Annual Report 2017

VV Holding AS

Note: This translation from Norwegian has been prepared for information purposes only.

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Industrialization and innovation

VV Holding AS owns Norsk Gjenvinning Group, Norway's largest provider of recycling and environmental services. The Norsk Gjenvinning Group work systematically with creation of customer value through industrialization and innovation, and has in 2017 reinforced its position as a leading Nordic business for recycling services and global sale of recycled raw materials.

The Groups total operating revenues ended on NOK 4 237 million which is an increase of approximately 5 % from 2016. This increase was driven by a combination of approximately 3% higher volumes and that the Group succeeded with improvements of the upstream prices. Operating profit increased from NOK 75.9 million in 2016 to NOK 195.5 million in 2017. The net profit after tax was NOK -23.4 million, compared with NOK -86.2 million the year before.

2017 was characterized by improvements on several fronts for the Norsk Gjenvinning Group. Through NG-Flow – which is the Groups focus on industrialization of the whole value chain – we have improved quality in deliveries, operational effectiveness, product flow optimisation and commodity quality. We have focused our business model for the core business, with goals to be the markets leading service supplier for customers in our local upstream markets, and the most efficient producer of recycled raw materials to our customers in global downstream markets. We increased both volumes and revenues, while reducing our operating expenses in core businesses with over NOK 50 million. In addition we have continued our focus on innovation to continuous improve our processes to ensure optimal resource allocation to the benefit of our customers, environment and profitability. With Summa Equity as our new owner, the Group will further reinforce the focus on industrialization, innovation and Nordic growth.

Highlights of 2017

- The production on our recycling facilities is increasingly efficient as a result of our focus on **Lean and continuously improvement.** In November 2017 a new **production record was set at the Øra site in Fredrikstad**, with approximately 24,500 tons steel and metals through the facility. For the year as a whole we had a significant production growth at Øra and the Groups main facilities in Oslo, Larvik and Tønsberg.

- NG-Group has worked systematically over several years with **consolidation of the plant structure** to ensure both efficiency and quality in production. An important part of our strategy is to enter into **long-term partnerships** with local actors – both commercial and municipal – in selected regions where we outsource plant operations to our partners so we ensure a rational and efficient value chain with good utilization of NGs sales channels for recycled raw material. 2017 was a year in which the Group succeeded with implementation of this model together with partners on locations as Ørsta, Molde, Verdal and Balsfjord.

- The Groups fully owned subsidiary Norsk Gjenvinning Renovasjon competes in the market for collection of household waste, which in 2017 was characterized by the **bankruptcies in Veireno and Reno Norden**. I the situation following these bankruptcies, Norsk Gjenvinning Renovasjon stood as a professional and robust business, and showed a strong ability to mobilize by entering into several of the municipal contracts which where affected. Norsk Gjenvinning Renovasjon is today Norway's largest actor in this market.

- In December of 2017, Norsk Gjenvinning m3, together with Sirkula IKS, started the business as **Heggvin Alun, a new landfill for alum slates** at Vang in Hedmark. Heggvin Alun is well placed to ensure efficient and environmentally correct treatment of alum slates, which is a sedimentary rock that exist of large parts of eastern Norway, and is dug up in connection with development projects for buildings, roads and railways. There are strict requirements for disposal of these masses, and approved landfills shall have permission from both the county and the Norwegian radiation protection authority.

- Norsk Gjenvinning-Group takes social responsibility through a range of measures aimed at helping vulnerable groups back to employment, motivate young people to seek to the industry and to promote knowledge of recycling and the value of waste. An example of this is the **NHO-project "Rings in the water"**, which aims to provide opportunities for people who for different reasons have fallen outside working life, to return to paid employment. The Group have cooperated with NHO in this project from 2013, and several of our full time employees have come through this project. In September 2017, Norsk Gjenvinning received a great recognition for this work, when we received **this year's Rings in the water-award** from NHO.

- Norsk Gjenvinning have in 2017 further **strengthened our leading position within industrialization, sustainability and circular economy**, and we are often invited by businesses, government and universities to talk about the development of the recycling industry and collaboration across sectors to promote sustainable development and the green shift. One of the highlights of 2017 was when Norsk Gjenvinning was invited to hold a lecture at NHOs yearly conference in January of 2017. Another highlight, and a considerable recognition for both the Group and the industry was that Norsk Gjenvinning came in among **the top 20 Norwegian businesses on Ipsos yearly reputation survey**.

- 2017 ended with **Summa Equity entering into an agreement to purchase Norsk Gjenvinning Group** from Altor. This ownership change was well received by both the Group management and other employees, and is a recognition of the efforts which are made the last years with developing and improving the business, and of the strong position the Group has today. The change of ownership was completed on February 28, 2018.

Operations

Operations and locations
The Norsk Gjenvinning Group is Norway's leading provider of waste and recycling services. The Group operates through wholly and partly owned companies. The Group has operations across the country and is headquartered in Lysaker outside of Oslo. The Group has approximately 1,300 employees and has operations in Sweden, Denmark and the United Kingdom.

The annual report covers the parent company VV Holding AS and the wholly and partly owned subsidiaries, which together form the Norsk Gjenvinning Group ("the Group").

Services and priorities
The operations are organised into two upstream-divisions, one downstream-division, in addition to five focused niche businesses offering services related to environmentally friendly waste management and raw material extraction throughout the value chain. Each division and niche company is described in a separate section (Business areas) below.

The services include waste management, metal recycling, industrial services, hazardous waste, household waste collection, demolition, decontamination, landfill operations and security shredding. With 38 facilities in Norway, Norsk Gjenvinning has the widest geographic coverage in the industry. Each year, the company handles 1.8 million tonnes of waste on behalf of over 40,000 customers. The Group has waste collection contracts with 47 local authorities in Norway and Sweden and provides waste management services to private- and public-sector companies in Norway, Sweden, Denmark and the United Kingdom. Norsk Gjenvinning sells raw materials to industrial businesses in Scandinavia, Europe and Asia.

New regulatory environment drives development
As awareness of the need for sustainable waste management has grown, waste management has also become subject to an increasing number of new laws, regulations and regulatory requirements. At the same time, many businesses are striving to meet their own obligations under various environmental and quality standards. As a result of these developments, the services offered by Norsk Gjenvinning have become an important part of the nation's infrastructure. As regulatory requirements are continually being revised and strengthened, Norsk Gjenvinning continues to develop its services to help customers meet these new requirements and needs. Each year, the Group invests substantial amounts in developing new products, services and technologies in response to changing requirements and expectations.

Focusing on the customer
Environmentally conscious solutions have become a competitive factor for many businesses. Norsk Gjenvinning enables sustainable waste management and good environmental initiatives for businesses across the country. Every day, the Group's employees help to make our customers' environmental work a little easier, through local services which have a global impact. In doing so we also free up time for our customers, enabling them to concentrate on their core operations.

Strategic platform
Our 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's overall strategic objectives are:

- Biggest and best in Norway
- A clear and differentiated position - leading in sustainable development, the customer's first choice, and cost leader with an industrialised and efficient value chain
- Strong position in Sweden on both the collection and allocation of waste
- Solid "foundations" with good internal quality, control and management systems.

These objectives constitute clearly defined guiding principles for the prioritisation of tasks in the Group. There is great emphasis on building a strong internal culture based on the company's core values and the strategic platform.

Report on the groups financial position

The consolidated financial statements of VV Holding AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS, as adopted by the EU.

The Board confirm, to the best of their knowledge that the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole.

The annual accounts have been prepared under the assumption of going concern. The Board confirms that the assumption of going concern is present.

Income statement
The Group generated total operating revenue of NOK 4 237.3 million (NOK 4 020.3 million) and incurred operating expenses of NOK 4 041.8 million (NOK 3 944.4 million). The increased operating revenue is mainly due to increased prices in the markets upstream and downstream, paired with higher volumes in the segments Recycling and Metal. The Group's operating profit for 2017 increased to NOK 195.5 million (NOK 75.9 million).

The Group's net financial expense in 2017 was NOK -223.6 million (NOK -187.1 million). Financial items mainly comprise of interest on loans. The reduction in net financial expenses from 2016 is due to net foreign exchange loss in 2017, compared to 2016 where the Group had a net foreign exchange gain.

The consolidated profit before tax was NOK -28.1 million (NOK -111.2 million). The consolidated net profit was NOK -23.4 million (NOK -86.2 million).

Comprehensive income for the year was NOK -5.7 million (NOK -65.4 million).

Balance sheet, financing and liquidity
Total non-current assets at year-end 2017 were NOK 2 284.0 million (NOK 2 527.3 million). Intangible assets were NOK 1 332.8 million (NOK 1 360.6 million). The Group has in 2017 invested NOK 175.1 million (NOK 194.5 million) in property, plant and equipment. Financial assets in 2017 totalled NOK 65.6 million (NOK 54.6 million).

Current assets were NOK 1 210.2 million (NOK 864.0 million), of which NOK 713.1 million (NOK 607.7 million) relates to receivables and NOK 177.0 million (NOK 167.7 million) to bank deposits and cash. At the end of 2017, current assets include NOK 207.3 million is non-current assets held for sale.

Consolidated equity at 31 December was NOK 74.4 million (NOK 93.1 million), representing an equity ratio of 2.1 per cent (2.7 per cent). Changes in equity is mainly due to allocation of this years' total comprehensive income and group contributions paid to parent company.

Total liabilities at 31 December were NOK 3 419.8 million (NOK 3 298.2 million). Interest-bearing liabilities were NOK 2 543.2 million (NOK 2 496.6 million), of which NOK 2 235.0 million refers to a long-term super senior floating rate note (the bond). The bond has maturity date July 10, 2019, and shall be fully repaid by this date. The interest rate is set at 3 month NIBOR +525 basis points. The bond is listed on Oslo Stock Exchange.

The Groups' liquidity is good, and it is not expected that there will be a need for additional liquidity. The Group has a NOK 200 million credit facility, which is unused as of year-end 2017.

Cash flow
The Groups' cash flow from operating activities was NOK 349.0 million (NOK 283.5 million). The difference between the Groups' operating cash flow and operating profit (NOK 195.5 million) is mainly due to adjustment for current period depreciations, amortisations and write-downs.

The net cash flow from investing activities was NOK -124.8 million (NOK -119.1 million). The change in net cash flow is due to lower sale of property, plant and equipment, partly offset by lower investments in property, plant and equipment.

The net cash flow from financing activities was NOK -216.6 million (NOK -214.6 million). The change in cash flow is due to lower paid interest expense, partly offset by group contributions paid to parent company, dividend to non-controlling interest and debt related expenses in 2017.

Cash and cash equivalents at the end of 2017 were NOK 177.0 million, compared to NOK 167.7 million at the end of 2016.

Ongoing litigation and claims
Norsk Gjenvinning Offshore (NGO) has been involved in a legal dispute with Scomi Oiltools Europe Ltd (Scomi) which was settled in the court of arbitration March 2014. The court sustained NGO's claim on all counts. The dispute concerned the financial settlement after the termination of a cooperation agreement on activities in Sandnessjøen in February 2012. The court of arbitration sentenced Scomi to pay NGO NOK 56.6 million plus litigation costs. There is an ongoing process in Scottish courts through enforcement proceedings, to ensure the amount. See note 24 and 16 to the consolidated accounts for further information.

Business areas

The Group structure consists of three divisions; Recycling, Metal and Downstream. Other business areas; Household collection, Project businesses, Security shredding and Landfill operations are defined as niche companies that report through their respective boards to the Group's CFO. The Groups operations are subject to strict quality and sustainability requirements.

Recycling
Through division Recycling, the Group offers customised solutions for sorting, collection and management of all types of waste. The division has 26 facilities (including partner facilitates), 600 employees (583 employees) and handled around 1.22 million tonnes of waste in 2017 (1.19 million tonnes). Total operating revenue in 2017 was NOK 2 388.6 million (NOK 2 256.3 million).

In 2017, the main focus of Division Recycling have been on operational improvement in all parts of the value chain, including a comprehensive work with increased traceability and control. The initiatives gave rise to considerable effects in all parts of the value chain, including reducing the number of plants in operations. Previous years cost reductions and price increases gave full effect in 2017 and contributed to a strong growth in profits. The upstream market is still characterized by though competition and price pressures on new contracts. The downstream market relating to refuse derived fuels was stable in 2017, while the prices on steel and metal increased significantly.

Metal
The Metal business includes the collection, receipt and processing of steel, metals, WEEE waste, cables and ash. Metal has 12 facilities (including partner facilities) for recycling steel and metals in Norway. The division has 128 employees (132 employees) and handled around 248 thousand tonnes of steel and metals in 2017 (242 thousand tonnes). Total operating revenue in 2017 was NOK 901.9 million (NOK 749.9 million).

Metal continued its structural efforts to industrialise the operational value chains. The activities have been increasing in 2017 and characterized by rising, but highly volatile market prices. The market upstream and commodity flows have been stable in spite of high competition from different market actors. Metal has strengthened its upstream position in the Scandinavian market. Production and treatment of steel and metals continued to increase in 2017. Downstream markets has shown a positive development, but is characterized by volatility and price changes on a global basis.

Downstream
Division Downstream operates across the other business areas and seeks to maximise utilisation of the raw materials that are collected and processed. The division's commodities brokers are leading in Norway and ensure that the Group achieves the right prices on sales of raw materials to industrial enterprises in the Nordics, Europe and Asia. In addition to this, the division carries out trading activities for refuse derived fuels and recycled raw materials directly from customers upstream and the industry downstream. The trading activities handled 262 000 tonnes in 2017 (219 000 tonnes) and generated external trading revenue of NOK 231.0 million in 2017 (NOK 174.0 million). The division has 32 employees in 2017 (38 employees).

Household collection
Norsk Gjenvinning Renovasjon is the Groups supplier of household waste collection services for municipalities in Norway and Sweden. The business is a leading player in this marked and has contracts with 47 municipalities in Norway and Sweden.

The business has 277 own employees (188 employees) in Norway and Sweden, and including partners employs in total 303 people. That is, 8.6 percent of those employed in Household collection are employed by permanent sub-contractors. Of the 195 heavy vehicles driving in daily service, 49 percent are run on biogas. Further, the business operates two heavy vehicles powered by electricity.

Total operating revenue in 2017 was NOK 289.5 million (NOK 323.8 million).

Project businesses
Through the companies R3 Entreprenør and IBKA (previously Industry) the Group provides a broad spectrum of project based services to entrepreneurs and industrial companies. The previous division Industry & Offshore was dissolved in 2017, and the remaining activities where continued as part of the project business.

The project businesses have 197 employees (166 employees) in Norway. Total operating revenue in 2017 was NOK 359.5 million (NOK 424.4 million). The decline in revenue is driven by close down of industrial activities. From January 1, 2018, all activities in the previous Industry & Offshore and Danish industrial services are under a joint organisation (IBKA). The Danish industrial services with 44 employees (60 employees) and total operating revenue in 2017 of NOK 106.8 million (99.5 million) will be a part of the segment projects businesses going forward.

Security Shredding
The Group is through Norsk Makulering the leading supplier of shredding and destruction of sensitive material within paper and electronic storage media in Norway.

The company has 6 employees (9 employees), serving around 2,600 customers and handling 3,600 tonnes of paper documents. Total operating revenue in 2017 was NOK 59.5 million (NOK 54.1 million).

Landfill operations
Through Norsk Gjenvinning m3 the Group operates landfills for inert masses. All facilities recycles the materials for useful purposes such as rounding off terrain, building new regional roads, filling old quarries to make usable space. In 2017 the operations handled 429,000 tonnes mass at three landfills. The company has 6 employees (7 employees).

Total operating revenue in 2017 was NOK 87.4 million (NOK 77.9 million).

Innovation

Norsk Gjenvinning aims to be a leader in its market. In 2017 Norsk Gjenvinning participated in and funded several extensive innovation projects, including:

- Sustainable recycling og wet organic waste
- Sustainable recycling of gypsum
- Recycling solution for mixed woodchips
- Optimal landfill design for acid-forming masses

Innovation are in increasingly degree performed in conjunction with external parties, such as customers and material supplier. It is expected that this type of collaboration will be even more important for the development of new recycling solutions in the future. Norsk Gjenvinning collaborate also with several research- and university communities. Research activities and projects, and early stage development and maintenance of existing products are treated as operating expenses.

Operational risk and risk management

Risk management in the Group is an integral part of all business activities. Risk management is split between the operating units, which have the main responsibility for relevant operational and commercial risk management within their business and compliance. Group treasury, which has the main responsibility for financial risk management under policies approved by the board of directors. The corporate staff units establish policies and procedures for managing compliance risk, coordinate, and implement an overall enterprise risk assessment.

The Group has put in place a compliance program that includes the entire Group. The divisions have identified risks for violations of regulatory requirements and they have put together a set of measures to reduce these risks. The compliance program is reported on a quarterly basis to Group management.

Below is a description of certain risks that may affect our business, financial condition and the results of operations from time to time

General market risk
The Group is exposed to the economic cycle and macro economical fluctuations that are outside of the Group's control. Since a weak economy generally results in decreased levels of industrial activity and consumer spending, changes in the general economic situation could affect the volumes of waste generated and hence demand for the Group's products and services. Where the Group is paid based on kilogram/tonnes collected and treated, a weak economy could directly negatively affect the Group's revenues and profit while a strong economy could have an opposite effect.

Political and legal risk
Changes in legislation or changes in planned implementation of new emission legislation could have material impact on the Group's operations and financial results.

Competition
The industry in which the Group operates is competitive. Although the Group considers itself to be well positioned in the market, no assurance can be given with regard to future competition and marked posistion.

Customer risk
The Group is generally depending on orders under frame agreements with customers for the sale of its products and services. This creates an uncertainty with respect to future revenue. Although the Group has a diversified customer base, lower sales volumes related to one or more of the existing frame agreements, or the loss of customers or frame agreements for whatever reason, may have significant negative impact on the Group's financial results. The Group is furthermore dependent on participating in and being awarded assignments under public tenders. There can be no assurance that the Group will be awarded assignments under such public tenders in the future.

Dependence on key personnel
The development of the Group is dependent on its access to qualified personnel, in particular key management positions. The loss of key personnel may have an adverse impact on the Group's operating results and financial condition.

