

NG

Norsk
Gjenvinning

Norsk Gjenvinning Group 4th Quarter 2016

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VV Holding AS is providing the following interim financial statements for Q4 2016 to holders of its NOK 2,235,000,000 Senior Secured Floating Rate Notes due 2019.

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

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

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

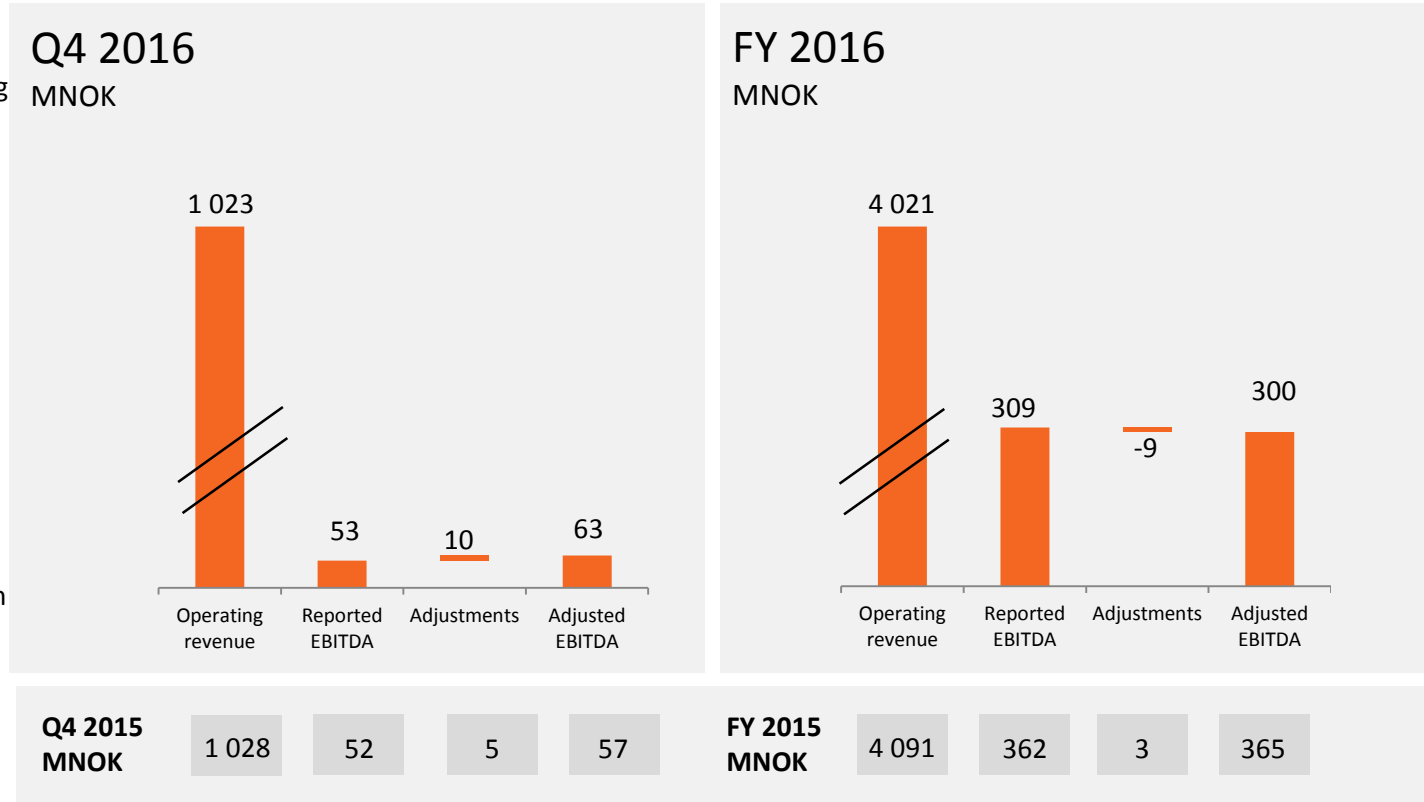
You should not place undue reliance on these forward-looking statements. In addition, any forward-looking statements are made only as of the date of this notice, and we do not intend and do not assume any obligation to update any statements set forth in this notice.

- Still pressure on profits from challenging markets, but positive signs emerging:
 - Core business decrease in operating revenue of 0.6 % compared to Q4 2015
 - 0.8% reduction in waste volumes compared to Q4 2015
 - 1.1% increase in gross margins
 - Adjusted EBITDA of NOK 63.1 million, up by NOK 6.0 million compared to Q4 2015
 - NG200 cost and productivity initiatives being implemented according to plan. Operating costs reduced by NOK 45.7 million YTD in NG core divisions.
- Continued efforts to increase upstream prices to normalize margins. Price increase on woodchips and RDF that was implemented in September was successful as competitors act correspondingly to pass on increased downstream costs.

