

# Norsk Gjenvinning Group

## 1<sup>st</sup> Quarter 2015

Erik Osmundsen, CEO and Dean Zuzic, CFO



**VV Holding AS is providing the following consolidated financial results for Q1 2015 to holders of its NOK 2,325,000,000 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 which 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.

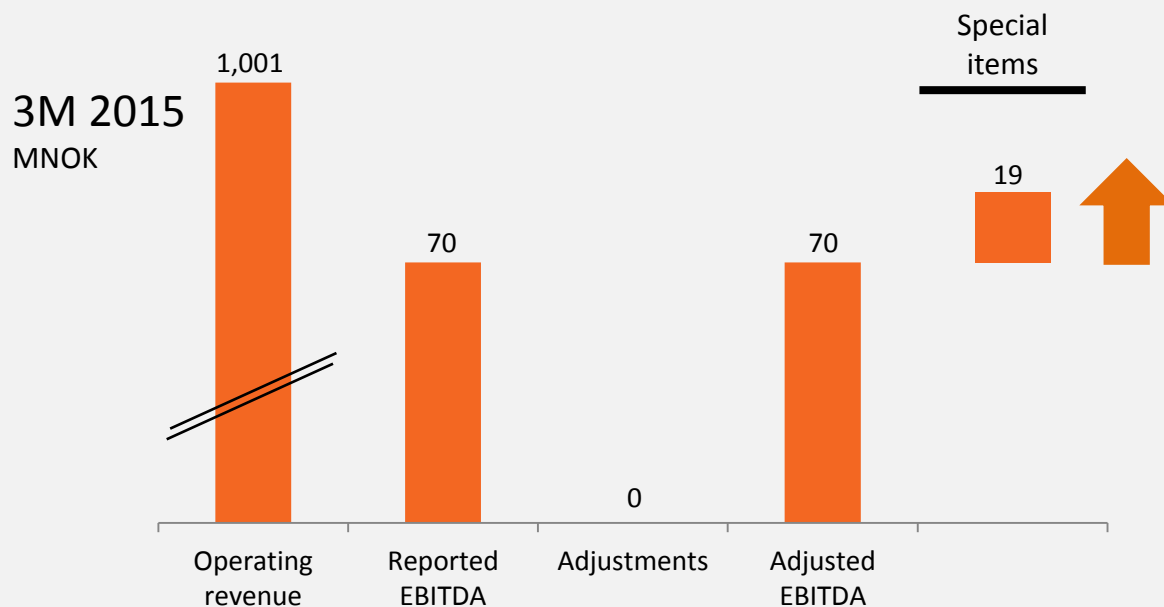
You should not place undue reliance on these forward-looking statements. In addition any forward-looking statements are made only as of the date of this notice, and we do not intend and do not assume any obligation to update any statements set forth in this notice.

- Operating revenue NOK 1,000.8 million, +3,5% yoy
- +4% increase in waste volumes yoy
- Reduction in gross margins by 1.8 percentage points compared to Q1 2014:
  - 0.7% related to lower oil sales following closure of the Mongstad plant
  - 1.1% increased downstream costs and product mix changes
- EBITDA NOK 69.8 million, whereas NOK 19 million in special charges
- Successful cleanup at the Mongstad plant and restart of reception of hazardous waste and production ultimo March
- NG200 cost initiatives being implemented according to plan

# EBITDA snapshot for Q1 2015

- No adjustments made to EBITDA in Q1 2015; however NOK 19 million should be considered as special items:

- NOK 13 million related to Mongstad plant clean-up and closure
- NOK 6 million in NG200 implementation costs



3M 2014  
MNOK

967

82

2

84

# Adjusted earnings by segment

## Division Recycling

Product mix changes compared to 2014; higher opex due to internal restructuring



## Division Metal

Strong volumes, stable production; opex reductions



## Division Industry and Offshore

High operating costs and lower activity due to Mongstad closure and closure at Fredrikstad



