

NG

Norsk
Gjenvinning

Norsk Gjenvinning Group

1st Quarter 2017

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VV Holding AS is providing the following interim financial statements for Q1 2017 to holders of its NOK 2,235,000,000 Senior Secured Floating Rate Notes due 2019.

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

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

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

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

- Strengthened results as NG's industrialization across the entire value chain takes effect - upstream sales, collection logistics, plant operations, long haul transportation and downstream sales, industry best practices in compliance and risk management, reorganization of the NG group, NG200 cost programme
- Revenues and EBITDA increased year-over-year in Q1 as internal improvements start to take effect, further boosted by successful margin management of both upstream and downstream prices.
- The NG group is repositioned and we expect continued positive development in 2017.
- Continued efforts to increase upstream prices to normalize margins. New price increases planned.

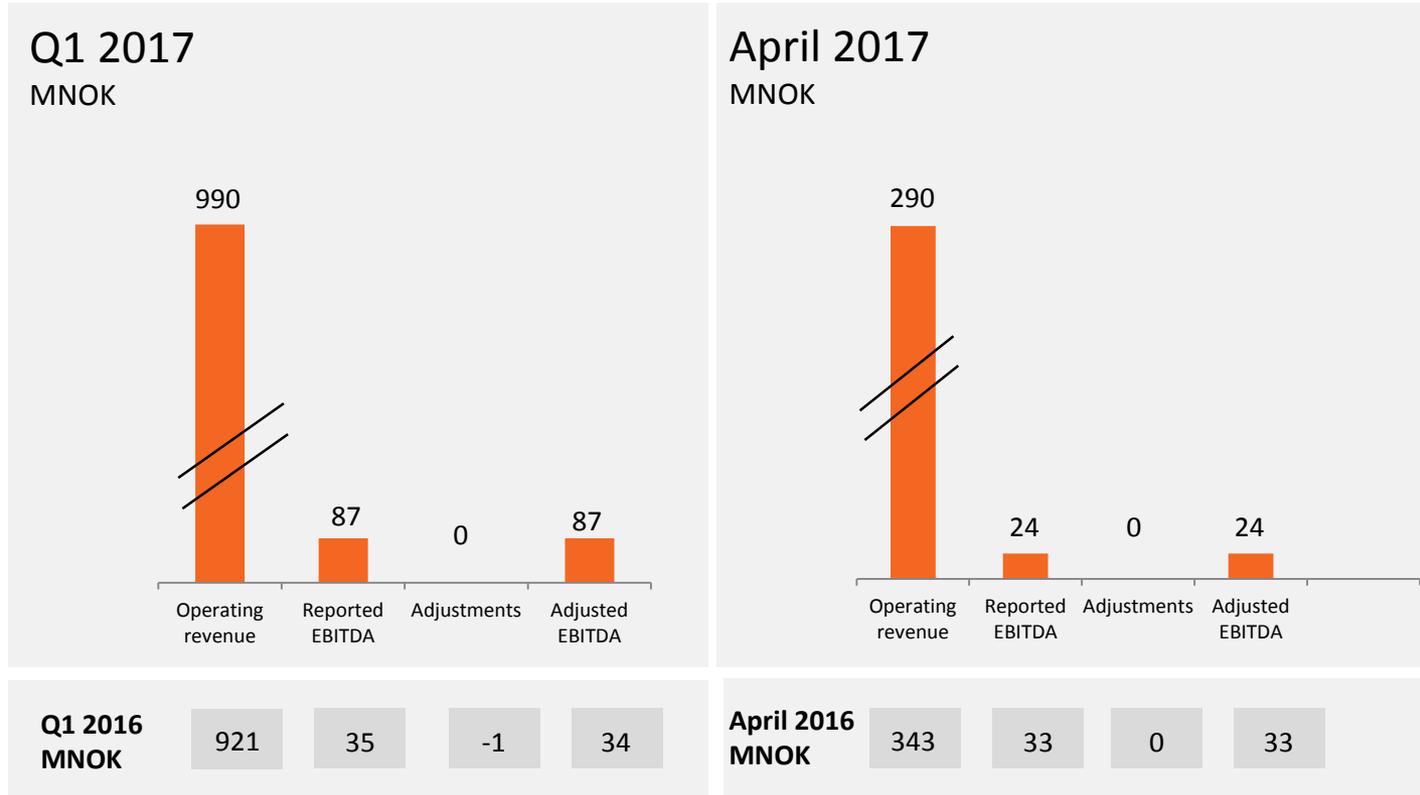
¹ Only core divisions included in NG200 program: Division Recycling, Division Metals, Division Industry & Offshore, Division Downstream