Operational gearing and loss of revenue
The Group's cost base is to a large extent salaries and a large amount of the cost base is thereby to be viewed as medium term fixed costs. Any decline in revenue will to a large extent affect net results before taxes in the same magnitude as the gross contribution from such lost revenue.

Insurance risk
The Group's insurance policies may not necessarily cover all potential liabilities of the Group. There is a risk that the Group will suffer substantial losses, which will not be covered by any insurance policy.

Intellectual property risks
The Group has only to a limited extent protected its intellectual property related to its products. Competitors may consequently copy some of the Group's products, which in turn may have a negative effect on the Group's business.

Health, safety and environmental risks
The Group is involved in handling industrial, commercial and residential waste (both hazardous and non-hazardous), demolition and environmental decontamination (environmental, asbestos, PCB etc.), and consequently the employees of the Group are exposed to health and safety risks. Furthermore, such operations may cause substantial pollution and other environmental damage to the ground on and/or environment in which the Group operates. The Group may be held financially liable for any such environmental pollution or damage.

Risks associated with fraud, bribery and corruption
The industry in which the Group operates involves inherent risks associated with fraud, bribery and corruption, and the Group is exposed to such risks in particular in connection with its use of agents in several jurisdictions, hereunder in Asia. Although the Group maintains routines and other safeguards designed to prevent the occurrence of fraud, bribery and corruption, it may not be possible for the Group to detect or prevent such instances. Any alleged or actual involvement in corrupt practices or other illegal activities by the Group's directors, employees, agents, business partners or customers could have a material adverse impact on the Group's business, inter alia as a result of civil or criminal penalties, exclusion from public tenders and/ or reputational damage.

Risk relating to import and export restrictions
The Group is exposed to risks regarding the correct application of import and exports regulations. Any breach of such regulations, as a consequence of incorrect classification of products or otherwise, may have an adverse impact on the Group's business.

Risk of losing licenses
The Group holds several licenses in various jurisdictions, which allow it to operate in the waste industry and to handle, transport, export and import various types of waste that might be withdrawn in the event of non-compliance with applicable laws and regulations. Loss of such licenses could have a material adverse impact on the business of the Group.

Estimation risk
The Group may fail to effectively estimate risks, costs or timing when bidding on contracts and to manage such contracts efficiently which could have a material adverse impact on the profitability of the Group.

Financial risk and risk management

Foreign exchange risk
The group is exposed to foreign exchange risk arising from the sale of metals, plastics and paper, in addition to costs in relation to purchases of downstream solutions. These risks are primarily due to currency exposures to EUR, SEK, DKK and USD. The Group hedges foreign exchange risk for all large commercial contracts by entering into fixed rate forward arrangements.

Interest rate risk
The group's interest rate risk arises from interest bearing borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. The group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Group policy is to hedge approximately 60% of its borrowings at variable rates.

Liquidity risk
The Group has limited liquidity risk. The company actively monitors its liquidity management through budgets and forecasts. The Group's financing needs are covered through a bond loan.

Credit risk
Credit risk arises mainly from transactions with customers and bank deposits. The company has for several years incurred modest losses on trade receivables. New customers are subject to credit checks and approval before credit is granted. Responsibility for credit management is centralised and the procedures are anchored in the company's quality system.

Price risk
The Group is exposed to price risk related to commodities. Management of price risk is achieved by entering into concurrent downstream contracts to match volume of upstream activities, where this is possible. Price risk related to volumes of metal extracted by the waste sorting process are secured in financial markets using derivatives. Development in prices on raw materials through 2017:

- **Steel and metals:** The market prices had a strong price increase in 2017, and the year was ended a high price level measured in both USD and NOK. Weakened NOK, a booming global economy with high investments in infrastructure, as well as increased use of metals in several industries contributed to the price development in 2017.
- **Recyclable paper:** Prices increased through the year until the fourth quarter. From a high level, we experienced a significant fall in the last part of the year, which was driven by mainly limitations on export to China.
- **Refuse Derived Fuel:** Downstream prices for refuse derived fuels have been stable throughout 2017 for Norway and Scandinavia. The marked has stabilized after a long period with negative development driven by large import quantities from UK. The inventories in Scandinavia which disrupted the marked is now gone, and there is a clear trend development where the downstream recipients set higher demands to correct quality and precision in delivery throughout the year.
- **Plastic:** Prices on foil qualities fell for each month through the first half of 2017. In the third quarter, the Chinese marked stopped import of foil qualities and this led to a low demand and a significant drop in prices.
- **Woodchips:** The negative price trend continued in 2017, however with tendencies to a stabilization of the prices in the end of the year. After several years with mild winters and price drops on competing energy products the inventory buildup in Scandinavia have been reversed. Paired with a cold start of winter this gave tendencies to a better balance in the market.

See note 23 in the consolidated accounts for further information on the Groups' risk management process.

Events after the balance sheet date

After the balance sheet date, the Group entered into two agreements for sale of a real estate portfolio located in five fully owned subsidiaries. Estimated net proceeds from the sales are estimated to NOK 706 million, of which NOK 71 million relates to sale of Hegstadmoen 7 AS and NOK 635 million relates to sale of Øra Eiendom Utvikling AS, Opphaugveien 6 AS, Taranrødveien 85 AS and Bingsa AS. Each of the entities, which are sold, have operational rental agreements with Norsk Gjenvinning Miljøeiendommer AS. Annual rent for the properties in 2018 are NOK 53.5 million.

The related asset values as of December 31, 2017 is presented as assets held for sale in consolidated statement of financial position. See note 27 for further details relating to assets classified as held for sale.

The Groups' leased waste recycling facility at Alnabru in Oslo experienced a fire in March 2018. The Group has full risk insurance on fixed equipment and machinery as well as a 24-month business interruption insurance with Tryg Forsikring. The building is insured by the lessor. Norsk Gjenvinning's insurance has a deductible own risk fee of NOK 2 million and a waiting period of 20 days. The preliminary conclusions are that the fire is unlikely to have a material adverse financial effect on the Norsk Gjenvinning Group.

The Group have entered into an agreement to purchase all remaining shares of Isekk AS (45%), a partly owned subsidiary. See note 26 for further information relating to non-controlling interest in the subsidiary.

Report on the financial position of the parent company

Nature of operations
VV Holding AS is the parent company of the Group. The parent company's role is to manage its ownership of the subsidiary companies.

Income statement
The parent company's total operating costs totalled NOK 1.1 million (NOK 3.2 million).

Net financial income totalled NOK -101.3 million (NOK -102.0 million).

Equity and solvency
Equity in the parent company as at year-end 2017 totalled NOK 146.4 million (NOK 216.4 million). The change in parents' equity refers to this year's total comprehensive income and recognition of group contributions to/from the parent companies (VV Holding II AS and POS Holding AS).

Financing and cash flow
The parent company is funded through a bond loan totalling NOK 2 235.0 million and a shareholder loan on NOK 158.9 million. The parent's operating cash flow was NOK -2.4 million in 2017 (NOK -0.2 million). Cash flow from investing activities was NOK 179.3 million (NOK 171.4 million). Net cash flow from financing activities was NOK -177.1 million (NOK -171.1 million).

Corporate social responsibility

The Group issues an own report on sustainability for 2017. This is available on the Groups' website: www.nggroup.no

Norsk Gjenvinning helps to solve its customers' environmental challenges responsibly and effectively by handling, sorting and processing waste into raw materials for new products. The Group has an ambitious goal of establishing itself as the most important recycling company in the Nordic region. This involves more than handling other people's waste in a responsible manner. Sustainability is integrated in Norsk Gjenvinning's strategy and operations, and is founded on the four pillars circular economy, compliance, footprint and social responsibility.

Norsk Gjenvinning is member of the UN Global Compact and has committed itself to report on and conduct its operations in accordance with the principles set forth therein.

Corporate Governance

The board ensures that that the group have proper systems for internal control and risk management based on the scope and nature of the group's activities. As a part of the Boards supervision, there are quarterly reviews of the development within risk areas and identified deviations.

The group management have a focus on internal control over financial reporting, govern through group policies, and board representation in subsidiaries. Internal control routines are based on a corporate structure that defines roles and responsibilities on different management levels, and central functions that give guidance for application of good internal control.

The parent company has not embodied in its Articles of Association regulations and procedures for appointment and replacement of board members. Decisions regarding appointment and replacement of board members are made by the General Assembly. The Board has 7 members.

There are no statues in the Articles of Association or given authority, which allow the Board on behalf of the company to decide buy back its own shares or issue new.

Compliance

Our ambition is to be the leading performer on compliance with laws and regulations in the recycling industry. We are therefore working continuously with training and development, and we invest in measures, which shall ensure satisfactory standards, routines and systems at all levels.

CEO has appointed Director for organizational development and compliance as the Chief Complaisance Officer (CCO). The CCO-function is responsible for the Groups compliance program and reporting of the results. The monitoring of the compliance program is carried out in cooperation by COO, management and the subsidiaries in the Group.

Code of Conduct
Our code of conduct is the Groups guidelines for good business practices, and reflects current laws. The code of conduct sets boundaries for which behaviour is accepted when one is employed in Norsk Gjenvinning Group. We conduct training and reminds of the code of conduct in internal communication, and all employees shall sign on the fact that code of conduct is read and understood.

In addition to being compliant to our own code of conduct, Norsk Gjenvinning Group have signed the code of conduct provided by the Norwegian Industry Committee for Recycling. We have therefore committed us to be compliant to the rules which follows from this.

Zero tolerance for corruption, handling of stolen goods, theft and disloyalty
Corruption is serious and affects also the recycling industry. Norsk Gjenvinning strongly opposes these actions. As a member of Transparency International Norway, we are committed to practice zero tolerance for all forms of corruption, and to work for implementation of values, code of conduct and anti-corruption programmes, which cover all the businesses. We have implemented an anti-corruption programme in the Group to prevent and fight corruption. This includes performance of risk identification of which positions might be exposed to corruptive actions. Employees in these positions goes through mandatory education and dilemma training.

We adapt our contract templates, and continually perform controls of risk exposed subcontractors and agents.

To ensure traceability and control of the flow of goods, we require that all vehicles shall be weighted both in and out of our waste facilities. The weights in the Group are integrated with the ERP-systems, which is used to reduce risk for intentional and unintentional errors. We have a strict access control for change of master data, and the authority matrix for the group and subsidiaries must be complied. To reduce the risk for handling of stolen goods, Norsk Gjenvinning have a prohibition against cash purchase of metals.

Zero tolerance for anticompetitive behaviour
We work systematically with ensuring that the business is not and will not be involved in anticompetitive behaviour, and have implemented a program to prevent this. Risk identification for anticompetitive behaviour, and employees, which are in the risk group, goes through mandatory education on the rules and dilemma training. In 2017 151 employees have participated in classes in competition law. All employees in risk groups shall in even intervals report a self-assessment to enlighten possible conflicts of interest.

Employees, organisation and equal opportunities

The people that work in Norsk Gjenvinning is our most important asset. The Group had 1 337 employees (1 334 full-time equivalent) at the end of 2017. The Group is committed to building a strong internal culture where our employees comply with our core values of salesmanship, proactivity, responsibility and team spirit in their functions. As part of the effort to provide a solid internal culture and ensuring compliance with laws and internal rules, provision has been made for employees to report any improper conduct, also anonymously. We have been granted license from the Data Inspectorate for our whistleblowing-function to also include an external channel, which is available on the Group's homepage, and we have prepared information relating to whistleblowing in English. Our whistleblowing-function is and -routines is part of the training in the Group.

Injuries and sick leave
The Group's operations involve work that can be physically stressful for employees in certain functions and which can carry a risk of workplace accidents and injuries. Norsk Gjenvinning therefore has a strong focus on health and safety, and particular emphasis is placed on risk assessments of individual tasks with the aim of identifying all potential hazards at work. Steps are taken to ensure that employees take account of health and safety aspects in their daily work, and the risk assessments are regularly updated and discussed with the employees.

37 injuries were sustained in the Group, resulting in 472 days of absence. The corresponding figures for 2016 were 53 injuries and 667 days of absence. This correspond to an H-value for 2017 of 8.9. The H-value in 2016 was 7.3. Several major measures have been implemented to reduce the extent of injuries in the Group.

Total sick leave in the Norsk Gjenvinning Group was 6.3 per cent in 2017. Short-term sick leave was 1.5 percentage points and long-term sick leave was 4.7 percentage points. There are large differences in sick leave between divisions and regions. By comparison, total sick leave in 2016 was 6.0 per cent.

Employee satisfaction
Employee surveys covering all employees are conducted each year. In 2017, 932 employees participated in the survey, and the response rate increased from 78 per cent in 2016 to 79 per cent in 2017.

Norsk Gjenvinning has highly committed employees who like to make an extra effort when it is called for, and three out of four experience that implementation capability is high of very high. Employees have a clear understanding of their roles, are customer oriented and experience that customers are satisfied. A range of items related to HSE and compliance scores high with the employees, which experiences that this works well. The employees' knowledge of the Groups' overall goals has increased significantly from 2016, and managers' still emerges as good role models, which leads in line with our values.

Skills development
The Group continuously work with skills development, and the NG-School is our channel for providing training and courses to all employees. To ensure good and relevant content, we continuously work to increase the width of courses and improve visibility of the training activities, which are completed. Courses in 2017 included (but not limited to) training in HSE and risk assessments, hazardous waste, Lean, whistleblowing and NGs code of conduct, competition law, attendance and sick leave follow-up and management training.

Codetermination
Employees are assured codetermination at several levels in Norsk Gjenvinning. At group level, it is established a group committee where chief employee representative from the different divisions meet together with representatives from senior management to exchange information and discuss matters concerning several of the Group's operations. In 2017 two such meetings was held. In addition, there are three employee representatives and three deputies in the Board of Directors in Norsk Gjenvinning Norge AS.

Working Environment Committees (WEC) is established in all companies of the Group with 50 or more employees, and in companies with 20-50 employees if either of the parties demands this. A security representative has been established in all departments with ten or more employees. 95-100 percent of the workforce in the Group is represented by a security representative and/or WEC on their workplace. Divisions also performs meeting with local representatives/employee representatives, and perform discussions of results, planned organizational changes and other major measures.

Equal opportunities
Norsk Gjenvinning works actively and purposefully to promote the objectives of the Norwegian Gender Equality Act in the Group. The activities cover recruitment, pay and working conditions, promotion, development opportunities and protection against harassment.

At year-end the Group had 1 381 employees, of whom 15 per cent are women and 85 per cent men. One woman is represented in the senior management team and 32 women hold leading positions. There are two female member of the Group's Board of Directors. The environment and recycling industry has traditionally been male-dominated, and the Group is working to recruit more women.

Norsk Gjenvinning is a multicultural workplace. At the end of 2017 the Group had employees representing more than 20 different nationalities. We are actively working with integration, Norwegian language training and facilitation.

Changes in the Board and management
At the end of 2017, the Board of Directors consist of Chairman of the Board, Deputy Chairman of the board, five Directors, of which three are employee representatives. The senior management team consisted in 2017 of the Chief executive officer, three Group Directors with responsibility for corporate functions, and two Heads of Division.

Footprint

While the Group's operations are of a sustainable nature, the normal operations affect the environment. Continuous efforts are therefore made to reduce the negative effects. Environmental objectives, performance indicators and measures are described in detail in the environmental section of the sustainability report referred to in the preceding section.

The Group's handling and processing facilities have operating permits from government agencies such as the County Governor or the Norwegian Environment Agency. The permits are subject to provisions relating to the local environment, covering traffic volumes, operating hours, visual impact, noise and dust levels, and emissions to air, water and land. Compliance with permits is reported annually via Altinn based on the regulatory requirements.

The Group's complete sustainability report with greenhouse gas statements is accessible on www.nggroup.no.

Outlook

The Group had a challenging start of the year in light of export restrictions to China, lower activity and waste volumes resulting from large amounts of snow in the first quarter, as well as the fire on Haraldrud recycling centre in March. At the same time, the Group goes in to 2018 with a solid operational platform and strong market position, and will further increase the focus on industrialization and innovation as the basis for growth and earnings development.

