Annual Report 2018

VV Holding AS

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

Industrialization and innovation

VV Holding AS owns Norsk Gjenvinning Group, Norway's largest provider of recycling and environmental services. The Norsk Gjenvinning Group is working systematically to create of customer value through industrialization and innovation and has in 2018 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 5 043,7 million, an increase of approximately 19 % from 2017. The increase is driven by gains from sales relinquished property transactions (NOK 499.4 million) and revenue growth in all the Group's segments. Operating profit increased from NOK 195.5 million in 2017 to NOK 627.5 million in 2018. The profit for the year ended at NOK 457.7 million, compared with NOK -23.4 million the year before. The Group's results in 2018 are largely influenced by gains from sales leaseback real estate transactions (NOK 499.4 million).

2018 was a year characterized by progress on several fronts for the Norsk Gjenvinning Group – however we also experienced challenges in parts of the business. Chinese import restrictions caused significant falls in downstream prices for recycled paper and metals, and the situation for recycled paper was further aggravated when the paper sorting line at our main plant in Oslo was destroyed in the fire on 8 March. We received an increase in logistics costs due to the abnormally tough winter in the eastern part of Norway, in addition, we experienced a fall in profitability in household renovation driven by contracts taken over after the RenoNorden bankruptcy. Seen in isolation, these situations led to a significant decrease in the Group's operating profit. We were able to reduce the effect through improvements in several areas. Through NG Flyt - which is the Group's commitment to industrialization and Lean throughout the value chain - we have improved our quality of delivery, operational efficiency, product flow optimization and raw material quality. We succeeded in increasing the upstream prices in the core business, and we had growth in both activity and profitability within project-based businesses. In addition, we have invested further in innovation to continuously improve our processes and ensure optimal resource management for the best for our customers, the environment and profitability, and we have carried out acquisitions that strengthen the service offering and profitability in several parts of the Group.

Highlights of 2018

- In February 2018, **Summa Equity became the new owner of the Norsk Gjenvinning Group**. This change of ownership was well received by the Group's management team and employees. It recognizes the efforts that have been made in recent years, to develop and improve the company, and of the Group's strong position in waste and recycling.
- On March 8, we experienced a **heavy fire at our Groruddalen Miljøpark (GMP) plant in Oslo**. Due to a well prepared internal team as well as the quick response and action from the fire service, personal injury was avoided. The scope of damages to the paper sorting line and the finished goods store for recycled paper were limited.
- After the fire at GMP, Norsk Gjenvinning decided to invest in **the most advanced recycled paper line ever made**. Using the best available technology from several industries, including robotics and machine learning, the new line will be the first in the world to meet the highest quality grade paper recycling requirements, without manual work. The facility will be installed in the first quarter of 2019 and will be fully operational in the second quarter.
- **First out with fossil-free transport**: In January, Norsk Gjenvinning Norge's two first electric waste trucks were in ordinary operation, in Sarpsborg municipality. And in November, Norsk Gjenvinning came with the first liquid biogas (LBG) hook car on Norwegian roads, which runs for VESAR and is operated with biogas produced by the food of the inhabitants in the region.
- The Norsk Gjenvinning Group focuses on **innovation and strategic cooperation** with players along the value chain, and in 2018 the Group was particularly active in construction. A methodology was developed and implemented in order to achieve a **100% source separation at the construction site**. A strategic collaboration was entered into with several of Norway's largest builders for the **development of sustainable building materials**, based on recycled raw materials. And the Group was involved in establishing the **business cluster Construction City** together with OBOS and AF Gruppen.
- In April, Norsk Gjenvinning Downstream, as the first Norwegian player, sent a **cargo boat with wood chips to Scotland for testing of material recycling for wood**.
- In August we started production at our plant in Holmestrand, **a new process line for material recycling of gypsum**. The plant receives and processes gypsum waste from demolition projects, new construction and production scraps, and thus delivers gypsum powder to Norgips and Gyproc, which they use as raw material in their production of new plasterboard.
- Norsk Gjenvinning provided **export of the ship Harrier for legal dismantling and recycling** in Turkey, commissioned by Julia Shipping. The ship had been in Farsund for over a year, and Norsk Gjenvinning undertook the responsibility of preparing the application and documentation for the export of the ship and ensuring that the

recycling of the ship was done under orderly conditions and in accordance with international laws and regulations.

- In 2018, Norsk Gjenvinning continued to donate used PCs to the MARTE Network Center, a daughter branch in the Red Cross organization. Norsk Gjenvinning collects, cleans and upgrades the PCs, and delivers them to the network center, where the target audience is single parents and their children from countries with war and conflict, who have limited income and need help to provide basic tools to make everyday life easier.
- In October, the Group's subsidiary IBKA Norge AS became the majority owner of **Mortens Rørinspeksjon A**S, which together with our business in **Eivind Koch Rørinspeksjon AS** gives us a more complete service offer for pipe inspection in Eastern Norway. In November, we purchased **Kabel Metall and Trafo Gjenvinning AS (KMT**), and at the same time merged Norsk Gjenvinning Metall's cable granulation business into KMT, of which is now a strong component of the group's focus in order to grow in the Nordics, in the market of recycling cables and transformers. In December, we entered into an agreement to **acquire Øst-Riv AS** and merged it with R3 Entreprenør AS, to create a larger and more competitive player in the demolition segment. The transaction was completed on March 1, 2019.
- In 2018, Norsk Gjenvinning further **strengthened its leading position in industrialization, sustainability and circular economy**, and we are invariably invited by both business and government and universities to talk about the development of the recycling industry and cooperation across sectors to promote sustainable development and the green shift.
- 2018 marked the start of an initiative to build a stronger **safety-culture** in the Group. The work has included evaluation of the degree of culture for safety/HSE at our plants**, involvement and training** of managers, safety- and union representatives and development of **life-saving rules**.
- In connection with the introduction of **strict import restrictions to China**, it has been necessary to find **new alternative downstream-markets** for our recycled raw materials. In order to ensure that we export to countries and customers that comply with our safety standards and the safety of the environment, the **Compliance-team completed an audit** with our new customers in Asia, which was completed in November 2018.
- A highlight in 2018 was that Norsk Gjenvinning climbed further on **Ipsos annual reputation measurement** and is now ranked No. 12 on the list of Norwegian companies with the best overall reputation and thus is among the top 20 for the second consecutive year. In the same survey, Norsk Gjenvinning is ranked as the most environmentally conscious company in Norway, and number three on corporate social responsibility.

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 are 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 39 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:

- Largest and best in Norway, with a strong position in Sweden, Denmark and the UK
- The industry's most cost-effective player with an industrialized value chain and continuous improvement at all levels
- Leading the way in customer-driven development and innovation, focusing on quality of service, new downstream solutions, digitization and new business models
- One of Norway's most sought-after jobs with strong culture, diversity and talent development
- Good internal quality, control and management systems; focus on HSE and compliance in everything we do

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 income of NOK 5 043.7 million (NOK 4 237.3 million), while operating expenses ended at NOK 4 416.2 million (NOK 4 041.8 million). The increased operating income is mainly due to gains from sale-leaseback transactions in 2018 (NOK 499.4 million) and increased income in all segments. The Group's operating profit for 2018 increased to NOK 627.5 million (NOK 195.5 million). The increased operating profit is driven by gains from sale-leaseback transactions in 2018.

The Group's net financial expense in 2018 was NOK -178.2 million (NOK -223.6 million). Financial items mainly comprise of interest on loans. The reduction in net financial expenses from 2017 is due to lower interest expense on the bond loan resulting from repayments of NOK 848.6 million in May and July 2018.

The consolidated profit before tax was NOK 449.3 million (NOK -28.1 million). The change from 2017 comes from gains from sale-leaseback transactions I 2018. The consolidated net profit was NOK 457.7million (NOK -23.4 million). Comprehensive income for the year was NOK 461.9 million (NOK -5.7 million).

Balance sheet, financing and liquidity
Total non-current assets at year-end 2018 were NOK 2 384.8 million (NOK 2 284.0 million). Intangible assets were NOK 1 293.4 million (NOK 1 332.8 million). The Group has in 2018 invested NOK 256.7 million (NOK 175.1 million) in property, plant and equipment. Financial assets in 2018 totalled NOK 138.2 million (NOK 65.6 million).

Current assets were NOK 716.4 million (NOK 1 210.2 million), of which NOK 543.5 million (NOK 713.1 million) relates to receivables and NOK 81.0 million (NOK 177.0 million) to bank deposits and cash. At the end of 2017, current assets included NOK 207.3 million in non-current assets held for sale.

Consolidated equity at 31 December was NOK 470.9 million (NOK 74.4 million), representing an equity ratio of 15.2 per cent (2.1 per cent). Changes in equity is mainly due to allocation of this years' total comprehensive income, which is highly affected by sale-leaseback transactions in 2018.

Total liabilities at 31 December were NOK 2 630.2 million (NOK 3 419.8 million). Interest-bearing liabilities were NOK 1 779.5 million (NOK 2 543.2million), of which NOK 1 386.0 million (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 bond matures on July 10, 2019 in full and needs to be refinanced. The owners have established a financing which is made available to ensure VV Holding and the Group the possibility to refinance through a new loan. Until maturity of the bond the Group will consider all available financing possibilities and choose the commercially best alternative. The Groups' liquidity is good and has a NOK 200 million credit facility, which is undrawn as of year-end 2018.

Cash flow
The Groups' cash flow from operating activities was NOK 448.1 million (NOK 349.0 million). The difference between the Groups' operating cash flow and operating profit (NOK 627.5 million) is mainly due to adjustments for gain on sale-leaseback transactions, current period depreciations, amortisations and write-downs as well as improvements in the working capital as a result of sale of accounts receivables to a third party.

The net cash flow from investing activities was NOK 563.7million (NOK -124.8 million). The change in net cash flow is due to consideration received from sale-leaseback transactions.

The net cash flow from financing activities was NOK -1 107.0 million (NOK -216.6 million). The change in cash flow is due to repayment on bond loan I 2018 with 848.6 million, partly offset by lower paid interest.

Cash and cash equivalents at the end of 2018 were NOK 81.0million, compared to NOK 177.0 million at the end of 2017.

Business areas

The Group structure consists of four business areas; Recycling, Metal, Downstream and Project businesses, as well as two niches; Household Collection and Security Shredding. 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), 611 employees (600 employees) and handled around 1.23 million tonnes of waste in 2018 (1.22 million tonnes). Total operating revenue in 2018 was NOK 2 442.5 million (NOK 2 388.6 million).

The Divisions main focus of 2018 started by mitigation the collapse in downstream markets which impacted the division hard already in first quarter of 2018, where China closed the boarders, paired with a fire at the paper line of the Oslo-facility which reduced the divisions capability to curb the collapse in downstream markets for paper. Recycling's loss is considerable, but the Division will rise and have a top modern paper sorting facility in Oslo during the second quarter of 2019.

Recycling has continued with structural efforts to optimize the operational improvement initiatives in 2018 in all parts of the value chain, including logistics and plant operations. The increases the divisions solidity and sorting rate where the division has established a new sustainable value chain with recycling of gypsum, among other things. Upstream markets are still characterised by fierce competition and price pressure on new contracts paired with increased demands for lower Co2 emissions through fossil free machines and vehicles. Downstream costs in 2018 has stabilised somewhat and the division focuses on optimizing and increasing sorting rate to be competitive and not least offer our customers market leading services.

