

**VIKING SUPPLY SHIPS AB  
(PUBL)**

**INTERIM REPORT**

**Q3**

2016



**VIKING SUPPLY SHIPS**

**MORE**  
THAN A SHIPOWNER

THE  
**COOLEST**  
PLACE TO WORK

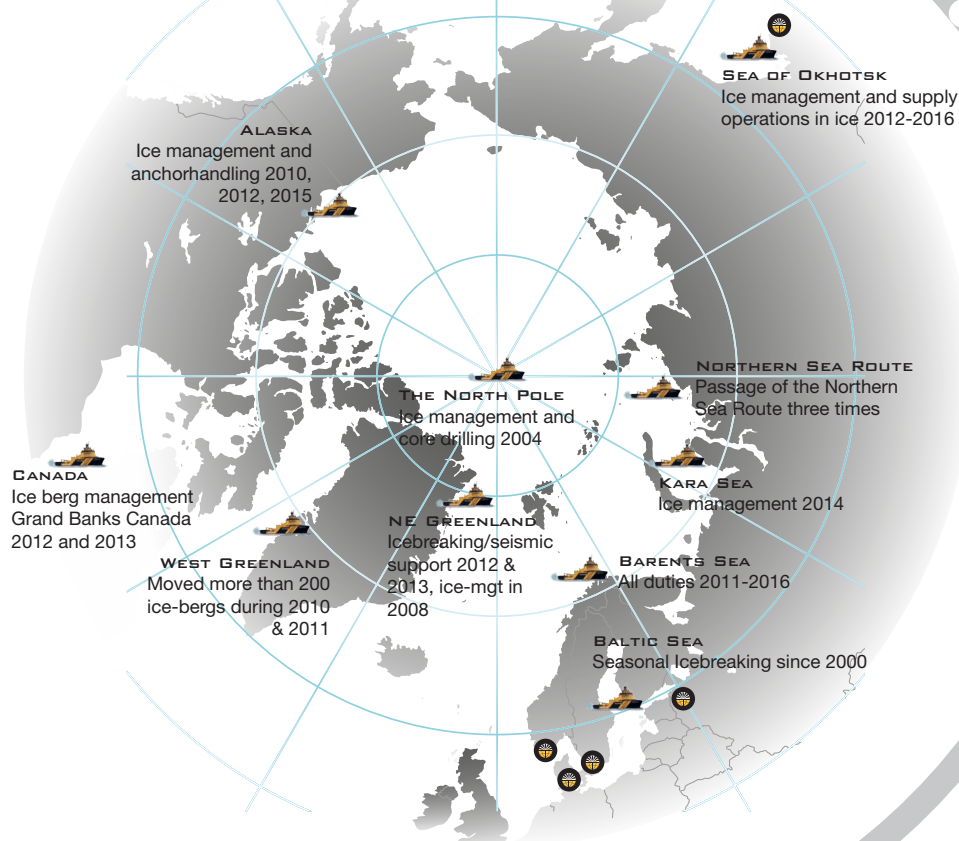
ALWAYS AHEAD OF  
**COMPETITION**

Q3

Q3

**NET SALES**  
**MSEK 235 (232)**  
 YTD MSEK 685 (836)

## ARCTIC FOCUS



Q3

**EBITDA**  
**MSEK 85 (48)**  
 YTD MSEK 212 (225)

Q3

**RESULT AFTER TAX**  
**MSEK -93 (-282)**  
 YTD MSEK -261 (-317)

Q3

**EARNINGS PER SHARE AFTER TAX,**  
**SEK -0.5 (-1.6)**  
 YTD SEK -1.5 (-1.8)

Viking Supply Ships AB (publ) is a Swedish company with headquarter in Gothenburg, Sweden. Viking Supply Ships AB (publ) is organized into four segments: Anchor Handling Tug Supply vessels (AHTS), Platform Supply Vessels (PSV), Services as well as Ship Management. The operations are focused on offshore and icebreaking primarily in Arctic and subarctic areas. The company has in total about 500 employees and the turnover in 2015 was MSEK 1,114. The company's B-share is listed on NASDAQ OMX Stockholm, segment Small Cap, [www.vikingsupply.com](http://www.vikingsupply.com).

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## CEO STATEMENT

**The third quarter resulted in a negative result for the Group. This was mainly a result of an impairment of the PSV fleet as well as unrealized currency effects. Despite challenging market conditions, the revenue remained at the same level as in the third quarter of 2015. Effects from cost reductions implemented through the year had a positive impact on the EBITDA of MSEK 85 (48). For the third quarter, profit after tax for the Group was MSEK -93 (-282). In November 2016, the Group finalized the financial restructuring, subject to the completion of an equity issue at an agreed level in Viking Supply Ships AB (VSS AB), to be finalized before year-end 2016. The restructuring will provide VSS AB with a stable financial platform until 2020, subject certain vessel income levels.**

During the third quarter three AHTS vessels completed their term contracts and all seven AHTS vessels currently in operation are hence located in the North Sea spot market. The North Sea spot market was relatively strong in July, but despite a stable activity level through the quarter, rate levels fell back during the rest of the quarter.

During 2016 it was decided to discontinue the remaining operations in TransAtlantic AB (TA AB) in order to meet financing commitments related to these operations. The decision has led to initiated discussions and negotiations with employees, partners and other stakeholders. At the end of the third quarter the Group assess that the discontinuation is likely to be completed within the next 12 months, subject outcome of the ongoing discussions and negotiations. Due to this, the Group will in its financial reports as from third quarter 2016 recognize TA AB as discontinued operations and assets held for sale according to IFRS 5 "Assets held for sale and

discontinued operations". The discontinuing of the operations in TA AB will enable the Group to fully focus on its offshore operations.

During the third quarter a bondholders meeting adopted a proposed resolution as part of the long term financial restructuring of Viking Supply Ships A/S (VSS A/S). After the end of the quarter, VSS A/S concluded on an agreement with the new owners of Odin Viking to amend the terms in the bareboat charter party. This finalizes the financial restructuring of VSS A/S, subject to the successful completion of an equity issue at an agreed level in VSS AB.

### OUTLOOK

The spot market has continued the slightly positive trend seen in 2016, but influx of vessels from other regions is putting the rate level under pressure. Although there are signs of an improved market balance within the oil market, VSS A/S anticipates that the general offshore market will remain challenging through 2017 due to oversupply within the industry.

There is however positive indications that the activity level within important core areas to VSS A/S, such as the Barents Sea and Canada will increase, which will be of significant importance for the company. The supply of vessels within this segment is limited compared to the overall market and the future development is substantially more driven by vessel demand. With the completion of the financial restructuring, VSS A/S is well positioned for the future development within the harsh environment offshore industry.

Gothenburg, 10 November 2016.

