Viking Supply Ships Financial report H1 2012

VIKING SUPPLY SHIPS AS
SHIPOWNERS

Registration no. 33 36 97 94

SUMMARY OF EVENTS FOR THE PERIOD JANUARY – JUNE 2012

- Total revenue for Q2 2012 amounted to 253 MNOK, with an EBITDA of 43 MNOK. Total revenue for H1 2012 amounted to 411 MNOK, with an EBITDA of 53 MNOK.

- As expected the Q2 results were disappointing, reflecting a soft spot market for the AHTS fleet and a lack of fresh term activity, however Q2 results have substantially improved compared with Q1 2012 due to seasonal and improved operations effects.

- Viking Supply Ships has a clear focus on increasing the number of vessels on term contracts and for most of H2 4 AHTS vessels will be on term contracts compared to 1 AHTS vessel at the beginning of 2012. This will improve the earnings stability.

- The average utilization for the AHTS fleet in Q2 was 72 % and 70 % for the PSV fleet.

- During March Viking Supply Ships issued a 5 year senior unsecured bond loan in the Norwegian capital market totalling 300 MNOK. The bond was listed on Oslo ABM on June 28th.

  The AHTS fleet, combined with crew and ice management competence, is tailor-made to operate in harsh environments and ice conditions. There has been an increased contract activity in this niche, which is reflected in the two ice management contracts entered into by the vessels Brage Viking and Magne Viking for operations in Canadian waters. VSS is committed to have a substantial part of the fleet on longer term contracts, and have a focus on increasing the contract backlog.

OPERATIONAL HIGHLIGHTS FOR Q2

The Q2 results were disappointing, reflecting a soft spot market mainly due to oversupply of vessels in the North Sea spot market and a lack of term activity world-wide. The result was an unsatisfactory loss of 49 MNOK for Q2 and 132 MNOK for H1. There were small signs of recovery in the spot market towards the end of June.

Anchor Handling Tug Supply vessels (AHTS)

During Q2 3 vessels were on term charters, while five were traded in the spot market. The vessels on term charters each obtained an average daily income of 350,000 NOK with 100 % utilization. The vessels in the spot market each obtained an average daily income of 153,000 NOK with 59 % utilization.

An agreement was concluded with SEIC for a 2.5 years charter for Vidar Viking which commenced at Sakhalin on 2nd July. The contract may further be extended up to one year. Vidar Viking arrived at Sakhalin in the beginning of July and commenced the contract. Clearance and approval of the vessel in Russia were obtained immediately and the vessel has completed her first cargo runs.

Magne Viking was fixed to Chevron Canada for an ice management assignment. The contract covers 150 days firm plus a 30 days option with commencement in September.

Brage Viking has completed two charters for Husky Energy in Canada. The first one being ice management on the Grand Banks and the second being an FPSO tow from the UK to Canada.

Tor Viking II was fixed to Shell US for the 2012 season. The vessel will support exploration drilling in the Chuckchi Sea and the Beaufort Sea in Alaska. The vessel departed the North Sea in early May and arrived to Alaska in early July. The charter period is 210 days plus a 60 days option.

For further information, please contact CEO Viking Supply Ships A/S, Christian W. Berg, ph: +45 41 77 83 80.

The interim financial statements have not been subject to audit or review

Viking Supply Ships VSS) conducts operations in the North Sea, Arctic and in the global offshore sector. The fleet comprises 14 offshore vessels that are equipped for and have the capacity to operate in areas with harsh environment, further 7 of the AHTS vessels are equipped to operate in Arctic areas.

Platform Supply Vessels (PSV)

The PSV market fell back compared to the previous quarter, with average spot rates of GBP 14,000 on the UK side. The spot fleet had modest utilization and the rates ranged between GBP 10,000 and GBP 20,000. Three of the vessels were on medium term contracts. The average daily income was GBP 12,400 and the average utilization was 100 %.

