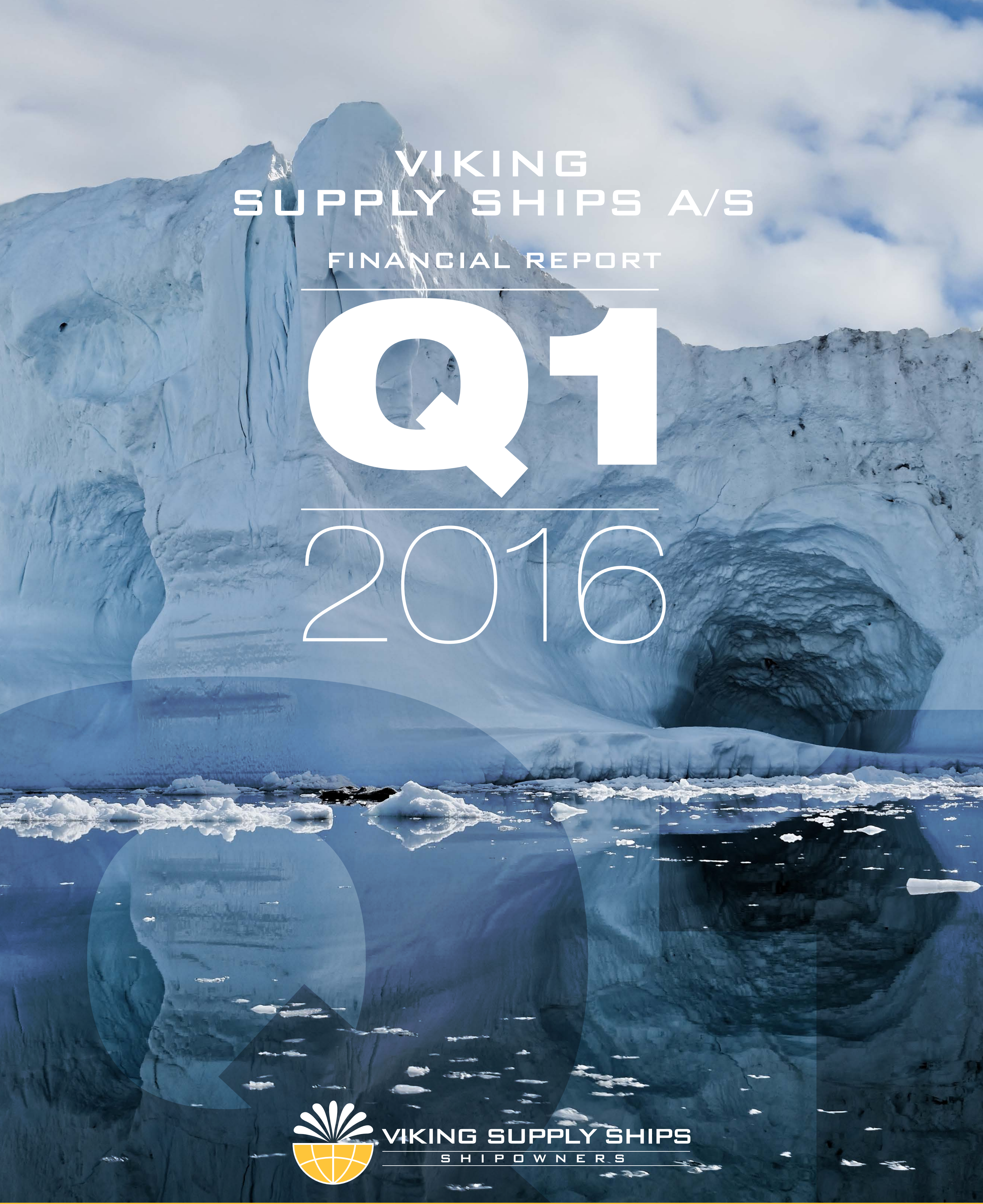

VIKING SUPPLY SHIPS A/S

FINANCIAL REPORT

Q1 2016

VIKING SUPPLY SHIPS
SHIPOWNERS

MORE THAN A SHIPOWNER | THE COOLEST PLACE TO WORK | ALWAYS AHEAD OF COMPETITION

Q1

Q1 REVENUE **MUSD 27.7 (34.8)**

ARCTIC FOCUS

Q1 EBITDA **MUSD 7.7 (9.3)**

Q1 NET RESULT **MUSD -4.1 (-4.6)**

Q1 FIXTURE RATE AHTS **USD 63,600 (54,100)**

Q1 CONTRACT BACKLOG
AHTS CONTRACT COVERAGE 2016: **31%** 2017: **14%** 2018: **0%**
(Including firm periods and options)

Viking Supply Ships A/S (VSS A/S) conducts operations in the North Sea, Arctic and in the global offshore sector. The fleet comprises of 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 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 A/S is committed to have a substantial part of the fleet on longer term contracts, and has a focus on increasing the contract backlog.

