Viking Supply Ships A/S
Group Annual Report
2013

Registration no. 33 36 97 94

Contents

Front picture: Balder Viking performing seismic support near Greenland in 2013.

Viking Supply Ships has chosen to publish a consolidated annual report that does not comprise the financial statements of the parent company Viking Supply Ships A/S. In accordance with Section 149 of the Danish Financial Statements Act, this consolidated annual report is therefore an extract of the Group's full annual report. The full annual report, including the parent company financial statements, can upon approval at the Annual General Meeting, be obtained from the Danish Business Authority. Appropriation of profit for the year and proposed dividends from the parent company are disclosed in note 19 to the consolidated annual report. The full annual report comprises the Statement of the Board of Directors and Management and the independent auditors' report disclosed on pages 7 and 8.

DIRECTORS' REPORT

Viking Supply Ships A/S (VSS) core business is offshore and icebreaking services to major oil companies in primarily the North Sea and Arctic waters. VSS is a leading player in the Arctic offshore segment, with extensive expertise in performing operations in harsh environments. Customer adaptation and creativity, combined with a leading position in safe and environmental friendly operations, are some of the key success factors. The fleet comprises 14 vessels, of which three are combined icebreakers/AHTS vessels, four are new ice-class AHTS vessels and one is a conventional AHTS vessel. Additionally the fleet comprises five modern and one older PSV vessels. The dedicated crews have extensive experience with icebreaking and offshore work in harsh weather conditions. The AHTS fleet, combined with crew and ice management competence, is tailor-made to operate in ice conditions. There has been an increased contract activity in this niche. VSS is committed to have a substantial part of the fleet on longer term contracts, and have a focus on increasing the contract coverage and the contract backlog. VSS has delivered offshore services in Arctic waters for oil majors like Shell, ENI, Husky and Cairn Energy.

Since the third quarter of 2011, VSS has been legally established through inter-group sales transactions of vessels, companies and operations. The head office is located in Copenhagen, Denmark and with local presence in Norway, Sweden, Scotland, Russia and Canada. During 2013 the decision was taken to further centralise all support functions in Copenhagen in order to achieve a lean and efficient organisation.

As expected, the result for 2013 improved compared to 2012. 2013 was characterised by a positive, yet volatile, development in both rates and utilization in the North Sea spot market and a stable supply of vessels. The AHTS vessels obtained a utilization of 73 % (65 %) and average fixture rates of NOK 324,000 (307,000) in the year. The PSV vessels obtained a utilization of 76 % (75 %) and average fixture rates of GBP 11,000 (11,200) in the year.

Net sales for the year totalled 1,007 MNOK (898 MNOK) and operating profit before depreciation was 299 MNOK (196 MNOK). On the PSV fleet, VSS recorded an impairment write-down of MNOK 80 primarily caused by the depreciated NOK versus GBP during 2013.

Significant events during Q1

- VSS initiated an organizational restructuring which centralised all support functions as well as operational management at the head office in Copenhagen.
- The 15 year contract with the Swedish Maritime Administration (SMA) for the AHTS icebreakers Tor Viking and Balder Viking was not extended and will end after Q1 2014 and Q1 2015 respectively. The release enabled VSS to offer the vessels for other long term contract opportunities.
- VSS signed a contract for one of its AHTS icebreaker vessels with a major oil company for the 2014 and 2015 seasons, with options for 2016 and 2017.
- VSS completed a tap issue of MNOK 85 under the existing bond agreement.

Significant events during Q2

- VSS signed a term contract for two PSV vessels with BP UK. Idun Viking was signed with a firm period lasting till 31 July and optional periods of 2x1 months and 3x1 months. SBS Tempest was signed with a firm period lasting till 31 January 2014 and optional periods of 3x1 months.
- VSS signed a term contract for SBS Cirrus to Eon for a period of 3 months firm lasting till August and optional periods of 6x1 week and 14x1 days.
- VSS raised NOK 100 million in a new unsecured short term bond in the Norwegian bond market with maturity in September 2014.

Significant events during Q3

- Balder Viking operated, for part of the quarter, as ice-breaking support for a seismic campaign at North East Greenland.

Significant events during Q4

- VSS signed a contract with a major oil company for four of its AHTS vessels. The contract applies for the 2014 and 2015 drilling seasons, with options for 2016 and 2017. The drilling seasons are expected to commence around April / May each year. The total value of the contract's firm period is around MUSD 120.

- VSS opened an office in St. John's, Newfoundland, Canada which will strengthen the strategic position in the Canadian market.
- In December VSS was awarded a contract for consulting services with an entity owned by major oil companies. The contract includes general advice, logistical support and equipment supply for offshore work in harsh environments.
- On the PSV fleet, VSS recorded an impairment write-down of MNOK 80 primarily caused by the depreciated NOK versus GBP during 2013

Risks

VSS is characterized by a high degree of international operations and VSS is thus exposed to a number of both operational and financial risks. These risks include fluctuations in spot rates and utilization in the offshore segment and development in exchange rates of mainly DKK, USD and GBP.

VSS works actively to identify, assess and manage these risks. Reference is made to note 18, where the identified specific risks of the business are described in further detail.

Environmental and sustainability related matters

VSS strives to achieve the best possible solutions that exceed customer expectations and provide customers with greater value. VSS will perform its operations and services in such a way that the impact on the environment is as low as reasonably practicable and that international and national environmental laws are adhered to. VSS will implement continuous improvements to its vessels and operations which will reduce environmental impact each year. All employees have the responsibility of safely performing their assignments in accordance to company guidelines and highest safety and environmental standard. Continuously, VSS shall through exercises increase the skill and readiness for normal shipboard operations and emergency situations, for every personnel based on board as well as onshore. The objective is to create a work environment without accidents, and customer relations with highest level of quality, by adhering to the following principles:

- Zero accidents, environmental or material damage
- Compliance with all applicable HSE legislation
- Healthy working conditions
- Clear, tangible targets
- Require every employee to take personal responsibility for HSE by focusing on own behaviour
- Innovation and development alongside with our customers

By focusing on these, VSS has achieved a 2013 without significant accidents.

The Polar Code is a new mandatory regulative framework which is expected to be introduced within a few years for vessels operating in arctic waters. The Polar Code introduces standards for vessel design, equipment and systems for navigation in areas of extreme cold. The Polar Code also focuses on safety for the environment and the crew through requirement for special training.

As VSS personnel have years of experience working in the polar regions, VSS is actively contributing to shaping the new Polar Code. Thus the voice of VSS is heard not only in the market, but also within the regulatory framework.

When the Polar Code is implemented it will not only enhance the safe operation in the region but also it will give VSS a competitive advantage both in respect of assets and personnel skills, as our staff to a wide extend already have received the necessary training from VSS Ice Academy, and as our fleet is built to an ice class that will comply with the requirements in the new Polar Code.

