Norsk Gjenvinning

Q1 Interim Financial Report 2019

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DISCLAIMER

VV Holding AS is providing the following interim financial statements for Q1 2019 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.

PRESENTATION OF THE GROUP

The Norsk Gjenvinning Group is Norway's leading recycling company offering a wide range of sustainable waste management services and providing secondary raw materials.

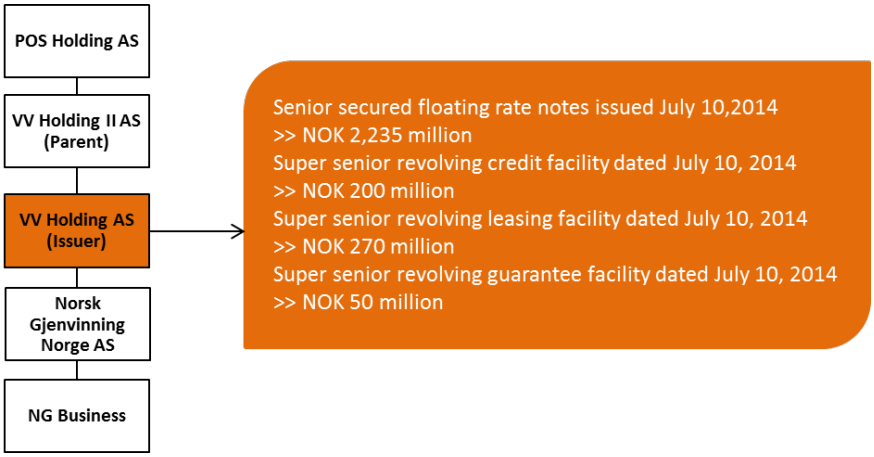
Norsk Gjenvinning is present in two markets; upstream and downstream;

- In the upstream market, Norsk Gjenvinning provides waste management services to local businesses, the municipal sector and private households in Norway, Sweden and Denmark
- The downstream markets consist of production/pre-treatment and sales of (i) secondary raw materials, such as recovered paper, plastic and metals to commodity producers in Scandinavia, Europe and Asia and (ii) fuels to waste-to-energy customers in Norway and Sweden

The Group's vision is to turn waste into the solution for tomorrow's resource problems. The Group's mission is to work tirelessly to become the industry's most customer-oriented, efficient and profitable player, with the goal of being perceived as the most important recycling company in the Nordic region. The Group's operations are based on our four core values; salesmanship, proactivity, responsibility and team spirit.

The Group has approximately 1,500 employees, over 40,000 customers and handles 1.8 million tons of waste per year – 37% of which goes to material recycling, 49% to energy recycling and 14% to landfill and other.

The following illustrates the Group Structure:



The Group's structure consists of the following business areas:

- **Recycling:** Operations include customized solutions for collecting, sorting, handling and management of all types of waste, together with related services.
- **Metal:** Operations include collection, sorting and treatment/recycling of all kinds of ferrous and non-ferrous metals, including vehicles, cables, and electrical waste
- **Project businesses:** Operations consists of demolition, a broad spectrum of industrial cleaning services and operation of landfills.
- **Household Collection:** Operations consist of collection of household waste on behalf of Norwegian and Swedish municipalities.
- **Other business areas**: Operations consists of i) downstream sales of recycled materials, processed waste and trading and ii) secure handling and destruction of documents

The Norsk Gjenvinning Group is indirectly, through full ownership of POS Holding AS, controlled by funds managed by Summa Equity.

Consolidated companies:

VV Holding AS (Issuer)
Norsk Gjenvinning Norge AS 100%
Norsk Gjenvinning AS 100%
Norsk Gjenvinning Downstream AS 100%
Norsk Gjenvinning Metall AS 100%
Norsk Gjenvinning Miljøeiendommer AS 100%
Norsk Gjenvinning Offshore AS 100%
Norsk Gjenvinning Renovasjon AS 100%
Norsk Makulering AS 100%
Nordisk Återvinning Trading AB (SE) 100%
Nordisk Återvinning Service AB (SE) 100%
Norsk Gjenvinning Renovasjon Service AS 100%
NG Vekst AS 100%
Humlekjær og Ødegaard AS 100%
Løvås Transportfirma AS 100%
Tomwil Miljø AS 100%
LST AS 100%
iSekk AS 100%
Norsk Gjenvinning Transport AS 100%
NG Oppstrømstransport AS 100%
IBKA Norge AS 100%
IBKA A/S (DK) 100%
IBKA AB (SE) 100%
IBKA UK Ltd (UK) 100%
Norsk Gjenvinning M3 AS 100%
Asak Massemottak AS 100%
Løvenskiold Massemottak AS 100%
Kopstad Massemottak AS 100%
Borge Massemottak AS 100%
Solli Massemottak AS 100%
NG Fellestjenester AS 100%
Adact AS 100%
NG Startup X AS 100%
Revise AS 100%

Ownership <100%
Østfold Gjenvinning AS 66%
Mortens Rørinspeksjon AS 50.6%
Eivind Koch Rørinspeksjon AS 50.6%

If not explicitly mentioned otherwise, the financial information contained in this report relates to the unaudited financial information on a consolidated basis at the Issuer level for the three months ended on March 31, 2019 and March 31, 2018 respectively.

COMMENTS BY THE CEO

In Q1, the NG Group had high activity in all business segments which increased revenues and gross profit. Recycling, Project Based Businesses and Household Collection were main drivers of growth, although Recycling continued to see depressed paper margins due to lack of sorting capacity during installation of the new paper sorting line at Haraldrud. As in Q4, high activity levels increased associated operating cost to some extent for Recycling and IBKA industrial cleaning. Within Metals we saw positive development related to volume growth and cost control, but overcapacity and challenges related to Chinese import restrictions continued to hamper the business. We closed the transaction with Øst-Riv in Q1 and subsequently demerged R3 to a new holding company Nordic Demolition. Adjusted for the demerger and all extraordinary accounting effects EBITDA grew 24% year over year in Q1. We maintain our full year guiding of an EBITDA around NOK 400 mill and CAPEX of NOK 250 mill in 2019.

