

NG

Norsk
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Norsk Gjenvinning Group 1st Quarter 2016

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VV Holding AS is providing the following interim financial statements for Q1 2016 to holders of its NOK 2,235,000,000 Senior Secured Floating Rate Notes due 2019.

This report is for information purposes only and does not constitute an offer to sell or the solicitation of an offer to buy the notes or any other security.

This report includes forward-looking statements that are based on our current expectations and projections about future events. All statements other than statements of historical facts included in this notice, including statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, including our plans for future costs savings and synergies may be deemed to be forward-looking statements.

Words such as “believe,” “expect,” “anticipate,” “may,” “assume,” “plan,” “intend,” “will,” “should,” “estimate,” “risk” and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance.

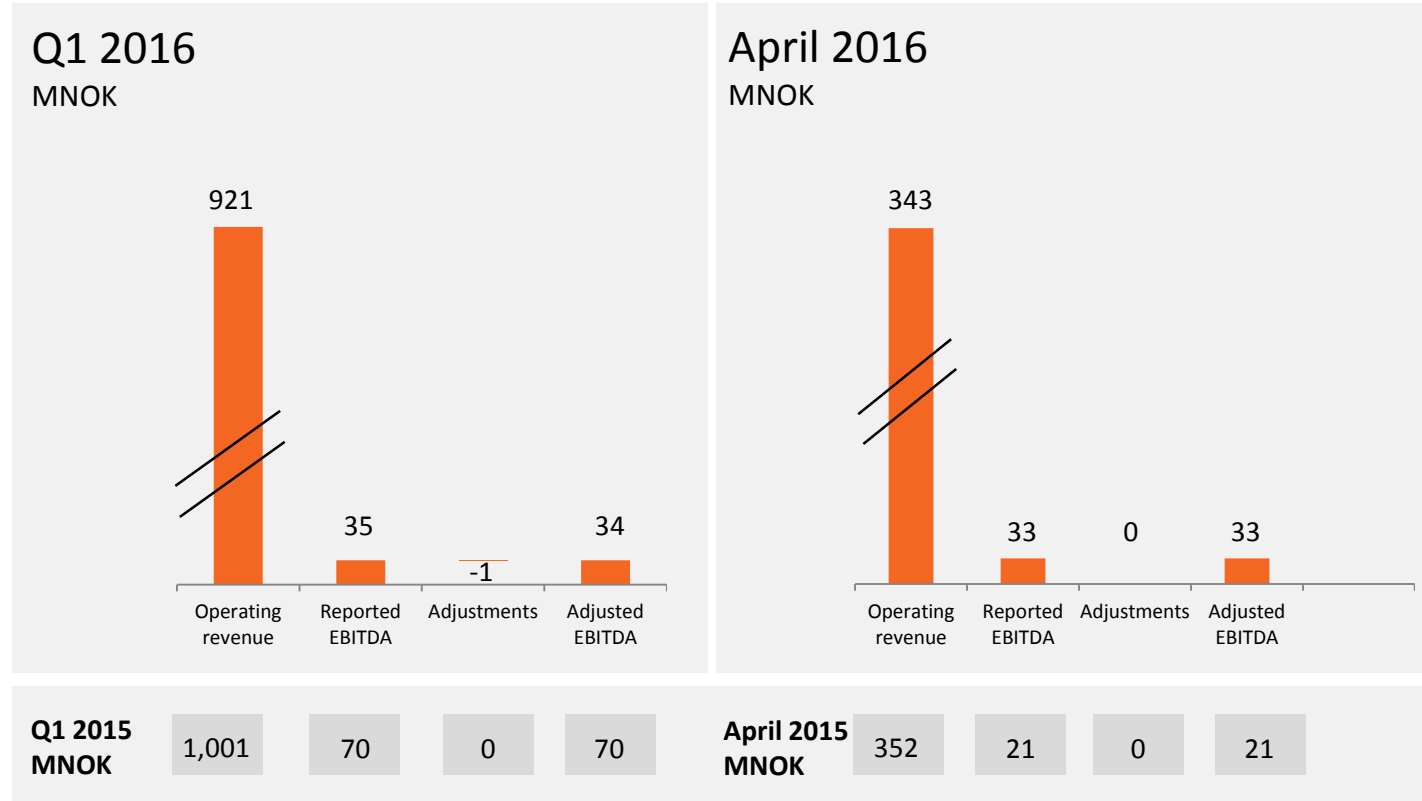
You should not place undue reliance on these forward-looking statements. In addition, any forward-looking statements are made only as of the date of this notice, and we do not intend and do not assume any obligation to update any statements set forth in this notice.

