

NG

Norsk
Gjenvinning

Norsk Gjenvinning Group

1st Quarter 2019

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VV Holding AS is providing the following interim financial statements for Q1 2019 to holders of its NOK 1,386,000,000 Senior Secured Floating Rate Notes due 2019.

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

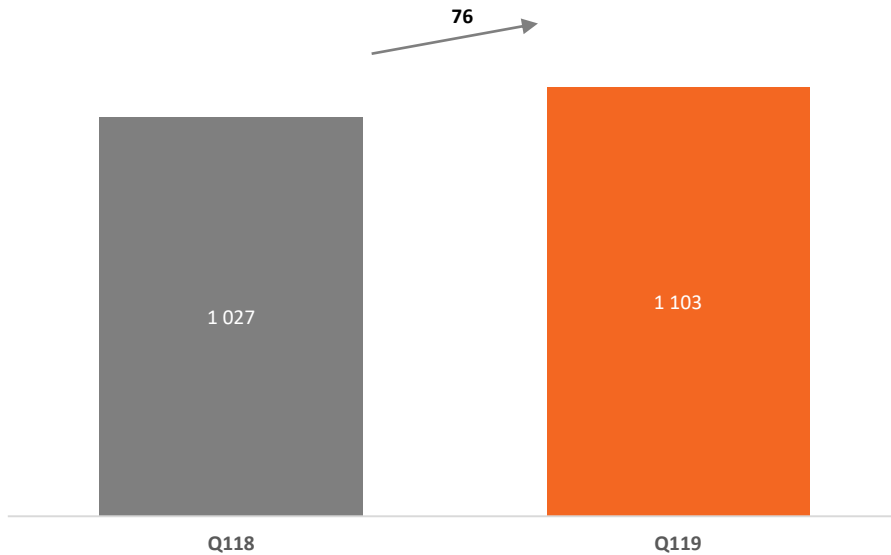
This report includes forward-looking statements that are based on our current expectations and projections about future events. All statements other than statements of historical facts included in this notice, including statements regarding our future financial position, risks and uncertainties related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

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

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

<p>General</p>	<ul style="list-style-type: none"> ▪ Overall positive year over year development <ul style="list-style-type: none"> – Recycling delivering solid EBITDA growth despite continued challenging dynamics in paper markets and lack of sorting capacity which leads to margin squeeze – High activity secures continued profitable growth in Project Based Businesses – Promising signs of successful turn around in Household Collection ▪ Strong volume growth and cost control within Metal, but overcapacity and Chinese import restrictions continue to hamper the business ▪ Successful closing of the M&A transaction with Øst-Riv and subsequent demerger of R3 to Nordic Demolition
<p>Volumes</p>	<ul style="list-style-type: none"> ▪ Increased with 8.3% in Q1 <ul style="list-style-type: none"> – Recycling 7.3% growth – Ferrous 13.7% growth – Non-ferrous 3.7% growth
<p>Revenues</p>	<ul style="list-style-type: none"> ▪ Operating revenue adjusted for demerger of R3 increased with 7.4% in Q1
<p>Gross profit/ margin</p>	<ul style="list-style-type: none"> ▪ Gross profit adjusted for demerger of R3 increased with NOK 62.1 million in Q1 <ul style="list-style-type: none"> – Adjusted gross margin increased with 2.4 pp in Q1
<p>EBITDA</p>	<ul style="list-style-type: none"> ▪ EBITDA adjusted for demerger of R3 was NOK 87.6 million in Q1 <ul style="list-style-type: none"> – Impact from implementation of IFRS 16 had a positive impact on EBITDA of NOK 58.4 mill in Q1 – Adjusted EBITDA margin was 7.9% in Q1¹