HIGHLIGHTS Q1 2019

- Volumes: Increase in waste volumes compared to Q1 2018 by 8.3%
- Operating revenue adjusted for demerger of R3 is up 7.4 % compared to Q1 2018
- Gross profit adjusted for demerger of R3 is up by NOK 62.1 million compared to Q1 2018.
- Adjusted gross margin is up by 2.4 percentage points compared to Q1 2018
- EBITDA adjusted for demerger of R3 is NOK 87.6 million, up by NOK 64.0 million compared to Q1 2018. Implementation of IFRS 16 had a positive impact on EBITDA of NOK 58.4 million in Q1 2019.

Our aim is to be a leading service provider to customers in demand of waste solutions (the upstream market), the most efficient supplier of recycled raw materials to customers in Europe and Asia (the downstream market), and a leading provider of project based recycling businesses.

Leading service provider to upstream customers in demand of waste solutions

In our upstream markets, we are working diligently to improve our position through increased service quality, more effective sales, improved pricing, more innovative solutions, and increased efficiency of our inbound logistics.

In Q1, total waste volumes increased with 8.3% year over year. Volume growth in both Recycling and Metal were high due to increased activity levels in general. In addition, Q1 2019 had four more working days as compared to Q1 2018 due to Easter. In the Recycling Division volumes grew with 7.3% and single collection assignments grew with 9.5% year over year. Ferrous volumes increased with 13.7% and non-ferrous volumes increased with 3.7% in Q1 vs Q1 2018. The underlying growth in volume is expected to continue going forward.

Gross profit for the Group increased with NOK 70.6 million in Q1. This included a gain related to the demerger of R3 to Nordic Demolition in February with a positive accounting effect of NOK 74.1 million. Adjusted for this gain and the demerger and for a gain related to real estate sale in Q1 2018 the increase in gross profit was NOK 62.1 million on a like for like basis. Reported gross margin was up from 49.1% in Q1 2018 to 51.8% in Q1 2019. Adjusted for all accounting gains and the demerger of R3 gross margin increased with 2.4 percentage points. The increase was explained by higher activity and volume growth in Recycling, improved performance within Household Collection and increased activity in IBKA industrial cleaning business.

The most efficient supplier of recycled raw materials to downstream customers

Through our industrial value chain from our plants to the downstream markets, we are working systematically to improve our position as the most cost efficient supplier of high quality recycled raw materials.

In the quarter, the seven largest production plants went through the annual lean progress review and we are very satisfied that Øra reached Lean Silver level whilst all other 6 plants reached Lean Bronze-Silver level. There was also clear progress in

Lean score at the additional 8 medium sized plants. This continuous improvement is leading to higher quality of goods, lower unit costs, and improved working conditions.

In addition, our downstream long-haul logistics organization completed the take-over of responsibility of our inter-plant logistics and we should expect efficiency gains to be made going forward.

Our downstream sales and trading organization continued to renegotiate and optimize our portfolio of downstream customers of recycled raw materials. For the RDF portfolio, gross profit was slightly reduced in Q1 2019 as compared to Q1 2018, due to higher logistics costs. In our woodchips portfolio the gross profit increased in Q1 2019 as compared to Q1 2018, due to improved pricing in downstream contracts. We are adjusting our upstream prices to protect gross margins.

Paper prices for packaging grades OCC and mixed paper decreased slightly in Q1 and was on average in line with Q1 last year. Deink grades for printing paper saw a sharp increase in price during the autumn and the price gap between packaging grades and printing grades continued during the winter. In 2019 the gap has tightened somewhat, but the spread is still at a high level. The price for deink grades for printing paper was higher in Q1 2019 as compared to Q1 2018. Although paper prices to a large degree are priced back-to-back upstream and downstream, we continued to see depressed paper margins due to the lack of sorting capacity during the installation of the new paper sorting line at Haraldrud in Q1. The line which is the most advanced sorting line in the world is now in place, and we expect it to be producing from Q2 and onwards.

Production was satisfactory at the Øra shredder, the Sota metals sorting facility and KMT cable granulator. Higher upstream volumes were met with higher throughput and lower unit costs. An increase in exports also improved the margin per ton. Mixed non-ferrous metal scrap prices, which have been at historical low levels due to Chinese import restrictions, remained at the low levels in Q1. The price level was 20% down in Q1 year over year and had a negative impact on gross margin. In QI we were only able to adjust upstream mixed metals prices somewhat to mitigate the gross margin squeeze.

Leading provider of Project Based recycling Businesses

Total revenues in the Project Based Businesses increased by 22.2 % in Q1 on a like for like basis. The increase was primarily driven by higher volumes in the M3 landfill business and higher activity and higher utilization of own personnel and equipment in the IBKA industry cleaning segment. In the demolition segment we completed the transaction with Øst-Riv and demerged R3 from the Group with effect from 1st March. Until August we will own 36% of the new holding company, Nordic Demolition, which owns both R3 and Øst-Riv 100%. In August we will exercise our option to acquire shares from the other shareholders up to a total ownership of 65% in Nordic Demolition and consolidate the company in our books. For now, Nordic Demolition is treated as an associated company. Nordic Demolition has had a solid start and generated total EBITDA in Q1 of NOK 20.9 million. Adjusted EBITDA for the Project Based Businesses increased with 128.4% on a like for like basis.

The results in the Household Collection business was gradually improved through Q1 and followed the turnaround plan we initiated in second half of 2018. In Q1 we have gained operational and financial control over the business and the business area delivered an EBITDA of NOK 3.5 million as compared to NOK 0.5 million in Q1 2018.

Outlook for 2019

Although the Recycling and Metals businesses are performing better in Q1 than in the same quarter last year, they have had a somewhat slower start to the year than planned. Landfills and demolition are performing better than expected, whilst other businesses are on track according to plan, including the turnaround in Household Collection. Based on this development we maintain our full year guiding. In total we expect EBITDA of around NOK 400 million and CAPEX of around NOK 250 million included the remaining CAPEX related to the new paper machine at Haraldrud.

We have initiated the refinancing process of the Group as the NOK 1.386 billion bond is expiring 10th of July. The Group has a back stop available with DnB and Nordea and is fully financed, but we are considering all available options to get the most optimal funding for the Group.