Metal
The Metal business includes the collection, receipt and processing of iron, non-magnetic metals, WEEE waste, cables and ash. Metal has 12 facilities (including partner facilities) in Norway. The division has 117 employees (128 employees) and handled around 241 thousand tonnes of steel and metals in 2018 (248 thousand tonnes). Total operating revenue in 2018 was NOK 938.5 million (NOK 901.9 million).

Metal continued its structural efforts to industrialise the operations in 2018. The division has also had great focus on increasing activity in the upstream markets. In the fourth quarter the cable business was demerged and merged with the associated company KMT. The activity and availability on goods where low and volatile during the first half of 2018, which contributed to weaker results. Downstream markets was also challenging as the price for a significant fraction, secondary aluminium (Zorba), fell sharply worldwide as China implanted import restrictions. This led to a severe weakening of the results, particularly in the second half. Activity and availability of goods ha a positive development during second half of the year, with good entry in the fourth quarter. The price fall on Zorba in downstream markets halted and stabilised on a low level in the fourth quarter. Metal goes out of the year with increased industrialisation, good access on goods and a downstream market which shows tendencies to turn upwards.

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 customers 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 267 thousand tonnes in 2018 (262 thousand tonnes) and generated operating revenue of NOK 241.2 million in 2018 (NOK 231.0 million). The division has 33 employees (32 employees).

Project businesses
Through the companies R3 Entreprenør, IBKA and Norsk Gjenvinning M3 the Group provides a broad spectrum of project based services to entrepreneurs and industrial companies. The project businesses have 269 employees (257 employees) in Norway, Denmark and England. Total operating revenue in 2018 was NOK 642.4 million (NOK 546.7 million).

The division has through 2018 focused on industrialisation of core processes in the respective business areas value chains. Markets for industrial-, landfill- and demolition services has through the year been increasing and the overall trend has been positive towards last year.

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 39 municipalities in Norway and Sweden.

The business has 297 own employees (277 employees) in Norway and Sweden, and including partners employs in total 335 people. That is, 11.3 percent of those employed in Household collection are employed by sub-contractors. Of the 193 heavy vehicles driving in daily service, 47 percent are run on biogas. Further, the business operates 3 heavy vehicles powered by electricity. Total operating revenue in 2018 was NOK 384.4 million (NOK 289.5 million). Household collection has through 2018 experienced challenges with profitability on some contracts. The main focus through the year has been operational efficiency on existing contract portfolio, and to ensure increased profitability on future contracts.

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 (6 employees), serving around 2 600 customers and handling 2 195 tonnes of paper documents. Total operating revenue in 2018 was NOK 56.7 million (NOK 59.5 million).

Innovation

Norsk Gjenvinning aims to be a leader in its market. In 2018 Norsk Gjenvinning participated in and funded several extensive innovation projects, including:

- Paper sorting, new digital paper sorting line
- Sustainable recycling of plaster to gypsum powder
- Recycling solution for mixed woodchips

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 and 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.

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 and production of industrial, commercial and residential waste (both hazardous and non-hazardous), demolition and environmental decontamination (environmental, asbestos, PCB etc.), and a considerable transportation activity. 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 2018:

- **Steel and metals:** The metal- and steel prices held on a relatively stable level throughout 2018, however with a somewhat falling trend in the year. All metal prices where affected by trade restrictions and -sanctions between different countries, first and foremost USA and China. In addition the Chinese import restrictions led to an overflow of metals in other markets. The underlying business cycle is still positive for consumption of metals.
- **Recyclable paper:** Prices fell sharply in the first quarter, before a moderate increase and the price stabilized after the summer. The situation with limited export to Asia is still a significant factor I European prices for Recyclable paper.
- **Refuse Derived Fuel:** Downstream prices for refuse derived fuels have been stable throughout 2018 for Norway and Scandinavia. Operationally the Mass burn-market experienced challenges with high burn value in the products as a consequence of a hot and dry summer. There is a clear trend development that downstream recipients have higher demands to correct quality and delivery precision throughout the year.

- **Plastic:** There is still a strained deposition situation for return plastic of low quality. The prices has been stable throughout 2018.
- **Woodchips:** Woodchips ha a positive price development to energy recovery in 2018, and the primary effect came from the third quarter. The negative trend which had basis in several years with mild winters and price decline on competing energy products turned after a very cold winter in 2017/2018 in combination with increased demand for woodchips to material recycling (wood board production).

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

Events after the balance sheet date

In February 2019 the competition authority accepted a transaction where the Group loses control over R3 Entreprenør. The first of March 2019 this transaction was completed, where R3 Entreprenør and Øst-Riv are fully owned subsidiaries of a holding company, in which the group owns a 36% share. The Group has an agreement with other shareholders in which the group both has a contingent right and contingent obligation purchase additional shares in the company, which would result in the NG-Group gaining control over the entity. The Group expects the options to be executed around august 2019.

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 -0.9 million (NOK 1.1 million).

Net financial income totalled NOK -105.5 million (NOK -101.3 million).

Equity and solvency
Equity in the parent company as at year-end 2018 totalled NOK 72.5 million (NOK 146.4 million). The change in parents' equity refers to this year's total comprehensive income.

Financing and cash flow
The parent company is funded through a bond loan totalling NOK 1 386.0 million and a shareholder loan on NOK 171.6 million. The bond loan matures on July 10, 2019 in full and will be refinanced by issuance of a new loan. The parent's operating cash flow was NOK -4.9 million in 2018 (NOK -2.4 million). Cash flow from investing activities was NOK 991.5 million (NOK 179.3 million). The increase from 2017 is a result of higher payments on loan to subsidiaries. Net cash flow from financing activities was NOK -986.9 million (NOK -177.1 million).The decrease is a result of payments on the bond loan in May and July of 2018.

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 seven 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, Group 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.

Active control
To ensure facilities continually operate according to permits and regulations, internal controls are carried out, such as internal revision and conformity assessments. We regularly control our sub-contractors, both in Norway as well as abroad to ensure that the regulations are maintained throughout the value chain, i.e. through auditing of our partners downstream in Asia or transporters in Europe.

As part of our compliance-program we carry out Integrity Due Diligence (IDD) check of foreign agents and traders. This is part of our procedure for selecting partners such as end customers, agents and traders outside the Nordic region. In order to ensure traceability and control of the flow of goods, we require all vehicles to be weighed in and out of our waste facilities. All weights registered in the NG-Group are integrated with the ERP-systems in order to reduce risk of intentional and unintentional errors. We have strict access-control for changing the master data, and the proxy matrices for the Group and its subsidiaries shall be complied with. In order to reduce the risk of the sale of stolen goods, Norsk Gjenvinning has prohibited cash purchases 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 (1 328 full-time equivalent) at the end of 2018, representing positions such as operators, drivers, customer center, sales, HSE/LEAN, other salaried employees and managers.

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 develop the 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.

2018 marked the start of a comprehensive and important work to develop an even more conscious safety culture in Norsk Gjenvinning. As a result we see the H-value reduced. In total, there were 11 injuries sustained in the Group, resulting in 347 days of absence. This is a remarkable improvement as the corresponding figures for 2017 were 37 injuries and 472 days of absence. This correspond to an H-value for 2018 of 4.3. The H-value in 2017 was 8.9. Several additional measures have been implemented to reduce the extent of injuries in the Group, and moving in to 2019 the focus continues.

Total sick leave in the Norsk Gjenvinning Group was 6.4 per cent in 2018. Short-term sick leave was 2.2 percentage points and long-term sick leave was 4.2 percentage points. There are large differences in sick leave between divisions and regions. By comparison, total sick leave in 2017 was 4.7 per cent. Several measures have been implemented to reduce sick leave in the Group. We continue to focus on this moving in to 2019.

Employee satisfaction
Employee surveys covering all employees are conducted each year. In 2018, 1 056 employees participated in the survey, an increase of 13.3 per cent from 2017. The response rate increased from 79 per cent in 2017 to 80 per cent in 2018.

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, have a high degree of customer orientation and experience customer satisfaction. In addition, there is a good understanding of the Group's overall goals and the impression is that managers are seen as role models, in line with our values. A range of items related to HSE and compliance scores very high with the employees, which experiences that this works well. The group accomplished good results in 2018 and the results are stable compared to 2017.

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 2018 included (but not limited to) training in HSE and risk assessments, waste regulations, hazardous waste, Lean, characterisation of waste for landfill, whistleblowing and NGs code of conduct, competition law, attendance and sick leave follow-up and management training. Additionally, our Project based businesses developed their own training programs tailored to their activities and quality-/security-requirements.

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 2018 one such meeting 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. Approximately the whole workforce in the Group is represented by a security representative and/or WEC on their workplace. Separate gatherings are carried out for safety delegates, in addition 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 2018, 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 2018 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.

In 2018 Norsk Gjenvinning Renovasjon was first in Norway when they introduced two electrical renovation trucks in connection with the household collection assignment in Sarpsborg municipality. The Group also introduced the first hook-truck driven by LBG-gas in 2018. LBG-gas driven vehicles makes it possible to replace conventional diesel engines on cars which requires high lift ability and for longer range. Norsk Gjenvinning will continue to explore and introduce new vehicles and machines which remove or reduce greenhouse gas emissions.

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

Outlook

The Group is still facing some macro-economic headwinds related to low downstream prices particularly related to paper and mixed metal fraction. Despite this we expect to see improvements in both Division Recycling and Division Metal in 2019. In Project Based Businesses the momentum is strong, and we expect the strong performance from 2018 to continue into 2019 in several of the segments. We expect solid improvements in the Household Collection business in 2019 due to finalization of some of the RenoNorden contracts, improved operational control, cost control and positive effects from new contracts which started late 2018 and early 2019.

Lysaker April 29, 2019

Erik Osmundsen Chief Executive Officer	Ole Enger Chairman of the Board	Per-Anders Hjort Deputy Chairman of the Board
Reynir Kjær Indahl Director	Hannah Gunvor Jacobsen Director	Lars Conny Ryk Director
Roy Jenshagen Director	Lasse Stenskrog Director	Cecilie Skauge Director

Group financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS 1.1 – 31.12

(NOK'000)	Note	2018	2017
Revenue	4, 5, 6	4 473 279	4 212 090
Other income	6	570 463	25 258
Total operating revenue		**5 043 742**	**4 237 347**
Cost of goods sold	5, 15	2 307 701	2 113 147
Employee benefits expense	7	1 056 495	963 312
Depreciation and amortization expense	12, 13	205 583	227 705
Other operating expenses	8	850 754	729 979
Other (gains)/losses - net	9	(4 314)	7 684
Operating profit		**627 522**	**195 520**
Finance income	10	1 081	4 103
Finance costs	10	178 463	212 980
Net agio/disagio (-)		(2 646)	(17 445)
Share of profit from associates	14	1 799	2 741
Profit / (loss) before income tax		**449 295**	**(28 062)**
Income tax expense	11	(8 405)	(4 633)
Profit / (loss) for the period from continuing operations		**457 700**	**(23 429)**
Profit / (loss) attributable to:			
Owners of the parent	19	456 289	(32 359)
Non-controlling interests	26	1 411	8 930

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1.1 – 31.12

(NOK'000)	Note	2018	2017
Profit / (loss) for the period		**457 700**	**(23 429)**
Items that may be subsequently reclassified to profit and loss			
Currency translation differences	19	(2 386)	5 948
Interest rate swaps - cash flow hedges (after tax)	19, 25, 11	6 588	11 737
Other comprehensive income / (loss) for the year, net of income tax		**4 202**	**17 686**
Comprehensive income / (loss) for the period		**461 902**	**(5 743)**
Comprehensive income attributable to:			
Owners of the parent	19	460 491	(14 673)
Non-controlling interests	26	1 411	8 930

