

Viking Redningstjeneste Topco AS

Interim financial statements 2Q 2018

Quarterly report

April – June 2018

SECOND QUARTER 2018 SUMMARY

- Group revenues of MNOK 175,8
- Group EBITDA* of MNOK 17,3
- Group assistance growth of 10 percent (YoY) to 83 000
- Volume and gross margin in Sweden improving

Amounts in NOK '000	Apr – Jun 2018	Apr – Jun 2017	Acc. 2018	Acc. 2017
Group revenue	175 813	189 208	402 285	377 810
COGS	112 023	121 248	254 936	238 374
Gross margin	36,3 %	35,9 %	36,6 %	36,9 %
EBITDA *	17,3	21,4	46,9	45,3
Total Assets	1 011	1 028	1 011	1 028

* Viking defines EBITDA as operating profit after adjustment of operating expenses for depreciation, amortization and impairment losses, foreign exchange differences recognized in income pertaining to revaluation of items in the balance sheet and non-recurring items.

Operational comments

Group revenues for the second quarter of 2018 ended at MNOK 175,8 compared to MNOK 226 during 1Q18 and 189,2 during same period last year. Norway ended in line with 2Q17 and Denmark with revenues 8 percent behind 2Q17 at MNOK 27. Sweden noted higher number of assistances, while revenue fell short of last year due to accrual effects linked to rental car invoicing. Total revenues for 1H18 came in at MNOK 402,3 compared to MNOK 377,8 for the same period last year and an increase of 6,5 percent. Second quarter adjusted earnings (EBITDA) was MNOK 17,3 and 19 percent behind same period last year. Adj. EBITDA for the first half of 2018 ended ahead of last year at MNOK 46,9.

Total number of assistances during the second quarter amounted to 83 000 and 10 percent higher than same period last year, but 20 percent behind 1Q18. All areas contribute to assistance volume growth during the quarter. Total assistance volume in Norway during the quarter was 5 percent higher than same period last year. Sweden was experiencing continued growth at 24 percent (YoY) as a result of both new clients and increasing activity from existing portfolio. Assistance volume in Denmark was positive with quarterly growth of 9 percent ahead of 2Q17.

The group average assistance gross margin for the second quarter was 35,2 percent and 40 bps ahead of 2Q17 (34,8 percent). Compared to the previous quarter gross margin ended 50 bps lower (35,7 percent). EBITDA margin for the group ended at 9,8 percent and behind same period last year by 170 bps.

Group marketing and sales activity was continuing high during the second quarter and there are currently several interesting active tenders ongoing. Viking is well positioned in the Nordic market and is bidding on several national and Nordic tenders.

Activity in the Norwegian market was satisfactory in the second quarter and volume ended 5 percent ahead of same period last year. Revenues from Norwegian operations ended at MNOK 111 and in line with comparable quarter last year. Total number of assistances in Norway 1H18 came in 15 percent higher than 1H17. Assistance gross margin YTD was stable in line with same period last year.

The Swedish operations continue the positive development with improvements in both number of assistances and revenue. Volume was up 24 percent compared to same period last year and revenue came in 5 percent higher. Average assistance gross profit is improving and increased by 87 percent (YTD) compared to 1H17. Again, growth was strong in the subscription-based segment during the quarter, along with Mobility and SMB clients.

Sales in Denmark ended the quarter 8 percent lower than same quarter last year. Adjusted for the divestment of local industrial activities in Copenhagen, the Danish operations showed an increase for the quarter. Number of assistances, however, was positive with growth of near 10 percent for the quarter (YoY). The average assistance profit in the Danish operation is stable and satisfactory during the quarter, but we expect margins to be under pressure as volume related to continental European assistances increases during the holiday season.

The ongoing cost cutting project involves adapting and adjusting the activities in wholly owned subsidiaries to the new strategy. As noted in the previous report, the restructuring cost after the divestment and restructuring of activities in the Danish subsidiary, affected earnings during the quarter and we expect this to continue also during 3Q18. We further expect negative impact on margins in all subsidiaries in coming months before the reorganization and cost cutting project will materialize in the P&L.

