Norsk Gjenvinning

Q3
Interim Financial Report
2018

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DISCLAIMER

VV Holding AS is providing the following interim financial statements for Q3 2018 to holders of its NOK 1,386,000,000 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.

PRESENTATION OF THE GROUP

The Norsk Gjenvinning Group is Norway's leading recycling company offering a wide range of sustainable waste management services and providing secondary raw materials.

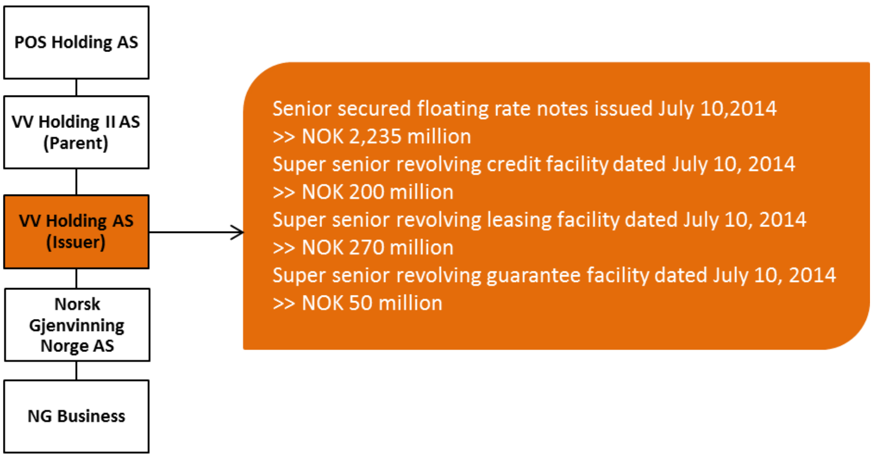
Norsk Gjenvinning is present in two markets; upstream and downstream;

- In the upstream market, Norsk Gjenvinning provides waste management services to local businesses, the municipal sector and private households in Norway, Sweden and Denmark
- The downstream markets consist of production/pre-treatment and sales of (i) secondary raw materials, such as recovered paper, plastic and metals to commodity producers in Scandinavia, Europe and Asia and (ii) fuels to waste-to-energy customers in Norway and Sweden

The Group's vision is to turn waste into the solution for tomorrow's resource problems. The Group's mission is to work tirelessly to become the industry's most customer-oriented, efficient and profitable player, with the goal of being perceived as the most important recycling company in the Nordic region. The Group's operations are based on our four core values; salesmanship, proactivity, responsibility and team spirit.

The Group has approximately 1,200 employees, over 40,000 customers and handles 1.8 million tons of waste per year – 39% of which goes to material recycling, 46% to energy recycling and 15% to landfill and other.

The following illustrates the Group Structure:



The Group's structure consist of the following business areas:

- **Recycling:** Operations include customized solutions for collecting, sorting, handling and management of all types of waste, together with related services.
- **Metal:** Operations include collection, sorting and treatment/recycling of all kinds of ferrous and non-ferrous metals, including vehicles, cables, and electrical waste
- **Project businesses:** Operations consists of demolition, a broad spectrum of industrial cleaning services and operation of landfills.
- **Household Collection:** Operations consist of collection of household waste on behalf of Norwegian and Swedish municipalities.
- **Other business areas**: Operations consists of i) downstream sales of recycled materials, processed waste and trading and ii) secure handling and destruction of documents

The Norsk Gjenvinning Group is controlled by funds managed by Summa Equity.

Consolidated companies:

VV Holding AS (Issuer)
Norsk Gjenvinning Norge AS 100%
Norsk Gjenvinning AS 100%
Norsk Gjenvinning Downstream AS 100%
Norsk Gjenvinning Metall AS 100%
Norsk Gjenvinning Miljøeiendommer AS 100%
Norsk Gjenvinning Offshore AS 100%
Norsk Gjenvinning Renovasjon AS 100%
Norsk Makulering AS 100%
Nordisk Genanvendelse aps (DK) 100%
Nordisk Återvinning Trading AB (SE) 100%
Nordisk Återvinning Service AB (SE) 100%
Norsk Gjenvinning Renovasjon Service AS 100%
NG Vekst AS 100%
Humlekjær og Ødegaard AS 100%
IBKA Norge AS 100%
IBKA A/S (DK) 100%
IBKA AB (SE) 100%
IBKA UK Ltd (UK) 100%
Løvås Transportfirma AS 100%
Tomwil Miljø AS 100%
Wilhelmsen Containerservice AS 100%
Ødegaard Gjenvinning AS 100%
LST AS 100%
iSekk AS 100%
Norsk Gjenvinning M3 AS 100%
Asak Massemottak AS 100%
Løvenskiold Massemottak AS 100%
Kopstad Massemottak AS 100%
Borge Massemottak AS 100%
Solli Massemottak AS 100%
Norsk Gjenvinning Renovasjon Ressurs AS 100%
Norsk Gjenvinning Renovasjon Stab AS 100%
Metall & Gjenvinning AS 100%
Rivningsspesialisten AS 100%
NG Fellestjenester AS 100%
Adact AS 100%
NG Startup II AS 100%
NG Startup III AS 100%
NG Startup X AS 100%
Revise AS 100%

Ownership <100%
R3 Entreprenør Holding AS 81.25%
R3 Entreprenør AS 81.25%
Østfold Gjenvinning AS 66%
Mortens Rørinspeksjon AS 50.6%
Eivind Koch Rørinspeksjon AS 50.6%

If not explicitly mentioned otherwise, the financial information contained in this report relates to the unaudited financial information on a consolidated basis at the Issuer level for the nine months ended September 30, 2018 and September 30, 2017 respectively.

COMMENTS BY THE CEO

In Q3 lower downstream prices due to Chinese import restrictions continued to have negative impact on Division Recycling and Division Metal, although we see signs of stabilisation. The healthy performance in the Project Based Businesses with strong top line growth and increased margins continued during the quarter. The contracts that were taken over following the bankruptcy of Reno Norden continued to put pressure on profitability in Household Collection.

We are working continuously to further strengthen our results through volume growth, gross margin management and increased operational efficiency. We maintain our guiding for 2018 and expect a continued recovery and positive results development for the group in the fourth quarter of 2018.

HIGHLIGHTS Q3 and YTD 2018

- Volumes: Reduction in waste volumes compared to Q3 2017 by 3.2%; YTD waste volumes are down by 0.3%
- Operating revenue is up 2.2% compared to Q3 2017; YTD adjusted operating revenue is up by 6.3%
- Gross profit is up by NOK 20.4 million compared to Q3 2017, and YTD adjusted gross profit is up by NOK 66.6 million
- Adjusted gross margin is up by 0.8 percentage points compared to Q3 2017, and down by 1.0 percentage point YTD
- Adjusted EBITDA is NOK 101.1 million, down by NOK 28.9 million compared to Q3 2017; YTD adjusted EBITDA is NOK 253.5 million down NOK 83.9 million

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

Leading service provider to upstream customers in demand of waste solutions

In our upstream markets, we are working diligently to improve our position through increased service quality, more effective sales, improved pricing, more innovative solutions, and increased efficiency of our inbound logistics.

In Q3, waste volumes decreased with 3.2% year over year. The main reason for the decline was lower ferrous volumes within the Metal Division. In the Recycling Division volumes decreased with 1.0% in Q3 mainly due to lower paper volumes as a consequence of the fire at Haraldrud earlier this year. Collection assignments were down 5.2% driven by compactor runs, while other logistics activities were up.