Bengt A. Rem  
CEO and President

CEO STATEMENT	3
Q3 2016	4
SUMMARY OF EVENTS IN Q3	4
SUBSEQUENT EVENTS	5
LIQUIDITY AND GOING CONCERN	5
RESULTS AND FINANCE	6
OPERATIONAL HIGHLIGHTS FOR Q3	6
FINANCIAL POSITION AND CAPITAL STRUCTURE	8
AUDITORS REPORT	9
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT	10
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	10
CONDENSED CONSOLIDATED BALANCE SHEET	11
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	11
CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY	12
DATA PER SHARE	12
PARENT COMPANY	12
PARENT COMPANY INCOME STATEMENT	13
PARENT COMPANY BALANCE SHEET	13
CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY	13
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	14
DEFINITIONS	22

## THIRD QUARTER

- Total revenue from continuing operations was MSEK 235 (232)
- EBITDA from continuing operations was MSEK 85 (48)
- Result after tax including discontinued operations was MSEK -93 (-282)
- Result after tax per share including discontinued operations was SEK -0.5 (-1.6)

## YEAR TO DATE

- Total revenue from continuing operations was MSEK 685 (836)
- EBITDA from continuing operations was MSEK 212 (225)
- Result after tax including discontinued operations was MSEK -261 (-317)
- Result after tax per share was SEK -1.5 (-1.8)

## SUMMARY OF EVENTS IN Q3

- EBITDA for Q3 from continuing operations was MSEK 85 (48).
- The average fixture rate in Q3 was USD 53,300 (49,300) for the AHTS fleet and USD 0 (5,700) for the PSV fleet. The average utilization in Q3 was 65% (63) for the AHTS fleet and 0% (39) for the PSV fleet.
- In July 2016, the term sheet which had been agreed with the banks was signed. This marked a significant step towards the completion of a financial restructuring of VSS A/S (see note 1, Liquidity and going concern).
- On 15 September 2016 a bondholders meeting was held. The proposed resolution obtained 98.26% of the votes, and the proposal was adopted according to the voting requirements of the Bond Agreement. According to the proposal, 50% of the outstanding par value of bonds will be converted to quoted class B shares in Viking Supply Ships A/S' parent company, Viking Supply Ships AB, at SEK 1.5 per share, the bonds being valued at 55% of par. The remaining 50% of the outstanding bonds will be redeemed in cash at a price corresponding to 35% of par.
- On 9 November 2016, Odin Viking SPV AS and VSS A/S concluded on an agreement to amend the terms in the bareboat charter party. This finalizes the financial restructuring of VSS A/S, subject to an equity issue at an agreed level in Viking Supply Ships AB and a subsequent equity injection by the parent company into VSS A/S. The restructuring will provide VSS AB with a stable financial platform until 2020, subject certain vessel income levels.
- In July 2016, VSS A/S received an early termination notice of the contract for the Ice-class 1A AHTS vessel Njord Viking. The vessel has been working for Eni Norge in the Barents Sea and has also been part of the extended towing-preparedness in the area on behalf of the Norwegian Coastal Administration. The vessel was according to the contract with Eni Norge firm until the end of 2016, with optional periods of 2 x 6 months thereafter. According to the contract VSS A/S will be entitled to a termination fee of approximately USD 13.300/day for the remainder of the firm period. The termination represents a loss of income during the remaining firm period of the contract of MUSD 3.3 in 2016. VSS A/S will off-set this loss by marketing the vessel in the North Sea spot market, while also searching for alternative contracts for the vessel.
- During Q3 2016, Vidar Viking and Brage Viking completed their term contracts and returned to the spot market in the North Sea. There is positive indications that the activity level within VSS A/S' important core areas such as the Barents Sea and Canada will increase in the future and VSS A/S sees concrete contract opportunities within these harsh environment areas and will focus on increasing the contract coverage going forward.
- Due to the challenging market conditions, VSS A/S has recognized an impairment loss during Q3 2016 of MSEK 55 related to the PSV fleet.
- In September 2016, Christian W. Berg stepped down as CEO of VSS AB. He will however take on various projects within VSS AB and act as an advisor to the Board of Directors. At the same time, Chairman of the Board Bengt A. Rem, was appointed as interim CEO of VSS AB. Further, Folke Patriksson was appointed Chairman of the Board for as long as Bengt A. Rem is interim CEO. Bengt A. Rem will continue on the Board as a board member.
- During 2016 it was decided to discontinue the remaining operations in the subsidiary TransAtlantic AB in

order to meet financing commitments related to these operations. The decision has led to the initiations of discussions and negotiations with employees, partners and other stakeholders. At the end of Q3 2016 the Group assesses that discontinuation is likely to be completed within the next 12 months, subject to the outcome of the ongoing discussions and negotiations. Due to this, the Group will in its financial reports as from Q3 2016 recognize TA AB as discontinued operations and assets held for sale, according to IFRS 5 Assets Held for Sale and Discontinued Operations (see note 4, Discontinued operation and assets held for sale). The discontinuing of the operations in TA AB will enable the Group to fully focus on its offshore operations.

- During Q3 2016 an agreement was entered into for the sale of the RoRo-vessel TransReel, which was delivered to its new owners in October 2016. The sale is expected to give a positive result of MSEK 11 in Q4, but as the funds will be used to cover amortizations of vessel loans it will not have any liquidity effect.

## SUBSEQUENT EVENTS

- On 18 October 2016, a bankruptcy petition was approved towards the owner of Odin Viking, Norseman Offshore AS. On 9 November, Odin Viking SPV AS, a company owned by Kistefos AS, concluded on an agreement with the bankruptcy trustee, where after Odin Viking SPV AS purchased Odin Viking and acquired the bareboat charter party. On 9 November 2016, Odin Viking SPV AS and VSS A/S concluded on an agreement to amend the terms in the bareboat charter party, including a significant reduction in bareboat rate.

## LIQUIDITY AND GOING CONCERN

The condensed interim financial statements for the nine months ending 30 September 2016 have been prepared using the going concern assumption. Based on a continued belief in securing contracts within the core market segment, Management has concluded that both the company and the Group will be able to continue as going concern at least the coming 12 months. This conclusion is based on Management's assessment that the conditions for completing the debt restructuring can and will be fulfilled, the current outlook for 2016/2017 and the current uncertainties and risks (see note 1, Liquidity and going concern).

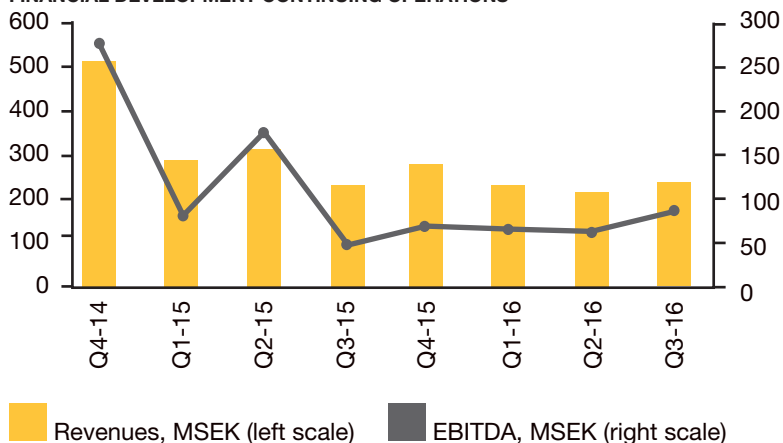
KEY FINANCIALS	Q3 2016	Q3 2015
Net sales, MSEK <sup>1)</sup>	235	232
EBITDA, MSEK <sup>1)</sup>	85	48
Result after tax, MSEK <sup>2)</sup>	-93	-282
Earnings per share after tax, SEK <sup>2)</sup>	-0.5	-1.6
Shareholders' equity per share, SEK	6.6	8.7
Return on equity, % <sup>2)</sup>	-30.8	-57.0
Equity ratio, % <sup>3)</sup>	30.2	35.3
Market adjusted equity ratio, % <sup>3)</sup>	38.5	44.4

1) Excludes discontinued operations

2) Includes discontinued operations

3) The calculation includes assets held for sale

### FINANCIAL DEVELOPMENT CONTINUING OPERATIONS



## RESULTS AND FINANCE

### RESULTS YEAR TO DATE 2016

Total revenue for the Group for the nine-month period 2016 was for continuing operations MSEK 685 (836).

The Group's EBITDA for the nine months was for continuing operations MSEK 212 (225).

