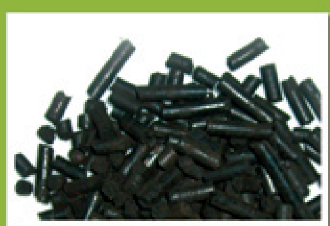
4energyinvest

FOR A SUSTAINABLE WORLD



# ANNUAL REPORT 2010

# SELECTED KEY FINANCIALS OF 4ENERGY INVEST

The selected key financials of 4Energy Invest set forth below should be read in conjunction with chapter 6 "Financial Information". They are extracted from the consolidated financial statements which have been audited by VGD Bedrijfsrevisoren CVBA and have been drawn up on the basis of the International Financial Reporting Standards.

## AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

| | 31-12-10<br>€'000 | 31-12-09<br>€'000 | 31-12-08<br>€'000 |
|---|---|---|---|
| Sales | 9,545 | 8,717 | 9,693 |
| Other operating income | 1,441 | 587 | 486 |
| **Revenues** | **10,986** | **9,304** | **10,179** |
| **Operating expenses** | | | |
| Cost of sales | -5,028 | -4,098 | -4,185 |
| Personnel costs | -794 | -706 | -405 |
| Other operating expenses | -1,900 | -1,694 | -1,312 |
| **Operating cash flow (EBITDA)** | **3,264** | **2,805** | **4,277** |
| **EBITDA excluding fair value warrants & exceptional other operating income/expenses** | **2,502** | **2,934** | **4,558** |
| Depreciation, amortisation and provisions | -2,842 | -2,812 | -2,420 |
| Impairment of property, plant and equipment | -1,706 | -51 | -113 |
| Impairment of goodwill | -335 | 0 | 0 |
| **Operating result (EBIT)** | **-1,618** | **-58** | **1,744** |
| Financial income | 26 | 200 | 401 |
| Financial costs | -1,631 | -1,412 | -2,168 |
| **Net financial costs** | **-1,605** | **-1,212** | **-1,767** |
| **Result before tax** | **-3,223** | **-1,270** | **-23** |
| Income tax expense | 2,128 | 1,278 | 528 |
| **Result of the period** | **-1,095** | **8** | **505** |
| **Result of the period (excl. impact IAS 39)** | **-748** | **117** | **755** |
| **Result of the period (excl. impact IAS 39/Warrants)** | **-528** | **545** | **1,037** |
| Attributable to: | | | |
| Equity holders of 4 Energy Invest | -1,095 | 8 | 474 |
| Minority interests | 0 | 0 | 32 |
| Number of shares | 12,520,090 | 12,520,090 | 6,785,131 |
| Weighted average number of warrants issued (not in-the-money) | 824,284 | 651,513 | 298,748 |
| Earnings/Share | -0.09 | 0.00 | 0.07 |
| Diluted earnings/share | -0.09 | 0.00 | 0.07 |

| | 31-12-10<br>€'000 | 31-12-09<br>€'000 | 31-12-08<br>€'000 |
|---|---|---|---|
| **Result of the period** | **-1,095** | **8** | **505** |
| Other comprehensive income : | | | |
| Income related to issued warrants | 220 | 428 | 282 |
| Income tax relating to components of other comprehensive income | 0 | 0 | 0 |
| **Other comprehensive income for the year, net of tax** | **220** | **428** | **282** |
| **Total comprehensive income for the year** | **-875** | **436** | **787** |

## AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

| Assets | 31-12-10 €'000 | 31-12-09 €'000 | 31-12-08 €'000 |
|---|---|---|---|
| **Non current assets** | **69,000** | **55,797** | **42,140** |
| Intangible fixed assets | 69 | 10 | 12 |
| Land and buildings | 2,919 | 3,162 | 3,405 |
| Installations, machinery and equipment | 27,802 | 30,210 | 31,929 |
| Furniture and vehicles | 70 | 87 | 110 |
| Leasing and similar rights | 783 | 915 | 1,063 |
| Other tangible assets | 33 | 38 | 40 |
| Assets under construction | 31,797 | 16,081 | 1,681 |
| Goodwill | 0 | 335 | 335 |
| Deferred tax assets | 5,491 | 3,358 | 2,080 |
| Other non current assets | 36 | 1,601 | 1,485 |
| **Current assets** | **4,797** | **9,027** | **15,727** |
| Inventories | 1,021 | 817 | 392 |
| Trade receivables | 1,242 | 2,729 | 3,200 |
| Other receivables | 1,515 | 2,311 | 325 |
| Cash and cash equivalents | 1,019 | 3,171 | 11,810 |
| **Total Assets** | **73,797** | **64,824** | **57,866** |
| Equity and liabilities | | | |
| **Equity** | **26,673** | **27,548** | **27,112** |
| Share capital | 6,387 | 6,387 | 6,387 |
| Share premium | 18,104 | 18,104 | 18,104 |
| Retained earnings | 2,182 | 3,057 | 2,621 |
| Equity attributable to equity holders | 26,673 | 27,548 | 27,112 |
| Minority interests | 0 | 0 | 0 |
| Total equity | 27,548 | 27,548 | 27,112 |
| **Non current liabilities** | **37,843** | **749** | **24,660** |
| Interest bearing loans and borrowings | 37,843 | 749 | 24,660 |
| Deferred tax liability | 0 | 0 | 0 |
| **Current liabilities** | **9,280** | **36,527** | **6,094** |
| Interest bearing loans and borrowings | 4,610 | 31,753 | 3,536 |
| Trade payables | 3,070 | 2,983 | 1,687 |
| Other payables | 1,600 | 1,791 | 871 |
| **Total Equity and Liabilities** | **73,797** | **64,824** | **57,866** |

## AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009, AND 31 DECEMBER 2008

| | 31-12-10 €'000 | 31-12-09 €'000 | 31-12-08 €'000 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| **Net profit (loss) after taxes** | **-1,095** | **8** | **505** |
| Adjustment for non-cash or non operating items | | | |
| Deferred taxes | -2,134 | -1,278 | -528 |
| Depreciation, amortization and provisions | 3,108 | 2,813 | 2,420 |
| Impairment of properties, plant and equipment | 1,774 | 51 | 113 |
| Share options | 220 | 428 | 282 |
| Unrealised loss on financial instruments | 526 | 164 | 378 |
| Financial result | 1,079 | 1,048 | 1,389 |
| **Cash Flow from operating activities before changes in working capital and provisions** | **3,478** | **3,234** | **4,559** |
| Decrease/(increase) in other long term receivables | 1,564 | -116 | -1,022 |
| Decrease/(increase) in inventories | -204 | -424 | 6 |
| Decrease/(increase) in trade receivables | 1,487 | 471 | -565 |
| Decrease/(increase) in other receivables | 796 | -723 | -109 |
| (Decrease)/increase in trade payables | 87 | 1,296 | -817 |
| (Decrease)/increase in other payables | -718 | 755 | 237 |
| **Net cash from operating activities** | **6,490** | **4,493** | **2,289** |
| Net investment in property, plant & equipment | -17,514 | -16,390 | -10,247 |
| Net investment in financial assets | 0 | 0 | -321 |
| **Net cash from investing activities** | **-17,514** | **-16,390** | **-10,568** |
| Net proceeds from the issue of share capital | 0 | 0 | 20,338 |
| Net proceeds from loans | 9,951 | 4,306 | 1,067 |
| Financial result | -1,079 | -1,048 | -1,389 |
| Minority interests in new subsidiaries | 0 | 0 | 0 |
| **Net cash from financing activities** | **8,872** | **3,259** | **20,016** |
| **Net increase/(decrease) in cash and cash equivalents** | **-2,152** | **-8,639** | **11,737** |
| **Net cash and cash equivalents at 1 January** | **3,171** | **11,810** | **73** |
| **Net cash and cash equivalents at 31 December** | **1,019** | **3,171** | **11,810** |

## SHARE PRICE INFORMATION

| | |
|---|---|
| Ticker Symbol | ENIN |
| Stock Exchange | Euronext Brussels |
| Type | Continuous Market |
| Compartment | C - Small |
| Number of Shares | 12,520,090 |

## SHARE PRICE EVOLUTION

4ENERGY INV (D) - Historic chart (EUR/share)


## FINANCIAL CALENDAR

| | |
|---|---|
| 6 May 2011 | Publication of first quarter results 2011 |
| 26 May 2011 | Annual General Meeting of Shareholders |
| 29 August 2011 | Publication of half-year results 2011 |
| 4 November 2011 | Publication of third quarter results 2011 |

## INVESTORS CONTACT

**Retail Investors:**
ir@4energyinvest.com

**Institutional Investors:**
Nico Terry, Chief Financial Officer
nico.terry@4energyinvest.com
T: +32 (0)2 526 90 10
F: +32 (0)2 526 90 19

# MAIN EVENTS DURING THE YEAR 2010

**Higher average electricity prices and increased green certificates sales from the cogeneration facilities in Amel were more than off-set by higher biomass purchases and the newly introduced distribution injection tariffs**

4Energy Invest experienced a significant increase in the operating cost base of its cogeneration facilities in Amel over 2010. This results from higher biomass purchases and from the introduction of the distribution injection tariffs. This higher operating cost base was not fully compensated by the increase in sales since recovery of electricity prices was slow and only accentuated towards the end of the year and growth in green certificates sales was hampered by the delay in commercial operation of the BioCoal production unit in Amel.

**The operation of the large scale torrefied wood pellets production facility in Amel (Wallonia, Belgium)("Amel III") has been significantly delayed**

4Energy Invest (through its fully owned subsidiary Renogen) started in February 2009 the construction of a biomass torrefaction unit to produce torrefied wood pellets (BioCoal) for co-firing with pulverized coal in electricity generation facilities. The biomass torrefaction unit was initially built in collaboration with Stramproy Green Technology, a Dutch-based engineering contractor. In June 2010, 4Energy Invest terminated the EPC contract with Stramproy Green Technology as they defaulted, not being able to deliver (even after a more than reasonable delay period) a workable BioCoal production unit. 4Energy Invest took over the control and responsibility for the facility and started the coordination of the re-engineering works and the investments that were needed to bring the facility into operation. By the end of 2010, 4Energy Invest had synchronized all parts of the process for producing BioCoal at industrial scale. Based on the results of the test runs performed over the last two months of 2010, it was decided to further fine-tune the installation early 2011 with a view to enhancing the reliability and safe running of the installation. 4Energy Invest continues to believe that the BioCoal production can be gradually ramped up in the course of 2011

**The construction of the wood biomass fired cogeneration plant in Ham is materializing according to time and budget expectations**

4Energy Invest (through its fully owned subsidiary 4HamCogen) is constructing a 9.5 MW wood biomass fired cogeneration project in Ham in the province of Limburg (Flanders, Belgium). The project is located on a site adjacent to the Albert Canal and the company Agricon, an industrial barks processor. Start of commercial operation is scheduled for the third quarter of 2011. The project is financed by € 6.3 million equity/subordinated debt provided by 4Energy Invest, € 5.0 million subordinated debt provided by the Investment Company LRM and € 26.6 million senior debt provided by ING Belgium and KBC Bank.

**Pontrilas Group Limited has withdrawn from the cogeneration project in Pontrilas**

Pontrilas Group Ltd., the partner of 4Energy Invest in the cogeneration project under advanced stage of development in Pontrilas, UK, decided to withdraw from the project, because the risk/return profile as projected by the business plan of the cogeneration project did no longer fit within the investment strategy/criteria of the Pontrilas Group. As the Pontrilas Group was key in the fuel supply and heat off-take for the cogeneration project, 4Energy Invest had no other option than to abandon this particular project. 4Energy Invest has as a result written down all activated expenses and goodwill on the project. 4Energy Invest continues to believe in the potential of the UK renewable energy market and currently reviews its options to cooperate with other industrial groups with respect to similar investment projects in the UK.

**The implementation of a roll-out strategy for the torrefaction technology with the ambition to have an annual installed BioCoal production capacity by end 2012 of 250,000 Tons is delayed as a result of the delay in operating the BioCoal production unit in Amel at industrial scale.**

4Energy Invest and Stramproy Green Technology have reached agreement on the terms and conditions for the future use of Stramproy Green Technology confidential information by 4Energy Invest or any of its affiliates. This agreement supports the development and future construction of bio-coal production projects by 4Energy Invest.

Construction and environmental permits for a wood biomass torrefaction project in Ham have been obtained. Permits for a torrefaction project in Reisbach (Germany) have been obtained. Permit files are also under preparation in other countries where more abundant biomass resources are available and where collaboration agreements are under study with several local/international players active in the forest industry. Financing efforts for the above projects will be initiated when the torrefaction project in Amel is up and running.

**4Energy Invest and KBC Bank have agreed on changes to the credit contracts of the affiliates Renogen and Amel Bio.**

The changes to the credit contracts include a postponement of the start of redemption of the lease facility structured for the Amel torrefaction project ("Amel III") until June 30th 2011 and the structuring of an additional working capital facility at Amel Bio level for 300,000 Euro to fund the increase in biomass inventory related to Amel III. The changes also included a softening of the covenants of Renogen for the years 2011 and beyond. 4Energy invest also obtained a waiver from KBC Bank for the breach by Renogen of its agreed debt service coverage ratio over the year 2010.

## MAIN EVENTS AFTER 31 DECEMBER 2010

**Operation of Amel III at industrial scale is delayed**

During January and February, 4Energy Invest upgraded the hardware and software of the installation to improve the operating safety of the installation. 4Energy Invest is currently in the process of hot commissioning of the upgraded installation. 4Energy Invest has, at the date of this annual report, not reached the status of operating the torrefied wood pellets production facility at industrial scale. 4Energy Invest currently believes that the upgraded installation is close to becoming operational on an industrial scale, but will, in view of the unexpected difficulties experienced in the past, monitor and evaluate the situation closely on a regular basis.

**Arbitration proceedings against the insurance companies in the litigation related to damages resulting from the delay in commercial operation of Amel I have concluded**

The arbitration panel concluded that the insurance companies had no contractual base to reject the request for coverage as formulated by Renogen under its ALOP policy. The arbitration panel however concluded that the financial compensation received by Renogen from Wartsila under the delay damages clause of the EPC contract for Amel I was sufficient to compensate the losses incurred by Renogen as a result of the delay in commercial operation of Amel I. 4Energy Invest considers to appeal that part of the arbitration sentence that covered the amount of compensation to be paid by the insurance companies as 4Energy Invest is convinced that the arbitration panel made clear errors in the calculation of the amount to be paid by the insurance companies.

**The delay in operating Amel III at industrial scale significantly affects the projected cash flow generation of the group for the year 2011. A restructuring of the existing credit facilities will have to be negotiated and/or additional funds will have to be raised in order to allow the Group to fulfill its financial obligations over the year 2011**

The impact of the delay in operating Amel III at industrial scale, the extra investments that were needed to bring Amel III in operation, the weak electricity prices experienced over the last 2 years, the financial resources spent on the Pontrilas project and the financial resources spent on the preparation of the roll-out of the torrefaction technology has eliminated the cash buffer of 4Energy Invest. As the operation of Amel III at industrial scale is delayed beyond the expectations included in the budget for 2011, 4Energy Invest will have to restructure its existing credit facilities and/or raise additional funds in order to be able to fulfill the group's financial obligations over the year 2011. 4Energy Invest believes that the recurrent cash flows of Amel I and Amel II should allow it to eventually meet its financial obligations over a longer period of time and thus form a good basis to engage in debt restructuring discussions. Simultaneously, 4Energy Invest pro-actively explores various options to strengthen the equity base of the company.

# MESSAGE FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

*Today, fast growth in the production and use of renewable energy is considered a key contributor to the global effort to reduce greenhouse gas emissions. Among renewable energy sources, biomass plays a unique role, in particular because of its storage potential which allows the generation of electrical energy upon request and on a continuous uninterrupted basis.*

*In the European Union, in the frame of the 20/20/20 European Directive, biomass will play a strategic role in the European renewable energy market according to the "National Renewable Energy Action Plan" issued by the European member States.*

*We expect the demand for biomass to progressively increase in Europe. Available resources of biomass are thought to become scarcer and scarcer making its sourcing in Western Europe more and more expensive. Many new projects having to resort to biomass already consider imported biomass.*

***Year 2010***

*In 2010, the 4EI Group ("4EI") continued to improve the operating performance of its existing cogeneration plants in Amel (Amel I and Amel II). The aggregate capacity factor of the Amel cogeneration plants reached an industrial standard of 93% in 2010 (with a lower quality of fuel) compared to 87,7 % in 2009. The recovery of the economy in 2010 resulted in an increase of heat deliveries to our portfolio of heat customers. The low electricity price, the de-correlation of the natural gas and electricity markets and the new injection tariff introduced by the distribution companies forced 4EI to renegotiate its PPA (Power Purchase Agreement) for the electricity output of the Amel cogeneration units. The sales of electricity increased by 35 % in 2010 compared to 2009, due to an average realized electricity price that resulted 31% higher.*

*The Group received the 9001 and 14000 ISO certifications for its Amel cogeneration operations.*

*The construction of the Ham cogeneration plant progressed according to plan during the year 2010 and the plant is expected to start commercial operation in the course of the third quarter of 2011.*

*In 2010, 4EI faced two major setbacks.*

*The first was the decision by Pontrilas Group to abandon the cogeneration project, despite the fact that the project had reached the status of bankability.*

*The second remained the whole year, consisting of a succession of troubles in the commissioning process of the Amel BioCoal production unit. 4EI first faced the problem of a contractor who did not deliver the operational BioCoal production unit that 4EI had purchased. As a result, 4EI was forced to terminate the EPC contract and to establish an internal task force to pursue the necessary technological development that was necessary to bring the production process to its intended purpose (i.e. the production of bio-coal at industrial scale). After six months of re-engineering works and significant extra investments, 4EI reached the status of a continuous working process in December 2010. 4EI is currently further fine tuning the Amel III unit with a view to bringing it to a stage where it can operate continuously on an industrial scale. In addition to solving the technological and technical problems with the plant itself, 4EI also devoted significant time and effort to working out a general settlement with its former contractor. The agreement that was reached in October 2010 brings a clear visibility on the intellectual property and ownership rights on the technology involved and thus paves the way for 4EI to roll out the production of bio-coal on an international scale. The wood torrefaction facility is designed to produce a renewable fuel generated from wood with features that are similar to fossil coal. The main advantages of this BioCoal are its similar heat content compared to fossil coal, its low ash content and*

*SOx emission rate. BioCoal is designed to fuel, together with pulverized fossil coal, existing power plant facilities that were originally build to operate exclusively on the basis of fossil coal.*

*The significant delay incurred in starting up Amel III also had a financial impact. It forced 4EI to re-negotiate its existing credit agreements at the level of Renogen, and to have a much more cautious use of the available cash (obliging 4EI to focus on defined specific regions in the framework of the intended roll out of bio-coal production capacity).*

***2011 Outlook***

*2011 will be an important year for 4EI. The EBIDTA of the group should for the first time consist of contributions from different projects: Amel I & Amel II, Ham Cogeneration and, expectedly, Amel III.*

*The tragic nuclear consequences of the tsunami in Japan lead to a general increase of fossil energy prices and more particularly electricity prices.*

*Economic recovery and increase of fossil fuel demand are likely to reinforce the need to use biomass, either for the fueling of cogeneration plants or for the production of BioCoal to respond to the environmental and security challenges ahead. The advantages of BioCoal could be significant, as it is a renewable energy source that can be readily applied in already existing and operational coal fired power plants, where it would simply "replace" part of the fossil coal, without any significant investment within the electricity production facility.*

*4Energy Invest has opted to act as one of the pioneers in the production of BioCoal. Biocoal qualities achieved today are better than expected. If the performances and reliability of the Amel torrefaction facility can reach the appropriate (industrial) levels, 4EI intends to further proceed with the roll out of BioCoal production facilities through the development, together with possibly a strategic and local partners, of new torrefaction wood projects in Europe, where biomass resources are thought to remain available in the longer run, and in some countries of the tropical belt where biomass grows much faster.*

*In this framework, in 2011, 4Energy Invest will target to*

- *Continue to improve the operating performance of its existing cogeneration plants in Amel;*
- *Start up the Ham cogeneration plant;*
- *Bring the torrefaction plant in Amel to a level where it can operate at industrial scale;*
- *Prepare and, where possible, launch the implementation of a roll out strategy in the BioCoal segment once the torrefaction plant in Amel has proven its reliability and performances;*

*Yves CRITS*
*CEO*

*Daniel DEROUX*
*Chairman of the Board*

# Table of contents

# 1.0 MISSION STATEMENT AND CORPORATE STRATEGY

## 1.1 MISSION STATEMENT

**4Energy Invest aims to produce renewable energy by developing, investing (as an industrial investor) and operating small to mid-sized locally embedded sustainable biomass-to-energy projects, that convert biomass**
- **Either directly by producing electricity and heat for industrial customers,**
- **Or indirectly by producing renewable solid fuel such as BioCoal.**

**4Energy Invest intends to benefit from its first mover advantage as BioCoal producer in the "newly created" BioCoal market.**

## 1.2 OUR VALUES

- Set and achieve high standards
- Focus on sustainable value creation
- Strive for win-win solutions
- High level of ethics and integrity, respecting the environment, individuals, companies and communities we work with

## 1.3 COMPETITIVE STRENGTHS

### FOCUSED, SPECIALISED AND EXPERIENCED BIOMASS PLAYER

4Energy Invest is a focused and specialized biomass player active in two fields:
- Production of electricity and heat by operating wood biomass fired cogeneration facilities and,
- Production of renewable solid fuel (such as torrefied wood pellets or BioCoal) by operating woody biomass based BioCoal production facilities (or torrefaction units).

## PRODUCE SUSTAINABLE ENERGY AND ENVIRONMENTAL VALUE

**4Energy Invest aims to build a portfolio of projects that convert biomass into energy. This strategy aims at creating value in two main forms :**

- energy value by generating and selling electricity and heat through cogeneration and producing and selling solid renewable fuel such as BioCoal displacing fossil coal and,
- environmental value which can be valorised among others by selling environmental attributes related to renewable electricity and renewable heat such as green certificates, CO2 quota, ROCs (Renewable Obligation Certificates), LECs, embedded benefits, ….

Regulatory systems that allow to capture the environmental value of biomass projects vary from country to country and even from region to region. 4Energy Invest's strategy is based on the development of industrial projects that take into account the regulatory framework to maximize the energy and environmental value thereof.

While regulatory systems are inherently uncertain and often subject to change, 4Energy Invest believes it can benefit from the current trend towards stronger policies for protecting the environment and promoting green energy.

By having a deep knowledge of regulatory systems, 4Energy Invest will also be able to commercialise its BioCoal production in the global worldwide market where BioCoal creates the highest environmental added value within a very short time frame by being used in the existing coal fired power plants.

## FOCUS ON CUSTOMIZED AND SUSTAINABLE PROJECTS OFFERING A WIN-WIN FOR ALL STAKEHOLDERS

During the process of assessing and selecting projects, 4Energy Invest pays a lot of attention to the long-term sustainability and intrinsic quality of a project. With regard to sustainability, a project should, as a rule of thumb, be able to run in an environmentally friendly and economically viable way for a period of at least 15 years. In order to assess the intrinsic quality of a project, management makes a thorough risk-return analysis. For every project that 4Energy Invest moves into the development phase, approximately 5 to 8 projects are thoroughly scrutinized and eventually not withheld. 4Energy Invest has a clear preference for integrated projects with a strong local industrial base as this offers a strong guarantee for long-term supply of biomass and/or a long-term energy demand. By reducing the long-term energy, waste disposal and biomass transport costs for industrial players and by securing a large part of the biomass supply for 4Energy Invest, the project offers long-term win-win opportunities for all parties involved. Depending on the key project characteristics, 4Energy Invest offers customized and sustainable solutions which satisfy entrepreneurial customers.

## ENHANCE SHAREHOLDER VALUE BY OPTIMIZING EXTERNAL FINANCING

4Energy Invest intends to optimise the financing of each project by using long-term financing and, where available and deemed appropriate, grants and tax advantages for renewable energy facilities. The equity-to-debt ratio will always be in function of the full contractual package of the transaction and is likely to vary from project to project, from region to region and over time. 4Energy Invest currently (even taking into account the impact of the financial crisis) believes that well-structured biomass to energy projects should still be eligible for debt financing for approximately 70% to 75% of the total financing cost.

## MASTER IN DEVELOPMENT, CONSTRUCTION AND COMMERCIAL OPERATIONS

4Energy Invest wants to maintain and strengthen its presence across the entire value chain for the production of energy from biomass, as a trader of biomass and as the developer, owner/investor and operator of the biomass facility and to leverage on the synergies made possible by mastering all phases of project development and implementation. By combining the roles of developer, owner/investor and operator, 4Energy Invest believes that it is best placed to retain the value created during the development and construction phase without neglecting the quality and the long-term sustainability of the power plant facilities.

## PROVEN TRACK RECORD OF DEVELOPING, FINANCING, BUILDING AND OPERATING PROFITABLE BIOMASS-TO-ENERGY PROJECTS

The successful implementation of the Amel I and Amel II cogeneration projects and the successful financing of the Ham cogeneration project provides 4Energy Invest with a strategic presence in the market for cogeneration from biomass. The successful implementation of a large scale biomass torrefaction unit would provide 4Energy Invest both with a strategic presence and a first mover advantage in the emerging BioCoal market.

Therefore, 4Energy Invest can rightfully claim that it has become an integrated player active in the identification, structuring and development, design, financing, construction, operation and maintenance of cogeneration and torrefaction projects. This proven track record is key to convince local authorities, industrial partners and key suppliers to enter into a partnership with 4Energy Invest for the development of similar projects.

## EXPERIENCED AND MULTI-DISCIPLINARY TEAM

4Energy Invest can rely on a strong track record in the biomass & energy sector of its management and key personnel. Indeed, they have built up in-depth knowledge in developing, financing, constructing, managing and operating national and international projects for highly recognised multinationals such as Tractebel, Dynegy, Nuon, SPE, Dalkia, Indaver, AES, Shell ….

4Energy Invest team and personnel have proven to be successful in developing tailor-made projects which try to optimize the local regulatory framework, the local fuel supply chain, the technical constraints, specific operating conditions and local financing possibilities. The relative lean organization allows efficient and fast communication and decision-making process.

# 1.4 CORPORATE STRATEGY

4Energy Invest has a corporate strategy of value creation within the biomass to energy sector that is centered on the following two axes:

- Leverage the existing cogeneration asset base in Belgium by integrating other biomass-to-energy applications (e.g. BioCoal in Amel and in Ham);

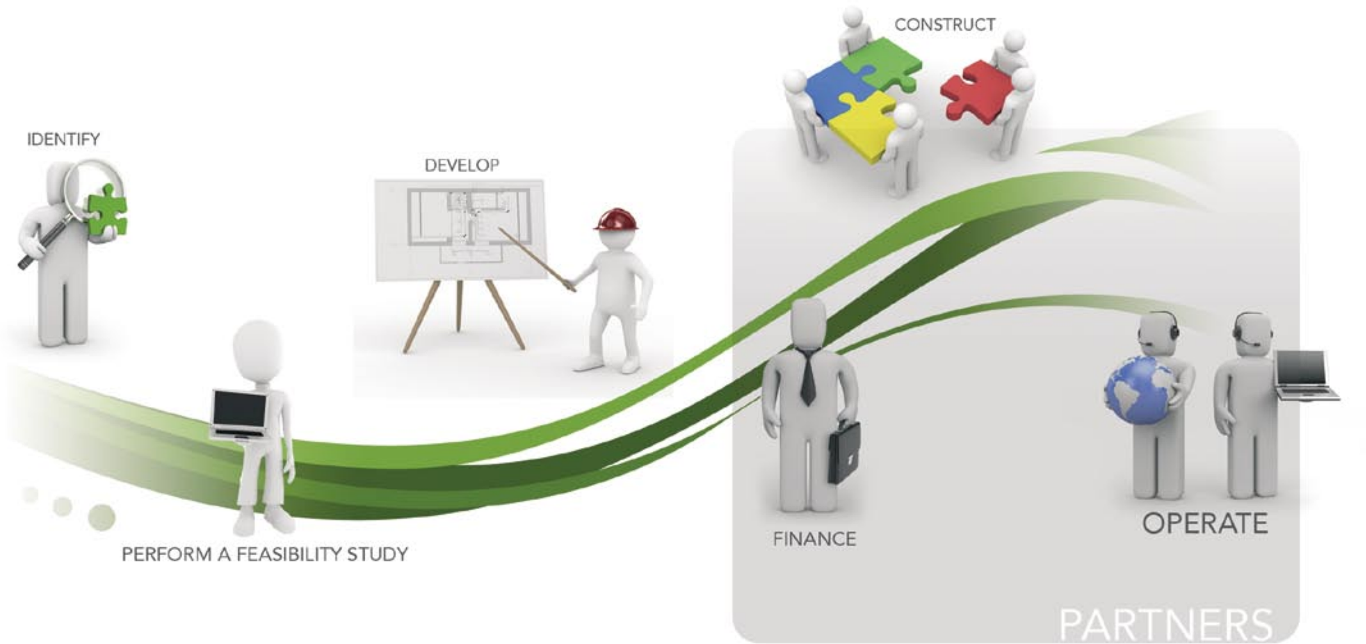
- Gradual geographic expansion of
    - the cogeneration experience in European countries where the regulatory framework is sufficiently attractive and,
    - roll-out of the wood torrefaction technology by developing BioCoal production capacity in countries where more abundant biomass resources are available than in Western Europe;


# 2.0 COMPANY OVERVIEW

# 2.1 CORE BUSINESS

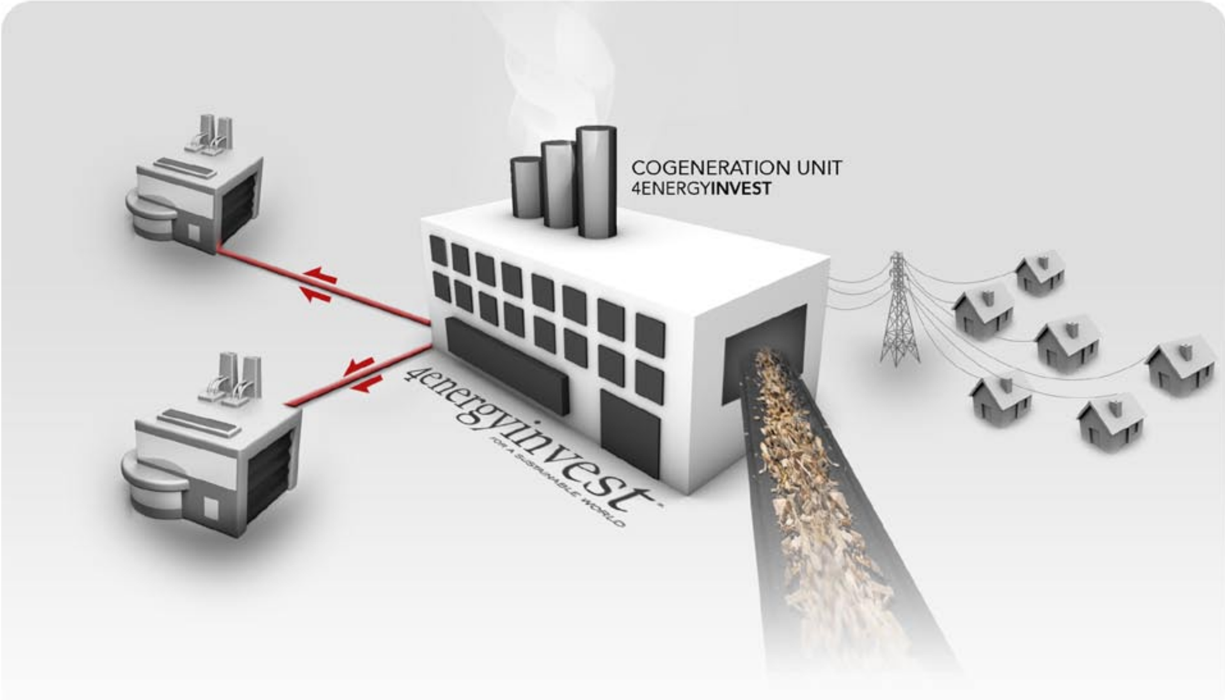
4Energy Invest is a Belgian based renewable energy company that aims at creating and managing a portfolio of small to middle-sized locally embedded projects that valorise biomass, directly or indirectly, into energy.

4Energy Invest identifies potential biomass projects, performs a feasibility study and eventually takes responsibility for developing, financing, constructing and operating the project, in close cooperation with carefully selected suppliers and partners.




The core business of 4Energy Invest consists in turning non-contaminated wood biomass, wood residues, shavings, barks ... that are at their end-of-life in the forestry sector, into energy, either directly through cogeneration to generate heat and electricity, or indirectly through torrefaction to produce renewable solid fuels such as BioCoal.

## A.COGENERATION




COGENERATION is the process of simultaneously producing heat (thermal energy) and mechanical energy which is transformed into electricity through a turbogenerator set. Traditionally, natural gas is used to operate cogeneration plants (so called combined-cycle gas turbine plants) but other material can be used such as biomass. The energy (heat and electricity) that 4Energy Invest generates through the cogeneration process is considered as renewable because the energy which is being produced is based on renewable fuel sources.

For the cogeneration projects, heat (MWth) is sold to local industrial partners that are intensive energy users thereof in their industrial activities and electricity (MWe) is sold to energy suppliers by feeding it directly into the distribution grid. In addition, 4Energy Invest sells its green benefits such as green certificates to energy suppliers.

## B.BIOCOAL


BioCoal is wood processed through a torrefaction unit and then pelletized. BioCoal is a solid enhanced biomass fuel in terms of energy density (almost twice the energy density of wood sawdust pellets (traditional wood pellets) and equivalent to the energy density of fossil coal used in coal fired power stations by utilities). BioCoal aims to displace some fossil coal.

High-grade solid fuel suitable for multipurpose commercial, industrial and domestic use, it will be used as renewable fuel for the substitution of fossil coal in electricity generation facilities or for the substitution of traditional wood fuel pellets, briquettes or other biomass-based fuels with high energy density. BioCoal is hydrophobic, and therefore easy to store and handle.

# 2.2 ACTIVITIES

4Energy Invest (through its fully owned subsidiary Renogen) has two cogeneration projects, located in Amel (Wallonia, Belgium), that are fully operational.

4Energy Invest (through its fully owned subsidiary Renogen) has finalized the construction of a large scale wood torrefaction unit to produce BioCoal or torrefied wood pellets with minimum CO2 footprint in Amel (Walliona, Belgium). 4Energy Invest is curently fine-tuning the installation with the ambition to operate the installation at industrial scale.

4Energy Invest (through its fully owned subsidiary 4HamCogen) is constructing a 9.5 MW biomass fired cogeneration project in Ham (Flanders, Belgium).

Exploiting its in-depth biomass expertise, 4Energy Invest presently pursues other similar cogeneration projects either on a stand alone basis or in combination with other applications that convert biomass into renewable solid fuel (such as BioCoal).

In addition, 4Energy Invest is preparing the roll out of the torrefaction technology with permits that have been obtained in Ham (Flanders, Belgium) and in Reisbach (Germany). Permit files are also under preparation in countries where more abundant biomass resources are available and where integrated projects can be pursued.

# 2.3 GROUP STRUCTURE

Covering the complete value chain of developing, constructing and operating biomass-to-energy projects, the 4Energy Invest Group, through its subsidiaries, holds exclusive expertise for each stepstone of the valorisation process of woody biomass into energy:

- **4ENERGY INVEST** acts as top-line coordinator for the prospecting, developing, financing and operating of biomass-to-energy projects;

- **RENOGEN** owns and operates the Amel I and Amel II cogeneration plants, and has finalized the construction of the Amel III BioCoal project that it will operate, all of which are located in Amel (Wallonia, Belgium). Renogen will also supervize the operation and maintenance activities of the Ham cogeneration plant, located in Ham (Flanders, Belgium);

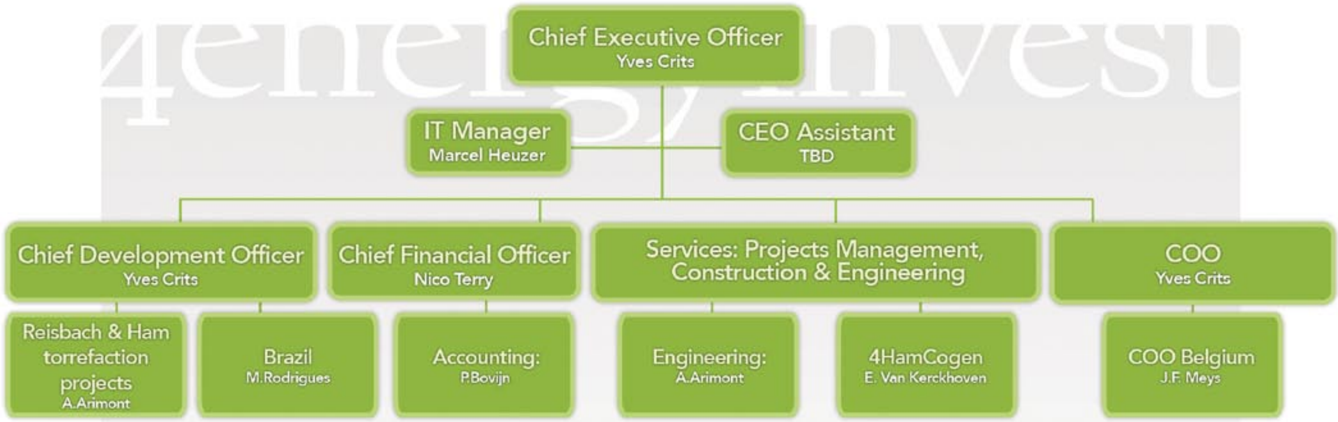
- **4BIOFUELS** is a special purpose company through which a BioCoal project is developed in Ham, and which is in charge of the marketing of the 4Energy Invest's BioCoal product, namely « 4BioCoal®»;

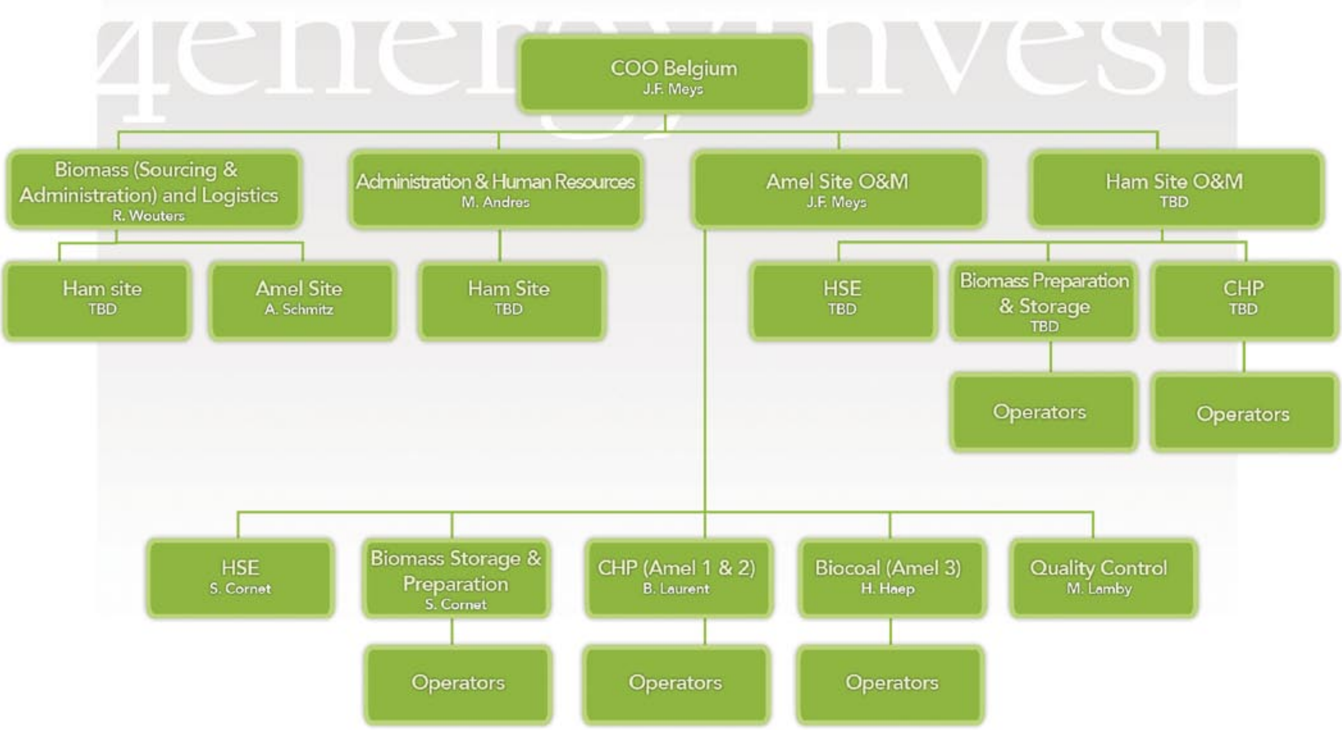
- **AMEL BIO** is the vehicle through which the biomass requirements of the 4Energy Invest Group in Belgium are sourced and purchased;

- **PONTRILAS RENEWABLE ENERGY LIMITED,** to be renamed 4Energy Invest Renewable Energy limited is the entity through which development efforts in the UK will be pursued;

- **4HAMCOGEN** is the project company through which the Ham cogeneration project, located in Ham (Flanders, Belgium), is built and will be operated.

