VIKING SUPPLY SHIPS AB (PUBL)

INTERIM REPORT

Q3

2017

VIKING SUPPLY SHIPS

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

Q3

Q3
REVENUE
MSEK 93 (235)
YTD: MSEK 264 (685)

ARCTIC FOCUS

Q3
EBITDA
MSEK -18 (85)
YTD: MSEK -124 (212)

Q3
RESULT FOR THE PERIOD
MSEK -99 (-93)
YTD: MSEK -200 (-261)

Q3
EARNINGS PER SHARE AFTER TAX
SEK -0.3 (-0.5)
YTD: SEK -0.5 (-1.5)

Viking Supply Ships AB (publ) is a Swedish shipping 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 400 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.

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CONTENT

CEO STATEMENT

The third quarter resulted in a negative result for the Group. The downturn within the North Sea market continued throughout the quarter, which impacted the Group's revenue, totalling MSEK 93 (235) for the quarter. Despite positive contributions from cost saving initiatives, EBITDA was MSEK -18 (85). For the third quarter, profit after tax for the Group was MSEK -99 (-93).

The downturn within the offshore industry has had an adverse effect on the Group's financial position since 2015. The restructuring completed in late 2016 was assumed to provide Viking Supply Ships with a stable financial platform until 2020, subject certain revenue assumptions. However, as Viking Supply Ships has not been successful in securing term contracts for the fleet, combined with the continued challenging market conditions in the North Sea, Viking Supply Ships shortly after the end of the second quarter of 2017 initiated a new dialogue with its senior lenders and majority shareholder to secure the future existence of the Group. In December 2017, Viking Supply Ships A/S obtained support for a restructuring proposal from all senior lenders. Subject to final approval from the senior lenders' credit committees, the Group therefore expects the financial restructuring to be finalized within short. The main principles of the restructuring agreement includes that Viking Supply Ships will receive MUSD 15 in new equity through the already announced rights issue. In addition there will be significant reductions in interest payments and amortizations during a period until Q1 2020. Financial covenants on the loan facilities are also amended to provide Viking Supply Ships A/S with ample room to operate under the present challenging market conditions, subject certain revenue levels being maintained.

Over the last couple of years, the Group has completed a series of cost saving programs, through which both operational and administrative expenses have been reduced significantly. Unfortunately this has also resulted in parts of the fleet being laid up. With the prolonged downturn and weak outlook for the coming months, Viking Supply Ships has in October 2017 decided to further reduce its exposure towards the North Sea spot market by placing the AHTS Loke Viking in stand-by mode in Sweden. Although Viking Supply Ships has been successful in reassigning around half of the crew on Loke Viking to other vessels in the fleet, this means that around half the crew will be made redundant. The Group considers this to be a highly unfortunate situation, but necessary in order to preserve liquidity and contribute to an improved market balance in the North Sea market. Viking Supply Ships will maintain its efforts to secure term contracts to its fleet in order to re-activate the vessels laid up. Viking Supply Ships has also continued its focus to reduce its administrative expenses and will continue to work hard to ensure an efficient organization going forward.

OUTLOOK

Viking Supply Ships expects that the North Sea offshore market will remain highly challenging at least until spring 2018. There are signs that the rig-demand will improve towards the second half of 2018, but with the current oversupply of vessels globally, it remains unclear as to which degree this will have a positive impact on the North Sea market in the foreseeable future.

Viking Supply Ships does however see increased tendering activity within its core regions of harsh environment offshore. Viking Supply Ships is currently pursuing several contract opportunities and has a clear ambition to secure term contracts for parts of the fleet for 2018.

Gothenburg, 18 December, 2017.

