

NG

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Norsk Gjenvinning Group 4th Quarter 2018

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VV Holding AS is providing the following interim financial statements for Q4 2018 to holders of its NOK 1,386,000,000 Senior Secured Floating Rate Notes due 2019.

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

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

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

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

General

- Positive development in Recycling
- Robust performance in Project Based business
- Successful closing of the M&A transaction with KMT and signed agreement to acquire Øst-Riv
- Continued challenging dynamics in the paper and metal downstream markets

Volumes

- Increased with 1.4% in Q4
- Increased with 0.1% year to date

Revenues

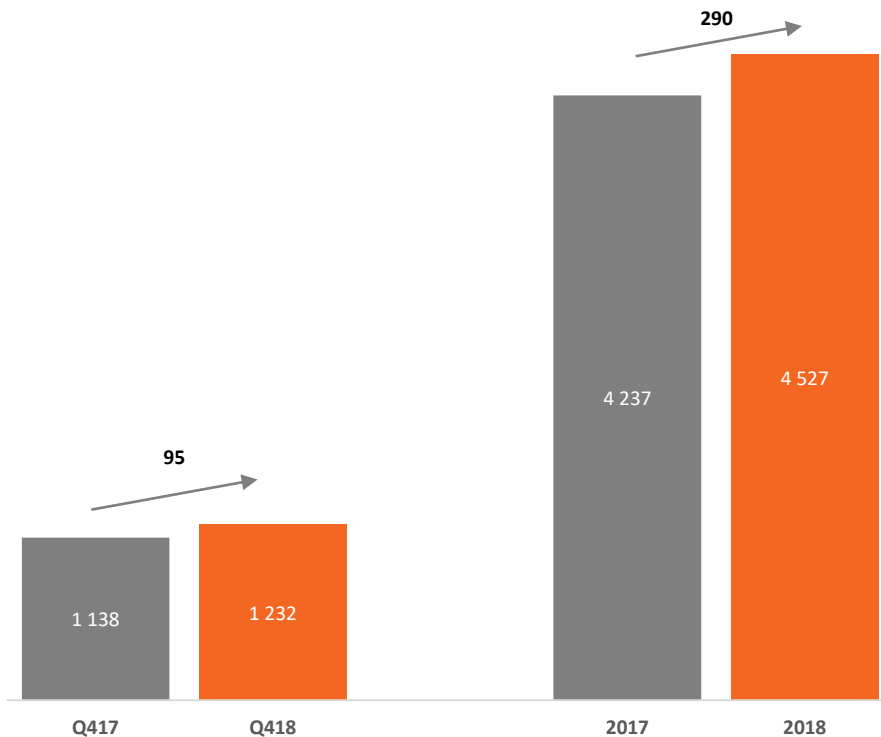
- Operating revenue adjusted for sale of real estate increased with 8.3% in Q4
- Operating revenue adjusted for sale of real estate increased with 6.8% year to date

Gross profit/ margin

- Gross profit adjusted for sale of real estate increased with NOK 28.9 million in Q4
 - Adjusted gross margin was down 1.5pp in Q4
- Gross profit adjusted for sale of real estate increased with NOK 95.6 million year to date
 - Adjusted gross margin was down 1.1pp year to date

