Viking Redningstjeneste Topco AS

Interim financial statements 1Q 2019

Quarterly report
January – March 2019

General information

The interim accounts are prepared in accordance with IAS 34 Interim Financial Reporting and are unaudited. The report should be read together with the annual report for 2018.

FIRST QUARTER 2019 SUMMARY

→ Record high quarterly sales and earnings
→ First quarter group revenues of MNOK 238
→ Adjusted EBITDA of MNOK 35
→ Group assistance at 103 000
→ Continued growth in volume and gross margin in Sweden

Amounts in NOK '000	* Jan – Mar 2019 Unaudited	Jan – Mar 2018 Unaudited	* Acc. 2019 Unaudited	Acc. 2018 Unaudited
Group revenue	237 777	226 472	237 777	226 472
COGS	156 738	142 913	156 738	142 913
Gross margin	34,1 %	36,9 %	34,1 %	36,9 %
EBITDA	31 190	27 147	31 190	27 147
Restructuring cost	1 895	986	1 895	986
Non-recurring items	1 856	1 644	1 856	1 644
EBITDA Adj.	34 941	29 778	34 941	29 778
Total Assets	1 071 377	1 055 350	1 071 377	1 055 350

* The group implemented IFRS 16 from 1.1.2019 by applying the modified retrospective approach.
(See Alternative Performance Measures section in the note disclosure for definitions)

OPERATIONAL COMMENTS

1Q19 Revenue

Group revenues for the first quarter of 2019 amounted to MNOK 238 compared to MNOK 182 during 4Q18 and 226 during same period last year. Robust revenues in the Norwegian market, supported by solid growth in Sweden contribute to the best quarter in company history with sales and earnings surpassing previous highs and ahead of a strong first quarter last year.

Total number of assistances during the first quarter amounted to 103 200 and 21 percent higher than 4Q18 and in line with the same period last year.

Sweden contributes to assistance volume growth during the quarter with 44 percent growth (YoY), driven by new volume from Volkswagen group Sweden and from existing clients. Assistance volume in Norway ended 8 percent behind same period last year with revenues in line with the same period. Denmark experienced a mild winter quarter compared to same period last year and assistance volume ended short of expectations and same period last year.

Operating result

1Q19 adjusted EBITDA ended at MNOK 34,9 compared to MNOK 8,8 during 4Q18 and MNOK 29,8 same period last year.

The earnings are driven by solid performance in the Norwegian market, with MNOK 27,3 compared to MNOK 26,2 last year, but at lower volume. The operation in Sweden was strong during the quarter with earnings of MNOK 4,9 compared to MNOK 1,1 in 4Q18 and MNOK -0,4 same quarter last year. In Denmark, earnings ended at MNOK -1 (1,5) affected by lower volume and negative margin international assistance volume.

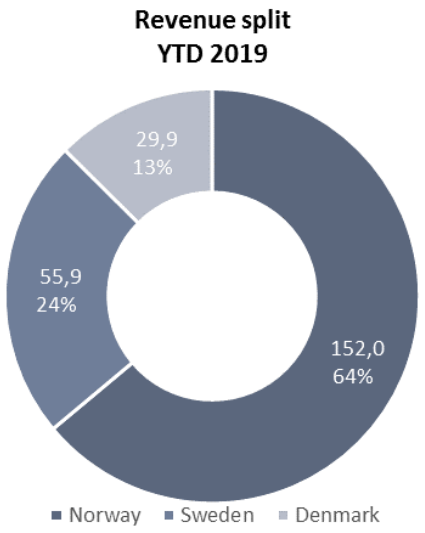
The group gross margin ended the quarter ahead of expectations with solid contribution from Norway and Sweden. New contracts and renegotiated prices are main drivers increasing margins and profitability. In Denmark, the international assistance contract continues to affect the performance with negative quarter results.

The group average gross margin for the first quarter was 34,1 percent, ahead of expectations, but behind same period last year. The adjusted EBITDA margin for the group after the first quarter ended ahead of expectations and same period last year at 14 percent.

Record quarter
January started off 2019 with solid sales and revenues. The positive performance continued the remaining months of the quarter and resulted in record high quarterly sales despite lower comparable volume.