Gross profit increased with NOK 20.4 million in Q3. Ytd the increase in gross profit was NOK 66.6 million adjusted for real estate transactions in the first half of 2018. For the quarter, gross margin was up from 49.7% in Q3 2017 to 50.5% in Q3 2018. Ytd the gross margin adjusted for real estate transactions was down from 50.3% ytd in 2017 to 49.3% ytd in 2018. The ytd reduction was explained by the continued challenging dynamics in the paper and metals market.

Paper prices bottomed out in Q2 and have increased somewhat since then. The prices related to packaging grades OCC and mixed paper were stable during Q3. However, the prices related to these fractions were far below the levels in Q3 last year, which affected gross profit growth negatively in Q3 this year. Deink grades for printing paper have seen a sharp increase in Q3 and are now back on the level we saw early in 2017, but still lower than in Q3 2017.

The Chinese continued with their import restrictions related to metals in Q3 effectively closing the Chinese market, which lead to a decline in global downstream prices during the quarter. For mixed metal scrap there was a continued price discrepancy between upstream and downstream markets due to the sudden changes in the downstream market. This is expected to be a temporary imbalance resulting from a lag in upstream price adjustments.

YTD volumes were down 6% and 16% for ferrous and non-ferrous respectively. Still, the main cause of lower profitability was lower gross margin on mixed metal scrap. The growth in volumes is expected to be more positive going forward.

In addition to targeted efforts to improve gross margins, we continued our focus on efficiency improvements in sales and inbound logistics. Going forward we expect to see solid operational improvements and efficiency gains in our upstream operations.

The most efficient supplier of recycled raw materials to downstream customers

Through our industrial value chain from our plants to the downstream markets, we are working systematically to improve our position as the most cost efficient supplier of high quality recycled raw materials.

Our downstream sales organization continued to renegotiate and optimize our portfolio of downstream customers of recycled raw materials. For the RDF portfolio, we saw a slight decrease in gross margin in Q3 this year as compared to Q3 last year. In our woodchips portfolio, the trend from previous quarters continued and we had healthy growth in gross margins during Q3 compared to Q3 in 2017. We expect that this positive gross margin development will continue.

During Q3 2018 we continued our program for implementing Lean production principles at fifteen processing plants, as well as improving long haul logistics. Our ability to sort paper, increasingly important due to the increased price gap for unsorted paper, remained severely reduced after the fire in March 2018 that destroyed our paper sorting line in Oslo. In Q2 a new state of the art sorting line with improved capacity and quality was ordered with expected delivery during H1 2019.

Going forward we expect increased quality of our recycled raw materials and a further reduction in costs on a per ton basis, due to efficiency gains from implementation of NG Flow throughout the value chain.

Leading provider of Project Based recycling Businesses

Total revenues in the Project businesses increased by 10.1 % in Q3. The increase was primarily driven by increased volumes of high value fractions in the landfill operations paired with higher activity in the demolition business in the quarter. Adjusted EBITDA increased with 16%.

The momentum in Project Based Businesses is strong and we expect the strong performance in Q3 for our landfill operations to continue. The turnaround of our demolition business have been executed successfully and Q3 was a step in a positive direction. We expect this trend to continue going forward. In addition, we see higher activity levels and utilization rates in industrial cleaning. In the Household collection business, challenges associated with the takeover of the old RenoNorden portfolio continued but we expect solid improvements going forward.

Recovering results and positive outlook for Q4 2018

We maintain our full year guiding for 2018. Although downstream prices related to paper, plastics and metals are putting pressure on profits we expect improved performance in Recycling and continued strong performance in Project Based Business to continue in Q4 this year.

Erik Osmundsen
CEO

KEY FINANCIAL FIGURES

(NOK'000)	**Q3 2018**	**Q3 2017**	**Variance**	**YTD Q3 2018**	**YTD Q3 2017**	**Variance**
Total operating income	1 096 972	1 072 856	24 116	3 796 296	3 099 775	696 521
Gross profit(1)	553 559	533 187	20 372	2 127 042	1 559 362	567 680
Gross margin	*50,5 %*	*49,7 %*	*0,8 %*	*56,0 %*	*50,3 %*	*5,7 %*
EBITDA (2)	97 887	130 425	(32 538)	752 549	338 765	413 784
EBITDA margin	*8,9 %*	*12,2 %*	*(3,2 %)*	*19,8 %*	*10,9 %*	*8,9 %*
Adjusted EBITDA (3)	101 085	130 007	(28 922)	253 490	337 370	(83 880)
Adjusted EBITDA margin	*9,2 %*	*12,1 %*	*(2,9 %)*	*6,7 %*	*10,9 %*	*(4,2 %)*
Net cash flow from operating activities				313 319	156 511	156 808
Capital expenditures (4)				214 962	80 318	134 644
Net interest bearing debt (5)				1 738 688	2 434 193	(695 505)
Total assets				3 102 935	3 421 203	(318 268)

Consolidated unaudited figures.

Performance measures presented above includes items which are not defined under IFRS. These measures are presented as they are relevant for assessing underlying performance for a given period.

(1) Gross profit represents total operating income less cost of goods sold.
(2) EBITDA represents operating results before depreciation and amortization.
(3) Adjusted EBITDA represents EBITDA adjusted for certain non-recurring and/or non-cash costs.
(4) Capital expenditures represents total additions in property, plant and equipment, including items financed by new financial leases.
(5) Net interest bearing debt represent total third party indebtness (including shareholder loan from parent) less cash and cash equivalents.

RESULTS OF OPERATIONS

Total operating income increased by NOK 24.1 million or 2.2% from NOK 1 072.9 in Q3 2017 to NOK 1 097.0 million in Q3 2018. The growth is primarily driven by new contracts in Household Collection and higher activity in Project businesses, partly offset by lower income in both Recycling and Metal. The decline in Recycling is driven by lower paper prices and a reduction in collections assignments. Metal is affected by the Chinese import restrictions and lower sold volumes.

Gross profit increased by NOK 20.4 million, or 3.8% from 533.2 in Q3 2017 to NOK 553.6 million in Q3 2018. Gross margin increased from 49.7% in Q3 2017 to 50.5% in Q3 2018. The increase in Gross profit is affected by a change in contract mix where an increased portion of contracts in Household Collection are not operated by subcontractors, thus increasing other operating expenses and reducing COGS.

Adjusted EBITDA decreased by NOK 28.9 million from NOK 130.0 million in Q3 2017 to NOK 101.1 million in Q3 2018. The decline is a driven by impacts on Recycling from reduced downstream prices for paper in the quarter, fewer collection assignments and increased collection costs. Upstream prices are continuously adjusted to account for this, however there is a time lag of one to three months until full adjustment is achieved. Recycling is investing in a new paper sorting machine that will be up and running in the second half of 2019 that will strengthen the divisions competitiveness on paper fractions.

