Norsk Gjenvinning

1st Quarter Interim Financial Report 2017

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DISCLAIMER

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.

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.

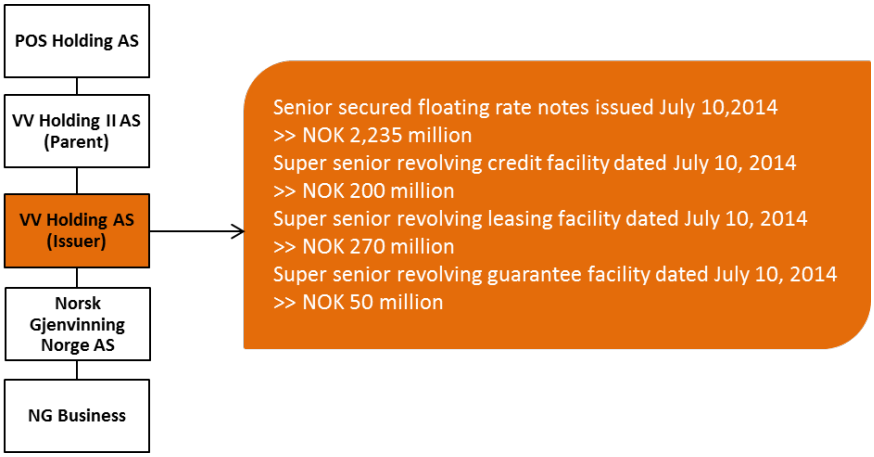
Norsk Gjenvinning is present in two markets; upstream and downstream;

- 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, 44,000 customers and handles 1.8 million tonnes of waste per year – 41% of which goes to material recycling, 44% 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
- **Household Collection:** Operations consist of collection of household waste on behalf of Norwegian and Swedish municipalities.
- **Project businesses:** Operations consists of demolition, environmental mapping and a broad spectrum of industrial cleaning services.
- **Other business areas**: Operations consists of i) downstream sales of recycled materials, processed waste and trading, ii) secure handling and destruction of documents, iii) development and operation of Landfill projects and iv) Danish industrial services

Norsk Gjenvinning Norge AS is owned by VV Holding AS, and POS Holding AS as the ultimate parent. POS Holding AS is controlled by Altor Fund III.

Consolidated companies:

VV Holding AS (Issuer)
Norsk Gjenvinning Norge AS 100%
Norsk Gjenvinning AS 100%
Norsk Gjenvinning Downstream AS 100%
Norsk Gjenvinning Industri 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 Fellestjenester AS 100%
NG Vekst AS 100%
Eivind Koch Rørinspeksjon AS 100%
Humlekjær og Ødegaard AS 100%
IBKA A/S (DK) 100%
IBKA AB (SE) 100%
IBKA UK Ltd (UK) 100%
Løvås Transportfirma AS 100%
Tomwil Miljø AS 100%
Metall & Gjenvinning AS 100%
Rivningsspesialisten AS 100%
Wilhelmsen Containerservice AS 100%
Ødegaard Gjenvinning AS 100%
Sortera Norge AS 100%
Bingsa AS 100%
Hegstadmoen 7 AS 100%
Taranrødveien 85 AS 100%
Opphaugveien 6 AS 100%
Øra Eiendom Utvikling AS 100 %
Norsk Gjenvinning M3 AS 100%
Asak Massemottak AS 100%
Løvenskiold Massemottak AS 100%
Kopstad Massemottak AS 100%
Borge Massemottak AS 100%
Skjørten Massemottak AS 100%
Solli Massemottak AS 100%
Norsk Gjenvinning Renovasjon Ressurs AS 100%
Norsk Gjenvinning Renovasjon Stab AS 100%
Adact AS 100%
NG Startup X AS 100%
NG Startup XI AS 100%

Ownership <100%
R3 Entreprenør Holding AS 81.25%
R3 Entreprenør AS 81.25%
Østfold Gjenvinning AS 66%
iSekk AS 55%

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 months ended March 31, 2017 and March 31, 2016 respectively.

COMMENTS BY THE CEO

Strengthened results as NG's industrialization takes effect.

Revenues and EBITDA increased year-over-year in Q1 as internal improvements start to take effect, further boosted by our successful margin management of both upstream and downstream prices.
The NG group is about to be repositioned and we expect continued positive development in 2017.