Lysaker March 20, 2018

Ole Enger
Chairman of the Board

Erik Osmundsen
Chief Executive Officer

Per-Anders Hjort
Deputy Chairman of the Board

Reynir Kjær Indahl
Director

Christian Melby
Director

Yngve Longva Moland
Director

Lasse Stenskrog
Director

Cecilie Skauge
Director

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS 1.1 – 31.12

(NOK'000)	Note	2017	2016
Revenue	4, 5, 6	4 225 905	3 996 934
Other income	6	11 443	23 365
Total operating revenue		**4 237 347**	**4 020 299**
Cost of goods sold	5, 15	2 113 147	1 995 383
Employee benefits expense	7	963 312	982 850
Depreciation and amortization expense	12, 13	227 705	233 115
Other operating expenses	8	729 979	731 427
Other (gains)/losses - net	9	7 684	1 580
Operating profit		**195 520**	**75 944**
Finance income	10	4 103	15 770
Finance costs	10	230 425	207 250
Net income/gain from associated companies	14	2 741	4 378
Profit / (loss) before income tax		**(28 062)**	**(111 158)**
Income tax expense	11	(4 633)	(25 003)
Profit / (loss) for the period from continuing operations		**(23 429)**	**(86 155)**
Profit / (loss) attributable to:			
Owners of the parent	19	(32 359)	(92 099)
Non-controlling interests	26	8 930	5 944

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1.1 – 31.12

(NOK'000)	Note	2017	2016
Profit / (loss) for the period		**(23 429)**	**(86 155)**
Items that may be subsequently reclassified to profit and loss			
Currency translation differences	19	5 948	(5 106)
Interest rate swaps - cash flow hedges (after tax)	19, 25, 11	11 737	25 813
Other comprehensive income / (loss) for the year, net of income tax		**17 686**	**20 707**
Comprehensive income / (loss) for the period		**(5 743)**	**(65 448)**
Comprehensive income attributable to:			
Owners of the parent	19	(14 673)	(71 392)
Non-controlling interests	26	8 930	5 944

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31

ASSETS

(NOK'000)	Note	2017	2016
Non-current assets			
Property, plant & equipment	13	792 250	1 015 748
Intangible assets	12	96 775	124 649
Goodwill	12	1 235 986	1 235 986
Deferred tax assets	11	93 367	96 262
Investments in associated companies	14	21 360	15 119
Other receivables	16	44 242	39 487
Total non-current assets		**2 283 980**	**2 527 251**
Current assets			
Inventories	15	112 716	85 065
Trade receivables	16	588 348	484 561
Other receivables	16	124 754	123 103
Other financial assets	25	-	3 581
Cash and cash equivalents	17	176 995	167 724
Assets held for sale	13, 27	207 348	-
Total current assets		**1 210 160**	**864 034**
Total assets		**3 494 140**	**3 391 284**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31

EQUITY AND LIABILITIES

(NOK'000)	Note	2017	2016
Equity			
Share capital and reserves attributable to owners of parent	18,19	52 855	75 126
Non-controlling interest	26	21 527	17 952
Total equity		**74 382**	**93 077**
Non-current liabilities			
Loans and borrowings	20	2 474 734	2 431 168
Other financial liabilities	25	9 318	24 885
Deferred income tax liabilities	11	24 926	31 794
Post-employment benefits	7	10 265	7 919
Provisions for other liabilities and charges	21	75 292	93 531
Total non-current liabilities		**2 594 534**	**2 589 298**
Current liabilities			
Trade payables		287 738	238 716
Other current payables	22	407 442	369 903
Current income tax	11	15 651	11 971
Loans and borrowings	20	68 516	65 432
Other financial liabilities	25	16 015	-
Provisions for other liabilities and charges	21	29 862	22 886
Total current liabilities		**825 224**	**708 909**
Total liabilities		**3 419 759**	**3 298 207**
Total equity and liabilities		**3 494 140**	**3 391 284**

Lysaker March 20, 2018

Ole Enger
Chairman of the Board

Erik Osmundsen
Chief Executive Officer

Per-Anders Hjort
Deputy Chairman of the Board

Reynir Kjær Indahl
Director

Christian Melby
Director

Yngve Longva Moland
Director

Lasse Stenskrog
Director

Cecilie Skauge
Director

CONSOLIDATED STATEMENT OF CASH FLOWS 1.1-31.12

(NOK'000)	Note	2017	2016
Profit / (Loss) before income tax		**(28 062)**	**(111 158)**
Income tax paid		(9 965)	(1 579)
Depreciation and amortisation charges	12, 13	227 705	233 115
Gain(-)/loss on sale of non-current assets and business	6	(11 443)	(22 788)
Financial items without cash effect		37 174	11 939
Unrealised gain (-)/loss on foreign exchange rate variations		195	(353)
Items classified as investing- or financing activities	20	187 335	181 003
Post-employment benefits	7	2 346	654
Change in provisions for other liabilities and charges	21	(7 600)	5 652
Change in inventory	15	(27 651)	2 905
Change in accounts receivables and other receivables	16	(110 193)	(19 018)
Change in accounts payables, other short term debt and other items	22	89 141	3 177
Net cash flow from operating activities		**348 982**	**283 549**
Purchase of fixed assets	12, 13	(125 818)	(149 356)
Sale of fixed assets	6	15 654	40 883
Sale of business	6	3 291	-
Purchase of shares in subsidiaries and associates	14, 28	(9 000)	(12 600)
Net cash outflow other financial investments		(11 420)	-
Dividend from associated companies	14	2 500	2 002
Net cash flow from investing activities		**(124 793)**	**(119 071)**
Repayment of borrowings	20	(3 390)	(1 111)
Proceeds from borrowings	20	1 800	-
Debt related expenses		(3 217)	-
Repayment on financial lease agreements	20	(28 116)	(27 862)
Dividend paid to non-controlling interest	26	(5 355)	(2 757)
Net group contributions received /(paid)	18, 19	(5 000)	(2 347)
Net interest paid	20	(173 361)	(180 563)
Net cash flow from financing activities		**(216 639)**	**(214 640)**
Net increase in cash and cash equivalents		**7 550**	**(50 161)**
Effect of exchange rates		1 721	(1 934)
Cash and cash equivalents at beginning of period	17	167 724	219 819
Cash and cash equivalents at end of period		**176 995**	**167 724**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK'000)	Share capital	Share premium	Other paid in capital	Other equity	Total	Non-controlling interest	Total equity
As of January 1, 2017	**45 348**	**330 011**	**9 314**	**(309 547)**	**75 126**	**17 952**	**93 077**
Profit/(loss) for the year	-	-	-	(32 359)	(32 359)	8 930	(23 429)
Other comprehensive income	-	-	-	17 686	17 686	-	17 686
Total comprehensive income	**-**	**-**	**-**	**(14 673)**	**(14 673)**	**8 930**	**(5 743)**
Group contributions received	-	-	8 115	108	8 223	-	8 223
Group contributions paid	-	-	-	(15 820)	(15 820)	-	(15 820)
Dividend to non-controlling interest	-	-	-	-	-	(5 355)	(5 355)
Total transactions with owners	**-**	**-**	**8 115**	**(15 712)**	**(7 597)**	**(5 355)**	**(12 952)**
As of December 31, 2017	**45 348**	**330 011**	**17 429**	**(339 932)**	**52 855**	**21 527**	**74 382**
As of January 1, 2016	**45 348**	**330 011**	**7 970**	**(232 009)**	**151 321**	**14 765**	**166 086**
Profit/(loss) for the year	-	-	-	(92 099)	(92 099)	5 944	(86 155)
Other comprehensive income	-	-	-	20 707	20 707	-	20 707
Total comprehensive income	**-**	**-**	**-**	**(71 392)**	**(71 392)**	**5 944**	**(65 448)**
Group contributions received	-	-	1 344	6 027	7 370	-	7 370
Group contributions paid	-	-	-	(12 174)	(12 174)	-	(12 174)
Dividend to non-controlling interest	-	-	-	-	-	(2 757)	(2 757)
Total transactions with owners	**-**	**-**	**1 344**	**(6 147)**	**(4 803)**	**(2 757)**	**(7 560)**
As of December 31, 2016	**45 348**	**330 011**	**9 314**	**(309 547)**	**75 126**	**17 952**	**93 077**

See note 18 and 19 for further information regarding equity attributable to owners of the parent company, and note 26 for information relating to non-controlling interest.

Notes to the group financial statements

1 General information

VV Holding AS is controlled by funds managed by Summa Equity. VV Holding AS and its subsidiaries together constitute VV Holding Group. VV Holding AS owns all the shares in Norsk Gjenvinning Norge AS, which is the parent company of Norsk Gjenvinning Group. VV Holding AS has a NOK 2,235 million Senior Secured Floating Rate Notes due 2019, which is listed on the Oslo Stock Exchange.

Norsk Gjenvinning is the largest Norwegian provider of recycling and environmental services. The services include waste management, metal recycling, industrial services, hazardous waste, downstream solutions, household collection, deconstruction, refurbishing and secure paper shredding. The headquarter is located at Lysaker outside of Oslo, and the Group has operations in Norway, Sweden, Denmark and the UK.

These financial statements where resolved by the Board of Directors of VV Holding AS on March 20, 2018.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis for preparation

The consolidated financial statements of VV Holding AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations applicable to companies reporting under IFRS, as adopted by the EU.

The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The consolidated financial statements have been prepared on a going-concern basis.

2.1.1 New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for preparing consolidated financial statements for future annual periods. Amongst those the Group has elected not to apply early, the most significant are disclosed below:

<u>IFRS 15 Revenue from contracts with customers</u>

As of January 1, 2018 the Group has adopted the new standard, which was implemented based on modified retrospective application. There were no implementation effects in adopting the new standard as at January 1, 2018.

As further described in point 2.22 below (current revenue recognition principles) and in note 6 of these financial statements, the Groups revenues from customer contracts comes from to two sources;

1) Upstream sale of services, and
2) Downstream sale of recycled raw materials.

Upstream sale of services

The customer contracts related to this revenue stream meet the criteria's in IFRS 15 for recognition over time. Contracts are typically agreements where the customers receive a routine and recurring service relating to different forms of waste services. Customers simultaneously receives and consumes the benefits provided by the Group as we perform. The Group will apply the practical expedient in IFRS 15 B16 and recognise revenue in the amount to which the entity has a right to invoice.

Compared to the current accounting principles the Group applies on the contracts there are no changes in the timing or amount of revenue recognised.

Downstream sale of recycled raw materials

The customer contracts related to this revenue stream do not meet the criteria's in IFRS 15 for recognition over time and is recognised at a point in time. Contracts are typically agreements where the customers receive a delivery of our products.

Comparted to the current accounting principles the Group applies on these contracts, there are no changes in the timing or amount of revenue recognised.

IFRS 16 Leases
The standard was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Groups operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of NOK 1 680 million, see note 8. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

IFRS 9 Financial instruments
As of January 1, 2018 the Group has adopted the new standard, there were no implementation effects. The Groups financial instruments is primarily related to accounts receivables, held to receive principal, and which is measured at amortised cost. The Group have historically marginal loss on account receivables, and the implementation of the new impairment model for financial assets has not given rise to implementation effects. Further, the Group have some use of financial derivatives relating to metal derivatives, foreign exchange forward contracts and interest rate swaps. Metal derivatives and foreign exchange forward contracts are measured at fair value through profit or loss. Interest rate swaps are part of a hedging relationship and is measured at fair value over other comprehensive income.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group. There are no new standards for 2017 with material impact on the Groups' financial statements.

2.2 Consolidation and investments in associated companies
The Group consists of the following companies as of December 31;

Company name	Place of business	% of ownership interest
VV Holding AS (parent)	Lysaker	
Norsk Gjenvinning Norge AS	Lysaker	100 %
Norsk Gjenvinning AS	Lysaker	100 %
Norsk Gjenvinning Metall AS	Lysaker	100 %
Norsk Gjenvinning Offshore AS	Lysaker	100 %
Norsk Gjenvinning Miljøeiendommer AS	Lysaker	100 %
Norsk Gjenvinning Renovasjon AS	Tønsberg	100 %
Norsk Gjenvinning Downstream AS	Lysaker	100 %
Norsk Gjenvinning M3 AS	Lysaker	100 %
Norsk Makulering AS	Lysaker	100 %
NG Vekst AS	Lysaker	100 %
NG Fellestjenester AS	Lysaker	100 %
Norsk Gjenvinning Renovasjon Service AS	Tønsberg	100 %
Nordisk Återvinning Service AB (Sverige)	Gøteborg	100 %
Nordisk Återvinning Trading AB (Sverige)	Gøteborg	100 %
Humlekjær og Ødegaard AS	Fredrikstad	100 %
Tomwil Miljø AS	Lysaker	100 %
Wilhelmsen Containerservice AS	Lysaker	100 %
Ødegaard Gjenvinning AS	Fredrikstad	100 %
Løvås Transportfirma AS	Alnabru	100 %

Rivningsspesialisten AS	Lysaker	100 %
Metall & Gjenvinning AS	Lysaker	100 %
IBKA Norge AS	Lysaker	100 %
Eivind Koch Rørinspeksjon AS	Lillestrøm	100 %
Nordisk Genanvendelse ApS (Danmark)	Vordingborg	100 %
IBKA A/S (Danmark)	Vordingborg	100 %
IBKA AB (SE)	Kungelv	100 %
IBKA UK Ltd (Storbritannia)	Cardiff	100 %
Bingsa AS	Lysaker	100 %
Hegstadmoen 7 AS	Lysaker	100 %
Taranrødveien 85 AS	Lysaker	100 %
Opphaugveien 6 AS	Lysaker	100 %
Øra Eiendom Utvikling AS	Lysaker	100 %
Asak Massemottak AS	Lysaker	100 %
Løvenskiold Massemottak AS	Lysaker	100 %
Kopstad Massemottak AS	Lysaker	100 %
Borge Massemottak AS	Lysaker	100 %
Skjørten Massemottak AS	Lysaker	100 %
Solli Massemottak AS	Lysaker	100 %
Norsk Gjenvinning Renovasjon Stab AS	Tønsberg	100 %
Norsk Gjenvinning Renovasjon Ressurs AS	Tønsberg	100 %
Adact AS	Lysaker	100 %
NG Startup X AS	Lysaker	100 %
Revise AS	Lysaker	100 %
NG Startup I AS	Lysaker	100 %
NG Startup II AS	Lysaker	100 %
NG Startup III AS	Lysaker	100 %
R3 Entreprenør Holding AS	Ensjø	81,25 %
R3 Entreprenør AS	Ensjø	81,25 %
Østfold Gjenvinning AS*	Fredrikstad	66 %
iSekk AS	Oslo	55 %

*Østfold Gjenvinning AS is owned 33% by Norsk Gjenvinning Norge AS and 33 % by Humlekjær og Ødegaard AS, which further is 100% owned by Norsk Gjenvinning AS. The Group has controlling influence, and treats the investment as a subsidiary.

Associated Companies as of December 31;	
Østlandet Gjenvinning AS	50 %
Egersund Omsetningsgård AS	50 %
Heggvin Alun AS	50 %
Pasa AS	38 %
Litenogstor Transport AS	34 %

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group, to the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed an asset or liability is recognised either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If remuneration (including any non-controlling interests and the fair value of previous holdings) exceeds the fair value of identifiable assets and liabilities of the acquisition these are recognized as goodwill. If remuneration (including any non-controlling interests and the fair value of previous holdings) is less than the fair value of net assets acquired as a result of a bargain purchase, the difference is recognized as a gain in the income statement.

Inter-company transactions, balances and unrealised gains or loss on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the group's accounting policies.

b) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Disposal of subsidiaries
When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Associates
Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investors share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2.3 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group management executives that make strategic decisions.

2.4 Foreign currency translation
a) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian kroner (NOK), which is the group's presentation currency.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other (gains)/losses – net'.

c) Group Companies
The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
(c) all resulting exchange differences are recognised in other comprehensive income.

2.5 Property, plant and equipment
Land and buildings comprise mainly factories, inventory housing and offices. Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings 10-50 years.
- Machinery and vehicles 3-15 years.
- Furniture, fittings and equipment 3-10 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Items of property, plant and equipment, which is expected to be realized through sale instead of continued use, is presented separately as held for sale if the items are available for immediate sale in its present condition and there is highly probable that a sale will be completed. Property, plant and equipment classified as held for sale is measured at the lower of carrying amount and fair value less cost of sale.

2.6 Intangible assets

a) Goodwill

Goodwill arising through the acquisition of businesses and constitutes the remuneration transferred less the Group's share of fair value of net identifiable assets and liabilities of the acquired business. In addition, goodwill arises through acquisitions when one chooses to measure non-controlling interests at the acquisition date fair value. Negative goodwill is recognized as income immediately.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

b) Trademarks

Separately acquired trademarks are measured at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks are assessed to have infinite useful life and are not amortised, but annually tested for impairment.

c) Customer contracts and -relations

Customer contracts and -relations arising through the acquisition of business. The value of customer relationships are calculated based on expected sales adjusted for contractual revenue and reduced for expected churn. Capitalized customer contracts and -relations depreciate over the expected useful life of between 5-10 years.

d) Computer software

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use,
- management intends to complete the software product and use or sell it,
- there is an ability to use or sell the software product,
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available and
- the expenditure attributable to the software product during its development can be reliably measured

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed six years.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.8 Financial assets

2.8.1 Classification

The group have financial assets in the following categories: loans and receivables and financial assets at fair value through profit or loss. The classification on initial recognition depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.13 and 2.14).

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
The group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge), or hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 25. Movements on the hedging reserve is recognised in other comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Interest rate swaps linked to long-term financing are recognised as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'Other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'Finance income/cost'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'Other gains/(losses) – net'.

Metal derivatives relating to hedging commodity price risk is accounted for at fair value through profit or loss. Changes in fair value of the derivatives are presented under the item 'Other gains/(losses) – net'. Derivatives are presented as financial assets when the fair value is positive and as financial liabilities when the value is negative.

Forward foreign exchange contracts relating to hedging currency risk is accounted for at fair value through profit or loss. Changes in fair value of the derivatives are presented under the item Finance income/Finance expense on a net basis, presentation is based on whether the changes give rise to a net gain or loss respectively. Derivatives are presented as financial assets when the fair value is positive and as financial liabilities when the value is negative.

2.11 Inventories
Inventories of raw materials are stated at the lower of average cost and net realisable value. Finished goods are stated at the lower of full production cost and net realizable value.

2.12 Landfill
Investments related to landfills for inert masses on rented land where the investment falls back to the landowner after the rental period are treated as rental costs and amortized over the lease period. From the time when initial pledging approval is received, provision is made for contractual obligations related to future investments in connection with landfills on rented ground. The cost is amortized over the lease term and classified as prepay or post-pay dependent on actual cash flows of the investment.

Costs related to monitoring and after operation of landfills accrues ongoing and is included as part of the provision for environmental liability.

2.13 Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recorded in the balance after deduction for provisions of expected losses. Provisions for doubtful accounts are based on an individual assessment of trade receivables and an additional provision to cover other anticipated losses. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or deficiency in payments are considered indicators that the trade receivable is impaired.

2.14 Cash and cash equivalents
In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.15 Share capital, share premium and additional paid in capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Other paid in capital is capital from owners, but not included in share capital and share premium. Received contributions from owners in the same tax group are recognized as funds and included in other paid in equity.

2.16 Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

2.17 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Upon subsequent measurement, the debt component of a compound instrument is measured at amortized cost using the effective interest rate. Equity components of a compound financial instrument are not re-measured.

2.18 Borrowing costs
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits
The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans. The groups' pension schemes meet the requirements of the law on compulsory occupational pension.

a) Pension obligations
A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised

as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Parts of defined contribution pensions are not paid to a scheme but set aside as a pension liability until the pension is paid out.

A defined benefit plan is a pension plan that is not a defined contribution plan. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The periodic service cost is presented in profit or loss. This cost includes the increase in pension obligations resulting from employee service in the current year, amendments, curtailments and settlements. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

b) Termination benefits
Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2.21 Provisions
Provisions for environmental restoration, loss contracts, restructuring costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. The provisions are calculated based on probability weighted discounted future cash flows.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

For received waste that is not finally downstream processed, provision is made for incurred treatment and downstream costs. In the financial statements this is classified as other current liabilities.

