



*solør*bioenergi

Solør Bioenergy Group Company Presentation

November 2016

Company highlights



1

A leading regional market player in the bioenergy market

2

Diversified customer portfolio – majority public sector

3

Strong equity partners

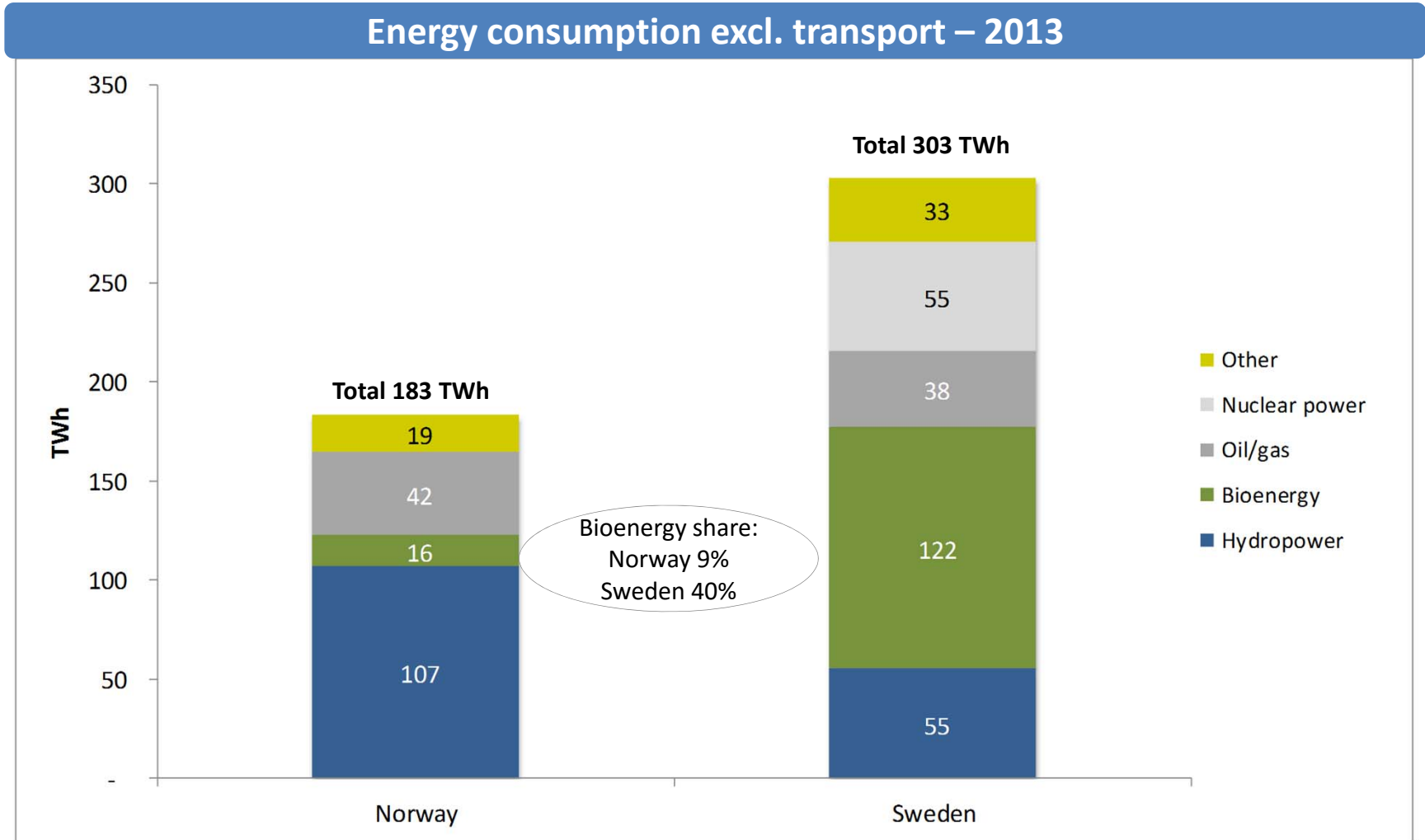
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Stable bioenergy and district heating market

5

Major M&A growth opportunity

Bioenergy – Sweden’s largest energy source



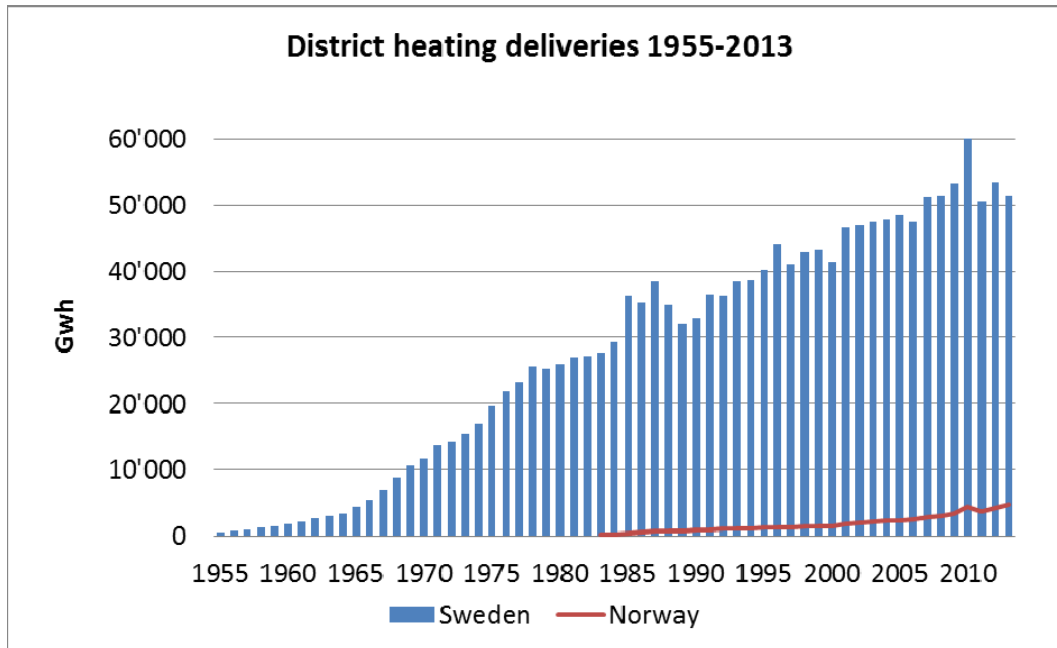
Source: SSB and Energimyndighetene/Svebio.

District heating Sweden

Developed to be an essential energy service



- **1948-70:** Municipal energy plants established district heating in order to utilize excess heat from production of electricity
- **1965-74:** "Millionprogrammet" was implemented: a political programme with the aim of constructing 1 million new apartments with water based heating systems
- **1980s:** National programme for decreasing Swedish oil dependency: increased energy taxes on oil
- **1990s:** National programme for lowering CO₂ emissions: introduction of the CO₂ tax



Source: Sven Werner (FVB Sverige AB/Enovas Varmekonferanse 2007); Svensk Fjärrvärme, SSB

Swedish district heating market



Size

- The Swedish district heating market exceeds 50 TWh
- Total revenues SEK 39 billion
- EBITDA SEK 11 billion (29% margin)
- Annual investment level around SEK 10 billion
- 31,000 km of pipeline distribution network throughout Sweden

