

Solør Bioenergy Group – Interim report for the fourth quarter 2016 and full year 2016

January – December 2016

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

Stockholm, February 27, 2017

Solør Bioenergi Group highlights

The fourth quarter 2016

- The fourth quarter of 2016 was characterized by colder weather in comparison to the same period during the previous year.
- Net sales increased by 12 percent and amounted to SEK 300 M (267).
- EBITDA amounted to SEK 182 M (213). EBITDA was impacted positively by unrealized gain on derivative financial instrument by SEK 80 M (57). Last year's EBITDA was also impacted positively by one-off gain on disposal of SBH Acquisition 3 AB amounting to SEK 93 M. Adjusted for the above EBITDA amounted to SEK 102 M (63), an increase by 62 percent. The increase is mainly a consequence of higher margins due to operational improvements leading to lower raw material costs.
- Profit after tax amounted to SEK 132 M (93).
- As earlier communicated, the Group is in a refinancing process. The refinancing is now well advanced and the Group sees high interest in the proposed transaction.
- Energy deliveries in the Segment District Heating amounted to 376 GWh (342).

Full year 2016

- 2016 was characterized by colder weather compared to the previous year, but still warmer than normal.
- Net sales increased by 6 percent compared with last year and amounted to SEK 930 M (880).
- EBITDA amounted to SEK 295 M (308). EBITDA was impacted positively by unrealized gain on derivative financial instrument by SEK 88 M (57). Last year's EBITDA was also impacted positively by one-off gain on disposal of SBH Acquisition 3 AB amounting to SEK 93 M. Adjusted for the above EBITDA amounted to SEK 207 M (158), an increase by 31 percent. The increase is mainly due to increased energy prices and operational improvements such as lower raw material costs and other cost saving initiatives.
- Profit/loss after tax amounted to SEK -43 M (40). Profit/loss after tax was negatively impacted by net foreign currency exchange losses amounting to SEK -63 M (20), mainly related to the NOK denominated bond loans.
- Energy deliveries in the Segment District Heating amounted to 1,133 GWh (1,091).

Key figures

SEK million	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	300	267	930	880
Other operating income	86	149	101	160
Total operating revenue	386	416	1,031	1,040
Raw materials and cost of goods sold	-110	-111	-364	-357
Contribution	276	305	667	683
Operating expenses	-94	-92	-372	-375
EBITDA	182	213	295	308

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.

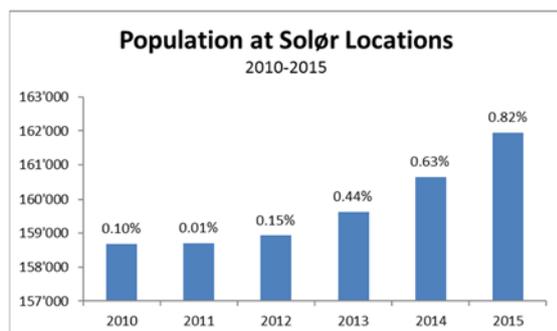
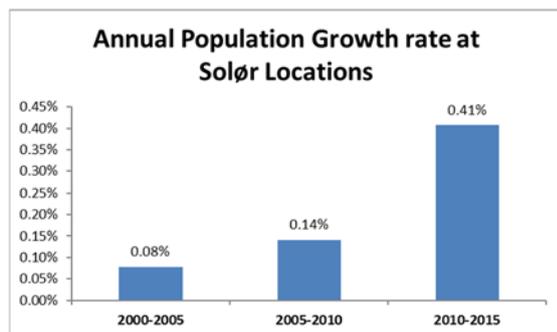
Macro perspective and effects of the ambient temperature

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

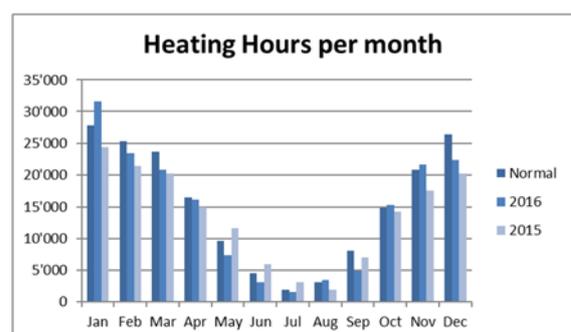
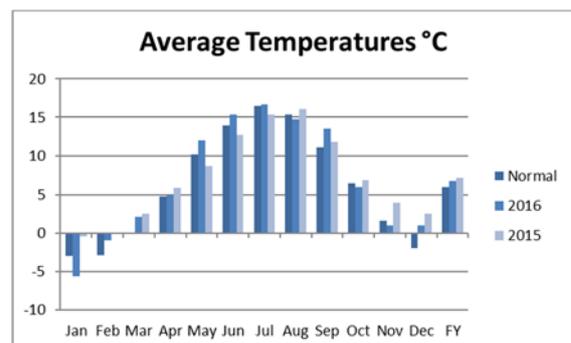
Effects of the ambient temperature

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 has been 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 is leading 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 has shown a consistent increase in transaction values. Several transactions were closed at EBITDA multiples north of 15 x EBITDA and a recent transaction in the level of 20 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.