Net financial items were for continuing operations MSEK -110 (-132). Financial items include unrealized currency losses of MSEK -29 (-44) and realized value-adjustments on interest rate swaps of MSEK -4 (-1).

The Group's result after tax for year-to-date including discontinued operations was MSEK -261 (-317). The result for year-to-date was negatively impacted by impairment losses of the two bulk vessels TransAndromeda and TransCapricorn with a total of MSEK 7, an impairment loss of the RoLo vessel TransFighter of MSEK 12 and by an impairment loss on the PSV fleet of MSEK 200.

## OPERATIONAL HIGHLIGHTS FOR THE THIRD QUARTER

### ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 198 (200) in Q3. Total EBITDA was MSEK 90 (75).

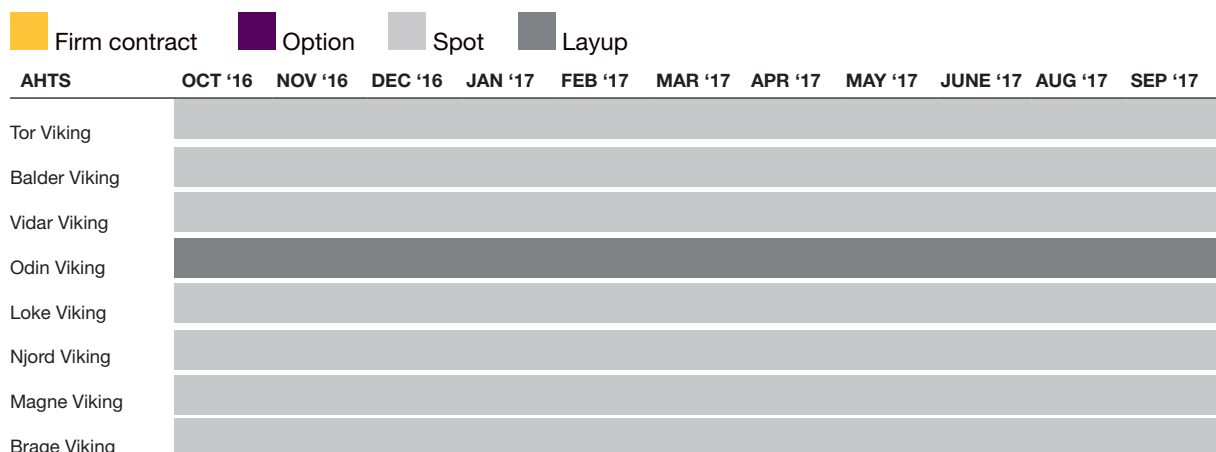
During Q3, four vessels have been operating in the North Sea spot market, while three vessels have been operating on term contracts. During the quarter three term vessels completed their contracts and all seven vessels currently in operation are hence located in the North Sea spot market. One AHTS vessel has remained in lay-up during the quarter.

The North Sea spot market was relatively strong in July, but despite a stable activity level through the quarter, rate levels fell back during the rest of the quarter. Further, a number of vessels entered the North Sea market, which resulted in a softer market balance.

The total AHTS contract backlog at the end of the quarter was MSEK 0.

AHTS Q3	Fixture rates (USD)	Utilization (%)
AHTS vessels on term charters	72,500 (62,500)	100 (90)
AHTS vessels on the spot market	38,700 (16,600)	56 (34)
<b>Total AHTS fleet</b>	<b>53,300 (49,300)</b>	<b>65 (63)</b>

Table above excludes one laid-up vessel.



Figures in the tables are as of 30 September 2016.

### PLATFORM SUPPLY VESSELS (PSV)

Total PSV revenue was MSEK 0 (9) in Q3. Total EBITDA was MSEK -4 (-26). Due to the challenging market conditions, an impairment loss related to the PSV fleet has been recognized during Q3 2016 of MSEK 55.

VSS A/S does not have any PSVs in operation, but will continue to monitor the market for long term contract opportunities for these vessels.

The total PSV contract backlog at the end of the quarter was MSEK 0.

PSV Q3	Fixture rates (USD)	Utilization (%)
PSV vessels on term charters	- (-)	- (-)
PSV vessels in the spot market	- (5,700)	- (39)
<b>Total PSV fleet</b>	<b>- (5,700)</b>	<b>- (39)</b>

Table above excludes three laid-up vessels.

	<div><div>Firm contract</div><div>Option</div><div>Spot</div><div>Layup</div></div>										
PSV	OCT '16	NOV '16	DEC '16	JAN '17	FEB '17	MAR '17	APR '17	MAY '17	JUNE '17	AUG '17	SEP '17
Frigg Viking											
Idun Viking											
Nanna Viking											
Freyja Viking											
Sol Viking											

Figures in the tables are as of 30 September 2016.

### SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 37 (23) in Q3. Total EBITDA was MSEK -1 (-1).

During Q2, Viking Ice Consultancy (VIC) entered into three consultancy contracts, which has provided the company with work during Q3. VIC will continue to develop and pursue contract opportunities going forward.

The operations within the ship management segment proceeded as planned throughout the quarter.

### TRANSATLANTIC AB

During 2016 it was decided to discontinue the remaining operations in the subsidiary TransAtlantic AB in order to meet financing commitments related to these operations. The decision has led to the initiations of discussions and negotiations with employees, partners and other stakeholders. At the end of Q3 2016 the Group assesses that discontinuation is likely to be completed within the next 12 months, subject the outcome of the ongoing discussions and negotiations. Due to this, the Group will in its financial reports as from Q3 2016 recognize TA AB as discontinued operations and assets held for sale, according to IFRS 5 Assets Held for Sale and Discontinued Operations (see note 4, Discontinued operation and assets held for sale).

The subsidiary TransAtlantic AB recorded revenues of MSEK 93 (226) in Q3. EBITDA was MSEK -5 (-10).

The restructuring process within TA AB has continued during Q3. An agreement was entered into during the quarter for the sale of the RoRo-vessel TransReel, which was delivered to its new owners in October 2016. The sale is expected to give a positive result of MSEK 11 in Q4, but as the funds will be used to cover amortizations of vessel loans it will not have any liquidity effect.

## FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the third quarter, the Group's equity amounted to MSEK 1,169 (equivalent to 6.59 SEK/share). The Equity decreased during the first nine month by net MSEK 217 due to the loss for the period of MSEK 261, expenses of 2 MSEK related to the planned new share issue and a positive change in the translation reserve of MSEK 46 attributable to currency differences on net investments in subsidiaries, mainly related to the strengthened USD against SEK.

Gross investments during the first nine months amounted to MSEK 5 (121) mainly related to dockings. The divestments during the first half year have brought liquidity of MSEK 97 to the Group. The divestments relates to released cash earlier blocked as additional security for vessel loans, sales of bonds and the sale of the short sea bulk vessels TransAndromeda and TransCapricorn. The positive change in working capital during the quarter mainly relates to payments from customers, please also see the condensed consolidated cash-flow statement.

For further information of the Group's financial position see note 5, Interest bearing liabilities and note 6, Cash and cash equivalents.

Viking Supply Ships AB is obliged to publish this report in accordance with the Swedish Securities Act and/or the Swedish Financial Instruments Trading Act. This report has been prepared in both Swedish and English versions. In case of variations in the contents between the two versions, the Swedish version shall govern. This report was submitted for publication at 8:30 am (CET) on 10 November, 2016.

