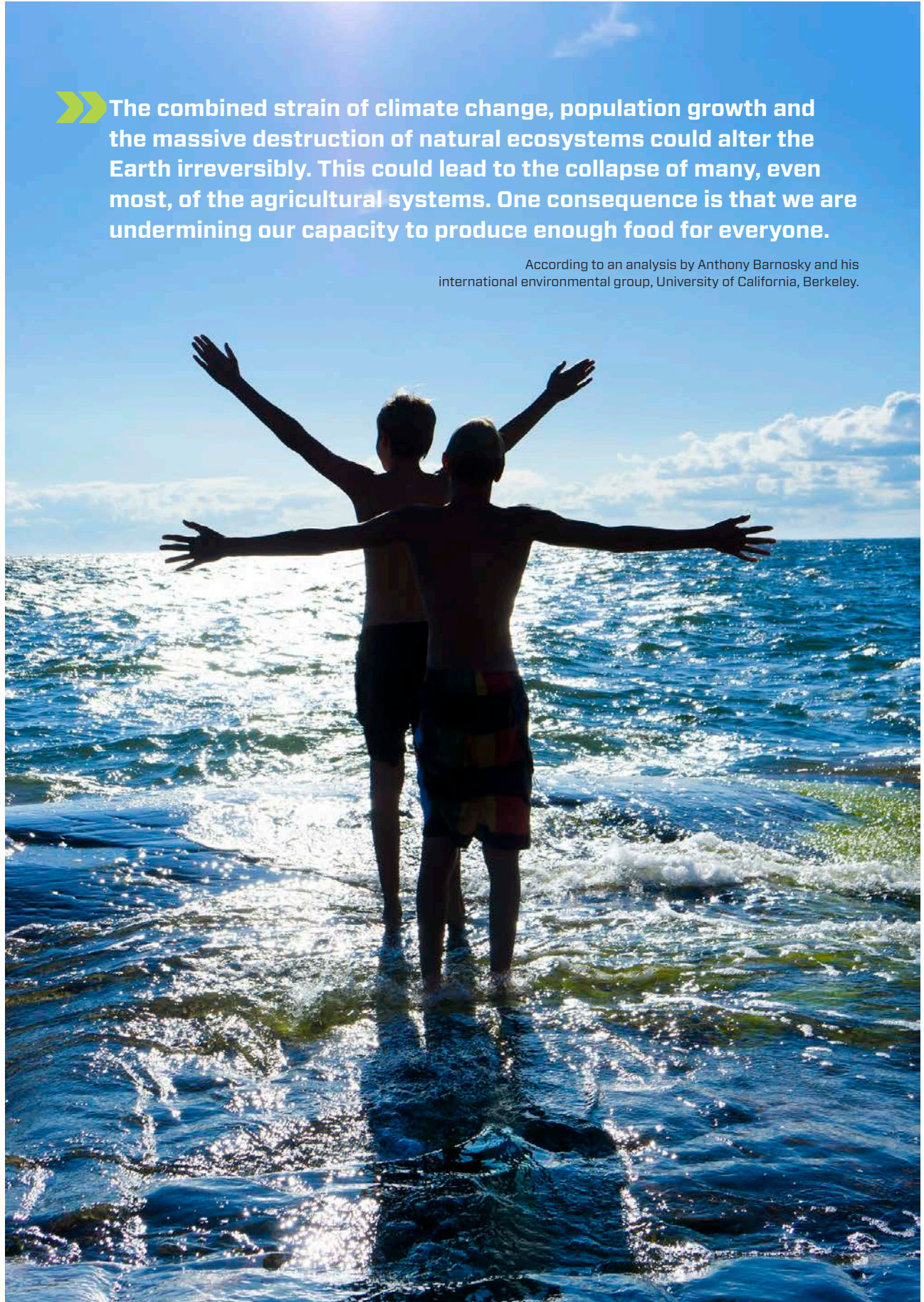
### **Andreas Berg**

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



»» **The combined strain of climate change, population growth and the massive destruction of natural ecosystems could alter the Earth irreversibly. This could lead to the collapse of many, even most, of the agricultural systems. One consequence is that we are undermining our capacity to produce enough food for everyone.**

According to an analysis by Anthony Barnosky and his international environmental group, University of California, Berkeley.





# Board of Directors' report

The Board of Directors and the chief executive officer of Scandinavian Biogas Fuels International AB (publ), 556528-4733, hereby submit the annual report and consolidated accounts for the financial year 2015.

## Operations

Scandinavian Biogas is a leading player in large-scale biogas production, with world-leading expertise in how biogas plants should be designed and operated, encompassing everything from pre-treatment to fuel upgrading, in order to optimize the production of biogas. The Group strives to facilitate the transition from fossil fuel to renewable energy.

Scandinavian Biogas's business concept is to be a leader in the design, management and operation of biogas plants. This is achieved by constantly improving the digestion process in biogas production from different types of biomass, mainly the vast amount of sludge from wastewater treatment, food waste and from industrial process such as the manufacturing of food and biofuels. Furthermore, the Company provides leading expertise in the purification process of digester gas for upgrading biogas to vehicle fuel quality. Scandinavian Biogas is focused on the markets in Sweden and South Korea.

The Group's strategic focus on research and development means that Scandinavian Biogas places great importance on developing methods to increase the efficiency of biogas production from both established and new types of waste, residue and other organic material. The Company's expertise and methodology enables production to be carried out more cost- and resource-efficiently than before.

The Group's operations are primarily conducted via subsidiaries, while the Parent Company has more of the character of a Group Administrator.

Scandinavian Biogas Fuels International AB (publ) is domiciled and headquartered in Stockholm. At the year-end 2015, the Company had 38 (32) employees in Sweden and 21 (20) in South Korea.

### Licensable activities

The company conducts operations under the environmental code in three Swedish subsidiaries. The Group's license and registration activities affect the external environment mainly through the subsidiaries Scandinavian Biogas Stockholm AB (SBSt), Scandinavian Biogas Södertörn AB (SBSö) and Scandinavian Biogas Recycling AB (SBR), which are subject to environmental permits to conduct business with explosive and flammable goods. SBSt produces upgraded biogas and may affect the external environment through the emission of methane. SBSö produces upgraded biogas and digestate, which can affect the external environment through the emission of methane and leakage of nitrogen-rich digestate. SBR receives and pre-treats organic waste, which can affect the external

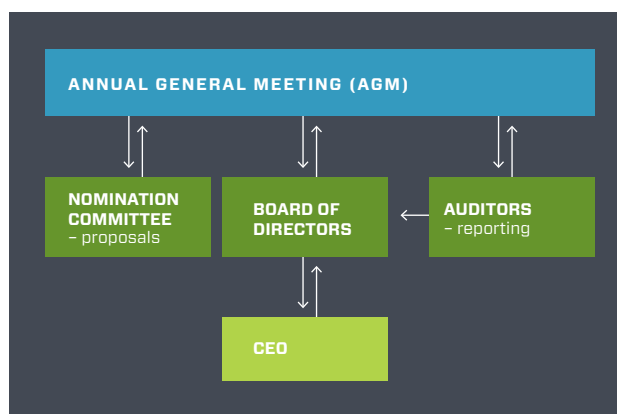
environment mainly through the leakage of pre-treated organic waste, so called slurry. All companies have a business system with regular checkups and the ongoing management of any incidents, aiming to be able to minimize the risk of external influences on the environment. The upgrade facilities are connected to the methane deconstruction facilities in order to combust any leakage of methane.

## The Group

Scandinavian Biogas Fuels International AB (publ) is the Parent Company of the Scandinavian Biogas Group, which encompasses a number of wholly- and partly-owned companies registered in Sweden and South Korea. Operations are primarily conducted in subsidiaries.

## Corporate governance

Corporate governance, management and control of Scandinavian Biogas Fuels International AB (publ) is performed through a division of responsibilities between shareholders at the Annual General Meeting, the Board of Directors and the chief executive officer in accordance with the Swedish Companies Act. The Company's corporate governance is organized and controlled as illustrated below.



The Board consists of Göran Persson (*Chairman*), Anders Bengtsson, Andreas Ahlström, Hans Hansson (*independent*), Peter Lönnblad, Sara Anderson (*independent*) and Andreas Berg (*employee representative*). Board meetings are scheduled 12 months ahead of time, with at least five meetings per year. However, around 15 meetings are usually held per year, of which a few are via telephone. The auditors participate in at least one board meeting per year, which is when they report the results of their audit of the Group and its legal entities.

The Nomination Committee consists of Göran Persson, Örjan Björnsson, Jonas Bengtsson and Andreas Ahlström and they meet at least once per year. The nomination committee's task is, among other things, to propose to the Annual General Meeting the composition of the Board, remuneration fees for board and committee work, and the election of auditors.

The Remuneration Committee consists of Göran Persson, Anders Bengtsson and Andreas Ahlström. The task of the committee is to determine salary and other benefits for the Chief Executive Officer and other senior executives. They also make decisions regarding bonuses paid to other employees.

From 2016, there is also an Audit Committee consisting of Anders Bengtsson (Chairman), Hans Hansson and Sara Anderson. Their task is to i) monitor the company's financial reporting, ii) with respect to financial reporting, monitor the efficiency of the company's internal control and risk management, iii) stay informed on the audit of the annual report and consolidated statements, iv) review and monitor the auditors' impartiality and independence, paying particular attention to if the auditors provide the company with services other than auditing services, and v) assist in the preparation of proposals for the Annual General Meeting's election of auditors.

The Group's management team consists of the President and CEO, Matti Vikkula; Vice President and Business Director, Michael Wallis Olausson; Vice President and Research & Development Officer, Jörgen Ejlerstsson; Chief Financial Officer, Lotta Lindstam; Technical Director, Jean Collin; and Operations Manager, Lars Hammarlo.

## Financial Overview

### Group

(SEK thousand)	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Net sales	175,891	168,376	145,488	134,266	117,111
Operating results	-16,817	-5,281	-9,191	-15,490	-103,127
Balance sheet total	760,652	628,037	428,741	419,777	407,752
Equity/assets ratio, %	28.6	30.8	41.9	37.9	13.1

Consolidated net sales for the financial year totalled SEK 175.9 million (168.4), corresponding to an increase of 4.5 percent compared to the previous year. The increase largely stems from the fact that the biogas plant at Södertörn has started delivering gas to customers and from the pre-treatment plant in Södertörn whose operations were incorporated with the Group on May 1, 2014, therefore only reporting for an eight-month period last year. Total income for 2015 amounted to SEK 231.9 million (185.7), corresponding to an increase of 25 percent that is mainly due to an increase in revenue from capitalized work for own use related to the expansion project at Henriksdal.

A reclassification of other external costs was done retroactively in December 2015. The adjustment pertains to operations-related re-invoicing that was previously reported as other external expenses but that are now reported as raw materials and consumables. Revenues and expenses from non-operations-related re-invoicing are reported as other operating income and other external expenses, respectively. The reason for the adjustment is to provide a more accurate picture of the Group's results. The comparative figures for 2014 are restated according to the new regulation so that the amounts are comparable.

Consolidated EBITDA amounted to SEK 23.4 million (32.0) in 2015, corresponding to a decrease of SEK 8.6 million compared to the previous year, but which is still better than expected. During the year, the facilities in Södertörn were in a start-up phase and therefore generated negative EBITDA.

During the financial year, operating results for the Group amounted to SEK -16.8 million (-5.3). This is primarily due to a SEK 13.5 million write down, following a customary impairment assessment done on the plant in Ulsan, because of declining market prices in LNG and an outstanding upgrading issue, see note 24 Provisions.

Consolidated results after tax for the financial year amounted to SEK -21.4 million (+10.5), of which SEK +0.2 million (+13.9) pertains to unrealized Exchange rate differences. At December 31, 2014, the Group had a consolidated tax gain of SEK 16.6 million (non-recurring item) attributable to the sale-and-lease-back transaction that was conducted in 2014.

The balance sheet total increased by 21.1 percent from the previous year and at the end of the financial year totalled SEK 760.7 million (628.0). The increase is mainly explained by investments in ongoing projects in Södertörn and Henriksdal. The project related to the biogas plant in Södertörn was deployed in the fourth quarter 2015 and has therefore been moved from Construction work in progress. Borrowings related to financial leasing with terms of 20 years or more amounted to SEK 174.6 million (169.5). Besides the annual results, changes in equity during the year included the conversion of convertibles that were issued at the start of the year.

At December 31, 2015, the consolidated cash balance was SEK 64.9 million (124.9), with the decrease primarily due to the investments made in the new biogas plant in Södertörn.

### Investments

Investments made in tangible and intangible assets during the year totalled SEK 186 million (201), of which SEK 0 million (1) in South Korea. At December 31, 2015, the Group had commitments to make further investments in the plant in Södertörn and the expansion at Henriksdal.

At December 31, 2015 the book value of the Group's tangible and intangible assets was SEK 647.5 million (466.0), of which SEK 248.3 million (143.2) pertains to leasing objects that the Group leases through non-current leasing agreements (more than 20 years).

### Parent Company

Parent Company income during the financial year amounted to SEK 1.7 million (1.4), corresponding to an increase of 19 percent compared to the previous year. The increase pertains in its entirety to an increase in non-operations-related re-invoicing. Results before appropriations and tax amounted to SEK -48.9 million (-98.1), which includes a write down on the value of shares in subsidiaries by SEK 46.1 million (93.1). The impairment pertains to the value of the shares in the subsidiary Scandinavian Biogas Fuels AB and is due in part to a more cautious valuation of future cash flows.

As a result of the conversion of the convertibles made in early 2015, the Parent Company's interest expenses declined during the year by SEK 3.5 million, totalling SEK -0.4 million (-3.9). Results after tax for the Parent Company for 2015 was SEK -48.9 million (+1.9). During the previous financial year the Parent Company received a Group contribution of SEK 100.0 million.

The Balance sheet total for the Parent Company in 2015 decreased by 15 percent, mainly due to the write down of shares in subsidiaries. The Parent Company's cash balance was down by SEK 60.0 million, totalling SEK 1.5 million (61.5) at the end of the year, primarily due to investments made in the new biogas plant in Södertörn.