The following table reconciles EBITDA to adjusted EBITDA for the periods indicated:

(NOK'000)	**YTD Q3 2018 Consolidated unaudited**	**YTD Q3 2017 Consolidated unaudited**
EBITDA	**752 549**	**338 765**
Change in provision for onerous contract (1)	(1 783)	(1 645)
Gains on sale of real estate (2)	(501 067)	-
Other non-recurring expenses (3)	3 792	250
Adjusted EBITDA	**253 490**	**337 370**

(1) During the fourth quarter 2015, an onerous contract was identified in the Household collection division. A provision of NOK 9.2 million was recognized as other operating expenses in the three and twelve-month periods ending December 31, 2015. The contract in question runs until August 2019, with a two year option for the counterpart. An assumption of total contract duration of five years and eight months has been used in the calculation of the estimated loss.
(2) During H1 2018 all five companies in the real-estate portfolio were sold. See note 6 to these interim financial statements for further details.
(3) Legal expenses (NOK 0.8 million) and an impairment (NOK 3.0 million) on estimated receivable amount relating to the Scomi case. See note 16 and 21 to the annual report for 2017 for further details regarding this case.

The adjustments reconciling EBITDA and adjusted EBITDA represent an illustration of how underlying operational EBITDA has been affected by, what the company perceives to be one-time items.

CAPITAL EXPENDITURES

Capital expenditures (incl. financially leased vehicles) in property, plant and equipment increased by NOK 134.6 million, from NOK 80.3 million in the first nine months of 2017 to NOK 215.0 million in the first nine months of 2018, of which NOK 142.0 million relates to cash capex and NOK 73.0 relates to new financial lease agreements.

Maintenance capex YTD Q3 2018 is NOK 93.4 million and growth capital investments is NOK 121.6 million related to new collection vehicles in Division Household Collection and investments in a new paper line in Recycling.

CASH FLOW

(NOK'000)	**YTD Q3 2018 Consolidated, unaudited**	**YTD Q3 2017 Consolidated, unaudited**
Net cash flow from operating activities	313 319	156 511
Net cash flow from investing activities	587 281	(81 103)
Net cash flow from financing activities	(1 009 237)	(163 398)
Net change in cash and cash equivalents for the period	**(108 637)**	**(87 990)**
Effect of exchange rate changes	(1 637)	760
Cash and cash equivalents at the beginning of the period	176 995	167 724
Cash and cash equivalents at the end of the period	**66 721**	**80 494**

Net cash flow from operating activities in the first nine months of 2018 showed a net inflow of NOK 313.3 million, which was NOK 156.8 million higher than in the same period previous year. The increase compared to previous year is driven by an improvement of working capital due to an agreement where the Group sells accounts receivables.

Net cash inflow from investing activities in the first nine months of 2018 was NOK 587.3 million compared to a net cash outflow of NOK 81.1 million in the same period previous year. The net increase of NOK 668.4 million is a result of proceeds from the sales of five real-estate companies with net proceeds of NOK 703.5 million, increased sales of other non-current assets and businesses, a reduced cash outflow related to other financial investments partly offset by increased investments in property, plant and equipment.

Net cash outflow from financing activities was NOK 1,009.2 million in the first nine months of 2018 compared to NOK 163.4 million in the same period previous year. The net increase in cash outflow of NOK 845.8 million is a result of bond redemptions in May of NOK 109.0 million and in July of NOK 739.6 million. The remaining net change stems from a purchase of remaining non-controlling interest in iSekk AS (NOK 65.5 million) paired with higher repayments of leasing liabilities (NOK 10.2 million), lower payment of interest (NOK 14.2) and a draw on the revolving credit facility (NOK 60 million).

Cash and cash equivalents fell by NOK 110.3 million in the first nine months of 2018, from NOK 177.0 million as of December 31, 2017 to NOK 66.7 million as of September 30, 2018. In 2017 cash and cash equivalents fell by NOK 87.2 million in the comparable period. The group has a revolving credit facility totaling NOK 200 million of which NOK 140 million is undrawn as of September 30, 2018.

FINANCIAL POSITION

NET INTEREST BEARING LIABILITIES

Net interest bearing debt of the Issuer and its subsidiaries, on a consolidated basis was NOK 1,738.7 million as of September 30, 2018, compared to NOK 2,384.5 million as of December 31, 2017. Net interest bearing debt has decreased primarily due to the bond redemptions in May and July of 2018, totaling NOK 848.6 million.

As of September 30, 2018 NOK 1,400 million of the interest bearing debt is swapped from floating to fixed interest rate and will remain around this level until maturity of the bond.

CAPITALIZATION

The following table sets forth the cash and cash equivalents and capitalization of the Issuer and its subsidiaries, on a consolidated basis.

(NOK '000)	**As of September 30, 2018**	**As of December 31, 2017**
Cash and cash equivalents	**66 721**	**176 995**
Indebtedness:		
Revolving credit facility (1)	60 374	549
Leasing liability (2)	166 651	129 071
NOK Senior secured notes (3)	1 407 480	2 270 335
Senior bank debt	2 597	2 641
Total third-party indebtedness	**1 637 102**	**2 402 595**
Shareholder loan (4)	168 307	158 927
Total equity	495 600	74 382
Total capitalization	**2 301 009**	**2 635 904**

(1) The Issuer has entered into a Revolving Credit Facility Agreement on July 10, 2014 to provide for a Revolving Credit Facility in the amount of NOK 200.0 million to finance or refinance the general corporate and ongoing working capital needs of the Group. As of september 30, 2018, the Revolving Credit Facility is drawn with NOK 60 million. Accrued, unpaid interest amounted to NOK 0.4 million.

(2) The Issuer has entered into a Leasing Facility Agreement on July 10, 2014 in the amount of NOK 270.0 million to finance the needs of the Group and for investments in collection vehicles in Division Household collection. As of September 30, 2018, the Leasing facility is drawn by NOK 171.2 million on financial lease agreements.

(3) On July 10, 2014 the Issuer conducted a successful placement of a senior secured floating rate note in the amount of NOK 2,235.0 million. As of September 30, 2018 the total amount outstanding, including accrued unpaid interest and unpaid amounts on interest rate swaps are NOK 1,407.5 million. The issuer may, provided that an incurrence test is met, at one or more occasions issue additional bonds under the existing bond agreement up to the amount of NOK 500 million.

(4) The shareholder loan is subordinated to all secured senior obligations. As of September 30, 2018 the total amount outstanding, including accrued unpaid interest is NOK 168.3 million.

OPERATING AND FINANCIAL REVIEW

In the first quarter of 2018 the Group changed the internal organization of the business areas which led to a change in the composition of its reportable segments. The following tables reflect these organizational changes, and the comparable period of last year has been restated on the same basis. See note 4 (segment disclosures) for further information regarding the changes. The Group has four major business areas which are presented below. These are Recycling, Metal, Project businesses and Household collection.

Adjusted EBITDA in the operating and financial review of the major business areas represents EBITDA as adjusted for certain non-recurring and/or non-cash costs and before allocation of overhead HQ costs.

RECYCLING

(NOK'000)	Q3 2018	Q3 2017	Variance	YTD Q3 2018	YTD Q3 2017	Variance
Total revenue	608 237	617 060	(8 823)	1 781 447	1 778 513	2 934
Adjusted EBITDA	68 315	98 818	(30 502)	165 426	237 524	(72 099)
Adjusted EBITDA margin	*11,2 %*	*16,0 %*	*(4,8 %)*	*9,3 %*	*13,4 %*	*(4,1 %)*

	YTD Q3 2018	YTD Q3 2017	Variance
Collection assignments	2 582 387	2 722 895	-5,2 %
Total waste treated (tons)	904 487	895 004	1,1 %

Total revenue in Recycling declined with NOK 8.8 million, or 1.4%, from NOK 617.1 million in Q3 2017 to NOK 608.2 million in Q3 2018. This reduction is mainly driven by reduced downstream prices for paper in the quarter and fewer collection assignments. Year to date total revenue increased by NOK 2.9 million or 0.2% from NOK 1 778.5 million in 2017 to 1 781.4 million in 2018. The increase in revenue is due to a 1.1% increase in waste volumes. Collection assignments are down 5.2% driven by compactor runs, while other logistics activities are up.