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31

ASSETS

(NOK'000)	Note	2018	2017
Non-current assets			
Property, plant & equipment	13	854 416	792 250
Intangible assets	12	79 770	96 775
Goodwill	12	1 213 594	1 235 986
Deferred tax assets	11	98 762	93 367
Investments in associated companies	14	111 292	21 360
Other receivables	16	26 937	44 242
Total non-current assets		**2 384 771**	**2 283 980**
Current assets			
Inventories	15	91 588	112 716
Trade receivables	16, 5	382 322	588 348
Other receivables	16	161 154	124 754
Other financial assets	25	304	-
Cash and cash equivalents	17	80 995	176 995
Assets held for sale	6, 13	-	207 348
Total current assets		**716 363**	**1 210 160**
Total assets		**3 101 134**	**3 494 140**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31

EQUITY AND LIABILITIES

(NOK'000)	Note	2018	2017
Equity			
Share capital and reserves attributable to owners of parent	18,19	449 493	52 855
Non-controlling interest	26	21 414	21 527
Total equity		**470 908**	**74 382**
Non-current liabilities			
Loans and borrowings	20, 5	329 902	2 474 734
Other financial liabilities	25	763	9 318
Deferred income tax liabilities	11	20 312	24 926
Post-employment benefits	7	11 537	10 265
Provisions for other liabilities and charges	21	64 289	75 292
Total non-current liabilities		**426 803**	**2 594 534**
Current liabilities			
Trade payables	5	329 788	287 738
Other current payables	22	395 278	407 442
Current income tax	11	3 200	15 651
Loans and borrowings	20	1 449 573	68 516
Other financial liabilities	25	11 824	16 015
Provisions for other liabilities and charges	21	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**

Lysaker April 29, 2019

Erik Osmundsen
Chief Executive Officer

Ole Enger
Chairman of the Board

Per-Anders Hjort
Deputy Chairman of the Board

Reynir Kjær Indahl
Director

Hannah Gunvor Jacobsen
Director

Lars Conny Ryk
Director

Roy Jenshagen
Director

Lasse Stenskrog
Director

Cecilie Skauge
Director

CONSOLIDATED STATEMENT OF CASH FLOWS 1.1-31.12

(NOK'000)	Note	2018	2017
Profit / (Loss) before income tax		**449 295**	**(28 062)**
Income tax paid		(16 425)	(9 965)
Depreciation and amortisation charges	12, 13	205 583	227 705
Gain(-)/loss on sale of non-current assets and business	6	(533 966)	(11 443)
Financial items without cash effect		12 899	37 174
Items classified as investing- or financing activities		152 166	187 335
Post-employment benefits	7	1 272	2 346
Change in provisions for other liabilities and charges	21	(26 955)	(7 600)
Change in inventory	15	(2 295)	(27 651)
Change in accounts receivables and other receivables	16	170 967	(110 193)
Change in accounts payables, other short term debt and other items	22	35 523	89 336
Net cash flow from operating activities		**448 064**	**348 982**
Purchase of fixed assets	12, 13	(148 434)	(125 818)
Sale of fixed assets	6	32 087	15 654
Sale-leaseback transactions	6	701 845	-
Sale of business	6	24 955	3 291
Purchase of shares in subsidiaries and associates	14, 28	(48 258)	(9 000)
Net cash outflow other financial investments		-	(11 420)
Dividend from associated companies	14	1 500	2 500
Net cash flow from investing activities		**563 695**	**(124 793)**
Repayment of borrowings	20	(849 668)	(3 390)
Proceeds from borrowings	20	-	1 800
Debt related expenses		(1 090)	(3 217)
Repayment on financial lease agreements	20	(43 046)	(28 116)
Dividend paid to non-controlling interest	26	(5 573)	(5 355)
Transactions with non-controlling interest		(65 485)	-
Net group contributions received /(paid)	18, 19	-	(5 000)
Interest paid	20	(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 rates		(718)	1 721
Cash and cash equivalents at beginning of period	17	176 995	167 724
Cash and cash equivalents at end of period		**80 995**	**176 995**

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, 2018	**45 348**	**330 011**	**17 429**	**(339 932)**	**52 855**	**21 527**	**74 382**
Profit/(loss) for the year	-	-	-	456 289	456 289	1 411	457 700
Other comprehensive income	-	-	-	4 202	4 202	-	4 202
Total comprehensive income	**-**	**-**	**-**	**460 491**	**460 491**	**1 411**	**461 902**
Group contributions received	-	-	8 908	-	8 908	-	8 908
Group contributions paid	-	-	(11 569)	-	(11 569)	-	(11 569)
Dividend to non-controlling interest	-	-	-	-	-	(7 448)	(7 448)
Purchase of non-controlling interest	-	-	-	(61 193)	(61 193)	(4 293)	(65 485)
Non-controlling interest on business combination	-	-	-	-	-	10 217	10 217
Total transactions with owners	**-**	**-**	**(2 661)**	**(61 193)**	**(63 854)**	**(1 523)**	**(65 377)**
As of December 31, 2018	**45 348**	**330 011**	**14 768**	**59 366**	**449 493**	**21 414**	**470 908**
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**

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 indirectly through holding companies 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 1,386 million Senior Secured Floating Rate Notes 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 April 29, 2019.

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 16 Leases</u>

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.

As of January 1, 2019 the Group implements the new standard IFRS 16 – Leases. The implementation will be carried out by use of the modified retrospective method, in which the cumulative effect of initial application is taken to the opening balance of Equity. Comparative information for prior year will not be presented. On implementation the Group will make use of practical expedients in which; a single discount rate is applied to portfolios of leases with reasonable similar characteristics and hindsight is 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 will be applied on lease agreements by taking in to consideration the type of assets leased and duration of the contract.

On implementation total assets will increase with NOK 1 510 million, interest bearing debt will increase with NOK 1 537 million and provision for other liabilities will decrease with NOK 26 million. This will in turn affect the equity ratio, which will fall from 15.2% to 10.2%. Expected impact in 2019 is an increase in EBITDA of NOK 228 million, decrease in profit before tax of NOK 35 million, operational cash flow will increase with NOK 228 million and net cash flow from financial activities will fall accordingly.

2.1.2 New standards implemented in the year

As of January 1, 2018 the group adopted the new accounting standards IFRS 15 Revenue from customer contracts and IFRS 9 Financial instruments. Neither standard gave rise to implementation effects. IFRS 15 was implemented by use of the

modified retrospective method. Compared to previous accounting policies for revenue there are no changes in the timing or amount of revenue recognition. The Group makes use of the simplified method in IFRS 9 for loss provisions.

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 %
Løvås Transportfirma AS	Oslo	100 %
Norsk Gjenvinning Transport AS	Oslo	100 %
NG Oppstrømtransport AS	Oslo	100 %
LST AS	Holmestrand	100 %
iSekk AS	Oslo	100 %
IBKA Norge AS	Lysaker	100 %
Mortens Rørinspeksjon AS	Kodal	50,6%
Eivind Koch Rørinspeksjon AS	Lillestrøm	50,6%
IBKA A/S (Danmark)	Vordingborg	100 %
IBKA AB (SE)	Kungelv	100 %
IBKA UK Ltd (Storbritannia)	Cardiff	100 %
Asak Massemottak AS	Lysaker	100 %
Løvenskiold Massemottak AS	Lysaker	100 %
Kopstad Massemottak AS	Lysaker	100 %
Borge Massemottak AS	Lysaker	100 %
Solli Massemottak AS	Lysaker	100 %
Adact AS	Lysaker	100 %
NG Startup X AS	Lysaker	100 %
Revise AS	Lysaker	100 %
R3 Entreprenør Holding AS	Ensjø	81,25 %
R3 Entreprenør AS	Ensjø	81,25 %
Østfold Gjenvinning AS*	Fredrikstad	66 %

*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 control, and treats the investment as a subsidiary.

Associated Companies as of December 31;	
Østlandet Gjenvinning AS	50 %
Egersund Omsetningsgård AS	50 %
Kabel Metall & Trafo Gjenvinning AS	47,8 %
Pasa AS	38 %
New West Gipsgjenvinning AS	50 %

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, forwards and cash and cash equivalents are presented in the income statement within 'Net agio/disagio (-)'. 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
A financial asset is recognised at the point in time the Group takes part in the contractual provision of the instrument. The financial asset is classified as subsequently measured at amortised cost, fair value through other comprehensive income og fair value through profit or loss. The classification on initial recognition depends on the Groups purpose for the financial asset and characteristics of the contractual cash flow.

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.

The Groups financial assets consist financial assets subsequently measured at amortised cost and financial assets at fair value through profit or loss.

a) Assets measured at amortised cost
The group includes 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 of other receivables, trade receivables (note 2.13) and cash and cash equivalents (note 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.

2.9 Impairment of financial assets
At the end of each reporting period the Group assesses and recognise a loss allowance for exected credit losses on loans and receivables. If there has been a significant increase in credit risk from first time recognitions the loss allowance is measured at expected lifetime expected credit losses. If the credit risk has not increased significantly the loss allowance is measured at expected 12-month credit losses.

For accounts receivables and contract assets the loss allowance is measured at lifetime expected credit losses (note 2.13).

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 of allowance for expected lifetime losses. The allowance is based on a provision matrix derived from historical credit losses and other known relevant information.

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 from customer contracts
The Group recognizes revenue when performance obligations in the customer contracts are met, through a transfer of a promised services or goods. Revenue is measured at the amount the Group expects to receive in exchange for the transfer of services or goods.

a) Upstream sale of services
The Groups activities in the upstream market primarily relates to collection and treatment of various forms of waste. Revenue from customer contracts are recognised over time, typically as the Group retrieves waste from customers or receives waste at our facilities.

The Group also provides other specialized services related to demolition, a broad spectrum of industrial cleaning services and other environmental services. Revenue from customer contracts are recognised over time, typically as the Group performs services. For some projects there is necessary to recognised revenue based on estimated performance of services.

b) Downstream sale of recycled raw materials
Based on sorted waste collected in the upstream marked and purchased goods, the Group produce recycled raw materials which are sold in the downstream market. The Groups main products are both ferrous and non-ferrous metals and paper. Revenues from sale of recycled raw materials are recognised at the point in time when control is transferred to the customer. This point in time is typically at the point in time when delivery to the customer have occurred.

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.

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.

Landfills
The Group operates landfills where periodic results is dependent on estimates for future investments. The estimates are based on best estimate of future liabilities. There is uncertainty related to the estimated liabilities with regards to timing for settlement and amount. See note 16 for overview of expected future investments.

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 and Security Shredding 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 2018 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 Danish industrial services and Landfill operations is now part of the segment Project businesses. Further there have been a change in the composition between Metal and Downstream where activities formerly reported in the Downstream segment now is part of the segment Metal.

