Norsk Gjenvinning

Q4 Interim Financial Report 2018

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DISCLAIMER

VV Holding AS is providing the following interim financial statements for Q4 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.

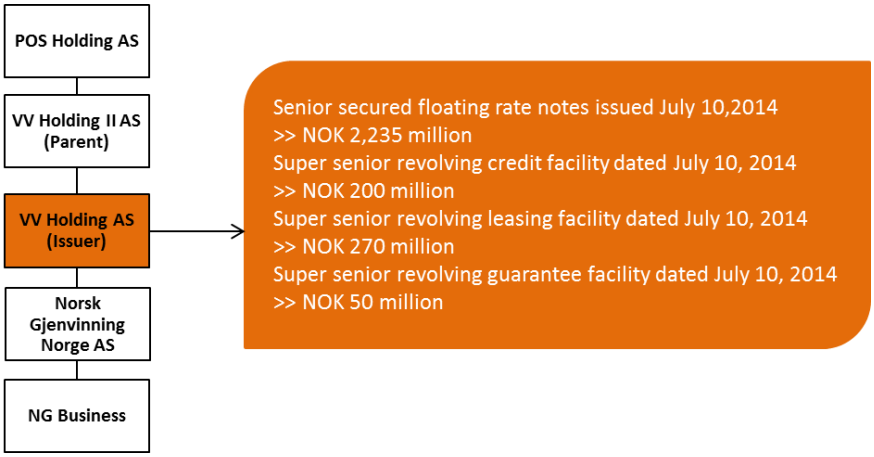
Norsk Gjenvinning is present in two markets; upstream and downstream;

- 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 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%
Løvås Transportfirma AS 100%
Tomwil Miljø AS 100%
LST AS 100%
iSekk AS 100%
Norsk Gjenvinning Transport AS 100%
NG Oppstrømstransport AS 100%
IBKA Norge AS 100%
IBKA A/S (DK) 100%
IBKA AB (SE) 100%
IBKA UK Ltd (UK) 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%
NG Fellestjenester AS 100%
Adact 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 three and twelve months ended on December 31, 2018 and December 31, 2017 respectively.

COMMENTS BY THE CEO

In Q4, the NG Group experienced increased activity driving top line growth. Total gross profit increased mainly due to increased activities in the Project Based Businesses and Recycling, however, this activity growth also drove an increase in associated operative costs. The main underlying driver of reduced EBITDA was thus reduced gross profit in Paper and Metals due to Chinese import restrictions, increased rental cost due to the sale leaseback of real estate and M&A transaction costs. Consequently, we missed our EBITDA guiding for 2018.

In the Metal Division we closed the M&A transaction with KMT in November and subsequently demerged the cable business and merged it with KMT. In the Project Based Business we signed an agreement to acquire Øst-Riv AS in the demolition segment to create a larger and more competitive Nordic demolition company.

HIGHLIGHTS Q4 and YTD 2018

- Volumes: Increase in waste volumes compared to Q4 2017 by 1.4%; YTD waste volumes are up by 0.1%
- Operating revenue adjusted for sale of real estate is up 8.3% compared to Q4 2017; YTD adjusted operating revenue is up by 6.8%
- Gross profit adjusted for sale of real estate is up by NOK 28.9 million compared to Q4 2017, and YTD adjusted gross profit is up by NOK 95.6 million
- Adjusted gross margin is down by 1.5 percentage points compared to Q4 2017, and down by 1.1 percentage point YTD
- Adjusted EBITDA is NOK 68.9 million, down by NOK 8.1 million compared to Q4 2017; YTD adjusted EBITDA is NOK 322.4 million down NOK 91.9 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 Q4, waste volumes increased with 1.4% year over year. The main reason for the increase was higher volumes within the Metal Division. In the Recycling Division volumes were flat year over year in Q4. Collection assignments were down 2.9% driven by compactor runs, while other logistics activities were up.

Gross profit increased with NOK 44.2 million in Q4. This included a gain related to sale of real estate of NOK 15.2 million. Adjusted for this the increase in gross profit was NOK 28.9 million. In 2018 the increase in gross profit was NOK 95.6 million adjusted for all real estate transactions. For the quarter, gross margin was down from 49.7% in Q4 2017 to 48.2% in Q4 2018. For the year gross margin adjusted for real estate transactions was down from 50.1% in 2017 to 48.2% in 2018. The reduction was explained by the continued challenging dynamics in the paper and metals market.

Paper prices for packaging grades OCC and mixed paper were flat in Q4. As the price level was far below the price level in Q4 2017 we continued our efforts to adjust upstream prices with a lag. Deink grades for printing paper saw a sharp increase in price starting in Q3. The historical wide price gap between packaging grades and printing grades continued in Q4 which affected the gross profit negatively in the quarter because of our diminished sorting capacity due to the loss of the paper sorting line in the March 2018 fire.

In general, global metal downstream prices decreased from Q3 to Q4. Mixed non-ferrous metal scrap prices, which have been decreasing during the year due to Chinese import restrictions, stabilized on a low level in Q4. This price level was 25% down in Q4 year over year and had a negative impact on gross margin.

Ferrous volumes increased with 8% and non-ferrous volumes increased with 15% in Q4 vs Q4 2017. YTD volumes were down 2% and 9% for ferrous and non-ferrous respectively. The growth in volumes in Q4 is expected to continue going forward.

The main cause of lower profitability in the Metal Division was lower gross margin on mixed metal scrap. In addition, the Metal Division had negative impact on gross profit from the demerger of the cable business to KMT during the quarter with approximately NOK 3.5 million.

In addition to targeted efforts to improve gross margins, we continued our focus on efficiency improvements in sales and production. 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, gross profit was flat in Q4 2018 as compared to Q4 2017 as the increase in volumes were offset by lower prices. Higher logistic cost impacted gross profit in our woodchips portfolio and gross profit decreased slightly in Q4 2018 as compared to Q4 2017.

