

## **Solør Bioenergy Group – Interim report for the third quarter of 2016**

January – September 2016

Solør Bioenergi Holding AB (publ), Corp. Reg. No. 556907-9535

Stockholm, October 28, 2016

## Solør Bioenergi Group highlights

### The third quarter 2016

- The third quarter of 2016 was characterized by substantially warmer weather in comparison to the same period during the previous year.
- Despite the warmer weather, net sales increased by 2 percent compared with last year and amounted to SEK 122 M (120).
- EBITDA amounted to SEK 7 M (-14), mainly due to operational improvements such as lower raw material costs.
- Loss after tax amounted to SEK -100 M (-6). The difference compared with last year is mainly related to non-cash effective net foreign currency exchange losses during the third quarter 2016 and recognition of deferred tax assets on tax losses carryforward during the same period last year.
- By the end of the third quarter, the Group has initiated the evaluation of different refinancing opportunities. The Group plans to enter into a mandate agreement with a corporate house during the fourth quarter.

### The first nine months of 2016

- Net sales increased by 3 percent compared with last year and amounted to SEK 630 M (613).
- EBITDA increased by 19 percent and amounted to SEK 113 M (95). The increase is mainly due to operational improvements such as lower raw material costs, increased energy prices and other cost saving initiatives.
- The Group continues with its operating cost reduction program. This has already decreased operating expenses and will lead to lower operating expense levels going forward.
- Loss after tax amounted to SEK -175 M (-53). The difference compared with last year is mainly related to non-cash effective net foreign currency exchange losses during the SEK -71 M (28). Moreover, previous year was also positively affected by the recognition of deferred tax assets on previous year's tax losses carryforward with SEK 74 M.

### Key figures

SEK million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Last 12 months
Net sales	122	120	630	613	880	897
Other operating income	10	5	15	11	160	164
Total operating revenue	132	125	645	624	1,040	1,061
Raw materials and cost of goods sold	-43	-55	-254	-246	-357	-365
Contribution	89	70	391	378	683	696
Operating expenses	-82	-84	-278	-283	-375	-370
EBITDA	7	-14	113	95	308	326

Unless otherwise specified, all figures in this interim report are presented in SEK million (M). The subtotals and totals in some of the tables and explanations may not equal the sum of the amounts shown due to rounding.

Solør Bioenergi Group provides essential energy services primarily in Sweden. The Group produces wood-based bioenergy for the public and private sector including private households, municipalities, industrial customers and local/regional governments. As a leading bioenergy company, the Group is operating in the entire value chain from procurement, production and distribution to sale of energy in form of district heating, industrial steam, electricity and various biomass products. The parent company Solør Bioenergi Holding AB (publ) has listed bonds on Oslo Stock Exchange. The head office is located in Stockholm, Sweden. Read more about Solør Bioenergi Group at [www.solorbioenergi.com](http://www.solorbioenergi.com).

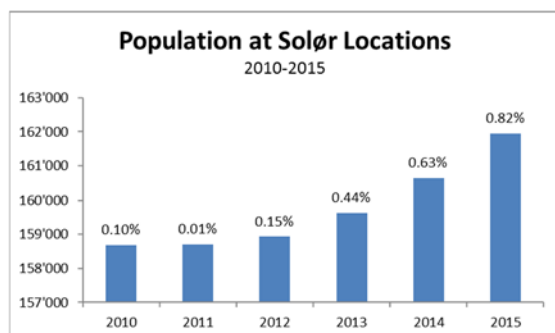
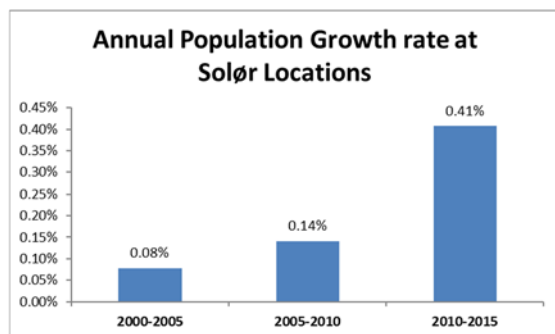
## Macro perspective and effects of the ambient temperature

### Demographics

Demography is an important factor for the energy markets in general. Energy demand and utilization is influenced by the long term population growth rates of an entire country as well as specific municipalities.