For further information, please contact CEO, Christian W. Berg, ph: +45 41 77 83 80 or Investor Relations & Treasury Director, Morten G. Aggvin, ph: +47 41 04 71 25.

The interim financial statements have not been subject to audit.

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SUMMARY OF EVENTS

In February 2016 Magne Viking was certified according to the IMO Polar Code. The vessel, which is the first vessel globally to comply with the code, was approved by DNV GL.

Due to a continued weak PSV market VSS A/S, in March 2016, decided to lay up the PSVs Sol and Freyja Viking with immediate effect. The decision will reduce the company's operational costs going forward and will give a positive impact on the results from the second quarter of 2016.

The market for PSV vessels has continued to deteriorate after the end of the reporting period. The current challenging market conditions are supported by a decline in observable broker values of the PSV fleet. VSS A/S will continue to closely monitor the market development and need for further impairment of the PSV fleet's carrying amount.

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 (see note 8, Basis of preparation).

In Q4 2015 VSS A/S had initiated a dialogue with its lenders to secure a long-term stable financing solution. In February 2016 VSS A/S entered into a standstill agreement with its lenders, during which VSS A/S has not paid instalments to its lenders. This agreement expired on 26 April 2016, but VSS A/S has continued to not fully service its debt obligations as they fall due (see note 1, Liquidity and going concern).

Total revenue for Q1 was MUSD 27.7 (34.8), of which vessel operations contribute with MUSD 23.2 (22.9) and Services and Ship Management segments contribute with MUSD 4.5 (11.9). The EBITDA for Q1 was MUSD 7.7 (9.3).

The operating result (EBIT) for Q1 was MUSD 2.5 (3.4). The net result for Q1 was MUSD -4.1 (-4.6). The result for Q1 was negatively impacted by an unrealized currency loss of MUSD -2.8 (-4.8).

The average fixture rate in Q1 was USD 63,600 (54,100) for the AHTS fleet and USD 6,200 (7,500) for the PSV fleet. The average utilization in Q1 was 56% (71%) for the AHTS fleet and 39% (33%) for the PSV fleet. These figures exclude the laid-up vessels.

Q1

OPERATIONAL HIGHLIGHTS FOR Q1

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

During Q1, four vessels have been operating in the North Sea spot market, while three vessels have been operating on term contracts. In addition, Odin Viking was in October 2015 laid up as a result of the weak market conditions in the offshore industry.

The increased activity seen in the North Sea spot market towards the end of 2015 subsequently lifted the rate levels in the beginning of Q1 2016. However, as utilization fell back to weaker levels through the quarter, rate levels declined accordingly.

AHTS Q1	*Fixture rates (USD)*	*Utilization (%)*
AHTS vessels on term charters	68,300 (75,400)	100 (100)
AHTS vessels on the spot market	48,800 (31,400)	24 (53)
Total AHTS fleet	**63,600 (54,100)**	**56 (71)**

Table above excludes one laid-up vessel.

PLATFORM SUPPLY VESSELS (PSV)

Due to a continued weak PSV market VSS A/S decided to lay up the PSVs Sol and Freyja Viking with immediate effect in March 2016. The decision will reduce the company's operational costs going forward and will in the current market give a positive impact on the results from the second quarter of 2016. Following this decision, 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.

PSV Q1	*Fixture rates (USD)*	*Utilization (%)*
PSV vessels on term charters	- (-)	- (-)
PSV vessels in the spot market	6,200 (7,500)	39 (33)
Total PSV fleet	**6,200 (7,500)**	**39 (33)**

Table above excludes laid-up vessels.

SERVICES AND SHIP MANAGEMENT

Viking Ice Consultancy (VIC) has secured additional consultancy work for the 2016 season. Although with a limited financial impact, the consultancy work is considered to be positive for VSS A/S during a challenging period.

