

Solør Bioenergy Group – Interim report for the first quarter of 2016

January – March 2016

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

Stockholm, May 3, 2016

Solør Bioenergy Group highlights

The first quarter of 2016

- Net sales amounted to SEK 342 M (318), an increase of 8%
- Contribution amounts to SEK 198 M (191), an increase of 4%
- EBITDA improved to SEK 100 M (86), an increase of 16%
- Profit/loss after tax amounted to SEK 10 M (7)

Key figures

SEK million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Last 12 months
Net sales	342	318	880	904
Other operating income	2	4	160	158
Total operating revenue	344	322	1,040	1,062
Raw materials and cost of goods sold	-146	-131	-357	-372
Contribution	198	191	683	690
Operating expenses	-98	-105	-375	-368
EBITDA	100	86	308	322

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

Solør Bioenergy 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 Bioenergy Holding AB (publ) has listed bond on Oslo Stock Exchange. The head office is located in Stockholm, Sweden. Read more about Solør Bioenergy Group at www.solorbioenergi.com.

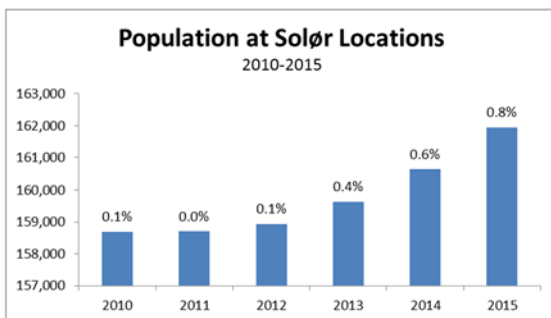
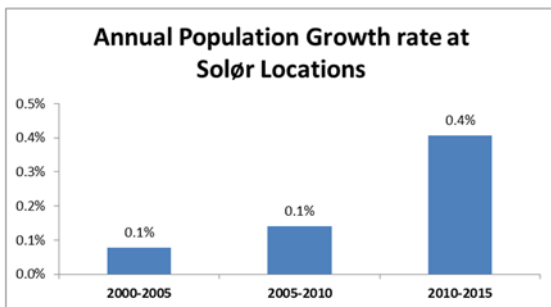
Macro perspective and effects of the ambient temperature

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

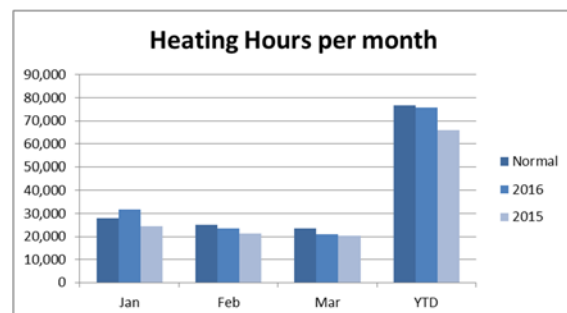
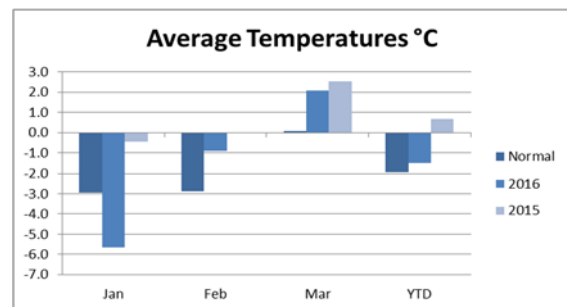
Effects of the ambient temperature

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 particular 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

Developments in the first quarter of 2016

Group

The first quarter of 2016 was characterized by colder weather in comparison to the same period during the two previous years. The ambient temperatures were back to approximately normal levels. The Group made significant progress with its cost reduction programme during the quarter and is on track regarding operating expenses based on expected 2016 full-year levels.