EBITDA

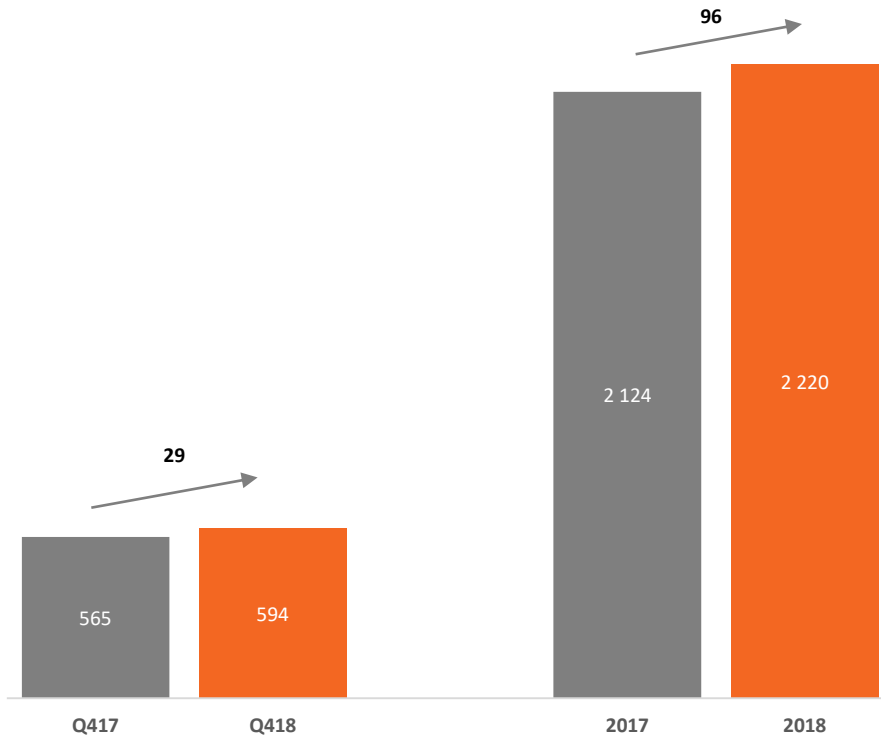
- EBITDA adjusted for sale of real estate was NOK 68.9 million in Q4
 - Adjusted EBITDA margin was 5.5% in Q4
- EBITDA adjusted for sale of real estate was NOK 322.4 million in 2018
 - Adjusted EBITDA margin was 6.4% in 2018



- Increased with 8.3% in Q4
 - Driven by higher activity in sale of services and collection/ handling of waste in Recycling and Project Based Business and higher downstream sales within Metal
- Increased with 6.8% in 2018
 - Driven by Projects Based Business due to increased activity within landfills and industrial cleaning
 - Recycling and Metals also contributing to increased revenues in 2018

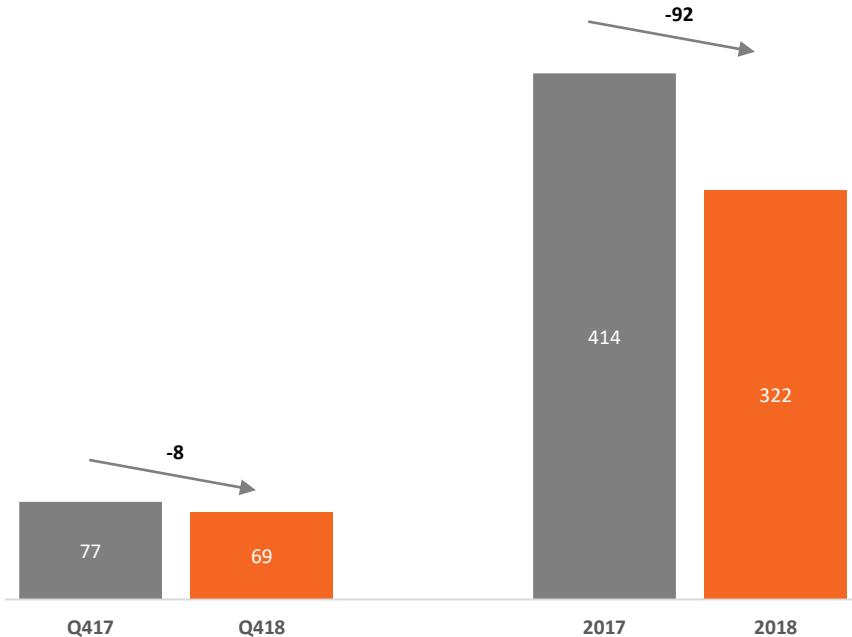
¹) Adjusted for sale of real estate

Gross Profit¹



- Increased with 5.1% in Q4
 - Driven by higher activity in sale of services and collection/ handling of waste in Recycling and Project Based Business
- Increased with 4.5% in 2018
 - Driven by Projects Based Business due to increased activity within landfills and industrial cleaning
 - Household Collection contributes positively due to change in mix between third party suppliers and own personnel

¹) Adjusted for sale of real estate



- Decreased with 10.4% in Q4
 - Driven by higher rent expense from the real estate transactions done in May 2018 (sale/ leaseback), Metals and Household Collection
 - Recycling and Project Based Business contributed positively

- Decreased with 22.2% in 2018
 - Driven by higher rent expense from the real estate transactions done in May 2018 (sale/ leaseback), Recycling, Metals and Household Collection (change in mix between third party suppliers and own personnel)
 - Project Based Business contributed positively

