ECOHZ

ECOHZ AS

2009 Annual Report

11 March 2010

Report from the Board of Directors 2009

1. Background and history

ECOHZ AS was founded on 8 October 2002. On foundation the company's name was Enviro Energi ASA, but the company changed its name to ECOHZ ASA in February 2007. The company changed its legal structure to a limited company (an AS) at an extraordinary general meeting on 11 October 2007.

2. The company's business

ECOHZ's business concept is to offer renewable energy with guarantees of origin to businesses and organisations in Norway and the rest of Europe.

Continued use of coal, oil and gas to generate energy is contributing to an increase in both local and global greenhouse gas emissions, and thus to global warming. Energy consumption often represents businesses' largest single contribution to greenhouse gas emissions. Electricity generated from renewable sources such as hydropower, solar power, wind power and biomass can play an important role in reversing this situation.

ECOHZ guarantees that its electricity is generated from renewable energy sources. The company's strategy is underpinned by the establishment and use of professional documentation methods and being acknowledged as "reliable, high-quality, and thorough" by the market and relevant expert bodies.

ECOHZ also guarantees that payments for electricity with guarantees of origin are returned to the producers, thus providing an incentive for the latter to enhance and boost their production of renewable electricity.

The company aims to be Europe's leading company within the sale of renewable energy with guarantees of origin. For ECOHZ, being a leading company means: 1) being the market leader in selected markets, 2) offering end-to-end product ranges and 3) gaining high levels of recognition from customers, NGOs and authorities. In 2009 ECOHZ managed a renewable energy portfolio of more than 33 TWh, which made the company Europe's largest independent supplier.

ECOHZ's portfolio includes renewable electricity generated from more than 140 power plants, based on supplier agreements with 21 power producers, most of whom are based in Norway. The portfolio comprises renewable electricity generated from hydropower, wind power and biomass. ECOHZ can offer renewable electricity from environmentally certified power plants.

The company's distribution strategy is primarily geared to reaching businesses through a reseller network. The company has around 60 resellers in Norway and 11 other countries, 20 of whom joined the network in 2009. In a parallel development, the company has established a clearer profile and ramped up the focus on direct communication with selected target groups.

The decision was taken to wind down carbon footprint analysis (CFA) as a separate business area in 2009. This decision was mainly based on two considerations: firstly, the fact that the market is still immature and extremely price-sensitive, and secondly because the company could not leverage significant synergies with the renewable electricity business area.

3. Framework conditions and market development

The results of the UN Climate Conference in Copenhagen in December 2009 were not as concrete, ambitious or binding as many had hoped. Nonetheless, demand for effective climate solutions is increasing.

In December 2008 the EU adopted a new Directive which established ambitious climate targets for investment in renewable energy in EU member states. The Directive also confirmed that the system for electricity with guarantees of origin would remain in place. In 2009 the EU's member states performed work on plans and projects intended to facilitate achievement of the 2020 targets.

In September 2009 the Norwegian authorities published concrete plans to establish a joint support scheme with Sweden by 2012. The system aims to trigger the production of 12-13 TWh of renewable energy in Norway by 2020.

In 2009 the total volume renewable power produced in Norway amounted to 130 TWh, compared with 122 TWh in a normal year. Of this volume, 110 TWh was certified as electricity with guarantees of origin.

In 2009 ECOHZ confirmed its position as European leader in the sale of renewable electricity with guarantees of origin. The company managed 41% of Norway's total redeemed volume of 80 TWh. ECOHZ exported 24 TWh, which represented 43% of total Norwegian exports.

Around 30 TWh of a total volume of 110 TWh of issued Norwegian certificates were not redeemed in 2009. This reflects the fact that the market is still not balanced, i.e. that supply of products is outstripping demand. As a result of this, market prices fell steadily throughout 2009.

With new supplies of energy with guarantees of origin stagnating, and rising demand from European customers, it is likely that the market will achieve equilibrium during the next few years. A balanced market would be expected to positively impact future prices.