Therefore, the Group monitors the long term demographic development of the municipalities where it is operating.

The graphs below show population growth rates at the Group’s locations:



Source: SCB – Statistics Sweden

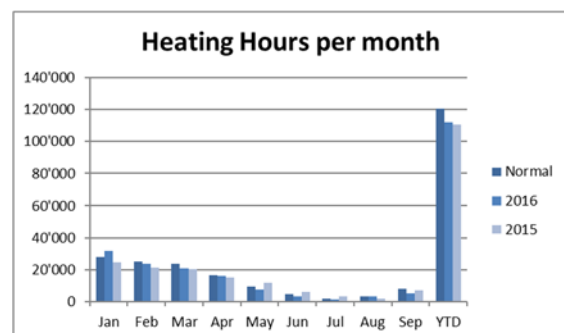
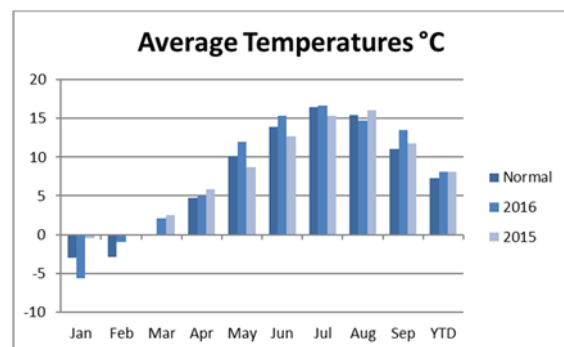
### Effects of the ambient temperature

Ambient temperatures influence the district heating energy demand. Deviations from the “Normal curve” are normally in the range of 4-7%.

Energy plants are dimensioned to absorb these fluctuations e.g. through flexible thermal energy production systems. Base load would normally supply 90-95% of energy demands over a year.

However, in particularly cold winter periods, the peak load could drive raw material costs higher if the energy plants produce more from the backup systems. This can be mitigated through plant dimensioning and operational skills.

The actual number of heating hours at Solør Bioenergy’s locations illustrate the seasonal variations – the exhibits below show the aggregated number of heating hours and the average temperatures for the Group’s plants:



Source: SMHI – Swedish Meteorological and Hydrological Institute

## The financial markets and effects on the district heating industry

### Sector Pricing

In recent years, there is a strong increase in awareness and interest in District Heating assets, especially in Sweden, which is by far the largest and most well-established Nordic market. This, combined with the fact that an enormous amount of global capital is being allocated to the infrastructure asset class leads to increasing asset prices in the District Heating industry.

Moreover, District Heating is getting increasing recognition for its stable and resilient business model that generates predictable cash flows.

During 2015 and 2016, the market for District Heating assets shows a constant increase in transaction values. Several transactions were closed at EBITDA multiples north of 15 x EBITDA.

This shows the increased interest of the market in District Heating assets, considering multiples of 9-10 x EBITDA a few years ago.

A specific example for these lower multiples are the two acquisitions done by the Group in 2014. When the Group acquired Rindi Energi AB and the E.ON portfolio, multiples were in the range of 9-10 x EBITDA. This multiples expansion shows as well the increased value of the assets acquired by the Group, on top of the EBITDA improvements post acquisition.

### Debt Financing

The increased interest in District Heating assets has consequently an impact on debt financing opportunities for the market players. Since asset prices are steadily increasing, the financing ratios are increasing with them. Moreover, the multiple expansion goes hand-in-hand with a yield compression in the market that is advantageous for District Heating market players.

This trend, plus the increased recognition of the predictable cash flows, enables District Heating companies to be classified as investment grade in their financing, which enables more favourable borrowing cost for this long-term asset class.

## Developments in the third quarter of 2016

### Group

The third quarter of 2016 was characterized by substantially warmer weather in comparison to the same period of the previous year.

Despite the warmer weather net sales increased by 2 percent and amounted to SEK 122 M (120).

Consolidated gross contribution increased by 27 percent to SEK 89 M (70), mainly as a consequence of higher margins due to operational improvements leading to lower raw material costs.

Earnings Before Interest, Tax, Depreciations and Amortizations (EBITDA) amounted to SEK 7 M (-14). The increase in EBITDA is mainly attributable to the higher gross contribution.

Earnings Before Interest and Tax (EBIT) amounted to SEK -33 M (-56).