HIGHLIGHTS Q1 2017

- 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 being implemented according to plan. Operating costs reduced by NOK 8.8 million YTD in NG core divisions.

Our key role is to be a middle man between upstream waste generators and downstream raw materials customers, creating value through providing tailored services upstream and high quality raw materials downstream, based on an industrialized and efficient value chain. We have taken significant measures to reduce overcapacity and fixed costs. We will continue these efforts, and the rest of the industry must also follow trait, as we see that further consolidation of fixed infrastructure is a key factor in ensuring more sustainable industry returns.

We have worked systematically for several years to industrialize our operations along the entire value chain: 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, as well as the completed NG200 program have been key components to reduce operating costs and capital employed, reduce risk and create strengthened leadership and a focused corporate structure. Going forward there is still much to be done to realize our underlying potential based on continuous improvement of operations. Our cost effectiveness initiatives will continue unabated with continued focus on reducing industry overcapacity through plant consolidation and cooperation along the value chain.

We experienced positive developments in most of our segments during the quarter. Volumes in Q1 were up 9.3% compared to the same quarter of last year, from 314,695 tons in 2016 to 343,919 tons in 2017. Both recycling and metals fractions were up, with ferrous volumes increasing 29.9% following increased imports and an improving Norwegian market. Activity from our industrial customers in southeast of Norway also increased during the quarter.

We have also worked diligently at managing our gross margins. In our role as the middle man, we work to reduce the effect of commodity price swings on our bottom line. For the past few years, we have adjusted our upstream- and downstream prices in tandem, reduced inventories and increased throughput, and worked to establish effective indices and hedges. In Q1 we started to see positive effects as our gross margin expanded in both ends of the value chain.

For both RDF (mixed waste) and woodchips we adjusted our upstream prices in Q4 to normalize margins. We expect a positive development in these markets to continue in Q2, but we will continue to increase our upstream prices until we normalize our gross margin levels. We kept our inventories at a satisfactory level and our focus is on increased quality of finished products, more efficient production, and improved freight solutions to upstream and downstream customers.

Scrap ferrous prices (CELSA index) and non-ferrous metal prices for aluminum and copper improved in Q1, while we saw a volatile market for nickel. As metal prices upstream- and downstream move approximately in the same magnitude, gross margins were stable in the metals division. However, we saw very positive effects from the increase in production of 22,000 tons through the Øra plant vs Q1 2016, as our focus is on more efficient freight solutions upstream and downstream, as well as lean manufacturing at Øra. The content of metals in ferrous scrap has stabilized, albeit at somewhat lower levels than seen in the same period of last year, but gross margins were strengthened through increased exports. We will continue to optimize sourcing and adapt upstream prices to mitigate the lower quality of ferrous scrap volumes.

Overall, our adjusted EBITDA increased by NOK 52.4 million year over year. We do however estimate that NOK 12-14 million of the improvement is due to Easter falling in Q2 this year compared to Q1 in 2016. Nevertheless, we are relatively satisfied with the positive results development in Q1. In 2017 we expect continued positive effects of our cost cutting and a range of other measures to increase productivity along the full value chain, combined with efforts to further improve gross margins through increased upstream prices.

Erik Osmundsen
CEO

KEY FINANCIAL FIGURES

(NOK'000)	**Q1 2017**	**Q1 2016**	**Variance**
Total operating income	989 760	921 004	68 756
Gross profit[1]	498 931	456 102	42 829
Gross margin	*50,4 %*	*49,5 %*	*0,9 %*
EBITDA [2]	86 618	34 955	51 663
EBITDA margin	*8,8 %*	*3,8 %*	*5,0 %*
Adjusted EBITDA [3]	86 642	34 196	52 446
Adjusted EBITDA margin	*8,8 %*	*3,7 %*	*5,0 %*
Net cash flow from operating activities	29 784	(13 258)	43 042
Capital expenditures	(24 180)	(40 001)	15 821
Net interest bearing debt [4]	2 422 979	2 360 316	62 663
Total assets	3 309 956	3 332 092	(22 136)

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) Net interest bearing debt represented total third party indebtness (including shareholder loan from parent) less cash and cash equivalents.