#### Principal shareholders on the balance sheet date, in percent

AC Cleantech Growth Fund 1 Holding AB	32.8%
Bengtssons Tidnings AB and related parties	31.4%
Novator	6.7%
Ajanta OY and related parties	6.1%
Erik Danielsson and family, including company	5.8%
John Nurminen OY	4.4%
Other	12.8%

### Significant events during the year

#### Conversion of convertibles

In early 2015, all outstanding convertibles were converted to shares and accrued interest was paid to convertible holders.

#### Expansion of Henriksdal

Work on the expansion of the plant in Henriksdal, which began in November 2014 in collaboration with Stockholm Vatten AB, continued during the year. The expansion is expected to increase production capacity by around 12.5 million normal cubic metres (Nm<sup>3</sup>) when fully operational.

#### Inauguration of the biogas plant in Södertörn

The new biogas plant in Södertörn was inaugurated in early October 2015, by the Minister for Energy, Ibrahim Baylan, and the Chairman of Scandinavian Biogas, Göran Persson.

#### Change in company category

The Parent Company changed company category in December 2015, from a privately held company to a public limited liability company.

#### Impairment of concession rights

The South Korean subsidiary in Ulsan has estimated that the biogas plant held as a concession right will not generate the cash flows that were previously calculated, and therefore the value of the rights was written down by SEK 13.5 million. The reason for the lower cash flow is in part due to the lower market price for LNG, which is the basis of the subsidiary's gas sale revenues, and in part due to the outstanding issue of an upgrading facility and possible penalty.

#### Production

##### Bromma and Henriksdal

The plant at Henriksdal produced and sold 7.5 million Nm<sup>3</sup> (7.5), equivalent to around 75 GWh of biogas during the year. The corresponding volume for the plant in Bromma is 2.5 million Nm<sup>3</sup> (2.3), equivalent to around 25 GWh. Despite some downtime at Henriksdal and a decrease in the amount of available raw gas in Bromma at the beginning of the year, the amounts are on par with the levels of the previous year, if not somewhat higher. The main customers are Storstockholms Lokaltrafik and a number of private companies.

##### Ulsan, South Korea

The plant in South Korea received on average 194 tonnes (203) of food waste per day during the financial year. Sales of raw gas during the same period amounted to a total of 9.7 million Nm<sup>3</sup> (9.8), which corresponds to around 66 GWh (67). A total of 10.4 million Nm<sup>3</sup> (10.7) raw gas was produced.

##### Pre-treatment plant in Södertörn

The pre-treatment plant in Södertörn received a total of 28,089 tonnes (17,446) of food waste in 2015, which corresponds to an average of 77 tonnes (71) per day. As the plant was deployed on May 1, 2014, the comparative figures for the previous year are for eight months only. The plant was expanded during the summer 2015 to facilitate the management of greater amounts of waste. It is estimated that at full capacity the plant can receive 50,000 tonnes of food waste and pre-treat it for biogas production.

##### Biogas plant in Södertörn

Production of upgraded biogas in the fourth quarter 2015 amounted to 0.6 million Nm<sup>3</sup>, equivalent to 6 GWh. Sales of upgraded biogas amounted to 0.5 million Nm<sup>3</sup>, corresponding to 5 GWh for the same period. Once fully operational, the plant is expected to have an annual production capacity of just over 8 million Nm<sup>3</sup> of biogas, equivalent to around 80 GWh. Certain challenges have emerged in the deployment of the plant, which is therefore being adjusted. This will delay the planned increase in production by three to six months.

### Information on risks and uncertainties

Described below are the main risks that could have an impact on Scandinavian Biogas's operations and future development. The account does not purport to be comprehensive and the risk factors are not listed in any order of significance. See also note 3, Financial risk management.

#### Competition and maintaining a competitive edge

Scandinavian Biogas's operations are largely dependent on the demand for biogas, particularly in Sweden. Today, biogas is one of the most environmentally attractive energy carriers, and as the market matures more companies are expected to be established. An increase in competition for the organic material used in biogas is expected both from other biogas producers and from producers of other renewable energy carriers. It is therefore vital that the Company continues its strategic research and development activities that facilitate the digestion of new types of substrates, as well as finding ways going forward to increase biogas output from the organic waste 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. There is a risk that revenue levels to fund the Group's future projects may not suffice if the market price of fossil fuels remains at the level seen over the past 12 months.

#### Political risks

The political situation in areas where Scandinavian Biogas operates is of great significance to the Company's operations.

Partners, customers and suppliers primarily include municipalities or the equivalent, public sector entities and companies. This means that any change in political engagement or tax laws may have a major impact on the assignment and the Company's ability to generate revenues despite contracts entered into previously. Many projects are also contract-based, with revenue streams spanning time horizons of up to 15 years or longer. The uncertainty of unforeseen events that may occur in the future poses a risk for the Group. Continued expansion into markets with stable conditions may mitigate this type of risk for Scandinavian Biogas. The risk of any political decisions that might have a negative impact on the production of biofuels is currently deemed to be limited.

### **Dependence on public authority decisions and permits**

Scandinavian Biogas's operations are dependent on permits granted by public authorities under the environmental code and the approval of applications. In some cases the time required to process a work permit may take up to a year or longer with some projects consequently coming to a halt and being delayed. All the Group's facilities have valid permits.

### **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-conducted market studies, employees with local knowledge and strong networks, as well as experience in the successful completion of similar projects.

### **Accidents and environmental hazards**

A major leakage of methane is an example of environmental risk in biogas production. Accidents may also occur and Scandinavian Biogas works continuously to enhance its safety and security procedures. In many areas these are now integrated with the day-to-day business processes, and the Company continuously strives to mitigate the risk of accidents and environmental hazards.

### **Upgrading in Ulsan**

As the financial conditions for an upgrading plant in Ulsan have been deemed disadvantageous in the current market climate, an impact assessment has been carried out. Consequently, the Group started to reserve funds for a potential penalty in the third quarter and there is a risk attached to the assessed level of the fee. See note 24, Provisions

## **Expectations regarding future development**

### **Increasing demand**

The need for renewable energy that can replace fossil fuels such as coal and oil at reasonable prices is huge. In various evaluations 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 in the coming years.

### **Policy instruments key to market development**

Biogas is the renewable fuel that best contributes to sustainable development. The greatest environmental benefits are achieved in heavy traffic such as bus services, which is why more and more cities are choosing to prioritize biogas over other renewable alternatives. The supply of biogas is, however, in some cases, a limiting factor. Sweden is a pioneer in the biogas area, a country whose strategy can be expected to spread to other countries.

The Swedish public transport system is well advanced in this area and there are indications that biogas-powered public transport will spread to other Nordic countries. The increased use of biogas in the public transport system lays the foundation for expanded production, particularly in metropolitan regions. Scandinavian Biogas, through the subgroup Scandinavian Biogas Sweden AB, has a very good foundation for continued expansion in the Stockholm region. However, it is important that there is a continuing political interest in supporting the production of biogas nationally as well as locally, because biogas in the foreseeable future cannot compete with the price of natural gas, due to costly production.

With the new biogas plant in Södertörn, the expansion of the plant in Henriksdal and the investment in Norway, it is estimated that the total production in the Nordic region could be quadrupled from the current financial year's 10 million Nm<sup>3</sup> to close to 40 million Nm<sup>3</sup> of upgraded biogas, equivalent to around 400 GWh.

### **Financing**

The business is financed through equity, loans from external creditors and financial leasing. The upgrading facilities at Bromma and Henriksdal are leased from Stockholm Vatten AB and the pre-treatment plant in Södertörn is leased from SRV Återvinning AB. The leasing agreements are for 25 years.

Amortization of interest-bearing loans were made according to a fixed repayment plan during the year, amounting to SEK 56 million, which includes the amortization of financial leasing and the conversion of convertible bonds into shares. Financial leasing for the pre-treatment plant at Södertörn during the year increased by SEK 11 million and pertains primarily to investment in increasing the reception capacity for food waste.

During the financial year, the Group raised new loans of SEK 25 million from external creditors for the extensive investment made in the new biogas plant at Södertörn.

The subsidiary in Ulsan has been able to repay additional loans from the Parent Company Scandinavian Biogas Fuels AB during the year. This has been possible due to improved profitability as well as the refinancing that was conducted in autumn of 2013. The financing of any new large projects and investment, however, will require different types of financing and partnerships.

The company conducts active financing work on an ongoing basis to ensure that new investment projects can be conducted. The Group expects that the financing of large future projects



will require different types of financing and partnerships depending on the project structure and location.

#### The share

At December 31, 2015 the Company had 90,092,662 shares (78,414,661) with a par value of SEK 0.20 per share. Each share carries one vote. All shares outstanding are ordinary shares and therefore are entitled to an equal share in Scandinavian Biogas Fuels International's assets and profit. During the year, the number of shares increased by 11,678,001 shares as a result of the conversion of convertible loans made at the beginning of the year, see note 23, Share capital and other capital contributions.

#### Convertibles outstanding

At balance sheet date there were no convertibles outstanding (11,678,001), as all outstanding convertibles were converted into shares at the beginning of 2015.

#### Warrants

In 2014, a total of 565,000 warrants were issued free of charge to staff in Scandinavian Biogas Fuels AB, see Note 33 Share-based payments. During the financial year, no further stock options were issued.

#### Significant events after the period-end

The Group acquired the majority of shares in Biokraft Holding AS in early 2016. The acquisition marks Scandinavian Biogas's establishment in the Norwegian market. Biokraft AS, which is a wholly owned subsidiary of Biokraft Holding AS, will construct a biogas plant adjacent to Norske Skog's paper mill in Skogn outside Trondheim. The plant will produce liquid biogas from substrate that primarily comes from waste from the fishing industry. Once the plant becomes fully operational it is expected to be able to supply about 12 million Nm<sup>3</sup>, equivalent to 120 GWh, of liquid biogas. It is expected to be in operation in the second half of 2017.

In early 2016, the Parent Company issued senior secured bonds at the amount of SEK 200 million, with a term of 4 years. The proceeds have been used in part for the acquisition of Biokraft Holding AS and in part to repay portions of external loans. Among other things, the funds will also be invested in improvement measures at the plant in Södertörn. The company plans to list the corporate bonds on NASDAQ Stockholm in April 2016.

The expansion of the Henriksdal plant was completed according to plan and delivery of biogas from the new line to customers in the Stockholm gas net commenced at the end of January 2016.

#### Proposed allocation of profit/loss

The Board of Directors and the CEO propose that the following amount, SEK 275 654 500, be allocated as follows:

	Amount in SEK
Retained results	-227,528,227
Share premium reserve	552,124,089
Loss for the year	-48,941,361
Total	275,654,500
Carried forward	275,654,500
<b>Total</b>	<b>275,654,500</b>

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

# Consolidated statement of comprehensive income

Amounts in SEK thousand	Note	2015	2014
<b>Operating income</b>			
Net sales	5	175,891	168,376
Work performed for own use and capitalized	7	52,379	13,462
Other operating income	10	3,622	3,856
<b>Total</b>		<b>231,892</b>	<b>185,694</b>
<b>Operating expenses</b>			
Raw materials and consumables		-132,843	-93,328
Other external costs	8	-27,989	-19,951
Personnel costs	9	-47,702	-40,457
Depreciation, amortization and impairment of tangible and intangible assets		-39,329	-35,703
Other operating expenses	10	-846	-1,536
<b>Total operating expenses</b>		<b>-248,709</b>	<b>-190,975</b>
<b>Operating results</b>		<b>-16,817</b>	<b>-5,281</b>
Financial income		12,724	17,562
Financial expenses		-16,807	-18,339
<b>Net financial items</b>	11	<b>-4,083</b>	<b>-777</b>
<b>Results before tax</b>		<b>-20,900</b>	<b>-6,058</b>
Corporate income tax	12	-462	16,583
<b>Net results for the year</b>		<b>-21,362</b>	<b>10,525</b>
<b>Other comprehensive income</b>			
Actuarial results on post-employment benefits	2.17	227	-102
Exchange rate differences	13	957	-1,356
<b>Other comprehensive income for the year, net after tax</b>		<b>1,184</b>	<b>-1,458</b>
<b>Total comprehensive results for the year</b>		<b>-20,178</b>	<b>9,067</b>
<b>All items in the Group's other comprehensive income are items that can be reversed in the income statement</b>			
<b>Net results for the year attributable to:</b>			
Parent Company shareholders		-16,181	13,056
Non-controlling interests		-5,181	-2,531
		<b>-21,362</b>	<b>10,525</b>
<b>Total comprehensive results attributable to:</b>			
Parent Company shareholders		-15,203	11,680
Non-controlling interests		-4,975	-2,613
		<b>-20,178</b>	<b>9,067</b>

The comparative figures for 2014 have been restated in accordance with the new principal for re-invoicing recognition. A minor adjustment was also made in the income statement for 2014 as SEK 0.1 million was moved from Personnel costs to Actuarial results on post-employment benefits in other comprehensive income.

The notes on pages 37-54 are an integrated part of this annual- and consolidated report.

# Consolidated balance sheet

Amounts in SEK thousand	Note	Dec 31, 2015	Dec 31, 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
	14		
Capitalized expenditures for development		7,239	5,051
Concessions and similar rights		108,819	133,781
Patents and licenses		166	9
<b>Total intangible assets</b>		<b>116,224</b>	<b>138,841</b>
<b>Tangible assets</b>			
	15		
Buildings and land		157,009	76,316
Plant and machinery		246,121	78,932
Equipment, fixtures and fittings		4,111	4,250
Construction work in progress		124,033	167,611
<b>Total tangible assets</b>		<b>531,274</b>	<b>327,109</b>
<b>Financial assets</b>			
Other non-current receivables		7,858	7,860
<b>Total financial assets</b>		<b>7,858</b>	<b>7,860</b>
<b>Other non-current assets</b>			
Non-current accrued income and prepaid expenses	17	3,111	-
<b>Total other non-current assets</b>		<b>3,111</b>	<b>-</b>
<b>Total non-current assets</b>		<b>658,467</b>	<b>473,810</b>
<b>Current assets</b>			
<b>Inventories, etc.</b>			
Raw materials and consumables		584	665
<b>Total inventories</b>		<b>584</b>	<b>665</b>
<b>Current receivables</b>			
Trade accounts receivable	20	25,870	20,294
Other receivables		5,611	4,541
Prepaid expenses and accrued income	21	5,241	3,838
Cash and cash equivalents	22	64,879	124,889
<b>Total current receivables</b>		<b>101,601</b>	<b>153,562</b>
<b>Total current assets</b>		<b>102,185</b>	<b>154,227</b>
<b>TOTAL ASSETS</b>		<b>760,652</b>	<b>628,037</b>

The notes on pages 37-54 are an integrated part of this annual- and consolidated report.

