

VIKING
SUPPLY SHIPS A/S

FINANCIAL REPORT

Q2

2016



VIKING SUPPLY SHIPS
SHIPOWNERS

MORE
THAN A SHIPOWNER

THE **COOLEST**
PLACE TO WORK

ALWAYS AHEAD OF
COMPETITION

Q2

Q2

REVENUE
MUSD 26.6 (37.4)
 H1: MUSD 54.3 (72.1)

ARCTIC FOCUS



Q2

EBITDA
MUSD 7.6 (11.7)
 H1: MUSD 15.2 (21.1)

Q2

NET RESULT
MUSD -13.9 (6.1)
 H1: MUSD -18.0 (1.5)

Q2

FIXTURE RATE AHTS
USD 51,400 (58,500)
 H1: USD 57,000 (56,300)

Q2

CONTRACT BACKLOG
AHTS CONTRACT COVERAGE 2016: 28% 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 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 2016, VSS A/S reached an agreement with the bondholders' committee, representing a majority of the outstanding bonds, regarding a revised proposal for restructuring of the bond issue, and a bondholders' meeting will be summoned within short. The senior lenders are all positive to the agreement with the bondholders. Subject to approval of the proposal at the bondholders meeting, and subject to final approval from the banks' respective credit committees, this finalizes the total financial restructuring of VSS A/S.

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 decided to close down 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.

On 9 June 2016, VSS A/S was informed that Norseman Offshore AS had filed an

application for bankruptcy against VSS A/S with the Maritime and Commercial High Court in Copenhagen. However, on the 16 June 2016 the petition for bankruptcy against VSS A/S was withdrawn.

Due to the challenging market conditions, VSS A/S has recognized an impairment loss during Q2 2016 of MUSD 17.1 related to the PSV fleet.

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

Total revenue for Q2 was MUSD 26.6 (37.4), of which vessel operations contribute with MUSD 22.3 (33.7) and Services and Ship Management segments contribute with MUSD 4.3 (3.7). The EBITDA for Q2 was MUSD 7.6 (11.7).

The operating result (EBIT) for Q2 was MUSD -14.8 (5.8). The net result for Q2 was MUSD -13.9 (6.1). The result for Q2 was positively impacted by an unrealized currency gain of MUSD 4.4 (3.4).

The average fixture rate in Q2 was USD 51,400 (58,500) for the AHTS fleet and USD 0 (4,100) for the PSV fleet. The average utilization in Q2 was 68% (75%) for the AHTS fleet and 0% (22%) for the PSV fleet. These figures exclude the laid-up vessels.



OPERATIONAL HIGHLIGHTS FOR Q2

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

During Q2, four vessels have been operating in the North Sea spot market, while three vessels have been operating on term contracts. One AHTS vessel has remained in lay-up during the quarter.

The North Sea spot market has been volatile during the quarter, with certain periods of increased activity resulting in higher fixture levels for the spot vessels. The overall rate level is however still weak, with the spot market also being impacted by low utilization.

AHTS Q2	Fixture rates (USD)	Utilization (%)
AHTS vessels on term charters	68,400 (70,000)	100% (100%)
AHTS vessels on spot market	21,900 (25,200)	43% (51%)
Total AHTS fleet	51,400 (58,500)	68% (75%)

Excluding laid-up vessel.

PLATFORM SUPPLY VESSELS (PSV)

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 Q2	Fixture rates (USD)	Utilization (%)
PSV vessels on term charters	- (-)	0% (0%)
PSV vessels on spot market	- (4,100)	0% (22%)
Total PSV fleet	- (4,100)	0% (22%)

Excluding laid-up vessel.

SERVICES AND SHIP MANAGEMENT

Viking Ice Consultancy (VIC) is continuously pursuing contract opportunities and has during the quarter signed three consultancy contracts with clients within the oil and gas industry. Although not having a material financial impact, the contracts are considered to be positive for the company during a challenging market.

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

FINANCIAL HIGHLIGHTS

RESULTS FOR Q2 2016

Total revenue was MUSD 26.6 (37.4) for Q2. The total operating costs were MUSD -19.1 (-25.6) and EBITDA was MUSD 7.6 (11.7). The operating result (EBIT) was MUSD -14.8 (5.8) (including an impairment of the PSV fleet of MUSD 17.1).

Net financials were MUSD 1.1 (0.3). Financial costs include unrealized currency gain of MUSD 4.4 (3.4) and realized value adjustment on interest rate swap of MUSD -0.2 (0.2).