The Viking subscription-based platform is developing satisfactory and at the end of 2Q18, Viking Assistance registered approximately 20.000 subscribers. An aggressive, but responsible marketing strategy will increase the expected subscription base at year end.

The new business area Viking Kontroll is being developed and the sounding activities among potential clients have been optimistic. Recruiting of key personnel has started and service delivery capabilities are planned for 1Q19.

Significant events during the period

- Robust activity level in all areas resulting in groups assistance growth of 10 percent.
- Improvements in volume, performance and gross margin continuing in Sweden.
- Denmark increasing volume from existing clients and high activity in tenders.
- Growth in the subscription segment in Norway with approximately 20 000 subscribers at the end of 2Q18.
- Restructuring in subsidiaries affecting earnings negatively as the reduction in cost base is trailing transfer of volume to subcontractors.

Significant events after the end of the period

→ There were no significant events after the end of the quarter.

Personnel and organization

At the end of the period, the number of employees amounted to 246. The reduction in employees is mainly related to seasonal adjustments in call center agents and RSA staff in subsidiaries. Including external resources, such as dedicated people with contract suppliers and subcontractors, the Group employed ~255 people.

Investments

The Group's acquisition of intangible assets during the second quarter amounted to MNOK 1,6. Investments in tangible assets during the quarter amounted to MNOK 3,2. The investments are mainly related to development of the ERP system VIS and net investments in rescue vehicles in subsidiaries. Net financial investments for the second quarter amounted to MNOK 4,8 (3,5).

EBITDA

Non-recurring and other non-operational items identified during the second quarter amounted to MNOK 3,3. Non-recurring items are mainly related to extraordinary costs related to special projects (MNOK 1,0), recruiting/non-competition agreements (MNOK 1,0), Finland entry (MNOK 0,3) and other (MNOK 1,0).

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 2017 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.

28 August 2018

The Board of Directors of Viking Assistance Group AS

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Interim condensed consolidated statement of profit and loss

All amounts in NOK thousand

	Notes	Q2 2018 <i>Unaudited</i>	Q2 2017 <i>Unaudited</i>	Acc. 2018 <i>Unaudited</i>	Acc. 2017 <i>Unaudited</i>	Full Year 2017 <i>Audited</i>
Revenue		175 813	189 208	402 285	377 810	759 935
Total revenue	6	175 813	189 208	402 285	377 810	759 935
Cost of goods sold and assistance cost		112 023	121 248	254 936	238 374	483 935
Salaries and personnel expense		31 522	25 861	67 872	55 077	124 644
Depreciation and amortisation expense		10 640	10 538	21 127	20 490	41 150
Other operating expense		18 112	19 827	38 173	40 203	86 642
Total operating expenses		172 297	177 474	382 109	354 144	736 371
Operating profit	6	3 517	11 734	20 176	23 667	23 563
Interest income		555	302	1 190	499	1 322
Other finance income		6 094	2 668	21 035	2 938	7 161
Total financial income		6 649	2 970	22 225	3 436	8 483
Interest expense		15 501	15 557	30 868	32 557	77 460
Other finance expense		1 721	19 656	8 330	20 468	13 556
Total financial expenses		17 223	35 213	39 197	53 024	91 016
Profit before income tax		-7 057	-20 510	3 204	-25 921	-58 969
Income tax expense		-945	-4 739	2 782	-5 811	-9 990
Net profit/(loss) for the year		-6 112	-15 770	421	-20 111	-48 979
Profit/(loss) is attributable to:						
Equity holders of the parent company		-6 112	-15 770	421	-20 111	-48 979