Erik Osmundsen

CEO

KEY FINANCIAL FIGURES

(NOK'000)	**Q1 2019**	**Q1 2018**	**Variance**
Total operating income	1 155 065	1 075 622	79 442
Gross profit[1]	598 658	528 067	70 590
Gross margin	*51,8 %*	*49,1 %*	*2,7 %*
EBITDA [2]	160 145	79 842	80 304
EBITDA margin	*13,9 %*	*7,4 %*	*6,4 %*
Adjusted EBITDA [3]	85 584	30 358	55 226
Adjusted EBITDA margin	*7,4 %*	*2,8 %*	*4,6 %*
Net cash flow from operating activities	136 888	71 184	65 704
Capital expenditures [4]	160 826	75 394	85 432
Net interest bearing debt [5]	3 323 382	2 391 359	932 023
Total assets	4 690 648	3 351 918	1 338 730

Consolidated unaudited figures.

Performance measures presented above includes items which are not defined under IFRS. These measures are presented as they are relevant for assessing underlying performance for a given period.

(1) Gross profit represents total operating income less cost of goods sold.
(2) EBITDA represents operating results before depreciation and amortization.
(3) Adjusted EBITDA represents EBITDA adjusted for certain non-recurring and/or non-cash costs.
(4) Capital expenditures represents total additions in property, plant and equipment and items financed by new financial leases.
(5) Net interest bearing debt represent total third party indebtedness (including shareholder loan from parent) less cash and cash equivalents.

RESULTS OF OPERATIONS

Total operating income increased by NOK 79.4 million or 7.4% from NOK 1 075.6 in Q1 2018 to NOK 1 155.1 million in Q1 2019. Adjusted for the accounting gain from the demerger of the demolition business in Q1 2019 and the sale of real estate in Q1 2018 operating income increased by NOK 76.5 million, or 7.4%. The increase in operating income is driven by volume growth within Recycling and increased activity in the Industrial cleaning segment and in Household Collection. Q1 2019 had four more working days compared to Q1 in 2018.

Gross profit increased by NOK 70.6 million, or 13.4% from NOK 528.1 million in Q1 2018 to NOK 598.7 million in Q1 2019. Adjusted for the accounting gain from the demerger of the demolition business in Q1 2019 and the sale of real estate in Q1 2018 gross profit increased with NOK 62.1 million or 13.0%. The increase in gross profit is to a large extent driven by the same factors as operating income.

Reported EBITDA increased by NOK 80.3 million, or 100.1% from NOK 79.8 million in Q1 2018 to NOK 160.1 million in Q1 2019. Implementation of IFRS 16 had a positive impact on EBITDA of NOK 58.4 million in Q1 2019. As mentioned the demerger of the demolition business to Nordic Demolition created an accounting gain of NOK 74.1 million. Adjusted for the demerger and accounting gains from sale of real estate and a landfill in Q1 2018, EBITDA increased from NOK 23.7 million to NOK 29.2 million in Q1 2019, corresponding to a growth of 23.5%.

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

(NOK'000)	Q1 2019 Consolidated unaudited	Q1 2018 Consolidated unaudited
EBITDA	**160 145**	**79 842**
Change in provision for onerous contract [1]	(502)	(594)
Gain on loss of control over subsidiary [2]	(74 060)	-
Gain on sale of real estate [3]	-	(48 890)
Adjusted EBITDA	**85 584**	**30 358**

(1) During the fourth quarter 2015, an onerous contract was identified in the Household collection division. A provision of NOK 9.2 million was recognized as other operating expenses in the three and twelve-month periods ending December 31, 2015. The contract in question runs until August 2019, with a two-year option for the counterpart. An assumption of total contract duration of five years and eight months has been used in the calculation of the estimated loss.
(2) On March 1, 2019 the Group lost control over a business in exchange for an investment in an associated company. On the transaction a gain of NOK 74.1 million was recognised. See note 7 for further information on the transaction.
(3) During Q1 2018 one out of five companies in the real-estate portfolio was sold with a gain of NOK 48.9 million.

The adjustments reconciling EBITDA and adjusted EBITDA represent an illustration of how underlying operational EBITDA has been affected by, what the company perceives to be one-time items.

CAPITAL EXPENDITURES

Capital expenditures (incl. financially leased vehicles) in property, plant and equipment increased by NOK 85.4 million, from NOK 75.4 million in the first quarter of 2018 to NOK 160.8 million in the first quarter of 2019, of which NOK 96.2 million relates to cash capex and NOK 64.6 relates to new financial lease agreements.

Maintenance capex in the first quarter of 2019 was NOK 45.0 million and growth capital investments was NOK 115.8 million related to new collection vehicles in Division Household Collection and investments in a new paper line in Recycling.

CASH FLOW

(NOK'000)	Q1 2019 Consolidated, unaudited	Q1 2018 Consolidated, unaudited
Net cash flow from operating activities	136 888	71 184
Net cash flow from investing activities	(97 499)	62 850
Net cash flow from financing activities	(64 058)	(115 818)
Net change in cash and cash equivalents for the period	**(24 669)**	**18 216**
Effect of exchange rate changes	(376)	(1 197)
Cash and cash equivalents at the beginning of the period	80 995	176 995
Cash and cash equivalents at the end of the period	**55 950**	**194 014**

Net cash flow from operating activities in Q1 2019 showed a net inflow of NOK 136.9 million, which was NOK 65.7 million higher than in the same period previous year. The increase compared to previous year is driven by effects from the implementation of IFRS 16 with NOK 58.4 million which is presented as cash outflows from investing activities in 2019 and less paid income tax of NOK 7.2 million.

Net cash outflow from investing activities in Q1 2019 was NOK 97.5 million compared to a net cash inflow of NOK 62.9 million in the same period previous year. The net decrease of NOK 160.3 million is a result of sales of business and non-current assets in 2018 of NOK 99.4 million and higher cash capex in 2019 with NOK 60.3 million.

Net cash outflow from financing activities was NOK 64.1 million in 2019 compared to NOK 115.8 million in the previous year. The net decrease in cash outflow of NOK 51.8 million is a result of a draw on the revolving credit facility current year, increased cash outflows from leasing liabilities on implementation of IFRS 16 (NOK 58.4 million), partly offset by lower paid interest as the bond was partly repaid in 2018 and transactions with non-controlling interest in 2018 of NOK 58.4 million.