Adjusted EBITDA has declined with NOK 30.5 million, or 30.9%, from NOK 98.8 million in Q3 2017 to NOK 68.3 million in Q3 2018. This reduction is mainly driven by reduced downstream prices for paper in the quarter, fewer collection assignments and increasing costs in collection. Upstream prices are continuously adjusted to account for this, but there is a time lag of one to three months until full adjustment is achieved. Recycling is investing in a new paper sorting machine that will be up and running in the second half of 2019 that will strengthen the divisions competitiveness on paper fractions.

METAL

(NOK'000)	Q3 2018	Q3 2017	Variance	YTD Q3 2018	YTD Q3 2017	Variance
Total revenue	188 606	208 423	(19 817)	658 939	650 324	8 615
Adjusted EBITDA	(2 758)	865	(3 623)	(17 810)	19 325	(37 135)
Adjusted EBITDA margin	*(1,5 %)*	*0,4 %*	*(1,9 %)*	*(2,7 %)*	*3,0 %*	*(5,7 %)*

	YTD Q3 2018	YTD Q3 2017	Variance
Ferrous volumes (tons)	149 779	159 345	-6,0 %
Non-ferrous volumes (tons)	18 582	22 113	-16,0 %

Total revenue in Division Metal decreased by NOK 19.8 million, or 9.5%, in Q3 2018 compared to Q3 2017. The contraction is predominantly a result of lower volumes sold, especially high priced non-ferrous metals. Furthermore, there has been a significant fall in global downstream price for secondary aluminium scrap related to increased import restrictions, effectively closing the Chinese market.

In Q3 2018, adjusted EBITDA decreased by NOK 3.6 million, from NOK 0.9 million in Q3 2017 to negative NOK 2.8 million. In addition to reduced sales, the drop in profit is driven by lower unit gross margins. For mixed metal scrap there continues to be a price discrepancy between upstream and downstream markets due to the sudden changes in the downstream market. This is expected to be a temporary imbalance resulting from a lag in upstream price adjustments.

YTD Q3 volumes are down 6% and 16% for ferrous and non-ferrous respectively. Still, the main cause of profitability remains lower gross margin on mixed metal scrap. The growth in volumes is expected to be more positive going forward.

PROJECT BUSINESSES

(NOK'000)	**Q3 2018**	**Q3 2017**	**Variance**	**YTD Q3 2018**	**YTD Q3 2017**	**Variance**
Total revenue	168 188	152 823	15 364	465 611	391 564	74 047
Adjusted EBITDA	24 028	20 727	3 301	58 481	37 650	20 831
Adjusted EBITDA margin	*14,3 %*	*13,6 %*	*0,7 %*	*12,6 %*	*9,6 %*	*2,9 %*

Total revenue in the Project businesses increased by NOK 15.4 million, or 10.1 %, from NOK 152.8 million in Q3 2017 to NOK 168.2 million in Q3 2018. The increase in primarily driven by higher activity from landfill operations paired with higher activity in the demolition business in the quarter. YTD revenues increased by NOK 74.0 million or 18.9% from NOK 391.6 million in 2017 to NOK 465.6 million in 2018. The growth is driven by higher activity across all business areas, with increased volumes of high value fractions in the landfill operations, higher activity levels and utilization rates in industrial cleaning and higher activity in demolitions.

Adjusted EBITDA increased with NOK 3.3 million, from NOK 20.7 million in Q3 2017 to NOK 24.0 million in Q3 2018. The growth in adjusted EBITDA is driven by increased activity and volumes in landfill operations and improvements in the demolition business. YTD EBITDA increased with NOK 20.8 million from NOK 37.7 million in 2017 to 58.5 million in 2018. The increased EBITDA is primarily driven by landfill operations. The demolition business is still performing below expectations, but results from the ongoing turnaround process are positive in the third quarter.

HOUSEHOLD COLLECTION

(NOK'000)	**Q3 2018**	**Q3 2017**	**Variance**	**YTD Q3 2018**	**YTD Q3 2017**	**Variance**
Total revenue	103 528	66 286	37 242	289 851	198 442	91 409
Adjusted EBITDA	6 012	10 303	(4 292)	7 418	36 117	(28 699)
Adjusted EBITDA margin	*5,8 %*	*15,5 %*	*(9,7 %)*	*2,6 %*	*18,2 %*	*(15,6 %)*

Total operating revenues increased both quarter to quarter and year to date. Revenues increased by NOK 37.2 million, or 56.2%, from NOK 66.3 million Q3 2017 to NOK 103.5 million in Q3 2018. Year to date revenues increased by NOK 91.4 million or 46.1%. The startup of new contracts, higher activity on existing contracts and index adjustments contribute to increased revenue comparing both quarterly and year to date against previous year.

Adjusted EBITDA decreased both on a quarterly and year to date basis, mainly due to startup costs of new contracts, low profitability on contracts that were taken over following the bankruptcy of Reno Norden and severe weather conditions at the start of 2018.

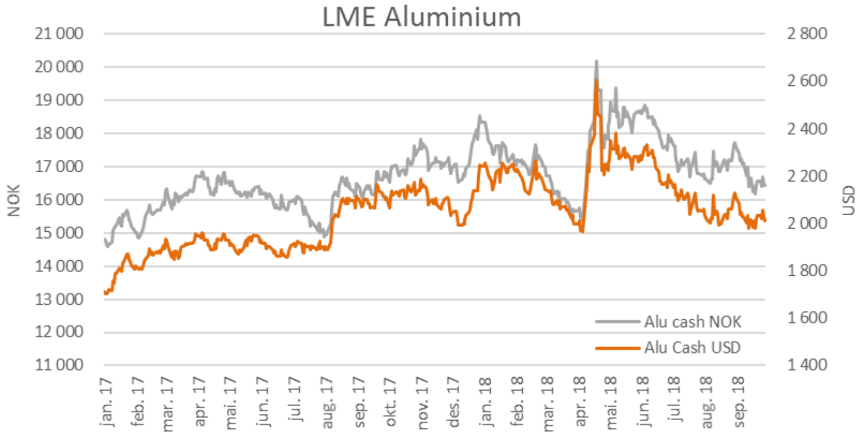
MARKET CONDITIONS

The inventory price risk is related to paper and metals that are discovered in the sorting process of waste (it is not possible to predict these volumes) and the estimation of throughput timing. Inventory positions on Aluminum, Copper and Nickel are being hedged.