## 2.4 ORGANISATIONAL STRUCTURE



# 2.5 EXECUTIVE MANAGEMENT TEAM

### YVES CRITS, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER OF 4ENERGY INVEST

Yves Crits spent his entire career (more than 25 years) in the energy sector working for Tractebel, Turbowinds, Nuon, SPE and Mesa. He worked 13 years as business development manager for Tractebel Electricity & Gas International in a multitude of countries such as Thailand, Kazakhstan, Indonesia, South Korea and the United Arab Emirates during which he was responsible for setting up and negotiating more than 30 project agreements. As Vice President of Tractebel Electricity and Gas International, he defined and implemented the general strategy for Tractebel's investments in the gas and power sectors in South Korea. Before he joined Nuon, he worked 2.5 years as vice president business development manager at Turbowinds, where he negotiated and developed the creation of a joint venture in Les Vents de France SAS and as general manager of Global Wind Energy Ventures, where he was responsible for the development of several wind farms in Costa Rica and France. At Nuon, Yves Crits assisted in the negotiations and development of a wind park in the harbour of Antwerp and in the contractual structuring of a 200 and 800 MW CHP plant. In addition, he worked as consultant for SPE in regulatory affairs in Wallonia and the Brussels Region and was managing director of Mesa, which is a 22 MW wind farm project in Wallonia.

### NICO TERRY, CHIEF FINANCIAL OFFICER AND CO-FOUNDER OF 4ENERGY INVEST

Nico Terry spent his entire career (about 15 years) in the international utility sector working for Tractebel SA, Dynegy UK Ltd and Nuon NV. He started in 1996 in the Corporate and Project Finance Department of Tractebel in Brussels where he advised for Tractebel's international development companies EGI (electricity & gas) and EDS (waste management). He moved early 1999 to South-America to become corporate development manager involved in the set-up, management and corporate restructuring of Tractebel's activities in Chili, Argentina and Peru. During his stay in South-America, he held various board positions in the regional affiliates of the Tractebel Group. Early 2001 he moved to London to become part of Dynegy's UK Ltd European project Development team focusing on the long-term investment possibilities and cross-border trading opportunities within the European electricity and gas markets. From mid 2003 to June 2006 he consulted to Nuon on its project development activities in Flanders.

# 2.6 KEY PERSONS

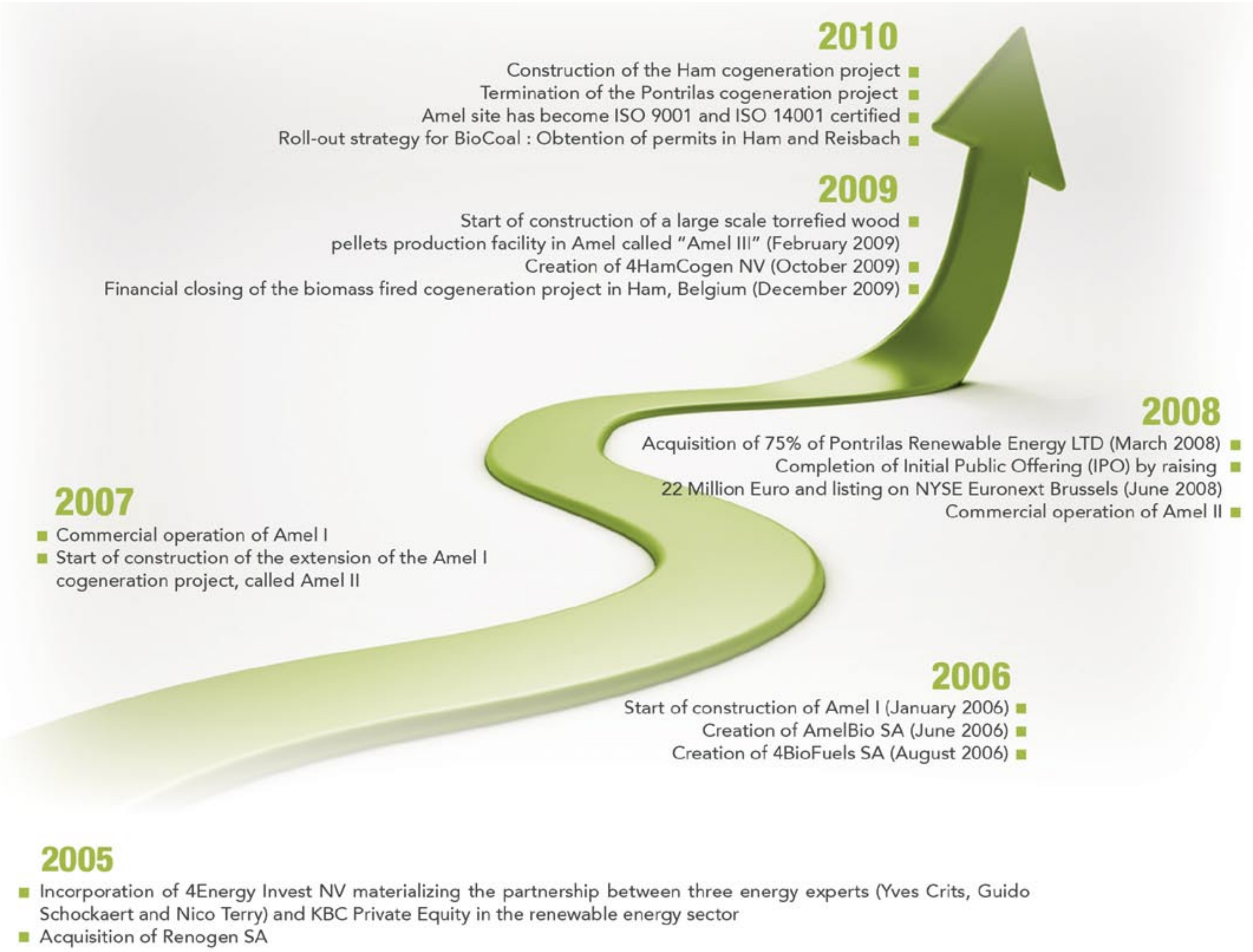
### JEAN-FRANCOIS MEYS, CHIEF OPERATING OFFICER BELGIUM

Jean-François Meys joined Renogen in March 2006 and has followed the complete development process of the Amel site. As from 2008, he has been responsible for the operation and the maintenance of all activities in Amel and will assume the same responsabilities for all activities in Ham.
Jean-François Meys is electrical engineer.

### MICHAEL RODRIGUES, COUNTRY MANAGER BRAZIL

Michael Rodrigues has over 20 twenty years experience in the energy sector, active in Brazil for more than 11 years, developing projects and executing acquisitions on behalf of SoCal Gas (now Sempra), PSEG Global, AES and Shell Gas and Power. Past responsibilities include Manager of Marketing and Trading for Shell Gas and Power, Project Manager AES Termosul (750MW greenfield Combined Cycle Gas Turbine), Chief Financial Officer of AES Sul, Director of Business Development AES Americas and Financial Advisor to RGE Energia. Michael Rodrigues holds a bachelor degree in chemical engineering from UC Berkeley and an MBA from the Harvard Business School.

# 2.7 HISTORY




**SINCE 2007**, 4Energy Invest has been continuously screening the European markets to seek out small to mid-sized biomass project opportunities.

**SINCE END 2009**, in the perspective of a roll-out strategy for BioCoal, 4Energy Invest has also assessed other project areas where biomass resources are more abundantly available.

## 2.8 SHAREHOLDING STRUCTURE

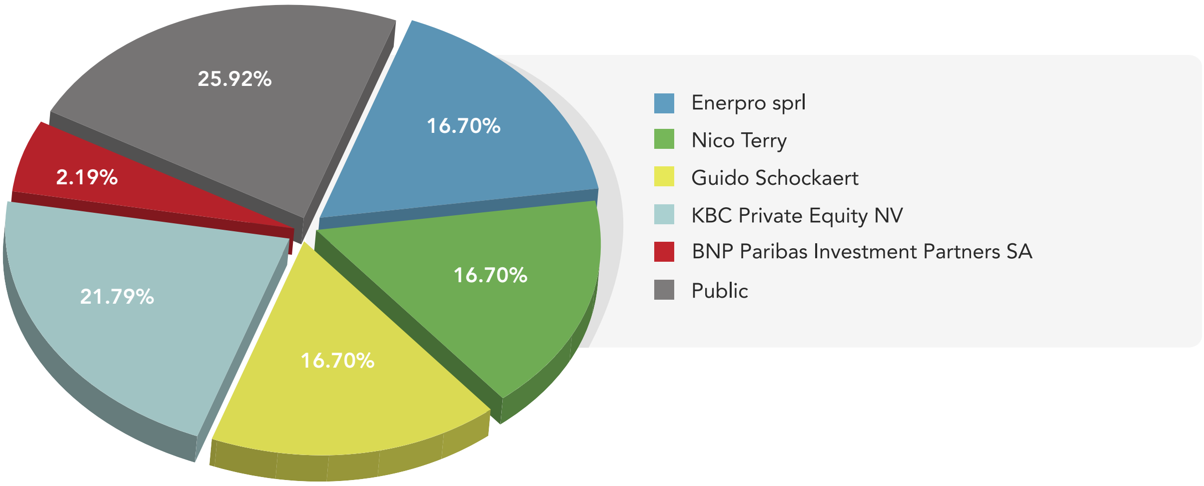
On the date of this annual report, pursuant to the transparency declarations received by the Company, the shareholders' structure of 4Energy Invest is as follows:

The overview should be read together with the notes set below

| | Party | Date Transparency Declaration | Number of Shares | Number of Vested Warrants | Total Voting Securities | | Unvested warrants |
|---|---|---|---|---|---|---|---|
| | | | | | Number | % | Number |
| 1 | Enerpro SPRL | November 3rd 2008 | 2,090,855 | 180,000 | 2,090,855 | 16.70 | 90,000 |
| 2 | Nico Terry | October 28th 2008 | 2,090,855 | 108,000 | 2,090,855 | 16.70 | 54,000* |
| 3 | Guido Schockaert | December 30th 2008 | 2,090,855 | 108,000 | 2,090,855 | 16.70 | 0** |
| 4 | KBC Private Equity NV | May 5th 2009 | 2,727,525 | 0 | 2,727,525 | 21.79 | 0 |
| 5 | BNP Paribas Investment Partners SA | January 6th 2011 | 274,608 | 0 | 274,608 | 2.19 | 0 |
| 6 | Free Float | | 3,245,392 | 91,003 | 3,245,392 | 25.92 | 137,008 |
| | **TOTAL** | | **12,520,090** | **487,003** | **12,520,090** | **100.00** | **281,008** |

* held by Nico Terry BVBA with Nico Terry as permanent representative

** held by Enermoza BVBA with Guido Schockaert as permanent representative




**Notes:**

- The percentage of voting securities is calculated on the basis of the outstanding voting securities at the time of the declaration. The total number of outstanding voting securities may change from time to time.
- Enerpro SPRL, Nico Terry, Guido Schockaert and KBC Private Equity NV have agreed that they will vote for the appointment of one director from a list of candidates proposed by KBC Private Equity NV, provided and as long as KBC Private Equity NV holds at least 10% of the outstanding shares of 4Energy Invest. Gerd Smeets has been appointed upon proposal by KBC Private Equity NV, for a term expiring after the annual general meeting of share-holders to be held in 2012. Should Gerd Smeets resign or should his mandate be terminated during said term, then a new director shall be appointed from a list submitted by KBC Private Equity NV for the remainder of said term.

- The extraordinary general shareholders' meeting of 21 May 2008 decided to issue up to 900,009 warrants under the 2008 4Energy Invest Stock Option Plan. The warrants have been subscribed by 4Energy Invest with a view to allocating them to executive directors, employees and consultants of 4Energy Invest. As of today, all 900,009 warrants have been offered and accepted by executive directors, employees and consultants of 4 Energy Invest as follows: Enerpro SPRL: 270,000; Nico Terry bvba: 162,000; Enermoza bvba: 162,000; Other: 306,009.

- KBC Private Equity NV is a direct subsidiary of KBC Bank NV, which is a direct subsidiary of KBC Groep NV.

## 2.9 SHARE CAPITAL

**Number of outstanding shares with effective voting rights attached**

12,520,090 shares without nominal value, each representing the same fraction of the capital

**Development of the share capital**

4Energy Invest NV was incorporated on 28 September 2005 through a contribution in cash by Enerpro SPRL*, Mr Nico Terry, Mr Guido Schockaert (together the "Founders") and KBC Private Equity NV.

Since its incorporation, the share capital of 4Energy Invest has evolved as follows:

| Date | Transaction | Number and Class of Shares issued | Price per share (€) | Capital Increase (€) | Issue Premium Paid (€) | Share Capital (€) | Aggregate Number of Shares after the Transaction |
|---|---|---|---|---|---|---|---|
| 28 Sept. 2005 | Incorporation | 402 (Class A) 218 (Class B) | 100 | | | 62,000 | 620 |
| 22 Nov. 2005 | Capital increase through contribution in kind | 64,599 (Class A) | 100 | 6,459,900 | / | 6,521,900 | 65,219 |
| 19 Jan. 2006 | Capital increase in cash | 34,782 (Class B) | 100 | 3,478,200 | / | 10,000,100 | 100,001 |
| | Capital decrease (repayment to the Founders of their initial contribution in cash at incorporation) | / | / | | / | 9,959,900 | 100,001 |
| 21 May 2008 | Stock split | | | | | 9,959,900 | 9,000,090 |
| 17 June 2008 | Capital increase in cash | 3,520,000 | 6.25 | 3,895,584 | 18,104,416 | 13,855,484 | 12,520,090 |

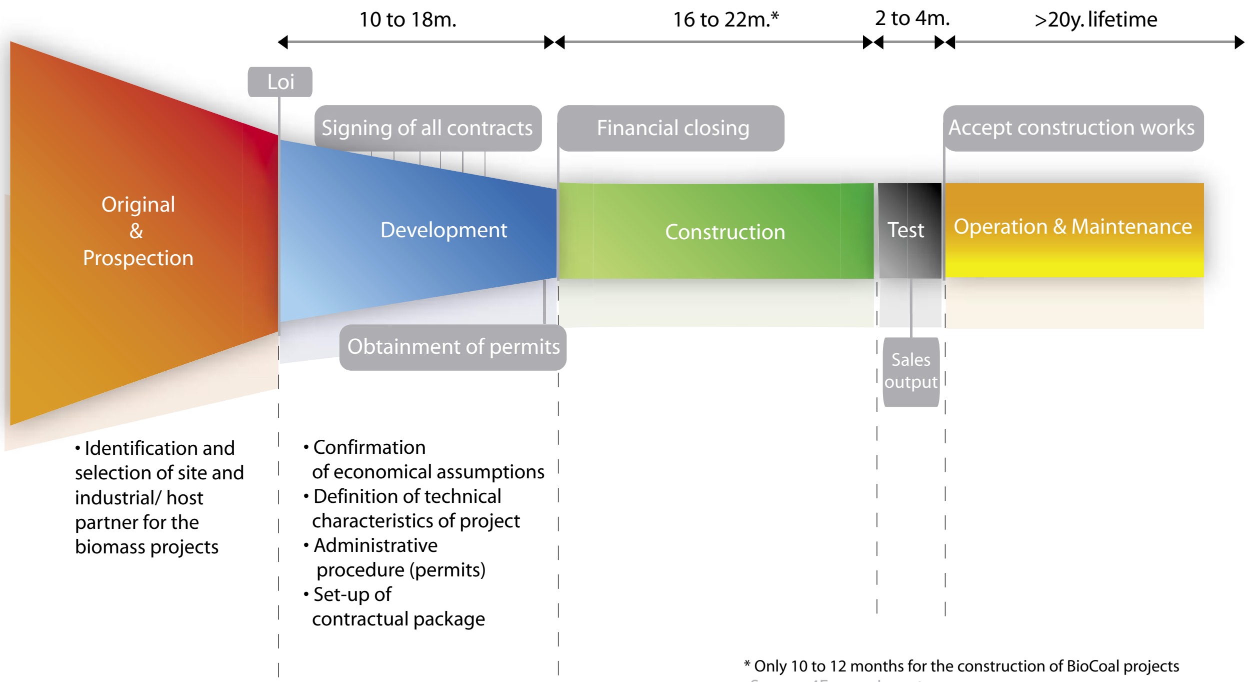
* Enerpro SPRL with as permanent representative Yves Crits

# 3.0 OVERVIEW OF BUSINESS OPERATIONS AND PROJECTS

# 3.1 VALUE CHAIN OF PROJECT DEVELOPMENT PROCESS

As a project development company, 4Energy Invest is constantly seeking attractive opportunities for investing in new biomass-to-energy projects. The Company holds a number of projects at different stages of development whereby the development process of a biomass-to-energy project can be split into 5 different phases:

**- PROSPECTION AND ORIGINATION**
**- DEVELOPMENT**
**- CONSTRUCTION**
**- TEST**
**- COMMERCIAL OPERATION AND MAINTENANCE**




* Only 10 to 12 months for the construction of BioCoal projects
Source: 4Energy Invest

The **Prospection and Origination** Phase is the starting block of every project, during which a feasibility study is completed as to assess the overall viability and risk return profile of the biomass-to-energy project. Only a very limited number of projects do survive this examination and the strict requirements set by the 4Energy Invest Management and Board of Directors.

The projects that do survive this first phase are brought into the next phase: the **Development** Phase. This implies that 4Energy Invest will dedicate more human and financial resources but this does not guarantee that the project will eventually materialize. The Development Phase covers the contractual structuring, the engineering, the permitting, and eventually the structuring of the financing for the project.

Once the project is on the right track and its financing has been completed, it will effectively materialise by being moved into the **Construction** Phase.

Finally, projects are undergoing the Test Phase before starting the long-term **Commercial Operation and Maintenance** Phase.

## 3.2 PROJECTS

| Name Project | Localisation | Technology | MWe (1) | MWth (2) | MT BioCoal | Status | Targeted commercial operation date |
|---|---|---|---|---|---|---|---|
| COGENERATION | | | | | | | |
| Amel I | Amel (Wallonia, Belgium) | Cogeneration (Wood) | 5.5 | 10 | | In Operation | 2007 |
| Amel I | Amel (Wallonia, Belgium) | Cogeneration (BioFuels) | 3 | 4 | | In Operation | 2007 |
| Amel II | Amel (Wallonia, Belgium) | Cogeneration (Wood) | 5.7 | 10 | | In Operation | 2008 |
| HamCogen | Ham (Flanders, Belgium) | Cogeneration (Wood) | 9.5 | 14 | | Under Construction | Q3 2011 |
| Reisbach Cogen | Reisbach (Germany) | Cogeneration (Wood) | 0.8 to 1.2 | | | Under Development Permits obtained | Q4 2012 |
| TORREFACTION | | | | | | | |
| Amel III | Amel (Wallonia, Belgium) | Torrefaction | | | 42,000 | Under Construction | Q2 2011 |
| HamBioCoal | Ham (Flanders, Belgium) | Torrefaction | | | 42,000 | Under Development Permits obtained | Q4 2012 |
| Reisbach BioCoal | Reisbach (Germany) | Torrefaction | | | 42,000 | Under Development Permits obtained | Q4 2012 |
| BioCoal | Brazil | Torrefaction | | | 130,000 | Under Development | |
| **Total production capacity in operation and under construction** | | | **23.7** | **38** | **42,000** | | |
| **Total production capacity under development** | | | **0.8-1.2** | | **214,000** | | |


Notes: (1) in MW electrical gross at generator, (2) in MW thermal maximum deliverable to customers, MT is for Metric Ton.

### 3.2.1 COGENERATION

The proven track record gained throughout the years as well as the know-how of its team members provide 4Energy Invest with a priviliged position to win and secure cogeneration projects with industrial partners.

A distinctive feature of 4Energy Invest's projects are their scope: small to mid-sized locally embedded (in terms of biomass sourcing) cogeneration projects with a strong industrial focus (heat off-take). The projects 4Energy Invest focuses on are often too small to fall within the scope of interest of larger energy producers but also too complex and too capital intensive to be handled directly by the industrial players themselves. These are, in the current economic situation, often forced or strongly inclined to focus exclusively on their core business; 4Energy invest can then help them with the development and operation of these cogeneration projects.

Three main outputs are being generated from the valorization of wood biomass in the cogeneration plant:

- Heat (MWth) produced by the cogeneration plant is sold/transferred to the local industrial partners of 4Energy Invest which are intensive energy users thereof in their industrial activities.
- Electricity (MWe) generated by the plant is sold to energy suppliers by being fed directly into the distribution grid.
- Avoided (CO2, SOX, ..) emissions are expressed into green benefits (such as green certificates, ROCs, LECs, …); these green benefits granted to 4Energy Invest as producer of renewable energy, are sold to energy suppliers.

Currently, in the wood-to-energy cogeneration segment, 4Energy Invest has 2 plants in operation in Amel (Belgium), 1 under construction in Ham (Belgium) and 1 under development in Reisbach (Germany).

### 3.2.1.1 IN OPERATION

### AMEL I (BELGIUM)

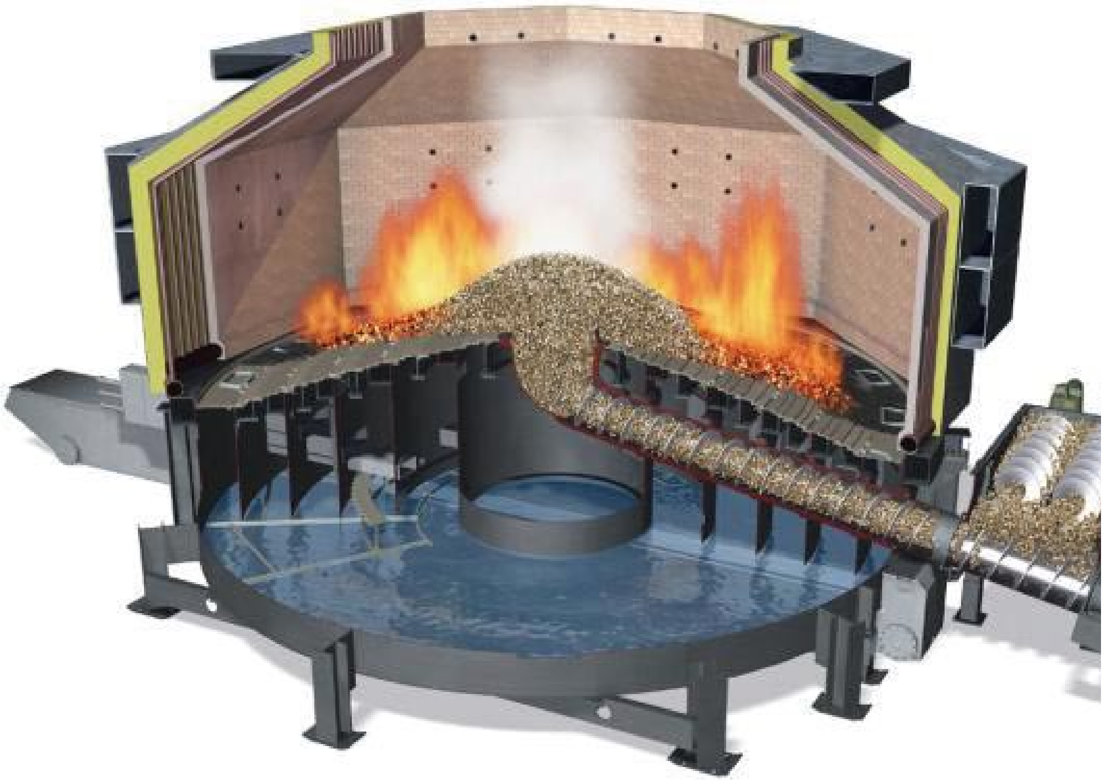
On the industrial estate of Kaiserbaracke, 4Energy Invest has developed a biomass cogeneration plant in cooperation with three local industrial parties, who produce finished or half-finished wood products for different industrial purposes. 4Energy Invest uses the wood waste it purchases from these partners as fuel and sells thermal energy to them. The produced electricity is fed into the distribution grid and sold to energy suppliers. The green benefits are sold to energy suppliers.

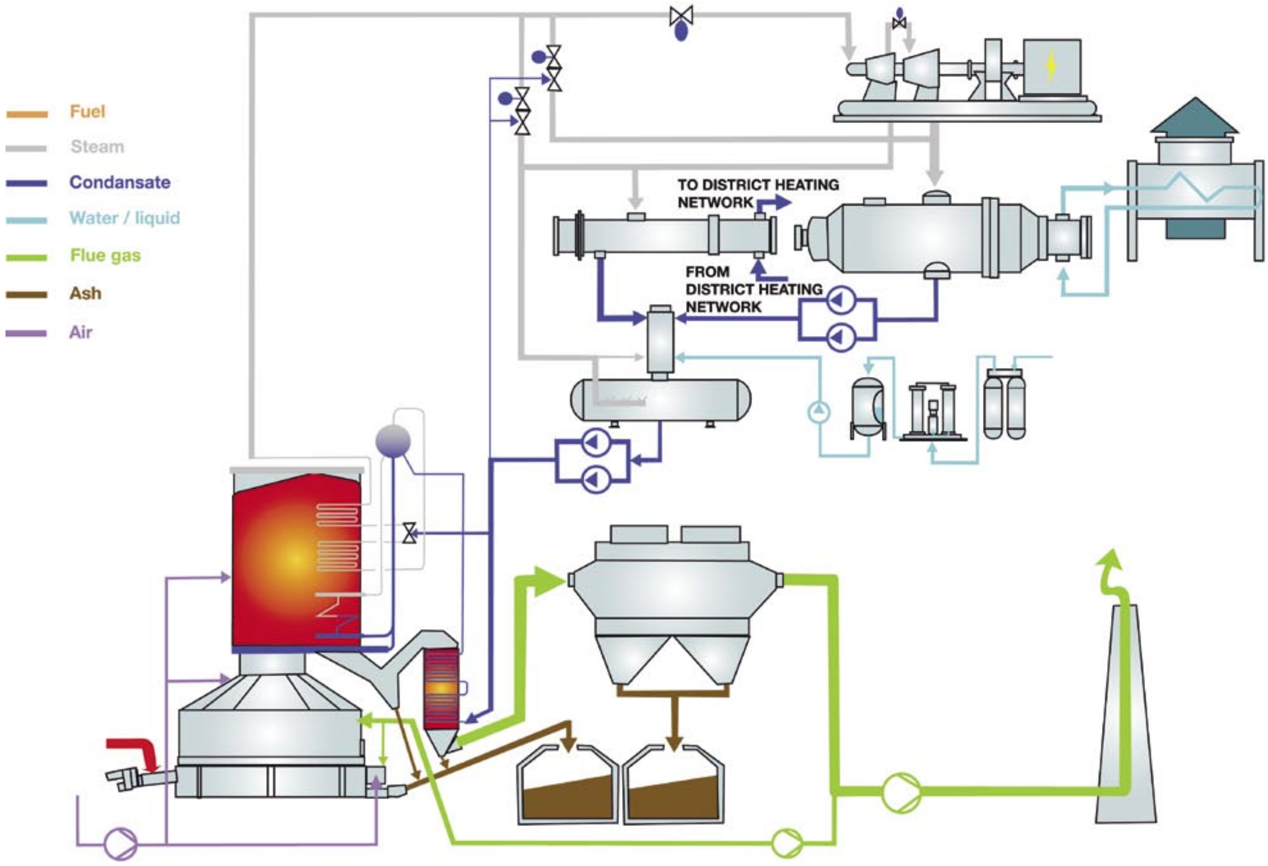
The Amel I project includes two cogeneration systems which can operate separately or together:
- a wood fired boiler with a steam turbine and
- a diesel engine

Moreover, an additional back-up oil fired boiler allows 4Energy Invest to guarantee a continuous supply of heat to the industrial wood processors.

Finally, a dedicated fuel preparation unit has been built on the site in order to accept and select a wide range of non-contaminated wood waste such as waste barks and rotted logs, which significantly reduce the dependence on a certain type of woodfuel allowing 4Energy Invest to negotiate the best price for the purchased wood materials.

# THE WOOD FIRED COGENERATION





| | |
|---|---|
| Technology | Moving grate boiler with steam turbine allowing controlled extraction of heat. |
| Process | The required heat is extracted at low pressure and the rest of the steam is used to produce electricity. |
| Fuel | Non-contaminated wood which can have up to 65% moisture content. Fuel consumption is around 7.5 tonnes per hour at full load production with a wood at 50% moisture content. |
| Gross Output | Maximum gross output of the steam turbine: 5.5 MW electrical |
| Yearly running hours | On average 8,000 hours |
| Net Performance | If no MW thermal is extracted, the net electricity production amounts to 4.6 MWe.<br>If 6 MW thermal is extracted, the net electricity production amounts to 3.8 MWe. |
| Start of Commercial Operation | November 2007 |

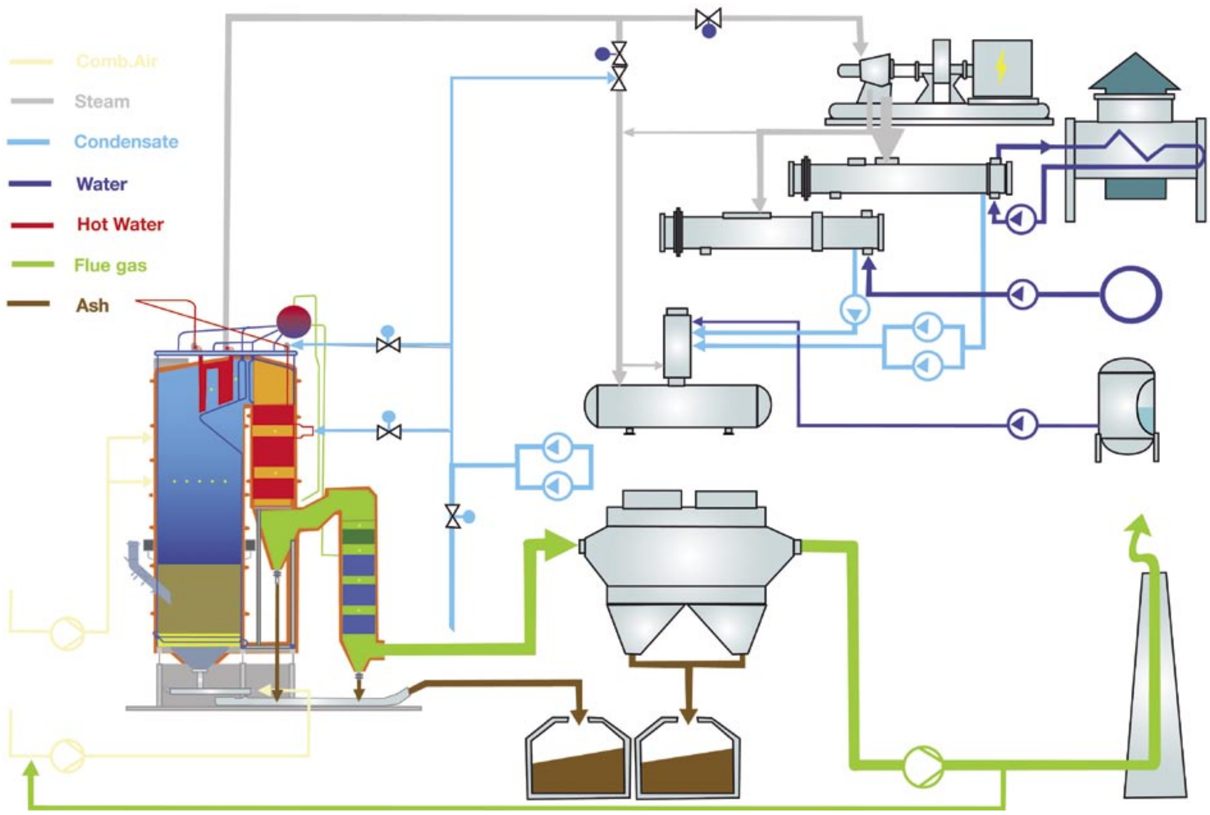
## DIESEL ENGINE

| | |
|---|---|
| Technology | Diesel engine |
| Process | The engine produces first electricity. Fatal heat is recovered from exhaust gas and is distributed to local customers. |
| Fuel | Biofuels |
| Gross Output | 3 MWe |
| Yearly running hours | Up to 8,000 hours depending on the availability of fuel at attractive market prices and/or when electricity market prices are attractive. |
| Net Performance | Up to 4 MW thermal can be recovered when generating 3 MW electrical |
| Start of Commercial Operation | February 2007 |
| Additional operational feature | The diesel engine mainly operates as a back-up for the wood fired boiler with steam turbine, but can also operate independently in the event where the low cost of biofuels and/or the high price of electricity make the production and sale to the grid of electricity by the diesel engine economically viable. Fatal heat then is recovered from the exhaust gas of the diesel engine. This recovered heat is injected into the hot water network that delivers heat to the local consumers. Fatal heat from the engine can also be recovered and then be delivered to industrial customers. |

# AMEL II (BELGIUM)

4Energy Invest is operating a second biomass cogeneration unit in Amel (called “Amel II”) which is an extension of the Amel I unit located on the same site owned by 4Energy Invest.

This extension consists of a wood fired boiler and a steam turbine which allow 4Energy Invest to deliver heat to new industries or extensions of existing industries on the industrial zoning in Amel and to supply electricity to the grid.




| | |
|---|---|
| Technology | Moving grate boiler with steam turbine allowing controlled extraction of heat (same as Amel I) |
| Fuel | Non-contaminated wood which can have up to 65% moisture content. Fuel consumption is around 7.5 tonnes per hour at full load production with a wood at 50% moisture content. |
| Gross Output | Maximum gross output of the steam turbine: 5.7 MW electrical |
| Yearly running hours | On average 8,000 hours |
| Net Performance | If no MW thermal is extracted, the net electricity production amounts to 4.8 MWe. If 6 MW thermal is extracted, the net electricity production amounts to 4.15 MWe. |
| Start of Commercial Operation | May 2008 |

### 3.2.1.2 UNDER CONSTRUCTION

### HAM COGEN (BELGIUM)

This 9.5 MWe biomass fired cogeneration project is built and will be operated by 4HamCogen NV, a 100% subsidiary of 4Energy Invest. The project is located on a site adjacent to the Albert Canal and to the industrial partner Agricon NV, which produces by-products of wood (decorative barks).

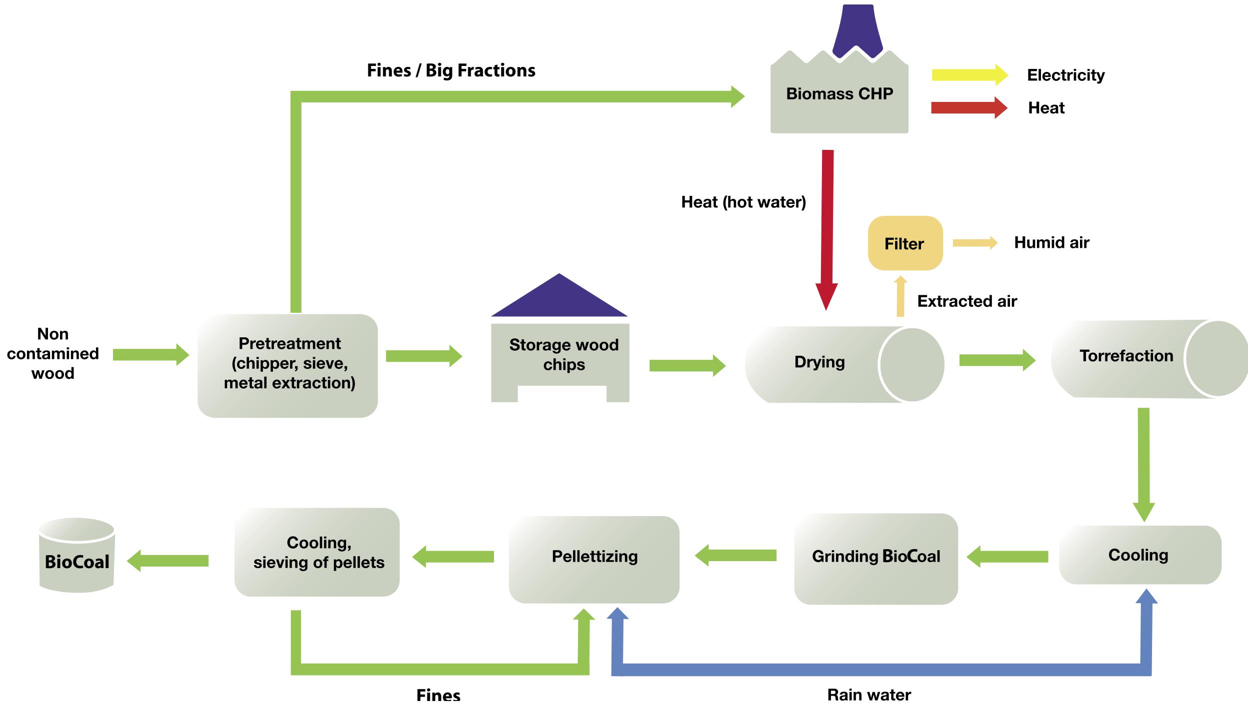
4HamCogen will deliver heat to its partner and will feed its generated green electricity into the local distribution grid.

The industrial partner of 4Energy Invest will supply (from its on-site activities) a considerable part of the biomass required by the project. The other biomass needs will be secured through the portfolio of suppliers that 4Energy Invest built up over the years.

The key characteristics of the Ham Cogen project are:

| | |
|---|---|
| Technology | Bubbling fluidised bed boiler with one steam turbine and controlled extraction of heat |
| Fuel | Non-contaminated wood.<br>A dedicated fuel preparation unit has been planned in order to process any type of non-contaminated wood waste as biomass (barks, forest residues, etc.). |
| Gross Output | The maximum gross output of the steam turbine will be in the range of 8 to 9.5 MWe, depending of the heat off take. |
| Yearly running hours | On average 8,000 hours |
| Start of Commercial Operation | Start of commercial operation is scheduled for the third quarter of 2011. |

## 3.2.2 TORREFACTION AND BIOCOAL




4Energy Invest is committed to expand its activities towards other biomass-to-energy applications and towards the international market.

4Energy Invest is a first mover in the emerging worldwide BioCoal market. 4Energy Invest has the ambition to gradually build a portfolio of woody biomass torrefaction units that will produce torrefied wood pellets (BioCoal) for co-firing with pulverized fossil coal in power generation facilities.

Major characteristics of BioCoal are:
- Heat content similar to fossil coal per Metric Ton,
- Low ash content,
- CO2 neutral,
- Low or quasi exempt of SOx emissions,
- No additional investment is required to use it in existing coal fired power plants,
- Hydrophobic,
- Similar density to fossil coal,
- Low moisture content.

## 3.2.2.1 UNDER CONSTRUCTION

# AMEL III BIOCOAL (BELGIUM)

In February 2009, 4Energy Invest started the construction of a large scale woody biomass torrefaction facility located in Amel, next to the current cogeneration facilities.

This torrefaction unit will convert woody biomass into renewable solid fuel and will produce torrefied wood pellets (BioCoal) for co-firing with pulverised fossil coal in electricity generation facilities.

The  annual production capacity of the torrefaction unit in Amel will be approximately 42,000 tons of BioCoal.

The existing Amel I and Amel II cogeneration plants will supply heat and electricity to the Amel III torrefaction unit. As a result, the produced BioCoal will have a minimum $CO_2$ footprint.

Moreover, next to the torrefaction unit, a biomass storage facility is able to host up to 25,000 tons of feedstock and will act as strategic platform for the biomass-to-energy activities of 4Energy Invest.

4Energy Invest is planning to market this BioCoal mainly towards utilities operating coal power plants in Belgium, in Germany and/or in the Netherlands.

Start of commercial operation of the biomass torrefaction unit is currently scheduled for second quarter of 2011.

### 3.2.2.2 UNDER DEVELOPMENT

Permits for a large scale torrefied wood pellets production facility in Ham, adjacent to the cogeneration plant currently under construction have been obtained. Financing efforts for the project will be initiated when the torrefaction project in Amel is up and running.

In March 2011, 4Energy Invest obtained the permits for a large scale torrefied wood pellets production facility with integrated cogeneration facility in Reisbach, Germany.

Permit files for BioCoal production facilities are under preparation in several countries where more abundant biomass resources are available and where projects can be pursued with integrated forest management.

# 4.0 CORPORATE GOVERNANCE STATEMENT

## 4.1 REFERENCE CODE

4Energy Invest has adopted a corporate governance charter in line with the Belgian Code on Corporate Governance issued on March 12, 2009 (second edition) by the Belgian Corporate Governance Committee (the "Code"). 4Energy Invest has adopted the Code as its reference code.