## Division Household Collection

Negative impact from new contract start ups, increased sick pay



**MNOK**

3M 2015

3M 2014

Revenues	Adj. EBITDA <sup>(1)</sup>
456	21
453	48

Revenues	Adj. EBITDA <sup>(1)</sup>
228	34
212	25

Revenues	Adj. EBITDA <sup>(1)</sup>
134	9
164	17

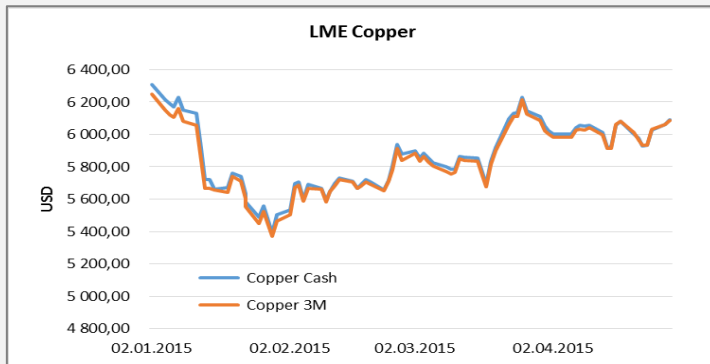
Revenues	Adj. EBITDA <sup>(1)</sup>
83	9
78	11

<sup>(1)</sup> Before internal charges ; no adjustments in 2015

# Market conditions

## Metals

- Healthy demand for scrap Aluminum, favorable outlook
- Weak Copper markets at start of quarter, but prices improving
- Falling prices and low demand for Nickel
- Falling prices in ferrous markets; flat volumes



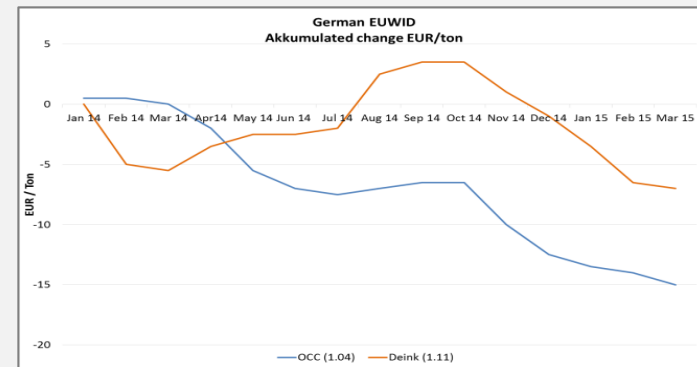
LME Copper, YTD 2015

## Woodchips

- Demand somewhat soft YTD due to mild winter temperatures
- Gate fees stable, but price pressure is upwards due to saturated markets
- We are increasing upstream prices

## Paper

- Falling prices for recovered paper, but improving as we enter Q2
- Volumes from our facilities have been stable and high, and we expect them to remain so in Q2



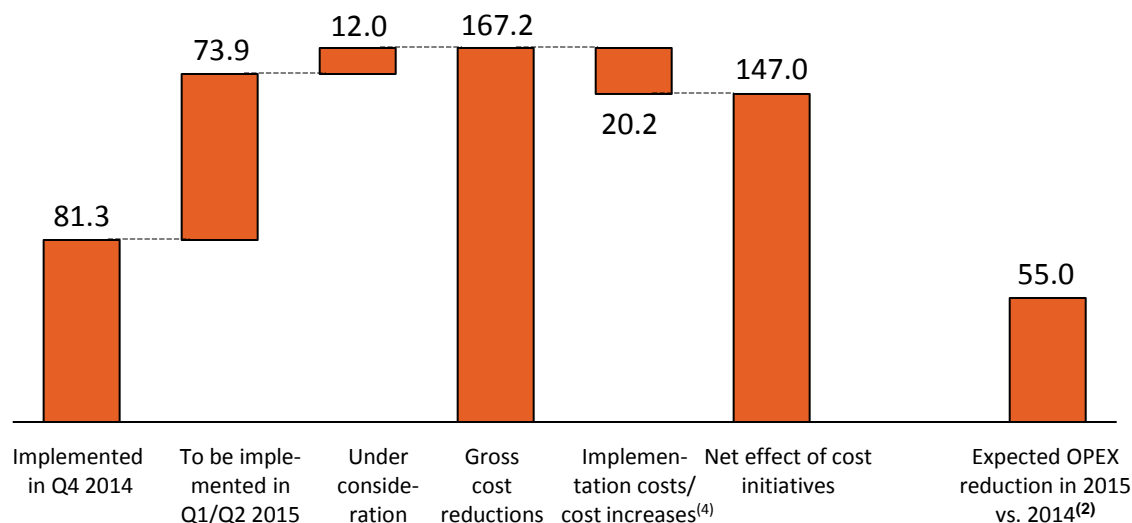
Accumulated change in Recovered paper prices, YTD 2015 Euwid index

## Refuse Derived Fuel

- In general the overall market was fairly balanced in 1Q, but we have seen increased exports from UK into Sweden compared to the same period last year. Prices have stabilized.