Net sales increased by 8 percent and amounted to SEK 342 M (318). The increase is mainly related to higher energy deliveries due to the colder weather.

Consolidated gross contribution increased by 4 percent to SEK 198 M (191), as a consequence of the increased energy deliveries. On the other hand, gross contribution was negatively impacted by lower margins in the Biomass segment and higher average fuel costs of approximately SEK 6 M in the District Heating segment due to peak load firing with oil.

Earnings Before Interest, Tax, Depreciations and Amortizations (EBITDA) improved to SEK 100 M (86), an increase by 16 percent. The increase in EBITDA is mainly attributable to lower operating expenses compared to the corresponding period last year, as well as the increased gross contribution.

Earnings Before Interest and Tax (EBIT) increased by 43 percent and amounted to SEK 60 M (42).

Segments

District heating

Net sales increased by 12 percent compared with the corresponding period last year, amounting to SEK 285 M (254).

The increase is mainly attributable to colder weather compared to the corresponding period last year.

Total energy deliveries increased also by 12 percent and amounted to 467 GWh (417).

EBITDA increased to SEK 117 M (106), an increase by 10 percent. The increase is related to the higher energy deliveries as well as positive effects from the cost reduction programme and the Group's focus on operational improvements. EBITDA for the first quarter of 2016 has been charged with central administrative expenses amounting to SEK 8 M. Adjusted for the above, EBITDA for the segment amounted to SEK 125 M (106).

Biomass

Net sales were stable compared with last year, amounting to SEK 68 M (70).

EBITDA decreased to SEK -6 M (-3). The decrease is mainly related to lower margins and charges of central administrative expenses, which to certain extent have been offset by positive effects from the cost reduction programme and the Group's focus on operational improvements. The charges of central administrative expenses were SEK 3 M. Adjusted for this, EBITDA for the segment amounted to SEK -3 M (-3).

Financial net and tax

Consolidated financial net for the first quarter amounted to SEK -52 M (-34), whereof net foreign currency exchange losses related to the NOK denominated bond amounted to SEK -16 (0). Adjusted for the above, consolidated financial net for the first quarter amounted to SEK -36 M (-34).

Tax income/expense for the quarter amounted to SEK 2 M (-1).

Cash flow

Cash flow from operating activities amounted to SEK 81 M (81) as a result of the improved operating earnings despite a lower decrease in working capital compared to the comparable period last year.

Cash flow from investing activities was SEK -7 M (-35).

Cash flow from financing activities was SEK -38 M (-66).

Financial position and liquidity

At the end of the period, consolidated cash and equivalents were SEK 64 M (29). At the end of the period, consolidated interest-bearing debt amounted to SEK 2,508 M (2,583) and equity to SEK 991 M (775).

Due to covenant breaches and in accordance with IAS 1.74, the bond loans were presented as short-term debt at the end of 2014 and during the first three quarters of 2015. After having reached all necessary waiver agreements with the bondholders, the bond loans were reclassified to long-term debt in accordance with their respective terms during the fourth quarter of 2015.

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	Q1 2016	Limit
Equity ratio:	26.2%	20.0%
Current ratio:	1.37x	1.25x
Interest coverage ratio:	2.74x	1.75x

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

The Group is ahead of schedule related to covenant levels compared to the original plan from the waiver process. There has during the first quarter of 2016 been a reduction with 80 penalty basis points. However a penalty of 20 basis points will still be valid going forward related to the SEK denominated bond until the Group has reached an equity ratio of 27.5 percent.

In addition to the financial covenants, a requirement under the terms and conditions of the SEK denominated bond is a listing with Nasdaq OMX, or another regulated market. On October 29, 2015, the bondholders of the SEK denominated bond approved Solør Bioenergi Group's request for a waiver to postpone the listing within June 30, 2016 instead of September 30, 2015. The Group is currently in the process of listing the SEK bond at Oslo Stock Exchange.