### Segments

#### District heating

Net sales increased by 1 percent compared with the corresponding period last year, amounting to SEK 91 M (90).

Total energy deliveries amounted to 120 GWh (117).

Despite substantially warmer weather, gross contribution amounted to SEK 62 M (57) and gross margin improved to 67 percent (63).

EBITDA amounted to SEK 3 M (13). The decrease is mainly related to charges of overhead expenses amounting to SEK 11 M. Adjusted for the overhead expenses, EBITDA for the segment amounted to SEK 14 M (13).

### Biomass

Net sales increased compared with last year, amounting to SEK 36 M (33). Gross contribution amounted to SEK 19 M (7) as a consequence of higher margins and changes in the product mix.

The environmental terminals show a positive development regarding both volumes received and gate-fee. The pellets and briquettes business has stabilized on moderate volumes and prices per ton.

EBITDA amounted to SEK -7 M (-9). EBITDA was charged with overhead expenses of SEK 5 M. Adjusted for this, EBITDA for the segment amounted to SEK -2 M (-9).

### **Financial net and tax**

Consolidated financial net for the third quarter amounted to SEK -69 M (-28), whereof net foreign currency exchange gains/losses related to the NOK denominated bond amounted to SEK -37 M (28). Adjusted for the above, consolidated financial net for the third quarter amounted to SEK -32 M (-56). The improvement of SEK 24 M compared to the corresponding period last year is mainly due to the waiver fees paid in the third quarter of 2015 as a result of the renegotiated bond terms.

Tax income/expense for the quarter amounted to SEK 2 M (78). Last year's tax income was impacted positively by recognition of deferred tax related to previous year's tax losses carry forward.

**Cash flow**

Cash flow from operating activities improved and amounted to SEK -25 M (-66). The improvement of the operating cash flow is mainly a result of higher margins due to operational improvements. Moreover, operating cash flow during the corresponding period last year was affected by the payment of waiver fees.

Cash flow from investing activities was SEK -28 M (-13). The difference is mainly related to the expansion projects in Charlottenberg and Strömsnäsbruk.

In Charlottenberg a new 4 MW bio-boiler was installed, thus increasing the installed capacity with 66 percent. The increased capacity is utilized for 5 GWh of increased energy deliveries, an increase of 33 percent, and to reduce oil firing for peak loads.

In Strömsnäsbruk a new plant on a new site with a 4 MW bio-boiler is under construction, replacing an older temporary installation and doubling the capacity. Energy deliveries are expected to increase with approximately 50%.

Cash flow from financing activities was SEK 35 M (71). Last year's cash flow from financing activities was impacted positively mainly by new equity raised.

## Developments in the first nine months of 2016

### Group

Net sales increased by 3 percent compared with last year and amounted to SEK 630 M (613). The increase is mainly attributable to higher energy deliveries.

Consolidated gross contribution increased to SEK 391 M (378). The increase is mainly as a consequence of higher margins due to operational improvements leading to lower raw material costs. Gross margin amounted to 61 percent (61).

EBITDA increased by 19 percent and amounted to SEK 113 M (95). The increase is related to operational improvements and cost savings.

EBIT amounted to SEK -9 M (-36).

### Segments

#### District heating

Net sales increased by 4 percent compared with last year, amounting to SEK 503 M (482).

Total deliveries amounted to 757 GWh (748), an increase by 1 percent compared with the same period last year.

Gross contribution increased to SEK 324 M (298) and gross margin improved to 64 percent (61).

EBITDA amounted to SEK 135 M (154) and was charged with overhead expenses amounting to SEK 30 M. Adjusted for the above, EBITDA for the segment amounted to SEK 165 M (154).

#### Biomass

Net sales increased by 4 percent compared with last year, amounting to SEK 150 M (144).

Gross contribution amounted to SEK 59 M (74). The decrease is mainly due to lower margins and changes in the product mix.

The environmental terminals show a positive development regarding both volumes received and gate-fee. The pellets and briquettes business has stabilized on moderate volumes and prices per ton.

EBITDA amounted to SEK -20 M (-17). EBITDA was charged with overhead expenses amounting to SEK 13 M. Adjusted for this, EBITDA for the segment amounted to SEK -7 M (-17).

