Viking Redningstjeneste Topco AS

Interim financial statements 4Q 2018

Quarterly report
October – December 2018

FOURTH QUARTER 2018 SUMMARY

- → Strong growth in volume and gross margin in Sweden
- → Restructuring of subsidiaries completed in Sweden and Denmark
- → Fourth quarter group revenues of MNOK 181,6
- → Adjusted EBITDA of MNOK 8,8
- → Group assistance at 85 000 (88 700)
- → January 2019 with record high sales and revenues

Amounts in NOK '000	*Oct – Dec 2018*	*Oct – Dec 2017*	*Acc. 2018*	*Acc. 2017*
Group revenue	181 653	201 850	773 906	759 935
COGS	128 645	127 842	517 082	483 935
Gross margin	29,2 %	36,7 %	33,2 %	36,3 %
EBITDA	1 433	12 063	44 851	64 714
Restructuring cost	5 426	3 345	15 993	8 112
Non-recurring items	1 971	1 882	8 954	6 378
EBITDA Adj.	8 830	17 290	69 798	79 204
Total Assets	1 026 705	1 050 185	1 026 705	1 050 185

(See Alternative Performance Measures section in the note disclosure for definitions)

Operational comments

4Q18 Revenue

Group revenues for the fourth quarter of 2018 amounted to MNOK 182 compared to MNOK 190 during 3Q18 and 202 during same period last year. Sweden contribute positively to group revenue with sales growth 8 percent in the fourth quarter (YoY).

Total number of assistances during the fourth quarter amounted to 85 500 and 3 percent higher than 3Q18, while 4 percent lower than same period last year. Sweden contribute to assistance volume growth during the quarter with 29 percent growth (YoY), while Norway and Denmark both ended approximately 10 percent below same quarter last year. Sweden ended the year with solid growth of 31 percent (YoY) as a result of both new clients and increasing activity from existing portfolio. Assistance volume in Norway and Denmark was positive with yearly growth of 5 percent compared to 2017.

Operating result

Q4 2018 adjusted EBITDA ended at MNOK 8,8 compared to MNOK 17,2 same period last year. The YTD adjusted EBITDA is driven by solid improvement in the Swedish market (MNOK +7,8 YoY), offset by adverse effects in Norway (MNOK -9 YoY) and Denmark (MNOK -8 YoY). Lower volume and sales in Norway and Denmark affected the quarter. Gross margin in Norway was marginally lower than last year, but adjustments in the car programs affected quarter by MNOK 3,5. In Denmark, the international assistance contract further contributed to the negative quarter result. Sweden is experiencing significant commercial momentum with increased volume from new contracts and increasing profitability.

The fourth quarter reported numbers includes year end adjustments and provisions related to activity during 2018.

The group average assistance gross margin for the fourth quarter was 29,3 percent compared 29,7 percent at the end of the previous quarter. The adjusted EBITDA margin for the group ended at 4,9 percent in the fourth quarter. Adjusted EBITDA margin for the year at the end at 9,0 percent (10,4 percent).

2019

January started off 2019 with record high sales and revenues. Sales came in 16 percent ahead of budget and 7 percent ahead of previous high. Earnings for the month came in 48 percent ahead of budget and 25 percent ahead of same period last year. Group sales in January ended at MNOK 83 and group adjusted earnings ended at MNOK 13,3.

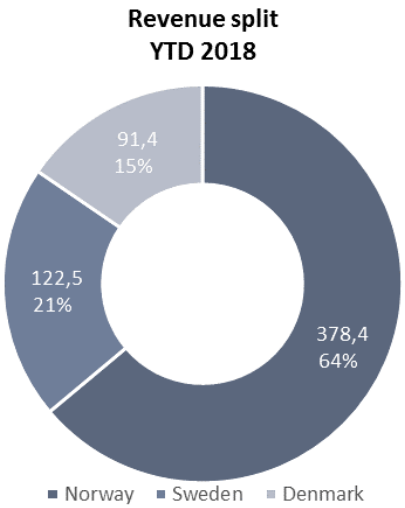
The January result gives strong support to the groups revenue and earnings expectations for 2019, and to the decision to implement and complete the substantial restructuring projects initiated over the last quarters. It is gratifying to report that the restructuring of the groups subsidiary roadside assistance activity in Sweden and Denmark is now fully transferred to new franchise partners. Further, restructuring is meeting our project goals with regards to positive contribution to group profitability.