Frigg Viking and Idun Viking completed their charters in India in Q1 and spent the first part of Q2 in shipyards for necessary maintenance and upgrades. Freya Viking spent two weeks in the shipyard for planned dry docking during April. The vessel returned to the contract to Centrica on completion.

SBS Tempest's contract with Talisman was extended by another 6 months with commencement 24th June.

FINANCIAL HIGHLIGHTS

The company was incorporated 13.12.2010. The 2011 accounting year includes the period 13.12.2010 – 31.12.2011.

Results for the 2nd quarter 2012

Total revenue was 253 MNOK for Q2. The operating costs were 210 MNOK and EBITDA 43 MNOK. The operating profit (EBIT) was negative 1 MNOK.

Net financials was negative 37 MNOK. Financial income mainly relates to unrealized currency gain of 12 MNOK. Financial expense includes value adjustment on foreign exchange contracts and interest rate swaps of 11 MNOK.

The result for the period was negative 49 MNOK.

Results for 1st half year 2012

Total revenue was 411 MNOK. The operating costs were 358 MNOK and EBITDA 53 MNOK. The operating profit (EBIT) was negative 46 MNOK.

One-off costs were 10 MNOK during H1. 6.0 MNOK is related to set-up cost in Copenhagen, Denmark and 4.0 MNOK is related to the relocation of two PSV vessels from India to the North Sea.

Net financials was negative 70 MNOK after an unrealized currency gain of 20 MNOK. Financial expense includes value adjustment on foreign exchange contracts and interest rate swaps of 21 MNOK.

The result for the period was negative 132 MNOK.

In July, short term debt of 644 MNOK was refinanced with a consortium of two banks.

FINANCING AND CAPITAL STRUCTURE

The incorporation of Viking Supply Ships A/S Copenhagen, Denmark started in Q4 2011 and was completed during Q1 2012. Viking Supply Ships A/S now directly and through subsidiaries hold title to all offshore vessels and employ crew, as well as the land based organization.

Viking Supply Ships A/S is a 100 % owned subsidiary of RABT. RABT is a limited liability company registered in Sweden, with its domicile in Gothenburg, and corporate registration number 556161-0113. RABT is listed on the Small Cap list of the NASDAQ OMX Nordic Exchange in Stockholm.

In March VSS issued a 5 year senior unsecured bond loan in the Norwegian capital market, with maturity in March 2017, totalling 300 MNOK. The bond agreement has a limit of 750 MNOK. The net proceeds from the bond shall be employed for investments, capital expenditures related to fleet expansion and general corporate purposes. The bond was listed on Oslo ABM on June 28th.

VSS's equity amounted to 1 801 MNOK as at 30 June 2012 and was impacted by the result for the period of negative 132 MNOK (0 MNOK) and group contributions of 381 MNOK. The value adjusted equity ratio was 43 %.

OPERATIONAL AND FINANCIAL RISKS

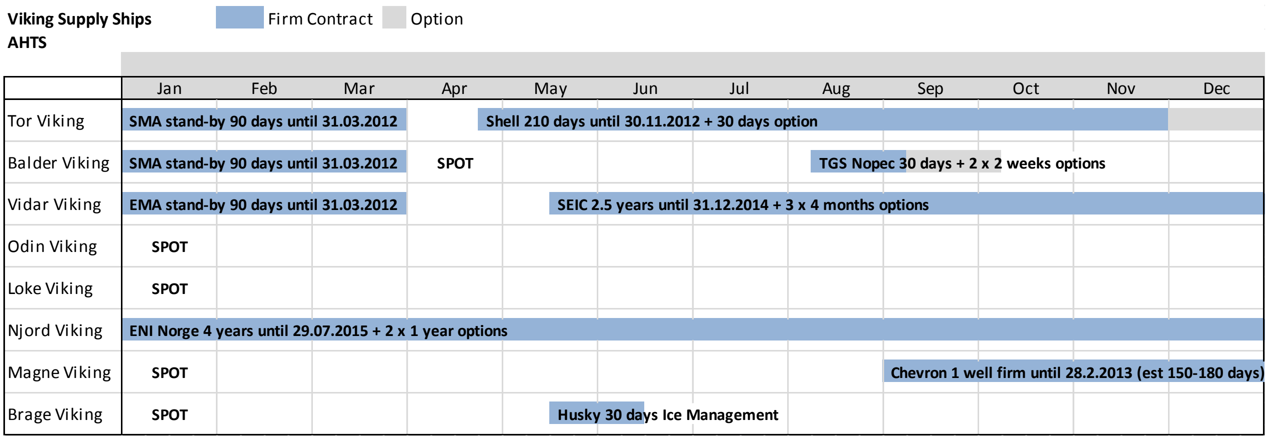
VSS is characterized by a high degree of international operations and is thus exposed to a number of operational and financial risks. VSS works actively to identify, assess and manage these risks.

