

**VIKING SUPPLY SHIPS AB  
(PUBL)**

**INTERIM REPORT**

**Q4**

2016



**VIKING SUPPLY SHIPS**

**MORE**  
THAN A SHIPOWNER

THE  
**COOLEST**  
PLACE TO WORK

**ALWAYS AHEAD OF  
COMPETITION**

Q4

Q4

**NET SALES**  
**MSEK 75 (278)**  
 YTD MSEK 760 (1,114)

## ARCTIC FOCUS



Q4

**EBITDA**  
**MSEK -52 (67)**  
 YTD MSEK 160 (292)

Q4

**RESULT AFTER TAX**  
**MSEK -145 (-123)**  
 YTD MSEK -406 (-440)

Q4

**EARNINGS PER SHARE AFTER TAX,**  
**SEK -0,8 (-0,7)**  
 YTD SEK -2,2 (-2,5)

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 2016 was MSEK 760. 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 fourth quarter resulted in a negative net result for the Group. The result was positively impacted by realized currency gains, while an impairment of the PSV fleet of MSEK 46 contributed negatively. Revenue was significantly hampered by the reduced market activity and was MSEK 75 (278). Cost initiatives initiated by the company have continued to give a positive effect on the financial results. This was however not sufficient to offset the revenue reduction and EBITDA was MSEK -52 (67). For the fourth quarter, profit after tax for the Group was MSEK -145 (-123). As of December 2016, all of the share issues that form part of the company's financial restructuring have been finalized and the restructuring is successfully completed.**

The process to discontinue the remaining operations in TransAtlantic AB (TA AB) continued during the fourth quarter. Three long term bareboat charter agreements for the RoRo vessels TransPaper, TransPulp and TransTimber were novated together with time charter agreements for the same vessels. The transaction had a positive effect on the profit and loss and liquidity during Q4 of MSEK 17. The sale of TransReel, which also was concluded during Q4, gave a positive result of MSEK 10. TA AB is in this report treated as discontinued operations.

In December, the Group completed a rights issue, a directed share issue towards Odin Viking SPV AS and four different set-off issues. The successful execution of the share issues also completes the financial restructuring of VSS A/S.

### OUTLOOK

During Q4 the North Sea spot market was influenced by reduced demand, which put pressure on the already low fixture rates and vessel utilization. Despite a positive development of the physical oil market, general oversupply and still constrained exploration and development budgets within the industry will continue to negatively impact the offshore market in 2017.

VSS A/S does however see contract opportunities within its core areas such as the Barents Sea, Canada and Russia, primarily from 2018, but also for the coming summer season. With the Polar Code coming into effect, Arctic regions will carry restrictions with regards to ice class and other specifications of the vessels and crew operating in these regions. This is anticipated to have a positive effect on VSS A/S, with its specialized fleet and high Arctic competence.

Gothenburg, 14 February 2017.

Trond Myklebust  
CEO and President

Viking Supply Ships A/S (VSS A/S) currently has 6 AHTS vessels operating in the North Sea spot market. The downturn in the offshore industry has proved to be deeper than anticipated, which force all industry players to scrutinize their operations. VSS A/S has during Q4 decided to re-flag its DIS-flagged vessels to Norway under NOR-flag. This is assumed to reduce operational expenses and improve VSS A/S' commercial and operational platform going forward, by giving the company increased access to the important Norwegian market. VSS A/S has during January 2017 been in dialogue with unions and crew representatives, after which new contracts and terms have been presented to the crew. The flag-change process is expected to be completed within Q1 2017.

VSS A/S also considers Russia to be a core region for its service offerings, and of significant importance for the company in the future. To strengthen its footprint in Russia, VSS A/S has entered into a strategic cooperation with Sevnor Ltd, a shipping and offshore company with extensive presence in the Russian offshore market. As a consequence, VSS A/S has decided to close down its own offices in Moscow and Sakhalin.

CEO STATEMENT	3
Q4 2016	4
SUMMARY OF EVENTS IN Q4	4
SUBSEQUENT EVENTS	5
LIQUIDITY AND GOING CONCERN	5
RESULTS AND FINANCE	6
OPERATIONAL HIGHLIGHTS FOR Q4	6
FINANCIAL POSITION AND CAPITAL STRUCTURE	8
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

## FOURTH QUARTER

- Total revenue from continuing operations was MSEK 75 (278)
- EBITDA from continuing operations was MSEK -52 (67)
- Result after tax including discontinued operations was MSEK -145 (-123)
- Result after tax per share including discontinued operations was SEK -0.8 (-0.7)

## YEAR TO DATE

- Total revenue from continuing operations was MSEK 760 (1,114)
- EBITDA from continuing operations was MSEK 160 (292)
- Result after tax including discontinued operations was MSEK -406 (-440)
- Result after tax per share was SEK -2.2 (-2.5)