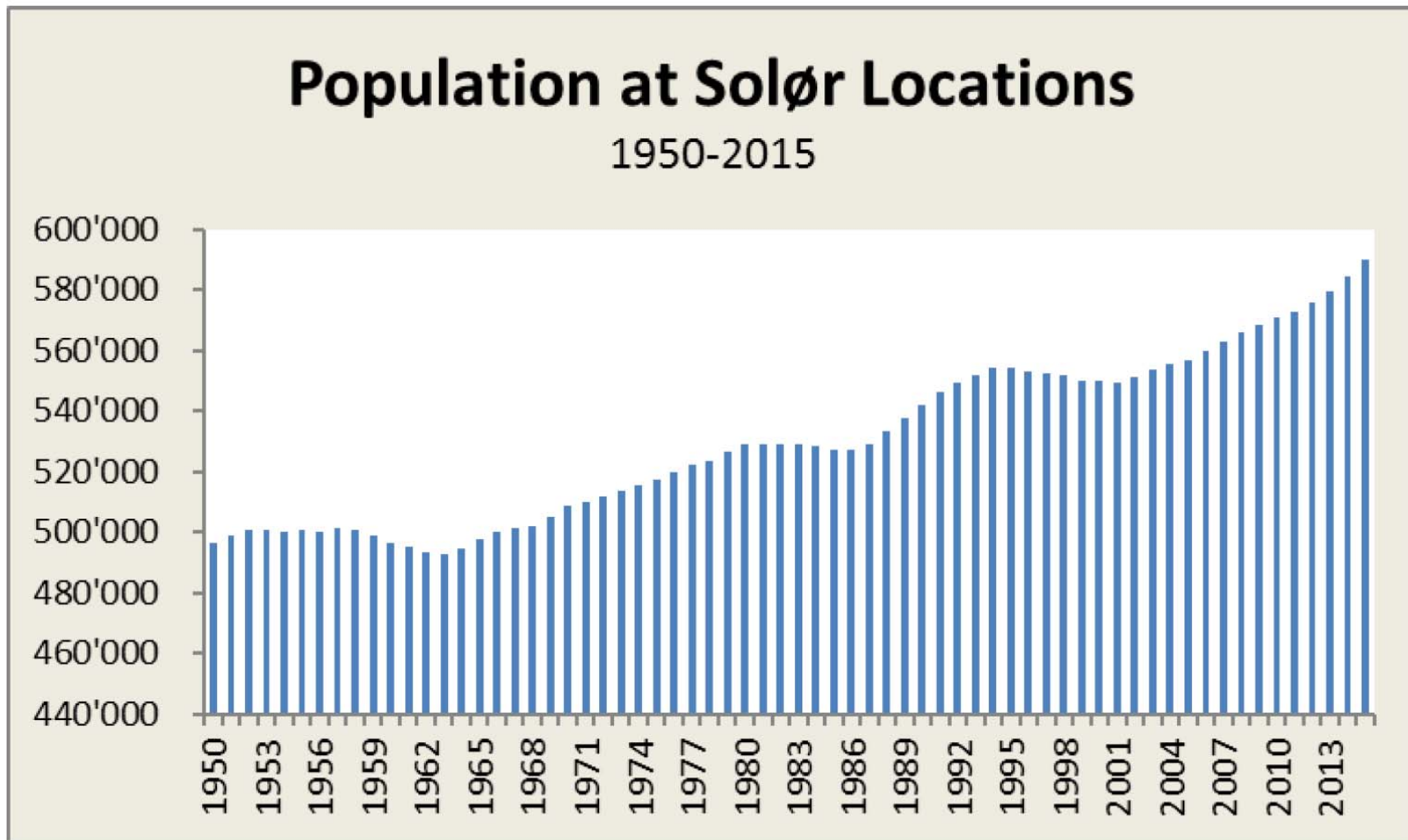


Structure

- District heating in Sweden exists in 285 of 290 municipalities
- Fragmented market: close to 200 companies operating 450 district heating grids
- => Big consolidation opportunity in Swedish district heating



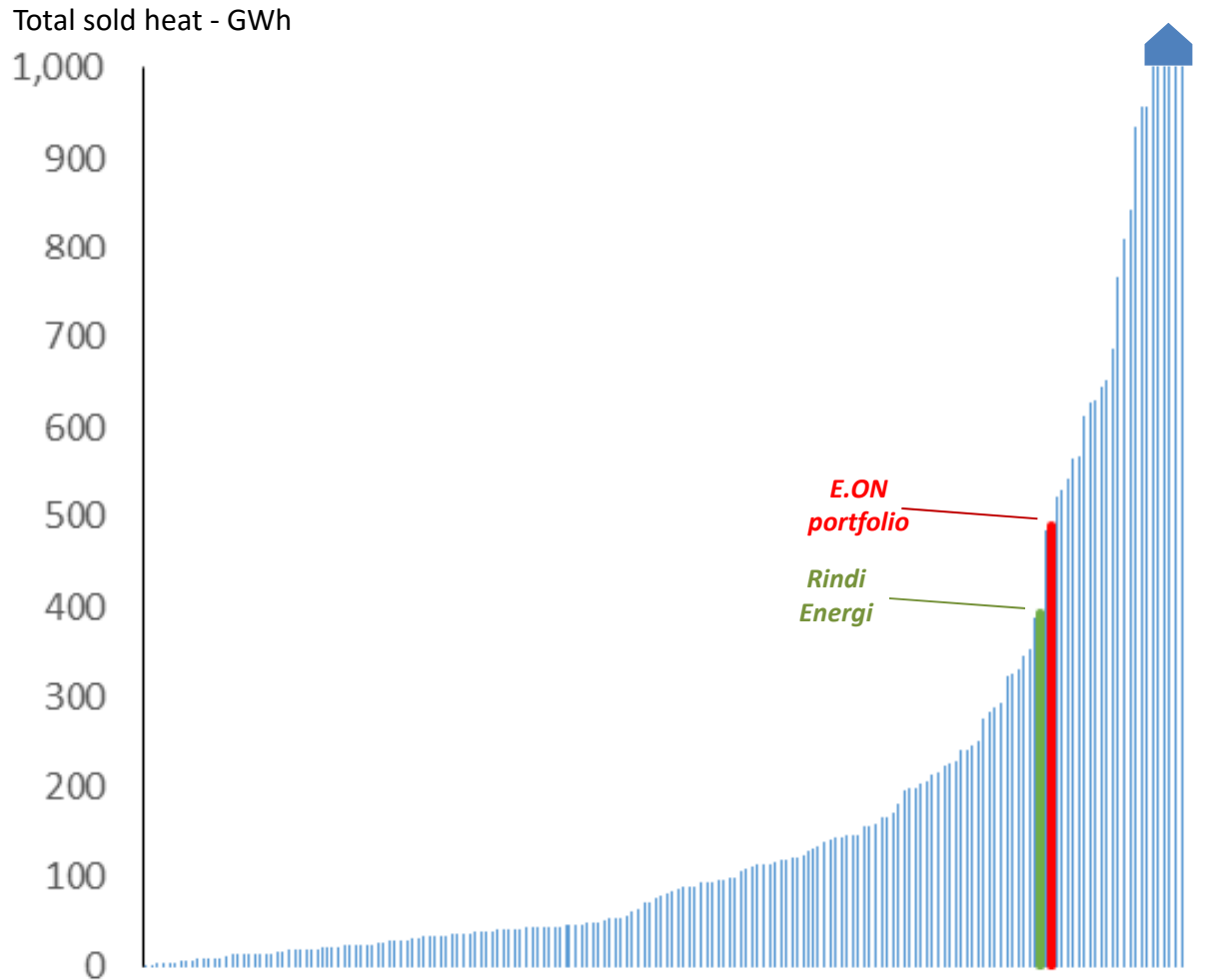
Population at Solør Locations (Municipalities) *solørbioenergi*



Fragmented district heating market in Sweden



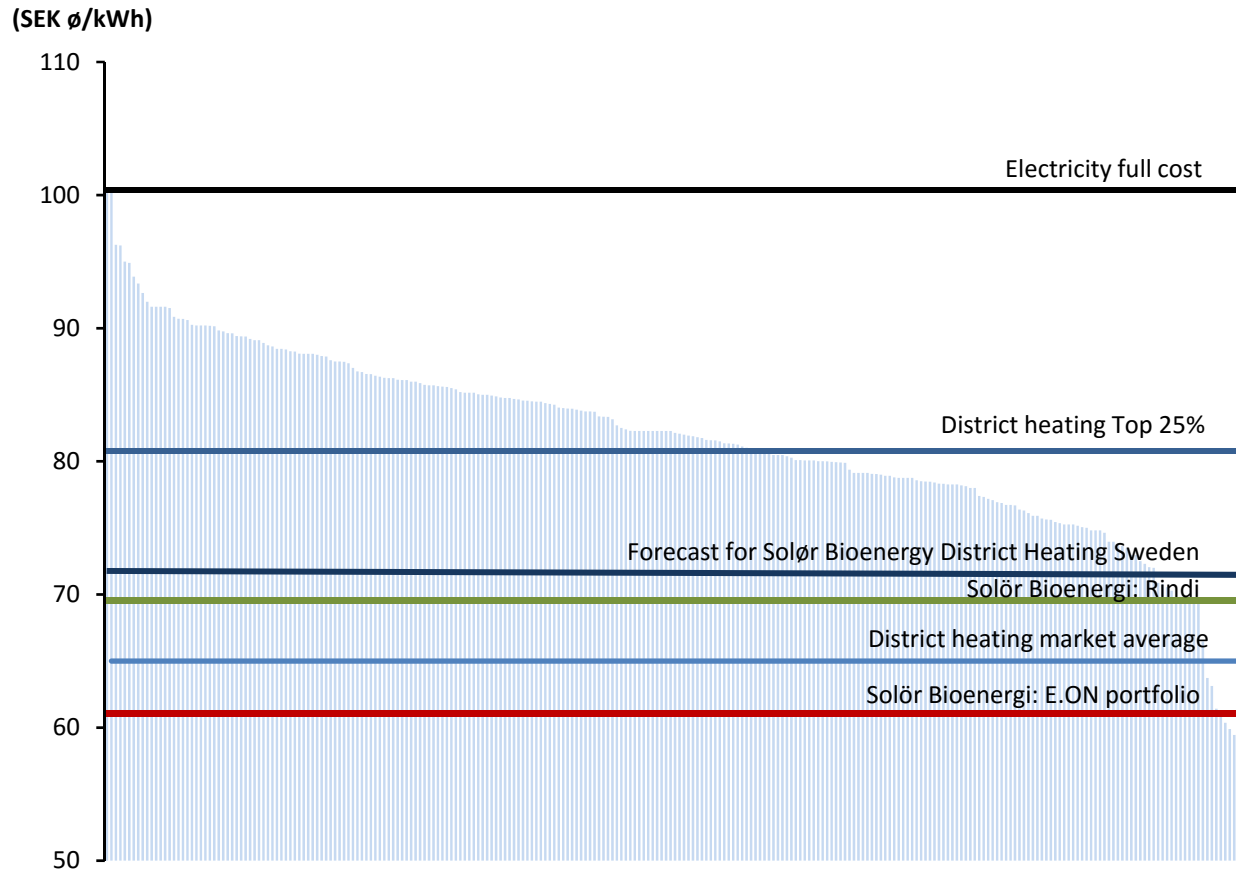
Overview of Swedish district heating companies – delivered heat



Source: Svensk Fjärrvärme

- 285 of 290 municipalities have district heating
- Close to 200 district heating companies in Sweden operating ~450 district heating grids
- Large variation in size
- Majority owned by public owned utilities or municipalities
- Largest companies:
 - Fortum Värme
 - E.ON Värme
 - Göteborg Energi
 - Vattenfall