# Consolidated balance sheet, cont.

Amounts in SEK thousand	Note	Dec 31, 2015	Dec 31, 2014
<b>EQUITY</b>			
<b>Equity attributable to Parent Company shareholders</b>			
Share capital	23	18,019	15,683
Other capital contributions		693,305	654,884
Reserves		-1,008	-1,801
Results brought forward including comprehensive results for the year		-494,489	-478,493
		<b>215,827</b>	<b>190,273</b>
<b>Non-controlling interests</b>		<b>1,987</b>	<b>2,962</b>
<b>Total equity</b>		<b>217,814</b>	<b>193,235</b>
<b>LIABILITIES</b>			
<b>Provisions</b>			
Other provisions	24	7,097	-
<b>Total provisions</b>		<b>7,097</b>	<b>-</b>
<b>Non-current liabilities</b>			
Borrowings	25	266,643	295,477
Convertible debt	25	-	40,592
Deferred tax liabilities	26	1,564	1,102
<b>Total non-current liabilities</b>		<b>268,207</b>	<b>337,171</b>
<b>Current liabilities</b>			
Borrowings	25	68,563	18,952
Loans from shareholders	25	19	19
Trade accounts payable		61,555	33,493
Other liabilities	27	20,852	3,658
Accrued expenses and deferred income	28	116,545	41,509
<b>Total current liabilities</b>		<b>267,534</b>	<b>97,631</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>760,652</b>	<b>628,037</b>

The notes on pages 37-54 are an integrated part of this annual- and consolidated report.



# Consolidated statement of changes in equity

Amounts in SEK thousand	Note	Attributable to Parent Company shareholders					Non-controlling interests	Total equity
		Share capital	Other capital contributions	Reserves	Retained results	Total		
<b>Opening balance per January 1, 2014</b>		<b>15,683</b>	<b>654,348</b>	<b>-510</b>	<b>-491,466</b>	<b>178,055</b>	<b>1,575</b>	<b>179,630</b>
Net results for the year					13,056	<b>13,056</b>	-2,531	<b>10,525</b>
<b>Other comprehensive income</b>								
Actuarial results on postemployment benefits					-84	<b>-84</b>	-18	<b>-102</b>
Exchange rate differences				-1,291	-1	<b>-1,292</b>	-64	<b>-1,356</b>
<b>Total comprehensive income</b>				<b>-1,291</b>	<b>12,971</b>	<b>11,680</b>	<b>-2,613</b>	<b>9,067</b>
Cost of share issues <sup>1</sup>			-1			<b>-1</b>		<b>-1</b>
Warrants program, value of employee services			537			<b>537</b>		<b>537</b>
Shareholder contributions from non-controlling interests						-	4,000	<b>4,000</b>
<b>Total contributions from and distributions to shareholders, recognized directly in equity</b>		<b>-</b>	<b>536</b>	<b>-</b>	<b>-</b>	<b>536</b>	<b>4,000</b>	<b>4,536</b>
<b>Closing balance per December 31, 2014</b>		<b>15,683</b>	<b>654,884</b>	<b>-1,801</b>	<b>-478,493</b>	<b>190,273</b>	<b>2,962</b>	<b>193,235</b>
<b>Opening balance per January 1, 2015</b>		<b>15,683</b>	<b>654,884</b>	<b>-1,801</b>	<b>-478,493</b>	<b>190,273</b>	<b>2,962</b>	<b>193,235</b>
Net results for the year					-16,181	<b>-16,181</b>	-5,181	<b>-21,362</b>
<b>Other comprehensive income</b>								
Actuarial results on postemployment benefits					187	<b>187</b>	40	<b>227</b>
Exchange rate differences				793	-2	<b>791</b>	166	<b>957</b>
<b>Total comprehensive income</b>				<b>793</b>	<b>-15,996</b>	<b>-15,203</b>	<b>-4,975</b>	<b>-20,178</b>
Cost of share issues <sup>1</sup>			-116			<b>-116</b>		<b>-116</b>
Conversion of convertible debt	23	2,336	38,537			<b>40,873</b>		<b>40,873</b>
Shareholder contributions from non-controlling interests						-	4,000	<b>4,000</b>
<b>Total contributions from and distributions to shareholders, recognized directly in equity</b>		<b>2,336</b>	<b>38,421</b>	<b>-</b>	<b>-</b>	<b>40,757</b>	<b>4,000</b>	<b>44,757</b>
<b>Closing balance per December 31, 2015</b>		<b>18,019</b>	<b>693,305</b>	<b>-1,008</b>	<b>-494,489</b>	<b>215,827</b>	<b>1,987</b>	<b>217,814</b>

The notes on pages 37-54 are an integrated part of this annual- and consolidated report.

<sup>1)</sup> The tax effect of issue costs recognized in equity amounts to SEK 26 thousand (0).

# Consolidated statement of cash flows

Amounts in SEK thousand	Note	2015	2014
<b>Cash flow from operating activities</b>			
Operating results before financial items		-16,817	-5,281
Depreciation/impairments		39,329	20,510
Other non-cash items	32	7,276	4,558
Interest received		161	270
Interest paid		-25,426	-16,573
<b>Cash flow from operating activities before changes in working capital</b>		<b>4,523</b>	<b>3,484</b>
<b>Cash flow from changes in working capital</b>			
Increase/decrease in inventories		81	-665
Increase/decrease in operating receivables		-8,049	-3,939
Increase/decrease in operating liabilities		16,627	37,005
<b>Total change in working capital</b>		<b>8,659</b>	<b>32,401</b>
<b>Cash flow from operating activities</b>		<b>13,182</b>	<b>35,885</b>
<b>Cash flow from investing activities</b>			
Acquisition of intangible assets	14	-2,768	-3,564
Acquisition of tangible assets	15	-94,941	-158,316
Divestment of tangible assets		9,600	87,183
Acquisition of financial assets		-3,116	-6,441
Divestment of financial assets		9	-
<b>Cash flow from investing activities</b>		<b>-91,216</b>	<b>-81,138</b>
<b>Cash flow from financing activities</b>			
Loans raised		28,428	176,404
Amortization of loans		-14,407	-59,314
Contributions to/from non-controlling interests		4,000	4,000
<b>Cash flow from financing activities</b>		<b>18,021</b>	<b>121,090</b>
<b>Cash flow for the year</b>		<b>-60,013</b>	<b>75,837</b>
<b>Increase/decrease in cash and cash equivalents</b>			
Cash and cash equivalents at the start of the year	22	124,889	47,893
Exchange rate differences in cash and cash equivalents		3	1,159
<b>Cash and cash equivalents at the end of the year</b>	22	<b>64,879</b>	<b>124,889</b>

The notes on pages 37-54 are an integrated part of this annual- and consolidated report.

# Parent company income statement

Amounts in SEK thousand	Note	2015	2014
<b>Operating income</b>			
Net sales	5, 6	1,200	1,200
Other operating income	10	455	185
<b>Total operating income</b>		<b>1,655</b>	<b>1,385</b>
<b>Operating expenses</b>			
Other external costs	8	-3,857	-1,909
Personnel costs	9	-311	-578
Other operating expenses	10	-	-2
<b>Total operating expenses</b>		<b>-4,168</b>	<b>-2,489</b>
<b>Operating results</b>		<b>-2,513</b>	<b>-1,104</b>
Results from participations in Group companies		-46,083	-93,113
Interest income		45	-
Interest expense		-390	-3,879
<b>Net financial items</b>	11	<b>-46,428</b>	<b>-96,992</b>
<b>Results before appropriations and tax</b>		<b>-48,941</b>	<b>-98,096</b>
<b>Appropriations</b>			
Group contributions paid/received		-	100,000
<b>Total appropriations</b>		<b>-</b>	<b>100,000</b>
<b>Results before tax</b>		<b>-48,941</b>	<b>1,904</b>
Corporate income tax	12	-	-
<b>Net results for the year</b>		<b>-48,941</b>	<b>1,904</b>

The comparative figures for 2014 have been restated in accordance with the new principal for recognising re-invoicing.

In the Parent Company no items are recognized as other comprehensive income and hence total comprehensive results are consistent with the results for the year.

The notes on pages 37-54 are an integrated part of this annual- and consolidated report.

# Parent company balance sheet

Amounts in SEK thousand	Note	Dec 31, 2015	Dec 31, 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Financial assets</b>			
Participations in Group companies	16	129,391	163,474
Receivables from Group companies		98,326	107,000
<b>Total financial assets</b>		<b>227,717</b>	<b>270,474</b>
<b>Total non-current assets</b>		<b>227,717</b>	<b>270,474</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		69,645	21,000
Other receivables		115	114
Prepaid expenses and accrued income	21	72	109
<b>Total current receivables</b>		<b>69,832</b>	<b>21,223</b>
<b>Cash and bank</b>	22	<b>1,544</b>	<b>61,471</b>
<b>Total current assets</b>		<b>71,376</b>	<b>82,694</b>
<b>TOTAL ASSETS</b>		<b>299,093</b>	<b>353,168</b>

The notes on pages 37-54 are an integrated part of this annual- and consolidated report.



# Parent company balance sheet, cont.

Amounts in SEK thousand	Note	Dec 31, 2015	Dec 31, 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	23		
<b>Restricted equity</b>			
Share capital		18,019	15,683
Statutory reserve		2,043	2,043
<b>Total restricted equity</b>		<b>20,062</b>	<b>17,726</b>
<b>Unrestricted equity</b>			
Retained results		-227,528	-229,433
Share premium reserve		552,124	513,702
Net results for the year		-48,941	1,904
<b>Total unrestricted capital</b>		<b>275,655</b>	<b>286,173</b>
<b>Total equity</b>		<b>295,717</b>	<b>303,899</b>
<b>Non-current liabilities</b>			
Convertible debt	25	-	40,592
<b>Total non-current liabilities</b>		<b>-</b>	<b>40,592</b>
<b>Current liabilities</b>			
Borrowings	25	19	19
Trade accounts payable		971	565
Liabilities to Group companies		1,800	1,800
Other liabilities	27	-	30
Accrued expenses and deferred income	28	586	6,263
<b>Total current liabilities</b>		<b>3,376</b>	<b>8,677</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>299,093</b>	<b>353,168</b>
<b>Pledged assets</b>	29	<b>171,624</b>	<b>117,050</b>
<b>Contingent liabilities</b>	30	<b>37,500</b>	<b>52,422</b>

The notes on pages 37-54 are an integrated part of this annual- and consolidated report.

# Parent company changes in equity

Amounts in SEK thousand	Note	Restricted equity		Unrestricted equity		Total equity
		Share capital	Statutory reserve	Share premium reserve	Retained results	
<b>Opening balance per January 1, 2014</b>		15,683	2,043	513,167	-229,433	301,460
<b>Comprehensive results</b>						
Comprehensive results for the year					1,904	1,904
<b>Total comprehensive results</b>					1,904	1,904
<b>Transactions with shareholders</b>						
Cost of share issues <sup>1)</sup>				-2		-2
Warrants program, value of employee services				537		537
<b>Closing balance per December 31, 2014</b>		15,683	2,043	513,702	-227,529	303,899
<b>Opening balance per January 1 2015</b>		15,683	2,043	513,702	-227,529	303,899
<b>Comprehensive results</b>						
Comprehensive results for the year					-48,941	-48,941
<b>Total comprehensive results</b>					-48,941	-48,941
<b>Transactions with shareholders</b>						
Cost of share issues <sup>1)</sup>				-116		-116
Convertible debt - converted	23	2,336		38,538		40,874
<b>Closing balance per December 31, 2015</b>		18,019	2,043	552,124	-276,469	295,717

The notes on pages 37-54 are an integrated part of this annual- and consolidated report.

<sup>1)</sup> The tax effect of share issue costs recognized in equity amounts to SEK 26 thousand (0).

# Parent company statement of cash flows

Amounts in SEK thousand	Note	2015	2014
<b>Cash flow from operating activities</b>			
Operating results before financial items		-2,513	-1,104
Adjustment for items not included in the cash flow	32	-	-
Interest received		45	-
Interest paid		-5,880	-823
<b>Cash flow from operating activities before changes in working capital</b>		<b>-8,348</b>	<b>-1,927</b>
<b>Cash flow from changes in working capital</b>			
Increase/decrease in operating receivables		-48,609	-19,752
Increase/decrease in operating liabilities		189	48
<b>Total change in working capital</b>		<b>-48,420</b>	<b>-19,704</b>
<b>Cash flow from operating activities</b>		<b>-56,768</b>	<b>-21,631</b>
<b>Investing activities</b>			
Investments in subsidiaries		-12,000	-6,000
Investments in other financial assets		-	-9,175
Divestment/amortization of other financial assets		8,674	-
Group contributions paid/received		-	100,000
<b>Cash flow from investing activities</b>		<b>-3,326</b>	<b>84,825</b>
<b>Financing activities</b>			
New issues		167	-
Loans raised		-	1,229
Amortization of loans		-	-4,962
<b>Cash flow from financing activities</b>		<b>167</b>	<b>-3,733</b>
<b>Cash flow for the year</b>		<b>-59,927</b>	<b>59,461</b>
Cash and cash equivalents at the start of the year	22	<b>61,471</b>	<b>2,010</b>
Cash and cash equivalents at the end of the year	22	<b>1,544</b>	<b>61,471</b>

The notes on pages 37-54 are an integrated part of this annual- and consolidated report.