Cash and cash equivalents fell by NOK 25.0 million in 2019, from NOK 81.0 million as of December 31, 2018 to NOK 56.0 million as of March 31, 2019. In 2018 cash and cash equivalents increased by NOK 17.0 million in the comparable period. The group has a revolving credit facility totaling NOK 200 million which is drawn with NOK 35 million as of March 31, 2019.

FINANCIAL POSITION

NET INTEREST BEARING LIABILITIES

Net interest bearing debt of the Issuer and its subsidiaries, on a consolidated basis was NOK 3,323.4 million as of March 31, 2019, compared to NOK 1,702.4 million as of December 31, 2018. Net interest-bearing debt has increased primarily due to the implementation of IFRS 16 which increased net interest bearing debt with NOK 1,513.9 as of March 31, 2019.

As of March 31, 2019 NOK 1,400 million of the interest bearing debt is swapped from floating to fixed interest rate and will remain at this level until maturity of the bond.

CAPITALIZATION

The following table sets forth the cash and cash equivalents and capitalization of the Issuer and its subsidiaries, on a consolidated basis.

(NOK '000)	**As of March 31, 2019**	**As of December 31, 2018**
Cash and cash equivalents	**55 949**	**80 995**
Indebtedness:		
Revolving credit facility [1]	35 267	367
Leasing liability [2]	1 760 210	202 654
NOK Senior secured notes [3]	1 406 472	1 406 854
Senior bank debt	2 471	1 870
Total third-party indebtedness	**3 204 420**	**1 611 746**
Shareholder loan [4]	174 912	171 641
Total equity	495 135	470 908
Total capitalization	**3 874 466**	**2 254 294**

(1) The Issuer has entered into a Revolving Credit Facility Agreement on July 10, 2014 to provide for a Revolving Credit Facility in the amount of NOK 200.0 million to finance or refinance the general corporate and ongoing working capital needs of the Group. As of March 31, 2019, the Revolving Credit Facility is drawn by NOK 35.0 million. Accrued, unpaid interest amounted to NOK 0.3 million.

(2) The Issuer has entered into a Leasing Facility Agreement on July 10, 2014 in the amount of NOK 270.0 million to finance the needs of the Group and for investments in collection vehicles in Division Household collection. As of March 31, 2019, the Leasing facility is drawn by NOK 250.5 million.

(3) On July 10, 2014 the Issuer conducted a successful placement of a senior secured floating rate note in the amount of NOK 2,235.0 million. As of March 31, 2019 the total amount outstanding, including accrued unpaid interest and unpaid amounts on interest rate swaps are NOK 1,406.5 million. The issuer may, provided that an incurrence test is met, at one or more occasions issue additional bonds under the existing bond agreement up to the amount of NOK 500 million.

(4) The shareholder loan is subordinated to all secured senior obligations. As of March 31, 2019 the total amount outstanding, including accrued unpaid interest is NOK 174.9 million.

OPERATING AND FINANCIAL REVIEW

On March 1, 2019 the Group lost control over the demolition business in the segment Project Businesses. The following tables reflect this change, and the demolition business is included in the segment up until the loss of control. See note 4 (segment disclosures) for further information regarding the changes. The Group has four major business areas which are presented below. These are Recycling, Metal, Project businesses and Household collection.

Adjusted EBITDA in the operating and financial review of the major business areas represents EBITDA as adjusted for certain non-recurring and/or non-cash costs and before allocation of overhead HQ costs. In the first quarter of 2019 the Group changed the presentation of currency which is presented as financial income/expense. The following tables reflect these changes, and the comparable period of last year has been restated on the same basis.

RECYCLING

(NOK'000)	**Q1 2019**	**Q1 2018**	**Variance**
Total revenue	584 630	547 609	37 021
Adjusted EBITDA	24 437	16 767	7 669
Adjusted EBITDA margin	*4,2 %*	*3,1 %*	*1,1 %*

	Q1 2019	**Q1 2018**	**Variance**
Collection assignments	825 884	864 824	-4,5 %
Total waste treated (tons)	286 039	266 483	7,3 %

Total revenue in Recycling increased by NOK 37.0 million, or 6.8%, from NOK 547.6 million in Q1 2018 to NOK 584.6 million in Q1 2019. The increase in revenue is due to a 7.3% increase in waste volumes and growth in single collection assignments of 9.5 %, partly offset by a reduction in compactor runs of 7.8%. Most of the growth comes from Region East.

Adjusted EBITDA has increased by NOK 7.7 million from NOK 16.8 million in Q1 2018 to NOK 24.4 million in Q1 2019. The new paper sorting machine at Haraldrud is now installed and will begin production in Q2. This will strengthen the divisions competitiveness on paper fractions.

METAL

(NOK'000)	**Q1 2019**	**Q1 2018**	**Variance**
Total revenue	209 315	227 822	(18 507)
Adjusted EBITDA	(11 814)	(9 135)	(2 679)
Adjusted EBITDA margin	*(5,6 %)*	*(4,0 %)*	*(1,6 %)*

	Q1 2019	**Q1 2018**	**Variance**
Ferrous volumes (tons)	58 306	51 294	13,7 %
Non-ferrous volumes (tons)	6 294	6 072	3,7 %

Total revenue in Division Metal decreased by NOK 18.5 million or 8.1% in Q1 2019 compared to Q1 2018. In general, the activity level has been good. However, the decrease in revenues year over year is a result of the demerger of the cable business to KMT and lower downstream prices for iron and secondary aluminum scrap.

Adjusted EBITDA for Q1 2019 is was negative with NOK 11.8 million as compared to negative NOK 9.1 million in Q1 2018. This is a result of the demerger of the cable business and challenging market conditions. The Chinese import restrictions is still affecting the global demand for secondary aluminum scrap, and the price for this fraction was approximately 20% lower in Q1 2019 as compared to Q1 2018.

Volumes sold in Q1 were up 13.7% and 3.7% for ferrous and non-ferrous respectively due to improved upstream market activity resulting in increased incoming volumes mainly from the Norwegian market.

