Q3 2019 Interim Report

Otiga Group

Q3'19 HIGHLIGHTS

Revenue

653.3 mnok

Revenue Growth

23.3 %

Organic Revenue Growth

7.7 %

EBITDA

36.4 mnok

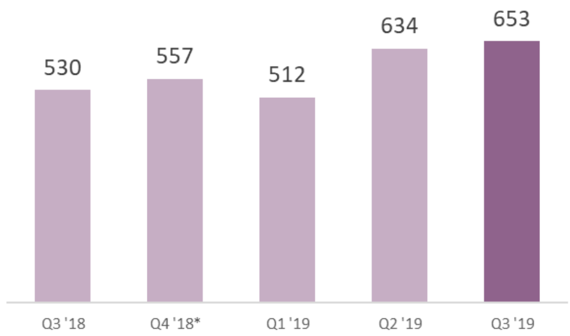
All-time high revenue, mainly driven by high organic growth and increased market share in Norway for the ninth consecutive quarter

Strong EBITDA margin of 5.6%, well above previous quarter and in line with expectations

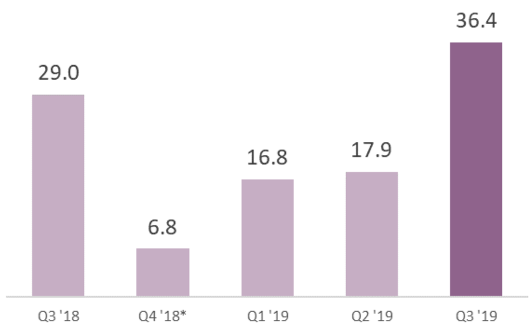
KEY FIGURES

NOK millions	Q3'19	Q2'19	Q3'18	YTD 19	YTD 18
Total Revenue	653.3	634.0	530.0	1 799.2	1 443.0
OPEX	616.9	616.1	501.0	1 728.1	1 391.6
EBITDA	36.4	17.9	29.0	71.1	51.4
%	5.6 %	2.8 %	5.5 %	4.0 %	3.6 %

Revenue per quarter (MNOK)



EBITDA per quarter (MNOK)



** Q4 '18 adjusted and restated according to financial statement 2018*

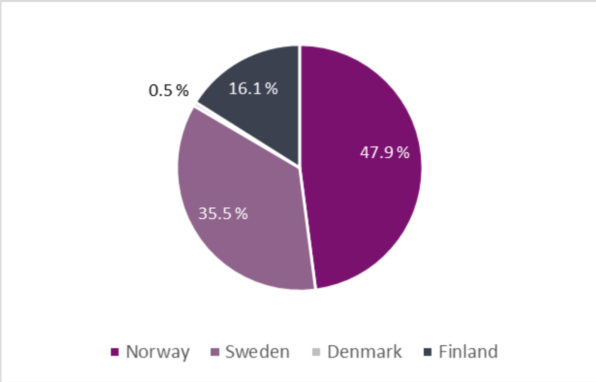
PERFORMANCE IN Q3'19

Group Performance

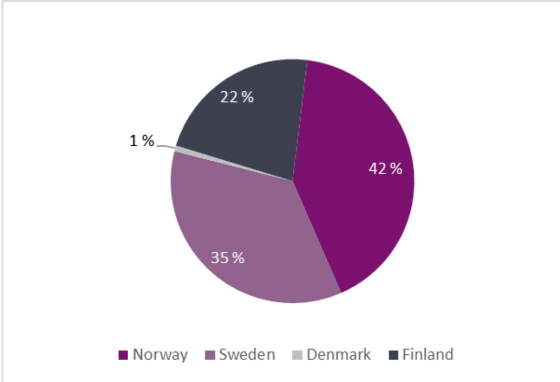
The Group revenue ended significantly above last year, at 653.3 MNOK in Q3'19 compared to 530.0 MNOK in Q3'18. The positive development is driven by another strong quarter in Norway, and partly the inclusion of Clockwork, Vinde TT and Premier in Q3'19. We are pleased to see solid revenue growth, which we believe will lead to a broader and larger platform to continue our future expansion.

EBITDA for the Group amounted to 36.4 MNOK compared to 29.0 MNOK in Q3'18. The increase is due to both the organic growth in revenue and the inclusion of the acquired companies. We see a positive development across all our segments, led by Norway and Sweden. We see a solid effect on our EBITDA level from the strong growth in revenue. At the same time, we have increased our investments into digitalization, people & culture, and new business areas to meet future market demand. The implementation of IFRS 16 also have an impact on the result when comparing to the previous year.