The Code is based on a "comply or explain" system. Belgian listed companies should follow the Code, but can deviate from its provisions and guidelines (though not from the principles) provided they disclose the justifications for such deviation. 4Energy Invest complies with the principles contained in the Code, but believes that certain deviations from its provisions are justified in view of its particular situation. With the entry into force of the law of 6 April 2010, it is (i) not possible to deviate from some provisions of the Code and (ii) it is compulsory to indicate the provisions of the Code that were not complied with during the year and to provide an explanation of the reasons for non-compliance. The deviations by 4Energy Invest are explained in this Corporate Governance Statement and are valid under the law of 6 April, 2010.

4Energy Invest's corporate governance charter was last updated on November 5, 2009 and is available on 4Energy Invest's website: www.4energyinvest.com

## 4.2 BOARD OF DIRECTORS

The role of the board of directors is to pursue the long-term success of the company by providing entrepreneurial leadership and enabling risks to be assessed and managed.

Pursuant to 4Energy Invest's articles of association, the board of directors is composed of minimum six and maximum ten members. In accordance with the principle of the Code, at least half of the members must be non-executive directors and at least three directors must be independent in accordance with the criteria set out in the Belgian Company Code and in the Code.

On the date of this annual report, the board of directors of 4Energy Invest consists of seven members including three independent directors. These members are:

| Name | Position | Start Term | End Term |
|---|---|---|---|
| Enerpro SPRL, with permanent representative Yves Crits (CEO) | Managing director | 2008 | 2012 |
| Nico Terry BVBA, with permanent representative Nico Terry (CFO) | Executive director | 2008 | 2012 |
| Enermoza BVBA, with permanent representative Guido Schockaert | Non-executive director | 2008 | 2012 |
| Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer (independent director) | Non-executive, independent director | 2010 | 2012 |
| 2D Multimedia SPRL, with permanent representative Daniel Deroux (independent director and chairman) | Non-executive, independent director and chairman | 2008 | 2012 |
| Hamaco BVBA with permanent representative Henri Meyers (independent director) | Non-executive, independent director | 2008 | 2012 |
| Mr. Gerd Smeets | Non-executive director | 2010 | 2012 |

The curricula vitae of the members of the board of directors are available on the company's website: www.4energyinvest.com.

The board of directors elects a chairman from among its non-executive members on the basis of his knowledge, skills, experience and mediation strength. The chairman of the board of directors is responsible for the leadership of the board of directors. The chairman takes the necessary measures to develop a climate of trust within the board of directors, contributing to open discussion, constructive dissent and support for the decisions of the board of directors. The chairman promotes effective interaction between the board and the executive management team. The chairman establishes a close relationship with the CEO, providing support and advice, while fully respecting the executive responsibilities of the CEO.

Currently, 2D Multimedia SPRL, with permanent representative Daniel Deroux is the chairman of the board of directors.

The board of directors meets whenever the company's interest so requires or upon the request of two directors. In principle, the board of directors will meet sufficiently regularly and at least four times a year. The decisions within the board of directors require a simple majority of the votes cast.

During 2010, the board of directors met seven times, and the overall attendance rate by directors was 98 %.

Attendance at meetings of the board of directors:

| Name | Board meetings attended |
|---|---|
| Enerpro SPRL, with permanent representative Yves Crits (CEO) | 7/7 |
| Nico Terry BVBA, with permanent representative Nico Terry (CFO) | 7/7 |
| Enermoza BVBA, with permanent representative Guido Schockaert (COO) | 6/7 |
| Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer (independent director) | 6/7 |
| 2D Multimedia SPRL, with permanent representative Daniel Deroux (independent director and chairman) | 7/7 |
| Hamaco BVBA with permanent representative Henri Meyers (independent director) | 7/7 |
| Mr. Gerd Smeets | 3/7 |

# 4.3 INDEPENDENT DIRECTORS

A director will only qualify as an independent director if he meets at least the criteria set out in Article 526ter of the Belgian Companies Code, which can be summarized as follows:

- Not being an executive member of the board, exercising a function as a member of the executive committee or as a person entrusted with daily management of the company or a company or person affiliated with the company, and not having been in such a position during the previous five years before his nomination.

- Not having served for more than three terms as a non-executive director of the board, without exceeding a total term of more than twelve years.

- Not being an employee of the senior management (as defined in Article 19,2° of the Belgian Act of September 20, 1948 regarding the organization of the business industry) of the company or a company or person affiliated with the company and not having been in such a position for the previous three years before his nomination.

- Not receiving, or having received, any significant remuneration or other significant advantage of a financial nature from the company or a company or person affiliated with the company, other than any bonus or fee (tantièmes) he receives or has received as a non-executive member of the board.

- Not holding (directly or via one or more company under his control) any shareholder rights representing 10% or more of the company's shares or of a class of the company's shares (as the case may be), and not representing a shareholder meeting this condition.

- If the shareholder rights held by the director (directly or via one or more company under his control) represent less than 10%, the disposal of such Shares or the exercise of the rights attached thereto may not be subject to contracts or unilateral undertakings entered into by the director. The director may also not represent a shareholder meeting this condition.

- Not having, or having had within the previous financial year, a significant business relationship with the company or a company or person affiliated with the company, either directly or as partner, shareholder, member of the board, member of the senior management (as defined in Article 19,2° of the aforementioned Belgian Act of September 20, 1948) of a company or person who maintains such a relationship.

- Not being or having been within the last three years, a partner or employee of the current or former statutory auditor of the company or a company or person affiliated with the company.

- Not being an executive director of another company in which an executive director of the company is a non-executive member of the board, and not having other significant links with executive directors of the company through involvement in other companies or bodies.

Not being a spouse, legal partner or close family member (by marriage or birth) to the second degree of a member of the board, a member of the executive committee, a person charged with the daily management, or a member of the senior management (as defined in Article 19,2° of the aforementioned Belgian Act of September 20, 1948) of the company or a company or person affiliated with the company, or of a person who finds him or herself in one or more of the circumstances described in the previous bullets.

According to the company's board of directors, Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer, 2D Multimedia SPRL, with permanent representative Daniel Deroux and Hamaco BVBA with permanent representative Henri Meyers are independent directors. The board of directors is of the view that the current independent directors comply with each of the relevant criteria of the Belgian Company Code.

# 4.4 COMMITTEES WITHIN THE BOARD OF DIRECTORS

The board of directors of 4Energy Invest has established an audit committee, a nomination and remuneration committee and an advisory committee. These committees merely have an advisory role and the actual decision-making remains the responsibility of the board of directors.

## AUDIT COMMITTEE

According to the rules entered for Belgian publicly-listed companies with respect to the establishment and tasks of the audit committee entered into force as of January 8, 2009, 4Energy Invest would meet the size criteria in order to operate without a separate audit committee. 4Energy Invest has however chosen to continue operating with a separate audit committee. The audit committee must be composed of non-executive directors. This is and has always been the case for 4Energy Invest's audit committee. In line with the Belgian Code on Corporate Governance which requires that a majority of the members of the audit committee are independent, the current members are all independent directors.

During the financial year 2010, the audit committee consisted of three non-executive and independent members of the board of directors. The members of the audit committee have sufficient experience in financial matters to discharge their functions. According to the Belgian Company Code, the audit committee must for this purpose be composed of at least one independent director with the necessary financial, accounting, risk management and auditing experience. Filip Lesaffer is competent in accounting and auditing as evidenced by its previous role as investment director of KBC Private Equity and by the director offices exercised in several companies.

Given the size of 4Energy Invest, no internal audit function exists at this time.

On the date of this annual report, the members of the audit committee are:

- Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer (chairman of the audit committee)
- Hamaco BVBA, with permanent representative Henri Meyers
- 2D Multimedia SPRL, with permanent representative Daniel Deroux

During 2010, the audit committee met three times, and the overall attendance rate was 100 %.
Attendance at meetings of the audit committee:

| Name | Audit committee attended |
|---|---|
| 2D Multimedia SPRL, with permanent representative Daniel Deroux (non-executive, independent director and chairman) | 3/3 |
| Hamaco BVBA, with permanent representative Henri Meyers (non-executive, independent director) | 3/3 |
| Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer (non-executive, independent director) | 3/3 |

*The provisions of Articles 3.4.4., 3.5.1. and 3.5.6. of the corporate governance charter have not been complied with since (i) no schedule and agenda of subjects to be discussed during the year was established, (ii) the audit committee met less than four times, (iii) no internal evaluation of its own effectiveness took place and (iv) the audit committee did not review the effectiveness of the external audit process.*

## NOMINATION AND REMUNERATION COMMITTEE

The nomination and remuneration committee must be composed of at least three members. All members of the nomination and remuneration committee are non-executive directors, with preferably a majority of independent directors.

On the date of this annual report, the members of the nomination and remuneration committee are:

- Hamaco BVBA, with permanent representative Henri Meyers (chairman of the nomination and remuneration committee)
- 2D Multimedia SPRL, with permanent representative Daniel Deroux
- Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer

The nomination and remuneration committee met once in 2010. The attendance rate was 100%.

Attendance at meetings of nomination and remuneration committee:

| Name | Nomination and remuneration committee attended |
|---|---|
| Hamaco BVBA, with permanent representative Henri Meyers | 1/1 |
| 2D Multimedia SPRL, with permanent representative Daniel Deroux | 1/1 |
| Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer | 1/1 |

*The provisions of Articles 4.5.1. and 4.5.7. of the corporate governance charter have not been complied with since (i) no schedule and agenda of subjects to be discussed during the year was established, (ii) the nomination and remuneration committee met less than twice and (iii) no internal evaluation of its own effectiveness took place.*

## ADVISORY COMMITTEE

The advisory committee must be composed of at least four members all of which are directors and at least two of the members must be independent directors.

On the date of this annual report, the members of the advisory committee are:

- 2D Multimedia SPRL, with permanent representative Daniel Deroux (chairman of the advisory committee)
- Hamaco BVBA, with permanent representative Henri Meyers
- Enerpro SPRL with permanent representative Yves Crits
- Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer

The purpose of the advisory committee is (i) to hold an in-depth operational discussion on opportunities or issues that may arise in preparation of the meeting of the board of directors that will eventually decide on these matters or (ii) assisting the Chief Executive Officer in any matters which may arise with respect to investment decisions with respect to projects in development, in construction or in operation falling within the scope of the powers of daily management of the CEO.

The advisory committee met once in 2010. The attendance rate was 100%.
Attendance at meetings of the advisory committee:

| Name | Advisory committee attended |
|---|---|
| Hamaco BVBA, with permanent representative Henri Meyers | 1/1 |
| 2D Multimedia SPRL, with permanent representative Daniel Deroux | 1/1 |
| Enerpro SPRL, with permanent representative Yves Crits (CEO) | 1/1 |
| Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer | 1/1 |

## 4.5 EVALUATION PROCESS

### GENERAL

Under the lead of its chairman, the board of directors will regularly (e.g., at least every two to three years) assess its size, composition, performance and those of its committees, as well as its interaction with the executive management team. The evaluation process has four objectives:

- Assessing how the board of directors or the relevant committee operates.
- Checking that the important issues are suitably prepared and discussed.
- Evaluating the actual contribution of each director's work, the director's presence at board and committee and his or her constructive involvement in discussions and decision-making.
- Checking the board's or committee's current composition against the desired board's or committee's desired composition.

Although evaluation is a responsibility of the board of directors, the board of directors can be assisted in this evaluation by the nomination and remuneration committee, and possibly also by external experts.

### NON-EXECUTIVE SESSIONS

The non-executive directors will regularly assess their interaction with the members of the executive management team. In this respect, non-executive directors intend to meet at least once a year in the absence of the CEO and the other executive directors. Actions can, however, only be taken by the board of directors.

### EVALUATION OF INDIVIDUAL DIRECTORS

There will be a periodic evaluation of the contribution of each director aimed at adapting the composition of the board of directors to take account of changing circumstances. When dealing with re-election, the director's commitment and effectiveness will be evaluated in accordance with a transparent procedure established in advance by the board of directors, to the extent relevant.

### RESULTS OF THE EVALUATION

The board of directors will take into account the results of the performance evaluation by recognizing its strengths and addressing its weaknesses. Where appropriate, this can involve proposing new members for appointment, proposing not to re-elect existing members or taking any measure deemed appropriate for the effective operation of the board of directors.

## BOARD COMMITTEES

The audit committee should regularly (and at least every two to three years) review its terms of reference and its own effectiveness and recommend any necessary changes to the board of directors.

The nomination and remuneration committee should regularly (and at least every two to three years) review its terms of reference and its own effectiveness and recommend any necessary changes to the board of directors.

The advisory committee should regularly review its terms of reference and its own effectiveness and recommend any necessary changes to the board of directors.

# 4.6 EXECUTIVE MANAGEMENT TEAM

## CHIEF EXECUTIVE OFFICER

The CEO is charged by the board of directors with the day-to-day management of the company. The CEO shall report regularly during the scheduled meetings of the board of directors on the operations, findings and recommendations of the executive management team.

## OTHER MEMBERS OF EXECUTIVE MANAGEMENT TEAM

The other members of the executive management team include the CFO, the COO (if any) and any other key executive appointed to the team by the board of directors on the basis of a recommendation by the nomination and remuneration committee.
The other members of the executive management team are responsible for assisting the CEO in relation to:

- operating the company
- implementing the decisions taken by the board of directors;
- putting internal controls in place without prejudice to the monitoring role of the board of directors, based on the framework approved by the board of directors;
- the complete, timely, reliable and accurate preparation of the company's financial statements, in accordance with the applicable accounting standards and policies of the company;
- the preparation of the company's required disclosure of the financial statements and other material financial and non-financial information;
- presenting the board of directors with a balanced and understandable assessment of the company's financial situation ;
- providing the board of directors in due time with the information necessary for the board of directors to carry out its duties .

## COMPOSITION OF THE EXECUTIVE MANAGEMENT TEAM

On the date of this annual report, the members of the executive management team are:

- Enerpro SPRL ,with permanent representative Yves Crits – CEO
- Nico Terry BVBA, with permanent representative Nico Terry – CFO

The position of chief operating officer is currently vacant.

The executive management team does not qualify as an executive committee ("directiecomité") within the meaning of Article 524bis of the Belgian Company Code. The curricula vitae of the members of the executive management team are available on the company's website: www.4energyinvest.com

## 4.7 REMUNERATION REPORT

4Energy Invest prepares a remuneration report relating to the remuneration of directors and the members of the management committee. This remuneration report forms part of the corporate governance statement, which is a part of the annual report. Starting as from the annual general shareholders' meeting to be held in 2012, the nomination and remuneration committee will have to submit this remuneration report to the annual general shareholders' meeting, for separate approval.

### 4.7.1 PROCEDURE FOR (I) DEVELOPING A REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS AND EXECUTIVE MANAGERS AND (II) SETTING THE LEVEL OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS AND EXECUTIVE MANAGERS

4Energy Invest's remuneration policy is designed to allow the company to attract, retain and motivate directors and executive management team members who have the profile determined by the board of directors and to promote continuous improvement in the business.

#### NON-EXECUTIVE DIRECTORS

Upon recommendation and proposal of the nomination and remuneration committee, the board of directors determines the remuneration of the non-executive directors to be proposed to the general shareholders' meeting. The proposed remuneration that the board submits to the general shareholders' meeting corresponds in principle to market practice and expectations for companies similar to 4Energy Invest. The remuneration is set to attract, retain and motivate directors who have the profile determined by the nomination and remuneration committee.

The non-executive directors are remunerated as follows;

- The remuneration of the chairman of the board of directors equals the annual amount of €20,000. The remuneration of the other non-executive directors of the board of directors equals an annual amount of €15,000. The additional annual remuneration for a non-executive independent director who is chairman of a committee of the board of directors equals €4,000 per committee of which he is chairman. The annual remuneration of a non-executive director who is member of a committee of the board of directors equals €1,500 per committee of which he is member.

- The attendance fee for the chairman of the board of directors equals €2,000 for each attendance at a meeting of the board of directors. The attendance fee for any other non-executive director equals €1,500 for each attendance at a meeting of the board of directors. Furthermore, the attendance fee for the non-executive independent director who is chairman of a committee of the board of directors equals €2,000 for each attendance at a meeting of the committee. The attendance fee for any other non-executive director who is member of a committee of the board of directors equals €1,250 for each attendance at a meeting of the committee.

Non-executive directors do not receive any performance-related remuneration, incentives granted in shares, options or any other right to acquire shares, or pension benefits. The remuneration of non-executive directors takes into account their general role as director, and specific roles as chairman, chairman or member of a board committee, as well as their relevant responsibilities and time commitment.

## EXECUTIVE MANAGEMENT

The remuneration of the members of the executive management team is determined by the board of directors based on recommendations made by the nomination and remuneration committee.

An appropriate portion of the remuneration is linked to corporate and individual performance. The proposed remuneration corresponds in principle to market practice and expectations for companies similar to 4Energy Invest. The remuneration is set to retain the services of the executive managers at competitive market conditions.

The remuneration of the executive management for the financial year ended December 31, 2010 consists of a Base Annual Remuneration ("BAR") for full dedication, which was composed as follows:

- 70% of the remuneration is fixed (and as a result invoiced and paid out on a regular basis)

- 30% of the remuneration is variable and is determined based on a set of criteria whereby the weight of the different criteria is similar for the different members of executive management.

The variable part has been determined based on the following criteria:

(i)reliability factor of assets in operation
(ii)capacity factors of assets in operation
(iii)development activities
(iv)overall board appraisal

25% of the variable part of the remuneration of the executive managers for the financial year 2010 depended on the annual appraisal by the board of directors. The board considered amongst others the following issues:

- reporting
- communications
- control systems
- commitments
- cash management

The remuneration level of the executive management was for the financial year fixed at 85 % of the BAR. Consequently, the executive management did not receive any bonus.

Article 523 of the Belgian Company Code has been applied with respect to the remuneration of the members of the executive management for the financial year ended December 31, 2010.

# 4.7.2 REMUNERATION AND BENEFITS GRANTED TO DIRECTORS

At the time of incorporation of 4Energy Invest, the board of directors decided that 4Energy Invest will indemnify the directors against any claim by a third party based on directors' liability, except in the event of gross negligence and willful misconduct. Therefore 4Energy Invest has subscribed to directors' liability insurance.

## NON-EXECUTIVE DIRECTORS

For the financial year ended on December 31, 2010, the chairman of the board of directors received a total remuneration of €46,000. The other non-executive members of the board of directors received a total remuneration of €149,995 (respectively €71,000, €43,500, €35,495 and €0).

The non-executive directors have not received any incentives granted in shares, options or any other right to acquire shares as approved by, or submitted to, the general shareholders' meeting.

### EXECUTIVE DIRECTORS

The executive directors are not remunerated in their capacity of member of the board of directors.

## 4.7.3 REMUNERATION OF CEO

4Energy Invest has entered into a services agreement dated November 22, 2005 with Mr. Yves Crits and Enerpro SPRL (i.e. the personal services company of Mr. Yves Crits) for the performance of the daily management by Mr. Yves Crits in the framework of his appointment as CEO of 4Energy Invest and specific services in relation to the Renogen project and other energy projects by Enerpro SPRL.

The annual remuneration of the CEO for the financial year ended on December 31, 2010, amounted to € 327,250 (excluding costs), consisting of a fixed amount of € 269,500 paid on a recurrent basis, and a variable part of € 57,750, decided upon a set of measurable criteria and appraisal(s) as described in section 4.7.1. The variable part will be paid within 30 days after the approval of the annual accounts. This annual remuneration does not take into account the professional costs incurred (and invoiced) by the CEO in the execution of its services and the warrants offered on June 12, 2008 by 4Energy Invest and subsequently accepted by the CEO. Article 523 of the Belgian Company Code has been applied with respect to the remuneration of the CEO for the financial year ended December 31, 2010.

4Energy Invest has no obligations to pay any pension retirements or similar benefits to Mr.Yves Crits or Enerpro SPRL.

## 4.7.4 REMUNERATION OF OTHER MEMBERS OF EXECUTIVE MANAGEMENT

The executive management, which consists of the members of the executive management team and the executive directors, is remunerated as follows:

4Energy Invest has entered into a services agreement with Nico Terry BVBA, which is similar to the services agreement entered into with Enerpro SPRL.

The yearly remuneration for the financial year ended on December 31, 2010 of the other member of the executive management amounts to € 210,375 (excluding costs), consisting of a fixed aggregate amount of € 173,250, paid on a recurrent basis, and a variable part of € 37,125 decided upon a set of measurable criteria and appraisal(s) as described in section 4.7.1. The variable part will be paid within 30 days after the approval of the annual accounts. This aggregate yearly remuneration does not take into account the professional costs incurred (and invoiced) by the other member of executive management and the warrants offered on June 12, 2008 by 4Energy Invest and subsequently accepted by the other member of the executive management. Article 523 of the Belgian Company Code has been applied with respect to the remuneration of the other member of the executive management for the financial year ended December 31, 2010.

4Energy Invest has no obligations to pay any pension retirements or similar benefits to the members of the executive management.

# 4.7.5 INCENTIVES GRANTED IN SHARES, OPTIONS OR OTHERWISE

On May 21, 2008, the extraordinary shareholders' meeting of 4Energy Invest decided to issue up to 900,009 warrants. On May 21, 2008, all warrants were subscribed to by 4Energy Invest with a view to allocating them at a later stage to Enerpro SPRL, Nico Terry BVBA and Enermoza BVBA (directly or indirectly), executive directors, employees and consultants of 4Energy Invest (to be decided by the board of directors upon the advice of the nomination and remuneration committee). 594,000 warrants have been allocated to Enerpro SPRL, Nico Terry BVBA and Enermoza BVBA on June 12, 2008 and subsequently accepted. 122,995 warrants have been allocated to employees and consultants of 4Energy Invest on June 12, 2008 and subsequently accepted. 183,014 warrants have been allocated to LRM NV in its capacity of director of 4HamCogen on December 18, 2009 and subsequently accepted. The exercise price of the warrants allocated on June 12, 2008 and on December 18, 2009 is €6.25 per warrant. Currently, all the warrants that were issued on May 21, 2008 have been allocated.

Every warrant entitles its holder to subscribe to one ordinary share of 4Energy Invest.

The warrants have a maturity of 10 years, to be counted as of the date of their issuance. At the end of the 10-year period, the warrants will lapse. The warrants shall become progressively and conditionally exercisable, namely 34% as of the first anniversary date of the allotment, 67% as of the second anniversary date of the allotment, and 100% as of the third anniversary date of the allotment provided that, at such anniversary, the warrant holder concerned (or its management company) shall be a consultant or employee of 4Energy Invest. Enerpro SPRL, Nico Terry BVBA and Enermoza BVBA have further agreed that none of the shares to be issued upon exercise of these warrants may be transferred during a period of 3 calendar years as of June 17, 2008. The warrants are not transferable inter vivos. The warrants can be exercised only when they have been acquired definitively and at the earliest as of 1 January following the third anniversary date of the allotment of the warrants to the warrant holders.

In the event of a change in the control of 4Energy Invest, the board of directors shall have the authority to shorten the exercise period of the warrants on condition that the warrant holder is allotted at least 15 calendar days during which he can exercise his warrants. In the event that the warrant holders do not exercise their warrants within this period, the warrants shall lapse *de iure.*

Warrants that have not been allocated by 4Energy Invest at the time of receipt by the latter of an official announcement that a takeover bid is being launched on all outstanding financial instruments of the company, shall automatically expire.

The table below provides an overview of the shares and warrants held directly or indirectly by the members of the executive management on the date of this annual report.

| Name | Number of Shares |
|---|---|
| Enerpro SPRL, controlled by Yves Crits (CEO) | 2,090,855 |
| Nico Terry [1] | 2,090,855 |

[1] Mr. Nico Terry controls Nico Terry BVBA (CFO).

| Name | Number of warrants |
|---|---|
| Enerpro SPRL, controlled by Yves Crits (CEO) | 270,000 |
| Nico Terry BVBA, controlled by Nico Terry (CFO) | 162,000 |

## 4.7.6 SEVERANCE PAY

The appointment contract of the CEO or any other executive manager on or after July 1, 2009 does not provide for a severance pay exceeding 12 months' basic and variable remuneration.

The services agreement entered into with Mr. Yves Crits and Enerpro SPRL was entered into for a limited term of 10 years. The agreement can be immediately terminated by 4Energy Invest at all times subject to a prior notice and payment of an indemnity equal to ½ of Enerpro SPRL's annual fee. A similar services agreement was entered into with Nico Terry BVBA.

## 4.8 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING

One of the roles of the audit committee of 4Energy Invest is to monitor the effectiveness of the company's internal control and risk management systems. The external auditor has reviewed these internal control and risk management systems. The audit committee has implemented a written procedure on incoming and outstanding invoices, has approved the practical organization of the administration at different sites and has followed-up closely the cash management.

## 4.9 CONFLICTS OF INTEREST AND RELATED PARTIES

Each director is encouraged to arrange his or her personal and business affairs so as to avoid direct and indirect conflicts of interest with the company. Transactions between the company and its board members should take place at arms' length.

In accordance with Article 523 of the Belgian Company Code, all directors must inform the board of directors and the statutory auditor of the company of conflicts of interest as they arise and abstain from voting on the matter involved in accordance with the relevant provisions of the Belgian Company Code.

Prior to his or her election, a director must inform the board of directors of his Related Party Transactions with 4Energy Invest NV or the company's subsidiaries. During his or her mandate as a director, a director must inform the chairman of the board of directors of the Related Party Transactions that he or she or his or her affiliates contemplate to enter into, and such Related Party Transactions can only be entered into after approval by the board of directors, where applicable in accordance with Article 523 of the Belgian Company Code.

For the purpose of 4Energy Invest's corporate governance charter, **"Related Party Transaction"** of a director means any transaction to deliver services or provide supplies or other goods to 4Energy Invest NV or the company's subsidiaries either by the director, his or her spouse or unmarried legal partner, a relative of his or her (via birth or marriage) in the second degree, or a legal entity that is directly or indirectly under the control of the director, his or her spouse or unmarried legal partner, or a relative of his or her (via birth or marriage) in the second degree.

Presently, 4Energy Invest is not aware of any situation or relation that may in the future result in a conflict of interest between 4Energy Invest on the one hand and the related parties on the other hand, other than the services agreements mentioned in section 4.7.3 and 4.7.4

# 5.0 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The following discussion and analysis should be read in conjunction with (i) the section entitled "Selected key financials of 4Energy Invest" and (ii) the Group's audited consolidated financial statements, including the notes to those audited consolidated financial statements, included in this annual report. This annual report contains forward-looking statements made by the management of 4Energy Invest. Such statements are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which assumptions were deemed reasonable when made but may or may not prove to be correct. Therefore, actual results, the financial condition, performance or achievements of 4Energy Invest, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements. Furthermore, forward-looking statements speak as of the date of this document.*

*The operating and financial review presented below is based on the consolidated financial statements of 4Energy Invest which comprise the audited consolidated statement of financial position at 31 December 2010, 31 December 2009 and 31 December 2008, the audited consolidated statement of comprehensive income, the audited consolidated statement of cash flows and the audited consolidated statement of changes in equity for the years then ended. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.*

## 5.1 GENERAL

4Energy Invest is a Belgian based renewable energy company that aims at creating and managing a portfolio of small to midsized locally embedded projects that valorize biomass, directly or indirectly, into energy. 4Energy Invest identifies potential biomass projects, performs a feasibility study and eventually takes responsibility for developing, financing, constructing and operating the project, in close cooperation with carefully selected suppliers and partners.

4Energy Invest (through its fully owned subsidiary Renogen) has two cogeneration projects, located in Amel (Wallonia, Belgium), that are fully operational (Amel I and Amel II). The total investment for those two cogeneration projects amounted to respectively €25.0 million for Amel I and €14.7 million for Amel II. The two cogeneration projects of Amel are built around sustainability and follow a project approach in which win-win situations are created for all stakeholders. 4Energy Invest sources part of the biomass feedstock for its cogeneration plants from the waste (non contaminated wood) of local industrial partners, transfers the produced heat to said industrial partner(s) and sells the produced electricity fed into the distribution grid. As a result of the on-site energy production, the industrial partners turn their waste disposal into a profitable feedstock and simultaneously reduce their energy costs (through the use of the heat generated at the local facility) whereas 4Energy Invest secures access to a substantial volume of sustainable biomass.

Revenues of the cogeneration projects are generated through the sale of green energy. 4Energy Invest generates green energy in the form of (1) electricity (MWe) which is sold to energy suppliers, by feeding it directly into the distribution grid, (2) heat (MWth) which is sold or transferred to its local industrial partners that are intensive energy users thereof, (3) Green Certificates which are sold to energy suppliers and in the form of (4) CO2 quota.

4Energy Invest (through its fully owned subsidiary Renogen) started in February 2009 the construction of a biomass torrefaction unit to produce torrefied wood pellets (BioCoal) for co-firing with pulverized coal in electricity generation facilities. The biomass torrefaction unit was initially built in collaboration with Stramproy Green Technology, a Dutch-based engineering contractor. In June 2010, 4Energy Invest terminated the EPC contract with Stramproy Green Technology as they defaulted, not being able to deliver (even after a more than reasonable delay period) a workable BioCoal production unit. 4Energy Invest took over the control and responsibility for the facility and started the coordination of the re-engineering works and the investments that were needed to bring the facility into operation. By the end of 2010, 4Energy Invest had synchronized all parts of the process for producing BioCoal at industrial scale. Based on the results of the test runs performed over the last two months of 2010, it was decided to further fine-tune the installation early 2011 with a view to enhancing the reliability and safe running of the installation. 4Energy Invest continues to believe that the BioCoal production can be gradually ramped up in the course of 2011 and this despite the significant delay it incurred in bringing the facility to commercial operation. At the end of 2010, 4Energy Invest (through its fully owned subsidiary Renogen) had invested €14.0 million (net of investment subsidies granted for €1.3 million) in the biomass torrefaction unit and adjacent biomass storage facilities. €9.8 million has been provided by KBC Bank and KBC lease and the difference has been funded out of a subordinated debt facility made available by 4Energy Invest.

Through its fully owned subsidiary 4HamCogen, it is constructing a wood biomass fired cogeneration project in Ham (Flanders, Belgium) for a total investment amount of €37.9 million. The project is located on a site adjacent to the Albert Canal and the company Agricon, an industrial barks processor. The project will deliver heat to Agricon and will feed its generated green electricity in the local distribution grid. Agricon will supply (from its on-site activities) a significant part of the biomass required by the project. The other biomass needs will be secured through a portfolio of suppliers that 4Energy Invest has built up over the years. Start of commercial operation is scheduled for the third quarter of 2011. The project is financed by € 6.3 million equity/subordinated debt provided by 4Energy Invest, € 5.0 million subordinated debt provided by the Investment Company LRM and € 26.6 million senior debt provided by ING Belgium and KBC Bank.

Pontrilas Group Ltd., the partner of 4Energy Invest in the cogeneration project under advanced stage of development in Pontrilas, UK, decided in 2010 to withdraw from the project under advanced stage of development, because the risk/return profile as projected by the business plan of the cogeneration project did no longer fit within the investment strategy/criteria of the Pontrilas Group. As the Pontrilas Group was key in the fuel supply and heat off-take for the cogeneration project, 4Energy Invest had no other option than to abandon this particular project. 4Energy Invest has as a result written down all activated expenses and goodwill on the project. Despite this, 4Energy Invest continues to believe in the potential of the UK renewable energy market for small to mid-sized locally embedded projects that valorize biomass into energy and currently reviews its options to cooperate with other industrial groups with respect to similar investment projects in the UK.

**4Energy Invest has continued the preparation of its roll-out of the torrefaction technology.**

It reached agreement with Stramproy Green Technology on the terms and conditions for the future use of Stramproy Green Technology confidential information by 4Energy Invest or any of its affiliates. This agreement supports the development and future construction of bio-coal production projects by 4Energy Invest.

Construction and environmental permits for a wood biomass torrefaction project in Ham (Flanders, Belgium) and in Reisbach (Germany) have been obtained.

Permit files are also under preparation in other countries where more abundant biomass resources are available and where collaboration agreements are under study with several local/international players active in the forest industry.

The implementation of this roll-out is delayed as a result of the delay in operating the production unit in Amel at industrial scale and financing efforts for the above projects will only be initiated when the torrefaction project in Amel is up and running.

By the end of 2010, 4Energy Invest employed 21.2 (full time equivalent) persons and generated €11.0 million of revenues with a corresponding EBITDA of €3.3 million. The balance sheet at 31 December 2010 shows a total of €73.7 million.

## 5.2 PROJECT DRIVEN RESULTS

As a project development Company, 4Energy Invest has a number of projects at different stages of development. The timings of the different phases of each investment project of 4Energy Invest have a significant impact on the evolution of the consolidated financial statements of the Group. 4Energy Invest activates all directly attributable project expenses incurred on a particular project until either the project enters into commercial operation, or it has become clear that the project will not materialize. From that moment onwards, the incurred project expenses are taken to the consolidated statement of comprehensive income. In case a specific project does not materialize, all directly attributable project expenses are immediately impaired. General and administrative expenses with regard to the operation of 4Energy Invest and its affiliates are not activated and immediately booked as expenses. General development expenses, not directly attributable to a particular project, are also immediately booked as expenses.

The audited consolidated financial statements reflect the following status of the different investment projects pursued by 4Energy Invest as of December 31, 2010

### IN OPERATION

- Amel I cogeneration project (“Amel I”): in commercial operation since November 2007 (operated within the affiliates Renogen/Amel Bio);

- Amel II cogeneration project (“Amel II”): in commercial operation since May 2008 (operated within the affiliates Renogen/Amel Bio);

- Optimization of fuel handling facilities Amel I and Amel II: in commercial operation since July 2009 (operated within the affiliate Renogen);

### UNDER CONSTRUCTION

- Amel III BioCoal production project (“Amel III”): under construction since February 2009 (constructed within the affiliate Renogen);

- Ham cogeneration project: under construction since December 2009 (constructed within the affiliate 4HamCogen);

## UNDER ADVANCED DEVELOPMENT

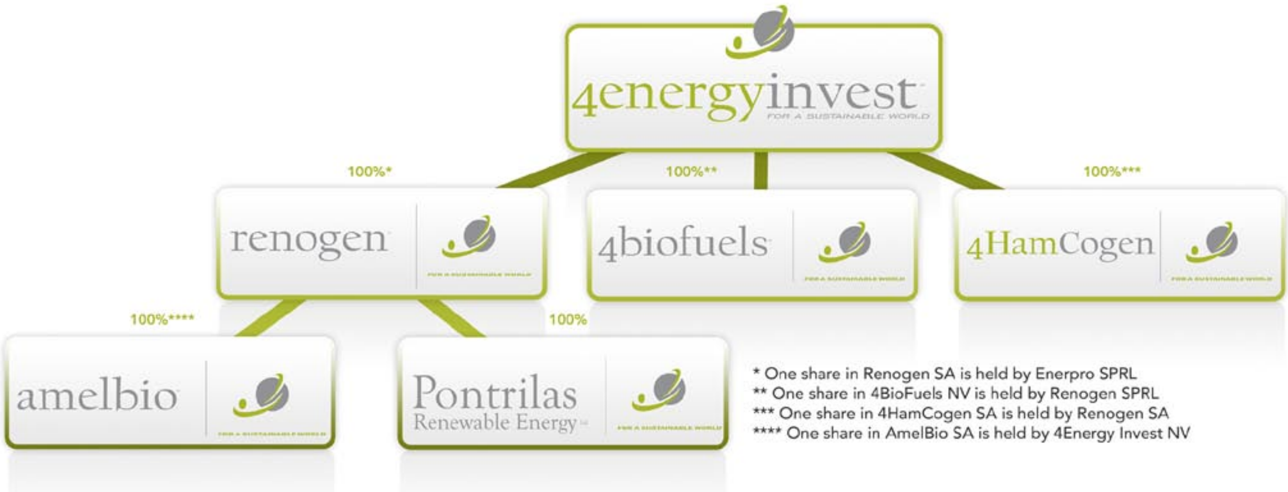
- Ham BioCoal production project: under advanced development (developed within the affiliate 4Biofuels);

- Reisbach BioCoal production project: under advanced development (developed within 4Energy Invest);

## UNDER DEVELOPMENT

- BioCoal production projects with/without integrated forest management: under development (developed within 4Energy Invest);

The audited consolidated financial statements reflect the following group structure of 4Energy Invest as of 31 december 2010




## 5.3 AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

| | 31-12-10<br>€'000 | 31-12-09<br>€'000 | 31-12-08<br>€'000 |
|---|---|---|---|
| Sales | 9,545 | 8,717 | 9,693 |
| Other operating income | 1,441 | 587 | 486 |
| **Revenues** | **10,986** | **9,304** | **10,179** |
| **Operating expenses** | | | |
| Cost of sales | -5,028 | -4,098 | -4,185 |
| Personnel costs | -794 | -706 | -405 |
| Other operating expenses | -1,900 | -1,694 | -1,312 |
| **Operating cash flow (EBITDA)** | **3,264** | **2,805** | **4,277** |
| **EBITDA excluding fair value warrants & exceptional other operating income/expenses** | **2,502** | **2,934** | **4,558** |
| Depreciation, amortisation and provisions | -2,842 | -2,812 | -2,420 |
| Impairment of property, plant and equipment | -1,706 | -51 | -113 |
| Impairment of goodwill | -335 | 0 | 0 |
| **Operating result (EBIT)** | **-1,618** | **-58** | **1,744** |
| Financial income | 26 | 200 | 401 |
| Financial costs | -1,631 | -1,412 | -2,168 |
| **Net financial costs** | **-1,605** | **-1,212** | **-1,767** |
| **Result before tax** | **-3,223** | **-1,270** | **-23** |
| Income tax expense | 2,128 | 1,278 | 528 |
| **Result of the period** | **-1,095** | **8** | **505** |
| **Result of the period (excl. impact IAS 39)** | **-748** | **117** | **755** |

| | | | |
|---|---|---|---|
| **Result of the period (excl. impact IAS 39/Warrants)** | **-528** | **545** | **1,037** |
| Attributable to: | | | |
| Equity holders of 4 Energy Invest | -1,095 | 8 | 474 |
| Minority interests | 0 | 0 | 32 |
| Number of shares | 12,520,090 | 12,520,090 | 6,785,131 |
| Weighted average number of warrants issued (not in-the-money) | 824,284 | 651,513 | 298,748 |
| Earnings/Share | -0.09 | 0.00 | 0.07 |
| Diluted earnings/share | -0.09 | 0.00 | 0.07 |

| | 31-12-10 €'000 | 31-12-09 €'000 | 31-12-08 €'000 |
|---|---|---|---|
| **Result of the period** | **-1,095** | **8** | **505** |
| Other comprehensive income : | | | |
| Income related to issued warrants | 220 | 428 | 282 |
| Income tax relating to components of other comprehensive income | 0 | 0 | 0 |
| **Other comprehensive income for the year, net of tax** | **220** | **428** | **282** |
| **Total comprehensive income for the year** | **-875** | **436** | **787** |

## 5.3.1 REVENUES

The total revenues for € 11.0 million over the year 2010 are € 1.7 million higher than the total revenues over the year 2009 and result from both an increase in sales for € 0.8 million and an increase in other operating income for € 0.9 million.

The sales in 2010 for € 9.5 million are mainly composed of the sale of green certificates for € 7.0 million (€ 6.6 million in 2009), the sale of electricity for € 2.3 million (€ 1.8 million in 2009) and the sale of CO2 quota for € 0.2 million (€ 0.2 million in 2009). The sale of green certificates resulted € 0.4 million higher than comparable period last year due to an increased use of heat by the portfolio of heat customers. The sale of electricity resulted € 0.5 million higher due to an average realized electricity price that resulted 31% higher than the average electricity price realized in 2009.

The other operating income for € 1.4 million (€ 0.6 million in 2009) results for € 0.8 million from the amounts due by the insurance companies (both under the ALOP (€ 0.2 million) and property damage (€ 0.6 million) policies) in the framework of the fire that affected Amel III in May 2010, for € 0.3 million from delay liquidated damages due by Stramproy Green Technology under the EPC contract for Amel III, for € 0.1 million from payments due by Pontrilas Group Ltd. in the framework of its termination of the Pontrilas project and for € 0.2 million from other items.

In 2009, other operating income resulted mainly from availability penalties paid by the main contractor under the availability guarantee included in the EPC contract for Amel II (€ 0.2 million) and from consulting services provided to contract parties outside the group (€ 0.3 million).

## 5.3.2 COST OF SALES, PERSONNEL COSTS AND OTHER OPERATING EXPENSES

### COST OF SALES

The cost of sales over the year 2010 amounted to € 5.0 million and consisted of purchases of biomass, operating and maintenance expenses and other expenses. A significant increase in purchases of biomass resulted from the purchase of biomass of lower quality compared to last year and rising biomass prices. The other expenses increased by € 0.3 million as a result of the introduction of the distribution injection tariffs.