¹⁾ Adjusted for sale of real estate

Q1

Q2

Q3

Q4

Special items

- Negative impact from Easter falling in Q1 in 2018 vs. Q2 in 2017 of NOK 12-14 million
- Fire at GMP plant influencing EBITDA negatively by NOK 6 million

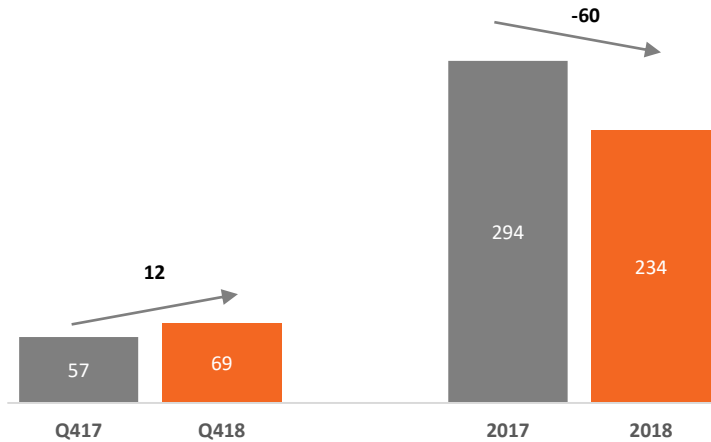
- Positive impact from Easter falling in Q1 in 2018 vs. Q2 in 2017 of NOK 12-14 million
- Divestment of real estate portfolio

- M&A transaction costs NOK 4 million

- M&A transaction costs NOK 6 million

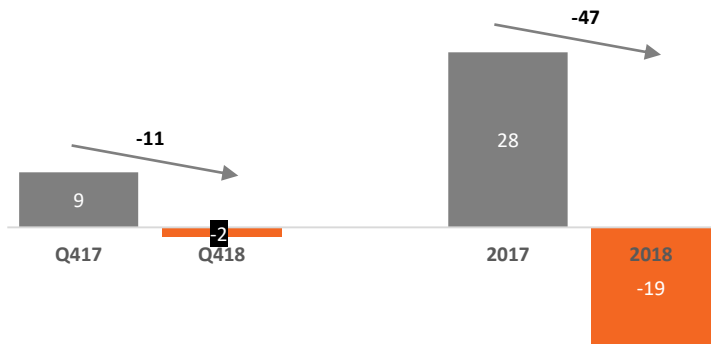
Adjusted earnings by segment¹

Division Recycling



- Increased with 21.8% in Q4
 - Driven by increase in single collection assignments, efficient operations and project sales
- Decreased with 20.3% in 2018
 - Negatively impacted by decreased margin related to paper and plastics with approximately NOK 35 million

Division Metals

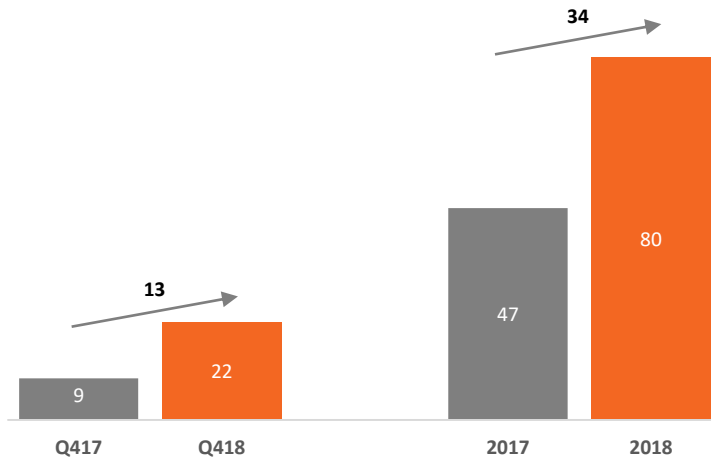


- Negative NOK 2 million in Q4
 - Driven by high upstream prices (Celsa index) and the Chinese import restrictions which led to reduction in global downstream prices for secondary aluminium scrap
- Negative NOK 19 million in 2018
 - Driven by limited inventory in first half of 2018, high upstream prices and the reduction in global downstream prices for secondary aluminium scrap in second half of 2018