RESULTS OF OPERATIONS

Total operating income increased by NOK 68.8 million or 7.5% from NOK 921.0 in Q1 2016 to NOK 989.8 million in Q1 2017. Recycling and Metals show a strong revenue development compared to last year, 9.5% and 43.4 % respectively. The significant increase is driven by higher volumes from new contracts and seasonal effects as Easter fell in Q1 of 2016 compared to Q2 of 2017, together with higher upstream prices in both Recycling and Metals. The increase in operating income is partly offset by a reduction in Household Collection and Project businesses by 27.5% and 21.9 % respectively, which are a result of the loss of the Oslo contract, and the closedown of offshore activity at Mongstad (in Q2 2016).

Gross profit increased by NOK 42.8 million, or 9.4% from 456.1 in Q1 2016 to NOK 498.9 million in Q1 2017. The gross margin increased from 49.5% in Q1 2016 to 50.4% in Q1 2017. The increased gross profit is driven by divisions Metals and Recycling which both show increased volumes (especially Metals) and higher metal prices in Q1, compared to last year. This had a direct positive effect on gross profit in the Recycling division, since these metals are sorted out from the processing of waste.

Upstream price increases in September and the discontinuation of several low margin waste contracts in division Recycling lead to a direct increase in gross margins in Q1. On the negative side, we saw an additional weakening of the downstream market for woodchips in Q1, but the market has stabilized entering Q2. We continue our focus on increased quality of finished products, better pricing, more efficient freight solutions to downstream customers and increased sales of ancillary solutions to counteract negative pressures on gross profit in division Recycling.

In Q1 2017 we saw adjusted EBITDA increase by NOK 52.4 million or 153.4% from NOK 34.2 million in 2016 to NOK 86.6 million in 2017. This is a consequence of the increased gross profit paired with cost cuts, the restructuring of the industrial activities in the Group, and seasonality with Easter falling in Q2 this year compared to Q1 in 2016. We estimate the Easter effect on Group EBITDA in Q1 to be in the magnitude of MNOK 12-14. Our cost reduction initiatives are being implemented according to plan, lowering adjusted operating costs by NOK 8.8 million Q1 2017 compared to Q1 2016.

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

(NOK'000)	YTD Q1 2017 Consolidated unaudited	YTD Q1 2016 Consolidated unaudited
EBITDA	**86 618**	**34 955**
Change in provision for onerous contract [1]	(401)	(758)
Other non-recurring costs [2]	425	-
Adjusted EBITDA	**86 642**	**34 196**

(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) The charges relates to legal fees in division household collection from proceedings against Karmøy municipality for loss of contract.

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 decreased by NOK 15.8 million, or -39.6%, from NOK 40.0 million in the first three months of 2016 to NOK 24.2 million in the first three months of 2017. There are no Growth capital investments in YTD Q1 2017. Capital expenditures are according to plan.

CASH FLOW

(NOK'000)	YTD Q1 2017 Consolidated, unaudited	YTD Q1 2016 Consolidated, unaudited
Net cash flow from operating activities	29 784	(13 258)
Net cash flow from investing activities	(38 215)	(33 301)
Net cash flow from financing activities	(61 049)	(53 507)
Net change in cash and cash equivalents for the period	**(69 480)**	**(100 066)**
Effect of exchange rate changes	229	(635)
Cash and cash equivalents at the beginning of the period	167 724	219 819
Cash and cash equivalents at the end of the period	**98 474**	**119 118**

Net cash flow from operating activities in the first three months of 2017 showed a net inflow of NOK 29.8 million, which was NOK 43.0 million higher than in the same period previous year. The increase compared to previous year is driven by higher operating results.

Net cash outflow from investing activities in the first three months of 2017 was NOK 38.2 million compared to NOK 33.3 million in the same period previous year. The net change in cash outflow was driven by lower proceeds from sale of non-current assets and an investment in marketable securities of 14.1 MNOK. The negative cash effect of this was offset by lower capital expenditures.

Net cash outflow from financing activities was NOK 61.0 million in the first three months of 2017 compared to NOK 53.5 million in the same period previous year. The primary reason for the variation in cash flow from financing activities was a debt related expense related to an amendment to the bond agreement which was approved in March 2017. Furthermore, a higher dividend to non-controlling interest and increased down payments on borrowings and leasing facility explain the increased net cash outflow.

Cash and cash equivalents fell by NOK 69.3 million year to date 2017 from NOK 167.7 million per December 31, 2016 to NOK 98.5 million as of March 31, 2017. The decline in the comparable period of 2016 was NOK 100.7 million.