Interim condensed consolidated statement of comprehensive income

All amounts in NOK thousand

	Notes	Q2 2018 <i>Unaudited</i>	Q2 2017 <i>Unaudited</i>	Acc. 2018 <i>Unaudited</i>	Acc. 2017 <i>Unaudited</i>	Full Year 2017 <i>Audited</i>
Profit/(loss)		-6 112	-15 770	421	-20 111	-48 979
Other comprehensive income						
Remeasurement of pension liability		-497	18	-40	94	-493
Foreign currency rate changes		-55	-524	2 745	-1 192	-1 875
Other comprehensive income - net of tax		-552	-506	2 705	-1 098	-2 368
Total comprehensive income		-6 665	-16 276	3 127	-21 209	-51 347
Total comprehensive income is attributable to:						
Equity holders of the parent company		-6 665	-16 276	3 127	-21 209	-51 347

Interim condensed consolidated statement of financial position

All amounts in NOK thousand

	Notes	30.06.2018 Unaudited	30.06.2017 Unaudited	31.12.2017 Audited
ASSETS				
Non-current assets				
Trademark and franchise network		157 886	158 237	158 268
Customer contracts		92 724	110 859	101 693
Goodwill		495 967	495 967	495 967
Assistance vehicles, office machinery and equipment		75 230	67 850	74 533
Other long-term receivables		1 007	4 161	6 795
Total non-current assets		822 813	837 074	837 256
Current assets				
Inventories		913	2 491	1 402
Accounts receivable		139 441	146 134	155 779
Other receivables		25 947	26 596	26 303
Cash and bank deposits		22 108	15 789	29 445
Total current assets		188 409	191 010	212 929
Total assets		1 011 222	1 028 084	1 050 185
EQUITY AND LIABILITIES				
Equity				
Share capital		151	151	151
Own shares		-1	-	-
Share premium reserve		237 635	238 634	238 634
Other equity		3 727	3 727	3 727
Retained earnings		-224 273	-197 262	-227 400
Total equity		17 239	45 250	15 112
Non-current liabilities				
Deferred tax		47 246	51 259	45 639
Pension liabilities		7 884	8 551	8 261
Interest-bearing liabilities	7	698 380	692 590	705 967
Other non-current interest-bearing liabilities	7	26 140	28 511	31 526
Total non-current liabilities		779 650	780 910	791 392
Current liabilities				
Accounts payable		47 971	41 068	61 988
Interest-bearing liabilities to financial institutions	7	61 847	49 007	49 350
Prepaid assistance		41 301	53 753	41 506
Tax payable		1 338	312	1 323
Financial instruments		420	1 688	1 156
Public duties payable		13 338	17 305	19 234
Other short-term liabilities		48 117	38 793	69 125
Total current liabilities		214 333	201 924	243 681
Total equity and liabilities		1 011 222	1 028 084	1 050 185

Interim condensed consolidated statement of change in equity

<i>All amounts in NOK thousand</i>	Total paid-in equity <i>Unaudited</i>	Other equity <i>Unaudited</i>	Total equity <i>Unaudited</i>
Balance at 1st January 2017	238 785	-172 327	66 459
Profit for the period YTD 2017	-	-20 111	-20 111
Other comprehensive income	-	-1 098	-1 098
Balance as at 30 June 2017	238 785	-193 535	45 250
Balance at 1st January 2018	238 785	-223 673	15 112
Profit for the period YTD 2018	-	421	421
Other comprehensive income	-	2 705	2 705
Change in own shares	-1 000	-	-1 000
Balance as at 30 June 2018	237 785	-220 547	17 239