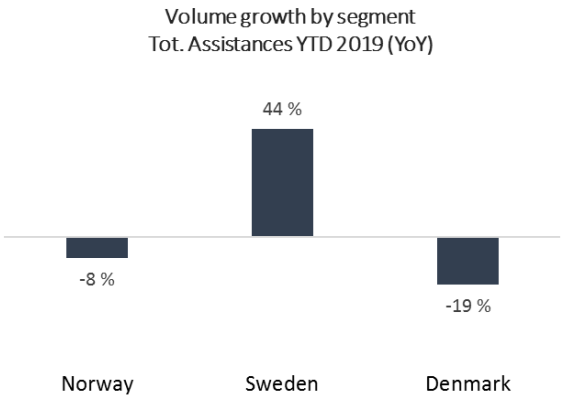
The quarterly performance is giving confirmation that the decision to implement and complete the substantial restructuring projects initiated over the last quarters was well founded.

New contract volume coming on stream in 2019, such as Jaguar Land Rover and Volkswagen group Sweden have been successfully implemented and are now served by Viking. These contract awards strengthen Viking's market position in the Nordic countries and contribute attractive volume and associated services for Viking and our station network.



Viking Assistance Group was recently awarded the assistance contract for the Police districts in Norway. Viking will be assisting the national Police force in their daily operations. The contract is considered a high-profile award in the assistance industry and the contract assignee has elected to perform a diligent and prudent post award process. This process has reconfirmed the original outcome and Viking will start delivering services to the different districts in Norway.

Operating segments
The Group regularly reports on operating geographical segments. Segments experienced stable or positive gross margin development during the quarter. Assistance volume was particularly strong in Sweden compared to same period last year. The growth is driven by new contract volume and growth in the existing client base.



In Norway the assistance volume came in behind same quarter last year mainly attributable to seasonal effects with a shorter winter period compared to 2018. Sales on the other hand came in slightly ahead of comparable quarter last year.

Denmark experienced an unusual mild winter and volume was such lower than previous years and expectations. When adjusted for the negative contribution from international volume, however, the performance in the Danish operations is in line with the same period last year. Sales are such acceptable compared to same period last year.

Restructuring
The strategic initiative to outsource the road side assistance activity in the group subsidiaries was completed during 2018. New franchisees are in place and operating as planned, and performance during the winter season has been exemplary.

HQ
The new Viking HQ in Oslo was completed and in full operations during the first quarter. The colocation of Viking Kontroll test and survey operations, the traditional RSA activity and administration have been a success and contributed to the positive working environment.

Viking Kontroll
Viking Kontroll is developing according to plan and further clients were signed during the quarter. Activity and client interest is promising, and test and surveys performed are on schedule. As of April, Viking Kontroll has capacity for approx. 40-50 tests and surveys daily at the new test center. In addition, tests are performed locally at client's sites adding further daily tests to the total capacity. In April, Viking Kontroll was profitable before allocating fixed costs such as rent and other operating costs.

Viking Kontroll services the car industry and we expect to expand the service offering to the private market during 2019. The offering will include tests and surveys performed in connection with second hand transactions, but mandatory periodic vehicle controls and services for car sharing companies are under evaluation.

Memberships
The Viking subscription-based platform is continuing the growth during the quarter. At the end of 1Q19 Viking Assistance has registered approximately 35.000 subscribers. The Norwegian Electric Vehicle Association (NEVA) awarded Viking the service contract to its members in January, and Viking will start serving the NEVA members during 2Q19.

Personnel and organization
At the end of the period, the number of employees amounted to 230. The increase in employees is mainly related to seasonal adjustments in call center agents, surveyors in Viking Kontroll and support function. Including external resources, such as dedicated people with contract suppliers and subcontractors, the Group employed ~236 people.

Investments
Group investments are mainly related to development of the ERP system VIS and net investments in rescue vehicles in subsidiaries. The Group's acquisition of intangible assets during the fourth quarter amounted to MNOK 2,8.

During the quarter investments of MNOK 3,9 in concept development of Viking Kontroll was booked. Total net financial investments for the first quarter amounted to MNOK 7,5.