Further we refer to the Safety and Environment section of VSS homepage
(http://www.vikingsupply.com/vision-hseq).

VSS is working to implement its own Corporate Social Responsibility guidelines.

Diversification

VSS is actively striving to achieve a diverse team throughout the board of directors, the senior management team and the rest of the organization. All employees in VSS should experience equal opportunities for developing their careers, regardless of gender, age and nationality.

To support equal opportunities, VSS has implemented the following initiatives:

- Corporate policies to allow for equal opportunities.
- Standardized recruitment policies to ensure equal treatment.
- Support to develop individual career plans.

VSS currently employs 7 different nationalities onshore and 10 different nationalities on sea, and throughout 2013 VSS has surpassed the KPI retention goal.

In order to increase diversity in the Board of Directors, a goal has been set that the underrepresented gender should be represented in the Board of Directors by 2020.

Expectations 2014

Increased rig fleet and activity in arctic offshore combined with limited OSV fleet growth is expected to result in a tighter market in 2014. VSS considers the long term prospects for the offshore segment to be positive, and the continued search for new oil and gas resources to replace declining production from current fields will lead to increased activity in the North Sea and the Arctic waters in the coming years. With 14 efficient vessels, unique systems and employees with vast experience in performing operations in icy and harsh weather conditions, VSS is well prepared to meet higher demand.

During 2013, VSS has significantly increased its contract coverage and contract backlog, with two major contracts in harsh environment regions. In addition, VSS has been awarded a contract for consulting services with a company owned by major oil companies. The contract includes general advice, logistical support and equipment supply for offshore work in harsh environments. This contract opens up new future opportunities for VSS.

VSS is monitoring the political situation in Crimea. The situation may cause future threats to the activities in Russia. However, currently the implications of potential reactions are difficult to predict.

For 2014, VSS expects that the revenue will improve resulting in improved profitability.

KEY FIGURES

(MNOK)	2013	2012	2011
Total revenue	1,006.9	897.6	152.9
Operating profit before depreciation (EBITDA)	299.4	196.3	12.6
Operating profit before net financials (EBIT)	43.8	5.5	-29.5
Net financials	-102.8	-162.7	-21.4
Result for the period	-51.6	-157.2	-62.4
Total assets	4,203.5	4,237.3	3,320.1
Equity	1,719.2	1,722.9	1,558.0
Investments in tangible fixed assets	49.4	31.2	1,017.0
Profit margin	4.3%	0.6%	-19.3%
Equity ratio	40.9%	40.7%	46.9%
Return on shareholders' equity	-3.0%	-9.6%	-8.0%
Total contract backlog	3,046.4	1,170.2	1,382.4
Average number of employees	457	405	98

Key figures
Profit margin is calculated as operating profit before net financials divided by total revenue.
Equity ratio is calculated as equity divided by total assets.
Return on shareholders' equity is calculated as result for the period divided by average equity.

FINANCIAL HIGHLIGHTS

Result for the period

Total revenue was 1,007 MNOK (898 MNOK). The total operating costs were 708 MNOK (701 MNOK) and operating profit before depreciation (EBITDA) 299 MNOK (196 MNOK). The operating profit before net financials (EBIT) was 44 MNOK (6 MNOK).

Depreciation was 176 MNOK (177 MNOK) and impairment was 80 MNOK (0 MNOK) primarily as a result of currency fluctuations between NOK and GBP during 2013.

Net financials were 103 MNOK (163 MNOK). Financial costs include realized value adjustment on foreign exchange forward contracts of 0 MNOK (28 MNOK), which was a one-off adjustment related to refinanced loans. Further net financials include unrealized currency gain of 34 MNOK (25 MNOK) and realized value adjustment loss on interest rate swaps of 4 MNOK (loss 19 MNOK).

The result for the year was a loss of 52 MNOK (loss 157 MNOK).

Tax

The companies in VSS are taxed according to location and activity. Almost all activities are taxed under the tonnage tax scheme where the taxable income is calculated based on the tonnage of the fleet. In 2013 there was a tax income of 7.

Balance sheet

Total assets as of December 31, 2013 were 4,204 MNOK (4,237 MNOK).

Vessels and equipment was 3,670 MNOK (3,774 MNOK).

The equity of 1,719 MNOK (1,723 MNOK) was impacted by the loss for the year of 52 MNOK (loss 157 MNOK), exchange rate adjustments with a gain of 48 MNOK (loss 59 MNOK) and group contributions of 0 MNOK (381 MNOK).

Total short- and long-term interest bearing loans are more or less unchanged at 2,296 MNOK (2,290 MNOK).

Cash flow

Cash flow from operating activities was 116 MNOK (41 MNOK).

Cash flow from investing activities was negative 49 MNOK (positive 277 MNOK).

Cash flow from financing activities was negative 31 MNOK (negative 232MNOK).

Legal cases

VSS has pending disputes as part of its ordinary course of business. None are considered significant for VSS.

Financial statement of the Parent

The result for the year was a loss of 211 MNOK (loss 194 MNOK). EBITDA improved due to the North Sea spot market however due to impairment of investments, the result for the period decreased compared to last year.

Total assets as of December 31, 2013 were 3,128 MNOK (3,472 MNOK) and equity was 1,567 MNOK (1,778 MNOK).

VSS is publishing a consolidated annual report that does not comprise the financial statements of the VSS parent company. In accordance with Section 149 of the Danish Financial Statements Act, this consolidated annual report is therefore an extract of the VSS annual report.

Related parties

RABT has controlling influence. For information on ownership and related party transactions refer to note 16.

STATEMENT OF THE BOARD OF DIRECTORS AND MANAGEMENT

Today, the Board of Directors and the management has discussed and approved the annual report of Viking Supply Ships A/S for the financial year 1 January - 31 December 2013.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act. The parent company financial statements have been prepared in accordance with Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and company's financial position at 31 December 2013 and of the results of the group and company's operations and consolidated cash flows for the financial year 1 January - 31 December 2013.

In our opinion, the management's review includes a fair review of the of the development in the Group's and the Parent Company's operations and financial conditions, of the results for the year and of the financial position of the Group and Parent as well as a review of the more significant risks and uncertainty facing the Group and the Parent Company.

We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 23 April 2014

Board of Directors:

Christen Sveaas
Chairman

Anders Folke Patriksson
Vice chairman

Henning Eskild Jensen

Lars Håkan Larsson

Per Magnus Sonnorp

Managing Director:

Christian W. Berg

INDEPENDENT AUDITORS' REPORT

To the shareholder of Viking Supply Ships A/S

Report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Viking Supply Ships A/S for the financial year1 January 2013 to 31 December 2013, which comprise an income statement, comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies for the group as well as the company. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Further, management is responsible for such internal control as it determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent company financial statements that give a true and fair view. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management as well as the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position at 31 December 2013 and of the results of the group's operations and cash flows for the financial year1 January 2013 to 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act. Moreover, in our opinion, the parent company financial statements give a true and fair view of the parent company's financial position at 31 December 2013 and of the results of the parent company's operations for the financial year 1 January to 31 December 2013 in accordance with the Danish Financial Statements Act.