PROJECT BUSINESSES

(NOK'000)	**Q1 2019**	**Q1 2018**	**Variance**
Total revenue	156 828	131 940	24 888
Adjusted EBITDA	23 885	11 350	12 535
Adjusted EBITDA margin	*15,2 %*	*8,6 %*	*6,6 %*

Total revenue in the Project business increased by NOK 24.9 million, or 18.9 %, from NOK 132.0 million in Q1 2018 to NOK 156.8 million in Q1 2019. The increase is primarily driven by higher activity in all business areas and positive seasonal effect from Easter falling in Q2 2019 vs Q1 2018. Adjusted for the demerger of R3 revenues increased with 22.2%.

Despite positive effect from sale of landfill project in Q1 2018, adjusted EBITDA increased with NOK 12.5 million, from NOK 11.4 million in Q1 2018 to NOK 23.9 million in Q1 2019. The growth in adjusted EBITDA is driven by positive development in level of activity and margins in both the industrial cleaning and demolition business, and increased volumes in landfill operations. Adjusted EBITDA for the Project Based Businesses increased with 128.4% on a like for like basis.

HOUSEHOLD COLLECTION

(NOK'000)	**Q1 2019**	**Q1 2018**	**Variance**
Total revenue	99 114	86 820	12 294
Adjusted EBITDA	3 448	487	2 961
Adjusted EBITDA margin	*3,5 %*	*0,6 %*	*2,9 %*

Total operating revenues increased by NOK 12.3 million, or 14.2%, from NOK 86.8 million Q1 2018 to NOK 99.1 million in Q1 2019. The startup of new contracts, higher activity on existing contracts and index adjustments contribute to increased revenue compared with Q1 previous year.

Adjusted EBITDA increased with NOK 3.0 million, mainly due to startup of new contracts, exit from a non-profitable contract and increased focus on operational control. In Q1, Division Household Collection was re-awarded the contract by Göteborg Sydvestra for collection of municipal waste.

MARKET CONDITIONS

The inventory price risk is related to paper and metals that are discovered in the sorting process of waste (it is not possible to predict these volumes) and the estimation of throughput timing. Inventory positions on Aluminum, Copper and Nickel are being hedged.

DEVELOPMENT IN METAL PRICES

ALUMINUM

The aluminium market has been stable during Q1 2019 and has been trading at around 1,850 USD. Various tariff and trading restrictions have not influenced the market significantly in this period. Supply and demand expectations promise a still stable market with a modestly negative outlook.

LME Aluminium – 2018 and 2019

COPPER

LME copper had an upward trend during Q1 2019 and has been trading between 5,800 USD to 6,500 USD. Average forecasts for 2019 vary between 6,500 USD and 7,000 USD per ton explained by rising Chinese demand for copper, hopes for a resolution to the US-China trade conflict, and a tighter supply of refined copper.

LME Copper – 2018 and 2019

NICKEL

During Q1 2019, prices for nickel increased and has been trading at between 10,500 USD and 13,500 USD. Nickel prices stabilized in the beginning of March. The underlying demand is good, however volatile conditions are still expected during 2019.

LME Nickel – 2018 and 2019

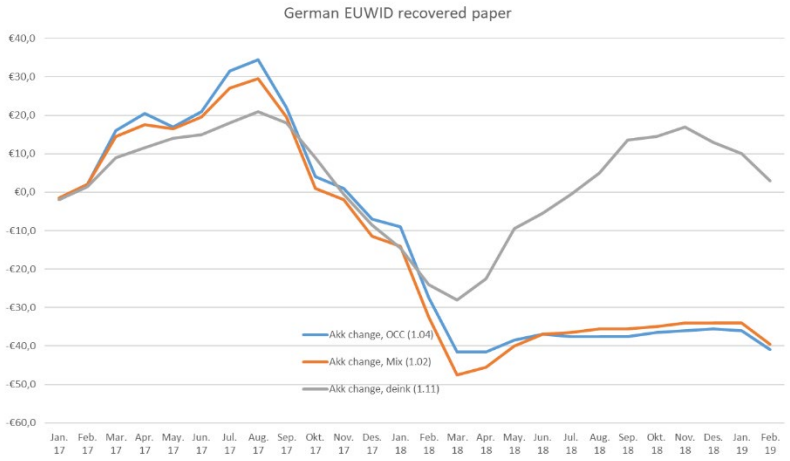
STEEL SCRAP

The leading steel scrap index for deliveries to Turkey has been trading at between 285 to 330 USD during the entire quarter. The other markets moved in parallel with this throughout Q1 2019. The Turkish steel scrap market was rattled by the weak Turkish Lira and inflation concerns in the domestic economy.

DEVELOPMENT IN PAPER PRICES

The packaging grades OCC and mix paper have started a slight decline from February. For deink grade the decrease is steeper. The spread between printing grades and packaging grades is reduced from last quarter but is still on a high level.

European paper mills are well stocked and import to Asia is reduced. We expect prices to decrease in Q2 2019.



DEVELOPMENT WASTE-TO-ENERGY

WOODCHIPS

The improved price level from 2018 continued in Q1 2019. There are tendencies in the market to support continued growth in 2019 due to increased capacity for waste wood.

REFUSE DERIVED FUEL (RDF)

The prices for RDF remained stable in Q1 2019 as it has been all of 2018. We expect the price to remain stable throughout Q2 2019. The RDF market has been stable since 2015.

UPDATE OF MATERIAL RISK FACTORS AND EVENTS AFTER REPORTING PERIOD

No significant changes in risk factors have been identified. For additional explanations regarding risks and uncertainties, please refer to the Board of Directors Report section Risk and Risk Management and Note 23 Financial Risk Management in the 2018 Annual Report.

MATERIAL CHANGES IN LIQUIDITY AND CAPITAL RESOURCES

The Group continually analyses its liquidity and capital resources position. The Group has assessed its currently available capital resources and its current liquidity position as satisfactory.

EVENTS AFTER REPORTING PERIOD

There have not been any significant events after the reporting period.

