

NG

Norsk
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Norsk Gjenvinning Group 2nd Quarter 2016

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VV Holding AS is providing the following interim financial statements for Q2 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.

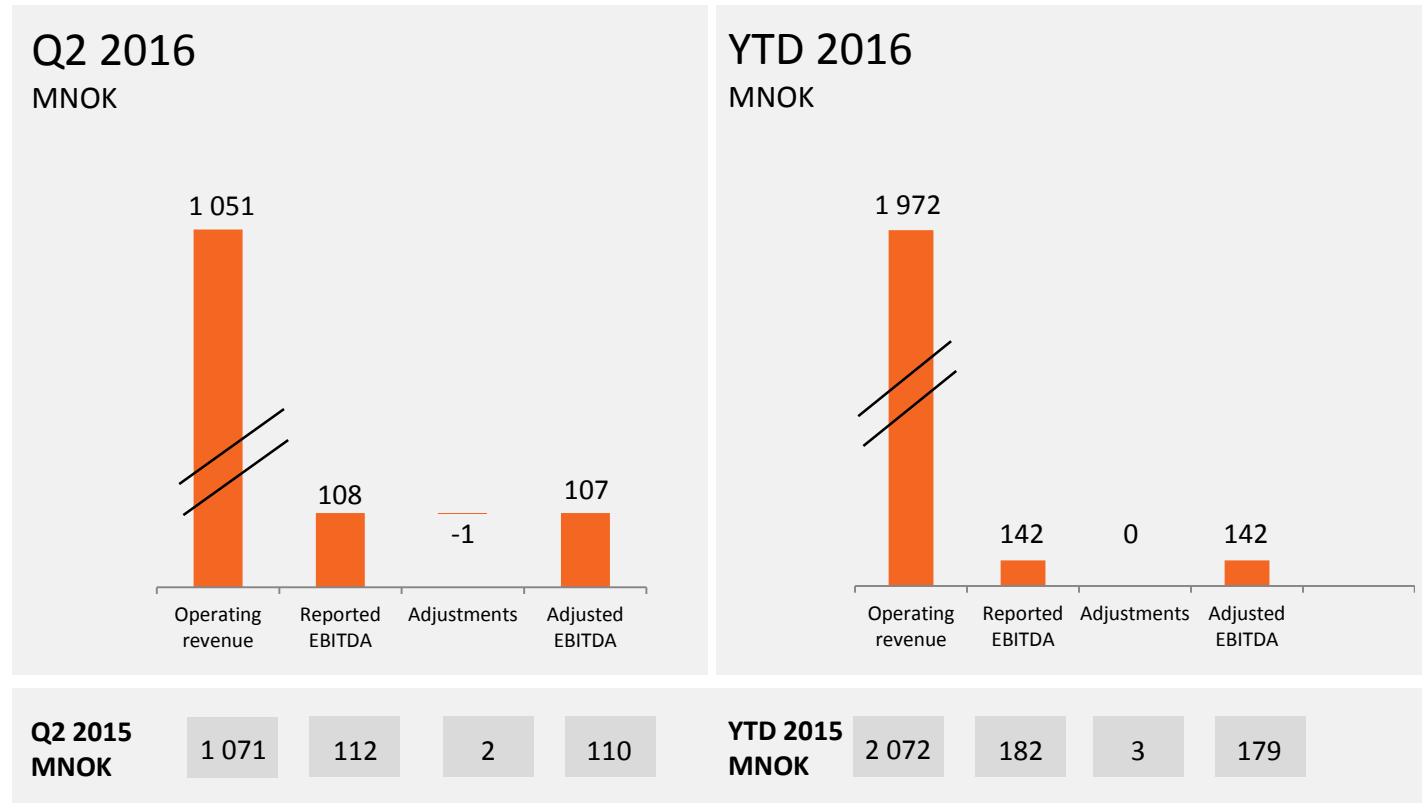
- Still pressure on profits from challenging markets, but positive signs emerging:
 - Reduction in operating revenue of 1.9% compared to Q2 2015
 - 2.6% increase in waste volumes compared to Q2 2015
 - 0.4% drop in gross margins – from 52.2% in Q2 2015 to 51.8% in Q2 2016; relative improvement by 0.2% from Q1 2016
 - EBITDA of NOK 107.5 million compared to NOK 112.0 million in Q2 2015 (adjusted EBITDA MNOK 107.4 and 109.7 respectively)
 - NG200 cost and productivity initiatives implemented according to plan – operating costs reduced by net NOK 24.8 million (NOK 26.1 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 Q2 and YTD 2016

