



VIKING SUPPLY SHIPS

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Press release

25 November 2016

Viking Supply Ships AB announces equity issues

Viking Supply Ships AB strengthens the group's financial position in accordance with the agreement on financial restructuring; announces fully guaranteed rights issue of approximately MSEK 207 as well as a directed share issue and offset share issues together corresponding to approximately MSEK 141.

Summary

- The Board of Directors of Viking Supply Ships AB ("**Viking Supply Ships**" or the "**Company**") has, pursuant to the authorisation granted by the annual general meeting, resolved on new share issues in the Company to fulfil the conditions agreed upon with the Company's lending banks and bondholders under the previously announced financial restructuring
- As a result of the negotiations, the subscription price is SEK 1.50 per share in all the share issues which closely connects to the market price for the Company's series B share
- A rights issue whereby the Company's existing shareholders have preferential right to subscribe for new shares. For each existing series A share held on the record date, seven (7) subscription rights of series A are obtained and for each existing series B share, seven (7) subscription rights of series B are obtained. The subscription rights allow the holder to subscribe for new shares with primary preferential rights, whereby nine (9) subscription rights of series A and series B, respectively, give the right to subscribe for one (1) new series A share and B share, respectively
- Full subscription in the rights issue corresponds to total issue proceeds of approximately MSEK 207 before issue costs
- The record date for participation in the rights issue is 2 December 2016
- The subscription period (subscription through payment) will run from 5 December 2016 up to and including 19 December 2016
- The rights issue is fully guaranteed through subscription and guarantee undertakings from the Company's main shareholder Kistefos AS (through the wholly-owned subsidiary Viking Invest AS) ("**Kistefos**")
- Offset of part of existing bond loan of approximately MSEK 56 against new shares in Viking Supply Ships
- Agreement reached with the bondholders regarding cash settlement of approximately MNOK 35 corresponding to the remaining part of the bond loan resulting in certain discount for Viking Supply Ships
- Directed share issue of approximately MSEK 42.5 of series B shares in Viking Supply Ships to a subsidiary of Kistefos
- Offset of claims from Kistefos with subsidiaries of approximately MSEK 42.1 against new series B shares in Viking Supply Ships

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Background and reasons

As previously communicated, it became clear during the fourth quarter of 2015 that the Company and its subsidiary Viking Supply Ships A/S ("**VSS A/S**") (the "**Group**") did not have sufficient liquidity.

In the light of this situation, the Group initiated a dialog with its lenders in order to secure a long-term stable financial platform for the Group. During most of 2016, VSS A/S has had discussions with lending banks and other creditors, and has since February 2016 had a "standstill" agreement with lending banks, resulting in that VSS A/S has not amortised the loans.

In May 2016 VSS A/S and lending banks agreed on the main principles of a restructuring agreement. An agreement was entered in July 2016 (the "**Restructuring Agreement**"), entailing, *inter alia*, that the loan agreements' maturity is extended until 31 March 2020, that amortisations for 2017 shall amount to approximately MUSD 6, after which fixed quarterly amortisations of USD 750,000 shall apply from 2018, that VSS A/S's available liquid funds exceeding certain thresholds shall be used for amortisations of loans and that extra amortisations of the loans of a total amount of MUSD 23.7 shall be made partially through liquid funds that have been made available by an agreement with the Group's lending banks.

According to the Restructuring Agreement, VSS A/S shall also agree on a loan restructuring with the holders of VSS A/S bonds 2012/2017 of approximately MNOK 199. In August, VSS A/S entered into such an agreement implying that 50 per cent shall be converted to new shares of series B in the Company at a subscription price of SEK 1.50 per share, the bonds thereby being valued at 55% of the bonds nominal value, and that the remaining 50 per cent of the bonds are redeemed at 35 per cent of the bonds nominal value, corresponding to approximately MNOK 35. The cash redemption is financed partially through existing disposable liquid funds, partially through a loan of MSEK 20 from an existing creditor.

The Restructuring Agreement furthermore entailed that VSS A/S had to reach a solution regarding the bareboat charter agreement with Norseman Offshore AS for the vessel Odin Viking. In October this year, Norseman Offshore AS was declared bankrupt. In November this year Odin Viking SPV AS, a company wholly-owned by Kistefos, entered into an agreement with the bankruptcy estate through which Odin Viking SPV AS acquired Odin Viking and took over the bareboat charter agreement. Furthermore in November, Odin Viking SPV AS and VSS A/S entered into an agreement regarding amendments to the conditions in the bareboat charter agreement entailing a reduced rent, expiry of a put option for Odin Viking SPV AS and issuance of a call option of USD 1 for VSS A/S. The renegotiation is estimated to correspond a total value of approximately MUSD 18 in favour of VSS A/S, thus resulting in that a corresponding claim arose for Odin Viking SPV A/S against VSS A/S. According to the agreement, the claim shall be converted to new series B shares in the Company at a subscription price of SEK 1.50 per share with payment against setoff. At the setoff, the claim is valued at approximately 13 per cent of its nominal value, thus the total amount to setoff reaches MUSD 2.4.