# Recap - NG200 - effect of identified cost initiatives Phase 1

Estimate of cost reductions to be rolled out in 2015<sup>(3)</sup>  
MNOK



Reduction in FTE's<sup>(1)</sup>:

65.5   37.5   6.0   109.0   -10.5   98.5

Effect on gross profit:

-7.0   -13.6   -1.9   -22.5   16.7   -5.8

## Comment

- The gross effect of NG200 cost initiatives implemented in phase 1 (Q4 2014-Q2 2015) will total NOK ~167 million on an annual basis; net annual effect of NOK ~147 million; effect in 2015 of NOK 55 million; full annual effect in 2016
- The initiatives consist of a net reduction in FTE's of 98.5
- The initiatives are expected to reduce gross profit by NOK 5.8 million
- Phase 2 initiated with goal to reduce cost base with an additional NOK 150 million

<sup>(1)</sup> Total reduction in FTE's in 2015

<sup>(2)</sup> Expected OPEX reductions in 2015 on continuing operations adjusted for cost creeps

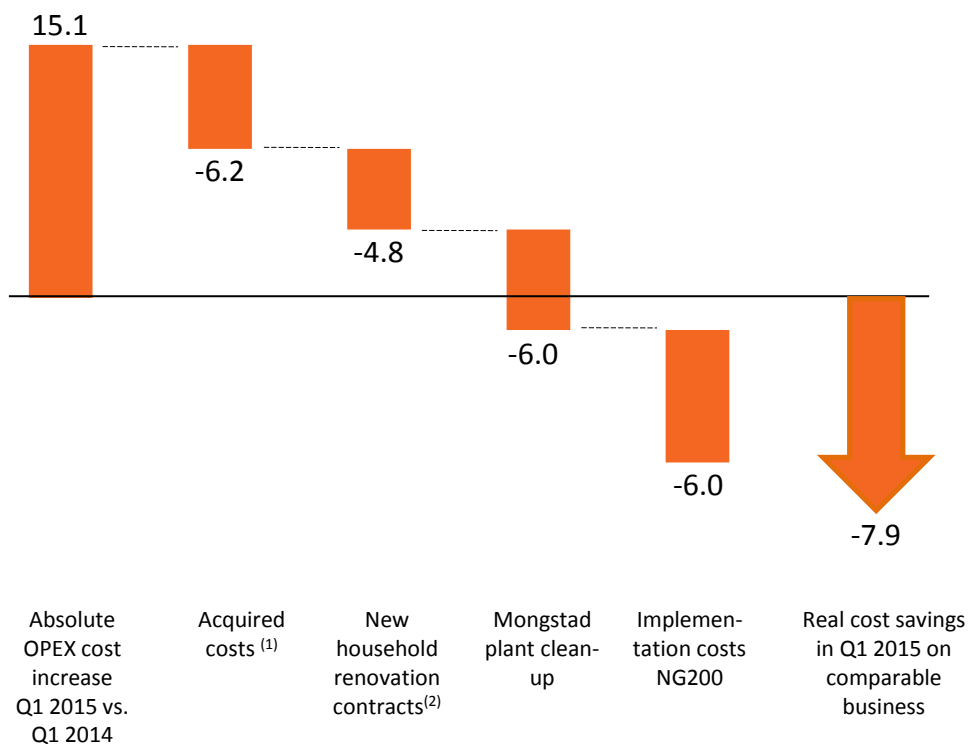
<sup>(3)</sup> Excluding Norsk Gjenvinning Entrepreneur