- Significant improvements in core business:
 - Increase in operating revenue of 7.5 % compared to Q1 2016
 - 9,3% increase in waste volumes compared to Q1 2016
 - 0.9% increase in gross margins
 - Adjusted EBITDA of NOK 86.6 million, up by NOK 52.4 million compared to Q1 2016
 - NG200 cost and productivity initiatives are being implemented according to plan, however plan has been adjusted to account for higher volumes and increased activity. Operating costs reduced by NOK 8.8 million YTD in NG core divisions.

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EBITDA snapshot for Q1 and April 2017

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



Adjusted earnings by segment Q1

Division Recycling

- High activity level – 20% increase in collection assignments, 5.6% increased waste volumes
- Successful price increases upstream increase GM
- Cost and productivity improvements



	Revenues	Adj. EBITDA ⁽¹⁾
1Q 2017	563	60
1Q 2016	514	30

Division Metal

- High activity level – 30% increase in ferrous volumes, 11% increase in metal volumes
- Continued low metal content in scrap
- Cost and productivity improvements and high production utilization



	Revenues	Adj. EBITDA ⁽¹⁾
1Q 2017	229	8
1Q 2016	160	-2

Project based businesses

- Discontinuation of loss making activities and contracts
- Cost and productivity improvements



	Revenues	Adj. EBITDA ⁽¹⁾
1Q 2017	86	4
1Q 2016	111	-3

Division Household Collection

- Stable and steady
- Awarded new tender in Kriationsand
- Signed contract in Northeast Gothenburg



	Revenues	Adj. EBITDA ⁽¹⁾
1Q 2017	61	8
1Q 2016	84	9

MNOK

1Q 2017

1Q 2016

⁽¹⁾ Before internal charges

Metals

- Ferrous market prices (CELSA index) 94% above Q1 2016 on average; large price increase from mid November 2016 – prices stable around 1 000 - 1 300 NOK/ton level in 2017
- Large increase in copper prices in October 2016 – prices stay high in 2017, aluminium at approximately 30% above 2016 Q1 levels. Physical markets stable. Steady demand for aluminum and copper, but supply side is increasing production.
- Nickel prices have been volatile in Q1. Growing demand from steel sector expected to support prices in the short term.



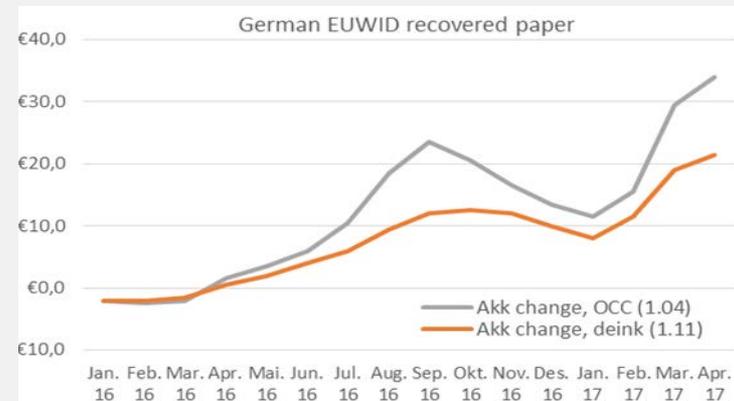
LME Copper 2016, 2017

Woodchips

- Higher demand led to reductions in inventory levels towards the end of Q1 – however industry inventories are still high
- Prices stabilized in Q1. We expect stable prices in Q2, and price deterioration in Q3 and Q4 as a new heating season starts
- Our inventories are at satisfactory levels and we have secured contracts for the inventory and next heat seasons' production
- We are increasing upstream prices to maintain healthy margins

Paper

- Prices for recovered paper were high in Q1, with a large increase in March. Demand has been strong for all paper grades, and inventories are low.
- We expect stable demand and relatively high price levels to continue, albeit we do expect a slight price reduction towards the end of Q2.