Trond Myklebust

Trond Myklebust
CEO and President

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THIRD QUARTER

- Total revenue from continuing operations was MSEK 93 (235)
- EBITDA from continuing operations was MSEK -18 (85)
- Result after tax including discontinued operations was MSEK -99 (-93)
- Result after tax per share including discontinued operations was SEK -0.3 (-0.5)

YEAR TO DATE

- Total revenue from continuing operations was MSEK 264 (685)
- EBITDA from continuing operations was MSEK -124 (212)
- Result after tax including discontinued operations was MSEK -200 (-261)
- Result after tax per share including discontinued operations was SEK -0.5 (-1.5)

SUMMARY OF EVENTS IN Q3

- EBITDA for Q3 from continuing operations was MSEK -18 (85).
- The average fixture rate in Q3 was USD 37,500 (53,300) for the AHTS fleet and USD 0 (0) for the PSV fleet. The average utilization in Q3 was 36% (65) for the AHTS fleet and 0% (0) for the PSV fleet.
- Early in July 2017 Balder Viking and Vidar Viking were re-flagged to NOR.
- The continued challenging market conditions, including downward pressure on rates and utilization, have impacted the Group's liquidity during the first nine months of 2017. As a consequence, Viking Supply Ships A/S shortly after the end of Q2 2017 initiated a dialogue with its lenders to secure a long-term stable financing solution.
- During Q3 an impairment charge of MSEK 32 was recognized related to the PSV fleet.

SUBSEQUENT EVENTS

- In December 2017, Viking Supply Ships A/S obtained support for a restructuring proposal from all senior lenders. Subject to final approval from the senior lenders' credit committees, the Group therefore expects the financial restructuring to be finalized within short, subject to an equity issue at an agreed level in Viking Supply Ships AB and a subsequent equity injection by the parent company into Viking Supply Ships A/S.
- An extraordinary general meeting was held on 6 November 2017. The extraordinary general meeting resolved in accordance with the Board of Directors' proposal on a rights issue of shares, the Board of Directors' proposal on a directed share issue to Viking Invest AS (a wholly-owned subsidiary to Kistefos AS) with payment against set-off for an underwriting fee and the Board of Directors' proposal on a directed share issue to Kistefos with payment against set-off for a consulting fee and therewith related proposals. The rights issue is fully underwritten and is estimated to be completed in the beginning of January 2018.
- Shortly after the end of the third quarter, Viking Supply Ships decided to reduce the capacity of its spot fleet by placing Loke Viking in stand-by mode in Uddevalla, Sweden. Part of the crew has been reassigned to other vessels in the fleet, while some crew has been terminated. Viking Supply Ships considers this to be an unfortunate, but necessary, step to preserve cash and influence the market balance in the region.

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LIQUIDITY AND GOING CONCERN

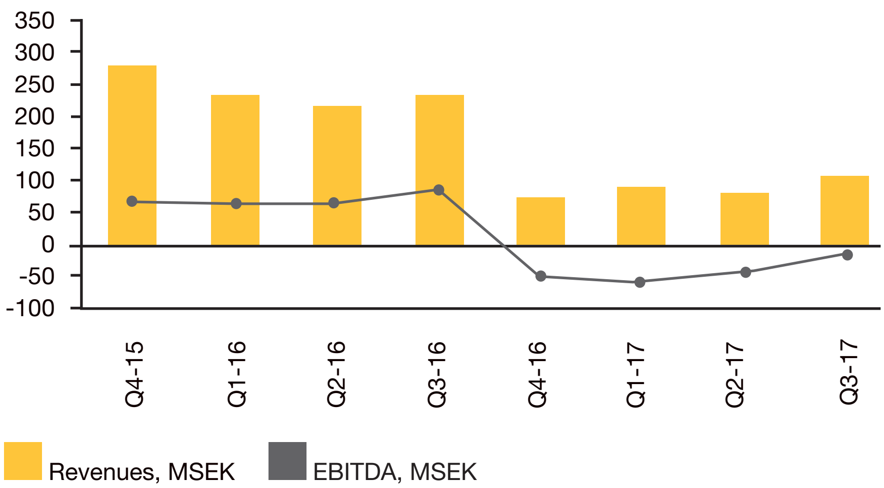
The condensed interim financial statements for the nine months ending 30 September 2017 have been prepared using the going concern assumption.