CONDENSED INTERIM FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(NOK'000)	Note	Q1 2019	Q1 2018
Revenue	4, 5	1 076 021	1 014 859
Other income	6, 7	79 044	60 763
Total operating income		**1 155 065**	**1 075 622**
Cost of goods sold		556 407	547 555
Employee benefits expense		270 016	250 473
Depreciation/amortization/impairment		94 141	57 567
Other operating expenses		168 081	201 533
Other (gains)/losses - net		416	(3 780)
Operating profit		**66 005**	**22 274**
Finance income	2	422	366
Finance costs	2	64 309	45 342
Net agio(+)/disagio(-)		7 030	7 153
Share of profit in associated companies		3 086	289
Profit / (loss) before income tax		**12 234**	**(15 259)**
Income tax expense		(14 958)	(18 402)
Profit / (loss) for the period from continuing operations		**27 192**	**3 143**
Profit / (loss) attributable to:			
Owners of the parent		27 147	3 443
Non-controlling interests		45	(300)

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK'000)	**Q1 2019**	**Q1 2018**
Profit / (loss) for the period	**27 192**	**3 143**
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	2 801	(1 739)
Interest rate swaps - cash flow hedges (after tax)	545	5 408
Net other comprehensive income / (loss) for the period	**3 346**	**3 669**
Comprehensive income / (loss) for the period	**30 538**	**6 812**
Comprehensive income attributable to:		
Owners of the parent	30 493	7 113
Non-controlling interests	45	(300)

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(NOK'000)	Note	Mar 31, 2019	Dec 31, 2018
Non-current assets			
Property, plant & equipment		740 466	854 416
Right of use assets	8	1 703 868	-
Intangible assets		75 450	79 770
Goodwill		1 201 778	1 213 594
Deferred tax assets		115 142	98 762
Investments in associated companies	7	220 003	111 292
Other receivables		5 460	26 937
Total non-current assets		**4 062 168**	**2 384 771**
Current assets			
Inventories		82 201	91 588
Trade and other receivables		490 330	543 476
Other financial assets		-	304
Cash and cash equivalents		55 949	80 995
Total current assets		**628 480**	**716 363**
Total assets		**4 690 648**	**3 101 134**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES

(NOK'000)	Note	Mar 31, 2019	Dec 31, 2018
Equity			
Share capital and reserves attributable to owners of parent		479 987	449 493
Non-controlling interest		15 148	21 414
Total equity		**495 135**	**470 908**
Non-current liabilities			
Borrowings		177 202	329 902
Lease liabilities	8	1 487 854	-
Other financial liabilities		54	763
Deferred income tax liabilities		22 325	20 312
Post-employment benefits		12 824	11 537
Provisions for other liabilities and charges		42 923	64 289
Total non-current liabilities		**1 743 182**	**426 803**
Current liabilities			
Trade and other payables		726 885	725 066
Current income tax		3 073	3 200
Borrowings		1 439 870	1 449 573
Lease liabilities	8	272 356	-
Other financial liabilities		2 004	11 824
Provisions for other liabilities and charges		8 143	13 761
Total current liabilities		**2 452 331**	**2 203 424**
Total liabilities		**4 195 513**	**2 630 227**
Total equity and liabilities		**4 690 648**	**3 101 134**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(NOK'000)	Note	Q1 2019	Q1 2018
Profit / (Loss) before income tax		**12 234**	**(15 259)**
Adjustments for:			
Income tax paid		(504)	(7 750)
Depreciation, amortization and impairment charges		94 141	57 567
Net (gain) loss on sale of non-current assets and business	6	(74 857)	(57 320)
Financial items without cash effect		(7 950)	(13 069)
Items classified as investing- or financing activities		52 301	42 106
Changes in other short term items		61 523	64 909
Net cash flow from operating activities		**136 888**	**71 184**
Purchase of shares in subsidiaries and associates		-	(300)
Proceeds from sale of business		-	24 955
Payments for purchases of non-current assets		(96 558)	(36 249)
Proceeds from sale of non-current assets		1 506	74 444
Cash outflow on loss of control of subsidiary	7	(2 447)	-
Net cash flow from investing activities		**(97 499)**	**62 850**
Proceeds from borrowings		35 666	-
Repayment of borrowings		(65)	(330)
Repayment of leasing liability (financial leases prior year)		(45 242)	(10 345)
Dividends paid to non-controlling interest		(2 116)	(4 635)
Transactions with non-controlling interest		-	(58 402)
Interest paid		(52 301)	(42 106)
Net cash flow from financing activities		**(64 058)**	**(115 818)**
Net increase in cash and cash equivalents		**(24 669)**	**18 216**
Effect of exchange rate changes		(376)	(1 197)
Cash and cash equivalents at beginning of period		80 995	176 995
Cash and cash equivalents at end of period		**55 950**	**194 014**

The interim financial information has not been subject to audit.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONDENSED STATEMENT OF CHANGES IN EQUITY – Q1 2019

(NOK'000)	Attributable to the owners of the parent	Non-controlling interest	Total equity
At 1 January 2019	**449 493**	**21 415**	**470 908**
Profit / (loss)	27 147	45	27 192
Net other comprehensive income / (loss)	3 346	-	3 346
Transactions with non-controlling interest		(6 311)	(6 311)
At 31 March 2019	**479 987**	**15 148**	**495 135**

CONDENSED STATEMENT OF CHANGES IN EQUITY – Q1 2018

(NOK'000)	Attributable to the owners of the parent	Non-controlling interest	Total equity
At 1 January 2018	**52 855**	**21 527**	**74 382**
Profit / (loss) YTD	3 443	(300)	3 143
Net other comprehensive income / (loss)	3 669	-	3 669
Transactions with non-controlling interest	(61 193)	(8 928)	(70 120)
At 31 March 2018	**(1 225)**	**12 298**	**11 073**

The interim financial information has not been subject to audit.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

VV Holding AS is controlled by funds managed by Summa Equity. VV Holding controls the Norsk Gjenvinning-group.

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the Annual Report 2018. These condensed consolidated interim financial statements have not been audited or subject to a review by the auditors.

Accounting principles applied in the preparation of these condensed consolidated interim financial statements for the period ended March 31, 2019, are consistent with those applied in the annual consolidated financial statements for 2018, with the exception of changes in accounting policies disclosed below. Comparative prior period information has been prepared on the same basis as current period information, with exception of changes due to implementation of IFRS 16. All figures refer to thousands of Norwegian kroner (NOK'000) unless otherwise specified.

Changes in accounting policies from January 1, 2019
IFRS 16 *Leases* was issued in January 2016 and have resulted in almost all leases being recognized in 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 recognized. For further information on the implementation and related effects of IFRS 16, reference is made to note 8 in these interim financial statements.