2.22 Revenue recognition
Revenue is measured at the fair value of the consideration received, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a) Downstream sale of recycled raw materials
The Group processes and sells a variety of waste types that provide downstream revenues. This is mainly metals, paper, plastic and wood. Positive fractions are recognized at the time of delivery, when risk and control has passed to the buyer.

b) Upstream sale of services
The Group provides a broad service spectrum relating to collection and treatment of a variety of waste types that provide downstream costs. This is mainly industrial waste, hazardous waste and inert masses. Negative fractions are recognized at the time of receipt, where the Group assumes the risk for further treatment and downstream processing. Further the Group delivers household collection- and transportation services, industrial services and deconstruction and refurbishing etc. Services are recognized in line with execution.

c) Rental income
Rental income is recognized linearly over the lease period.

2.23 Interest income
Interest income is recognised using the effective interest method. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.24 Dividend
Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Dividend income is recognised when the right to receive payment is established.

2.25 Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Previous year all new financial lease agreements where presented in the statement of cash flows as purchase of fixed assets and change in financial lease agreements. Current year cash flows from financial lease agreements is presents as down payment on financial leases and paid interest. Current year additions of fixed assets acquired on financial lease agreements appears in note 13. Comparative figures have been revised accordingly, and will for previous year represent a reclassification between cash flow from investing- and financing activities, equivalent to additions related to financial lease agreements.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated impairment of goodwill and intangible assets
The group tests annually whether goodwill and intangible assets has suffered any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. In calculating future cash flow, budgets and estimated residual values for eternal future cash flows are used. In calculating the present value of future cash flows, management have estimated discount rates. See note 12 for details related to the estimate and sensitivity calculations.

Deferred tax assets / liabilities
The group recognises deferred tax assets related to tax loss carried forward which occur when the group has higher tax costs than tax revenues. Capitalisation assumes that future earnings enables the utilization of the deficit. Management's assessment of future utilization of tax losses carried forward are based on budgets that estimate future revenues and costs. The budgets are based on current strategic plans for the next two years. There is significant uncertainty relating to the estimates in the budgets and the timing of future utilization of tax losses. See note 11 for specification of the components in deferred tax assets.

Provisions for environmental liabilities
The Group has activities which over time can affect land areas in terms of environmental effects. These effects might give rise to clean-up responsibilities to be performed in the future. The provisions for these liabilities is based on management’s assessment of the likelihood that clean-up liability exist, and best estimate of the future expenses for the clean-up. There is significant uncertainty relating to the considered likelihood that a clean-up liability exist, and to estimates of future expenses, together with the expected timing for future cash outflow. See note 21 for further information regarding the provisions for environmental liabilities as of year end.

4 Segment information

Group management executives is the group's chief operating decision-maker. 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.

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 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 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.

Revenue from external parties reported to the group management is based on the principles stated in note 2 and is consistent with that in the income statement.

Revenue 2017 *(NOK'000)*	**Revenue from external customers**	**Inter segment revenue**	**Total segment revenue**
Recycling	2 237 307	151 297	2 388 604
Metal	896 399	5 471	901 870
Household collection	283 035	6 412	289 447
Project businesses	344 107	15 437	359 544
All other segments	451 015	44 305	495 320
HQ and eliminations	14 041	(222 922)	(208 881)
Total	**4 225 905**	**-**	**4 225 905**

Revenue 2016 *(NOK'000)*	**Revenue from external customers**	**Inter segment revenue**	**Total segment revenue**
Recycling	2 129 710	126 564	2 256 274
Metal	746 817	3 066	749 882
Household collection	319 599	4 240	323 839
Project businesses	414 252	10 132	424 384
All other segments	377 312	54 888	432 200
HQ and eliminations	9 244	(198 890)	(189 645)
Total	**3 996 934**	**-**	**3 996 934**

The group management assesses the performance of the operating segments based on EBITDA before allocation of overhead HQ costs, see attachment 1 for definitions of alternative performance measures. 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.

EBITDA before internal charges *(NOK'000)*	**2017**	**2016**
Recycling	294 039	242 990
Metal	22 831	(861)
Household collection	40 906	44 337
Project businesses	23 302	13 993
All other segments	45 545	16 894
HQ and eliminations	(3 397)	(8 295)
Total EBITDA before internal charges	**423 225**	**309 059**
Depreciation and amortization expense	(227 705)	(233 115)
Finance income	4 103	15 770
Finance costs	(230 425)	(207 250)
Net income/gain from associated companies	2 741	4 378
Profit before tax	**(28 062)**	**(111 158)**

Consolidated balance sheet values are not reported to corporate management at the segment level. Non-current operational assets below includes intangible assets and goodwill in addition to property, plant and equipment.

Non-current operational assets per country *(NOK'000)*	**2017**	**2016**
Norway	2 039 281	2 315 114
Denmark	23 528	13 630
Sweden	62 202	47 638
Total	**2 125 011**	**2 376 382**

5 Related parties

Transactions with related parties are carried out at the same terms and prices as those that applies to external parties. Transactions with related parties relates to sale or purchase of goods and services with associated companies.

The group had the following transactions and balances with related parties:

Transactions and balances with related parties *(NOK'000)*	**2017**	**2016**
Operating revenue	16 752	13 811
Operating costs	99 178	36 025
Trade- and other receivables	3 018	1 856
Trade- and other payables	1 566	2 480

Trade receivables from related parties are due one month after the date of sales. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties. Key management includes group management executives and board members. See note 7 for further information.

Loan from parent company *(NOK'000)*	**2017**	**2016**
Carrying amount 1.1	147 154	136 226
Interest expense	11 772	10 928
Carrying amount 31.12	**158 927**	**147 154**

Loan terms are disclosed in note 20.

6 Operating income

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)	**2017**	**2016**
Upstream sale of services	2 848 890	2 832 556
Downstream sale of recycled raw materials	1 363 200	1 155 133
Revenue from customer contracts	**4 212 090**	**3 987 690**
Revenue from real estate rental	13 815	9 244
Revenue	**4 225 905**	**3 996 934**
Gain on sale of business	1 446	-
Gain on sale of property, plant and equipment	9 997	23 365
Other income	**11 443**	**23 365**
Total Operating income	**4 237 347**	**4 020 299**

Revenue from customer contracts
The table below summarizes revenue from customer contracts based on customer location. None of the Groups customers constitutes more than ten percent of revenue.

(NOK'000)	**2017**	**2016**
Norway	3 240 186	3 125 891
Other Nordics	349 966	326 486
Other Europe	399 317	332 801
Asia	222 620	202 513
Revenue from customer contracts	**4 212 090**	**3 987 690**

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, Security Shredding and Landfill operations).

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

Other income
Gain on sale of business
The Group sold three minor businesses for NOK 3.3 million. Assets derecognised as part of the transactions where wholly related to property, plant and equipment.

Gain on sale of property, plant and equipment
The Group sold in 2017 property, plant and equipment for NOK 15.6 million. The sales relate primarily to sale of cars, machines and equipment. In 2016, the Group sold three properties with a carrying value of MNOK 8.2 for a total consideration of MNOK 25.5. Other gains on sale in 2016 stems from sale of cars, machines and equipment.

See note 13 for further information on the disposals during the year.

7 Employee benefit expense

(NOK'000)	**2017**	**2016**
Wages and salaries	769 643	794 010
Social security costs	100 973	102 407
Pension costs	24 175	24 261
Other benefits	68 520	62 172
Total employee benefits expense	**963 312**	**982 850**
Average number of employees	1 287	1 353

Specification of pension obligations:

(NOK'000)	**2017**	**2016**
Defined benefits plan	1 187	1 187
Accrual for defined contribution plans	9 078	6 732
Total pension obligations	**10 265**	**7 919**

The Group management in Norsk Gjenvinning Norge AS is defined as key executives.

Benefits to executives 2017 *(NOK'000)*	**Wages and salaries**	**Bonus**	**Pension-expense**	**Other**	**Total benefit to executives**	**Post-employment salaries**
Erik Osmundsen (CEO)	3 361	952	226	196	4 735	12 months
Dean Zuzic (CFO)	2 052	536	227	169	2 984	6 months
Hans Fredrik Wittusen (Director Strategy and sustainability)	1 410	192	223	178	2 003	6 months
Egil Lorentzen (Director Divisions Recycling and Metal)	1 678	357	225	221	2 481	12 months
Jon Tarjei Bergan (Director Division Downstream)	1 715	268	225	177	2 385	9 months
Ingrid Bjørdal (Director organizational development and compliance)	1 379	192	225	170	1 966	12 months

Benefits to executives 2016 *(NOK'000)*	**Wages and salaries**	**Bonus**	**Pension-expense**	**Other**	**Total benefit to executives**	**Post-employment salaries**
Erik Osmundsen (CEO)	3 068	1 295	215	194	4 772	12 months
Dean Zuzic (CFO)	2 020	418	215	186	2 839	6 months
Hans Fredrik Wittusen (Director Strategy and sustainability)	1 378	287	215	186	2 066	6 months
Egil Lorentzen (Director Divisions Recycling and Metal)	1 500	324	215	229	2 268	12 months
Jon Tarjei Bergan (Director Division Downstream)	1 687	264	215	178	2 344	9 months
Ingrid Bjørdal (Director organizational development and compliance)	1 265	89	163	166	1 683	12 months
Runa Opdal Kerr	665	-	62	238	965	-
Jon Ola Stokke	1 687	237	160	131	2 215	-

No loans/securities have been granted to the Chief Executive Officer or Chairman of the Board. There is not provided share based benefits or loans to key executives. Executives own shares directly in POS Holding AS, which controls VV Holding AS, and/or indirectly through their ownership in GN Invest AS.

Remunerations to board of Directors Group
Board of Directors Group has received remuneration from Norsk Gjenvinning Norge AS. Remuneration as employees is not included in the table.

(NOK'000)		Board fee	Other remuneration	2017	2016
Ole Enger	Chairman of the Board	-	542	542	-
Per-Anders Hjort	Deputy chairman of the Board and chairman of the audit committee (AC)	-	501	501	945
Reynir Kjær Indahl	Director and member of AC	-	-	-	500
Christian Melby	Director and member of AC	-	-	-	-
Yngve Longva Moland	Director, employee representative	-	-	-	-
Lasse Stenskrog	Director, employee representative	-	-	-	-
Cecilie Skauge	Director, employee representative	-	-	-	-
Pål Stampe	Director and member of AC(1)	-	-	-	-
Maria Tallaksen	Director and member of AC(1)	-	-	-	-
Hugo Lund Maurstad	Director (2)	-	-	-	-
Håkon Jahr	Director and member of AC (3)	-	-	-	250
Ylva Lindberg	Director and member of AC (3)	-	-	-	250
		-	**1 043**	**1 043**	**1 945**

(1) until February 2018 (2) until October 2017, (3) until August 2016

8 Other operating expenses

Other operating expenses broken down in the following main categories:

(NOK'000)	2017	2016
Property related expenses	227 167	216 522
Expenses relating to plant and equipment	325 258	310 106
External services	49 396	55 425
Insurance	21 666	27 508
Loss on receivables and onerous contracts	4 005	4 360
Other expenses	102 487	117 505
Total other operating expenses	**729 979**	**731 427**

Expensed audit fees (excl. VAT)

(NOK'000)	2017	2016
Statutory audit (incl. technical assistance with financial statements)	4 222	4 840
Other assurance services	66	565
Tax advisory fee (incl. technical assistance with tax returns)	1 079	1 512
Other assistance	1 123	882
Total expensed audit fees	**6 491**	**7 799**

Operational leases
The Group leases a number of fixed assets on operating leases. Annual lease expenses are included as rental expense in the income statement as other operating expenses. Lease payments are related to the following asset classes:

Operational leases – annual rental expense

(NOK'000)	2017	2016
Land, buildings and other permanent fixtures	177 173	167 569
Plants and machinery	52 212	55 136
Other operating assets	941	1 010

Total annual lease expenses	**230 326**	**223 715**

Land, buildings and other permanent fixtures is on contracts that run from one to twenty years. Rental of plant machinery is on one to eight year contracts. Other operating assets such as furniture, tools, office machinery etc. rented on one to three year contracts.

Operational leases – future minimum lease payments

(NOK'000)	**2017**	**2016**
Payable within one year	182 037	195 320
Payable between 1 and 5 years	518 335	569 720
Payable later than 5 years	979 895	829 028
Total future minimum lease payments	**1 680 267**	**1 594 069**

9 Other (gains)/losses - net

(NOK'000)	**2017**	**2016**
Financial items at fair value over profit or loss		
Metal derivatives	8 373	(942)
Net foreign exchange rate differences from operating activities:		
Foreign exchange gains	(11 737)	(10 622)
Foreign exchange losses	11 048	13 144
Net other gains (-)/losses	**7 684**	**1 580**

Foreign exchange gains and –losses in the operational companies is classified as other (gains)/losses – net.

10 Finance cost and income

The groups finance costs are primarily connected to interest on non-current financing through a senior secured note bond and interest rate swaps. Further, the group has credit facility for financial leasing. See note 20 for description and lending conditions for the different loans.

(NOK'000)	**2017**	**2016**
Interest on loans from credit institutions	3 112	4 308
Interest on secured note bond	140 036	143 262
Interest on interest rate swap contracts - cash flow hedge	22 745	26 785
Interest on shareholder loan	11 772	10 928
Interest on financial leases	3 381	4 759
Other interest expense	4 175	3 969
Net foreign exchange losses	17 445	-
Other finance costs	27 759	13 238
Total finance costs	**230 425**	**207 250**

(NOK'000)	**2017**	**2016**
Interest income	3 996	2 175
Net foreign exchange gain	-	13 590
Other finance income	106	5
Total finance income	**4 103**	**15 770**

11 Taxes

Components of income tax expense

(NOK'000)	**2017**	**2016**
Current year income tax provision	13 522	11 116
Change in deferred tax	(13 879)	(36 565)
Adjustment in respect of priors	(4 276)	445
Income tax expense	**(4 633)**	**(25 003)**

Reconciliation of income tax expense

(NOK'000)	**2017**	**2016**
Profit before income tax	(28 062)	(111 158)
Calculated tax expense with nominal tax rate on profit (24/25%)	(6 735)	(27 790)
Permanent differences	2 728	29
Effect of change in tax rate	3 187	2 484
Effect of different tax regimes	462	(171)
Adjustments for estimated income tax expense prior years	(4 276)	445
Income tax expense	**(4 633)**	**(25 003)**
Effective tax rate	16,5 %	22,5 %

Components of deferred tax asset

(NOK'000)	**2017**	**2016**
Property, plant and equipment (PPE)	48 773	56 224
Gain- and loss account	(31 110)	(40 450)
Accruals and provisions	35 632	30 619
Other items	(218)	(7 048)
Interest rate swaps	2 143	5 972
Interest reduction carried forward	18 061	12 220
Tax losses carried forward	28 066	38 725
Total deferred tax assets	**101 347**	**96 262**
PPE classified as held for sale	7 980	-
Deferred tax assets in statement of financial position	**93 367**	**96 262**

Deferred tax asset and liability are offset when the positions relates to the same tax regime and this is accepted. The Group has recognised deferred tax assets on interest reductions and tax losses carried forward related to Norway. This is based on an expectation for future earnings, which is based on current earnings and approved budgets.

At the end of 2017, tax positions directly related to property, plant and equipment expected to be realised through a sale, is classified as held for sale in the statement of financial position. See note 27 for further details.

Components of deferred tax liability

(NOK'000)	**2017**	**2016**
Excess value from acquisition (intangible assets)	24 926	31 794
Deferred tax liability in statement of financial position	**24 926**	**31 794**

Change in net deferred tax liability / (-asset) in statement of financial position

(NOK'000)	2017	2016
Opening balance January 1	**(64 468)**	**(35 052)**
Tax effect of acquisitions in financial year	-	(4 374)
Tax effect on transactions recognised in equity	2 597	2 597
Tax effect of interest rate swaps recognised in OCI	3 829	8 936
Change in deferred tax in tax expense	(18 155)	(36 565)
PPE classified as held for sale	7 980	-
Exchange rate differences	(225)	(10)
Closing balance December 31	**(68 442)**	**(64 468)**

Current income tax liability

(NOK'000)	2017	2016
Income tax	16 861	14 456
Prepaid tax and other tax refunds	(1 210)	(2 484)
Current income tax liability	**15 651**	**11 971**

12 Intangible assets

Intangible assets 2017 *(NOK'000)*	**Trademarks**	**Customer contracts and relationships**	**Other intangible assets**	**Goodwill**	**Total**
Acquisition cost as of 1.1.	**35 000**	**317 002**	**77 648**	**1 235 986**	**1 665 636**
Additions in the year	-	-	4 539	-	4 539
Acquisition cost as of 31.12.	**35 000**	**317 002**	**82 187**	**1 235 986**	**1 670 175**
Accumulated amortization as of 1.1.	**-**	**243 777**	**61 225**	**-**	**305 002**
Amortization	-	24 852	7 561	-	32 413
Accumulated amortization as of 31.12.	**-**	**268 629**	**68 786**	**-**	**337 415**
Total carrying amount as of 31.12.	**35 000**	**48 373**	**13 401**	**1 235 986**	**1 332 760**
Estimated lifetime		5-10 years	3-5 years		
Depreciation method		Linear	Linear		

Intangible assets 2016 *(NOK'000)*	**Trademarks**	**Customer contracts and relationships**	**Other intangible assets**	**Goodwill**	**Total**
Acquisition cost as of 1.1.	**35 000**	**316 341**	**71 219**	**1 229 559**	**1 652 119**
Business combinations*	-	-	-	6 427	6 427
Additions in the year	-	-	6 429	-	6 429
Reclassifications	-	661	-	-	661
Acquisition cost as of 31.12.	**35 000**	**317 002**	**77 648**	**1 235 986**	**1 665 636**
Accumulated amortization as of 1.1.	**-**	**213 097**	**57 455**	**-**	**270 552**
Amortization	-	30 680	3 770	-	34 450
Accumulated amortization as of 31.12.	**-**	**243 777**	**61 225**	**-**	**305 002**
Total carrying amount as of 31.12.	**35 000**	**73 225**	**16 424**	**1 235 986**	**1 360 635**
Estimated lifetime		5-10 years	3-5 years		
Depreciation method		Linear	Linear		

* The Group purchases in 2016 all the shares in Sortera Norge AS, see note 28.