Based on a continued belief in securing contracts within the core market segment, Management has concluded that both the company and the Group will be able to continue as going concern at least until 30 September 2018. This conclusion is based on the expected finalized debt restructuring, the current outlook for 2017/2018 and the current uncertainties and risks (see note 1, Liquidity and going concern).

KEY FINANCIALS	*Q3 2017*	*Q3 2016*
Net sales, MSEK 1)	93	235
EBITDA, MSEK 1)	-18	85
Result after tax, MSEK 2)	-99	-93
Earnings per share after tax, SEK 2)	-0.2	-0.5
Shareholders´equity per share, SEK	2.7	6.6
Return on equity, % 2)	-34.5	-30.8
Equity ratio, % 3)	37.5	30.2
Market adjusted equity ratio, % 3)	40.3	38.5

1) Excludes discontinued operations
2) Includes discontinued operations
3) The calculation includes assets held for sale

FINANCIAL DEVELOPMENT CONTINUING OPERTIONS



RESULTS AND FINANCE

RESULTS YEAR TO DATE 2017

Total revenue for the Group for the first nine months was for continuing operations MSEK 264 (685).

The Group's EBITDA for the nine month period was for continuing operations MSEK -124 (212).

Net financial items were for continuing operations MSEK 66 (-110). Financial items include a gain from bond settlement of MSEK 110.

The Group's result after tax including discontinued operations was MSEK -200 (-261). The result for year-to-date was in addition to earlier mentioned financial items negatively impacted by an impairment loss on the PSV fleet of MSEK 32.

OPERATIONAL HIGHLIGHTS FOR THE THIRD QUARTER

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 61 (198) in Q3. Total EBITDA was MSEK -16 (90).

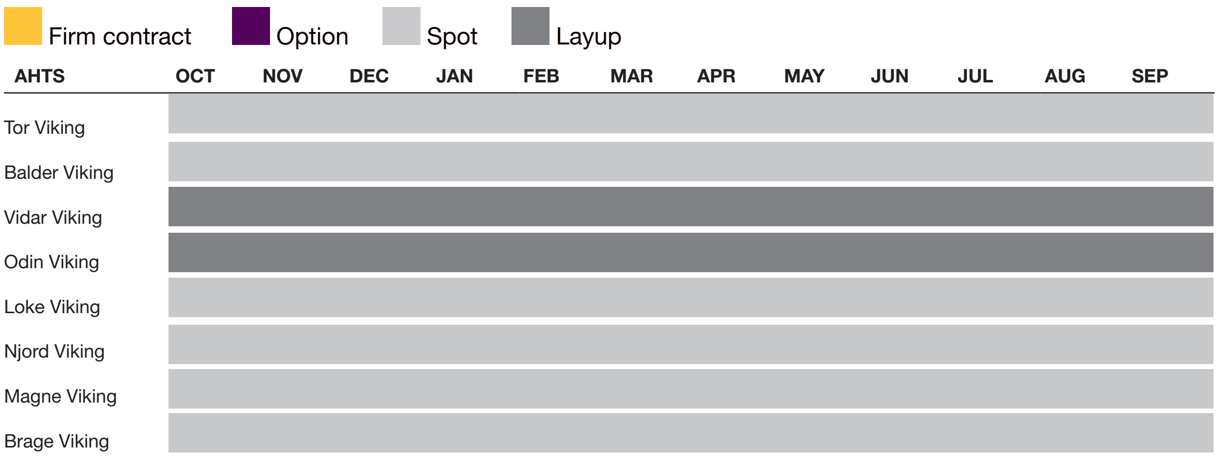
During Q3, six vessels have been operating in the North Sea spot market. Two AHTS vessels have remained in lay-up during the quarter.

The North Sea spot market was soft throughout the quarter. As a result, neither fixture levels nor utilization has been satisfactory.

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

AHTS Q3	*Fixture rates (USD)*	*Utilization (%)*
AHTS vessels on term charters	- (72,500)	- (100)
AHTS vessels on the spot market	37,500 (38,700)	36 (56)
Total AHTS fleet	**37,500** (53,300)	**36 (65)**

Table above excludes two laid-up vessel.



Figures in the tables are as of 30 September 2017.