The net result for Q2 was MUSD -13.9 (6.1). The result for Q2 was negatively impacted by an impairment loss on the PSV fleet of MUSD 17.1.

RESULTS FOR YEAR-TO-DATE 2016

Total revenue was MUSD 54.3 (72.1) for year-to-date 2016. The total operating costs were MUSD -39.1 (-51.1) and EBITDA was MUSD 15.2 (21.1). The operating result (EBIT) was MUSD -12.3 (9.2).

Net financials were MUSD -5.4 (-7.6). Financial costs include unrealized currency gain of MUSD 1.6 (-1.4) and realized value adjustment on interest rate swap of MUSD -0.4 (0.3).

The net result for year-to-date 2016 was MUSD -18 (1.5). The result for year-to-date was negatively impacted by an impairment loss in Q2 on the PSV fleet of MUSD 17.1.

EQUITY

VSS A/S' book equity amounted to MUSD 161.1 as of 30 June 2016 (MUSD 240.2 on 30 June 2015). The equity decreased during Q2 by MUSD 13.3, impacted by the result for the period of MUSD -13.9 and currency translation effects of MUSD 0.6. The value adjusted equity ratio was 43% (47%).

LIQUIDITY AND GOING CONCERN

The condensed interim financial statements for the three months ending 30 June 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 VSS A/S Group will be able to continue as going concern at least until 30 June 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

VSS A/S has 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 tows-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.

CONTRACT BACKLOG

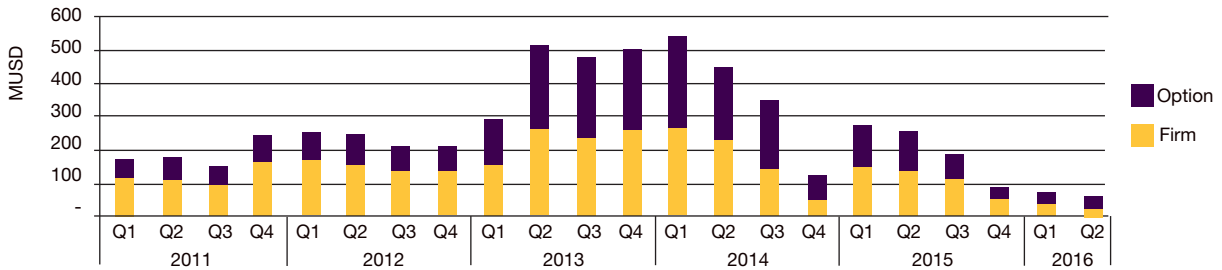
CURRENT OVERVIEW

Q2 2016			
AHTS	2016	2017	2018
Firm Contract Backlog (MUSD)	18	0	0
Optional Contract Backlog (MUSD)	18	16	0
Total Contract Backlog (MUSD)	36	16	0
Firm Contract Coverage	18 %	0 %	0 %
Optional Contract Coverage	10 %	14 %	0 %
Total Contract Coverage	28 %	14 %	0 %

Q2 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 30 June 2016 .

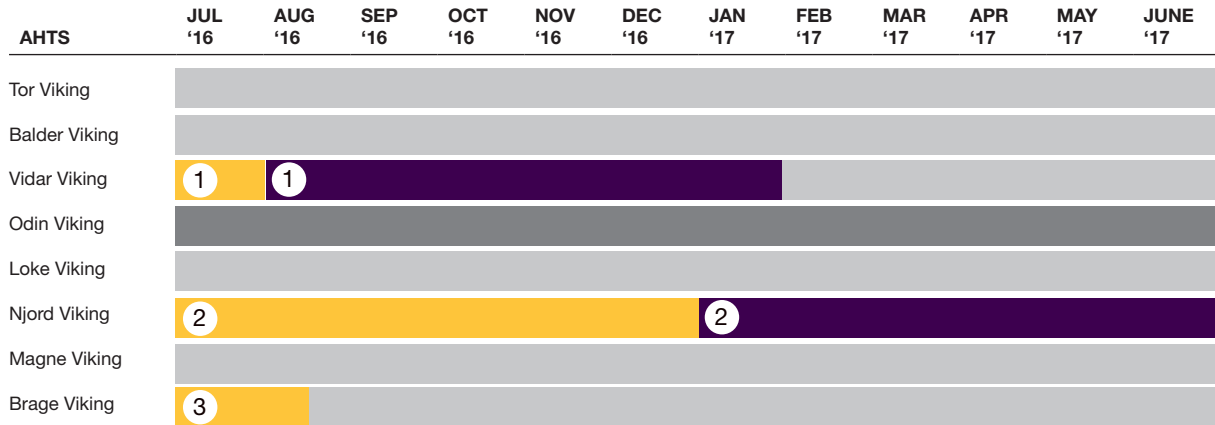
HISTORIC DEVELOPMENT



Figures in the table are as of 30 June 2016. The amounts show the total remaining contract backlog as of balance date.