### Financial net and tax

Consolidated financial net for the first nine months of 2016 amounted to SEK -172 M (-96), whereof net foreign currency exchange gains/losses related to the NOK denominated bond amounted to SEK -71 M (28). Adjusted for the above, consolidated financial net for the period amounted to SEK -101 M (-124). The difference of SEK 23 M is mainly related to waiver fees paid in the third quarter of 2015.

Tax income for the first nine months amounted to SEK 6 M (79). Last year's tax income was impacted positively by recognition of deferred tax related to previous year's tax losses carry forward.

### Cash flow

Cash flow from operating activities was SEK 36 M (30).

Cash flow from investing activities was SEK -46 M (-57).

Cash flow from financing activities was SEK -4 M (-3).

## Financial position and liquidity

At the end of the period, consolidated cash and cash equivalents were SEK 14 M (19). At the end of the period, consolidated interest-bearing debt amounted to SEK 2,613 M (2,562). The increase in interest-bearing debt is mainly attributable to unrealized foreign currency exchange effects of the NOK denominated bond and the accretion of establishment costs according to the effective interest method for the bond loans. Adjusted for this, the interest-bearing debt has decreased with approximately SEK 60 M due to debt repayment.

Consolidated equity at the end of the period amounted to SEK 844 M (731).

After having reached all necessary waiver agreements with the bondholders during the summer 2015, the bond loans were reclassified to long-term debt in accordance with their respective terms and in accordance with IAS 1.74 during the fourth quarter of 2015.

### Covenants

Solör Bioenergi Holding AB has financial covenants related to the bond loans. For more information please refer to the 2015 Annual Report. At the end of the period, the Group complies with the financial covenants as described below:

Covenant	Q3 2016	Limit
Equity ratio:	22.9%	22.5%
Current ratio:	1.86x	1.50x
Interest coverage ratio:	2.69x	2.25x

For calculation of the covenants, adjustments in accordance with the terms and conditions of both bond agreements have been made.

The Group is well ahead of schedule related to covenant levels compared to the original plan from the waiver process. Stepwise during the 2016 there has been a reduction with 120 penalty basis points. A penalty of 20 basis points will still be valid going forward until the Group has reached an equity ratio of 27.5 percent.

The Group successfully listed the SEK bonds at Oslo Stock Exchange with first trading day on May 6, 2016, in line with the requirements under the terms and conditions of both bond agreements.

By the end of September, the Group has initiated the evaluation of different refinancing opportunities. The Group plans to enter into a mandate agreement with a corporate house during the fourth quarter.

### Parent Company

Net sales for the Parent Company, Solör Bioenergi Holding AB (publ), amounted to SEK 43 M (0), and consisted of internal services to Group companies.

EBIT amounted to SEK -14 M (-27). The change compared to previous year is that the Parent Company allocates all Group overhead cost, which are then distributed to the group companies.

Net financial items were SEK -155 M (-29). The change is due to the Group's internal reorganization during the third quarter 2015 and the acquisition of shares in subsidiaries from Solør Bioenergi Holding AS, resulting in higher interest expenses and foreign currency exchange losses related to the NOK denominated bond.

Profit/loss before and after tax amounted to SEK -169 M (-56).

At the end of the period, the Parent Company's cash and bank balances were SEK 0 M (0).



**Related party transactions**

No transactions have taken place between Solør Bioenergy Group and related parties that have had a material impact on the Group's position and results in 2016.

**Risk factors**

The Parent Company and the Group are exposed to risk factors inherent to the industry and specific to the company that could affect operational and financial performance and the ability to meet corporate objectives. The bioenergy business is reliant on weather conditions and earnings are sensitive to warmer/colder weather conditions compared to normal levels.

The 2015 Annual Report provides more information on risks and uncertainties. Those risks and uncertainties have been reviewed prior to the issuance of this interim report. There were no significant changes from the

risks and uncertainties described in the 2015 Annual Report.

**Outlook**

The Group maintains a strong and diversified customer base well balanced between public and private sector. Energy deliveries are expected to remain stable on a high level. Energy efficiency measures among the Group's customers are expected to be mitigated by organic growth of the customer base. The Group aims to achieve competitive prices for the essential service provided, combined with reliable energy deliveries. Moreover the Group is streamlining its sourcing processes to optimize raw material supply.

**Subsequent events**

No subsequent events with material impact on the Group's results and financial position have occurred.