PLATFORM SUPPLY VESSELS (PSV)

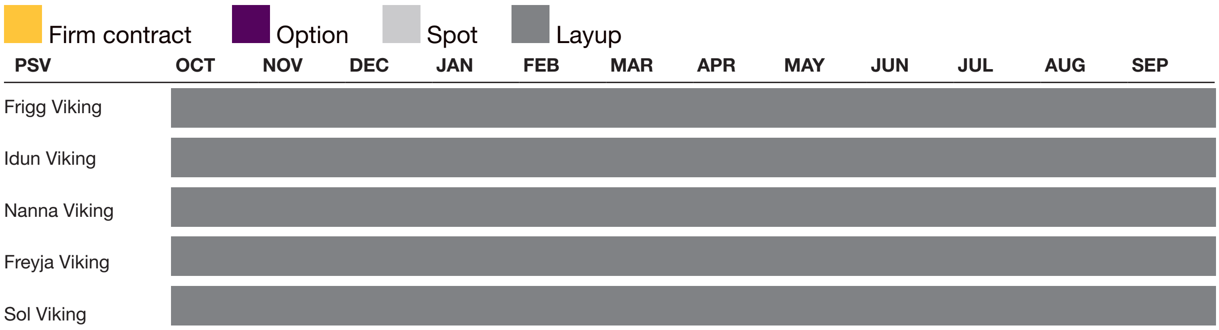
Total PSV revenue was MSEK 0 (0) in Q3. Total EBITDA was MSEK -3 (-4).

Viking Supply Ships A/S does not have any PSVs in operation, but will continue to monitor the market for long term contract opportunities for these vessels. During Q3 an impairment charge of MSEK -32 was recognized related to the PSV fleet.

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

PSV Q3	*Fixture rates (USD)*	*Utilization (%)*
PSV vessels on term charters	- (-)	0 (0)
PSV vessels in the spot market	- (-)	0 (0)
Total PSV fleet	**- (-)**	**0 (0)**

Table above excludes laid-up vessels.



Figures in the tables are as of 30 September 2017.

SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 32 (37) in Q3. Total EBITDA was MSEK 1 (-1).

Viking Ice Consultancy (VIC) has during the third quarter worked on several smaller consultancy contracts, with a focus on ice management and implementation of the Polar Code. 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.

DISCONTINUED OPERATIONS (TRANSATLANTIC AB)

During 2016 it was decided to discontinue the remaining operations in the subsidiary TransAtlantic AB (TA AB). At the end of Q3 2016 the Group assessed that discontinuation was likely to be completed within the next 12 months. Due to this, the Group has 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 Operations (see note 4, Discontinued operation and assets held for sale).

The remaining activities within the small bulk segment recorded revenues of MSEK 12 (93) in Q3. EBITDA was MSEK 0 (-5).

FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the third quarter, the Group's equity amounted to MSEK 1,086 (equivalent to 2.7 SEK/share). The Equity decreased during the first nine months by net MSEK 354 due to the loss for the nine month period of MSEK 200 and a negative change in the translation reserve of MSEK 154 attributable to currency differences on net investments in subsidiaries, mainly related to the weakened USD against SEK.

The completed equity issue, of total 340 MSEK, 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. In January the outstanding bond debt, including accrued coupon interest, of total MSEK 220 was settled partly by cash redemption of total MSEK 38, and by way of the final set-off equity issue of MSEK 57. The redeemed bonds resulted in a financial gain of 110 MSEK.

Gross investments during the first nine months amounted to MSEK 1 (5).

The scheduled loan amortizations during the first nine months amounted to MSEK 41. A new loan of MSEK 21 was raised during the same period.

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 18 December 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. The Board of directors expects that the necessary credit committee approvals are obtained within short whereby the group's debt maturity will be repaired according to table 5.2.