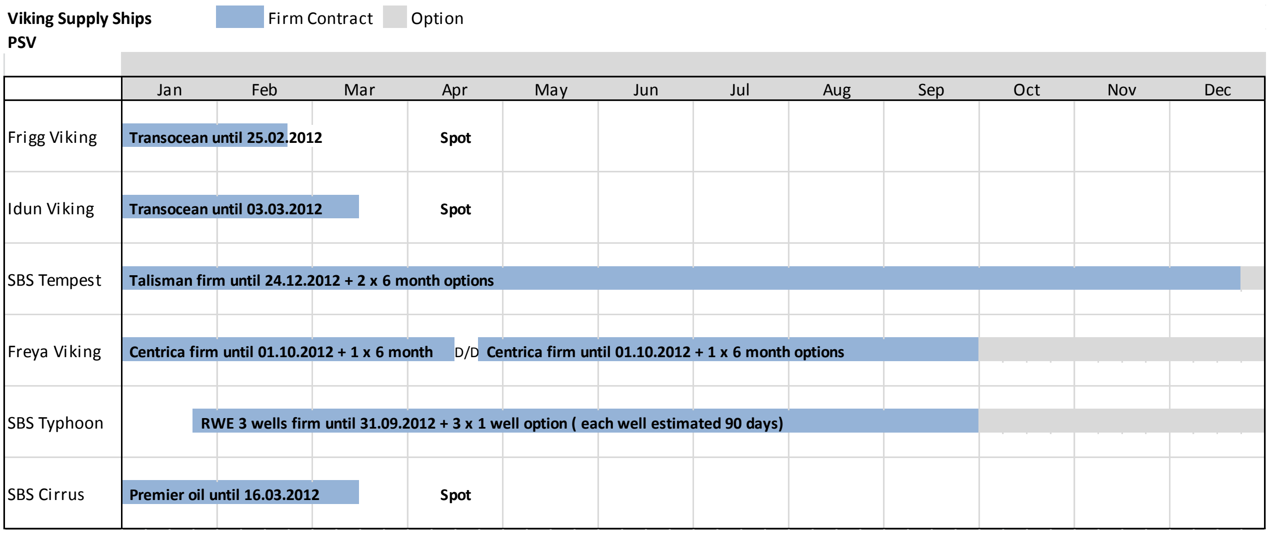
VSS is exposed to changes in the freight rates. To mitigate this operational risk, VSS has a clear focus on increasing the number of vessels on term contracts.

Long-term loans are the principal form of financing. Accordingly, interest rate fluctuations have a major impact on VSS's earnings and cash flow. To reduce this risk the Group aims to actively manage the interest exposure through various types of hedging instruments.

Part of the VSS's cash flow is generated in currencies other than NOK which is VSS's functional currency. This means that currency fluctuations have an impact on VSS's earnings and cash flows. The foreign exchange risk is primarily reduced by matching the exposure to revenues in various currencies with costs in the corresponding currency. In the same manner, assets in a certain currency are matched with liabilities in the same currency.