<sup>(4)</sup> Implementation charges will occur in Q1 and Q2



# Development in OPEX

## OPEX cost comparison Q1 2015 vs Q1 2014 MNOK



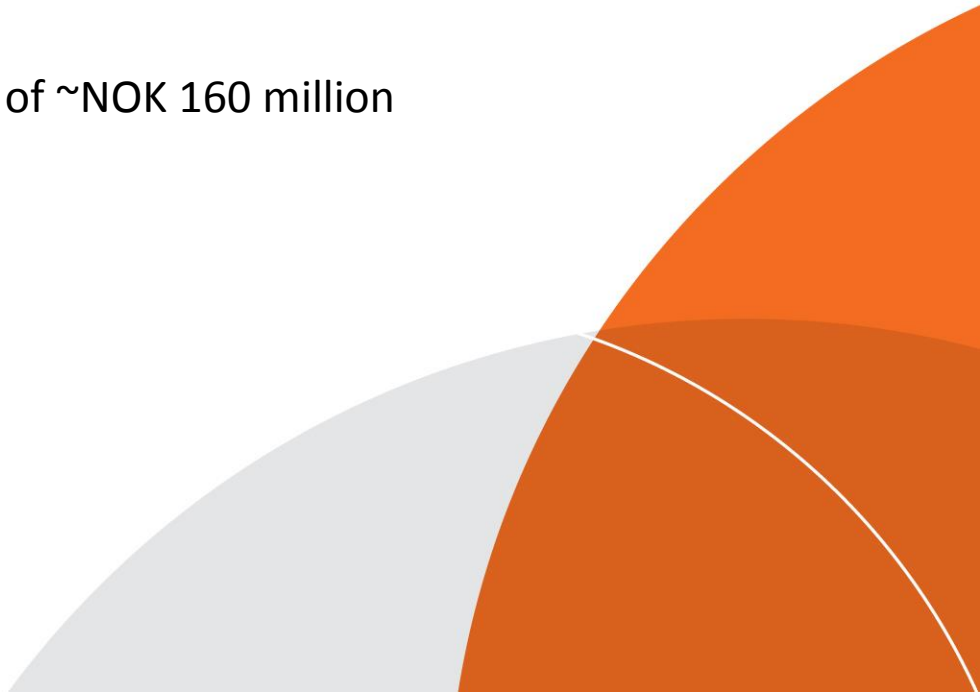
### Comment

- The NG 200 program is starting to show in NG's P&L
- Real cost savings, adjusted for acquired businesses, the Mongstad clean-up and NG 200 implementation costs of NOK 7.9 million in Q1
- Further implementation costs of NOK 14 million can be expected in Q2

<sup>(1)</sup> Acquisition of 13 Gruppen in Q4 2014

<sup>(2)</sup> ROAF contract start on September 1<sup>st</sup> 2014



- No changes in outlook since Q4 2014 report:
    - 2015 revenues expected to come in flat compared to 2014
    - Overall, we expect a downward pressure on gross margins in 2015
    - Focus will be on cost reductions in 2015
  - FY 2015 Maintenance Capex expectations of ~NOK 160 million
  - Comfortable liquidity for operations
- 

# Financials P&L 3M 2015 <sup>(1)</sup>

## CONDENSED INCOME STATEMENT

<i>(NOK'000)</i>	Note	Q1 2015	Q1 2014
Revenue		1 000 449	966 631
Other income		330	481
<b>Total operating revenue</b>		<b>1 000 779</b>	<b>967 112</b>
Cost of goods sold		499 184	464 621
Employee benefits expense		253 039	238 465
Depreciation and amortization expense		59 964	57 342
Other expenses		181 557	181 037
Other gains and losses		(2 762)	1 360
<b>Operating profit</b>		<b>9 796</b>	<b>24 286</b>
Finance income		833	668
Finance costs		57 724	49 331
Share of profit of investments accounted for using the equity method		-	-
<b>Profit / (loss) before income tax</b>		<b>(47 095)</b>	<b>(24 377)</b>
Income tax expense		(12 409)	(7 267)
<b>Profit for the year from continuing operations</b>		<b>(34 686)</b>	<b>(17 110)</b>
<b>Profit attributable to:</b>			
Owners of the parent		(34 728)	(17 707)
Non-controlling interests		42	597
		<b>(34 686)</b>	<b>(17 110)</b>