DEVELOPMENT IN METAL PRICES

ALUMINUM

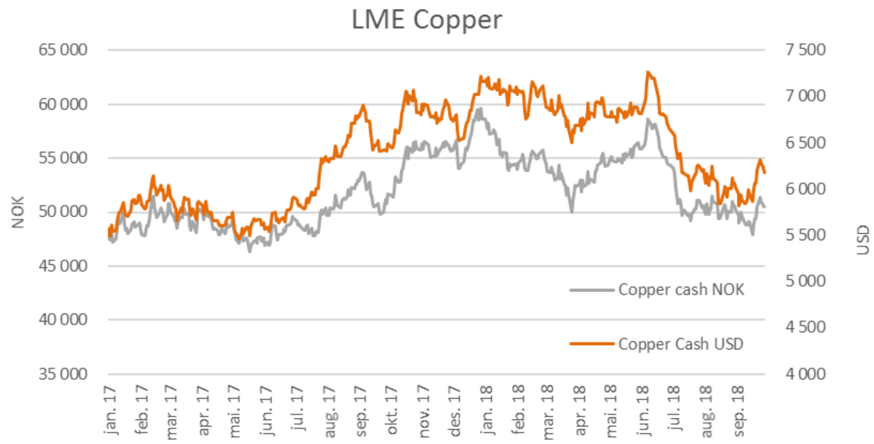
LME Aluminium has been trading between USD 2.050 and USD 2.150 during Q3 2018. Various tariff and trading restrictions have not influenced the market significantly in this period. Fundamentals seems to be stable, but sentiment can create unexpected price movements. Further handling of Rusal in the US will give indications on developments for the near future.



LME Aluminium – 2017 and 2018

COPPER

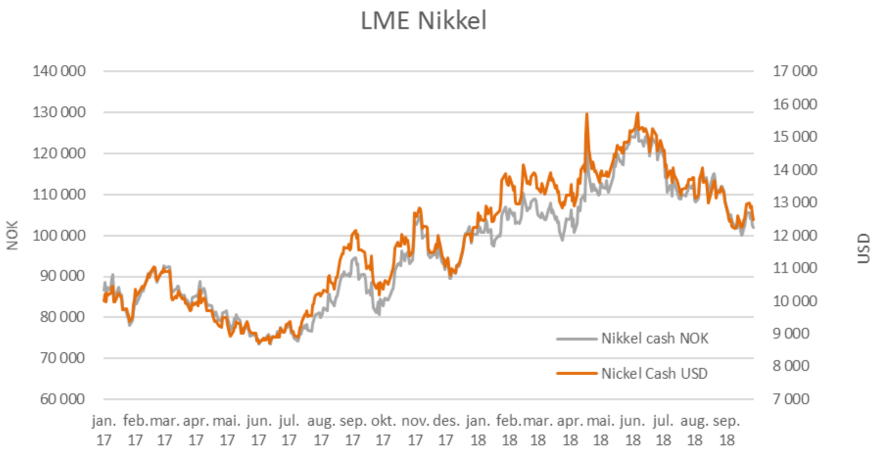
The ongoing trade disputes between the USA and China create a general uncertainty in the market. The copper price went up noticeably in mid-September as a reaction to the latest reports that the tariff dispute between the US and China were less severe than expected together with positive news for infrastructure projects in China. Average forecasts for Q4 2018 vary between USD 5.500 and USD 6.800 per ton.



LME Copper – 2017 and 2018

NICKEL

During Q3 2018, prices for nickel continued to decrease and nickel has been traded at levels between USD 12.000 USD and USD 13.800. Nickel prices stabilised in the beginning of October. The underlying demand is good, however volatile conditions are still expected during Q4.



LME Nickel – 2017 and 2018

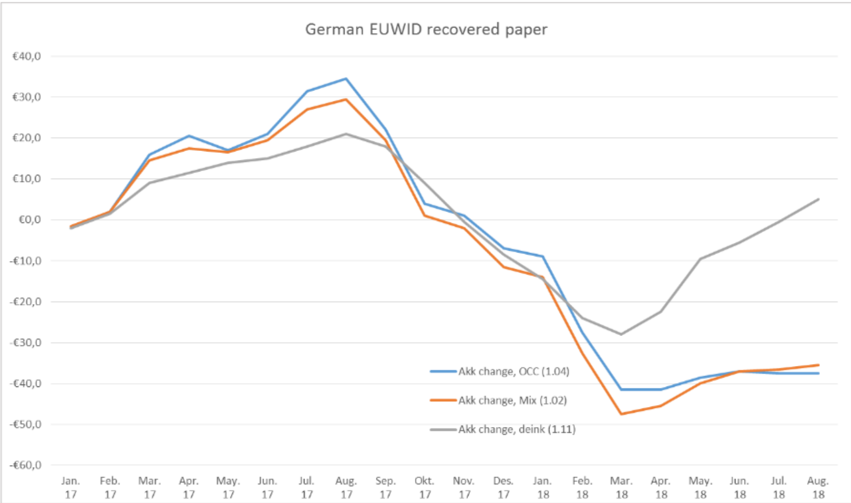
STEEL SCRAP

The global tariff and trading restrictions were adopted in the different markets and the prices where rather stable, with a slight upwards trend towards the end of the quarter. The price-leading Turkish steel scrap market was rattled by the record low of the Turkish Lira and inflation concerns in the domestic economy. International prices increased slightly more than the Norwegian Celsa index.

DEVELOPMENT IN PAPER PRICES

For the packaging grades OCC and mix paper, the price level has been stable in Q3. Deink grades for printing paper have seen a sharp increase and are now back on the level we had early in 2017. The price span between packaging grades and printing grades are now on a historical high level.

For Q4 we expect packaging grade to remain fairly stable and we believe the sharp increase in Deink grades will level out and remain stable.



DEVELOPMENT WASTE-TO-ENERGY

WOODCHIPS

Prices have stabilised in Q3 2018 after experiencing large gains in Q2. The Scandinavian market is currently in a short-term equilibrium. Average monthly temperatures during the upcoming winter-months will be influential on future price developments.

REFUSE DERIVED FUEL (RDF)

The prices for RDF were stable throughout Q3 as expected, and we expect the same trend in Q4. The RDF market has been stable since 2015 and is expected to continue with the same trend in Q4 2018 and Q1 2019.

UPDATE OF MATERIAL RISK FACTORS AND EVENTS AFTER REPORTING PERIOD

No significant changes in risk factors have been identified. For additional explanations regarding risks and uncertainties, please refer to the Board of Directors Report section Risk and Risk Management and Note 23 Financial Risk Management in the 2017 Annual Report.

MATERIAL CHANGES IN LIQUIDITY AND CAPITAL RESOURCES

The Group continually analyses its liquidity and capital resources position. The Group has assessed its currently available capital resources and its current liquidity position as satisfactory.

EVENTS AFTER REPORTING PERIOD

There has not been any significant events after the reporting period.