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 14.0 % in Q4. The increase was primarily driven by high activity and high utilization of own personnel and equipment in the industry cleaning segment. In the demolition segment we had positive effect from the turnaround completed earlier in 2018 and we had high activity level and positive impact from improved project management. In Q4 we signed an agreement to acquire Øst-Riv AS and combine it with R3 Entreprenør AS. By doing this we will create a larger and more competitive player within the demolition segment.

Adjusted EBITDA for the Project Based Business increased with 135.5% due to the high activity level, high utilization of own personnel and improved operational control.

The results in the Household collection business was not satisfying in 2018 and we have initiated a turnaround of the business. We faced severe challenges related to contracts which started late 2017 and early 2018 related to the takeover of old RenoNorden contracts.

Outlook for 2019

Although we still face some macro-economic headwinds related to low downstream prices we expect to see improvements in both Division Recycling and Division Metal in 2019 due to higher volumes and improved operational control.

The momentum in Project Based Businesses is strong and we expect the strong performance from 2018 to continue into 2019 in several of the segments. In the industry cleaning segment, we have a solid order backlog and the high activity level from Q4 2018 is continuing into 2019. We see much of the same dynamics in the demolition segment.

Landfills had historical good results in 2018 driven by high activity within public infrastructure projects. We expect 2019 activity to normalize towards historical levels.

We expect solid improvements in the Household Collection business in 2019 due to finalization of some of the RenoNorden contracts, improved operational control, cost control and positive effects from new contracts which started late 2018 and early 2019.

In total we expect EBITDA of around NOK 400 million and CAPEX of around NOK 250 million included the remaining CAPEX related to the new paper machine at Haraldrud.

Erik Osmundsen

CEO

KEY FINANCIAL FIGURES

(NOK'000)	**Q4 2018**	**Q4 2017**	**Variance**	**YTD Q4 2018**	**YTD Q4 2017**	**Variance**
Total operating income	1 247 446	1 137 572	109 874	5 043 742	4 237 347	806 395
Gross profit[1]	608 999	564 838	44 161	2 736 041	2 124 200	611 840
Gross margin	*48,8 %*	*49,7 %*	*(0,8 %)*	*54,2 %*	*50,1 %*	*4,1 %*
EBITDA [2]	80 557	84 460	(3 903)	833 106	423 225	409 881
EBITDA margin	*6,5 %*	*7,4 %*	*(1,0 %)*	*16,5 %*	*10,0 %*	*6,5 %*
Adjusted EBITDA [3]	68 879	76 991	(8 113)	322 369	414 361	(91 993)
Adjusted EBITDA margin	*5,5 %*	*6,8 %*	*(1,2 %)*	*6,4 %*	*9,8 %*	*(3,4 %)*
Net cash flow from operating activities				448 064	348 982	99 082
Capital expenditures [4]				256 710	175 070	81 640
Net interest bearing debt [5]				1 702 392	2 384 527	(682 135)
Total assets				3 101 134	3 494 140	(393 006)

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 indebtedness (including shareholder loan from parent) less cash and cash equivalents.

RESULTS OF OPERATIONS

Total operating income increased by NOK 109.9 million or 9.7% from NOK 1 137.6 in Q4 2017 to NOK 1 247.4 million in Q4 2018. Adjusted for the sale of real estate in Q4 2018 operating income increased by NOK 94.6 million, or 8.3%. The increase in operating income is primarily driven by higher activity in sale of services and collection/handling of waste in the upstream market (Projects and Recycling), paired with increased volumes in the downstream market (Metal). This is partly offset by the significant price drop in the downstream paper market.

Gross profit increased by NOK 44.2 million, or 7.8% from NOK 564.8 million in Q4 2017 to NOK 609.0 million in Q4 2018. Adjusted for the sale of real estate in Q4 2018 gross profit increased with NOK 28.9 million or 5.1%. The increase in Gross profit is driven by increased activity in sale of services and collection/handling of waste in the upstream market (Projects and Recycling). Gross margin adjusted for the sale of real estate decreased from 49.7% in Q4 2017 to 48.2% in Q4 2018. The decline is driven by the continued challenging dynamics in the paper and metals markets.

Adjusted EBITDA decreased by NOK 8.1 million from NOK 77.0 million in Q4 2017 to NOK 68.9 million in Q4 2018. The Groups EBITDA is affected negatively with NOK 12.8 million in Q4 2018 as compared to Q4 2017due to increased OPEX because of the divestment of the real estate portfolio in January and May 2018. The divestment of the real estate portfolio was structured as sale/ leaseback transactions, hence the increased OPEX. Adjusted for this the EBITDA increased with NOK 4.7 million, because of stronger performance in Recycling and Project Businesses, which was partly offset by declines in Metal and Household Collection.

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

(NOK'000)	YTD Q4 2018 Consolidated unaudited	YTD Q4 2017 Consolidated unaudited
EBITDA	**833 106**	**423 225**
Change in provision for onerous contract [1]	(2 377)	(2 114)
Gains on sale of real estate [2]	(516 280)	-
Other non-recurring expenses [3]	7 920	250
Close down of landfill project [4]	-	(7 000)
Adjusted EBITDA	**322 369**	**414 361**

(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 was sold. See note 6 to these interim financial statements for further details. In December 2018 the Group sold one additional property which is not in operational use.
(3) Legal expenses and an impairment on estimated receivable amount relating to the Scomi case of NOK 7.9 million was recognized in 2018. See note 16 and 21 to the annual report for 2017 for further details regarding this case.
(4) During Q4 of 2016 all unamortized expenses relating to a landfill project was taken to profit or loss as there where high uncertainty as to whether and when the affected landfill would reopen. The project was sold in January 2018, and the impairment recognised in 2016 was thus reversed (up to recoverable amount) in the fourth quarter of 2017.