Trademarks
With the acquisition of Veolia Miljø AS in 2011 the Group acquired the rights to the trademarks Norsk Gjenvinning and Grønt Ansvar.

Customer contracts and relationships
In connection with the acquisition of Veolia Miljø AS, Veidekke Gjenvinning AS in 2011 and in other smaller acquisitions, assets were identified relating to customer contracts and customer relationships. Customer contracts consist of specific contracts within the Group's different business areas, where it made a specific assessment of all major long-term contracts.

Furthermore, significant values related to the Group's trade relationships was identified. It was identified a significant number of customers, which through analyzes of historical data showed that the Group has experienced a high customer loyalty and low outflow of customers. The value of customer relationships is calculated based on expected sales, adjusted for contractual revenue and reduced for expected churn.

Other intangible assets
This item consists primarily of capitalized costs related to the implementation of the ERP systems for the Group.

Goodwill
Goodwill is allocated to each division. Segments are selected as the level for the testing of goodwill impairment. Goodwill stems mainly from acquisitions of Veolia Miljø AS and Veidekke Gjenvinning AS in 2011, as well as several smaller acquisitions in the period 2012 to 2016.

The Groups division into segments is presented in note 4. The table below shows goodwill allocation pr. operating segment.

Goodwill allocation 2017 *(NOK'000)*	**1.1.**	**Additions**	**Disposals**	**Impairment**	**Other adjustments**	**31.12.**
Recycling	857 834	-	-	-	-	857 834
Metal	182 000	-	-	-	-	182 000
Household collection	109 000	-	-	-	-	109 000
Project businesses	11 816	-	-	-	47 000	58 816
Industry & Offshore	47 000	-	-	-	(47 000)	-
Other	28 336	-	-	-	-	28 336
Total goodwill	**1 235 986**	**-**	**-**	**-**	**-**	**1 235 986**

In 2017 Industry & Offshore was dissolved, and the related goodwill was transferred to the segment Project businesses which took over the activities.

Goodwill allocation 2016 *(NOK'000)*	**1.1.**	**Additions**	**Disposals**	**Impairment**	**Other adjustments**	**31.12.**
Recycling	721 407	6 427	-	-	130 000	857 834
Metal	182 000	-	-	-	-	182 000
Household collection	109 000	-	-	-	-	109 000
Industry & Offshore	177 000	-	-	-	(130 000)	47 000
Other	40 153	-	-	-	-	40 153
Total goodwill	**1 229 560**	**6 427**	**-**	**-**	**-**	**1 235 986**

In 2016 the business areas for hazardous waste and municipal technical services have been relocated from Division Industry & Offshore to Division Recycling.

Impairment testing of goodwill and trademarks
The Group has performed an impairment test on the carrying value of trademarks and goodwill as a result of these assets having indefinite useful life. Value in use was used as the measure of recoverable amount. The test includes the net present value analysis of expected future cash flows from cash-generating units. The Group has identified activities organized in segments as respective units for impairment testing of goodwill. The impairment test revealed no need for impairment.

Cash Flow Model
The model is based on a five-year forecast of discounted cash flows of the Group's business plan, and a terminal value calculated using Gordon's formula. Net discounted cash flow is calculated before tax. The model is based on the following assumptions:

Cash Flow
Based on market developments in recent years, the business plan for the acquisition of Veolia Miljø and Veidekke Gjenvinning, and guidelines issued by the board and the owners it has been prepared a strategic plan for the Group for the years 2018-2019. The strategic plan for the coming two years (NG Flow) is focused on industrialization compared to the previous plan where cost reductions has been in focus (NG 200). The terminal value is calculated with an annual growth rate of 2%.

WACC (Weighted average cost of capital)
To calculate the discount rate, the Group has applied CAPM as a method, and WACC is calculated to 12.4% before tax. Cost of equity is calculated based on Norwegian 10-year government bonds, adjusted for a risk premium and non-liquidity premium linked to the Group. Debt Cost is calculated based on the Group's long-term financing and its long-term target for gearing.

A reduction of 1% in annual growth rate in the terminal value will not affect the conclusion of the impairment test. The same applies to a 1% increase in WACC.

13 Property, plant and equipment

Property, plant and equipment 2017 *(NOK'000)*	**Property**	**Plant and machinery**	**Furniture, fittings and equipment**	**Work in progress**	**Total**
Acquisition cost as of 1.1	**394 094**	**852 941**	**324 735**	**13 713**	**1 585 483**
Additions	13 814	93 882	45 947	21 495	175 139
Reclassifications	4 406	2 461	-	(6 867)	-
Disposal	(5 474)	(21 786)	(1 156)	-	(28 416)
Scrapping	(29 020)	(64 172)	(9 818)	-	(103 010)
Sale of business	-	(18 498)	-	-	(18 498)
Foreign currency adjustments	29	10 749	327	-	11 105
Acquisition cost as of 31.12	**377 849**	**855 578**	**360 036**	**28 341**	**1 621 803**
Accumulated depreciation and impairment losses as of 1.1	**106 115**	**352 746**	**110 873**	**-**	**569 735**
Depreciation	30 012	101 758	55 757	-	187 526
Impairment losses	2 377	728	2 258	2 402	7 765
Disposal	(2 539)	(19 569)	(744)	-	(22 852)
Scrapping	(29 020)	(64 172)	(9 818)	-	(103 010)
Sale of business	-	(16 652)	-	-	(16 652)
Foreign currency adjustments	27	7 429	217	-	7 674
Accumulated depreciation and impairment losses as of 31.12	**106 973**	**362 267**	**158 543**	**2 402**	**630 185**
Carrying amount as of 31.12	**270 876**	**493 311**	**201 492**	**25 939**	**991 618**
Estimated lifetime (years)	10 years to infinite	5-10 years	3-10 years		
Depreciation method	Linear	Linear	Linear		
Assets classified as held for sale	**139 203**	**60 119**	**46**	**-**	**199 368**

Of total additions in 2017 NOK 54.0 million relates to financial leases (NOK 51.6 million).

The Group continuously monitors strategic- and financial capabilities to optimize the value of the Groups' properties. At the date of these financial statements, NOK 199 million of the carrying value in property, plant and equipment is classified as held for sale in the statement of financial position. See note 27 and 29 for further information regarding assets classified as held for sale.

Property, plant and equipment 2016 *(NOK'000)*	**Property**	**Plant and machinery**	**Furniture, fittings and equipment**	**Work in progress**	**Total**
Acquisition cost as of 1.1	**414 425**	**1 002 612**	**358 152**	**20 721**	**1 795 910**
Business combinations*	-	11 040	233	-	11 273
Additions	33 064	92 933	57 625	10 872	194 494
Reclassifications	3 308	13 388	525	(17 882)	(661)
Disposal	(18 230)	(37 396)	(457)	-	(56 084)
Scrapping	(38 432)	(219 323)	(91 137)	-	(348 892)
Foreign currency adjustments	(41)	(10 313)	(206)	2	(10 558)
Acquisition cost as of 31.12	**394 094**	**852 941**	**324 735**	**13 713**	**1 585 483**
Accumulated depreciation and impairment losses as of 1.1	**115 624**	**503 527**	**144 791**	**-**	**763 942**
Depreciation	32 633	102 657	57 366	-	192 656
Impairment losses	3 429	2 232	348	-	6 009
Disposal	(7 111)	(30 528)	(349)	-	(37 988)
Scrapping	(38 432)	(219 323)	(91 137)	-	(348 892)
Foreign currency adjustments	(28)	(5 819)	(146)	-	(5 992)
Accumulated depreciation and impairment losses as of 31.12	**106 115**	**352 746**	**110 873**	**-**	**569 735**
Carrying amount as of 31.12	**287 978**	**500 194**	**213 862**	**13 713**	**1 015 748**
Estimated lifetime (years)	10 years to infinite	5-10 years	3-10 years		
Depreciation method	Linear	Linear	Linear		

* The Group purchased in 2016 all the outstanding shares of Sortera Norge AS. See note 28 for further information regarding the business combination.

The Group has entered into agreements that require future investment commitments utilized for fixed assets. Capital expenditure contracted for at the end of the reporting period but not yet incurred on 31.12. is as follows:

Capital commitments *(NOK'000)*	**2017**	**2016**
Property, plant and equipment	22 253	21 921
Total capital commitments	**22 253**	**21 921**

Property, plant and equipment under finance lease
The Group leases a number of different machines and equipment under financing leases. The assets included in the asset class machines and plants with the following carrying value:

Financial leases – carrying value *(NOK'000)*	**2017**	**2016**
Cost-capitalised finance lease	271 456	224 977
Accumulated depreciation	(139 921)	(123 416)
Carrying amount as of 31.12.	**131 535**	**101 561**

For further information regarding financial leases, see note 20.

14 Investment in associated companies

The Group has interests in four associates. The voting interests corresponds to the stated ownership shares.

(NOK'000)	**Place of business**	**Ownership**
Østlandet Gjenvinning AS	Hamar	50 %
Egersund Omsetningsgård AS	Egersund	50 %
Pasa AS	Porsgrunn	38 %
Litenogstor Transport AS	Oslo	34 %
Heggvin Alun AS	Hamar	50 %

The following table presents the movement in the carrying value of the Groups share in associated companies;

(NOK'000)	**1.1**	**investment**	**Dividends**	**Share of profit**	**31.12**
Østlandet Gjenvinning AS	11 644	-	(2 500)	3 154	12 298
Egersund Omsetningsgård AS	2 129	-	-	15	2 143
Pasa AS	690	-	-	69	759
Litenogstor Transport AS	-	5 000	-	(317)	4 683
Heggvin Alun AS	657	1 000	-	(181)	1 476
Total	**15 119**	**6 000**	**(2 500)**	**2 741**	**21 360**

The interest in Østlandet Gjenvinning AS is considered material for the Group. The following table presents summarized key financial information for the Østlandet Gjenvinning Group (100%) with subsidiaries. The profit for the period relates to both majority shareholders and non-controlling interest in subsidiary.

Summarised financial information Østlandet Gjenvinning group:

(NOK'000)	**2017**	**2016**
Total operating revenue	180 505	174 276
Profit for the period	6 911	8 554
Current assets	47 271	56 092
Non-current assets	41 063	43 517
Total assets	**88 335**	**99 609**
Equity	45 335	41 662
Current liabilities	28 969	31 553
Non-current liabilities	14 030	26 394
Total equity and liabilities	**88 335**	**99 609**

15 Inventories

(NOK'000)	**2017**	**2016**
Raw materials	62 957	46 504
Finished goods	41 018	33 362
Spare parts	8 740	5 199
Total inventories	**112 716**	**85 065**

(NOK'000)	**2017**	**2016**
Inventory valued at purchase cost	112 716	85 065
Total inventories	**112 716**	**85 065**

Inventories consist of positive fractions where the Group purchase the products from upstream vendors. The line item Cost of goods sold include costs related to the purchase of positive fractions that are sold in the fiscal year.

Inventories recognised as an expense during 2017 amounted to NOK 796.0 million (2016: NOK 589.2 million). These where included in the cost of goods sold. Write-downs to net realisable value is included in cost of goods sold with NOK 4.8 million in 2016. The line item cost of goods sold in the statement of profit or loss includes expenses related to the purchase of positive fractions as described above and cost relating to downstream solutions for negative fractions.

16 Trade receivables and other receivables

(NOK'000)	**2017**	**2016**
Trade receivables (gross)	594 909	492 957
Provision for loss on trade receivables	(6 562)	(8 397)
Total trade receivables	**588 348**	**484 561**

(NOK'000)	**2017**	**2016**
Prepaid expenses	25 990	23 656
Income accruals	78 427	73 980
Scomi-receivable	9 016	9 397
Other current receivables	11 321	16 069
Total other current receivables	**124 754**	**123 103**

(NOK'000)	**2017**	**2016**
Prepaid landfill rent	38 215	33 117
Other non-current receivables	6 027	6 370
Total other non-current receivables	**44 242**	**39 487**

The fair value of trade and other receivables is not considered significantly different from book value. Maturity chart and change in provision for losses in accounts receivable are specified in note 24. The Group operates landfills on rented ground and has contractual investment commitments in infrastructure, closing of the landfill and other installations that accrue to the landowner. Implementation of the investment is contract bound, but there is uncertainty about the size and timing of the investments. The best estimate for future investments are:

(NOK'000)	**Less than one year**	**Between one and five years**	**More than five years**
Future investments	6 450	24 524	-

As part of the regulatory approvals to operate landfills, the Group is obliged to make provisions for monitoring and after operations on closed landfills. A provision of TNOK 1 597 (2016: TNOK 1 086) is included in the financial statement line provisions for other liabilities and charges. Costs related to investments, and after operations, are recognised as other operating expenses in line with filling degree in the landfill. In addition to investments commitments the Group is obliged to pay a landfill rent to the landowner, the landowner fee, based on received masses and project profitability. There is currently no provision for this ongoing commitment.

17 Cash and cash equivalents

(NOK'000)	**2017**	**2016**
Cash at bank and in hand	174 029	166 978
Restricted bank deposits	2 966	747
Total cash and cash equivalents	**176 995**	**167 724**

(NOK'000)	**2017**	**2016**
NOK	174 840	132 255
DKK	(8 711)	(5 014)
EUR	28 466	29 540
USD	1 064	11 930
SEK	(18 910)	(6 421)
GBP	247	5 434
Total cash and cash equivalents	**176 995**	**167 724**

18 Share capital and premium

All shares in VV Holding AS has equal rights and VV Holding II AS owns all shares in VV Holding AS.

	2017	**2016**
Number of shares 31.12	453 479	453 479
Nominal value	100	100

(NOK'000)	**2017**	**2016**
Share capital	45 348	45 348
Share premium	330 011	330 011
Other paid in capital*	17 429	9 314

*Other paid in capital stems from group contributions VV Holding has received from parent company (VV Holding II AS) and VV Holding II AS' parent company (POS Holding AS).

19 Retained earnings

Movement in retained earnings 2017 *(NOK'000)*	**Currency translation reserve**	**Pension reserve**	**Cash flow hedge reserve**	**Other Equity**	**Total other equity**
Carrying value as of 1.1	**3 890**	**(1 233)**	**21 501**	**(333 705)**	**(309 547)**
Profit for the year	-	-	-	(32 359)	(32 359)
Other comprehensive income for the year:					
Currency translation difference	5 948	-	-	-	5 948
Cash flow hedge	-	-	15 567	-	15 567
Tax related to cash flow hedge	-	-	(3 736)	-	(3 736)
Tax effect of change in tax rate	-	-	(93)	-	(93)
Transactions with the shareholders:					
Received group contribution	-	-	-	108	108
Paid group contribution	-	-	-	(15 820)	(15 820)
Carrying value as of 31.12	**9 838**	**(1 233)**	**33 238**	**(381 776)**	**(339 932)**

Movement in retained earnings 2016 *(NOK'000)*	**Currency translation reserve**	**Pension reserve**	**Cash flow hedge reserve**	**Other Equity**	**Total other equity**
Carrying value as of 1.1	**8 996**	**(1 233)**	**(4 313)**	**(235 458)**	**(232 009)**
Profit for the year	-	-	-	(92 099)	(92 099)
Other comprehensive income for the year:					
Currency translation difference	(5 106)	-	-	-	(5 106)
Cash flow hedge	-	-	34 750	-	34 750
Tax related to cash flow hedge	-	-	(8 687)	-	(8 687)
Tax effect of change in tax rate	-	-	(249)	-	(249)
Transactions with the shareholders:					
Received group contribution	-	-	-	6 027	6 027
Paid group contribution	-	-	-	(12 174)	(12 174)
Carrying value as of 31.12	**3 890**	**(1 233)**	**21 501**	**(333 705)**	**(309 547)**

20 Borrowings and financial lease contracts

(NOK'000)	**2017**	**2016**
Senior secured note bond	2 216 728	2 204 711
Borrowings from group companies	158 927	147 154
Financial lease liabilities	97 451	75 078
Promissory note loans and other borrowings	1 628	4 224
Total non-current loans and borrowings	**2 474 734**	**2 431 168**

(NOK'000)	**2017**	**2016**
Accrued interest expense on senior secured note bond	31 247	32 960
Financial lease liabilities	31 619	26 266
Promissory note loans and other borrowings	5 101	5 747
Loan facility	549	459
Total current loans and borrowings	**68 516**	**65 432**
Total loans and borrowings	**2 543 250**	**2 496 600**

The following table shows the relationship between carrying value and fair value of the loans and borrowings:

	Carrying amount		**Fair value**	
(NOK'000)	**2017**	**2016**	**2017**	**2016**
Senior secured note bond	2 247 975	2 237 671	2 276 348	2 060 670
Borrowings from group companies	158 927	147 154	167 632	134 772
Promissory note loans and other borrowings	6 729	9 971	6 729	9 971
Financial lease liabilities	129 071	101 344	129 071	101 344
Loan facility	549	459	549	459
Total loans and borrowings	**2 543 250**	**2 496 600**	**2 580 328**	**2 307 216**

See the following information for each type of loan and borrowing for description of fair value calculation.