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

- Special items in Q2:
 - No special items
 - Positive impact from Easter falling in Q1 in 2016 of 12-14 MNOK



Adjusted earnings by segment Q2

Division Recycling

- Ok volumes
- Reduction in GM (falling commodity prices and increased gate fees)
- Price increases upstream
- Cost and productivity improvements



	Revenues	Adj. EBITDA ⁽¹⁾
2Q 2016	578	65
2Q 2015 (pf)	570	67

Division Metal

- Large drop in commodity prices and business cycle influence volumes
- Lower metal content in scrap
- Cost and productivity improvements



	Revenues	Adj. EBITDA ⁽¹⁾
2Q 2016	206	9
2Q 2015 (pf)	221	21

Division Industry and Offshore

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



	Revenues	Adj. EBITDA ⁽¹⁾
2Q 2016	75	5
2Q 2015 (pf)	105	11

Division Household Collection

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



	Revenues	Adj. EBITDA ⁽¹⁾
2Q 2016	90	13
2Q 2015 (pf)	89	13

MNOK

2Q 2016

2Q 2015 (pf)

⁽¹⁾ Before internal charges

Metals

- Ferrous market prices 13% below Q2 2015 on average; large price increase in April, but sharp drop again in May and June
- Copper and aluminum prices much lower than in Q2 2015, but rebounding from lows in Q4 2015; Markets still oversupplied but inventories have started to fall; steady demand for aluminum, improving for copper
- Nickel prices have been volatile and demand has been low for Nickel, but improving; supply side adjustments expected



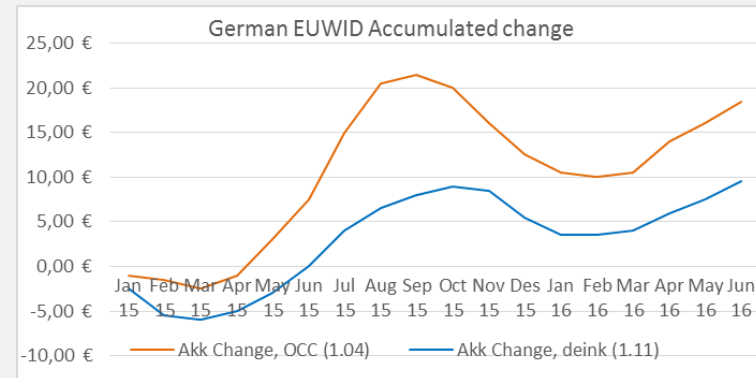
LME Copper 2015, 2016

Woodchips

- Demand influenced by mild winters and low demand for heating - large inventories in the industry
- Negative price pressure downstream in Q2 expected to remain challenging for the remainder of the heating season
- Our inventories are at satisfactory levels and we have secured contracts for the inventory and next heat seasons' production
- We are increasing upstream prices to maintain healthy margins

Paper

- Prices for recovered paper still strong compared to 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