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 81.6 million, from NOK 175.1 million in 2017 to NOK 256.7 million in 2018, of which NOK 145.1 million relates to cash capex and NOK 111.6 relates to new financial lease agreements.

Maintenance capex in 2018 was NOK 118.4 million and growth capital investments was NOK 138.3 million related to new collection vehicles in Division Household Collection and investments in a new paper line in Recycling.

CASH FLOW

(NOK'000)	YTD Q4 2018 Consolidated, unaudited	YTD Q4 2017 Consolidated, unaudited
Net cash flow from operating activities	448 064	348 982
Net cash flow from investing activities	563 695	(124 793)
Net cash flow from financing activities	(1 107 041)	(216 639)
Net change in cash and cash equivalents for the period	**(95 282)**	**7 550**
Effect of exchange rate changes	(718)	1 721
Cash and cash equivalents at the beginning of the period	176 995	167 724
Cash and cash equivalents at the end of the period	**80 995**	**176 995**

Net cash flow from operating activities in 2018 showed a net inflow of NOK 448.1 million, which was NOK 99.1 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 2018 was NOK 563.7 million compared to a net cash outflow of NOK 124.8 million in previous year. The net increase of NOK 688.5 million is a result of proceeds from the sales of five real-estate companies with net proceeds of NOK 701.8 million, increased sales of other non-current assets and business and a reduced cash outflow related to other financial investments. This is partly offset by increased investments in property, plant and equipment and purchase of shares in subsidiaries and associates.

Net cash outflow from financing activities was NOK 1,107.0 million in 2018 compared to NOK 216.6 million in the previous year. The net increase in cash outflow of NOK 890.4 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 paired with higher repayments of leasing liabilities and lower payment of interest.

Cash and cash equivalents fell by NOK 96.0 million in 2018, from NOK 177.0 million as of December 31, 2017 to NOK 81.0 million as of December 31, 2018. In 2017 cash and cash equivalents increased by NOK 9.3 million. The group has a revolving credit facility totaling NOK 200 million which is undrawn as of December 31, 2018.

FINANCIAL POSITION

NET INTEREST BEARING LIABILITIES

Net interest bearing debt of the Issuer and its subsidiaries, on a consolidated basis was NOK 1,702.4 million as of December 31, 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 December 31, 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 December 31, 2018**	**As of December 31, 2017**
Cash and cash equivalents	**80 995**	**176 995**
Indebtedness:		
Revolving credit facility [(1)]	367	549
Leasing liability [(2)]	202 654	129 071
NOK Senior secured notes [(3)]	1 406 854	2 270 335
Senior bank debt	1 870	2 641
Total third-party indebtedness	**1 611 746**	**2 402 595**
Shareholder loan [(4)]	171 641	158 927
Total equity	470 908	74 382
Total capitalization	**2 254 294**	**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 December 31, 2018, the Revolving Credit Facility is undrawn. 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 December 31, 2018, the Leasing facility is drawn by NOK 206.7 million.
(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 December 31, 2018 the total amount outstanding, including accrued unpaid interest and unpaid amounts on interest rate swaps are NOK 1,406.8 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 December 31, 2018 the total amount outstanding, including accrued unpaid interest is NOK 171.6 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)	**Q4 2018**	**Q4 2017**	**Variance**	**YTD Q4 2018**	**YTD Q4 2017**	**Variance**
Total revenue	661 086	610 091	50 995	2 442 533	2 388 604	53 929
Adjusted EBITDA	68 762	56 515	12 248	234 188	294 039	(59 851)
Adjusted EBITDA margin	*10,4 %*	*9,3 %*	*1,1 %*	*9,6 %*	*12,3 %*	*(2,7 %)*

	YTD Q4 2018	**YTD Q4 2017**	**Variance**
Collection assignments	3 459 189	3 626 216	-4,6 %
Total waste treated (tons)	1 227 883	1 218 456	0,8 %

Total revenue in Recycling has increased by NOK 51.0 million, or 8.4%, from NOK 610.1 million in Q4 2017 to NOK 661.1 million in Q4 2018. This increase is mainly driven by increased activity in collection and industry services, while tonnage on overall is equal in the quarter. Majority of the growth is in the major regions. Year to date revenue increased by NOK 53.9 million or 2.3% from NOK 2 388.6 to NOK 2 442.5 million in 2018. The increase in revenue is due to underlying growth in collection assignments with a 6.8% increase in the single assignments while it is down by 6.4% in compactor runs.

Adjusted EBITDA has increased by NOK 12.2 million, or 21.7%, from NOK 56.5 million in Q4 2017 to NOK 68.8 million in Q4 2018. This increase comes from the increase in single collection assignments, efficient operations and project sales. The historical wide price span between packaging grades and printing grades paper continued in Q4 which affected the gross profit growth negatively in the quarter because of the loss of the paper sorting line in the March 2018 fire. Competitiveness on paper will improve during 2019 as the new paper sorting line will be in production.

METAL

(NOK'000)	**Q4 2018**	**Q4 2017**	**Variance**	**YTD Q4 2018**	**YTD Q4 2017**	**Variance**
Total revenue	279 573	251 612	27 961	938 512	901 936	36 576
Adjusted EBITDA	(1 576)	8 899	(10 475)	(19 386)	28 224	(47 610)
Adjusted EBITDA margin	*(0,6 %)*	*3,5 %*	*(4,1 %)*	*(2,1 %)*	*3,1 %*	*(5,2 %)*

	YTD Q4 2018	**YTD Q4 2017**	**Variance**
Ferrous volumes (tons)	214 577	219 483	-2,2 %
Non-ferrous volumes (tons)	26 295	28 803	-8,7 %

Total revenue in Division Metal increased by NOK 28.0 million, or 11.1%, in Q4 2018 compared to Q4 2017. The increase is a result of increased volumes sold, especially ferrous metals.