EBITDA
Adjusted EBITDA is EBITDA adjusted for restructuring and liquidation costs, and other operating and administrative expenses, totaling NOK 3,8 in 1Q19. These are items outside of the ordinary course of business and are thus excluded from the adjusted EBITDA.

Extraordinary liquidation costs related to subsidiaries of MNOK 0,8. Moving costs to new HQ in Oslo and relocation in Stockholm amounting to 1,1 for the quarter. Non-recurring other operating and administrative expenses identified during the quarter amounted to MNOK 0,8, where brand and trademark accounted for MNOK 0,6. Extraordinary costs related to recruiting/non-competition agreements amounted to MNOK 1,0 for the quarter.

Significant events during the period

- → Record high sales and earnings during the quarter
- → Improvements in volume, performance and gross margin continuing in Sweden
- → Solid performance in the subscription segment in Norway with positive expectations for 2019
- → Viking HQ relocated to Alnabru east of Oslo with Viking Kontroll and Oslo subsidiary.
- → Viking Kontroll in full operations and on schedule for break even performance in 2Q19

Significant events after the end of the period

- → Viking prequalified for upcoming car manufacturing tenders
- → Viking Kontroll performing increasing number of surveys and testing of vehicles.

Risks and factors of uncertainty
Viking Assistance Group's operations are exposed to certain risks that could have a varying impact on earnings or its financial position. These can be divided into industry, operational and financial risks; including regulatory and competitive risks.

A material part of the Group's revenues and profits is derived from operations outside Norway. Currency fluctuations may influence the reported figures in Norwegian Kroner to an increasing extent.

Please refer to the annual report of 2018 for a more detailed description of the risks identified.

Related party transactions
There were no related party transactions of material effect during the relevant period.

Legal disclaimer
Certain statements in this report are forward-looking and the actual outcomes may be materially different. In addition to the factors discussed, other factors could have an impact on actual outcomes. Such factors include developments for customers, competitors, the impact of economic and market conditions, national and international legislation and regulations, fiscal regulations, fluctuations in exchange rates and interest rates and political risks.

29 May 2019

The Board of Directors of Viking Assistance Group AS

Bo Ingemarson
Chairman

Hans Peter Emil Berglund
Director

Fredrik Kristofer Runnquist
Director

Jørn Ivar Clausen
Director

Johan Gustaf Olof Bjurström
Director

Hans Petter Semmelmann
Chief Executive Officer


POLITI

Interim condensed consolidated statement of profit and loss

All amounts in NOK thousand	*Notes*	***Q1 2019** *IFRS 16 Unaudited*	**Q1 2018** *IAS 17 Unaudited*	**Full Year 2018** *IAS 17 Audited*
Revenue		237 777	226 472	773 906
Total revenue	*6*	**237 777**	**226 472**	**773 906**
Cost of goods sold and assistance cost		156 738	142 913	517 082
Salaries and personnel expense		30 917	36 351	130 718
Depreciation and amortisation expense	*3*	10 822	10 488	42 008
Other operating expense	*3*	18 932	20 060	81 255
Total operating expenses		**217 410**	**209 812**	**771 063**
Operating profit	*6*	**20 368**	**16 660**	**2 843**
Interest income		782	635	2 705
Other finance income		11 096	14 941	10 429
Total financial income		**11 877**	**15 576**	**13 135**
Interest expense	*3*	16 930	15 366	64 101
Other finance expense		3 147	6 609	16 809
Total financial expenses		**20 077**	**21 975**	**80 910**
Profit before income tax		**12 168**	**10 261**	**-64 933**
Income tax expense		2 508	3 727	-10 797
Net profit/(loss) for the year		**9 660**	**6 534**	**-54 136**
Profit/(loss) is attributable to:				
Equity holders of the parent company		9 660	6 534	-54 136

Interim condensed consolidated statement of comprehensive income

All amounts in NOK thousand	*Notes*	**Q1 2019** *Unaudited*	**Q1 2018** *Unaudited*	**Acc. 2018** *Audited*
Profit/(loss)		**9 660**	**6 534**	**-54 136**
Other comprehensive income				
Remeasurement of pension liability		-	457	-112
Foreign currency rate changes		-695	2800	-967
Other comprehensive income - net of tax		**-695**	**3 258**	**-1 079**
Total comprehensive income		**8 965**	**9 791**	**-55 215**
Total comprehensive income is attributable to:				
Equity holders of the parent company		8 965	3 194	-55 215

*The Group implemented IFRS 16 from 1.1. 2019 by applying the modified retrospective approach.