## SUMMARY OF EVENTS IN Q4

- EBITDA for Q4 from continuing operations was MSEK -52 (67).
- The average fixture rate in Q4 was USD 15,000 (59,100) for the AHTS fleet and USD 0 (6,500) for the PSV fleet. The average utilization in Q4 was 28% (68) for the AHTS fleet and 0% (70) for the PSV fleet.
- On 21 November 2016, Odin Viking SPV AS and VSS A/S entered into 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 (VSS AB) and a subsequent equity injection by the parent company into VSS A/S.
- During Q4, all of the share issues that form part of the Group's financial restructuring have been completed. VSS AB has received new equity in the amount of MSEK 340 net after expenses. MSEK 43 of the capital increase was received after the end of Q4.
- According to the restructuring agreement made with the owners in FRN Viking Supply Ships A/S Senior Unsecured Open Bond Issue 2012/2017, 50% of the outstanding par value of bonds was to be converted to quoted class B shares in VSS A/S' parent company, VSS AB, at SEK 1.5 per share, the bonds being valued at 55% of par. The remaining 50% of the outstanding bonds was to be redeemed in cash at a price corresponding to 35% of par. The settlement by way of cash redemption and the set-off equity issue in VSS AB was completed on 12 January 2017, with the bond being delisted from Nordic ABM as of the same date.
- As a part of the restructuring agreement, all loans in VSS A/S previously denominated in NOK and GBP have been converted to USD during Q4.
- To explore future commercial opportunities in Russia and strengthen its footprint in the region, VSS A/S has entered into a strategic cooperation with Sevnor Ltd, a shipping and offshore company with extensive presence in the Russian offshore market. As a consequence, VSS A/S has decided to close down its own offices in Moscow and Sakhalin. Future operations will be run in cooperation between the company and Sevnor Ltd.
- The process to discontinue the remaining operations within TransAtlantic AB (TA AB) continued during the fourth quarter. VSS AB, through its fully owned subsidiary TA AB, has during Q4 novated three long term bareboat charter agreements for the RoRo vessels TransPaper, TransPulp and TransTimber to Svenska Orient Linien (SOL) together with time charter agreements for the same vessels. The transaction had a positive effect on the profit and loss and liquidity during Q4 of MSEK 17. Furthermore, TA AB concluded the agreement to sell the vessel TransFighter during Q4. The sale had no effect on the profit and loss and no liquidity effect as the sales proceeds were fully utilized for amortization of vessel loans. The sale of TransReel, which also was concluded during Q4, gave a positive result of MSEK 10 in Q4, but as the funds were used to cover amortization of vessel loans it had no liquidity effect.
- During Q4 an impairment charge of MSEK 46 was recognized related to the PSV fleet.
- The Board of Directors of Viking Supply Ships AB has appointed Mr. Trond Myklebust as Chief Executive Officer (CEO) of Viking Supply Ships AB. Mr. Myklebust will also act as CEO of Viking Supply Ships A/S, and has since late January been functioning as CEO in both companies. At the same time, interim CEO Bengt A. Rem stepped down as CEO and was reappointed Chairman of the Board. Former Chairman of the Board Folke Patriksson will continue as Deputy Chairman.

## SUBSEQUENT EVENTS

The bond settlement by way of cash redemption and the set-off equity issue in VSS AB was completed on 12 January 2017. Under the settlement, bondholders of record as of 30 December 2016 (the "Record Date") have received 36,821,058 new class B-shares in VSS AB and NOK 34,419,682.96 in cash as payment of the total outstanding principal amount – NOK 199,341,169, and holders as of the date of the Record Date of the right to receive interest coupon due on the bonds on 21 June 2016 ("Eligible Couponholders") (in total NOK 9,232,561.83) have received 870,650 new class B-shares and NOK 813,868.94 in cash. The cash redemption is partly funded by a loan of MNOK 20 provided by one of VSS A/S' existing lenders. The bond settlement generated a gain of MNOK 110 which has been recognized in January 2017.

## LIQUIDITY AND GOING CONCERN

The condensed interim financial statements for the year ending 31 December 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 AB Group will be able to continue as going concern at least until 31 December 2017. This conclusion is based on the finalized debt restructuring, the current outlook for 2017 and the current uncertainties and risks (see note 1, Liquidity and going concern).

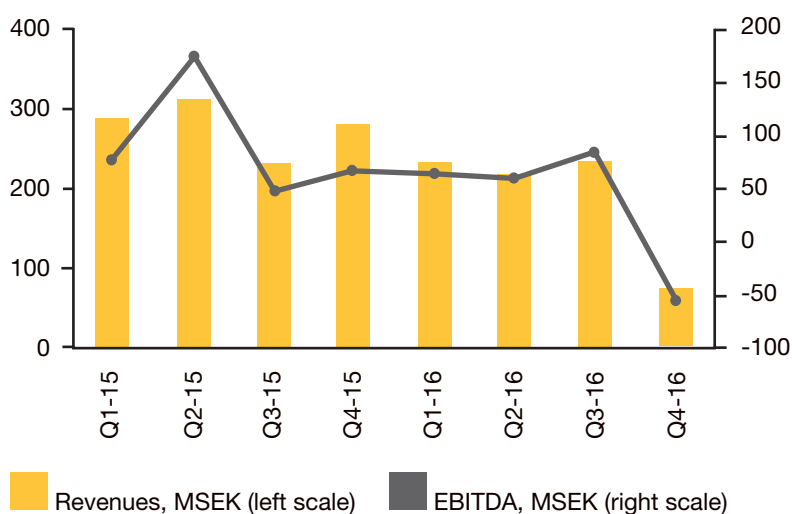
KEY FINANCIALS	Q4 2016	Q4 2015
Net sales, MSEK <sup>1)</sup>	75	278
EBITDA, MSEK <sup>1)</sup>	-52	67
Result after tax, MSEK <sup>2)</sup>	-145	-123
Earnings per share after tax, SEK <sup>2)</sup>	-0.8	-0.7
Shareholders' equity per share, SEK	4.2	7.8
Return on equity, % <sup>2)</sup>	-44.5	-57.0
Equity ratio, % <sup>3)</sup>	39.0	35.3
Market adjusted equity ratio, % <sup>3)</sup>	48.2	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 year-to-date 2016 was for continuing operations MSEK 760 (1,114).