The market for renewable electricity with guarantees of origin is maturing and becoming more differentiated. The market is increasingly demanding special products and qualities. Increasing differentiation is generally found to lead to a balanced market for a number of product and qualities. Customers tend to be willing to pay more when renewable production is linked to small-scale power plants, new power plants, new technology or environmentally certified power plants.

The ability to offer a wide and differentiated product portfolio is therefore important for ECOHZ.

Due to an increase in international trade of both physical power and guarantees of origin in 2009, the Norwegian electricity mix (product declaration) continues to evolve. The Norwegian Water Resources and Energy Directorate (NVE) does not publish the residual mix for Norwegian electricity in 2009 until March/April 2010, but it is estimated that the percentage of renewable energy may fall below 60%, compared with 71% in 2008 and 83% in 2007.

4. Ownership and equity information

There were no changes in the ownership structure in 2009. The company's ownership structure is as follows:

Home Capital AS	50.3%	
TrønderEnergi Kraft AS	11.0%	
Troms Kraft Marked AS	8.33%	
Troms Kraft AS	2.67%	
Eidsiva Vannkraft AS	11.0%	
Ecovekst AS	16.7%	(Home Capital 8% / ECOHZ employees 92%)

5. Income statement and balance sheet

Total sales increased from NOK 42.6 million in 2008 to NOK 60.7 million in 2009. The result for the year improved from a loss of NOK 6.2 million in 2008 to a profit of NOK 5,357,009 in the reporting period.

In 2009 the company recognised deferred tax assets in the balance sheet of NOK 5,155,725. This item is included as a negative tax expense in the income statement.

At the end of the year, total assets amounted to NOK 34.0 million, compared with NOK 27.3 million twelve months previously. As of 31 December 2009 the equity ratio was 28.1%, against 15.3% as of 31 December 2008.

The board is of the opinion that the company satisfies the going concern assumption.

6. Operational risk

84% of ECOHZ's total sales are generated in foreign currency. The company's results are only subject to limited foreign currency risk due to the fact that purchases and sales are made in the same currency, and due to fixed pricing deals with the company's suppliers.

The company's trading activities are based on sales commissions and limited purchases for own inventories, which means that the commercial risk associated with the established processes is small.

The company's development is to a large extent contingent on possessing outstanding expertise on trading, markets and regulatory framework conditions for renewable energy and climate issues. The company did not recruit any new staff in 2009, and primarily focuses on retaining and further developing its existing expertise.

7. Research and development

In 2009 ECOHZ extended and completed the development of a model for calculating greenhouse gas emissions/carbon footprint analyses for businesses. A charge of NOK 2.3 million has been recognised in the financial statements in 2009 in respect of this project.

8. Board and employees etc.

The board comprises a total of six members, one of whom is a woman. Two observers also sit on the board.

The company's Managing Director is Tom Lindberg. At the end of the year the company employed 11 staff, including five women. The company's recruitment and salary policies are gender-neutral, and the company continually strives to promote equality and equal opportunities among its employees. New members of staff are recruited on the basis of individual expertise.

The company employed 11.5 full-time equivalents in 2009.

The company operates its business from leased premises in Oslo.

9. Social responsibility and HSE

ECOHZ takes social responsibility seriously – and believes there to be a clear correlation between the way a company is run and its relationship with society as a whole.

The company has an active environmental policy, which is also of importance for the company's external profile. The company does not pollute the external environment through direct emissions, but does generate indirect greenhouse gas emissions through business travel, energy consumption and waste management.

In 2009 the company performed a series of measures to map, manage and reduce the company's impact on the environment and the climate. During the year the company implemented an environmental management system based on the international standard ISO 14001, and achieved Det Norske Veritas certification in December.

As part of the introduction of the environmental management system, ECOHZ established an environmental policy:

ECOHZ is committed to being a leading company with regard to initiating activities intended to minimise local and global environmental impact.