Interim condensed consolidated statement of financial position

All amounts in NOK thousand	*Notes*	***Q1 2019** *IFRS 16 Unaudited*	**Q1 2018** *IAS 17 Unaudited*	**Full Year 2018** *IAS 17 Audited*
ASSETS				
Non-current assets				
Trademark and franchise network		160 293	158 047	157 470
Customer contracts		79 123	97 258	83 656
Goodwill		495 967	495 967	495 967
Assistance vehicles, office machinery and equipment	*3*	29 174	71 170	55 786
Right of Use Asset	*3*	71 714		
Other long-term receivables		1 027	5 878	1 359
Total non-current assets		**837 297**	**828 319**	**794 238**
Current assets				
Inventories		768	958	939
Accounts receivable		179 388	168 838	166 750
Other receivables		18 921	24 575	22 348
Cash and bank deposits		43 203	32 660	42 429
Total current assets		**242 280**	**227 030**	**232 467**
Total assets		**1 079 577**	**1 055 350**	**1 026 705**
EQUITY AND LIABILITIES				
Equity				
Share capital		151	151	151
Share premium reserve		238 484	238 634	238 484
Other equity		3 727	3 727	3 727
Retained earnings		-273 650	-217 609	-282 615
Total equity		**-31 288**	**24 903**	**-40 253**
Non-current liabilities				
Deferred tax		35 947	48 167	33 401
Pension liabilities		7 812	8 648	7 508
Interest-bearing liabilities	*7*	721 971	698 512	725 333
Lease liabilities	*3,7*	55 786	29 846	17 084
Other non-current liabilities		6 487		6 661
Total non-current liabilities		**828 003**	**785 173**	**789 987**
Current liabilities				
Accounts payable		103 961	70 111	97 578
Interest-bearing liabilities to financial institutions	*7*	49 600	61 655	65 907
Prepaid assistance		32 734	40 170	33 392
Tax payable		1 021	1 338	1 655
Lease liabilities	7	16 320	12 255	16 357
Financial instruments		-	746	-
Public duties payable		13 753	19 363	11 509
Other short-term liabilities		65 472	39 635	50 572
Total current liabilities		**282 861**	**245 273**	**276 970**
Total equity and liabilities		**1 079 577**	**1 055 350**	**1 026 705**

*The Group implemented IFRS 16 from 1.1. 2019 by applying the modified retrospective approach.

Interim condensed consolidated statement of cash flow

All amounts in NOK thousand	*Notes*	***Q1 2019** *IFRS 16 Unaudited*	**Q1 2018** *IAS 17 Unaudited*	**Full Year 2018** *IAS 17 Audited*
CASH FLOW FROM OPERATIONS				
Profit before income taxes	*3*	12 168	10 261	-64 933
+ Depreciation, intangible and fixed assets	*3*	10 822	10 488	42 008
+/- Change in retirement benefit obligations		304	99	395
+/- (Gains) / losses on sale of fixed assets			-	1 120
+/- Fair value gains on fin. assets at fair value through P/L		-	-413	-1 156
- Taxes paid		-634	-	-1 323
+/- Interest expensed and borrowing costs expensed		17 254	16 318	67 907
+/- Currency conversion difference		-9 055	-10 413	-5 472
+/- Change in prepaid assistance		-658	-1 335	-8 114
+/- Change in accounts receivable		-12 638	-13 059	-10 971
+/- Change in inventory		172	444	463
+/- Change in accounts payable		6 383	8 123	35 590
+/- Change in other accruals		-1 477	-3 340	8 295
- Interest paid		-10 711	-10 461	-42 018
Net cash flow from operations		**11 929**	**6 711**	**21 791**
CASH FLOW FROM INVESTMENTS				
- Purchase of fixed assets		-4 643	-3 614	-12 232
+ Sale of fixed assets		-	118	3 722
- Purchase of intangible assets		-2 823	-	-148
Net cash flow from investments		**-7 466**	**-3 496**	**-8 658**
CASH FLOW FROM FINANCING				
+ Proceeds from loans		-	-	-
- Repayment of financial lease payments IAS 17		-1 923	-	-
- Financial lease payments IFRS 16	*3*	-1 767		
- Payments for shares bought back		-	-	-1 000
+ Sale of own shares		-	-	850
Net cash flow from financing		**-3 690**	**-**	**-150**
Net change in cash and cash equivalents		772	3 215	12 983
Cash and cash equivalents at the beginning of the period		42 429	29 445	29 445
Cash and cash equivalents at the end of the period		**43 203**	**32 660**	**42 429**

