Norsk Gjenvinning Group
3rd Quarter 2017

Erik Osmundsen, CEO and Dean Zuzic, CFO

Disclaimer

VV Holding AS is providing the following interim financial statements for Q3 2017 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.

Norsk Gjenvinning

Q3 2017

Q3 is the fourth quarter in a row with increasing results

The results improvement comes as a result of our systematic work to industrialize Norsk Gjenvinning.

Higher effectiveness, lower costs and an improved gross margin were important contributors to the results improvement.

We expect a continued positive development for the group in Q4 and 2018

Highlights Q3 and YTD 2017

- Flat development in waste volumes compared to Q3 2016; YTD waste volumes are up by 2.3%
- Operating revenue, adjusted* for sales of real estate in 2016 is up 6.5% compared to Q3 2016; YTD adjusted operating revenue is up by 4.0%
- Gross profit, adjusted* for sale of real estate in 2016 is up by NOK 38.0 million compared to Q3 2016, and YTD adjusted gross profit is up NOK 64.1 million, driven by improved gross profit per ton waste. Adjusted gross margin is up 0.6 percentage points compared to Q3 2016, and up by 0.1 percentage points YTD.
- Adjusted EBITDA was NOK 130.0 million, up by NOK 34.6 million compared to Q3 2016; YTD adjusted EBITDA is up NOK 100.4 million
- NG200 cost and productivity initiatives implemented according to plan. Operating costs reduced by an additional NOK 6.0 million in Q3 in NG core divisions; NOK 36.0 million YTD.

* No adjustments in revenues and/or gross profit were made in 2016

EBITDA snapshot for Q3 and YTD 2017

Special items in Q1:

- No special items
- Positive impact from Easter falling in Q2 in 2017 vs. Q1 in 2016 of 12-14 MNOK

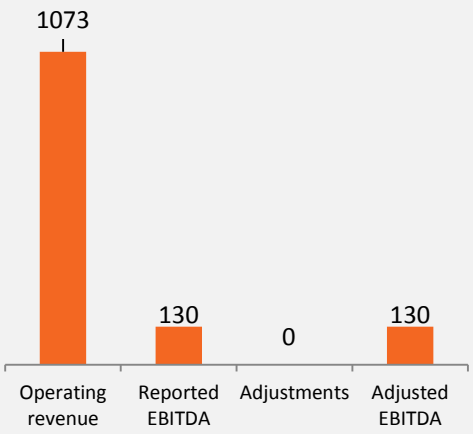
Special items in Q2:

- No special items
- Negative impact from Easter falling in Q2 in 2017 vs. Q1 in 2016 of 12-14 MNOK

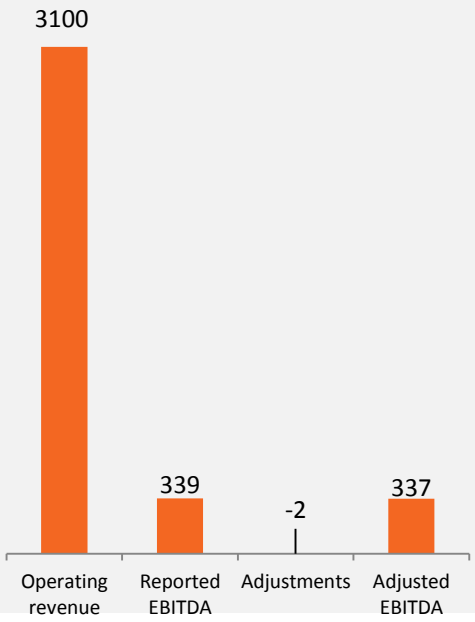
Special items in Q3:

- No special items

Q3 2017
MNOK



YTD 2017
MNOK



Q3 2016 MNOK	1 026	113	-18	95

YTD 2016 MNOK	2 998	256	-19	237

Adjusted earnings by segment Q3

Division Recycling

- High activity level ; 3.0% increase in collection assignments, 1.3% increased waste volumes
- GP expansion
- Cost and productivity improvements/ industrialization

Division Metal

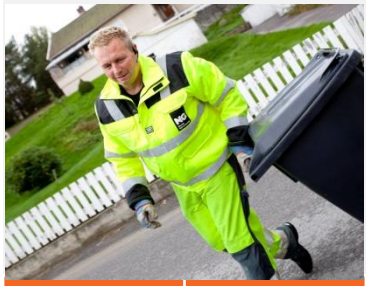
- 8.3% reduction in ferrous volumes, 5.2% increase in metal volumes
- Cost and productivity improvements and stable production
- Charges related to plant closures reduce EBITDA