Parent Company

Net sales for the the Parent Company, Solør Bioenergi Holding AB (publ), amounted to SEK 11 M (0), and consisted of internal services to Group companies. EBIT amounted to SEK -9 M (-12). In comparison to previous year, the Parent Company allocates all Group overhead cost, which are then distributed to the group companies.

Net financial items were SEK -44 M (9). The decrease is mainly attributable to interest expenses and foreign currency exchange losses related to the NOK denominated bond and higher group internal interest expenses following the group internal reorganization and the acquisition of shares in subsidiaries from Solør Bioenergi Holding AS.

Profit/loss before and after tax amounted to SEK -53 M (-3).

At the end of the period, the Parent Company's cash and bank balances were SEK 1 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 have been reviewed and there were no significant changes from the risks 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	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Last 12 months
Net sales	2	342	318	880	904
Other operating income	3	2	4	160	158
Total operating revenue		344	322	1,040	1,062
Raw materials and cost of goods sold		-146	-131	-357	-372
Personnel expenses		-34	-31	-123	-126
Depreciation, amortisation and impairment	2	-40	-44	-179	-175
Other operating expenses		-64	-74	-252	-242
Total operating expenses		-284	-280	-911	-915
Operating profit/loss (EBIT)	2	60	42	129	147
Net financial items		-52	-34	-152	-170
Profit/loss before tax		8	8	-23	-23
Income tax		2	-1	63	66
Profit/loss for the period	2	10	7	40	43
Attributable to:					
Shareholders of the Parent Company		4	3	36	37
Non-controlling interests		6	4	4	6
		10	7	40	43

Condensed consolidated statement of comprehensive income

SEK million	Note	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Last 12 months
Profit/loss for the period		10	7	40	43
Other comprehensive income:					
<i>Items that may be reclassified to profit or loss in subsequent periods</i>					
Exchange differences on translation of foreign operations		8	5	0	3
Total other comprehensive income		8	5	0	3
Total comprehensive income for the period		18	12	40	46
Attributable to:					
Shareholders of the Parent Company		12	8	36	40
Non-controlling interests		6	4	4	6
		18	12	40	46

Condensed consolidated statement of financial position

SEK million	Note	31 Mar 2016	31 Mar 2015	31 Dec 2015
Goodwill and intangible assets		132	159	141
Property, plant and equipment		3,129	3,266	3,152
Financial assets		102	159	96
Deferred tax assets		0	4	0
Total non-current assets		3,363	3,588	3,389
Inventories		85	98	111
Interest bearing receivables		189	134	184
Operating receivables		170	220	203
Derivatives	3	57	0	57
Cash and cash equivalents		64	29	28
Total current assets		565	481	583
Total assets		3,928	4,069	3,972
Equity attributable to the shareholders of the Parent Company		954	744	942
Non-controlling interests		37	31	31
Equity		991	775	973
Interest bearing debt		2,329	820	2,320
Deferred tax liabilities		241	476	242
Total non-current liabilities		2,570	1,296	2,562
Interest bearing debt		179	1,763	209
Operating liabilities		188	235	228
Total current liabilities		367	1,998	437
Total equity and liabilities		3,928	4,069	3,972

Condensed consolidated statement of cash flows

SEK million	Note	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Last 12 months
Profit/loss before tax		8	8	-23	-23
Adjustment for non-cash items		54	46	4	12
Change in working capital		19	27	60	52
Cash flow from operating activities		81	81	40	40
Investments in PPE		-7	-35	-51	-23
Cash flow from investing activities		-7	-35	-51	-23
Share issue/equity increase, net of costs		0	0	170	170
Net repayment of interest bearing debt		-38	-66	-180	-152
Cash flow from financing activities		-38	-66	-10	18
Net increase/decrease in cash and cash equivalents		36	-20	-21	35
Cash and cash equivalents at beginning of period		28	49	49	29
Cash and cash equivalents at end of period		64	29	28	64

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	12	6	18
Dividends	0	0	0
At end of period, March 31, 2016	954	37	991

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	8	4	12
Dividends	0	-4	-4
At end of period, March 31, 2015	744	31	775

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.