Statement on the management's review

In accordance with the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen 23 April 2014
Ernst & Young
Godkendt Revisionspartnerselskab

Niels-Jørgen Andersen
State Authorised Public Accountant

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MNOK)	Note	2013	2012
Total Revenue	2,3	**1,006.9**	**897.6**
Direct voyage costs		-43.6	-69.9
Operating costs	2,4	-559.6	-508.1
General and administrative expenses	4,5	-104.3	-123.3
Total operating costs		**-707.5**	**-701.3**
Operating profit before depreciation (EBITDA)		**299.4**	**196.3**
Net gain on sale of fixed assets	9	-	-13.6
Depreciation	9	-175.6	-177.2
Impairment		-80.0	-
Operating profit before net financials (EBIT)		**43.8**	**5.5**
Financial income	6	2.8	0.9
Financial costs	6	-105.7	-163.5
Net financials		**-102.8**	**-162.7**
Pre-tax result		**-59.0**	**-157.2**
Taxes	7	7.4	-
Result for the year		**-51.6**	**-157.2**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MNOK)	2013	2012
Result for the year	**-51.6**	**-157.2**
Comprehensive income to be reclassified to profit loss in later periods		
Translation effect foreign operations	48.0	-58.6
Other comprehensive income net of tax	**48.0**	**-58.6**
Total comprehensive income for the year	**-3.6**	**-215.8**

CONSOLIDATED BALANCE SHEET

(MNOK)	Note	2013	2012
ASSETS			
Vessels and equipment		3,669.8	3,773.8
Tangible assets	9	**3,669.8**	**3,773.8**
Restricted cash		37.2	61.1
Other non-current receivables		31.6	30.2
Financial assets	12	**68.8**	**91.3**
Total non-current assets		**3,738.6**	**3,865.1**
Inventories	10	24.2	12.1
Accounts receivables	11	118.7	111.8
Other current receivables		83.8	51.2
Cash and cash equivalents	12	238.2	197.1
Total current assets		**464.9**	**372.2**
Total assets		**4,203.5**	**4,237.3**

(MNOK)	Note	2013	2012
EQUITY AND LIABILITIES			
Share capital	19	0.5	0.5
Retained Earnings and reserves		1,718.7	1,722.3
Total equity		**1,719.2**	**1,722.9**
Long-term bond loan	13	359.9	295.6
Long-term interest bearing loans	13	1,647.4	1,807.4
Other non-current liabilities	14	33.1	58.4
Non-current liabilities		**2,040.4**	**2,161.4**
Short-term bond loan		98.8	-
Short-term interest bearing loans	13	189.6	187.1
Accounts payable	18	38.4	27.9
Other current liabilities	15	117.1	138.1
Current liabilities		**443.9**	**353.1**
Total liabilities		**2,484.3**	**2,514.4**
Total Equity and liabilities		**4,203.5**	**4,237.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(MNOK)	Share capital	Translation reserve	Share Premium	Retained earnings	Total equity
Shareholders' equity Dec. 31, 2011	**0.5**	**5.9**	**1,614.0**	**-62.4**	**1,558.0**
Group contributions	-	-	380.7	-	380.7
Result for the period	-	-	-	-157.2	-157.2
Other comprehensive income	-	-58.6	-	-	-58.6
Shareholders' equity Dec. 31, 2012	**0.5**	**-52.8**	**1,994.7**	**-219.6**	**1,722.9**
Result for the period	-	-	-	-51.6	-51.6
Other comprehensive income	-	48.0	-	-	48.0
Shareholders' equity Dec. 31, 2013	**0.5**	**-4.8**	**1,994.7**	**-271.2**	**1,719.2**

CONSOLIDATED CASH FLOW STATEMENT

(MNOK)	Note	2013	2012
Operating activities			
Profit / loss for the year		-51.6	-157.2
Adjustments for:			
Net gain on sale of fixed assets	9	-	13.6
Depreciation, amortisation and impairment	9	255.6	177.2
Financial expenses, net	6	102.8	162.7
Income taxes		-7.4	-
Working capital adjustments:			
Change in receivables and other current assets		-31.7	-3.6
Change in payables, accrued liabilities and deferred tax		5.6	30.4
Taxes paid	7	-11.7	-23.2
Interest paid	6	-148.5	-160.2
Interest received	6	2.8	0.9
Net cash flows from operating activities		**115.9**	**40.5**
Investing activities			
Purchase of vessels and equipment	9	-49.4	-31.2
Proceeds from sale of vessels and equipment	9	-	296.1
Business combinations	8	-	12.4
Net cash flows used in investing activities		**-49.4**	**277.3**
Financing activities			
Change in cash collateral and long-term receivable	12	25.0	-72.4
Proceeds from loans	13	174.7	294.8
Repayment of loans	13	-203.4	-297.2
Change in associated companies loans including other non-cash items		-27.5	-156.6
Net cash flows from financing activities		**-31.2**	**-231.6**
Currency translation effect on cash and cash equivalents		5.8	-3.9
Cash and cash equivalents, beginning of year		197.1	114.7
Cash and cash equivalents, end of year		**238.2**	**197.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation
The consolidated Financial Statements of VSS have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, as well as additional Danish requirements applying to presentation of annual reports of large enterprises of reporting class C.

Basis of consolidation
The consolidated accounts include the Parent Company, Viking Supply Ships A/S and subsidiaries. Subsidiaries are classified as companies in which Viking Supply Ships A/S has a controlling influence through holding more than 50 % of the voting rights, or in which Viking Supply Ships A/S can exercise controlling influence through contracts or other agreements.

Business combinations
Viking Supply Ships A/S uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Viking Supply Ships A/S. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Costs related to acquisitions are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. VSS recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. The portion of the purchase price that exceeds the acquisition's net assets, valued at fair value, is recognized as goodwill and is subject to annual impairment testing. If the purchase price is lower than the net assets, the difference is recognized directly in profit and loss.

VSS-internal transactions and balance-sheet items and unrealized gains on transactions between VSS companies are eliminated. Unrealized losses are also eliminated, unless the transaction represents evidence for the need to recognize impairment.

Translation of foreign currencies
All transactions included in the financial reports for each VSS company are valued and recognized in the currency of the primary economic environment in which the respective VSS Company operates, its "functional currency." Goodwill and adjustments in fair value arising from the acquisition of foreign operations are treated as assets and liabilities in these operations and are translated at closing-date rates.