### PERSONNEL COSTS

The personnel costs amounted to € 0.8 million in 2010 compared to € 0.7 million in 2009. The warrants offered and accepted by the personnel of the Group are recognized at fair value at their date of grant and are included in the personnel costs for € 13k (€ 36k in 2009).

### OTHER OPERATING EXPENSES

The other operating expenses amounted to € 1.9 million in 2010 compared to € 1.7 million in 2009. When taking into account non recurrent other operating expenses for € 0.3 million (in the framework of the settlement with Stramproy Green Technology), other operating expenses were € 0.1 million lower than in 2009 what confirms that the group has further optimized its cost structure and found the right balance of what is needed to respond to the challenges of a listed company with two projects planned to enter commercial operation in 2011 and other projects under development. The warrants offered and accepted by executive directors, consultants and directors of the Group are recognized at fair value at their date of grant and are included in the other operating expenses for € 207k in 2010 (€ 394k in 2009).

## 5.3.3 EBITDA (OPERATING CASH FLOW)

The resulting normalized EBITDA margin for the year 2010 equals € 2.5 million (26.2% of sales). The resulting normalized EBITDA margin for the year 2010 resulted € 0.4 million lower than in 2009, largely explained by a higher cost of sales base that was not followed by a corresponding increase in sales.

## 5.3.4 DEPRECIATION, AMORTIZATION AND PROVISIONS – IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND GOODWILL

The property, plant and equipment of Amel I and II have been depreciated for € 2.8 million over the year 2010 (same amount as in 2009). The BioCoal project under construction in Amel, the cogeneration project under construction in Ham and the projects under development in Ham (BioCoal) and Reisbach (BioCoal) have not yet been depreciated in 2010.

The Group impaired its Pontrilas project for € 1.15 million (impairment of goodwill for € 0.3 million and impairment of property, plant and equipment for € 0.85 million) as a result of the decision by Pontrilas Group Ltd. to withdraw from the cogeneration project in the United Kingdom. The damaged part of the installation of Amel III has been impaired for € 0.6 million in line with the amount that the insurance company agreed to pay for the replacement of the damaged filter.

## 5.3.5 EBIT (OPEATING RESULT)

The resulting EBIT margin for 2010 equals € -1.6 million, largely in line with the write-down on the Pontrilas project. This compares with an operational break-even for the Group in 2009.

## 5.3.6 NET FINANCIAL COSTS

The net financial costs increased significantly from € 1.2 million in 2009 to € 1.6 million in 2010, mainly as a result of the negative evolution in mark-to market-value of the interest rate swaps structured for Amel I, Amel II, Amel III and the Ham cogeneration project.

The net financial costs for € 1.6 million in 2010 reflect the following three major components;

- Interest expenses and expenses related to the interest rate swaps on the credit facilities structured for Amel I and II for an amount of € 1.1 million ((€ 1.2 million in 2009);
- A negative evolution in mark-to-market value for € 0.5 million at 31 December 2010 of the interest rate swaps that have been structured on the credit facilities of Amel I, Amel II and III and the cogeneration project in Ham ;
- Interest income for € 0.0 million (€ 0.2 million in 2009) since available cash has been mobilized to fund the equity requirements of the different projects under construction;

## 5.3.7 INCOME TAX EXPENSE

The income tax on the profit or loss for the year comprises current and deferred taxes.

The profit before tax amounted to € -3.2 million over the year 2010, compared to € -1.3 million over the year 2009. The income tax of € 2.1 million (€ 1.3 million over the year 2009) comprises deferred tax assets and mainly relates to tax-losses carried forward and the tax impact of increased investment deduction and notional interest deduction. Management continues to believe that the projects under operation and under construction will eventually allow to recover the deferred tax assets position created over the past years.

## 5.3.8 RESULT OF THE PERIOD

4Energy Invest reports a result of the period equal to € -1.1 million in 2010, compared to € 0.0 million in 2009.

# 5.4 AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

| Assets | 31-12-10 €'000 | 31-12-09 €'000 | 31-12-08 €'000 |
|---|---|---|---|
| **Non current assets** | **69,000** | **55,797** | **42,140** |
| Intangible fixed assets | 69 | 10 | 12 |
| Land and buildings | 2,919 | 3,162 | 3,405 |
| Installations, machinery and equipment | 27,802 | 30,210 | 31,929 |
| Furniture and vehicles | 70 | 87 | 110 |
| Leasing and similar rights | 783 | 915 | 1,063 |
| Other tangible assets | 33 | 38 | 40 |
| Assets under construction | 31,797 | 16,081 | 1,681 |
| Goodwill | 0 | 335 | 335 |
| Deferred tax assets | 5,491 | 3,358 | 2,080 |
| Other non current assets | 36 | 1,601 | 1,485 |
| **Current assets** | **4,797** | **9,027** | **15,727** |
| Inventories | 1,021 | 817 | 392 |
| Trade receivables | 1,242 | 2,729 | 3,200 |
| Other receivables | 1,515 | 2,311 | 325 |
| Cash and cash equivalents | 1,019 | 3,171 | 11,810 |
| **Total Assets** | **73,797** | **64,824** | **57,866** |
| Equity and liabilities | | | |
| **Equity** | **26,673** | **27,548** | **27,112** |
| Share capital | 6,387 | 6,387 | 6,387 |
| Share premium | 18,104 | 18,104 | 18,104 |
| Retained earnings | 2,182 | 3,057 | 2,621 |
| Equity attributable to equity holders | 26,673 | 27,548 | 27,112 |
| Minority interests | 0 | 0 | 0 |
| Total equity | 27,548 | 27,548 | 27,112 |
| **Non current liabilities** | **37,843** | **749** | **24,660** |
| Interest bearing loans and borrowings | 37,843 | 749 | 24,660 |
| Deferred tax liability | 0 | 0 | 0 |
| **Current liabilities** | **9,280** | **36,527** | **6,094** |
| Interest bearing loans and borrowings | 4,610 | 31,753 | 3,536 |
| Trade payables | 3,070 | 2,983 | 1,687 |
| Other payables | 1,600 | 1,791 | 871 |
| **Total Equity and Liabilities** | **73,797** | **64,824** | **57,866** |

## 5.4.1 ASSETS

The consolidated statement of financial position of 4Energy Invest reflects the dynamics of a project development company whereby a specific contractual package is structured for each individual investment project in order to allow the investment project to benefit from long-term project financing.

The non current assets mainly consist of assets under operation (split over the balance sheet items "Land & buildings", "Installations, machinery & equipment" and "Leasing & similar rights") and assets under development/construction booked in the statement of financial position item "Assets under Construction". As long as a project is not yet in commercial operation or impaired, the project is booked under "Assets under Construction".

The net increase (after depreciation of the assets Amel I and II) in non-current assets mainly reflects the significant increase in assets under development/construction. The BioCoal production project (Amel III) is currently in phase of hot commissioning and the cogeneration project in Ham is scheduled to enter into commercial operation during quarter 3 2011 .

Assets under development/construction equal € 31.8 million at end 2010 (€ 16.0 million at end 2009) and reflect the investments and activated expenses on the following projects:

- Amel III (net of investment subsidies granted for € 1.3 million ): € 14.0 million (€ 10.9 million at end 2009)
- Ham cogeneration project: € 17.6 million (€ 3.9 million at end 2009);
- Pontrilas cogeneration project: € 0.0 million (€ 1.0 million at end 2009);
- Reisbach BioCoal project: € 0.2 million (€ 0.1 million at end 2009);
- Other projects: € 0.0 million (€ 0.1 million at end 2009).

The decision by Pontrilas Group Ltd. to withdraw from the cogeneration project in Pontrilas (UK) resulted in an impairment of goodwill for € 0.3 million and an impairment of property, plant and equipment for € 0.85 million.

The deferred tax assets have evolved from € 3.4 million in 2009 to € 5.5 million in 2010. Management continues to believe that the projects under operation and under construction will eventually allow the Group to recover the deferred tax assets position outstanding at end 2010.

The other non current assets have reduced significantly as the Debt Service Reserve Account provisioned for € 1.6 million in the framework of the financing of the Amel facilities has been used in the framework of the delay incurred in bringing Amel III to operation and the significant extra investments that had to be made to make the installation operational.

The inventories have further increased in 2010 as additional wood biomass has been stored on site in Amel, both for the cogeneration units to secure supply during the winter/end of year period and the creation of the initial stock for the operation of the BioCoal production unit.

The outstanding other receivables position at 31 December 2010 reflects half of the investment subsidies granted to the Amel III project for € 0.6 million and the amounts to be received under the insurance claims related to the fire in the BioCoal production unit in Amel as agreed by the respective insurance companies.

The decrease in net cash and cash equivalents from € 3.2 million to € 1.0 million reflects the outcome of the following major cash (flow) movements over the year 2010:

- Net cash contribution from operating activities for € 6.5 million;
- Net investment in property plant and equipment for € - 17.5 million;
- Net proceeds from loans and credit facilities for € 9.9 million;
- Negative financial result for € - 1.1 million.

## 5.4.2 EQUITY AND LIABILITIES

The equity of 4Energy Invest decreased from € 27.5 million in 2009 to € 26.7 million in 2010 as a result of the negative result for the period.

The interest bearing loans and borrowings increased with € 9.9 million to € 42.4 million and reflect the following changes in the amounts outstanding under the different credit facilities of 4Energy Invest;

| | 2010 | 2009 |
|---|---|---|
| | €'000 | €'000 |
| Renogen facilities Amel I | 11,908 | 13,788 |
| Renogen facility Amel II | 8,835 | 9,975 |
| Renogen facility Amel III | 9,650 | 6,589 |
| Amel Bio leasing facilities (Amel I and Amel II) | 748 | 897 |
| Renogen straight loan | 0 | 929 |
| Amel Bio straight loan | 169 | 196 |
| 4Ham Cogen facilities ING-KBC | 7,916 | 0 |
| 4Ham Cogen facilities LRM | 2,857 | 0 |
| Accrued interest expenses | 370 | 128 |
| **Total** | **42,453** | **32,503** |

Repayments under the Renogen bank facilities for Amel I, II and III and the leasing facilities of Amel Bio (Amel I and Amel II) equaled € 3.2 million over 2010.

Repayments under the Renogen bank and lease facilities for Amel I, II and III and the Amel Bio leasing facilities are scheduled for a total amount of € 4.1 million over 2011. No repayments are scheduled under the 4HamCogen facilities structured with ING-KBC and LRM over 2011.

In the framework of the credit facilities structured for the Amel operations (through Renogen), the following had been agreed with KBC Bank for the commitments of Renogen towards the bank. The debt service ratio (EBITDA/debt service) had to be at least 1.2 over fiscal year 2010 and the following fiscal years, which are tested each year by yearly report approved by the board of directors of Renogen at the latest on June 30. The debt service comprises all capital and interest reimbursements on the short- and long term financial liabilities, subordinated loan included. Based on the financial statements ended 31 December 2010, Renogen did not respect this covenant, as a result of which Renogen applied for a waiver on this covenant to KBC Bank. KBC Bank in its writing of 24 December 2010 confirmed that the credit committee of the bank agreed to waive this covenant for the year 2010 in the framework of the low electricity prices experienced in the market over 2010 and the delay in commercial operation of Amel III.

KBC Bank and Renogen also agreed on changes to the credit contracts of the affiliates Renogen and Amel Bio. The changes to the credit contracts include a postponement of the start of redemption of the lease facility structured for the Amel III torrefaction project till June 30th 2011 and the structuring of an additional working capital facility at Amel Bio level for 300,000 Euro to fund the increase in biomass inventory related to Amel III. The changes also include a softening of the covenants at Renogen level: (1) the debt service ratio (EBITDA/debt service) covenant for Renogen for the years 2011 and 2012 is reduced to a factor 1.1 instead of 1.2; (2) the calculation of the tangible net worth ratio is adjusted to take into account the debt in current account of 4Energy Invest. Renogen has received a period of 12 months till end 2011 to refund the agreed Debt Service Reserve Account.

4Energy Invest (through its affiliate Renogen) has used all amounts available under the credit facilities structured for the Amel III project at 31 December 2010. The outstanding trade payables related to the Amel III construction works of 2010 and the remaining investments for the Amel III project over quarter 1 2011 will be funded out of the unused part of the Renogen straight loan at 31 December 2010 and the cash flow created by Amel I and Amel

II over the first months of the year 2011.

4Energy Invest (through its affiliate 4HamCogen) has € 20.3 million unused credit facilities available at 31 December 2010 in the framework of its cogeneration project in Ham as follows;

- € 18.1 million under senior credit facilities with ING Belgium and KBC Bank;
- € 2.2 million under a subordinated credit facility with the Investment Company LRM.

This amount should be sufficient to finalize the construction of the cogeneration project in Ham and bring the project into operation during quarter 3 2011.

## 5.5 AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

| | 31-12-10<br>€'000 | 31-12-09<br>€'000 | 31-12-08<br>€'000 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| **Net profit (loss) after taxes** | **-1,095** | **8** | **505** |
| Adjustment for non-cash or non operating items | | | |
| Deferred taxes | -2,134 | -1,278 | -528 |
| Depreciation, amortization and provisions | 3,108 | 2,813 | 2,420 |
| Impairment of properties, plant and equipment | 1,774 | 51 | 113 |
| Share options | 220 | 428 | 282 |
| Unrealised loss on financial instruments | 526 | 164 | 378 |
| Financial result | 1,079 | 1,048 | 1,389 |
| **Cash Flow from operating activities before changes in working capital and provisions** | **3,478** | **3,234** | **4,559** |
| Decrease/(increase) in other long term receivables | 1,564 | -116 | -1,022 |
| Decrease/(increase) in inventories | -204 | -424 | 6 |
| Decrease/(increase) in trade receivables | 1,487 | 471 | -565 |
| Decrease/(increase) in other receivables | 796 | -723 | -109 |
| (Decrease)/increase in trade payables | 87 | 1,296 | -817 |
| (Decrease)/increase in other payables | -718 | 755 | 237 |
| **Net cash from operating activities** | **6,490** | **4,493** | **2,289** |
| Net investment in property, plant & equipment | -17,514 | -16,390 | -10,247 |
| Net investment in financial assets | 0 | 0 | -321 |
| **Net cash from investing activities** | **-17,514** | **-16,390** | **-10,568** |
| Net proceeds from the issue of share capital | 0 | 0 | 20,338 |
| Net proceeds from loans | 9,951 | 4,306 | 1,067 |
| Financial result | -1,079 | -1,048 | -1,389 |
| Minority interests in new subsidiaries | 0 | 0 | 0 |
| **Net cash from financing activities** | **8,872** | **3,259** | **20,016** |
| **Net increase/(decrease) in cash and cash equivalents** | **-2,152** | **-8,639** | **11,737** |
| **Net cash and cash equivalents at 1 January** | **3,171** | **11,810** | **73** |
| **Net cash and cash equivalents at 31 December** | **1,019** | **3,171** | **11,810** |

The cash flow from operating activities before changes in working capital increased from € 3.2 million in 2009 to € 3.5 million in 2010 and reflect the impact of the increase in other operating income that outweighed the lower operating cash flow generated by the cogeneration units in Amel. Working capital needs reduced by € 3.0 million in 2010 and mainly reflect the impact of the use of the Debt Service Reserve Account and lower trade and other receivables position. The net cash from operating activities has increased from € 4.5 million in 2009 to € 6.5 million in 2010.

The net cash from investing activities amounted to € -17.5 million in 2010 and mainly reflects the investments for Amel III, the cogeneration project in Ham and other assets under development. Reference is made to Chapter 6 for further detail on the investment program executed by 4Energy Invest.

The net cash from financing activities increased from € 3.3 million in 2009 to € 8.9 million in 2010 and reflects the gradual use of the credit facilities structured in the framework of the Ham Cogeneration project and the use of the remaining amounts available under the credit facilities structured for Amel III. The net cash from financing activities was much lower than the net cash used for investing activities indicating that the group continued to use its remaining available cash and cash equivalents and had to optimize (to the limit) the use of available working capital to respond to the needs of its investment program. Reference is made to Chapter 5.4.2 for further information on the unused credit facilities available to the Group.

The net cash position of 4Energy Invest decreased from € 3.2 million in 2009 to € 1.0 million in 2010. This does not take into account unused credit facilities and straight loans at the level of the affiliates Renogen and 4Ham Cogen that are available going forward for the finalization of the different investment projects.

The impact of the delay in operating Amel III at industrial scale, the extra investments that were needed to bring Amel III in operation, the weak electricity prices experienced over the last 2 years, the financial resources spent on the Pontrilas project and the financial resources spent on the preparation of the roll-out of the torrefaction technology has eliminated the cash buffer of 4Energy Invest.

## 5.6 INVESTMENTS

### 5.6.1 INVESTMENTS TO DATE

In 2010, 4Energy Invest realized a total investment in property, plant and equipment of € 17.51 million compared to € 16.39 million in 2009. The breakdown of the investments over the different investment projects of 4Energy Invest is presented in the table below.

**Split of total investments over the years 2010, 2009 and 2008 per investment project in million Euro**

| | | 2010 | 2009 | 2008 |
|---|---|---|---|---|
| Amel I | 100% | 0.00 | 0.05 | 0.00 |
| Amel II | 100% | 0.00 | 0.07 | 8.00 |
| Fuel Handing (Amel I + II) | 100% | 0.00 | 0.15 | 0.30 |
| Amel III | 100% | 3.65 | 10.91 | 0.90 |
| Ham Cogeneration | 100% | 13.69 | 3.96 | 0.20 |
| Pontrilas | 100% | 0.00 | 1.04 | 0.40 |
| Other | 100% | 0.17 | 0.21 | 0.40 |
| Total | | 17.51 | 16.39 | 10.2 |

### 5.6.2 EXPECTED INVESTMENTS IN 2011

As the date of this annual report, 4Energy Invest has finalized the investment of Amel III. 4Energy Invest (through its affiliate Renogen) has used all amounts available under the credit facilities structured for the Amel III project at 31 December 2010. The outstanding trade payables related to the Amel III construction works of 2010 and the remaining investments for the Amel III project over 2011 will be funded out of the unused part of the Renogen straight loan at 31 December 2010 and the cash flow created by Amel I and Amel II over the first months of the year 2011.

4Energy Invest will continue the construction of its cogeneration project in Ham for which it contemplates commercial operation in quarter 3 2011. The remaining investments amount to € 20.0 million and will be funded out of € 20.0 million unused credit facilities available at 31 December 2010.

In order to implement a possible roll-out of the torrefaction technology, additional financial resources should be structured to fund the related equity and subordinated debt requirements.

## 5.7 OUTLOOK FOR THE YEAR 2011

4Energy Invest's annual results 2011 are expected to be influenced by

- A full year of production of the Amel I and Amel II cogeneration facilities; a major planned maintenance (first revision of the turbine) of Amel I is scheduled over quarter 2 2011;
- The uncertainty around the timing of operating the BioCoal production facility in Amel at industrial scale (Amel III);
- The start of operation of the Ham cogeneration project that should start contributing to EBITDA as from quarter 3 2011;
- Electricity prices currently experienced in the (spot) power market for the output of the cogeneration facilities have increased significantly as from realized prices in 2010. A consolidation of oil prices at current levels should further support electricity prices over 2011 and thus support the operational margins of the cogeneration activities in both Amel and Ham;

As the operation of Amel III at industrial scale is delayed beyond the expectations included in the budget for 2011, 4Energy Invest will have to restructure its existing credit facilities and/or raise additional funds in order to be able to fulfill the company's financial obligations over the year 2011. 4Energy Invest believes that the recurrent cash flows of Amel I and Amel II should allow it to eventually meet its financial obligations over a longer period of time and thus form a good basis to engage in debt restructuring discussions. Simultaneously, 4Energy Invest pro-actively explores various options to strengthen the equity base of the company.

4Energy Invest confirms that the construction of its cogeneration project in Ham is progressing as expected. Start of operation is expected during the third quarter of 2011.

4Energy Invest confirms that it continues to believe in the potential of the UK renewable energy market and currently reviews its options to cooperate with several industrial groups for investment projects in both cogeneration and torrefaction.

4Energy Invest continues the preparation of the roll-out of the torrefaction technology with the ambition to have an installed annual BioCoal production capacity of 250,000 Tons. In that respect, permits have been obtained for a production unit in Ham (Belgium) and in Reisbach (Germany). Permit files are under preparation in other countries where more abundant biomass resources are available and where collaboration agreements are considered with local industrial partners active in the forest industry.

The projects in operation, under construction and under development confirm the long term strategy pursued by 4Energy Invest within the biomass-to-energy sector. A long term strategy that is centered on the following two axes:

- Leverage the existing cogeneration asset base in Belgium by integrating other biomass-to-energy applications (e.g. BioCoal in Amel and in Ham);
- Gradual geographic expansion of
    - the cogeneration experience in European countries where the regulatory framework is sufficiently attractive and,
    - roll-out of the wood torrefaction technology by developing BioCoal production capacity in countries where more abundant biomass resources are available than in Western Europe;

# 6.0 FINANCIAL INFORMATION

# 6.1 STATEMENT OF RESPONSIBILITY

The undersigned, Yves Crits, Chief Executive Officer and Nico Terry, Chief Financial Officer, declare that, to the best of their knowledge:

· the consolidated and statutory financial statements for the year ended December 31, 2010 prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of 4Energy Invest and the entities included in the consolidation, and

· the consolidated and statutory board reports include a fair review of the development and performance of the business and the position of 4Energy Invest and the undertakings included in the consolidation, together with a description of the principal risks and uncertainties that they face.

# 6.2 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 6.2.1 AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

| | 31-12-10<br>€'000 | 31-12-09<br>€'000 | 31-12-08<br>€'000 |
|---|---|---|---|
| Sales | 9,545 | 8,717 | 9,693 |
| Other operating income | 1,441 | 587 | 486 |
| **Revenues** | **10,986** | **9,304** | **10,179** |
| **Operating expenses** | | | |
| Cost of sales | -5,028 | -4,098 | -4,185 |
| Personnel costs | -794 | -706 | -405 |
| Other operating expenses | -1,900 | -1,694 | -1,312 |
| **Operating cash flow (EBITDA)** | **3,264** | **2,805** | **4,277** |
| **EBITDA excluding fair value warrants & exceptional other operating income/expenses** | **2,502** | **2,934** | **4,558** |
| Depreciation, amortisation and provisions | -2,842 | -2,812 | -2,420 |
| Impairment of property, plant and equipment | -1,706 | -51 | -113 |
| Impairment of goodwill | -335 | 0 | 0 |
| **Operating result (EBIT)** | **-1,618** | **-58** | **1,744** |
| Financial income | 26 | 200 | 401 |
| Financial costs | -1,631 | -1,412 | -2,168 |
| **Net financial costs** | **-1,605** | **-1,212** | **-1,767** |
| **Result before tax** | **-3,223** | **-1,270** | **-23** |
| Income tax expense | 2,128 | 1,278 | 528 |
| **Result of the period** | **-1,095** | **8** | **505** |
| **Result of the period (excl. impact IAS 39)** | **-748** | **117** | **755** |
| **Result of the period (excl. impact IAS 39/Warrants)** | **-528** | **545** | **1,037** |
| Attributable to: | | | |
| Equity holders of 4 Energy Invest | -1,095 | 8 | 474 |
| Minority interests | 0 | 0 | 32 |
| Number of shares | 12,520,090 | 12,520,090 | 6,785,131 |
| Weighted average number of warrants issued (not in-the-money) | 824,284 | 651,513 | 298,748 |
| Earnings/Share | -0.09 | 0.00 | 0.07 |
| Diluted earnings/share | -0.09 | 0.00 | 0.07 |

| | 31-12-10<br>€'000 | 31-12-09<br>€'000 | 31-12-08<br>€'000 |
|---|---|---|---|
| **Result of the period** | **-1,095** | **8** | **505** |
| Other comprehensive income : | | | |
| Income related to issued warrants | 220 | 428 | 282 |
| Income tax relating to components of other comprehensive income | 0 | 0 | 0 |
| **Other comprehensive income for the year, net of tax** | **220** | **428** | **282** |
| **Total comprehensive income for the year** | **-875** | **436** | **787** |

## 6.2.2 AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

| Assets | 31-12-10<br>€'000 | 31-12-09<br>€'000 | 31-12-08<br>€'000 |
|---|---|---|---|
| **Non current assets** | **69,000** | **55,797** | **42,140** |
| Intangible fixed assets | 69 | 10 | 12 |
| Land and buildings | 2,919 | 3,162 | 3,405 |
| Installations, machinery and equipment | 27,802 | 30,210 | 31,929 |
| Furniture and vehicles | 70 | 87 | 110 |
| Leasing and similar rights | 783 | 915 | 1,063 |
| Other tangible assets | 33 | 38 | 40 |
| Assets under construction | 31,797 | 16,081 | 1,681 |
| Goodwill | 0 | 335 | 335 |
| Deferred tax assets | 5,491 | 3,358 | 2,080 |
| Other non current assets | 36 | 1,601 | 1,485 |
| **Current assets** | **4,797** | **9,027** | **15,727** |
| Inventories | 1,021 | 817 | 392 |
| Trade receivables | 1,242 | 2,729 | 3,200 |
| Other receivables | 1,515 | 2,311 | 325 |
| Cash and cash equivalents | 1,019 | 3,171 | 11,810 |
| **Total Assets** | **73,797** | **64,824** | **57,866** |
| Equity and liabilities | | | |
| **Equity** | **26,673** | **27,548** | **27,112** |
| Share capital | 6,387 | 6,387 | 6,387 |
| Share premium | 18,104 | 18,104 | 18,104 |
| Retained earnings | 2,182 | 3,057 | 2,621 |
| Equity attributable to equity holders | 26,673 | 27,548 | 27,112 |
| Minority interests | 0 | 0 | 0 |
| Total equity | 27,548 | 27,548 | 27,112 |
| **Non current liabilities** | **37,843** | **749** | **24,660** |
| Interest bearing loans and borrowings | 37,843 | 749 | 24,660 |
| Deferred tax liability | 0 | 0 | 0 |
| **Current liabilities** | **9,280** | **36,527** | **6,094** |
| Interest bearing loans and borrowings | 4,610 | 31,753 | 3,536 |
| Trade payables | 3,070 | 2,983 | 1,687 |
| Other payables | 1,600 | 1,791 | 871 |
| **Total Equity and Liabilities** | **73,797** | **64,824** | **57,866** |

### 6.2.3 AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

| | 31-12-10<br>€'000 | 31-12-09<br>€'000 | 31-12-08<br>€'000 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| **Net profit (loss) after taxes** | **-1,095** | **8** | **505** |
| Adjustment for non-cash or non operating items | | | |
| Deferred taxes | -2,134 | -1,278 | -528 |
| Depreciation, amortization and provisions | 3,108 | 2,813 | 2,420 |
| Impairment of properties, plant and equipment | 1,774 | 51 | 113 |
| Share options | 220 | 428 | 282 |
| Unrealised loss on financial instruments | 526 | 164 | 378 |
| Financial result | 1,079 | 1,048 | 1,389 |
| **Cash Flow from operating activities before changes in working capital and provisions** | **3,478** | **3,234** | **4,559** |
| Decrease/(increase) in other long term receivables | 1,564 | -116 | -1,022 |
| Decrease/(increase) in inventories | -204 | -424 | 6 |
| Decrease/(increase) in trade receivables | 1,487 | 471 | -565 |
| Decrease/(increase) in other receivables | 796 | -723 | -109 |
| (Decrease)/increase in trade payables | 87 | 1,296 | -817 |
| (Decrease)/increase in other payables | -718 | 755 | 237 |
| **Net cash from operating activities** | **6,490** | **4,493** | **2,289** |
| Net investment in property, plant & equipment | -17,514 | -16,390 | -10,247 |
| Net investment in financial assets | 0 | 0 | -321 |
| **Net cash from investing activities** | **-17,514** | **-16,390** | **-10,568** |
| Net proceeds from the issue of share capital | 0 | 0 | 20,338 |
| Net proceeds from loans | 9,951 | 4,306 | 1,067 |
| Financial result | -1,079 | -1,048 | -1,389 |
| Minority interests in new subsidiaries | 0 | 0 | 0 |
| **Net cash from financing activities** | **8,872** | **3,259** | **20,016** |
| **Net increase/(decrease) in cash and cash equivalents** | **-2,152** | **-8,639** | **11,737** |
| **Net cash and cash equivalents at 1 January** | **3,171** | **11,810** | **73** |
| **Net cash and cash equivalents at 31 December** | **1,019** | **3,171** | **11,810** |

## 6.2.4 AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

| | 31-12-10 €'000 | 31-12-09 €'000 | 31-12-08 €'000 |
|---|---|---|---|
| **Capital** | | | |
| **At beginning of the period** | **24,491** | **24,491** | **3,588** |
| Share capital increase | 0 | 0 | 22,000 |
| Share capital decrease | 0 | 0 | 0 |
| Costs attributable to capital | 0 | 0 | -1,662 |
| Deferred taxes | 0 | 0 | 565 |
| **At the end of the period** | **24,491** | **24,491** | **24,491** |
| **Retained earnings** | | | |
| **At beginning of the period** | **3,058** | **2,622** | **1,866** |
| Profit (loss) of the year | -1,095 | 8 | 474 |
| Equity related to warrants | 220 | 428 | 282 |
| **At the end of the period** | **2,182** | **3,058** | **2,622** |
| Total equity attributable to equity holders | 26,673 | 27,549 | 27,113 |
| **Minority interest** | | | |
| **At beginning of the period** | **0** | **0** | **8** |
| Increase minority share | 0 | 0 | 0 |
| Profit (loss) of the year | 0 | 0 | 32 |
| Buy out minority shareholders | 0 | 0 | -40 |
| **At the end of the period** | **0** | **0** | **0** |
| Total equity | 26,673 | 27,113 | 5,461 |

## 6.2.5 NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 6.2.5.1 GENERAL INFORMATION

4Energy Invest is a limited liability company (naamloze vennootschap/société anonyme) ("The Company") and was incorporated under Belgian law on September 28, 2005 for an indefinite period of time with it's registered office located at Paepsemlaan 20, 1070 Brussels and it is registered with the Belgian register for legal persons (rechtspersonenregister/registre des personnes morales) under the number 0876.488.436 (Brussels). The Company and its subsidiaries ("The Group" or "4Energy Invest") form a Belgian renewable energy group that aims at creating and managing a European portfolio of small to midsize locally embedded projects that valorize biomass, directly or indirectly, into energy. 4Energy Invest identifies potential biomass projects, performs a feasibility study and eventually takes responsibility for developing, constructing and operating the project, in close cooperation with carefully selected suppliers and partners.
Prior to the establishment of the Company, the Founders Yves Crits, Guido Schockaert and Nico Terry, were active in the biomass industry through Renogen SA, a limited liability company (naamloze vennootschap/société anonyme). In November 2005 the shares of Renogen SA, which were owned for 100% by the Founders were contributed into the share capital of 4Energy Invest. Between September 2005 and November 2005, the Company and Renogen have been working under common control of the Founders.

In June 2006, the limited liability company Amel Bio (naamloze vennootschap/société anonyme) has been established, a purchasing company that has been owned for 72,6% by Renogen since its incorporation. On December 19, 2008, Renogen acquired the shares of Amel Bio owned by Belwood Amel, BVG Niessen and Clean Box (Delhez Bois) for an amount of 17 K EUR (paid in cash). As a result, the Group now owns 100% of the shares of Amel Bio.

In August 2006, the Company founded the limited liability company 4BioFuels. 4BioFuels is a 100% owned company that had been set up for a specific bioethanol related project in the port of Brussels which is currently no longer under development. It has been decided to develop from within 4BioFuels wood biomass torrefaction activities.

On March 12, 2008, 4Energy Invest (through its fully owned subsidiary Renogen) acquired 75% of the shares of Pontrilas Renewable Energy Limited. The remaining 25% of the shares were held by Pontrilas Group Limited, the industrial partner of 4Energy Invest for the cogeneration project that was contemplated in Pontrilas, United Kindom. On December 23, 2010, 4Energy Invest (through its fully owned subsidiary Renogen) acquired for free the 25% of the shares of Pontrilas Renewable Energy that were owned by Pontrilas Group Limited. As a result of that acquisition, 4Energy Invest now owns 100% of the shares of Pontrilas Renewable Energy. The acquisition follows the decision by Pontrilas Group Limited to withdraw from the cogeneration project under advanced stage of development in Pontrilas, United Kingdom. Pontrilas Renewable Energy has so far been a dormant entity and all project development expenses related to the Pontrilas project were charged and paid outside Pontrilas Renewable Energy. Pontrilas Renewable Energy has at the date of this annual report no outstanding debt and/or obligations.

Since June 17, 2008, the 4Energy Invest shares are unconditionally listed on Euronext Brussel. Pursuant to its Initial Public Offering, 4Energy Invest has issued 3.520.000 new shares with VVPR strips, which corresponded to gross proceeds for the Company of 22 million EUR. After the Initial Public Offering, the total amount of shares of 4Energy Invest outstanding is 12.520.090.

In October 2009, the Company founded the limited liability company 4HamCogen. 4HamCogen is a 100% owned special purpose company that has been set up to construct and operate a wood biomass cogeneration project in Ham, Flanders, Belgium.

The consolidated financial statements were approved by the Board of Directors of 4Energy Invest on March 4th 2011.

### 6.2.5.2 STATEMENT OF COMPLIANCE

The consolidated financial statements of The Group are prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU, as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Interpretations Committee of the IASB.

The consolidated financial statements are prepared on a historic cost basis, with the exception of the financial derivatives which are stated at fair value. All figures are in thousands of Euros (€ 000), unless stated otherwise. Minor rounding differences might occur.

The Group adopted the amended versions of IFRS that are effective for accounting periods beginning on January 1, 2010. No significant amendments were made to IFRS in 2010 which would affect the presentation and disclosures of the 2010 financial reporting statements.

### 6.2.5.3 FOREIGN CURRENCY

The Group's presentation currency is the Euro. The Group has limited foreign operations through its development activities in Brazil and the United Kingdom.

Foreign currency transactions are recognized initially at exchange rates prevailing at the date of the transactions. Subsequently to closing, monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet currency rate. Gains and losses resulting from the settlement of foreign currency transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss will be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss will be recognized in profit or loss.

Financial statements of foreign entities are translated as follows:

- assets and liabilities are translated at the closing exchange rate of the European Central Bank:
- income and expenses are translated at the weighted average exchange rate for the year;
- shareholders' equity is translated at historical exchange rates.

Exchange differences arising from the translation of the net investment in foreign entities at the closing exchange rates are included in shareholders' equity. On disposal of foreign entities, cumulative translation adjustments are recognized in the income statement as part of the gain or loss on the sale.

### 6.2.5.4 BASIS OF CONSOLIDATION

Subsidiaries are entities over which The Company exercises control, which generally means that The Company holds, directly or indirectly more than 50% of the voting rights attached to the entity's share capital and is able to govern its financial and operating policies so as to obtain benefits from its activities.

As described under section 6.2.5.1 General information, between September 2005 and November 2005, 4 Energy Invest and Renogen have been working under common control of the Founders.

As a result, IFRS 3 'Business Combinations' has not been applied on the contribution in kind of the shares of Renogen into the share capital of 4Energy Invest which implies that the contribution in kind had no effect on the consolidated equity of The Group.

When accounting for business combinations, IFRS 3 will be applied. The acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the date of acquisition, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations'. Which are valued at fair value less cost to sell. The financial statements of subsidiaries are included in the consolidated financial statements from the date when the Group acquires control until the date when control is relinquished.

Intra-group balances and any gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Equity and net result attributable to minority shareholders are shown separately in the balance sheet and income statement respectively.

The following companies are included in the consolidation:

4Energy Invest NV
Boulevard Paepsem 20
1070 Anderlecht
RPR Brussel
BE 0876.488.436

Renogen SA
Chaussee d'Ophain 181
1420 Braine-l'Alleud
RPR Nivelles
BE 0475.384.528

Amel Bio SA
Holzstrasse 5
4770 Amblève
RPR Eupen
BE 0881.829.176

4 BioFuels SA
Boulevard Paepsem 20
1070 Anderlecht
RPR Brussel
BE 0883.044.547

Pontrilas Renewable Energy Limited
39-49 Commercial Road
Southampton
Hampshire SO15 1GA
United Kingdom
company number 5307353

4HamCogen
De Snep 3324
3945 Ham
RPR Brussel
BE 0820.139.057

### 6.2.5.5 USE OF ESTIMATES OF JUDGEMENTS

The preparation of consolidated financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

### 6.2.6 SIGNIFICANT ACCOUNTING POLICIES

### 6.2.6.1 INTANGIBLE ASSETS

Intangible assets are initially measured at cost. Intangible assets are recognized if it is probable that the future economic benefits which are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with IAS 38. After initial recognition, intangible assets are measured at cost or fair value less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

### 6.2.6.2 PROPERTY, PLANT AND EQUIPMENT

An item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to The Group and its cost can be measured reliably.

This recognition principle is applied to the costs incurred initially to acquire an item of property, plant and equipment but also to costs incurred subsequently to add to, replace part of, or service it.

The cost of self-constructed assets includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Examples of directly attributable costs are:

- costs of site preparation;
- installation and assembly costs;
- professional and management fees;
- all risk worksite insurance;
- borrowing costs (in accordance with IAS 23)

The recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in a manner intended by management. In principle, the recognition of costs incurred ceases upon the signing of the 'Take-over certificate' with the main contractors.

The construction cost might include some intangible fixed assets. However, as the intangible component has been insignificant in previous years in the total capital expenditure, both tangible and intangible assets were included under 'property plant and equipment'. From 2008 on, intangible assets are presented separately in the balance sheet.

Spare parts are usually carried at inventory and recognized in profit and loss as consumed. However, in 2007, 4 Energy Invest decided to qualify the spare parts as property, plant and equipment, due to the fact that the spare parts were considered as a minimum level of parts to be kept available in connection with the Operation and Maintenance Agreement with the external operator. Spare parts consumed by the external operator in the course of its Operation and Maintenance Agreement were immediately 'refilled' by the operator. As a result, the amount of spare parts was constant throughout the year. The operator invoiced a fixed monthly amount, as part of the O&M fee invoiced to 4EI.

As a result of the termination of the long-term Operation and Maintenance agreement with the external operator in the course of Q1 2009, 4EI decided to service the regular maintenance and overhaul of its installations in-house. As 4 Energy Invest is now in-house responsible for the management of the adequate stock level of spare parts for all it's activities, it has been decided to classify the spare parts as inventory instead of property, plant and equipment.

This change in accounting policy in 2009 has been accounted for retrospectively, and the comparative statements for 2008 have been restated.

As the spare parts were not depreciated due to the fact that they were immediately 'renewed' after use through the operation and maintenance agreement, the profit and loss account of 2008 or earlier periods were not affected.

Borrowing costs are expensed as incurred, except to the extent that they are capitalized. Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale.

An item of property, plant and equipment is stated at historical cost less depreciation.

Depreciation is charged to the consolidated income statement on a linear basis over the estimated useful lifetime of an item of property, plant and equipment. Land is not depreciated. Useful lifetimes and depreciation method are reviewed annually.

The estimated useful lifetimes are as follows:

| Assets | 2010 | 2009 | 2008 |
|---|---|---|---|
| Building | 14 years | 14 years | 14 years |
| Installations, machinery and equipment: cogeneration and accessories | 5-15 years | 5-15 years | 5-15 years |
| Office equiment and furniture | 3-5 years | 3-5 years | 3-5 years |
| Motor vehicles | 5 years | 5 years | 5 years |

The estimated useful lifetime of the Amel I installation was set at 14 years. The estimated useful lifetime for Amel II was set at 15 years.

### 6.2.6.3 LEASES

Leases under which The Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Items of property, plant and equipment acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The depreciation policy for leased assets is consistent with that for depreciable assets which are owned.

Leases under which a substantial part of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases.

All payments or receipts under operating leases are recognized as an operating expense respectively income in the statement of comprehensive income using the straight-line method. (Schedule of obligations under operating lease agreements).

### 6.2.6.4 GOVERNMENT GRANTS

Government grants are not recognized until there is reasonable assurance that The Group will comply with the conditions attached to them and that the grants will be received.

Grants related to assets shall be presented in the statement of financial position by deducting the amount of the grant in arriving at the carrying amount of the asset. In the course of 2009, The Group was granted 1,263 k EUR of grants related to the Amel III capital expenditure program. All conditions are fulfilled and no contingencies are attached to the government assistance.

Green certificates qualify as grants related to income in accordance with IAS 20 as they are being attributed by the CWaPE (Walloon government institution) as support for the production of green energy. The Green certificates are allocated per quarter based on parameters relating to the quarterly production. In accordance with IAS 20.29 and IAS 20.23, grants to income, received in return for compliance with certain conditions relating to the operating activities of the entity, are deducted in reporting the related expense (production cost being part of COGS) and are valued at fair value (i.e. for Amel I and Amel II the value defined in the long term contract with SPE).

