

N-OTC Announcement

Ticker: UBIO

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Umoe Bioenergy ASA Announces Plan to Strengthen Balance Sheet through a Proposed Debt-to-Equity Conversion and Equity Issue

Umoe Bioenergy ASA's (the "Company") Board of Directors has decided to recommend to shareholders to restructure a major portion of its debt by converting such debt into equity in the Company.

The Company has approved a proposal to offer each bondholder of its MUSD 85 secured bond the choice to convert their bond to new shares of the Company equal to 53% of the par value of the bond plus accrued interest, or to allow the Company to redeem their bond early equal to 45% of the amount of the par value of the bond plus accrued interest. In addition, the Company's Board of Directors has recommended to shareholders that they approve the assignment to the Company of certain loan receivables of Umoe Invest AS as in-kind payment for new shares of the Company equal to 53% of the amount of the par value of such loan receivables. Umoe Invest AS has extended debt financing of MNOK 325 to the Company's operating subsidiary in Brazil over the past ten months to meet the operating subsidiary's on-going financial obligations.

As presented in the Company's latest half year report, the Company reported disappointing financial results due, among other events, to construction delays, lower than expected ethanol prices and unfavourable weather conditions with extraordinary amount of rain which have caused continuing disruptions in the operations and consequently lower production volumes. Lower than expected production and sales of ethanol has in turn resulted in operating losses, such that the Company is not expected to generate sufficient cash to meet future financial obligations. The Company believes the liquidity shortfall and the limited capacity to service its current debt are not likely to be relieved in the near term. The Company currently has no assets available to be used as collateral for further indebtedness, and the possibility of attracting additional equity funding might not be possible under the Company's current financial structure.

In acknowledgement of this difficult situation, the Company's Board of Directors as previously announced engaged Arctic Securities ASA ("Arctic") as financial advisor to advise the Company in a possible restructuring of its balance sheet. Arctic has analyzed the Company in depth and has confirmed to the Company's Board of Directors that a restructuring is imperative in order to preserve and protect stakeholder value. The Company's Board of Directors has therefore voted to implement Arctic's recommended debt restructuring (as summarized above) as soon as possible.

Based on Arctic's analysis and discussions with the Company's creditors, the Company has received undertakings from its three largest bondholders agreeing to restructure the Company's debt. The Company has received undertakings from bondholders representing approximately MUSD 74 of a total of MUSD 85 to support the debt restructuring. The Umoe Group, currently holding approximately 86% of the shares of the Company, is also its largest bondholder, holding MUSD 52 of

the MUSD 85 bond. The Company has, in addition, received an undertaking from Umoe Invest AS, which has extended loans to the Company's operating company in Brazil, Destilaria Paranapanema S.A, totalling approximately MNOK 362 including accrued interest, to assign its loan receivables as in-kind payment for new shares in the Company. As a consequence of these debt conversions into equity, the affected creditors will be given control of 90 % of the shares in the Company. Hence, the Company will issue approximately 900 million new shares to accomplish the debt conversion into equity. Warrants held by bondholders will become null and void on conversion of their portion of the converted bond without any further compensation.

In order for the Company to be able to honour its cash settlements for those bondholders electing to redeem their bond early for cash payment, the Company will privately place new shares to Umoe AS. This equity issue will be followed by a subsequent repair issue to the existing minority shareholders, in which they will be invited to subscribe for shares in the Company on a pro-rata basis. Subscription in such repair issue will further increase the number of shares issued.

The Company recognizes that the debt restructuring and repair issue could take several weeks, or longer, to complete. The Company expects that it will require additional funds in the amount of up to MNOK 30 to sustain its on-going operations during the time required to complete these actions. Umoe AS has agreed to extend a loan to the Company of up to MNOK 30. The Company anticipates addressing in detail its near to mid-term funding needs following the completion of the debt restructuring and repair issue.

The proposed debt restructuring and repair issue are subject to approval by bondholders and by the shareholders of the Company. A bondholder meeting to approve the proposed debt restructuring is expected to be called shortly. A shareholder meeting to approve the debt restructuring and the related issues of new shares will be called once a fair value assessment of the proposed debt conversion by an external auditor engaged by the Company has been completed, such meeting expected to take place by the end of October 2009.

The Company's Board of Directors and Ole Kristian Sivertsen have mutually agreed to terminate the contract of Mr. Sivertsen as CEO of the Company. By such terms Mr. Sivertsen has agreed to continue to provide full services in his current position until the end of the year. The Board of Directors is in the process of recruiting a new CEO and expect to complete this during the first quarter of 2010.

Furthermore, The Company's Board of Directors has also decided to close the company's current headquarters in Sao Paulo and concentrate the new headquarter, including administration and all support functions within its existing office in Presidente Prudente.

For further information, please contact:

Mr. Tom Ruud

Chairman of the Board of Directors of Umoe BioEnergy ASA

Phone: +47 99 33 16 17

Umoe BioEnergy ASA

Oslo, Norway office
Fornebuveien 84
N-1324 Lysaker

Postal adress:
PO Box 60
N.1324 Lysaker

São Paulo, Brazil office
Rua das Olimpíadas, 242 – 6th. floor
Vila Olímpia – São Paulo / SP
ZIP 04551-000

About Umoe BioEnergy

Umoe BioEnergy ASA aims to be a producer of low cost, sustainable bioethanol from sugar cane with land and integrated agroindustrial operations in Paranapanema region of the State of Sao Paulo, Brazil. The production environment is unique, with vast available land areas, rich natural resources and a well established industry. Umoe BioEnergy has 33,000 ha of arable land reserves, state-of-the art, highly mechanized agricultural operations, and two industrial production sites with a capacity to produce 250,000 m3 of hydrous ethanol per year. The company employs more than 2,000 people and has a management with agroindustrial competence and strong focus on environmental and social responsibility. Umoe BioEnergy's strategy is to become a leading production company for ethanol and clean electricity, and to build a strong position towards major domestic and international buyers, supported by long term and active owners.

The logo for Umoe BioEnergy, featuring the company name in a teal, sans-serif font. The word 'umoe' is in lowercase, followed by a vertical bar, and 'bioenergy' is in lowercase. A registered trademark symbol (®) is located at the end of the word 'bioenergy'.