(NOK'000)	**2016**	**Cash flows**	**Foreign exchange movement**	**Other changes**	**2017**
Senior secured note bond	2 235 000	-	-	-	2 235 000
Borrowings from group companies	147 154	-	-	11 772	158 927
Promissory note loans and other borrowings	4 223	(1 590)	-	-	2 633
Financial lease liabilities	101 344	(28 116)	1 889	53 953	129 071
Loan facility	-	-	-	-	-
Total loans and borrowings (principal)	**2 487 722**	**(29 706)**	**1 889**	**65 726**	**2 525 631**
Transaction costs	(30 289)	-	-	12 017	(18 272)
Accrued interest expense	39 167	(173 361)	-	170 085	35 891
Total loans and borrowings	**2 496 600**	**(203 067)**	**1 889**	**247 828**	**2 543 250**

Items classified as investing- or financing activities in the statement of cash flows consist of:

(NOK'000)	**2017**	**2016**
Interest expense (note 10)	185 221	194 011
Other items	2 114	(13 008)
Items classified as investing- or financing activities	**187 335**	**181 003**

Senior secured note bond
10. July 2014, issued VV Holding AS a senior secured floating rate note (the bond) of MNOK 2 235, which matures on July 10, 2019 and shall be fully repaid by this date. The bond was listed on the Oslo Stock Exchange June 12, 2015. The interest rate is set quarterly at 3 month NIBOR +525 basis points. 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 MNOK 500, 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

- 4.50 from 18 months to 48 months after the date of issuance
- 4.00 from 48 months after the date of issuance

The line item senior secured note bond consists of:

(NOK'000)	**2017**	**2016**
Principal amount	2 235 000	2 235 000
Accrued interest expense	31 247	32 960
Transaction costs	(18 272)	(30 289)
Carrying amount	**2 247 975**	**2 237 671**

As the senior secured note bond is listed on the Oslo stock exchange, the last observed price in 2017, 101.85 (92.2) has been used when calculating the fair value. The fair value of the bond is calculated by measuring the principal amount at price 101.85.

Borrowings from group companies
Borrowings from group companies are intercompany financing from parent VV Holding II AS. The loan matures on July 8, 2020. The loan interest rate is calculated with a fixed rate of 8 %, which is added to the principal once a year. The fair value of the borrowings is calculated by discounting the future value maturing at July 8, 2020 with the implicit yield on the bond as of December 27, 2017 – 5.70 % (see further information on the bond above).

Financial lease liabilities
The Group has a facility agreement of NOK 270 million that can be used to rent equipment on finance leases. Financial leases are charged with an interest rate of 3 months NIBOR + 200 basis points.

(NOK'000)	**2017**	**2016**
Less than 1 year	34 936	29 109
Between 1 and 5 years	82 014	62 127
Later than 5 years	22 031	17 631
Total future minimum lease payments	**138 981**	**108 867**
Future financial charges on financial lease liabilities	9 910	7 523
Present value of financial lease liabilities	**129 071**	**101 344**

Interest expenses from financial lease liabilities are shown in note 10.

Maturity profile for the present value of finance lease liabilities:

(NOK'000)	**2017**	**2016**
Less than 1 year	31 619	26 266
Between 1 and 5 years	76 165	58 648
Later than 5 years	21 287	16 429
Present value of financial lease liabilities	**129 071**	**101 344**

The fair value of financial lease liabilities is expected to be equivalent to the carrying value as the interest rate is considered the market rate for comparable contracts.

Loan facility

(NOK'000)	**2017**	**2016**
Undrawn loan facility	200 000	200 000

The Group has a loan facility (revolver) which can be used as needed. Drawn overdraft facility is charged with an interest rate of 3 months NIBOR + 300 basis points.

Promissory note loans and other borrowings
Promissory notes and other borrowings are several smaller loans to credit institutions and companies, together with accrued interest on interest rate swaps. The loans are made on market terms, on a par with other funding. The fair value of accrued interest expenses is considered to equal carrying value as the agreed interest is on par with market terms.

Collateral and guarantees
As part of the financing of the Group the following companies have guaranteed for the loan and credit facilities, Norsk Gjenvinning Norge AS, Norsk Gjenvinning AS, Norsk Gjenvinning Industri AS, Norsk Gjenvinning Metall AS, Norsk Gjenvinning Miljøeiendommer AS, Norsk Gjenvinning Renovasjon AS, Norsk Gjenvinning Downstream AS, NG Vekst AS and Norsk Makulering AS, Bingsa AS, Hegstadmoen 7 AS, Opphaugveien 6 AS, Taranrødveien 85 AS, Øra Eiendom Utvikling AS, Humlekjær & Ødegaard AS, Norsk Gjenvinning M3 AS, Løvaas Transportfirma AS and Nordisk Återvinning Service AB.

(NOK'000)	**Carrying value**	**Security**
Shares	-	3 500 000
Property, plant and equipment	935 694	3 500 000
Trade receivables	520 068	3 500 000
Inventories	111 325	3 500 000

The Group have the following guarantees as of December 31;

(NOK'000)	**2017**	**2016**
Operational guarantees	93 068	77 506
Rental guarantees	55 568	43 114
Contractual guarantees	56 096	38 357
Withheld tax guarantees	39 000	39 050

21 Provisions for other liabilities and charges

2017 *(NOK'000)*	**Rental-compensation**	**Onerous contracts**	**Environmental- and clean-up commitments**	**Other provisions**	**Total provisions**
Carrying value as of 1.1	**72 500**	**6 740**	**27 690**	**9 487**	**116 417**
Additional provisions recognised	727	-	9 713	800	11 240
Unused amounts reversed	-	-	(1 975)	(535)	(2 510)
Amounts used during the year	(5 198)	(2 362)	(8 531)	(3 902)	(19 993)
Carrying value as of 31.12	**68 029**	**4 378**	**26 897**	**5 850**	**105 154**
Classified as:					
- Non-current liabilities	62 500	1 519	11 272	-	75 292
- Current liabilities	5 529	2 859	15 625	5 850	29 862

2016 *(NOK'000)*	**Rental-compensation**	**Onerous contracts**	**Environmental- and clean-up commitments**	**Other provisions**	**Total provisions**
Carrying value as of 1.1	**77 500**	**9 200**	**16 737**	**7 328**	**110 765**
Additional provisions recognised	-	606	14 404	6 009	21 019
Unused amounts reversed	-	-	(3 000)	-	(3 000)
Amounts used during the year	(5 000)	(3 066)	(451)	(3 850)	(12 367)
Carrying value as of 31.12	**72 500**	**6 740**	**27 690**	**9 487**	**116 417**
Classified as:					
- Non-current liabilities	67 500	4 142	18 929	2 960	93 531
- Current liabilities	5 000	2 598	8 761	6 527	22 886

Provisions commitments include estimation uncertainty and is recognised as the best estimate based on available information as of the date for these financial statements.

Rental compensation
Norsk Gjenvinning Norge AS rents Haraldrudveien 31-35 of Haraldrudveien Eiendom AS. At June 30, 2011, the lease was renegotiated and the rent was adjusted from the original rent to a new market rate. Norsk Gjenvinning Norge AS received NOK 100 million from the property owner as compensation for the adjustment. This compensation is accrued linearly as a reduction of rental expenses over the remaining lease term of the new lease agreement. Expiration date of the original lease was August 30, 2021. The new lease runs until June 30, 2031.

Onerous contracts
The group identified an onerous contract in the Household collection division in 2015, which runs until August 2019, with an option for two years extension, held by the counterparty. At the end of 2017, a provision of NOK 4.0 million is recognised for this contract, which is measured at discounted value of the future net unavoidable costs. An assumption that the option will be exercised is included in the estimate.

Environmental- and clean-up commitments
The Group has environmental liabilities, which consist of provisions for statutory after-operations funds in connection with waste landfills clean-up responsibility and potential liability associated with environmentally hazardous emissions. I the event that a legal or constructive obligation exists, the group recognize a provision for the commitments.

Other provisions
Other provisions include liabilities, which does not fall under the categories mentioned above. Contingent liabilities from a business combination in 2013 has been paid in full during 2017.

Contingent liabilities
Norsk Gjenvinning Offshore AS has received compensation from Veolia Propreté due to doubtful accounts against Scomi (see note 24). Norsk Gjenvinning Offshore AS is obliged to repay up to MNOK 12.5 to Veolia Propreté conditional that the claim against Scomi is paid. No provision is recognised relating to this matter.

22 Other current payables

(NOK'000)	**2017**	**2016**
Other accrued expenses	300 758	251 023
Social security, VAT and other taxes	85 870	85 095
Provision for downstream expenses*	17 496	23 443
Other current payables	3 318	10 342
Total other current payables	**407 442**	**369 903**

* Provision for incurred downstream expense; for waste received as of period end which is yet to be delivered to final downstream solution, the group recognise a provision for expected expenses to transport and treatment.

23 Financial risk management

Risk management in the Group is an integral part of company activities. Risk management is shared between operational units, which have the main responsibility for relevant operational and commercial risk management within their business areas, and the Group management who have primary responsibility for financial risk management in accordance with guidelines set by the Board.

Administration establishes guidelines and procedures to manage risks, coordinate, and implement an overall risk assessment for the Group. Below is a description of relevant risks, which at any given time can affect the Group financially.

23.1 Financial risk factors
The Group's activities cause it to being exposed to various financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictable financial markets and seeks to minimize potential adverse effects on the Group's financial figures. The Group uses financial instruments in the form of derivatives to hedge against certain risks exposure.

The finance department under policies set by the Board handles financial risk management. The finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board prepares principles for overall risk management, including policies covering specific areas such as currency risk, interest rate risk and use of financial instruments in the form of derivatives.

23.1.1 Market risk
Currency risk
The Group has international operations and is exposed to foreign exchange risk arising from transactions in several currencies. This is primarily SEK, DKK, EUR and USD. Currency risk arises from transactions related to operations, assets and liabilities in foreign currencies and net investments in foreign operations. Especially downstream transactions are exposed to changes in exchange rates. Any significant change in the currency mentioned above could potentially affect the Group negatively.
Currency risk management performed by the finance department. The Group companies estimate their total exposure to foreign currency risk on a six to twelve months rolling basis. Currency risk arises from transactions related to operations, asset or liabilities, which are conducted in a currency other than its functional currency. Based on the Group companies' estimates the finance department performs estimates of expected net cash flows (mainly export, purchase of inventories and investments in assets) in each major foreign currency for the subsequent six to twelve months. The finance department guidelines for risk management is to hedge between 50-100% of the expected cash flow six to twelve months ahead.

The Group has various investments in foreign operations, where net assets are exposed to foreign currency risk. Such currency exposures are not considered to have significant impact and are thus not hedged. The table below summarizes the impact effect of an increase in the foreign currencies, in which the company is exposed, will have on the Group's profit after tax. The analysis is based on the assumption that the foreign exchange rate increase (NOK depreciates) 10% on average during the year, with all other variables held constant and with no use of derivatives for hedging purposes. Both natural hedges (revenues and expenses in foreign currency) and the use of derivatives limit the Groups currency risk.

(NOK'000)	**2017**	**2016**
NOK/USD	20 743	18 151
NOK/EUR	38 165	31 953
NOK/SEK	-7 862	-4 572
NOK/DKK	691	676

Interest rate risk
The Group's interest rate risk arises because of long-term debt. Debt issued based on variable interest rates mean that the Group is exposed to interest rate risk affecting cash flow. The Company manages interest rate risk related to cash flow by taking advantage of interest rate swaps. Interest rate swaps have the economic effect through that they convert floating rates to fixed rates. Generally, the Group borrows long-term floating interest rates and "replace" them to fixed rates. In an interest rate swap includes the Group an agreement with the counterparty to exchange the difference between fixed and floating interest at nominal values each quarter. Hedge accounting is used in relation to interest rate swaps. The Group guidelines are to secure approximately 60% of their loans signed with variable interest rates. Interest rate swaps are specified in note 25.

If interest rates on debt and bank deposits in average had been 10 basis points higher / lower during the year, given that all other variables had been held constant, profit after tax would have been NOK 0.8 million lower / higher. Sensitivity calculations take into account open interest rate swaps agreements. Effect on profit is mainly due to higher / lower interest rates on loans entered into with variable interest rates without hedging.

Price risk
The Group is exposed to price risk related to commodities. Price fluctuations in commodity prices have generally risen significantly in recent years and may have a significant impact on the Groups results. The Groups results are primarily influenced by the price development of our main products; ferrous and non-ferrous metals, paper and refuse derived fuels.

Our main strategy related to risk management is to limit the exposure to price changes. This is achieved by entering into concurrent downstream contracts for volumes of upstream activities, where this is possible. Price risk related to metal, as revealed by the waste sorting process (it is not possible to reliably estimate these volumes), are secured in financial markets on a monthly basis. These hedges are based on estimated volumes and timing, and is thus not a perfect hedge and the effect is recognized in the statement of profit or loss.

An indication of the sensitivity related to price fluctuations and the effects on our revenue from our main products are shown in the table below. Annual sensitivity is based on normal volume over a year and based on the assumption that commodity prices linked to downstream increases by 10%, under assumption that all other variables remain constant (including prices upstream). Effects related to metal derivatives are not taken into account.

(NOK'000)	**2017**	**2016**
Paper	37 575	33 131
Non-ferrous metals	44 434	41 535
Ferrous metals	47 194	32 568
Refuse derived fuels	-19 364	-17 973

Credit risk
Credit risk is managed at the corporate level. Credit risk arises from, among other cash and cash equivalents, financial instruments and deposits with banks and financial institutions. In addition, risk occurs through exposure to customers, including outstanding receivables and contracted transactions. For banks and financial institutions, only independent parties with a minimum rating of at least "A" are accepted. Credit risk related to each new customer is analyzed and considered before granting an offer of payment and delivery terms. If customers are evaluated individually in their credit score, these considerations are applied. If there exists no individual credit assessment, will credit quality be assessed by taking account of the client's financial position, past experience and other relevant factors. Individual risk limits are set based on internal and external ratings in accordance with guidelines established by the Group. The utilization of credit limits is regularly monitored.

There are credit risk related to derivatives. This risk is limited by dealing only with financial institutions with credit rating AA or better.

Liquidity risk
The finance department jointly for the Group performs estimating future cash flows. The finance department monitors rolling forecasts of the Group's liquidity requirements to ensure that it has a satisfactory level of cash to meet operational needs, as well as at any time maintain a satisfactory margin of the unused loan facility to ensure that the Group is not in breach of the requirements set in the loan agreement. Such estimation of future cash flows takes into account the Group's debt financing plans, loan conditions and compliance with internal requirements ratios in the balance. Excess liquidity in each company, beyond the requirements for working capital, is deposited in interest-bearing accounts with financial institutions.

The table below specifies the Group's financial liabilities that are not derivatives classified according to maturity structure. Classification is carried out according to the maturity date of the contract. The amounts are agreed undiscounted cash flows.

December 31, 2017 *(NOK'000)*	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**
Borrowings	142 083	2 532 874	974
Financial lease liabilities	34 936	82 014	22 031
Trade and other payables	291 055	-	-
Financial guarantee contracts	27 772	-	-

December 31, 2016 *(NOK'000)*	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**
Borrowings	198 121	2 652 079	-
Financial lease liabilities	29 109	62 127	17 631
Trade and other payables	249 058	-	-
Financial guarantee contracts	28 135	-	-

Loans that mature between 1-5 years consists mainly of bonds of NOK 2 235 maturing in full July 10, 2019. The Group's interest rate swaps are not included since these maturities are congruent with the payment of interest on the bond and provide a fixed cash flow of the hedged portion of the loan.

23.2 Capital management

The Group aims related to capital management are to safeguard the Group's ability to continue operations in order to provide shareholders and other stakeholders a return on investment, and to maintain an optimal capital structure in order to reduce the cost of capital.

To maintain or adjust the capital structure, the Group can distribute capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital based on gearing. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is based on total debt obligations (including debt prior to admission costs, and non-interest-bearing liabilities as shown in the balance sheet to the Group) net of cash and cash equivalents.

Adjusted EBITDA is used to consider the underlying profitability of the business in a given period. This financial indicator is not defined under IFRS. The indicator is calculated by adjusting EBITDA for any item (positive or negative) with the character of being a one-time event, not recurring, extraordinary, unusual or exceptional. Adjusted EBITDA is calculated in the following manner;

(NOK'000)	**2017**	**2016**
EBITDA	**423 225**	**309 059**
Change in provision for onerous contract	-2 114	-3 066
Gains on sale of real estate	-	-17 310
Close down of landfill	-7 000	7 101
Other non-recurring items	250	4 264
Adjusted EBITDA	**414 361**	**300 048**

The debt ratio as of December 31, was;

(NOK'000)	**2017**	**2016**
Cash and cash equivalents	176 995	167 724
Loan facility	549	459
Leasing facility	129 071	101 344
Senior secured note	2 270 335	2 273 707
Senior bank debt	2 641	4 224
Net debt	**2 225 600**	**2 212 010**
Adjusted EBITDA	414 361	300 048
Debt ratio	**5,37**	**7,37**

See appendix 1 for definitions and descriptions of the alternative performance indicators presented above.

24 Financial instruments

Financial instruments by category

December 31, 2017 *(NOK'000)*	**Loans and receivables**	**Assets at fair value through profit or loss**	**Derivatives used for hedging**	**Total**
Assets:				
Trade receivables	588 348	-	-	588 348
Other receivables excluding pre-payments	104 791	-	-	104 791
Cash and cash equivalents	176 995	-	-	176 995
Total financial assets	**870 134**	**-**	**-**	**870 134**
Liabilities:				
Borrowings (excluding finance lease liabilities)	2 414 179	-	-	2 414 179
Financial lease liabilities	129 071	-	-	129 071
Other financial liabilities	-	16 015	9 318	25 334
Trade payables	287 738	-	-	287 738
Other payables excluding non-financial liabilities	321 572	-	-	321 572
Total financial liabilities	**3 152 559**	**16 015**	**9 318**	**3 177 893**

December 31, 2016 *(NOK'000)*	**Loans and receivables**	**Assets at fair value through profit or loss**	**Derivatives used for hedging**	**Total**
Assets:				
Trade receivables	484 561	-	-	484 561
Other financial assets	-	3 581	-	3 581
Other receivables excluding pre-payments	105 817	-	-	105 817
Cash and cash equivalents	167 724	-	-	167 724
Total financial assets	**758 102**	**3 581**	**-**	**761 683**
Liabilities:				
Borrowings (excluding finance lease liabilities)	2 395 256	-	-	2 395 256
Financial lease liabilities	101 344	-	-	101 344
Other financial liabilities	-	-	24 885	24 885
Trade payables	238 716	-	-	238 716
Other payables excluding non-financial liabilities	284 808	-	-	284 808
Total financial liabilities	**3 020 124**	**-**	**24 885**	**3 045 009**

Credit quality of financial assets
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

All new customers are being credit rated before payments and delivery terms are being offered. Further, customers are split into three groups:

- Group 1 – customers with no defaults in the past or within 30 days past due.
- Group 2 – customers between 31 and 90 days past due.
- Group 3 – customers with more than 91 days past due or where the financial asset have been sent to collection.