Revenue per segment – Q3'19 (Percent)

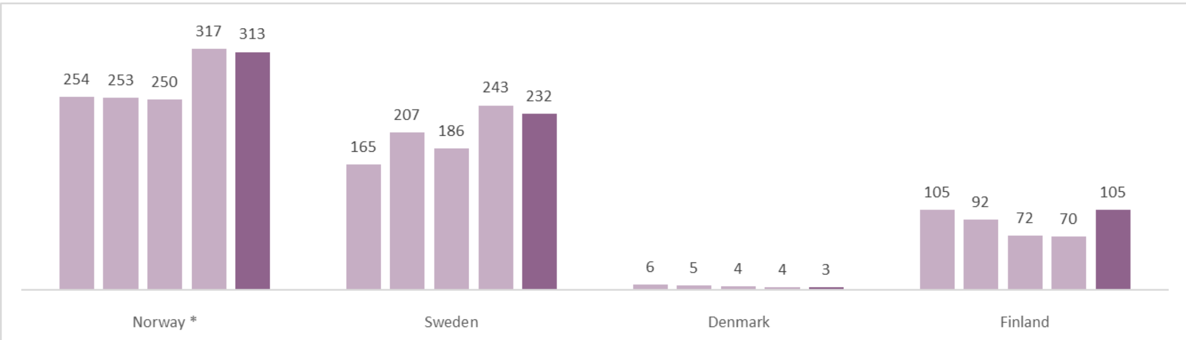


EBITDA per segment - Q3'19 (Percent)



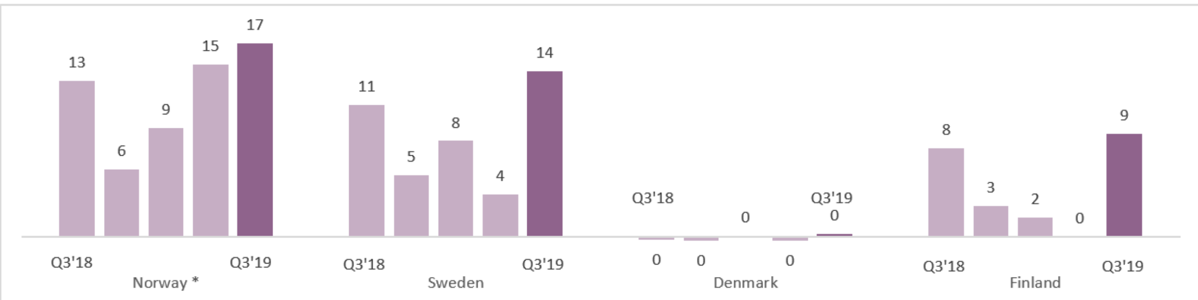
Business segment performance

Revenue per segment, last five quarters (MNOK):



** Restated according to IFRS guidelines*

EBITDA per segment, last five quarters (MNOK):



** Restated according to IFRS guidelines*

Norway

The revenue in Norway amounted to 313.1 MNOK in Q3’19 compared to 317.3 MNOK in Q2’19 and 253.7 MNOK in Q3’18. Our organic revenue growth compared to last year is 23.8 %, which is outstanding. We continue to gain market shares and have acquired many new customers within several segments.

EBITDA in Q3’19 amounted to 16.5 MNOK compared to 14.7 MNOK in Q2’19 and 13.4 MNOK in Q3’18. Our increase in revenue drives our development in EBITDA.

Sweden

The revenue in Sweden ended at 232.0 MNOK in Q3’19 compared to 242.7 MNOK in Q2’19 and 164.6 MNOK in Q3’18. The increase in revenue is driven by the inclusion of Clockwork AB and Premier AB.

EBITDA in Q3’19 amounted to 14.1 MNOK compared to 3.6 MNOK in Q2’19 and 11.2 MNOK in Q3’18. The increase is mainly due to the inclusion of acquired companies.

Finland

The revenue in Finland ended at 104.9 MNOK in Q3’19 compared to 70.4 MNOK in Q2’19 and 105.3 MNOK in Q3’18.

EBITDA in Q3’19 amounted to 8.8 MNOK compared to 0.1 MNOK in Q2’19 and 7.6 MNOK in Q3’18. We continue to focus on group synergy effects in the Finnish segment to provide a solid platform for future growth in terms of both revenue and EBITDA.

Denmark

The revenue in Denmark ended at 3.3 MNOK in Q3’19 compared to 3.6 MNOK in Q2’19 and 6.4 MNOK in Q3’18.

EBITDA in Q3’19 amounted to 0.3 MNOK compared to -0.3 MNOK in Q2’19 and -0.2 MNOK in Q3’18.