The Group's EBITDA for year-to-date was for continuing operations MSEK 160 (292).

Net financial items for continuing operations were MSEK -125 (-177). Financial items include currency gains of MSEK 56 (loss of -81), Odin Viking restructuring costs of MSEK 62 and financial services fees of MSEK 20.

The Group's result after tax for year-to-date including discontinued operations was MSEK -406 (-440). The result for year-to-date was in addition to earlier mentioned financial items negatively impacted by impairment losses on the two bulk vessels TransAndromeda and TransCapricorn of total MSEK 7, an impairment loss on the RoLo vessel TransFighter of MSEK 12, an impairment loss on the PSV fleet of MSEK 246, capital gain from the sale of TransReel of MSEK 10 and capital gain from the sale of the bareboat- and time-charter agreements related to the three RoRo vessels TransPaper, TransPulp and TransTimber of total 17 MSEK.

## OPERATIONAL HIGHLIGHTS FOR THE FOURTH QUARTER

### ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 38 (240) in Q4 and total EBITDA was MSEK -47 (82).

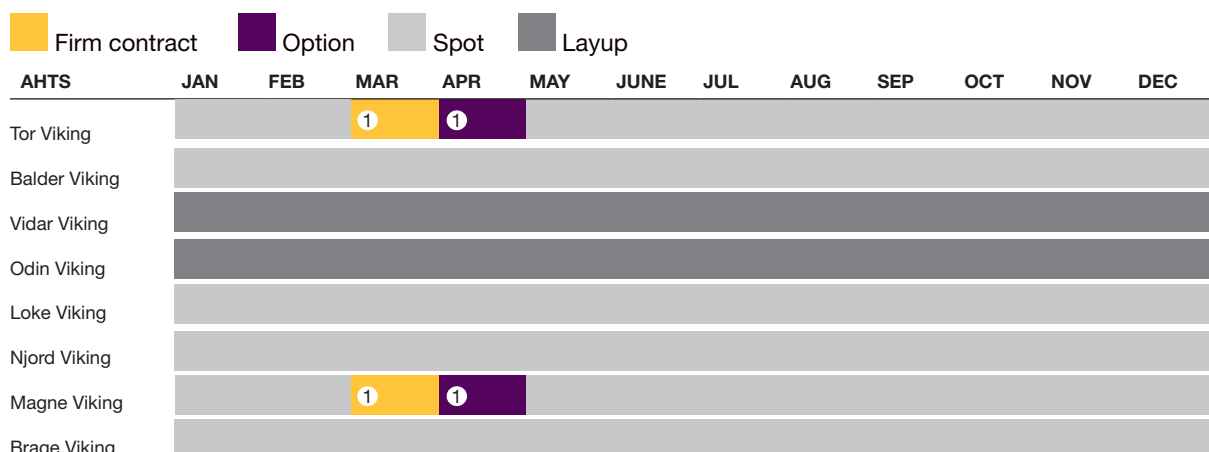
During Q4, six vessels have been operating in the North Sea spot market. Two AHTS vessels have remained in lay-up during the quarter.

The North Sea spot market was soft throughout the fourth quarter. The rig activity in the North Sea continued to decline, which was further impacted by poor weather conditions with reduced rig-move activity as an effect.

The total AHTS contract backlog at the end of the quarter was MSEK 37.

AHTS Q4	Fixture rates (USD)	Utilization (%)
AHTS vessels on term charters	- (67,100)	0 (96)
AHTS vessels on the spot market	15,000 (32,200)	28 (34)
<b>Total AHTS fleet</b>	<b>15,000 (59,100)</b>	<b>28 (68)</b>

Table above excludes one laid-up vessel.



1) Oil major, 20 days firm + 30 days option

Figures in the tables are as of 31 December 2016.

### PLATFORM SUPPLY VESSELS (PSV)

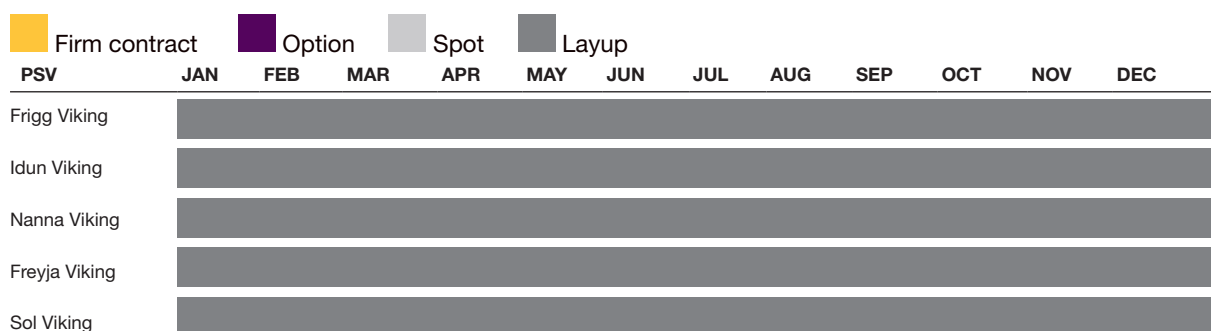
Total PSV revenue was MSEK 0 (7) in Q4 and total EBITDA was MSEK -4 (-12). During Q4 an impairment loss of MSEK 46 was recognized related to the PSV fleet.