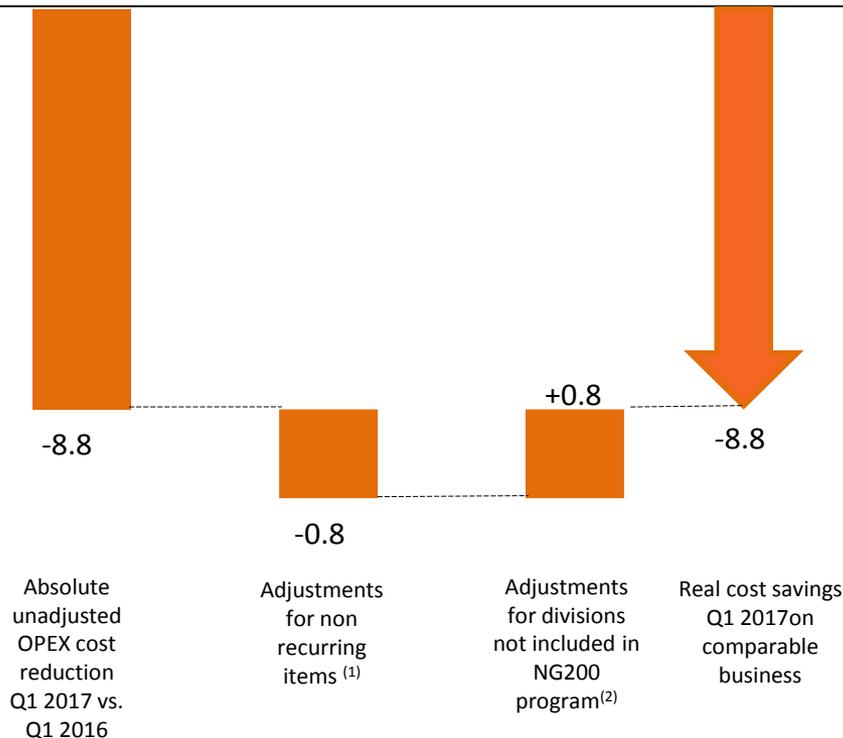
Change in Recovered paper prices, 2016,2017 Euwid index

Refuse Derived Fuel

- During Q1 the market for RDF for Nordic waste management companies improved following lower UK supply. Gate fees were flat to lower
- We expect low industry inventories and a further withdrawal of UK volumes to put a pressure on gate fees for the remainder of 2017
- NG inventories low compared to last year
- We continue our efforts to increase upstream prices to normal gross margin levels, following last year's increase in gate fees, competitors following suit

Development in OPEX

OPEX cost comparison Q1 2017 vs Q1 2016 MNOK



Comment

- Real cost savings of NOK 8.8 million Q1 2017
- Adjustments for:
 - (1) Reversal of charges for onerous contract in Division Household collection; one-off legal fees;
 - (2) Adjustments for non core divisions not included in cost reduction program; and M&A's (Sortera)

- Adjusted outlook for 2017:
 - 1-2% increase in top line compared to 2016
 - Expect gross margins to be 0.4 - 0.6% higher than in 2016
 - We expect normal RDF and woodchips inventories, and metals volumes
 - Net opex reductions of 30-40 million compared to 2016
- FY 2017 Maintenance Capex expectations of 120-130 MNOK
- Growth capex, i.e. investment in vehicles for the Household Collection business of 60 MNOK; investment in environmental projects of 30 MNOK
- Comfortable liquidity position