ECOHZ shall take special responsibility for its own actions, and for communicating the need for – and benefits of – carrying out commercial activities in a sustainable manner.

Sustainability shall have a key influence on all decision-making in the organisation.

Sustainability shall secure ECOHZ a long-term competitive advantage and be a motive for customers' choice of partner.

ECOHZ shall comply with, and where possible, exceed minimum requirements contained in relevant environmental legislation and regulations.

The company has defined targets and action plans covering areas including energy consumption, purchasing and consumption, waste/cleanliness and employees' business travel.

A carbon footprint analysis was completed for 2009. The analysis was based on a life cycle analysis (LCA) and the principles of the Greenhouse Gas Protocol (GHP Protocol).

The carbon footprint analysis reported emissions of 29 tonnes of CO_2-equivalents.

The company also purchases renewable electricity with guarantees of origin and carbon credits to offset its residual emissions of greenhouse gases, and participates in the Norwegian government's Climate Pledge.

The company actively focuses on health, safety and the environment (HSE), where it has defined three target areas: 1) acute illness/first aid, 2) the psychosocial environment and 3) fire safety. Regular HSE meetings are held and agreed activities are followed up.

The sickness absence rate in 2009 was 4.6%, compared with 2.4% in 2008. Of this, 2.6% was related to long-term absence.

10. Future outlook

Problems related to climate change are increasing in scope, and there is a growing recognition that more people need to take responsibility for solving climate problems. To an increasing extent, this is a question of ethical choice, but also an area that impacts individual businesses' competitiveness.

ECOHZ is favourably positioned, and is experiencing a rising demand for renewable energy.

The company is in a rapid growth phase and is well staffed with skilled employees.

11. Allocation of profit for the year

The board proposes to the Annual General Meeting that the profit of NOK 5,357,009 be transferred in the amount of NOK 1,812,204 to uncovered losses and in the amount of NOK 3,544,805 to other equity.

Date, 11 March, 2010

Bente Rathe
Chairman of the Board

Bernhard Kvaal

Kenneth Andersen

John Ravlo

Ove Gusevik

Stig-Morten Løken

Tom Lindberg

Income statement for 2009

ECOHZ AS

	Note	2009	2008
Sales revenues		60 596 779	42 577 532
Other operating revenues		93 755	35 209
Total operating revenues		**60 690 534**	**42 612 741**
Cost of goods sold		(39 430 754)	(34 035 498)
Salaries and payroll costs	2, 5	(13 257 651)	(7 404 836)
Depreciation of property, plant and equipment	3	(224 579)	(111 193)
Other operating expenses	2, 6, 11	(6 046 738)	(8 090 426)
Total operating expenses		**(58 959 722)**	**(49 641 953)**
Operating profit/loss		**1 730 812**	**(7 029 212)**
Other finance income		145 302	1 096 765
Other finance cost		(1 674 830)	(248 504)
Profit/loss on ordinary activities before tax		**201 284**	**(6 180 951)**
Tax expense	8	5 155 725	0
Profit/loss on ordinary activities		**5 357 009**	**(6 180 951)**
Profit/loss for the year		**5 357 009**	**(6 180 951)**
Transfers			
Premium			(4 368 747)
Other equity		3 544 805	
Uncovered losses		1 812 204	(1 812 204)
Total		**5 357 009**	**(6 180 951)**

Balance sheet as of 31 December 2009
ECOHZ AS

	Note	2009	2008
ASSETS			
Non-current assets			
Intangible assets			
WEB – Homepage	3	540 992	0
Deferred tax assets	8	5 155 725	0
Total intangible assets		**5 696 717**	**0**
Property, plant and equipment			
Fixtures and fittings etc.	3	357 247	435 075
Total property, plant and equipment		**357 247**	**435 075**
Non-current financial assets			
Investments in shares and shareholdings		19 756	8 400
Total non-current financial assets		**19 756**	**8 400**
Total non-current assets		**6 073 720**	**443 475**
Current assets			
Inventories	4	**389 760**	**2 207 352**
Receivables			
Trade receivables	11	21 593 473	17 468 572
Other receivables		3 147 474	2 461 601
Total receivables		**24 740 947**	**19 930 173**
Cash and cash equivalents	12	**2 773 788**	**4 743 141**
Total current assets		**27 904 495**	**26 880 666**
Total assets		**33 978 215**	**27 324 141**