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 Q4	Fixture rates (USD)	Utilization (%)
PSV vessels on term charters	- (-)	- (-)
PSV vessels in the spot market	- (6,500)	- (70)
<b>Total PSV fleet</b>	<b>- (6,500)</b>	<b>- (70)</b>

Table above excludes three laid-up vessels.



Figures in the tables are as of 31 December 2016.

### SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 37 (31) in Q4 and total EBITDA was MSEK -1 (-2).

Viking Ice Consultancy (VIC) is currently working with four consultancy contracts, which has provided the company with revenues during Q4. Among these contracts, VIC during Q4 entered into a consultancy contract with Statoil for station keeping in ice, which will provide the company with consultancy work in Q1 2017. VIC will continue to develop and pursue further 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 led to discussions and negotiations with employees, partners and other stakeholders. At the end of Q3 the Group assessed that discontinuation was likely to be completed within the next 12 months, subject the outcome of the ongoing discussions and negotiations. Due to this, the Group has in its financial reports as from Q3 recognized 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 process to discontinue the remaining operations within TA AB continued during Q4. VSS AB, through its fully owned subsidiary TA AB, has during Q4 novated three long term bareboat charter agreements for the RoRo vessels TransPaper, TransPulp and TransTimber to Svenska Orient Linien (SOL) together with time charter agreements for the same vessels. The transaction had a positive effect on the profit and loss and liquidity during Q4 of MSEK 17. Furthermore, TA AB concluded the agreement to sell the vessel TransFighter during Q4. The sale had no effect on the profit and loss and no liquidity effect as the sales proceeds were fully utilized for amortization of vessel loans. The sale of TransReel, which also was concluded during Q4, gave a positive result of MSEK 10 in Q4, but as the funds were used to cover amortization of vessel loans it had no liquidity effect. All bank loans related to TA AB, as well as the bareboat charter related residual value guarantee, were fully repaid during Q4.

The subsidiary TransAtlantic AB recorded revenues of MSEK 49 (179) in Q4 and EBITDA was MSEK 8 (18).

## FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the year, the Group's equity amounted to MSEK 1,440 (equivalent to 4.2 SEK/share). The Equity increased during the year by net MSEK 54 due to the successful new share issue which net after expenses brought MSEK 340, the loss for the year of MSEK 406, a positive change in the translation reserve of MSEK 119 attributable to currency differences on net investments in subsidiaries, mainly related to the strengthened USD against SEK, and a positive change in the net pension obligation of MSEK 1.

The equity issue, of total MSEK 340, brought liquidity to the Group of total MSEK 250 of which MSEK 207 was obtained in December 2016 and the remaining MSEK 43 in the beginning of January 2017. The remaining part of the issued new shares was used to set off liabilities. At the balance day MSEK 56 of the offset issues was agreed on but not completed.

Gross investments during the year amounted to MSEK 10 (187) mainly related to dockings.

The divestments during the year have brought liquidity of MSEK 286 to the Group. The divestments relate to released cash earlier blocked as additional security for vessel loans, sales of bonds, the sale of the vessels TransAndromeda, TransCapricorn, TransReel, TransFighter and the novation of the bareboat charter agreements of TransPaper, TransPulp and TransTimber.

The proceeds from the divestments and the new share issues have, during Q4 2016, been used for extraordinary repayments of MSEK 350 and repayment of a residual value guarantee of MSEK 70.

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 14 February, 2017.

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.

This interim report is unaudited.

Gothenburg, 14 February 2017

Viking Supply Ships AB

Bengt A. Rem  
Chairman

Folke Patriksson  
Deputy chairman

Håkan Larsson  
Board member

Magnus Sonnorp  
Board member

Erik Borgen  
Board member

Trond Myklebust  
CEO

Christer Lindgren  
Employee representative

**ANNUAL REPORT**

Viking Supply Ship AB's Annual Report will be available on the website: [www.vikingsupply.com](http://www.vikingsupply.com) during week 17.

**ANNUAL GENERAL MEETING**

Viking Supply Ship AB's Annual General Meeting will be held on Tuesday, 30 May 2017. The notice convening the Annual General Meeting will be published not later than four weeks prior to this date.