VIC is also working together with VSS A/S to prepare for the IMO Polar Code, a project that will continue during 2016.

FINANCIAL HIGHLIGHTS

RESULTS FOR Q1 2016

Total revenue was MUSD 27.7 (34.8) for Q1. The total operating costs were MUSD -20.0 (-25.4) and EBITDA was MUSD 7.7 (9.3). The operating result (EBIT) was MUSD 2.5 (3.4).

Net financials were MUSD -6.5 (-7.9). Financial costs include unrealized currency loss of MUSD -2.8 (-4.8) and realized value adjustment on interest rate swap of MUSD 0.2 (0.1).

The net result for Q1 was MUSD -4.1 (-4.6).

EQUITY

VSS A/S' book equity amounted to MUSD 174.4 as of 31 March 2016 (MUSD 248.4 on 31 March 2015). The equity declined during Q1 by MUSD 3.8, impacted by the result for the period of MUSD -4.1 and currency translation effects of MUSD 0.4. The value adjusted equity ratio was 44% (48%).

LIQUIDITY AND GOING CONCERN

The condensed interim financial statements for the three months ending 31 March 2016 have been prepared using the going concern assumption. However, this assumption is subject to uncertainty.

Based on 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 uncertainty will be able to continue as going concern at least until 31 March 2017. 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).

SUBSEQUENT EVENTS

In May 2016, VSS A/S agreed the main principles for a restructuring agreement with the bank lenders. Execution of a final agreement in the form of a term sheet (the "Agreement") is pending certain conditions precedent, including that an amended agreement is negotiated and agreed with the bondholders in the senior unsecured bond in Viking Supply Ships A/S and that terms for the bareboat charter of Odin Viking are re-negotiated and amended. Among other things these conditions have not yet been resolved and, accordingly, the Agreement has not yet been signed and deemed effective (see note 1, Liquidity and going concern).

On 9 June 2016, VSS A/S was informed that Norseman Offshore AS has filed an application for bankruptcy against VSS A/S with the Maritime and Commercial High Court in Copenhagen. The company has not yet been officially notified of the petition by the Court. Norseman Offshore AS is the owner of the vessel Odin Viking which is on a bareboat charter with VSS A/S. The petition for bankruptcy is made on the basis of unpaid hire in an aggregate amount of approximately USD 2.5 million. The parties have been in discussions for several months as part of the overall financial restructuring of the Group. VSS A/S is of the view that there is no basis for the petition and will vigorously defend itself against it. VSS A/S will continue to pursue the process to achieve a restructuring of its debts as further described in the annual report for 2015.

As an effect of the deteriorated market conditions within the oil & gas industry and as a measure to further strengthen the focus on cost efficiency within VSS A/S, the Management has decided to close the office in St. John's, Newfoundland with effect as of 28 April 2016. VSS A/S still considers Newfoundland and Eastern-Canada to be of strategic importance going forward and in the future, commercial activities towards the region will be followed up closely by dedicated personnel from the headquarter in Copenhagen and the chartering office in Kristiansand.

After a short temporary leave Christian W. Berg is back in his position as CEO of Viking Supply Ships A/S.

CONTRACT BACKLOG

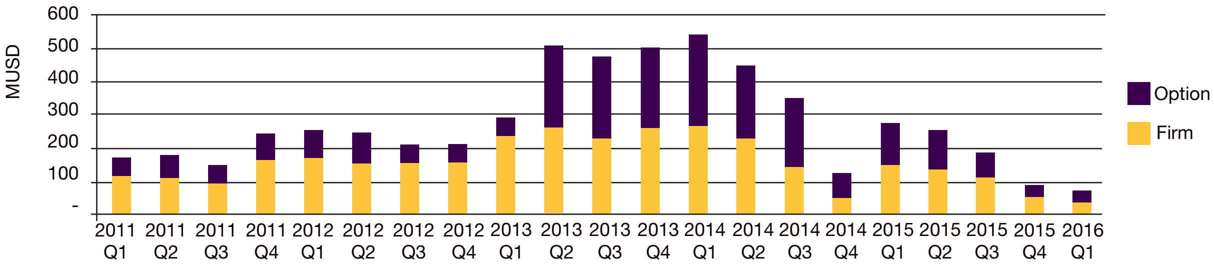
CURRENT OVERVIEW

Q1 2016 **AHTS**	*2016*	*2017*	*2018*
Firm contract backlog (MUSD)	37	0	0
Optional contract backlog (MUSD)	18	17	0
Total contract backlog (MUSD)	**55**	**17**	**0**
Firm contract coverage	24%	0%	0%
Optional contract coverage	7%	14%	0%
Total contract coverage	**31%**	**14%**	**0%**