The financial restructuring and the present rights issue and other new share issues aim to strengthen the Group's balance sheet and significantly reduce the need of assets for amortisations up to and including the 1 January 2020.

The Restructuring Agreement is conditional up on the implementation of the present rights issue and following capital increase from the parent company to VSS A/S.

Otherwise, there are no additional conditions for the Restructuring Agreement.



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In connection with the return of two of TransAtlantic AB's previously bareboat chartered vessels, there is an existing residual value obligation of approximately MSEK 70 towards the financing bank. The bank has acknowledged to postpone the payment until 31 December 2016. In addition, there is a request for additional amortisation of approximately MSEK 52. During 2016 the Company has decided to dismantle the remaining business within TransAtlantic AB and a process is in progress in connection hereto. After the end of the third quarter the sale of the RoRo ship TransReel was made, and an agreement has been signed regarding the sale of TransFighter. These disposals are expected to, collectively, give the Company enough liquidity to be able to fulfil TransAtlantic AB's remaining loan facilities. The liquidity needed to be able to fully fulfil TransAtlantic AB's residual value obligations requires that the rights issue in Viking Supply Ships becomes fully subscribed.

Provided that the conditions of the Restructuring Agreement, including the implementation of the rights issue, are fulfilled, the Company deems that all material parts of the financial restructuring will be completed during the fourth quarter of 2016. When the restructuring has been completed, Viking Supply Ships expects to have enough liquidity to maintain business, even if the market remains weak, until 2019. The main risks and uncertainties in respect of these considerations are a continued weakening of the market conditions.

The reasons for deviating from the shareholders' preferential rights in the directed share issues, are to ensure the long-term financing of the Company as the share issues are a step in the agreements the Company has reached with its lenders regarding the financial restructuring of the Group and are thereby necessary for the Company not becoming insolvent as well as critical for the Group's recovery and future development.

All negotiations in respect of the share issues have been made on commercial terms, including determination of the subscription price of SEK 1.50 (or the equivalent to the extent payment is made in another currency) in all share issues, which closely connects to the market price of the Company's series B shares.

The different parts of the package of measures are described in more detail below.

The rights issue

The Board of Viking Supply Ships has on 25 November 2016, pursuant to the authorisation granted by the annual general meeting on 30 June 2016, resolved on a rights issue of approximately MSEK 207 prior to issue costs. The issue proceeds will be used to strengthen the Group's balance sheet with the purpose of providing the Group with satisfactory financing and liquidity up to and including 2019 and shall also, to approximately 60 per cent, be transferred to VSS A/S and thereby be used partly to fulfil interest and amortisation obligations in accordance with renegotiated amortisation plans in the Restructuring Agreement, and partly, together with the assets that until now have been blocked, for additional amortisations in accordance with the Restructuring Agreement. Furthermore, approximately 40 per cent will be transferred to TransAtlantic AB and thereby be used to fulfil the residual value obligations.

For every existing series A share held on the record date, seven (7) subscription rights of series A are obtained and for every existing series B share, seven (7) subscription rights of series B are obtained. The subscription rights allow the holder to subscribe for new shares with primary preferential rights, whereby nine (9) subscription rights of series A and series B, respectively, give the right to subscribe for one (1) new series A share and B share, respectively.



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In the event not all of the shares are subscribed for by exercise of subscription rights (primary preferential rights), the board of directors shall determine the allotment of new shares within the limit of the rights issue's maximum amount. Primarily, shares shall then be offered to all shareholders (secondary preferential rights). In the event that these shares are not sufficient for the subscriptions made by secondary preferential rights, allotment shall be made to the subscribers pro rata in proportion to the total number of shares held on the record date, regardless of whether such shares are of series A or series B, and, to the extent this is not possible, by drawing of lots.

Secondly, shares that have not been subscribed for with primary preferential rights shall be offered to others who have subscribed without preferential rights (the public in Sweden and qualified institutional investors). In the event that allotment cannot be made for all shares subscribed, allotment shall be made pro rata in proportion to the number of shares subscribed, and, to the extent this is not possible, allotment shall be made by drawing of lots.