**NOMINATIONS COMMITTEE**

Information on the Nominations Committee is available on the website: [www.vikingsupply.com](http://www.vikingsupply.com)

**PRESS AND ANALYST CONFERENCE**

In conjunction with the publication of this interim report, an earnings call will take place on 14 February 2017 at 10.00 am (CET) with Viking Supply Ships AB's CEO Trond Myklebust, CFO Ulrik Hegelund and IR Director Morten G. Aggvin. In connection with the conference call, 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**

4 May	Q1 Interim report
30 May	Annual General Meeting
4 August	Q2 Interim report
10 November	Q3 Interim report

**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)

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MSEK)	Note	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Net sales		75	278	760	1,114
Other operating revenue		0	4	0	4
Direct voyage cost		-11	-17	-36	-55
Personnel costs		-106	-138	-385	-529
Other costs		-10	-60	-179	-242
Depreciation/impairment	2	-86	-114	-409	-444
<b>Operating result</b>		<b>-138</b>	<b>-47</b>	<b>-249</b>	<b>-152</b>
Net financial items		-15	-45	-125	-177
<b>Result before tax</b>		<b>-153</b>	<b>-92</b>	<b>-374</b>	<b>-329</b>
Tax	8	5	-1	4	-3
<b>Result from continuing operations</b>	<b>3</b>	<b>-148</b>	<b>-93</b>	<b>-370</b>	<b>-332</b>
Result from discontinued operations	4	3	-30	-36	-108
<b>Result for the period</b>		<b>-145</b>	<b>-123</b>	<b>-406</b>	<b>-440</b>
Earnings attributable to Parent Company's share-holders, per share in SEK (before and after dilution):					
-Result from continuing operations		-0.8	-0.5	-2.0	-1.9
-Result from discontinued operations		0.0	-0.2	-0.2	-0.6
<b>Total</b>		<b>-0.8</b>	<b>-0.7</b>	<b>-2.2</b>	<b>-2.5</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MSEK)	Note	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
<b>Result for the period</b>		<b>-145</b>	<b>-123</b>	<b>-406</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		1	2	1	2
<b>Items that later can be restored to the income statement</b>					
Change in translation reserve, net		73	-44	119	-120
<b>Other comprehensive income</b>		<b>74</b>	<b>-42</b>	<b>120</b>	<b>-118</b>
<b>Total comprehensive income for the period</b>		<b>-71</b>	<b>-165</b>	<b>-286</b>	<b>-558</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q4 2016	Q4 2015
Vessels	2	3,229	3,470
Other tangible fixed assets		0	2
Intangible fixed assets		-	1
Financial assets		16	183
<b>Total fixed assets</b>		<b>3,245</b>	<b>3,656</b>
Other current assets	6	422	461
Assets held for sale	4	26	-
<b>Total current assets</b>		<b>448</b>	<b>461</b>
<b>TOTAL ASSETS</b>	<b>3</b>	<b>3,693</b>	<b>4,117</b>
<b>Shareholders' equity</b>		<b>1,440</b>	<b>1,386</b>
<b>Long-term liabilities</b>	<b>5</b>	<b>1,896</b>	<b>1,008</b>
Other current liabilities	5	341	1,723
Liabilities related to assets held for sale	4	16	-
<b>Total current liabilities</b>		<b>357</b>	<b>1,723</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>3,693</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 11 (18). 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	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Cash flow from operations before changes in working capital		-59	101	53	262
Changes in working capital		-33	104	-6	173
<b>Cash flow from current operations</b>		<b>-92</b>	<b>205</b>	<b>47</b>	<b>435</b>
Cash flow from investing activities		73	-32	124	-217
Cash flow from financing activities		-12	-83	-12	-419
<b>Changes in cash and cash equivalents from continuing operations</b>		<b>-31</b>	<b>90</b>	<b>159</b>	<b>-201</b>
Cash-flow from discontinued operations:					
Cash flow from current operations		-101	-32	-115	-83
Cash flow from investing activities		110	-36	151	72
Cash flow from financing activities		-104	-12	-131	-58
<b>Changes in cash and cash equivalents from discontinued operations</b>	<b>4</b>	<b>-95</b>	<b>-80</b>	<b>-95</b>	<b>-69</b>
Cash and cash equivalents at beginning of period		394	188	195	450
Exchange-rate difference in cash and cash equivalents		5	-3	14	15
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6</b>	<b>273</b>	<b>195</b>	<b>273</b>	<b>195</b>

## CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Equity at beginning of period		1,169	1,551	1,386	2,042
Dividend		-	-	-	-98
New share issue <sup>1)</sup>		342	-	340	-
Total comprehensive income for the period		-71	-165	-286	-558
<b>SHAREHOLDERS' EQUITY AT END OF PERIOD</b>		<b>1,440</b>	<b>1,386</b>	<b>1,440</b>	<b>1,386</b>

1) Net after expenses related to the new share issue.

Share capital (MSEK)	Note	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Share capital at beginning of period		177	177	177	177
New share issue		166	-	166	-
<b>Share capital at end of period</b>		<b>344</b>	<b>177</b>	<b>344</b>	<b>177</b>

Number of shares ('000)	Note	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Number of outstanding shares at beginning of period		177,444	177,444	177,444	177,444
Number of new shares issued		166,101	-	166,101	-
<b>Total number of shares at end of period</b>		<b>343,545</b>	<b>177,444</b>	<b>343,545</b>	<b>177,444</b>
Average number of shares outstanding		192,728	177,444	181,297	177,444

## DATA PER SHARE

(SEK)	Note	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
EBITDA <sup>1)</sup>		-0.3	0.4	0.9	1.6
Result after tax (EPS) <sup>1)</sup>		-0.8	-0.5	-2.0	-1.9
Equity <sup>2)</sup>		4.2	7.8	4.2	7.8
Operating cash flow <sup>1)</sup>		-0.3	0.1	0.2	0.6
Total cash flow <sup>1)</sup>		-0.2	0.1	0.9	-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 year was MSEK -344 (-330). The result was negatively impacted by an impairment of shares in subsidiaries of -412 MSEK, which mainly relates to results and impairments of fleet values in underlying operations as well as a dividend from a subsidiary of 74 MSEK.