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 2018

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	1 968 925	11 256	506 582	242 512	206 258	262	2 935 795
Other Nordics	-	-	78 334	119 275	-	-	197 609
Other Europe	-	-	30 739	-	-	-	30 739
Intra segment	48 346	1 347	26 709	6 387	17 177	(99 966)	-
Total upstream	**2 017 271**	**12 603**	**642 364**	**368 174**	**223 435**	**(99 704)**	**3 164 143**
Norway	91 338	311 678	-	-	16 823	-	419 839
Other Nordics	104 629	194 491	-	12 790	20 565	-	332 475
Other Europe	96 518	301 913	-	-	30 768	-	429 199
Asia	12 962	114 660	-	-	-	-	127 622
Intra segment	119 815	3 168	-	3 414	6 342	(132 738)	-
Total downstream	**425 262**	**925 909**	**-**	**16 204**	**74 498**	**(132 738)**	**1 309 134**
Total Revenue	**2 442 533**	**938 512**	**642 364**	**384 378**	**297 933**	**(232 442)**	**4 473 279**

Revenue 2017

(NOK'000)	Recycling	Metal	Project Businesses	Household Collection	All other segments	HQ and Eliminations	Total
Norway	1 882 082	10 864	431 998	187 635	163 262	474	2 676 315
Other Nordics	-	-	83 245	82 510	-	-	165 755
Other Europe	-	-	6 820	-	-	-	6 820
Intra segment	48 046	2 147	24 590	5 671	10 673	(91 127)	-
Total upstream	**1 930 128**	**13 011**	**546 653**	**275 816**	**173 935**	**(90 653)**	**2 848 890**
Norway	133 125	407 130	-	-	23 617	-	563 873
Other Nordics	45 946	99 323	-	12 890	26 053	-	184 211
Other Europe	117 639	214 977	-	-	59 881	-	392 497
Asia	58 515	164 105	-	-	-	-	222 619
Intra segment	103 252	3 390	-	741	6 760	(114 143)	-
Total downstream	**458 476**	**888 925**	**-**	**13 631**	**116 310**	**(114 143)**	**1 363 199**
Total Revenue	**2 388 604**	**901 936**	**546 653**	**289 447**	**290 245**	**(204 796)**	**4 212 090**

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)	**2018**	**2017**
Recycling	234 188	294 039
Metal	(19 386)	28 224
Project businesses	80 033	53 801
Household collection	8 809	40 905
All other segments	7 299	9 654
HQ and eliminations	522 164	(3 398)
Total	**833 106**	**423 225**
Depreciation and amortization expense	(205 583)	(227 705)
Finance income	1 081	4 103
Finance costs	(178 463)	(212 980)
Net agio/disagio(-)	(2 646)	(17 445)
Net income from associated companies	1 799	2 741
Profit before tax	**449 295**	**(28 062)**

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)	**2018**	**2017**
Norway	2 031 193	2 039 281
Denmark	22 687	23 528
Sweden	93 900	62 202
Total	**2 147 780**	**2 125 011**

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)	**2018**	**2017**
Operating revenue	14 935	16 752
Operating costs	66 256	99 178
Trade- and other receivables	787	3 018
Trade- and other payables	4 962	1 566

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)	**2018**	**2017**
Carrying amount 1.1	158 927	147 154
Interest expense	12 714	11 772
Carrying amount 31.12	**171 641**	**158 927**

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)	**2018**	**2017**
Upstream sale of services	3 164 143	2 848 890
Downstream sale of recycled raw materials	1 309 134	1 363 200
Revenue from customer contracts	**4 473 279**	**4 212 090**
Gain on sale and leaseback transactions	499 393	-
Rental income from real estate	14 774	13 815
Insurance recovery	21 500	-
Other gains	34 797	11 443
Other income	**570 463**	**25 258**
Total Operating income	**5 043 742**	**4 237 347**

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)	**2018**	**2017**
Norway	3 355 634	3 240 187
Other Nordics	530 084	349 966
Other Europe	459 938	399 317
Asia	127 622	222 619
Revenue from customer contracts	**4 473 279**	**4 212 090**

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 recognized as the Group retrieves waste from customers and perform 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 and leaseback transactions
During the first half of 2018 the Group sold a real estate portfolio, structured as five fully owned subsidiaries. As there where existing operational rental agreements between each subsidiary and the Group, the transactions have been treated as sale and operational leaseback. These transactions resulted in a total net cash inflow to the group of NOK 701,845 thousand and a gain on sale of NOK 499,393 thousand. The real estate portfolio was classified as helf for sale at the end of 2017 with NOK 207,348 thousand.

Insurance recovery
In March of 2018 the Group experienced a fire at our largest waste recycling facility (Haraldrud). This resulted in loss of assets in which a recovery from insurance was recognised. I connection with the fire the Group has recognised impairment of equipment with NOK 3,900 thousand.

Other gains
The Group regularly carry out smaller sales of machines and equipment which give rise to gains on sale. In 2018 the Group has in addition sold a property with a NOK 16,886 thousand gain on sale and a business in the Landfill operations with a NOK 7 956 gain.

7 Employee benefit expense

(NOK'000)	**2018**	**2017**
Wages and salaries	871 236	769 643
Social security costs	113 014	100 973
Pension costs	24 490	24 175
Other benefits	47 755	68 520
Total employee benefits expense	**1 056 495**	**963 312**
Average number of FTEs	1 287	1 353

Specification of pension obligations:

(NOK'000)	**2018**	**2017**
Defined benefits plan	1 187	1 187
Accrual for defined contribution plans	10 351	9 078
Total pension obligations	**11 537**	**10 265**

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

Benefits to executives 2018 *(NOK'000)*	**Wages and salaries**	**Bonus**	**Pension-expense**	**Other**	**Total benefit to executives**	**Post-employment salaries**
Erik Osmundsen (CEO)	3 158	-	227	200	3 585	12 months
Espen Krey Brettås (CFO) [1]	933	-	80	2	1 016	12 months
Hans Fredrik Wittusen (Director Strategy and sustainability)	1 395	-	228	175	1 797	9 months
Egil Lorentzen (Director Recycling)	1 667	-	227	226	2 120	12 months
Jon Tarjei Bergan (Director Downstream)	1 707	-	227	179	2 114	12 months
Ingrid Bjørdal (Director organizational development and compliance)	1 395	-	228	173	1 796	12 months
Bjørn Arve Ofstad (Director project based businesses) [2]	-	-	-	3 048	3 048	-
Andreas Lindström (Director Metal) [2]	1 187	-	66	159	1 412	9 months
Frode Karlsen (Director upstream sale and logistics) [2]	1 377	-	81	82	1 539	9 months
Dean Zuzic (former CFO) [1]	2 006	-	228	186	2 420	-

[1] Former CFO Dean Zuzic left his position with effect from December 2018, CFO Espen Krey Brettås was hired with effect from August 2018.
[2] With effect from September 2018; Bjørn Arve Ofstad, Andreas Lindström and Frode Karlsen became part of the Group management team. Total benefits cover all of 2018.

Benefits to executives 2017 *(NOK'000)*	**Wages and salaries**	**Bonus**	**Pension-expense**	**Other**	**Total benefit to executives**	**Post-employment salaries**
Erik Osmundsen (CEO)	3 206	2 329	226	196	5 957	12 months
Dean Zuzic (CFO)	2 002	1 477	227	169	3 874	6 months
Hans Fredrik Wittusen (Director Strategy and sustainability)	1 376	941	223	178	2 717	9 months
Egil Lorentzen (Director Divisions Recycling and Metal)	1 639	1 003	225	221	3 088	12 months
Jon Tarjei Bergan (Director Division Downstream)	1 683	1 129	225	177	3 214	12 months
Ingrid Bjørdal (Director organizational development and compliance)	1 368	891	225	170	2 654	12 months

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 and board members own shares directly in NG Midco AS, which indirectly controls VV Holding AS, and indirectly through their ownership in GN Invest 2 AS. In 2018 Chief Excecutive Officer

received remuneration of MNOK 2.3 in relation to a successful closing of the sale of the group to Summa Equity in February 2018.

Group management has bonus agreements which depends on yearly performance. Bonus is presented in the vesting year.

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	2018	2017
Ole Enger	Chairman of the Board	500	3 500	4 000	542
Per-Anders Hjort	Deputy chairman of the Board and chairman of the audit committee (AC)	500	411	911	501
Reynir Kjær Indahl	Director and member of AC	-	-	-	-
Christian Melby	Director and member of AC	-	-	-	-
Roy Jenshagen	Director, employee representative [1]	-	-	-	-
Lasse Stenskrog	Director, employee representative	-	-	-	-
Cecilie Skauge	Director, employee representative	-	-	-	-
Yngve Longva Moland	Director, employee representative [2]	-	-	-	-
		1 000	**3 911**	**4 911**	**1 043**

[1] from September 2019, [2] until September 2019

In relation to a successful closing of the sale of the group to Summa Equity in February 2018, the Chairman of the Board received a remuneration of MNOK 3.

8 Other operating expenses

Other operating expenses broken down in the following main categories:

(NOK'000)	2018	2017
Property related expenses	264 785	227 167
Expenses relating to plant and equipment	369 483	325 258
External services	54 617	49 396
Office related expenses	32 329	25 730
Operating expenses landfills	21 449	8 596
Insurance	20 784	21 666
Sale- and marketing expenses	18 839	17 701
Loss on receivables and onerous contracts	4 196	4 005
Other expenses	64 272	50 460
Total other operating expenses	**850 754**	**729 979**

Expensed audit fees (excl. VAT)

(NOK'000)	2018	2017
Statutory audit (incl. technical assistance with financial statements)	4 618	4 222
Other assurance services	201	66
Tax advisory fee (incl. technical assistance with tax returns)	732	1 079
Other assistance	2 478	1 123
Total expensed audit fees	**8 029**	**6 491**

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)*	**2018**	**2017**
Land, buildings and other permanent fixtures	218 760	177 173
Plants and machinery	52 434	52 212
Other operating assets	648	941
Total annual lease expenses	**271 842**	**230 326**

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

Operational leases – future minimum lease payments *(NOK'000)*	**2018**	**2017**
Payable within one year	230 074	182 037
Payable between 1 and 5 years	729 198	518 335
Payable later than 5 years	1 503 883	979 895
Total future minimum lease payments	**2 463 155**	**1 680 267**

Implementation of IFRS 16 January 1, 2019
As of January 1, 2019 the Group implements the new standard IFRS 16 – Leases. Discount rates will be applied on lease agreements by taking in to consideration the type of assets leased and duration of the contract. The following table shows the implementation effect on lease liabilities. See note 2.1.1 for further details regarding the implementation.

(NOK'000)	
Operating minimum lease payments as at December 31, 2018	2 463 155
Discounted value	1 540 696
Added: finance lease liabilities as at December 31, 2018	202 654
Less: short term lease agreements	(3 482)
Less: low-value assets	(446)
Lease liabilities recognised as at January 1, 2019	**1 739 422**
Of which:	
Current lease liability	260 767
Non-current lease liability	1 478 655

9 Other (gains)/losses - net

(NOK'000)	**2018**	**2017**
Financial items at fair value over profit or loss		
Metal derivatives	(3 459)	8 373
Net foreign exchange rate differences from operating activities:		
Foreign exchange gains	(12 206)	(11 737)
Foreign exchange losses	11 352	11 048
Net other gains (-)/losses	**(4 314)**	**7 684**

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)	**2018**	**2017**
Interest on loans from credit institutions	3 387	3 112
Interest on secured note bond	113 569	140 036
Interest on interest rate swap contracts - cash flow hedge	5 221	22 745
Interest on shareholder loan	12 714	11 772
Interest on financial leases	4 994	3 381
Other interest expense	2 489	4 175
Impairment	5 683	-
Other finance costs	30 404	27 759
Total finance costs	**178 463**	**212 980**

(NOK'000)	**2018**	**2017**
Interest income	1 078	3 996
Other finance income	3	106
Total finance income	**1 081**	**4 103**

11 Taxes

Components of income tax expense

(NOK'000)	**2018**	**2017**
Current year income tax provision	4 898	13 522
Change in deferred tax	(15 055)	(13 879)
Adjustment in respect of priors	1 751	(4 276)
Income tax expense	**(8 405)**	**(4 633)**

Reconciliation of income tax expense

(NOK'000)	**2018**	**2017**
Profit before income tax	449 295	(28 062)
Calculated tax expense with nominal tax rate on profit (24/25%)	103 211	(6 735)
Permanent differences	(116 774)	2 728
Effect of change in tax rate	3 396	3 187
Effect of different tax regimes	11	462
Adjustments for estimated income tax expense prior years	1 751	(4 276)
Income tax expense	**(8 405)**	**(4 633)**
Effective tax rate	-1,9 %	16,5 %

Components of deferred tax asset

(NOK'000)	**2018**	**2017**
Property, plant and equipment (PPE)	32 669	48 773
Gain- and loss account	(25 893)	(31 110)
Accruals and provisions	26 836	35 632
Other items	(2 448)	(218)
Interest rate swaps	168	2 143
Interest reduction carried forward	17 291	18 061
Tax losses carried forward	50 139	28 066
Total deferred tax assets	**98 762**	**101 347**
PPE classified as held for sale	-	7 980
Deferred tax assets in statement of financial position	**98 762**	**93 367**

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.