The undersigned certify that the interim report gives a true and fair picture of the Group's financial position and results, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Gothenburg, 10 November 2016  
Viking Supply Ships AB

Folke Patriksson  
Chairman

Erik Borgen  
Board member

Håkan Larsson  
Board member

Magnus Sonnorp  
Board member

Bengt A. Rem  
CEO/Board member

Christer Lindgren  
Employee representative

### PRESS AND ANALYST CONFERENCE

In conjunction with the publication of this interim report, an earnings call will take place on 10 November 2016 at 10.00 am (CET) with Viking Supply Ships AB's CEO Bengt A. Rem, CFO Ulrik Hegelund and IR Director Morten G. Aggvin. In connection with the conference, a presentation will be available on the company's website, [www.vikingsupply.com](http://www.vikingsupply.com). Please see Investor Relations/Reporting Center.

### FINANCIAL CALENDAR 2017

14 February 2017	Q4 Interim report
30 May 2017	Annual General Meeting

### INVESTOR RELATIONS

Please contact CFO, Ulrik Hegelund, ph. +45 41 77 83 97 or  
IR & Treasury Director, Morten G. Aggvin, ph. +47 41 04 71 25

The interim report is available on the company's website: [www.vikingsupply.com](http://www.vikingsupply.com)



# REVIEW REPORT

Viking Supply Ships AB (publ), org. nr. 556161-0113

Following is the auditors' review report of interim financial information prepared in accordance with IAS 34 and Ch. 9 of the Swedish Annual Accounts Act.

## INTRODUCTION

We have reviewed the interim report for Viking Supply Ships AB for the period January 1, 2016 to September 30, 2016. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

## EMPHASIS OF A MATTER

Without having any effect on our conclusion above we would like to draw attention to the fact that as stated in the interim report, the Company reported a loss for the period.

Note 1 of the interim report also states that management assess that with a continued belief in being able to secure contracts in the core business the criterias for going concern are fulfilled for the parent company and the Group for the next twelve months. This conclusion is based on management's assessment that the financial restructuring can, and will be finalized, an overall assessment of the outlook for 2016/2017 as well as the risks and uncertainties that exist.

In summary this means that before all agreements in connection with the financial restructuring have been signed and the share issue has been completed, there is an uncertainty regarding the company's financing.

Stockholm on November 9, 2016

Rödl & Partner Nordic AB  
Mathias Racz  
Authorized Public Accountant

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MSEK)	Note	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	FY 2015
Net sales		235	232	685	836	1,114
Other operating revenue		0	0	0	0	4
Direct voyage cost		-7	-11	-25	-38	-55
Personnel costs		-81	-121	-279	-391	-529
Other costs		-62	-52	-169	-182	-242
Depreciation/impairment	2	-95	-232	-323	-330	-444
<b>Operating result</b>		<b>-10</b>	<b>-184</b>	<b>-111</b>	<b>-105</b>	<b>-152</b>
Net financial items		-65	-71	-110	-132	-177
<b>Result before tax</b>		<b>-75</b>	<b>-255</b>	<b>-221</b>	<b>-237</b>	<b>-329</b>
Tax	8	2	-1	-1	-2	-3
<b>Result from continuing operations</b>	<b>3</b>	<b>-73</b>	<b>-256</b>	<b>-222</b>	<b>-239</b>	<b>-332</b>
Result from discontinued operations	4	-20	-26	-39	-78	-108
<b>Result for the period</b>		<b>-93</b>	<b>-282</b>	<b>-261</b>	<b>-317</b>	<b>-440</b>
Earnings attributable to Parent Company's share-holders, per share in SEK (before and after dilution):						
-Result from continuing operations		-0.4	-1.4	-1.3	-1.4	-1.9
-Result from discontinued operations		-0.1	-0.2	-0.2	-0.4	-0.6
<b>Total</b>		<b>-0.5</b>	<b>-1.6</b>	<b>-1.5</b>	<b>-1.8</b>	<b>-2.5</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	FY 2015
<b>Result for the period</b>		<b>-93</b>	<b>-282</b>	<b>-261</b>	<b>-317</b>	<b>-440</b>
Other comprehensive income for the period:						
<b>Items that will not be restored to the income statement</b>						
Revaluation of net pension obligations		-	-	-	-	2
<b>Items that later can be restored to the income statement</b>						
Change in translation reserve, net		15	-112	46	-76	-120
<b>Other comprehensive income</b>		<b>15</b>	<b>-112</b>	<b>46</b>	<b>-76</b>	<b>-118</b>
<b>Total comprehensive income for the period</b>		<b>-78</b>	<b>-394</b>	<b>-215</b>	<b>-393</b>	<b>-558</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q3 2016	Q3 2015	FY 2015
Vessels	2	3,101	3,660	3,470
Other tangible fixed assets		2	3	2
Intangible fixed assets		-	1	1
Financial assets		136	237	183
<b>Total fixed assets</b>		<b>3,239</b>	<b>3,901</b>	<b>3,656</b>
Other current assets	6	497	497	461
Assets held for sale	4	137	-	-
<b>Total current assets</b>		<b>634</b>	<b>497</b>	<b>461</b>
<b>TOTAL ASSETS</b>	<b>3</b>	<b>3,873</b>	<b>4,398</b>	<b>4,117</b>
<b>Shareholders' equity</b>		<b>1,169</b>	<b>1,551</b>	<b>1,386</b>
<b>Long-term liabilities</b>	<b>5</b>	<b>35</b>	<b>1,851</b>	<b>1,008</b>
Other current liabilities	5	2,472	996	1,723
Liabilities related to assets held for sale	4	197	-	-
<b>Total current liabilities</b>		<b>2,669</b>	<b>996</b>	<b>1,723</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>3,873</b>	<b>4,398</b>	<b>4,117</b>

### VALUATION OF FINANCIAL ASSETS AND LIABILITIES

The valuation of financial assets and liabilities in the balance sheet is based on acquisition value or fair value. The valuation of FX derivatives and interest rate derivatives is based on fair value. The balance items "Long-term liabilities" include derivatives of MSEK 14 (20). Valuation of other financial assets and liability items in the balance sheets are based on acquisition value.

### ASSESSMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The valuation of financial instruments is based on classification in three levels: Level 1, fair values based on market values, where the instruments are traded on an active market are available. Level 2, no market values based on an active market are available, valuations are instead based on measurements of discounted cash flows. Level 3, at least one variable is based on own assessments. The fair value valuation of the Group's FX- and interest rate instruments are based on input according to level 2.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	FY 2015
Cash flow from operations before changes in working capital		42	22	112	161	262
Changes in working capital		127	13	27	69	173
<b>Cash flow from current operations</b>		<b>169</b>	<b>35</b>	<b>139</b>	<b>230</b>	<b>435</b>
Cash flow from investing activities		-1	14	51	-113	-217
Cash flow from financing activities		0	-69	0	-336	-419
<b>Changes in cash and cash equivalents from continuing operations</b>		<b>168</b>	<b>-20</b>	<b>190</b>	<b>-219</b>	<b>-201</b>
Cash-flow from discontinued operations						
Cash flow from current operations		-6	-20	-14	-51	-83
Cash flow from investing activities		0	0	41	36	72
Cash flow from financing activities		0	-3	-27	-46	-58
<b>Changes in cash and cash equivalents from discontinued operations</b>	<b>4</b>	<b>-6</b>	<b>-23</b>	<b>0</b>	<b>-61</b>	<b>-69</b>
Cash and cash equivalents at beginning of period		227	233	195	450	450
Exchange-rate difference in cash and cash equivalents		5	-2	9	18	15
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6</b>	<b>394</b>	<b>188</b>	<b>394</b>	<b>188</b>	<b>195</b>

## CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	FY 2015
Equity at beginning of period		1,249	1,945	1,386	2,042	2,042
Dividend		-	-	-	-98	-98
New share issue <sup>1)</sup>		-2	-	-2	-	-
Total comprehensive income for the period		-78	-394	-215	-393	-558
<b>SHAREHOLDERS' EQUITY AT END OF PERIOD</b>		<b>1,169</b>	<b>1,551</b>	<b>1,169</b>	<b>1,551</b>	<b>1,386</b>

1) Expenses related to the planned new share issue.