Gothenburg, 18 December 2017

Viking Supply Ships AB

Bengt A. Rem
Chairman

Folke Patriksson
Deputy chairman

Erik Borgen
Board member

Håkan Larsson
Board member

Magnus Sonnorp
Board member

Trond Myklebust
CEO

Christer Lindgren
Employee representative

PRESS AND ANALYST CONFERENCE

In conjunction with the publication of this interim report, an earnings call will take place on 18 December 2017 at 10.00 am (CET) with Viking Supply Ships AB's CFO Ulrik Hegelund and IR Director Morten G. Aggvin. In connection with the conference, a presentation will be available on the company's website, www.vikingsupply.com. Please see Investor Relations/Reporting Center.

FINANCIAL CALENDAR 2018

13 February 2018	Q4 Interim report
30 May 2018	Annual General Meeting

INVESTOR RELATIONS

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

The interim report is available on the company's website: www.vikingsupply.com

REVIEW REPORT

Viking Supply Ships AB (publ), org. nr. 556161-0113
Following is the auditors' review report of interim financial information prepared in accordance with IAS 34 and Ch. 9 of the Swedish Annual Accounts Act.

INTRODUCTION

We have reviewed the interim report for Viking Supply Ships AB for the period 1 January 2017 to September 30, 2017. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

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

Basis for expressed conclusion with qualified conclusion

As stated in the company's interim financial statements going concern is based on management's assumption that the process of financial restructuring will be finalized within the nearest future. The formal documentation necessary to finalize financial restructuring of the group, written approval by the credit committee of the banks, is not in place at the date of this review report which constitutes a restriction when expressing an opinion on the groups going concern. As stated in the interim report, the group and the company report a loss for the period, cash flow from consolidated operations is negative and that the group had to renegotiate its external financing after it was not able to meet loan covenants during 2017. In connection with what is mentioned in note 1 these events and conditions indicate that there is a significant factor of uncertainty that may lead to considerable doubt on the company's ability to continue the business and formal documentation to support going concern is not yet in place.

QUALIFIED CONCLUSION

Aside of the constraints mentioned in the paragraph above and the constraints on expressing an opinion on the groups going concern, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm on 17 December 2017
Rödl & Partner Nordic AB

Mathias Racz
Authorized public accountant

Q3

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MSEK)	*Note*	*Q3 2017*	*Q3 2016*	*Q1-Q3 2017*	*Q1-Q3 2016*	*Q1-Q4 2016*
Net sales		93	235	264	685	760
Other operating revenue		0	0	0	0	0
Direct voyage cost		-8	-7	-25	-25	-36
Personnel costs		-75	-81	-263	-279	-386
Other costs		-28	-62	-100	-169	-177
Depreciation/impairment	2	-67	-95	-141	-323	-409
Operating result		**-85**	**-10**	**-265**	**-111**	**-248**
Net financial items		-14	-65	66	-110	-126
Result before tax		**-99**	**-75**	**-199**	**-221**	**-374**
Tax	8	0	2	1	-1	4
Result from continuing operations	**3**	**-99**	**-73**	**-198**	**-222**	**-370**
Result from discontinued operations	4	0	-20	-2	-39	-36
Result for the period		**-99**	**-93**	**-200**	**-261**	**-406**
Earnings attributable to Parent Company's share-holders, per share in SEK (before and after dilution):						
-Result from continuing operations		-0.3	-0.4	-0.5	-1.3	-2.0
-Result from discontinued operations		0.0	-0.1	0.0	-0.2	-0.2
Total		**-0.3**	**-0.5**	**-0.5**	**-1.5**	**-2.2**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	*Note*	*Q3 2017*	*Q3 2016*	*Q1-Q3 2017*	*Q1-Q3 2016*	*Q1-Q4 2016*
Result for the period		**-99**	**-93**	**-200**	**-261**	**-406**
Other comprehensive income for the period:						
Items that will not be restored to the income statement						
Revaluation of net pension obligations		-	-	-	-	1
Items that later can be restored to the income statement						
Change in translation reserve, net		-55	15	-154	46	119
Other comprehensive income		**-55**	**15**	**-154**	**46**	**120**
Total comprehensive income for the period		**-154**	**-78**	**-354**	**-215**	**-286**