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

EBITDA snapshot for Q4 and FY 2016

- Special items in Q1:
 - No special items
 - Negative impact from Easter falling in Q1 in 2016 of 12-14 MNOK
- Special items in Q2:
 - No special items
 - Positive impact from Easter falling in Q1 in 2016 of 12-14 MNOK
- Special items in Q3:
 - 6,5 MNOK changes in accounting principles for payroll
 - 5 MNOK in NG200 implementation costs
- Special items in Q4:
 - Reversal of 6,5 MNOK changes in accounting principles for payroll
 - 11 MNOK in NG200 implementation costs



Adjusted earnings by segment Q4

Division Recycling

- Reduced paper volumes; mitigated by new contracts
- Successful price increases upstream
- Improved downstream prices except woodchips
- Cost and productivity improvements



	Revenues	Adj. EBITDA ⁽¹⁾
4Q 2016	585	71
4Q 2015 (pf)	575	46

Division Metal

- Ferrous vol increase, but non-ferrous down
- Unfavorable prod mix
- High price volatility
- Cost and productivity improvements
- NOK 9 million in NG200 implementation costs



	Revenues	Adj. EBITDA ⁽¹⁾
4Q 2016	209	-7
4Q 2015 (pf)	180	8

Division Industry and Offshore

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



	Revenues	Adj. EBITDA ⁽¹⁾
4Q 2016	69	1
4Q 2015 (pf)	92	-7

Division Household Collection

- Revenue impact of lost Oslo contract but stable and steady profits
- Contract signed in Blekinge; New tender in Gothenburg



	Revenues	Adj. EBITDA ⁽¹⁾
4Q 2016	62	6
4Q 2015 (pf)	88	7

MNOK

4Q 2016

4Q 2015 (pf)

⁽¹⁾ Before internal charges

Metals

- Ferrous market prices (CELSA index) 49% above Q4 2015 on average; large price increase mid November – prices stable around 1 000 - 1 100 NOK/ton level in 2017
- Large increase in copper prices in October 2016 – prices stay high remainder of Q4, aluminium at approximately 20% above 2015 Q4 levels. Physical markets stable with improving fundamentals. Steady demand for aluminum, improving for copper
- Nickel prices have been volatile and fell sharply at the end of Q4 following supply disruptions. Demand is improving in China.



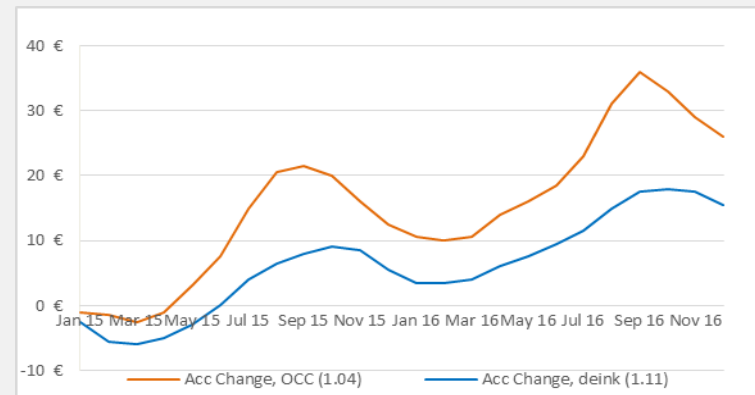
LME Copper 2015, 2016

Woodchips

- Demand influenced by mild winters and low demand for heating - large inventories in the industry (competitors and incineration plants)
- Negative price pressure downstream continues in Q4; expected to remain challenging for the remainder of the heating season
- Our inventories are at satisfactory levels and we have secured contracts for the inventory and 30-40% of next heat seasons' production
- 6 ▪ We are increasing upstream prices to maintain healthy margins

Paper

- Prices for recovered paper were high in Q4 but fell towards the end of the quarter. Demand has been strong for all paper grades
- We expect stable demand and relatively high price levels to continue, albeit we do expect a slight price reduction in Europe
- Freight costs expected to increase in 2017