Summary of new accounting policies related to IFRS 16 Leases

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at/or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liability
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the exemptions to its short-term leases (leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the exemptions related to low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. This mainly applies to leases of property. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Group has assessed not to include the extension options in the lease term as management is not reasonably certain to renew any of the leases regarding property.

NOTE 2 - FINANCIAL ITEMS

(NOK'000)	**Q1 2019**	**Q1 2018**
Interest income	421	366
Other financial income	1	-
Financial income	**422**	**366**
Non cash interest expenses	3 271	3 020
Cash interest expenses	51 934	37 775
Other financial expenses	9 104	4 548
Financial expenses	**64 309**	**45 342**
Net financial income (expenses)	**(63 887)**	**(44 976)**

NOTE 3 - SENIOR SECURED FLOATING RATE NOTES

On July 10 (the Issue Date), 2014 VV Holding AS (the Issuer) issued Senior Secured Floating Rate Notes (the Bond) in the amount of NOK 2,235 million. The Bond matures on July 10, 2019 (the Maturity Date) and is to be repaid in full at the Maturity Date. Interest is set quarterly at NIBOR + 525 bp. The Issuer may, provided that the incurrence test is met, at one or more occasions issue additional bonds under the Bond agreement, in the amount of up to NOK 500 million, up to five (5) business days prior to the Maturity Date. The incurrence test is met if the ratio of Net Interest Bearing Debt to EBITDA, as defined in the Bond agreement, is not greater than:

- 5.00 prior to the date falling 18 months after the Issue Date
- 4.50 from and including the date falling 18 months after the Issue Date to, but not including, the date falling 48 months after the Issue Date
- 4.00 from and including the date falling 48 months after the Issue Date to, but not including the Maturity Date.

The bonds are listed on the Oslo Stock Exchange. For further information about the Bond, we refer to the Bond agreement.

Outstanding face value of the bond as of March 31, 2019 is NOK 1,386 million.

NOTE 4 - SEGMENT NOTE

Currently the reportable operational segments in the group compromise of Recycling, Metal, Project businesses and Household collection. The category All other segments consist of the operating segments Downstream and Security Shredding, which are not reportable. HQ and eliminations consist of the head office and holdings together with real estate and eliminations.

On March 1, 2019 the Group lost control over the demolition business in the segment Project Businesses. The following tables reflect this change, and the demolition business is included in the segment up until the loss of control. See note 7 for further information regarding the loss of control. In the first quarter of 2019, the Group changed the presentation of currency, which is presented as financial income/expense. The following tables reflect these changes, and the comparable period of last year has been restated on the same basis.

Group management executives is the group's chief operating decision-maker (CODM). Management has determined the operating segments based on the information reviewed by the Group management executives for the purposes of allocating resources and assessing performance.

Revenue 2019 Q1

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	465 956	2 826	106 520	55 714	57 530	27	688 572
Other Nordics	-	-	37 165	36 994	-	-	74 159
Other Europe	-	-	8 425	-	-	-	8 425
Intra segment	11 281	194	4 718	1 641	5 892	(23 726)	-
Total upstream	**477 237**	**3 020**	**156 828**	**94 349**	**63 422**	**(23 699)**	**771 156**
Norway	18 368	76 128	-	-	4 768	-	99 264
Other Nordics	32 197	36 224	-	3 846	4 023	-	76 290
Other Europe	21 838	66 369	-	-	7 919	-	96 126
Asia	5 941	27 244	-	-	-	-	33 185
Intra segment	29 050	330	-	919	2 013	(32 312)	-
Total downstream	**107 393**	**206 295**	**-**	**4 765**	**18 723**	**(32 312)**	**304 865**
Total Revenue	**584 630**	**209 315**	**156 828**	**99 114**	**82 145**	**(56 011)**	**1 076 021**

Revenue 2018 Q1

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	432 341	2 202	103 049	59 034	49 880	-	646 505
Other Nordics	-	-	12 748	22 550	-	-	35 298
Other Europe	-	-	10 753	-	-	-	10 753
Intra segment	14 001	401	5 391	2 036	3 147	(24 976)	-
Total upstream	**446 342**	**2 603**	**131 940**	**83 620**	**53 027**	**(24 976)**	**692 555**
Norway	18 741	96 186	-	-	3 936	-	118 862
Other Nordics	21 607	48 030	-	2 970	5 634	-	78 241
Other Europe	25 215	53 016	-	-	9 785	-	88 016
Asia	10 425	26 759	-	-	-	-	37 184
Intra segment	25 280	1 227	-	230	2 057	(28 794)	-
Total downstream	**101 267**	**225 219**	**-**	**3 200**	**21 412**	**(28 794)**	**322 304**
Total Revenue	**547 609**	**227 822**	**131 940**	**86 820**	**74 439**	**(53 770)**	**1 014 859**

CODM assesses the performance of the operating segments based on EBITDA before allocation of overhead HQ costs. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group. Consolidated balance sheet values are not reported to the CODM at the segment level.

EBITDA BEFORE INTERNAL CHARGES

(NOK'000)	Q1 2019	Q1 2018
Recycling	24 437	16 767
Metal	(11 814)	(9 135)
Project businesses	23 885	11 350
Household collection	3 950	1 081
All other segments	2 872	2 576
HQ and eliminations	116 816	57 202
Total	**160 145**	**79 842**
Depreciation and amortization expense	(94 141)	(57 567)
Finance income	422	366
Finance costs	(64 309)	(45 342)
Net agio (+)/disagio(-)	7 030	7 153
Net income from associated companies	3 086	289
Profit before tax	**12 234**	**(15 259)**

NOTE 5 – REVENUE

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)	**Q1 2019**	**Q1 2018**
Upstream sale of services	771 156	692 555
Downstream sale of recyclables	304 865	322 304
Revenue	**1 076 021**	**1 014 859**

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 and Security Shredding).

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

NOTE 6 – OTHER INCOME

(NOK'000)	**Q1 2019**	**Q1 2018**
Gain on loss of control over subsidiary	74 060	-
Gain on sale of real estate	-	48 890
Rental income from real estate	4 187	3 442
Other gains on sale	797	8 430
Other income	**79 044**	**60 763**

Gain on loss of control over subsidiary
In Q1 2019 the Group combined the demolition business with an completion in exchange for an investment in an associated company. A gain of NOK 74.1 million was recognised on the transaction. See note 7 for further details regarding the transaction.