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CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q3 2017	FY 2016
Vessels	2	2,739	3,229
Other tangible fixed assets		1	0
Financial assets		18	16
Total fixed assets		**2,758**	**3,245**
Other current assets	6	123	422
Assets held for sale	4	18	26
Total current assets		**141**	**448**
TOTAL ASSETS	**3**	**2,899**	**3,693**
Shareholders' equity		**1,086**	**1,440**
Long-term liabilities	**5**	**22**	**1,896**
Other current liabilities	5	1,788	342
Liabilities related to assets held for sale	4	3	15
Total current liabilities		**1,791**	**357**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**2,899**	**3,693**

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 7 (14). Valuation of other financial assets and liability items in the balance sheets are based on acquisition value.

ASSESSMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016
Cash flow from operations before changes in working capital		-31	42	-168	112	55
Changes in working capital		3	127	-70	27	13
Cash flow from current operations		**-28**	**169**	**-238**	**139**	**68**
Cash flow from investing activities		1	-1	0	51	124
Cash flow from financing activities		-2	0	23	0	-21
Changes in cash and cash equivalents from continuing operations		**-29**	**168**	**-215**	**190**	**171**
Cash-flow from discontinued operations:						
Cash flow from current operations		-2	-6	-3	-14	-127
Cash flow from investing activities		0	0	0	41	151
Cash flow from financing activities		0	0	0	-27	-131
Changes in cash and cash equivalents from discontinued operations	**4**	**-2**	**-6**	**-3**	**0**	**-107**
Cash and cash equivalents at beginning of period		71	227	273	195	195
Exchange-rate difference in cash and cash equivalents		-10	5	-25	9	14
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**6**	**30**	**394**	**30**	**394**	**273**

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CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016
Equity at beginning of period		1,240	1,249	1,440	1,386	1,386
New share issue [1]		-	-2	-	-2	340
Total comprehensive income for the period		-154	-78	-354	-215	-286
SHAREHOLDERS' EQUITY AT END OF PERIOD		**1,086**	**1,169**	**1,086**	**1,169**	**1,440**

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

Share capital (MSEK)	Note	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016
Share capital at beginning of period		410	177	344	177	177
New share issue		-	-	66	-	167
Share capital at end of period		**410**	**177**	**410**	**177**	**344**

Number of shares ('000)	Note	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016
Number of outstanding shares at beginning of period		409,593	177,444	343,545	177,444	177,444
Number of new shares issued		-	-	66,048	-	166,101
Total number of shares at end of period		**409,593**	**177,444**	**409,593**	**177,444**	**343,545**
Average number of shares outstanding		409,593	177,444	408,177	177,444	181,297

DATA PER SHARE

(SEK)	Note	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016
EBITDA [1]		0.0	0.5	-0.3	1.2	0.9
Result after tax (EPS) [1]		-0.3	-0.4	-0.5	-1.3	-2.0
Equity [2]		2.7	6.6	2.7	6.6	4.2
Operating cash flow [1]		-0.1	0.1	-0.1	0.6	0.2
Total cash flow [1]		-0.1	1.0	-0.5	1.1	0.9

1) Calculated on continuing operations

2) The calculation includes assets held for sale

PARENT COMPANY

The Parent Company's result after tax for the first nine months was MSEK -762 (-309). The net financial items include impairment losses on shareholdings in subsidiaries of MSEK 762.

The activity in the Parent Company mainly consists of the shareholdings in Viking Supply Ships A/S and TA AB, as well as limited Group wide administration. The decline in the parent company's revenues and costs relates to the charter agreements of the three RoRo-vessels TransPaper, TransPulp and TransTimber which were novated to an external party in Q4 2016.

At the end of the third quarter the Parent Company's equity was MSEK 1,223 (1,986 on Dec 31, 2016), and total assets were MSEK 1,277 (2,055 on Dec 31, 2016). The equity decreased during the first nine months by net MSEK 762 due to the loss for the year of MSEK 762. The completed equity issue, of total 340 MSEK, 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 cash proceeds from these new share issues have been distributed to the subsidiaries as part of the financial restructuring.