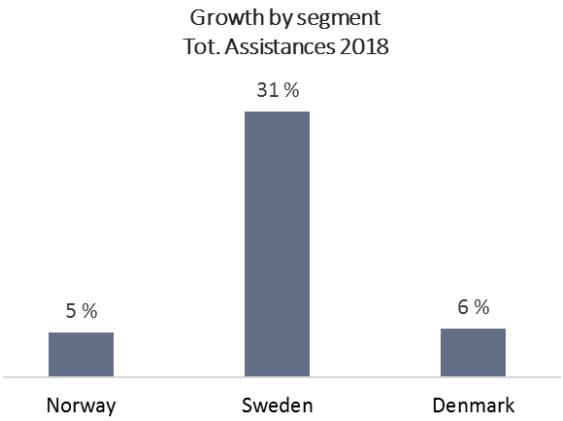
With substantial restructuring projects completed, increasing margins from contract renegotiations, and new clients coming on stream during 2019, we expect substantial improvements in performance for the coming periods. We are projecting group revenue growth of ~ 10 percent, and we are aiming at adjusted EBITDA growth of approximately 40 percent, or in the MNOK 100-110 range for the current financial year.

New contract volume is expected for 2019 and Viking Assistance Group was recently successful in winning both the Jaguar Land Rover RSA (JLR) contract for the Nordic countries, and the contract serving Norway's national Police districts. These contract awards strengthen Viking's leading market position in the Nordic countries and contribute attractive volume and associated services for Viking and our station network.

Operating segments

The Group regularly reports on operating geographical segments. All segments experienced high marketing and sales activity during the quarter. Volkswagen Group Sweden announced that Viking Assistance Group was awarded the contract for mobility services and roadside assistance for Sweden during the quarter and the contract was successfully implemented in January.





Viking estimates a total of 100.000 incoming calls and approx. 30.000 assistances per year serving all VW group brands and estimated revenue of MSEK 50.

Viking Assistance Group has been awarded the contract for mobility services and roadside assistance for Denmark, Finland, Norway, Sweden and Iceland. Viking previously held the contract for Norway, Sweden and Denmark. The JLR European tender is involving 35 markets and the 3-year contract commences 1 April 2019.

The contract covers roadside assistance for the brands Jaguar and Land Rover. With the introduction of the Jaguar i-Pace, JLR is expected to increase sales substantially in the Nordics, and in Norway in particular, making JLR an important partner for Viking.

"Viking is delighted to be awarded the contract for JLR for the Nordics, and with this further cement the excellent relationship we already have with JLR. Viking's commitment to delivering market leading mobility services in the Nordic market is confirmed by JLR extending their contract with Viking through Allianz

Hans Petter Semmelmann.
CEO, Viking Group

Viking Assistance Group was further awarded the assistance contract for 11 of 12 Police districts in Norway, with the 12th district to be operated by Viking franchisee in close cooperation with Viking. Viking will be assisting the national Police force in their daily operations and is considered a significant contract with high standing within the Norwegian station network. The contracts were awarded Viking in strong competition and with positive contribution to earnings for Viking. Thus, confirming Vikings market competitiveness and strong momentum.

Restructuring
The strategic initiative to outsource the road side assistance activity in the group subsidiaries was completed in Sweden and Denmark during the quarter. The subsidiary in Oslo successfully transferred volume to new partners and is contributing positively to earnings in January, albeit marginally.

The restructuring of roadside assistance activity in group subsidiaries will prepare Viking for further profitable volume growth in 2019. We expect increasing group operating profit, reduced CAPEX and net debt, and reduced leasing expenditures. CAPEX will be reduced by approx. MNOK 10 for 2019 compared to normal levels.

Increasing profitability, reduced financial and operational expenditures, will substantially improve cashflow and EBIT in the coming financial year.

HQ and other
After the decision was made to relocate Vikings HQ at Fornebu outside Oslo, the construction and relocation process has progressed swiftly and successfully. The new HQ location is near completion and adapted to mixed use by Viking HQ, Viking Kontroll test and survey operations, and the traditional RSA activity.