¹) Before internal charges

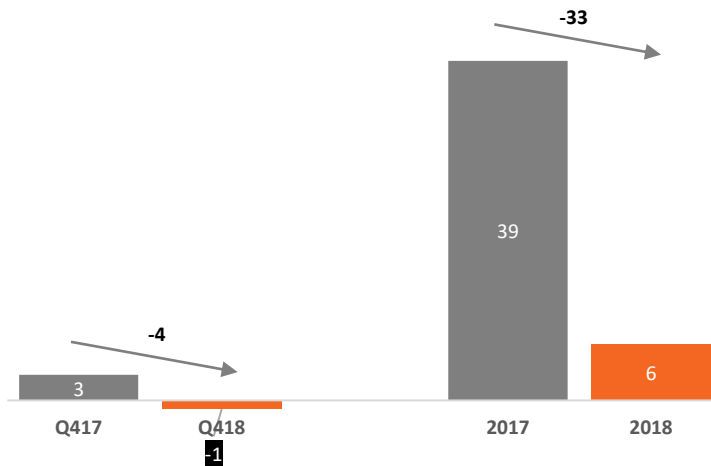
Adjusted earnings by segment¹

Project Based Business



- Increased with 135.5% in Q4
 - Driven by higher activity in industrial cleaning and the demolition segment due to high activity and increased geographical footprint
- Increased with 71.0% in 2018
 - Driven by strong growth in the landfill business and increased activity in the industrial cleaning segment

Household Collection



- Negative NOK 1 million in Q4
 - Driven by the loss contracts that were taken over from RenoNorden post the bankruptcy in addition to challenges related to several other contracts
- Decreased with 83.5% in 2018
 - Driven by challenging weather conditions in early 2018, start-up cost on new contracts and the loss contracts that were taken over from RenoNorden

¹) Before internal charges

Market development and NG response- Fuels

Refuse Derived Fuel (RDF)

- RDF markets followed the same trends from earlier and remained stable in Q4 and were in supply/demand equilibrium.
- We expect this to continue in Q1 2019.
- The RDF market has been stable since 2015.

Woodchips

- Woodchips prices was at the same levels in Q4 after the stabilization in Q3 after experiencing large gains in Q2.
- The Scandinavian market is still in a short-term equilibrium.
- Temperatures in upcoming months will influence future price developments.

NG response

Refuse Derived Fuel (RDF)

- Focus on increased quality of finished products and more efficient freight solutions to downstream customers
- Focus on Increasing sales of ancillary services
- NG continued to increase upstream prices to normalize gross margins

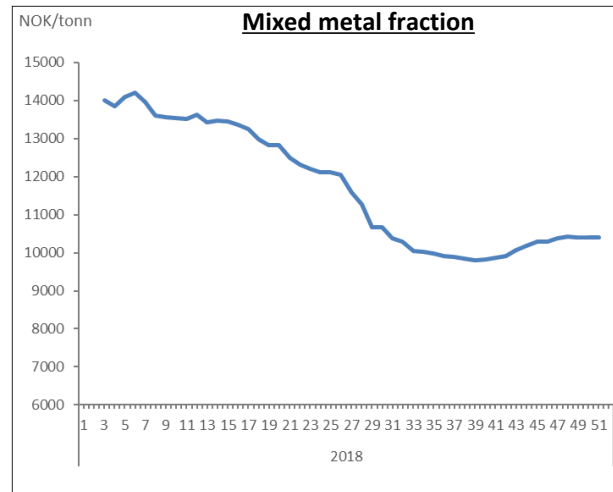
Woodchips

- NG have benefited from low inventories compared to last year
- Focus on increased quality of finished products and more efficient freight solutions to downstream customers
- Optimization of customer portfolio downstream to further strengthen gross margin
- Our inventories are at satisfactory levels and we have secured contracts for all inventory and next heat seasons' production

Market development and NG response- Recyclables

Metals

- Ferrous market prices (CELSA index) 4% higher on average compared to Q417.
- Nickel prices more stable in Q418, lower prices for copper and aluminum
- Mixed metal fraction has decreased significantly in second half of 2018 and was down 25% in Q4