The equity ratio on the balance day was 96% (97 on Dec 31, 2016). Cash and cash equivalents at the end of the period was MSEK 2 (18 on Dec 31, 2016). The decline in cash holdings relates to repaid client funds.

Q3

PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016
Net sales		2	102	7	272	333
Personnel costs		-	0	-	-1	-1
Other costs		-2	-104	-7	-274	-334
Operating result		**0**	**-2**	**0**	**-3**	**-2**
Net financial items		-287	-134	-762	-306	-342
Result before tax		**-287**	**-136**	**-762**	**-309**	**-344**
Tax on result for the year		-	-	-	-	-
RESULT FOR THE PERIOD		**-287**	**-136**	**-762**	**-309**	**-344**
Other comprehensive income for the period:						
Items that will not be restored to the income statement						
Revaluation of net pension obligations		-	-	-	-	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-287**	**-136**	**-762**	**-309**	**-344**

PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q3 2017	FY 2016
Financial fixed assets		1,273	1,905
Current assets		4	150
TOTAL ASSETS		**1,277**	**2,055**
Shareholders' equity		1,223	1,986
Provisions		6	6
Long-term liabilities		15	15
Current liabilities		33	48
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**1,277**	**2,055**

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Note	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016
Equity at beginning of period		1,510	1,817	1,986	1,990	1,990
New share issue [1)]		-	-2	-	-2	340
Total comprehensive income for the period		**-287**	**-136**	**-762**	**-309**	**-344**
SHAREHOLDERS' EQUITY AT END OF PERIOD		**1,223**	**1,679**	**1,223**	**1,679**	**1,986**

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

Q3

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. LIQUIDITY AND GOING CONCERN

The financial restructuring was completed on 12 January 2017 when the bond settlement by way of cash redemption and conversion to equity was completed.

The restructuring was intended to secure 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 included a prolonged weakening of the market conditions.

The continued challenging market conditions, including downward pressure on rates and utilization, have impacted the Group's liquidity during the first nine months of 2017. As a consequence, Viking Supply Ships A/S shortly after the end of Q2 2017 initiated a dialogue with its lenders to secure a long-term stable financing solution.

At the end of Q3 2017, Viking Supply Ships 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.

Viking Supply Ships A/S has during the majority of Q3 2017 been in an ongoing dialogue with its lenders, during which Viking Supply Ships A/S has not paid installments and interest to its lenders. These events have created uncertainty as to the 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 December 2017, Viking Supply Ships A/S obtained support for a restructuring proposal from all senior lenders. Subject to final approval from the senior lenders' credit committees, the Group therefore expects the financial restructuring to be finalized within short, subject to an equity issue at an agreed level in Viking Supply Ships AB and a subsequent equity injection by the parent company into Viking Supply Ships A/S, where the majority shareholder Kistefos AS has guaranteed 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 share issues in Viking Supply Ships AB that form part of the Viking Supply Ships A/S' financial restructuring will comprise the following:

- A MSEK 123 rights issue.
- A share issues with payment against set-off to Viking Invest AS for financial services.
- A share issue with payment against set-off to Viking Invest AS for guarantee fee for the guarantee undertaking in the rights issue.
- Following these equity issues, the equity in Viking Supply Ships AB is expected to increase with MSEK 128 net after expenses.

The final agreement includes the following key terms:

- Viking Supply Ships A/S loan facilities are as currently due 31 March 2020.
- Viking Supply Ships A/S loan facilities will carry significant less cash interest and instalments until maturity on 31 March 2020. Limited cash interest and instalments will be paid until Q4 2018.
- Financial covenants on the loan facilities are amended to provide Viking Supply Ships A/S with ample room to operate under the present challenging market conditions.
- Cash at hand exceeding a certain level will through a cash sweep mechanism be distributed as repayment of the bank facilities.
- The bareboat charter in respect of the vessel Odin Viking will be amended to reflect that the charter hire of USD 10,000 per day will not be payable in cash, but added to the principal amount outstanding under the charter party as payment in kind.