(NOK'000)	**2017**	**2016**
Group 1	573 938	467 673
Group 2	11 610	17 173
Group 3	9 361	8 111
Total trade receivables (gross)	**594 909**	**492 957**

Past due not impaired accounts receivables

(NOK'000)	**2017**	**2016**
Within 3 months	147 522	105 435
3 to 6 moths	2 266	2 707
Total past due not impaired accounts receivables	**149 788**	**108 141**

Based on historical data, the Group uses a standard formula for calculating of provision for bad debts. In addition, an individual assessment of the receivables. Provisions for losses are considered to cover the actual losses that are expected in relation to accounts receivable.

The carrying amounts of the group's trade receivables are denominated in the following currencies:

(NOK'000)	**2017**	**2016**
NOK	481 139	398 475
DKK	5 645	9 631
EUR	51 700	37 445
USD	23 421	19 391
SEK	26 400	24 885
Other currencies	6 604	3 129
Total trade receivables (gross)	**594 909**	**492 957**

Movements on the group provision for impairment of trade receivables are as follows:

(NOK'000)	**2017**	**2016**
Provision as of 1.1.	**8 397**	**4 624**
Provisions made during the year	7 030	9 616
Receivables written off as uncollectible	(7 839)	(4 992)
Unused amounts reversed	(1 027)	(851)
Provision as of 31.12.	**6 562**	**8 397**

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The group does not hold any collateral as security.

Scomi-receivable
In 2009 it was signed an agreement between Norsk Gjenvinning Offshore AS (NGO) and Scomi Oiltools (Europe) Limited NUF (Scomi) primarily to safeguard obligations relating to the treatment of drill cuttings and waste water generated from the BP drilling operations on the Skarv field in Nordland. NGO has had an ongoing dispute with Scomi in relation to understanding of the agreement and implementation of the project. The relationship has been up to arbitration where a verdict was pronounced in March 2014, and Norsk Gjenvinning Offshore AS was awarded NOK 40 million plus interest and legal costs. As of December 31, 2017 NOK 9.0 million is recognised as other current receivables (2016: NOK 9.4 million), see note 16.

25 Other financial assets and liabilities

December 31 *(NOK'000)*	**2017**		**2016**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - cash flow hedge	-	9 318	-	24 885
Forward foreign exchange contracts	-	13 899	2 639	-
Metal derivatives	-	2 116	942	-
Total carrying value	**-**	**25 334**	**3 581**	**24 885**
Non-current items:	-	9 318	-	24 885
Current items:	-	16 015	3 581	-

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Interest rate swaps

2017

Principal amount (NOK'000)	**Currency**	**Start date**	**Mature date**	**Fixed rate**	**MTM (NOK'000) ***
240 000	NOK	12.01.2015	10.01.2018	2,987 %	(161)
360 000	NOK	12.10.2015	10.01.2018	2,987 %	(263)
900 000	NOK	10.07.2017	10.07.2019	1,355 %	(5 762)
500 000	NOK	10.01.2018	10.01.2019	1,360 %	(3 133)
2 000 000					**(9 318)**

2016

Principal amount (NOK'000)	**Currency**	**Start date**	**Mature date**	**Fixed rate**	**MTM (NOK'000) ***
320 000	NOK	10.07.2014	10.07.2017	2,899 %	(3 024)
480 000	NOK	12.10.2015	10.07.2017	2,899 %	(4 522)
240 000	NOK	12.01.2015	10.01.2018	2,987 %	(4 743)
360 000	NOK	12.10.2015	10.01.2018	2,987 %	(7 091)
900 000	NOK	10.07.2017	10.07.2019	1,355 %	(3 931)
500 000	NOK	10.01.2018	10.01.2019	1,360 %	(1 575)
2 800 000					**(24 885)**

Accrued interest on derivative is classified as current liability

The Company uses interest rate swaps to swap floating margins on loans to fixed rates. The interest rate swap switches a floating 3-month NIBOR with fixed rate as shown in the table above. The floating interest rate was 0.81% as of December 29, 2017 (2016: 1.17% pa). Gains and losses of the hedging instruments are recognized in other comprehensive income. The Loan margin (5.25%) are additional to the fixed rate.

Forward currency exchange contracts
Forward currency exchange contracts are used to reduce exposure to currency fluctuations related to the Group's cash. Gains and losses (net) on hedging instruments are included as part of Finance costs (note 10).

Metal derivatives
Metal derivatives are held for trading purposes. Gains and losses (net) are included in other (gains)/losses-net (note 9).

Fair value estimation
The following table presents the groups' financial assets and liabilities that are measured at fair value:

31.12.2017 *(NOK'000)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets/liabilities(-) at fair value through profit or loss				
Forward foreign exchange contracts	-	(13 899)	-	(13 899)
Metal derivatives	-	(2 116)	-	(2 116)
Derivatives used for cash flow hedging				
Interest rate swaps	-	(9 318)	-	(9 318)

31.12.2016 *(NOK'000)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets/liabilities(-) at fair value through profit or loss				
Forward foreign exchange contracts	-	2 639	-	2 639
Metal derivatives	-	942	-	942
Derivatives used for cash flow hedging				
Interest rate swaps	-	(24 885)	-	(24 885)

There were no transfers between the levels during the year. Fair value of financial instruments not traded in an active market (for example counter derivatives) are determined by using the Bank's estimated value of the instrument (MTM value). The Group assesses and selects methods and assumptions that are mainly based on market conditions at each reporting date. The different levels have been defined as follows;

(a) *Financial instruments in level 1*
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

(b) Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3
If one or more of the significant inputs is not based on observable market data, the
Instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

26 Non-controlling interests

The Group has control over three subsidiaries where non-controlling interest exist.

(NOK'000)	Place of business	Non-controlling ownership interest	Share of net profit	Accumulated ownership interest December 31
iSekk AS	Oslo	45 %	7 666	8 928
Østfold Gjenvinning AS	Fredrikstad	34 %	308	5 910
R3 Entreprenør Holding AS*	Oslo	18,75 %	955	6 689
Total			**8 930**	**21 527**

* R3 Entreprenør Holding AS controls 100% of R3 Entreprenør AS. Amounts relates to the consolidated accounts for R3 Entreprenør Holding AS with subsidiary (R3 Group). All amounts are after eliminations in the sub-group, before eliminations of transaction with other group companies.

Dividend

During 2017 a dividend of NOK 11 900 thousand (2016: NOK 6 126 thousand) has been paid from iSekk AS, of which NOK 5 355 thousand (2016: NOK 2 757 thousand) to non-controlling interest. Dividend to non-controlling interest is presented under cash flow from investing activities.

Summarised financial information 2017

(NOK'000)	iSekk AS	Østfold Gjenvinning AS	R3 Group
Items in profit or loss 2017			
Total operating revenue	93 141	38 625	227 237
Profit / (loss) for the period	17 036	907	5 094
Items in financial position as of December 31, 2017			
Non-current asset	2 381	15 985	26 950
Current assets	32 602	9 232	56 466
Total assets	**34 983**	**25 217**	**83 416**
Equity	19 900	16 787	40 439
Non-current liabilities	310	2 724	2 896
Current liabilities	14 773	5 707	40 080
Total equity and liabilities	**34 983**	**25 217**	**83 416**
Cash flow 2017	6 420	4 521	-5 015

Summarised financial information 2016

(NOK'000)	iSekk AS	Østfold Gjenvinning AS	R3 Group
Items in profit or loss 2016			
Total operating revenue	80 323	38 419	227 694
Profit / (loss) for the period	11 862	-520	4 174
Items in financial position as of December 31, 2016			
Non-current asset	2 261	17 522	30 525
Current assets	24 968	5 791	53 187
Total assets	**27 228**	**23 313**	**83 711**
Equity	14 790	15 720	37 706
Non-current liabilities	717	2 221	9 553
Current liabilities	11 721	5 372	36 452
Total equity and liabilities	**27 228**	**23 313**	**83 711**
Cash flow 2016	6 520	-1 978	13 728

27 Assets held for sale

The Group has a real-estate portfolio in which considerations of strategic- and financial opportunities to optimize the value of the real estates are considered on a continual basis, including considerations of potential sale- and leaseback transactions. The real estates are structured in five single-purpose entities and there is expected that potential transactions will be completed through a sale of all shares in each of the single-purpose entities. Each of the five real-estate companies have operational rental agreements with Norsk Gjenvinning Miljøeiendommer AS.

As of the date of these financial statements NOK 207 million of recognised assets relating to property, plant and equipment and related deferred tax assets presented as assets held for sale in the statement of financial position, as there is considered as highly probable that the assets will be sold in its present condition during the next twelve months. The single-purpose entities has assets in the form of property, plant and equiptment and deferred tax positions which will be derecognised in the event that a future sale is carried out. For further details relating to the the assets see notes 13 for property, plant and equiptment and 11 for deferred tax positions.

(NOK'000)	2017	2016
Property, plant and equipment	199 368	0
Deferred tax asset	7 980	0
Assets held for sale	**207 348**	**0**

The Group has after the balance sheet date entered sale agreements for all of the single purpuse entities presented above, see note 29 for further details.

28 Business combinations

There were no acquisitions in the year ending December 31, 2017.

Business combination - 2016
On June 7, 2016 (acquisition date) the group gained control over Sortera Norge AS through a purchase of all the outstanding shares in the company. The primary reason for the business combination is to strengthen our position in the market for waste bags.

A total consideration of NOK 12 512 thousand was agreed upon and fully settled in cash. The consideration consisted of a down payment of existing shareholder loan in the acquiree and consideration for the outstanding shares in the company.

The cash flow effect is included on the line Purchase of shares in subsidiaries and associates, net of cash and cash equivalents taken over as part of the transaction (NOK 261 thousand).

Expenses incurred in connection with the business combination has been taken to profit or loss in other operating expenses with NOK 427 thousand.

The business combination is accounted for by applying the acquisition method, in which identifiable assets acquired and liabilities assumed are measured to fair value at the acquisition date. Deferred tax assets are measured to nominal value.

(NOK'000)	**Purchase price allocation**
Deferred tax assets	4 374
Property, plant and equipment	11 273
Other non-current receivables	391
Inventories	434
Trade and other current receivables	3 460
Cash and cash equivalents	261
Trade and other current payables	(3 069)
Financial leasing liabilities	(11 040)
Net identifiable assets	**6 085**
Goodwill	6 427
Total consideration	**12 512**

The recognised goodwill reflects the expected synergies from combining the operations of Sortera Norge with those of the Recycling division in Oslo. Fair value of acquired receivables where NOK 3 851 thousand, which coincides with gross amounts receivable (NOK 4 112 thousand) less expected non-collectable amounts (NOK 261 thousand). Goodwill resulting from the business combination is not deductible for tax purposes.

The acquired business contributed revenues of NOK 12 373 thousand and a net loss of NOK 1 087 thousand from the acquisition date to December 31, 2016. If the business acquisition had occurred on January 1, 2016, consolidated pro-forma revenue and loss for the year ended December 31, 2016 would have been NOK 4 004 605 thousand and NOK 87 266 thousand respectively.

29 Events after the reporting period

After the balance sheet date, the Group entered into two agreements for sale of a real estate portfolio located in five fully owned subsidiaries. Estimated net proceeds from the sales are estimated to NOK 706 million, of which NOK 71 million relates to sale of Hegstadmoen 7 AS and NOK 635 million relates to sale of Øra Eiendom Utvikling AS, Opphaugveien 6 AS, Taranrødveien 85 AS and Bingsa AS. Each of the entities, which are sold, have operational rental agreements with Norsk Gjenvinning Miljøeiendommer AS. Annual rent for the properties in 2018 are NOK 53.5 million.

The related asset values as of December 31, 2017 is presented as assets held for sale in consolidated statement of financial position. See note 27 for further details relating to assets classified as held for sale.

The Groups' leased waste recycling facility at Alnabru in Oslo experienced a fire in March 2018. The Group has full risk insurance on fixed equipment and machinery as well as a 24-month business interruption insurance with Tryg Forsikring. The building is insured by the lessor. Norsk Gjenvinning's insurance has a deductible own risk fee of NOK 2 million and a waiting period of 20 days. The preliminary conclusions are that the fire is unlikely to have a material adverse financial effect on the Norsk Gjenvinning Group.

The Group have entered into an agreement to purchase all remaining shares of Isekk AS (45%), a partly owned subsidiary. See note 26 for further information relating to non-controlling interest in the subsidiary.

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STATEMENT OF PROFIT OR LOSS – January 1–December 31

(NOK'000)	Note	2017	2016
Other operating expenses	6	1 091	3 199
Operating profit		**(1 091)**	**(3 199)**
Interest income from group companies	7, 10	92 017	94 658
Other financial income	7	1	12
Interest expense to group companies	7, 10	11 772	10 928
Other financial expenses	7	181 582	185 706
Profit / (loss) before income tax		**(102 428)**	**(105 163)**
Income tax expense	5	(23 369)	(22 156)
Profit / (loss) for the period from continuing operations		**(79 058)**	**(83 007)**
Cash flow hedges (after tax)	5, 8	11 738	25 813
Comprehensive income for the period		**(67 321)**	**(57 193)**
Transfers			
Allocation to/from(-) other equity reserves		(67 321)	(57 193)
Total transfers		**(67 321)**	**(57 193)**

BALANCE SHEET - DECEMBER 31

ASSETS

(NOK'000)	Note	2017	2016
Non-current assets			
Intangible assets			
Deferred tax assets	5	13 801	10 489
Total intangible assets		**13 801**	**10 489**
Financial non-current assets			
Investment in subsidiaries	1	1 399 982	1 386 416
Loan to group companies	2, 9, 11	1 157 950	1 245 233
Total financial non-current assets		**2 557 933**	**2 631 649**
Total non-current assets		**2 571 734**	**2 642 138**
Receivables			
Receivables from group companies	2, 9	70 556	197 906
Other current receivables	9, 11	183	-
Total receivables		**70 739**	**197 906**
Cash and cash equivalents	11, 12	1 145	1 281
Total current assets		**71 884**	**199 188**
Total assets		**2 643 619**	**2 841 326**

BALANCE SHEET - DECEMBER 31

EQUITY AND LIABILITIES			
(NOK'000)	**Note**	**2017**	**2016**
EQUITY			
Share capital	3, 4	45 348	45 348
Share premium	3	330 011	330 011
Other paid in capital	3	14 768	17 429
Other equity	3	(243 688)	(176 367)
Total equity		**146 439**	**216 421**
LIABILITIES			
Other non-current liabilities			
Loans from group companies	2, 9, 11	158 927	147 154
Senior secured note bond	9, 11	2 216 728	2 204 711
Derivative financial instruments	8, 11	9 318	24 885
Total other non-current liabilities		**2 384 973**	**2 376 751**
Current liabilities			
Trade payables	9, 11	6	176
Current income tax	5	3 339	3 339
Loans and borrowings	9, 11	35 884	39 166
Current payables to group companies	2, 9	70 556	202 906
Other current payables	9	2 421	2 566
Total current liabilities		**112 206**	**248 154**
Total liabilities		**2 497 179**	**2 624 905**
Total Equity and liabilities		**2 643 619**	**2 841 326**

Lysaker March 20, 2018

Ole Enger
Chairman of the Board

Erik Osmundsen
Chief Executive Officer

Per-Anders Hjort
Deputy Chairman of the Board

Reynir Kjær Indahl
Director

Christian Melby
Director

Yngve Longva Moland
Director

Lasse Stenskrog
Director

Cecilie Skauge
Director

STATEMENT OF CASH FLOW – JANURARY 1 – DECEMBER 31

(NOK'000)	Note	2017	2016
Profit / (Loss) before income tax		**(102 428)**	**(105 163)**
Adjustments for:			
Financial items without cash effect		(71 510)	(70 780)
Items classified as investing- or financing activities	7	172 071	172 894
Change in other receivables	9	(183)	122
Change in accounts payable and other current payables		(315)	2 679
Net cash flow from operating activities		**(2 365)**	**(248)**
Net group contributions received/paid (-) from/to subsidiaries	2	-	76 360
Net change in borrowings to group companies	9	179 300	95 000
Net cash flow from investing activities		**179 300**	**171 360**
Net group contributions received/paid (-) from/to parent	2	(5 000)	1 841
Debt related expenses		(3 217)	-
Paid interest expense		(168 854)	(172 894)
Net cash flow from financing activities		**(177 071)**	**(171 054)**
Net increase in cash and cash equivalents		**(136)**	**59**
Cash and cash equivalents at beginning of period		1 281	1 223
Cash and cash equivalents at end of period		**1 145**	**1 281**

Notes to the parent company financial statements

Accounting Principles

Financial statements
The financial statements have been prepared in accordance with the provisions of the Norwegian Accounting Act on simplified IFRS issued in a separate regulation (Regulation on Simplified Application of the International Financial Reporting Standards, Chapter 4, as adopted by the Norwegian Ministry of Finance on 21 January 2008) appended to the Norwegian Accounting Act, § 3-9, fifth paragraph.

Structure
The company was capitalised for the purpose of acquiring the shares of Veolia Miljø AS and Veidekke Gjenvinning AS with effect from 1 April 2011 and 1 July 2011 respectively. Veidekke Gjenvinning AS was subsequently sold to Norsk Gjenvinning AS at cost and merged. Veolia Miljø AS has since changed its name to Norsk Gjenvinning Norge AS. After this, only some minor structural changes have been implemented.

Income statement
Departures from accounting principles
Departures have been made from IAS 10, paragraphs 12 and 13, and IAS 18, paragraph 30 so that dividends and Group contributions are accounted for in accordance with the provisions of the Norwegian Accounting Act.

In accordance with IFRS 8 and IAS 33, the company chooses not to present segment information and earnings per share, respectively.

The company chooses not to include a separate statement of changes in equity, but presents the changes in a separate note.

Use of estimates
The preparation of financial statements in accordance with the Norwegian Accounting Act requires the use of estimates. Furthermore, application of the company's accounting principles requires management to exercise judgement. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the change occurs. If the changes also apply to future periods, the effect is allocated over the current and future periods.