# Notes

## Note 1 General information

The Company, Scandinavian Biogas Fuels International AB (publ), is a public limited liability company domiciled in Stockholm, Sweden. The head office is at Holländargatan 21A, 111 60 Stockholm.

The Board approved the publication of the consolidated accounts and annual report on March 24, 2016.

All amounts are in SEK thousand, unless otherwise stated. Figures in brackets relate to the previous year.

## Note 2 Summary of significant accounting principles

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

### 2.1 Basis of presentation

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

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

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

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

### Changes in accounting principles and disclosures

#### 2.1.1 New standards, amendments and interpretations applied by the Group

No new or amended standards have been applied for the first time for the financial year beginning January 1, 2015 and which have a material impact on the consolidated financial statements.

#### New standards and interpretations not yet applied by the Group

A number of new standards and interpretations are effective for financial years beginning after January 1, 2015, which have not been applied when preparing these financial statements. None of these are expected to have a material impact on the consolidated financial statements with the exception of the following:

**IFRS 15** "Revenue from contracts with customers" specifies how and when revenue is recognized. The principles that IFRS 15 builds on will provide users of financial statements more useful information about the Company's revenue. Expanded disclosure requirements stipulate that the type of revenue, the date of settlement, uncertainties related to revenue recognition and cash flows attributable to the Company's customer contracts shall be provided. According to IFRS 15 a revenue shall be recognized when the customer obtains control of the sold goods or services and has the opportunity to use and receive the benefits of the product or service. IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts and related SIC and IFRIC. IFRS 15 shall enter into force on January 1, 2017. Earlier application is permitted. The Group has not yet assessed the impact of the introduction of the standard.

In January 2016 the IASB published a new leasing standard that will replace IAS 17 Leases and related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities relating to all the leases, with some exceptions, to be recognized in the balance sheet. This report is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for that right. The accounts of the lessor will essentially be unchanged. The standard is applicable to financial years beginning January 1, 2019 or later. Early application is permitted. The EU has not yet adopted the standard. The Group has not yet assessed the impact of IFRS 16.

None of the other IFRS and IFRIC interpretations not yet entered into force are expected to have a material impact on the Group.

#### 2.1.2 Change in accounting principle

The Group has changed the accounting policy for re-invoicing in the fourth quarter of 2015. Revenues for non-business-related re-invoicing are now reported as other operating income. Previously they were reported in net sales. Costs for operations-related re-invoicing are now recognized as Raw materials and consumables. They were previously recognized as other external costs.

### 2.2 Consolidated financial statements

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

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

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

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



## 2.3 Translation of foreign currencies

### *Functional currency and reporting currency*

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

### *Transactions and balances*

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

### *Translation of foreign subsidiaries*

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

## 2.4 Intangible assets

### *Capitalized expenditures for development and similar work*

Capitalized expenditures for development and similar work consists of:

#### *Internally developed intangible assets*

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

#### *Separately acquired research and development projects*

For research and development projects acquired separately, the conditions for recognition as an asset, under paragraph IAS 38 p 21, are considered to be fulfilled. The acquisition cost and directly attributable costs are capitalized. Additional costs for separately acquired development projects are expensed if these research and development costs do not meet the criteria for recognition as an asset under IAS 38 p 57. Additional expenses incurred in connection with development and that meet the criteria for recognition as an asset in the balance sheet are added to the acquisition cost of the research and development project.

Depreciation of acquired research and development is applied on a straight-line basis over 5-10 years. Depreciation of internally generated tangible assets is applied on a straight line basis over 5-10 years.

#### *Concessions and similar rights*

The subsidiary in South Korea has signed a service agreement that does not convey the right to control the use of the public service infrastructure to the Company. The Group recognizes an intangible asset to the extent that it has a right to charge for the use of the public service (see 2.19 Agreement for economic and social services). Depreciation is computed using the straight-line method over the contract period, that is, for 15 years until March 2026.

## 2.5 Tangible assets

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

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

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

Buildings	30 years
Plant and machinery	10-30 years
Equipment, fixtures and fittings	3-5 years

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

Gains and losses on the disposal of tangible assets are determined by comparing sale proceeds with the carrying amount and are recognised in other operating income and other operating expenses in the income statement.

## 2.6 Impairment of non-financial assets

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

## 2.7 Inventories

Inventories consist of spare parts and are stated at the lower of cost and net realizable value. The risk of obsolescence is taken into account. Cost is determined using the first-in, first-out principle. Besides the purchasing expenditure, the cost includes fees for transporting the goods to their present location and condition.

## 2.8 Financial instruments – general

Financial instruments are found in various balance sheet items and are described in 2.9-2.13. The general rules that apply to financial instruments are found in section 2.8.

### *2.8.1 Classification*

The Group classifies its financial assets and liabilities in the following categories: financial assets and liabilities valued at fair value via the income statement, financial assets and liabilities valued at fair value via comprehensive income, borrowings and trade accounts receivable, and other financial liabilities. Classification is based on the purpose for which the financial asset or liability was acquired.

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

Financial assets and liabilities recognized at fair value via the income statement are financial instruments held for trading. Financial derivative instruments are classified as held for trading unless identified as hedging instruments. The Group classifies derivative instruments (interest rate swaps) in this category.

### *Financial assets and liabilities at fair value via other comprehensive income*

Translation differences on non-monetary financial assets and liabilities are measured at fair value through other comprehensive income. An example of non-monetary financial assets and liabilities is the South Korean mandatory provision of severance pay, known as Severance Liability, which according to IAS 19 is revalued at fair value through other comprehensive income.

### *Loans and receivables*

Loans and receivables are financial assets that are not derivatives and that have fixed or determinable payments that are not quoted in an active market. They are included in current assets unless they are items with maturities greater than 12 months after the balance sheet date, which instead are classified as non-current assets. Group loans and receivables consist of trade accounts receivables, cash and cash equivalents (see note 2.10 and 2.11), and the financial instruments reported in other receivables.

### *Other financial liabilities*

Group borrowings, loans from shareholders, convertible debt, trade accounts payable and the portion of other current liabilities relating to financial instruments are classified as other financial liabilities.

### *2.8.2 Reporting and valuation*

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

Financial assets and liabilities at fair value through the income statement are subsequently carried at fair value after the date of acquisition. Financial assets and liabilities at fair value through other comprehensive income are recognized with the application of the "projected unit credit method". Loans and trade accounts receivables as well as other financial liabilities are carried at amortized cost after the acquisition date, applying the effective interest method.

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

### *2.8.3 Netting of financial instruments*

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

### *2.8.4 Impairment of financial instruments*

#### *Assets carried at amortized cost (loans and receivables)*

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

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

impairment loss is recognized in the consolidated income statement within "other external costs" or "net financial items" depending on which financial asset was impaired.

## 2.9 Derivative instruments

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

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

## 2.10 Trade accounts receivable

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

Trade accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provisions for impairment.

## 2.11 Cash and cash equivalents

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

## 2.12 Trade accounts payable

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

Trade accounts payable are recognized at nominal value. The Carrying amount of trade accounts payable are assumed to approximate their fair value, as this post is short-term in nature.

## 2.13 Borrowings

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

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

## 2.14 Borrowing costs

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

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

## 2.15 Government grants

Government grants related to investments in plants, machinery and equipment is recognized as a liability until the corresponding investment cost has incurred for the Company, then decreases the cost of the relevant asset.

Government grants related to cost coverage are recognized as revenue in the income statement over the same periods as the costs the grants are intended to cover.

## 2.16 Current and deferred tax

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

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

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

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

## 2.17 Employee benefits

### Pension plans

The Group has both defined contribution and defined benefit pension plans.

In Sweden, the Group's primary defined contribution pension plan is the ITP1 plan, secured through fees to Alecta.

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

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

Within the Group there are defined benefit plans in South Korea, where the employees are entitled to post-employment benefits based on final salary and length of employment.

Group	Dec 31, 2015	Dec 31, 2014
Obligations on the balance sheet for:		
Defined benefit pension plans	-2,704	-1,828
Recognition in the income statement for:		
Costs for defined benefit pension plans	1,186	581
Amounts reported in other comprehensive income	-227	102

Group	Dec 31, 2015	Dec 31, 2014
Current value of funded obligations	-	-
Unrecognized actuarial gains	-	-
Fair value of assets under management	-	-
<b>Net liabilities on funded obligations</b>	<b>-</b>	<b>-</b>
Current value of unfunded obligations	-2,704	-1,828
Unrecognized actuarial losses	-	-
<b>Net liabilities in the balance sheet</b>	<b>-2,704</b>	<b>-1,828</b>

Changes in the defined benefit obligation for the year are as follows:

Group	Dec 31, 2015	Dec 31, 2014
At the start of the year	1,671	1,043
Costs for employee service during the current year	802	538
Interest expenses	55	42
Actuarial losses(+)/gains(-)	-227	102
Costs for employee services in previous years	329	-
Exchange rate differences	247	99
Benefits paid	-50	-153
<b>At the year end</b>	<b>2,827</b>	<b>1,671</b>

The amounts recognized in the income statement for defined benefit plans are as follows:

Group	Dec 31, 2015	Dec 31, 2014
Costs for employee services during the current year	802	538
Costs for employee services in previous years	329	-
Interest expenses	55	42
<b>Total</b>	<b>1,186</b>	<b>581</b>

The principal actuarial assumptions were as follows:

Group	Dec 31, 2015	Dec 31, 2014
Discount rate	2.35%	2.76%
Future salary increases	3%	5%

Managed assets consist of the following:

Group	Dec 31, 2015	Dec 31, 2014
Shares	-	-
Interest-bearing securities	-	-
Property	-	-
Other	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
Present value of defined benefit obligations	-2,704	-1,828
Fair value of managed assets	-	-
<b>Deficit</b>	<b>-2,704</b>	<b>-1,828</b>

### Bonus plans

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

## 2.18 Revenue recognition

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

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

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

## 2.19 Agreements for economic and social services

The operations in South Korea have entered into agreements relating to economic and social facilities linked to the biogas plant erected there. Infrastructure linked to agreements on economic and social services should not be recognized as a tangible asset, since the service agreement does not transfer the right to control the use of the infrastructure for public services in the group. The compensation that the group has received or will receive is recognized at fair value. The compensation has been assessed as entitlement to an intangible asset as the Group through the agreement has the right (license) to charge users for the public service.

## 2.20 Leasing

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

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

The Group leases certain non-current assets. Leases of non-current assets in which the Group has substantially all the risks and rewards of ownership are classified as financial leases.

Each lease payment comprises amortization of the debt and financial charges. The corresponding payment obligations, net of financial charges, are included in the balance sheet items non-current borrowings and current borrowings. The interest element of the financial cost is recognized in the income statement over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the balance of the liability. Non-current assets held under financial leases are depreciated over the shorter of the asset's useful life and the lease term.

## 2.21 Statement of cash flows

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

## 2.22 Share capital

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

## 2.23 Share-based payments

The Group has a share-based program (warrants) in which payment is made with shares and in which the entity receives services from employees as consideration for the Group's own equity instruments (warrants). The fair value of the service that entitles employees to allocation of warrants is expensed. The total amount to be expensed is based on the fair value of the warrants granted on the allocation date. As the program is not coupled with vesting conditions, the entire cost is recognized on the allocation date. When the warrants are exercised, the Company issues new shares. The proceeds, received net of any directly attributable transaction costs, are credited to share capital (nominal value) and other capital contributions. The social security contributions generated by the program are similarly charged to the results on the allocation date.

## 2.24 Parent Company accounting principle

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

### *Presentation*

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

### *Participations in subsidiaries*

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

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

### *Group contributions*

Group contributions are recognized as an appropriation in the income statement.

### *Lease agreements*

All leases, regardless if they are financial or operating leases, are classified as operating leases.

### *Financial instruments*

IAS 39 is not applied by the Parent Company and financial instruments are valued at cost.

### *Guarantees/financial guarantees*

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



## Note 3 Financial risk management

### 3.1 Financial risk factors

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

#### a) Market risk

##### (i) Currency risk

Scandinavian Biogas is exposed to currency risk given the Company conducts transactions in foreign currencies (transaction risk) and has foreign subsidiaries (translation risk).

##### Transaction risk

Transaction risk is the risk of impact on consolidated net income and cash flow due to the value of the commercial flows in foreign currencies, and changes in exchange rates. The subsidiaries in South Korea use KRW as their accounting currency, but the exposure is assessed as negligible as both revenue and expenses are in the same currency. The Group makes certain purchases in EUR but has no significant currency risk since it does not have any significant foreign currency transactions.

##### Translation risk

There is risk associated with the Group's translation of the net assets of foreign subsidiaries to the consolidating currency, the Swedish Krona (SEK). The Group's foreign subsidiaries are in South Korean Won (KRW). The Group is also affected by the foreign subsidiary's income statement when translated into SEK. This exposure is not hedged.

In 2015, the exchange rate differences recognized in the consolidated income statement amounted to SEK -318 thousand (+14,491).

The Group has analysed its sensitivity to changes in exchange rates. If the Swedish Krona had weakened/strengthened by 1% against the KRW with all other variables held constant, net results for the year would have been SEK 209 thousand (313) higher/lower.

##### (ii) Interest rate risk

Changes in interest-bearing financial assets and liabilities held by the Group linked to market interest rates affect the results and cash flow from operations. Interest rate risk is the risk that changes in market interest rates may impact the Group's net profit negatively. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash assets at floating rates. In 2015 and 2014, the Group's borrowings at variable interest rates were in Swedish Kronor.

Up to December 30, 2015, the Group managed interest rate risk relating to cash flows to some extent using interest rate swaps with the financial effect of converting borrowings from floating to fixed interest rates for a portion of the borrowings. In interest rate swaps the Group agrees with other parties to exchange, at specified intervals, the difference between the interest amount under the fixed contract rate and the variable interest amount calculated on the contracted nominal amount.

Of the Group's total interest-bearing debt of SEK 335 million (357), SEK 21,151 thousand (111,943) is at a fixed interest rate and the rest variable. The Group is therefore exposed to a certain amount of interest rate risk.