Share capital (MSEK)	Note	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	FY 2015
Share capital at beginning of period		177	177	177	177	177
<b>Share capital at end of period</b>		<b>177</b>	<b>177</b>	<b>177</b>	<b>177</b>	<b>177</b>

Number of shares ('000)	Note	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	FY 2015
Number of outstanding shares at beginning of period		177,444	177,444	177,444	177,444	177,444
<b>Total number of shares at end of period</b>		<b>177,444</b>	<b>177,444</b>	<b>177,444</b>	<b>177,444</b>	<b>177,444</b>
Average number of shares outstanding		177,444	177,444	177,444	177,444	177,444

## DATA PER SHARE

(SEK)	Note	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	FY 2015
EBITDA <sup>1)</sup>		0.5	0.3	1.2	1.3	1.6
Result after tax (EPS) <sup>1)</sup>		-0.4	-1.4	-1.3	-1.4	-1.9
Equity <sup>2)</sup>		6.6	8.7	6.6	8.7	7.8
Operating cash flow <sup>1)</sup>		0.1	-0.1	0.6	0.5	0.6
Total cash flow <sup>1)</sup>		1.0	0.1	1.1	-1.2	-1.1

1) Calculated on continuing operations

2) The calculation includes assets held for sale

## PARENT COMPANY

The Parent Company's result after tax for the nine-month period was MSEK -309 (-87). The result was negatively impacted by an impairment of shares in subsidiaries of -306 MSEK, which mainly relates to impairment of fleet values in underlying operations.

The activity in the Parent Company mainly consists of the shareholdings in VSS A/S and TA AB, as well as limited Group wide administration.

At the end of Q3 the Parent Company's equity was MSEK 1,679 (1,990 on Dec 31, 2015), and total assets were MSEK 2,046 (2,337 on Dec 31, 2015). The equity ratio on the balance day was 82% (85 on Dec 31, 2015). Cash and cash equivalents at the end of the period was MSEK 29 (34 on Dec 31, 2015) of which 28 MSEK comprised of client funds.



## PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	FY 2015
Net sales		102	86	272	261	344
Other operating revenue		-	-	-	-	1
Personnel costs		-	0	-1	-1	-2
Other costs		-104	-87	-274	-260	-342
<b>Operating result</b>		<b>-2</b>	<b>-1</b>	<b>-3</b>	<b>0</b>	<b>1</b>
Net financial items		-134	-243	-306	-87	-291
<b>Result before tax</b>		<b>-136</b>	<b>-244</b>	<b>-309</b>	<b>-87</b>	<b>-290</b>
Tax on result for the year		-	-	-	-	-40
<b>RESULT FOR THE PERIOD</b>		<b>-136</b>	<b>-244</b>	<b>-309</b>	<b>-87</b>	<b>-330</b>
<i>Other comprehensive income for the period:</i>						
<b>Items that will not be restored to the income statement</b>						
Revaluation of net pension obligations		-	-	-	-	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>-136</b>	<b>-244</b>	<b>-309</b>	<b>-87</b>	<b>-329</b>

## PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q3 2016	Q3 2015	FY 2015
Financial fixed assets		1,893	2,438	2,193
Current assets		153	43	144
<b>TOTAL ASSETS</b>		<b>2,046</b>	<b>2,481</b>	<b>2,337</b>
Shareholders' equity		1,679	2,232	1,990
Provisions		7	8	7
Long-term liabilities		165	167	163
Current liabilities		195	74	177
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>2,046</b>	<b>2,481</b>	<b>2,337</b>

## CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Note	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	FY 2015
Equity at beginning of period		1,817	2,476	1,990	2,417	2,417
Dividend		-	-	-	-98	-98
New share issue 1)		-2	-	-2	-	-
Total comprehensive income for the period		-136	-244	-309	-87	-329
<b>SHAREHOLDERS' EQUITY AT END OF PERIOD</b>		<b>1,679</b>	<b>2,232</b>	<b>1,679</b>	<b>2,232</b>	<b>1,990</b>

1) Transaction cost related to planned equity issue 2016.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. LIQUIDITY AND GOING CONCERN

The deteriorated market conditions, including downward pressure on rates and utilization, decreasing vessel values and contract backlog, have negatively impacted the liquidity, earnings and financial position of VSS A/S during 2015. As a consequence, VSS A/S in Q4 2015 initiated a dialogue with its lenders to secure a long-term stable financing solution. As at 31 December 2015 VSS A/S did not have sufficient liquidity to service its debt obligations as they fell due, including the requirements to deposit additional cash or security as required under contract coverage- and loan-to-value clauses in Q1 2016. Further in 2016, VSS A/S has not been able to comply with events of default provisions in loan agreements, which render all borrowings short-term and payable on demand by the lenders, including loans amounting to MSEK 887, which as at 31 December 2015 had been classified as long-term debt in the balance sheet.

VSS A/S has during the majority of 2016 been in an ongoing dialogue with its lenders and has during most of the year since February 2016 been in a standstill position, during which VSS A/S has not paid installments to its lenders. These events have created uncertainty as to the VSS A/S Group's and the company's ability to continue as going concern, including the application of the going concern assumption as basis for preparation of the financial statements as opposed to liquidation principles, which typically will require significant impairments of vessels to their net selling price in a distressed sale situation and further require recognition of liabilities that arise on account of the inability to continue as a going concern.

In May 2016, VSS A/S agreed the main principles for a restructuring agreement with the bank lenders. The term sheet with these main principles was signed on 12 July 2016. In August VSS A/S reached an agreement with the bondholders' committee regarding a revised proposal for restructuring of the bond issue and a bondholders' meeting was summoned. On 15 September 2016 a bondholders meeting was held. The proposed resolution obtained 98.26% of the votes, and the proposal was adopted according to the voting requirements of the Bond Agreement.

On 18 October 2016, a bankruptcy petition was approved towards the owner of Odin Viking, Norseman Offshore AS. On 9 November, Odin Viking SPV AS, a company owned by Kistefos AS, concluded on an agreement with the bankruptcy trustee, where after Odin Viking SPV AS purchased Odin Viking and acquired the bareboat charter party. On 9 November 2016, Odin Viking SPV AS and VSS A/S concluded on an agreement to amend the terms in the bareboat charter party.

This finalized the financial restructuring of VSS A/S, subject to an equity issue at an agreed level in Viking Supply Ships AB and a subsequent equity injection by the parent company into VSS A/S, where the majority shareholder Kistefos AS has already informed VSS A/S and the lenders that it will and has the ability to guarantee its 70% pro-rata share of the required equity issue in Viking Supply Ships AB. On this basis, Management expects that the company will be able to successfully execute the required equity issue.

The final agreement includes the following key terms:

- VSS A/S' bank facilities are extended until 31 March 2020.
- Contribution from the banks of approximately MUS\$ 215, including deferral of maturities and amortization schedules.
- Deferred amortization structure under bank facilities, with fixed quarterly repayment in the amount of USD 750,000 from 2018.
- In addition to the fixed amortizations under the bank facilities payable from 31 March 2018, there will be a cash sweep mechanism, whereby cash on hand exceeding certain levels shall be distributed as repayment of the bank facilities from 2018. During 2017, the cash sweep amounts have been pre-agreed.
- Financial covenants on the bank facilities are amended to provide VSS A/S with ample room to operate under the present challenging market conditions.
- Restructuring of the arrangements in respect of the vessel Odin Viking to reflect a reduced payment of maximum USD 10,000 per day for a period until 31 May 2024.
- Removal of put options related to Odin Viking.
- VSS A/S is given an option to purchase Odin Viking from Odin Viking SPV AS at the agreed price of USD 1 at the end of the charter party.