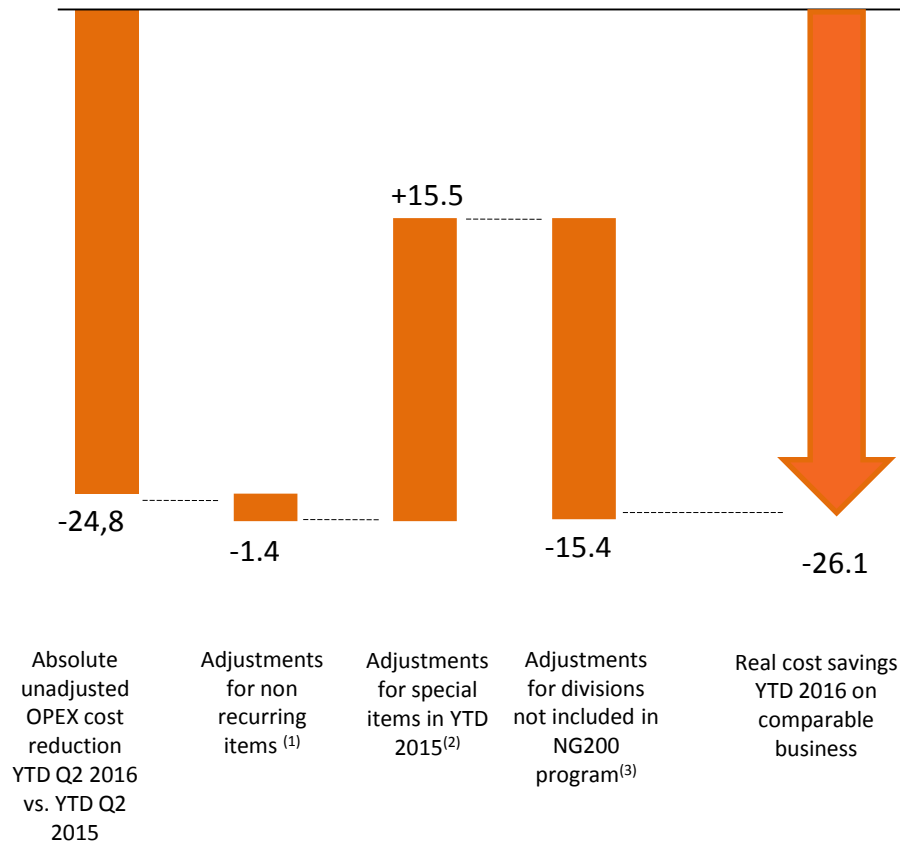
Refuse Derived Fuel

- During Q2 the market for RDF in Scandinavia improved with stabilizing gate fees and a reduction in UK imports
- We see a trend towards reduced storage at many incineration plants compared to previous year, which may result in an increased "just in time" focus in Q3 and Q4 and better pricing
- We continue our efforts to increase upstream prices to offset increased gate fees; competitors following suit

Development in OPEX

OPEX cost comparison YTD 2016 vs YTD 2015

MNOK



Comment

- Real cost savings of NOK 26.1 million YTD 2016
- Adjustments for:
 - (1) Reversal of charges for onerous contract in Division Household collection; reversal of gain from sale of assets in 2015
 - (2) Adjustments for Mongstad clean-up and NG 200 implementation costs in Q1 and Q2 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
 - Increasing gross margins expectations, but still expect gross margins to be lower in 2016 than 2015 by 0.4 - 0.8%
 - We expect normal RDF and woodchips 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 6M 2016 ⁽¹⁾

INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS

<i>(NOK'000)</i>	Q2 2016	Q2 2015	YTD Q2 2016	YTD Q2 2015
Revenue	1 050 420	1 067 140	1 969 806	2 067 589
Other income	561	3 931	2 180	4 261
Total operating revenue	1 050 981	1 071 071	1 971 986	2 071 850
Cost of goods sold	506 987	512 339	971 889	1 011 523
Employee benefits expense	247 372	257 109	499 306	510 148
Depreciation and amortization expense	55 264	62 321	114 480	122 285
Other operating expenses	189 230	188 758	356 334	370 315
Other (gains)/losses - net	(147)	846	1 962	(1 916)
Operating profit	52 275	49 699	28 013	59 495
Finance income	4 768	476	9 356	1 309
Finance costs	52 972	52 635	102 824	110 359
Net income from associated companies	1 434	-	1 434	-
Profit / (loss) before income tax	5 505	(2 461)	(64 021)	(49 556)
Income tax expense	(4 498)	(971)	(23 923)	(13 380)
Profit / (loss) for the period from continuing operations	10 003	(1 490)	(40 098)	(36 176)
Profit / (loss) attributable to:				
Owners of the parent	7 583	(2 975)	(42 916)	(37 703)
Non-controlling interests	2 420	1 485	2 818	1 527