Price – a main driver for profitability



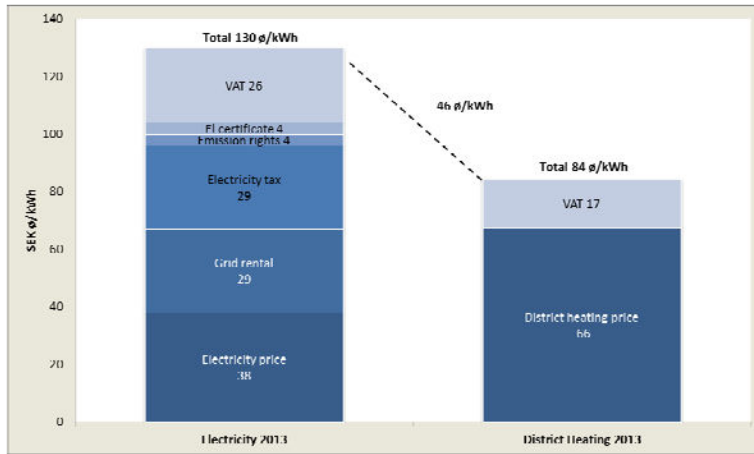
- District heating is highly competitive compared to electricity
- Prices vary significantly between district heating companies
- Average 2016 price for Solør DH Sweden estimated at 73 ö/kWh

Source: Swedish Energy Agency, Pareto Securities Equity Research

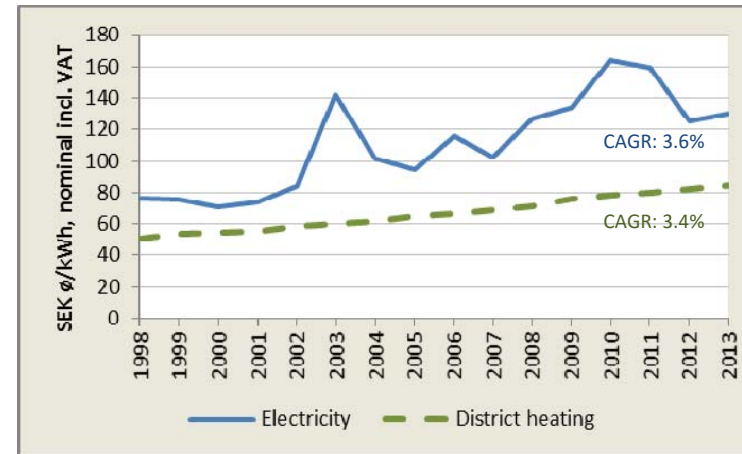
Strong market position as the cost of district heating is lower than the cost of electricity



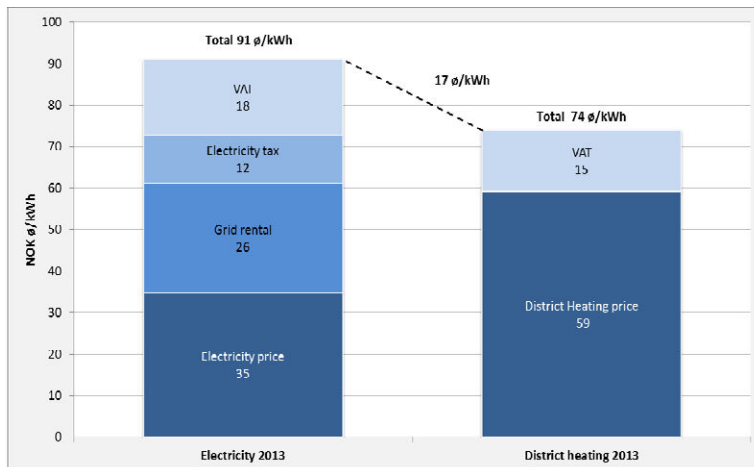
Household energy prices in Sweden – 2013 (SEK ö/kWh)



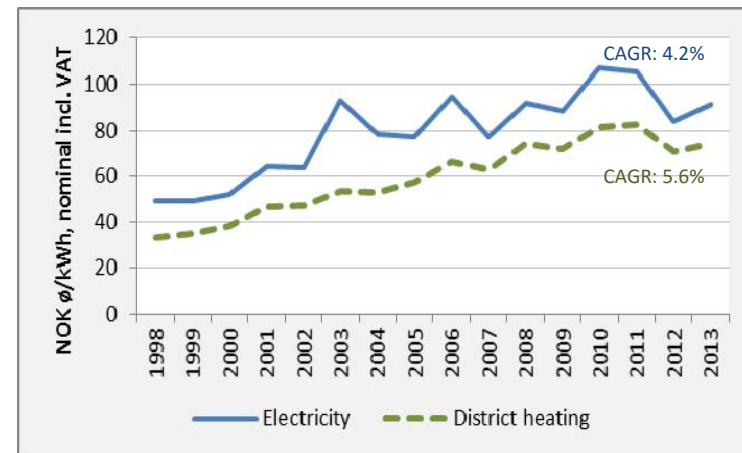
Development household energy prices in Sweden (SEK ö/kWh)



Household energy prices in Norway – 2013 (NOK ø/kWh)



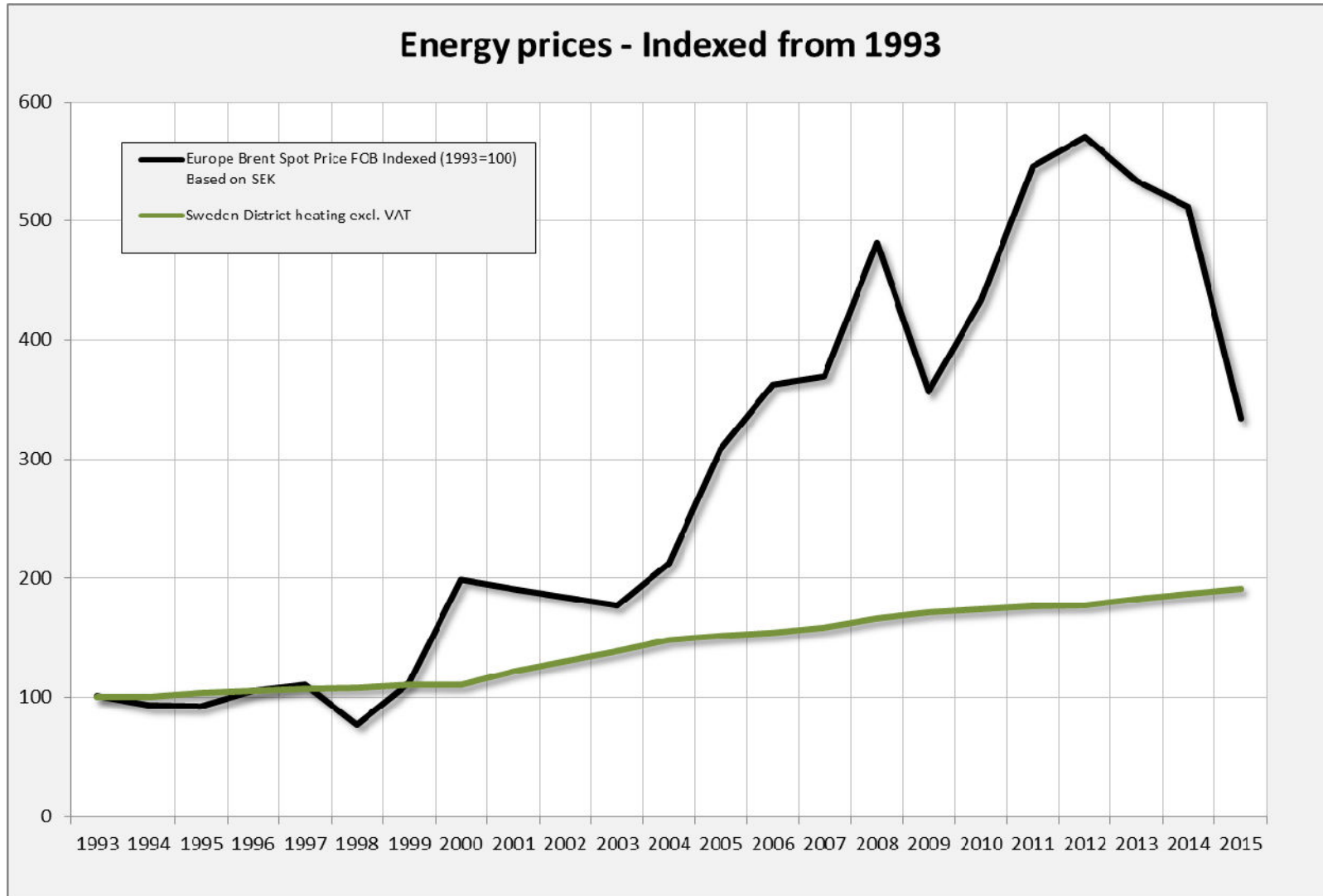
Development household energy prices in Norway (NOK ø/kWh)