Specific examples of this multiple expansion 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. The value of the assets acquired by the Group has been further increased by the EBITDA improvements delivered post acquisition.

Developments in the fourth quarter of 2016

Group

The fourth quarter of 2016 was characterized by substantially colder weather in comparison to the same period of the previous year, but still warmer than normal.

Net sales increased by 12 percent and amounted to SEK 300 M (267) mainly due to the colder weather.

Consolidated gross contribution amounted to SEK 276 M (305), positively impacted by unrealized gain on the put & call agreement with Nordic Bioenergy Infrastructure AS amounting to SEK 80 M (57). Last year's consolidated gross contribution was also positively impacted by the gain on disposal of SBH Acquisition 3 AB amounting to SEK 93 M. Adjusted for the above effects, consolidated gross contribution amounted to SEK 196 M (155), an increase by 26 percent. The increase is mainly 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 182 M (213). EBITDA was impacted positively by unrealized gain on derivative financial instrument by SEK 80 M (57). Last year's EBITDA was also impacted positively by one-off gain on disposal of SBH Acquisition 3 AB amounting to SEK 93 M. Adjusted for the above EBITDA amounted to SEK 102 M (63), an increase by 62 percent. The increase in EBITDA is mainly attributable to the higher gross contribution.

Earnings Before Interest and Tax (EBIT) amounted to SEK 123 M (165). Adjusted for the effects described above EBIT amounted to SEK 43 M (15). The improvement is mainly attributable to higher gross margin. EBIT for

the quarter was however impacted negatively by impairments of Norwegian assets.

Segments

District heating

Net sales increased by 9 percent compared with last year, amounting to SEK 241 M (222). The increase is mainly attributable to the colder weather.

Total energy deliveries amounted to 376 GWh (342), an increase by 10 percent.

Gross contribution increased to SEK 161 M (142) and gross margin improved to 66 percent (64). The increase is mainly a consequence of higher margins due to operational improvements leading to lower raw material costs.

EBITDA increased to SEK 85 M (45) and was charged with overhead expenses amounting to SEK 18 M (27). Adjusted for the overhead expenses, EBITDA for the segment amounted to SEK 103 M (72).

Biomass

Net sales increased slightly compared with last year, amounting to SEK 70 M (67).

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

EBITDA amounted to SEK 2 M (10). EBITDA was charged with overhead expenses of SEK 7 M (3). Adjusted for this, EBITDA for the segment amounted to SEK 9 M (13).

Due to the diversified and volatile nature of the segment, contribution and EBITDA might fluctuate inbetween the quarters. However, on an annualized basis the segment's earnings have stabilized on a moderate level and show a positive trend.

Financial net and tax

Consolidated financial net for the fourth quarter amounted to SEK -31 M (-56), whereof net foreign currency exchange gains/losses related to the NOK denominated bond amounted to SEK 8 M (-8). Adjusted for the above, consolidated financial net for the fourth quarter amounted to SEK -39 M (-48). The difference compared to the same period last year is mainly related to the waiver fees paid during the fourth quarter of 2015, lower reference rate and lower penalty basis points during the fourth quarter this year.

Tax income/expense for the quarter amounted to SEK 40 M (-16), positively impacted by recognition of deferred tax related to tax losses carry forward. The difference compared to the same period last year is mainly due to the fact that deferred tax related to tax losses carry forward were in all material aspects recognized during the third quarter last year.

Cash flow

Cash flow from operating activities amounted to SEK 18 M (10). The improvement of the operating cash flow is mainly a result of higher margins due to operational improvements.

Cash flow from investing activities was SEK -35 M (6), 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 19 M (-7). The increase is mainly related to the investment projects performed in Charlottenberg and Strömsnäsbruk.

Developments in the full year of 2016

Group

2016 was characterized by colder weather compared to the previous year. However, average temperatures were still higher than normal.