Accumulated change in Recovered paper prices, 2015,2016 Euwid index

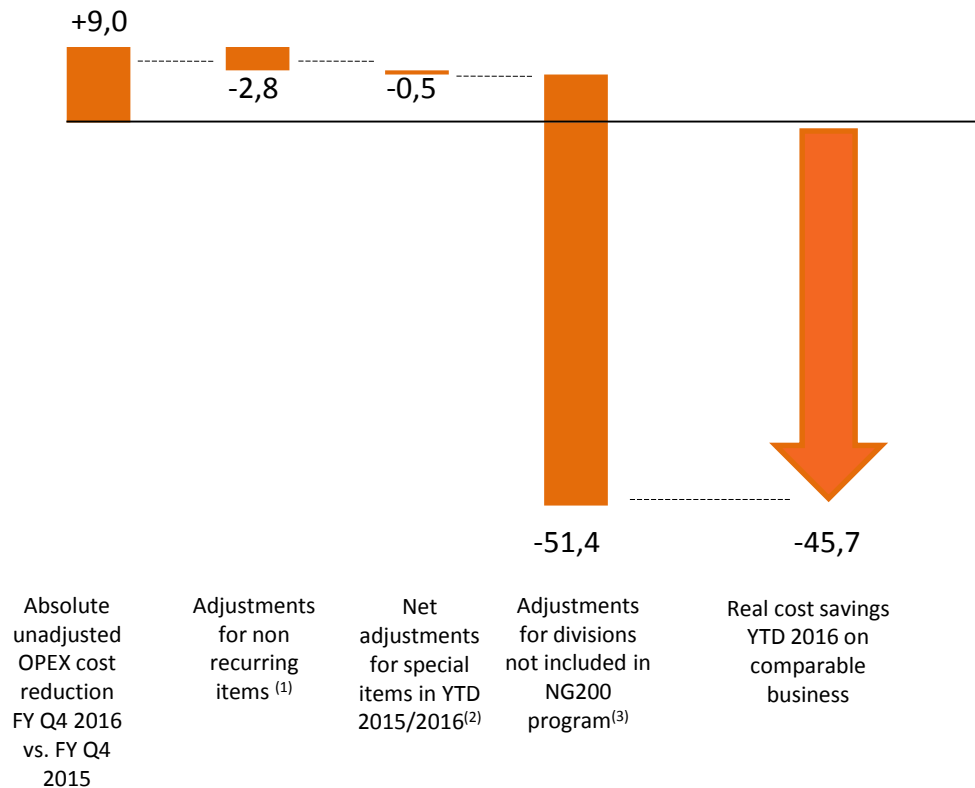
Refuse Derived Fuel

- During Q4 the market for RDF in Scandinavia was stable with flat gate fees, however supply was high
- Inventories remain high throughout the value chain going into the winter season, but we do expect stable prices in 2017 due to lower UK supply
- NG inventories low compared to last year
- We continue our efforts to increase upstream prices to offset increased gate fees; competitors following suit

Development in OPEX

OPEX cost comparison FY 2016 vs FY 2015

MNOK



Comment

- Real cost savings of NOK 45.7 million YTD 2016
- Adjustments for:
 - (1) Reversal of charges for onerous contract in Division Household collection; one-off legal fees; other costs
 - (2) Net adjustments for:
 - Mongstad clean-up and NG 200 implementation costs in Q1 and Q2 2015
 - NG 200 implementation costs in 2016
 - (3) Adjustments for non core divisions; Costs increased due to increased activity levels and insourcing (moves costs from COGS to OPEX); and M&A's (Sortera)

- Outlook for 2017:
 - 0.5-1% increase in top line compared to 2016 (at fixed and flat commodity prices)
 - 0.4-0.6% higher gross margins than in 2016
 - Normal RDF and woodchips inventories, and metals volumes
 - Net opex reductions of 20-30 million compared to 2016 (after cost creep and NG200 implementation costs)
- 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

Key development phases:

- 2012-13 NG foundation (risk mgmt and compliance)
- 2014-16 NG 200 (cost reductions)
- 2017- NG Flow (industrialization)

The road ahead - NG Flow

- Industrialize the core business
 - Standardize and automate processes along the value chain
 - Follow-up based on improved tools and KPIs
 - Continuously build and improve all processes through “best of breed” teams that support, track and push operations
 - Foundation in place: 3-year plan in execution mode, and already reorganized into regional or centralized units with critical mass to build skills
- Continue to develop specialized niches into valuable “Other businesses”:
 - NGR, R3, M3 and NM remain as strong growth platforms
 - NGI and IBKA recently carved out as niche business areas - forming a flexible, mobile and competitive Nordic industrial cleaning player