Financials P&L Q1 2017 ⁽¹⁾

INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS

<i>(NOK'000)</i>	Q1 2017	Q1 2016
Revenue	987 480	919 386
Other income	2 280	1 618
Total operating income	989 760	921 004
Cost of goods sold	490 829	464 902
Employee benefits expense	234 779	251 934
Depreciation and amortization expense	55 458	59 217
Other operating expenses	175 479	167 104
Other (gains)/losses - net	2 054	2 109
Operating profit	31 160	(24 262)
Finance income	811	4 587
Finance costs	61 439	49 852
Profit / (loss) before income tax	(29 468)	(69 526)
Income tax expense	(5 887)	(19 425)
Profit / (loss) for the period from continuing operations	(23 581)	(50 101)
Profit / (loss) attributable to:		
Owners of the parent	(25 113)	(50 499)
Non-controlling interests	1 531	398

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

Balance sheet Q1 2017⁽¹⁾

ASSETS

<i>(NOK'000)</i>	31.03.2017	31.12.2016
Non-current assets		
Property, plant & equipment	992 513	1 015 748
Intangible assets	116 404	124 649
Goodwill	1 235 986	1 235 986
Deferred tax assets	100 981	96 262
Investments in associated companies	15 119	15 119
Other receivables	44 060	39 487
Total non-current assets	2 505 063	2 527 251
Current assets		
Inventories	83 162	85 065
Trade and other receivables	614 328	607 663
Other financial assets	8 930	3 581
Cash and cash equivalents	98 474	167 724
Total current assets	804 893	864 034
Total assets	3 309 956	3 391 284

Balance sheet Q1 2017⁽¹⁾

EQUITY AND LIABILITIES

<i>(NOK'000)</i>	31.03.2017	31.12.2016
Equity attributable to owners of the parent		
Share capital and reserves attributable to owners of parent	54 376	75 125
Non-controlling interest	14 128	17 952
Total equity	68 504	93 077
Non-current liabilities		
Loans and borrowings	2 428 352	2 431 168
Other financial liabilities	20 194	24 885
Deferred income tax liabilities	31 638	31 794
Post-employment benefits	8 544	7 919
Provisions for other liabilities and charges	83 603	93 531
Total non-current liabilities	2 572 331	2 589 298
Current liabilities		
Trade and other payables	566 801	608 619
Current income tax	9 537	11 971
Loans and borrowings	65 761	65 432
Other financial liabilities	2 143	-
Provisions for other liabilities and charges	24 877	22 886
Total current liabilities	669 120	708 909
Total liabilities	3 241 451	3 298 207
Total equity and liabilities	3 309 956	3 391 284

Consolidated cash flow statement Q1 2017⁽¹⁾

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

<i>(NOK'000)</i>	Q1 2017	Q1 2016
Profit / (Loss) before income tax	(29 468)	(69 526)
Adjustments for:		
Income tax paid	(2 460)	(1 776)
Depreciation and amortization charges	55 458	59 217
Items reclassified to investing and financing activities	46 565	44 925
Other P&L items without cash effect	14 542	(630)
Changes in other short term items	(54 853)	(45 468)
Net cash flow from operating activities	29 784	(13 258)
Payments for purchases of shares and businesses	(3 000)	-
Proceeds from sale of business	1 600	-
Payments for purchases of non-current assets	(24 180)	(40 001)
Proceeds from sale of non-current assets	2 056	6 700
Net other investments	(14 144)	-
Net cash flow from investing activities	(38 215)	(33 301)
Repayment of borrowings	(877)	(278)
Debt related expenses	(3 217)	-
Net change in credit facility	(6 535)	(5 547)
Dividend paid to non-controlling interest	(5 355)	(2 757)
Net interest paid	(45 065)	(44 925)
Net cash flow from financing activities	(61 049)	(53 507)
Net increase in cash and cash equivalents	(69 480)	(100 066)
Effect of exchange rate changes	229	(635)
Cash and cash equivalents at beginning of period	167 724	219 819
Cash and cash equivalents at end of period	98 474	119 118

Events after reporting period

- No significant events

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

NG

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

Thank you!
Q&A