Scandinavian Biogas has cash and cash equivalents amounting to SEK 64,879 thousand (124,889) at variable rates. The Group's interest income is affected by the general interest rate climate.

Variable-rate liabilities as per the balance sheet date amounted to SEK 314,074 thousand (244,773) and the Company's cash and cash equivalents were SEK 64,879 thousand (124,889). A change in interest rates of + / - 1% would result in an impact on net interest income/expense of + / - SEK 3.1 million (2.4).

#### b) Credit risk

Credit risk or counterparty risk is the risk that the counterparty to a financial transaction does not fulfil its obligations when due. Scandinavian Biogas' credit risk includes cash and cash equivalents, trade accounts receivable and other receivables. With respect to cash and cash equivalents and derivative instruments, credit risk is considered to be low given the counterparties are largely well-known banks such as Nordea, with a high credit rating (credit rating AA), and Daegu Bank (credit rating A) where loans to the Group are higher than deposits.

Scandinavian Biogas estimates the risk of losses is low as sales are made to large, stable customers with which the Group has good experience of WTP (willingness to pay). The Group monitors customers' credit ratings, and reviews the terms of credit if necessary.

#### c) Liquidity risk

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

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

The financing of existing projects and operations in the coming year will largely be resolved with equity and with the corporate bond that the Parent Company issued in February 2016. The new business in Norway will also be financed with new external financing.

In order to solve the financing of future projects and strengthen liquidity further, the Group is looking at a number of different alternatives such as project financing, refinancing and various types of capital injections through the issuance of convertible bonds and/or shares.

At December 31, 2015 the Group's liquid assets amounted to SEK 64,879 thousand (124,889). The Group has no undrawn credit facilities. Future liquidity burdens are otherwise the payment of trade accounts payable and other current liabilities and repayment of loans. The table below shows the contractual, undiscounted cash flows that comprise financial liabilities, broken down by duration on the balance sheet date to the contractual maturity date.

The table below for 2015 includes future financial leasing at a total of SEK 129.6 million, which was not on the balance sheet on the balance sheet date. The reason is that the lease period does not start until 2016.

At December 31, 2015 (SEK thousand)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	72,692	25,141	86,217	-
Debt related to financial leasing	17,106	21,426	66,656	260,276
Loans from shareholders	-	19	-	-
Trade accounts payable	61,555	-	-	-
Other current liabilities	76	-	-	-

At December 31, 2014 (SEK thousand)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	25,187	21,848	117,268	23,483
Debt related to financial leasing	11,304	12,355	41,089	166,723
Accrued interest on convertibles	5,563	-	-	-
Loans from shareholders	-	19	-	-
Trade accounts payable	33,493	-	-	-
Other current liabilities	600	-	-	-

### 3.2 Capital risk management

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

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

	Dec 31, 2015	Dec 31, 2014
Total borrowings (note 25)	335,225	355,040
Less: cash and cash equivalents (note 22)	-64,879	-124,889
<b>Net debt</b>	<b>270,346</b>	<b>230,151</b>
Equity	217,814	193,235
<b>Total capital</b>	<b>488,160</b>	<b>423,386</b>
<b>Debt ratio</b>	<b>55.4%</b>	<b>54.4%</b>

### 3.3 Calculation of fair value

The carrying value, less impairment provisions, of trade accounts receivable and other receivables and trade accounts payable and other liabilities are assumed to approximate their fair values given that they are short-term in nature.

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

#### Note 4 Significant estimates and assumptions

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

##### Significant estimates and assumptions for accounting purposes

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

##### Valuation of loss carryforwards

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

##### Agreements for economic and social services

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

##### Provision for penalty

An assessment of the level of penalty to Ulsan City with regard to the upgrading issue at the plant in South Korea has been made after advice from a leading South Korean law firm, see Note 24 Provisions.

##### Capitalized development costs

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

##### Investment in Biogas Uppland

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

##### Claims on subsidiaries in Korea

In the Swedish part of the Group there are claims on the subsidiary Scandinavian Biogas Korea Co., Ltd. The claim is in USD and KRW. Changes in exchange rates in 2015 resulted in an unrealized foreign exchange loss of SEK 0.3 million (+14). Given that debt is amortized according to a fixed plan and is expected to be fully amortized by 2025 at the latest, the Group has determined that this claim should not be seen as a net investment in the South Korean company. This means that exchange differences are recognized in net financial items and not as otherwise would have been the case in other comprehensive income.

#### Note 5 Distribution of net sales

Net sales are distributed by type of revenue as follows:

Group	2015	2014
Sale of goods, South Korea	25,102	21,248
Sale of goods, Sweden	99,929	99,758
Sale of services, South Korea	35,364	32,138
Sale of services, Sweden	13,612	9,300
Business-related re-invoicing, Sweden	1,884	5,932
<b>Group total</b>	<b>175,891</b>	<b>168,376</b>
Parent company	2015	2014
Sale of services	1,200	1,200
<b>Parent company total</b>	<b>1,200</b>	<b>1,200</b>

Comparative figures for 2014 above are adjusted for the change in accounting principles for re-invoicing.

#### Note 6 Parent company sales to and purchases from Group companies

During the year, the Parent Company invoiced subsidiaries SEK 1,654 thousand (1,385) for shared Group services. The Parent Company has purchased services from subsidiaries in the amount of SEK 52 thousand (91).

#### Note 7 Work performed for own use and capitalized

The Company has activated staff costs related to work performed on new Construction work in progress and development projects. The costs capitalized relate to direct labour costs, social security contributions and a mark-up for other expenses.

## Note 8 Remuneration to auditors

An audit assignment refers to a legally required examination of the annual report, consolidated financial statements and accounting; administration of the board and the chief executive officer; and other examinations conducted pursuant to agreement or contract. It includes other duties resting with the Company's auditors, as well as advisory services and other types of support that arise in the course of such examination or the performance of such other duties. Everything else is considered other services.

Group	2015	2014
<b>PwC</b>		
Audit assignment	889	711
Audit work in excess of audit assignment	39	52
Tax guidance	123	231
Other services	58	109
<b>Total</b>	<b>1,109</b>	<b>1,103</b>
<b>Other auditors</b>		
Audit assignment	9	8
Audit work in excess of audit assignment	0	0
Tax guidance	7	16
Other services	26	16
<b>Total</b>	<b>42</b>	<b>40</b>
<b>Group total</b>	<b>1,151</b>	<b>1,143</b>
<b>Parent company</b>	<b>2015</b>	<b>2014</b>
<b>PwC</b>		
Audit assignment	392	272
Audit work in excess of audit assignment	28	6
Tax guidance	36	192
Other services	51	109
<b>Total</b>	<b>507</b>	<b>579</b>
<b>Other auditors</b>		
Audit assignment	0	0
Audit work in excess of audit assignment	0	0
Tax guidance	0	0
Other services	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Parent company total</b>	<b>507</b>	<b>579</b>

## Note 9 Employee remuneration, etc.

Group	2015	2014
Salaries and other remuneration	34,395	29,571
Social security contributions	7,614	6,060
Warrants allocated to board members and employees	-	537
Pension expenses – defined contribution plans	3,256	2,765
Pension expenses – defined benefit plans	1,186	581
<b>Group total</b>	<b>46,451</b>	<b>39,514</b>

### Salaries and other remuneration as well as social security contributions

	2015	2015	2014	2014
	Salaries and other remuneration (of which bonus)	Social security contributions (of which pension costs)	Salaries and other remuneration (of which bonus)	Social security contributions (of which pension costs)
Board members, chief executive officer and other senior executives	8,915 (717)	3,604 (1,741)	9,139 (901)	3,111 (1,458)
Other employees	25,480 (1,034)	8,452 (2,701)	20,432 (1,799)	6,295 (1,888)
<b>Group total</b>	<b>34,395 (1,751)</b>	<b>12,056 (4,442)</b>	<b>29,571 (2,700)</b>	<b>9,406 (3,346)</b>

### Warrants allocated to board members and employees

	2015	2015	2014	2014
	Number	Strike price	Number	Strike price
Board members, chief executive officer and other senior executives	-	-	510,000	4.67
Other employees	-	-	55,000	4.67
<b>Group total</b>	<b>-</b>	<b>-</b>	<b>565,000</b>	<b>4.67</b>

The total expense recognized in the income statement for warrants and related social security contributions amounts to SEK 0 thousand (586). For more information on warrants, see Note 33 Share-based payments.

### Gender distribution in the Group (including subsidiaries) for board members and other senior executives

	2015	2015	2014	2014
	No. on balance sheet date	Of which women	No. on balance sheet date	Of which women
Board members	7	1	7	0
CEO and other senior executives	6	1	6	1
<b>Group total</b>	<b>13</b>	<b>2</b>	<b>13</b>	<b>1</b>
<b>Parent company</b>			<b>2015</b>	<b>2014</b>
Salaries and other remuneration			738	637
Social security contributions			78	-51
Warrants allocated to board members and employees			-	-
Pension costs – defined contribution plans			-	-
<b>Parent company total</b>			<b>815</b>	<b>586</b>

### Salaries and other remuneration as well as social security contributions

	2015	2015	2014	2014
	Salaries and other remuneration (of which bonus)	Social security contributions (of which pension costs)	Salaries and other remuneration (of which bonus)	Social security contributions (of which pension costs)
Board members, chief executive officer and other senior executives	738 (-)	78 (-)	637 (-)	-51 (-)
Other employees	-	-	-	-
<b>Parent company total</b>	<b>738 (-)</b>	<b>78 (-)</b>	<b>637 (-)</b>	<b>-51 (-)</b>

### Average number of employees broken down per country

	2015	2015	2014	2014
	Average no. employees	Of which women	Average no. employees	Of which women
Sweden	-	-	-	-
<b>Total Parent Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Subsidiaries</b>				
Sweden	36	10	31	9
South Korea	22	1	21	1
<b>Total subsidiaries</b>	<b>58</b>	<b>11</b>	<b>52</b>	<b>10</b>
<b>Group total</b>	<b>58</b>	<b>11</b>	<b>52</b>	<b>10</b>

### Gender distribution of board members and other senior executives in the Parent Company

	2015	2015	2014	2014
	No. on balance sheet date	Of which men	No. on balance sheet date	Of which men
Board members	7	6	7	7
Chief executive officer and other senior executives	1	1	1	1
<b>Parent company total</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>8</b>

**Note 10 Other operating income and other operating expenses**

	Group		Parent company	
	2015	2014	2015	2014
<b>Other operating income</b>				
Exchange rate gains	347	652	1	-
Profit on the sale of land	-	3,177	-	-
Non-business related re-invoicing	431	27	454	185
Other	2,844	-	-	-
<b>Total other operating income</b>	<b>3,622</b>	<b>3,856</b>	<b>455</b>	<b>185</b>

	Group		Parent company	
	2015	2014	2015	2014
<b>Other operating expenses</b>				
Exchange rate losses	846	109	-	2
Loss on the sale of tangible assets	-	4	-	-
Other	-	1,423	-	-
<b>Total other operating expenses</b>	<b>846</b>	<b>1,536</b>	<b>-</b>	<b>2</b>

In the table above for other operating income the comparative figures for 2014 are adjusted in accordance with the Group's change in the accounting policy for re-invoicing.

**Note 11 Financial income and expenses/Interest income and expenses**

	Group		Parent company	
	2015	2014	2015	2014
<b>Financial income/Interest income</b>				
Interest income on bank deposits	150	138	38	-
Results from Group companies	-	107	7	-
Exchange rate gains	12,563	17,292	-	-
Other financial revenues	11	25	-	-
<b>Total financial income/interest income</b>	<b>12,724</b>	<b>17,562</b>	<b>45</b>	<b>-</b>

	Group		Parent company	
	2015	2014	2015	2014
<b>Financial expenses/Interest expenses</b>				
Impairment of shares in Group companies	-	-	46,083	93,113
Interest expenses on borrowings	2,880	13,849	109	3,670
Exchange rate losses	12,382	3,344	-	-
Other financial expenses	1,545	1,146	281	209
<b>Total financial expenses/interest expenses</b>	<b>16,807</b>	<b>18,339</b>	<b>46,473</b>	<b>96,992</b>
<b>Total net financial items</b>	<b>-4,083</b>	<b>-777</b>	<b>-46,428</b>	<b>-96,992</b>

**Note 12 Corporate Income tax/Tax on results for the year**

	Group		Parent company	
	2015	2014	2015	2014
<b>Current tax:</b>				
Current tax on results for the year	-	-	-	-
Adjustments relating to previous years	-	-	-	-
<b>Total current tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred tax (see Note 16):</b>				
Origination and reversal of temporary differences	-462	16,583	-	-
<b>Total deferred tax</b>	<b>-462</b>	<b>16,583</b>	<b>-</b>	<b>-</b>
<b>Corporate Income tax</b>	<b>-462</b>	<b>16,583</b>	<b>-</b>	<b>-</b>

Corporate income tax on results differs from the theoretical amount that would arise when using the weighted average tax rate for the results of the consolidated companies as follows:

	Group		Parent company	
	2015	2014	2015	2014
Results before tax	-20,900	-6,058	-48,941	1,904
Taxes calculated according to national rates applicable before results in each country	3,772	1,523	10,767	-419
Tax effects of:				
- Non-taxable income	1	2,728	-	-
- Non-deductible costs	-425	-3,381	-10,305	-20,485
- Tax losses for which no deferred tax asset is recognized	-3,810	15,713	-462	20,904
<b>Tax income/expense</b>	<b>-462</b>	<b>16,583</b>	<b>-</b>	<b>-</b>

The weighted average tax rate for the Group is 18.0% (25.1%) and Parent Company is 22.0% (22.0%).