EMPLOYMENT OVERVIEW





OUTLOOK

There are currently a total of 73 working rigs in the North Sea, an increase of five compared to last year. Another 4 to 5 rigs are expected to enter the market this year. Slightly better rates are expected for the AHTS vessels during Q3 due to a number of AHTS vessels leaving the spot market for project work during the season.

The PSV market is usually strong during Q3. There are however several new builds entering the market, plus a few vessels returning from various projects. New vessels tend to enter the market with low rates in order to acquire work. The market is also weakened by the lack of large projects and combined with moderate activity outlook we expect the market to remain soft during the second half of the year.

Copenhagen, 8 August 2012

Managing Director:

Christian W. Berg

Board of Directors:

Christen Sveaas
Chairman

Henning Eskild Jensen

Lars Håkan Larsson

Anders Folke Patriksson

Per Magnus Sonnorp

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(NOK '000)	Note	Q2 2012	Q1 2012	H1 2012
Total Revenue	1	**253.140**	**157.705**	**410.845**
Direct voyage costs		-30.158	-17.730	-47.888
Operating costs		-180.136	-130.033	-310.169
Total operating costs		**-210.294**	**-147.763**	**-358.057**
Operating profit before depreciation (EBITDA)	1	**42.846**	**9.942**	**52.788**
Depreciation	3	-59.366	-54.877	-114.243
Impairment		-	-	-
Operating profit (EBIT)	1	**-16.520**	**-44.935**	**-61.455**
Financial Income		11.569	8.978	20.547
Financial costs		-48.143	-42.670	-90.813
Net financials		**-36.574**	**-33.692**	**-70.266**
Pre-tax result		**-53.094**	**-78.627**	**-131.721**
Taxes		3.651	-3.651	-
Result for the period		**-49.443**	**-82.278**	**-131.721**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK '000)	Note	Q2 2012	Q1 2012	H1 2012
Result for the period		**-49.443**	**-82.278**	**-131.721**
Translation effect foreign operations		-5.545	172	-5.373
Actuarial gains / losses on defined benefit plans		-	-	-
Tax on other comprehensive income		-	-	-
Other comprehensive income net of tax		**-5.545**	**172**	**-5.373**
Total comprehensive income for the period		**-54.988**	**-82.106**	**-137.094**

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

(NOK '000)	Note	H1 2012
Cash flow from operating activities		-57.141
Cash flow from investing activities		-13.036
Cash flow from finance activities		169.419
Net changes in cash and cash equivalents		**99.242**
Cash and cash equivalents at the start of the period		114.738
Exchange gains/loss on cash and cash equivalents		-3.933
Cash and cash equivalents at the end of the period		**210.047**

CONDENSED CONSOLIDATED BALANCE SHEET

(NOK '000)	Note	30/6 2012	31/3 2012	31/12 2011
ASSETS				
Vessels and equipment		4.174.671	4.172.553	2.895.663
Tangible fixed assets	1,3	**4.174.671**	**4.172.553**	**2.895.663**
Financial fixed assets	6	**29.513**	**28.591**	**24.262**
Total fixed assets		**4.204.184**	**4.201.144**	**2.919.925**
Inventories		7.546	19.547	11.946
Accounts receivables		133.325	92.775	99.751
Other current receivables		68.654	58.101	173.727
Cash and cash equivalents	6	210.047	359.886	114.738
Total current assets		**419.572**	**530.309**	**400.162**
Total assets		**4.623.756**	**4.731.453**	**3.320.087**