In Q4 2018, adjusted EBITDA decreased by NOK 10.5 million, from NOK 8.9 million in Q4 2017 to negative NOK 1.6 million in Q4 2018. The Chinese import restrictions and the closing of the Chinese market led to a reduction in global downstream price for secondary aluminium scrap. The price for this fraction was down approximately 25% in Q4 2018 as compared to Q4 2017 which had a negative effect on profitability in the quarter.

YTD Q4 volumes are down 2.2% and 8.7% for ferrous and non-ferrous respectively. Still, the main cause of decline in profitability is driven by lower gross margin on mixed metal scrap. The growth in volumes is expected to be more positive going forward.

PROJECT BUSINESSES

(NOK'000)	**Q4 2018**	**Q4 2017**	**Variance**	**YTD Q4 2018**	**YTD Q4 2017**	**Variance**
Total revenue	176 754	155 088	21 666	642 364	546 652	95 712
Adjusted EBITDA	21 551	9 152	12 399	80 033	46 801	33 232
Adjusted EBITDA margin	*12,2 %*	*5,9 %*	*6,3 %*	*12,5 %*	*8,6 %*	*3,9 %*

Total revenue in the Project business increased by NOK 21.7 million, or 14.0 %, from NOK 155.1 million in Q4 2017 to NOK 176.7 million in Q4 2018. The increase is primarily driven by higher activity in both the industrial cleaning and demolition business. YTD revenues increased by NOK 95.7 million or 17.5% from NOK 546.7 million in 2017 to NOK 642.4 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 12.4 million, from NOK 9.2 million in Q4 2017 to NOK 21.6 million in Q4 2018. The growth in adjusted EBITDA is driven by positive development in level of activity and margins in both the industrial cleaning and demolition business. YTD EBITDA increased with NOK 33.2 million from NOK 46.8 million in 2017 to 80.0 million in 2018. The increase in adjusted EBITDA is primarily driven by increase in activity and volume from landfill operations and positive development in the industrial cleaning business.

HOUSEHOLD COLLECTION

(NOK'000)	**Q4 2018**	**Q4 2017**	**Variance**	**YTD Q4 2018**	**YTD Q4 2017**	**Variance**
Total revenue	94 527	91 005	3 522	384 378	289 447	94 931
Adjusted EBITDA	(986)	2 925	(3 911)	6 431	39 042	(32 610)
Adjusted EBITDA margin	*(1,0 %)*	*3,2 %*	*(4,3 %)*	*1,7 %*	*13,5 %*	*(11,8 %)*

Total operating revenues increased both year over year in Q4 and year to date. Revenues increased by NOK 3.5 million, or 3.9%, from NOK 91.0 million Q4 2017 to NOK 94.5 million in Q4 2018. Year to date revenues increased by NOK 94.9 million or 32.8%. 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 challenging weather conditions at the start of 2018.

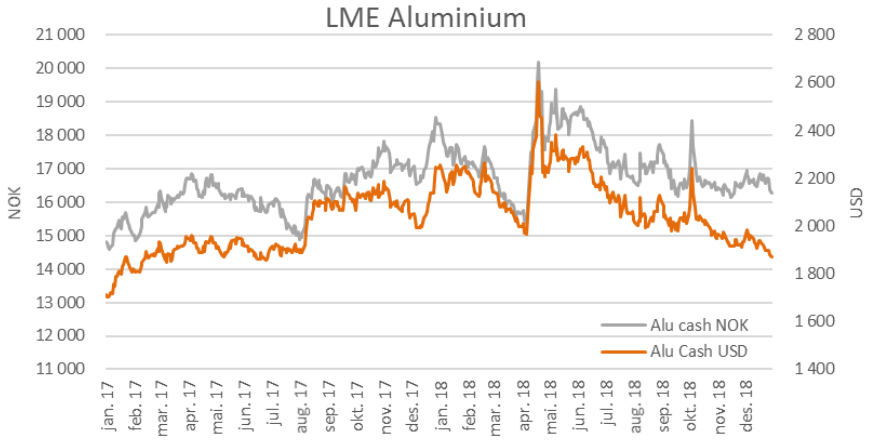
MARKET CONDITIONS

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

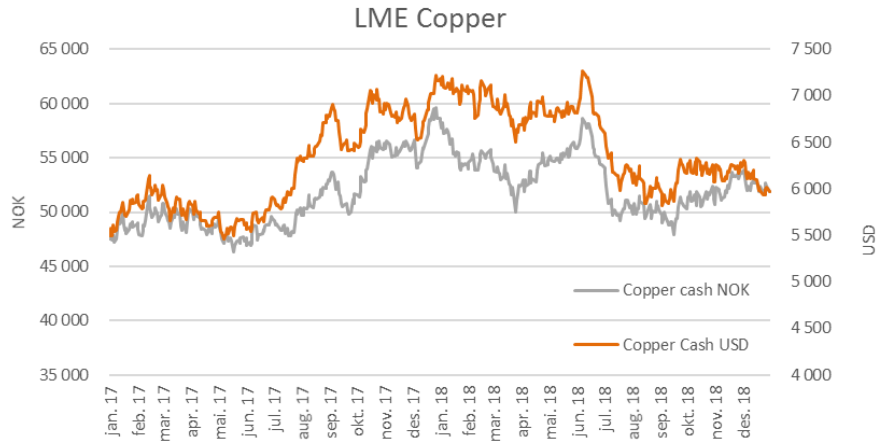
LME Aluminium had a declining trend during Q4 and has been trading between 2,100 to 1,900 USD. Further handling of Rusal in the US will show the way for the near future. Supply and demand expectations promise a still stable market with a modestly negative outlook.