Taking into account the prescribed formulae of the CWaPE and the objective parameters derived from the operating system of The Group, there are no unfulfilled conditions and other contingencies attached to the green certificates. For 2010, the fair value of the green certificates received from the CWaPE amounted to 7,763 k EUR versus 7,387k EUR in 2009.

### 6.2.6.5 INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Due to the termination of the Operations and Maintenance contract for the cogeneration units Amel I and Amel II, all maintenance activities are done in house and spare parts are being classified as inventory as from 2009 onwards (see above).

With reference to 6.2.6.4 'Government grants related to income', green certificates held for sale qualify as Inventory as defined by IAS 2. For the years ending 2008, 2009 and 2010, all green certificates were sold by year-end.

### 6.2.6.6 OTHER AND TRADE RECEIVABLES

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### 6.2.6.7 CASH AND CASH EQUIVALENTS

Cash includes cash in hand and cash with banks. Cash equivalents are short term highly liquid investments that are easily convertible into known amounts of cash, have maturity dates of 3 months or less and are subject to an insignificant risk of change in value.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash-flow statement.

### 6.2.6.8 EQUITY

In accordance with IAS 32, incremental costs directly attributable to the issue of new shares or options are recognized in equity as a deduction, net of tax, from the proceeds.

### 6.2.6.9 MINORITY INTERESTS

Minority interests represent the shares of minority shareholders in the equity of subsidiaries which are not fully owned by the Group.

### 6.2.6.10 PROVISIONS

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### 6.2.6.11 INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated statement of comprehensive income over the period of the borrowings on an effective interest basis.

The Group classifies as a current portion any part of long-term loans that is due to be settled within one year from the date of the statement of financial position.

At the date of the preparation of the consolidated financial statements, the nominal value of loans is increased by unpaid interest.

### 6.2.6.12 TRADE AND OTHER PAYABLES

Trade and other payables are stated at their nominal value.

### 6.2.6.13 DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument or other contract which fulfils the following conditions:

(a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;

(b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

(c) it is settled at a future date.

Hedging derivatives are defined as derivatives that comply with the company's risk management strategy, the hedging relationship is formally documented and the hedge is effective, that is, at inception and throughout the period, changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within a range of 80 % to 125 %.

The Group holds currently no hedging derivatives.

Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in net profit or loss of the period in which they arise.

Fair values are obtained from quoted market prices or discounted cash-flow models, as appropriate. All non-hedge derivatives are carried as current assets when their fair value is positive and as current liabilities when their fair value is negative.

### 6.2.6.14 IMPAIRMENT

The carrying amounts of The Group's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income.

An asset's cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of an asset's cash generating unit involves judgment.

Impairment losses recognized in respect of cash-generating units reduce the carrying amount of the assets in the unit (group of units) on a pro-rata basis.

Impairment losses of receivables are determined based on an analysis of the credit status of customers and the period for which the receivable has been overdue.

### 6.2.6.15 REVERSALS OF IMPAIRMENT

An impairment loss is reversed in the consolidated statement of comprehensive income if there has been a change in the estimates used to determine the recoverable amount to the extent it reverses an impairment loss of the same asset that was recognized previously as an expense.

### 6.2.6.16 REVENUES

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the entity and the amount of the revenue can be measured reliably. Sales are recognized net of sales taxes and discounts. Revenue from the sale of goods is recognized when delivery takes place and the transfer of risks and rewards is completed.

(i) Sale of Green Certificates

Upon sale, the income from the sale of green certificates is, in line with IAS 18 presented as 'Sale of green certificates'. Accordingly, the related green certificates, included in inventory (cf 1.1.6.5) are charged to the production cost being part of cost of sales.

In certain circumstances, it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. When this applies, the group will apply the relative fair value method allocating the revenue to the two components based on the ratio of the fair value of each single component individually over the total fair value of the transaction.

(ii) Sale of CO2 Certificates and certificates of "Garantie van Oorsprong"

Under the Belgian National Allocation Plan for the allocation of greenhouse gas emission allowances 2008-2012 in accordance with Directive 2003/87/EC of the European Parliament and the Council (EU Emission Trading Scheme), the cogeneration plants Amel I and Amel II are granted yearly GHG emission rights for free.

As there are no specific rules under IFRS dealing with the accounting treatment of GHG emission allowances, the Company decided to apply the following principle:

- emission rights are classified as inventories, if not sold at balance sheet date;

- sold emission rights are recorded at market value.

(iii) Sale of electricity

Electricity is invoiced monthly based on the readings of the metering system installed at the take off point to the electricity network. The meter readings are carried out independently by the distribution grid manager.

(iv) Sale of heat

Heat consumed by the industrial customers is invoiced monthly based on an objective metering system installed. Under the current contractual arrangements, heat is only valorized marginally. However, given the specific multiplication impact of heat consumption on the number of green certificates produced, the contractual arrangements with the heat consumers do not qualify as onerous contracts. An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

## 6.2.6.17 EMPLOYEE BENEFIT OBLIGATIONS

The Group did not enter into any defined-benefit or defined-contribution plans.
The Group issued equity-settled share based payments to certain employees, service providers, management members and director's of the Group. Equity-settled share-based payments are recognized at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed, with a corresponding increase in equity, on a straight-line basis over the vesting period, based on the Group's estimate of the stock options that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

## 6.2.6.18 NET FINANCING COSTS

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method net of interest capitalized, interest receivable on funds invested, foreign exchange gains and losses that are recognized in the statement of comprehensive income.

## 6.2.6.19 INCOME TAXES

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the date of statement of financial position, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset, if and only if has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 6.2.6.20 SEGMENT REPORTING

Two operating segments have been identified being Cogeneration and BioCoal projects. Even though the BioCoal operating segment did not cause revenues, management decided to report the related segments from 2009 onwards as the quantitative threshold regarding the relative importance of the BioCoal assets exceeds 10% of the combined assets of all operating segments.

- Cogeneration is the process of simultaneously producing heat and electricity whereby heat is taken off by industrial partners that are intensive energy users thereof in their industrial activities and electricity is sold to energy suppliers by feeding it directly into the distribution grid. 4Energy Invest thereby sells the created green certificates to energy suppliers.

- BioCoal is wood processed through a torrefaction unit and then pelletized. BioCoal can be used as renewable fuel for multipurpose commercial, industrial and domestic use. It can form a substitution of fossil coal in electricity generation facilities or for the substitution of wood fuel pellets or other biomass fuels with high energy density.

| | Cogeneration € '000 | BioCoal € '000 | Non segment related € '000 | Total consolidated € '000 |
|---|---|---|---|---|
| Total revenues | 9,660 | 1,162 | 164 | 10,986 |
| Cost of sales | -5,028 | 0 | 0 | -5,028 |
| Other operating expenses | -344 | -300 | -1,256 | -1,900 |
| Personnel costs | -693 | 0 | -101 | -794 |
| Depreciation | -3,024 | 0 | 182 | -2,842 |
| Impairment | -1,233 | -807 | 0 | -2,041 |
| Net financial costs | -1,459 | -146 | 0 | -1,605 |
| Income tax expense | 0 | 0 | 2,128 | 2,128 |
| Result of the period | -2,121 | -91 | 1,117 | -1,095 |

| | Cogeneration<br><br>€ '000 | BioCoal<br><br>€ '000 | Non segment related<br>€ '000 | Total consolidated<br>€ '000 |
|---|---|---|---|---|
| Revenues from external customers | 9,660 | 1,162 | 164 | 10,986 |
| Intersegment revenues | 0 | 0 | 0 | 0 |
| Interest revenues | 26 | 0 | 0 | 26 |
| Interest expenses | -1,485 | -146 | 0 | -1,631 |
| Depreciation and amortisation | -3,024 | 0 | 182 | -2,842 |
| Impairment of assets | -1,233 | -807 | 0 | -2,041 |
| Reportable segment profit | -2,121 | -91 | 1,117 | -1,095 |
| Reportable segment assets | 51,189 | 15,957 | 6,651 | 73,797 |
| Reportable segment capital expenditures | 13,790 | 3,713 | 10 | 17,513 |
| Reportable segment liabilities | 35,824 | 10,542 | 758 | 47,123 |

| Major customers reliance | Cogeneration<br>€ '000 | BioCoal<br>€ '000 |
|---|---|---|
| Sale of green certificates to SPE | 6,977 | 0 |
| Sale of electricity production to SPE | 2,320 | 0 |

## 6.2.6.21 EVENTS AFTER THE BALANCE SHEET DATE

Up to the date of their approval, the figures in the consolidated financial statements were adjusted to reflect events that influenced the circumstances as they existed at the dates of financial position (adjusting events). Events influencing such circumstances arising after the dates of financial position are disclosed if they are of a material nature.

## 6.2.6.22 KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group has a number of projects at different stages of development.

At the end of 2010, the Group had two cogeneration projects (Amel I and Amel II) located in Amel (Wallonia, Belgium), that are fully operational.

At the date of this annual report, the Group has finalized the construction of a large scale torrefaction unit to produce BioCoal or torrefied wood pellets with minimum CO2 footprint in Amel (Wallonia, Belgium). The Group is currently fine-tuning the installation with the ambition to operate the installation at industrial scale.

The Group is constructing a 9.5 MW biomass fired cogeneration project in Ham (Flanders, Belgium) that is scheduled to enter commercial operation in quarter 3 2011.

The Group presently pursues other similar cogeneration projects either on a stand-alone basis or in combination with other applications that convert biomass into solid fuel (BioCoal). In addition, The Group is preparing the roll out of the torrefaction technology with permits that have been obtained in Ham (Flanders, Belgium) and in Reisbach (Germany). Permit files are also under preparation in countries where more abundant biomass resources are available (than in Western Europe) and where integrated projects can be pursued.

The Group has, after having taken over the construction of Amel III in June 2010, been unable yet to operate the installation for the production of Biocoal in Amel at industrial scale. The uncertainty in operating the installation at industrial scale, significantly affects the projected profitability and cash flow generation of the group. A restructuring of the existing credit facilities will have to be negotiated and/or additional funds should be raised in order to be able to fulfill the company's financial obligations over 2011. No impairment has been recorded on the Amel III installation, nor has an impairment been recorded on the deferred tax assets position currently recognized, as the Board of Directors is convinced that Amel III will eventually operate at industrial scale and that the Group will be able to restructure its existing credit facilities and/or raise additional funds to be able to fulfill the company's financial obligations over 2011.

The financial, administrative, technical and economical feasibility of the projects is continuously monitored by management whereby it may be decided not to continue developing projects which may lead to significant impairment adjustments. No indication of an impairment of the current projects is available.

## 6.2.7 SUPPORTING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6.2.7.1 SALES

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Sale of green certificates* | 7,005 | 6,692 | 6,442 |
| Sale of CO2 certificates | 186 | 189 | 154 |
| Sale of electricity production | 2,320 | 1,763 | 2,954 |
| Sale of heat production | 0 | 2 | 0 |
| Other | 34 | 70 | 143 |
| **Total** | **9,545** | **8,716** | **9,693** |

* Includes sale of certificates of garantie van oorsprong for 40 k EUR in 2008, 22k EUR in 2009 and 28k EUR in 2010.

The sale of green certificates is contracted under a 10-year off-take agreement with SPE at fixed prices. The supply of heat is contracted under medium term agreements with Belwood Amel and Delhez Bois. CO2 certificates and certificates of "Garantie van Oorsprong" are sold on a spot basis. The electricity supply contracts providing the sale of electricity to the industrial clients Belwood Amel and Delhez Bois have been terminated in mutual consent. The sale of all produced electricity is contracted under a 10-year off-take agreement with SPE at prices related to spot market electricity prices.

### 6.2.7.2 OTHER OPERATING INCOME

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Proceeds from liquidated damages for: | | | |
| - delay received from contractors | 340 | 0 | 0 |
| - non respect of minimum guaranteed availability by contractors | 0 | 226 | 440 |
| Temporarily shut down | 0 | 36 | 0 |
| Recovered costs termination project | 120 | 0 | 0 |
| Insurance premiums | 823 | 0 | 0 |
| Services provided | 107 | 300 | 0 |
| Other | 52 | 25 | 46 |
| **Total** | **1,441** | **587** | **486** |

The other operating income for € 1.4 million results for € 0.8 million from the amounts due by the insurance companies (both under the ALOP (€ 0.2 million) and property damage (€ 0.6 million) policies) in the framework of the fire that affected Amel III in May 2010, for € 0.3 million from delay liquidated damages due by Stramproy Green Technology under the EPC contract for Amel III, for € 0.1 million from payments due by Pontrilas Group Ltd. in the framework of its termination of the Pontrilas project and for € 0.2 million from other items.

## 6.2.7.3 COST OF SALES

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Purchases biomass | -3,682 | -3,046 | -3,054 |
| Repair and maintenance | -613 | -600 | -855 |
| Other | -732 | -453 | -276 |
| **Total** | **-5,028** | **-4,098** | **-4,185** |

## 6.2.7.4 OTHER OPERATING EXPENSES

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Consultancy fees (lawyers, management, directors and other) | -1,115 | -1,179 | -890 |
| Insurance | -151 | -162 | -188 |
| Rent and rental charges | -81 | -81 | -27 |
| Loss on disposal of fixed assets | 0 | 0 | 0 |
| Other administrative expenses | -553 | -272 | -207 |
| **Total** | **-1,900** | **-1,694** | **-1,312** |

The consultancy fees also include the remuneration fee of the statutory auditor of the Group. For 2010 VGD Bedrijfsrevisoren CVBA received as statutory auditor of the 4Energy Invest Group a fixed audit fee of 48 k EUR (excluding VAT), tax consultancy: 0 k EUR, other attestation missions: 17.5 k EUR and other missions external to the audit: 4 k EUR.

When taking into account non recurrent other operating expenses for € 0.3 million (in the framework of the settlement with Stramproy Green Technology), other operating expenses were lower than in 2009 what confirms that the group has further optimized its cost structure and found the right balance of what is needed to respond to the challenges of a listed company with two projects planned to enter commercial operation in 2011 and other projects under development.

| Obligations under rental agreements | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Not longer than 1 year | 139 | 94 | 48 |
| Longer than 1 year and not longer than 5 years | 524 | 396 | 207 |
| Longer than 5 years | 1,574 | 1,626 | 199 |
| **Total** | **2,209** | **2,116** | **454** |

On October 13, 2008, 4Energy Invest signed a contract for five years with Canon Belgium NV for the rental of a copier. The monthly rent is set at 179,29 EUR.

In the course of 2008, Renogen signed a rental agreement with Cofinimmo for the rent of office space and parking lots in the building 'Paepsem Business Park', Boulevard Paepsem 20, 1070 Anderlecht'. The annual rent is set at 44k EUR and the agreement started on October 1, 2008 for nine years with end date of September 30, 2017. The annual rent of the offices for the period until July 31, 2009 was exceptionally reduced with 50%. 4Energy Invest has the right to terminate the agreement on September 30, 2014.

In the course of 2009, a lease for a Skoda car has been concluded for a period of 48 months with a monthly payment of 521,96 EUR. The lease terminates on 28 January 2013. In the course of 2010, two car leases have been concluded with KBC Lease, both for a period of 48 months with monthly payments of respectively 777,62 EUR and 642,81 EUR. The leases terminate respectively on 7 October 2014 and 23 July 2014.

End 2009, 4HamCogen signed a lease agreement (Recht van Opstal) with Coverco NV for a period of 35 years for the land needed to implement the cogeneration project in Ham. The yearly payment is set at 50 k EUR and is payable at each anniversary date of the signing.

## 6.2.7.5 NET FINANCIAL COSTS

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Bank interest income | 0 | 0 | 0 |
| Interest income | 20 | 186 | 394 |
| Interest capitalised into assets under construction | 0 | 0 | 0 |
| Other interest income | 6 | 14 | 7 |
| **Financial income** | **26** | **200** | **401** |
| Bank interest expense | -1,898 | -1,285 | -1,929 |
| Interest paid to related parties | 0 | 0 | -126 |
| Decrease in FV on financial instruments | -526 | -164 | -378 |
| Interest capitalised into assets under construction | 814 | 43 | 273 |
| Bank charges | -21 | -6 | -8 |
| **Financial costs** | **-1,631** | **-1,412** | **-2,168** |
| **Net financial costs** | **-1,605** | **-1,212** | **-1,767** |

## 6.2.7.6 TAXATION

(a) Income tax expense recognized in the consolidated statement of comprehensive income

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Current tax | -5 | 0 | 0 |
| Deferred tax | 2,133 | 1,278 | 528 |
| **Total** | **2,128** | **1,278** | **528** |

(b) Reconciliation of effective tax rate

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Profit before tax | -3,223 | -1,270 | -23 |
| Income tax using the domestic corporate tax rate (33.99%) | 1,096 | 432 | 8 |
| Disallowed expenses | -54 | -18 | -18 |
| Investment deduction/ Notional interest deduction/tax losses carried forward | 1,086 | 866 | 531 |
| Other | 0 | 0 | 7 |
| Taxes | 2,128 | 1,280 | 528 |

## 6.2.7.7 INTANGIBLE ASSETS

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Cost | | | |
| Balance at 1 January | 12 | 12 | 0 |
| Acquisitions | 61 | 0 | 12 |
| Transfer from assets under construction | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| Balance at 31 December | 73 | 12 | 12 |
| Depreciation | | | |
| Balance at 1 January | -2 | 0 | 0 |
| Depreciation charge of the year | -2 | -2 | 0 |
| Disposals | 0 | 0 | 0 |
| Balance at 31 December | -4 | -2 | 0 |
| Carrying amounts | | | |
| At 1 January | 10 | 12 | 0 |
| At 31 December | 69 | 10 | 12 |

## 6.2.7.8 LAND AND BUILDINGS

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Cost | | | |
| Balance at 1 January | 3,744 | 3,744 | 3,437 |
| Acquisitions | 0 | 0 | 307 |
| Transfer from assets under construction | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| Balance at 31 December | 3,744 | 3,744 | 3,744 |
| Depreciation | | | |
| Balance at 1 January | -582 | -339 | -63 |
| Depreciation charge of the year | -243 | -243 | -276 |
| Disposals | 0 | 0 | 0 |
| Balance at 31 December | -825 | -582 | -339 |
| Carrying amounts | | | |
| At 1 January | 3,162 | 3,405 | 3,374 |
| At 31 December | 2,919 | 3,162 | 3,405 |

## 6.2.7.9 INSTALLATIONS, MACHINERY AND EQUIPMENT

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Cost | | | |
| Balance at 1 January | 34,828 | 34,165 | 20,325 |
| Acquisitions | 19 | 201 | 77 |
| Transfer from assets under construction | 0 | 503 | 14,678 |
| Disposals | -16 | -40 | -915 |
| Balance at 31 December | 34,830 | 34,828 | 34,165 |
| Depreciation | | | |

| | | | |
|---|---|---|---|
| Balance at 1 January | -4,618 | -2,236 | -263 |
| Depreciation charge of the year | -2,411 | -2,382 | -1,998 |
| Disposals | 0 | 0 | 25 |
| Balance at 31 December | -7,028 | -4,618 | -2,236 |
| Carrying amounts | | | |
| At 1 January | 30,210 | 31,929 | 20,062 |
| At 31 December | 27,802 | 30,210 | 31,929 |

The guarantees and pledges on the land and buildings and installations, machinery and equipment of the Group are detailed in section 6.2.7.22.

## 6.2.7.10 FURNITURE AND VEHICLES

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Cost | | | |
| Balance at 1 January | 173 | 164 | 97 |
| Acquisitions | 10 | 9 | 67 |
| Disposals | 0 | 0 | 0 |
| Balance at 31 December | 183 | 173 | 164 |
| Depreciation | | | |
| Balance at 1 January | -86 | -54 | -30 |
| Depreciation charge of the year | -29 | -32 | -24 |
| Disposals | 0 | 0 | 0 |
| Balance at 31 December | -115 | -86 | -54 |
| Carrying amounts | | | |
| At 1 January | 87 | 110 | 67 |
| At 31 December | 70 | 87 | 110 |

## 6.2.7.11 LEASING AND SIMILAR RIGHTS

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Cost | | | |
| Balance at 1 January | 1,186 | 1,186 | 238 |
| Acquisitions | 18 | 0 | 1,068 |
| Disposals | 0 | 0 | -120 |
| Balance at 31 December | 1,204 | 1,186 | 1,186 |
| Depreciation | | | |
| Balance at 1 January | -271 | -123 | -4 |
| Depreciation charge of the year | -150 | -148 | -121 |
| Disposals | 0 | 0 | 2 |
| Balance at 31 December | -421 | -271 | -123 |
| Carrying amounts | | | |
| At 1 January | 915 | 1,063 | 234 |
| At 31 December | 783 | 915 | 1,063 |

Finance leases relate to manufacturing equipment with lease terms of 5 years and longer. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The Group's obligations under the finance leases are secured by the lessors' title to the leased asset.

### 6.2.7.12 OBLIGATIONS UNDER LEASE AGREEMENTS

| | Carrying amount 31/12/10 | Outstanding leasing debt < 1 year | > 1 year < 5 years | > 5 years |
|---|---|---|---|---|
| **Projects in operation** | | | | |
| Fuel handling installation | 680 | 81 | 376 | 223 |
| Komatsu WA 380-6 | 50 | 50 | 0 | 0 |
| Komatsu WA 250-5 | 20 | 20 | 0 | 0 |
| Remorque | 15 | 3 | 12 | 0 |
| | **765** | **154** | **388** | **223** |
| **Assets under construction** | | | | |
| Torrefaction installation (Amel III) | 8,980 | 777 | 4,451 | 3,752 |
| | **8,980** | **777** | **4,451** | **3,752** |
| | | | | |
| **Total** | **9,745** | **931** | **4,838** | **3,975** |

The lease contract for the fuel handling installation comprises a total investment amount of 915 k EUR, with a residual value of 18 k EUR. The contract has a duration of 10 years and started on 20-02-2008.

The lease contract for the Komatsu WA 380-6 comprises a total investment amount of 175 k EUR, with a residual value of 4 k EUR. The contract has a duration of 3,8 years and started on 29-05-2008.

The lease contract for the Komatsu WA 250-5 comprises a total investment amount of 121 k EUR, with a residual value of 2 k EUR. The contract has a duration of 5 years and started on 20-08-2008.

The lease contract for the remorque comprises a total investment amount of 16 k EUR, with a residual value of 1 k EUR. The contract expires on 20-03-2015.

The lease contract for the Wood Chips Torrefaction Unit (Amel III), Fuel Preparation Facilities and Related Equipment covers an investment amount of 8,980 k EUR with a residual value of 89,8 k EUR. The contract will terminate by 30-06-2019.

### 6.2.7.13 OTHER TANGIBLE ASSETS

| | 2010 € '000 | 2009 € '000 | 2008 € '000 |
|---|---|---|---|
| Cost | | | |
| Balance at 1 January | 45 | 42 | 0 |
| Acquisitions | 0 | 3 | 42 |
| Disposals | 0 | 0 | 0 |
| Balance at 31 December | 45 | 45 | 42 |
| Depreciation | | | |
| Balance at 1 January | -7 | -2 | 0 |
| Depreciation charge of the year | -5 | -5 | -2 |
| Disposals | 0 | 0 | 0 |
| Balance at 31 December | -12 | -7 | -2 |
| Carrying amounts | | | |
| At 1 January | 38 | 40 | 0 |
| At 31 December | 33 | 38 | 40 |

### 6.2.7.14 ASSETS UNDER CONSTRUCTION

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Cost | | | |
| Balance at 1 January | 16,080 | 1,681 | 6,819 |
| Acquisitions | 17,422 | 16,217 | 9,577 |
| Transfer to land & buildings | 0 | 0 | 0 |
| Transfer to installations, machinery & equip. | 0 | -503 | -14,678 |
| Transfer to goodwill | 0 | 0 | -37 |
| Impairment loss | -1,706 | -51 | 0 |
| Disposals | 0 | 0 | 0 |
| Subsidies | 0 | -1,264 | 0 |
| Balance at 31 December | 31,797 | 16,080 | 1,681 |
| Carrying amounts | | | |
| At 1 January | 16,080 | 1,681 | 6,819 |
| At 31 December | 31,797 | 16,080 | 1,681 |

**Assets under construction per project**

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Fuel handling facilities Amel | 0 | 0 | 350 |
| Amel III Bio-Coal | 15,239 | 12,175 | 589 |
| Amel III Bio-Coal - subsidies | -1,264 | -1,264 | 0 |
| Pontrilas | 0 | 1,037 | 375 |
| Ham Cogeneration unit | 17,620 | 3,930 | 202 |
| Reisbach | 201 | 141 | 101 |
| Other projects | 0 | 62 | 65 |
| **Total** | **31,797** | **16,080** | **1,681** |

4 Energy Invest obtained an investment grant from the Walloon Region for an amount of 1,264 k EUR in the framework of the capital expenditures program implemented for its Amel III BioCoal unit.

The following interest expenses were capitalized during the construction period in 2010:

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Amel III BioCoal | 272 | 43 | 0 |
| Fuel Handling facilities Amel | 0 | 0 | 0 |
| Ham Cogeneration unit | 542 | 0 | 0 |
| Pontrilas | 0 | 0 | 9 |
| Amel II | 0 | 0 | 265 |
| **Total** | **814** | **43** | **274** |

Funds are borrowed specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs eligible for capitalization on a particular project/asset is determined as the actual borrowing cost incurred on that borrowing during the period. Capitalization of borrowing costs ceases when the activities necessary to prepare the qualifying asset for its intended use are completed.

No other commitments concerning the acquisition of assets were taken as of today, then those outlined in section 6.2.7.26.

### 6.2.7.15 GOODWILL

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Goodwill | 0 | 335 | 335 |
| **Total** | **0** | **335** | **335** |

On March 12, 2008, 4Energy Invest (through its fully owned subsidiary Renogen) acquired 75% of the shares of Pontrilas Renewable Energy Limited.

The Group decided to treat the acquisition of the shares of Pontrilas Renewable Energy Limited as a business combination in accordance with IFRS 3 on a voluntary basis. At acquisition date, Pontrilas Renewable Energy Limited was the owner of a conditional planning consent, expiring in January 2012 for the construction of a clean renewable energy cogeneration plant. The acquisition price of the shares of Pontrilas Renewable Energy Limited for 335k EUR was presented as goodwill, taking into account that no reliable allocation on (in) tangible assets was possible and the Group's belief that the paid acquisition price reflected mainly an entrance fee for the UK market for this type of projects. The opening balance sheet of Pontrilas Renewable Energy Limited consisted of:

| Net assets at acquisition date (12-03-08) | £ |
|---|---|
| Debtors | 4 |
| Called up share capital | 4 |

Pontrilas Group Ltd., the partner of 4Energy Invest in Pontrilas Renewable Energy Limited for the cogeneration project under advanced stage of development in Pontrilas, UK, decided in 2010 to withdraw from the project, because the risk/return profile as projected by the business plan of the cogeneration project did no longer fit within the investment strategy/criteria of the Pontrilas Group. As the Pontrilas Group was key in the fuel supply and heat off-take for the cogeneration project, 4Energy Invest had no other option than to abandon this particular project. 4Energy Invest has as a result written down all activated expenses and goodwill on the project. On December 23, 2010, 4Energy Invest (through its fully owned subsidiary Renogen) acquired for free the 25% of the shares of Pontrilas Renewable Energy that were owned by Pontrilas Group Limited. As a result of that acquisition, 4Energy Invest now owns 100% of the shares of Pontrilas Renewable Energy. Pontrilas Renewable Energy has so far been a dormant entity and all project development expenses related to the Pontrilas project were charged and paid outside Pontrilas Renewable Energy. Pontrilas Renewable Energy has at the date of this annual report no outstanding debt and/or obligations.

### 6.2.7.16 DEFERRED TAX ASSETS AND LIABILITIES

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Tax losses carried forward | 2,232 | 1,781 | 1,804 |
| Investment deduction | 3,225 | 2,360 | 1,572 |
| Notional interest deduction | 571 | 342 | 239 |
| **Tax assets** | **6,029** | **4,483** | **3,615** |

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Capitalised costs including interests | -978 | -1,070 | -990 |
| Capitalised interests | -194 | -362 | -690 |
| Diff. between tax and book value, property plant and equipment | 265 | 117 | 11 |
| Interest rate swap | 370 | 191 | 135 |
| **Tax liabilities** | -537 | -1,124 | -1,534 |

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Tax losses carried forward | 2,232 | 1,781 | 1,804 |
| Investment deduction | 3,225 | 2,360 | 1,572 |
| National interest deduction | 571 | 342 | 239 |
| Capitalised costs | -978 | -1,070 | -990 |
| Capitalised interests | -194 | -362 | -690 |
| Diff. between tax and book value, property plant and equipment | 265 | 117 | 11 |
| Interest rate swap | 370 | 191 | 135 |
| **Net tax assets / liabilities** | **5,491** | **3,358** | **2,081** |

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Deferred tax assets | 5,491 | 3,358 | 2,080 |
| Deferred tax liabilities | 0 | 0 | 0 |
| **Total** | **5,491** | **3,358** | **2,080** |

Deferred tax asset and liabilities have been offset on the dates of financial position per entity, considering the fact that they are levied by the taxing authority on a net basis per entity:

## 6.2.7.17 OTHER NON CURRENT ASSETS

| 31 December 2010 | < 1 year | > 1 year < 5 years |
|---|---|---|
| Non current assets | 46 | 36 |

The other non current assets have reduced significantly as the Debt Service Reserve Account provisioned in the framework of the financing of the Amel facilities has been used in the framework of the delay incurred in bringing Amel III to operation and the significant extra investments that had to be executed to make the installation operational.

## 6.2.7.18 INVENTORIES

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Raw materials and consumables | 585 | 426 | 114 |
| Spare parts | 436 | 391 | 278 |
| **Total** | **1,021** | **817** | **392** |

The inventories have further increased in 2010 as additional wood biomass has been stored on site in Amel, both for the cogeneration units to secure supply during winter/end of year period and the creation of the initial stock for the operation of the BioCoal production unit.

## 6.2.7.19 TRADE AND OTHER RECEIVABLES

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Trade receivables | 1,242 | 2,729 | 3,200 |
| Receivables due from related parties | 0 | 0 | 0 |
| Tax receivables-VAT | 71 | 195 | 206 |

| | | | |
|---|---|---|---|
| Insurance claims | 698 | 0 | 0 |
| Deferred expenses | 81 | 747 | 117 |
| Subsidies | 632 | 1,264 | 0 |
| Other receivables | 34 | 105 | 2 |
| **Total** | **2,757** | **5,039** | **3,525** |

### 6.2.7.20 CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents comprise cash deposits held at Belgian banks and investments in short term financial products.

### 6.2.7.21 SHARE CAPITAL

| Date | Action | Shareholders | Shares | Price per share (Fractional Value) |
|---|---|---|---|---|
| September 28, 2005 | Incorporation | Enerpro SPRL controlled by Yves Crits | 134 | €100 |
| September 28, 2005 | Incorporation | Nico Terry | 134 | €100 |
| September 28, 2005 | Incorporation | Guido Schockaert | 134 | €100 |
| September 28, 2005 | Incorporation | KBC Private Equity NV | 218 | €100 |
| November 22, 2005 | Capital increase through contribution in kind of Renogen shares | Enerpro SPRL | 21,533 | €100 |
| November 22, 2005 | Capital increase through contribution in kind of Renogen shares | Nico Terry | 21,533 | €100 |
| November 22, 2005 | Capital increase through contribution in kind of Renogen shares | Guido Schockaert | 21,533 | €100 |
| January 19, 2006 | Capital increase through contribution in cash | KBC Private Equity NV | 34,782 | €100 |

| | | | | |
|---|---|---|---|---|
| January 19, 2006 | Capital decrease with repayment to the Founders of their initial contribution in cash at incorporation (aggregate amount of €40.200) | N/A | N/A | €99.6 |
| May 21, 2008 | Share split by 90 | Existing shareholders | 9,000,090 | €1.1067 |
| June 17, 2008 | Capital increase IPO | | 3,520,000 | € 6.25 |

## 6.2.7.22 INTEREST-BEARING LOANS AND BORROWINGS

| Non current | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| | | | |
| Bank loans | 26,173 | 0 | 23,763 |
| Leasing debts | 8,813 | 749 | 897 |
| Other loans | 2,857 | 0 | 0 |
| **Total non current loans and borrowings** | **37,843** | **749** | **24,660** |
| Current | | | |
| Bank loans | 3,679 | 25,407 | 3,396 |
| Leasing debts | 931 | 6,346 | 140 |
| Other loans | 0 | 0 | 0 |
| **Total current loans and borrowings** | **4,610** | **31,753** | **3,536** |
| **Total** | **42,453** | **32,503** | **28,196** |

**Situation per 31 December 2010**

| | Outstanding 31 Dec. 2010 € '000 | Payable in 1 year | Payable in 2-5 years € '000 | Payable after 5 years € '000 |
|---|---|---|---|---|
| Leasing debts | 9,744 | 931 | 4,838 | 3,975 |
| Bank loans | 29,313 | 3,141 | 20,269 | 5,904 |
| Other loans | 2,857 | 0 | 2,857 | 0 |
| Accrued interest expenses | 370 | 370 | 0 | 0 |
| Cash credit | 169 | 169 | 0 | 0 |
| **Total** | **42,453** | **4,610** | **27,964** | **9,879** |

In December 2010, Renogen obtained a waiver from KBC Bank for the non respect of the Debt Service Coverage Ratio over the year 2010, subject to a waiver fee of 10 k EUR.
Furthermore the Group has a line of commitment credit of 1,650 k EUR to be used in the form of abstract guarantees and/or secondary guarantees and/or bonds issued by the bank in favor of the Ministry of the Walloon Community. This line is fully used at December 31, 2010.
The cash credits are taken up at end 2010 for a total amount of 169 k EUR. Accrued interests amount to 370 k EUR.

| Secured bank loans / leases<br>The secured bank loans / leases were provided by KBC, ING and LRM under the following conditions | | | | |
|---|---|---|---|---|
| | Interest rate | Credit Facility €'000 | Outstanding end 2010 €'000 | Final repayment date €'000 |
| KBC Roll-over credit (727-8621683-91) | Euribor 3m. +2.5% | 14,663 | 11,404 | 31/12/2017 |
| KBC Roll-over credit (727-8621642-50) | Euribor 3m. +3.25% | 1,006 | 503 | 31/12/2012 |
| KBC Roll-over credit (725-0215256-17) | Euribor 3m. +1.25% | 11,115 | 8,835 | 30/09/2018 |
| KBC Roll-over credit (479-1143915-23) | Euribor 3m. +2% | 8,980 | 8,980 | 30/06/2019 |
| KBC roll-over credit (479-2144031-69) | Euribor 3m. +2% | 370 | 329 | 31/12/2016 |
| KBC Roll-over credit (479-0462672-11) | Euribor 3m. +1.25% | 456 | 326 | 31/12/2015 |
| Lease remorque (Renogen) | Euribor 3m. +2% | - | 16 | 20/03/2015 |
| ING - KBC syndicated loan facility | Euribor 6m. +2.5% - 3.25% | 26,600 | 7,916 | 9.75 years after project completion |
| LRM subordinated debt facility | 8% | 5,000 | 2,857 | 7 years after first withdrawal |
| Other | | | | |
| Cash credit Renogen | Euribor 3m. +1.5% | 1,000 | 0 | - |
| Cash credit Amel bio | EONIA +2% | 500 | 169 | - |
| Lease agreement fuel handling (Amel Bio) | 5.84% | - | 640 | 20/11/2017 |
| Lease agreement Komatsu (Amel Bio) | 5.18% / 5.99% | - | 128 | 29/11/2017 |
| Accrued interest expenses | | - | 370 | - |
| **Total** | | **69,690** | **42,472** | |

In order to secure the obligations under the roll-over credits with KBC Bank, Renogen SA has created:

- a mortgage of 1,846k EUR in principal on the cogeneration plant in first rank, located at the Kaiserbaracke industrial area in Amel, belonging to Renogen SA on November 18, 2005;

- a pledge of the business in the amount of 250k EUR in principal (including receivables and 50% of stocks) in first rank on the business located at the Kaiserbaracke industrial area in Amel, belonging to Renogen SA, established on November 18, 2005;

- the power of attorney to create a mortgage of 16,368 k EUR in principal on the cogeneration plant, located at the Kaiserbaracke industrial area in Amel, belonging to Renogen SA, granted on November 18, 2005, together with a prohibition against alienating or mortgaging the real property or granting power of attorney to that end with the exception of the above mentioned mortgage of 1,846k EUR in favor of the bank.

- the power of attorney to establish a pledge of the business in the amount of 16,368k EUR in principal (including receivables and 50% of stocks) on the business located at the Kaiserbaracke industrial area in Amel, belonging to

Renogen SA granted on November 18, 2005, together with prohibition against alienating or pledging the business or granting power of attorney to that end with the exception of the above mentioned pledge of the business in the amount of 250k EUR in principal in favor of the bank.

- The power of attorney to create a mortgage and the power of attorney to establish a pledge of the business may be realized together for an amount of 16,368k EUR in principal.

- an acceptable property insurance policy relating to the cogeneration plant with the bank as direct beneficiary. In consequence, the bank will at all times be entitled to pay the insurance premium instead of the policyholder. In such case, the insurance premiums and expenses paid by KBC bank will be recovered from the borrowers. KBC bank will be entitled to take all initiatives vis-à-vis the insurers to protect its rights in general as lender, including requiring of the insurers that :

    - all damages will be paid to or through the intermediary of KBC bank;
    - the insurance cover may not be suspended, reduced, annulled, cancelled or in any other way terminated without the bank being given advance notice thereof.

- the power of attorney (mandate) to create a mortgage in the amount of 11,400k EUR in principal, on an industrial building located at 4770 Amel, Gewerbezone Kaiserbaracke, belonging to Renogen SA granted on April 13, 2007, together with a prohibition against alienating or mortgaging the real property or granting power of attorney to that end.

- the power of attorney (mandate) to establish a pledge of the business (floating charge) in the amount of 11,400k EUR in principal, on the business at 1420 Braine-L'alleud, Chaussée d'Ophain 181 and 4770 Amel, Gewerbezone Kaiserbaracke, granted on March 9, 2007, together with a prohibition against alienating or pledging the business or granting power of attorney to that end.

- The power of attorney to create a mortgage and the power of attorney to create a pledge of the business may be realized together for an amount of 11,400k EUR in principal.

- the pledge from Renogen SA of all present and future cash into the following Debt Service Reserve Account: 733-0287158-68. This pledge will be ruled by the following specifications:

    - Payments or withdrawals from the Debt Service Reserve Account: Renogen SA may only withdraw amounts from the Debt Service Reserve Account to pay any principal and/or interests due and payable under the roll-over credits with references 727-8621683-91, 727-8621642-50 and 725-0215256-17 at that time, but only to the extent that there are insufficient funds in Renogen's working account(s) to meet those payments.

    - Payments into the debt Service Reserve Account: At the latest two days prior to each Interest Payment Date of the above-mentioned roll-over credits, Renogen SA shall deposit from his working account(s) directly into the Debt Service Reserve Account such amount (if any) as is required, to ensure that the amount standing to the credit of the Debt Service Reserve Account is equal to the amount of 1,462k EUR (or at least, the counter value of 6 months of principal repayments and interests under the roll-over credits with references 727-8621683-91 and 727-8621642-50).

    - However, from 01-01-2011 until 31-12-2011 the Debt Service Reserve Account must be refunded to an amount of 1,462k EUR (or at least, the counter value of 6 months of principal repayments and interests under the roll-over credits with references 727-8621683-91 and 727-8621642-50) out of:

        - The free cash flow(see definition below)
        - The proceeds of the Fortis claim
        - Other funds

before 31.12.2011 at the latest

- a mortgage in the amount of 50k EUR in principal: a first mortgage on the acquired plot of land and a second mortgage on the cogeneration plant, both located at 4770 Amel, Kaiserbaracke, belonging to Renogen SA established on18-04-2009.

- a power of attorney (mandate) to create a mortgage in the amount of 400k EUR in principal: on the acquired plot of land and on the cogeneration plant, both located at 4770 Amel, Kaiserbaracke, belonging to Renogen SA established on 28)04-2009. This property must be free and unencumbered, with the exception of the above mentioned registered charges.

- a power of attorney (mandate) to create a mortgage in the amount of 370k EUR in principal: on the acquired plot of land and on 2 cogeneration units and the torrefaction unit located at 4770 Amel, Kaiserbaracke, belonging to Renogen SA established on 20-04-2010. This property must be free and unencumbered, with the exception of the above mentioned registered charges.

- a power of attorney (mandate) to establish a pledge of the business (floating charge) in the amount of 370k EUR in principal, on the business at 1420 Braine-L'alleud, Chaussée d'Ophain 181 and 4770 Amel, Gewerbezone Kaiserbaracke, granted on 20-04-2010, together with a prohibition against alienating or pledging the business or granting power of attorney to that end.

- The power of attorney to create a mortgage and the power of attorney to create a pledge of the business may be realized together for an amount of 370k EUR in principal.