Financials P&L FY 2016 ⁽¹⁾

INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(NOK'000)	Q4 2016	Q4 2015	YTD Q4 2016	YTD Q4 2015
Revenue	1 019 857	1 026 926	3 996 934	4 084 582
Other income	2 728	1 459	23 365	6 412
Total operating income	1 022 585	1 028 385	4 020 299	4 090 994
Cost of goods sold	510 235	524 308	1 995 383	2 026 665
Employee benefits expense	260 629	263 432	982 850	978 833
Depreciation and amortization expense	62 977	71 116	233 115	255 815
Other operating expenses	199 695	187 932	731 427	726 370
Other (gains)/losses - net	(1 083)	1 073	1 580	(3 242)
Operating profit	(9 868)	(19 476)	75 944	106 552
Finance income	(8 574)	484	15 770	2 190
Finance costs	52 601	53 743	207 250	221 302
Net income from associated companies	1 563	7 579	4 378	9 599
Profit / (loss) before income tax	(69 480)	(65 156)	(111 158)	(102 962)
Income tax expense	(8 845)	(17 515)	(25 003)	(36 081)
Profit / (loss) for the period from continuing operations	(60 636)	(47 642)	(86 156)	(66 881)
Profit / (loss) attributable to:				
Owners of the parent	(62 332)	(48 476)	(92 100)	(70 476)
Non-controlling interests	1 696	834	5 944	3 596

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

Balance sheet FY 2016⁽¹⁾

ASSETS

<i>(NOK'000)</i>	31.12.2016	31.12.2015
Non-current assets		
Property, plant & equipment	1 015 748	1 031 968
Intangible assets	124 649	152 007
Goodwill	1 235 986	1 229 559
Deferred tax assets	96 262	76 226
Investments in associated companies	15 119	12 393
Other non-current receivables	39 487	28 338
Total non-current assets	2 527 251	2 530 492
Current assets		
Inventories	85 065	87 536
Trade and other receivables	607 663	596 309
Derivative financial instruments	3 581	-
Cash and cash equivalents	167 724	219 819
Total current assets	864 034	903 664
Total assets	3 391 284	3 434 157

Balance sheet FY 2016⁽¹⁾

EQUITY AND LIABILITIES

<i>(NOK'000)</i>	31.12.2016	31.12.2015
Equity attributable to owners of the parent		
Ordinary shares	45 348	45 348
Share premium	330 011	330 011
Additional paid in capital	9 314	7 970
Retained earnings	(309 548)	(232 009)
Total equity attributable to owners of the parent	75 125	151 321
Non-controlling interest	17 952	14 765
Total equity	93 077	166 086
Non-current liabilities		
Loans and borrowings	2 431 168	2 380 419
Derivative financial instruments	24 885	59 635
Deferred income tax liabilities	31 794	41 174
Post-employment benefits	7 919	7 265
Provisions for other liabilities and charges	93 531	102 312
Total non-current liabilities	2 589 298	2 590 804
Current liabilities		
Trade and other payables	608 619	602 335
Current income tax	11 972	1 960
Loans and borrowings	65 432	60 519
Derivative financial instruments	-	3 999
Provisions for other liabilities and charges	22 886	8 454
Total current liabilities	708 909	677 267
Total liabilities	3 298 207	3 268 071
Total equity and liabilities	3 391 284	3 434 157

Consolidated cash flow statement FY 2016⁽¹⁾

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

<i>(NOK'000)</i>	YTD Q4 2016	YTD Q4 2015
Profit / (Loss) before income tax	(111 158)	(102 962)
Adjustments for:		
Income tax paid	(1 579)	(10 101)
Depreciation and amortization charges	233 115	255 815
Items reclassified to investing and financing activities	181 003	171 475
Other P&L items without cash effect	(11 202)	16 360
Changes in other short term items	(6 629)	51 531
Net cash flow from operating activities	283 550	382 118
Payments for purchases of shares and businesses	(12 600)	-
Proceeds from sale of share in associates	2 002	10 008
Payments for purchases of non-current assets	(200 923)	(164 683)
Proceeds from sale of non-current assets	40 883	10 982
Proceeds from sale of subsidiaries	-	7 449
Net cash flow from investing activities	(170 638)	(136 244)
Repayment of borrowings	(1 111)	(3 250)
Net change in credit facility	23 705	(2 808)
Dividend paid to non-controlling interest	(2 757)	(1 575)
Net group contributions received/(paid)	(2 347)	2 458
Net interest paid	(180 563)	(182 896)
Net cash flow from financing activities	(163 073)	(188 071)
Net increase in cash and cash equivalents	(50 161)	57 803
Effect of exchange rate changes	(1 934)	948
Cash and cash equivalents at beginning of period	219 819	161 068
Cash and cash equivalents at end of period	167 724	219 819

Events after reporting period

- No significant events

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Thank you!
Q&A