Sources: SSB, SCB, Svensk Energi, NVE, Svensk Fjärrvärme

Energy prices

Crude oil price vs district heating prices – no correlation



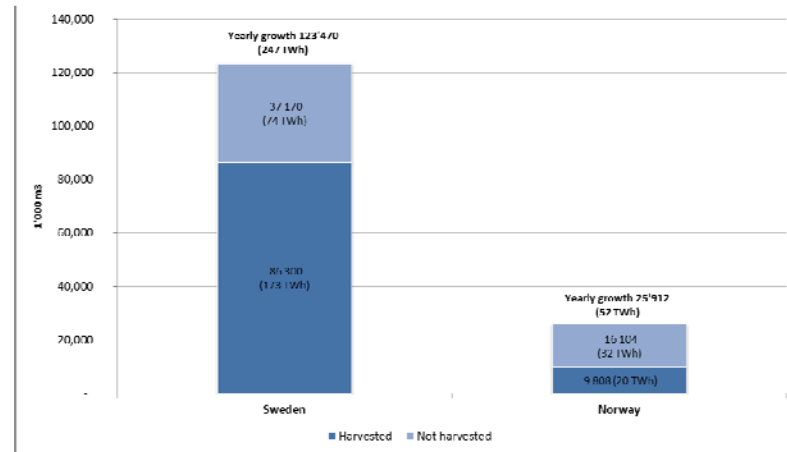
Source district heating prices: Energimyndigheten, own estimates
Source crude oil spot prices: EIA

There is a surplus of raw material



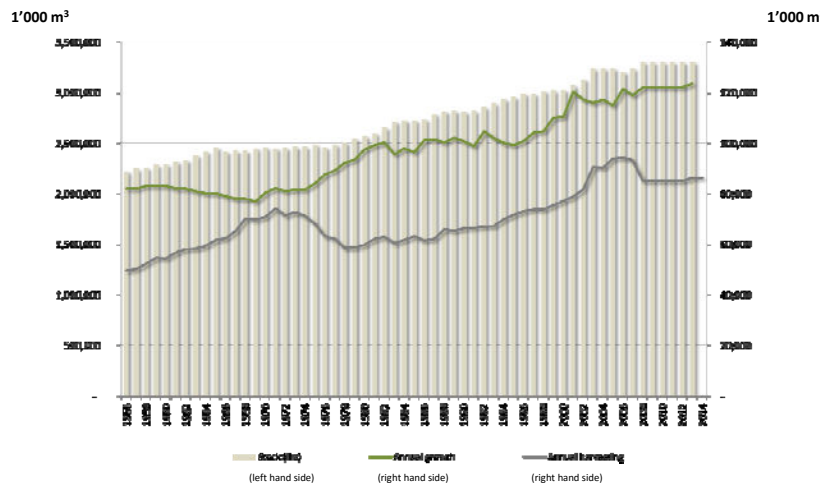
- The Swedish and Norwegian forest stand have increased over the years
 - Harvesting has decreased slightly while annual growth has increased
- In Norway, the annual harvesting is approximately one third of the annual growth, while in Sweden the same ratio is 70%
- The expected lower future demand for virgin long fibre wood pulp will contribute to secure resources to the bioenergy industry