CONDENSED INTERIM FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(NOK'000)	Note	Q3 2018	Q3 2017	YTD Q3 2018	YTD Q3 2017
Revenue	4, 5	1 086 939	1 069 185	3 246 643	3 080 398
Other income	6	10 033	3 671	549 653	19 376
Total operating income		**1 096 972**	**1 072 856**	**3 796 296**	**3 099 775**
Cost of goods sold		543 413	539 669	1 669 254	1 540 413
Employee benefits expense		246 156	224 768	764 513	690 633
Depreciation/amortization/impairment		45 731	54 114	155 626	164 094
Other operating expenses		211 272	175 925	613 463	526 500
Other (gains)/losses - net		(1 757)	2 068	(3 483)	3 463
Operating profit		**52 157**	**76 311**	**596 923**	**174 671**
Finance income	2	3 056	1 168	14 237	2 955
Finance costs	2	45 421	37 137	142 785	166 962
Share of profit in associated companies		766	765	1 276	1 233
Profit / (loss) before income tax		**10 558**	**41 108**	**469 651**	**11 897**
Income tax expense		2 110	7 938	(11 110)	3 290
Profit / (loss) for the period from continuing operations		**8 448**	**33 170**	**480 761**	**8 607**
Profit / (loss) attributable to:					
Owners of the parent		7 820	30 869	480 397	1 785
Non-controlling interests		628	2 301	365	6 822

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK'000)	Q3 2018	Q3 2017	YTD Q3 2018	YTD Q3 2017
Profit / (loss) for the period	**8 448**	**33 170**	**480 761**	**8 607**
Items that may be subsequently reclassified to profit or loss				
Currency translation differences	329	(1 416)	(2 741)	2 537
Interest rate swaps - cash flow hedges (after tax)	1 432	2 002	6 700	9 057
Net other comprehensive income / (loss) for the period	**1 761**	**586**	**3 959**	**11 594**
Comprehensive income / (loss) for the period	**10 209**	**33 755**	**484 720**	**20 200**
Comprehensive income attributable to:				
Owners of the parent	9 580	31 455	484 356	13 379
Non-controlling interests	628	2 301	365	6 822

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(NOK'000)	**Sep 30, 2018**	**Dec 31, 2017**
Non-current assets		
Property, plant & equipment	869 158	792 250
Intangible assets	81 619	96 775
Goodwill	1 257 961	1 235 986
Deferred tax assets	97 381	93 367
Investments in associated companies	15 291	21 360
Other receivables	31 765	44 242
Total non-current assets	**2 353 174**	**2 283 980**
Current assets		
Inventories	129 360	112 716
Trade and other receivables	549 587	713 102
Other financial assets	4 094	-
Cash and cash equivalents	66 721	176 995
Assets held for sale	-	207 348
Total current assets	**749 761**	**1 210 160**
Total assets	**3 102 935**	**3 494 140**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES

(NOK'000)	Sep 30, 2018	Dec 31, 2017
Equity		
Share capital and reserves attributable to owners of parent	473 357	52 855
Non-controlling interest	22 243	21 527
Total equity	**495 600**	**74 382**
Non-current liabilities		
Loans and borrowings	298 364	2 474 734
Other financial liabilities	617	9 318
Deferred income tax liabilities	22 051	24 926
Post-employment benefits	11 404	10 265
Provisions for other liabilities and charges	70 527	75 292
Total non-current liabilities	**402 963**	**2 594 534**
Current liabilities		
Trade and other payables	682 484	695 180
Current income tax	2 040	15 651
Loans and borrowings	1 501 271	68 516
Other financial liabilities	28	16 015
Provisions for other liabilities and charges	18 549	29 862
Total current liabilities	**2 204 372**	**825 224**
Total liabilities	**2 607 335**	**3 419 759**
Total equity and liabilities	**3 102 935**	**3 494 140**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(NOK'000)	**YTD Q3 2018**	**YTD Q3 2017**
Profit / (Loss) before income tax	**469 651**	**11 897**
Adjustments for:		
Income tax paid	(12 304)	(2 911)
Depreciation, amortization and impairment charges	155 626	164 094
Net (gain) loss on sale of non-current assets and business	(516 791)	(8 005)
Financial items without cash effect	(6 678)	18 234
Items classified as investing- or financing activities	118 433	144 478
Changes in other short term items	105 383	(171 276)
Net cash flow from operating activities	**313 319**	**156 511**
Purchase of shares in subsidiaries and associates	(5 396)	(9 000)
Proceeds from sale of business	24 955	1 600
Payments for purchases of non-current assets	(142 520)	(75 287)
Proceeds from sale of non-current assets	708 742	13 004
Net other investments	-	(11 420)
Dividend from associated companies	1 500	-
Net cash flow from investing activities	**587 281**	**(81 103)**
Proceeds from borrowings	60 000	-
Repayment of borrowings	(849 623)	(2 358)
Debt related expenses	(1 090)	(3 217)
Repayment of financial leasing liability	(31 062)	(20 910)
Dividends paid to non-controlling interest	(4 635)	(5 355)
Transactions with non-controlling interest	(65 485)	-
Interest paid	(117 342)	(131 558)
Net cash flow from financing activities	**(1 009 237)**	**(163 398)**
Net increase in cash and cash equivalents	**(108 637)**	**(87 990)**
Effect of exchange rate changes	(1 637)	760
Cash and cash equivalents at beginning of period	176 995	167 724
Cash and cash equivalents at end of period	**66 721**	**80 494**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONDENSED STATEMENT OF CHANGES IN EQUITY – YTD Q3 2018

(NOK'000)	**Attributable to the owners of the parent**	**Non-controlling interest**	**Total equity**
At 1 January 2018	**52 855**	**21 527**	**74 382**
Profit / (loss)	480 397	365	480 761
Net other comprehensive income / (loss)	3 959	-	3 959
Transactions with non-controlling interest	(61 193)	(9 865)	(71 058)
Non-controlling interest on acquisition of subsidiary	-	10 217	10 217
Group contributions	(2 661)	-	(2 661)
At 30 September 2018	**473 357**	**22 243**	**495 600**

CONDENSED STATEMENT OF CHANGES IN EQUITY – YTD Q3 2017

(NOK'000)	**Attributable to the owners of the parent**	**Non-controlling interest**	**Total equity**
At 1 January 2017	**75 125**	**17 952**	**93 077**
Profit / (loss) YTD	1 785	6 822	8 607
Net other comprehensive income / (loss)	11 594	-	11 594
Transactions with non-controlling interest	-	(5 355)	(5 355)
Group contributions	(7 597)	-	(7 597)
At 30 September 2017	**80 907**	**19 419**	**100 326**

The interim financial information has not been subject to audit.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

VV Holding AS is controlled by funds managed by Summa Equity. VV Holding controls the Norsk Gjenvinning-group.

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the Annual Report 2017. These condensed consolidated interim financial statements have not been audited or subject to a review by the auditors.

Accounting principles applied in the preparation of these condensed consolidated interim financial statements for the period ended September 30, 2018, are consistent with those applied in the annual consolidated financial statements for 2017, with the exception of changes in accounting policies disclosed below. Comparative prior period information has been prepared on the same basis as current period information. All figures refer to thousands of Norwegian kroner (NOK'000) unless otherwise specified.

Changes in accounting policies from January 1, 2018
As of January 1, 2018 the Group adopted IFRS 15 – Revenue from customer contracts. As described in chapter 2.1.1 of the Groups Annual report for 2017, the new standard was implemented with the use of the modified retrospective approach, and there were no implementation effects. Compared to the previous accounting principles for revenue recognition there are no changes in the timing or amount of revenue recognised.

Significant accounting policy – revenue recognition
The Group recognizes revenue when performance obligations in the customer contracts are met, through a transfer of a promised services or goods. Revenue is measured at the amount the Group expects to receive in exchange for the transfer of services or goods.

Upstream sales of services- the Group provides a broad spectrum of waste related services , which primarily relates to collection and treatment of various forms of waste, including other specialized services. Sale of services is typically recognised as the Group have retrieved/received waste at our facilities or in line with performance of services.

Downstream sales of recycled raw materials - based on sorted waste collected in the upstream marked and purchased goods, the Group produce recycled raw materials which are sold in the downstream market. The Groups main products are both ferrous and non-ferrous metals and paper. Revenues from sale of recycled raw materials are typically recognised at the point in time when delivery to the customer have occurred.