The Viking subscription-based platform is continuing the positive growth and at the end of 4Q18, Viking Assistance registered approximately 28.000 subscribers.

Viking Kontroll
Viking Kontroll is developing according to expectations and further clients were signed during the quarter. Activity and client interest is promising, and we look forward to reporting new major clients during 1H19. As of January, Viking Kontroll has capacity for approx. 35-40 tests and surveys daily at the new test center. In addition, tests are performed locally at client's sites adding further 20-25 daily tests to the total capacity.

The new and upgraded location east of Oslo is now upgraded to host the Viking Kontroll test and survey operations and the center is now fully operational.

Personnel and organization
At the end of the period, the number of employees amounted to 220. 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 ~226 people.

Investments
Group investments are mainly related to development of the ERP system VIS and net investments in rescue vehicles in subsidiaries. Net financial investments for the fourth quarter amounted to MNOK -18,2 and MNOK 0,5 for 2018.

The Group's acquisition of intangible assets during the fourth quarter amounted to MNOK 1,8.

Net financial investments for the fourth quarter were affected by the divestment of assets in relation to restructuring of subsidiaries. In total rescue vehicles with a total value in excess of MNOK 20 were transferred to new owners. Net investments in tangible assets during the quarter amounted to negative MNOK 19,9.

EBITDA
Adjusted EBITDA is EBITDA adjusted for restructuring costs, and other operating and administrative expenses, totaling NOK 8,8 in Q4 2018. These are items outside of the ordinary course of business and are thus excluded from the Adjusted EBITDA. Extraordinary costs related to restructuring of subsidiaries amounted to MNOK 5,4 compared to restructuring of call center in Spain during 4Q17 of MNOK 3,3. Non-recurring other operating and administrative expenses identified during the quarter amounted to MNOK 1,9 (1,9). Non-recurring items for 2019 are largely extraordinary costs related to recruiting/ non-competition agreements in Norway (MNOK 4,0), structural actions (MNOK 0,7), brand and trademark (MNOK 0,6), and other (MNOK 0,6).

Significant events during the period

- → Strong momentum and increasing markets share
- → Major client contracts renegotiated during the quarter with positive margin contribution for 2019.
- → Restructuring of subsidiaries in Stockholm and Copenhagen concluded and restructuring costs booked 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

Significant events after the end of the period

- → Strong performance in January confirming budget assumptions and earnings expectations of MNOK 100-110 for 2019
- → VW Group RSA contract for Sweden was successfully implemented during January
- → Viking Kontroll commenced activity performing survey and testing of leasing vehicles at end of period re-delivery.
- → Viking HQ relocated to Alnabru east of Oslo with Viking Kontroll and Oslo subsidiary.
- → Viking was awarded the RSA contract for JLR and the Norwegian Police districts

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 February 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

Viking Redningstjeneste Topco Group

Interim financial statements Q4 2018

Interim condensed consolidated statement of profit and loss

All amounts in NOK thousand	*Notes*	**Q4 2018** *Unaudited*	**Q4 2017** *Unaudited*	**Full Year 2018** *Unaudited*	**Full Year 2017** *Audited*
Revenue		181 653	201 850	773 906	759 935
Total revenue	*6*	**181 653**	**201 850**	**773 906**	**759 935**
Cost of goods sold and assistance cost		128 645	127 842	517 082	483 935
Salaries and personnel expense		28 463	34 935	130 718	124 644
Depreciation and amortisation expense		10 271	10 115	42 008	41 150
Other operating expense		23 112	27 010	81 255	86 642
Total operating expenses		**190 491**	**199 902**	**771 063**	**736 371**
Operating profit	*6*	**-8 838**	**1 949**	**2 843**	**23 564**
Interest income		835	343	2 705	1 322
Other finance income		2 624	2 732	10 429	7 161
Total financial income		**3 460**	**3 075**	**13 135**	**8 483**
Interest expense		16 924	15 446	64 101	77 460
Other finance expense		19 354	7 275	16 809	13 556
Total financial expenses		**36 278**	**22 721**	**80 910**	**91 016**
Profit before income tax		**-41 657**	**-17 697**	**-64 933**	**-58 969**
Income tax expense		-8 990	-1 607	-10 797	-9 990
Net profit/(loss) for the year		**-32 667**	**-16 090**	**-54 136**	**-48 980**
Profit/(loss) is attributable to:					
Equity holders of the parent company		-32 667	-16 090	-54 136	-48 979