Growth and harvesting Sweden and Norway

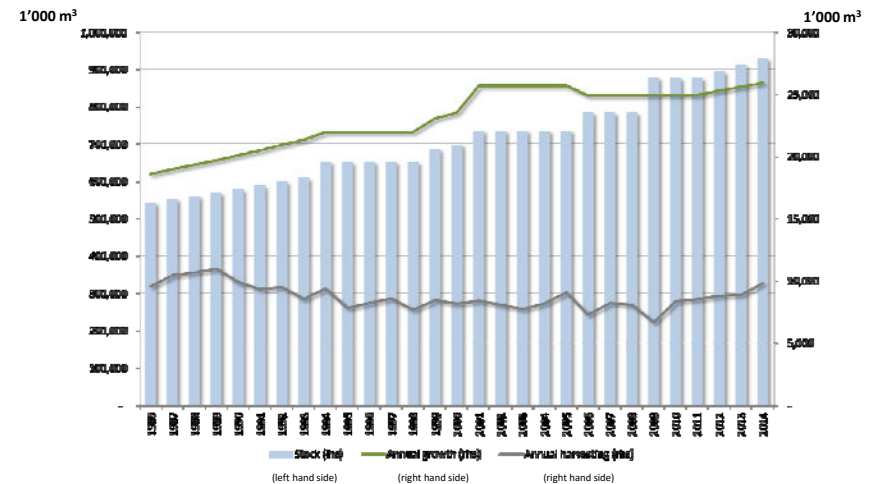


Source: SSB, Swedish National Forest Inventory, Swedish Forest Agency

Forests, growth and harvesting in Sweden

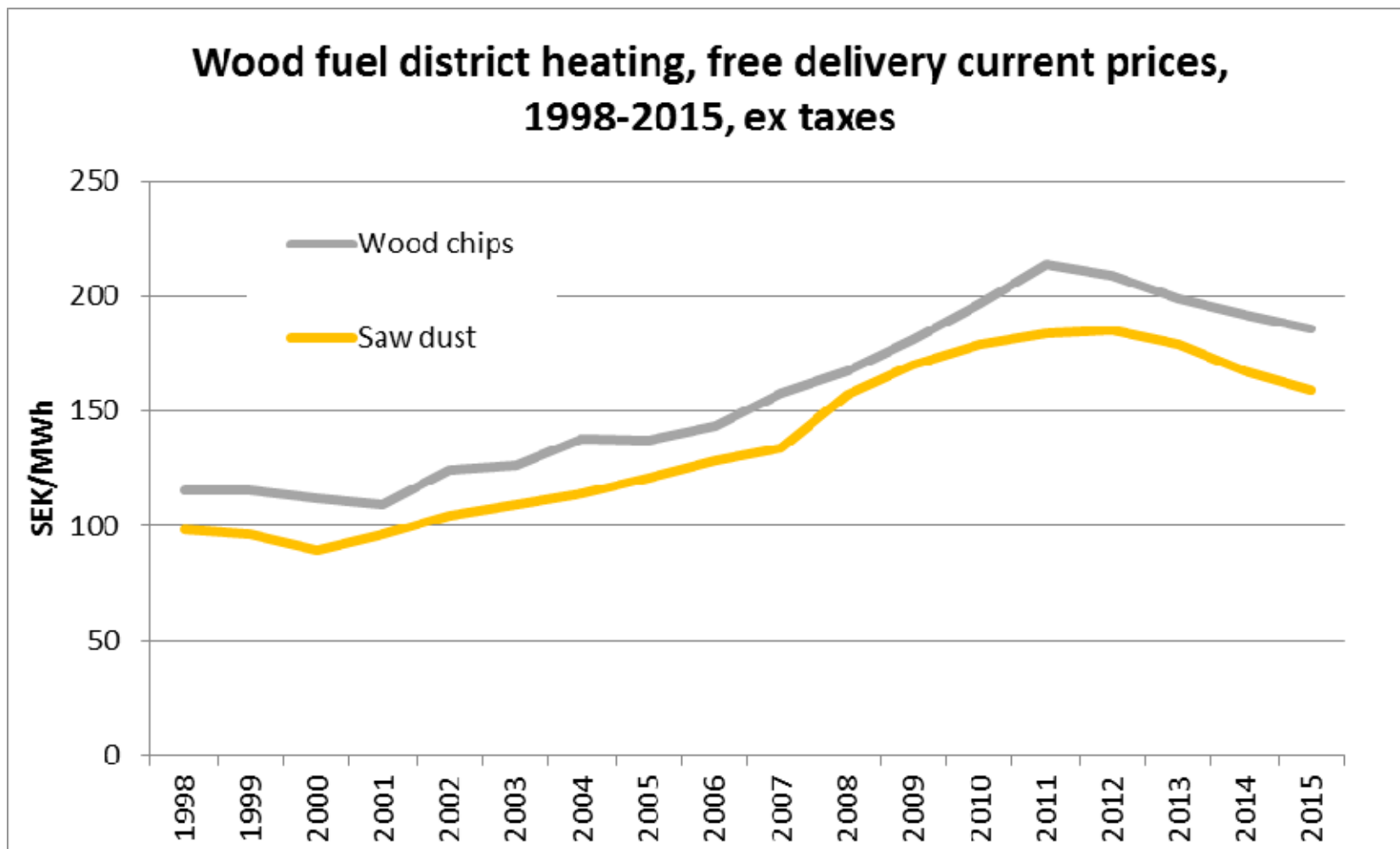


Forests, growth and harvesting in Norway



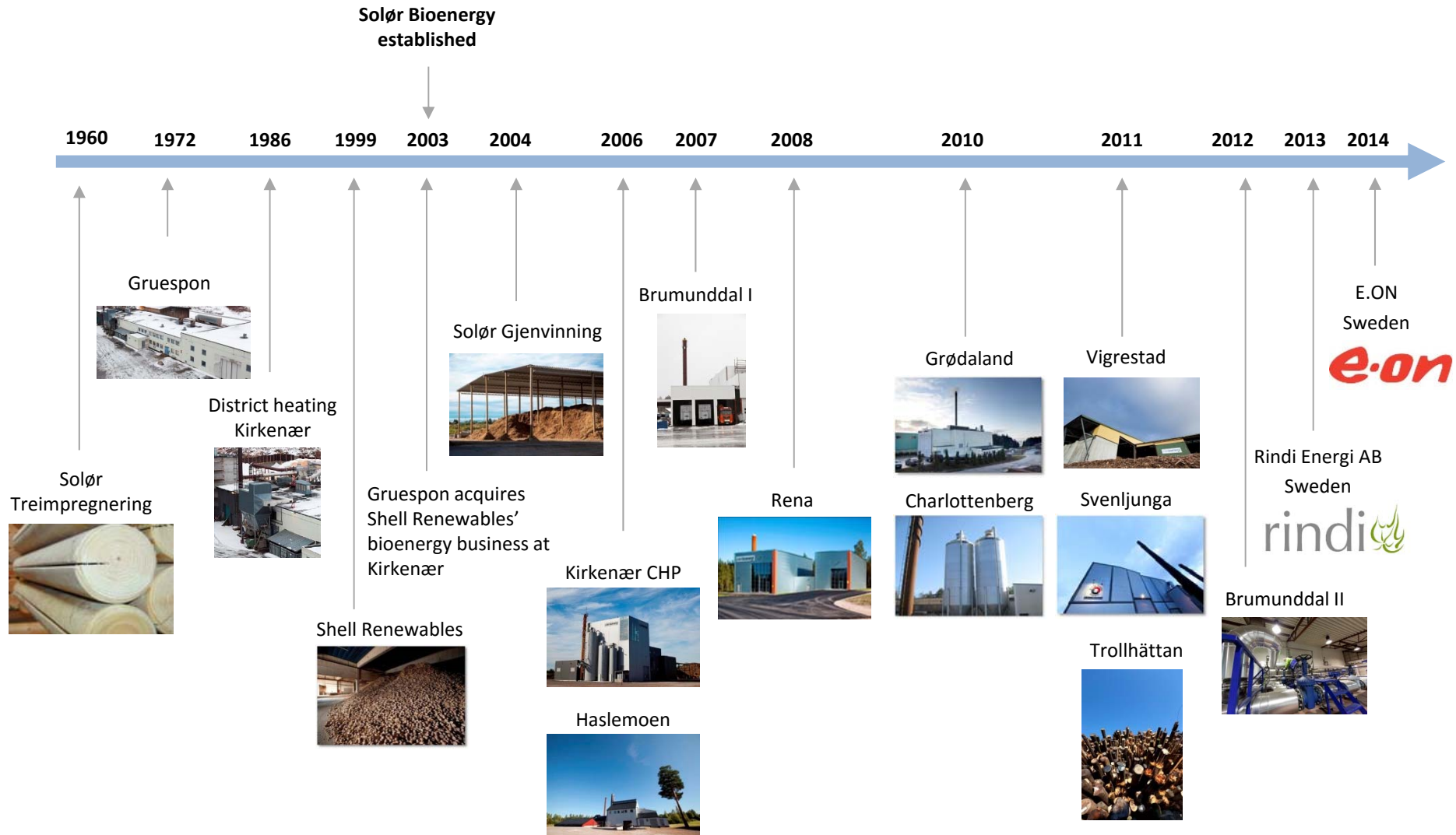
Raw material prices 1998-2015

Solør Group's raw material costs down 3% heating season 16-17



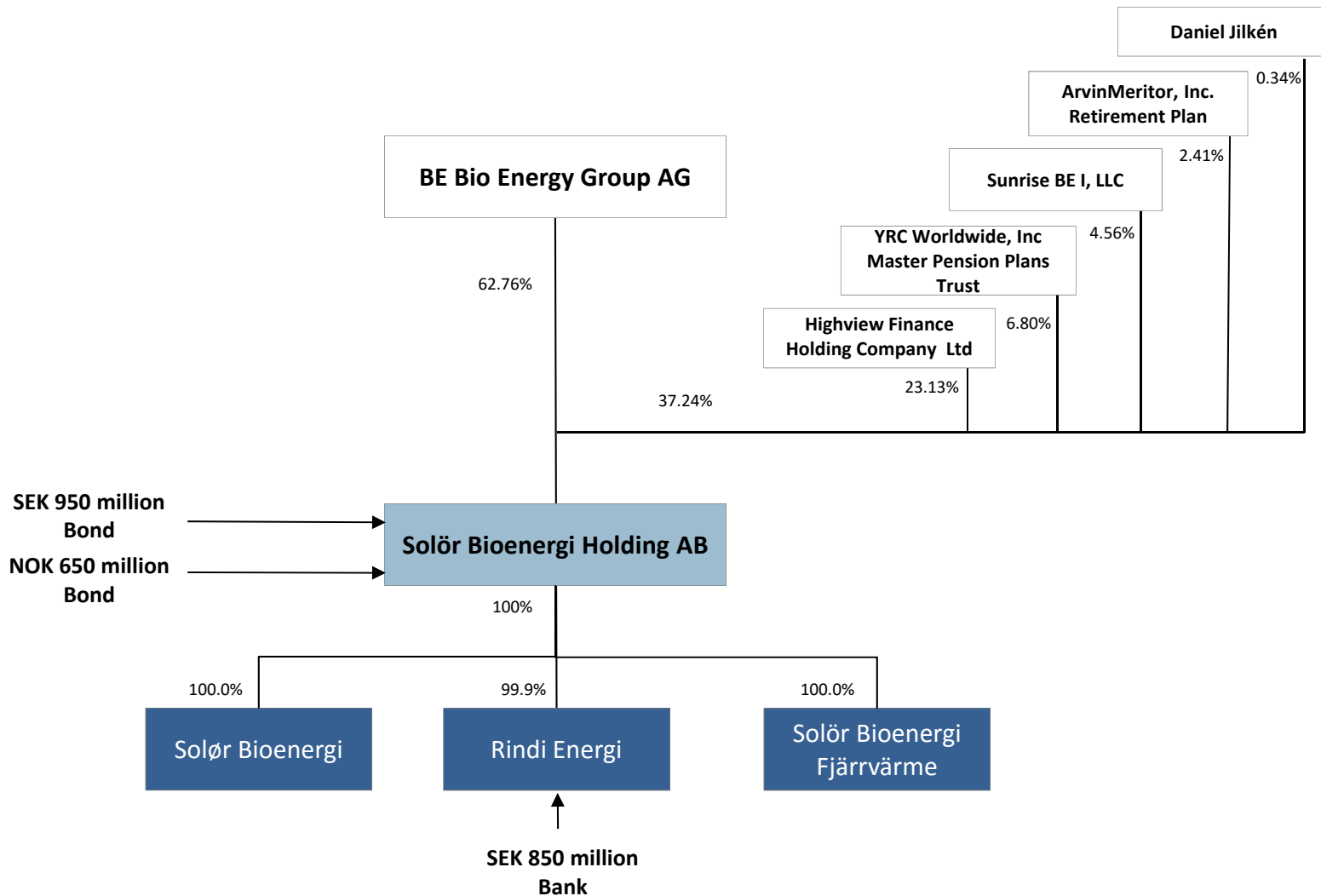
Source: Energimyndigheten

Solør Bioenergy history – key events



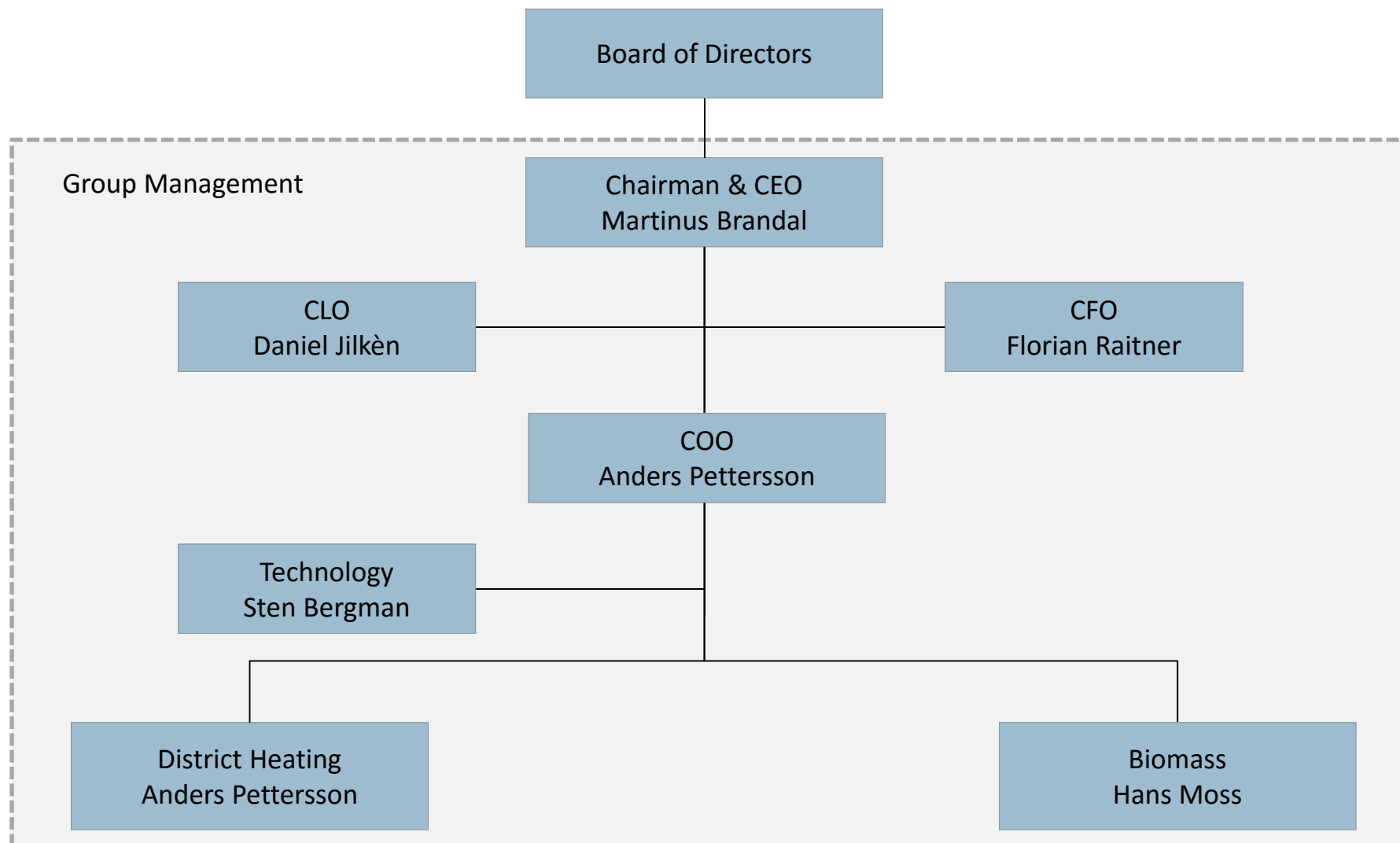
Solør Bioenergy Group

Ownership and debt structure



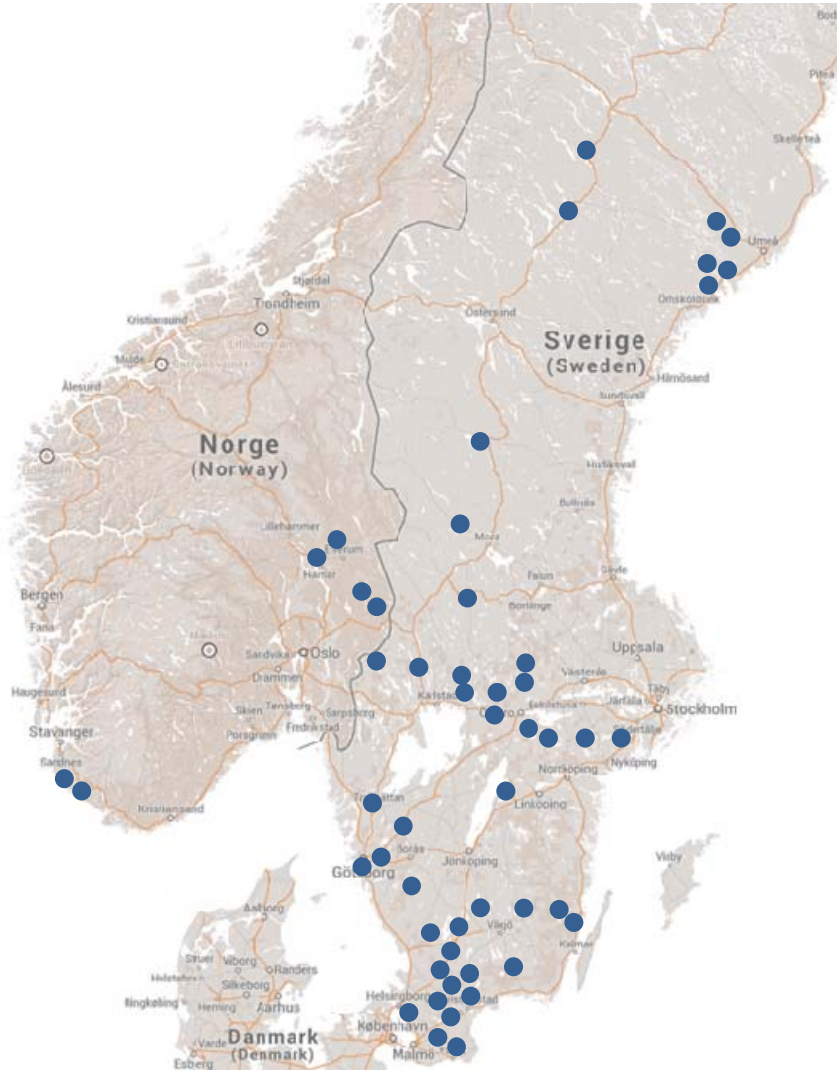
Solør Bioenergy Group

Operational Structure



Solør Bioenergy Group

Leading regional player

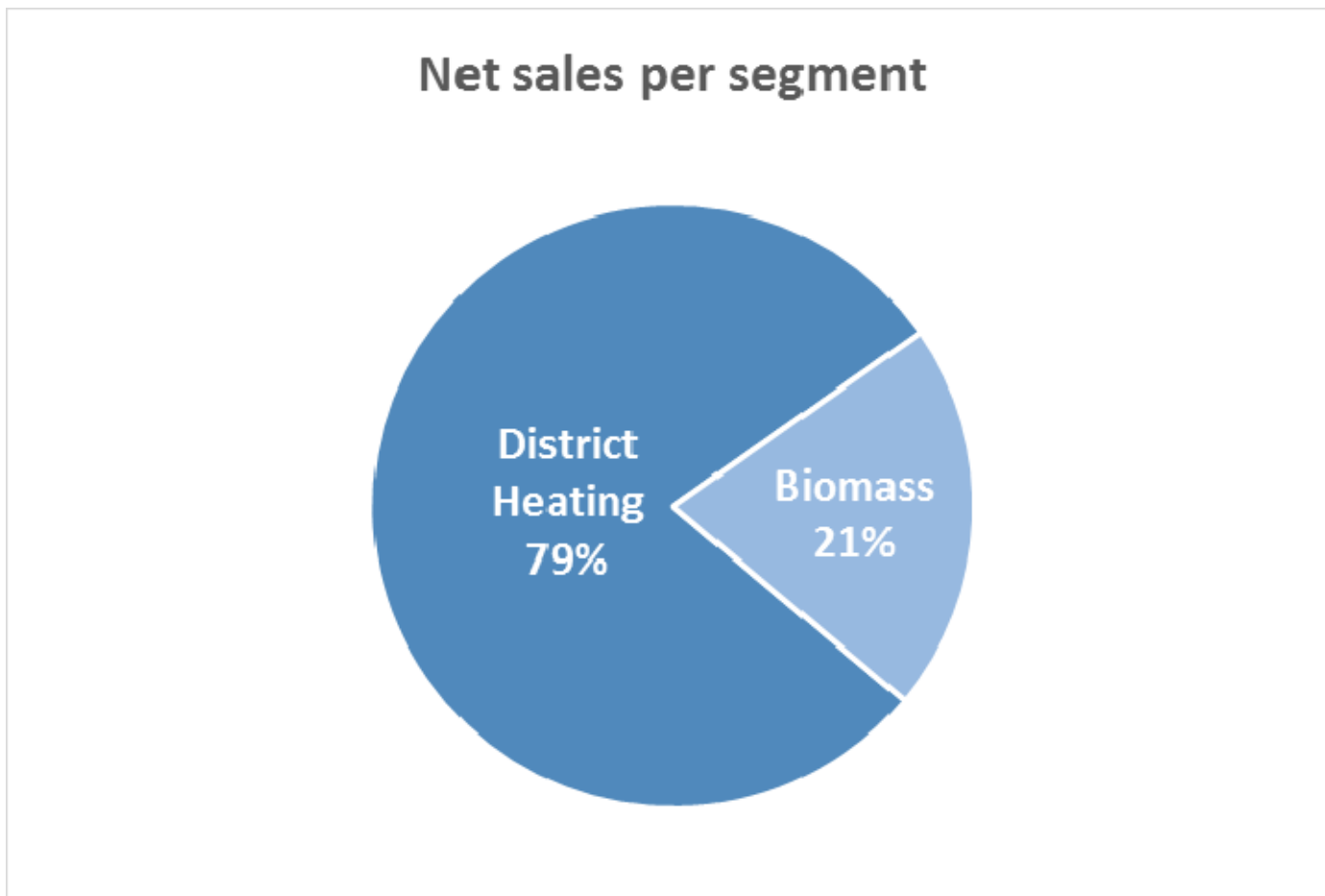


Solør Bioenergy Group - operations

- 51 Energy Plants
 - 43 in Sweden
 - 5 in Norway
 - 3 in Poland
- 3 Environmental Terminals
- 2 Pellets Plants
- 1 Briquette Plant
- 750 MW installed power, of which 350 MW installed bio and 400 MW installed redundancy
- 543 km distribution pipelines
- 179 employees
- Energy delivery 2.1 TWh
- 7'500 customers
- 150'000 households



Revenues driven by district heating



Solid customer base – 7,500 customers



Diversified customer portfolio



Diversified customer base – majority public sector *solørbioenergi*

- Solør Bioenergy has a well diversified customer portfolio with low concentration risk
- More than 7,500 customers in Sweden and Norway including public sector, industrial and private household customers
- Top 20 customers account for 20% of revenues
- 62% of Top 20 revenues are public sector
- The largest single customer represent only 2.2% of revenues
- Solør Bioenergy invoices customers monthly:
 - 2 days after month end