Balance sheet as of 31 December 2009
ECOHZ AS

	Note	2009	2008
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital (240,001 shares at NOK 25.00)	10	6 000 025	6 000 025
Total paid-in equity		**6 000 025**	**6 000 025**
Retained earnings			
Other equity		3 544 805	0
Uncovered losses		0	-1 812 204
Total retained equity		**3 544 805**	**-1 812 204**
Total equity	9	**9 544 830**	**4 187 821**
Liabilities			
Provisions for liabilities and charges			
Pension liabilities	5	440 830	444 947
Total provisions for liabilities and charges		**440 830**	**444 947**
Other long-term liabilities			
Subordinated loans	7	3 000 000	3 000 000
Total other long-term liabilities		**3 000 000**	**3 000 000**
Current liabilities			
Trade payables		2 933 816	6 201 470
Public charges payable		788 367	642 459
Liquidity loans	7	2 000 000	
Other current liabilities	13	15 270 372	12 847 444
Total current liabilities		**20 992 555**	**19 691 373**
Total liabilities		**24 433 385**	**23 136 320**
Total equity and liabilities		**33 978 215**	**27 324 141**

OSLO, 11 March 2010
ECOHZ AS

Bente Rathe Chairman of the Board	Ove Gusevik Board member	Stig-Morten Løken Board member
Kenneth Andersen Board member	Bernhard Kvaal Board member	John Ravlo Board member
Tom Lindberg Managing Director		

Note disclosures for 2009

Note 1 Accounting policies

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act, Norwegian accounting standards and recommended good accounting practice for small businesses.

Revenue on the sale of certificates is recognised at the time of delivery. Services are recognised in income in line with performance.

Current assets and current liabilities include items that fall due for payment within one year of the time they are acquired or incurred, and items connected to goods circulation. Current assets are valued at the lower of cost and fair value. Current liabilities are recognised in the balance sheet at their nominal amount at the time they are incurred.

Balance sheet items denominated in foreign currencies are translated using the exchange rate in force at the balance sheet date.

Trade and other receivables are recognised at nominal value less provisions for expected bad debts. Provisions for bad debts are recognised on the basis of an individual assessment of the receivables concerned.

The company purchases some certificates for own inventories. These are valued at the lower of cost and net realisable value as of 31 December.

The tax expense in the income statement comprises taxes payable for the period and changes in deferred tax. Deferred tax is calculated as 28% of the basis of temporary differences that exist between the accounting and tax written-down values, and tax loss carryforwards at the end of the accounting year. Tax-reducing and tax-increasing temporary differences that reverse or could reverse in the same period are offset. Net deferred tax assets are recognised in the balance sheet to the extent that it is probable that these can be utilised. Deferred tax assets have not been recognised in previous years. It is now deemed likely on the balance of probabilities that the assets can be utilised against future earnings, see Note 8.

Pension expenses and liabilities are calculated using the linear earnings method based on expected final salaries using a series of assumptions, including those relating to the discount rate, future salary adjustments, pensions and payments from the Norwegian national insurance scheme, the future return on pension assets and actuarial assumptions on mortality and voluntary departures. Pension assets are valued in the balance sheet at fair value less net pension liabilities. Changes in liabilities attributable to changes in pension plans are allocated over the expected residual vesting period. Changes in liabilities and pension assets attributable to changes and deviations in calculation assumptions are allocated over the expected average residual vesting period, if the deviations since the start of the year exceed 10% of the larger of gross pension liabilities and pension assets.

The accounting policies are discussed in further detail in the associated notes to the individual accounting items.

Note 2 Salaries, number of employees, remuneration, employee loans etc.