*The Group implemented IFRS 16 from 1.1. 2019 by applying the modified retrospective approach.

Interim condensed consolidated statement of change in equity

All amounts in NOK thousand	**Total paid-in equity** *Unaudited*	**Other equity** *Unaudited*	**Total equity** *Unaudited*
Balance at 1st January 2018	238 785	-223 673	15 112
Profit for the period YTD 2018	-	6 534	6 534
Other comprehensive income	-	3 258	3 258
Balance as at 31 March 2018	**238 785**	**-213 881**	**24 903**
Balance at 1st January 2019	**238 635**	**-278 888**	**-40 253**
Profit for the period YTD 2019	-	9 660	9 660
Other comprehensive income	-	-695	-695
Balance as at 31 March 2019	**238 635**	**-269 923**	**-31 288**

Notes to the consolidated financial statement

Note 1 - Corporate information

Viking Redningstjeneste Topco AS and its subsidiaries' (together the "company" or the "Group") operating activities are mainly related to road assistance in Norway, Sweden and Denmark. Through franchise networks, Norway, Sweden and Denmark are covered by the Viking Group nationwide. In addition to road assistance, the Viking Group provides medical assistance and service calls through their customer centers in Norway, Sweden, Denmark and Spain. Further the company performs tests and surveys of private and commercial vehicles.

All amounts in the interim financial statement are presented in NOK thousand unless otherwise stated. Due to rounding, there may be differences in the summation columns.

Note 2 - Basis of preparations

These condensed interim financial statements for the three months ended 31 March 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS as adopted by the European Union ('IFRS').

Note 3 - Accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the annual IFRS financial statements for the year ended 31 December 2018, except for the adoption of new standard IFRS 16 effective as of 1 January 2019.

The Group has implemented IFRS 16 from 1 January 2019 by applying the modified retrospective approach. Under this method, the cumulative effect of initially applying the standard will be recognized as an adjustment to equity at 1 January 2019 and comparable figures for 2018 will not be restated. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and requires lessees to account for all leases under a single on-balance sheet model recognizing lease liabilities and related right of use assets. The expense related to leases will be presented as depreciation and interest expense related to the asset and the liability.
The Group’s rent facilities in Norway, Denmark, Sweden and Spain are identified as the main lease objects according to IFRS 16. In addition, rent of cars and material office equipment previously recognized as operational lease according to IAS 17, are also classified as lease objects and recognized as a right of use assets and related lease obligations as of 1 January 2019.

Operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and leases with a total value of less than 5000 USD is recognized as OPEX according to the practical expedients as permitted by IFRS 16.

The Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4,00-5,00 %

At 1 January 2019, the net present value of the remaining lease payments amounts to NOK 47,6 million, and a right of use asset and a lease liability are recognized to this amount. Hence, the implementation effect on equity from IFRS 16 is zero. For Q1, the Group paid NOK 1,767 million in lease payments, and OPEX and EBITDA were increased by the same amount. Operating profit is reduced by NOK 0,143 million, which relate to the difference of decreased OPEX and increased depreciation of NOK 1,623. Net profit is reduced by NOK 0,391 which is caused by increase in interest expenses and front loading of costs according to the IFRS 16 lease model compared to the nominal lease payments recognized as OPEX according to IAS 17.

Lease contracts previously classified as financial lease according to IAS 17 are recognized to the carrying amount of the lease liability and corresponding asset.