The following has been agreed for all Renogen's commitments towards the bank: if these covenants are not complied with, the bank may – after informing the borrowers accordingly in writing – increase all rates applying to the credit and its various forms of utilization. This does not prejudice what is stipulated in the General Credit Terms and Conditions regarding suspension and termination of the forms of credit and of the credit facility

- The Debt service ratio (EBITDA / debt service) has to be at least 1,1 over the fiscal years 2011 and 2012 and at least 1,2 over the following fiscal years, which will be tested each year by yearly report approved by the board of directors at the latest on June 30. The debt service comprises all capital and interest reimbursements on the short- and long term financial liabilities, subordinated loan included.

- The tangible net worth ratio must come to at least 20% from December 31, 2009 on and at least 25% from December 31, 2010 on. This ratio must be calculated based on the figures filed on behalf of Renogen SA and is defined as follows (the figures to be filled in must be taken from the annual accounts, without a sign): (Tangible net worth (the running account of 4Energy Invest included) / (Total balance sheet – formation expenses (20) – intangible assets (21) – own shares (50) – amounts receivable from directors, managers or shareholders (9500))) x 100.

- Calculation of Tangible net worth: Capital and reserves (10/15) - formation expenses (20) – intangible assets (21) – own shares (50) – amounts receivable from directors, managers or shareholders (9500) + debt subordinated in favour of KBC Bank NV+ the debt in current account of 4Energy Invest NV

- Renogen SA will not pay any dividends to their shareholders as long as the tangible net worth ratio of Renogen SA has not reached 25% (based on the half yearly results).

- Renogen SA will not repay the subordinated loans (or part of the subordinated loans) and/or the debt in the current account as long as the tangible net worth ratio of Renogen SA has not achieved 25%.

- The borrowers will prepay the roll-over credits yearly with reference number 727-8621642-50, 727-8621683-91 and 725-0215256-17 yearly (one after another), at the latest on June 30 of each year with 30% of the Free Cash Flow out of Amel I and Amel II from previous fiscal year, stated by a year report approved by the board of directors, however capped at a maximum of 300k EUR per year; this prepayment will first apply on the roll-over credit line of 691k EUR and secondly on the roll-over credit line of 12,626k EUR.

Free Cash Flow means:

- Net Earnings after taxes before dividends (code 70/67),

(a)plus any depreciation and amortization (code 630, 631/4, 635/7 and 651)
(b)minus extraordinary income (code 76)
(c)plus extraordinary expenses (code 66)
(d)minus principal instalments and interest on any financial indebtedness of the borrowers falling due or accrued during the relevant period (whether or not paid)
(e)minus funding Debt Service Reserve Account

However, as long as the repayment of the second postponed repayment of the roll-over credits with reference 727-8621642-50 and 727-8621683-91 is not fulfilled, at least 100% of free cash flow is applicable in the aforementioned prepayment.

Renogen SA will prepay the roll-over credit with reference number 479-0462672-11 and/or the granted leasing (from January 2009 with reference number 116748-LF-0) yearly, at the latest on June 30 of each year with 30% of the Free Cash Flow out of Amel III from previous fiscal year, stated by a year report approved by the board of directors.

The proceeds from the Fortis claim will be applied first for the rebuild of the DSRA and second for the repayment of the first and second postponed repayments of the roll-over credits with reference number 727-8621642-50 and 727-8621683-91.

All costs overruns have to be paid by Renogen SA or its shareholders.

The bank reserves itself the right to terminate the credit facilities if control of Renogen SA is changed not according to the following conditions: at least 50% of the shares have to belong to Nico Terry, Yves Crits and Guido Schockaert individually and/or collectively and/or to a company of which the own more than 50% of the shares.

No amendments can be made to the PPA, SPA, the plans for the project and the Turn Key Contract if any, without the consent of the bank.

Every six months management accounts and a balance sheet have to be submitted within 45 days after the preceding six months. A yearly report, approved by the board of directors, has to be submitted within six months after the closing of the accounts.

All payments must be done through KBC accounts.

Renogen SA undertakes not to alienate, mortgage or pledge their assets, or establish a lien thereon or grant a power of attorney to this end without the bank's prior consent in writing.

Renogen should take out insurance against fire with regard to their movable and immovable property on Amel III and their liability against third parties in the neighborhood, which meets with the bank's approval before start of construction

Executive management of the Group confirms that no bank covenants were breached by Renogen during the years 2007 and 2008 and that it obtained a waiver from KBC bank for the non respect of the Debt Service Cover Ratio for the years 2009 and 2010, each subject to the payment of a waiver fee of 10 kEUR.

In order to secure the obligations under the syndicated credit facility with the consortium ING België - KBC Bank for the cogeneration project in Ham, 4Ham Cogen and 4Energy Invest have created;

- a mortgage of 1,000 k EUR in principal on the Recht van Opstal and all buildings, installations, constructions and goods to be established by 4HamCogen on that land, located at the Kwaadmechelen industrial area in Ham, belonging to 4HamCogen since December 18, 2009;

- the power of attorney to create a mortgage of 28,200 k EUR in principal on the Recht van Opstal and all buildings, installations and goods to be established by 4HamCogen on that land, located at the Kwaadmechelen industrial area in Ham, belonging to 4HamCogen since December 18, 2009, together with a prohibition against alienating or mortgaging the real property or granting power of attorney to that end with the exception of the above mentioned mortgage of 1,000 k EUR in favour of the banks.

- a share pledge agreement between 4 Energy Invest and Renogen (one share) as pledgors and ING Belgium as pledgee and representative of the lenders in respect of all shares of 4 HamCogen, other equity interests and all present and future rights attaching to, and all monies payable in respect of, or derived from, the pledgors shares and other equity interests;

- a receivables pledge agreement between 4 HamCogen as pledgor and ING Belgium as security agent and representative of the security beneficiaries and as creditor of the senior parallel debt by which the pledgor pledges to the security agent and the security beneficiaries any and all claims, rights, receivables and obligations (whether present, future, actual or contingent) of the pledgor in connection with accounts receivable, insurances, hedging agreements, project agreements and trade receivables;

- a green certificates pledge agreement between 4 HamCogen as pledgor and ING Belgium as security agent and representative of the security beneficiaries by which the pledgor pledges to the security agent and the security beneficiaries a first right on all green certificates that the pledgor owns from time to time and all rights en receivables that the pledgor would have from time to time in relation to those green certificates and in general all revenues and income that relate to it;

- a project documents pledge agreement between 4 HamCogen as pledgor and ING Belgium and the other Finance Parties as pledgees in respect of the Project Documents

The following has been agreed for all of 4Ham Cogen commitments towards the bank consortium ING België - KBC bank:

- The Historical Senior Annual Debt Service Coverage Ratio on each Covenant Testing Date shall not be less than 1.20 : 1; whereby the Senior ADSCR means:
(a) EBITDA for the Relevant Period ending on that date; to
(b) Senior Debt Service for the Relevant Period ending on that date.
- The Projected Senior Annual Debt Service Coverage Ratio on each Covenant Testing Date shall not be less than 1.20 whereby the "Projected Senior Debt Service" means: Senior Debt Service for the relevant calculation period, whereby EURIBOR for each future Interest Period shall be assumed to be the interest swap rate applicable under the Hedging Agreements.
- The Loan Life Coverage Ratio on each Covenant Testing Date shall not be less than 1.25;

Those coverage ratios have to be confirmed by 4HamCogen through a compliance certificate to be signed by two directors of 4HamCogen with each set of its audited annual financial statements and half-yearly financial statements.
- Prior to financial closing, 4Energy Invest will fund 4HamCogen with 2,825 k EUR share capital.
- Prior to financial closing, 4Energy Invest will make available to 4HamCogen a subordinated debt facility of 3,475 k EUR that will be used by 4HamCogen prior to any drawdown under the credit facilities made available by the lenders ING and KBC and that can not been repaid before final repayment under the credit facilities has occurred.
- 4Energy Invest will fully fund all cost overruns in relation to the cogeneration project in Ham by way of equity and/or subordinated debt.
- 4Energy Invest shall procure that neither Nico Terry BVBA nor ENERPRO SPRL ceases to perform its duties as

manager or director of 4HamCogen (other than by reason of death, retirement at normal retiring age or through ill health of the relevant representative, or by reason of gross negligence);
- 4Energy Invest shall ensure that no change of control occurs over 4HamCogen.
- 4Energy Invest shall not (and will ensure that 4HamCogen shall not) abandon all or a material part of the cogeneration project in Ham.
- 4Energy Invest shall not (and will ensure that 4HamCogen shall not) rescind or purport to rescind or repudiate or purport to repudiate a finance document or any of the transaction security or evidence an intention to rescind or repudiate a finance document or any transaction security;
- 4Energy Invest shall procure to the lenders within 120 days after the end of each financial year and within 90 days after the end of each half year its respective financial statements;
- 4Energy Invest has agreed to a yearly price stabilization mechanism whereby it agreed to pay an amount to 4HamCogen equal to the lessor of (i) an amount in EUR equal to (46 – average realized electricity price (EUR/MWh) by 4HamCogen) x the actual electricity production of 4Ham Cogen and (ii) EUR 750 k EUR. Under the price stabilization mechanism it was agreed that 4Energy Invest can invoice to 4HamCogen for an amount equal to the lessor of (i) an amount in EUR equal to (average realized electricity price (EUR/MWh) – 65 by 4HamCogen) x the actual electricity production of 4HamCogen and (ii) EUR 750 k EUR. The price stabilization mechanism has to be structured under either a cash collateral account or a standby letter of credit to be established by Project Completion Date.
- 4HamCogen has broad information undertakings under the finance documents with respect to financial statements, project budgets, financial models, Computer model, reports by Quantity Surveyor
- 4HamCogen will prepay yearly the outstanding credit facilities with a mandatory pre-payment equal to 50% of the excess cash flow not exceeding 1,000 k EUR and 25% of the excess cash flow exceeding 1,000 k EUR.
- 4HamCogen has to establish a set of reserve accounts
- As of each DSRA calculation date falling 24 months after the Project Completion Date, a DSRA equal to the next 6 months debt service has to be in place;
- A Contingency Maintenance Reserve Account up to 150 k EUR has to be in place twelve months after the Project Completion Date;
- A Scheduled Maintenance Reserve Account has to be gradually built up to 600 k EUR over the cycle of the maintenance period (5 years);

The following has been agreed for all of 4HamCogen commitments towards LRM:

- 4Energy Invest will act as co-debtor with respect to all commitments undertaken by 4HamCogen towards LRM. 4Energy Invest will therefore, together with 4HamCogen, be responsible for the payment of all amounts due by 4HamCogen under its credit agreement with LRM.

- 4Energy Invest will use its voting rights to have a representative of LRM appointed as director of 4HamCogen.

## 6.2.7.23 TRADE AND OTHER PAYABLES

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Trade payables | 3,070 | 2,983 | 1,687 |
| Accrued expenses | 1,600 | 1,791 | 871 |
| **Total** | **4,670** | **4,774** | **2,558** |

## 6.2.7.24 FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

### a. Credit risk

The Issuer has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Ageing of past due but not impaired

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| less than 30 days | 0 | 610 | 2,352 |
| 30 - 60 days | 4 | 0 | 19 |
| 60- 90 days | 0 | 0 | 0 |
| 90 - 120 days | 0 | 39 | 1 |
| more than 120 days | 4 | 0 | 0 |
| **Total** | **8** | **649** | **2,372** |

### b. Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate because of changes in market prices. The market risk mainly comprises the currency and interest rate riskk.

#### Foreign currency risk

The Group is currently marginally exposed to foreign currency risk through its development activities in Brazil and the UK.

#### Interest Rate Swaps

The Group contracted all of its financial debt in EUR at a floating rate.

The financial instruments (interest rate swaps) do not meet the conditions for hedge accounting and are accounted for at fair value with changes in fair value recognized immediately as a component of net profit.

4Energy Invest has concluded the following Interest Rate Swaps:

| (in €'000) | Interest rate | Date of swap contract signature | Notional amount hedged | Fair value as at 31/12/10 | Hedged until |
|---|---|---|---|---|---|
| Amel Phase I | 4.4745% | 20/08/2007 | 1,086 | -13 | 18/08/2012 |
| Amel Phase I | 4.5096% | 20/08/2007 | 8,146 | -470 | 18/08/2017 |
| Amel Phase II | 2.7625% | 30/09/2009 | 4,988 | -101 | 26/07/2018 |
| Amel Phase III | 3.2750% | 30/09/2009 | 4,675 | -181 | 30/09/2018 |
| Ham Cogeneration | 3.5700% | 19/03/2010 | 6,185 | -107 | 29/06/2018 |
| Ham Cogeneration | 3.5700% | 19/03/2010 | 13,766 | -216 | 29/06/2018 |
| **Total** | | | **38,846** | **-1,088** | |

**Sensitivity Analysis**

An increase/decrease of 100 basis points in the interest rates on the floating rate debts and cash positions at the reporting date, with all variables held constant, would have resulted in approximately a € 125.000 lower/higher profit before taxes for the year 2010. The latter does not take into account the impact on the evolution in fair value of the contracted Interest Rate Swaps.

An increase / decrease of 100 basis points in the interest rates as at December 31, 2010, with all variables held constant, would have had an impact on the evolution in fair value of the contracted Interest Rate Swaps of respectively + € 1,264,406 and - € 1,252,793.

**Liquidity Risk**

The liquidity risk relates to the risk that the Group could encounter difficulties in meeting obligations associated with financial liabilities.

In this respect, the Group's financing policy is based on:

- diversifying sources of financing between credit institutions (KBC Bank and ING Belgium), capital and other sources of funds (e.g. subordinated debt with Limburgse Reconversie Maatschappij);
- achieving a balanced repayment profile of its financial debts in line with the cash generating capacity of its assets.

The delay in commercial operation of Amel III, the significant cost overruns incurred on Amel III and the poor operating results of the Amel I and Amel II cogeneration facilities over the years 2009 and 2010 forced the Group to ask (1) for a waiver from KBC Bank on its breach of Debt Service Coverage Ratio over the years 2009 and 2010, (2) for a delay in start of redemption of the credit facilities related to Amel III and (3) for the acceptance by KBC bank to use the DSRA established at Renogen level.

The continued delay in bringing Amel III to commercial operation forces the Group once more to renegotiate (1) a further delay in the start of redemption of the credit facilities related to Amel III, to (2) re-schedule the redemption of the Renogen credit facilities over a longer term than initially structured/contemplated and (3) to establish a larger timeframe to re-establish the DSRA. An expected improvement in electricity prices and the start of commercial operation of Amel III should improve significantly the economics going forward.

The Group currently considers several options to mobilize additional financial resources at either the holding or an affiliate company level in order to raise the capital needed to secure its existing assets under operation and construction and continue the preparation and possible realization of a roll-out of the torrefaction technology.

The Group's outstanding contractual obligations as per December 31, 2010 on outstanding borrowings by maturity date are disclosed in note 6.2.7.22.

## 6.2.7.25 PERSONNEL

The average number of employees and remuneration paid for the years ended December 31, 2010, December 31, 2009 and December 31, 2008 are as follows:

| | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Average number of employees | 21,2 | 11.9 | 6.9 |
| Wages and salaries | 394 | 305 | 260 |
| Social security and health ins. exp. | 177 | 101 | 46 |

| | | | |
|---|---|---|---|
| Other social expenses | 148 | 104 | 99 |
| **Total** | **718** | **510** | **405** |

## 6.2.7.26 COMMITMENTS

4Energy Invest, through its affiliate Renogen, has finalized the construction of a large scale torrefied wood pellets production facility. The facility is currently in phase of hot commissioning. At the date of this annual report, Amel III has not yet reached the status of commercial operation at industrial scale.

4Energy Invest, through its affiliate 4HamCogen is constructing a 9.5MW wood biomass cogeneration project in Ham in the province of Limburg (Flanders, Belgium). The project has a contemplated investment budget of 37,900 k EUR. Commercial operation is currently scheduled for quarter 3 2011.

**Contingent assets**

4Energy Invest (through its subsidiary Renogen) is involved in one important litigation, as plaintiff, against an insurance company relating to damage resulting from delays in the delivery of Amel I, in excess of the damage compensated by the contractors. The outcome of the proceedings could have a positive impact on the results of 4Energy Invest.  The claim is for a total amount of approximately 1,500k EUR + moratory interest charges. The arbitration panel appointed to conclude on the case concluded early 2011 that the insurance companies had no contractual base to reject the request for coverage as formulated by Renogen under its ALOP policy. The arbitration panel however concluded that the financial compensation received by Renogen from Wartsila under the delay damages clause of the EPC contract for Amel I was sufficient to compensate the losses incurred by Renogen as a result of the delay in commercial operation of Amel I. 4Energy Invest considers to appeal that part of the arbitration sentence that covered the amount of compensation to be paid by the insurance companies as 4Energy Invest is convinced that the arbitration panel made clear errors in the calculation of the amount to be paid by the insurance companies.

## 6.2.7.27 RELATED PARTIES

**a. Identification of related parties**

The Group has a related party relationship with its executive directors Enerpro SPRL, Enermoza BVBA and Nico Terry BVBA and with KBC Private Equity NV. The related party relationship with its industrial partners Belwood-Amel, Delhez Bois (through Clean Box) and Holz Niessen has been terminated in December 2008. The service agreement in between 4Energy Invest and Enermoza BVBA was terminated end of 2010. Enermoza BVBA will continue to service as non executive director of the Group.

The industrial partners Belwood-Amel, Delhez Bois and Holz Nielssen held a minority stake in Amel Bio NV, but were bought out by Renogen at the end of 2008.

KBC Private Equity NV has a participation of 21.79% in the share capital of 4Energy Invest NV.

Enerpro SPRL, Nico Terry (permanent representative of Nico Terry BVBA) and Guido Schockaert (permanent representative of Enermoza BVBA) each own 16.70% in the share capital of 4Energy Invest NV.

Executive management is formed by Enerpro SPRL, represented by its permanent representative Yves Crits and Nico Terry BVBA, represented by its permanent representative Nico Terry.

| | 2010 € '000 | 2009 € '000 | 2008 € '000 |
|---|---|---|---|
| Remuneration and benefits charged by executive directors | | | |
| (a) short term employee benefits | 666 | 869 | 823 |
| (b) post-employment benefits | 0 | 0 | 0 |
| (c) other long-term benefits | 0 | 0 | 0 |
| (d) termination benefits | 0 | 0 | 0 |
| (e) share based payment (stock options) | 127 | 392 | 233 |
| **Total** | **794** | **1,261** | **1,056** |

The Extraordinary General Shareholders' Meeting of May 21, 2008 decided to issue up to 900,009 warrants under the 2008 4Energy Invest Stock Option Plan. The warrants have been subscribed by 4Energy Invest with a view to allocating them to executive management, employees and consultants of 4Energy Invest. As of end 2008, 716,995 warrants had been offered and accepted by executive management, employees and consultants of 4Energy Invest as follows: Enerpro sprl: 270,000, Nico Terry bvba: 162,000, Enermoza bvba: 162,000, other 122,995. In December 2009, the Limburgse Reconversie Maatschappij had been offered and accepted 183,014 warrants (with an exercise price of 6.25 EUR/ Share) in the framework of their directors' mandate of 4HamCogen. As a result, all issued 900,009 warrants have been granted as of end 2010.

We refer to 2.8. Shareholding structure for an overview of the status of the warrants (vested/unvested) as of the date of publication of this annual report 2010.

The detailed disclosures related to the Corporate Governance Statement are included in Chapter 4 of this annual report 2010.

The stock options are recognized at fair value at the date of grant. The fair value determined at the grant date of the stock options is expensed, with a corresponding increase in equity, on a straight-line basis over the vesting period, based on the Group's estimate of the stock options that will eventually vest and adjusted for the effect of non-market-based vesting conditions. The fair value of the stock options at grant date (July 31, 2008) amounted to 981 k EUR. The value has been adjusted end of 2010 to 884 k EUR taking into account the actual and probable number of warrants forfeited

The expensed cost for 2010 amounts to 220k EUR, of which 127k EUR is attributable to executive directors and 93k EUR to employees, consultants, directors.

The fair value of the stock options was determined using the Black-Scholes model. The inputs in the model were in 2008: share price at grant date (5.7 EUR), exercise price (6.25 EUR), expected volatility of 23.9%, expected dividend yield of 0%, expected life time of the option of 5 years and a risk-free interest rate of 4.52%.

The inputs for the valuation of the warrants granted to LRM are as follows: share price at grant date (4.77 EUR), exercise price (6.25 EUR), expected volatility of 31.14 %, expected dividend yield of 0%, expected life time of the option of 3.37 years and a risk-free interest rate of 1.90 %.

**b. Transactions with related parties**

| | | 2010<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|---|
| Executive directors | | | | |
| YvesCrits | Loans granted by the Group - ST | 0 | 0 | 1 |
| | Interests paid to the Group | 0 | 0 | 0 |
| | Trade receivables from the Group | 0 | 0 | 2 |
| Enerpro SPRL | Trade payables by the Group (1) | 248 | 188 | 159 |
| | Management fees/costs/warrants charged to the Group | 424 | 569 | 431 |
| Nico Terry BVBA | Trade payables by the Group (1) | 160 | 126 | 106 |
| | Management fees/costs/warrants charged to the Group | 278 | 374 | 306 |
| Enermoza BVBA | Trade payables by the Group (1) | 25 | 62 | 107 |
| | Management fees/costs/warrants charged to the Group | 92 | 318 | 320 |
| Other related parties | | | | |
| KBCPE | Loans granted to the Group | 0 | 0 | 0 |
| | Fees paid by the Group | 0 | 0 | 15 |
| | Interests paid by the Group | 0 | 0 | 126 |
| Belwood Amel | Trade receivables from the Group | n/a | n/a | 10 |
| | Outstanding other LT receivables < 1 y | n/a | n/a | 0 |
| | Outstanding other LT receivables > 1 y < 5 y | n/a | n/a | 0 |
| | Trade payables by the Group | n/a | n/a | 36 |
| | Services provided by the Group | n/a | n/a | 76 |
| | Goods purchased by the Group | n/a | n/a | 189 |

| | | | | |
|---|---|---|---|---|
| Delhez Bois | Trade receivables from the Group | n/a | n/a | 17 |
| | Outstanding other LT receivables < 1 y | n/a | n/a | 47 |
| | Outstanding other LT receivables > 1 y < 5 y | n/a | n/a | 116 |
| | Trade payables by the Group | n/a | n/a | 7 |
| | Services provided by the Group | n/a | n/a | 53 |
| | Goods purchased by the Group | n/a | n/a | 58 |
| Holz Niessen | Trade payables by the Group | n/a | n/a | 18 |
| | Goods purchased by the Group | n/a | n/a | 150 |

(1) The trade payables balances to Enerpro SPRL, Nico Terry BVBA and Enermoza BVBA relate to the unpaid part of the invoices of the directors fees invoiced to the Group. 2009 figures have been adjusted and include outstanding variable part of compensation to be paid to executive directors over 2009: +101 k EUR to Enerpro SPRL and + 65 k EUR to Nico Terry BVBA.

The terms and conditions for (1) the services rendered by Enerpro SPRL, Nico Terry BVBA, Enermoza BVBA, (2) the goods sold to Belwood Amel, Delhez Bois and Holz Nielssen (industrial partners) as well as (3) the services rendered to the industrial partners are at arm's length and as such in accordance with normal terms of trade applicable in the market for this type of services or delivery of goods. The outstanding balances are payable or to be received on their respective maturity dates in cash. In respect of the transactions made with these parties, no guarantees were granted.

Delhez Bois, Belwood Amel and Holz Niessen are no longer minority shareholders in Amel Bio and are therefore from 2009 onwards no longer considered as related party.

## 6.2.7.28 MAJOR SUBSEQUENT EVENTS

**Operation of Amel III at industrial scale is delayed**

During January and February, 4Energy Invest upgraded the hardware and software of the installation to improve the operating safety of the installation. 4Energy Invest is currently in the process of hot commissioning of the upgraded installation. 4Energy Invest has, at the date of annual report, not yet reached the status of operating the torrefied wood pellets production facility at industrial scale. 4Energy Invest currently believes that the upgraded installation is close to becoming operational on an industrial scale, but will, in view of the unexpected difficulties experienced in the past, monitor and evaluate the situation closely on a regular basis.

The delay in operating Amel III at industrial scale significantly affects the projected cash flow generation of the group for the year 2011. A restructuring of the existing credit facilities will have to be negotiated and/or additional funds will have to be raised in order to allow the Group to fulfill its financial obligations over the year 2011

The impact of the delay in operating Amel III at industrial scale, the extra investments that were needed to bring Amel III in operation, the weak electricity prices experienced over the last 2 years, the financial resources spent on the Pontrilas project and the financial resources spent on the preparation of the roll-out of the torrefaction technology has eliminated the cash buffer of 4Energy Invest. As the operation of

Amel III at industrial scale is delayed beyond the expectations included in the budget for 2011, 4Energy Invest will have to restructure its existing credit facilities and/or raise additional funds in order to be able to fulfill the group's financial obligations over the year 2011.

4Energy Invest believes that the recurrent cash flows of Amel I and Amel II should allow it to eventually meet its financial obligations over a longer period of time and thus form a good basis to engage in debt restructuring discussions. Simultaneously, 4Energy Invest pro-actively explores various options to strengthen the equity base of the company.

## 6.2.7.29 EARNINGS PER SHARE

| | 2009<br>€ '000 | 2009<br>€ '000 | 2008<br>€ '000 |
|---|---|---|---|
| Result of the period | -1,095 | 8 | 505 |
| Weighted average number of shares | 12,520,090 | 12,520,090 | 6,785,131 |
| Weighted average number of shares incl. convertible loan KBCpe | 12,520,090 | 12,520,090 | 6,799,861 |
| Weighted average number of warrants issued | 824,284 | 651,513 | 298,748 |
| Earnings/share | -0,09 | 0.00 | 0.07 |
| Diluted earnings/share | -0,09 | 0.00 | 0.07 |

The weighted average number of shares for 2008 is calculated, taking into account that:

the capital of 4Energy Invest was represented by 100,001 shares in the period from January 1, 2008 until June 17, 2008;

KBC PE had a conversion right regarding its outstanding loan from January 1, 2008 until repayment of the loan at June 25, 2008;

after the capital increase as a result of the IPO on June 17, 2008, the number of shares of 4Energy Invest amounted to 12,520,090.

The number of outstanding shares did not change in 2009 and 2010.

Taking into account the actual number of warrants forfeited, the weighted average number of warrants issued over 2010 equals 824.284.

Considering the fact that the warrants were not in-the-money during 2008, 2009 and 2010, they are not taken into account in the calculation of the diluted earnings per share in accordance with IAS 33.

# 6.3 STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF 4 ENERGY INVEST ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

In accordance with the legal requirements, we report to you on the performance of the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the true and fair view of the consolidated financial statements as well as the required additional statements and information.

Unqualified opinion on the consolidated financial statements with an emphasis of matter paragraph

We have audited the consolidated financial statements for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of € 73,796,500.23 and a loss for the year of € 1,095,223.73.

Management is responsible for the preparation and the fair presentation of these consolidated financial statements. This responsibility includes : designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting principles ; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises / Instituut van de Bedrijfsrevisoren) . Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we considered the group's accounting system, as well as its internal control procedures. We have obtained from management and the company's officials, the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the appropriateness of the accounting policies and consolidation principles, the reasonableness of the significant accounting estimates made by the company, as well as the overall presentation of the consolidated financial statements. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the group's financial position, the results of its operation and cash flow in accordance with International Financial Reporting Standards as adopted by the European Union.

Without altering our audit opinion, we would like to draw the attention on the fact that, 4Energy Invest has, after having taken over the construction of the torrefaction unit 'Amel III' in June 2010, been unable yet to operate the installation at industrial scale. The uncertainty in operating the installation at industrial scale, significantly affects the projected profitability and cash flow generation of the Group related to this project. However, it is the opinion of the Board of Directors that the torrefaction unit 'Amel III' will be operating successfully and will generate sufficient cash flows. As a result, no impairment has been recorded on the Amel III installation (bookvalue of 13.975 million euro) nor has an impairment been recorded on the deferred tax assets position.

**Additional statements**

The preparation of the consolidated Director's report and its content are the responsibility of management.

Our responsibility is to supplement our report with the following additional statements which do not modify our audit opinion on the consolidated financial statements:

- The consolidated Director's report includes the information required by law, including the information with respect to the description of the most important characteristics of its internal control- and risk monitoring systems regarding its process of financial reporting, and is consistent with the consolidated financial statements.

- We are, however, unable to comment on the description of the principal risks and uncertainties which the consolidated group is facing, and of its situation, its foreseeable evolution or the significant influence of certain facts on its future development.

- We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Zele, 29 April 2011,

VGD Bedrijfsrevisoren Burg. CVBA
Represented by Jurgen Lelie
Spinnerijstraat 12
9240 Zele

## 6.4 REPORT OF THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2010 IN ACCORDANCE WITH ARTICLE 119 OF THE BELGIAN COMPANY CODE

The following report has been established pursuant to article 119 of the Belgian Company Code by the Board of Directors on April 14, 2011 for submission to the annual general shareholders' meeting of May 26, 2011. The information provided in this report is regulated information in accordance with article 36 of the Royal Decree of 14 November 2007.

Dear Shareholder,

We are pleased to present to you the consolidated financial statements for the year ended December 31, 2010.

### 6.4.1 OVERVIEW OF ACTIVITIES DURING THE YEAR 2010

**Higher average electricity prices and increased green certificates sales from the cogeneration facilities in Amel were more than off-set by higher biomass purchases and the newly introduced distribution injection tariffs**

4Energy Invest experienced a significant increase in the operating cost base of its cogeneration facilities in Amel over 2010. This results from higher biomass purchases and from the introduction of the distribution injection tariffs. This higher operating cost base was not fully compensated by the increase in sales since recovery of electricity prices was slow and only accentuated towards the end of the year and growth in green certificates sales was hampered by the delay in commercial operation of the BioCoal production unit in Amel.

**The operation of the large scale torrefied wood pellets production facility in Amel (Wallonia, Belgium) ("Amel III") has been significantly delayed**

4Energy Invest (through its fully owned subsidiary Renogen) started in February 2009 the construction of a biomass torrefaction unit to produce torrefied wood pellets (BioCoal) for co-firing with pulverized coal in electricity generation facilities. The biomass torrefaction unit was initially built in collaboration with Stramproy Green Technology, a Dutch-based engineering contractor. In June 2010, 4Energy Invest terminated the EPC contract with Stramproy Green Technology as they defaulted, not being able to deliver (even after a more than reasonable delay period) a workable BioCoal production unit. 4Energy Invest took over the control and responsibility for the facility and started the coordination of the re-engineering works and the investments that were needed to bring the facility into operation. By the end of 2010, 4Energy Invest had synchronized all parts of the process for producing BioCoal at industrial scale. Based on the results of the test runs performed over the last two months of 2010, it was decided to further fine-tune the installation early 2011 with a view to enhancing the reliability and safe running of the installation. 4Energy Invest continues to believe that the BioCoal production can be gradually ramped up in the course of 2011

**The construction of the wood biomass fired cogeneration plant in Ham is materializing according to time and budget expectations**

4Energy Invest (through its fully owned subsidiary 4HamCogen) is constructing a 9.5 MW wood biomass fired cogeneration project in Ham in the province of Limburg (Flanders, Belgium). The project is located on a site adjacent to the Albert Canal and the company Agricon, an industrial barks processor. Start of commercial operation is scheduled for the third quarter of 2011. The project is financed by € 6.3 million equity/subordinated debt provided by 4Energy Invest, € 5.0 million subordinated debt provided by the Investment Company LRM and € 26.6 million senior debt provided by ING Belgium and KBC Bank.

**Pontrilas Group Limited has withdrawn from the cogeneration project in Pontrilas**

Pontrilas Group Ltd., the partner of 4Energy Invest in the cogeneration project under advanced stage of development in Pontrilas, UK, decided to withdraw from the project, because the risk/return profile as projected by the business plan of the cogeneration project did no longer fit within the investment strategy/criteria of the Pontrilas Group. As the Pontrilas Group was key in the fuel supply and heat off-take for the cogeneration project, 4Energy Invest had no other option than to abandon this particular project. 4Energy Invest has as a result written down all activated expenses and goodwill on the project. 4Energy Invest continues to believe in the potential of the UK renewable energy market and currently reviews its options to cooperate with other industrial groups with respect to similar investment projects in the UK.

**The implementation of a roll-out strategy for the torrefaction technology with the ambition to have an installed annual BioCoal production capacity by end 2012 of 250,000 Tons is delayed as a result of the delay in operating the BioCoal production unit in Amel at industrial scale.**

4Energy Invest and Stramproy Green Technology have reached agreement on the terms and conditions for the future use of Stramproy Green Technology confidential information by 4Energy Invest or any of its affiliates. This agreement supports the development and future construction of bio-coal production projects by 4Energy Invest.

Construction and environmental permits for a wood biomass torrefaction project in Ham have been obtained. Permits for a wood biomass torrefaction project in Reisbach (Germany) have been obtained. Permit files are also under preparation in other countries where more abundant biomass resources are available and where collaboration agreements are under study with several local/international players active in the forest industry. Financing efforts for the above projects will be initiated when the torrefaction project in Amel is up and running.

**4Energy Invest and KBC Bank have agreed on changes to the credit contracts of the affiliates Renogen and Amel Bio.**

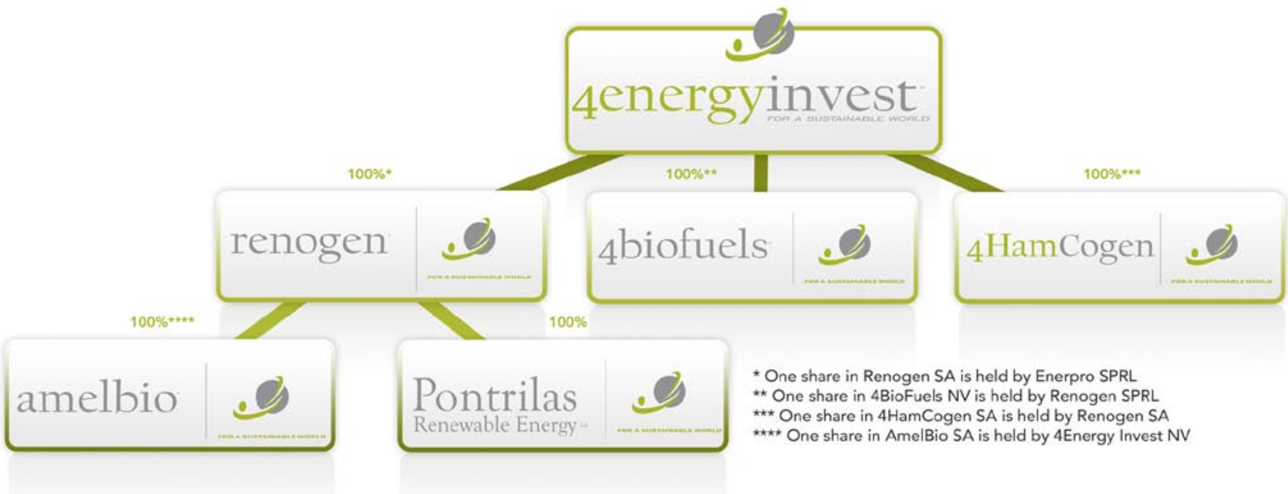
The changes to the credit contracts include a postponement of the start of redemption of the lease facility structured for the Amel torrefaction project ("Amel III") till June 30th 2011 and the structuring of an additional working capital facility at Amel Bio level for 300,000 Euro to fund the increase in biomass inventory related to Amel III. The changes also included a softening of the covenants of Renogen for the years 2011 and beyond. 4Energy invest also obtained a waiver from KBC Bank for the breach by Renogen of its agreed debt service coverage ratio over the year 2010.

## 6.4.2 RISKS AND UNCERTAINTIES

While the company continues to be exposed to the general risks as mentioned in the registration document of 30 April 2009, the company is faced to risks as further described in section 4, 5 and 6.

## 6.4.3 COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements reflect the following group structure as of 31 December 2010:




**In operation**

- Amel I cogeneration project ("Amel I"): in operation since November 2007 (operated within the affiliates Renogen/Amel Bio);

- Amel II cogeneration project ("Amel II"): in operation since May 2008 (operated within the affiliates Renogen/Amel Bio);

- Optimization of fuel handling facilities Amel I and Amel II: in operation since July 2009 (operated within the affiliate Renogen);

**Under construction**

- Amel III BioCoal production project ("Amel III"): under construction since February 2009 (constructed within the affiliate Renogen);

- Ham cogeneration project: under construction since December 2009 (constructed within the affiliate 4HamCogen);

**Under advanced development**

- Ham BioCoal production project: under advanced development (developed within the affiliate 4Biofuels);

- Reisbach BioCoal production project: under advanced development (developed within 4Energy Invest);

**Under development**

- BioCoal production projects with/without integrated forest management: under development (developed within 4Energy Invest);

## AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF 4ENERGY INVEST FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

| | 31-12-10<br>€'000 | 31-12-09<br>€'000 | 31-12-08<br>€'000 |
|---|---|---|---|
| Sales | 9,545 | 8,717 | 9,693 |
| Other operating income | 1,441 | 587 | 486 |
| **Revenues** | **10,986** | **9,304** | **10,179** |
| **Operating expenses** | | | |
| Cost of sales | -5,028 | -4,098 | -4,185 |
| Personnel costs | -794 | -706 | -405 |
| Other operating expenses | -1,900 | -1,694 | -1,312 |
| **Operating cash flow (EBITDA)** | **3,264** | **2,805** | **4,277** |
| **EBITDA excluding fair value warrants & exceptional other operating income/expenses** | **2,502** | **2,934** | **4,558** |
| Depreciation, amortisation and provisions | -2,842 | -2,812 | -2,420 |
| Impairment of property, plant and equipment | -1,706 | -51 | -113 |
| Impairment of goodwill | -335 | 0 | 0 |
| **Operating result (EBIT)** | **-1,618** | **-58** | **1,744** |
| Financial income | 26 | 200 | 401 |
| Financial costs | -1,631 | -1,412 | -2,168 |
| **Net financial costs** | **-1,605** | **-1,212** | **-1,767** |
| **Result before tax** | **-3,223** | **-1,270** | **-23** |
| Income tax expense | 2,128 | 1,278 | 528 |
| **Result of the period** | **-1,095** | **8** | **505** |
| **Result of the period (excl. impact IAS 39)** | **-748** | **117** | **755** |
| **Result of the period (excl. impact IAS 39/Warrants)** | **-528** | **545** | **1,037** |
| Attributable to: | | | |
| Equity holders of 4 Energy Invest | -1,095 | 8 | 474 |
| Minority interests | 0 | 0 | 32 |
| Number of shares | 12,520,090 | 12,520,090 | 6,785,131 |
| Weighted average number of warrants issued (not in-the-money) | 824,284 | 651,513 | 298,748 |
| Earnings/Share | -0.09 | 0.00 | 0.07 |
| Diluted earnings/share | -0.09 | 0.00 | 0.07 |

The total revenues for € 11.0 million over the year 2010 are € 1.7 million higher than the total revenues over the year 2009 and result from both an increase in sales for € 0.8 and an increase in other operating income for € 0.9 million.

The sales for € 9.5 million are mainly composed of the sale of green certificates for € 7.0 million, the sale of electricity for € 2.3 million and the sale of CO2 quota for € 0.2 million. The sale of green certificates resulted € 0.3 million higher than comparable period last year due to an increased use of heat by the portfolio of heat customers. The sale of electricity resulted € 0.6 million higher due to an average realized electricity price that resulted 31% higher than the average electricity price realized in 2009.

The other operating income for € 1.4 million results for € 0.8 million from the amounts due by the insurance companies (both under the ALOP (€ 0.2 million) and property damage (€ 0.6 million) policies) in the framework of the fire that affected Amel III in May 2010, for € 0.3 million from delay liquidated damages due by Stramproy Green Technology under the EPC contract for Amel III, for € 0.1 million from payments due by Pontrilas Group Ltd. in the framework of its termination of the Pontrilas project and for € 0.2 million from other items.

The cost of sales over the year 2010 amounted to € 5.0 million and consisted of purchases of biomass, operating and maintenance expenses and other expenses. A significant increase in purchases of biomass resulted from the purchase of biomass of lower quality compared to last year and rising biomass prices. The other expenses increased by € 0.3 million as a result of the introduction of the distribution injection tariffs.

The personnel costs amounted to € 0.8 million and other operating expenses amounted to € 1.9 million. When taking into account non recurrent other operating expenses for € 0.3 million (in the framework of the settlement with Stramproy Green Technology), other operating expenses were lower than in 2009 what confirms that the group has further optimized its cost structure and found the right balance of what is needed to respond to the challenges of a listed company with two projects planned to enter commercial operation in 2011 and other projects under development.

The resulting normalized EBITDA margin for the year 2010 equals € 2.5 million (26.2% of sales). The resulting normalized EBITDA margin for the year 2010 resulted € 0.4 million lower than in 2009, largely explained by a higher cost of sales base that was not followed by a corresponding increase in sales.