LME Aluminium – 2017 and 2018

COPPER

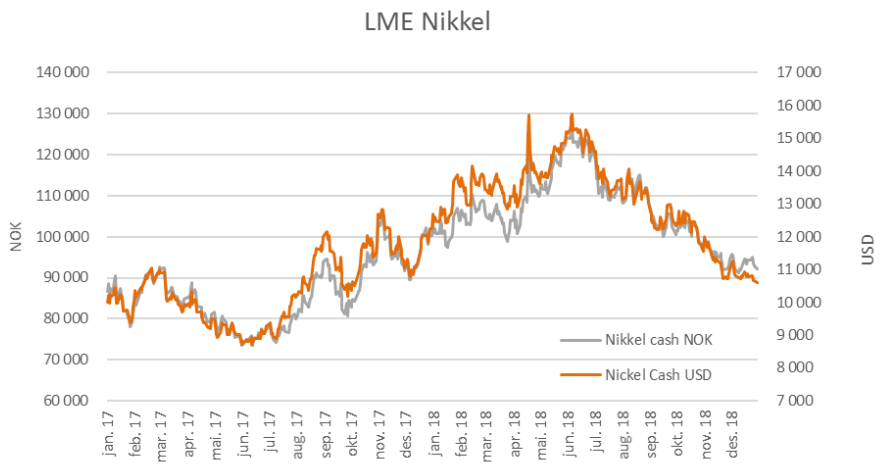
The copper market has been stable during Q4 and has been traded at around 6,200 USD. A notable decline in December, falling below 6,000 USD, is explained by the ongoing trade disputes between the USA and China, weaker economic data from China and a slightly stronger US dollar. Copper closed at 5,965 USD by the end of December.



LME Copper – 2017 and 2018

NICKEL

During Q4 2018, prices for nickel continued to decrease and has been traded at between 12,300 USD and 10,700 USD levels. Despite of relatively stable supply and demand conditions, nickel is expected to continue its volatile development in 2019.



LME Nickel – 2017 and 2018

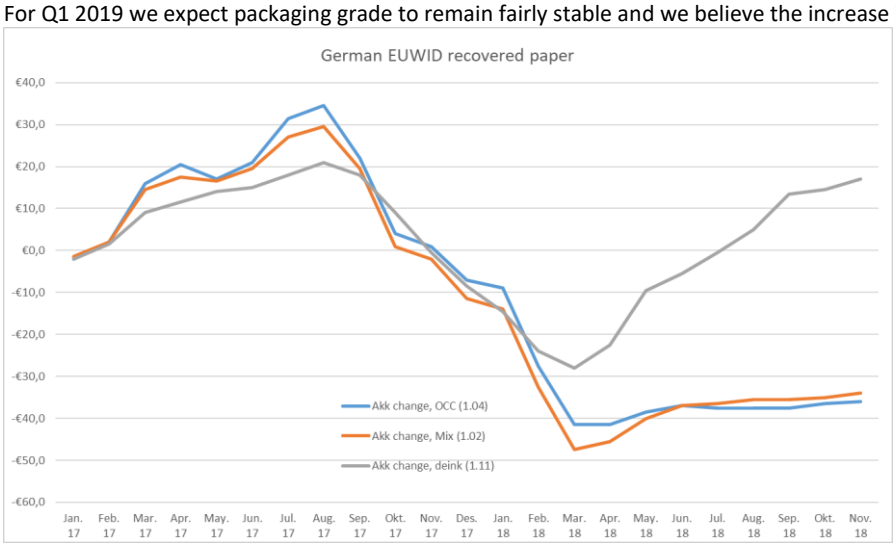
STEEL SCRAP

The leading steel scrap index for deliveries to Turkey traded between 295 to 345 USD during Q4. The market cooled down slightly towards the end of the quarter with a price drop of 35 USD. The other international markets were highly correlated throughout the entire quarter. International price decreased slightly more compared to the Norwegian Celsa index.

DEVELOPMENT IN PAPER PRICES

For the packaging grades OCC and mix paper, the price level has increased slightly in Q4. Deink grades for printing paper has continued to increase, but not as steeply as in Q3. The price spread between packaging grades and printing grades are on a historical high level.

For Q1 2019 we expect packaging grade to remain fairly stable and we believe the increase in Deink grades will level out.



DEVELOPMENT WASTE-TO-ENERGY

WOODCHIPS

Prices remained stable throughout Q3 and Q4 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 for future price developments.

REFUSE DERIVED FUEL (RDF)

The prices for RDF remained stable in Q4, as it has been all of 2018. We expect the price to continue to be stable throughout Q1 2019. The RDF market has been stable since 2015.

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	Q4 2018	Q4 2017	YTD Q4 2018	YTD Q4 2017
Revenue	4, 5	1 226 636	1 131 692	4 473 279	4 212 090
Other income	6	20 811	5 882	570 463	25 258
Total operating income		**1 247 446**	**1 137 572**	**5 043 742**	**4 237 347**
Cost of goods sold		638 448	572 734	2 307 701	2 113 147
Employee benefits expense		291 982	272 679	1 056 495	963 312
Depreciation/amortization/impairment		49 958	63 611	205 583	227 705
Other operating expenses		237 291	203 479	850 754	729 979
Other (gains)/losses - net		(831)	4 221	(4 314)	7 684
Operating profit		**30 600**	**20 849**	**627 522**	**195 520**
Finance income	2	(13 156)	1 148	1 081	4 103
Finance costs	2	38 324	63 463	181 108	230 425
Share of profit in associated companies		523	1 508	1 799	2 741
Profit / (loss) before income tax		**(20 357)**	**(39 959)**	**449 295**	**(28 062)**
Income tax expense		2 705	(7 923)	(8 405)	(4 633)
Profit / (loss) for the period from continuing operations		**(23 061)**	**(32 036)**	**457 700**	**(23 429)**
Profit / (loss) attributable to:					
Owners of the parent		(24 108)	(34 144)	456 289	(32 359)
Non-controlling interests		1 046	2 108	1 411	8 930