Cash flow from operations is positively affected by NOK 1,767 million, and cash flow from financing activities is negatively affected by the same amount. This amount is the lease payments in Q1 related to the right to use assets recognized as of 1 January 2019.

Note 4 - Accounting estimates and judgments

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed interim financial statements the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2018.

Note 5 - Financial risk factors

Through its activities, the group will be exposed to different types of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management plan is to ensure the ongoing liquidity in the group, defined as to being able to meet its obligations at any time. This also includes being able to meet the financial covenants related to the Group's borrowings.

Risk management of the Group is maintained by a central Finance Function in accordance with the guidelines approved by the Board. The Group's Finance Function identifies, measures, mitigates and reports on financial risks in close cooperation with the various operating units.

Risk management policies and procedures are reviewed regularly to take into account changes in the market and the Group's activities.

Note 6 - Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for the allocation of resources and the assessment of performance of the operating segments, are defined as the Board of Directors that makes strategic decisions.

The Group`s business is mainly providing roadside assistance. The Group`s sales are made primarily from Group subsidiaries in Norway, Sweden and Denmark. The Group established a subsidiary in Finland and a call center in Spain in 2017 and launched Viking Kontroll in 2019. The Group's performance is reviewed by the chief operating decision makers as three geographical areas, which are Norway, Sweden and Denmark. Hence, the Viking Group defines their operating segments accordingly.

Key financial information Q1 2019 (accumulated):

	Norway	Sweden	Denmark	Other	Total
Revenue	152 558	55 988	29 230	-	**237 777**
EBITDA*	27 339	4 910	-1 045	-15	**31 189**
Operating profit	18 449	4 217	-2 050	-248	**20 368**

Key financial information Q1 2018 (accumulated):

	Norway	Sweden	Denmark	Other	Total
Revenue	151 659	41 997	32 816	-	**226 472**
EBITDA*	26 271	-436	1 560	-248	**27 147**
Operating profit	17 480	-1 709	1 224	-336	**16 660**

* EBITDA: Operating profit (loss) before interests, income tax, depreciation and amortisation

Note 7 - Net debt reconciliation

Net debt reconciliation	Q1 2019 *Unaudited*	Q1 2018 *Unaudited*	Full Year 2018 *Audited*
Cash and cash equivalents	43 203	32 660	42 429
Liquid investments	-	-746	-
Borrowings - repayable within one year (including overdraft)	-50 000	-50 000	-50 000
Lease liabilities - repayable within one year	-16 320	-12 255	-16 357
Borrowing - repayable after one year	-729 183	-709 331	-733 447
Lease liabilities - repayable after one year	-55 786	-29 845	-17 084
Net debt	**-808 086**	**-769 517**	**-774 459**
Cash and liquid investments	43 203	31 913	42 429
Gross debt - fixed interest rates	-229 183	-209 330	-233 447
Gross debt - variable interest rates	-622 106	-592 100	-583 441
Net debt	**-808 086**	**-769 517**	**-774 459**

Note 8 - Significant events after balance sheet date

No significant events after balance sheet date.

Alternative Performance Measures

The financial information in this report is prepared under International Financial Reporting Standards (IFRS), as adopted by the EU. To enhance the understanding of Viking's performance, the company has presented several alternative performance measures (APMs). An APM is defined as by ESMA guidelines as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the relevant accounting rules (IFRS).

Viking uses the following APM's:

- Gross profit: Operating Revenue less assistance cost
- EBIT: Earnings before interest expense, other financial items and income taxes
- EBITDA: Earnings before interest expense, other financial items, income taxes, depreciation and amortization
- EBITDA Adjusted: EBITDA adjusted for restructuring and other income and expenses outside the ordinary course of business.

Extraordinary costs related to restructuring amounted to MNOK 1,9 for the quarter. Of total non-recurring restructuring costs, liquidation of subsidiaries amounted to MNOK 0,8 and the relocation of offices in Oslo and Stockholm amounted to MNOK 1,1. Other non-recurring operating and administrative expenses identified during the first quarter amounted to MNOK 1,9. These items are mainly extraordinary costs related to recruiting/non-competition agreements (MNOK 1,0), brand and trademark (MNOK 0,6), and other (MNOK 0,3).

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