Income tax recognized in equity during the year amounts to:

	Group		Parent company	
	2015	2014	2015	2014
<b>Current tax:</b>				
- New issue costs	25	3	25	3
<b>Deferred tax:</b>				
- New issue costs	-	-	-	-
<b>Total corporate income tax recognized in equity</b>	<b>25</b>	<b>3</b>	<b>25</b>	<b>3</b>

**Note 13 Exchange rate differences**

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

	Group		Parent company	
	2015	2014	2015	2014
Exchange rate differences in operating results	-499	543	1	-2
Net financial items	181	13,948	-	-
<b>Total exchange rate differences in the income statement</b>	<b>-318</b>	<b>14,491</b>	<b>1</b>	<b>-2</b>



**Note 14 Intangible assets**

Group	Capitalized development costs	Concessions and similar rights	Patents and licenses	Total
<b>At January 1, 2014</b>				
Acquisition costs	4,436	161,050	4,534	<b>170,020</b>
Accumulated amortization and impairment	-1,484	-32,964	-4,523	<b>-38,971</b>
<b>Opening balance</b>	<b>2,952</b>	<b>128,086</b>	<b>11</b>	<b>131,049</b>
<b>Financial year 2014</b>				
Opening balance	2,952	128,086	11	<b>131,049</b>
Purchases/reprocessing	2,370	1,194	-	<b>3,564</b>
Reclassifications	-	-1,857	-	<b>-1,857</b>
Translation differences	-	16,796	-	<b>16,796</b>
Amortization	-141	-10,438	-2	<b>-10,581</b>
Impairment	-130	-	-	<b>-130</b>
<b>Closing balance</b>	<b>5,051</b>	<b>133,781</b>	<b>9</b>	<b>138,841</b>
<b>At December 31, 2014</b>				
Acquisition costs	6,806	187,114	4,534	<b>198,454</b>
Accumulated amortization and impairment	-1,755	-53,333	-4,525	<b>-59,613</b>
<b>Closing balance</b>	<b>5,051</b>	<b>133,781</b>	<b>9</b>	<b>138,841</b>
<b>Financial year 2015</b>				
Opening balance	5,051	133,781	9	<b>138,841</b>
Purchases/reprocessing	2,330	247	190	<b>2,767</b>
Translation differences	-	1,101	-	<b>1,101</b>
Amortization	-142	-12,792	-33	<b>-12,967</b>
Impairment	-	-13,518	-	<b>-13,518</b>
<b>Closing balance</b>	<b>7,239</b>	<b>108,819</b>	<b>166</b>	<b>116,224</b>
<b>At December 31, 2015</b>				
Acquisition costs	9,136	187,406	4,724	<b>201,266</b>
Accumulated amortization and impairment	-1,897	-78,587	-4,558	<b>-85,042</b>
<b>Closing balance</b>	<b>7,239</b>	<b>108,819</b>	<b>166</b>	<b>116,224</b>

The total amount for research and development that was expensed during the period was SEK 2,080 thousand (1,760).

Impairment in 2015 pertains to the plant in Ulsan. Impairment tests have been conducted through the measurement of value in use, applying a discount rate of 11 percent. The main reason for the impairment is the decline in the market price of LNG that gas sales are based on, and the outstanding issue of the upgrading, see also Note 24 Provisions.

**Note 15 Tangible assets**

Group	Buildings and land	Plants and machinery	Equipment, fixtures and fittings	Construction work in progress	Total
<b>At January 1, 2014</b>					
Cost of acquisition	105,420	72,589	12,019	105,491	<b>295,519</b>
Accumulated depreciation and impairment	-9,222	-18,238	-10,490	-34,333	<b>-72,283</b>
<b>Carrying amount</b>	<b>96,198</b>	<b>54,351</b>	<b>1,529</b>	<b>71,158</b>	<b>223,236</b>
<b>Financial year 2014</b>					
Opening balance	96,198	54,351	1,529	71,158	<b>223,236</b>
Acquisitions	24,167	30,109	3,387	139,382	<b>197,045</b>
Capitalization	-	-	-	-2,032	<b>-2,032</b>
Capitalized interest	-	-	-	4,634	<b>4,634</b>
Sale and disposal	-41,300	-	-	-43,039	<b>-84,339</b>
Reclassifications	-	-48	48	-	<b>-</b>
Translation differences	-	-	23	-	<b>23</b>
Depreciation	-2,749	-5,480	-738	-	<b>-8,967</b>
Impairment	-	-	-	-2,492	<b>-2,492</b>
<b>Closing balance</b>	<b>76,316</b>	<b>78,932</b>	<b>4,250</b>	<b>167,611</b>	<b>327,109</b>
<b>At December 31, 2014</b>					
Cost of acquisition	91,538	102,650	15,532	204,993	<b>414,713</b>
Accumulated depreciation and impairment	-15,222	-23,718	-11,282	-37,382	<b>-87,604</b>
<b>Carrying amount</b>	<b>76,316</b>	<b>78,932</b>	<b>4,250</b>	<b>167,611</b>	<b>327,109</b>
<b>Financial year 2015</b>					
Opening balance	76,316	78,932	4,250	167,611	<b>327,109</b>
Acquisitions	-	11,051	929	171,550	<b>183,530</b>
Capitalization	84,481	164,033	-	248,514	<b>-</b>
Advances paid	-	-	-	26,720	<b>26,720</b>
Capitalized interest	-	-	-	16,266	<b>16,266</b>
Sale and disposal	-	-	-	-9,600	<b>-9,600</b>
Translation differences	-	-	5	-	<b>5</b>
Depreciation	-3,788	-7,895	-1,073	-	<b>-12,756</b>
<b>Closing balance</b>	<b>157,009</b>	<b>246,121</b>	<b>4,111</b>	<b>124,033</b>	<b>531,274</b>
<b>At December 31, 2015</b>					
Cost of acquisition	176,019	277,734	16,461	161,415	<b>631,629</b>
Accumulated depreciation and impairment	-19,010	-31,613	-12,350	-37,382	<b>-100,355</b>
<b>Carrying amount</b>	<b>157,009</b>	<b>246,121</b>	<b>4,111</b>	<b>124,033</b>	<b>531,274</b>

Construction work in progress at December 31, 2015 consists primarily of capital investments in the expansion of Henriksdal and the plant in Södertörn.

During the year the Group capitalized borrowing fees of SEK 16,266 thousand (4,634) on qualified assets in the form of Construction work in progress.

During the financial year parts of the Construction work in progress in Varberg were sold at book value.

Last year's impairments relate to the plant in Varberg and reversal of impairment of the plant in Louden.

Tangible assets include leased items held by the Group as financial leases in the following amounts:

	2015	2014
Buildings and land	72,862	76,316
Plant and machinery	83,844	78,933
Equipment, fixtures and fittings	3,146	4,035
Construction work in progress	88,402	25,201
<b>Carrying amount</b>	<b>248,254</b>	<b>184,485</b>

**Note 16 Participations in Group companies**

Parent company	Dec 31, 2015	Dec 31, 2014
<b>Accumulated acquisition value</b>		
Opening acquisition value	520,885	514,348
Shareholder contributions	12,000	6,000
Share-based payments	-	537
	<b>532,885</b>	<b>520,885</b>
<b>Accumulated impairment</b>		
Opening balance	-357,411	-264,298
Impairment for the year	-46,083	-93,113
	<b>-403,494</b>	<b>-357,411</b>
<b>Closing carrying amount at the year end</b>	<b>129,391</b>	<b>163,474</b>

**Parent Company has shares in the following subsidiaries:**

Name	Corp. reg. no.	Domicile	Share of equity	Number of shares	Carrying amount	
					Dec 31, 2015	Dec 31, 2014
<b>Direct holdings</b>						
Scandinavian Biogas Fuels AB	556691-9196	Stockholm	100 %	166,667	27,341	67,424
Scandinavian Biogas Sweden AB	556807-2986	Stockholm	100 %	50,000	102,050	96,050
<b>Indirect holdings</b>						
Biogas Uppland AB	556636-0227	Uppsala	50 %	1,000	-	-
Scandinavian Biogas Södertörn AB	556712-1735	Stockholm	100 %	100,000	-	-
Scandinavian Biogas Fuels i Varberg AB	556748-8357	Varberg	100 %	100,000	-	-
Scandinavian Biogas Korea Co., Ltd.	610-84-00961	Ulsan (South Korea)	82 %	81,000	-	-
Scandinavian Biogas Korea Co., Ltd.	285011-0174239	Seoul (South Korea)	90 %	1,008	-	-
Scandinavian Biogas Stockholm AB	556489-7899	Stockholm	100 %	1,000	-	-
Scandinavian Biogas Recycling AB	556934-4384	Stockholm	60 %	300	-	-
<b>Total</b>					<b>129,391</b>	<b>163,474</b>

**Significant subsidiaries and their activities**

Scandinavian Biogas Fuels AB designs and builds biogas facilities, with a primary focus on optimizing production and conducting research in the biogas field.

Scandinavian Biogas Korea Co., Ltd. runs a plant in Ulsan that produces raw gas from primarily food waste. Revenues are generated by gate fees, in other words payment for taking in waste, and from sales of gas.

Scandinavian Biogas Stockholm AB's operations comprise the production and trade of upgraded biogas.

Scandinavian Biogas Södertörn AB (SBSö) and Scandinavian Biogas Recycling AB (SBR) work in close collaboration and their overall business covers the entire production of biogas. SBR is responsible for the pre-treatment and SBSö for digestion, upgrading and the management of digestate.

All subsidiaries are consolidated in the group. The percentage of voting rights in subsidiaries directly owned by Parent Company is no different from the owned shareholding of common stock.

40 percent of the shares in Scandinavian Biogas Recycling AB were sold in spring 2014 to SRV Återvinning AB. In 2014, the subsidiary Scandinavian Biogaz Polska Sp.z o.o was liquidated.

Biogas Uppland AB is consolidated given that Scandinavian Biogas Fuels AB has the right to appoint the chairman, who in turn holds the casting vote. This means that Scandinavian Biogas Fuels is deemed to have control over Biogas Uppland AB. The total ownership of non-controlling interests for the period amounted to SEK 5,058 thousand (3,475), of which SEK 561 thousand (1,342) concerns Scandinavian Biogas Korea Co., Ltd. and SEK 3,435 thousand (1,266) concerns Scandinavian Biogas Recycling AB. Holdings of non-controlling interests in the remaining subsidiaries with minority shareholders are insignificant.

**Significant constraints**

There are certain constraints in moving capital from subsidiaries both in Sweden and South Korea due to, among other things, regulations in loan agreements.

**Summary of financial information concerning subsidiaries with significant non-controlling interests**

Below is a summary of financial information for each subsidiary with non-controlling interests and that is significant to the Group. The information provides amounts before intercompany eliminations.

**Summary from the balance sheet**

Scandinavian Biogas Korea Co., Ltd. (Ulsan)	2015	2014
Non-current assets	113,795	123,969
Current assets	19,719	14,457
<b>Total assets</b>	<b>133,514</b>	<b>138,426</b>
Non-current liabilities	72,508	75,500
Current liabilities	57,862	55,402
<b>Total liabilities</b>	<b>130,370</b>	<b>130,902</b>
<b>Net assets</b>	<b>3,144</b>	<b>7,524</b>

**Summary of information on results and comprehensive income**

Scandinavian Biogas Korea Co., Ltd. (Ulsan)	2015	2014
Income	60,466	53,386
Net results for the year	-19,534	858
<b>Total comprehensive results for the year</b>	<b>-18,632</b>	<b>1,357</b>
<b>Total comprehensive results attributable to non-controlling interests</b>	<b>-3,322</b>	<b>242</b>

## Summary of statement of cash flows

Scandinavian Biogas Korea Co., Ltd. (Ulsan)	2015	2014
<b>Cash flow from operating activities</b>		
Cash flow from operations	20,804	17,839
Interest paid	-2,092	-2,876
Total change in working capital	2,930	6,138
Cash flow from operating activities	21,642	21,101
Cash flow from investing activities	-326	-4,493
Cash flow from financing activities	-16,045	-14,448
<b>Increase/decrease in cash and cash equivalents</b>	<b>5,271</b>	<b>2,160</b>
Cash and cash equivalents at the start of the year	10,493	7,222
Translation differences in cash and cash equivalents	3	1,111
<b>Cash and cash equivalents at the end of the year</b>	<b>15,767</b>	<b>10,493</b>

## Summary of information from the balance sheet

Scandinavian Biogas Recycling AB	2015	2014
Non-current assets	497	-
Current assets	10,647	7,430
<b>Total assets</b>	<b>11,144</b>	<b>7,430</b>
Non-current liabilities	-	-
Current liabilities	2,780	4,265
<b>Total liabilities</b>	<b>2,780</b>	<b>4,265</b>
<b>Net assets</b>	<b>8,364</b>	<b>3,165</b>

## Summary of information on results and comprehensive income

Scandinavian Biogas Recycling AB	2015	2014
Income	13,914	7,796
Net results for the year	-4,364	-8,003
<b>Total comprehensive results for the year</b>	<b>-4,364</b>	<b>-8,003</b>
<b>Total comprehensive results attributable to non-controlling interests</b>	<b>-1,746</b>	<b>-3,201</b>

## Summary of statement of cash flows

Scandinavian Biogas Recycling AB	2015	2014
<b>Cash flow from operating activities</b>		
Cash flow from operations	-4,296	-7,955
Interest paid	-12	-48
Total change in working capital	-1,229	-2,195
Cash flow from operating activities	-5,537	-10,198
Cash flow from investing activities	-553	-
Cash flow from financing activities	9,563	10,000
<b>Increase/decrease in cash and cash equivalents</b>	<b>3,473</b>	<b>-198</b>
Cash and cash equivalents at the start of the year	26	224
<b>Cash and cash equivalents at the end of the year</b>	<b>3,499</b>	<b>26</b>

## Note 17 Other non-current assets

Group	Dec 31, 2015	Dec 31, 2014
<b>Accumulated acquisition value:</b>		
-At the start of the year	-	-
-Additional non-current prepaid expenses	4,000	-
-Outgoing part	-889	-
<b>Carrying amount at the end of the year</b>	<b>3,111</b>	<b>-</b>

Non-current prepaid expenses pertain to a negotiating fee that is amortized over the term of the agreement (9 years).