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK'000)	**Q4 2018**	**Q4 2017**	**YTD Q4 2018**	**YTD Q4 2017**
Profit / (loss) for the period	**(23 061)**	**(32 036)**	**457 700**	**(23 429)**
Items that may be subsequently reclassified to profit or loss				
Currency translation differences	356	3 411	(2 386)	5 948
Interest rate swaps - cash flow hedges (after tax)	(112)	2 680	6 588	11 737
Net other comprehensive income / (loss) for the period	**244**	**6 092**	**4 202**	**17 686**
Comprehensive income / (loss) for the period	**(22 818)**	**(25 943)**	**461 902**	**(5 743)**
Comprehensive income attributable to:				
Owners of the parent	(23 864)	(28 052)	460 491	(14 673)
Non-controlling interests	1 046	2 108	1 411	8 930

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(NOK'000)	Note	Dec 31, 2018	Dec 31, 2017
Non-current assets			
Property, plant & equipment		854 416	792 250
Intangible assets		79 770	96 775
Goodwill	7, 8	1 213 594	1 235 986
Deferred tax assets		98 762	93 367
Investments in associated companies	8	111 292	21 360
Other receivables		26 937	44 242
Total non-current assets		**2 384 771**	**2 283 980**
Current assets			
Inventories		91 588	112 716
Trade and other receivables		543 476	713 102
Other financial assets		304	-
Cash and cash equivalents		80 995	176 995
Assets held for sale		-	207 348
Total current assets		**716 363**	**1 210 160**
Total assets		**3 101 134**	**3 494 140**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES

(NOK'000)	**Dec 31, 2018**	**Dec 31, 2017**
Equity		
Share capital and reserves attributable to owners of parent	449 493	52 855
Non-controlling interest	21 414	21 527
Total equity	**470 908**	**74 382**
Non-current liabilities		
Loans and borrowings	329 902	2 474 734
Other financial liabilities	763	9 318
Deferred income tax liabilities	20 312	24 926
Post-employment benefits	11 537	10 265
Provisions for other liabilities and charges	64 289	75 292
Total non-current liabilities	**426 803**	**2 594 534**
Current liabilities		
Trade and other payables	725 066	695 180
Current income tax	3 200	15 651
Loans and borrowings	1 449 573	68 516
Other financial liabilities	11 824	16 015
Provisions for other liabilities and charges	13 761	29 862
Total current liabilities	**2 203 424**	**825 224**
Total liabilities	**2 630 227**	**3 419 759**
Total equity and liabilities	**3 101 134**	**3 494 140**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(NOK'000)	**YTD Q4 2018**	**YTD Q4 2017**
Profit / (Loss) before income tax	**449 295**	**(28 062)**
Adjustments for:		
Income tax paid	(16 425)	(9 965)
Depreciation, amortization and impairment charges	205 583	227 705
Net (gain) loss on sale of non-current assets and business	(533 966)	(11 443)
Financial items without cash effect	12 899	37 369
Items classified as investing- or financing activities	152 166	187 335
Changes in other short term items	178 512	(53 957)
Net cash flow from operating activities	**448 064**	**348 982**
Purchase of shares in subsidiaries and associates	(48 258)	(9 000)
Proceeds from sale of business	24 955	3 291
Payments for purchases of non-current assets	(148 434)	(125 818)
Proceeds from sale of non-current assets	733 932	15 654
Net other investments	-	(11 420)
Dividend from associated companies	1 500	2 500
Net cash flow from investing activities	**563 695**	**(124 793)**
Proceeds from borrowings	-	1 800
Repayment of borrowings	(849 668)	(3 390)
Debt related expenses	(1 090)	(3 217)
Repayment of financial leasing liability	(43 046)	(28 116)
Dividends paid to non-controlling interest	(5 573)	(5 355)
Transactions with non-controlling interest	(65 485)	-
Net group contributions received /(paid)	-	(5 000)
Interest paid	(142 179)	(173 361)
Net cash flow from financing activities	**(1 107 041)**	**(216 639)**
Net increase in cash and cash equivalents	**(95 282)**	**7 550**
Effect of exchange rate changes	(718)	1 721
Cash and cash equivalents at beginning of period	176 995	167 724
Cash and cash equivalents at end of period	**80 995**	**176 995**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONDENSED STATEMENT OF CHANGES IN EQUITY – YTD Q4 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)	456 289	1 411	457 700
Net other comprehensive income / (loss)	4 202	-	4 202
Transactions with non-controlling interest	(61 193)	(11 740)	(72 933)
Non-controlling interest on acquisition of subsidiary	-	10 217	10 217
Group contributions	(2 661)	-	(2 661)
At 31 December 2018	**449 493**	**21 414**	**470 908**

CONDENSED STATEMENT OF CHANGES IN EQUITY – YTD Q4 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	(32 359)	8 930	(23 429)
Net other comprehensive income / (loss)	17 686	-	17 686
Transactions with non-controlling interest	-	(5 355)	(5 355)
Group contributions	(7 597)	-	(7 597)
At 31 December 2017	**52 855**	**21 527**	**74 382**

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 December 31, 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.

New standard effective from the financial year starting at January 1, 2019
The Group will implement the new standard *IFRS 16 – Leases* as of January 1, 2019. The implementation will be carried out by use of the modified retrospective method, in which the cumulative effect of initial application is taken to the opening balance. See note 9 to these interim financial statement for further information on the effects from the implementation.