OUTLOOK

Q3’19 yielded a good result for the Group with a positive organic growth and all-time high revenue and EBITDA. Going in to the next quarter, the Group expects a continued growth both in terms of revenue and EBITDA compared to the same quarter last year.

The Group continues its work on streamlining operations and achieving synergy effects across the organization. The Group will focus on providing central support and to further develop its multi-brand strategy.

COMMENTS TO FINANCIAL STATEMENTS

Consolidation

In accordance with the Bond Agreement, the acquisitions of IMO Offshore AS, Premier AB and Vinde Tilkomstteknikk AS will be included in the pro forma LTM figures and used in covenant calculations.

Liquidity and cash flow

The cash balance has decreased from 136.9 MNOK in Q2'19 to 99.6 MNOK in Q3'19. The Group has a working capital facility of 35.0 MNOK in Q3'19.

Covenants

EBITDA has been adjusted on a *pro forma* basis to represent the relevant period of operations from the acquired entities. The Group is in compliance with all covenants as per 30.09.2019.

All covenant measures and thresholds set out below have been prepared in accordance with the Bond Agreement using Q3'19 figures. EBITDA is adjusted on a pro forma basis to represent the relevant LTM figures for the acquired companies.

EBITDA	
Net EBITDA	45.5
Pro Forma Adjustments to Net EBITDA	6.7
Pro Forma Net EBITDA LTM	**52.2**

Coverage Ratio	
Net Financing Cost LTM	40.8
Coverage Ratio	**1.28**
Min	*1.10*

Liquidity	
Liquidity	**64.6**
Min	*40.0*

Leverage Ratio	
Bond Loan	315.0
Leasing & Vendor Obligations	61.8
Liquidity	64.6
Net Interest Bearing Debt	312.2
Leverage Ratio	**5.98**
Max	*6.50*

Main risk factors

The Group's business and operations are influenced by the general market climate. The Group monitors the development in each market on a continued basis to adapt the business to the fluctuations.

The Group operates within the Nordics and is therefore exposed to fluctuations in exchange rates within the Nordic currencies. The risk is considered limited.

Use of Alternative Performance Measures (APM)

Alternative performance measures are performance measures not within the applicable financial reporting framework (IFRS). Financial APMs are intended to enhance comparability of financial performance over time and are frequently used by analysts and investors. APMs may also be used internally as basis for performance related remuneration.

The Group uses the following APMs:

EBITDA is operating profit before depreciation, amortization and impairment charges.

EBITDA % is EBITDA divided by revenue.

EBIT is operating profit after depreciation, amortization and impairment charges.

Organic Revenue Growth is revenue growth achieved internally and not included takeovers, acquisitions or mergers.

Net EBITDA is EBITDA, adjusted for subsidiary ownership.

Net Finance Cost is finance cost adjusted for subsidiary ownership.

Statement from the Board of Directors

The financial statements are, to the best of our knowledge and based on our best opinion, presented in accordance with generally accepted accounting principles and the information provided in the financial statements give a true and fair view of the company and the Group's assets, liabilities, financial position and result. The financial report provides an accurate view of the development, performance and financial position of the Group.

Oslo, 19th November 2019

Fredrik Thafvelin	Kristian Adolfsen	Roger Adolfsen
Chairman	Board member	Board member
Anita Bemer Korsvold	Karl Høie	Ane Nordahl Carlsen
Board member	Board member	Board Member

For more information:

Claes Poulsen

Group CFO

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GROUP FINANCIAL STATEMENT

CONDENCED CONSOLIDATED INCOME STATEMENT (Unaudited)

		2019		2018	
All figures in NOK '000	**Notes**	**Q3 '19**	**YTD 19**	**Q3 '18**	**YTD 18**
OPERATING INCOME					
Revenue		653 348	1 799 216	529 996	1 442 974
Total operating income		**653 348**	**1 799 216**	**529 996**	**1 442 974**
OPERATING EXPENSES					
Cost of goods sold		20 757	45 139	14 387	51 187
Personnel expenses		560 524	1 567 037	456 201	1 240 706
Other operating expenses		35 639	115 904	30 439	99 702
EBITDA		**36 428**	**71 136**	**28 970**	**51 379**
Depreciation of fixed assets	1	3 618	11 989	443	1 650
Amortization	1	5 692	17 224	5 280	13 691
EBIT		**27 118**	**41 922**	**23 248**	**36 038**
FINANCE					
Net interest	2	-17 469	-31 730	-7 573	-20 432
Other financial items	2.9	-305	12 782	-2 912	-7 244
Net result before tax		**9 345**	**22 974**	**12 763**	**8 362**
Income tax	4	2 056	5 054	-827	-1 840
Net result for the period		**7 289**	**17 920**	**13 590**	**10 202**
OTHER COMPREHENSIVE INCOME					
Currency translation differences		2 150	-5 977	-2 003	-11 822
Total other comprehensive income		**2 150**	**-5 977**	**-2 003**	**-11 822**
Total comprehensive income		**9 439**	**11 943**	**11 588**	**-1 619**
ATTRIBUTABLE TO					
Equity holders of the parent company		-3 010	-16 440	796	-23 455
Non-controlling interest		12 449	28 382	10 792	21 835
Total		**9 439**	**11 943**	**11 588**	**-1 619**