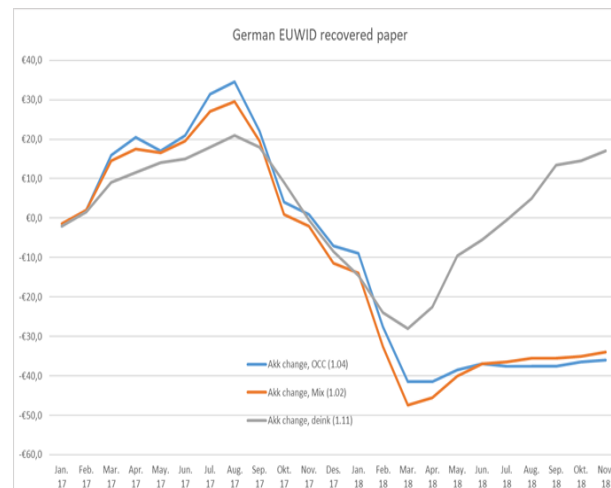
NG response

Metals

- Keeping inventories low, back-to-back pricing, financial hedging
- Improved collection logistics efficiency
- Improved long haul logistics efficiency
- We will continue our attempts to optimize sourcing to mitigate the lower quality of ferrous volumes.
- Continue to adjust upstream prices in our contracts due to decreased Zorba

Paper

- Slight increase in Q4 for packaging grades OCC and mix paper.
- Deink grades for printing paper has continued to increase, but not as steep as in Q3. Spread between Deink and OCC and mix still on all time high.
- For Q1 2019 we expect packaging grades and Deink to decrease slightly



Paper

- Focus on keeping inventories low
- Focus on improving quality of finished products to meet current challenging market situation
- Adjust pricing upstream to compensate for lower prices downstream
- Optimization of customer portfolio downstream to strengthen gross margin further
- Actively seeking alternatives to China
- New paper machine in place by Easter

- FY 2019 EBITDA of around NOK 400 mill
- FY 2019 CAPEX expectations of around NOK 250 mill
 - Approximately NOK 120 mill in maintenance CAPEX
 - Growth CAPEX of NOK 100 mill related to Household Collection
 - Remaining NOK 30 mill in investment in new paper machine
- Comfortable liquidity position

Financials P&L Q4 2018 ⁽¹⁾

(NOK'000)	Note	Q4 2018	Q4 2017	YTD Q4 2018	YTD Q4 2017
Revenue	4, 5	1 226 636	1 131 692	4 473 279	4 212 090
Other income	6	20 811	5 882	570 463	25 258
Total operating income		1 247 446	1 137 572	5 043 742	4 237 347
Cost of goods sold		638 448	572 734	2 307 701	2 113 147
Employee benefits expense		291 982	272 679	1 056 495	963 312
Depreciation/amortization/impairment		49 958	63 611	205 583	227 705
Other operating expenses		237 291	203 479	850 754	729 979
Other (gains)/losses - net		(831)	4 221	(4 314)	7 684
Operating profit		30 600	20 849	627 522	195 520
Finance income	2	(13 156)	1 148	1 081	4 103
Finance costs	2	38 324	63 463	181 108	230 425
Share of profit in associated companies		523	1 508	1 799	2 741
Profit / (loss) before income tax		(20 357)	(39 959)	449 295	(28 062)
Income tax expense		2 705	(7 923)	(8 405)	(4 633)
Profit / (loss) for the period from continuing operations		(23 061)	(32 036)	457 700	(23 429)
Profit / (loss) attributable to:					
Owners of the parent		(24 108)	(34 144)	456 289	(32 359)
Non-controlling interests		1 046	2 108	1 411	8 930

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

Balance sheet Q4 2018 - Assets⁽¹⁾

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

Balance sheet Q4 2018 - Liabilities⁽¹⁾

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

Consolidated cash flow statement Q4 2018⁽¹⁾

(NOK'000)

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

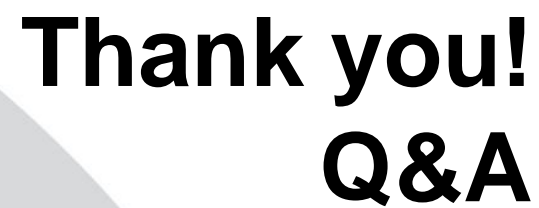
Events after reporting period

- None

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

NG

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The text 'Thank you! Q&A' is positioned in the upper right area of the slide. It is written in a large, bold, black, sans-serif font. The background behind the text is a white space, which is partially overlaid by a large, light grey curved shape that extends from the top left towards the center of the slide.

Thank you!
Q&A