The property, plant and equipment of Amel I and II have been depreciated for € 2.8 million over the year 2010. The BioCoal project under construction in Amel, the cogeneration project under construction in Ham and the projects under development in Ham (BioCoal) and Reisbach (BioCoal) have not yet been depreciated in 2010.

The Group impaired its Pontrilas project for € 1.15 million (impairment of goodwill for € 0.3 million and impairment of property, plant and equipment for € 0.85 million) as a result of the decision by Pontrilas Group Ltd. to withdraw from the cogeneration project in the United Kingdom. The damaged part of the installation of Amel III has been impaired for € 0.6 million in line with the amount that the insurance company agreed to pay for the replacement of the damaged filter.

The resulting EBIT margin equals € -1.6 million, largely in line with the write-down on the Pontrilas project.

- The net financial costs of € 1.6 million reflect three major components;

- Interest expenses and expenses related to the interest rate swaps on the credit facilities structured for Amel I and II for an amount of € 1.1 million ;

- A negative evolution in mark-to-market value for € 0.5 million at 31 December 2010 of the interest rate swaps that have been structured on the credit facilities of Amel I, Amel II and III and the cogeneration project in Ham ;

The profit before tax amounted to € -3.2 million over the year 2010. The income tax of € 2.1 million comprises deferred tax assets and mainly relates to tax-losses carried forward and the tax impact of increased investment deduction and notional interest deduction. The net profit for the period equals € -1.1 million.

## AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF 4ENERGY INVEST FOR THE YEARS ENDED 31 DECEMBER 2010, 31 DECEMBER 2009 AND DECEMBER 2008

| Assets | 31-12-10 €'000 | 31-12-09 €'000 | 31-12-08 €'000 |
|---|---|---|---|
| **Non current assets** | **69,000** | **55,797** | **42,140** |
| Intangible fixed assets | 69 | 10 | 12 |
| Land and buildings | 2,919 | 3,162 | 3,405 |
| Installations, machinery and equipment | 27,802 | 30,210 | 31,929 |
| Furniture and vehicles | 70 | 87 | 110 |
| Leasing and similar rights | 783 | 915 | 1,063 |
| Other tangible assets | 33 | 38 | 40 |
| Assets under construction | 31,797 | 16,081 | 1,681 |
| Goodwill | 0 | 335 | 335 |
| Deferred tax assets | 5,491 | 3,358 | 2,080 |
| Other non current assets | 36 | 1,601 | 1,485 |
| **Current assets** | **4,797** | **9,027** | **15,727** |
| Inventories | 1,021 | 817 | 392 |
| Trade receivables | 1,242 | 2,729 | 3,200 |
| Other receivables | 1,515 | 2,311 | 325 |
| Cash and cash equivalents | 1,019 | 3,171 | 11,810 |
| **Total Assets** | **73,797** | **64,824** | **57,866** |
| Equity and liabilities | | | |
| **Equity** | **26,673** | **27,548** | **27,112** |
| Share capital | 6,387 | 6,387 | 6,387 |
| Share premium | 18,104 | 18,104 | 18,104 |
| Retained earnings | 2,182 | 3,057 | 2,621 |
| Equity attributable to equity holders | 26,673 | 27,548 | 27,112 |
| Minority interests | 0 | 0 | 0 |
| Total equity | 27,548 | 27,548 | 27,112 |
| **Non current liabilities** | **37,843** | **749** | **24,660** |
| Interest bearing loans and borrowings | 37,843 | 749 | 24,660 |
| Deferred tax liability | 0 | 0 | 0 |
| **Current liabilities** | **9,280** | **36,527** | **6,094** |
| Interest bearing loans and borrowings | 4,610 | 31,753 | 3,536 |
| Trade payables | 3,070 | 2,983 | 1,687 |
| Other payables | 1,600 | 1,791 | 871 |
| **Total Equity and Liabilities** | **73,797** | **64,824** | **57,866** |

The net increase (after depreciation of the assets Amel I and II) in non-current assets results from the significant increase in assets under development/construction (from € 16.0 million € at 31 December 2009 to 31.8 million € at 31 December 2010). The BioCoal production project (Amel III) is currently in phase of hot commissioning and the cogeneration project in Ham is scheduled to enter into operation during quarter 3 2011.

Assets under development/construction equal € 31.8 million at 31 December 2010 and reflect the investments and activated expenses on the following projects:

- Amel III (net of investment subsidies granted for € 1.3 million ): € 14.0 million
- Ham cogeneration project: € 17.6 million;
- Reisbach BioCoal project: € 0.2 million;

The decision by Pontrilas Group Ltd. to withdraw from the cogeneration project in Pontrilas (UK) resulted in an impairment of goodwill for € 0.3 million and an impairment of property, plant and equipment for € 0.85 million.

The deferred tax assets have evolved from € 3.4 million in 2009 to € 5.5 million in 2010. Management continues to believe that the projects under operation and under construction will eventually allow the Group to recover the deferred tax assets position outstanding at end 2010.

The other non current assets have reduced significantly as the Debt Service Reserve Account provisioned in the framework of the financing of the Amel facilities has been used in the framework of the delay incurred in bringing Amel III to operation and the significant extra investments that had to be executed to make the installation operational.

The inventories have further increased in 2010 as additional wood biomass has been stored on site in Amel, both for the cogeneration units to secure supply during the winter/end of year period and the creation of the initial stock for the operation of the BioCoal production unit.

The outstanding other receivables position at 31 December 2010 reflects half of the investment subsidies granted to the Amel III project for € 0.6 million and the amounts to be received under the insurance claims related to the fire in the BioCoal production unit in Amel.

The decrease in net cash and cash equivalents from € 3.2 million to € 1.0 million reflects the outcome of the following major cash (flow) movements over the year 2010:

- Net cash contribution from operating activities for € 6.5 million;
- Net investment in property plant and equipment for € - 17.5 million;
- Net proceeds from loans and credit facilities for € 9.9 million;
- Negative financial result for € - 1.1 million.

The interest bearing loans and borrowings increased with € 9.9 million to € 42.4 million and reflect the following changes in the amounts outstanding under the different credit facilities of 4Energy Invest;

| | 2010<br>€'000 | 2009<br>€'000 |
|---|---|---|
| Renogen facilities Amel I | 11,908 | 13,788 |
| Renogen facility Amel II | 8,835 | 9,975 |
| Renogen facility Amel III | 9,650 | 6,589 |
| Amel Bio leasing facilities (Amel I and Amel II) | 748 | 897 |
| Renogen straight loan | 0 | 929 |
| Amel Bio straight loan | 169 | 196 |
| 4Ham Cogen facilities ING-KBC | 7,916 | 0 |
| 4Ham Cogen facilities LRM | 2,857 | 0 |
| Accrued interest expenses | 370 | 128 |
| **Total** | **42,453** | **32,503** |

Repayments under the Renogen bank facilities for Amel I, II and III and the leasing facilities of Amel Bio (Amel I and Amel II) equaled € 3.2 million over 2010.

Repayments under the Renogen bank and lease facilities for Amel I, II and III and the Amel Bio leasing facilities are scheduled for a total amount of € 4.1 million over 2011. No repayments are scheduled under the 4HamCogen facilities structured with ING-KBC and LRM over 2011.

In the framework of the credit facilities structured for the Amel operations (through Renogen), the following had been agreed with KBC Bank for the commitments of Renogen towards the bank. The debt service ratio (EBITDA/debt service) had to be at least 1.2 over fiscal year 2010 and the following fiscal years, which are tested each year by yearly report approved by the board of directors of Renogen at the latest on June 30. The debt service comprises all capital and interest reimbursements on the short- and long term financial liabilities, subordinated loan included. Based on the financial statements ended 31 December 2010, Renogen did not respect this covenant, as a result of which Renogen applied for a waiver on this covenant to KBC Bank. KBC Bank in its writing of 24 December 2010 confirmed that the credit committee of the bank agreed to waive this covenant for the year 2010 in the framework of the low electricity prices experienced in the market over 2010 and the delay in commercial operation of Amel III.

KBC Bank and Renogen also agreed on changes to the credit contracts of the affiliates Renogen and Amel Bio. The changes to the credit contracts include a postponement of the start of redemption of the lease facility structured for the Amel III torrefaction project till June 30th 2011 and the structuring of an additional working capital facility at Amel Bio level for 300,000 Euro to fund the increase in biomass inventory related to Amel III. The changes also include a softening of the covenants at Renogen level: (1) the debt service ratio (EBITDA/debt service) covenant for Renogen for the years 2011 and 2012 is reduced to a factor 1.1 instead of 1.2; (2) the calculation of the tangible net worth ratio is adjusted to take into account the debt in current account of 4Energy Invest. Renogen has received a period of 12 months till end 2011 to refund the agreed Debt Service Reserve Account.

4Energy Invest (through its affiliate Renogen) has used all amounts available under the credit facilities structured for the Amel III project at 31 December 2010. The outstanding trade payables related to the Amel III construction works of 2010 and the remaining investments for the Amel III project over quarter 1 2011 will be funded out of the unused part of the Renogen straight loan at 31 December 2010 and the cash flow created by Amel I and Amel II over the first months of the year 2011.

4Energy Invest (through its affiliate 4HamCogen) has € 20.3 million unused credit facilities available at 31 December 2010 in the framework of its cogeneration project in Ham as follows;

- € 18.1 million under senior credit facilities with ING Belgium and KBC Bank;
- € 2.2 million under a subordinated credit facility with the Investment Company LRM.

This amount should be sufficient to finalize the construction of the cogeneration project in Ham and bring the project into operation during quarter 3 2011.

### 6.4.4 OUTLOOK FOR THE YEAR 2011

4Energy Invest's annual results 2011 are expected to be influenced by

- A full year of production of the Amel I and Amel II cogeneration facilities; a major planned maintenance (first revision of the turbine) of Amel I is scheduled over quarter 2 2011;

- The uncertainty around the timing of operating the BioCoal production facility in Amel at industrial scale (Amel III);

- The start of commercial operation of the Ham cogeneration project that should start contributing to EBITDA as from quarter 3 2011;

- Electricity prices currently experienced in the (spot) power market for the output of the cogeneration facilities have increased significantly as from realized prices in 2010. A consolidation of oil prices at current levels should further support electricity prices over 2011 and thus support the operational margins of the cogeneration activities in both Amel and Ham;

4Energy Invest confirms that the delay in operating Amel III at industrial scale affects the projected cash flow generation of the group for the year 2011. A restructuring of the existing credit facilities will have to be negotiated and/or additional funds should be raised in order to be able to fulfill the company's financial obligations over the year 2011. 4Energy Invest believes that the recurrent cash flows of Amel I and Amel II should allow it to eventually meet its financial obligations over a longer period of time and thus form a good basis to engage in debt restructuring discussions. Simultaneously, 4Energy Invest pro-actively explores various options to strengthen the equity base of the company.

4Energy Invest confirms that the construction of its cogeneration project in Ham is progressing as expected and according to budget. Start of commercial operation is expected during the third quarter of 2011.

4Energy Invest confirms that it continues to believe in the potential of the UK renewable energy market and currently reviews its options to cooperate with several industrial groups for investment projects in both cogeneration and torrefaction.

4Energy Invest continues the preparation of the roll-out of the torrefaction technology with the ambition to have an annual installed BioCoal production capacity of 250,000 Tons. In that respect, permits have been obtained for a production unit in Ham (Belgium) and in Reisbach (Germany). Permit files are under preparation in other countries where more abundant biomass resources are available and where collaboration agreements are considered with local industrial partners active in the forest industry.

The projects in operation, under construction and under development confirm the long term strategy pursued by 4Energy Invest within the biomass-to-energy sector. A long term strategy that is centered on the following two axes:

- Leverage the existing cogeneration asset base in Belgium by integrating other biomass-to-energy applications (e.g. BioCoal in Amel and in Ham);

- Gradual geographic expansion of

    - the cogeneration experience in European countries where the regulatory framework is sufficiently attractive and,

    - roll-out of the wood torrefaction technology by developing BioCoal production capacity in countries where more abundant biomass resources are available than in Western Europe;

## 6.4.5 IMPORTANT EVENTS WHICH OCCURRED AFTER THE END OF THE FINANCIAL YEAR

**Operation of Amel III at industrial scale is delayed**

During January and February, 4Energy Invest upgraded the hardware and software of the installation to improve the operating safety of the installation. 4Energy Invest is currently in the process of hot commissioning of the upgraded installation. 4Energy Invest has, at the date of this report, not yet reached the status of operating the torrefied wood pellets production facility at industrial scale. 4Energy Invest currently believes that the upgraded installation is close to becoming operational on an industrial scale, but will, in view of the unexpected difficulties experienced in the past, monitor and evaluate the situation closely on a regular basis.

**Arbitration proceedings against the insurance companies in the litigation related to damages resulting from the delay in commercial operation of Amel I have concluded**

The arbitration panel concluded that the insurance companies had no contractual base to reject the request for coverage as formulated by Renogen under its ALOP policy. The arbitration panel however concluded that the financial compensation received by Renogen from Wartsila under the delay damages clause of the EPC contract for Amel I was sufficient to compensate the losses incurred by Renogen as a result of the delay in commercial operation of Amel I. 4Energy Invest considers to appeal that part of the arbitration sentence that covered the amount of compensation to be paid by the insurance companies as 4Energy Invest is convinced that the arbitration panel made clear errors in the calculation of the amount to be paid by the insurance companies.

**The delay in operating Amel III at industrial scale significantly affects the projected cash flow generation of the group for the year 2011. A restructuring of the existing credit facilities will have to be negotiated and/or additional funds will have to be raised in order to allow the Group to fulfill its financial obligations over the year 2011**

The impact of the delay in operating Amel III at industrial scale, the extra investments that were needed to bring Amel III in operation, the weak electricity prices experienced over the last 2 years, the financial resources spent on the Pontrilas project and the financial resources spent on the preparation of the roll-out of the torrefaction technology has eliminated the cash buffer of 4Energy Invest. As the operation of Amel III at industrial scale is delayed beyond the expectations included in the budget for 2011, 4Energy Invest will have to restructure its existing credit facilities and/or raise additional funds in order to be able to fulfill the group's financial obligations over the year 2011.

4Energy Invest believes that the recurrent cash flows of Amel I and Amel II should allow it to eventually meet its financial obligations over a longer period of time and thus form a good basis to engage in debt restructuring discussions. Simultaneously, 4Energy Invest pro-actively explores various options to strengthen the equity base of the company.

## 6.4.6 INFORMATION REGARDING THE CIRCUMSTANCES THAT COULD SIGNIFICANTLY AFFECT THE DEVELOPMENT OF THE GROUP

At the level of Renogen, the company closely monitors (1) the operational and financial performance of its cogeneration units in operation, (2) the start of commercial operation of Amel III at industrial scale and the tests at utility scale for co-firing Bio-Coal in coal fired power stations and (3) the outcome of the efforts to restructure the existing credit facilities over a longer period of time in order to be able to fulfill Renogen's financial obligations over the year 2011.

At the level of 4Ham Cogen, the company closely monitors the progress of construction and the investment budget needed to bring the cogeneration project in Ham to commercial operation. Start of commercial operation is currently targeted for quarter 3 2011.

At the level of 4Biofuels, the company closely monitors the start of commercial operation of Amel III at industrial scale as the possible construction of a wood biomass torrefaction project in Ham will depend on the success of operating Amel III at industrial scale. The realization of a wood biomass torrefaction project in Ham would increase the qualitative character of the cogeneration project developed by 4Ham Cogen in Ham.

The commercial operation of the Amel III project will largely determine the extent and timing with which a roll out strategy for the torrefaction technology can be pursued.

The impact of the delay in operating Amel III at industrial scale, the extra investments that were needed to bring Amel III to operation, the weak electricity prices experienced over the last 2 years, the financial resources spent on the Pontrilas project and the financial resources spent on the preparation of the roll-out of the torrefaction technology has eliminated the cash buffer of 4Energy Invest.

In function of (1) how the different projects of its affiliates Renogen and 4Ham Cogen perform and/or materialize over the course of 2011 compared to budget and (2) the outcome of the debt restructuring efforts at Renogen level, 4Energy Invest will have to raise additional funds to fulfill the group's financial obligations over the year 2011. New financial resources will anyhow be needed in case a roll out strategy for the torrefaction technology would be pursued.

### 6.4.7 INFORMATION REGARDING RESEARCH AND DEVELOPMENT ACTIVITIES

4Energy Invest has developed an internal model for the determination of the prices of electricity on the Belgian market going forward. 4Energy Invest has developed an extensive software package to operate its Bio-Coal production facility in Amel. This software package will be licensed in case other Bio-Coal production facilities are developed.

### 6.4.8 USE OF FINANCIAL INSTRUMENTS BY THE COMPANY IN THE FRAMEWORK OF THE COMPANY'S RISK MANAGEMENT

No financial instruments are used to hedge the electricity price and credit risk on a consolidated level.

The company implemented interest rate swaps on 50% of the KBC credit facilities that were structured for the cogeneration units and the torrefaction unit in Amel and implemented interest rate swaps on the major part of the KBC and ING credit facilities structured for the Ham Cogeneration project.

### 6.4.9 INFORMATION PROVIDED IN ACCORDANCE WITH ARTICLE 34 OF THE ROYAL DECREE DATED 14 NOVEMBER 2007

The Company provides, as far as necessary and to the extent that these elements could have consequences in the event of a public takeover bid, the following information in accordance with article 34 of the Royal Decree dated 14 November 2007:

**Capital structure**
At the end of 2010, 4Energy Invest's share capital amounted to €13,855,484.00 represented by 12,520,090 registered and dematerialized shares without par value, each representing an identical fraction of 4Energy Invest's share capital. The capital is fully paid up. All the shares have the same rights.

**Restrictions concerning the transfer of securities**
The articles of association of 4Energy Invest provide that the shares are freely transferable.

**Holders of securities with special control rights**
The Company has not granted any special control rights to the holders of its securities.

**Mechanism for control of share plans for employees**
There are no shares or similar plans for employees in addition to the stock option plan disclosed on the company's website and described in its IPO Prospectus.

**Restrictions concerning the exercise of the voting right**
Each shareholder of 4Energy Invest is entitled to one vote per share. Shareholders may vote by proxy.

For 4Energy Invest's purpose, the shares are deemed to be indivisible. If several owners own one share, or the rights attached to a share are divided among several persons, 4Energy Invest may suspend the exercise of rights attached to such share until one person is appointed as the owner of the share for 4Energy Invest's purpose.

Voting rights can further be suspended, inter alia, (i) by a competent court or the FSMA, (ii) in the event that the shares were not fully paid-up notwithstanding a request thereto by the board of directors, and (iii) in respect of shares which entitle their total number of voting rights attached to the outstanding financial instruments of 4Energy Invest on the date of the relevant general shareholders' meeting, except where the shareholder has notified 4Energy Invest and the FSMA at least 20 days prior to the relevant shareholders' meeting on which he wishes to vote. Voting rights attached to redeemed shares are also suspended, as long as the owner of the shares or a subsidiary thereof holds the shares concerned.

**Agreements between shareholders which are known to the issuer and may result in restrictions on the transfer of securities and/or exercise of voting rights**

There are no declared or known agreements between shareholders, except for the following agreement: Enerpro SPRL, Nico Terry, Guido Schockaert and KBC Private Equity NV have agreed that they will vote for the appointment of one director from a list of candidates proposed by KBC Private Equity NV, provided and as long as KBC Private Equity NV holds at least 10% of the outstanding shares of 4Energy Invest.

**Rules for the appointment and the replacement of directors and the amendment of the articles of association**

The board of directors of 4Energy Invest is composed of minimum 6 and maximum 10 members. At least half of the members are non-executive directors.

All directors are elected at a shareholders' meeting for a renewable term of in principle, 4 years. If a directorship becomes vacant before the expiry of its term, the remaining directors will have the right to temporarily appoint a new director to fill the vacancy until the shareholders resolve at a shareholders' meeting to appoint a new director. This item must be put on the agenda of the next shareholders' meeting.

Amendments to the articles of association (other than an amendment of the corporate purpose) require the presence or representation of at least 50% of the share capital of 4Energy Invest and the approval of at least 75% of the votes cast. An amendment of 4Energy Invest's corporate purpose, requires the approval of at least 80% of the votes cast at a general shareholders' meeting, which in principle can only validly pass such resolution if at least 50% of the share capital of 4Energy Invest and at least 50% of the profit certificates, if any, are present or represented. In the event where the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second general shareholders' meeting can validly deliberate and decide regardless of the number of shares present or represented.

**Powers of directors, in particular the power to issue or buy back shares**

The board of directors of 4Energy Invest may perform all acts necessary or useful for achieving 4Energy Invest's corporate purpose, with the exception of those acts that are by law or 4Energy Invest's articles of association expressly reserved to the shareholders' meeting.

On May 21, 2008 the extraordinary shareholders' meeting of 4Energy Invest decided to grant an authorization to the board of directors to increase 4Energy Invest's share capital in one or more transactions by a maximum amount equal to 4Energy Invest's current share capital of €13,855,484.00. The powers of the board of directors within the limits of the authorized capital are valid for a period of five years as of the publication of the authorization in the annexes to the Belgian Official Gazette.

If the capital is increased within the limits of the authorized capital, the board of directors will be authorized to request payment of an issue premium. If the board of directors so resolves, this issue premium will be booked on a non-available account, which may only be decreased or disposed of by a resolution of a shareholders' meeting taken in accordance with the provisions governing an amendment of the articles of incorporation.

This board of directors' authorization will be valid for capital increases subscribed for in cash or in kind, or made by capitalization of reserves, with or without issuing new shares. The board of directors is authorized to issue convertible bonds or warrants within the limits of the authorized capital.

The board of directors is authorized, within the limits of the authorized capital, to cancel or restrict the preferential subscription right of the shareholders in the interest of 4Energy Invest and in accordance with Article 596 et seq. of the Belgian Company Code. The board of directors is authorized to cancel or restrict the pre-emption right of the shareholders for the benefit of one or more persons, even if such persons are no members of the personnel of 4Energy Invest or its subsidiaries.

The board of directors has been authorized to use the authorized capital in the event of a public take-over bid, within the limits provided by the Belgian Company Code. Up to this day, the board of directors has not used its powers under the authorized capital. Accordingly, at present, the share capital of the Company can still be increased for an amount of €13,855,484.00 under the authorized capital authorization.

On May 21, 2008 the extraordinary shareholders' meeting of 4Energy Invest authorized the board of directors of 4Energy Invest to acquire a maximum number of own shares that in the aggregate represents no more than 10% of the issued capital, at a price which must be higher than 90%, but lower than 125% of the price at which such shares were quoted on the stock exchange on the day preceding the day of the purchase or exchange. This authorization will be valid for 18 months from publication of the authorization in the annexes to the Belgian Official Gazette. The authorization is also valid for the acquisition of shares in 4Energy Invest by one of its direct subsidiaries pursuant to Article 627 of the Belgian Company Code.

**Significant agreements which take effect, alter or terminate upon a change of control of the issuer following a takeover bid**

In the event of a change in the control of 4Energy Invest, the board of directors shall have the authority to shorten the exercise period of the warrants on condition that the warrant holder is allotted at least 15 calendar days during which he can exercise his warrants. In the event that the warrant holders do not exercise their warrants within this period, the warrants shall lapse de iure.

Warrants that have not been allocated by 4Energy Invest at the time of receipt by the latter of an official announcement that a takeover bid is being launched on all outstanding financial instruments of the company, shall automatically expire.

**Agreements with directors or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a public takeover bid**

The individual agreements between 4Energy Invest and certain members of the executive management do not specifically provide for compensation if, because of a public takeover bid, these members resign, are made redundant without valid reason or if their employment ceases.

## 6.4.10 THE JUSTIFICATION OF THE INDEPENDENCE AND EXPERTISE IN ACCOUNTING AND AUDITING OF AT LEAST ONE MEMBER OF THE AUDIT COMMITTEE (ARTICLE 119, 6° OF THE BELGIAN COMPANY CODE)

During the financial year 2010, the audit committee consisted of three non-executive (independent) members of the board of directors.

ContinuousInsight2Impact BVBA, with permanent representative Filip Lesaffer, as third member of the audit committee, is competent in accounting and auditing as evidenced by its previous role as investment director of KBC Private Equity NV and its director offices exercised in several companies.

# 6.5 ABBREVIATED STATUTORY FINANCIAL STATEMENTS FOR THE ACCOUNTING YEARS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

The information included in this section is an extract from the statutory financial statements that will be filed with the National Bank and does not include all information as required by Articles 98 and 100 of the Belgian Company Code. The full statutory financial statements have not yet been filed with the Belgian National Bank as of the date of this Annual Report. Once filed with the Belgian National Bank, the full statutory financial statements will also be made available in the investors section of 4Energy Invest of 4Energy Invest's website (www.4energyinvest.com).

| ASSETS | 31/12/10 | 31/12/09 |
|---|---|---|
| **NON CURRENT ASSETS** | **24,376,643** | **24,272,864** |
| Formation Expenses | 0 | 0 |
| Intangible fixed assets | 68,602 | 9,926 |
| Tangible fixed assets | 221,353 | 175,575 |
| Financial fixed assets | 14,611,688 | 14,612,363 |
| Other non current assets | 9,475,000 | 9,475,000 |
| **CURRENT ASSETS** | **7,013,275** | **6,801,249** |
| Inventories | 0 | 0 |
| Trade receivables | 223,538 | 138,714 |
| Other receivables | 6,492,530 | 5,192,937 |
| Cash and cash equivalents | 98,687 | 110,495 |
| Rolling over accounts | 198,520 | 1,359,103 |
| **TOTAL ASSETS** | **31,389,918** | **31,074,113** |
| | | |
| LIABILITIES | 31/12/10 | 31/12/09 |
| **EQUITY** | **30,497,714** | **30,425,193** |
| Capital | 13,855,484 | 13,855,484 |
| Share premium | 18,104,416 | 18,104,416 |
| Revaluation surpluses | 0 | 0 |
| Reserves | 0 | 0 |
| Accumulated profits (losses) | -1,462,186 | -1,534,707 |
| Investment grants | 0 | 0 |
| **PROVISIONS AND DEFERRED TAXES** | **0** | **0** |
| **LIABILITIES** | **892,204** | **648,920** |
| Non current liabilities | 0 | 0 |
| a. Interest bearing loans and borrowings | 0 | 0 |
| b. Other | 0 | 0 |
| Current liabilities | 750,791 | 460,073 |
| a. Interest bearing loans and borrowings | 0 | 0 |
| b. Trade payables | 568,729 | 441,361 |
| c. Taxes, remuneration and social security | 16,031 | 18,712 |
| d. Other | 0 | 0 |
| Rolling over accounts | 141,413 | 188,847 |
| **TOTAL EQUITY AND LIABILITIES** | **31,389,918** | **31,074,113** |

| PROFIT & LOSS ACCOUNT | 31/12/10 | 31/12/09 |
|---|---|---|
| Revenues | 514,469 | 558,740 |
| Other operating income | 223,725 | 403 |
| **Total operating income** | **738,194** | **559,143** |
| **Operating expenses** | | |
| Administrative expenses | -1,673,575 | -1,553,038 |
| Personnel costs | -104,191 | -75,601 |
| Other operating expenses | -5,753 | -6,427 |
| **Operating cash flow (EBITDA)** | **-1,045,325** | **-1,075,923** |
| Depreciation, amortisation and provisions | -23,021 | -22,288 |
| Impairment of assets | 0 | 0 |
| **Operating result (EBIT)** | **-1,068,346** | **-1,098,211** |
| Financial income | 1,304,374 | 1,256,958 |
| Financial costs | -3,582 | 287,580 |
| **Net financial result** | **1,300,792** | **1,544,538** |
| Exceptional income | 1,815 | 61,900 |
| Exceptional costs | -161,740 | 0 |
| **Net exceptional result** | **-159,925** | **61,900** |
| **Result before tax** | **72,521** | **508,227** |
| **Result after tax** | **72,521** | **508,227** |

**Notes and significant statutory accounting policies**

*Note statutory capital 4Energy Invest NV*

| Capital | 31/12/10 | 31/12/09 |
|---|---|---|
| At the beginning of the period | 13,855,484 | 13,855,484 |
| Share capital increase/decrease | 0 | 0 |
| At the end of the period | 13,855,484 | 13,855,484 |
| Number of shares issued | 12,520,090 | 12,520,090 |

*Summary of significant statutory accounting policies of 4Energy Invest NV*

**1. Basic principle**

The accounting rules as applied have been established in accordance with the regulations of the Belgian Royal Decree of 30 January 2001 governing accounting rules, and apply for the measurement of the total of all the current receivables, payables and obligations of any nature whatsoever that are related to 4Energy Invest NV.

The establishment and application of these rules assume that 4Energy Invest NV continues its operations.

**2. Special accounting rules**

**Incorporation expenses**

The incorporation expenses and costs of increases in share capital are charged to the financial year in which they were incurred.

**Intangible assets**

These assets are amortised at 20% per annum using the straight-line method.

Amortisation takes place proportionately from the time of investment.

**Property, plant and equipment**

**a) Measurement at gross value**

Property, plant and equipment are measured at acquisition cost and recognised in the balance sheet for this amount less depreciations and write-downs applicable.

The acquisition cost is the purchase cost or the manufacturing cost, as appropriate. The purchase price includes the additional expenses incurred as well as the purchase price. The manufacturing cost includes the purchasing costs of the raw materials and consumables used, plus the production costs.

**b) Depreciation**

Property, plant and equipment with a limited useful life is depreciated in such a way that the costs are spread out over the probable economic or useful life. Use can also be made of the tax rules concerning degressive depreciation methods and other accelerated depreciation methods.

Depreciation takes place proportionately from the time of investment.

For property plant and equipment that is decommissioned or no longer contributes sustainably to the company's operations, impairment is applied to bring the carried amount into line with the probable realisable value.

The additional acquisition costs are depreciated according to the nature of the investments.

**Property, plant and equipment are depreciated according to the table below:**

| | |
|---|---|
| Plant, machinery and equipment | 20% using the straight-line method |
| Furniture and vehicles | |
| - Furniture: | 20 % using the straight-line method |
| - Vehicles | 20 % using the straight-line method |
| - Office equipment | 20% using the straight-line method |
| - Fixtures and fittings for rented buildings | 11.11% using the straight-line method |

**Non-current financial assets and non-current receivables**

Non-current financial assets are measured at their acquisition price without related costs or contribution value.

Receivables and guarantees are recognised at nominal value.

Impairment is recognised in the event of permanent loss in value or depreciation.

**Amounts receivable within one year**

Receivables are recognised in the balance sheet at their nominal value.

On the balance sheet date, receivables denominated in foreign currencies are measured on the basis of the closing exchange rate on the last trading day of the financial year.

With recognition of a receivable in the balance sheet at its nominal value, where appropriate, it is recognised in the deferrals and accruals of liabilities, and the following items are recognised proportionately in the result:

- the interest that is included in the nominal value of the receivable on the basis of the agreement between the parties;
- the difference between the acquisition cost and the nominal value of the receivable;
- the interest that must be paid on a receivable after the passage of one year if it is an interest-free receivable or a receivable with an abnormally low interest rate. The interest is calculated on the basis of the market rate applicable for such receivables at the time when the receivable was recognised in the company's assets.

**Write-downs**

If at the closing of the financial year it appears that a receivable will probably not be recuperated, either partially, or entirely, it will be restated accordingly.

In cases of dispute. If it becomes clear from a sentence or friendly settlement that the receivable will not be fully recuperated, it will be restated at its actual residual value.

In cases of bankruptcy or composition. The receivable will be restated at the proposed dividend.

**Cash Investments**

Are recognised at their nominal value.

Equities recognised under cash investments are measured according to the rules set for non-current financial assets.

Foreign currencies are measured at the closing exchange rate on the last trading day of the financial year.

**Cash and cash equivalents**

The available amounts are recognised at their nominal value.

Foreign currencies are measured at the closing exchange rate on the last trading day of the financial year.

**Provisions for risks and expenses**

The Board of Directors, with prudence and good faith, determines provisions that must be formed to cover pending disputes, costs and risks.

**Payables becoming due later than one year and not later than one year**

Payables are recognised in the balance sheet at their nominal value. Payables in foreign currencies are measured at the closing exchange rate on the last trading day of the financial year.

If the nominal value of the payable includes interest amounts on the basis of an agreement between the parties, the payable will be recognised in the balance sheet and the interest amounts included in the nominal value will be recognised in the deferrals and accruals of the assets and these interest amounts will be recognised proportionately in the result.

**Accruals and deferrals of the assets and liabilities**

These are measured at acquisition price and recognised in the balance sheet for the proportion that is deferred or accrued to the following financial year or years.

# 6.6 STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF 4ENERGY INVEST ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

In accordance with the legal and statutory requirements, we report to you on the performance of the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the true and fair view of the financial statements as well as the required additional statements and information.

**Unqualified audit opinion on the financial statements with an emphasis of matter paragraph**

We have audited the financial statements for the year ended 31 December 2010, prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of € 31,389,918 and a profit for the year of € 72,521.

Management is responsible for the preparation and the fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises / Instituut van de Bedrijfsrevisoren). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement, whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we considered the company's accounting system, as well as its internal control procedures. We have obtained from management and the company's officials, the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the financial statements. We have assessed the appropriateness of accounting policies and the reasonableness of the significant accounting estimates made by the company as well as the overall financial statement presentation. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion, the financial statements for the year ended 31 December 2010 give a true and fair view of the company's assets and liabilities, its financial position and the results of its operations in accordance with the financial reporting framework applicable in Belgium.

Without altering our audit opinion, we would like to draw the attention on the significant uncertainty with respect to the Amel III project. 4 Energy Invest has, through it's 100% affiliate Renogen NV, not succeeded yet to operate the torrefaction installation of Amel III at industrial scale. The uncertainty in operating the installation at industrial scale, significantly affects the projected profitability and cash flow generation of Renogen and 4 Energy Invest. However, it is the opinion of the Board of Directors that the torrefaction unit 'Amel III' will be operating successfully and will generate sufficient cash flows in order not to impair the participation of Renogen included in financial fixed assets for an amount of 11,7 million euro, nor to impair the long term receivable on Renogen of 6 million euro and the short term receivable of 5,7 million euro.

**Additional statements (and information)**

The preparation of the Director's report and its content, as well as the Company's compliance with the Company Code and its by-laws are the responsibility of management.

Our responsibility is to supplement our report with the following additional statements (and information), which do not modify our audit opinion on the financial statements:

- The Director's report includes the information required by law, including the information with respect to the description of the most important characteristics of its internal control- and risk monitoring systems regarding its process of financial reporting, and is consistent with the financial statements.

- We are, however, unable to comment on the description of the principal risks and uncertainties which the company is facing, and of its situation, its foreseeable evolution or the significant influence of certain facts on its future development.

- We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

- In accordance with article 523 of the Company Code, we are also required to report to you on the following transactions which have taken place since the last annual general meeting:

- During the meeting of the board of directors of March 4, 2011, Enerpro SPRL represented by Mr Yves Crits and Nico Terry BVBA, represented by Mr Nico terry informed the board that they have an interest of patrimonial nature that conflicts with the decision of the board of directors in respect of the approval of the variable remuneration for its executive directors, as both Enerpro SPRL and Nico Terry BVBA are executive directors and beneficiaries of this variable remuneration.The board decided to attribute a variable contribution to Enerpro SPRL in an amount of 57,750 euro and to BVBA Nico Terry in an amount of 37,125 euro.

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.

There are no transactions undertaken or decisions taken in violation of the company's by-laws or the Company Code that we have to report to you. The appropriation of results proposed to the general meeting complies with the legal and statutory provisions.

Zele, 29 April 2011,

VGD Bedrijfsrevisoren Burg. CVBA
Represented by Jurgen Lelie
Spinnerijstraat 12
9240 Zele

# 6.7 ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2010 IN ACCORDANCE WITH ARTICLE 96 OF THE BELGIAN COMPANY CODE

The following report has been established by the Board of Directors pursuant to article 96 of the Belgian Company Code on April 14, 2011 for submission to the annual general shareholders' meeting of May 26, 2011. The information provided in this report is regulated information in accordance with article 36 of the Royal Decree of 14 November 2007.

Dear Shareholder,

We are pleased to present you the statutory financial statements for the year ended December 31, 2010.

## 6.7.1 COMPANY FACTS AND ACTIVITIES

During the fiscal year ended December 31, 2010, the company has pursued the enforcement of its long term strategy within the biomass-to-energy sector. A long term strategy that is centered on the following two axes:

- Leverage the existing cogeneration asset base in Belgium by integrating other biomass-to-energy applications (e.g. BioCoal in Amel and in Ham);

- Gradual geographic expansion of
    - the cogeneration experience in European countries where the regulatory framework is sufficiently attractive and,
    - roll-out of the wood torrefaction technology by developing BioCoal production capacity in countries where more abundant biomass resources are available than in Western Europe;

The company pursued the enforcement of this long term strategy by providing to its subsidiaries Renogen, 4Ham Cogen and 4BioFuels financial resources in order to develop, build and operate projects for the conversion of biomass into energy and providing management and consultancy services to these subsidiaries.

The company (through its subsidiary Renogen) continued the operation of its two wood biomass cogeneration projects in Amel (Wallonia, Belgium) that were put into commercial operation in the years 2007 and 2008 respectively. An increase in operating cost base over 2010 was not fully compensated by a corresponding increase in sales.

The company (through its subsidiary Renogen) started in February 2009 the construction of a biomass torrefaction unit to produce torrefied wood pellets (BioCoal) for co-firing with pulverized coal in electricity generating facilities. The biomass torrefaction unit was initially built in collaboration with Stramproy Green Technology, a Dutch based engineering contractor. In June 2010, 4Energy Invest terminated the EPC contract with Stramproy Green Technology as they defaulted, not being able to deliver (even after a more than reasonable delay period) a workable BioCoal production unit. 4Energy Invest took over the control and responsibility for the facility and started the coordination of the re-engineering works and investments that were needed to bring the facility into operation. By the end of 2010, 4Energy Invest had synchronized all parts of the process for producing BioCoal at industrial scale. Based on the results of the test runs performed over the last two months of 2010, it was decided to further fine-tune the installation early 2011 with a view to enhancing the reliability and safe running of the installation. 4Energy Invest continues to believe that the BioCoal production can be gradually ramped up in the course of 2011. At end 2010, Renogen had invested 14.0 million EUR in the facility, significantly above the initially contemplated investment budget for the project.

In December 2009, the company (through its subsidiary 4Ham Cogen) started the construction of a wood biomass cogeneration project in Ham (Flanders, Belgium) for a total investment of 37.9 million Euro for which it made available 6.3 million Euro (through equity (2.8 million Euro) and subordinated debt (3.5 million Euro)) to 4Ham Cogen. The project is currently scheduled to enter commercial operation during quarter 3 2011.

The company has (through its subsidiary Renogen) stopped the development of its cogeneration project in Pontrilas, (England, UK) for which it secured both the construction and environmental permit and the necessary land rights. 4Energy Invest continues to believe in the potential of the UK renewable energy market and currently reviews its options to cooperate with other industrial groups with respect to similar investment projects in the UK.

The company has (through its subsidiary 4Biofuels) continued the development of a wood biomass torrefaction unit in Ham (Flanders, Belgium), adjacent to the cogeneration project currently under construction. The project also includes the construction of a terminal adjacent to the Albert Canal. Permits files and land rights for the torrefaction unit have been secured.

The company has continued the preparation of a roll-out strategy for the torrefaction technology. It reached agreement with Stramproy Green Technology on the terms and conditions for future use of Stramproy Green Technology confidential information by 4Energy Invest and or its affiliates. It obtained permits for a torrefaction unit in Reisbach, Germany and prepared permit files in other countries where more abundant biomass resources are available and where collaboration agreements are under study with several local/international players active in the forest industry.

### 6.7.2 COMMENTS ON THE STATUTORY FINANCIAL STATEMENTS

**Statutory balance sheet**

Among the non-current assets, one can mainly find the three financial participations of 4Energy Invest in Renogen, 4Ham Cogen and 4Biofuels for the respective amounts of

- Renogen: 11,696,367 EUR
- 4Ham Cogen: 2,849,900 EUR
- 4 BioFuels: 61,900 EUR

Subordinated debt facilities have been structured with Renogen for 6,000,000 EUR (2,000,000 EUR in the framework of Amel II and 4,000,000 EUR in the framework of Amel III) and 4Ham Cogen for 3,475,000 EUR to comply with the requirements under the covenants for the respective financings of Renogen and 4Ham Cogen.

In the framework of the credit facilities structured for the Amel operations (through Renogen), the following had been agreed with KBC Bank for the commitments of Renogen towards the bank. The debt service ratio (EBITDA/debt service) had to be at least 1.2 over fiscal year 2010 and the following fiscal years, which are tested each year by yearly report approved by the board of directors of Renogen at the latest on June 30. The debt service comprises all capital and interest reimbursements on the short- and long term financial liabilities, subordinated loan included. Based on the financial statements ended 31 December 2010, Renogen did not respect this covenant, as a result of which Renogen applied for a waiver on this covenant to KBC Bank. KBC Bank in its writing of 24 December 2010 confirmed that the credit committee of the bank agreed to waive this covenant for the year 2010 in the framework of the low electricity prices experienced in the market over 2010 and the delay in commercial operation of Amel III.