 - Customers pay within 30 days
 - No credit losses

Rank	Customer	% of Revenues
1	E.ON	2,2%
2	SCA	2,2%
3	Sandviken Energi AB	2,2%
4	Bolist AB	1,6%
5	Flens Bostads AB	1,3%
6	Norsk Protein	1,0%
7	Doggy	0,9%
8	Mönsterås Bostäder	0,8%
9	Hörby kommun	0,7%
10	Elmo	0,7%
11	AB Sjöbohem	0,7%
12	Filipstad kommun	0,6%
13	Vilhelmina Bostäder AB	0,6%
14	Höörs Fastighets AB	0,6%
15	Förbo	0,6%
16	Vadstena Fastighets AB	0,6%
17	Mönsterås Kommun	0,6%
18	Ministry of Defense - Norway	0,6%
19	Vilhelmina Kommun	0,6%
20	AB Svalövsbostäder	0,6%
	Total Top 20	19,6%

General district heating characteristics



Long lifespan of the assets

- District heating assets have long lifespan with limited reinvestments
- Especially long lifespan for distribution pipes of 70+ years
- When maintained regularly the energy plants lasts 25-50 years

Captive market

- District heating is a capital intensive industry with high entry barriers; in addition of being a natural monopoly
- Generally no economic logic to construct parallel distribution grids

Mature technology

- Biomass combustion is a mature technology with limited technology risk
- The base technology has been proven over time and rests on combustion principles that are unlikely to fundamentally change in the future

High customer loyalty

- There is a low switch rate of customers
 - Price competitive
 - No maintenance cost for customer
 - Ease of use
 - Renewable energy

Solør Bioenergy Holding AB Group

Key figures and highlights



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

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 508 M (493).
- EBITDA amounted to SEK 106 M (109).
- Loss after tax amounted to SEK -75 M (-47). The difference compared with last year is mainly related to net foreign currency exchange losses.