Q1 2016 **PSV**	*2016*	*2017*	*2018*
Firm contract backlog (MUSD)	0	0	0
Optional contract backlog (MUSD)	0	0	0
Total contract backlog (MUSD)	**0**	**0**	**0**
Firm contract coverage	0%	0%	0%
Optional contract coverage	0%	0%	0%
Total contract coverage	**0%**	**0%**	**0%**

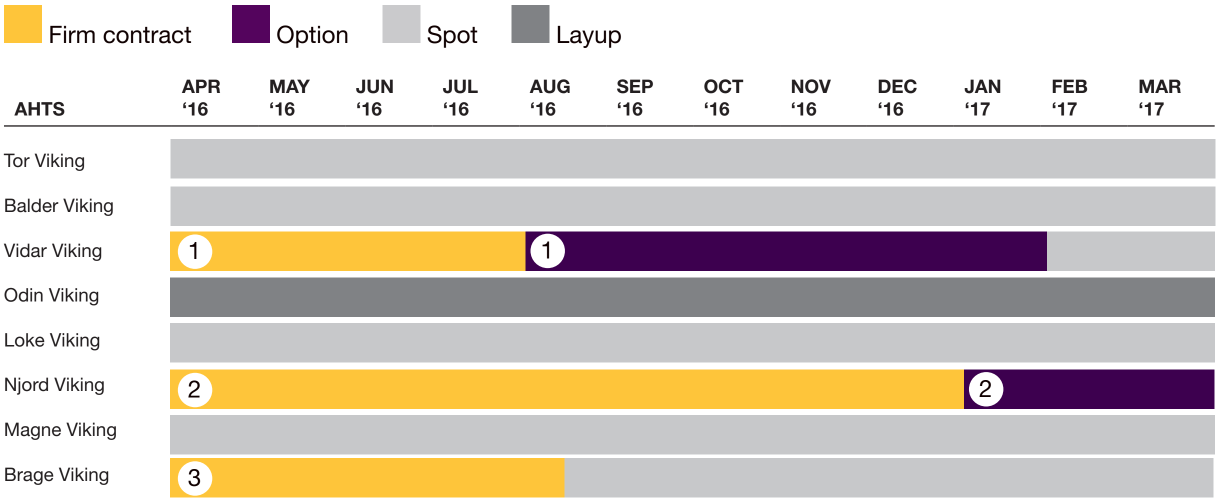
Figures in the tables are as of 31 March 2016.

HISTORIC DEVELOPMENT



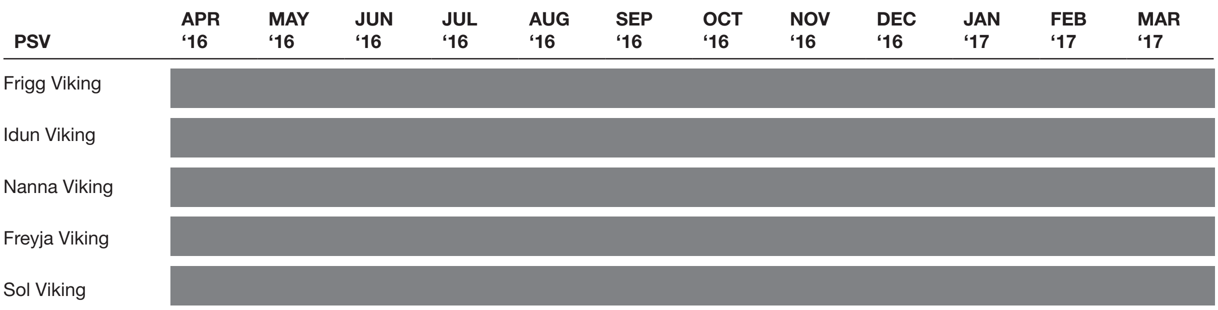
Figures in the table are as of 31 March 2016. The amounts show the total remaining contract backlog as of balance date.

EMPLOYMENT OVERVIEW



1. Oil major, firm till 1st August 2016 + 1 x 6 months option
2. Oil major, firm till 31st December 2016 + 2 x 6 months options
3. Oil major, firm until mid August 2016

Figures in the tables are as of 31 March 2016.