- Odin Viking SPV AS is entitled to a payment of MUS\$ 2.4, which will be settled by the issuance of new shares in Viking Supply Ships AB (publ) at the value of SEK 1.50 per share.
- 50% of the bonds will be converted to new class B shares in VSS A/S' parent company, Viking Supply Ships AB, at a subscription price of SEK 1.50, the bonds being valued at 55% of par.
- The remaining 50% of the bonds will be redeemed in cash at a price corresponding to 35% of the current face value of the bonds.
- Extraordinary repayments in an aggregate amount of approximately MUS\$ 23.7 by application of funds standing to the credit of accounts and proceeds from the equity issue in Viking Supply Ships AB.
- VSS A/S will receive new capital in the amount of minimum MUS\$ 17.6, including by way of an equity issue in Viking Supply Ships AB, of which Kistefos AS will guarantee MUS\$ 13.

Although not yet completed and therefore uncertainty exists at this point in time, Management is confident that conditions precedent can and will be met and accordingly an Agreement entered into since this will serve the economic interests of the stakeholders with which negotiations are still ongoing.

VSS A/S has been in a continuing standstill position with its lenders since February 2016, under which VSS A/S has only serviced its interest commitments. Until the restructuring is executed, VSS A/S is unable to fully service its debt obligations as they fall due, and therefore is dependent on maintaining this level of debt service. It is Management's assessment that the restructuring will be finally completed during Q4 2016. Further, the primary uncertainties and risks in relation to the going concern considerations include a continued weakening of the market conditions.

Based on the above and a continued belief in securing contracts within the core market segment, Management has concluded that both the company and VSS A/S Group despite the significant uncertainty will be able to continue as going concern at least the coming 12 months. This conclusion is based on Management's assessment that the conditions for completing the debt restructuring can and will be fulfilled, the current outlook for 2016/2017 and the uncertainties and risks described above.

## 2. TANGIBLE FIXED ASSETS

Tangible fixed assets are recognized at cost or after deductions for accumulated depreciation according to plan and possible impairment. Straight-line amortization according to plan is applied.

### Impairment test

The key assumptions used in the value in use calculation and in the assessment of owned vessels, for 2016 are as follows:

- The cash flows are based on current tonnage.
- Estimates of fixture rates, utilization and contract coverage as well as estimated residual values are based on Management's extensive experience and knowledge of the market.
- Operating expenses and dry dock costs are estimated based on Management's experience and knowledge of the market as well as plans and initiatives outlined in the operating budgets.
- The weighted average cost of capital (WACC) used to discount the forecasted cash flows was 8% (2015: 9%). The pre- and post-tax discount factor is the same due to tonnage taxation.

Further, in order to support the value in use calculations, valuations for the owned vessels are obtained from internationally acknowledged shipbrokers on a quarterly basis.

### Impairment test PSV fleet in 2016

In Q3 2016 Management evaluated the PSV fleet and concluded that the PSV vessels are impaired resulting in an impairment loss of MSEK 55. The impairment loss of MSEK 55 comes in addition to the impairment loss of MSEK 145 in Q2 2016.

The conclusion is based on a calculated value in use based on discounted cash flows using the principles set out above. Based on fixtures rates, utilization, contract coverage, cost levels and currency exchange levels VSS A/S has prepared discounted cash flow calculations covering the remaining useful lives of the vessels. All significant assumptions have been estimated using Management's best estimate in a challenging market and considering the fact that the last two PSV vessels have also been laid up in Q1 2016. The cash flow projection shows negative cash flows for 2016-17 due to all PSV vessels in warm lay-up in 2016 and poor market conditions expected in 2017 with step-wise improving rates and utilization in 2018 and going forward.

The value in use calculation based on discounted cash flows is very sensitive to changes in the underlying assumptions including the pace and timing of assumed market recovery and redeployment of vessels, which is uncertain due to the current challenging market conditions.

The impairment test also consists of an assessment of average external vessel valuations from internationally acknowledged shipbrokers showing a total PSV fleet value of MSEK 428 (ranging from MSEK 493 to MSEK 364). The valuations obtained from these shipbrokers are subject to more uncertainty than normal due to lack of sales and purchase transactions for comparable vessels.

Since the calculated value in use of MSEK 471 is lower than the original carrying amount of the owned PSV fleet (MSEK 484) at the end of Q3 2016, an impairment charge of 55 MSEK has been recognized. Due to the sensitivity in the underlying assumptions in the value in use calculation an additional impairment charge of MSEK 42 has been recognized.

VSS A/S will continue to closely monitor the market development and impairment exposure of the PSV fleet's carrying amount.

#### Impairment test AHTS fleet in 2016

In Q3 2016 Management evaluated the AHTS fleet and concluded that the AHTS vessels are not impaired. Value in use calculations prepared for the AHTS fleet showed no indications that the carrying amount may not be fully recoverable. This was further supported by the external vessel valuations from two independent internationally acknowledged shipbrokers showing a total AHTS fleet value in excess of the carrying amount of the owned AHTS fleet (MSEK 2,674) by 19% on average.

### 3. SEGMENT INFORMATION ABOUT CONTINUING OPERATIONS

The segment information about continuing operations is presented in four segments:

-The segments AHTS and PSV comprise 13 offshore vessels that are equipped for and have the capacity to operate in areas with harsh environment, further 7 of the Anchor Handling Tug Supply (AHTS) vessels are equipped to operate in Arctic areas.

-The segment Services provides ice management services and logistical support in the Arctic regions.

-The segment Ship Management is involved in commercial management of five icebreakers owned by the Swedish Maritime Administration.

For information about the previous segment TransAtlantic, which from this financial report is classified as discontinued operation and assets held for sale, please see note 4.

Q3 MSEK	AHTS	PSV	Services	Ship Management	Continuing operations
Net sales	198	0	4	33	235
EBITDA	90	-4	0	-1	85
Result before tax	-13	-63	0	1	-75
Total assets	3,294	442	0	0	3,736

Year to date MSEK	AHTS	PSV	Services	Ship Management	Total
Net sales	574	3	5	103	685
EBITDA	245	-28	-4	-1	212
Result before tax	-12	-207	-4	2	-221
Total assets	3,294	442	0	0	3,736

*There have been no significant transactions between the segments.*

### 4. DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

During 2016 it was decided to discontinue the remaining operations in the subsidiary TransAtlantic AB in order to meet financing commitments related to these operations. The decision has led to the initiations of discussions and negotiations with employees, partners and other stakeholders. At the end of Q3 2016 the Group assess that discontinuation is likely to be completed within the next 12 months, subject the outcome of the ongoing discussions and negotiations. Due to this, the Group will in its financial reports as from Q3 2016 recognize TA AB



as discontinued operations and assets held for sale, according to IFRS 5 Assets held for sale and discontinued operation, which means that TA AB is reported as a one-line item in the consolidated profit and loss statements. Assets and liabilities related to TA AB are also presented in two rows in the consolidated balance sheet. The consolidated cash flow statement is presented including TA AB, but with additional information about cash-flow from current operation and investing- and financing activities of TA AB. Comparative figures for prior periods are also presented in accordance with this classification in the consolidated profit and loss statement and cash-flow statement.