(NOK '000)	Note	30/6 2012	31/3 2012	31/12 2011
EQUITY AND LIABILITIES				
Share capital		525	525	525
Retained Earnings and reserves		1.801.050	1.819.275	1.557.494
Total equity		**1.801.575**	**1.819.800**	**1.558.019**
Deferred taxes		28.353	28.353	34.868
Provisions		-	-	-
Bond loan	4	294.750	294.750	-
Long-term debt to credit institutions	4	1.453.905	1.507.215	875.120
Other non-current liabilities		30.403	43.519	37.795
Non-current liabilities		**1.807.411**	**1.873.837**	**947.783**
Short-term debt to credit institutions	4	781.067	748.863	662.124
Accounts payable		53.298	50.715	24.802
Other current liabilities		180.405	238.238	127.359
Current liabilities		**1.014.770**	**1.037.816**	**814.285**
Total liabilities		**2.822.181**	**2.911.653**	**1.762.068**
Total Equity and liabilities		**4.623.756**	**4.731.453**	**3.320.087**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK '000)	Note	H1 2012
Equity at the beginning of the period		1.558.019
Result for the period		-131.721
Other comprehensive income for the period		-5.373
Capital contributions		380.650
Equity at the end of the period		**1.801.575**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Segment information

The segment information is presented in accordance with the internal reporting structure and includes two segments – AHTS and PSV.

	Q2 2012	Q1 2012	H1 2012
Total revenue (external revenue)			
AHTS 1)	210.487	112.671	323.158
PSV	42.653	45.034	87.687
Total	**253.140**	**157.705**	**410.845**
EBITDA			
AHTS	36.497	4.457	40.954
PSV	6.349	5.485	11.834
Total	**42.846**	**9.942**	**52.788**
EBIT			
AHTS	-13.693	-42.653	-56.346
PSV	-2.827	-2.282	-5.109
Total	**-16.520**	**-44.935**	**-61.455**

1) VSS performs external ship management assignments for 5 icebreakers owned by the Swedish maritime Authorities. External ship management is not considered a segment of its own. Revenues and costs for the AHTS include 24 MNOK for Q2, 53 MNOK for H1 and 42 MNOK for 2012 for external ship management.

There are no significant revenue transactions between the segments. Tangible fixed assets are distributed as follows:

	Q2 2012	Q1 2012	H1 2012
AHTS	3.548.949	3.580.033	3.548.949
PSV	625.722	592.520	625.722
Total tangible fixed assets	**4.174.671**	**4.172.553**	**4.174.671**

Seasonal effects

Revenue and results are impacted by seasonal effects with lower activity and rates during the winter season.

2. Tangible fixed assets

(NOK '000)	1/1-30/6 2012
Carrying amount at 1 January	2.895.663
Acquisition of subsidiaries (note 2)	1.367.500
Additions	26.009
Depreciation	-114.243
Exchange rate differences	-258
Carrying amount at 30 June	**4.174.671**

Impairment test as at 30 June shows no need for impairment.

2.1. Depreciation

Tangible fixed assets as described below are recognized at cost or after deductions for accumulated depreciation according to plan and possible impairment. Expenses that raise the value or return of the asset through, for example, capacity enhancements or cost rationalization, increase the carrying amount of the asset. Expenses incurred by the re-flagging of vessels are capitalized in accordance with this principle. Expenses for major recurring inspection measures are capitalized as fixed assets, since they are considered to increase the vessel's fair value and are depreciated on a straight-line basis over the vessel's useful life. Other outlay for repairs and maintenance is classed as expenses. Dry-dock expenses within the Group are also capitalized in accordance with this principle and are depreciated over a period of 30-60 months, which is the normal time between dry-dockings. Expenses, including interest, pertaining to vessels under construction are capitalized as fixed assets. Depreciation of vessels according to plan is based on an individual assessment of each vessel's useful life and subsequent remaining residual value. Impairment is recognized if the asset's estimated recoverable amount is lower than its carrying amount. The residual value and useful life of assets are tested on each balance-sheet date and adjusted if necessary. The type of fixed asset with the greatest residual value comprises vessels for which the residual value comprises the estimated scrap value at the end of the vessel's useful life. Straight-line amortization according to plan is based on the following useful lives:

– Vessels 25–30 years
– Docking and major overhaul measures 2.5–5 years
– Other equipment 5–10 years

3. Interest bearing liabilities

The vessels owned by the Company are primarily financed through bank loans with pledge in the vessels. Further securities have been given in the form of pledge in revenue and insurance policies. The interest-bearing debt in VSS per Q2 2012 is 2 530 MNOK.