## Note 18 Financial instrument per category

## Assets on the balance sheet

Group	Assets valued at fair value via the income statement	Assets valued at fair value via other comprehensive income	Loans and receivables	Total
<b>December 31, 2015</b>				
Trade accounts receivable	-	-	25,870	<b>25,870</b>
Other receivables	-	-	9,884	<b>9,884</b>
Cash and cash equivalents	-	-	64,879	<b>64,879</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>100,633</b>	<b>100,633</b>

## December 31, 2014

Trade accounts receivable	-	-	20,294	<b>20,294</b>
Other receivables	-	-	9,068	<b>9,068</b>
Cash and cash equivalents	-	-	124,889	<b>124,889</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>154,251</b>	<b>154,251</b>

## Liabilities on the balance sheet

Group	Liabilities valued at fair value via the income statement	Liabilities valued at fair value via other comprehensive income	Other financial liabilities	Total
<b>December 31, 2015</b>				
Borrowings	-	-	335,206	<b>335,206</b>
Loans from shareholders	-	-	19	<b>19</b>
Trade accounts payable	-	-	61,555	<b>61,555</b>
Accrued expenses	-	2,704	-	<b>2,704</b>
Other liabilities	-	-	76	<b>76</b>
<b>Total</b>	<b>-</b>	<b>2,704</b>	<b>396,856</b>	<b>399,560</b>

## December 31, 2014

Borrowings	-	-	314,429	<b>314,429</b>
Derivative instruments	763	-	-	<b>763</b>
Convertible debt	-	-	40,592	<b>40,592</b>
Loans from shareholders	-	-	19	<b>19</b>
Trade accounts payable	-	-	33,493	<b>33,493</b>
Accrued expenses	-	1,828	-	<b>1,828</b>
Other liabilities	-	-	600	<b>600</b>
<b>Total</b>	<b>763</b>	<b>1,828</b>	<b>389,133</b>	<b>391,724</b>

## Note 19 Derivate instruments

	Dec 31, 2015		Dec 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	-	-	763
Current part	-	-	-	763

**Note 20 Trade accounts receivable**

Group	Dec 31, 2015	Dec 31, 2014
Trade accounts receivable	26,162	20,567
Less: provision for doubtful receivables	-292	-273
<b>Trade accounts receivable - net</b>	<b>25,870</b>	<b>20,294</b>

At December 31, 2015 substantiated trade accounts receivable amounted to SEK 25,870 thousand (20,294).

At December 31, 2015 trade accounts receivable at the amount of SEK 3,892 thousand (2,827) were past due but impairment was not deemed necessary.

A maturity analysis of trade accounts receivable is provided below:

	Dec 31, 2015	Dec 31, 2014
1-30 days	3,892	2,827
31-60 days	-	-
> 61 days	-	-
<b>Total overdue trade accounts receivable</b>	<b>3,892</b>	<b>2,827</b>

Change in the provisions for doubtful receivables is as follows:

	Dec 31, 2015	Dec 31, 2014
<b>At January 1</b>		
Provisions for doubtful receivables	-273	-228
Exchange rate differences	-19	-45
<b>At December 31</b>	<b>-292</b>	<b>-273</b>

Allocations to, and reversals of, provisions for doubtful receivables are included in other external expenses in the income statement. Trade accounts receivable outstanding on the balance sheet date have no collateral nor guarantees.

**Note 21 Prepaid expenses and accrued income**

Group	Dec 31, 2015	Dec 31, 2014
Accrued income	520	105
Prepaid insurance premiums	1,610	1,426
Prepaid rent	2,194	1,427
Borrowing fees	13	51
Other items	904	829
<b>Group total</b>	<b>5,241</b>	<b>3,838</b>

Parent company	Dec 31, 2015	Dec 31, 2014
Prepaid insurance premiums	35	74
Other items	37	35
<b>Parent Company total</b>	<b>72</b>	<b>109</b>

**Note 22 Cash and cash equivalents/Cash and bank**

On the balance sheet and statement of cash flows the following items are included in cash and cash equivalents:

Group	Dec 31, 2015	Dec 31, 2014
Cash and bank	64,879	124,889
<b>Group total</b>	<b>64,879</b>	<b>124,889</b>

Parent company	Dec 31, 2015	Dec 31, 2014
Cash and bank	1,544	61,471
<b>Parent Company total</b>	<b>1,544</b>	<b>61,471</b>

None of the funds in cash and cash equivalents are restricted.

**Note 23 Share capital and other capital contributions**

	Number of shares (thousand)	Share capital	Other capital contributions	Total
<b>At December 31, 2014</b>	<b>78,415</b>	<b>15,683</b>	<b>654,884</b>	<b>670,567</b>
Cost of share issues	-	-	-116	-116
Conversion of convertible debt	11,678	2,336	38,537	40,873
<b>At December 31, 2015</b>	<b>90,093</b>	<b>18,019</b>	<b>693,305</b>	<b>711,327</b>

Share capital consists of 90 092 662 shares. Each share has one vote. All shares issued by the Parent Company are paid in full.

*Convertibles*

In 2014, the Parent Company implemented a convertible bond issue for a total of 300,000 convertibles. The Company called for the conversion of all convertible bonds in January 2015 at a conversion rate of SEK 3.50.

In 2013, the Parent Company completed three convertible bond issues totalling 11,378,001 convertibles. The Company called for the conversion of all convertible bonds in January 2015 at a conversion rate of SEK 3.50.

At December 31, 2015 there were no outstanding convertibles.

*Warrants*

The Parent Company, with authorization from the AGM in 2013, issued 2,500,000 warrants to the subsidiary Scandinavian Biogas Fuels AB in 2014. Of these, a total of 565,000 warrants were allocated to the chief executive officer and employees. The warrants were valued using the Black & Scholes option pricing model at SEK 0.95 per warrant. The warrants were issued free of charge and the employees were taxed for the benefit. Warrant holders have the right to subscribe to one share per warrant at a subscription price of SEK 4.67 per share. Subscription of shares may take place from April 1, 2017 through April 1, 2018. The warrants carry a pre-emption clause.

## Note 24 Provisions

Group	Dec 31, 2015	Dec 31, 2014
Provision for penalty fee risk	7,097	-
<b>Group total</b>	<b>7,097</b>	<b>-</b>

There is a risk that the subsidiary Scandinavian Biogas Korea Co., Ltd. in Ulsan will have to pay a penalty to Ulsan City for not upgrading gas. According to the agreement, an investment in an upgrading plant in Ulsan was to be made by December 2017 at the latest. If the Company chooses not to make the investment, Ulsan City is entitled to charge a penalty fee equivalent to a portion of the gas sales. This penalty shall apply retroactively from November 2012 (the company has already paid up to October 2012). As there is currently no interest in South Korea for the upgraded gas, the Company deems the requirement in the contract as unreasonable. The Company is also of the opinion that the level of the penalty is unreasonable. The Group has engaged a leading law firm in South Korea, which says in a statement that a substantially lower penalty is more appropriate.

Due to the uncertainty in the matter, the company, during the financial year, decided to make a provision corresponding to 10 percent of gas sales for the period November 2012 to December 2015. The difference between allocated and agreed amount is reported as a contingent liability, see Note 30 Contingent Liabilities.

The Parent Company has no Provisions.

## Note 25 Borrowings

Group	Dec 31, 2015	Dec 31, 2014
<b>Non-current</b>		
Loans from credit institutions	98,654	131,771
Convertible debt	-	40,592
Liabilities related to financial leasing	167,989	163,706
<b>Total non-current borrowings</b>	<b>266,643</b>	<b>336,069</b>

<b>Current</b>		
Loans from credit institutions	61,980	13,123
Convertible debt	19	19
Liabilities related to financial leasing	6,583	5,829
<b>Total current borrowings</b>	<b>68,582</b>	<b>18,971</b>
<b>Total borrowings</b>	<b>335,225</b>	<b>355,040</b>

Parent Company	Dec 31, 2015	Dec 31, 2014
<b>Non-current</b>		
Convertible debt	-	40 592
<b>Total non-current borrowings</b>	<b>-</b>	<b>40 592</b>
<b>Current</b>		
Loans from shareholders	19	19
<b>Total current borrowings</b>	<b>19</b>	<b>19</b>
<b>Total borrowings</b>	<b>19</b>	<b>40 611</b>

### Loans from credit institutions

Loans from credit institutions mature up until 2020 and carry an average interest rate of 5.5 percent per year (6.8 percent). The Group's borrowings are in SEK and KRW.

Total borrowings include bank loans and other borrowings against collateral of SEK 225,663 thousand (265,646). Security for the bank loans consists of corporate liens and pledged intercompany loans as well as shares in subsidiaries.

The carrying amount and fair value of non-current borrowings is as follows:

	Carrying amount		Fair value	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Loans from credit institutions	98,654	131,771	98,654	131,771
Convertible debt	-	40,592	-	40,592
Liabilities related to financial leasing	167,989	163,706	167,989	163,706

The fair value of non-current borrowings is based on future cash flows of principal and interest discounted at the current market rate on the balance sheet date.

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

### Convertible debt

The Parent Company issued convertible bonds on three occasions during 2013 at a total nominal value of SEK 39,823 thousand and on one occasion in 2014 with a total nominal value of SEK 1,050 thousand. All convertible bonds were converted to shares, called for at the beginning of 2015 by the Company. The value of the debt, including the equity component (conversion rights), was determined at issuance. Given the equity component is not significant, Scandinavian Biogas Fuels International AB has elected to report the convertible bonds as a liability in its entirety. The convertible bonds carried a fixed interest rate of 8 percent.

Convertible debt is reported in the balance sheet as follows:

	2014	2013
Nominal value of convertible debt issued in 2013 (Liability)	39,823	39,823
Nominal value of convertible debt issued in 2014 (Liability)	1,050	1,050
Converted	-40,873	-
Interest accrued	5,490	5,490
Interest paid	-5,490	-
<b>Debt on December 31</b>	<b>-</b>	<b>46,363</b>

## Note 26 Deferred tax

	Group		Parent company	
	2015	2014	2015	2014
Deferred tax expense related to temporary differences	-513	-493	-	-
Deferred tax benefit related to temporary differences	51	17,076	-	-
<b>Total deferred tax in the income statement</b>	<b>-462</b>	<b>16,583</b>	<b>-</b>	<b>-</b>

Deferred tax assets and liabilities are distributed as follows:

Deferred tax assets	Dec 31, 2015	Dec 31, 2014
Deferred tax assets to be utilized after 12 months	-	-
Deferred tax assets to be utilized within 12 months	-	-
<b>Total deferred tax assets</b>	<b>-</b>	<b>-</b>

### Deferred tax liabilities

Deferred tax liabilities to be utilized after 12 months	1,564	1,102
Deferred tax liabilities to be utilized within 12 months	-	-
<b>Total deferred tax liabilities</b>	<b>1,564</b>	<b>1,102</b>
<b>Deferred tax liabilities/assets (net)</b>	<b>-1,564</b>	<b>-1,102</b>



Changes in deferred tax assets and liabilities during the year, which were recognized in the income statement, without regard to offsets made within the same tax jurisdiction, are shown below:

Deferred tax liabilities	Dec 31, 2015	Dec 31, 2014
<b>At January 1</b>	<b>1,102</b>	<b>18,191</b>
Accelerated depreciation	-	-8,255
Development costs	513	493
Reversal of revaluation of land	-	-9,086
Transaction expenses - loans	-51	-241
<b>At December 31</b>	<b>1,564</b>	<b>1,102</b>

Deferred tax liabilities	Dec 31, 2015	Dec 31, 2014
<b>At January 1</b>	<b>-</b>	<b>506</b>
Component depreciation	-	-288
Derivative instruments	-	-218
<b>At December 31</b>	<b>-</b>	<b>-</b>

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

## Note 27 Other liabilities

Group	Dec 31, 2015	Dec 31, 2014
VAT liability	1,101	1,656
Tax deduction at source	765	639
Derivatives	-	763
Public funding	18,910	553
Other	76	47
<b>Group total</b>	<b>20,852</b>	<b>3,658</b>

Parent company	Dec 31, 2015	Dec 31, 2014
Tax deduction at source	-	30
<b>Parent Company total</b>	<b>-</b>	<b>30</b>

## Note 28 Accrued expenses and deferred income

Group	Dec 31, 2015	Dec 31, 2014
Accrued interest	829	5,563
Accrued payroll-related expenses	8,803	7,053
Accrued expenses, gas and electricity	7,207	3,997
Accrued board fees	235	457
Construction work in progress	94,021	18,100
Other items	5,450	6,339
<b>Group total</b>	<b>116,545</b>	<b>41,509</b>

Parent company	Dec 31, 2015	Dec 31, 2014
Accrued interest	73	5,563
Accrued board fees	235	457
Other items	278	243
<b>Parent Company total</b>	<b>586</b>	<b>6,263</b>

## Note 29 Pledged assets

Group	Dec 31, 2015	Dec 31, 2014
Lien on assets	103,622	149,606
Shares in Scandinavian Biogas Stockholm AB	51,391	49,417
Shares in Scandinavian Biogas Korea Co., Ltd.	2,583	6,182
Shares in Scandinavian Biogas Sweden AB	44,124	54,359
Shares in Scandinavian Biogas Södertörn AB	23,863	6,001
Shares in Scandinavian Biogas Fuels i Varberg AB	80	81
<b>Group total</b>	<b>225,663</b>	<b>265,646</b>

Parent company	Dec 31, 2015	Dec 31, 2014
Shares in Scandinavian Biogas Sweden AB	102,050	96,050
Pledged intercompany loan to Scandinavian Biogas Sweden AB	69,574	21,000
<b>Parent Company total</b>	<b>171,624</b>	<b>117,050</b>

## Note 30 Contingent liabilities

Group	Dec 31, 2015	Dec 31, 2014
Contingent liabilities	28,386	-
<b>Group total</b>	<b>28,386</b>	<b>-</b>

Parent Company	Dec 31, 2015	Dec 31, 2014
Contingent liabilities for subsidiary loans from credit institutions	37,500	40,000
Contingent liabilities for subsidiary payment guarantees to suppliers	-	12,422
<b>Parent company total</b>	<b>37,500</b>	<b>52,422</b>

Contingent liabilities for subsidiary loans from credit institutions pertains to general guarantees.