- Pressure on profits from challenging markets partly offset by cost reductions and profitability improvements:
 - Reduction in operating revenue of 8.0% compared to Q1 2015
 - 7.8% reduction in waste volumes compared to Q1 2015
 - 0.6% drop in gross margins – from 50.1% in Q1 2015 to 49.5% in Q1 2016
 - EBITDA of NOK 35.0 million compared to NOK 69.8 million in Q1 2015 (adjusted EBITDA MNOK 34.2 and 69.8 respectively)
 - Easter in Q1 effecting EBITDA by 12-14 MNOK negatively in 2016
 - NG200 cost and productivity initiatives implemented according to plan – operating costs reduced by net NOK 15.6 million (NOK 10.6 million adjusted for special items and group divisions not part of NG200¹)
- Continued efforts to increase upstream prices to normalize margins. Signs that competitors act correspondingly to pass on increased downstream costs. The NG group has now been repositioned and when market conditions stabilize, we expect a positive development for the group

¹ Only core divisions included in NG200 program: Division Recycling, Division Metals, Division Industry & Offshore, Division Downstream

EBITDA snapshot for Q1 and April 2016

- Special items in Q1:
 - No special items
 - Negative impact from Easter falling in Q1 in 2016 of 12-14 MNOK



Adjusted earnings by segment Q1

Division Recycling

- Reduced in upstream volumes; reduction in waste assignments (Easter effect)
- Falling commodity prices
- Increased gate fees
- Cost and productivity improvements



	Revenues	Adj. EBITDA ⁽¹⁾
1Q 2016	491	22
1Q 2015	516	26

Division Metal

- Large drop in commodity prices and large drop in volumes
- Lower production
- Cost and productivity improvements



	Revenues	Adj. EBITDA ⁽¹⁾
1Q 2016	160	-2
1Q 2015	228	27

Division Industry and Offshore

- Drop in revenues from the oil and gas sector and other sectors influenced by oil and gas
- Cost and productivity improvements
- Closure of Mongstad site



	Revenues	Adj. EBITDA ⁽¹⁾
1Q 2016	88	-3
1Q 2015	94	4

Division Household Collection

- Stable and steady
- Awarded two contracts (Northeast Gothenburg and Blekinge), but contested by competitors



	Revenues	Adj. EBITDA ⁽¹⁾
1Q 2016	84	10
1Q 2015	83	9

MNOK

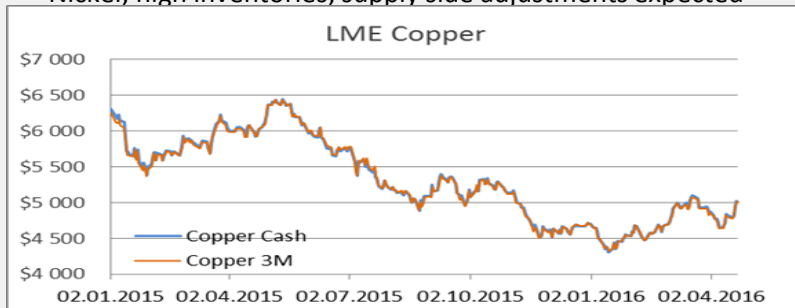
1Q 2016

1Q 2015

⁽¹⁾ Before internal charges

Metals

- Ferrous market prices 43% below Q1 2015, flat compared to Q4 2015; large price increase in April
- Copper and aluminium prices much lower than in Q1 2015, but rebounding from lows in Q4 2015; Markets still oversupplied; high stocks and steady demand for aluminium, improving, but still cautious for copper
- Nikkel prices have been volatile and demand has been low for Nickel; high inventories; supply side adjustments expected