Project based businesses

- Lower activity level; two large maintenance contracts in 2016
- Cost and productivity improvements

Division Household Collection

- Stable and steady
- Awarded 4 new contracts in Q3 – Drammen, Kongsberg, Rakkestad and Norrtälje



MNOK	Revenues	Adj. EBITDA[1]	Revenues	Adj. EBITDA[1]	Revenues	Adj. EBITDA[1]	Revenues	Adj. EBITDA[1]
3Q 2017	617	99	208	0	84	4	66	11
3Q 2016	567	61	175	1	101	6	88	14

[1] Before internal charges

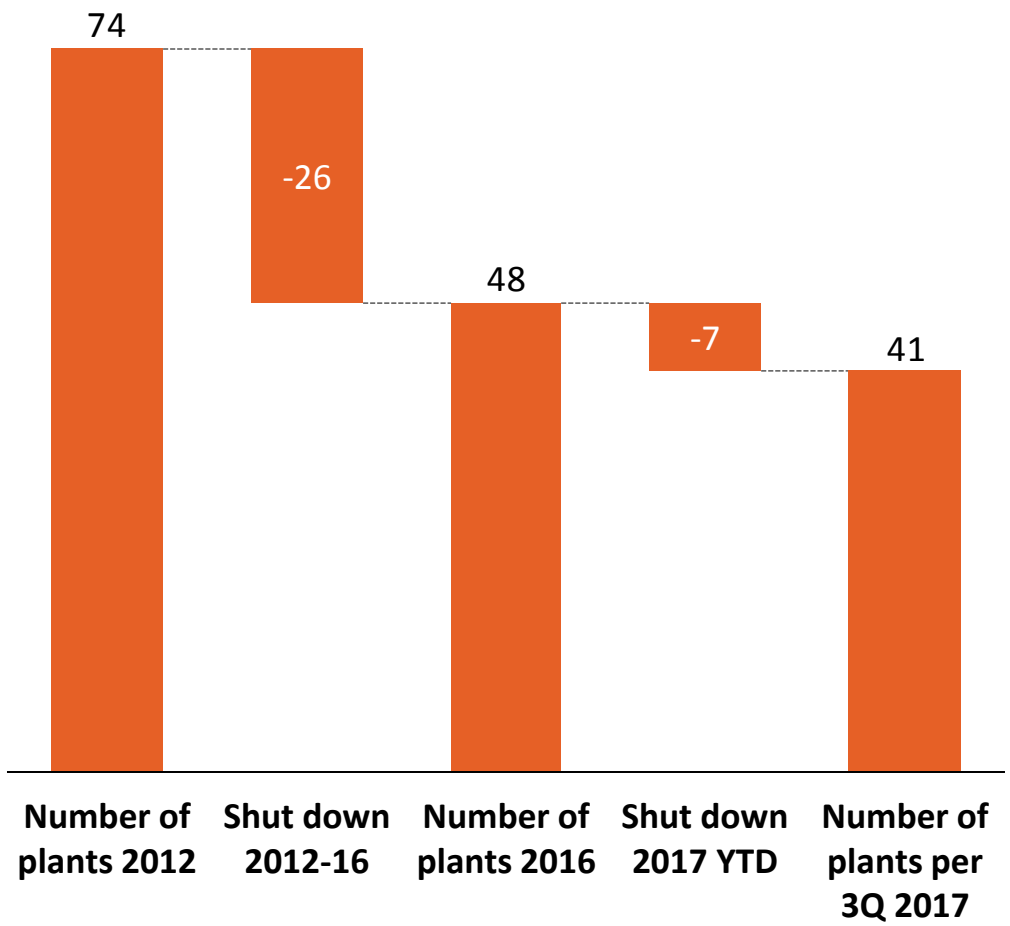
Main drivers for improved performance YTD

Our aim is to both be a leading service provider to customers in demand of waste solutions (the upstream market), and the most efficient supplier of recycled raw materials to customers in Europe and Asia (the downstream market)