FINANCIAL POSITION

NET INTEREST BEARING LIABILITIES

Net interest bearing debt of the Issuer and its subsidiaries, on a consolidated basis was NOK 2,423.0 million as of March 31, 2017, compared to NOK 2,359.2 as of December 31, 2016. Net interest bearing debt has increased due to the decrease in cash and cash equivalents.

As of March 31, 2017 NOK 1,400 million of the interest bearing debt is swapped from floating to fixed interest rate and will remain at this level until maturity of the bond.

CAPITALISATION

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 March 31, 2017**	**As of December 31, 2016**
Cash and cash equivalents	**98 474**	**167 724**
Indebtedness:		
Revolving credit facility (1)	484	459
Leasing facility (2)	94 905	101 344
NOK Senior secured notes (3)	2 272 745	2 273 707
Senior bank debt	3 369	4 223
Total third-party indebtedness	**2 371 502**	**2 379 734**
Shareholder loan (4)	149 951	147 154
Total equity	68 504	93 077
Total capitalization	**2 589 957**	**2 619 965**

(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 March 31, 2017, the Revolving Credit Facility is undrawn. Accrued, unpaid interest amounted to NOK 0.5 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 March 31, 2017, the Leasing facility is drawn by NOK 94.4 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 March 31, 2017 the total amount outstanding, including accrued unpaid interest and unpaid amounts on interest rate swaps are NOK 2,272.7 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 March 31, 2017 the total amount outstanding, including accrued unpaid interest is NOK 150.0 million.

OPERATING AND FINANCIAL REVIEW

In the first quarter of 2017 the Group has changed the internal organization of the business areas which has 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. As of Q1 2017 the Group has four major business areas which are presented below. These are Recycling, Metal, Household Collection and Project businesses. The former business area "Industry & Offshore" is part of the Project businesses as of January 1, 2017.

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)	**Q1 2017**	**Q1 2016**	**Variance**
Total revenue	563 211	514 453	48 758
Adjusted EBITDA	59 750	30 375	29 375
Adjusted EBITDA margin	*10,6 %*	*5,9 %*	*4,7 %*

	Q1 2017	**Q1 2016**	**Variance**
Collection assignments	921 009	766 600	20,1 %
Total waste treated (tons)	276 025	261 330	5,6 %

Total revenue in Recycling increased by NOK 48.8 million, or 9.5%, from NOK 514.4 million in Q1 2016 to NOK 563.2 million in Q1 2017. The increase in revenue is due to a 5.6% increase in waste volumes and 20.1% increase in collection assignments, caused by new contracts and seasonal effects (Easter falling in Q2 2017 vs. Q1 2016).

Adjusted EBITDA before internal charges increased by NOK 29.4 million, from NOK 30.4 million in Q1 2016 to NOK 59.8 million in Q1 2017. The adjusted EBITDA increase is due to increased revenues, higher scrap metal ferrous prices and price increases upstream.

METAL

(NOK'000)	**Q1 2017**	**Q1 2016**	**Variance**
Total revenue	228 849	159 622	69 227
Adjusted EBITDA	7 861	(2 290)	10 151
Adjusted EBITDA margin	*3,4 %*	*(1,4 %)*	*4,9 %*

	Q1 2017	**Q1 2016**	**Variance**
Ferrous volumes (tons)	60 330	46 443	29,9 %
Non-ferrous volumes (tons)	7 564	6 922	9,3 %

Total revenue in Metals increased by NOK 69.2 million, or 43.4%, from NOK 159.6 million in Q1 2016 to NOK 228.8 million in Q1 2017. This is mainly due to a 30 % increase in ferrous volumes in Q1 2017 compared to Q1 2016, and an increase in non-ferrous volumes by 11 %. The large increasing in ferrous volumes is a consequence of improved production utilization and supply chain activities in the winter months compared to last year. The production increase has also resulted in increased non-ferrous sales. Prices were also significantly higher in Q1 2017 compared to Q1 2016, especially with regards to ferrous volumes.

Adjusted EBITDA before internal charges increased by NOK 10.1 million, from NOK -2.3 million in Q1 2016 to NOK 7.9 million in Q1 2017. The increase was driven by higher gross margin and volumes of both ferrous and non-ferrous metals. This is countered by somewhat higher operating costs, resulting from the increased production and volumes. In addition, a reduction in bottom ash production have had a negative effect on earnings compared to last year.