Net sales increased by 6 percent compared with last year and amounted to SEK 930 M (880). The increase is mainly attributable to increased customer prices and higher energy deliveries.

Consolidated gross contribution amounted to SEK 667 M (683). Consolidated gross contribution was impacted positively by unrealized gain on derivative financial instrument by SEK 88 M (57). Last year's consolidated gross contribution was also impacted positively by one-off gain on disposal of SBH Acquisition 3 AB amounting to SEK 93 M. Adjusted for the above consolidated gross contribution amounted to SEK 579 M (533), an increase by 9 percent. The increase is a consequence of increased customer prices and operational improvements including lower raw material costs.

EBITDA amounted to SEK 295 M (308). EBITDA was impacted positively by unrealized gain on derivative financial instrument by SEK 88 M (57). Last year's EBITDA was also impacted positively by one-off gain on disposal of SBH Acquisition 3 AB amounting to SEK 93 M. Adjusted for the above EBITDA amounted to SEK 207 M (158), an increase by 31 percent. The increase is a consequence of increased customer prices and operational

improvements including lower raw material costs.

EBIT amounted to SEK 114 M (129). Adjusted for the effects described above EBIT amounted to SEK 26 M (-21). The increase is a consequence of increased customer prices and operational improvements including lower raw material costs.

Segments

District heating

Net sales increased by 6 percent compared with last year, amounting to SEK 744 M (704). Total energy deliveries amounted to 1,133 GWh (1,091), an increase by 4 percent compared with previous year.

Gross contribution increased to SEK 485 M (440) and gross margin improved to 65 percent (62). The increase is mainly a consequence of higher margins due to operational improvements leading to lower raw material costs.

EBITDA improved to SEK 220 M (199) and was charged with overhead expenses amounting to SEK 48 M (27). Adjusted for the above, EBITDA for the segment amounted to SEK 268 M (226).

Biomass

Net sales increased by 4 percent compared with last year, amounting to SEK 220 M (211).

Gross contribution amounted to SEK 94 M (93) and gross margin to 42 percent (43).

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

EBITDA amounted to SEK -18 M (-7). EBITDA was charged with overhead expenses amounting to SEK 20 M (3). Adjusted for this,

EBITDA for the segment amounted to SEK 2 M (-4).

Financial net and tax

Consolidated financial net for 2016 amounted to SEK -203 M (-152), whereof net foreign currency exchange gains/losses related to the NOK denominated bond amounted to SEK -63 M (20). Adjusted for the above, consolidated financial net for the year amounted to SEK -140 M (-172). The difference of SEK 32 M is mainly related to waiver fees paid during 2015.

Tax income for 2016 amounted to SEK 46 M (63).

Cash flow

Cash flow from operating activities amounted to SEK 54 M (40). The improvement of the operating cash flow is mainly a result of higher margins due to operational improvements.

Cash flow from investing activities was SEK -81 M (-51), mainly related to the expansion projects in Charlottenberg and Strömsnäsbruk.

Cash flow from financing activities was SEK 15 M (-10). The increase is mainly related to the investment projects performed in Charlottenberg and Strömsnäsbruk.

Financial position and liquidity

At year-end, consolidated cash and cash equivalents were SEK 16 M (28). The Group had unused bank overdraft facilities of SEK 18 M (61).

Consolidated interest-bearing debt amounted to SEK 2,626 M (2,529). 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.

The NOK denominated bond matures in November 2017. The NOK bond has thus at year-end 2016 been presented as short term debt in accordance with IAS 1.74.

Consolidated equity at year-end of the period amounted to SEK 967 M (973).

Covenants

Solør 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	Q4 2016	Limit
Equity ratio:	25.2%	25.0%
Current ratio:	1.88x	1.50x
Interest coverage ratio:	2.48x	2.25x

The limit for the Equity Ratio increased from 22.5% in the third quarter 2016 to 25.0% in the fourth quarter 2016.

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

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.

Refinancing

The Group has entered into a mandate agreement with SEB regarding refinancing of existing debt. As part of the mandate agreement SEB assists the Group in its planning and structuring of overall debt refinancing, as well as evaluating and analyzing potential refinancing options. SEB coordinates and

contacts potential debt providers and is providing assistance in evaluating terms.

The process is progressing according to plan and sentiment in the market appears to be favorable. The Group experiences high interest in this potential refinancing.

Parent Company

Net sales for the the Parent Company, Solør Bioenergi Holding AB (publ), amounted to SEK 68 M (65), and consisted of internal services to Group companies.