For further details relating to revenue from customer contracts, refer to notes 4 and 5.

Other changes
Previous year the line item Revenue in the interim statement of profit or loss included rental income from real estate. The Group have changed the presentation of this income stream and this is now presented as Other income. Comparable amounts have been restated to reflect this change in accounting policy. See note 6 for further details on Other income.

The Group implemented IFRS 9 as of January 1, 2018. As described in chapter 2.1.1 of the Groups Annual report for 2017, there were no implementation effects. The Group has elected to make use of the simplified approach as described in IFRS 9.

NOTE 2 - FINANCIAL ITEMS

(NOK'000)	**Q3 2018**	**Q3 2017**	**YTD Q3 2018**	**YTD Q3 2017**
Interest income	136	1 167	761	2 854
Other financial income	2 920	2	13 476	101
Financial income	**3 056**	**1 168**	**14 237**	**2 955**
Non cash interest expenses	3 307	3 062	9 380	8 685
Cash interest expenses	24 781	40 163	101 276	128 377
Other financial expenses	17 332	(6 088)	32 128	29 900
Financial expenses	**45 421**	**37 137**	**142 785**	**166 962**
Net financial income (expenses)	**(42 365)**	**(35 969)**	**(128 548)**	**(164 007)**

The line item other financial expenses includes impairment charges of NOK 5.8 million in Q3 2018, relating to investment and loan to an associated company. The change in other financial expenses from 2017 is primarily a result of net positive effects of currency (agio) in Q3 of 2017 – on a YTD disagio position.

NOTE 3 - SENIOR SECURED FLOATING RATE NOTES

On July 10 (the Issue Date), 2014 VV Holding AS (the Issuer) issued Senior Secured Floating Rate Notes (the Bond) in the amount of NOK 2,235 million. The Bond matures on July 10, 2019 (the Maturity Date) and is to be repaid in full at the Maturity Date. Interest is set quarterly at NIBOR + 525 bp. The Issuer may, provided that the incurrence test is met, at one or more occasions issue additional bonds under the Bond agreement, in the amount of up to NOK 500 million, up to five (5) business days prior to the Maturity Date. The incurrence test is met if the ratio of Net Interest Bearing Debt to EBITDA, as defined in the Bond agreement, is not greater than:

- 5.00 prior to the date falling 18 months after the Issue Date
- 4.50 from and including the date falling 18 months after the Issue Date to, but not including, the date falling 48 months after the Issue Date
- 4.00 from and including the date falling 48 months after the Issue Date to, but not including the Maturity Date.

The bonds are listed on the Oslo Stock Exchange. For further information about the Bond, we refer to the Bond agreement.

<u>Redemption of bonds:</u>
In May of 2018 bonds with a face value of NOK 109 million was redeemed.
In July of 2018 bonds with a face value of NOK 740 million was redeemed.

Outstanding face value of the bond as of September 30, 2018 is NOK 1,386 million.

NOTE 4 - SEGMENT NOTE

Currently the reportable operational segments in the group compromise of Recycling, Metal, Project businesses and Household collection. The category All other segments consist of the operating segments Downstream and Security Shredding, which are not reportable. HQ and eliminations consist of the head office and holdings together with real estate and eliminations.

During the first quarter of 2018 the Group changed the internal organization which led to a change in the composition of its reportable segments. The following tables reflects these organizational changes in the reportable segments, and the prior period have been restated on the same basis. The former operational segments Danish Industrial services and Landfill operations is now part of the segment Project businesses. Further there have been a change in the composition between Metal and Downstream where activities formerly reported in the Downstream segment now is part of the segment Metal.

Group management executives is the group's chief operating decision-maker (CODM). Management has determined the operating segments based on the information reviewed by the Group management executives for the purposes of allocating resources and assessing performance.

Revenue 2018 Q3

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	496 342	2 726	132 794	66 751	53 970	27	752 611
Other Nordics	-	-	25 311	30 938	-	-	56 249
Other Europe	-	-	3 288	-	-	-	3 288
Intra segment	17 541	230	6 795	1 830	4 881	(31 277)	-
Total upstream	**513 884**	**2 956**	**168 188**	**99 519**	**58 851**	**(31 250)**	**812 147**
Norway	19 952	24 566	-	-	4 431	-	48 949
Other Nordics	28 061	49 523	-	3 344	5 490	-	86 418
Other Europe	21 294	87 288	-	-	7 170	-	115 752
Asia	-	23 674	-	-	-	-	23 674
Intra segment	25 047	600	-	665	1 690	(28 001)	-
Total downstream	**94 354**	**185 651**	**-**	**4 009**	**18 780**	**(28 001)**	**274 792**
Total Revenue	**608 237**	**188 606**	**168 188**	**103 528**	**77 631**	**(59 251)**	**1 086 939**

Revenue 2017 Q3

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	483 001	2 465	102 555	40 165	43 757	44	671 987
Other Nordics	-	-	40 635	20 975	-	-	61 610
Other Europe	-	-	3 287	-	-	-	3 287
Intra segment	10 390	427	6 346	1 535	429	(19 128)	-
Total upstream	**493 392**	**2 892**	**152 823**	**62 675**	**44 186**	**(19 083)**	**736 884**
Norway	38 423	78 815	-	-	7 702	-	124 940
Other Nordics	12 798	24 792	-	3 610	5 685	-	46 884
Other Europe	29 884	58 476	-	-	15 009	-	103 370
Asia	14 944	42 163	-	-	-	-	57 107
Intra segment	27 620	1 285	-	1	1 697	(30 603)	-
Total downstream	**123 668**	**205 531**	**-**	**3 611**	**30 093**	**(30 603)**	**332 301**
Total Revenue	**617 060**	**208 423**	**152 823**	**66 286**	**74 279**	**(49 686)**	**1 069 185**

Revenue 2018 YTD Q3

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	1 439 094	7 623	375 902	189 430	152 984	116	2 165 149
Other Nordics	-	-	49 660	84 116	-	-	133 776
Other Europe	-	-	20 654	-	-	-	20 654
Intra segment	39 201	1 016	19 395	5 745	12 054	(77 410)	-
Total upstream	**1 478 295**	**8 638**	**465 611**	**279 291**	**165 038**	**(77 294)**	**2 319 579**
Norway	63 867	232 235	-	-	12 164	-	308 266
Other Nordics	70 396	137 202	-	9 342	15 353	-	232 294
Other Europe	71 269	197 898	-	-	23 902	-	293 069
Asia	12 962	80 474	-	-	-	-	93 436
Intra segment	84 658	2 492	-	1 218	5 225	(93 591)	-
Total downstream	**303 152**	**650 301**	**-**	**10 560**	**56 644**	**(93 591)**	**927 065**
Total Revenue	**1 781 447**	**658 939**	**465 611**	**289 851**	**221 681**	**(170 885)**	**3 246 643**

Revenue 2017 YTD Q3

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	1 399 850	8 158	300 266	125 062	118 174	123	1 951 632
Other Nordics	-	-	68 309	59 307	-	-	127 616
Other Europe	-	-	3 576	-	-	-	3 576
Intra segment	32 269	1 664	19 413	4 115	2 384	(59 845)	-
Total upstream	**1 432 119**	**9 822**	**391 564**	**188 483**	**120 558**	**(59 722)**	**2 082 824**
Norway	101 545	261 499	-	-	21 923	-	384 967
Other Nordics	34 494	73 317	-	9 878	16 466	-	134 156
Other Europe	85 901	173 409	-	-	40 703	-	300 013
Asia	49 405	129 035	-	-	-	-	178 440
Intra segment	75 049	3 243	-	81	5 202	(83 574)	-
Total downstream	**346 395**	**640 502**	**-**	**9 959**	**84 294**	**(83 574)**	**997 575**
Total Revenue	**1 778 513**	**650 324**	**391 564**	**198 442**	**204 852**	**(143 296)**	**3 080 398**

CODM assesses the performance of the operating segments based on EBITDA before allocation of overhead HQ costs. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group. Consolidated balance sheet values are not reported to the CODM at the segment level.