Among current assets, one can mainly find the following current accounts receivable towards the affiliates of 4Energy Invest;

- Renogen: 5,750,967 EUR
- 4 Biofuels: 362,737 EUR
- 4Ham Cogen: 307,704 EUR

The updated 2011 budget for the affiliates Renogen and 4HamCogen foresees an increase in the 4Energy Invest current accounts position given the delay experienced in bringing Amel III to commercial operation (and related debt restructuring needed at Renogen level) that will not allow full payment of interest on the subordinated debt and accounts receivable position and the financial covenants agreed with the banks for the Ham Cogeneration project that will not allow interest payments on the 4HamCogen subordinated debt position of 4Energy Invest during its first year of operation.

The cash and cash equivalents reflect the level of cash at holding company at end December 2010. In order to ensure the short and medium-term development of the company, additional financial resources will be needed at either the holding and/or affiliate company level.

The shareholder's equity (30,497,714 EUR) is the result of the following transactions:

- the initial capital of the company amounting to 62,000 EUR;
- a contribution in kind of Renogen shares amounting to 6,459,900 EUR;
- a capital increase in cash amounting to 3,478,200 EUR;
- a capital decrease in cash amounting to 40,200 EUR;
- a capital increase in cash amounting to 22,000,000 EUR;
- losses carried forward amounting to -1,462,186 EUR.

No long-term debt is outstanding. The short-term debts for 750,791 EUR consist of commercial debts (trade & other payables) only.

The company has signed off-balance sheet commitments towards both the banks and the Limburgse Reconversie Maatschappij ("LRM") in the framework of the financing structured for the cogeneration project at 4Ham Cogen level.

**Commitments towards the banks**

4Energy Invest shall not (and will ensure that 4Ham Cogen shall not) abandon all or a material part of the cogeneration project in Ham).

4Energy Invest shall not (and will ensure that 4Ham Cogen shall not) rescind or purport to rescind or repudiate or purport to repudiate a finance document or any of the transaction security or evidence an intention to rescind or repudiate a finance document or any transaction security.

4Energy Invest shall fund any cost overruns in relation to the cogeneration project in Ham by way of equity and/ or subordinated debt.

4Energy Invest shall procure that neither Enerpro SPRL nor Nico Terry BVBA ceases to perform its duties as manager or director of 4Ham Cogen (other than by reason of death, retirement at normal retiring age or through ill health of the relevant representative, or by reason of gross negligence).

4Energy Invest shall procure that no change of control occurs over 4Ham Cogen.

4Energy Invest shall establish an annual price stabilization mechanism of up to 750,000 Euro per year under the form of a standby Letter of Credit or Cash Collateral Account towards 4Ham Cogen that guarantees a minimum electricity sales price for the electricity output generated by 4Ham Cogen.

**Commitments towards LRM**

4Energy Invest signed a co-debtor clause under the subordinated debt agreement in between 4Ham Cogen and LRM. 4Energy Invest will as a result have to assume all payment obligations of principal and interest to the extent 4Ham Cogen can not fulfill its payment obligations under the subordinated debt agreement with LRM.

**Statutory profit & loss account**

The company's turnover mainly reflects the invoicing of management services to its subsidiaries for 510,000 Euro. Other operating income for 223,724 EUR relates to external legal services that were invoiced to 4Energy Invest but related to Renogen and were invoiced intra-group.

Among goods and services for 1,673,575 Euro, one can find the company's general and recurrent administration costs, rental charges, professional fees, costs of management, the board of directors, auditors fees,…

An operating loss results from the fact that the services invoiced to the affiliates Renogen and 4Ham Cogen did not compensate the costs incurred at holding level since the cost structure anticipates the growth of the company. The budget 2011 foresees an improvement in operational result since invoicing to the different affiliates is scheduled to increase with the commercial operation of the cogeneration project in Ham and the commercial operation of the torrefaction project in Amel.

The financial income for 1,304,374 EUR mainly reflects the interests charged to the subsidiaries on the subordinated debt and on the current account receivables position for 1,303,151 EUR;

The Group impaired development work for 161,740 EUR.

The company has not yet received any dividends from its subsidiaries.

As the company has a significant tax losses carried forward position, no tax charges result on the profit before taxes.

Distribution of profits/losses
The Board of Directors proposes to distribute the company's resulting losses as follows:

| | |
|---|---|
| Profit of the financial year | 72,520 |
| Losses carried forward from previous financial years | - 1,534,707 |
| Losses to be carried forward | - 1,462,186 |

## 6.7.3 RISK MANAGEMENT AND MANAGEMENT OF UNCERTAINTIES

Since 4Energy Invest is a holding company, the most important risks, with some exceptions as outlined in section 2 above, are borne by its operational subsidiaries and not by 4Energy Invest itself.

## 6.7.4 IMPORTANT EVENTS WHICH OCCURRED AFTER THE END OF THE FISCAL YEAR

**Operation of Amel III at industrial scale is delayed**
During January and February, 4Energy Invest upgraded the hardware and software of the installation to improve the operating safety of the installation. 4Energy Invest is currently in the process of hot commissioning of the upgraded installation. 4Energy Invest has, at the date of this report, not yet reached the status of operating the torrefied wood pellets production facility at industrial scale. 4Energy Invest currently believes that the upgraded installation is close to becoming operational on an industrial scale, but will, in view of the unexpected difficulties experienced in the past, monitor and evaluate the situation closely on a regular basis.

**The delay in operating Amel III at industrial scale significantly affects the projected cash flow generation of the group for the year 2011**

The impact of the delay in operating Amel III at industrial scale, the extra investments that were needed to bring Amel III to operation, the weak electricity prices experienced over the last 2 years, the financial resources spent on the Pontrilas project and the financial resources spent on the preparation of the roll-out of the torrefaction technology has eliminated the cash buffer of 4Energy Invest. In function of (1) how the different projects of its affiliates Renogen and 4Ham Cogen perform and/or materialize over the course of 2011 compared to budget and (2) the outcome of the debt restructuring efforts at Renogen level, 4Energy Invest will have to raise additional funds to fulfill the group's financial obligations over the year 2011. New financial resources will anyhow be needed in case a roll out strategy for the torrefaction technology would be pursued.

## 6.7.5 INFORMATION REGARDING RESEARCH AND DEVELOPMENT ACTIVITIES

4Energy Invest has developed an internal model for the determination of the prices of electricity on the Belgian market going forward. 4Energy Invest has developed an extensive software package to operate its Bio-Coal production facility in Amel. This software package will be licensed in case other Bio-Coal production facilities would be developed.

## 6.7.6 INFORMATION REGARDING THE EXISTENCE OF COMPANY'S BRANCHES

The company has no branches in sensu stricto.

The company owns 100% of Renogen's shares minus one share, owns 100% of 4BioFuels' shares minus one share and owns 100% of 4HamCogen' shares minus one share.

## 6.7.7 INFORMATION REGARDING THE CIRCUMSTANCES HAVING A POTENTIAL MAJOR INFLUENCE ON THE COMPANY'S DEVELOPMENT

At the level of Renogen, the company closely monitors (1) the operational performance of its cogeneration units in operation, (2) the start of commercial operation of Amel III at industrial scale and the tests at utility scale for co-firing Bio-Coal in coal fired power stations and (3) the outcome of the efforts to restructure the existing credit facilities over a longer period of time in order to be able to fulfill Renogen's financial obligations over the year 2011.

At the level of 4Ham Cogen, the company closely monitors the progress of construction and the investment budget needed to bring the cogeneration project in Ham to commercial operation. Start of commercial operation is currently targeted for quarter 3 2011.

At the level of 4Biofuels, the company closely monitors the start of commercial operation of Amel III at industrial scale as the possible construction of a wood biomass torrefaction project in Ham will depend on the success of operating Amel III at industrial scale. The realization of this wood biomass torrefaction project in Ham would increase the qualitative character of the cogeneration project developed by 4Ham Cogen in Ham.

The commercial operation of the Amel III project will largely determine the extent and timing with which a roll out strategy for the torrefaction technology can be pursued.

The impact of the delay in operating Amel III at industrial scale, the extra investments that were needed to bring Amel III to operation, the weak electricity prices experienced over the last 2 years, the financial resources spent on the Pontrilas project and the financial resources spent on the preparation of the roll-out of the torrefaction technology has eliminated the cash buffer of 4Energy Invest.

In function of (1) how the different projects of its affiliates Renogen and 4Ham Cogen perform and/or materialize over the course of 2011 compared to budget and (2) the outcome of the debt restructuring efforts at Renogen level, 4Energy Invest will have to raise additional funds to fulfill the group's financial obligations over the year 2011. New financial resources will anyhow be needed in case a roll out strategy for the torrefaction technology would be pursued.

### 6.7.8 USE OF FINANCIAL INSTRUMENTS BY THE COMPANY IN THE FRAMEWORK OF THE COMPANY'S RISK MANAGEMENT

The company assesses its exposure to electricity price risk, among others in the framework of the results of Renogen and the electricity price stabilization mechanism offered to its affiliate 4Ham Cogen as from the start of commercial operation of the Ham cogeneration project expected third quarter 2011.

The company assesses its exposure to credit risk, made out of invoices for management services and interest charges to subsidiaries on a continuous basis.

### 6.7.9 JUSTIFICATION OF VALUATION RULES (ARTICLE 96, 6° OF THE BELGIAN COMPANY CODE)

Off balance sheet, the company carries forward losses amounting to EUR 1,462,186.
The board of directors confirms that management services and interest charged to subsidiaries more than covered the company's recurrent costs in 2010.
The losses carried forward position mainly originated in the costs resulting from the 2008 IPO.

The budget 2011 foresees an improvement in operational results since invoicing to the different affiliates is scheduled to increase with the contemplated commercial operation of the cogeneration in Ham and the contemplated commercial operation of the torrefaction project in Amel.

The directors resolve to adopt the valuation rules on the basis of continuity (article 96, 6° of the Belgian Company Code), considering the fact that the projected results are positive and that the directors continue to believe that in the event where its affiliate Renogen can not pay the interest charged by 4Energy Invest on its credit facilities, it should be possible to mobilize additional financial resources at the level of 4Energy Invest to cover the recurrent cost base of the company.

### 6.7.10 INFORMATION PROVIDED IN ACCORDANCE WITH ARTICLE 523 OF BELGIAN COMPANY CODE

In accordance with Article 523 of the Belgian Company Code, the directors clearly stated each time they experienced an interest of a patrimonial nature potentially departing from the interests of 4Energy Invest. The following conflicts of interest have been reported in 2010:

* Minutes of the Board of Directors of March 4, 2011 in respect of the variable remuneration for its executive directors over the exercise 2010

Preliminary statements by Enerpro SPRL and Nico Terry BVBA
Prior to any deliberation and decision on this item of the agenda, Enerpro SPRL, represented by Mr. Yves Crits and Nico Terry BVBA, represented by Mr. Nico Terry give the following statements to the board of directors, as far as necessary and applicable in accordance with Article 523 of the Belgian Company Code. They inform the other directors that the item on the agenda relates to the approval of their variable remuneration as member of the executive management of the Company for the fiscal year ended on December 31, 2010. They inform the board of directors that they have an interest of a patrimonial nature that conflicts with the contemplated decision by the board of directors. They state that they are of the opinion that a reduced variable remuneration is justified and

market conform, since it responds to the improved operational performance of the cogeneration units in Amel and the management of the difficult financial, legal and technical challenges it experiences in bringing Amel III to commercial operation. It is reduced since Amel III has not yet reached the status of commercial operation and the Pontrilas project was not brought to the construction phase. Furthermore, Enerpro SPRL and Nico Terry BVBA state that they will inform the statutory auditor of the Company of the aforementioned conflict of interest, in accordance with Article 523 of the Belgian Company Code. Subsequently, Enerpro SPRL, represented by Mr. Yves Crits and Nico Terry BVBA, represented by Mr. Nico Terry leave the meeting.

Deliberation and decision by the other members of the board of directors
The board of directors, consisting of the other directors present at the meeting, takes note of aforementioned statements by Enerpro SPRL and Nico Terry BVBA and starts the deliberation. The board of directors refers to the proposal by the nomination and remuneration committee in this respect. The board considers that such variable remuneration is (i) in line with current market practices for companies similar to the Company (ii) responds to executive management's performance over the past financial year and (iii) is set to retain the services of the executive directors at competitive market conditions. If the Company cannot retain the services of the existing executive directors, this could have an adverse effect, at least in the short term, on the further development of the Company's business. The board of directors considers that the financial consequences of the aforementioned conflict of interest for the Company are directly linked to the amount of the variable remuneration of the executive directors for the financial year ended on December 31, 2010. After deliberation, the board of directors is of the opinion that the decision to approve the variable remuneration of the executive directors for the financial year ended on December 31, 2010 as set out below and as further justified in the minutes of the nomination and remuneration committee, is in the interest of the Company. The board of directors therefore unanimously decides to approve the variable remuneration of the executive directors for the fiscal year ended on December 31, 2010, as follows:

| **Function** | **Variable Part (Euro/year)** | **Fixed Part (Euro/year)** |
|---|---|---|
| CEO | 57,750 | 269,500 |
| CFO | 37,125 | 173,250 |

As far as necessary in accordance with Article 523 of the Belgian Company Code, the board of directors decides that these minutes will be included in the annual report of the company.

After these decisions, Enerpro SPRL and Nico Terry BVBA join the meeting again.

## 6.7.11 INFORMATION PROVIDED IN ACCORDANCE WITH ARTICLE 34 OF THE ROYAL DECREE DATED 14 NOVEMBER 2007

The elements that need to be provided in accordance with article 34 of the Royal Decree dated 14 November 2007 to the extent that these elements could have consequences in the event of a public takeover bid are discussed in detail in the report of the Board of Directors on the consolidated financial statements for the financial year ended 31 December 2010 in accordance with article 119 of the Belgian Company Code.

## 6.7.12 JUSTIFICATION OF THE INDEPENDENCE AND EXPERTISE IN ACCOUNTING AND AUDITING OF AT LEAST ONE MEMBER OF THE AUDIT COMMITTEE (ARTICLE 96, 9° OF THE BELGIAN COMPANY CODE)

During the financial year 2010, the audit committee consisted of three non-executive (independent) members of the board of directors.

ContinuousInsight2Impact BVBA, with permanent representative Filip Lesaffer, as third member of the audit committee, is competent in accounting and auditing as evidenced by its previous role as investment director of KBC Private Equity NV and its director offices exercised in several companies.

## 6.7.13 CORPORATE GOVERNANCE STATEMENT (ART.96, PARAGRAPH 2 OF THE BELGIAN COMPANY CODE)

**Reference Code**

4Energy Invest has adopted a corporate governance charter in line with the Belgian Code on Corporate Governance issued on March 12, 2009 (second edition) by the Belgian Corporate Governance Committee (the "Code"). 4Energy Invest has adopted the Code as its reference code.

The Code is based on a "comply or explain" system. Belgian listed companies should follow the Code, but can deviate from its provisions and guidelines (though not from the principles) provided they disclose the justifications for such deviation. 4Energy Invest complies with the principles contained in the Code, but believes that certain deviations from its provisions are justified in view of its particular situation. With the entry into force of the law of 6 April 2010, it is (i) not possible to deviate from some provisions of the Code and (ii) it is compulsory to indicate the provisions of the Code that were not complied with during the year and to provide an explanation of the reasons for non-compliance. The deviations by 4Energy Invest are explained in this Corporate Governance Statement and are valid under the law of 6 April, 2010.

4Energy Invest's corporate governance charter was last updated on November 5, 2009 and is available on 4Energy Invest's website: www.4energyinvest.com

**Board of directors**

The role of the board of directors is to pursue the long-term success of the company by providing entrepreneurial leadership and enabling risks to be assessed and managed.
Pursuant to 4Energy Invest's articles of association, the board of directors is composed of minimum six and maximum ten members. In accordance with the principle of the Code, at least half of the members must be non-executive directors and at least three directors must be independent in accordance with the criteria set out in the Belgian Company Code and in the Code.

On the date of this annual report, the board of directors of 4Energy Invest consists of seven members including three independent directors. These members are:

| Name | Position | Start Term | End Term |
|---|---|---|---|
| Enerpro SPRL, with permanent representative Yves Crits (CEO) | Managing director | 2008 | 2012 |
| Nico Terry BVBA, with permanent representative Nico Terry (CFO) | Executive director | 2008 | 2012 |

| | | | |
|---|---|---|---|
| Enermoza BVBA, with permanent representative Guido Schockaert | Non-executive director | 2008 | 2012 |
| Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer (independent director) | Non-executive, independent director | 2010 | 2012[1] |
| 2D Multimedia SPRL, with permanent representative Daniel Deroux (independent director and chairman) | Non-executive, independent director and chairman | 2008 | 2012 |
| Hamaco BVBA with permanent representative Henri Meyers (independent director) | Non-executive, independent director | 2008 | 2012 |
| Mr. Gerd Smeets | Non-executive director | 2010 | 2012 |

The curricula vitae of the members of the board of directors are available on the company's website: www.4energyinvest.com.

The board of directors elects a chairman from among its non-executive members on the basis of his knowledge, skills, experience and mediation strength. The chairman of the board of directors is responsible for the leadership of the board of directors. The chairman takes the necessary measures to develop a climate of trust within the board of directors, contributing to open discussion, constructive dissent and support for the decisions of the board of directors. The chairman promotes effective interaction between the board and the executive management team. The chairman establishes a close relationship with the CEO, providing support and advice, while fully respecting the executive responsibilities of the CEO.

Currently, 2D Multimedia SPRL, with permanent representative Daniel Deroux is the chairman of the board of directors.

The board of directors meets whenever the company's interest so requires or upon the request of two directors. In principle, the board of directors will meet sufficiently regularly and at least four times a year. The decisions within the board of directors require a simple majority of the votes cast.

During 2010, the board of directors met seven times, and the overall attendance rate by directors was 98 %.

Attendance at meetings of the board of directors:

| Name | Board meetings attended |
|---|---|
| Enerpro SPRL, with permanent representative Yves Crits (CEO) | 7/7 |
| Nico Terry BVBA, with permanent representative Nico Terry (CFO) | 7/7 |
| Enermoza BVBA, with permanent representative Guido Schockaert (COO) | 6/7 |
| Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer (independent director) | 6/7 |
| 2D Multimedia SPRL, with permanent representative Daniel Deroux (independent director and chairman) | 7/7 |

| | |
|---|---|
| Hamaco BVBA with permanent representative Henri Meyers (independent director) | 7/7 |
| Mr. Gerd Smeets | 3/7 |

**Independent directors**

A director will only qualify as an independent director if he meets at least the criteria set out in Article 526ter of the Belgian Companies Code, which can be summarized as follows:

- Not being an executive member of the board, exercising a function as a member of the executive committee or as a person entrusted with daily management of the company or a company or person affiliated with the company, and not having been in such a position during the previous five years before his nomination.

- Not having served for more than three terms as a non-executive director of the board, without exceeding a total term of more than twelve years.

- Not being an employee of the senior management (as defined in Article 19,2° of the Belgian Act of September 20, 1948 regarding the organization of the business industry) of the company or a company or person affiliated with the company and not having been in such a position for the previous three years before his nomination.

- Not receiving, or having received, any significant remuneration or other significant advantage of a financial nature from the company or a company or person affiliated with the company, other than any bonus or fee (tantièmes) he receives or has received as a non-executive member of the board.

- Not holding (directly or via one or more company under his control) any shareholder rights representing 10% or more of the company's shares or of a class of the company's shares (as the case may be), and not representing a shareholder meeting this condition.

- If the shareholder rights held by the director (directly or via one or more company under his control) represent less than 10%, the disposal of such Shares or the exercise of the rights attached thereto may not be subject to contracts or unilateral undertakings entered into by the director. The director may also not represent a shareholder meeting this condition.

- Not having, or having had within the previous financial year, a significant business relationship with the company or a company or person affiliated with the company, either directly or as partner, shareholder, member of the board, member of the senior management (as defined in Article 19,2° of the aforementioned Belgian Act of September 20, 1948) of a company or person who maintains such a relationship.

- Not being or having been within the last three years, a partner or employee of the current or former statutory auditor of the company or a company or person affiliated with the company.

- Not being an executive director of another company in which an executive director of the company is a non-executive member of the board, and not having other significant links with executive directors of the company through involvement in other companies or bodies.

- Not being a spouse, legal partner or close family member (by marriage or birth) to the second degree of a member of the board, a member of the executive committee, a person charged with the daily management, or a member of the senior management (as defined in Article 19,2° of the aforementioned Belgian Act of September 20, 1948) of the company or a company or person affiliated with the company, or of a person who finds him or herself in one or more of the circumstances described in the previous bullets.

According to the company's board of directors, Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer, 2D Multimedia SPRL, with permanent representative Daniel Deroux and Hamaco BVBA with permanent representative Henri are independent directors. The board of directors is of the view that the current independent directors comply with each of the relevant criteria of the Belgian Company Code.

**Committees within the board of directors**

The board of directors of 4Energy Invest has established an audit committee, a nomination and remuneration committee and an advisory committee. These committees merely have an advisory role and the actual decision-making remains the responsibility of the board of directors.

**Audit committee**

According to the rules entered for Belgian publicly-listed companies with respect to the establishment and tasks of the audit committee entered into force as of January 8, 2009, 4Energy Invest would meet the size criteria in order to operate without a separate audit committee. 4Energy Invest has however chosen to continue operating with a separate audit committee. The audit committee must be composed of non-executive directors. This is and has always been the case for 4Energy Invest's audit committee. In line with the Belgian Code on Corporate Governance which requires that a majority of the members of the audit committee are independent, the current members are all independent directors.

During the financial year 2010, the audit committee consisted of three non-executive and independent members of the board of directors. The members of the audit committee have sufficient experience in financial matters to discharge their functions. According to the Belgian Company Code, the audit committee must for this purpose be composed of at least one independent director with the necessary financial, accounting, risk management and auditing experience. Filip Lesaffer is competent in accounting and auditing as evidenced by its previous role as investment director of KBC Private Equity and by the director offices exercised in several companies.

Given the size of 4Energy Invest, no internal audit function exists at this time.

On the date of this annual report, the members of the audit committee are:

- Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer (chairman of the audit committee)
- Hamaco BVBA, with permanent representative Henri Meyers
- 2D Multimedia SPRL, with permanent representative Daniel Deroux

During 2010, the audit committee met three times, and the overall attendance rate was 100 %.

Attendance at meetings of the audit committee:

| Name | Audit committee attended |
|---|---|
| 2D Multimedia SPRL, with permanent representative Daniel Deroux (non-executive, independent director and chairman) | 3/3 |
| Hamaco BVBA, with permanent representative Henri Meyers (non-executive, independent director) | 3/3 |
| Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer (non-executive, independent director) | 3/3 |

The provisions of Articles 3.4.4., 3.5.1. and 3.5.6. of the corporate governance charter have not been complied with since (i) no schedule and agenda of subjects to be discussed during the year was established, (ii) the audit committee met less than four times, (iii) no internal evaluation of its own effectiveness took place and (iv) the audit committee did not review the effectiveness of the external audit process.

**Nomination and remuneration committee**

The nomination and remuneration committee must be composed of at least three members. All members of the nomination and remuneration committee are non-executive directors, with preferably a majority of independent directors.

On the date of this annual report, the members of the nomination and remuneration committee are:

- Hamaco BVBA, with permanent representative Henri Meyers (chairman of the nomination and remuneration committee)
- 2D Multimedia SPRL, with permanent representative Daniel Deroux
- Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer

The nomination and remuneration committee met once in 2010. The attendance rate was 100%.

Attendance at meetings of nomination and remuneration committee:

| Name | Nomination and remuneration committee attended |
|---|---|
| Hamaco BVBA, with permanent representative Henri Meyers | 1/1 |
| 2D Multimedia SPRL, with permanent representative Daniel Deroux | 1/1 |
| Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer | 1/1 |

The provisions of Articles 4.5.1. and 4.5.7. of the corporate governance charter have not been complied with since (i) no schedule and agenda of subjects to be discussed during the year was established, (ii) the nomination and remuneration committee met less than twice and (iii) no internal evaluation of its own effectiveness took place.

**Advisory committee**

The advisory committee must be composed of at least four members all of which are directors and at least two of the members must be independent directors.

On the date of this annual report, the members of the advisory committee are:

- 2D Multimedia SPRL, with permanent representative Daniel Deroux (chairman of the advisory committee)
- Hamaco BVBA, with permanent representative Henri Meyers
- Enerpro SPRL with permanent representative Yves Crits
- Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer

The purpose of the advisory committee is (i) to hold an in-depth operational discussion on opportunities or issues that may arise in preparation of the meeting of the board of directors that will eventually decide on these matters or (ii) assisting the Chief Executive Officer in any matters which may arise with respect to investment decisions with respect to projects in development, in construction or in operation falling within the scope of the powers of daily management of the CEO.

The advisory committee met once in 2010. The attendance rate was 100%. Attendance at meetings of the advisory committee:

| Name | Advisory committee attended |
|---|---|
| Hamaco BVBA, with permanent representative Henri Meyers | 1/1 |
| 2D Multimedia SPRL, with permanent representative Daniel Deroux | 1/1 |
| Enerpro SPRL, with permanent representative Yves Crits (CEO) | 1/1 |
| Continuous Insight2Impact BVBA, with permanent representative Filip Lesaffer | 1/1 |

**Evaluation process**

**General**

Under the lead of its chairman, the board of directors will regularly (e.g., at least every two to three years) assess its size, composition, performance and those of its committees, as well as its interaction with the executive management team. The evaluation process has four objectives:

- Assessing how the board of directors or the relevant committee operates.
- Checking that the important issues are suitably prepared and discussed.
- Evaluating the actual contribution of each director's work, the director's presence at board and committee and his or her constructive involvement in discussions and decision-making.
- Checking the board's or committee's current composition against the desired board's or committee's desired composition.

Although evaluation is a responsibility of the board of directors, the board of directors can be assisted in this evaluation by the nomination and remuneration committee, and possibly also by external experts.

**Non-executive sessions**

The non-executive directors will regularly assess their interaction with the members of the executive management team. In this respect, non-executive directors intend to meet at least once a year in the absence of the CEO and the other executive directors. Actions can, however, only be taken by the board of directors.

**Evaluation of individual directors**

There will be a periodic evaluation of the contribution of each director aimed at adapting the composition of the board of directors to take account of changing circumstances. When dealing with re-election, the director's commitment and effectiveness will be evaluated in accordance with a transparent procedure established in advance by the board of directors, to the extent relevant.

**Results of the evaluation**

The board of directors will take into account the results of the performance evaluation by recognizing its strengths and addressing its weaknesses. Where appropriate, this can involve proposing new members for appointment, proposing not to re-elect existing members or taking any measure deemed appropriate for the effective operation of the board of directors.

**Board committees**

The audit committee should regularly (and at least every two to three years) review its terms of reference and its own effectiveness and recommend any necessary changes to the board of directors.

The nomination and remuneration committee should regularly (and at least every two to three years) review its terms of reference and its own effectiveness and recommend any necessary changes to the board of directors.

The advisory committee should regularly review its terms of reference and its own effectiveness and recommend any necessary changes to the board of directors.

**Executive management team**

**Chief executive officer**

The CEO is charged by the board of directors with the day-to-day management of the company. The CEO shall report regularly during the scheduled meetings of the board of directors on the operations, findings and recommendations of the executive management team.

**Other members of executive management team**

The other members of the executive management team include the CFO, the COO (if any) and any other key executive appointed to the team by the board of directors on the basis of a recommendation by the nomination and remuneration committee.

The other members of the executive management team are responsible for assisting the CEO in relation to:

- operating the company
- implementing the decisions taken by the board of directors;
- putting internal controls in place without prejudice to the monitoring role of the board of directors, based on the framework approved by the board of directors;
- the complete, timely, reliable and accurate preparation of the company's financial statements, in accordance with the applicable accounting standards and policies of the company;
- the preparation of the company's required disclosure of the financial statements and other material financial and non-financial information;
- presenting the board of directors with a balanced and understandable assessment of the company's financial situation ;
- providing the board of directors in due time with the information necessary for the board of directors to carry out its duties .

**Composition of the executive management team**

On the date of this annual report, the members of the executive management team are:

- Enerpro SPRL ,with permanent representative Yves Crits – CEO
- Nico Terry BVBA, with permanent representative Nico Terry – CFO

The position of chief operating officer is currently vacant.

The executive management team does not qualify as an executive committee ("directiecomité") within the meaning of Article 524bis of the Belgian Company Code.

The curricula vitae of the members of the executive management team are available on the company's website: www.4energyinvest.com

**Remuneration report**

4Energy Invest prepares a remuneration report relating to the remuneration of directors and the members of the management committee. This remuneration report forms part of the corporate governance statement, which is a part of the annual report. Starting as from the annual general shareholders' meeting to be held in 2012, the nomination and remuneration committee will have to submit this remuneration report to the annual general shareholders' meeting, for separate approval.

> Procedure for (i) developing a remuneration policy for non-executive directors and executive managers and (ii) setting the level of remuneration for non-executive directors and executive managers
>
> 4Energy Invest's remuneration policy is designed to allow the company to attract, retain and motivate directors and executive management team members who have the profile determined by the board of directors and to promote continuous improvement in the business.

**Non-executive directors**

Upon recommendation and proposal of the nomination and remuneration committee, the board of directors determines the remuneration of the non-executive directors to be proposed to the general shareholders' meeting. The proposed remuneration that the board submits to the general shareholders' meeting corresponds in principle to market practice and expectations for companies similar to 4Energy Invest. *The remuneration is set to attract, retain and motivate directors who have the profile determined by the nomination and remuneration committee.*

**The non-executive directors are remunerated as follows;**

- The remuneration of the chairman of the board of directors equals the annual amount of €20,000. The remuneration of the other non-executive directors of the board of directors equals an annual amount of €15,000. The additional annual remuneration for a non-executive independent director who is chairman of a committee of the board of directors equals €4,000 per committee of which he is chairman. The annual remuneration of a non-executive director who is member of a committee of the board of directors equals €1,500 per committee of which he is member.

- The attendance fee for the chairman of the board of directors equals €2,000 for each attendance at a meeting of the board of directors. The attendance fee for any other non-executive director equals €1,500 for each attendance at a meeting of the board of directors. Furthermore, the attendance fee for the non-executive independent director who is chairman of a committee of the board of directors equals €2,000 for each attendance at a meeting of the committee. The attendance fee for any other non-executive director who is member of a committee of the board of directors equals €1,250 for each attendance at a meeting of the committee.

Non-executive directors do not receive any performance-related remuneration, incentives granted in shares, options or any other right to acquire shares, or pension benefits. The remuneration of non-executive directors takes into account their general role as director, and specific roles as chairman, chairman or member of a board committee, as well as their relevant responsibilities and time commitment.

**Executive management**

The remuneration of the members of the executive management team is determined by the board of directors based on recommendations made by the nomination and remuneration committee.

An appropriate portion of the remuneration is linked to corporate and individual performance. The proposed remuneration corresponds in principle to market practice and expectations for companies similar to 4Energy Invest. The remuneration is set to retain the services of the executive managers at competitive market conditions.

The remuneration of the executive management for the financial year ended December 31, 2010 consists of a Base Annual Remuneration ("BAR") for full dedication, which was composed as follows:

- 70% of the remuneration is fixed (and as a result invoiced and paid out on a regular basis)

- 30% of the remuneration is variable and is determined based on a set of criteria whereby the weight of the different criteria is similar for the different members of executive management.

The variable part has been determined based on the following criteria:

(i)reliability factor of assets in operation
(ii)capacity factors of assets in operation
(iii)development activities
(iv)overall board appraisal

25% of the variable part of the remuneration of the executive managers for the financial year 2010 depended on the annual appraisal by the board of directors. The board considered amongst others the following issues:

- reporting
- communications
- control systems
- commitments
- cash management

The remuneration level of the executive management was for the financial year fixed at 85 % of the BAR. Consequently, the executive management did not receive any bonus.

Article 523 of the Belgian Company Code has been applied with respect to the remuneration of the members of the executive management for the financial year ended December 31, 2010.

**Remuneration and benefits granted to directors**

**Director's liability insurance**

At the time of incorporation of 4Energy Invest, the board of directors decided that 4Energy Invest will indemnify the directors against any claim by a third party based on directors' liability, except in the event of gross negligence and willful misconduct. Therefore 4Energy Invest has subscribed to directors' liability insurance.

**Non-executive directors**

For the financial year ended on December 31, 2010, the chairman of the board of directors received a total remuneration of €46,000. The other non-executive members of the board of directors received a total remuneration of €149,995 (respectively €71,000, €43,500, €35,495 and €0).

The non-executive directors have not received any incentives granted in shares, options or any other right to acquire shares as approved by, or submitted to, the general shareholders' meeting.

**Executive directors**

The executive directors are not remunerated in their capacity of member of the board of directors.

**Remuneration of CEO**

4Energy Invest has entered into a services agreement dated November 22, 2005 with Mr. Yves Crits and Enerpro SPRL (i.e. the personal services company of Mr. Yves Crits) for the performance of the daily management by Mr. Yves Crits in the framework of his appointment as CEO of 4Energy Invest and specific services in relation to the Renogen project and other energy projects by Enerpro SPRL.

The annual remuneration of the CEO for the financial year ended on December 31, 2010, amounted to € 327,250 (excluding costs), consisting of a fixed amount of € 269,500 paid on a recurrent basis, and a variable part of € 57,750, decided upon a set of measurable criteria and appraisal(s) as described in section 7.1. The variable part will be paid within 30 days after the approval of the annual accounts. This annual remuneration does not take into account the professional costs incurred (and invoiced) by the CEO in the execution of its services and the warrants offered on June 12, 2008 by 4Energy Invest and subsequently accepted by the CEO. Article 523 of the Belgian Company Code has been applied with respect to the remuneration of the CEO for the financial year ended December 31, 2010.

4Energy Invest has no obligations to pay any pension retirements or similar benefits to Mr.Yves Crits or Enerpro SPRL.

**Remuneration of other members of executive management**

The executive management, which consists of the members of the executive management team and the executive directors, is remunerated as follows:

4Energy Invest has entered into a services agreement with Nico Terry BVBA, which is similar to the services agreement entered into with Enerpro SPRL.

The yearly remuneration for the financial year ended on December 31, 2010 of the other member of the executive management amounts to € 210,375 (excluding costs), consisting of a fixed aggregate amount of € 173,250, paid on a recurrent basis, and a variable part of € 37,125 decided upon a set of measurable criteria and appraisal(s) as described in section 7.1. The variable part will be paid within 30 days after the approval of the annual accounts. This aggregate yearly remuneration does not take into account the professional costs incurred (and invoiced) by the other member of executive management and the warrants offered on June 12, 2008 by 4Energy Invest and subsequently accepted by the other member of the executive management. Article 523 of the Belgian Company Code has been applied with respect to the remuneration of the other member of the executive management for the financial year ended December 31, 2010.

4Energy Invest has no obligations to pay any pension retirements or similar benefits to the members of the executive management.

**Incentives granted in shares, options or otherwise**

On May 21, 2008, the extraordinary shareholders' meeting of 4Energy Invest decided to issue up to 900,009 warrants. On May 21, 2008, all warrants were subscribed to by 4Energy Invest with a view to allocating them at a later stage to Enerpro SPRL, Nico Terry BVBA and Enermoza BVBA (directly or indirectly), executive directors, employees and consultants of 4Energy Invest (to be decided by the board of directors upon the advice of the nomination and remuneration committee). 594,000 warrants have been allocated to Enerpro SPRL, Nico Terry BVBA and Enermoza BVBA on June 12, 2008 and subsequently accepted. 122,995 warrants have been allocated to employees and consultants of 4Energy Invest on June 12, 2008 and subsequently accepted. 183,014 warrants have been allocated to LRM NV in its capacity of director of 4HamCogen on December 18, 2009 and subsequently accepted. The exercise price of the warrants allocated on June 12, 2008 and on December 18, 2009 is €6.25 per warrant. Currently, all the warrants that were issued on May 21, 2008 have been allocated.

Every warrant entitles its holder to subscribe to one ordinary share of 4Energy Invest.

The warrants have a maturity of 10 years, to be counted as of the date of their issuance. At the end of the 10-year period, the warrants will lapse. The warrants shall become progressively and conditionally exercisable, namely 34% as of the first anniversary date of the allotment, 67% as of the second anniversary date of the allotment, and 100% as of the third anniversary date of the allotment provided that, at such anniversary, the warrant holder concerned (or its management company) shall be a consultant or employee of 4Energy Invest. Enerpro SPRL, Nico Terry BVBA and Enermoza BVBA have further agreed that none of the shares to be issued upon exercise of these warrants may be transferred during a period of 3 calendar years as of June 17, 2008. The warrants are not transferable *inter vivos.* The warrants can be exercised only when they have been acquired definitively and at the earliest as of 1 January following the third anniversary date of the allotment of the warrants to the warrant holders.

In the event of a change in the control of 4Energy Invest, the board of directors shall have the authority to shorten the exercise period of the warrants on condition that the warrant holder is allotted at least 15 calendar days during which he can exercise his warrants. In the event that the warrant holders do not exercise their warrants within this period, the warrants shall lapse de *iure*.

Warrants that have not been allocated by 4Energy Invest at the time of receipt by the latter of an official announcement that a takeover bid is being launched on all outstanding financial instruments of the company, shall automatically expire.

The table below provides an overview of the shares and warrants held directly or indirectly by the members of the executive management on the date of this annual report.

| **Name** | **Number of Shares** |
|---|---|
| Enerpro SPRL, controlled by Yves Crits (CEO) | 2,090,855 |
| Nico Terry (1) | 2,090,855 |

(1) Mr. Nico Terry controls Nico Terry BVBA (CFO).

| **Name** | **Number of Warrants** |
|---|---|
| Enerpro SPRL, controlled by Yves Crits (CEO) | 270,000 |
| Nico Terry BVBA, controlled by Nico Terry (CFO) | 162,000 |

**Severance pay**

The appointment contract of the CEO or any other executive manager on or after July 1, 2009 does not provide for a severance pay exceeding 12 months' basic and variable remuneration.

The services agreement entered into with Mr. Yves Crits and Enerpro SPRL was entered into for a limited term of 10 years. The agreement can be immediately terminated by 4Energy Invest at all times subject to a prior notice and payment of an indemnity equal to ½ of Enerpro SPRL's annual fee. A similar services agreement was entered into with Nico Terry BVBA.

**Internal control and risk management systems in relation to the financial reporting**

One of the roles of the audit committee of 4Energy Invest is to monitor the effectiveness of the company's internal control and risk management systems. The external auditor has reviewed these internal control and risk management systems. The audit committee has implemented a written procedure on incoming and outstanding invoices, has approved the practical organization of the administration at different sites and has followed-up closely the cash management.

**Conflicts of interest and related parties**

Each director is encouraged to arrange his or her personal and business affairs so as to avoid direct and indirect conflicts of interest with the company. Transactions between the company and its board members should take place at arms' length.

In accordance with Article 523 of the Belgian Company Code, all directors must inform the board of directors and the statutory auditor of the company of conflicts of interest as they arise and abstain from voting on the matter involved in accordance with the relevant provisions of the Belgian Company Code.

Prior to his or her election, a director must inform the board of directors of his Related Party Transactions with 4Energy Invest NV or the company's subsidiaries. During his or her mandate as a director, a director must inform the chairman of the board of directors of the Related Party Transactions that he or she or his or her affiliates contemplate to enter into, and such Related Party Transactions can only be entered into after approval by the board of directors, where applicable in accordance with Article 523 of the Belgian Company Code.

For the purpose of 4Energy Invest's corporate governance charter, "**Related Party Transaction**" of a director means any transaction to deliver services or provide supplies or other goods to 4Energy Invest NV or the company's subsidiaries either by the director, his or her spouse or unmarried legal partner, a relative of his or her (via birth or marriage) in the second degree, or a legal entity that is directly or indirectly under the control of the director, his or her spouse or unmarried legal partner, or a relative of his or her (via birth or marriage) in the second degree.

Presently, 4Energy Invest is not aware of any situation or relation that may in the future result in a conflict of interest between 4Energy Invest on the one hand and the related parties on the other hand, other than the services agreements mentioned before.

## 6.7.14 DISCHARGE

The Board of Directors requests the shareholders of the Company to approve the statutory financial statements attached hereto and to grant discharge to the Board of Directors of the Company and to the Statutory Auditor for the exercise of their mandate during this financial year of the Company.

N.V. 4Energy Invest S.A

Paepsem Business Park
Boulevard Paepsemlaan 20
B-1070 BRUSSELS
Belgium

Phone: +32 (0)526 90 10
Fax: +32 (0)2 526 90 19
www.4energyinvest.com
info@4energyinvest.com

4energyinvest

FOR A SUSTAINABLE WORLD