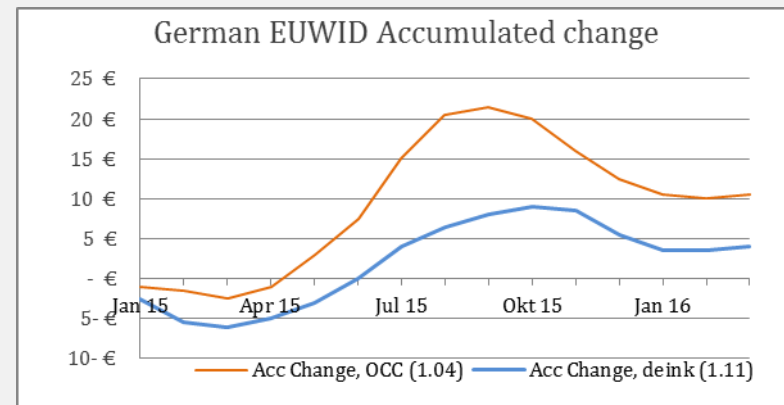
LME Copper 2015, 2016

Woodchips

- Demand still influenced by mild winters and low demand for heating
- The negative price pressure downstream picked up in Q1, and we expect downstream prices to fall the remainder of the year
- We intend to increase upstream prices to maintain healthy margins

Paper

- Prices for recovered paper higher compared to Q1 2015, but down from Q4
- We expect stable demand and relatively high price levels to continue



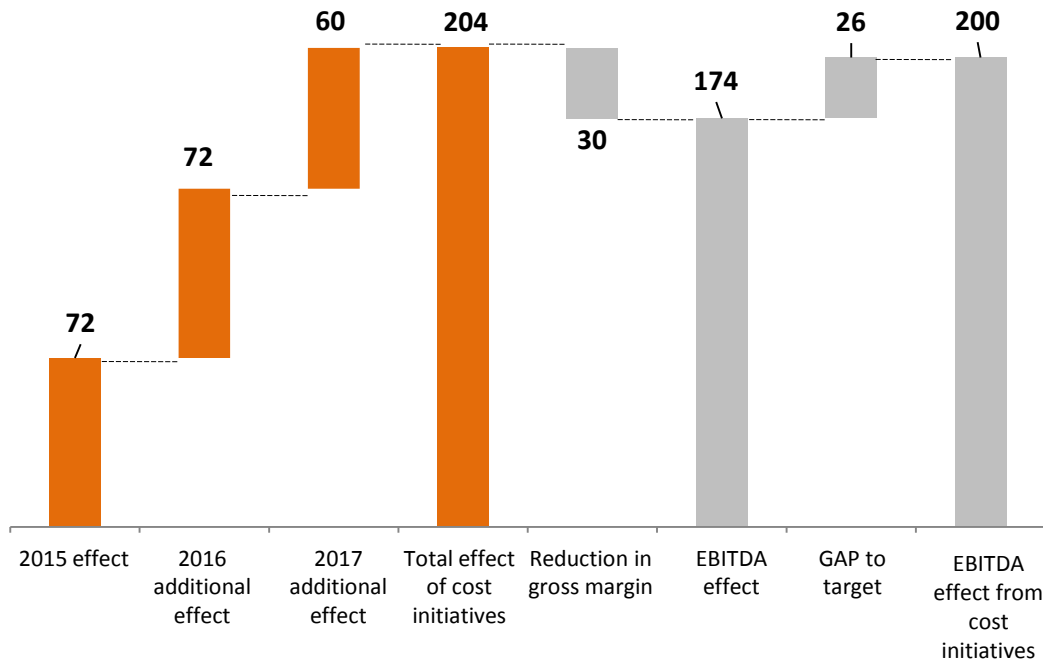
Accumulated change in Recovered paper prices, 2015,2016 Euwid index

Refuse Derived Fuel

- During Q1 the market for RDF in Scandinavia continued to be quite saturated, with incineration plants focused on reducing inventory levels
- We have seen gate fees stabilizing rather than increasing during Q1
- We continue our efforts to increase upstream prices to offset increased gate fees; competitors following suit