Ultimately, any thereafter remaining shares shall be allotted to Kistefos as guarantor.

The Company's share capital shall increase of not more than SEK 138,012,246 to SEK 315,456,564 by issuance of not more than 9,049,402 new shares of series A and of not more than 128,962,844 new shares of series B. The subscription price is SEK 1.50 per share, which at full subscription corresponds to issue proceeds of approximately MSEK 207 prior to issue costs.

The record date for participating in the rights issue is 2 December 2016 and the subscription period (subscription through payment) will run from 5 December 2016 up to and including 19 December 2016, with right for the Board of Directors to prolong the subscription period.

Subscription and guarantee undertakings

The Company's largest shareholder Kistefos, who at the time of this press release holds approximately 70.4 per cent of the capital and approximately 63.3 per cent of the votes in Viking Supply Ships, has committed to subscribe for shares in the rights issue pro rata to its current holdings. In addition, Kistefos has also guaranteed subscription of the remaining part of the rights issue, i.e. the shares that are not subscribed for by others with or without preferential rights, to an amount of not more than approximately MSEK 61.3, corresponding approximately 29.6 per cent of the new share issue. Hence, the rights issue is fully guaranteed. A guarantee fee of 4.5 per cent of Kistefos' maximum guarantee obligation, which corresponds to approximately MSEK 2.76, is to be paid to Kistefos. According to an agreement with Kistefos, the Company shall pay for the guarantee fee with new series B shares in the Company through a share issue with payment against set-off, where Kistefos sets-off its claim for the guarantee fee against new shares. The subscription price shall be SEK 1.50, being the same as in the rights issue.

Preliminary timeline for the rights issue

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|----------------------------|---|
| 30 November | Last day of trading in the Company's series B shares including the right to participate in the rights issue with preferential right |
| 1 December | Estimated date for publishing of the prospectus |
| 2 December | Record date for participation in the rights issue, entailing that shareholders that are registered in the share register this day will obtain subscription rights that entail the right to participate in the share issue |
| 5 December- 15 December | Trading in subscription rights |



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5 December- Subscription period (subscription through payment)
19 December

20 December Estimated date for publishing preliminary outcome of the rights issue

Share issue with payment against set-off for the bondholders

- On 25 November 2016, the Board of Directors has, pursuant to the authorisation granted by the annual general meeting held on 30 June 2016, resolved on a share issue of series B shares to the holders of debt certificates in VSS A/S bond loan 2012/2017. Payment for the new shares shall be made through set-off of claims towards the Company corresponding to approximately MSEK 56.
- The subscribers' claim refers to part of VSS A/S's debt obligation according to bond loan 2012/2017, which will be taken over by the Company to enable the set-off share issue.
- The Company's share capital shall increase by not more than SEK 37,691,709 through issuance of not more than 37,691,709 new shares of series B.
- The subscription price is SEK 1.50 per share.
- The share issue is conditional upon the execution of the directed share issue to Odin Viking SPV AS of approximately MSEK 42.5 described below.

Directed share issue to Odin Viking SPV AS

- On 25 November 2016, the Board of Directors has, pursuant to the authorisation granted by the annual general meeting held on 30 June 2016, resolved on a directed share issue of series B shares to Odin Viking SPV AS, a wholly-owned subsidiary of Kistefos. The share issue is made to fulfil the conditions in the Restructuring Agreement.
- The Company's share capital shall increase by of not more than SEK 28,355,933 through issuance of not more than 28,355,933 new shares of series B.
- The subscription price is SEK 1.50 per share.
- The issue proceeds amount to approximately MSEK 42.5 (or the corresponding amount in USD)

Share issue with payment against set-off for Kistefos

- On 25 November 2016, the Board of Directors has, pursuant to the authorisation granted by the annual general meeting held on 30 June 2016, resolved on a directed share issue of series B shares to Kistefos. Payment for the new shares will be made through set-off of claims against the Company of a total amount of USD 1,858,411, corresponding to approximately MSEK 17.2.
- Kistefos' claims refer to remuneration on market terms for security provided in favour of certain of the Group's lenders and consulting fees on market terms in respect of work carried out by Kistefos' employees in connection with the Company's restructuring process. The agreement with lending banks does not permit cash payment from the Company to Kistefos, thus the debt is settled through a set-off share issue instead.
- The Company's share capital shall increase by not more than SEK 11,455,864 through issuance of not more than 11,455,864 new shares of series B.
- The subscription price is SEK 1.50 per share.
- Furthermore, the Board intends, pursuant to the authorisation granted by the annual general meeting held on 30 June 2016, to resolve on a share issue of series B shares to Kistefos with a subscription price of SEK 1.50 with payment through set-off of claims against the Company of in total approximately MSEK 2.76. The claim refers to remuneration for Kistefos' guarantee



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undertaking. The Company's share capital shall thereby increase by not more than SEK 1,838,490 through a share issue of not more than 1,838,490 new shares of series B.