Interim condensed consolidated statement of cash flow

All amounts in NOK thousand

Notes

	Q2 2018 <i>Unaudited</i>	Q2 2017 <i>Unaudited</i>	Acc. 2018 <i>Unaudited</i>	Acc. 2017 <i>Unaudited</i>	Full Year 2017 <i>Audited</i>
CASH FLOW FROM OPERATIONS					
Profit before income taxes	-7 057	-20 510	3 204	-25 921	-58 969
+ Depreciation, intangible and fixed assets	10 640	10 538	21 127	20 490	41 150
+/- Change in retirement benefit obligations	99	130	197	260	519
+/- Fair value (gains)/losses on financial assets at fair value through P/L	-323	-135	-736	-205	-704
- Taxes paid	-	-	-	-	-326
+/- Interest expensed and borrowing costs expensed	16 400	26 539	32 719	44 350	77 460
+/- Currency conversion difference	-5 593	5 124	-16 006	5 124	9 360
+/- Change in prepaid assistance	1 131	-2 154	-205	-6 456	-18 704
+/- Change in accounts receivable	29 397	-30 655	16 338	-19 184	-28 829
+/- Change in inventory	45	-332	489	-1 781	-692
+/- Change in accounts payable	-22 140	-5 132	-14 017	-2 885	18 036
+/- Change in other accruals	-16 447	-7 323	-19 787	-17 043	-11 345
- Interest paid	-10 933	-5 900	-21 394	-11 566	-32 086
Net cash flow from operations	-4 781	-29 809	1 930	-14 817	-5 129
CASH FLOW FROM INVESTMENTS					
- Purchase of fixed assets	-4 770	-3 197	-8 384	-5 026	-14 102
+ Sale of fixed assets	-	4 503	118	4 503	8 083
- Purchase of intangible assets	-	-	-	-47	-583
Net cash flow from investmentst	-4 770	1 306	-8 266	-570	-6 602
CASH FLOW FROM FINANCING					
+ Proceeds from loans	-	722 431	-	722 431	732 431
- Repayment of loans	-	-710 248	-	-725 248	-725 248
- Payments for shares bought back	-	-	-1 000	-	-
Net cash flow from financing	-	12 183	-1 000	-2 817	7 183
Net change in cash and cash equivalents	-10 551	-16 320	-7 336	-18 204	-4 548
Cash and cash equivalents at the beginning of the period	32 660	32 109	29 445	33 993	33 993
Cash and cash equivalents at the end of the period	22 109	15 789	22 108	15 789	29 445

Notes to the consolidated financial statement

Note 1 - Corporate information

Viking Redningstjeneste Topco AS and its subsidiaries's (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.

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 30 June 2018 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 2017, 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 2017. Amendments to IFRSs effective for the financial year starting 1 January 2018 are not expected to have material impact on the group. The standard, IFRS 15 Revenue from Contracts with Customers, is effective for accounting periods beginning on or after 1 January 2018. The Viking Group has evaluated their different revenue streams in order to determine eventual effects of IFRS 15, and concluded on that the adoption of IFRS 15 has no material effect.

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 2017.

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 providing roadside assistance. The Group's sales are made primarily from Group's subsidiaries in Norway, Sweden and Denmark. The Group established a subsidiary in Finland and a call center in Spain in 2017. 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 Q2 2018 (accumulated):

	Norway	Sweden	Denmark	Other	Total
Revenue	262 431	80 313	59 541	-	402 285
EBITDA*	41 234	746	-122	-554	41 304
Operating profit	23 987	-1 759	-1 310	-742	20 176

Key financial information Q2 2017 (accumulated):

	Norway	Sweden	Denmark	Other	Total
Revenue	244 365	76 295	57 150	-	377 810
EBITDA*	45 211	-2 056	1 002	-	44 157
Operating profit	28 372	-4 890	184	-	23 667

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

Note 7 - Net debt reconciliation

<i>Net debt reconciliation</i>	Q2 2018 <i>Unaudited</i>	Q2 2017 <i>Unaudited</i>	Full Year 2017 <i>Audited</i>
Cash and cash equivalents	22 108	15 789	29 445
Liquid investments	-420	-1 688	-1 156
Borrowings - repayable within one year (including overdraft)	-62 397	-49 787	-62 074
Borrowing - repayable after one year	-734 437	-734 226	-749 212
Net debt	-775 146	-769 912	-782 997
Cash and liquid investments	21 688	14 101	28 289
Gross debt - fixed interest rates	-208 297	-205 715	-217 687
Gross debt - variable interest rates	-588 537	-578 298	-593 599
Net debt	-775 146	-769 912	-782 997

Note 8 - Significant events after balance sheet date

No significant events after balance sheet date.