The consolidated financial statements of VSS and the parent company are presented in NOK. The parent company's functional currency is NOK. The currency exchange rate between NOK/DKK was 88.59 as at 31 December 2013 (101.67). The average exchange rate for 2013 was 95.65 (99.62).

For VSS companies that have a functional currency that is different to VSS reporting currency, the balance sheets are translated at the closing date rate and income statements are translated at the average exchange rate for the year, whereby the translation difference is recognised in other comprehensive income. In the case of divestment or liquidation of such companies, the accumulated translation difference is recognized under capital gains/losses.
Income statement items are translated at the transaction-date rate and any exchange-rate differences are entered in the profit/loss for the year.

Revenues
Revenues and expenses related to voyages are recognized successively in relation to the voyage degree of completion on the balance sheet date. The voyage degree of completion is calculated on the basis of the number of travel days on the balance sheet date in relation to the total number of travel days for the voyage. Other revenues, such as those for external Ship Management assignments, are recognized only after agreement is reached with the customer and the service has been delivered. Direct overhead costs that are invoiced to the customer are recognized as gross amounts in profit and loss. Costs for personnel employed in VSS are recognized as gross amounts including crews on external vessels.

Interest revenues are recognized in profit and loss distributed across the period of maturity, applying the effective interest method.

Dividend revenues are recognized when the right to receive payment has been established.

Direct voyage costs

Expenses directly attributable to voyages, such as bunkers and harbour expenses are recognized in profit and loss under the heading Direct voyage costs.

Operating cost

Other expenses attributable to the operation of vessels, such as repairs, maintenance, lubricants and crew cost are recognized in profit and loss under the heading Operating cost.

General and administrative expenses

Administrative cost such as personnel cost for shore based staff and other office related cost is recognised under the heading General and administrative expenses.

Income taxes

Tax comprises the amount estimated to be paid for the period including income subject to Danish and foreign tonnage tax and changes in deferred tax.

VSS recognizes deferred tax on temporary differences between the carrying amount and tax value of assets and liabilities. Deferred tax assets are only recognized if it is probable that the temporary differences can be utilized against future taxable surpluses. The current nominal tax rate in each country is used in calculating deferred tax. Deferred tax liabilities for temporary differences pertaining to investments in subsidiaries and associated companies are not recognized in the consolidated accounts as long as no decision on profit taking has been made. In all cases, the Parent Company can steer the timing for the reversal of the temporary differences, and it is not considered probable that a reversal will occur in the foreseeable future. The tax effect of items recognized in profit and loss is recognized in profit and loss. The tax effect of items recognized directly against other comprehensive income is recognized against other comprehensive income.

Tangible fixed assets

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 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 VSS are also capitalized in accordance with this principle and are depreciated over a period of 2.5–5 years, 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 vessels' 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

The residual value and useful lives of the assets are assessed annually and adjusted if necessary at the balance sheet date.

Impairment

For assets subject to amortization or depreciation according to plan, an assessment is made regarding whether the value of the asset should be impaired whenever there are indications that its carrying amount is higher than its recoverable value.

Financial assets

Financial assets are classified according to the following categories: Loans and accounts receivable and Financial assets available for sale. The classification is determined for the purpose of the investment at the time of acquisition. The classification is reviewed annually. Financial assets for sale are valued at fair value with transaction expenses.

Loan and accounts receivable

Loans and accounts receivable are initially recognized at fair value and subsequently at amortized cost using the effective interest method less any provision for reduction in value. A provision for value reduction of accounts receivable is made when it is clear that VSS will not receive the full amount.

Borrowing

Borrowing is initially recognized at fair value, net after transaction costs. Borrowing is subsequently recognized at amortized cost. Any difference between the amount received and the repayment amount is recognized in profit and loss, distributed over the loan period using the effective interest method.

Leasing agreements

Operational leasing agreements are recognized straight-line over the lease period in profit and loss as revenue where VSS is the lessor and as operating costs where VSS is the lessee.

Inventories

Inventories have been valued at the lower of cost and net realizable value. Inventories mainly comprise bunker and lubricating oils. Valuation has been made in accordance with the FIFO principle.

Equity

Equity consists of share capital, group contribution, translation reserve and retained earnings. Only the share capital is restricted from dividend distribution, however reference is made to note 16 regarding other restrictions.

Cash-flow statements

The cash-flow statements are prepared in accordance with the indirect method. The recognized cash flow comprises only transactions entailing payments received or paid out.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, maturing within three months. Restricted cash and cash equivalents are recognized as financial fixed assets.

New and revised standards and interpretations

In the financial year, the company implemented all new IFRSs, revised standards and IFRIC interpretations, as adopted by the EU, becoming effective in the financial year 2013. Below we describe the standards, revised standards and interpretations which are relevant to the company and which have affected the financial statements for 2013:

- Amendment to IAS 1 Presentation of Financial Statements. The amendment entails changes to the statement of comprehensive income. Going forward, other comprehensive income must be divided into other comprehensive income to be reclassified to the income statement in a later financial year and other comprehensive income that is not subsequently to be reclassified to the income statement. (Adopted by the EU, effective for reporting years beginning on or after 1 July 2012). The change has merely caused a different presentation of other comprehensive income, affecting neither the income statement nor the balance sheet.
- IFRS 13 Fair Value Measurement. The standard captures the provisions on determination of fair value included in a number of different standards and clarifies the disclosure requirements regarding assets and liabilities measured at fair value. (Adopted by the EU, effective for reporting years beginning on or after 1 January 2013). While the implementation of the new standard has given rise to additional information in the financial statements, it has not impacted the determination of fair value and has therefore not materially affected the income statement or the balance sheet.

New and revised standards and interpretations not yet effective

The IASB has issued a number of new standards, revised standards and interpretations which have not yet become effective, but will come into effect in the financial year 2014 or later. The following standards, revised standards and interpretations are expected to impact the annual report:

- IFRS 9 Financial Instruments, which changes the accounting treatment of financial instruments, including the classification and measurement of financial assets and financial liabilities as well as the provisions regarding hedge accounting (not adopted by the EU; effective date not yet known).
- Amendment to IAS 36 Impairment of Assets. The disclosure requirements are changed where the calculation of the recoverable amount is based on fair value less costs to sell for non-financial assets. (Adopted by the EU, effective for financial years beginning on or after 1 January 2014). The implementation is expected to change a few note disclosures, but is not expected to impact the income statement or balance sheet.

VSS expects to implement the above standards upon their coming into force. Where the effective date in the EU is different from the IASB's effective date, plans are to implement the amendments at the EU effective date.
In addition, the IASB has issued a number of new standards, revised standards and interpretations which are not relevant to the company and, hence, are not expected to impact future annual reports.