Salaries and payroll costs	**2009**	**2008**
Remuneration, holiday pay and board fees	10,358,505	5,753,962
Employer's national insurance contributions	1,693,007	967,261
Pension expenses	1,047,673	538,538
Other benefits	158,466	145,075
Total	**13,257,652**	**7,404,836**
Number of full-time equivalents	11.5	7.8

Salaries and remuneration paid to the Managing Director
The Managing Director received a salary of NOK 1,148,000 and other remuneration of NOK 8,272.

The Managing Director is covered by the company's pension scheme and estimated pension premiums paid on his behalf in 2009 amounted to NOK 71,155.

Remuneration paid to the board
Board fees totalled NOK 742,189.

Auditors
Auditors' fees comprised the following:

Statutory auditing	50,000
Other non-auditing services	5,000
Total auditors' fees	**55,000**

Employee loans
No loans have been extended to and no security has been pledged on behalf of employees, the Managing Director, Board Chairman, board members or other related parties.

The Managing Director has the right to severance pay equal to one year's basic salary should the board deem it necessary to terminate his employment relationship.

All employees have a bonus agreement. Bonuses are calculated based on a percentage of basic salary and are partly linked to the company's operating result and partly to target achievement in line with the company's strategies, action plans and objectives. Based on achieved results and other targets, an amount of NOK 1,703,427 has been provided for bonuses for the 2009 accounting year (including social security costs).

Note 3 Operating assets

Operating assets	Intangible assets	Fixtures and fittings	Total non-current assets
Cost 1 Jan 2009		594,431	594,431
Additions, purchased operating assets	608,540	79,203	687,743
Cost 31 Dec 2009	**608,540**	**673,634**	**1,282,174**
Cumulative depreciation, amortisation and impairments 31 Dec 2009	67,548	316,387	383,935
Book value as of 31 Dec 2009	**540,992**	**357,247**	**898,239**
Depreciation, mortisation and impairments for the year	67,548	157,031	224,579
Useful economic life	3 years	3-5 years	3-5 years
Depreciation/amortisation method	Straight-line	Straight-line	Straight-line

Note 4 Inventories

The company purchases certificates for its own inventories. These are valued at the lower of cost and net realisable value as of 31 December.

These certificates must be redeemed before they mature. The maturity terms can differ by country. There is not deemed to be any obsolescence in the inventories, as the certificates are expected to be sold before they mature.

Note 5 Retirement benefits

The company is obliged to operate an occupational pension scheme in accordance with the Norwegian Act on Mandatory Occupational Pension Schemes. The company's pension schemes satisfy the requirements laid down in this legislation. A total of 11 employees are covered by the pension schemes. The schemes grant the right to defined future benefits. The liabilities are covered through an insurance company.

	2009	**2008**
Present value of accrued pension entitlements for the year	904,821	455,240
Interest expense on pension liabilities	294,163	205,603
Yield on pension assets	-213,955	-146,774
Estimate changes recognised in income statement	17,094	15,012
Administration expenses	44,705	25,127
Employer's national insurance contributions on net pension expenses including administration expense	145,192	76,027
Net pension expense including employer's national insurance contributions	1,192,020	630,235

Accrued pension liabilities	5,365,941	4,084,905
Estimated effect of future salary adjustments		
Estimated pension liabilities	5,365,941	4,084,905
Pension assets (market value)	-4,404,636	- 3,142,373
Estimate deviations not recognised in the income statement	-574,951	-552,570
Employer's national insurance contributions	135,544	54,985
Emp. nat. ins. contr. on estimate deviations not recognised in the income statement	-81,068	
Net pension liabilities incl. employer's national insurance contributions	440,830	444,947

Economic assumptions:	**2009**	**2008**
Discount rate	5.80%	5.40%
Expected salary growth	4.00%	4.50%
Expected adjustment to National Insurance Scheme's Basic Amount (G)/pension adjustment	3.75%	4.25%
Expected yield on pension assets	5.80%	5.70%

Note 6 Leases

The company leases offices. The total lease cost for 2009 amounted to NOK 864,812.