Status full cost program – NG200

NG200 cost reductions, full cost program¹ NOK million



NG200 status to date

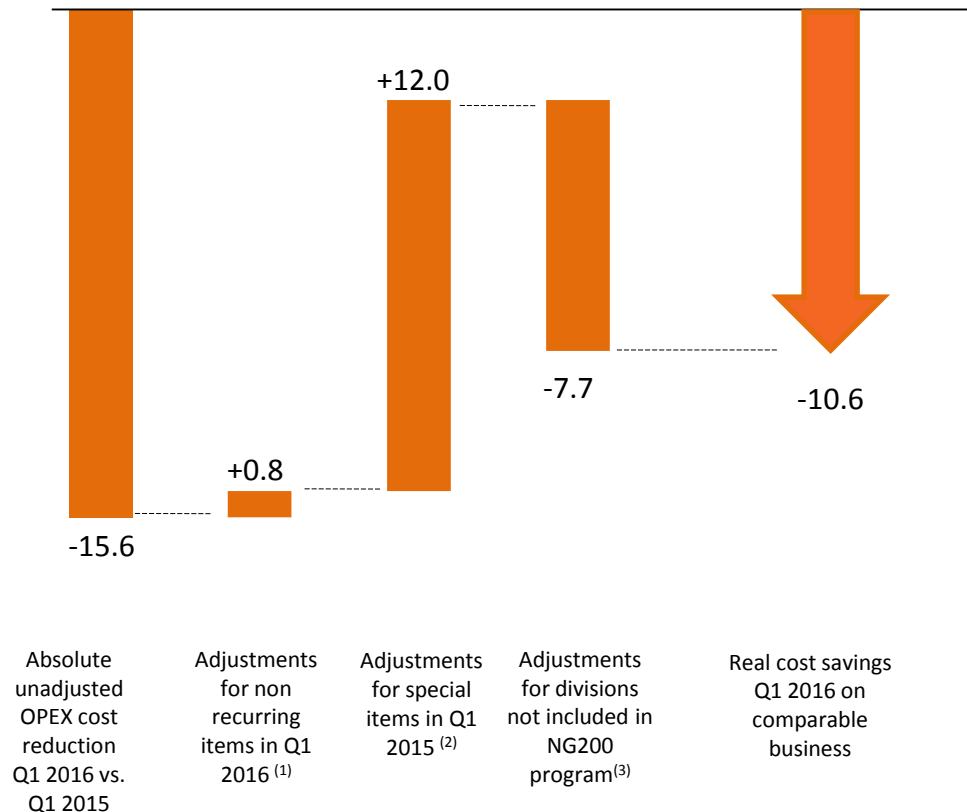
- Cost reducing initiatives of NOK ~204 million initiated or to be initiated
 - ~12 % of 2014A OPEX²
 - Reduction of ~150 FTEs
- Adjusted for estimated loss of gross profit, another NOK ~26 million of cost reductions needed to reach target of NOK 200 million
- An additional ~75 MNOK of cost reduction potential have been identified, but is not included due to high risk

¹ Includes OPEX and transport costs

² OPEX 2014A: NOK ~1.7 billion

Development in OPEX

OPEX cost comparison YTD 2015 vs YTD 2014 MNOK



Comment

- Real cost savings of NOK 10.6 million in Q1 2016
- Adjustments for:
 - (1) reversal of charges for onerous contract in Division Household collection
 - (2) Adjustments for Mongstad clean-up and NG 200 implementation costs in Q1 2015
 - (3) Adjustments for non core divisions; Only Divisions Recycling, Metals, Industry&Offshore and Downstream are part of NG200

- Reiterating outlook for 2016:
 - 2016 revenues expected to be 3-4% lower than in 2015 due to slowing of Norwegian economy, lower commodity prices and plant closures
 - We expect gross margins to be 0.5-1% lower in 2016 vs. 2015
 - We expect normalized RDF inventories and metals volumes remainder of the year
 - Focus will be on cost reductions, productivity improvements, and efforts to increase upstream prices to normalize margins - to level off the negative effects mentioned above

- FY 2016 Maintenance Capex expectations of 140-150 MNOK

- Comfortable liquidity position

Financials P&L 3M 2016 ⁽¹⁾

CONDENSED INCOME STATEMENT

<i>(NOK'000)</i>	Q1 2016	Q1 2015
Revenue	919 386	1 000 449
Other income	1 618	330
Total operating revenue	921 004	1 000 779
Cost of goods sold	464 902	499 184
Employee benefits expense	251 934	253 039
Depreciation and amortization expense	59 217	59 964
Other operating expenses	167 104	181 557
Other (gains)/losses - net	2 109	(2 762)
Operating profit	(24 262)	9 796
Finance income	4 587	833
Finance costs	49 852	57 724
Profit / (loss) before income tax	(69 526)	(47 095)
Income tax expense	(19 425)	(12 409)
Profit / (loss) for the period from continuing operations	(50 101)	(34 686)
Profit / (loss) attributable to:		
Owners of the parent	(50 499)	(34 728)
Non-controlling interests	398	42