Significant estimations and assessments

Estimations and assessments are conducted continuously and are based on historical experience and reasonable assumptions of future development.

Important estimations and assumptions for accounting purposes

Management of VSS is required to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

Management bases its estimates on historical experience and various other assumptions that are held to be reasonable under the circumstances. These form the basis for making judgments about the reported financial position and result of operations and cash flow that are not readily apparent from other sources. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and if necessary, changes are recognised in the period in which the estimate is revised.

The estimations with the greatest impact for VSS are useful lives of tangible fixed assets and their residual values, identifying impairment indicators/performing impairment tests and determining taxation in different countries.

The fleet consists of two cash generating units (AHTS & PSV) and the units are evaluated individually. Impairment indicators exist due to volatile earnings and assets held in other currencies than the leading market currency for the fleet. VSS management has performed a review of the estimated market values and values in use for the vessels in operation. The review of estimated market values was based on valuations provided by internationally acknowledged shipbrokers.

For 2013 the management has evaluated the values of the PSV segment and concluded that the vessels of VSS (Holdings) Limited (UK) are impaired resulting in an impairment loss of MNOK 80, based on value in use with an internal discount rate of 8 %. The impairment is primarily caused by the depreciated NOK versus GBP during 2013. The broker valuations showed stable values in NOK and after impairment the carrying amount value of the PSV fleet is in line with market values in NOK.

The impairment test for the AHTS segment shows market values in excess of the carrying amount.

Determining the useful life of tangible fixed assets and their residual values is subject to significant judgment. The residual values and useful lives are assessed annually. In 2012 management assessed the residual value of VSS vessels to 30 % of the purchase price based on peer group analysis and vessel price history. For 2013 the management has reviewed and confirmed the assessment.

VSS operates in different countries with different tax system. Significant judgement is required in determining the taxation in the different countries, especially whether the conditions for use of tonnage taxation is fulfilled.

2. Segment information

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

(MNOK)	2013	2012
Revenue (external revenue)		
AHTS *	836.3	724.1
PSV	170.6	173.6
Total revenue	**1,006.9**	**897.6**
EBITDA		
AHTS	277.5	170.1
PSV	21.9	26.2
Total EBITDA	**299.4**	**196.3**
EBIT		
AHTS	52.3	5.3
PSV	-8.5	0.2
Total EBIT	**43.8**	**5.5**

* VSS performs external ship management assignments for 5 icebreakers owned by the Swedish Maritime Administration. External ship management is not considered a segment of its own. Revenues and costs for the AHTS include MNOK 110 (MNOK 99) related to ship management. The Ship management agreement with SMA is EBITDA and EBIT neutral.

Tangible fixed assets and interest bearing debt are distributed as follows:

(MNOK)	2013	2012
AHTS	3,102.4	3,209.7
PSV	567.4	564.2
Total tangible fixed assets	**3,669.8**	**3,773.8**
AHTS	2,051.9	2,042.9
PSV	243.8	247.1
Total interest bearing debt	**2,295.7**	**2,290.0**

There are no significant revenue transactions between the segments.

3. Revenues

Secondary segments (split by geography)

(MNOK)	2013	2012
Denmark	-	-
Scandinavia	276.8	438.5
Rest of Europe	448.7	429.9
Rest of the world	281.4	29.2
Total revenue	**1,006.9**	**897.6**

For 2013 3 different customers (2) each make up more than 10 % of the total revenue for VSS.

4. Personnel expenses

Crew and office personnel

(MNOK)	2013	2012
Salaries	301.8	288.5
Social costs	57.8	27.7
Pension costs	33.5	43.9
Other personel costs	42.8	59.2
Total	**435.9**	**421.2**

Of the 435.9 MNOK (421.2 MNOK), 61.8 MNOK (58.1 MNOK) relates to G&A and 374.1 MNOK (363.1 MNOK) relates to Operating costs. G&A costs include remuneration paid to key management personnel as follows:

(MNOK)	2013	2012
Salaries and short-term benefits	9.3	6.7
Pension costs	1.0	0.8
Severance costs	-	1.2
Share-based payments		
Total	**10.3**	**8.8**

Key management personnel consist of the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer and the Chief Operating Officer. Remuneration to the Chief Executive Officer has not been disclosed separately as there is just one director.

Through a fixed management fee VSS pays RABT for the work that the Board of Directors carry out on behalf of VSS, refer to note 16.

Crew on VSS vessels are employed by VSS. Crew costs are included in operating costs. In 2013 VSS had 457 employees in average (405).

Pensions
Certain VSS companies have contributory employee pension plans. Considerably all of these plans are defined contribution plans and, accordingly, the employer's pension contributions are expensed as incurred.

5. Audit fees

Audit fees are specified as follows:

(MNOK)	2013	2012
Fees for audit assignments PWC	0.3	0.5
Fees for audit assignments E&Y	0.9	-
Fees for tax assignments	0.7	0.8
Fees for other assignments	0.8	0.9
Total	**2.7**	**2.3**

6. Net financials

Financial Income

(MNOK)	2013	2012
Interest income on short term deposits	2.8	0.9
Total Financial income	**2.8**	**0.9**

Financial costs

(MNOK)	2013	2012
Interest cost Bank borrowings	-98.2	-117.4
Interest cost Bond borrowings	-37.4	-23.7
Net foreign exchange gains	34.1	24.7
Foreign exchange forward contracts *)	-	-28.0
Interest rate swaps	-4.2	-19.1
Total Financial costs	**-105.7**	**-163.5**

*) These contracts have terminated due to loan refinancing in July 2012.

7. Taxes

The companies in VSS are taxed according to location and activity. All of VSS vessels are taxed under tonnage tax schemes in either Denmark, Norway or United Kingdom where the taxable income is calculated based on the tonnage of the fleet. Companies not taxed under the tonnage tax scheme are taxed according to local tax legislation.

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amount of assets and liabilities and the corresponding tax base used in the computation of taxable income or as applicable under the tonnage tax schemes under which VSS vessels operate. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available to utilise the temporary deductible differences, including any tax loss carry forwards.

VSS has no deferred tax assets recognized due to uncertainty related to the future utilization. As the income in general is subject to tonnage tax, the utilization is considered to be unlikely and thus not considered as contingency assets.

The taxes of positive MNOK 7.4 are made up of positive MNOK 10 related to tonnage tax and negative 2.6 related to ordinary income tax. The MNOK 10 relates to reversal of an accrual for Norwegian tax. The accrual was made prior to move to the tonnage tax system and is no longer needed.

8. Business combinations

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. The postal and street address for Viking Supply Ships A/S is Islands Brygge 57, 2300 Copenhagen S, Denmark.