Components of deferred tax liability

(NOK'000)	**2018**	**2017**
Excess value from acquisition (intangible assets)	20 312	24 926
Deferred tax liability in statement of financial position	**20 312**	**24 926**

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

(NOK'000)	**2018**	**2017**
Opening balance January 1	**(68 442)**	**(64 468)**
Tax effect of acquisitions in financial year	108	-
Tax effect of divestments in financial year	634	-
Tax effect on transactions recognised in equity	2 664	2 597
Tax effect of interest rate swaps recognised in OCI	1 968	3 829
Change in deferred tax in tax expense	(15 421)	(18 155)
PPE classified as held for sale	-	7 980
Exchange rate differences	38	(225)
Closing balance December 31	**(78 451)**	**(68 442)**

Current income tax liability

(NOK'000)	**2018**	**2017**
Income tax	4 898	16 861
Prepaid tax and other tax refunds	(1 698)	(1 210)
Current income tax liability	**3 200**	**15 651**

12 Intangible assets

Intangible assets 2018 *(NOK'000)*	**Trademarks**	**Customer contracts and relationships**	**Other intangible assets**	**Goodwill**	**Total**
Carrying value 1.1	**35 000**	**48 373**	**13 401**	**1 235 986**	**1 332 760**
Additions on business combinations	-	-	-	18 620	18 620
Divestment of business	-	-	-	(41 013)	(41 013)
Additions	-	-	3 365	-	3 365
Amortization	-	(16 047)	(4 322)	-	(20 369)
Carrying value 31.12.	**35 000**	**32 325**	**12 444**	**1 213 594**	**1 293 363**
Estimated lifetime		5-10 years	3-5 years		
Amortization method		Linear	Linear		
Acquisition cost as of 31.12.	35 000	317 002	85 552	1 213 594	1 651 148
Accumulated amortization as of 31.12.	-	284 677	73 108	-	357 785

The Group has acquired businesses which has resulted in recognition of Goodwill in 2018, refer to note 27 for further information on the business combinations. In November of 2018 the Group divested part of the Metal segment in exchange for shares in an associated company (note 14). Goodwill allocated to the business has been derecognised.

Intangible assets 2017 *(NOK'000)*	**Trademarks**	**Customer contracts and relationships**	**Other intangible assets**	**Goodwill**	**Total**
Carrying value 1.1	**35 000**	**73 225**	**16 423**	**1 235 986**	**1 360 634**
Additions	-	-	4 539	-	4 539
Amortization	-	(24 852)	(7 561)	-	(32 413)
Carrying value 31.12.	**35 000**	**48 373**	**13 401**	**1 235 986**	**1 332 760**
Estimated lifetime		5-10 years	3-5 years		
Amortization method		Linear	Linear		
Acquisition cost as of 31.12.	35 000	317 002	82 187	1 235 986	1 670 175
Accumulated amortization as of 31.12.	-	268 629	68 786	-	337 415

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 segment. 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 2018. The Groups division into segments is presented in note 4. The table below shows goodwill allocation pr. operating segment.

Goodwill allocation 2018 *(NOK'000)*	**1.1.**	**Additions**	**Disposals**	**Impairment**	**Other adjustments**	**31.12.**
Recycling	886 170	8 282	-	-	-	894 452
Metal	182 000	-	(41 013)	-	-	140 987
Household collection	109 000	-	-	-	-	109 000
Project businesses	58 816	10 339	-	-	-	69 155
Total goodwill	**1 235 986**	**18 621**	**(41 013)**	**-**	**-**	**1 213 594**

In 2018 the Group has acquired businesses which has resulted in recognition of Goodwill in 2018 (see note 27. Further the Group divested the Cable business in the Metal segment in exchange for shares in an associated company (see note 14). On derecognition goodwill is allocated between the Cable business and remaining business in the segment based on fair value.

Goodwill allocation 2017 *(NOK'000)*	**1.1.**	**Additions**	**Disposals**	**Impairment**	**Other adjustments**	**31.12.**
Recycling	886 170	-	-	-	-	886 170
Metal	182 000	-	-	-	-	182 000
Household collection	109 000	-	-	-	-	109 000
Project businesses	58 816	-	-	-	-	58 816
Total goodwill	**1 235 986**	**-**	**-**	**-**	**-**	**1 235 986**

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. The highest of net sales value and value in use is 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 2019-2021. The terminal value is calculated with an annual growth rate of 2%.

WACC (Weighted average cost of capital)
To calculate the discount rates, the Group has applied CAPM as a method. 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 financing and the industries debt ratios. Calculated pre tax WACC is 14.3% for Recycling, 14.2% for Metal, 13.1% for Household collection and 16.4% for Project businesses.

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. The cash flow expected in the impairment test for Metal assumes the Segment will succeed on implementation of initiatives to increase volume and improve margins. If expected improvements of EBITDA related to the initiatives is 26 percent lower than expected this would give rise to impairment.

13 Property, plant and equipment

Property, plant and equipment 2018 *(NOK'000)*	**Property**	**Plant and machinery**	**Furniture, fittings and equipment**	**Work in progress**	**Total**
Carrying value 1.1	**131 672**	**433 192**	**201 446**	**25 939**	**792 250**
Additions on business combinations	-	10 254	91	-	10 344
Sale of business	(2 842)	(7 783)	(156)	-	(10 781)
Additions	13 300	123 647	56 268	63 495	256 710
Reclassifications	5 194	7 389	9 352	(21 934)	-
Depreciation	(19 053)	(103 402)	(57 107)	-	(179 561)
Impairment	(895)	(4 718)	(38)	-	(5 651)
Disposal	(7 988)	(3 377)	(221)	-	(11 586)
Assets classified as held for sale	2 589	2 479	-	-	5 068
Foreign currency adjustments	(2)	(2 353)	(22)	-	(2 377)
Carrying value 31.12.	**121 976**	**455 328**	**209 613**	**67 500**	**854 416**
Estimated lifetime (years)	10 to infinite	5-10	3-10		
Depreciation method	Linear	Linear	Linear		
Acquisition cost as of 31.12.	196 109	800 832	424 421	67 500	1 488 861
Accumulated depreciation as of 31.12.	74 133	345 504	214 808	-	634 445

Of total additions in 2018 NOK 111.6 million relates to financial leases (NOK 53.9 million).

Property, plant and equipment 2017 *(NOK'000)*	**Property**	**Plant and machinery**	**Furniture, fittings and equipment**	**Work in progress**	**Total**
Carrying value 1.1	**287 978**	**500 194**	**213 862**	**13 713**	**1 015 748**
Additions on business combinations	-	-	-	-	-
Sale of business	-	(1 845)	-	-	(1 845)
Additions	13 814	93 882	45 947	21 495	175 139
Reclassifications	4 406	2 461	-	(6 867)	-
Depreciation	(30 012)	(101 758)	(55 757)	-	(187 526)
Impairment	(2 377)	(728)	(2 258)	(2 402)	(7 765)
Disposal	(2 936)	(2 217)	(411)	-	(5 564)
Assets classified as held for sale	(139 204)	(60 119)	(46)	-	(199 368)
Foreign currency adjustments	2	3 320	109	-	3 432
Carrying value 31.12.	**131 672**	**433 192**	**201 446**	**25 939**	**792 250**
Estimated lifetime (years)	10 to infinite	5-10	3-10		
Depreciation method	Linear	Linear	Linear		
Acquisition cost as of 31.12.	198 182	751 783	359 465	25 939	1 335 369
Accumulated depreciation as of 31.12.	66 510	318 591	158 018	-	543 119

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)*	**2018**	**2017**
Property, plant and equipment	180 974	22 253
Total capital commitments	**180 974**	**22 253**

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)*	**2018**	**2017**
Cost-capitalised finance lease	361 969	271 456
Accumulated depreciation	(148 071)	(139 921)
Carrying amount as of 31.12.	**213 898**	**131 535**

For further information regarding financial leases, see note 20.

14 Investment in associated companies and joint ventures

The Group has interests in the following associates and joint ventures. The voting interests corresponds to the stated ownership shares.

	Place of business	**Ownership**
Kabel Metall & Trafo Gjenvinning AS	Revetal	48 %
Østlandet Gjenvinning AS	Hamar	50 %
Egersund Omsetningsgård AS	Egersund	50 %
Pasa AS	Porsgrunn	38 %
New West Gipsgjenvinning AS	Holmestrand	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**	**Other**	**31.12**
Kabel Metall & Trafo Gjenvinning AS	-	95 478	-	(424)	-	95 054
Østlandet Gjenvinning AS	12 298	-	(1 500)	1 375	-	12 173
Other	9 062	315	-	848	(6 159)	4 066
Total	**21 360**	**95 793**	**(1 500)**	**1 799**	**(6 159)**	**111 292**

Investment in new associated company
The Group has on November 30, 2018 invested in the associated company Kabel Metall & Trafo Gjenvinning AS. The investment was carried out by a divestment of the cable business in the Metal segment in exchange for shares in the associate, and part by direct purchase of shares from the other shareholders in exchange for payment of MNOK 32.7. Gain on the transactions is calculated to MNOK 0.The Group has entered an agreement with the other shareholders of the company, in which the Group has an purchase option and the other shareholders has an sale option. If either party make use of these options the Group will gain control over the company. See note 21 for further details regarding this contingent liability.

Other changes
During 2018 the Group has sold the share of Heggvin Alun AS and invested in New West Gipsgjenvinning AS. Further the investment in Litenogstor Transport AS has been impaired as the company is bankrupt.

Summarised financial information:

	Kabel Metall & Trafo Gjenvinning		Østlandet Gjenvinning	
(NOK'000)	**2018**	**2017**	**2018**	**2017**
Total operating revenue	243 122	210 598	197 786	180 505
Profit for the period	3 379	10 722	6 418	6 911
Current assets	97 592	65 318	48 251	47 271
Non-current assets	83 909	14 097	41 610	41 063
Total assets	**181 501**	**79 415**	**89 861**	**88 335**
Equity	75 545	8 828	47 516	45 335
Current liabilities	84 364	66 005	32 685	28 969
Non-current liabilities	21 591	4 583	9 660	14 030
Total equity and liabilities	**181 501**	**79 415**	**89 861**	**88 335**

15 Inventories

(NOK'000)	**2018**	**2017**
Raw materials	42 453	62 957
Finished goods	39 733	41 018
Spare parts	9 402	8 740
Total inventories	**91 588**	**112 716**

(NOK'000)	**2018**	**2017**
Inventory valued at purchase cost	91 588	112 716
Total inventories	**91 588**	**112 716**

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 881.7 million (2016: NOK 796.0 million). These where included in the cost of goods sold. 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)	**2018**	**2017**
Trade receivables (gross)	388 942	594 909
Provision for loss on trade receivables	(6 620)	(6 562)
Total trade receivables	**382 322**	**588 348**

(NOK'000)	**2018**	**2017**
Prepaid expenses	30 111	25 990
Income accruals	110 259	78 427
Other current receivables	20 784	20 337
Total other current receivables	**161 154**	**124 754**

(NOK'000)	**2018**	**2017**
Prepaid landfill rent	20 668	38 215
Other non-current receivables	6 269	6 027
Total other non-current receivables	**26 937**	**44 242**

In 2018 the Group has entered an agreement in which a large portion of accounts receivables are sold right after invoice date. The fair value of trade and other receivables is not considered significantly different from book value.