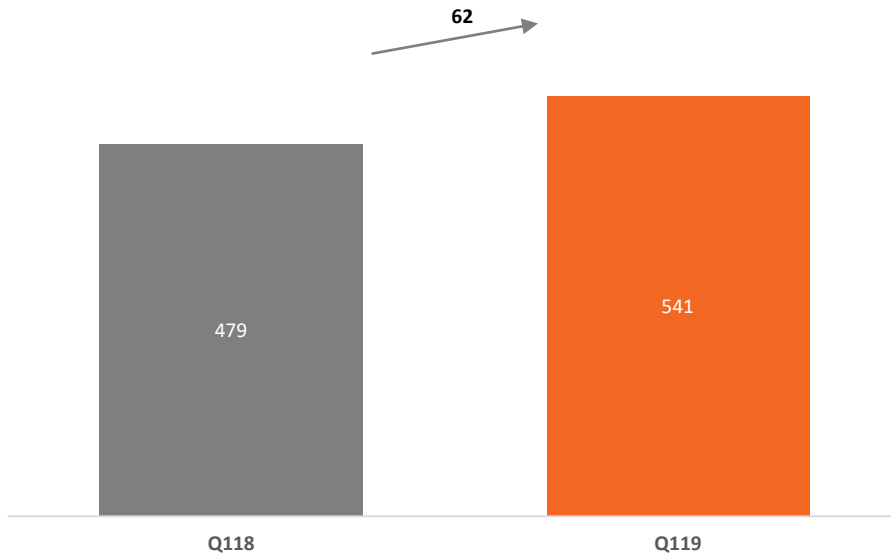
¹) Adjusted for demerger of R3 in Q1 2019



- Increased with 7.4% in Q1
 - Adjusted for demerger of R3 and sale of real estate in Q1 2018
 - Driven by volume growth and higher activity in sale of services and collection/ handling of waste in Recycling and Project Based Business and increased activity within Household Collection

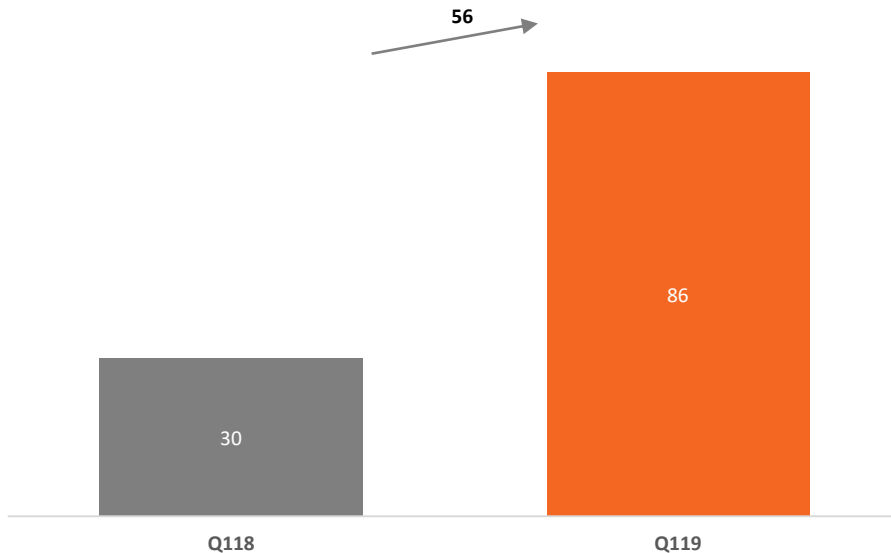
¹) Adjusted for demerger of R3 in Q1 2019 and sale of real estate in Q1 2018

Gross Profit¹



- Increased with 13.0% in Q1
 - Adjusted for demerger of R3 and sale of real estate in Q1 2018
 - Driven by volume growth and higher activity in sale of services and collection/ handling of waste in Recycling and Project Based Business and increased activity within Household Collection
 - Continued challenging dynamics in paper and Metal markets
 - Lack of paper sorting capacity putting pressure on gross margins within Recycling
 - Overcapacity and Chinese import restrictions putting pressure on margins within Metal
 - Adjusted gross margin¹ was 49.1% in Q1 2019 and 46.7% in Q1 2018