Acquisitions regarding sales transactions of offshore vessels and activities consist of shares in:

Company	Closing date	Acquired share	Country	Business area
VSS Specialtonnage AB	16 January, 2012	100%	Sweden	AHTS
Partrederiet Odin Viking DA	16 January, 2012	100%	Norway	AHTS

For information of transaction and impact of acquisitions on profit & loss and Balance Sheet in 2012, refer to the VSS Group Annual Report for 2012.

9. Tangible assets

(MNOK)	Vessels	Equipment	Total
Balance 31 December 2011	**2,933.5**	**2.4**	**2,935.8**
Additions	30.8	0.4	31.2
Acquisition of subsidiaries	1,367.5	-	1,367.5
Disposals	-322.5	-	-322.5
Currency translation adjustment	-49.2	-0.1	-49.3
Balance 31 December 2012	**3,960.0**	**2.6**	**3,962.7**
Additions	47.8	1.6	49.4
Currency translation adjustment	98.1	0.2	98.3
Balance 31 December 2013	**4,106.0**	**4.4**	**4,110.4**

Accumulated depreciation	Vessels	Equipment	Total
Balance 31 December 2011	**39.9**	**0.3**	**40.2**
Depreciation	176.1	1.1	177.2
Disposals	-12.9	-	-12.9
Currency translation adjustment	-15.7	-0.1	-15.7
Balance 31 December 2012	**187.5**	**1.3**	**188.8**
Impairment loss	80.0	-	80.0
Depreciation	174.8	0.8	175.6
Currency translation adjustment	-4.2	0.3	-3.8
Balance 31 December 2013	**438.2**	**2.4**	**440.6**

Carrying amount	Vessels	Equipment	Total
31 December 2012	**3,772.5**	**1.3**	**3,773.8**
31 December 2013	**3,667.8**	**1.9**	**3,669.8**

In 2012 management assessed the residual value based on peer group analysis and sales history and a residual value of 30 % of cost price was implemented. The 2012 impact was a reduction in depreciation of 63 MNOK for the total fleet.

In 2012 Odin Viking was sold on a sale and lease back transaction for duration of 8 years. In the transaction the vessel was sold for 296 MNOK. A book loss of 14 MNOK was recorded and the liquidity was improved by 140 MNOK.

Vessels with a net book value of 3,668 MNOK (3,773 MNOK) have been pledged as security for interest bearing loans. Further assignments of insurance payments and earnings have been given as security.

10. Inventories

Inventories comprise bunkers and lubricating oil. No write-downs or reversals have been recognized on inventories.

11. Accounts receivables

Trade receivables, net of allowances for doubtful receivables, are specified as follows:

(MNOK)	2013	2012
Not due	115.1	88.6
1-30 days overdue	3.5	21.2
31-90 days overdue	-	-
Over 90 days overdue	-	2.0
Allowance for doubtful receivables	-	-
Accounts receivables	**118.7**	**111.8**

Trade receivables are subject to an individual assessment of potential loss. Considerations of credit risk are explained in note 18.

12. Financial assets

Restricted cash primarily consist of deposits with reputable banks. Restricted cash is not assessed to be subject to a particular credit risk. Seller's credit is related to the sale of Odin Viking.

(MNOK)	Restricted Cash	Sellers Credit	Total
Balance 31 December 2011	**24.3**	**-**	**24.3**
Additions	50.0	30.2	80.2
Disposals	-11.1	-	-11.1
Currency translation adjustment	-2.0	-	-2.0
Balance 31 December 2012	**61.1**	**30.2**	**91.3**
Additions	-	-	-
Disposals	-25.0	-1.3	-26.3
Currency translation adjustment	1.1	2.7	3.8
Balance 31 December 2013	**37.2**	**31.6**	**68.8**

Total restricted and available cash is as follows:

(MNOK)	2013	2012
Restricted cash	37.2	61.1
Free cash and cash equivalents	238.2	197.1
Cash and cash equivalents	**275.4**	**258.2**

Maximum credit risk amounts to carrying amount of accumulated receivables and cash and cash equivalents, MNOK 440,7 (360,1 MNOK)

13. Interest bearing loans

The vessels owned by VSS 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 liabilities are associated with so-called covenants, according to which VSS must fulfil certain key data. VSS has secured waivers from the appropriate banks for the fourth quarter of 2013 and the first quarter of 2014 in conjunction with RABT group as guarantor failing to fulfil a covenant in the loan agreements. In coordination with RABT, VSS is proactively managing the risk. VSS has a positive dialogue with the bank and in the past all necessary waivers have been granted.

The loan portfolio includes cross default conditions within VSS and RABT.

In connection with the refinancing of the secured bank loan financing Magne Viking and Brage Viking, RABT has been removed as guarantor, refer to note 20.

In March 2012 VSS issued a 5 year senior unsecured bond loan (VSS01 PRO) in the Norwegian capital market, with maturity in March 2017, totaling MNOK 300. The bond agreement has a limit of MNOK 750. The bond was listed on Nordic ABM in Oslo on 28 June, 2012. In March 2013 an additional MNOK 85 was drawn in a tap issue. In June 2013 VSS issued a 15 month senior unsecured bond loan (VSS02 PRO) in the Norwegian capital market, with maturity in September 2014, totaling MNOK 100. The bond was listed on Nordic ABM in Oslo on 25 June, 2013.

The Bonds had a market value of 397 MNOK and 103 MNOK respectively, based on listed price at the end of 2013. Bonds are measured as Level 1 in the fair value hierarchy.

VSS has 11 % (11 %) of its interest bearing debt in USD. The remaining loans are denominated in NOK. 33 % (40 %) of the total interest bearing debt has been swapped into fixed interest rate. Additionally 4 % (0 %) of the total interest bearing debt is carrying fixed interest.

Interest bearing loans consist of the following, all measured at amortised cost:

(MNOK)	2013	2012
Bond loan	359.9	295.6
Current part of bond loan	98.8	-
Long-term debt to credit institutions	1,647.4	1,807.4
Short-term debt to credit institutions	189.6	187.1
Total interest bearing liabilities	**2,295.7**	**2,290.0**

The movement in loans was as follows:

(MNOK)	2013	2012
Balance at 1 January	2,290.0	1,537.2
New loans drawn	185.0	294.8
Repayment of loans	-203.4	-297.2
Loans acquired	-	795.5
Effects of exchange rate changes	23.3	-26.0
Amortized loan costs	0.7	-14.3
Total	**2,295.7**	**2,290.0**

The instalments excluding future interest payments are as follows:

(MNOK)	2013	2012
0-1 year	282.0	187.1
1-2 years	1,183.5	1,167.7
2-3 years	101.6	175.5
3-4 years	392.7	102.0
4-5 years	177.5	336.1
5 years and beyond	158.3	321.6
Total	**2,295.7**	**2,290.0**

14. Other non-current liabilities

(MNOK)	2013	2012
Financial instruments	19.7	36.8
Tax payable	-	-
Prepayments from the Swedish Maritime Administration	13.4	21.7
Other non-current liabilities	**33.1**	**58.4**

Refer to note 18 regarding financial instruments.