EBIT amounted to SEK -3 M (6).

Net financial items were SEK -363 M (-153), affected negatively by impairment of shareholders contribution to SBH Acquisition 2 AB with SEK 200 M. Adjusted for this, net financial items were SEK -163 M (-153).

Loss before and after tax amounted to SEK -119 M (-172), impacted positively by net group contribution of SEK 247 M (-25).

Related party transactions

No transactions have taken place between Solør Bioenergi 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 and growing. 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 and capitalize on the oversupply of raw material in the market.

Subsequent events

No subsequent events with material impact on the Group's results and financial position have occurred prior to the issuance of this report.

Declaration by the Board of Directors and CEO

The Board of Directors and CEO have today considered and approved the interim report for the fourth quarter and the full year of 2016 for the Solør Bioenergy Group and the Parent Company Solør Bioenergi Holding AB.

To the best of our knowledge:

The condensed set of interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as approved by the EU for the consolidated Group.

The information provided in the condensed financial statements gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Parent Company and the group taken as a whole.

The interim report for the fourth quarter and the full year of 2016 provides a true and fair overview of important events in the period and their impact on the condensed financial statements, as well as a description of the most significant principal risks and sources of uncertainty faced by the Parent Company and its subsidiaries.

Stockholm, February 27, 2017

Martinus Brandal

Chairman of the Board and CEO

Erik A. Lynne

Board member

Ola Strøm

Vice Chairman of the Board

Jonathan F. Finn

Board member

Anders Pettersson

Managing Director

Condensed consolidated statement of profit or loss

SEK million	Note	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	2	300	267	930	880
Other operating income	3	86	149	101	160
Total operating revenue		386	416	1,031	1,040
Raw materials and cost of goods sold		-110	-111	-364	-357
Personnel expenses		-33	-30	-124	-123
Depreciation, amortisation and impairment	2	-59	-48	-181	-179
Other operating expenses		-61	-62	-248	-252
Total operating expenses		-263	-251	-917	-911
Operating profit/loss (EBIT)	2	123	165	114	129
Net financial items		-31	-56	-203	-152
Profit/loss before tax		92	109	-89	-23
Income tax		40	-16	46	63
Profit/loss for the period	2	132	93	-43	40
<u>Attributable to:</u>					
Shareholders of the Parent Company		133	91	-48	36
Non-controlling interests		-1	2	5	4
		132	93	-43	40

Condensed consolidated statement of comprehensive income

SEK million	Note	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Profit/loss for the period		132	93	-43	40
Other comprehensive income:					
<i><u>Items that may be reclassified to profit or loss in subsequent periods</u></i>					
Exchange differences on translation of foreign operations		-9	30	41	0
Total other comprehensive income		-9	30	41	0
Total comprehensive income for the period		123	123	-2	40
<u>Attributable to:</u>					
Shareholders of the Parent Company		124	121	-7	36
Non-controlling interests		-1	2	5	4
		123	123	-2	40

Condensed consolidated statement of financial position

SEK million	Note	31 Dec 2016	31 Dec 2015
Goodwill and intangible assets		129	141
Property, plant and equipment		3,086	3,152
Financial assets		5	96
Deferred tax assets		0	0
Total non-current assets		3,220	3,389
Inventories		94	111
Interest bearing receivables		317	184
Operating receivables		211	203
Derivatives	3	145	57
Cash and cash equivalents		16	28
Total current assets		783	583
Total assets		4,003	3,972
Equity attributable to the shareholders of the Parent Company		934	942
Non-controlling interests		33	31
Equity		967	973
Interest bearing debt		1,471	2,320
Deferred tax liabilities		192	242
Total non-current liabilities		1,663	2,562
Interest bearing debt		1,155	209
Operating liabilities		218	228
Total current liabilities		1,373	437
Total equity and liabilities		4,003	3,972

Condensed consolidated statement of cash flows

SEK million	Note	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Profit/loss before tax		92	109	-89	-23
Adjustment for non-cash items		-32	-74	147	4
Change in working capital		-42	-24	-4	60
Cash flow from operating activities		18	10	54	40
Investments		-35	6	-81	-51
Cash flow from investing activities		-35	6	-81	-51
Share issue/equity increase, net of costs		0	119	0	170
Net increase/decrease in interest bearing debt		19	-126	15	-180
Cash flow from financing activities		19	-7	15	-10
Net increase/decrease in cash and cash equivalents		2	9	-12	-21
Cash and cash equivalents at beginning of period		14	19	28	49
Cash and cash equivalents at end of period		16	28	16	28