Solør Bioenergy Holding AB Group

Income Statement



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
Total operating revenue		132	125	645	624	1,040	1,061
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
Total operating expenses		-165	-181	-654	-660	-911	-905
Operating profit/loss (EBIT)	2	-33	-56	-9	-36	129	156
Net financial items		-69	-28	-172	-96	-152	-228
Profit/loss before tax		-102	-84	-181	-132	-23	-72
Income tax		2	78	6	79	63	-10
Profit/loss for the period	2	-100	-6	-175	-53	40	-82
Attributable to:							
Shareholders of the Parent Company		-100	-5	-181	-55	36	-90
Non-controlling interests		0	-1	6	2	4	8
		-100	-6	-175	-53	40	-82

Solør Bioenergy Holding AB Group

Income Statement – Operating Segments



Net sales per segment

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

Gross contribution per segment

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

Solør Bioenergy Holding AB Group

Income Statement – Operating Segments



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
Total EBITDA	7	-14	113	95	308	326

Solør Bioenergy Holding AB Group

Balance Sheet



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
Total non-current assets		3,250	3,469	3,389
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
Total current assets		613	426	583
Total assets		3,863	3,895	3,972
Equity attributable to the shareholders of the Parent Company		810	702	942
Non-controlling interests		34	29	31
Equity		844	731	973
Interest bearing debt		2,388	805	2,320
Deferred tax liabilities		236	396	242
Total non-current liabilities		2,624	1,201	2,562
Interest bearing debt		225	1,757	209
Operating liabilities		170	206	228
Total current liabilities		395	1,963	437
Total equity and liabilities		3,863	3,895	3,972

Solør Bioenergy Holding AB Group

Cash Flow Statement



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
Cash flow from operating activities		-25	-66	36	30	40	46
Investments		-28	-13	-46	-57	-51	-40
Cash flow from investing activities		-28	-13	-46	-57	-51	-40
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
Cash flow from financing activities		35	71	-4	-3	-10	-11
Net increase/decrease in cash and cash equivalents		-18	-8	-14	-30	-21	-5
Cash and cash equivalents at beginning of period		32	27	28	49	49	19
Cash and cash equivalents at end of period		14	19	14	19	28	14

Solør Bioenergy Holding AB Group

Financial Covenants



Covenant	Q3	Limit
	2016	
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.

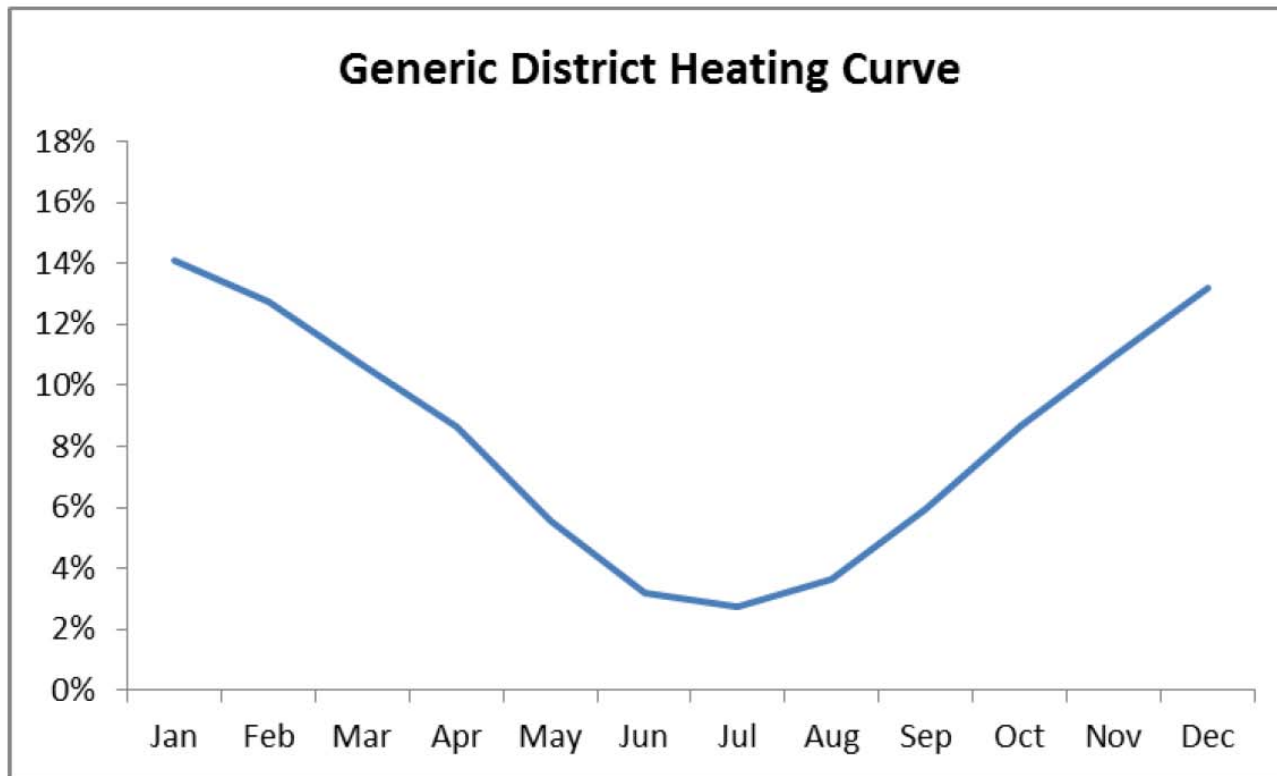
District Heating Curve

Generic description

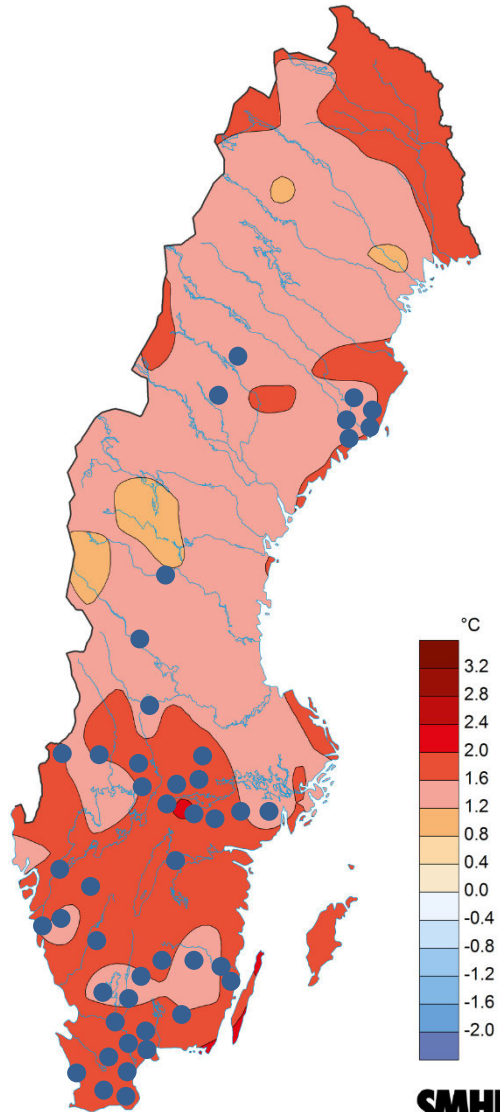


Generic District Heating Curve

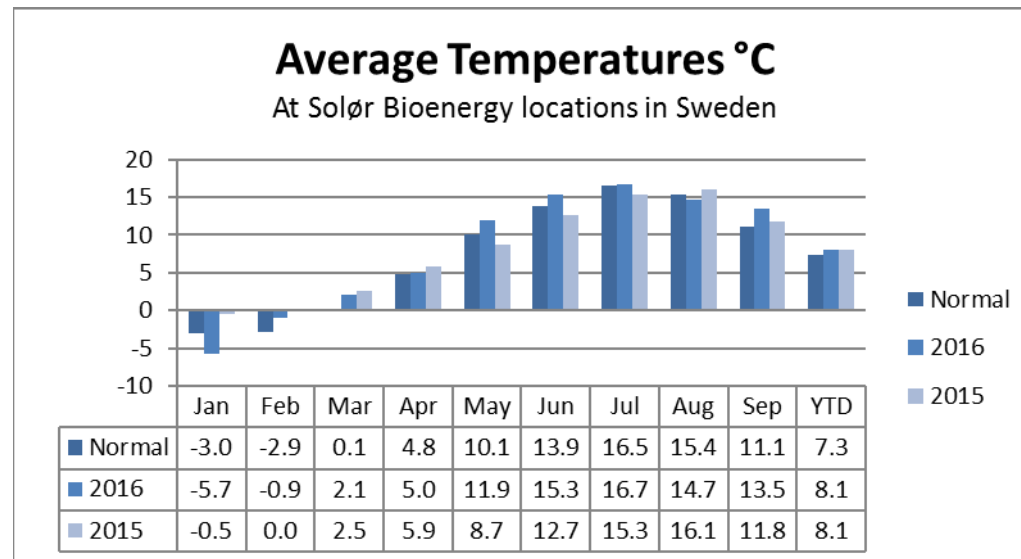
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
%	14%	13%	11%	9%	6%	3%	3%	4%	6%	9%	11%	13%