¹) Adjusted for demerger of R3 in Q1 2019 and sale of real estate in Q1 2018



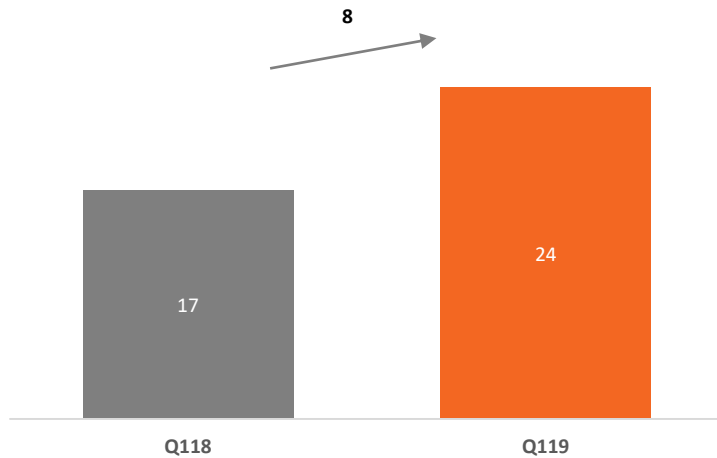
- Implementation of IFRS 16 impacting EBITDA positively with NOK 58.4 mill in Q1
- Adjusted for implementation of IFRS 16, demerger of R3 and sale of real estate and landfill in Q1 2018 EBITDA increased with 24% in Q1
 - Driven by volume growth and higher activity in sale of services and collection/ handling of waste in Recycling and Project Based Business and increased profitability per contract within Household Collection
 - Adjusted EBITDA margin¹ was 7.9% in Q1 2019 and 2.8% in Q1 2018
 - Adjusted for implementation of IFRS 16 EBITDA margin was 2.6%

¹) Adjusted for demerger of R3 in Q1 2019 and sale of real estate in Q1 2018

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Special items	<ul style="list-style-type: none"> ▪ Gain from demerger of R3 in Q1 2019 of NOK 74.1 mill ▪ Positive impact from Easter falling in Q2 in 2019 vs. Q1 in 2018 million. 4 more working days in Q1 2019 			

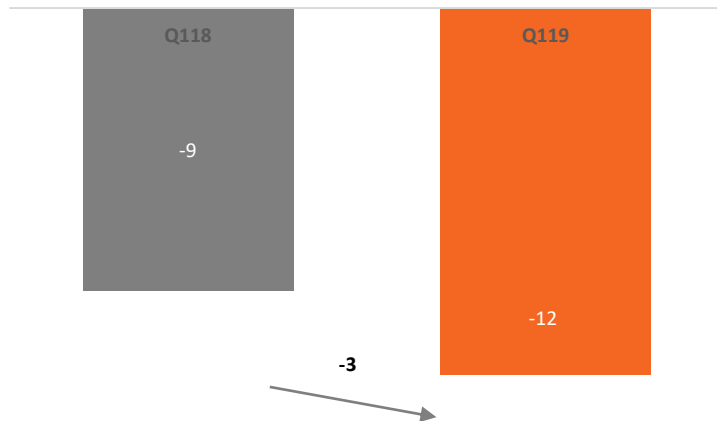
Adjusted earnings by segment¹

Division Recycling



- Increased with 45.7% in Q1
 - Increase in waste volumes of 7.3%
 - Single collection assignments grew 9.5% offset by a reduction in compactor runs of 7.8%
 - Continued challenging paper market
 - Still lack of sorting capacity
 - New paper line in place. Production start in Q2