Parts of the interest-bearing liabilities are associated with so-called covenants, according to which VSS must fulfil certain key data. At the reporting date all covenants were in compliance.

In March VSS issued a 5 year senior unsecured bond loan in the Norwegian capital market, with maturity in March 2017, totalling 300 MNOK. The bond agreement has a limit of 750 MNOK. The net proceeds from the bond shall be employed for investments, capital expenditures related to fleet expansion and general corporate purposes. The bond was listed on the Oslo ABM on June 28th.

VSS has 12 % of its interest bearing debt in USD and 25 % of its interest bearing debt in EUR. The remaining loans are denominated in NOK. 10 % of the total loan portfolio has been swapped into fixed interest rate.

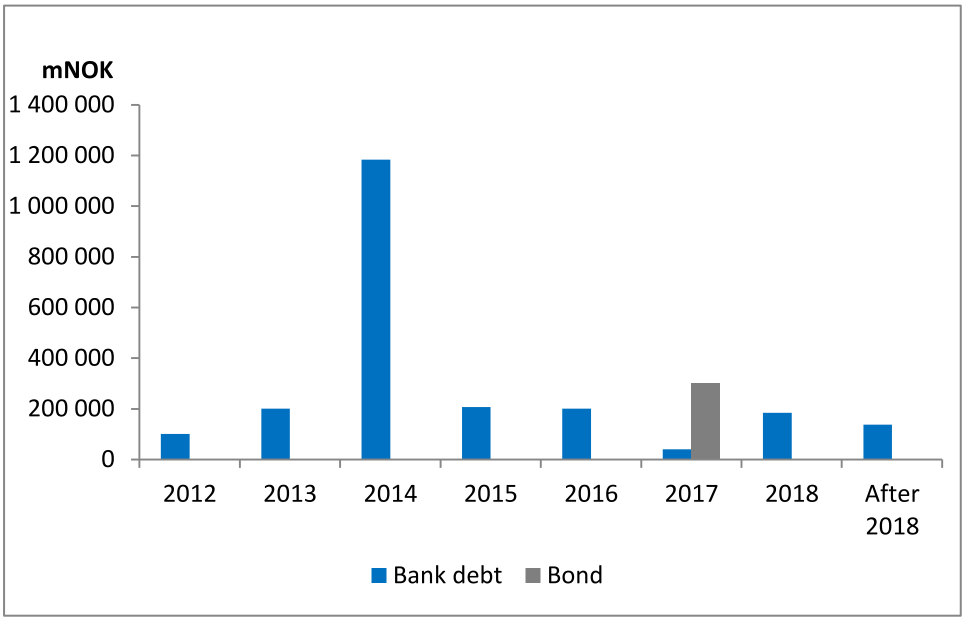
3.1. Classification by type of debt

(NOK '000)	Note	1/1-30/6 2012	1/1-30/6 2011
Restricted cash 1)		24.000	0
Free cash and cash equivalents		210.047	0
Cash and cash equivalents		**234.047**	**0**

1) The amount is included in the item "Financial fixed assets" in the balance-sheet

1) Due to on-going refinancing of loan facilities in the AHTS segment, 634 MNOK has been presented as short term debt in the Balance Sheet. The facility was refinanced in July 2012.

3.2. Debt maturity after refinancing in July



4. Cash and cash equivalents

(NOK '000)	Note	Q2 2012
Restricted cash 1)		24.000
Free cash and cash equivalents		210.047
Cash and cash equivalents		**234.047**

1) The amount is included in the item "Financial fixed assets" in the balance-sheet

5. Basis of preparation

Viking Supply Ships A/S is a 100 % owned subsidiary of RABT. RABT is a limited liability company registered in Sweden, with its domicile in Gothenburg, and corporate registration number 556161-0113. RABT is listed on the Small Cap list of the NASDAQ OMX Nordic Exchange in Stockholm.

These condensed interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with the accounting principles as described in the RABT's Annual report for 2011.