HOUSEHOLD COLLECTION

(NOK'000)	**Q1 2017**	**Q1 2016**	**Variance**
Total revenue	60 853	83 987	(23 134)
Adjusted EBITDA	8 471	9 407	(936)
Adjusted EBITDA margin	*13,9 %*	*11,2 %*	*2,7 %*

Total revenue decreased by NOK 23.1 million, or 27,5%, from NOK 84.0 million Q1 2016 to NOK 60.9 million Q1 2017. Development in revenues is influenced mainly by the loss of the Oslo contract, partially offset by increased revenues due to higher activity on other existing contracts, the start up of new contracts and index adjustments. Adjusted EBITDA margin increased year over year.

In Q1, Household Collection was awarded the contract for collection of municipal waste in the Kristiansand region by Avfall Sør Husholdning AS. The awarded contract for collection of municipal waste for the region defined as Northeast Gothenburg was also signed in Q1.

PROJECT BUSINESSES

(NOK'000)	**Q1 2017**	**Q1 2016**	**Variance**
Total revenue	86 497	110 707	(24 210)
Adjusted EBITDA	3 873	(2 919)	6 792
Adjusted EBITDA margin	*4,5 %*	*(2,6 %)*	*7,1 %*

Total revenue declined by NOK 24.2 million, or 22,1%, from NOK 111.0 in Q1 2016 to NOK 86.5 million in Q1 2017. The decrease was due to the close down of the offshore activity at Mongstad from the second quarter of 2016. The demolition business is at the same levels as in Q1 2016.

Adjusted EBITDA before internal charges increased by NOK 6.8 million from NOK -2.9 million in Q1 2016 to NOK 3.9 million in Q1 2017. The increase in EBITDA is due to restructuring of the industrial activities. In particular the close down of the offshore activity at Mongstad, reduced administration costs and other activities that lead to lower labor cost in the other departments has led to the improvement.

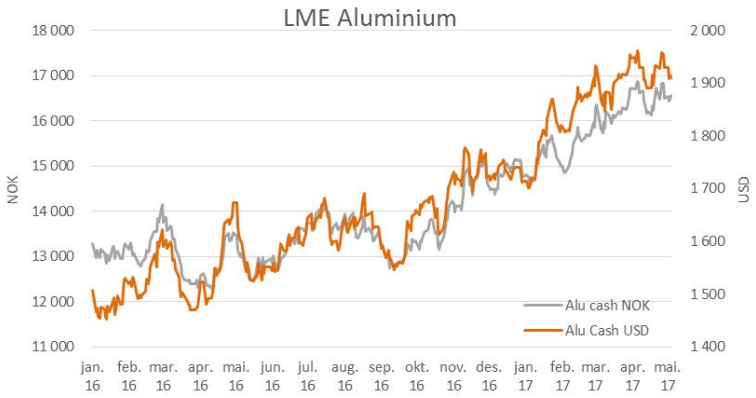
MARKET CONDITIONS

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

Aluminum showed an upward trend with a quarterly high in March 30th with $1,955. Lower stock levels on the LME and strong physical premiums have contributed to the upward trend. Forecast over the short and medium terms is a continuation of the upward trend. In the longer term, however, prices are expected to even out due to an expected Chinese supply response that is likely to begin next year.