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	1 250	37 650	8 000

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 315 (2017: TNOK 1 597) 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)	**2018**	**2017**
Cash at bank and in hand	55 560	174 029
Restricted bank deposits	25 435	2 966
Total cash and cash equivalents	**80 995**	**176 995**

(NOK'000)	**2018**	**2017**
NOK	70 509	174 840
DKK	(26 500)	(8 711)
EUR	31 725	28 466
USD	9 796	1 064
SEK	(9 992)	(18 910)
GBP	5 457	247
Total cash and cash equivalents	**80 995**	**176 995**

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.

	2018	2017
Number of shares 31.12	453 479	453 479
Nominal value	100	100

(NOK'000)	2018	2017
Share capital	45 348	45 348
Share premium	330 011	330 011
Other paid in capital*	14 768	17 429

*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 2018 *(NOK'000)*	Currency translation reserve	Pension reserve	Cash flow hedge reserve	Other Equity	Total other equity
Carrying value as of 1.1	**9 838**	**(1 233)**	**33 238**	**(381 776)**	**(339 932)**
Profit for the year	-	-	-	456 289	456 289
Other comprehensive income for the year:					
Currency translation difference	(2 386)	-	-	-	(2 386)
Cash flow hedge	-	-	8 556	-	8 556
Tax related to cash flow hedge	-	-	(1 968)	-	(1 968)
Tax effect of change in tax rate	-	-	-	-	-
Transactions with the shareholders:					
Purchase of non-controlling interest	-	-	-	(61 193)	(61 193)
Carrying value as of 31.12	**7 452**	**(1 233)**	**39 826**	**13 321**	**59 366**

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)**

20 Borrowings and financial lease contracts

(NOK'000)	**2018**	**2017**
Senior secured note bond	-	2 216 728
Shareholder loan	171 641	158 927
Financial lease liabilities	156 571	97 451
Other loans	1 690	1 628
Total non-current loans and borrowings	**329 902**	**2 474 734**

(NOK'000)	**2018**	**2017**
Senior secured note bond	1 402 733	31 247
Financial lease liabilities	46 083	31 619
Other loans	756	5 650
Total current loans and borrowings	**1 449 573**	**68 516**
Total loans and borrowings	**1 779 475**	**2 543 250**

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

	Carrying amount		**Fair value**	
(NOK'000)	**2018**	**2017**	**2018**	**2017**
Senior secured note bond	1 402 733	2 247 975	1 386 353	2 276 348
Shareholder loan	171 641	158 927	171 641	167 632
Other loans	2 446	7 278	2 446	7 278
Financial lease liabilities	202 654	129 071	202 654	129 071
Total loans and borrowings	**1 779 475**	**2 543 250**	**1 763 094**	**2 580 328**

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

2018 *(NOK'000)*	**Bond**	**Shareholder loan**	**Revolving Credit facility**	**Interest rate swaps**	**Other loans**	**Financial lease liabilities**	**Total**
Balance 1.1.	**2 247 975**	**158 926**	**549**	**4 088**	**2 641**	**129 070**	**2 543 250**
Proceeds	-	-	125 000	-	-	-	125 000
Repayment	(848 647)	-	(125 000)	-	(1 021)	(43 046)	(1 017 714)
Interest paid	(124 524)	-	(3 496)	(9 100)	(65)	(4 994)	(142 180)
Cash flows	**(973 171)**	**-**	**(3 496)**	**(9 100)**	**(1 086)**	**(48 040)**	**(1 034 893)**
Exchange rates	-	-	-	-	-	(1 757)	(1 757)
Interest expense	113 569	12 714	3 315	5 221	15	4 994	139 828
New leases	-	-	-	-	-	111 641	111 641
Business combinations	-	-	-	-	300	6 747	7 047
Transaction expenses	14 360	-	-	-	-	-	14 360
Other changes	**127 929**	**12 714**	**3 315**	**5 221**	**315**	**121 624**	**271 119**
Balance 31.12.	**1 402 733**	**171 640**	**367**	**209**	**1 870**	**202 654**	**1 779 475**

2017 *(NOK'000)*	Bond	Shareholder loan	Revolving Credit facility	Interest rate swaps	Other loans	Financial lease liabilities	Total
Balance 1.1.	**2 237 671**	**147 154**	**459**	**5 748**	**4 223**	**101 344**	**2 496 600**
Proceeds	-	-	285 000	-	1 800	-	286 800
Repayment	-	-	(285 000)	-	(3 390)	(28 115)	(316 505)
Interest paid	(141 777)	-	(2 712)	(24 365)	(144)	(3 381)	(172 378)
Cash flows	**(141 777)**	**-**	**(2 712)**	**(24 365)**	**(1 734)**	**(31 496)**	**(202 083)**
Exchange rates	-	-	-	-	-	1 888	1 888
Interest expense	140 064	11 772	2 802	22 705	152	3 381	180 875
New leases	-	-	-	-	-	53 953	53 953
Transaction expenses	12 017	-	-	-	-	-	12 017
Other changes	**152 081**	**11 772**	**2 802**	**22 705**	**152**	**59 222**	**248 733**
Balance 31.12.	**2 247 975**	**158 926**	**549**	**4 088**	**2 641**	**129 070**	**2 543 250**

Senior secured note bond
10. July 2014, issued VV Holding AS a senior secured floating rate note (the bond) of MNOK 1 386, 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)	2018	2017
Principal amount	1 386 353	2 235 000
Accrued interest expense	20 292	31 247
Transaction costs	(3 912)	(18 272)
Carrying amount	**1 402 733**	**2 247 975**

As the senior secured note bond is listed on the Oslo stock exchange, the last observed price in 2018 of 100.00 (101.85) has been used when calculating the fair value. Fair value of the bond is principal amount measured at price 100.00.

The Groups bond matures on July 10, 2019 in full and needs to be refinanced. The owners have established a financing option which gives the Group the possibility to refinance through a new loan. Until maturity of the bond the Group will consider all available financing possibilities and choose the commercially best alternative.

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 equal the carrying amount as the last observed transaction value on the Bond was 100.00.

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)	2018	2017
Less than 1 year	51 240	34 936
Between 1 and 5 years	141 003	82 014
Later than 5 years	25 026	22 031
Total future minimum lease payments	**217 269**	**138 981**
Future financial charges on financial lease liabilities	14 615	9 910
Present value of financial lease liabilities	**202 654**	**129 071**

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

Maturity profile for the present value of finance lease liabilities:

(NOK'000)	**2018**	**2017**
Less than 1 year	46 083	31 619
Between 1 and 5 years	132 196	76 165
Later than 5 years	24 375	21 287
Present value of financial lease liabilities	**202 654**	**129 071**

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.

Revolving credit facility

(NOK'000)	**2018**	**2017**
Undrawn revolving credit facility	200 000	200 000

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

Other loans
Other loans are several smaller loans from credit institutions, 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, VV Holding AS, Norsk Gjenvinning Norge AS, Norsk Gjenvinning AS, IBKA Norge AS, Norsk Gjenvinning Metall AS, Norsk Gjenvinning Miljøeiendommer AS, Norsk Gjenvinning Renovasjon AS, Norsk Gjenvinning Downstream AS, NG Vekst AS, Norsk Makulering AS, Humlekjær & Ødegaard AS, Norsk Gjenvinning M3 AS, Løvaas Transportfirma AS, Isekk AS, Tomwil Miljø AS and Nordisk Återvinning Service AB.

(NOK'000)	**Carrying value**	**Security**
Shares	-	3 500 000
Property, plant and equipment	783 242	3 500 000
Trade receivables	380 937	3 500 000
Inventories	91 143	3 500 000

The Group have the following guarantees as of December 31;

(NOK'000)	**2018**	**2017**
Operational guarantees	98 460	93 068
Rental guarantees	24 771	55 568
Contractual guarantees	57 153	56 096
Withheld tax guarantees	43 800	39 000

21 Provisions for other liabilities and charges

2018 *(NOK'000)*	Rental-compensation	Onerous contracts	Environmental- and clean-up commitments	Other provisions	Total provisions
Carrying value as of 1.1	**68 029**	**4 378**	**26 897**	**5 850**	**105 154**
Additional provisions recognised	-	20	226	200	446
Unused amounts reversed	-	-	(10 164)	(1 083)	(11 247)
Amounts used during the year	(5 529)	(2 522)	(3 485)	(4 767)	(16 303)
Carrying value as of 31.12	**62 500**	**1 876**	**13 474**	**200**	**78 050**
Classified as:					
- Non-current liabilities	57 500	-	6 790	-	64 289
- Current liabilities	5 000	1 876	6 684	200	13 761

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

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 1.6 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
The Group has in 2018 demerged part of the Metal business in exchange for an investment in an associated company. An agreement with other shareholders of the company give rise to an obligation for the Group to purchase further shares in the company if the other shareholders requires. The option is exercisable in the time period between the earliest date of (i) a refinancing of the bond loan or (ii) August 1, 2019, and ending on December 31, 2019. Total contingent liability is NOK 35 million. This liability is not recognised in the statement of financial position as it requires the option to be triggered.