⁽¹⁾The interim financial information has not been subject to audit

Balance sheet 3M 2016⁽¹⁾

ASSETS

<i>(NOK'000)</i>	31.03.2016	31.12.2015
Non-current assets		
Property, plant & equipment	1 016 825	1 031 968
Intangible assets	141 316	152 007
Goodwill	1 229 559	1 229 559
Deferred tax assets	95 179	76 226
Investments in associated companies	12 393	12 393
Other non-current receivables	31 122	28 338
Total non-current assets	2 526 394	2 530 492
Current assets		
Inventories	75 486	87 536
Trade and other receivables	609 397	596 309
Derivative financial instruments	1 698	-
Cash and cash equivalents	119 117	219 819
Total current assets	805 698	903 664
Total assets	3 332 092	3 434 157

Balance sheet 3M 2016⁽¹⁾

EQUITY AND LIABILITIES

<i>(NOK'000)</i>	31.03.2016	31.12.2015
Equity attributable to owners of the parent		
Ordinary shares	45 348	45 348
Share premium	330 011	330 011
Additional paid in capital	7 970	7 970
Retained earnings	(287 818)	(232 009)
Total equity attributable to owners of the parent	95 512	151 321
Non-controlling interest	12 406	14 765
Total equity	107 918	166 086
Non-current liabilities		
Loans and borrowings	2 383 395	2 380 419
Derivative financial instruments	65 142	59 635
Deferred income tax liabilities	39 797	41 174
Post-employment benefits	7 014	7 265
Provisions for other liabilities and charges	100 352	102 312
Total non-current liabilities	2 595 699	2 590 804
Current liabilities		
Trade and other payables	560 562	602 335
Current income tax	0	1 960
Loans and borrowings	56 695	60 519
Derivative financial instruments	1 307	3 999
Provisions for other liabilities and charges	9 910	8 454
Total current liabilities	628 475	677 267
Total liabilities	3 224 174	3 268 071
Total equity and liabilities	3 332 092	3 434 157

Consolidated cash flow statement 3M 2016⁽¹⁾

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

<i>(NOK'000)</i>	Q1 2016	Q1 2015
Profit / (Loss) before income tax	(69 526)	(47 095)
Adjustments for:		
Income tax paid	(1 776)	-
Depreciation and amortization charges	59 217	59 964
Items reclassified to investing and financing activities	44 925	56 891
Other P&L items without cash effect	(630)	(6 548)
Changes in other short term items	(45 468)	(59 962)
Net cash flow from operating activities	(13 258)	3 250
Payments for purchases of non-current assets	(40 001)	(30 407)
Proceeds from sale of non-current assets	6 700	330
Net cash flow from investing activities	(33 301)	(30 077)
Repayment of borrowings	(278)	(5 674)
Net change in credit facility	(5 547)	18 649
Dividend paid to non-controlling interest	(2 757)	-
Net interest paid	(44 925)	(49 333)
Net cash flow from financing activities	(53 507)	(36 358)
Net increase in cash and cash equivalents	(100 066)	(63 186)
Effect of exchange rate changes	(635)	-
Cash and cash equivalents at beginning of period	219 819	161 068
Cash and cash equivalents at end of period	119 118	97 882

Events after reporting period

- Received bid for real estate portfolio

The logo for Norsk Gjenvinning (NG) is located in the top left corner. It consists of the letters 'NG' in a bold, white, sans-serif font, set against a solid orange square background. Below the 'NG' text, the words 'Norsk' and 'Gjenvinning' are stacked vertically in a smaller, white, sans-serif font.

NG

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The text 'Thank you! Q&A' is positioned in the upper right quadrant of the slide. It is rendered in a large, bold, black, sans-serif font. The background behind the text is a white area that tapers into a large, abstract graphic of overlapping orange and grey shapes that fills the lower and left portions of the slide.

Thank you!
Q&A