Central administrative expenses in segments

In comparison to the corresponding period last year, the operating segments have been charged with central administrative expenses. Segment District Heating has been charged with SEK 8 M. Segment Biomass has been charged with SEK 3 M.

Net sales per segment

SEK million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Last 12 months
District heating				
External	280	251	687	716
Internal	5	3	17	19
	285	254	704	735
Biomass				
External	62	67	193	188
Internal	6	3	18	21
	68	70	211	209
Other/elimination	-11	-6	-35	-40
Total net sales	342	318	880	904

EBITDA per segment

SEK million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Last 12 months
District heating	117	106	199	210
Biomass	-6	-3	-7	-10
Other/elimination	-11	-17	116	122
Total EBITDA	100	86	308	322

Depreciations, amortisations and impairment per segment

SEK million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Last 12 months
District heating	-27	-31	-119	-115
Biomass	-12	-12	-51	-51
Other/elimination	-1	-1	-9	-9
Total	-40	-44	-179	-175

EBIT per segment

SEK million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Last 12 months
District heating	90	75	80	95
Biomass	-18	-15	-58	-61
Other/elimination	-12	-18	107	113
Total EBIT	60	42	129	147

Reconciliation of segment reporting to profit/loss for the period

SEK million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Last 12 months
EBIT	60	42	129	147
Net financial items	-52	-34	-152	-170
Income tax	2	-1	63	66
Profit/loss for the period	10	7	40	43

Note 3 Other operating income

Other operating income consists of the following items:

SEK million	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Last 12 months
Gain on disposal SBH Acquisition 3 AB	0	0	93	93
Unrealized gain financial derivative	0	0	57	57
Other	0	4	10	6
Total other operating income	0	4	160	156

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 1,234 M (1,500), compared to the carrying amount of SEK 1,551 M (1,596). 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 57 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 developed by NBI, an assumed risk free rate of 1.5 percent and assumptions regarding property value and underlying volatility. 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 20 percent is considered reasonable. An adjustment of the risk free rate with +/- 0.5 percent will impact the value with +/- SEK 10 M.

During the first quarter of 2016 there has only been minor changes in the value of the put & call financial derivative instrument, which were offset by foreign currency translation differences between NOK and SEK.

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	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net sales		11	0	65
Other operating income		0	0	0
Total operating revenue		11	0	65
Other external expenses		-17	-11	-47
Personnel expenses		-3	-1	-7
Depreciation		0	0	-5
Total operating expenses		-20	-12	-59
Operating profit/loss (EBIT)		-9	-12	6
Net financial items		-44	9	-153
Group contribution		0	0	-25
Profit/loss before tax		-53	-3	-172
Income tax		0	0	0
Profit/loss for the period		-53	-3	-172

Condensed parent company balance sheet

SEK million	Note	31 Mar 2016	31 Mar 2015	31 Dec 2015
Intangible assets		0	0	0
Property, plant and equipment		0	6	0
Financial assets		3,428	2,814	3,378
Total non-current assets		3,428	2,820	3,378
Receivables		445	39	607
Cash and bank balances		1	0	0
Total current assets		446	39	607
Total assets		3,874	2,859	3,985
Equity		1,814	1,868	1,867
Non-current liabilities		1,551	1	1,532
Current liabilities		509	990	586
Total equity and liabilities		3,874	2,859	3,985

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

Questions concerning this report may be directed to:

Daniel Jilkén, tel.: +41 76 761 27 90, e-mail: daniel.jilken@solorbioenergi.com

Solör Bioenergi Holding AB (publ)

Box 3234

SE-103 64 Stockholm, Sweden

Visiting address: Norrlandsgatan 16, Stockholm

Corp. Reg. No.: 556907-9535

solør**bioenergi**