Note 7 Subordinated loans/Liquidity loans

Subordinated loans

The company has a subordinated loan of NOK 3,000,000. The entire loan matures on 1 July 2010. The interest rate on the loan is three months' Nibor+3.0%. No security has been pledged. The loan can be converted into shares. Part or the entire loan can be converted to shares in the period 1 May 2010 to 31 May 2010. Conversion can also be effected separately by each individual lender. The company's board has been authorised to establish a final subscription rate on conversion. However, the subscription rate cannot be lower than NOK 100 per share.

Liquidity loans

The company has entered into a loan agreement with its shareholders under which a total liquidity loan of NOK 4,000,000 can be drawn down in two tranches of NOK 2,000,000 each. The entire loan matures on 31 December 2010. The interest rate on the loan is three months' Nibor+3.0%. No security has been pledged for the loan. To date the company has drawn down one tranche of the loan commitment.

Note 8: Taxes

Taxes are recognised as expenses as they are incurred; i.e. the tax expense is based on the accounting result before tax. The tax expense comprises taxes payable (tax on the year's taxable income) and changes in net deferred tax. The tax expense is allocated to the ordinary result and the result of extraordinary items in accordance with the tax basis.

Tax payable for the year comprises the following:

Profit on ordinary activities before tax	201,284
Permanent differences	-370,755
Change in temporary differences	41,270
Tax payable basis, loss for the year	-128,201
Change in tax loss carryforwards	128,201
Tax payable basis	0
Tax payable 28%	0

Breakdown of deferred tax basis

	2009	**2008**
Differences that cannot be offset		
Non-current assets	-24,998	20,390
Current assets	0	0
Pension liabilities	-440,830	-444,947
Tax loss carryforward	-17,947,474	-17,819,274
Total	-18,413,302	-18,243,831
Deferred tax assets	- 5,155,725	-5,108,273

It is highly likely that the company will be able to realise its deferred tax assets against positive earnings in the coming years. The deferred tax asset has therefore been recognised in the balance sheet as of 31 December 2009 and the effect of estimate changes is included as a negative tax expense in the income statement in the amount of NOK 5,155,725.

Note 9

Equity	Share capital	Premium	Other equity	Uncovered losses	Total
Equity as of 31 Dec 2008	6,000,025	0		-1,812,204	4,187,821
Profit for the year			3,544,805	1,812,204	5,357,009
Equity as of 31 Dec 2009	6,000,025	0	3,544,805	0	9,544,830

Note 10 Share capital and shareholder information

Ownership structure
ECOHZ AS shareholders as of 31 Dec 2009 were as follows:

	Number of shares	Shareholding	Voting rights
Home Capital AS	120,801	50.3%	50.3%
Ecovekst AS	40,000	16.7%	16.7%
Eidsiva Vannkraft AS	26,400	11.0%	11.0%
TrønderEnergi Kraft AS	26,400	11.0%	11.0%
Troms Kraft Marked AS	20,000	8.3%	8.3%
Troms Kraft AS	6,400	2.7%	2.7%
Total number of shares	240,001	100%	100%

The company has one share category and all shares confer equal voting rights. The Managing Director indirectly owns 8,000 shares in the company through his 20% shareholding in Ecovekst.

Note 11 Trade receivables

The company experiences high seasonal sales variations. In 2009 one-third of operating revenues were invoiced after 1 December. The company did not experience any bad debts on its receivables in 2009.

NOTE 12 Restricted funds

Restricted funds comprise tax deductions in the amount of NOK 556,059, rental deposits of NOK 538,974 and bank guarantee deposits pledged for customers of NOK 514,491.

Note 13 Other current liabilities

The cost of goods sold from the company's partners for the fourth quarter is not finally calculated until January the following year. Consequently, a provision of NOK 10,237,512 was recognised for cost of goods sold as of 31 December 2009.