### Condensed consolidated statement of profit or loss

SEK million	Note	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Last 12 months
Net sales	2	122	120	630	613	880	897
Other operating income	3	10	5	15	11	160	164
<b>Total operating revenue</b>		<b>132</b>	<b>125</b>	<b>645</b>	<b>624</b>	<b>1,040</b>	<b>1,061</b>
Raw materials and cost of goods sold		-43	-55	-254	-246	-357	-365
Personnel expenses		-26	-29	-91	-93	-123	-121
Depreciation, amortisation and impairment	2	-40	-42	-122	-131	-179	-170
Other operating expenses		-56	-55	-187	-190	-252	-249
<b>Total operating expenses</b>		<b>-165</b>	<b>-181</b>	<b>-654</b>	<b>-660</b>	<b>-911</b>	<b>-905</b>
<b>Operating profit/loss (EBIT)</b>	2	<b>-33</b>	<b>-56</b>	<b>-9</b>	<b>-36</b>	<b>129</b>	<b>156</b>
Net financial items		-69	-28	-172	-96	-152	-228
<b>Profit/loss before tax</b>		<b>-102</b>	<b>-84</b>	<b>-181</b>	<b>-132</b>	<b>-23</b>	<b>-72</b>
Income tax		2	78	6	79	63	-10
<b>Profit/loss for the period</b>	2	<b>-100</b>	<b>-6</b>	<b>-175</b>	<b>-53</b>	<b>40</b>	<b>-82</b>
<u>Attributable to:</u>							
Shareholders of the Parent Company		-100	-5	-181	-55	36	-90
Non-controlling interests		0	-1	6	2	4	8
		<b>-100</b>	<b>-6</b>	<b>-175</b>	<b>-53</b>	<b>40</b>	<b>-82</b>

### Condensed consolidated statement of comprehensive income

SEK million	Note	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Last 12 months
<b>Profit/loss for the period</b>		<b>-100</b>	<b>-6</b>	<b>-175</b>	<b>-53</b>	<b>40</b>	<b>-82</b>
<b>Other comprehensive income:</b>							
<i>Items that may be reclassified to profit or loss in subsequent periods</i>							
Exchange differences on translation of foreign operations		28	-32	50	-30	0	80
<b>Total other comprehensive income</b>		<b>28</b>	<b>-32</b>	<b>50</b>	<b>-30</b>	<b>0</b>	<b>80</b>
<b>Total comprehensive income for the period</b>		<b>-72</b>	<b>-38</b>	<b>-125</b>	<b>-83</b>	<b>40</b>	<b>-2</b>
<u>Attributable to:</u>							
Shareholders of the Parent Company		-72	-37	-131	-85	36	-10
Non-controlling interests		0	-1	6	2	4	8
		<b>-72</b>	<b>-38</b>	<b>-125</b>	<b>-83</b>	<b>40</b>	<b>-2</b>

## Condensed consolidated statement of financial position

SEK million	Note	30 Sep 2016	30 Sep 2015	31 Dec 2015
Goodwill and intangible assets		133	146	141
Property, plant and equipment		3,108	3,191	3,152
Financial assets		9	128	96
Deferred tax assets		0	4	0
<b>Total non-current assets</b>		<b>3,250</b>	<b>3,469</b>	<b>3,389</b>
Inventories		101	109	111
Interest bearing receivables		315	175	184
Operating receivables		118	123	203
Derivatives		65	0	57
Cash and cash equivalents		14	19	28
<b>Total current assets</b>		<b>613</b>	<b>426</b>	<b>583</b>
<b>Total assets</b>		<b>3,863</b>	<b>3,895</b>	<b>3,972</b>
Equity attributable to the shareholders of the Parent Company		810	702	942
Non-controlling interests		34	29	31
<b>Equity</b>		<b>844</b>	<b>731</b>	<b>973</b>
Interest bearing debt		2,388	805	2,320
Deferred tax liabilities		236	396	242
<b>Total non-current liabilities</b>		<b>2,624</b>	<b>1,201</b>	<b>2,562</b>
Interest bearing debt		225	1,757	209
Operating liabilities		170	206	228
<b>Total current liabilities</b>		<b>395</b>	<b>1,963</b>	<b>437</b>
<b>Total equity and liabilities</b>		<b>3,863</b>	<b>3,895</b>	<b>3,972</b>