CONDENCED CONSOLIDATED BALANCE SHEET STATEMENT (Unaudited)

All figures in NOK '000		**Q3 '19**	**FY 18**
ASSETS			
Intangible assets	3	730 420	696 122
Property, plant & equipment	5	27 689	6 403
Other investments		1 517	3 716
Other long term receivables		11 750	10 372
Total non-current assets		**771 376**	**716 613**
Accounts receivables	6	295 998	244 309
Receivables from related parties		-	1 953
Other short-term receivables		50 633	39 988
Cash and cash equivalents		99 565	140 380
Total current assets		**446 195**	**426 630**
Total assets		**1 217 572**	**1 143 243**
EQUITY			
Share capital		1 728	1 728
Other paid-in capital		291 531	291 531
Retained earnings		-234 138	-211 381
Equity attributable to owners of the parent		**59 121**	**81 878**
Non-controlling interests	7	185 882	160 254
Total equity		**245 003**	**242 131**
LIABILITIES			
Deferred tax liability		68 145	65 934
Subordinated loan capital		50 000	-
Bond loans		304 129	-
Other non-current liabilities		17 366	29 906
Total non-current liabilities		**439 640**	**95 840**
Accounts payable		52 370	27 261
Loans and borrowings	8	61 849	384 537
Taxes payable	4	-	10 407
Other current liabilities		418 709	383 066
Total current liabilities		**532 928**	**805 271**
Total liabilities		**972 568**	**901 112**
Total equity & liabilities		**1 217 572**	**1 143 243**

CONSOLIDATED STATEMENT OF CASH FLOW (Unaudited)

All figures in NOK '000	Q3 '19	YTD 19	YTD 18
CASH FLOW FROM OPERATING ACTIVITIES			
EBITDA	**36 428**	**71 136**	**51 379**
Taxes paid	-	-10 407	-14 446
Change in net working capital	-78 426	-46 769	24 858
Net cash flow from operating activities	**-41 998**	**13 960**	**61 790**
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in property, plant and equipment	-4 263	-9 215	-2 972
Net investment in shares in other companies	2 199	2 199	-
Net change in financial receivables	2 902	-1 378	-300
Net cash flow from investing activities	**837**	**-8 395**	**-3 272**
CASH FLOW FROM FINANCING ACTIVITES			
Net cash from aquistion	-	4 968	-12 117
Repayment of interest-bearing debt	-7 438	-19 658	-15 000
Net proceeds from refinancing of bond loand	28 011	28 011	-
Capital increase	-	-	12 337
Net interest paid and other financial items	-17 469	-31 730	-20 432
Dividends paid	-	-22 369	-18 855
Net cash flow from financing activities	**3 104**	**-40 779**	**-54 067**
CHANGES IN CASH AND CASH EQUIVALENTS			
Net change in cash and cash equivalents	**-38 057**	**-35 213**	**4 451**
Effects of changes in exchange rates on cash	677	-5 603	-7 459
Cash and cash equivalents at the beginning of period	136 945	140 381	108 568
Cash and cash equivalents at end of period	**99 565**	**99 565**	**105 561**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

All figures in NOK '000	Share Capital	Retained Earnings	Translation Effects	Total equity of the parent	Non-contr. Interest	Total Equity
Balance as at 31 December 2018	1 728	69 733	10 417	81 878	160 254	242 131
Adjustment on initial application of IFRS 16		1 381		1 381	39	1 420
Adjusted balance at 1. January 2019	1 728	71 114	10 417	83 259	160 292	243 551
Profit for the period		-12 172		-12 172	30 091	17 919
Other comprehensive income			-4 268	-4 268	-1 709	-5 977
Total comprehensive income		**-12 172**	**-4 268**	**-16 440**	**28 383**	**11 943**
Payment of dividends					-20 965	-20 965
Total contributions and distributions					**-20 965**	-20 965
Effect from aquisition and sales of minority		-7 698		-7 698	18 172	10 474
Balance as at 30 September 2019	**1 728**	**51 244**	**6 149**	**59 121**	**185 882**	**245 003**

NOTES

General

The consolidated financial statements of OTIGA Group comprise of the Company and its subsidiaries, including AB Söder & Co Förvaltning, Assessit Holding AS, IMO Offshore AS, Aaltovoima OY, Aaltovoima Logistiikka OY, On Off Bemanning AS, Mojob Norge AS, Clockwork Holding AB, Vinde Tilkomstteknikk AS and Agito E-helse AS collectively referred to as the Group.