On December 31, 2015 the Group had a contingent liability of SEK 28.4 million concerning the difference between the allocated and agreed amount for the penalty relating to the upgrading in Ulsan, South Korea.

## Note 31 Lease agreements

### Operating leases

The Group's operating leases primarily concern office space, land, cars, coffee machines and copiers. No subleasing is conducted. Cars are leased with a three-year agreement by which i) the car is returned at no charge ii) the car lease can be extended on a 1-year basis, or iii) the car can be purchased at the agreed residual value. The leasing of copiers is based on 3-year agreements, after which the copier is returned or the lease is extended on a one-year basis. The land at Henriksdal and Södertörn is being leased for a 25-year period and the land at Bromma until Stockholm Vatten's wastewater treatment plant is closed, which is expected at year-end 2020.

The subsidiary Scandinavian Biogas Sweden AB has during the financial year signed a lease for a storage tank. The agreement runs for five years from April 1, 2016 with a possible extension for another five years at the lessee's request. If the agreement is not terminated or extended by five years, then it will be automatically extended by two years at a time. At the end of the lease period the lessee is only responsible for ensuring the tank is well cleaned.

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

Group	Dec 31, 2015	Dec 31, 2014
Within 1 year	5,451	4,724
Between 1 and 5 years	22,145	17,817
Between 6 and 10 years	14,306	17,682
More than 10 years	29,950	33,878
<b>Group total</b>	<b>71,852</b>	<b>74,101</b>

The Group's costs for operating leases during the financial year amounted to SEK 5,542 thousand (3,442).

#### Financial leases

The Group's finance lease agreements comprise the lease of biogas plants/pre-treatment plant as well as other tangible assets in primarily Henriksdal, Bromma and Södertörn.

In September 2014, the Group company Scandinavian Biogas Stockholm AB sold its non-current assets to Stockholm Vatten AB. At the same time, the Company signed a leasing agreement to lease the land and facilities at Henriksdal and Bromma. The lease runs for 25 years. The rent for the land and facilities at Henriksdal is calculated on the book value at the time of the sale spread over 20 years, with a rent rebate the first and last 30 months, and a variable rate equivalent to two-year government bonds plus 2.85 percentage points. The rent for land and facilities at Bromma is calculated in the same way, without a rent rebate. This agreement will apply as long as the facility in Bromma remains. Stockholm Stad has decided to phase out the facility, with a preliminary date set for year-end 2020.

A split was made between land and other assets based on the book value of the sold assets at the time of the sale. The Group reports the portion related to other assets as tangible assets and the debt is recorded to Stockholm Vatten AB. The land is classified as an operating lease, see above.

The subsidiary Scandinavian Biogas Recycling AB rents land and facilities from SRV Återvinning AB. The rental agreement runs for 25 years and rent for the land is classified as an operating lease, while the rent for the rest of the facilities is classified as a financial lease. The rent is calculated on the book cost at the beginning of the rental period divided among 20, 15 and 7 years and a variable rate equal to three months STIBOR plus 2 percentage points.

#### Liabilities related to financial leasing

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of non-payment.

Gross liabilities related to finance leases - minimum leasing fees:	Dec 31, 2015	Dec 31, 2014
Within 1 year	11,435	12,129
Between 1 and 5 years	58,504	56,553
Between 6 and 10 years	72,534	60,076
More than 10 years	134,097	97,249
<b>Total</b>	<b>276,570</b>	<b>226,007</b>

Current value of liabilities related to finance leases:	Dec 31, 2015	Dec 31, 2014
Within 1 year	10,622	11,304
Between 1 and 5 years	55,506	53,445
Between 6 and 10 years	69,580	56,933
More than 10 years	131,031	93,669
<b>Total</b>	<b>266,739</b>	<b>215,351</b>

The tables above also include future minimum leasing fees pertaining to contracted leases, which at December 31, 2015 are not on the balance sheet.

Financial lease expenses in the Group amounted to SEK 11,463 thousand (4,087) for the financial year.

No lease agreements are held by the Parent Company.

## Note 32 Other non-cash items

Group	Dec 31, 2015	Dec 31, 2014
Gain on disposal of tangible assets	-	-3,177
Impairment of tangible and intangible assets	-	2,955
Other provisions	7,097	-
Value of warrants program	-	537
Actuarial results on post-employment benefits	227	-102
Other	-48	4,345
<b>Group total</b>	<b>7,276</b>	<b>4,558</b>

Parent company	Dec 31, 2015	Dec 31, 2014
Other	-	-
<b>Parent Company total</b>	<b>-</b>	<b>-</b>

## Note 33 Share-based payment

#### Warrants program 2014

The Parent Company, with authorization from the AGM in 2013, issued 2,500,000 warrants to the subsidiary Scandinavian Biogas Fuels AB during the 2014 financial year. Of these, a total of 565,000 warrants were allocated to the chief executive officer and employees. The warrants were valued using the Black & Scholes option pricing model at SEK 0.95 per warrant. The warrants were issued free of charge and the employees were taxed for the benefit. Warrant holders have the right to subscribe to one share per warrant at a subscription price of SEK 4.67 per share. Subscription of shares may take place from April 1, 2017 through April 1, 2018. The warrants carry a pre-emption clause.

Group - number of warrants	Dec 31, 2015	Dec 31, 2014
Chief executive officer	400,000	400,000
Other senior executives	110,000	110,000
Other employees	55,000	55,000
<b>Group total</b>	<b>565,000</b>	<b>565,000</b>

## Note 34 Transactions with related parties

AC Cleantech Growth Fund I Holding AB owns 32.8 percent and Bengtssons Tidnings AB (and related parties) own 31.4 percent of the shares in Scandinavian Biogas Fuels International AB. Both of these owners are considered to have significant influence over the Group. Of the remaining 35.8 percent of the shares, no single owner holds more than 10% of the shares. Other related parties are Group subsidiaries and senior executives of the Group, in other words members and Management, in addition to their family members.

The following transactions were made with related parties:

(a) Sale of goods and services	2015	2014
Sale of goods:		
- No sales of goods has occurred to related parties outside the Group	-	-
Sale of services:		
- No sales of services has occurred to related parties outside the Group	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

(b) Purchase of goods and services	2014	2013
Purchase of services:		
- Key persons in senior positions (consultancy services)	112	140
- Other related parties (consultancy services)	216	252
<b>Summa</b>	<b>328</b>	<b>392</b>

Goods and services are purchased from and sold to subsidiaries on normal market terms.

Services purchased from related parties are based on normal market terms and on a commercial basis.

#### (c) Remuneration to senior executives

Remuneration to the chief executive officer and other senior executives consists of basic salary, variable remuneration, other benefits and financial instruments, etc. Other senior executives are the five persons who together with the chief executive officer, comprise Group management. For management structure, see the Corporate Governance in the Board of Directors' Report.

If the Company chooses to terminate the chief executive officer's employment, he is entitled to 12 months of severance pay. There are no other severance pay agreements.

Senior executives received the following remuneration (note 9 Employee remuneration, etc.):

Remuneration and other benefits 2015	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension costs	Share-based benefits	Other remuneration	Total
Chairman Göran Persson	350	-	-	-	-	-	350
Board member Anders Bengtsson	50	-	-	-	-	-	50
Board member Andreas Ahlström	50	-	-	-	-	-	50
Board member Phil Metcalfe (1501-1504)	17	-	-	-	-	-	17
Board member Jan Lönnblad (1501-1504)	17	-	-	-	-	-	17
Board member Hans Hansson	50	-	-	-	-	-	50
Board member Sara Anderson (1505-1512)	33	-	-	-	-	-	33
Board member Peter Lönnblad (1505-1512)	33	-	-	-	-	-	33
Board member Andreas Berg	50	-	-	-	-	-	50
CEO Matti Vikkula	3,037	333	110	660	-	-	4,140
Other senior executives (5 persons)	4,433	384	91	893	-	-	5,801
<b>Total</b>	<b>8,121</b>	<b>717</b>	<b>201</b>	<b>1,553</b>	<b>-</b>	<b>-</b>	<b>10,592</b>

Remuneration and other benefits 2014	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension costs	Share-based benefits	Other remuneration	Total
Chairman Göran Persson	350	-	-	-	-	140	490
Board member Anders Bengtsson	50	-	-	-	-	-	50
Board member Andreas Ahlström	50	-	-	-	-	-	50
Board member Phil Metcalfe	50	-	-	-	-	-	50
Board member Jan Lönnblad	50	-	-	-	-	-	50
Board member Hans Hansson	50	-	-	-	-	-	50
Board member Andreas Berg	50	-	-	-	-	-	50
CEO Matti Vikkula	3,322	500	113	561	380	-	4,876
Other senior executives (5 persons)	4,279	401	86	743	105	-	5,614
<b>Total</b>	<b>8,251</b>	<b>901</b>	<b>199</b>	<b>1,304</b>	<b>485</b>	<b>140</b>	<b>11,279</b>

In the table above, salaries and other short-term benefits for the 2015 financial year include expensed bonuses to the CEO and other senior management of SEK 717 thousand (901).

The Chairman and Directors receive remuneration as determined by the Annual General Meeting. They are not paid for committee work. With regard to the Parent Company's salaries and compensation, expenses related to the Board amounted to SEK 738 thousand (637), while the subsidiary's other external expenses, amounting to SEK 0 thousand (140), relate to consulting fees to the Chairman of the Board and SEK 112 thousand (0) in consultancy fees to the employer of a board member.

#### (d) Loans from companies with significant influence over the Group

	2015	2014
At the start of the year	26,235	29,582
Loans repaid during the year	-	-4,962
Converted amount	-23,018	-
Interest expense	-	1,615
Interest paid	-3,217	-
<b>At the year-end</b>	<b>-</b>	<b>26,235</b>

## Note 35 Events after the balance sheet date

### Business acquisitions

On February 11, 2016 the Group acquired 50.03 percent of Biokraft Holding AS – a company registered in Norway, which in turn owns all the shares of Biokraft AS. The purchase price amounted to total NOK 57,999,147.66. A small portion of the acquisition was made directly from the owners and the majority in connection with a new issue. Preliminary excess value of the acquisition is estimated at about NOK 7.4 million. The acquisition costs, including lawyers, is estimated at SEK 2.2 million.

Information on the acquired net assets and goodwill (SEK thousand):

	At the time of the acquisition
<b>Purchase price:</b>	
- funds paid by direct acquisition	2,981
- funds paid by new issue	54,670
<b>Total purchase price</b>	<b>57,651</b>
Fair value of the acquired assets (see below)	-50,290
<b>Excess value/Goodwill</b>	<b>7,361</b>

The assets and liabilities included in the acquisition are, according to a preliminary assessment, the following (SEK thousand):

	Fair value
Cash and cash equivalents	9,940
Tangible assets	100,567
Trade accounts payable and other liabilities	-47
Borrowings	-9,940
<b>Identifiable assets acquired</b>	<b>100,520</b>
Non-controlling interests	-50,230
Excess value/Goodwill	7,361
<b>Acquired net assets</b>	<b>57,651</b>

Stockholm, March 24, 2016

\_\_\_\_\_  
Göran Persson  
Chairman

\_\_\_\_\_  
Anders Bengtsson  
Board member

\_\_\_\_\_  
Hans Hansson  
Board member

\_\_\_\_\_  
Sara Anderson  
Board member

Our audit report was submitted on March 24, 2016

Öhrlings PricewaterhouseCoopers AB

\_\_\_\_\_  
Leonard Daun  
Authorized Public Accountant, Principal accountant

The purchase price allocation is preliminary and the excess value is preliminarily classified as goodwill.

Fair value of non-controlling interest in Biokraft Holding AS, which is an unlisted company, was estimated by using the non-controlling interest (49.97 percent) multiplied by the value of the identified assets acquired.

### Corporate bond

In early 2016, the Parent Company issued senior secured bonds at the amount of SEK 200 million, which it plans to list on Nasdaq Stockholm in April 2016. The bonds have a term of 4 years. See [www.scandinavianbiogas.com](http://www.scandinavianbiogas.com) for the full terms of the bonds. The funds have been used partly for investment in the Norwegian company Biokraft Holding AS and to repay part of the loans from external creditor. The funds will also be used to, among other things, improvement measures at the plant at Södertörn.

The consolidated income statement and balance sheet will be presented to the Annual General Meeting on April 28, 2016 for adoption.

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

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

\_\_\_\_\_  
Matti Vikkula  
Chief Executive Officer

\_\_\_\_\_  
Andreas Ahlström  
Board member

\_\_\_\_\_  
Peter Lönnblad  
Board member

\_\_\_\_\_  
Andreas Berg  
Board member

\_\_\_\_\_  
Karl Klintstedt  
Authorized Public Accountant

# Auditor's report

To the annual meeting of the shareholders of Scandinavian Biogas Fuels International AB (publ),  
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 (publ) for the year 2015 (the financial year 1 January 2015 – 31 December 2015). The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 22-54.

## 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 in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the 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 judgement, 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 opinions.

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Scandinavian Biogas Fuels International AB (publ) for the year 2015 (the financial year 1 January 2015 – 31 December 2015).

## 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 opinions.

## Opinions

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

Stockholm March 24, 2016

Öhrlings PricewaterhouseCoopers AB

Leonard Daun  
*Authorized Public Accountant, Auditor in charge*

Karl Klintstedt  
*Authorized Public Accountant*



# Glossary

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

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

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

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

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

**Gas cleaning:** The raw gas is purified from water vapour, sulphur 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 vapour and nitrogen oxides.

**Methane** is an odourless gas with high energy content (~10 kWh per normal cubic meter). Methane (CH<sub>4</sub>) is the simplest hydrocarbon and is composed of one carbon atom and four hydrogen atoms.

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

**Normal cubic meter compared to a litre:** A normal cubic meter of biogas upgraded to vehicle fuel (97 % methane and 3 % CO<sub>2</sub>) contains as much energy as 1.1 litres of gasoline.

**Organic waste:** Waste from plants and animals.

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

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

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

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

**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.