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 the year the Parent Company's equity was MSEK 1,986 (1,990 on Dec 31, 2015), and total assets were MSEK 2,055 (2,337 on Dec 31, 2015). The equity decreased during the year by net MSEK 4 due to the successful new share issues which net after expenses brought MSEK 340 and the loss for the year of MSEK 344. The proceeds from the new share issues have been distributed to the subsidiaries as part of the financial restructuring (see note 1, Liquidity and going concern).

The equity ratio on the balance day was 97% (85 on Dec 31, 2015). Cash and cash equivalents at the end of the period was MSEK 18 (34 on Dec 31, 2015) of which 14 MSEK comprised of client funds.

## PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Net sales		61	83	333	344
Other operating revenue		-	1	-	1
Personnel costs		-	-1	-1	-2
Other costs		-60	-82	-334	-342
<b>Operating result</b>		<b>1</b>	<b>1</b>	<b>-2</b>	<b>1</b>
Net financial items		-36	-204	-342	-291
<b>Result before tax</b>		<b>-35</b>	<b>-203</b>	<b>-344</b>	<b>-290</b>
Tax on result for the year		-	-40	-	-40
<b>RESULT FOR THE PERIOD</b>		<b>-35</b>	<b>-243</b>	<b>-344</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		0	1	0	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>-35</b>	<b>-242</b>	<b>-344</b>	<b>-329</b>

## PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q4 2016	Q4 2015
Financial fixed assets		1,905	2,193
Current assets		150	144
<b>TOTAL ASSETS</b>		<b>2,055</b>	<b>2,337</b>
Shareholders' equity		1,986	1,990
Provisions		6	7
Long-term liabilities		15	163
Current liabilities		48	177
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>2,055</b>	<b>2,337</b>

## CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Note	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Equity at beginning of period		1,679	2,232	1,990	2,417
Dividend		-	-	-	-98
New share issue 1)		342	-	340	-
<b>Total comprehensive income for the period</b>		<b>-35</b>	<b>-242</b>	<b>-344</b>	<b>-329</b>
<b>SHAREHOLDERS' EQUITY AT END OF PERIOD</b>		<b>1,986</b>	<b>1,990</b>	<b>1,986</b>	<b>1,990</b>

1) Net, after expenses related to the new share issue

## 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 was not able to comply with events of default provisions in loan agreements, which rendered 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 11 November, Odin Viking SPV AS, a company owned by Kistefos AS, entered into an agreement with the bankruptcy trustee, where after Odin Viking SPV AS purchased Odin Viking and acquired the bareboat charter party. On 21 November 2016, Odin Viking SPV AS and VSS A/S entered into 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. During Q4 2016, all of the share issues in VSS AB that form part of VSS A/S' financial restructuring have been completed and comprises of the following:

- A MSEK 207 rights issue, where the final outcome was announced through a press release on 22 December 2016.
- Two share issues with payment against set-off to Viking Invest AS and Odin Viking SPV AS, respectively, where the outcome was announced through a press release on 20 December 2016.
- A MSEK 43 directed share issue to Odin Viking SPV AS, in which subscription was made on 19 December 2016.
- A share issue with payment against set-off to Viking Invest AS for the guarantee fee for the guarantee undertaking in the rights issue in which subscription was made on 21 December 2016.
- A share issue with payment against set-off to the holders of debt certificates in VSS A/S bond loan 2012/2017.
- Following these equity issues, the share capital of VSS AB increased with MSEK 232 and the equity increased with MSEK 340, net after expenses.

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 MUSD 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 2 August 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 MUSD 2.4, which has been settled by the issuance of new shares in VSS AB (publ) at the value of SEK 1.50 per share.
- 50% of the bonds have been converted to new class B shares in the parent company, VSS AB, at a subscription price of SEK 1.50 per share, the bonds being valued at 55% of par.
- The remaining 50% of the bonds have been redeemed in cash at a price corresponding to 35% of the current face value of the bonds. The final settlement of the bonds was completed 12 January 2017.
- 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 VSS AB.
- VSS A/S has received new capital in the amount of MUSD 17.6.

The restructuring secures the Group with a stable financial platform until 2020, subject certain vessel income levels. The primary uncertainties and risks in relation to the going concern considerations include a prolonged 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 parent company and VSS AB Group will be able to continue as going concern at least until 31 December 2017. This conclusion is based on Management's assessment of the current outlook for 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

At each reporting date the accounts are assessed whether there is an indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, estimates of the asset's recoverable amount are done. The recoverable amount is the highest of the fair market value of the asset, less cost to sell, and the net present value (NPV) of future estimated cash flow from the employment of the asset ("value in use").