LME Aluminium – 2016 and 2017

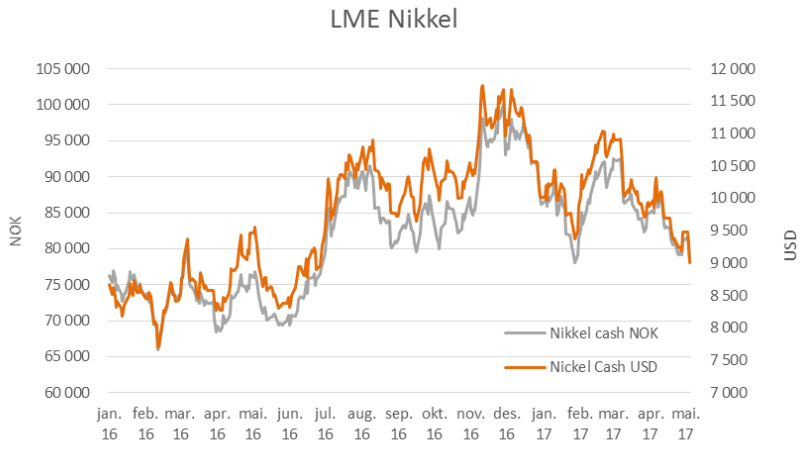
COPPER

Copper had its peak in February with about 6100 USD/ton. Since then it has fallen slightly. Lower Chinese economic growth and reduction of financial speculation/investment contributed to the retreat. Fundamentals are unchanged and the recent sizeable stock increase will limit any upsides. Average forecasts for Q2/2017 vary between 5200 to 6600 USD/ton.

LME Copper – 2016 and 2017

NICKEL

Nickel has been volatile during Q1. The market started the year on a downward trend with a quarterly low of $9,375 on January 27th but then recovered in February with a quarterly high on February 20th of $11,040. Metal stocks on both the LME and she SHFE are high. Activity in Indonesia and the Philippines continues to support the supply side. On the other end there is a growing demand from the stainless steel sector but no change in the supply/demand balanced is expected. Nickel is expecting to be traded on levels between $9,000 and $12,000 for Q2 2017.



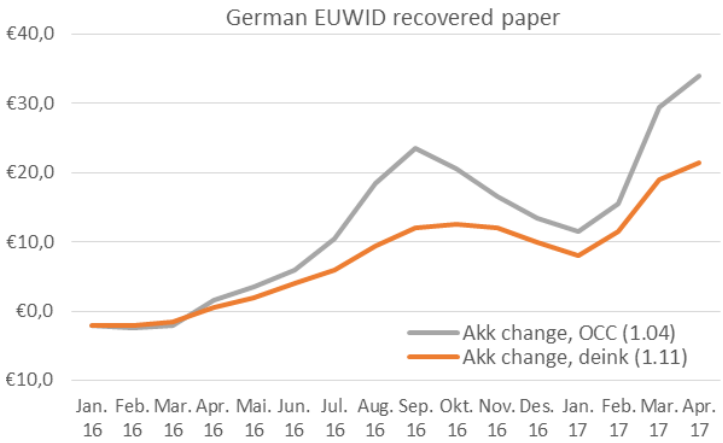
LME Nickel – 2016 and 2017

IRON ORE & STEEL

Iron Ore prices rose until around 95 USD/ton in February, but fell back to under 80 USD by the end of the quarter. The leading index for shredded scrap varied from 225 USD/ton to 310 USD in Q1. The volatility has continued into Q2 2017.

DEVELOPMENT IN PAPER PRICES

As expected, recovered paper prices were relatively stable first half of Q1. From end February and in March we saw a strong increase in market prices. High demand and prices for finished products, low stock levels of raw materials and increased imports to China drove the prices for recovered paper. The price increase has continued into Q2, but we expect it to stabilize and prices to decrease towards the end of Q2.



DEVELOPMENT WASTE-TO-ENERGY

WOODCHIPS

Higher demand led to reductions in inventory levels and prices stabilized towards the end of Q1. Low inventory secures a good position for Q2, and prices are therefore expected to remain at the same level. Price deterioration is anticipated in Q3 and Q4.

REFUSE DERIVED FUEL (RDF)

The level of inventory was sharply reduced based on a high demand for RDF during Q1. We expect low inventory levels and stable prices when entering the summer season in Q2.

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 2016 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 and not noted any material changes in the current period.

EVENTS AFTER REPORTING PERIOD

No significant events.

CONDENSED INTERIM FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(NOK'000)	**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

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK'000)	**Q1 2017**	**Q1 2016**
Profit / (loss) for the period	**(23 581)**	**(50 101)**
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	798	(1 180)
Interest rate swaps - cash flow hedges (after tax)	3 565	(4 130)
Net other comprehensive income / (loss) for the period	**4 363**	**(5 310)**
Comprehensive income / (loss) for the period	**(19 218)**	**(55 411)**
Comprehensive income attributable to:		
Owners of the parent	(20 749)	(55 809)
Non-controlling interests	1 531	398

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(NOK'000)	**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**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES