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)	Q4 2018	Q4 2017	YTD Q4 2018	YTD Q4 2017
Interest income	320	1 142	1 081	3 996
Other financial income	(13 476)	5	-	107
Financial income	**(13 156)**	**1 148**	**1 081**	**4 103**
Non cash interest expenses	3 334	3 087	12 714	11 772
Cash interest expenses	25 896	40 897	127 172	169 274
Other financial expenses	9 095	19 480	41 222	49 380
Financial expenses	**38 324**	**63 463**	**181 108**	**230 425**
Net financial income (expenses)	**(51 479)**	**(62 316)**	**(180 027)**	**(226 323)**

The negative other financial income in Q4 2018 is a result of net negative effects of currency (disagio) in the fourth quarter – on a YTD opening agio position from Q3 2018.

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.

Redemption of bonds:
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 December 31, 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 Q4

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	529 830	3 633	130 680	53 082	53 274	146	770 646
Other Nordics	-	-	28 674	35 159	-	-	63 833
Other Europe	-	-	10 085	-	-	-	10 085
Intra segment	9 146	331	7 314	642	5 123	(22 556)	-
Total upstream	**538 976**	**3 964**	**176 754**	**88 883**	**58 398**	**(22 410)**	**844 565**
Norway	27 471	79 443	-	-	4 659	-	111 573
Other Nordics	34 233	57 289	-	3 448	5 212	-	100 181
Other Europe	25 249	104 015	-	-	6 866	-	136 130
Asia	-	34 186	-	-	-	-	34 186
Intra segment	35 157	676	-	2 196	1 117	(39 147)	-
Total downstream	**122 110**	**275 609**	**-**	**5 644**	**17 854**	**(39 147)**	**382 070**
Total Revenue	**661 086**	**279 573**	**176 754**	**94 527**	**76 252**	**(61 557)**	**1 226 636**

Revenue 2017 Q4

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	482 233	2 706	131 732	62 574	45 088	350	724 682
Other Nordics	-	-	14 936	23 204	-	-	38 140
Other Europe	-	-	3 244	-	-	-	3 244
Intra segment	15 777	483	5 177	1 556	8 289	(31 282)	-
Total upstream	**498 009**	**3 189**	**155 089**	**87 333**	**53 377**	**(30 931)**	**766 066**
Norway	31 580	145 632	-	-	1 694	-	178 906
Other Nordics	11 451	26 006	-	3 012	9 586	-	50 055
Other Europe	31 738	41 568	-	-	19 178	-	92 484
Asia	9 110	35 070	-	-	-	-	44 180
Intra segment	28 203	148	-	661	1 558	(30 569)	-
Total downstream	**112 082**	**248 423**	**-**	**3 672**	**32 016**	**(30 569)**	**365 624**
Total Revenue	**610 091**	**251 612**	**155 089**	**91 005**	**85 394**	**(61 500)**	**1 131 692**

Revenue 2018 YTD Q4

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	1 968 925	11 256	506 582	242 512	206 258	262	2 935 795
Other Nordics	-	-	78 334	119 275	-	-	197 609
Other Europe	-	-	30 739	-	-	-	30 739
Intra segment	48 346	1 347	26 709	6 387	17 177	(99 966)	-
Total upstream	**2 017 271**	**12 603**	**642 364**	**368 174**	**223 435**	**(99 704)**	**3 164 143**
Norway	91 338	311 678	-	-	16 823	-	419 839
Other Nordics	104 629	194 491	-	12 790	20 565	-	332 475
Other Europe	96 518	301 913	-	-	30 768	-	429 199
Asia	12 962	114 660	-	-	-	-	127 622
Intra segment	119 815	3 168	-	3 414	6 342	(132 738)	-
Total downstream	**425 262**	**925 909**	**-**	**16 204**	**74 498**	**(132 738)**	**1 309 134**
Total Revenue	**2 442 533**	**938 512**	**642 364**	**384 378**	**297 933**	**(232 442)**	**4 473 279**

Revenue 2017 YTD Q4

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	1 882 082	10 864	431 998	187 635	163 262	474	2 676 315
Other Nordics	-	-	83 245	82 510	-	-	165 755
Other Europe	-	-	6 820	-	-	-	6 820
Intra segment	48 046	2 147	24 590	5 671	10 673	(91 127)	-
Total upstream	**1 930 128**	**13 011**	**546 653**	**275 816**	**173 935**	**(90 653)**	**2 848 890**
Norway	133 125	407 130	-	-	23 617	-	563 873
Other Nordics	45 946	99 323	-	12 890	26 053	-	184 211
Other Europe	117 639	214 977	-	-	59 881	-	392 497
Asia	58 515	164 105	-	-	-	-	222 619
Intra segment	103 252	3 390	-	741	6 760	(114 143)	-
Total downstream	**458 476**	**888 925**	**-**	**13 631**	**116 310**	**(114 143)**	**1 363 199**
Total Revenue	**2 388 604**	**901 936**	**546 653**	**289 447**	**290 245**	**(204 796)**	**4 212 090**

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)	Q4 2018	Q4 2017	YTD Q4 2018	YTD Q4 2017
Recycling	68 762	56 515	234 188	294 039
Metal	(1 576)	8 899	(19 386)	28 224
Project businesses	21 551	16 152	80 033	53 801
Household collection	(392)	3 394	8 809	40 905
All other segments	(4 423)	(1 061)	7 299	9 654
HQ and eliminations	(3 365)	562	522 164	(3 398)
Total	**80 557**	**84 460**	**833 106**	**423 225**
Depreciation and amortization expense	(49 958)	(63 611)	(205 583)	(227 705)
Finance income	(13 156)	1 148	1 081	4 103
Finance costs	(38 324)	(63 463)	(181 108)	(230 425)
Net income from associated companies	523	1 508	1 799	2 741
Profit before tax	**(20 357)**	**(39 959)**	**449 295**	**(28 062)**

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)	**Q4 2018**	**Q4 2017**	**YTD Q4 2018**	**YTD Q4 2017**
Upstream sale of services	844 565	766 066	3 164 143	2 848 890
Downstream sale of recyclables	382 070	365 624	1 309 134	1 363 199
Revenue	**1 226 636**	**1 131 692**	**4 473 279**	**4 212 090**

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)	**Q4 2018**	**Q4 2017**	**YTD Q4 2018**	**YTD Q4 2017**
Gain on sale of real estate	15 213	-	516 280	-
Rental income from real estate	3 636	3 707	14 774	13 815
Insurance recovery	-	-	21 500	-
Other gains on sale	1 962	2 175	17 909	11 443
Other income	**20 811**	**5 882**	**570 463**	**25 258**

Gain on sale of real estate
In Q4 2018 the group sold a real estate which is not in operational use of the group. Year to date gains from sale of real estate is driven by held for sale assets which were sold in Q1 and Q2 of 2018, as disclosed in previous quarterly reports of 2018.