VSS A/S is operating two groups of similar vessel types which in reality can all be used for the same kind of tasks, and are thus interchangeable. Each vessel generates its own cash streams, but the company's customers could, just as easily, have used another vessel from the relevant fleet type. Based on this VSS A/S has deemed it appropriate to consider each group of vessels as a separate cash generating unit. As a result, VSS A/S is performing impairment tests on a portfolio level rather than per vessel.

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.

As indication of fair market value valuations of owned vessels are obtained from internationally acknowledged shipbrokers on a quarterly basis.

### Impairment test PSV fleet in 2016

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 2017-19 due to all PSV vessels in warm lay-up in 2017 and poor market conditions expected in 2018 with step-wise improving rates and utilization in 2019 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 calculated value in use is MSEK 463.

The impairment test also consists of an assessment of average external vessel valuations, less cost to sell, from two internationally acknowledged shipbrokers showing a total PSV fleet value of MSEK 379 (ranging from MSEK 456 to MSEK 302). 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 recoverable amount of MSEK 463 is higher than the original carrying amount of the owned PSV fleet (MSEK 455) at the end of Q4 2016, no impairment charge should be recognized. Due to the sensitivity in the underlying assumptions in the value in use calculation an additional impairment charge of MSEK 46 has been recognized.

The impairment charge of MSEK 46 comes in addition to the impairment charge in Q2 2016 and Q3 2016 on the PSV fleet of MSEK 200.

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 Q4 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 2,819) by 17% 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.

Q4 MSEK	AHTS	PSV	Services	Ship Management	Continuing operations
Net sales	38	0	3	34	75
EBITDA	-47	-4	0	-1	-52
Result before tax	-106	-47	0	0	-153
Total assets	3,231	436	0	0	3,667

Year to date MSEK	AHTS	PSV	Services	Ship Management	Total
Net sales	612	3	8	137	760
EBITDA	198	-32	-4	-2	160
Result before tax	-118	-254	-4	2	-374
Total assets	3,231	436	0	0	3,667

There have been no significant transactions between the segments. For information about the former segment TransAtlantic AB, see note 4, Discontinued operation and assets held for sale.

#### 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 assessed that discontinuation was likely to be completed within the next 12 months, subject the outcome of the ongoing discussions and negotiations. Due to this, the Group have in its financial reports as from Q3 2016 recognized 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 process to discontinue the remaining operations within TA AB continued during Q4. VSS AB, through its fully owned subsidiary TA AB, has during Q4 novated three long term bareboat charter agreements for the RoRo vessels TransPaper, TransPulp and TransTimber to Svenska Orient Linien (SOL) together with time charter agreements for the same vessels. The transaction had a positive effect on the profit and loss and liquidity during Q4 of MSEK 17. Furthermore, TA AB concluded the agreement to sell the vessel TransFighter during Q4. The sale had no effect on the profit and loss and no liquidity effect as the sales proceeds were fully utilized for amortization of vessel loans. The sale of TransReel, which also was concluded during Q4, gave a positive result of MSEK 10 in Q4, but as the funds were used to cover amortization of vessel loans it had no liquidity effect. All bank loans related to TA AB, as well as the bareboat charter related residual value guarantee, were fully repaid during Q4.

The remaining operations, classified as discontinued operations and assets held for sale, comprised at the end of the quarter of five 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.

#### CONSOLIDATED INCOME DISCONTINUED OPERATIONS

(MSEK)	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
Net sales	49	179	309	863
Other operating revenue	34	37	34	37
Direct voyage cost	2	-59	-4	-345
Personnel costs	-4	-27	-9	-140
Other costs	-73	-111	-330	-439
Depreciation/impairment	-	-6	-8	-30
Impairment to fair value less selling costs 1)	-	-	-19	-
<b>Operating result</b>	<b>8</b>	<b>13</b>	<b>-27</b>	<b>-54</b>
Net financial items	-5	-3	-9	-14
<b>Result before tax</b>	<b>3</b>	<b>10</b>	<b>-36</b>	<b>-68</b>
Tax	0	-40	0	-40
<b>RESULT FROM DISCONTINUED OPERATIONS</b>	<b>3</b>	<b>-30</b>	<b>-36</b>	<b>-108</b>
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):				
-Result from discontinued operations	0.0	-0.2	-0.2	-0.6

1) Not tax deductible

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

<b>(MSEK)</b>	<b>Q4 2016</b>
Vessels	-
Other tangible fixed assets	0
Intangible fixed assets	1
Financial assets	9
<b>Total fixed assets</b>	<b>10</b>
Current assets	16
<b>ASSETS HELD FOR SALE</b>	<b>26</b>
Long-term liabilities	-
Current liabilities	15
<b>LIABILITIES RELATED TO ASSETS HELD FOR SALE</b>	<b>15</b>

**CASH-FLOW FROM DISCONTINUED OPERATIONS**

<b>(MSEK)</b>	<b>Q4 2016</b>	<b>Q4 2015</b>	<b>Q1-Q4 2016</b>	<b>Q1-Q4 2015</b>
Cash flow from current operations	-101	-32	-115	-83
Cash flow from investing activities	110	-36	151	72
Cash flow from financing activities	-104	-12	-131	-58
<b>NET CASH FLOW FROM DISCONTINUED OPERATIONS</b>	<b>-95</b>	<b>-80</b>	<b>-95</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 in the Group at the end of the year was MSEK 1,927 (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 were also associated with loan clauses, such as contract coverage clauses and loan-to-value clauses, according to which VSS A/S had to fulfill 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 were met then the obligation of providing additional security would cease. Until 23 December 2016, VSS A/S had provided the lenders with a total of MSEK 82 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 was not 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.