The Group operates within markets that involve certain operational risk factors. The Group is further exposed to risk that arise from its use of financial instruments. The various companies within the Group are systematically working to mitigate and manage risk on all levels. The annual report for 2018 offers additional description of the Group's objectives, policies and processes for managing those risk elements and the methods used to measure them.

Basis for preparation

The interim financial statements for the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union and their interpretations adopted by the International Accounting Standards Board (IASB). The interim report does not include all the information required for complete annual consolidated financial statements and should be read in conjunction with the financial statements of the Group for 2018. Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements (the policy for recognizing and measuring income taxes in the interim period is described in note 4). The interim financial report has been prepared based on the principles of IAS 34 Interim Financial Reporting. The interim financial statements are unaudited.

Change in significant accounting policies

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019. The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Short-term leases (with a duration of less than 12 months) and leases relating to low-value assets are exempt from the balance-sheet recognition requirement. In the profit and loss account, the effect of the change in accounting principle entails an increase in depreciation and interest costs and a reduction in other operating costs, thus improving EBITDA compared to accounts prepared under the old principle.

Revenue and EBITDA by segment

The Group has identified operation segments in accordance with the reporting requirements in IFRS 8. Based on the internal reporting the operations in the different Nordic countries are identified as separate operating segments. The reportable segments are the different countries Norway, Sweden, Denmark and Finland. The operating segment provides staffing services in their different countries.

Segment Figures

NOK millions	Q3 '19	Q2 '19	Q3 '18	YTD 19	YTD 18
Revenue					
Norway	313.1	317.3	253.7	880.9	731.1
Sweden	232.0	242.7	164.6	660.3	435.5
Denmark	3.3	3.6	6.4	11.0	21.1
Finland	104.9	70.4	105.3	247.0	258.1
Group Eliminations	-	-	-0.0	-	-2.8
Total	653.3	634.1	530.0	1 799.2	1 443.0

NOK millions	Q3 '19	Q2 '19	Q3 '18	YTD 19	YTD 18
EBITDA					
Norway	16.5	14.7	13.4	40.5	30.3
Sweden	14.1	3.6	11.2	26.0	20.3
Denmark	0.3	-0.3	-0.2	0.1	-2.2
Finland	8.8	0.1	7.6	10.6	9.5
Group Eliminations	-3.4	-0.2	-3.0	-6.1	-6.5
Total	36.4	17.9	29.0	71.1	51.4

Note 1 – Depreciation and amortization

Depreciation mainly relates to IT related equipment and property. Amortization relates to amortization of excess value of non-contractual customer relationship identified in acquisitions.

Note 2 – Financial items

Costs allocated to Net Interest are mainly related to the Bond Loan 2014/2019 and the new Bond Loan 2019/2022.
Financial items consist of leasing cost, bank fees and currency effects.

Note 3 – Intangible assets

Intangible assets consist of goodwill and excess value post acquisitions. The excess value from the acquisition of Vinde Tilkomstteknikk AS, Premier AB and Agito E-helse AS has not been allocated at the time the Q3'19 interim report was approved by the Board and has been classified as goodwill.

Note 4 – Income Tax

Income tax has been stipulated and is potentially subject to change during the Annual Financial Report 2019.

Note 5 – Property, plant & equipment

This amount mainly consists of IT equipment/systems and property.

Note 6 – Accounts receivable

Accounts receivable amounted to 296.0 MNOK (244.3). The increase is mainly due to increased activity from previous quarters.

Note 7 – Non-controlling interest

The non-controlling interest in the Q3’19 financials is a result of the acquisition of AB Söder & Co Förvaltning, Assessit Holding AS, On Off Bemanning AS, Mojob Norge AS, Clockwork Holding AB, Premier Services AB and Vinde Tilkomstteknikk AS.

Note 8 – Loans and Borrowings

NOK millions	Q3’19
Bond Loan (Long-term)	305.0
Bond Loan (Short-term)	10.0
Accrued expense bond	-0.9
Total book value	314.1

Note 9 – Assets sold

IMO Offshore AS was sold on June 26th and a gain of MNOK 10.6 has been included in net financial items.

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NORWAY

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