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

Balance sheet 6M 2016⁽¹⁾

ASSETS

<i>(NOK'000)</i>	30.06.2016	31.12.2015
Non-current assets		
Property, plant & equipment	1 048 176	1 031 968
Intangible assets	135 506	152 007
Goodwill	1 235 986	1 229 559
Deferred tax assets	98 200	76 226
Investments in associated companies	14 177	12 393
Other non-current receivables	34 836	28 338
Total non-current assets	2 566 881	2 530 492
Current assets		
Inventories	94 680	87 536
Trade and other receivables	689 798	596 309
Derivative financial instruments	4 312	-
Cash and cash equivalents	71 783	219 819
Total current assets	860 573	903 664
Total assets	3 427 454	3 434 157

Balance sheet 6M 2016⁽¹⁾

EQUITY AND LIABILITIES

<i>(NOK'000)</i>	30.06.2016	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	9 314	7 970
Retained earnings	(280 404)	(232 009)
Total equity attributable to owners of the parent	104 269	151 321
Non-controlling interest	14 826	14 765
Total equity	119 095	166 086
Non-current liabilities		
Loans and borrowings	2 415 288	2 380 419
Derivative financial instruments	56 134	59 635
Deferred income tax liabilities	41 513	41 174
Post-employment benefits	7 477	7 265
Provisions for other liabilities and charges	98 377	102 312
Total non-current liabilities	2 618 789	2 590 804
Current liabilities		
Trade and other payables	620 385	602 335
Current income tax	-	1 960
Loans and borrowings	60 169	60 519
Derivative financial instruments	1 032	3 999
Provisions for other liabilities and charges	7 983	8 454
Total current liabilities	689 570	677 267
Total liabilities	3 308 359	3 268 071
Total equity and liabilities	3 427 454	3 434 157

Consolidated cash flow statement 6M 2016⁽¹⁾

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

<i>(NOK'000)</i>	YTD Q2 2016	YTD Q2 2015
Profit / (Loss) before income tax	(64 021)	(49 556)
Adjustments for:		
Income tax paid	(2 457)	(988)
Depreciation and amortization charges	114 480	122 285
Items reclassified to investing and financing activities	92 544	102 718
Other P&L items without cash effect	(8 339)	(2 614)
Changes in other short term items	(90 594)	(88 972)
Net cash flow from operating activities	41 613	82 874
Payments for purchases of shares and businesses	(12 940)	-
Payments for purchases of non-current assets	(112 112)	(75 567)
Proceeds from sale of non-current assets	9 257	2 000
Net cash flow from investing activities	(115 795)	(73 567)
Repayment of borrowings	(2 682)	(5 674)
Net change in credit facility	16 803	3 397
Dividend paid to non-controlling interest	(2 757)	(1 575)
Net group contributions received/(paid)	-	2 546
Net interest paid	(84 112)	(89 602)
Net cash flow from financing activities	(72 747)	(90 907)
Net increase in cash and cash equivalents	(146 929)	(81 601)
Effect of exchange rate changes	(1 107)	-
Cash and cash equivalents at beginning of period	219 819	161 068
Cash and cash equivalents at end of period	71 783	79 467

Events after reporting period

- No significant events

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

Norsk
Gjenvinning

The text 'Thank you! Q&A' is positioned in the upper right area of the slide. It is rendered in a large, bold, black, sans-serif font. The background behind the text features a large, light grey curved shape that overlaps with a larger orange curved shape below it. The overall design is modern and minimalist.

Thank you!
Q&A