Interim condensed consolidated statement of comprehensive income

All amounts in NOK thousand	*Notes*	**Q4 2018** *Unaudited*	**Q4 2017** *Unaudited*	**Acc. 2018** *Unaudited*	**Acc. 2017** *Audited*
Profit/(loss)		**-32 667**	**-16 090**	**-54 136**	**-48 979**
Other comprehensive income					
Remeasurement of pension liability		-48	-2 503	-112	-493
Foreign currency rate changes		-3 655	-838	-967	-1 875
Other comprehensive income - net of tax		**-3 703**	**-3 341**	**-1 079**	**-2 368**
Total comprehensive income		**-36 370**	**-19 430**	**-55 215**	**-51 347**
Total comprehensive income is attributable to:					
Equity holders of the parent company		-36 370	-19 430	-55 215	-51 347

Interim condensed consolidated statement of financial position

All amounts in NOK thousand	*Notes*	**31.12.18** *Unaudited*	**31.12.17** *Audited*
ASSETS			
Non-current assets			
Trademark and franchise network		157 470	158 268
Customer contracts		83 656	101 693
Goodwill		495 967	495 967
Assistance vehicles, office machinery and equipment		55 786	74 533
Other long-term receivables		1 359	6 795
Total non-current assets		**794 238**	**837 256**
Current assets			
Inventories		939	1 402
Accounts receivable		166 750	155 779
Other receivables		22 348	26 303
Cash and bank deposits		42 429	29 445
Total current assets		**232 467**	**212 929**
Total assets		**1 026 705**	**1 050 185**
EQUITY AND LIABILITIES			
Equity			
Share capital		151	151
Share premium reserve		238 484	238 634
Other equity		3 727	3 727
Retained earnings		-282 615	-227 400
Total equity		**-40 253**	**15 112**
Non-current liabilities			
Deferred tax		33 401	45 639
Pension liabilities		7 508	8 261
Interest-bearing liabilities	*7*	725 333	705 967
Other non-current liabilities	*7*	23 745	31 526
Total non-current liabilities		**789 987**	**791 393**
Current liabilities			
Accounts payable		97 578	61 988
Interest-bearing liabilities to financial institutions	*7*	65 907	49 350
Prepaid assistance		33 392	41 506
Tax payable		1 655	1 323
Financial instruments		-	1 156
Public duties payable		11 509	19 234
Other short-term liabilities		66 929	69 125
Total current liabilities		**276 970**	**243 681**
Total equity and liabilities		**1 026 705**	**1 050 185**

Interim condensed consolidated statement of cash flow

All amounts in NOK thousand	*Notes*	**Q4 2018** *Unaudited*	**Q4 2017** *Unaudited*	**Full Year 2018** *Unaudited*	**Full Year 2017** *Audited*
CASH FLOW FROM OPERATIONS					
Profit before income taxes		-41 658	-17 697	-64 933	-58 969
+ Depreciation, intangible and fixed assets		10 271	14 095	42 008	41 150
+/- Change in retirement benefit obligations		99	932	395	519
+/- (Gains) / losses on sale of fixed assets		1 120	-	1 120	-
+/- Fair value (gains)/losses on financial assets at fair value through P/L		-185	-287	-1 156	-704
- Taxes paid		-1 323	-326	-1 323	-326
+/- Interest expensed and borrowing costs expensed		17 876	16 414	67 907	77 460
+/- Currency conversion difference		8 799	6 977	-5 472	9 360
+/- Change in prepaid assistance		-2 260	-7 228	-8 114	-18 704
+/- Change in accounts receivable		-7 734	-15 445	-10 971	-28 829
+/- Change in inventory		12	940	463	-692
+/- Change in accounts payable		21 603	12 006	35 590	18 036
+/- Change in other accruals		22 697	10 935	8 295	-11 345
- Interest paid		-10 721	-9 947	-42 018	-32 086
Net cash flow from operations		**18 597**	**11 369**	**21 791**	**-5 129**
CASH FLOW FROM INVESTMENTS					
- Purchase of fixed assets		-214	-4 137	-12 232	-14 102
+ Sale of fixed assets		3 577	3 004	3 722	8 083
- Purchase of intangible assets		13	-536	-148	-583
- Investment in subsidiaries		-	420	-	-
Net cash flow from investments		**3 376**	**-1 249**	**-8 658**	**-6 602**
CASH FLOW FROM FINANCING					
+ Proceeds from loans		-	-	-	732 431
- Repayment of loans		-	-	-	-725 248
- Payments for shares bought back		-	-	-1 000	-
+ Sale of own shares		850	-	850	-
		850	**-**	**-150**	**7 183**
Net change in cash and cash equivalents		22 821	10 121	12 983	-4 548
Cash and cash equivalents at the beginning of the period		19 607	19 324	29 445	33 993
Cash and cash equivalents at the end of the period		**42 428**	**29 445**	**42 428**	**29 445**