NOTE 7 – LOSS OF CONTROL OVER SUBSIDIARY

On March 1, 2019 the group combined the demolition business with a competitor, Øst-Riv to form a combined entity in the demolition market. On completion of the transaction, the Group lost control over R3 Entreprenør Holding AS in exchange for an investment in an associated company. The transaction has been accounted for as a loss of control occurrence, in which the carrying value of the demolition business has been measured at fair value with the related gain taken over profit and loss.

On completion of the transaction the Group derecognized net assets related to the demolition business of NOK 37.1 million and NOK 5.6 million of non-controlling interest. A gain of NOK 74.1 and an investment in associated company of NOK 105.6 million was recognised. In the statement of cash flow a cash outflow of NOK 2.5 million is presented, which relates to the cash balance in the demolition business at the time for closing.

Through the agreements the Group has an option to purchase additional shares in the combined business, and the other shareholders has an option to require the Group to purchase additional shares in the combined business. The options are exercisable in the time between, the earliest date of (i) a refinancing of the Bond loan or (ii) August 1, 2019, and ending on

31, December 2019. If either party exercise these options, the Group will gain control over the combined business. In the event either party exercise the options, this will result in a cash outflow for the Group of NOK 80 million, and consolidation of a new subsidiary from this point and forward.

NOTE 8 – IFRS 16 IMPLEMENTATION

This note explains the impact of the adoption of IFRS 16 *Leases* on the group's financial statements.

Nature of the effect of adoption of IFRS 16
The Group has lease contracts for various items of property, plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Leases of property, plant and equipment where the group had substantially all the risks and rewards of ownership was classified as finance leases. Finance leases were capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment was allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, was included in other long-term payables. Leases in which a significant portion of the risks and rewards of ownership was retained by the lessor was classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) was charged to the income statement on a straight-line basis over the period of the lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Adjustments recognized on adoption of IFRS 16
As of January 1, 2019 the Group implemented the new standard by use of the modified retrospective method. Comparative information for prior year will not be presented.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using incremental borrowing rate as of 1 January 2019.

(NOK'000)	
Operating minimum lease payments disclosed as at December 31, 2018	2 463 155
Discounted using the lessee's incremental borrowing rate of the date of initial application	1 540 696
Added: finance lease liabilities recognized as at December 31, 2018	202 654
Less: short-term leases recognized on a straight-line basis as expense	(3 482)
Less: low-value leases recognized on a straight-line basis as expense	(446)
Lease liability recognized as at January 1, 2019	**1 739 422**
Current lease liabilities	260 767
Non-current lease liabilities	1 478 655

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any lease incentives, prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018.

The recognized right-of-use assets relate to the following types of assets:

(NOK'000)	
Property	1 434 683
Plant and machinery	35 150
Furniture, fittings and equipment	4 434
Total right-of-use assets	**1 474 268**

The implementation of IFRS 16 had the following effects on statements of financial position as at 1 January 2019:

(NOK'000)	
Right of use assets	1 474 268
Non-current lease liabilities	1 322 084
Current lease liabilities	214 684
Provisions for other liabilities	(62 500)

Impact on segment disclosure (note 4)
EBITDA before external charges increased as of Q1 2019 as a result from the changes in accounting policies. The following segments were affected by the change in policy:

(NOK'000)	**Q1 2019**
HQ and eliminations	58 429
Total change in EBITDA before external charges	**58 429**
Depreciation and amortization expense	(41 244)
Finance costs	(26 651)
Profit before tax	**(9 466)**

Practical expedients applied January 1, 2019:
On implementation the Group made use of the following practical expedients:

- A single discount rate is applied to portfolios of leases with reasonable similar characteristics and hindsight was used on contracts which contains options to extend or terminate the lease. Incremental borrowing rate is calculated based on swap interest curves in applicable countries, adjusted of margin and security in the right of use asset. Discount rates are applied on lease agreements by taking in to consideration the type of assets leased and duration of the contract.
- Lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets") has been treated as operating leases, and
- Initial direct costs have been excluded for the measurement of the right-of-use asset at the date of initial application

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

NOTE 9 - EVENTS AFTER THE REPORTING PERIOD

There have not been any significant events after the reporting period.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed interim financial statements for the three months ended on March 31, 2019 which have been prepared in accordance with IAS 34 Interim Financial Reporting give a true and fair view of the Group's consolidated assets, liabilities, financial position and results of operations, and that the interim report includes a fair review of the information under the Norwegian Securities Trading Act section 5–6 fourth paragraph.

Lysaker, May 15, 2019

Erik Osmundsen
Chief Executive Officer
(sign.)

Ole Enger
Chairman of the Board
(sign.)

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

Reynir Kjær Indahl
Director
(sign.)

Hannah Gunvor Jacobsen
Director
(sign.)

Lars Conny Ryk
Director
(sign.)

Roy Jenshagen
Director
(sign.)

Lasse Stenskrog
Director
(sign.)

Cecilie Skauge
Director
(sign.)

APPENDIX 1 – ALTERNATIVE PERFORMANCE MEASURES

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

APM	Definition	Why APM gives useful information
Operating profit	The number is directly derived from the statement of profit or loss	Commonly 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.	Commonly used measure of profitability.
Adjusted EBITDA	= EBITDA +/- any element (positive or negative) with character of being a one-time event, non-recurring, extra ordinary, unusual or exceptional.	Group management believe that the adjusted performance measure gives more relevant information for analytical purposes and to make representations. The elements which are excluded is considered to give limited relevance for evaluation of historic and future performances for the Group as it is at period end.
EBITDA before internal charges	= EBITDA before allocation of headquarter cost to the segments.	Group management believe that the adjusted performance measure gives more relevant information for consideration of profitability and resource allocation to segments.
Net debt	= non current debt to credit institutions + current debt to credit institutions + nominal value senior secured note bond + incurred interest expense senior secured note bond – cash and cash equivalents	Commonly used measure of a companies debt financing.
Debt ratio	= adjusted EBTIDA / net debt	Commonly used measure for capital management.

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