Upstream market		**Downstream market**	
Sales	• 2.3% volume growth driven by recyclables and scrap metals • Operating income up by 4.0%	*Plant consolidation*	• Key part of NG200 cost reduction program driven by plant consolidation from 74 plants in 2012 to 41 at the end of Q3 • Increasing scrap metal volumes enabled new production records at our Øra plant during 2017
Margin management	• Gross profit per ton improved by 14.1%, driven by high focus on margin mgmt and successful price increases upstream • Further potential as competitors also need to normalize margins	*Long haul logistics*	• Improved long haul logistics efficiency through centralizing operations and implementing Lean
SG&A costs	• Sharp reduction in SG&A costs implemented at the end of 2016 • Focus on further improvements in sales and inbound logistics effectiveness	*Downstream sales*	• Improved gate fees for fuel fractions through portfolio optimization and low inventories • Improved position on scrap metals through opening up new downstream export markets

Plant consolidation

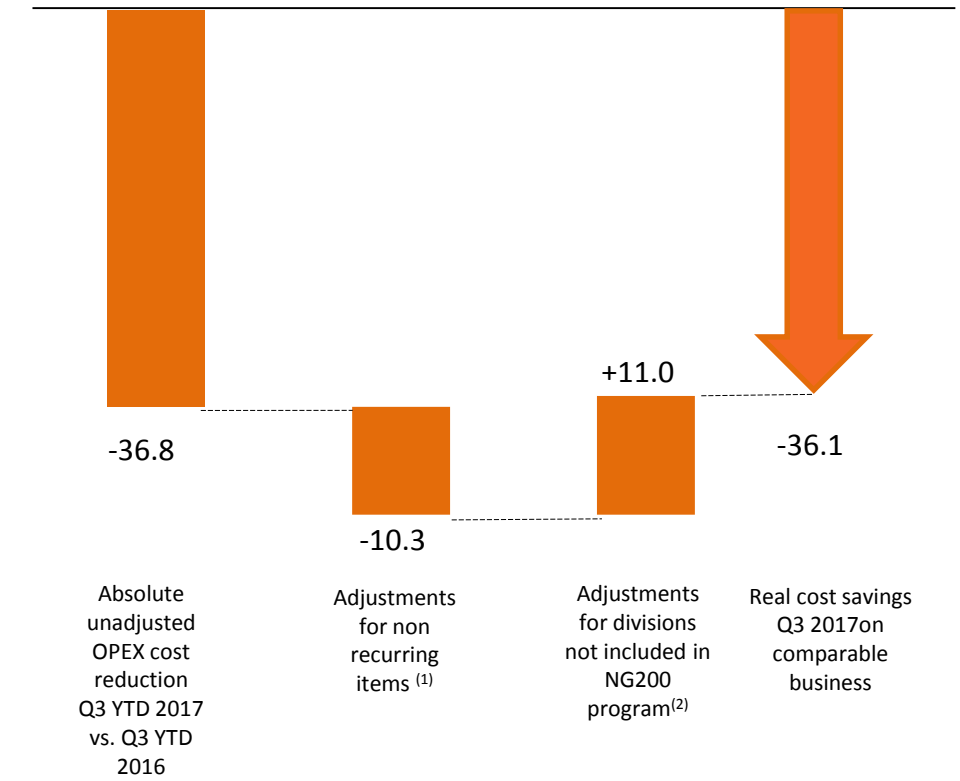
Number of plants/ unique addresses



- Plant consolidation has been one of the most important drivers of our positive results development
- We have now reduced the number of plants from 74 in 2012 to 41 at the end of Q3
- During 2017 we continued to consolidate our plant footprint by closing down our plants at Ausenfjellet, Fagerstrand, Kongsvinger, Molde, Namsos, Bodø, and Balsfjord.

Development in OPEX

OPEX cost comparison Q3 2017 vs Q3 2016
MNOK



Comment

- Real cost savings of NOK 36 million Q3 YTD 2017
- Adjustments for:
  1) Reversal of charges for onerous contract in Division Household collection; NOK 10 million allowance for employee bonuses
  2) Adjustments for non core divisions not included in cost reduction program; and M&A's (Sortera)

Market development – fuels

Market development

Refuse Derived Fuel (RDF)

- RDF markets remained stable with low inventory levels at incineration plants entering Q4

Woodchips

- The woodchips market has been stable in Q3, but pressure on prices is still downwards
- We expect an improvement in downstream markets with stable prices in Q4 and 2018, and we see new capacity coming online in Sweden and UK for 2018