EBITDA BEFORE INTERNAL CHARGES

(NOK'000)	Q3 2018	Q3 2017	YTD Q3 2018	YTD Q3 2017
Recycling	68 315	98 817	165 426	237 524
Metal	(2 758)	865	(17 810)	19 325
Project businesses	24 029	20 727	58 482	37 649
Household collection	6 606	11 672	9 201	37 512
All other segments	4 050	3 409	8 722	10 714
HQ and eliminations	(2 355)	(5 065)	528 529	(3 960)
Total	**97 887**	**130 425**	**752 549**	**338 765**
Depreciation and amortization expense	(45 731)	(54 114)	(155 626)	(164 094)
Finance income	3 056	1 168	14 237	2 955
Finance costs	(45 421)	(37 137)	(142 785)	(166 962)
Net income from associated companies	766	765	1 276	1 233
Profit before tax	**10 558**	**41 108**	**469 651**	**11 897**

NOTE 5 – REVENUE

The Groups business is focused around providing local services to customers in need of waste related services (upstream market) and provide recycled raw materials to industrial customers (downstream market).

(NOK'000)	Q3 2018	Q3 2017	YTD Q3 2018	YTD Q3 2017
Upstream sale of services	812 147	736 884	2 319 579	2 082 824
Downstream sale of recyclables	274 792	332 301	927 065	997 575
Revenue	**1 086 939**	**1 069 185**	**3 246 643**	**3 080 398**

Upstream sale of services
The Group provides a broad spectrum of waste related services in Norway and other Nordic countries. Activities relate primarily to collection and treatment of various forms of waste, including other specialized services. Upstream services aimed at these local markets are in the Group located in Recycling, Downstream and the niche businesses (Project businesses, Household Collection and Security Shredding).

Sale of services is typically recognised at as the Group have retrieved/received the waste at our facilities or in line with the performance of services.

Downstream sale of recycled raw materials
The Groups three divisions (Metal, Recycling and Downstream) sell recycled raw materials, which are produced, based on sorted waste collected in the upstream marked and purchased goods. The Groups main products are both ferrous and non-ferrous metals and paper. Revenues related to the downstream market are significantly affected by the development in commodity prices and foreign exchange rates as the Group sells goods in an international market.

Sale of recycled raw materials are typically recognised at the point in time when delivery to the customer have occurred.

Implementation of IFRS 15
As of January 1, 2018 the Group adopted IFRS 15 – Revenue from customer contracts. As described in chapter 2.1.1 of the Groups Annual report for 2017, the new standard was implemented with the use of the modified retrospective approach, and there were no implementation effects. The updated significant accounting policies for revenues is disclosed in note 1 to these interim financial statements.

The line item Revenue in the interim statement of profit or loss is entirely related to revenue from customer contracts.

NOTE 6 – OTHER INCOME

(NOK'000)	Q3 2018	Q3 2017	YTD Q3 2018	YTD Q3 2017
Gain on sale of held for sale assets	-	-	501 067	-
Rental income from real estate	3 548	3 516	11 138	10 108
Insurance recovery	-	-	21 500	-
Other gains on sale	6 485	155	15 947	9 268
Other income	**10 033**	**3 671**	**549 653**	**19 376**

Other gains on sale
In Q3 of 2018 the group performed a business combination in which a subsidiary was used as consideration in the transaction, and was measured at fair value. This transaction gave rise to a gain on sale of NOK 6.1 million. See note 7 for further details on the business combination.

Gain on sale of held for sale assets
As disclosed in the second quarter report, the Group sold assets held for sale. These transactions gave rise to a total gain on sale of NOK 501 million.

NOTE 7 – BUSINESS COMBINATIONS

The Group gained control over the two smaller subsidiaries Mortens Rørinspeksjon AS (MRI) and LST AS (LST). Total consideration for the businesses was NOK 13.9 million of which NOK 5.1 million cash and NOK 8.8 million in fair value of subsidiary used as consideration. The Group owns 50.6% of MRI and 100% of LST as of September 30, 2018. The table below summarizes preliminary PPAs performed for the two business combinations. These are subject for changes going forward as the measurement of identifiable assets is not complete at the date of these interim financial statements.

(NOK'000)	**Preliminary PPA**
Deferred tax assets	2 206
Property, plant and equipment	5 628
Receivables	4 299
Payables	-9 991
Net identifiable assets	**2 142**
Goodwill	21 975
Total consideration	**24 117**
Of which non-controlling interest	10 217
Total consideration for NG Group	**13 900**

NOTE 8 - EVENTS AFTER THE REPORTING PERIOD

There has not been any significant events after the reporting period.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed interim financial statements for the nine months ended on September 30, 2018 which have been prepared in accordance with IAS 34 Interim Financial Reporting give a true and fair view of the Group's consolidated assets, liabilities, financial position and results of operations, and that the interim report includes a fair review of the information under the Norwegian Securities Trading Act section 5–6 fourth paragraph.

Lysaker, November 15, 2018

Ole Enger
Chairman of the Board
(sign.)

Per-Anders Hjort
Deputy Chairman of the Board
(sign.)

Reynir Kjær Indahl
Director
(sign.)

Erik Osmundsen
Chief Executive Officer
(sign.)

Christian Melby
Director
(sign.)

Roy Jenshagen
Director
(sign.)

Lasse Stenskrog
Director
(sign.)

Cecilie Skauge
Director
(sign.)

APPENDIX 1 – ALTERNATIVE PERFORMANCE MEASURES

In the financial statements the Group presents performance measures which are not defined under IFRS. These performance measures is categorized as Alternative Performance Measures (APM).

APM	Definition	Why APM gives useful information
Operating profit	The number is directly derived from the statement of profit or loss	Commonly used measure of profitability.
EBITDA	Calculated as profit before depreciation, impairment, financial income, financial expense, income from associated companies and tax. The number comes directly from the statement of profit or loss.	Commonly used measure of profitability.
Adjusted EBITDA	= EBITDA +/- any element (positive or negative) with character of being a one-time event, non-recurring, extra ordinary, unusual or exceptional.	Group management believe that the adjusted performance measure gives more relevant information for analytical purposes and to make representations. The elements which are excluded is considered to give limited relevance for evaluation of historic and future performances for the Group as it is at period end.
EBITDA before internal charges	= EBITDA before allocation of headquarter cost to the segments.	Group management believe that the adjusted performance measure gives more relevant information for consideration of profitability and resource allocation to segments.
Net debt	= non current debt to credit institutions + current debt to credit institutions + nominal value senior secured note bond + incurred interest expense senior secured note bond – cash and cash equivalents	Commonly used measure of a companies debt financing.
Debt ratio	= adjusted EBTIDA / net debt	Commonly used measure for capital management.

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