Division Metals

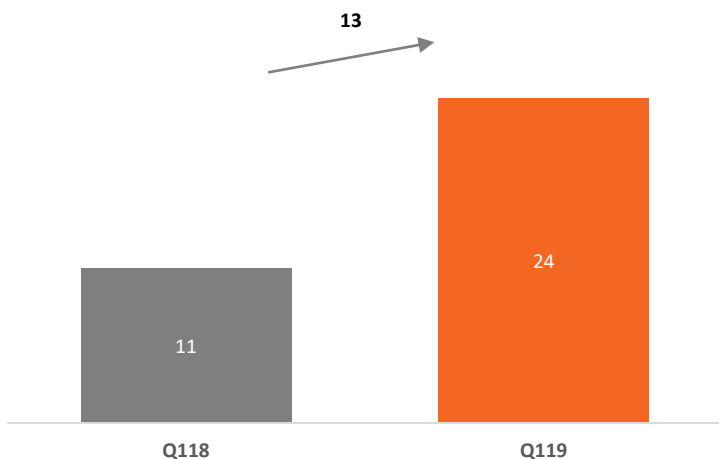


- Negative NOK 2.7 million in Q1
 - Positive volume development
 - Ferrous volumes increased with 13.7%
 - Non-ferrous volumes increased with 3.7%
 - Demerged cable business to KMT
 - Significant improvement in cost per ton
 - Challenging market with overcapacity
 - Chinese import restrictions led to a reduction in global downstream prices for secondary aluminium scrap
 - Down approximately 20% in Q1 2019 as compared to Q1 2018
 - NOK 3.1 mill in negative effect in Q1

¹) Before internal charges. No impact of IFRS 16 in the segments.

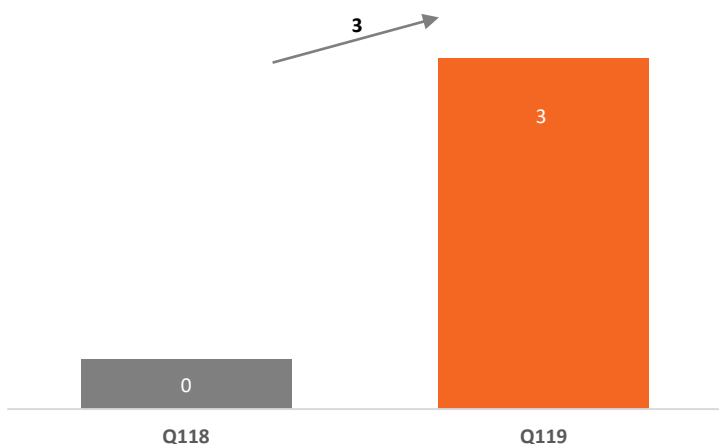
Adjusted earnings by segment¹

Project Based Business



- Increased with 110.4% in Q1²
 - Adjusted for demerger of R3 the growth is 128.4%
 - Higher activity within demolition and industrial cleaning
 - Increased volumes and more alum shale within landfills

Household Collection



- Increased with 608.3% in Q1
 - Successful turnaround of the business
 - Improved operational control
 - Exit from contracts taken over from RenoNorden
 - Profitable new contracts started in Q1

1) Before internal charges. No impact of IFRS 16 in the segments.

2) Includes only two months with R3 in Q1 2019.

Market development and NG response- Fuels

Refuse Derived Fuel (RDF)

- RDF markets followed the same trends from earlier and remained stable in Q1 and were in supply/demand equilibrium.
 - Logistics increased somewhat in Q1 2019
- We expect this to continue in Q2 2019.
- The RDF market has been stable since 2015.

Woodchips

- The woodchips price level from second half of 2018 continued into Q1 2019 leading to improved pricing in our downstream contracts and growth year over year.
- Tendencies in the market to support continued growth in 2019 due to increased capacity for waste wood.

NG response

Refuse Derived Fuel (RDF)

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

Woodchips

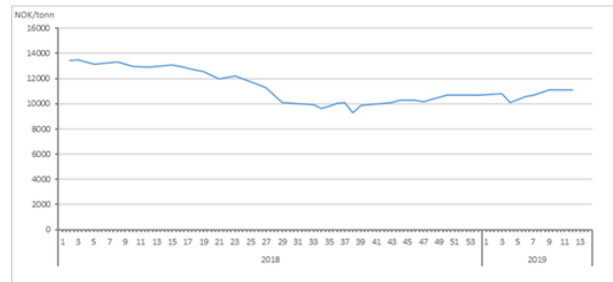
- NG have benefited from low inventories compared to last year
- Focus on increased quality of finished products and more efficient freight solutions to downstream customers
- Optimization of customer portfolio downstream to further strengthen gross margin
- Our inventories are at satisfactory levels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

Market development and NG response- Recyclables

Metals

- Ferrous market prices (CELSA index) 15% lower on average compared to Q1 18.
- Nickel and copper prices increased in Q1 19, aluminum has been stable.
- Mixed metal fraction has increased during Q1, but is approximately 20% lower year over year in Q1.