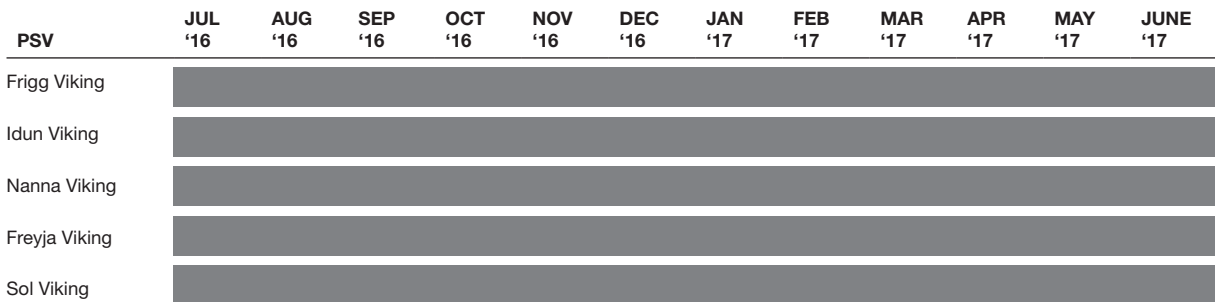
EMPLOYMENT OVERVIEW

■ Firm contract
 ■ Option
 ■ Spot
 ■ Layup



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

Figures in the tables are as of 30 June 2016.



Figures in the tables are as of 30 June 2016.

OUTLOOK

The spot market has strengthened within the last couple of months and there are signs of the oil market re-balancing during 2016, but VSS A/S anticipates that the activity level within offshore oil and gas will be challenging through 2017. VSS A/S assesses that even if the activity level will gradually increase it will take time for the market to absorb available tonnage and significantly improve the market conditions for OSVs.

Despite this, VSS A/S is confident that the company is well positioned to take advantage of a future increase in activity. The core segment of Arctic and harsh-environment offshore operations has a limited amount of available tonnage globally and VSS A/S has a leading position within the segment. With a restructured balance sheet, VSS A/S will be well positioned to take advantage of the next cycle within the industry.

Copenhagen, 30 August 2016

Board of Directors:

Bengt A. Rem
Chairman

Folke Patriksson
Vice chairman

Håkan Larsson
Board member

Magnus Sonnorp
Board member

Erik Borgen
Board member

Chief Executive Officer:

Christian W. Berg

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MUSD)	Note	Q2 2016	H1 2016	Q2 2015	H1 2015	FY 2015
Total Revenue		26.6	54.3	37.4	72.1	132.6
Direct voyage costs		-0.8	-2.2	-1.6	-3.2	-6.5
Operating costs		-18.3	-36.9	-24.0	-47.9	-91.4
Total operating costs		-19.1	-39.1	-25.6	-51.1	-97.9
Operating profit before depreciation (EBITDA)		7.6	15.2	11.7	21.1	34.7
Net gain on sale of fixed assets		-	-	-	-	-
Depreciation	2	-5.3	-10.5	-5.9	-11.9	-22.9
Impairment of vessels	2	-17.1	-17.1	-	-	-31.1
Operating profit (EBIT)		-14.8	-12.3	5.8	9.2	-19.2
Financial income		0.0	0.1	0.1	0.3	0.7
Financial costs		1.1	-5.4	0.2	-7.8	-21.2
Net financials		1.1	-5.4	0.3	-7.6	-20.5
Pre-tax result		-13.7	-17.7	6.1	1.6	-39.7
Taxes		-0.2	-0.3	-0.1	-0.1	-0.3
Result for the period	3	-13.9	-18.0	6.1	1.5	-40.0

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MUSD)	Q2 2016	H1 2016	Q2 2015	H1 2015	FY 2015
Result for the period	-13.9	-18.0	6.1	1.5	-40.0
Comprehensive income to be reclassified to profit and loss in later periods					
Translation effect foreign operations	0.7	1.0	4.0	4.6	-16.0
Other comprehensive income net of tax	0.7	1.0	4.0	4.6	-16.0
Total comprehensive income for the period	-13.2	-17.0	10.1	6.1	-56.0