Share issue with payment against set-off for Odin Viking SPV AS

- On 25 November 2016, the Board of Directors has, pursuant to the authorisation granted by the annual general meeting held on 30 June 2016, resolved on a directed share issue of series B shares to Odin Viking SPV AS. Payment for the new shares shall be made through set-off of claims against the Company of a total amount of MUS\$ 2.4, corresponding to approximately MSEK 22.2.
- The subscriber's claim refers to VSS A/S's debt obligation relating to agreed changes in the bareboat charter agreement for the vessel Odin Viking. This obligation is taken over by the Company to make the set-off share issue possible. The agreement with lending banks does not permit cash payment from the Company to Odin Viking SPV AS, thus the debt is settled through a set-off share issue instead.
- The Company's share capital shall increase by not more than SEK 14,794,400 through issuance of not more than 14,794,400 new shares of series B.
- The subscription price is SEK 1.50 per share.

Timetable for the directed share issues

Subscription in the directed share issues shall be made in connection with the end of the subscription period in the rights issue, except for the share issue to the bondholders against setoff payment in which subscription shall take place no later than 16 January 2017. The Board has the possibility to extend the subscription period in the share issues. Payment in the directed share issues shall, with the possibility for the Board to extend the payment time, be made in connection with respective subscription, with exception for (i) the directed share issue of MSEK 42.5 where payment due to the conditions in the underlying financing agreement shall be made on 2 January 2017 and (ii) the share issue with payment against set-off for the bondholders where subscription shall be made on 16 January 2017. Thus, the financial restructuring is estimated to be completed in January next year.

Kistefos' ownership

If the rights issue is not fully subscribed for, Kistefos will, as a consequence of fulfilling its subscription and guarantee undertakings respectively, increase its part of the share capital and votes in the Company. After the rights issue, Kistefos' holdings can at a maximum amount to 83% of the share capital and 79% of the votes (without regard to the other share issues being carried out).

With regards to the other share issues being carried out, Kistefos' holdings in the Company after all the share issues have been carried out can at a maximum amount to 78% of the share capital and 76% of the votes.

It can be noted that following Kistefos' mandatory takeover offer to the shareholders in Viking Supply Ships on 24 March 2014, Kistefos is no longer subject of the provisions regarding mandatory offers in the Swedish Takeover Act.

Financial and legal advisers

Swedbank Corporate Finance is acting as financial adviser to Viking Supply Ships in conjunction with the transactions. Advokatfirmaet Wiersholm is acting as legal advisor in conjunction with the financial



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restructuring and Mannheimer Swartling Advokatbyrå is acting as legal advisor in conjunction with the share issues.

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Important information

The information in this press release does not contain or constitute an offer to acquire, subscribe or otherwise trade in shares, subscription rights or other securities in Viking Supply Ships AB (publ). Any invitation to the persons concerned to subscribe for shares in Viking Supply Ships will only be made through the prospectus that Viking Supply Ships estimates to publish on or about 1 December 2016.

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This press release may contain forward-looking statements which reflect Viking Supply Ship's current view on future events and financial and operational development. Words such as "intend", "expect", "anticipate", "may", "believe", "plan", "estimate" and other expressions which imply indications or predictions of future development or trends, and which are not based on historical facts, are intended to identify forward-looking statements. Forward-looking statements inherently involve both known and unknown risks and uncertainties because they depend on future events and circumstances. Forward-looking statements do not guarantee future results or development and the real outcome could differ materially from the forward-looking statements.

Viking Supply Ships AB is the parent company of a Swedish shipping group with its main office in Gothenburg, Sweden. The Group conducts its business in four segments: Anchor Handling Tug Supply ships (AHTS), Platform Supply Vessels (PSV), Services and Ship Management. The business is focused within offshore and ice-breaking primarily in Arctic and subarctic areas. The Group has approximately 500 employees and its revenue for 2015 amounted to MSEK 1,114. The Company's series B share is listed at Nasdaq Stockholm, Small Cap segment. www.vikingsupply.com.

This information is information that Viking Supply Ships AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 2.30 p.m. CET on 25 November 2016.