Mixed metal fraction



NG response

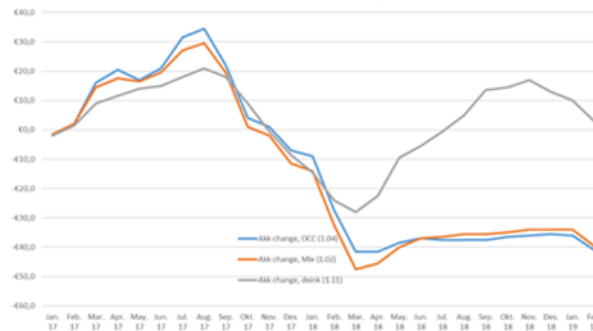
Metals

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

Paper

- All paper prices decreased in Q1 and Deink grades decreased most.
- Spread between Deink and OCC and mix still at high level.
- Expect prices to continue to decrease in Q2 as European paper mills are well stocked and import in Asia is reduced.

German EUWID recovered paper



Paper

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

- FY 2019 EBITDA of around NOK 400 mill
- FY 2019 CAPEX expectations of around NOK 250 mill
 - Approximately NOK 110 mill in maintenance CAPEX
 - Growth CAPEX of NOK 110 mill related to Household Collection
 - Remaining NOK 30 mill in investment in new paper machine
- Comfortable liquidity position
- Refinancing process initiated – back stop in place

Financials P&L Q1 2019 ⁽¹⁾

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

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

Balance sheet Q1 2019 - Assets⁽¹⁾

<i>(NOK'000)</i>	31.03.2019	31.12.2018
Non-current assets		
Property, plant & equipment	740 466	854 416
Right of use assets	1 703 868	-
Intangible assets	75 450	79 770
Goodwill	1 201 778	1 213 594
Deferred tax assets	115 142	98 762
Investments in associated companies	220 003	111 292
Other receivables	5 460	26 937
Total non-current assets	4 062 168	2 384 771
Current assets		
Inventories	82 201	91 588
Trade and other receivables	490 330	543 476
Other financial assets	-	304
Cash and cash equivalents	55 949	80 995
Assets held for sale	-	-
Total current assets	628 480	716 363
Total assets	4 690 648	3 101 134

Balance sheet Q1 2019 - Liabilities⁽¹⁾

<i>(NOK'000)</i>	31.03.2019	31.12.2018
Equity attributable to owners of the parent		
Share capital and reserves attributable to owners of parent	479 987	449 493
Non-controlling interest	15 148	21 414
Total equity	495 135	470 908
Non-current liabilities		
Borrowings	177 202	329 902
Lease liabilities	1 487 854	-
Other financial liabilities	54	763
Deferred income tax liabilities	22 325	20 312
Post-employment benefits	12 824	11 537
Provisions for other liabilities and charges	42 923	64 289
Total non-current liabilities	1 743 182	426 803
Current liabilities		
Trade and other payables	726 885	725 066
Current income tax	3 073	3 200
Borrowings	1 439 870	1 449 573
Lease liabilities	272 356	-
Other financial liabilities	2 004	11 824
Provisions for other liabilities and charges	8 143	13 761
Total current liabilities	2 452 331	2 203 424
Total liabilities	4 195 513	2 630 227
Total Equity and liabilities	4 690 648	3 101 134

Consolidated cash flow statement Q1 2019⁽¹⁾

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

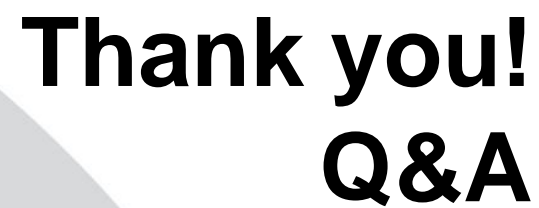
Events after reporting period

- None

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

NG

Norsk
Gjenvinning

The text 'Thank you! Q&A' is positioned in the upper right area of the slide. It is rendered in a large, bold, black, sans-serif font. The background behind the text features large, overlapping, semi-circular shapes in shades of orange and grey, creating a modern, abstract design.

Thank you!
Q&A