15. Other current liabilities

(MNOK)	2013	2012
Other liabilities	30.7	13.1
Related parties	0.2	19.0
Tax payable	2.6	21.6
Accruals	83.6	84.3
Other current liabilities	**117.1**	**138.1**

16. Transactions with related parties

VSS is a 100 % owned subsidiary of TransAtlantic AB (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. The postal address for RABT is Box 8809, SE-402 71 Gothenburg, Sweden and the street address is Lindholmsallén 10.

RABT is organized in two business areas – Viking Supply Ships and Industrial Shipping.

RABT is majority-owned by the Norwegian investment company Kistefos AS. Kistefos AS has 62.9 % of the share capital and 58.5 % of the votes as of 31 December 2013. Kistefos AS is registered in Norway, with its domicile in Oslo. VSS is included by full consolidation in the Kistefos AS annual report.

The consolidated financial reports for RABT and Kistefos can be downloaded at www.rabt.se and www.kistefos.no.

	Related parties	
(MNOK)	2013	2012
Revenue	0.8	4.9
General and administrative expenses	6.1	9.4
Financial costs	0.3	8.0
Purchase of vessels	-	-
Acquisition of subsidiaries	-	1,356.4
Purchase of interest rate swaps	-	23.9
Capital increases	-	380.7
Related party payable, net	0.2	21.9

During 2013 amounts outstanding with Kistefos AS have been settled.

The related party payable, net is unsecured. The amount will be settled in cash.

For payments to key management personnel refer to note 4.

17. Commitments and other contingent liabilities

Leasing

VSS leases vessels, buildings and equipment through operational leasing agreements.

VSS has contracts regarding the leasing of one AHTS vessel and two PSV vessels. The contract for the AHTS vessel has a remaining duration on the lease of seven years. The PSV contracts are valid through April and August 2014, respectively. The contracts include an option of purchasing during 2014. It is expected that the options will be declared.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(MNOK)	2013	2012
0-1 year	69.4	81.7
1-2 years	46.5	63.7
2-3 years	46.1	42.3
3-4 years	46.1	42.0
4-5 years	45.9	42.0
5 years and beyond	90.1	123.9
Total lease payments	**344.0**	**395.6**

Leasing payments in 2013 amounted to 82 MNOK (41 MNOK).

Pledges
Non-current tangible assets of 3,668 MNOK have been pledged against loans (3,774 MNOK).

Bank deposits and Escrow accounts of 174.8 MNOK have been pledged against loans (61.1 MNOK).

Dividend restrictions
VSS has issued corporate bonds which are listed on the Oslo ABM. According to the agreement, a maximum of 50 % of consolidated profits after taxes, based on the financial statements of the previous financial year, can be distributed as dividends.

18. Financial instruments and risk

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.

The Board of Directors has identified these risks and developed a plan to avoid or minimize the impact on the consolidated income statement and balance sheets through various measures. Through clear policies and reporting paths, it is stated how these risks shall be managed and how presentation is to be made. The VSS policy is to work with various types of insurance or financial instruments to minimize various types of risks.

Interest rate risks
The VSS business is capital intensive. Long-term loans are the principal form of financing. Accordingly, interest rate fluctuations may have a major impact on VSS earnings and cash flow. To reduce this risk, interest levels are hedged using interest rate swaps. Such interest rate swaps have the economic effect of conversion from floating interest rates to fixed interest rates. VSS has chosen not to use hedge accounting and reflects the changes in fair value through the profit and loss.

At 31 December 2013, VSS has a total interest rate swap portfolio of 754 MNOK (906 MNOK) on a fixed basis with an average outstanding duration of 1.7 years (2.4 years). The average fixed rate is 3.9 % (4.2 %).

Market values as at 31 December:

(MNOK)	2013	2012
Long term commitment	12.7	17.5
Short term commitment	7.0	19.2
Commitment, net	19.7	36.8

(MNOK)	Market value	Recognized in profit and loss	Market value	Recognized in profit and loss
	2013	2013	2012	2012
Interest contracts	19.7	17.0	36.8	-3.0

The Group enters into derivative financial instruments with financial institutions. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps contracts. The most frequently applied valuation techniques include forward pricing models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot rates. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk.

Interest contracts changing from variable to fixed loans are recognized in the consolidated profit and loss at the same time as the hedged interest costs. The market value to be recognized in future financial years is expected to be realized within 5 years (6 years).

For VSS an increase in the interest rate of 1 % will have a negative impact of 15 MNOK (14 MNOK) on the result for the period.

(MNOK)	2013	2012
Borrowings by interest rate levels:		
0-3%	-	-
3-6%	1,837.0	1,371.7
6%-	458.7	918.3
Total	**2,295.7**	**2,290.0**
Of which inclusive interest rate swaps:		
Fixed	852.8	906.0
Floating	1,442.9	1,384.0
Total	**2,295.7**	**2,290.0**

At 31 December 2013, after taking the effect of interest rate swaps into account, 37 % (40 %) of the total interest bearing debt is carrying a fixed rate of interest.

Financial assets and liabilities measured at fair value
The following table provides an analysis of financial assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 Inputs for the asset or liability that are not based on observable market data.

	2013				
(MNOK)	Market value	Level 1	Level 2	Level 3	Total
Interest contract liability	19.7	-	19.7	-	19.7

	2012				
(MNOK)	Market value	Level 1	Level 2	Level 3	Total
Interest contract liability	36.8	-	36.8	-	36.8

For all other financial assets and liabilities the carrying amounts are reasonable approximations of fair values.

Credit risks
Credit risks, or the risk of counterparties defaulting, are controlled by monitoring procedures and credit approval procedures. VSS has a policy that limits the amount of credit exposure to any single counterparty.

VSS only provides short credit. These credits are mainly provided to major customers, with whom VSS has a long-term relationship. New customers are subject to a credit check prior to credit being provided. When longer-term credit is provided, this is secured by collateral. VSS credit risk to clients is therefore considered as low. Credit risk as below is based on balance sheet date.

For credit days, refer to note 11.

Market risks
The general economic trend in the countries where VSS is active is a crucial factor for financial development, since the economic trend has a major effect on the oil prices which in turn impact the demand for offshore shipping services. The trend in markets other than those where VSS is active can also affect demand for VSS services, since the maritime transport market is highly international. VSS endeavours to maintain close contact with its customers and to sign long-term contracts with them to restrict the impact of economic fluctuations. Earnings can be impacted by the loss of a vessel. These costs can be minimized through active service and damage-prevention work, resulting in lower risk of major individual cost increases.