Figures in the tables are as of 31 March 2016.

Q1

OUTLOOK

Due to the reduced activity within the offshore oil and gas since 2014, VSS A/S anticipates that the next couple of years will be challenging for the industry. Rig activity is expected to be modest, leading to reduced demand for OSVs.

Though the current market is considered to be challenging, VSS A/S remains confident that the long term prospects for the core activities within the group is positive. Once a completed restructuring is in place, VSS A/S expects to have sufficient liquidity to maintain its operations even in the event that the market remains weak through 2019.

Copenhagen, 10 June 2016

Board of Directors:

Christen Sveaas Chairman	Folke Patriksson Vice chairman	Bengt A. Rem Board member
Håkan Larsson Board member	Magnus Sonnorp Board member	Christian W. Berg CEO

Q1

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MUSD)	Note	Q1 2016	Q1 2015	FY 2015
Total Revenue		**27.7**	**34.8**	**132.6**
Direct voyage costs		-1.4	-1.6	-6.5
Operating costs		-15.4	-20.2	-75.5
General and administrative expences		-3.2	-3.6	-15.9
Operating costs		-18.6	-23.9	-91.4
Total operating costs		**-20.2**	**-25.4**	**-97.9**
Operating profit before depreciation (EBITDA)		**7.7**	**9.3**	**34.7**
Net gain on sale of fixed assets		-	-	-
Depreciation	2	-5.2	-5.9	-22.9
Impairment	2	-	-	-31.1
Operating profit (EBIT)		**2.5**	**3.4**	**-19.2**
Financial income		0,1	0.1	0.7
Financial costs		-6.5	-8.1	-21.2
Net financials		**-6.5**	**-7.9**	**-20.5**
Pre-tax result		**-4.0**	**-4.5**	**-39.7**
Taxes		-0.1	-0.1	-0.3
Result for the period	**3**	**-4.1**	**-4.6**	**-40.0**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MUSD)	Q1 2016	Q1 2015	FY 2015
Result for the period	**-4.1**	**-4.6**	**-40.0**
Comprehensive income to be reclassified to profit and loss in later periods			
Translation effect foreign operations	0.4	0.5	-16.0
Other comprehensive income net of tax	**0.4**	**0.5**	**-16.0**
Total comprehensive income for the period	**-3.8**	**-4.0**	**-56.0**

CONDENSED CONSOLIDATED BALANCE SHEET

(MUSD)	Note	Q1 2016	Q1 2015	FY 2015
ASSETS				
Vessels and equipment		410.4	481.8	415.1
Tangible fixed assets	**2,3**	**410.4**	**481.8**	**415.1**
Financial fixed assets	**5**	**14.0**	**22.2**	**17.2**
Total fixed assets		**424.4**	**504.0**	**432.3**
Inventories		1.7	2.3	2.0
Accounts receivables		13.7	22.5	11.2
Other current receivables		10.8	8.0	11.8
Cash and cash equivalents	5	27.9	31.6	17.6
Total current assets		**54.1**	**64.4**	**42.6**
Total assets		**478.5**	**568.4**	**474.9**

(MUSD)	Note	Q1 2016	Q1 2015	FY 2015
EQUITY AND LIABILITIES				
Share capital		0.1	0.1	0.1
Retained earnings and reserves		174.4	248.3	178.1
Total equity		**174.4**	**248.4**	**178.2**
Long-term bond loan		-	24.0	22.3
Long-term debt to credit institutions		-	238.8	84.0
Other non-current liabilities		2.2	3.0	2.5
Non-current liabilities		**2.2**	**265.8**	**108.8**
Short-term bond loan		23.7	-	-
Short-term debt to credit institutions		242.2	34.4	156.7
Accounts payable		6.4	8.6	5.7
Other current liabilities		29.5	11.3	25.5
Current liabilities		**301.8**	**54.3**	**187.9**
Total liabilities		**304.0**	**320.0**	**296.7**
Total equity and liabilities		**478.5**	**568.4**	**474.9**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(MUSD)	Q1 2016	Q1 2015	FY 2015
Cash flow from operating activities	6.8	15.6	41.4
Cash flow from investing activities	2.2	-0.5	-8.8
Cash flow from financing activities	1.3	-24.2	-55.8
Net changes in cash and cash equivalents	**10.3**	**-9.2**	**-23.2**
Cash and cash equivalents at the start of period	17.6	40.8	40.8
Cash and cash equivalents at the end of the period	**27.9**	**31.6**	**17.6**

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 MNOK 922, which as at 31 December 2015 have been classified as long-term debt in the balance sheet.