### Condensed consolidated statement of cash flows

SEK million	Note	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Last 12 months
Profit/loss before tax		-102	-84	-181	-132	-23	-72
Adjustment for non-cash items		63	-15	179	78	4	105
Change in working capital		14	33	38	84	60	14
<b>Cash flow from operating activities</b>		<b>-25</b>	<b>-66</b>	<b>36</b>	<b>30</b>	<b>40</b>	<b>46</b>
Investments		-28	-13	-46	-57	-51	-40
<b>Cash flow from investing activities</b>		<b>-28</b>	<b>-13</b>	<b>-46</b>	<b>-57</b>	<b>-51</b>	<b>-40</b>
Share issue/equity increase, net of costs		0	51	0	51	170	119
Net repayment of interest bearing debt		35	20	-4	-54	-180	-130
<b>Cash flow from financing activities</b>		<b>35</b>	<b>71</b>	<b>-4</b>	<b>-3</b>	<b>-10</b>	<b>-11</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>-18</b>	<b>-8</b>	<b>-14</b>	<b>-30</b>	<b>-21</b>	<b>-5</b>
Cash and cash equivalents at beginning of period		32	27	28	49	49	19
<b>Cash and cash equivalents at end of period</b>		<b>14</b>	<b>19</b>	<b>14</b>	<b>19</b>	<b>28</b>	<b>14</b>

### Condensed consolidated statement of changes in equity

SEK million	Equity attributable to the shareholders of the Parent Company	Equity attributable to non-controlling interests	Total equity
<b>At beginning of period, January 1, 2016</b>	<b>942</b>	<b>31</b>	<b>973</b>
Comprehensive income for the period	-131	6	-125
Dividends	0	-3	-3
<b>At end of period, September 30, 2016</b>	<b>810</b>	<b>34</b>	<b>844</b>

SEK million	Equity attributable to the shareholders of the Parent Company	Equity attributable to non-controlling interests	Total equity
<b>At beginning of period, January 1, 2015</b>	<b>736</b>	<b>31</b>	<b>767</b>
Comprehensive income for the period	-85	2	-83
Dividends	0	-4	-4
New share issue/equity increase net after transaction costs	50	0	50
<b>At end of period, September 30, 2015</b>	<b>702</b>	<b>29</b>	<b>731</b>

## Note 1 Accounting principles

This interim report has been prepared in accordance with IAS 34. We refer to the 2015 Annual Report for details of the Group's and the Parent Company's accounting principles and definitions of certain terms. The principles applied are unchanged in relation to those applied in the 2015 Annual Report.

## Note 2 Operating segments

Segment information is presented in accordance with the internal reporting made to the chief operating decision maker which has been defined as the Group Management. Group Management monitors the operating segments results and uses this information make decisions on resource allocation. The segments measure of profit or loss is measured in the same manner as in the consolidated financial statements.

The Group has two operating segments, reflecting the organization and the business model.

### District Heating

The Energy Plants mainly produce thermal heat energy for district heating and industrial steam for customers in the public and private sector. The Energy Plants are located in Sweden, Norway and Poland.

In other regards, the new standards and interpretations that have entered into force effective from the 2016 financial year have had no effect on the financial reporting.

### Biomass

The Group has three Environmental Terminals receiving impregnated and treated wood, as well as production of biomass for sale to own Energy Plants and external energy customers. In this operating segment are also included the Group's two pellets plants and one briquettes plant.

### Overhead expenses in segments

In comparison to the corresponding period last year, the operating segments have been charged with overhead expenses. During the first nine months of 2016, segment District Heating has been charged with SEK 30 M, whereof SEK 11 M during the third quarter, while segment Biomass has been charged with SEK 13 M, whereof SEK 5 M during the third quarter.