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 2017	238 785	-172 327	66 459
Profit for the period YTD 2017	-	-48 979	-48 979
Other comprehensive income	-	-2 368	-2 368
Balance as at 31 December 2017	**238 785**	**-223 673**	**15 112**
Balance at 1st January 2018	**238 785**	**-223 673**	**15 112**
Profit for the period YTD 2018	-	-54 136	-54 136
Other comprehensive income	-	-1 079	-1 079
Change in own shares	-150	-	-150
Balance as at 31 December 2018	**238 635**	**-278 888**	**-40 253**

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.

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 December 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, except for the adoption of new standards IFRS 15 and IFRS 9 effective as of 1 January 2018.

The Viking group has implemented IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial instruments as of 1 January 2018. Implementation of the new standards did not cause any material changes to the group’s financial accounts.

The group will implement IFRS 16 from 1.1.2019 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.

Implementation of IFRS 16 will affect the group's financial statements. The group's main lease objects are assessed to be the group's rent facilities in Norway, Denmark, Sweden and Spain. In addition, rent of cars and material office equipment recognized as operational lease according to IAS 17 today, will also be classified as lease objects and recognized as a right-to – use assets and related lease obligations from 1 January 2019. Operating expenses in 2019 will be reduced compared to 2018 and replaced by an increase in depreciation and interest expenses. The group is working with analyzing the quantitative effects of implementing the new standard, which will be further commented on in the group's annual financial statements for 2018.

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 Q4 2018 (accumulated):

	Norway	Sweden	Denmark	Other	Total
Revenue	493 436	159 845	120 625	-	**773 906**
EBITDA*	63 010	-6 182	-10 593	-1 384	**44 851**
Operating profit	28 931	-11 110	-13 196	-1 782	**2 843**

Key financial information Q4 2017 (accumulated):

	Norway	Sweden	Denmark	Other	Total
Revenue	495 844	148 389	115 701	-	**759 935**
EBITDA*	77 400	-14 929	2 985	-743	**64 713**
Operating profit	44 168	-20 795	968	-777	**23 564**

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

Note 7 - Net debt reconciliation

Net debt reconciliation	**Full Year 2018** *Unaudited*	**Full Year 2017** *Audited*
Cash and cash equivalents	42 429	29 445
Liquid investments	-	-1 156
Borrowings - repayable within one year (including overdraft)	-66 357	-62 074
Borrowing - repayable after one year	-750 531	-749 212
Net debt	**-774 459**	**-782 997**
Cash and liquid investments	42 429	28 289
Gross debt - fixed interest rates	-233 447	-217 687
Gross debt - variable interest rates	-583 441	-593 599
Net debt	**-774 459**	**-782 997**

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 of subsidiaries amounted to MNOK 5,4 in 4Q18 compared to costs related to onboarding of call center in Spain during 4Q17 of MNOK 3,3. Non-recurring other operating and administrative expenses identified during the fourth quarter amounted to MNOK 1,9 (1,9). Non-recurring items in 2018 are mainly related to extraordinary costs in related to recruiting/non-competition agreements (MNOK 4,0), structural actions (MNOK 0,7), brand and trademark (MNOK 0,6), and other (MNOK 0,6).

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All financial information is posted on www.vikingassistance.com immediately after publication.