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
At beginning of period, January 1, 2016	942	31	973
Comprehensive income for the period	-7	5	-2
Increase/decrease in non-controlling interests:			
dividends	0	-3	-3
New share issue/equity increase net after transaction costs			0
At end of period, December 31, 2016	934	33	967

SEK million	Equity attributable to the shareholders of the Parent Company	Equity attributable to non-controlling interests	Total equity
At beginning of period, January 1, 2015	736	31	767
Comprehensive income for the period	36	4	40
Increase/decrease in non-controlling interests:			
dividends	0	-4	-4
New share issue/equity increase net after transaction costs	170	0	170
At end of period, December 31, 2015	942	31	973

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.

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.

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.

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

The operating segments have been charged with overhead expenses. For the full year segment District Heating has been charged with SEK 48 M (27), whereof SEK 18 M (27) during the fourth quarter, while segment Biomass has been charged with SEK 20 M (3), whereof SEK 7 M (3) during the fourth quarter.

Net sales per segment

SEK million	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
District heating				
External	236	211	726	687
Internal	5	11	18	17
	241	222	744	704
Biomass				
External	65	56	205	193
Internal	5	11	15	18
	70	67	220	211
Other/elimination	-11	-22	-34	-35
Total net sales	300	267	930	880

Gross contribution per segment

SEK million	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
District heating				
Total operating revenue	243	223	751	708
Raw materials	-82	-81	-266	-268
Gross contribution	161	142	485	440
<i>Gross margin (%)</i>	<i>66%</i>	<i>64%</i>	<i>65%</i>	<i>62%</i>
Biomass				
Total operating revenue	73	68	225	216
Cost of goods sold	-38	-49	-131	-123
Gross contribution	35	19	94	93
<i>Gross margin (%)</i>	<i>48%</i>	<i>28%</i>	<i>42%</i>	<i>43%</i>

EBITDA per segment

SEK million	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
District heating	85	45	220	199
Biomass	2	10	-18	-7
Other/elimination	95	158	93	116
Total EBITDA	182	213	295	308

Depreciations, amortisations and impairment per segment

SEK million	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
District heating	-44	-27	-125	-119
Biomass	-13	-15	-49	-51
Other/elimination	-2	-6	-7	-9
Total	-59	-48	-181	-179

EBIT per segment

SEK million	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
District heating	41	18	95	80
Biomass	-11	-5	-67	-58
Other/elimination	93	152	86	107
Total EBIT	123	165	114	129

Note 3 Other operating income

Other operating income consists of the following items:

SEK million	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Gain on disposal SBH Acquisition 3 AB	0	93	0	93
Unrealized gain financial derivative	80	57	88	57
Other	6	0	13	10
Total other operating income	86	149	101	160

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 1,134 M (1,332), compared to the carrying amount of SEK 1,609 M (1,532). 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 145 M (57). The fair value has been assessed by creating a valuation model based on the Black-Scholes 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 1,035 M (875) 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 last year 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 of SEK 6 M during the third quarter of 2016.

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-Dec 2016
At beginning of period, January 1, 2016	57
Gains/losses in consolidated statement of profit or loss:	
change in volatility assumptions	6
effect of timing differences	-6
increased underlying property value	111
effect of model changes	-31
foreign currency effects	8
At end of period, December 31, 2016	145

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%
	33,717,434	100.00%

Additional information - financial statements of the Parent Company

Condensed parent company income statement

SEK million	Note	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales		25	65	68	65
Other operating income		0	0	0	0
Total operating revenue		25	65	68	65
Other external expenses		-12	-25	-61	-47
Personnel expenses		-2	-2	-9	-7
Depreciation		0	-5	-1	-5
Total operating expenses		-14	-32	-71	-59
Operating profit/loss (EBIT)		11	33	-3	6
Net financial items		-208	-124	-363	-153
Group contribution		-25	-25	247	-25
Profit/loss before tax		-197	-91	-119	-172
Income tax		0	0	0	0
Profit/loss for the period		-197	-91	-119	-172

Condensed parent company balance sheet

SEK million	Note	31 Dec 2016	31 Dec 2015
Intangible assets		7	0
Property, plant and equipment		0	0
Financial assets		3,215	3,378
Total non-current assets		3,222	3,378
Receivables		374	607
Cash and bank balances		0	0
Total current assets		374	607
Total assets		3,596	3,985
Equity		1,748	1,867
Non-current liabilities		928	1,532
Current liabilities		920	586
Total equity and liabilities		3,596	3,985

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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