The remaining operations, classified as discontinued operations and assets held for sale, comprised at the end of the quarter of two owned RoRo-vessels, the special purpose vessel TransFighter and TransReel. TransFighter has been unemployed since the first quarter 2016, and TA AB has during the year worked intensively to seek employment for the vessel, but current efforts are directed towards a sale of TransFighter. After the end of the third quarter TransReel was sold. The sales cash proceeds from the sale were entirely used to repay ship-loans. Further, the segment comprise of three RoRo-vessels long term chartered on bareboat basis, which are subleased on time-charter basis. These charter contracts are signed by VSS AB, but are seen as a business component in the TransAtlantic segment and are also included in the discontinuation strategy. Finally, the segment comprise of six small bulk vessels bareboat-chartered, by TA AB from a company in which TA AB owns 38% of the shares. The vessels are chartered out on a long-term time-charter.

Discontinued operations are in accordance with IFRS 5 measured at the lower of carrying amount and fair value less costs to sell. The assessment of the valuations of the remaining vessels assets are supported by independent broker valuations and an overall assessment from ongoing sales processes. The revaluation has during the quarter resulted in a write-down of the vessel TransFighter by MSEK 12.

#### CONSOLIDATED INCOME DISCONTINUED OPERATIONS

(MSEK)	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	FY 2015
Net sales	93	226	260	684	863
Other operating revenue	0	0	0	0	37
Direct voyage cost	-1	-89	-6	-286	-345
Personnel costs	-3	-35	-5	-113	-140
Other costs	-94	-112	-257	-328	-439
Depreciation/impairment	-2	-17	-15	-24	-30
Impairment to fair value less selling costs 1)	-12	-	-12	-	-
<b>Operating result</b>	<b>-19</b>	<b>-27</b>	<b>-35</b>	<b>-67</b>	<b>-54</b>
Net financial items	-1	1	-4	-11	-14
<b>Result before tax</b>	<b>-20</b>	<b>-26</b>	<b>-39</b>	<b>-78</b>	<b>-68</b>
Tax	0	0	0	0	-40
<b>RESULT FROM DISCONTINUED OPERATIONS</b>	<b>-20</b>	<b>-26</b>	<b>-39</b>	<b>-78</b>	<b>-108</b>
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):					
-Result from discontinued operations	-0.1	-0.2	-0.2	-0.4	-0.6

1) Not tax deductible

#### ASSETS HELD FOR SALE AND LIABILITIES RELATED TO ASSETS HELD FOR SALE

(MSEK)	Q3 2016
Vessels	67
Other tangible fixed assets	0
Intangible fixed assets	1
Financial assets	21
<b>Total fixed assets</b>	<b>89</b>
Current assets	48
<b>ASSETS HELD FOR SALE</b>	<b>137</b>
Long-term liabilities	1
Current liabilities	196
<b>LIABILITIES RELATED TO ASSETS HELD FOR SALE</b>	<b>197</b>

## CASH-FLOW FROM DISCONTINUED OPERATIONS

(MSEK)	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	FY 2015
Cash flow from current operations	-6	-20	-14	-51	-83
Cash flow from investing activities	0	0	41	36	72
Cash flow from financing activities	0	-3	-27	-46	-58
<b>NET CASH FLOW FROM DISCONTINUED OPERATIONS</b>	<b>-6</b>	<b>-23</b>	<b>0</b>	<b>-61</b>	<b>-69</b>

## 5. INTEREST BEARING LIABILITIES

The vessels owned by the Group are 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 total interest-bearing debt at the end of the quarter including discontinued operations was MSEK 2,380 (2,334 on Dec 31, 2015).

The interest bearing liabilities are associated with financial covenants, according to which the Group must fulfil certain key ratios. At 31 December 2015, all such financial covenants were in compliance (see note 1, liquidity and going concern).

In addition hereto, the interest bearing liabilities are also associated with loan clauses, such as contract coverage clauses and loan-to-value clauses, according to which the Group had to fulfil certain ratios of contract coverage and loan-to-value ratios, pursuant to the individual loan agreements. If these ratios were not met, the Group had to deposit cash or provide additional security in accordance with the terms in the relevant loan agreements. Any such amount in deposit would vary up or down and the variation was dependent upon currency exchange rates, amortizations under the loan and development in vessel valuations obtained from external shipbrokers. If the ratios of contract coverage and loan-to-value, pursuant to the terms in the individual loan agreements, yet again are met then the obligation of providing additional security will cease. At the balance date, the Group had provided the lenders with a total of MSEK 77 in additional security.

Calculations of contract coverage and loan-to-value ratios as at 31 December 2015 showed a requirement for the Group to deposit cash or provide additional security during Q1 2016, partly to be remedied before the end of January 2016. Further in 2016, the Group has not been able to comply with events of default provisions in loan agreements, which render all VSS A/S borrowings short-term and payable on demand by the lenders.

In March 2012 Viking Supply Ships A/S issued a 5 year senior unsecured bond loan 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. As at balance date, Viking Supply Ships is holding nominal MNOK 189 of this bond, implying MNOK 196 is outstanding. As a result of an agreement that has been resolved by the bondholders in conjunction with the key terms of the debt restructuring plan, the bond agreement will be changed in 2016 (see note 1, Liquidity and going concern).

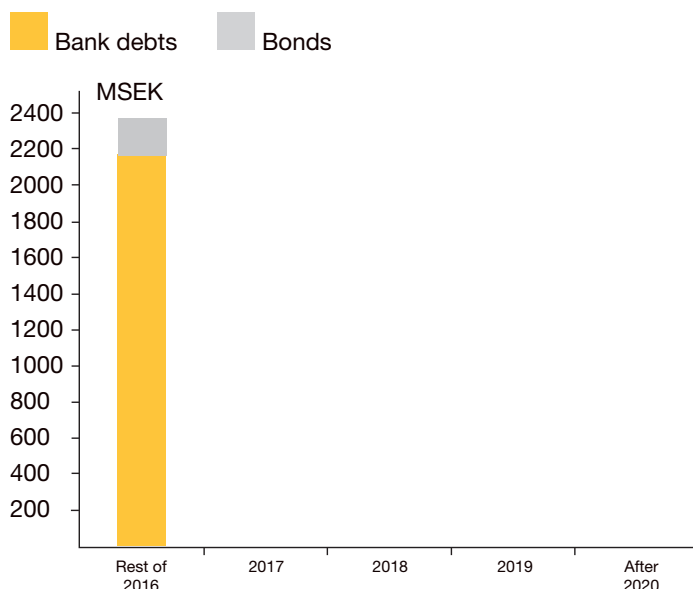
At the expiration and redelivery of two bareboat vessels in TA AB there was a residual value guarantee commitment for the Group in favor of the financing bank. The commitment amounts to a total of MSEK 67. The bank has agreed that the payment is postponed to no later than in Q4 2016. Further, in a loan agreement within TA AB there is a loan-to-value clause that the bank has invoked and requested an instalment of MSEK 49. The bank has agreed to give TA AB time to pursue opportunities to free up liquidity to reduce the loan.

The Group has 45% (44) of its interest bearing debt in USD, 17% (19) in GBP, 0% (1) in EUR and 38% (36) in NOK. The Group has 100% (90) of the total loan portfolio swapped into fixed interest rates within the interval of 90 days up to three years and 0% (10) of the total loan portfolio swapped into fixed interest rates for more than 3 years.