CONDENSED CONSOLIDATED BALANCE SHEET

(MUSD)	Note	H1 2016	H1 2015	FY 2015
ASSETS				
Vessels and equipment		387.9	490.0	415.1
Tangible fixed assets	2,3	387.9	490.0	415.1
Financial fixed assets	5	13.8	22.4	17.2
Total fixed assets		401.7	512.4	432.3
Inventories		2.1	2.5	2.0
Accounts receivables		14.4	24.4	11.2



Q2

Other current receivables		9.8	7.6	11.8
Cash and cash equivalents	5	20.4	20.4	17.6
Total current assets		46.7	54.8	42.6
Total assets		448.4	567.2	474.9

(MUSD)	Note	H1 2016	H1 2015	FY 2015
EQUITY AND LIABILITIES				
Share capital		0.1	0.1	0.1
Retained earnings and reserves		161.1	240.1	178.1
Total equity		161.1	240.1	178.2
Long-term bond loan	4	-	24.4	22.3
Long-term debt to credit institutions	4	-	234.8	84.0
Other non-current liabilities		2.3	2.3	2.5
Total non-current liabilities		2.3	261.5	108.8
Short-term bond loan	4	23.9	-	-
Short-term debt to credit institutions	4	237.6	34.7	156.7
Accounts payable		5.0	6.4	5.7
Other current liabilities	4	18.4	24.5	25.5
Total current liabilities		285.0	65.6	187.9
Total liabilities		287.3	327.1	296.7
Total equity and liabilities		448.4	567.2	474.9

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(MUSD)	Q2 2016	H1 2016	Q2 2015	H1 2015	FY 2015
Cash flow from operating activities	-7.8	-1.0	5.4	21.0	41.4
Cash flow from investing activities	0.3	2.5	-2.3	-2.8	-8.8
Cash flow from financing activities	-	1.3	-14.3	-38.5	-55.8
Net changes in cash and cash equivalents	-7.5	2.8	-11.2	-20.4	-23.2
Cash and cash equivalents at the start of period	27.9	17.6	31.6	40.8	40.8
Cash and cash equivalents at the end of the period	20.4	20.4	20.4	20.4	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 had 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. The term sheet with these main principles was signed on 12 July 2016. In August 2016 VSS A/S reached an agreement with the bondholders' committee regarding a revised proposal for restructuring of the bond issue and a bondholders' meeting will be summoned within short. Execution of a final agreement in the form of a term sheet (the "Agreement") is pending certain conditions precedent, including that the revised proposal is 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.

Some of these conditions have not yet been resolved and despite the Agreement being signed, it is not 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.

The Agreement includes the following key terms:

- VSS A/S' bank facilities of MUSD 215 are extended until 31 March 2020.
- 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 certain charter party arrangements.
- 50% of the outstanding par value of bonds will be converted to quoted class B shares in VSS A/S' parent company, Viking Supply Ships AB (VSS 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.
- Extraordinary repayments in an aggregate amount of approximately MUSD 23.7 by application of funds standing to the credit of accounts and proceeds from the equity issue in Viking Supply Ships AB.
- The interest-bearing debt in VSS A/S is reduced by approximately MUSD 43.
- VSS A/S will receive new capital in the amount of minimum MUSD 17.6, including by way of an equity issue in Viking Supply Ships AB, of which Kistefos AS will guarantee MUSD 13.

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 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 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 30 June 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% (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 Q2 2016 Management evaluated the PSV fleet and concluded that the PSV vessels are impaired resulting in an impairment loss of MUS\$ 17.1.

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 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 MUS\$ 57 (ranging from MUS\$ 62 to MUS\$ 52).

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 62 is lower than the original carrying amount of the owned PSV fleet (MUSD 74) at the end of Q2 2016, an impairment charge has been recognized. Due to the sensitivity in the underlying assumptions in the value in use calculation an additional impairment charge of MUSD 5 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 Q2 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 331) by 14% on average.