Currency risks

Offshore shipping is a highly international business, which means that only a portion of VSS cash flow is generated in NOK and this means that currency fluctuations may have a major impact on VSS earnings and cash flows. The foreign exchange risk is primarily restricted 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. As at 31 December 2013 no hedging instruments were used.

VSS exposure to changes in currency exchange levels primarily relate to USD-denominated vessel loans, GBP- and USD-denominated earnings and DKK-, SEK- and GBP-denominated operating expenses. Other assets and liabilities are to a large degree denominated in NOK.

Everything else being equal the result for the period will be positively impacted with 24 MNOK (25 MNOK) basis a 10 % decrease in USD against GBP while the result for the period is not expected to be materially impacted by other exchange rate fluctuations.

	2013				
	Assets		Liabilities		Total
(MNOK)	Cash	Accounts receivables	Interest bearing debt	Accounts payable	Net Liability position
NOK	179.3	12.5	2,051.9	13.0	1,873.1
USD	14.6	31.8	243.8	0.6	198.0
GBP	14.0	44.7	-	17.3	-41.5
SEK	23.1	1.0	-	2.8	-21.3
EUR	1.1	-	-	3.7	2.6
DKK	2.3	-	-	0.8	-1.5
CAD	3.9	28.7	-	0.3	-32.3
Other currency	-	-	-	-	-
Total	**238.2**	**118.7**	**2,295.7**	**38.4**	**1,977.2**

	2012				
	Assets		Liabilities		Total
(MNOK)	Cash	Accounts receivables	Interest bearing debt	Accounts payable	Net Liability position
NOK	63.8	13.7	2,042.9	12.6	1,977.9
USD	93.4	44.2	247.1	-	109.5
GBP	11.5	45.1	-	5.5	-51.1
SEK	21.0	6.5	-	2.9	-24.6
EUR	5.6	-	-	3.1	-2.5
DKK	1.7	-	-	3.8	2.1
CAD	-	2.2	-	-	-2.2
Other currency	0.1	-	-	-	-0.1
Total	**197.1**	**111.8**	**2,290.0**	**27.9**	**2,009.0**

Liquidity risk

VSS monitors the liquidity risk on an ongoing basis with the aim at all times to have adequate cash, overdraft facilities and committed bank loans to meet current and future obligations. VSS manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flow, and by matching the maturity profiles of financial assets and liabilities. VSS actively engages with financing providers to negotiate the necessary terms to ensure that adequate facilities will remain available during all periods.

Currently, main liquidity risk derives from volatility in the freight rates which impact cash flows from operations.

VSS expects to meet its cash flow obligations with operating cash flows, and financing facilities or disposal of vessels, if necessary.

Liquidity risk can be split in short and long term liquidity risk. Maturing loans are expected to be refinanced.

	Contractual cash flows beyond 2013			
(MNOK)	0-1 year	1-5 years	5- years	Total
Total interest bearing liabilities	408.0	2,194.4	0.0	2,602.4
Accounts payable	38.4	-	-	38.4
Other current liabilities	117.1	-	-	117.1
Interest contract	7.0	12.7	-	19.7
Total	**570.4**	**2,207.2**	**0.0**	**2,777.6**

	Contractual cash flows beyond 2012			
(MNOK)	0-1 year	1-5 years	5- years	Total
Total interest bearing liabilities	306.7	2,189.5	141.9	2,638.1
Accounts payable	27.9	-	-	27.9
Other current liabilities	138.1	-	-	138.1
Interest contract	19.2	17.5	-	36.8
Total	**491.9**	**2,207.0**	**141.9**	**2,840.8**

Apart from the bond loan, as described in note 13, market value of all of the above liabilities equals book value.

Bunker risks

Cost changes for bunker oil can have a significant impact on earnings. Time charters often include clauses that imply that the customer carries the risk of price changes.

Capital management

VSS capital structure shall secure the operation of current business and enable the desired future investments and performance. VSS manages its own capital structure and carries out all necessary amendments to the capital structure, based on continuous assessments of the economic conditions under which the operations take place. As part of this review, Management considers the cost of capital and the risks associated with each class of capital.

19. Share capital

The Company's share capital consists of 5,000 (5,000) authorised, issued and fully paid shares at a par value of 105 NOK, each representing one class of ordinary shares which carry no right to fixed dividends.

No dividends were paid during 2013 (0 MNOK). In respect of 2013, Management recommends no distribution of dividends.

20. Events occurring after the reporting period

After the year end VSS refinanced the secured bank loan financing Magne Viking and Brage Viking, by signing a new secured bank loan agreement of MNOK 630 maturing in 2018. The refinancing generated free liquidity of MNOK 57.

VSS is evaluating a possible sale of the PSV fleet with an aim to maximize values, independently of the impairment loss related to currency fluctuations.

As a result of having entered into the long term contract with an oil major for four of our AHTS vessels, VSS has limited tonnage available in the North Sea for the peak drilling seasons for the next years. Consequently, VSS has entered into a principle agreement with certain subjects, for a 5 year bareboat agreement for two large, high specification AHTS newbuild vessels to be delivered mid-2014 and mid-2015 respectively.

21. Companies included in the consolidated financial statements

Subsidiaries owned by Parent Company [1)]	Corp. Reg. No.	Registered office	Pct. of share capital
Viking Supply Ships AB	556858-2463	Gothenburg	100
Viking Supply Ships Crewing AB	556426-8646	Gothenburg	100
Viking Icebreaker Management AB	556679-1454	Gothenburg	100
VSS Specialtonnage AB [2)]	556074-5431	Gothenburg	0
Arctic Ice Management AB	556807-0972	Gothenburg	100
Viking Icebreaking & Offshore AS	979437943	Kristiansand	100
Viking Supply Ships AS	981240030	Sarpsborg	100
Viking Spesialtonnasje AS	987069295	Oslo	100
Viking Supply Ships Crewing ApS	33775199	Copenhagen	100
Viking Supply Ships 3 ApS	33775172	Copenhagen	100
Viking Supply Ships 4 ApS	33859082	Copenhagen	100
Viking Supply Ships 5 ApS	34471800	Copenhagen	100
Viking Supply Ships (Holdings) Limited	SC303430	Aberdeen	100
SBS Aberdeen Ltd	SC250818	Aberdeen	100
SBSL (Holdings) Ltd	SC180512	Aberdeen	100
SBS Marine Ltd	SC202464	Aberdeen	100
Viking Supply Ships Ltd	1107746094060	Moscow	100

1) The Parent Company in VSS is Viking Supply Ships A/S, 33369794 , with its registered office in Copenhagen.

2) The company was was sold to RABT in an inter-group transaction during 2013.