### Net sales per segment

SEK million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Last 12 months
<b>District heating</b>						
External	88	89	490	476	687	701
Internal	3	1	13	6	17	24
	<b>91</b>	<b>90</b>	<b>503</b>	<b>482</b>	<b>704</b>	<b>725</b>
<b>Biomass</b>						
External	34	31	140	137	193	196
Internal	2	2	10	7	18	21
	<b>36</b>	<b>33</b>	<b>150</b>	<b>144</b>	<b>211</b>	<b>217</b>
<b>Other/elimination</b>	<b>-5</b>	<b>-3</b>	<b>-23</b>	<b>-13</b>	<b>-35</b>	<b>-45</b>
<b>Total net sales</b>	<b>122</b>	<b>120</b>	<b>630</b>	<b>613</b>	<b>880</b>	<b>897</b>

### Gross contribution per segment

SEK million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Last 12 months
<b>District heating</b>						
Total operating revenue	93	91	508	485	708	731
Raw materials	-31	-34	-184	-187	-268	-265
<b>Gross contribution</b>	<b>62</b>	<b>57</b>	<b>324</b>	<b>298</b>	<b>440</b>	<b>466</b>
<i>Gross margin (%)</i>	<i>67%</i>	<i>63%</i>	<i>64%</i>	<i>61%</i>	<i>62%</i>	<i>64%</i>
<b>Biomass</b>						
Total operating revenue	36	33	152	148	216	220
Cost of goods sold	-17	-26	-93	-74	-123	-142
<b>Gross contribution</b>	<b>19</b>	<b>7</b>	<b>59</b>	<b>74</b>	<b>93</b>	<b>78</b>
<i>Gross margin (%)</i>	<i>53%</i>	<i>21%</i>	<i>39%</i>	<i>50%</i>	<i>43%</i>	<i>35%</i>

### EBITDA per segment

SEK million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Last 12 months
District heating	3	13	135	154	199	180
Biomass	-7	-9	-20	-17	-7	-10
Other/elimination	11	-18	-2	-42	116	156
<b>Total EBITDA</b>	<b>7</b>	<b>-14</b>	<b>113</b>	<b>95</b>	<b>308</b>	<b>326</b>

### Depreciations, amortisations and impairment per segment

SEK million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Last 12 months
District heating	-27	-30	-81	-92	-119	-108
Biomass	-12	-11	-36	-36	-51	-51
Other/elimination	-1	-1	-5	-3	-9	-11
<b>Total</b>	<b>-40</b>	<b>-42</b>	<b>-122</b>	<b>-131</b>	<b>-179</b>	<b>-170</b>

### EBIT per segment

SEK million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Last 12 months
District heating	-24	-17	54	62	80	72
Biomass	-19	-20	-56	-53	-58	-61
Other/elimination	10	-19	-7	-45	107	145
<b>Total EBIT</b>	<b>-33</b>	<b>-56</b>	<b>-9</b>	<b>-36</b>	<b>129</b>	<b>156</b>

### Reconciliation of segment reporting to profit/loss for the period

SEK million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Last 12 months
EBIT	-33	-56	-9	-36	129	156
Net financial items	-69	-28	-172	-96	-152	-228
Income tax	2	78	6	79	63	-10
<b>Profit/loss for the period</b>	<b>-100</b>	<b>-6</b>	<b>-175</b>	<b>-53</b>	<b>40</b>	<b>-82</b>

## Note 3 Other operating income

Other operating income consists of the following items:

SEK million	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Last 12 months
Gain on disposal SBH Acquisition 3 AB	0	0	0	0	93	93
Unrealized gain financial derivative	8	0	8	0	57	65
Other	2	5	7	10	10	7
<b>Total other operating income</b>	<b>10</b>	<b>5</b>	<b>15</b>	<b>11</b>	<b>160</b>	<b>164</b>

## Note 4 Fair value of financial instruments

In all material aspects, fair value coincides with the carrying amount in the statement of financial position for financial assets and liabilities, except for the bond loans whose fair value at end of period amounts to SEK 1,098 M (1,431), compared to the carrying amount of SEK 1,613 M (1,552). The assessment of the fair value of the financial assets and liabilities has been carried out in accordance with hierarchy level 2 as defined by IFRS 13, with the exception of the bond loans which are valued in accordance with hierarchy level 1, and the put & call financial derivative instrument related to the agreement with Nordic Bioenergy Infrastructure AS (NBI) which is valued in accordance with hierarchy level 3.

The fair value of the put & call financial derivative instrument amounts to SEK 65 M (0). The fair value has been assessed by creating a valuation model based on the Black-Sholes option pricing framework. The model is based on the parameters given in the agreements between the Group and NBI, input from a cash flow model, an assumed risk free rate and assumptions regarding property value and underlying volatility.