<sup>(1)</sup> The interim financial information has not been subject to audit

# Balance sheet 3M 2015<sup>(1)</sup>

## Assets

(NOK'000)		31.03.2015	31.03.2014
<b>Non-current assets</b>			
Property, plant & equipment		1 073 695	1 022 749
Intangible assets		181 454	231 877
Goodwill		1 221 812	1 217 743
Deferred tax assets		74 093	50 282
Investments in associates		12 802	14 091
Trade and other receivables		27 963	22 101
<b>Total non-current assets</b>		<b>2 591 819</b>	<b>2 558 842</b>
<b>Current assets</b>			
Inventory		92 954	106 612
Trade and other receivables		708 949	700 945
Derivative financial instruments		-	-
Cash and cash equivalents		97 882	85 659
<b>Total current assets</b>		<b>899 785</b>	<b>893 216</b>
<b>Total assets</b>		<b>3 491 604</b>	<b>3 452 057</b>

## Equity and liabilities

(NOK'000)		31.03.2015	31.03.2014
<b>Equity attributable to owners of the parent</b>			
Ordinary shares		45 348	45 348
Share premium		330 011	330 011
Other equity		7 970	669
Retained earnings		(204 293)	(64 526)
<b>Equity attributable to owners of the parent</b>		<b>179 036</b>	<b>311 503</b>
<b>Non-controlling interest</b>		<b>14 260</b>	<b>(384)</b>
<b>Total equity</b>		<b>193 296</b>	<b>311 119</b>
<b>Non-current liabilities</b>			
Loans and borrowings		2 359 588	2 178 192
Derivative financial instruments		60 255	42 360
Deferred income tax liabilities		60 235	67 271
Post-employment benefits		6 425	3 518
Provisions for other liabilities and charges		107 411	110 808
<b>Total non-current liabilities</b>		<b>2 593 915</b>	<b>2 402 150</b>
<b>Current liabilities</b>			
Trade and other payables		607 777	533 418
Current income tax		3 240	27 947
Other current liabilities		73 088	177 424
Derivative financial instruments		3 113	-
Provisions for other liabilities and charges		17 173	-
<b>Total current liabilities</b>		<b>704 392</b>	<b>738 789</b>
<b>Total liabilities</b>		<b>3 298 307</b>	<b>3 140 939</b>
<b>Total equity and liabilities</b>		<b>3 491 604</b>	<b>3 452 057</b>

<sup>(1)</sup> The interim financial information has not been subject to audit

# Consolidated cash flow statement 3M 2015<sup>(1)</sup>

(NOK'000)		Q1 2015	Q1 2014
<b>Profit / (Loss) before income tax</b>		<b>(47 095)</b>	<b>(24 377)</b>
<b>Adjustments for:</b>			
Income tax paid		-	-
Depreciation and amortization charges		59 964	57 342
Net financial items		50 343	34 519
Other P&L items without cash effect		6 548	14 144
Changes in other short term items		(66 510)	(88 397)
<b>Net cash flow from operating activities</b>		<b>3 250</b>	<b>(6 769)</b>
Payments for purchases of shares and businesses		-	-
Proceeds from investments		-	-
Payments for purchases of non-current assets		(30 407)	(33 772)
Proceeds from sale of non-current assets		330	481
<b>Net cash flow from investing activities</b>		<b>(30 077)</b>	<b>(33 291)</b>
Proceeds from borrowings		-	10 000
Transaction fees		-	-
Repayment of borrowings		(5 674)	(455)
Net change in credit facility		18 649	8 324
Interest paid		(49 333)	(28 347)
<b>Net cash flow from financing activities</b>		<b>(36 358)</b>	<b>(10 477)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(63 186)</b>	<b>(50 537)</b>
Cash equivalents acquired		-	-
Cash and cash equivalents at beginning of period		161 068	136 196
<b>Cash and cash equivalents at end of year</b>		<b>97 882</b>	<b>85 659</b>

<sup>(1)</sup> The interim financial information has not been subject to audit

# Events after reporting period

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- No material events to report

The logo for NG Norsk Gjenvinning, featuring the letters 'NG' in a bold, white, sans-serif font on an orange square background.

**NG**

Norsk  
Gjenvinning

**Thank you!**  
**Q&A**