VSS A/S has during the majority of first half 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 instalments 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. Execution of a final agreement in the form of a term sheet (the "Agreement") is pending certain conditions precedent, including that an amended agreement is negotiated and agreed with the bondholders in the senior unsecured bond in Viking Supply Ships A/S and that terms for the bareboat charter of Odin Viking are re-negotiated and amended.

Among other things these conditions have not yet been resolved and, accordingly, the Agreement has not yet been signed and deemed effective. The Agreement is further 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.

Although not yet completed and therefore significant 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.

Once a completed restructuring is in place, VSS A/S expects to have sufficient liquidity to maintain its operations even in the event that the market remains weak through 2019, since the amount of debt service required until 1 January 2020 will be significantly reduced. 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 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 second half of 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 until 31 March 2017. 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 based on the following useful lives:

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

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 9% (2014: 7%). 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 Q1 2016 Management evaluated the PSV fleet and concluded that the PSV vessels are not further impaired.

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 a period of 15 years. 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 2019 and no additional increases thereafter.

The value in use calculation 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 MUSD 67 (ranging from MUSD 73 to MUSD 61). 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 MUSD 76 exceeds the carrying amount at the end of Q1 2016, no impairment charge has been recognized.

Impairment test AHTS fleet in 2016
In Q1 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 (MUSD 335) by 16% on average.

The market for PSV vessels has continued to deteriorate after the end of the reporting period. The current challenging market conditions are supported by a decline in observable broker values of the PSV fleet. VSS A/S will continue to closely monitor the market development and impairment exposure of the PSV fleet's carrying amount.

Q1

3. SEGMENT INFORMATION

The segment information is presented in accordance with the internal reporting structure and includes four segments.

(MUSD)	Q1 AHTS	Q1PSV	Q1 Services	Q1 Ship Mgmt.	Total
Total Revenue	**22.8**	**0.4**	**0.0**	**4.5**	**27.7**
Direct voyage costs	-1.3	-0.2	-	-	-1.4
Operating costs	-12.1	-1.8	-0.2	-4.6	-18.6
Total operating costs	**-13.3**	**-2.0**	**-0.2**	**-4.6**	**-20.0**
Operating profit before depreciation (EBITDA)	**9.4**	**-1.5**	**-0.2**	**-0.1**	**7.7**
Net gain on sale of fixed assets	-	-	-	-	-
Depreciation	-4.2	-1.0	-	-	-5.2
Impairment	-	-	-	-	-
Operating profit (EBIT)	**5.3**	**-2.5**	**-0.2**	**-0.1**	**2.5**
Financial income	0.0	0.0	-0.0	0.0	0.1
Financial costs	**-8.8**	2.1	-0.0	0.1	-6.5
Net financials	**-8.7**	**2.2**	**-0.0**	**0.1**	**-6.5**
Pre-tax result	-3.4	**-0.4**	**-0.2**	**0.0**	**-4.0**
Taxes	**-0.1**	-	-		-0.1
Result for the period	**-3.6**	**-0.4**	**-0.2**	**0.0**	**-4.1**

(MUSD)	Q1 AHTS	Q1PSV	Q1 Services	Q1 Ship Mgmt.	Total
Total tangible fixed assets	335.0	75.4	-	-	410.4
Total interest bearing debt	214.1	51.8	-	-	265.9

There are no significant revenue transactions between the segments.

4. INTEREST BEARING LIABILITIES

The vessels owned by VSS A/S 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 interest bearing liabilities are associated with financial covenants, according to which VSS A/S 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 VSS A/S 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, VSS A/S 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, VSS A/S had provided the lenders with a total of MUSD 9.2 in additional security.

Calculations of contract coverage and loan-to-value ratios as at 31 December 2015 showed a requirement for VSS A/S to deposit cash or provide additional security during Q1 2016, partly to be remedied before the end of January 2016. Further in 2016, Viking Supply Ships 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.