The risk free rate used is 1.5 percent and has been assessed based on swaps and governmental bonds in NOK with the same maturity as the remaining option length. An

adjustment of the risk free rate with +/- 0.5 percent will impact the value with +/- SEK 10 M.

The valuation is based on an underlying property value of NOK 875 M. An increase of the underlying property value with +/- NOK 25 M will impact the option value with approximately +/- SEK 20 M.

For assessing a reasonable volatility for the underlying shares the historic rolling volatility of comparable listed securities has been analysed. Based on this analysis an annual volatility of 25 percent is considered reasonable, which is an adjustment compared to previous periods where an annual volatility of 20 percent was used. The volatility adjustment is based on peer group analysis over the last year. As a result of the changed volatility assumption, the option value increased with approximately SEK 6 M.

The put & call financial derivative instrument is denominated in NOK which also results in foreign currency exchange effects in the fair value of the derivative financial instrument.

The fair value for the put & call financial derivative instrument, determined by using valuation technique and accounted for at fair value in the statement of financial position, is reconciled in the table below:



**Fair value hierarchy level 3 reconciliation**

SEK million	Jan-Sep 2016
<b>At beginning of period, January 1, 2016</b>	<b>57</b>
Gains/losses in consolidated statement of profit or loss:	
change in volatility assumptions	6
effect of timing differences	-5
foreign currency effects	6
<b>At end of period, September 30, 2016</b>	<b>65</b>

**Note 5 Shareholders**

	Number of shares	Ownership in percent
BE Bio Energy Group AG	21,160,000	62.76%
Highview Finance Holding Company Limited	7,798,630	23.13%
YRC Worldwide, Inc. Master Pension Plans Trust	2,293,065	6.80%
Sunrise BE I, LLC	1,537,067	4.56%
ArvinMeritor, Inc. Retirement Plan	811,465	2.41%
Daniel Jilkén	117,207	0.34%
	<b>33,717,434</b>	<b>100.00%</b>

## Additional information - financial statements of the Parent Company

### Condensed parent company income statement

SEK million	Note	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Net sales		16	0	43	0	65
Other operating income		0	0	0	0	0
<b>Total operating revenue</b>		<b>16</b>	<b>0</b>	<b>43</b>	<b>0</b>	<b>65</b>
Other external expenses		-14	-6	-49	-22	-47
Personnel expenses		-2	-2	-7	-5	-7
Depreciation		-1	0	-1	0	-5
<b>Total operating expenses</b>		<b>-17</b>	<b>0</b>	<b>-57</b>	<b>0</b>	<b>-59</b>
<b>Operating profit/loss (EBIT)</b>		<b>-1</b>	<b>-8</b>	<b>-14</b>	<b>-27</b>	<b>6</b>
Net financial items		-67	-29	-155	-29	-153
Group contribution		0	0	0	0	-25
<b>Profit/loss before tax</b>		<b>-68</b>	<b>-37</b>	<b>-169</b>	<b>-56</b>	<b>-172</b>
Income tax		0	0	0	0	0
<b>Profit/loss for the period</b>		<b>-68</b>	<b>-37</b>	<b>-169</b>	<b>-56</b>	<b>-172</b>

### Condensed parent company balance sheet

SEK million	Note	30 Sep 2016	30 Sep 2015	31 Dec 2015
Intangible assets		7	7	0
Property, plant and equipment		0	0	0
Financial assets		3,416	3,500	3,378
<b>Total non-current assets</b>		<b>3,423</b>	<b>3,507</b>	<b>3,378</b>
Receivables		453	66	607
Cash and bank balances		0	0	0
<b>Total current assets</b>		<b>453</b>	<b>66</b>	<b>607</b>
<b>Total assets</b>		<b>3,876</b>	<b>3,573</b>	<b>3,985</b>
<b>Equity</b>		<b>1,698</b>	<b>1,864</b>	<b>1,867</b>
<b>Non-current liabilities</b>		<b>1,613</b>	<b>73</b>	<b>1,532</b>
<b>Current liabilities</b>		<b>565</b>	<b>1,636</b>	<b>586</b>
<b>Total equity and liabilities</b>		<b>3,876</b>	<b>3,573</b>	<b>3,985</b>

**This report has not been subject for review by the Company's auditors.**

Questions concerning this report may be directed to:

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