3. SEGMENT INFORMATION

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

(MUSD)	Q2 AHTS	Q2 PSV	Q2 Services	Q2 Ship Mgmt.	Total
Total Revenue	22.3	-	0.1	4.2	26.6
Direct voyage costs	-0.7	-0.0	-	-	-0.8
Operating costs	-12.4	-1.3	-0.4	-4.2	-18.3
Total operating costs	-13.2	-1.3	-0.4	-4.2	-19.1
Operating profit before depreciation (EBITDA)	9.2	-1.3	-0.3	-0.0	7.6
Net gain on sale of fixed assets	-	-	-	-	-
Depreciation	-4.3	-1.0	-	-	-5.3
Impairment	-	-17.1	-	-	-17.1
Operating profit (EBIT)	4.9	-19.4	-0.3	-0.0	-14.8
Financial income	-0.0	0.0	0.0	0.0	0.0
Financial costs	-1.8	2.9	-0.0	0.0	1.1
Net financials	-1.9	2.9	0.0	0.1	1.1
Pre-tax result	3.0	-16.5	-0.3	0.0	-13.7
Taxes	-0.2	-	-	-	-0.2
Result for the period	2.8	-16.5	-0.3	0.0	-13.9

(MUSD)	H1 AHTS	H1 PSV	H1 Services	H1 Ship Mgmt.	Total
Total revenue	45.1	0.4	0.1	8.7	54.3
Direct voyage costs	-2.0	-0.2	-	-	-2.2
Operating costs	-24.5	-3.1	-0.6	-8.7	-36.9
Total operating costs	-26.5	-3.3	-0.6	-8.7	-39.1
Operating profit before depreciation (EBITDA)	18.6	-2.9	-0.4	-0.1	15.2
Net gain on sale of fixed assets	-	-	-	-	-
Depreciation	-8.4	-2.0	-	-	-10.5
Impairment	-	-17.1	-	-	-17.1
Operating profit (EBIT)	10.1	-22.0	-0.4	-0.1	-12.3
Financial income	0.0	0.0	0.0	0.1	0.1
Financial costs	-10.6	5.1	-0.0	0.1	-5.4
Net financials	-10.6	5.1	0.0	0.1	-5.4
Pre-tax result	-0.4	-16.9	-0.4	0.1	-17.7
Taxes	-0.3	-	-	-	-0.3
Result for the period	0.8	-16.9	-0.4	0.1	-18.0

(MUSD)	H1 AHTS	H1 PSV	H1 Services	H1 Ship Mgmt.	Total
Total tangible fixed assets	330.6	57.3	0.0	-	387.9
Total interest-bearing debt	213.4	48.7	-	-	262.1

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 9.1 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.

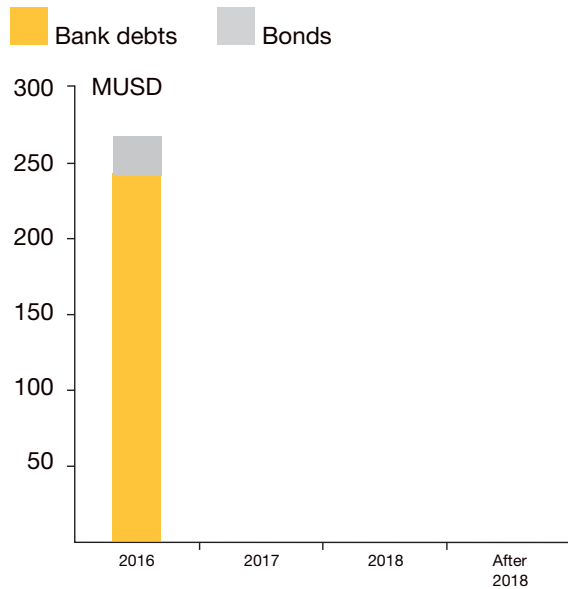
In March 2012 VSS A/S issued a 5 year senior unsecured bond loan in the Norwegian capital market, with maturity in March 2017, totaling MNOK 300. The bond agreement has a limit of MNOK 750. The bond was listed on Nordic ABM in Oslo on 28 June 2012. In March 2013 an additional MNOK 85 was drawn in a tap 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 43% (41%) of its interest-bearing debt in USD and 18% (20%) 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	H1 2016	H1 2015	FY 2015
Long-term bond loan	-	24.4	22.3
Short-term bond loan	23.9	-	-
Long-term debt to credit institutions	-	234.8	84.0
Short-term debt to credit institutions	237.6	34.7	156.7
Total interest-bearing liabilities	261.5	293.9	263.0

4.2. Debt maturity



5. CASH AND CASH EQUIVALENTS

MUSD	H1 2016	H1 2015	FY 2015
Restricted cash*	9.1	12.6	12.4
Free cash and cash equivalents	20.4	20.4	17.6
Cash and cash equivalents	29.5	33.0	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 30 June 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 Q2 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 30 June 2015 and 31 December 2015 and for the period ended 30 June 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 30 June 2015 or 31 December 2015 or for the results and cash flows for the periods ended 30 June 2015 and 31 December 2015.



QUARTERLY 2