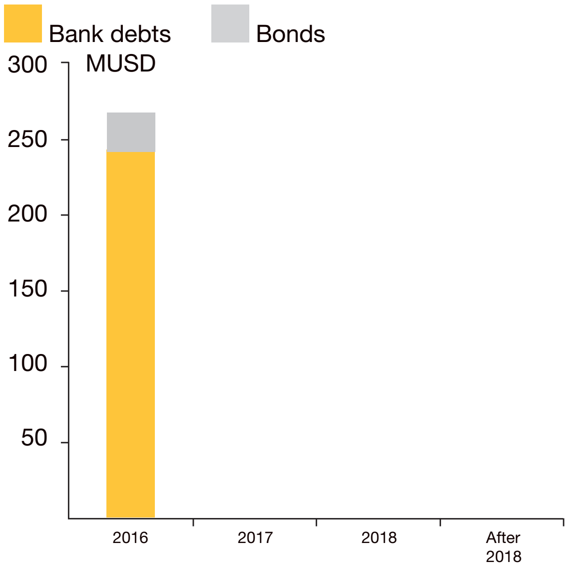
In March 2012 VSS A/S issued a 5 year senior unsecured bond loan in the Norwegian capital market, with maturity in March 2017, totaling MNOK 300. The bond agreement has a limit of MNOK 750. The bond was listed on Nordic ABM in Oslo on 28 June 2012. In March 2013 an additional MNOK 85 was drawn in a tap issue. As at 31 December 2015, VSS A/S is holding nominal MNOK 189 of this bond, implying MNOK 196 is outstanding. As a result of an agreement that will be proposed to the bondholders in conjunction with the key terms of the debt restructuring plan, the bond agreement is proposed to be changed in 2016 (see note 1, Liquidity and going concern).

VSS A/S has 42% (41%) of its interest-bearing debt in USD and 20% (19%) in GBP. The remaining loans are denominated in NOK. VSS A/S has 11% (10%) of the total loan portfolio swapped into fixed interest rate.

4.1. Classification by type of debt

MUSD	Q1 2016	Q1 2015	FY 2015
Long-term bond loan	-	24,0	22,3
Short-term bond loan	23,7	-	-
Long-term debt to credit institutions	-	238,8	84,0
Short-term debt to credit institutions	242,2	34,4	156,7
TOTAL INTEREST BEARING LIABILITIES	**265,9**	**297,1**	**263,0**

4.2. Debt maturity



5. CASH AND CASH EQUIVALENTS

MUSD	Q1 2016	Q1 2015	FY 2015
Restricted cash *	9.2	12.6	12.4
Free cash and cash equivalents	27.9	31.6	17.6
Cash and cash equivalents	**37.0**	**44.2**	**30.0**

The amount is included in the item "Financial fixed assets" in the balance sheet.

6. OPERATIONAL AND FINANCIAL RISK

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

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

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

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

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

7. COMPANY INFORMATION

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

8. BASIS OF PREPARATION

These condensed interim financial statements for the three months ending 31 March 2016 have been prepared in accordance with the accounting principles as described in the VSS A/S Annual report for 2015 with the following exceptions:

Change of functional currency

Based on the significant changes occurring during 2015 in the market in which the parent company, Viking Supply Ships A/S, 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 VSS 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 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.

Change of presentation currency

From 1 January 2016 VSS A/S has changed its presentation currency to USD. Comparative information has been restated in USD in accordance with the guidance defined in IAS 21. The financial statements for Q1 2015 and full year 2015 and associated notes have been retranslated from NOK to USD using the procedures outlined below:

- Assets and liabilities were translated into USD at closing rates of exchange. Income and expenditure were translated into USD at average rates for the relevant period. If the use of average exchange rate was not a reasonable approximation of using spot exchange rate, the spot exchange rate for the date of the transaction was used. Differences resulting from the retranslation on the opening net assets and the results for the period have been added to translation reserve;
- The cumulative translation reserve was set to zero at 1 January 2012 (i.e. the transition date to IFRS). Share capital, share premiums and other reserves were translated at historic rates prevailing at the dates of transactions; and
- All exchange rates used were extracted from the group's underlying financial records.

The change in presentation currency of the Group has been applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", and the comparative figures as at 31 March 2015 and 31 December 2015 and for the period ended 31 March 2015 and 31 December 2015 have been restated to USD accordingly.

The changes in functional and presentation currencies have no significant impact on the financial positions of VSS A/S as at 31 March 2015 or 31 December 2015 or for the results and cash flows for the periods ended 31 March 2015 and 31 December 2015.


QUARTERLY 1