As part of the financial restructuring the following has taken place in terms of the interest bearing liabilities:

- VSS A/S' bank facilities are extended until 31 March 2020.
- Financial covenants on the bank facilities are amended to provide VSS A/S with ample room to operate under the present challenging market conditions.
- Contribution from the banks of approximately MUSD 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.
- Extraordinary repayments in an aggregate amount of approximately MUSD 23.7. The extraordinary repayments were done partly from the provided additional security.
- All loans previously denominated in NOK and GBP have been converted to USD during Q4 2016.
- The bond loan has been delisted on 12 January 2017 (see below).
- The cash redemption of the bond is partly funded by a loan of MNOK 20 provided by one of VSS A/S' existing 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 was holding nominal MNOK 189 of this bond, implying MNOK 196 was 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 has been changed in 2016 and the bond has been delisted from Nordic ABM on 12 January 2017 (see note 1, Liquidity and going concern).

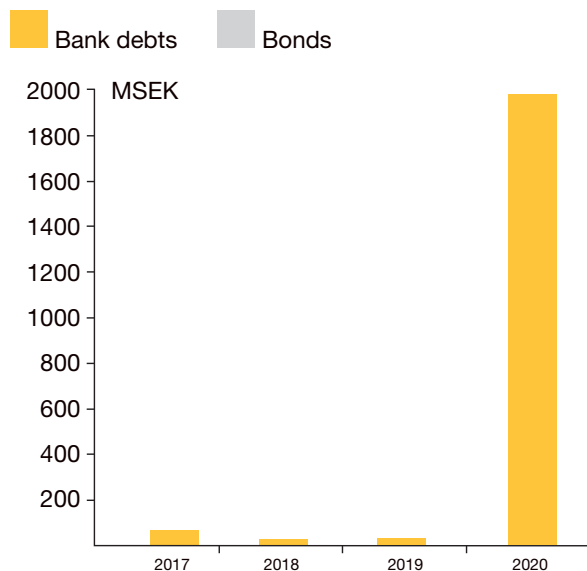
At the expiration and redelivery of two bareboat vessels in TA AB there was a residual value guarantee commitment for the Group in favor of the financing bank. The commitment amounted to a total of MSEK 70 and was repaid in December 2016. Further, in a loan agreement within TA AB there was a loan-to-value clause that the bank had invoked and requested an instalment of MSEK 52. This loan facility was fully repaid in December 2016. All remaining bank loans related to TA AB were fully repaid during Q4.

The Group has 100% (44) of its interest bearing debt in USD, 0% (19) in GBP, 0% (1) in EUR and 0% (35) in NOK. The Group has 100% (100) 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	Q4 2016	Q4 2015
Long-term bond loan	-	189
Short-term bond loan	-	-
Long-term debt to credit institutions	1,868	796
Short-term debt to credit institutions	59	1,349
<b>TOTAL INTEREST BEARING LIABILITIES</b>	<b>1,927</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 year amounted to MSEK 273 (195). Cash assets include client funds of MSEK 30.

MSEK	Q4 2016	Q4 2015
Restricted cash <sup>1)</sup>	-	104
Free cash and cash equivalents	273	195
<b>TOTAL</b>	<b>273</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 has due to the market conditions been strained and in the current market the Group has been unable to fulfill existing covenant undertakings in loan agreements. A solution with the lenders was necessary and accordingly, a dialogue with the lenders was initiated during Q4 2015, with an ambition to secure a long-term stable financing solution. With the completion of the restructuring a long-term stable financing solution has been completed (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 1,048 (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 0 (3 on Dec 31, 2015).

### Transactions with closely related parties

As part of the restructuring process in the Group, a subsidiary to the majority shareholder Kistefos AS, Viking Invest 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 Viking Invest 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 year amounted to MSEK 10 and has been set off as part of the share issues.

Kistefos AS has, through consultancy agreements, made financial services available during the restructuring process for which a compensation of MSEK 10 has been set off as a part of the share issues.

The Group has entered into a long-term bareboat charter agreement with a subsidiary to Kistefos AS, Odin Viking SPV AS, in relation to hire of the AHTS vessel Odin Viking. The nominal minimum lease hire payments amount to MSEK 253 until expiry on 2 August 2024. Also Odin Viking SPV AS has been compensated for renegotiated terms of the bareboat charter agreement. The compensation amounts to MSEK 22 and has been set off as part of the share issues.

Further Viking Invest AS has, as a part of the restructuring process, entered into a share subscription guarantee agreement. The compensation for this guarantee amounts to MSEK 3 and has been set off as part of the share issues.

#### 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 year-to-date was 438 (Jan-Dec 2015: 740).

#### Number of shares

Share distribution on December 31, 2016:

Number of Series A shares	20,684,348
Number of Series B shares, listed	322,860,970
<b>Total number of shares</b>	<b>343,545,318</b>

## DEFINITIONS

### AHTS

Anchor Handling Tug Supply vessel

### 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

### 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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