### 5.1. Classification by type of debt

MSEK	Q3 2016	Q3 2015	FY 2015
Long-term bond loan	-	194	189
Short-term bond loan	212	-	-
Long-term debt to credit institutions	-	1,553	796
Short-term debt to credit institutions	2,168	734	1,349
<b>TOTAL INTEREST BEARING LIABILITIES</b>	<b>2,380</b>	<b>2,481</b>	<b>2,334</b>

## 5.2. Debt maturity



## 6. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents available at the end of the quarter amounted to MSEK 394 (195). Cash assets include client funds of MSEK 53.

MSEK	Q3 2016	Q3 2015	FY 2015
Restricted cash <sup>1)</sup>	77	82	104
Free cash and cash equivalents	394	188	195
<b>TOTAL</b>	<b>471</b>	<b>270</b>	<b>299</b>

1) The amount is included in the item "Financial Assets" in the balance sheet.

## 7. OPERATIONAL AND FINANCIAL RISK

The Group operates in highly competitive markets and is exposed to various operational and financial risk factors. The financial risk is mainly related to liquidity risk, funding risk and currency risk. The Group works actively to identify, assess and manage these risks.

The Groups liquidity is due to the market conditions strained and is in the current market unable to fulfill existing covenant undertakings in loan agreements. A solution with the lenders is necessary and accordingly, a dialogue with the lenders was initiated during Q4 2015, with an ambition to secure a long-term stable financing solution (see note 1, Liquidity and going concern).

The main operational risk factors relate to the overall macroeconomic market conditions, degree of competition, flow of goods in prioritized market segments and finally the overall balance of supply and demand of vessels, affecting rates and profit margins. The objective of the overall risk management policy of the Group is to ensure a balanced risk and return relationship.

The offshore market is to a high degree dependent on the investment level in the oil industry which in turn is driven by the oil price development on the global market. The recent decline in the offshore market has impacted the Group's profitability and liquidity. The Group has a clear focus on increasing the number of vessels on term contracts within the offshore operations to mitigate fluctuations in rates and utilization.

The business activities in the TransAtlantic segment operate in a competitive market with profit margins under pressure.

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

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 primarily matched with liabilities in the same currency.

## 8. OTHER INFORMATION

### Company information

Viking Supply Ships AB is a limited liability company registered in Sweden, with its domicile in Gothenburg, and corporate registration number 556161-0113. Viking Supply Ships AB is listed on the Small Cap list of the NASDAQ OMX Nordic Exchange in Stockholm under the ticker VSSAB.

### Corporate tax

The general situation for the Group is that taxes payable are limited to foreign entities. The tax losses carry forward for Swedish entities amounted at end of the period to MSEK 1,053 (1,061 on Dec 31, 2015). There are no tax assets capitalized in the balance sheet related to these tax losses carry forward. The recognized deferred tax liability for the operations outside Sweden amounted to MSEK 3 (3 on Dec 31, 2015).

### Transactions with closely related parties

As part of the restructuring process in the Group, the majority shareholder, Kistefos AS, has entered into agreements with some of the Group's financing counterparts. As a consequence, the Group has entered into agreements on market terms with Kistefos AS. The compensation in these agreements has been agreed to an annualized fee of 12% covering the associated risk and exposure. The compensation for the nine month period 2016 amounted to 9 MSEK.

### Accounting policies

This interim report for the Group was prepared in accordance with the application of IAS 34 Interim Financial Reporting and applicable rules in the Swedish Annual Accounts Act and for the Parent Company, in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The accounting policies applied for the Group and the parent company correspond, unless otherwise stated below, with the accounting policies applied in the preparation of the latest annual report.

Viking Supply Ships applies IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in accounting for discontinued operations for the segment TransAtlantic AB. Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than from continuing use. An asset is classified as held for sale if it is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. These assets are recognized on a separate line as current assets or current liabilities in the consolidated balance sheet. On initial classification as held for sale, non-current assets are recognized at the lower of carrying amount and fair value less costs to sell. A discontinued operation is a component of the Group's business that represents a separate business segment or major line of business within a geographical area of operations or a subsidiary acquired exclusively with a view to sell. Classification as a discontinued operation occurs upon disposal or, if earlier, when the operation meets the criteria to be classified as held for sale. When an operation is classified as discontinued, the presentation of the consolidated income statement for the comparative year is changed so that the discontinued operation is recognized as if it had been discontinued at the start of the comparative period. The presentation of the consolidated balance sheet for preceding periods is not changed in a corresponding manner.

### Change of functional currency

Based on the significant changes occurring during 2015 in the market in which the company operates and the increased volatility in exchange rates, management has evaluated the functional currency for the company. Having considered the aggregate effect of all relevant factors, management has concluded that the functional currency of the company is USD. The evaluation included all factors of the primary economic environment in which Viking Supply Ships A/S operates including vessel values, financing, income and expenses. The change in functional currency reflects the accumulation over time of changes in those factors. It was determined that the functional currency had changed at the beginning of 2016. Similar analysis has been performed for the subsidiaries Viking Supply Ships 5 ApS (owner of three AHTS vessels) and Viking Supply Ships PSV AS (owner of the PSV fleet). The outcome of this analysis meant that the functional currency of these companies has changed to USD at the same time as for Viking Supply Ships A/S. In accordance with IAS 21 changes of functional currencies will be accounted for prospectively from 1 January 2016.



Except from the above noted, the same accounting policies for both the Group and the Parent Company have been applied as those used in the most recent Annual Report.

VSS A/S publishes a separate report as a result of the issued debt certificates. Some values in that report are not comparable to the values in this report, as a result of different acquisition values and depreciation schedules between VSS A/S and the Group. VSS A/S has as of Q3 2011 been built through Group-internal transfers of vessels and operations at then current market prices, which is why differences in acquisition values have arisen.

**Number of employees**

The average number of full time employees in the Group for the first nine months was 460 (Jan-Dec 2015: 740).

**Number of shares**

Share distribution on September 30, 2016:

Number of Series A shares 11,634,946

Number of Series B shares, listed 165,809,372

**Total number of shares 177,444,318**

## DEFINITIONS

### AHTS

Anchor Handling Tug Supply vessel

### CAPITAL EMPLOYED

Is the sum of shareholder's equity and interest-bearing loans

### EARNINGS PER SHARE

Profit after financial items less 1) current tax, 2) tax on profit for the year (current and deferred tax) in accordance with the consolidated income statement

### EBIT

Earnings before interest and taxes

### EBITDA

Earnings before interest, taxes, depreciation and amortization, corresponding to profit/loss before capital expenses and tax

### EQUITY RATIO

Shareholders' equity divided by total assets

### THE GROUP

Viking Supply Ships AB, a Limited Liability Company registered in Sweden, with all subsidiaries

### IFRS

International Financial Reporting Standards – an international accounting standard used by all listed companies. Some older standards included in IFRS include IAS (International Accounting Standards)

### MARKET ADJUSTED EQUITY RATIO

Shareholders' equity divided by total assets, adjusted for asset market valuations

### OPERATING CASH FLOW

Profit/loss after financial income/expense adjusted for capital gains/losses, depreciation/amortization and impairment

### OPERATING COST

Operating cost consists of crew, technical and administration costs

### OPERATING PROFIT/LOSS

Profit/loss before financial items and tax

### OSV

Offshore Support Vessels

### PROFIT MARGIN

Profit after financial items divided by net sales

### PSV

Platform Supply Vessel

### RETURN ON EQUITY

Profit after financial items less tax on profit for the year, divided by average shareholders' equity

### RETURN ON CAPITAL EMPLOYED

Profit before interest and tax (EBIT) divided by average capital employed

### RORO

Roll-on/roll-off ships are vessels designed to carry wheeled cargo, such as automobiles, trucks etc.

### TOTAL CASH FLOW

Cash flow from operating activities, investing activities and financing activities



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