(NOK'000)	**31.03.2017**	**31.12.2016**
Equity		
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**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(NOK'000)	**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	1 509	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**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONDENSED STATEMENT OF CHANGES IN EQUITY – Q1 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)	(25 113)	1 531	(23 581)
Net other comprehensive income / (loss)	4 363	-	4 363
Transactions with non-controlling interest	-	(5 355)	(5 355)
At 31 March 2017	**54 376**	**14 128**	**68 504**

CONDENSED STATEMENT OF CHANGES IN EQUITY – Q1 2016

(NOK'000)	Attributable to the owners of the parent	Non-controlling interest	Total equity
At 1 January 2016	**151 321**	**14 765**	**166 086**
Profit / (loss) YTD	(50 499)	398	(50 101)
Net other comprehensive income / (loss)	(5 310)	-	(5 310)
Transactions with non-controlling interest	-	(2 757)	(2 757)
At 31 March 2016	**95 512**	**12 406**	**107 918**

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 a wholly owned subsidiary of POS Holding AS (and is part of 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 2016. 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 March 31, 2017, are consistent with those applied in the annual consolidated financial statements for 2016. 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

NOTE 2 - FINANCIAL ITEMS

(NOK'000)	**Q1 2017**	**Q1 2016**
Interest income	740	432
Other financial income	71	4 155
Financial income	**811**	**4 587**
Non cash interest expenses	2 796	2 617
Cash interest expenses	43 697	44 091
Other financial expenses	14 946	3 144
Financial expenses	**61 439**	**49 852**
Net financial income (expenses)	**(60 628)**	**(45 265)**

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.

NOTE 4 - SEGMENT NOTE

Currently the reportable operational segments in the group compromise of Recycling, Metal, Household collection and Project businesses. The category All other segments consist of the operating segments Downstream, Security Shredding, Landfill operations and Danish industrial services 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 2017 the Group has changed the internal organization which has 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 segment Industry & Offshore (I&O) have been dissolved and these activities are included in the segment Project businesses. A small portion of I&O is left in the operational segment Danish industrial services. Further there have been a change in the composition between Recycling and Downstream where activities formerly reported in the Downstream segment now is part of the segment Recycling.

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 2017 *(NOK'000)*	**Revenue from external customers** **Q1 2017**	**Inter segment revenue** **Q1 2017**	**Total segment revenues** **Q1 2017**
Recycling	528 026	35 185	563 211
Metal	226 444	2 405	228 849
Household collection	59 616	1 237	60 853
Project businesses	84 175	2 322	86 497
All other segments	86 182	8 470	94 652
HQ and eliminations	3 037	(49 619)	(46 582)
Total	**987 480**	**-**	**987 480**

REVENUE 2016 *(NOK'000)*	**Revenue from external customers** **Q1 2016**	**Inter segment revenue** **Q1 2016**	**Total segment revenues** **Q1 2016**
Recycling	489 235	25 218	514 453
Metal	159 073	549	159 622
Household collection	83 672	314	83 987
Project businesses	108 654	2 053	110 707
All other segments	76 632	16 007	92 639
HQ and eliminations	2 119	(44 141)	(42 067)
Total	**919 386**	**-**	**919 341**

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)	**Q1 2017**	**Q1 2016**
Recycling	59 750	30 375
Metal	7 861	(2 290)
Household collection	8 447	10 166
Project businesses	3 873	(2 919)
All other segments	3 251	4 452
HQ and eliminations	3 435	(4 830)
Total	**86 618**	**34 955**
Depreciation and amortization expense	(55 458)	(59 217)
Finance income	811	4 587
Finance costs	(61 439)	(49 852)
Profit before tax	**(29 468)**	**(69 526)**

NOTE 5 - EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period have been described on page 14 under the heading "Update of material risk factors and events after the reporting period".

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed interim financial statements for the three months of 2017 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, May 29, 2017

Ole Enger
Chairman of the Board
(sign.)

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

Erik Osmundsen
Chief Executive Officer
(sign.)

Hugo Lund Maurstad
Director
(sign.)

Maria Tallaksen
Director
(sign.)

Pål Stampe
Director
(sign.)

Yngve Longva Moland
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 comesdirectly from the statement of profit or loss	Much 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.	Much 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	Much used measure of a companies debt financing.
Debt ratio	= adjusted EBTIDA / net debt	Much used measure for capital management.

CONTACTS

Dean Zuzic
CFO

Phone: +47 414 33 560
dean.zuzic@ngn.no

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