NOTE 7 – BUSINESS COMBINATIONS

In Q4 of 2018 the group acquired a transportation business through the fully owned subsidiary NG Transport AS. Total consideration for the purchase was NOK 1.0 million which was settled in cash. In the third quarter the Group gained control over the two smaller subsidiaries LST AS and Mortens Rørinspeksjon AS (MRI). Total consideration, adjusted for net cash balance or drawn on credit facility taken over, where NOK 3.4 million and NOK 2.0 million respectively. The Group owns 100% of NG Transport, 100% of LST and 50.6% of Mortens Rørinspeksjon as of December 31, 2018. The table below summarizes the purchase price allocations for each of the three business combinations. Non-controlling interest related to the acquisition of Mortens Rørinspeksjon AS is measured at fair value.

(NOK'000)	**NG Transport**	**LST**	**Mortens Rørinspeksjon**
Property, plant and equipment	6 115	2 314	1 915
Receivables	-	543	2 752
Borrowings	-	-	(300)
Financial leasing liability	(6 115)	-	(632)
Deferred tax	-	-	(108)
Other payables	-	(6 752)	(1 787)
Net identifiable assets	**-**	**(3 895)**	**1 840**
Goodwill	1 000	7 282	10 339
Total consideration	**1 000**	**3 387**	**12 179**
Of which non-controlling interest	-	-	10 217
Total consideration for NG Group	**1 000**	**3 387**	**1 962**

NOTE 8 – SALE OF SUBSIDIARIES

In the fourth quarter of 2018 the group reached one agreement in which the group lost control over part of the Metal business and one agreement in which the group potentially will lose control over the demolition business in the Project based businesses segment. Both these agreements contains options which in effect allows the Group the ability and the contingent liability, to purchase shares in the combined businesses at a later date and obtain control.

Demerger Metal business

As of November 30, 2018 the Group demerged its cable and transformer business and merged this with Kabel Metall & Trafo Gjenvinning AS (KMT). The Group received shares in the combined company as consideration for the demerged business. Further the Group purchased additional shares in KMT and reached an ownership percentage of 47.8 % in the combined entity. As of November 30, 2018 the Group lost control over the business and the net carrying value of assets and liabilities relating to the business was derecognized.

Through the agreements the Group has an option to purchase additional shares of KMT, and the other shareholders of KMT has an option to require the Group to purchase additional shares. The options are exercisable in the time period between the earliest date of (i) a refinancing of the Bond loan or (ii) August 1, 2019, and ending on 31, December 2019. If either party exercise these options, the Group will gain control over KMT.

The Group expects as of the date of these financial statements that the option will be exercised on or around August 1, 2019. In the event either party exercise the options as expected, this will result in a cash outflow for the Group of NOK 35 million, and consolidation of a new subsidiary from this point and forward.

Potential demerger of Demolition business

In December of 2018 the Group reached an agreement in which the whole Demolition business, part of the Project based businesses segment, will be demerged and combined with Øst-Riv AS for a consideration of 35.9 % ownership rate in the combined business. The demerger and combination with Øst-Riv AS is contingent on regulatory approvals, and expected to occur on or around February 28, 2019, if necessary approvals are given. As of December 31, 2018 the Group has control over the business in question and the subsidiaries are recognised in the consolidated financial statements.

Through the agreements the Group has an option to purchase additional shares in the combined business, and the other shareholders has an option to require the Group to purchase additional shares in the combined business. The options are exercisable in the time between, the earliest date of (i) a refinancing of the Bond loan or (ii) August 1, 2019, and ending on 31, December 2019. If either party exercise these options, the Group will gain control over the combined business.

In the event that the necessary regulatory approvals are given, and the demerger is carried out, the Group expects as of the date of these financial statements that the option will be exercised on or around August 1, 2019. In the event either party exercise the options as expected, this will result in a cash outflow for the Group of NOK 80 million, and consolidation of a new subsidiary from this point and forward.

NOTE 9 – IFRS 16 IMPLEMENTATION

As of January 1, 2019 the Group implements the new standard *IFRS 16 – Leases*. The implementation will be carried out by use of the modified retrospective method, in which the cumulative effect of initial application is taken to the opening balance of Equity. Comparative information for prior year will not be presented. On implementation the Group will make use of practical expedients in which; a single discount rate is applied to portfolios of leases with reasonable similar characteristics and hindsight is used on contracts which contains options to extend or terminate the lease. Incremental borrowing rate is calculated based on swap interest curves in applicable countries, adjusted of margin and security in the right of use asset. Discount rates will be applied on lease agreements by taking in to consideration the type of assets leased and duration of the contract.

As of the date of these interim financial statements the Group expects no cumulative effect of initial application to be taken to the opening balance of Equity. The estimated effect on implementation currently indicates total assets will increase with approx. NOK 1 525 million, interest bearing debt will increase with approx. NOK 1 563 million and provision for other liabilities will decrease with approx. NOK 38 million. This will in turn affect the equity ratio, which is expected to fall from 15.2% to 10.2%.

NOTE 10 - 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 twelve months ended on December 31, 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, February 15, 2019

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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