Average temperatures YTD Q3 2016

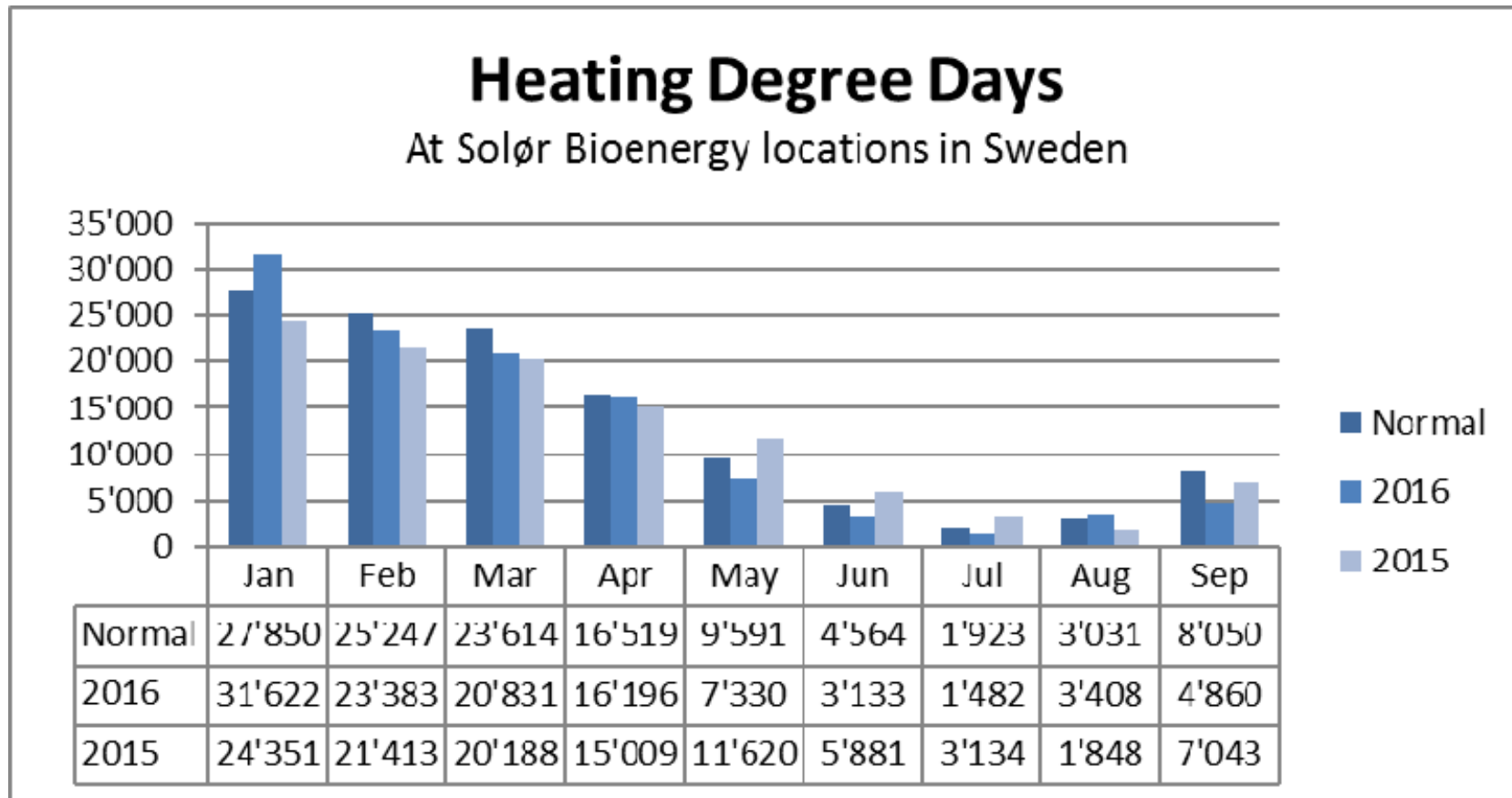


SMHI



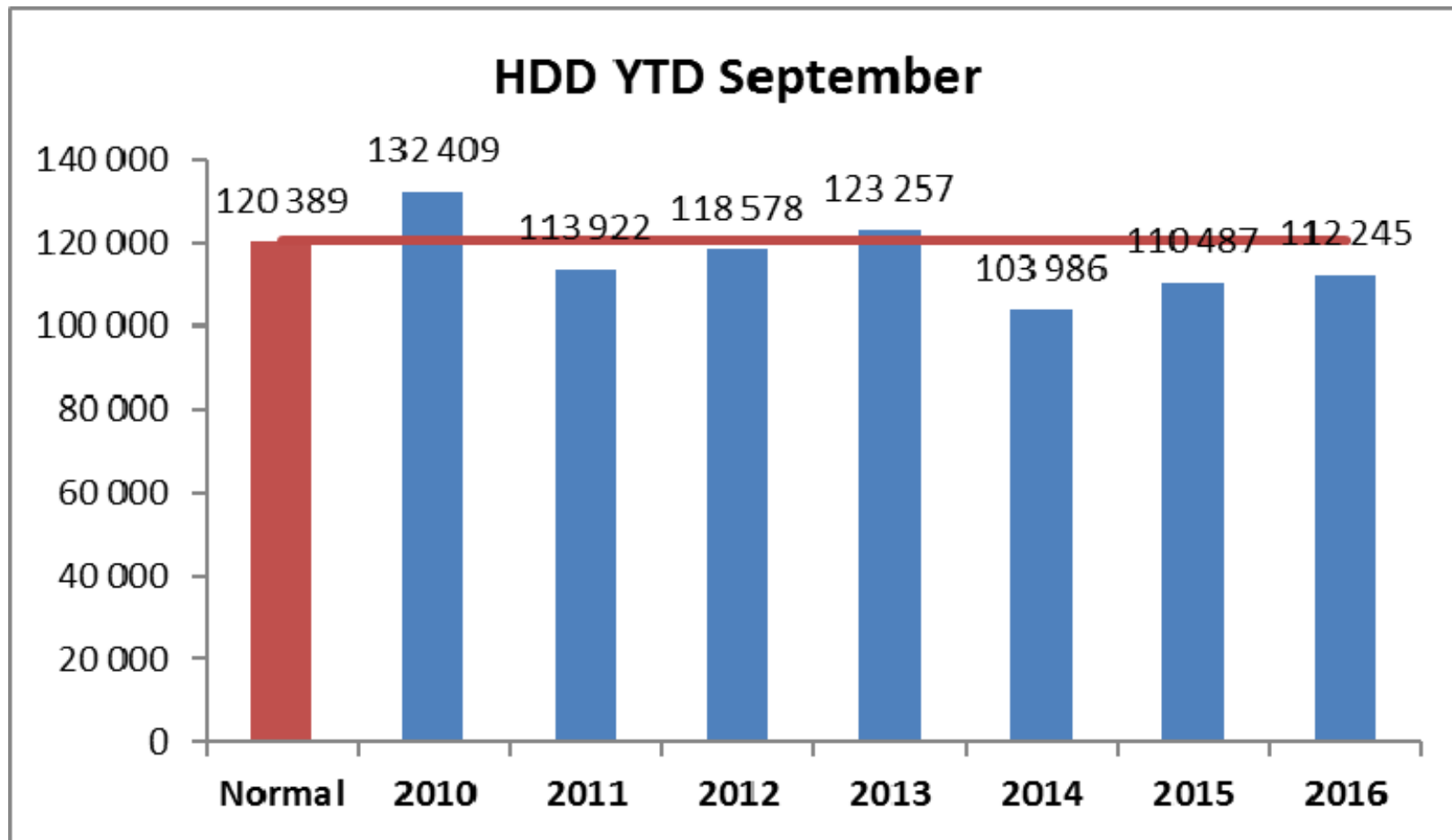
Heating Degree Days

YTD Q3 2016



HDD 2010-2016

YTD Q3



Re-pricing of the District Heating Sector



Sector Pricing

- Enormous amount of global capital is being allocated to the infrastructure asset class.
- District heating is a stable and resilient business model that generates predictable cash flows.
- In recent years there has been a strong increase in awareness and interest in district heating assets.
- This has translated into increasing asset prices and transaction values in the district heating industry.
- During 2015 and 2016 several transactions were closed at EBITDA multiples north of 15x EBITDA.
- Compared to 9-10x EBITDA a few years ago, when the Group acquired Rindi Energi AB and the E.ON portfolio.
- 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.
- This enables more favorable borrowing cost for this long-term asset class.

Refinancing of the Group



Solör Bioenergi Holding AB signs mandate agreement with SEB for refinancing of the Group's debt

Solör Bioenergi Holding AB has entered into a mandate agreement with SEB regarding refinancing of existing debt. As part of the mandate agreement SEB will assist the Solör Bioenergi Group in its planning and structuring of overall debt refinancing, as well as evaluate and analyze potential refinancing options. SEB will also coordinate and contact potential debt providers and provide assistance in evaluating terms.

In the light of the before mentioned market conditions, the Group considers to be in a favorable position for it's refinancing

Company highlights



1

A leading regional market player in the bioenergy market

2

Diversified customer portfolio – majority public sector

3

Strong equity partners

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Stable bioenergy and district heating market

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Major M&A growth opportunity

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