22 Other current payables

(NOK'000)	**2018**	**2017**
Other accrued expenses	198 354	214 448
Payable employee benefits	81 021	83 978
Social security, VAT and other taxes	88 139	85 870
Provision for downstream expenses*	21 982	17 496
Other current payables	5 783	5 650
Total other current payables	**395 278**	**407 442**

* 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)	**2018**	**2017**
NOK/USD	15 827	20 743
NOK/EUR	52 870	38 165
NOK/SEK	-8 652	-7 862
NOK/DKK	-424	691

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 0.1 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)	**2018**	**2017**
Paper	25 224	37 575
Non-ferrous metals	38 068	44 434
Ferrous metals	54 359	47 194
Refuse derived fuels	-25 185	-19 364

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, 2018 *(NOK'000)*	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**
Borrowings	1 454 179	193 800	768
Financial lease liabilities	51 240	141 003	25 026
Trade and other payables	335 571	-	-
Financial guarantee contracts	30 350	-	-

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	-	-

Loans that mature in less than one year consists mainly of bonds of NOK 1 386 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)	**2018**	**2017**
EBITDA	**833 106**	**423 225**
Change in provision for onerous contract	-2 377	-2 114
Gains on sale of real estate	-516 280	-
Close down of landfill	-	-7 000
Other non-recurring items	7 920	250
Adjusted EBITDA	**322 369**	**414 361**

The debt ratio as of December 31, was;

(NOK'000)	**2018**	**2017**
Cash and cash equivalents	80 995	176 995
Loan facility	367	549
Leasing facility	202 654	129 071
Senior secured note	1 406 854	2 270 335
Senior bank debt	1 870	2 641
Net debt	**1 530 751**	**2 225 600**
Adjusted EBITDA	322 369	414 361
Debt ratio	**4,75**	**5,37**

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

24 Financial instruments

Financial instruments by category

(NOK'000)	**2018**	**2017**
Financial assets at amortised cost:		
Trade receivables	382 322	588 348
Other receivables excluding pre-payments	137 312	104 791
Cash and cash equivalents	80 995	176 995
Financial assets at fair value through profit or loss:		
Other financial assets	304	-
Total financial assets	**600 933**	**870 134**
Financial liabilities at amortised cost:		
Borrowings	1 576 820	2 414 179
Financial lease liabilities	202 654	129 071
Trade payables	329 788	287 738
Other payables excluding non-financial liabilities	307 140	321 572
Derivative financial instruments:		
Used for hedging	763	9 318
Fair value thorugh profit or loss	11 824	16 015
Total financial liabilities	**2 428 989**	**3 177 893**

Credit risk trade receivables

During 2018 the Group entered an agreement in which the main portion of trade receivables are sold right after they are invoiced. The Group makes provisions for expected future lifetime loss on trade receivables based on a provision matrix. All new customers are credit rated when a relationship is entered into and 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)	**2018**	**2017**
Group 1	367 755	573 938
Group 2	15 455	11 610
Group 3	5 732	9 361
Total trade receivables (gross)	**388 942**	**594 909**

25 Other financial assets and liabilities

December 31 *(NOK'000)*	**2018**		**2017**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - cash flow hedge	-	763	-	9 318
Forward foreign exchange contracts	-	11 824	-	13 899
Metal derivatives	304	-	-	2 116
Total carrying value	**304**	**12 587**	**-**	**25 334**
Non-current items:	-	763	-	9 318
Current items:	304	11 824	-	16 015

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

2018

Principal amount (NOK'000)	**Currency**	**Start date**	**Mature date**	**Fixed rate**	**MTM (NOK'000) ***
900 000	NOK	10.07.2017	10.07.2019	1,355 %	(505)
500 000	NOK	10.10.2018	10.07.2019	1,360 %	(258)
1 400 000					**(763)**

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)**

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 1.27 % as of December 31, 2018 (2017: 0.81% 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:

31.12.2018 *(NOK'000)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets/liabilities(-) at fair value through profit or loss				
Forward foreign exchange contracts	-	(11 824)	-	(11 824)
Metal derivatives	-	304	-	304
Derivatives used for cash flow hedging				
Interest rate swaps	-	(763)	-	(763)

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)

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
Østfold Gjenvinning AS	Fredrikstad	34 %	(650)	5 259
R3 Entreprenør Holding AS	Oslo	18,75 %	1 224	5 100
Mortens Rørinspeksjon AS	Oslo	49,4 %	838	11 055
Total			**1 411**	**21 414**

Dividends
During 2018 dividends of NOK 25 300 thousand (2017: NOK 11 900 thousand) was paid from subsidiaries with non-controlling interest, of which NOK 15 000 thousand from R3 Entreprenør Holding AS and NOK 10 300 thousand from iSekk AS. From these distributions, NOK 2 813 thousand and NOK 4 635 thousand relates to non-controlling interest in R3 Entreprenør Holding AS and iSekk AS respectively. A total of NOK 5 573 thousand is paid in 2018, while NOK 1 875 thousand is presented as current liabilities as of December 31, 2018. Paid dividends to non-controlling interest is presented under cash flow from financing activities.

Purchase of non-controlling interest (iSekk AS)
On February 28, 2018 the Group purchased all shares in iSekk AS held by non-controlling interest for NOK 65 485 thousand. Payment for the shares is presented under cash flow from financing activities. Immediately prior to the purchase the carrying amount of the existing 45 % non-controlling interest was NOK 4 293 thousand. The Group recognised a decrease in non-controlling interest of NOK 4 293 thousand and a reduction in equity attributable to owners of the parent of NOK 61 193 thousand.

Summarised financial information 2018
R3 Entreprenør Holding AS (R3-Group) and Mortens Rørinspeksjon have 100% owned subsidiaries. Amounts relates to the consolidated accounts with subsidiary. All amounts are after eliminations in the sub-group, before eliminations of transaction with other group companies.

(NOK'000)	Østfold Gjenvinning	R3-Group	Mortens Rørinspeksjon
Items in profit or loss 2018			
Total operating revenue	44 409	241 518	12 963
Profit / (loss) for the period	-1 913	6 525	1 697
Items in financial position as of December 31, 2018			
Non-current asset	17 702	22 546	2 059
Current assets	6 252	51 474	9 616
Total assets	**23 954**	**74 020**	**11 675**
Equity	14 873	31 962	7 954
Non-current liabilities	1 986	2 999	827
Current liabilities	7 094	39 059	2 894
Total equity and liabilities	**23 954**	**74 020**	**11 675**
Cash flow 2018			

Summarised financial information 2017
R3 Entreprenør Holding AS (R3-Group) have a 100% owned subsidiary. Amounts relates to the consolidated accounts for R3 Entreprenør Holding AS with subsidiary. All amounts are after eliminations in the sub-group, before eliminations of transaction with other group companies.

(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

27 Business combinations

The group has closed three small business combinations in 2018. On September 30, 2018 the Group gained control over LST AS by purchase of shares in the company, on October 22, 2018 the Group purchased, through the subsidiary Norsk Gjenvinning Transport AS, a business and on September 30, 2018 the Group gained control over Mortens Rørinspeksjon AS by purchase of shares in the company. The first two business combinations was executed to cover transportation needs in Recycling, which previously was purchased from subcontracts and the purchase of Mortens Rørinspeksjon was executed for geographic expansion in Project businesses. Recognised goodwill reflects expected synergies by integrating with existing business.

The acquired businesses contributed collectively with Revenue of NOK 3 847 thousand and a pre tax loss of NOK 6 842 thousand from control was obtained until December 31, 2018. If the business combinations had been executed on January 1, 2018 the consolidated pro-forma Revenue and pre tax profit for the year ended December 31, 2018 would have been NOK 4 486 093 thousand and NOK 443 724 thousand respectively for the Group.

The business combinations is accounted for by use of the acquisition method in which identifiably assets and liabilities are measured at fair value on the transaction date, deferred tax is measured at nominal amount and non-controlling interest is measured at fail value. The following table summarizes the purchase price allocations for the three transactions.

(NOK'000)	**Purchase price allocation**
Property, plant & equipment	10 344
Receivables	3 295
Loans	(300)
Financial leasing liabilities	(6 747)
Deferred tax	(108)
Account payables and other current payables	(8 539)
Net identifiable assets acquired	**(2 055)**
Non-controlling interest	(10 217)
Goodwill	18 620
Net assets taken acquired	**6 349**
Cash consideration	6 802
Cash balance acquired	-755
Bank overdraft acquired	302
Net outflow of cash – investing activities	**6 349**

28 Events after the reporting period

In February 2019 the competition authority accepted a transaction where the Group loses control over R3 Entreprenør. The first of March 2019 this transaction was completed, where R3 Entreprenør and Øst-Riv are fully owned subsidiaries of a holding company, in which the group owns a 36% share. The Group has an agreement with other shareholders in which the group both has a contingent right and contingent obligation purchase additional shares in the company, which would result in the NG-Group gaining control over the entity. The Group expects the options to be executed around august 2019.

Financial statements parent company

STATEMENT OF PROFIT OR LOSS – January 1–December 31

(NOK'000)	Note	2018	2017
Other operating expenses	6	(939)	1 091
Operating profit		**939**	**(1 091)**
Interest income from group companies	7, 10	46 771	92 017
Other financial income	7	68	1
Interest expense to group companies	7, 10	12 714	11 772
Other financial expenses	7	139 639	181 582
Profit / (loss) before income tax		**(104 575)**	**(102 428)**
Income tax expense	5	(24 052)	(23 369)
Profit / (loss) for the period from continuing operations		**(80 523)**	**(79 058)**
Cash flow hedges (after tax)	5, 8	6 580	11 738
Comprehensive income for the period		**(73 943)**	**(67 321)**
Transfers			
Allocation to/from(-) other equity reserves		(73 943)	(67 321)
Total transfers		**(73 943)**	**(67 321)**

BALANCE SHEET - DECEMBER 31

ASSETS

(NOK'000)	Note	2018	2017
Non-current assets			
Intangible assets			
Deferred tax assets	5	34 861	13 801
Total intangible assets		**34 861**	**13 801**
Financial non-current assets			
Investment in subsidiaries	1	1 399 982	1 399 982
Loan to group companies	2, 9, 11	-	1 157 950
Total financial non-current assets		**1 399 982**	**2 557 933**
Total non-current assets		**1 434 843**	**2 571 734**
Receivables			
Receivables from group companies	2, 9, 11	213 221	70 556
Other current receivables	9, 11	44	183
Total receivables		**213 265**	**70 739**
Cash and cash equivalents	11, 12	839	1 145
Total current assets		**214 104**	**71 884**
Total assets		**1 648 947**	**2 643 619**

BALANCE SHEET - DECEMBER 31

EQUITY AND LIABILITIES			
(NOK'000)	**Note**	**2018**	**2017**
EQUITY			
Share capital	3, 4	45 348	45 348
Share premium	3	330 011	330 011
Other paid in capital	3	14 768	14 768
Other equity	3	(317 630)	(243 688)
Total equity		**72 497**	**146 439**
LIABILITIES			
Other non-current liabilities			
Loans from group companies	2, 9, 11	171 641	158 927
Senior secured note bond	9, 11	-	2 216 728
Derivative financial instruments	8, 11	763	9 318
Total other non-current liabilities		**172 404**	**2 384 973**
Current liabilities			
Trade payables	9, 11	738	6
Current income tax	5	-	3 339
Loans and borrowings	9, 11	1 403 309	35 884
Current payables to group companies	2, 9	-	70 556
Other current payables	9	-	2 421
Total current liabilities		**1 404 047**	**112 206**
Total liabilities		**1 576 450**	**2 497 179**
Total Equity and liabilities		**1 648 947**	**2 643 619**

Lysaker April 29, 2019

Erik Osmundsen
Chief Executive Officer

Ole Enger
Chairman of the Board

Per-Anders Hjort
Deputy Chairman of the Board

Reynir Kjær Indahl
Director

Hannah Gunvor Jacobsen
Director

Lars Conny Ryk
Director

Roy Jenshagen
Director

Lasse Stenskrog
Director

Cecilie Skauge
Director

STATEMENT OF CASH FLOW – JANURARY 1 – DECEMBER 31

(NOK'000)	Note	2018	2017
Profit / (Loss) before income tax		**(104 575)**	**(102 428)**
Adjustments for:			
Paid taxes		(2 321)	-
Financial items without cash effect		(34 712)	(71 510)
Items classified as investing- or financing activities	7	138 210	172 071
Change in other receivables	9	139	(183)
Change in accounts payable and other current payables		(1 691)	(315)
Net cash flow from operating activities		**(4 949)**	**(2 365)**
Net change in borrowings to group companies	9	991 500	179 300
Net cash flow from investing activities		**991 500**	**179 300**
Repayment of borrowings		(848 647)	-
Net group contributions received/paid (-) from/to parent	2	-	(5 000)
Debt related expenses		(1 090)	(3 217)
Paid interest expense		(137 120)	(168 854)
Net cash flow from financing activities		**(986 857)**	**(177 071)**
Net increase in cash and cash equivalents		**(306)**	**(136)**
Cash and cash equivalents at beginning of period		1 145	1 281
Cash and cash equivalents at end of period		**839**	**1 145**

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
Receivables are recognised at the point in time the company takes part in the contractual provision of the instrument and is subsequently measured at amortised cost. Receivables are initially recognised at fair value plus transaction costs and is derecognised when the rights to receive cash flows from the receivable have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Derivatives and hedging
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 company 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 company 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.