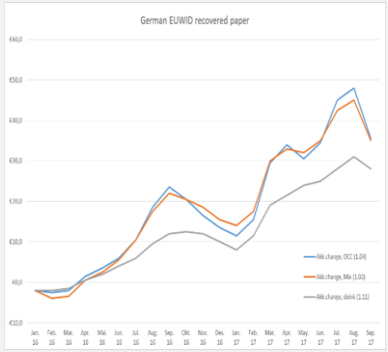
Metals

- Ferrous market prices (CELSA index) 78% above Q3 2016 on average – prices volatile from 1 250 - 1 550 NOK/ton level in Q3. We expect CELSA to fall in Q4
- Metal prices stayed high in Q3 for all fractions (aluminium, copper, nickel)

- Physical markets stable, with steady demand for aluminum and copper. Nickel expected to continue to be volatile

Paper

- Prices for recovered paper continued up in July and August, but in September we saw a sharp decline following import restrictions to China
- We expect a decline in recovered paper prices in Q4 as inventories are building up in Europe
- Uncertainties around import quotas to China remain unsettled



Market development – recyclables

Market development

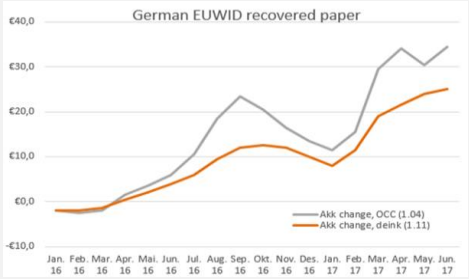
Metals

- Ferrous market prices (CELSA index) 22% above Q2 2016 on average – prices stable around 1 140 - 1 245 NOK/ton level in Q2
- Metal prices stayed high in Q2, aluminum at approximately 40% above 2016 Q2 levels; copper at approximately 30% above 2016 Q2 levels

- Nickel prices were on a downward trend in Q2, with average prices matching those of Q2 2016. Uncertainty about China's stainless steel production expected to keep prices on the low end.
- Physical markets stable, with steady demand for aluminum and copper

Paper

- Prices for recovered paper continued up in Q2 and are now at record levels. Strong demand for all paper grades, and low inventories
- We expect relatively high price levels to continue, albeit we do expect a slight price reduction towards the end of 2017
- Uncertainties around import quotas to China remain unsettled



NG response

Metals

- Improved collection logistics efficiency led to increased catchment area for Øra
- Increased volumes led to new production records which drives down unit costs
- Improved long haul logistics efficiency has opened up new export markets
- We will continue our attempts to optimize sourcing and adjust upstream prices to mitigate the lower quality of ferrous volumes.

Paper

- We held a good position with low inventories
- Good quality of finished products
- Mix of different price mechanisms enabled us to take advantage of a bullish market
- Optimization of customer portfolio downstream further strengthens gross margin

Outlook for 2017 and 2018

Full year 2017 EBITDA expected to be in the NOK 410-420 million range; NOK 435-445 million before extraordinary management bonuses

In 2018 we expect a continued improvement in our bottom line as we will continue to see the effects of our cost cutting and a range of other measures that will increase productivity and efficiency along the full value chain, combined with efforts to further improve gross margins through increased upstream prices. We do however expect somewhat lower commodity prices, especially for paper.

- Outlook for 2018:
  - 3-5% increase in top line compared to 2017; most of the top line growth to come from Household Collection, Project businesses and other niche businesses
  - Expect gross margins* to be flat compared to 2017
  - We expect normal RDF and woodchips inventories, and metals volumes
  - Costs in core operations (Recycling and Metals) expected to increase slightly due to cost creep; Costs in other parts of the business expected to increase following increased activity
  - EBITDA in 2018 expected to be 10-15% higher than in 2017
- FY 2018 Maintenance Capex expectations of 120-130 MNOK
- Growth capex of NOK 90 million, 60 MNOK investment in vehicles for the Household Collection business and 30 MNOK investment in environmental projects
- Comfortable liquidity position

* GM in core businesses expected to increase

Financials P&L Q3 2017 [1]

INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(NOK'000)	Q3 2017	Q3 2016	YTD Q3 2017	YTD Q3 2016
Revenue	1 072 701	1 007 271	3 090 506	2 977 077
Other income	155	18 457	9 268	20 637
Total operating income	**1 072 856**	**1 025 728**	**3 099 775**	**2 997 714**
Cost of goods sold	539 669	513 259	1 540 413	1 485 148
Employee benefits expense	224 768	222 915	690 633	722 221
Depreciation and amortization expense	54 114	55 658	164 094	170 138
Other operating expenses	175 925	175 398	526 500	531 732
Other (gains)/losses - net	2 068	701	3 463	2 663
Operating profit	**76 311**	**57 799**	**174 671**	**85 812**
Finance income	1 168	14 988	2 955	24 344
Finance costs	37 137	51 825	166 962	154 649
Net income from associated companies	765	1 381	1 233	2 815
Profit / (loss) before income tax	**41 108**	**22 343**	**11 897**	**(41 678)**
Income tax expense	7 938	7 765	3 290	(16 158)
Profit / (loss) for the period from continuing operations	**33 170**	**14 578**	**8 607**	**(25 520)**
Profit / (loss) attributable to:				
Owners of the parent	30 869	13 148	1 785	(29 768)
Non-controlling interests	2 301	1 430	6 822	4 248

[1] The interim financial information has not been subject to audit

Balance sheet Q2 2017[1]

ASSETS

(NOK'000)	September 30, 2017	December 31, 2016
Non-current assets		
Property, plant & equipment	950 893	1 015 748
Intangible assets	101 856	124 649
Goodwill	1 235 986	1 235 986
Deferred tax assets	85 999	96 262
Investments in associated companies	22 352	15 119
Other receivables	44 675	39 487
Total non-current assets	**2 441 761**	**2 527 251**
Current assets		
Inventories	115 624	85 065
Trade and other receivables	783 323	607 663
Other financial assets	-	3 581
Cash and cash equivalents	80 494	167 724
Total current assets	**979 442**	**864 034**
Total assets	**3 421 203**	**3 391 284**

[1] The interim financial information has not been subject to audit

Balance sheet Q2 2017[1]

EQUITY AND LIABILITIES

(NOK'000)	September 30, 2017	December 31, 2016
Equity		
Share capital and reserves attributable to owners of parent	80 907	75 125
Non-controlling interest	19 419	17 952
Total equity	**100 326**	**93 077**
Non-current liabilities		
Loans and borrowings	2 428 839	2 431 168
Other financial liabilities	12 968	24 885
Deferred income tax liabilities	30 632	31 794
Post-employment benefits	9 461	7 919
Provisions for other liabilities and charges	79 957	93 531
Total non-current liabilities	**2 561 858**	**2 589 298**
Current liabilities		
Trade and other payables	659 437	608 619
Current income tax	9 519	11 971
Loans and borrowings	64 562	65 432
Other financial liabilities	1 446	-
Provisions for other liabilities and charges	24 055	22 886
Total current liabilities	**759 019**	**708 909**
Total liabilities	**3 320 877**	**3 298 207**
Total equity and liabilities	**3 421 203**	**3 391 284**

[1] The interim financial information has not been subject to audit

Consolidated cash flow statement Q2 2017[1]

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

(NOK'000)	YTD Q3 2017	YTD Q3 2016
Profit / (Loss) before income tax	**11 897**	**(41 678)**
Adjustments for:		
Income tax paid	(2 911)	(2 457)
Depreciation and amortization charges	164 094	170 138
Items reclassified to investing and financing activities	144 478	135 302
Other P&L items without cash effect	10 229	(24 928)
Changes in other short term items	(171 276)	(132 939)
Net cash flow from operating activities	**156 511**	**103 438**
Payments for purchases of shares and businesses	(9 000)	(12 600)
Proceeds from sale of business	1 600	-
Payments for purchases of non-current assets	(80 318)	(140 596)
Proceeds from sale of non-current assets	13 004	37 303
Net other investments	(11 420)	-
Net cash flow from investing activities	**(86 134)**	**(115 893)**
Repayment of borrowings	(2 358)	(834)
Debt related expenses	(3 217)	-
Net change in credit facility	(15 879)	27 048
Dividend paid to non-controlling interest	(5 355)	(2 757)
Net interest paid	(131 558)	(136 315)
Net cash flow from financing activities	**(158 367)**	**(112 858)**
Net increase in cash and cash equivalents	**(87 990)**	**(125 313)**
Effect of exchange rate changes	760	(4 291)
Cash and cash equivalents at beginning of period	167 724	219 819
Cash and cash equivalents at end of period	**80 494**	**90 215**

[1] The interim financial information has not been subject to audit

Events after reporting period

- No significant events

Norsk Gjenvinning

Thank you!
Q&A