Shares in subsidiaries
Subsidiaries are entities over which the parent company has control, and thus the power to govern the financial and operating strategies of the entity, generally by owning more than half of the voting capital.

Classification of balance sheet items
Assets intended for permanent ownership or use are classified as non-current assets. Assets related to the operating cycle are classified as current assets. Receivables are otherwise classified as current assets if they are due within one year. Analogous criteria apply for liabilities.

Receivables
Other receivables, both current assets and non-current assets, are recognised at the lower of nominal and fair value. Fair value is the present value of expected future payments. However, the value is not discounted when the effect of discounting is immaterial to the financial statements. Provisions for losses are measured in the same manner as trade receivables.

Hedging
The Company uses interest rate swaps to hedge future interest payments on debt. For accounting purposes, interest rate swaps are classified as hedging instruments. The change in fair value is recognised in other comprehensive income.

Liabilities
Long-term liabilities are stated at fair value less transaction costs when payment is made. In subsequent periods, liabilities are stated at amortised cost.

Provisions
Provisions for legal claims are recognised when the company has a present legal or constructive obligation because of past events, it is probable that the obligation will be settled by a transfer of financial resources and the obligation can be reliably estimated.

Tax
The tax expense in the income statement comprises both current tax and changes in deferred tax. Deferred tax is calculated based on temporary differences between carrying amounts and tax bases, as well as any tax loss carry-forwards at the end of the financial year. Taxable and deductible temporary differences, which reverse or may reverse in the same period, are offset. The recognition of deferred tax assets on net deductible temporary differences that have not been offset and tax loss carry-forwards is made based on expected future earnings. Deferred tax and tax assets are recognised on a net basis in the balance sheet.

Tax reductions on Group contributions paid, and tax on Group contributions received that are recognised as a reduction of the carrying amount of investments in subsidiaries are recognised directly against tax in the balance sheet (against current tax if the Group contribution affects current tax payable, and against deferred tax if it affects deferred tax). Deferred tax in the company's financial statements and in the consolidated financial statements is stated at nominal value.

Statement of cash flows
The statement of cash flows has been prepared using the indirect method. Cash and cash equivalents comprise cash, bank deposits and other short-term highly liquid investments, which immediately and without significant currency risk are convertible into known amounts of cash with remaining maturities of less than three months from the purchase date.

Note 1 Subsidiaries

VV Holding AS owns 100% of the shares in Norsk Gjenvinning Norge AS. There are no limitations on voting rights and the voting rights correspond to the ownership share.

(NOK'000)	Equity last year (100%)	Profit/(loss) last year	Carrying value
Norsk Gjenvinning Norge AS	447 704	114 712	1 399 982

Note 2 Balance with group companies, etc.

VV Holding AS have provided a loan to the subsidiary Norsk Gjenvinning Norge AS and drawn a loan from the parent company VV Holding II AS. The loans are ranked last by order of priority and will not be paid before the borrower has fulfilled all payment obligations to other creditors.

(NOK'000)	2017	2016
Financial non-current assets		
Loan to Norsk Gjenvinning Norge AS	1 157 950	1 245 233
Total	**1 157 950**	**1 245 233**
Other non-current liabilities		
Loan from VV Holding II AS	158 927	147 154
Total	**158 927**	**147 154**
Receivables from group companies		
Receivable group contributions	70 556	197 906
Total	**70 556**	**197 906**
Current payables to group companies		
Payable group contributions	70 556	202 906
Total	**70 556**	**202 906**

Note 3 Shareholders' equity

During 2017 the following changes to equity occurred:

(NOK'000)	Share capital	Share premium	Other paid in capital	Other equity	Total
Carrying value 1.1	**45 348**	**330 011**	**17 429**	**(176 368)**	**216 421**
Current year loss	-	-	-	(79 058)	(79 058)
Other comprehensive income	-	-	-	11 738	11 738
Group contributions received	-	-	8 908	-	8 908
Group contributions paid	-	-	(11 569)	-	(11 569)
Carrying value 31.12	**45 348**	**330 011**	**14 768**	**(243 688)**	**146 439**

Note 4 Share capital and shareholder information

The company are included in the POS Holding AS Group. The consolidated accounts which include the company can be obtained from the Group's head office in Oslo (address Lysaker Torg 35, PO 567 Skøyen, 0214 Oslo, telephone 22 12 96 00).

The share capital of kr. 45 347 900 consists of 453 479 shares with nominal value of kr. 100. All shares have the same rights, and all shares are owned by VV Holding II AS.

Note 5 Taxes

Calculation of deferred tax/deferred tax asset *(NOK'000)*	**2017**	**2016**
Temporary differences		
Transactions cost loans	18 272	30 289
Interest rate swaps (change in deferred tax not recognised in the profit or loss accounts)	(9 318)	(24 885)
Net temporary differences	**8 954**	**5 404**
Tax losses carried forward	(68 961)	(49 107)
Basis for deferred tax/(deferred tax asset)	**(60 008)**	**(43 703)**
Deferred tax/(deferred tax asset) 23% / 24%	(13 802)	(10 489)

Basis for income tax expense, changes in deferred tax and tax payable *(NOK'000)*	**2017**	**2016**
Profit/(loss) before tax	(102 428)	(105 163)
Permanent differences	-	2 430
Change in tax losses carried forward	19 854	(107 224)
Change in temporary differences with influence on taxable income	12 017	12 050
Basis for payable tax in the statement of profit or loss	**(70 556)**	**(197 906)**
+/÷ Group contributions received/(given)	70 556	197 906
Taxable income (basis for payable taxes in the balance sheet)	**-**	**-**

Components of the income tax expense *(NOK'000)*	**2017**	**2016**
Payable tax on current year result	-	-
Adjustments in respect of prior years	-	3 339
Total payable tax	**-**	**3 339**
Change in deferred tax	(3 313)	32 917
Tax effect of group contributions not recognised in profit or loss	(16 228)	(49 477)
Correction for tax on differences recognised directly in the balance sheet (interest rate swaps) which are included in the calculation of deferred tax	(3 829)	(8 936)
Tax expense/(income)	**(23 369)**	**(22 156)**

Reconciliation of the income tax expense *(NOK'000)*	**2017**	**2016**
Profit before tax	**(102 428)**	**(105 163)**
Calculated tax 24/25%	(24 583)	(26 291)
Tax expense/(income) in statement of profit or loss	(23 369)	(22 156)
Difference	**(1 213)**	**(4 135)**

The difference consist of:		
24/25% of permanent differences	-	608
Change in deferred tax due to change in tax rate	507	188
Change in deferred tax related to derivative	3 829	8 936
Tax expense in other comprehensive income for the year	(3 829)	(8 936)
Other differences	706	3 339
Total explained differences	**1 213**	**4 135**

Reconciliation of tax expense in comprehensive income for the year	2017	2016
Cash flow hedge before tax	15 567	34 750
Tax expense	3 829	8 936
Cash flow hedge after tax	**11 738**	**25 813**

Payable tax in the balance sheet *(NOK'000)*	**2017**	**2016**
Payable tax from previous periods	3 339	3 339
Payable tax in the balance sheet	**3 339**	**3 339**

Note 6 Operating expenses

The company has no employees. The subsidiary, Norsk Gjenvinning Norge AS performs administrative services for the company. The company has not been charged for any of these services.

The general manager does not receive any salary from the company.

The company does not have any employees and are not required to have pension schemes, which meet the requirements of the law on compulsory occupational pension.

Expensed audit fee (excl. VAT) *(NOK'000)*	**2017**	**2016**
Statutory audit (including technical assistance with financial statements)	305	70
Other assurance services	-	34
Tax advisory fee (including technical assistance with tax return)	412	251
Total audit fee (excl. VAT)	**717**	**355**

Note 7 Financial income and expenses

Financial income *(NOK'000)*	**2017**	**2016**
Interest income from group companies	92 017	94 658
Other interest income	1	12
Total financial income	**92 018**	**94 670**

Financial expenses *(NOK'000)*	**2017**	**2016**
Interest expense to group companies	11 772	10 928
Other interest expense	177 599	185 134
Other financial expenses	3 983	573
Total financial expenses	**193 354**	**196 635**

Note 8 Financial management and derivatives

Foreign exchange rate risk
The company does not have transactions in foreign currency and has no exchange risk.

Liquidity risk
The company has limited liquidity risk. The company are follow up its cash management through budgets and consecutive forecasts. The group's long-term capital requirements is covered through a super floating rate note (the bond) and long-term debt to group companies. The bond has maturity date July 10, 2019.

Credit risk
Credit risk are related to transactions with customers and bank deposits. The responsibility for credit management is centralized and the routines are a part of the company's quality system. The company has no external customers.

Interest rate risk
The company is exposed for changes in the interest marked if the group have a significant amount of interest-bearing debt. To reduce the effect of changes in the interest rate the company have entered interest swap rate agreements with duration of 1-2 years.

Interest rate swap agreements
To limit the interest rate risk the company has entered into interest rate swap agreements. The nominal principal on the outstanding interest swap rate agreement as of December 31, 2017 was NOK 2 000 000 thousand (2016: NOK 2 800 000 thousand).

The maturity date on interest swap rate agreements are;

- January 10, 2018 for nominal principal of NOK 600 000 thousand,
- January 10, 2019 for nominal principal of NOK 500 000 thousand and
- July 10, 2019 for nominal principal of NOK 900 000 thousand.

As of December 31, 2017 the fixed-rate for the interest swaps was 2.987% for the agreement with maturity January 10, 2018, 1.360% for the agreement with maturity date January 10, 2019 and 1.355% for the agreement with maturity July 10, 2019. The floating interest rate (3 month NIBOR) was 0.81 % as of December 31, 2017 (2016: 1.17 %) p.a. Profit and loss on the hedging instrument are recognised in other comprehensive income.

Carrying value of the interest rate swaps designated as cash flow hedge:

(NOK'000)	**2017**	**2016**
Asset	-	-
Liabilities	9 318	24 885

The fair value of hedging instruments are classified as long-term assets or liabilities if the remaining term to maturity is more than 12 months from the balance sheet date and as short-term assets or liabilities if the remaining term to maturity is less than 12 months from the balance sheet date.

Note 9 Receivables and liabilities

(NOK'000)	**2017**	**2016**
Current receivables		
Receivables at nominal value	183	-
Current receivables from group companies	70 556	197 906
Total	**70 739**	**197 906**
Non-current receivables		
Loan to group company (Norsk Gjenvinning Norge AS)	1 157 950	1 245 233
Total	**1 157 950**	**1 245 233**

(NOK'000)	**2017**	**2016**
Current liabilities		
Accrued interest expense bond and interest rate swaps	35 335	38 707
Debt to credit institutions	549	459
Trade payables	6	176
Payable group contributions	70 556	202 906
Other current payables	2 421	2 566
Total	**108 867**	**244 815**
Non-current liabilities		
Senior secured note	2 216 728	2 204 711
Debt to group company (VV Holding II AS)	158 927	147 154
Total	**2 375 655**	**2 351 866**

On July 10, 2014, VV Holding AS issued a senior secured floating rate note (the bond) of MNOK 2 235, which matures on July 10, 2019 and shall be fully repaid by this date. The bond was listed on the Oslo Stock Exchange June 12, 2015. The interest rate is set quarterly at 3 month NIBOR +525 basis points. 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 MNOK 500, 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

- 4.50 from 18 months to 48 months after the date of issuance
- 4.00 from 48 months after the date of issuance

Loan from parent company matures at July 8, 2020. The interest rate is 8 %, which is accrued on the principal yearly.

As part of the financing of the Group the following companies have guaranteed for the loan and credit facilities, Norsk Gjenvinning Norge AS, Norsk Gjenvinning AS, Norsk Gjenvinning Industri AS, Norsk Gjenvinning Metall AS, Norsk Gjenvinning Miljøeiendommer AS, Norsk Gjenvinning Renovasjon AS, Norsk Gjenvinning Downstream AS, NG Vekst AS and Norsk Makulering AS, Bingsa AS, Hegstadmoen 7 AS, Opphaugveien 6 AS, Taranrødveien 85 AS, Øra Eiendom Utvikling AS, Humlekjær & Ødegaard AS, Norsk Gjenvinning M3 AS, Løvaas Transportfirma AS and Nordisk Återvinning Service AB.

There are deposited securities in shares, property, plant and equipment, inventories, trade receivables, receivables from group companies and their corresponding rights. Each class of assets is pledged for MNOK 3 500.

Note 10 Related-party transactions

The company has entered an agreement with its subsidiary Norsk Gjenvinning Norge AS for rent of administrative services. The company has not been charged for these services in 2017 The Company has loans to and from group companies. These loans are calculated with an interest rate of 8 %.

Transactions with related parties *(NOK'000)*	**2017**	**2016**
Interest income from borrowings	92 017	94 658
Interest expense from loans	11 772	10 928

Note 11 Financial instruments by category

December 31, 2017 *(NOK'000)*	**Loan and receivables**	**Derivatives designated as hedging instrument**
Assets		
Borrowings	1 157 950	-
Other receivables	70 739	-
Cash and cash equivalents	1 145	-
Total assets	**1 229 835**	**-**
Liabilities		
Loans	2 411 539	-
Derivative financial instruments	-	9 318
Trade and other payables excluding non-financial liabilities	70 562	-
Total liabilities	**2 411 539**	**9 318**

December 31, 2016 *(NOK'000)*	**Loan and receivables**	**Derivatives designated as hedging instrument**
Assets		
Borrowings	1 245 233	-
Other receivables	197 906	-
Cash and cash equivalents	1 281	-
Total assets	**1 444 421**	**-**
Liabilities		
Loans	2 391 032	-
Derivative financial instruments	-	24 885
Trade and other payables excluding non-financial liabilities	203 219	-
Total liabilities	**2 594 250**	**24 885**

Note 12 Cash and cash equivalents

(NOK'000)	**2017**	**2016**
Cash and bank deposits	1 145	1 281
Cash, cash equivalents and used drawing rights	**1 145**	**1 281**

The company has an unused loan facility (revolver) of MNOK 200 as of December 31, 2017.

Note 13 Guarantees

The company has given a guarantee as security for Norsk Gjenvinning Norge AS's liabilities to Haraldrudveien 31 AS related to a rent agreement of July 6, 2011.

Responsibility statement for VV Holding AS

We confirm that, to the best of our knowledge, the financial statements for the period January 1 to December 31, 2017, have been prepared in accordance with applicable financial reporting standards and give a true and fair view of the parent and Group's assets, liabilities, financial position and profit, and that the board of directors report represents a fair review of the development, performance and position for the parent and group, together with a description of the principal risk- and uncertainties the Group and parent face.

Lysaker March 20, 2018

Ole Enger
Chairman of the Board

Erik Osmundsen
Chief Executive Officer

Per-Anders Hjort
Deputy Chairman of the Board

Reynir Kjær Indahl
Director

Christian Melby
Director

Yngve Longva Moland
Director

Lasse Stenskrog
Director

Cecilie Skauge
Director

Independent auditor's report

To the General Meeting of VV Holding AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VV Holding AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and income statement, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

In February 2018 the Group experienced a change in ownership as described in Board of Directors' report. The transaction valued the Group, which also includes goodwill and intangible assets. As a consequence, we have been able to focus less on the valuation of goodwill and intangible assets in the audit of the 2017 financial statements compared to the audit of the 2016 financial statements. Valuation of deferred tax asset and provisions for environmental- and clean up commitments have been assessed to involve about the same complexity and risk as prior year, and have also in 2017 been a focus area in the performed audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of deferred tax asset	
We refer to note 11 Taxes The Group has recognised a deferred tax asset of MNOK 93. MNOK 28 arises from tax losses carried forward and MNOK 18 from interest reduction carried forward. The booked value of tax losses carried forward exceeds booked value of equity. The Group's ability to utilize deferred tax asset related to tax losses carried forward and interest reduction carried forward, is determined by the Group's ability to generate future taxable profit. Future taxable profit is calculated based on current strategic plans and budgets. Further the Group has assessed timing for utilization of tax losses carried forward and interest reduction carried forward. We have focused on the value of deferred tax asset due to the significant amount it represents, and due to the degree of judgement in management assumptions.	We obtained management's model for calculation of tax losses carried forward in the Group. We challenged management's assumptions related to calculation of future taxable profit. We found the assumptions to be in line with budget and strategic plans. We challenged management's historical accuracy by comparing prior year's assumptions related to future cash flows against current year achieved cash flows. We found the estimate to be reasonable compared to the achieved results. We reviewed management's model and verified that it is mathematically correct. Further we have verified that the model calculates taxable profit on each tax-subject and that the model utilizes group contributions for tax planning purposes between entities in the Group. We have also verified that it takes intercompany liabilities into consideration when calculating the utilization of interest reduction carried forward. We assessed that information disclosed in notes to the financial statements, in an appropriate way, describes the basis for recognising deferred tax asset. Further we assessed consistency concerning requirements in the accounting standards.
Provisions for environmental- and clean-up commitments	
We refer to note 21 Provisions for other liabilities and charges The Group has recognised a provision of MNOK 27 related to environmental- and clean up commitments. Over time, the business has caused environmental effects on land that may	We reviewed management's estimate for future environmental- and clean-up commitments. We assessed the information given by the Group in notes to the financial statements about environmental- and clean-up commitments. We found the information consistent with requirements in the accounting standards. We conducted meetings with the management and the in-house legal counsel where we challenged their assessments of the provisions. To assess the potential of

require future clean-up.

Environmental commitments requires significant use of judgement, both in regards to the method used for clean-up, the extent of the future cash flows, governmental regulations and quantity of hazardous emissions.

The provision for environmental liabilities is based on management's assumptions and judgement, and is therefore a focus area.

other matters that may have been included in the provisions we have in addition made inquiries to the Group's external lawyers and reviewed board minutes.

To evaluate the accuracy in prior year's provisions we assessed these against actual costs and running maintenance expenses. We did not identify any material deviations.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 20 March 2018
PricewaterhouseCoopers AS

Hallvard Helgetun
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Appendix 1 – Alternative Performance Measures (APM)

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

APM	Definition	Why APM gives useful information
Operating profit	The number comes 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 information that is more relevant 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 company's debt financing.
Debt ratio	= adjusted EBTIDA / net debt	Much used measure for capital management.