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 though the income statement. Hedge gains or – losses which is taken through other comprehensive income and 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).

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 transferred to the income statement.

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.

New accounting standards
The company has with effect from January 1, 2019 implemented the new accounting standard IFRS 9 Financial instruments, without any effects from implementation.

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	960 524	566 961	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)	2018	2017
Financial non-current assets		
Loan to subsidiary	-	1 157 950
Total	**-**	**1 157 950**
Other non-current liabilities		
Loan from parent	171 641	158 927
Total	**171 641**	**158 927**
Receivables from group companies		
Receivable group contributions	-	70 556
Current portion of loan to subsidiary	213 221	-
Total	**213 221**	**70 556**
Current payables to group companies		
Payable group contributions	-	70 556
Total	**-**	**70 556**

The outstanding loan to subsidiary has been paid with NOK 991 500 thousand in 2018. Remaining balance of NOK 213 221 thousand matures at July 14, 2019.

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**	**14 768**	**(243 688)**	**146 439**
Current year loss	-	-	-	(80 523)	(80 523)
Other comprehensive income	-	-	-	6 580	6 580
Carrying value 31.12	**45 348**	**330 011**	**14 768**	**(317 630)**	**72 497**

Note 4 Share capital and shareholder information

The company are included in the NG Topco 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)*	**2018**	**2017**
Temporary differences		
Transactions cost loans	3 912	18 272
Interest rate swaps (change in deferred tax not recognised in the profit or loss accounts)	(763)	(9 318)
Net temporary differences	**3 149**	**8 954**
Tax losses carried forward	(161 606)	(68 961)
Basis for deferred tax/(deferred tax asset)	**(158 457)**	**(60 008)**
Deferred tax/(deferred tax asset) 23% / 24%	(34 861)	(13 802)

Basis for income tax expense, changes in deferred tax and tax payable *(NOK'000)*	**2018**	**2017**
Profit/(loss) before tax	(104 575)	(102 428)
Permanent differences	(2 430)	-
Change in tax losses carried forward	92 645	19 854
Change in temporary differences with influence on taxable income	14 360	12 017
Basis for payable tax in the statement of profit or loss	**-**	**(70 556)**
+/÷ Group contributions received/(given)	-	70 556
Taxable income (basis for payable taxes in the balance sheet)	**-**	**-**

Components of the income tax expense *(NOK'000)*	**2018**	**2017**
Payable tax on current year result	-	-
Adjustments in respect of prior years	(1 018)	-
Total payable tax	**(1 018)**	**-**
Change in deferred tax	(21 059)	(3 313)
Tax effect of group contributions not recognised in profit or loss	-	(16 228)
Correction for tax on differences recognised directly in the balance sheet (interest rate swaps) which are included in the calculation of deferred tax	(1 975)	(3 829)
Tax expense/(income)	**(24 052)**	**(23 369)**

Reconciliation of the income tax expense *(NOK'000)*	**2018**	**2017**
Profit before tax	**(104 575)**	**(102 428)**
Calculated tax 24/25%	(24 052)	(24 583)
Tax expense/(income) in statement of profit or loss	(24 052)	(23 369)
Difference	**-**	**(1 213)**

The difference consist of:		
24/25% of permanent differences	(559)	-
Change in deferred tax due to change in tax rate	1 577	507
Change in deferred tax related to derivative	1 975	3 829
Tax expense in other comprehensive income for the year	(1 975)	(3 829)
Adjustments in respect of prior years	(1 018)	-
Other differences	-	706
Total explained differences	**-**	**1 213**

Reconciliation of tax expense in comprehensive income for the year	**2018**	**2017**
Cash flow hedge before tax	8 556	15 567
Tax expense	1 975	3 829
Cash flow hedge after tax	**6 580**	**11 738**

Payable tax in the balance sheet *(NOK'000)*	**2018**	**2017**
Payable tax from previous periods	-	3 339
Payable tax in the balance sheet	**-**	**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)*	**2018**	**2017**
Statutory audit (including technical assistance with financial statements)	222	305
Tax advisory fee (including technical assistance with tax return)	103	412
Total audit fee (excl. VAT)	**325**	**717**

Note 7 Financial income and expenses

Financial income *(NOK'000)*	**2018**	**2017**
Interest income from group companies	46 771	92 017
Other interest income	68	1
Total financial income	**46 839**	**92 018**

Financial expenses *(NOK'000)*	**2018**	**2017**
Interest expense to group companies	12 714	11 772
Other interest expense	136 465	177 599
Other financial expenses	3 173	3 983
Total financial expenses	**152 353**	**193 354**

Note 8 Financial management and derivatives

Foreign exchange rate risk
The company has no significant 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 corresponding maturity on loan.

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 agreements as of December 31, 2018 was NOK 1 400 000 thousand (2017: NOK 2 000 000 thousand).

The maturity date on interest swap rate agreements are;
- July 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, 2018 the fixed-rate for the interest swaps was 1.360% for the agreement with nominal principal NOK 500 000 thousand and 1.355% for the agreement with nominal principal NOK 900 000 thousand. The floating interest rate (3 month NIBOR) was 1.27 % as of December 31, 2018 (2017: 0.81 %) 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)	**2018**	**2017**
Asset	-	-
Liabilities	763	9 318

Note 9 Receivables and liabilities

(NOK'000)	**2018**	**2017**
Current receivables		
Receivables at nominal value	44	183
Current receivables from group companies	213 221	70 556
Total	**213 265**	**70 739**
Non-current receivables		
Loan to group company (Norsk Gjenvinning Norge AS)	-	1 157 950
Total	**-**	**1 157 950**

(NOK'000)	**2018**	**2017**
Current liabilities		
Senior secured note	1 382 441	-
Accrued interest expense bond and interest rate swaps	20 501	35 335
Debt to credit institutions	367	549
Trade payables	738	6
Payable group contributions	-	70 556
Other current payables	-	2 421
Total	**1 404 047**	**108 867**
Non-current liabilities		
Senior secured note	-	2 216 728
Debt to group company (VV Holding II AS)	171 641	158 927
Total	**171 641**	**2 375 655**

On July 10, 2014, VV Holding AS issued a senior secured floating rate note (the bond) of MNOK 1 386, 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, VV Holding AS, Norsk Gjenvinning Norge AS, Norsk Gjenvinning AS, IBKA Norge AS, Norsk Gjenvinning Metall AS, Norsk Gjenvinning Miljøeiendommer AS, Norsk Gjenvinning Renovasjon AS, Norsk Gjenvinning Downstream AS, NG Vekst AS, Norsk Makulering AS, Humlekjær & Ødegaard AS, Norsk Gjenvinning M3 AS, Løvaas Transportfirma AS, Isekk AS, Tomwil Miljø 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.

The bond matures on July 10, 2019 in full and needs to be refinanced. The owners have established a financing option which gives the possibility to refinance through a new loan. Until maturity of the bond the company will consider all available financing possibilities and choose the commercially best alternative.

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 2018 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)	**2018**	**2017**
Interest income from borrowings	46 771	92 017
Interest expense from loans	12 714	11 772

Note 11 Financial instruments

Financial instruments by category:

(NOK'000)	**2018**	**2017**
Financial assets at amortised cost:		
Borrowings	213 221	1 157 950
Other receivables	44	70 739
Cash and cash equivalents	839	1 145
Total financial assets	**214 104**	**1 229 835**
Financial liabilities at amortised cost:		
Borrowings	1 574 950	2 411 539
Trade and other payables excluding non-financial liabilities	738	70 562
Derivatives:		
Used for hedging	763	9 318
Total financial liabilities	**1 574 950**	**2 420 857**

Note 12 Cash and cash equivalents

(NOK'000)	**2018**	**2017**
Cash and bank deposits	839	1 145
Cash, cash equivalents and used drawing rights	**839**	**1 145**

The company has an unused loan facility (revolver) of MNOK 200 as of December 31, 2018.

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, 2018, 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 April 29, 2019

Erik Osmundsen Chief Executive Officer	Ole Enger Chairman of the Board	Per-Anders Hjort Deputy Chairman of the Board
Reynir Kjær Indahl Director	Hannah Gunvor Jacobsen Director	Lars Conny Ryk Director
Roy Jenshagen 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, which comprise:

- The financial statements of the parent company VV Holding AS (the Company), which comprise the balance sheet as at 31 December 2018, the statement of profit or loss and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of VV Holding AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

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.

The operations of the group are principally unchanged compared with previous years. The new standard for revenue recognition IFRS 15 have been implementet with effect form the financial year 2018. As a consequence our audit has been changed on this area. Provisions for environmental- and clean-up commitments is no longer a significant item in the financial statement, due to this, we have reduced our focus on this area for the current year.

Key Audit Matters	How our audit addressed the Key Audit Matter
Revenue Recognition	
We refer to note 6 where management describes the group's process in relation to revenue. The groups total revenue is MNOK 4 473. Revenue consists of both upstream and downstream revenue transactions in several operational segments. Upstream revenue consists of collection and treatment of waste and specialized services. Downstream revenue consists of sale of waste based raw materials. Revenue recognition in the group is complicated. There are different processes in different parts of the group and there is a high volume of transactions that depend on stable internal controls and accurate registration of data. The group has developed and improved processes related to registration of revenue in recent years. We have focused on revenue recognition due to the inherent risk of misstatements associated with such complicated processes, and where the processes comprise a significant amount of transactions where accuracy is essential. We also focused audit effort because the implementation of a new accounting standard represents an inherent risk of errors.	We have evaluated managements application of principles for revenue recognition and found these to be in line with the applicable accounting standard. Based on discussions with management and employees we have gained an understanding of the groups processes, internal control and guidelines for revenue recognition. Mapping of the groups IT-environment relating to registration of data and invoicing was a key part of our audit. Vi have tested internal controls to ensure that transactions are recorded accurately, that all transactions are registered and recorded and that only valid transactions are recorded. We have evaluated the design and operating effectiveness of identified key controls for both upstream and downstream revenue. Our testing found that we were able to rely on these controls as part of our audit. In parts of the group where we were not able to base our audit on controls to ensure the validity of transactions, we performed discussions with management regarding improvement of processes and internal controls and performed sample based testing of transactions. We have tested a sample of the groups transactions to assess that revenue is recognized in the correct period. We also tested credit notes throughout the year and for a defined period after year-end to ensure occurrence and cut-off of the transactions. We found no material errors through this testing. For the reporting period, we have performed analytical procedures of transactions which are recorded manually or which are not in line with the expected flow for

revenue transactions. The procedures were performed to verify that the transactions were valid and related to the business. These tests did not identify any material errors.

We assessed that the information in the related disclosures in the notes to the financial statements appropriately explains the groups processes and principles for revenue recognition and includes required information in accordance with the accounting standards.

Valuation of deferred tax assets

We refer to note 11 Taxes where management explains how the account for deferred tax assets.

The Group has recognised a deferred tax asset of MNOK 99. MNOK 50 arises from tax losses carried forward and MNOK 17 from interest reduction carried forward.

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 have 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 recognizing deferred tax asset. Further we assessed consistency concerning requirements in the accounting standards.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except 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 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 consolidated 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's or 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 and 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 and 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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 29 April 2019
PricewaterhouseCoopers AS

Jone Bauge
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.