- The bareboat charter will be amended to reflect that Viking Supply Ships A/S will have the right to exercise the previously agreed purchase option in respect of Odin Viking before the end of the charter party. If the option is exercised, the bareboat charter will be terminated against a termination compensation equal to the accumulated and remaining charter hire.
- Upon exercise of the purchase option, Viking Supply Ships A/S will replace Odin Viking SPV AS as borrower under the Odin Viking SPV AS facility with DVB Bank SE. The outstanding loan amount under the Odin Viking facility will be off-set against the termination compensation payable by Viking Supply Ships A/S.
- Viking Supply Ships A/S will receive new capital in the amount of MUSD 15.0.

The restructuring secures the Group ample room to operate under the present challenging market conditions, 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 a continued belief in securing contracts within the core market segment, Management has concluded that both the company and the Group will be able to continue as going concern at least until 30 September 2018. This conclusion is based on Management's assessment of the current outlook for 2017/2018 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").

Viking Supply Ships 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 Viking Supply Ships A/S has deemed it appropriate to consider each group of vessels as a separate cash generating unit. As a result, Viking Supply Ships 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 2017 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% (2016: 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 2017

Based on fixtures rates, utilization, contract coverage, cost levels and currency exchange levels the Group 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. The cash flow projection shows negative cash flows for 2017-19 due to all PSV vessels in warm lay-up in 2017/2018 and poor market conditions expected in 2019 with step-wise improving rates and utilization in 2020 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 326.

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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 228 (ranging from MSEK 135 to MSEK 322). 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 326 is lower than the carrying amount of MSEK 358 at the end of Q3 2017, an impairment charge of MSEK 32 has been recognized.

The Group will continue to closely monitor the market development and impairment exposure of the PSV fleet's carrying amount.

Impairment test AHTS fleet in 2017
In Q3 2017 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 2 413) by 6% on average.

3. SEGMENT INFORMATION ABOUT CONTINUING OPERATIONS

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

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

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

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

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

Q3 **MSEK**	*AHTS*	*PSV*	*Services*	*Ship Management*	*Continuing operations*
Net sales	61	0	4	28	**93**
EBITDA	-16	-3	1	0	**-18**
Result before tax	-58	-42	1	0	**-99**
Total assets	2,531	350	0	0	**2,881**

Year to date **MSEK**	*AHTS*	*PSV*	*Services*	*Ship Management*	*Continuing operations*
Net sales	150	0	13	101	**264**
EBITDA	-116	-8	1	-1	**-124**
Result before tax	-139	-60	1	-1	**-199**
Total assets	2,531	350	0	0	**2,881**

There have been no significant transactions between the segments.

4. DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

During 2016 it was decided to discontinue the remaining operations in the subsidiary TransAtlantic AB in order to meet financing commitments related to these operations. 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.

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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.

After the end of the quarter, two of the remaining vessels,TransSonoro and TransVolante, were sold. The vessels have been delivered to its new owners and the sale will have a limited positive financial effect.

Discontinued operations are in accordance with IFRS 5 measured at the lower of carrying amount and fair value less costs to sell. The assessment of the valuations of the remaining vessels assets are supported by independent broker valuations and an overall assessment from ongoing sales processes.

CONSOLIDATED INCOME DISCONTINUED OPERATIONS

(MSEK)	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016
Net sales	12	93	37	260	309
Other operating revenue	0	0	0	0	34
Direct voyage cost	0	-1	0	-6	-4
Personnel costs	0	-3	0	-5	-9
Other costs	-12	-94	-39	-257	-330
Depreciation/impairment	-	-7	19	-27	-8
Impairment to fair value less selling costs [1]	-	-7	-19	-	-19
Operating result	**0**	**-19**	**-2**	**-35**	**-27**
Net financial items	0	-1	0	-4	-9
Result before tax	**0**	**-20**	**-2**	**-39**	**-36**
Tax	0	0	0	0	0
RESULT FROM DISCONTINUED OPERATIONS	**0**	**-20**	**-2**	**-39**	**-36**
Earnings attributable to Parent Company's shareholders,					
per share in SEK (before and after dilution):					
-Result from discontinued operations	0.0	-0.1	0.0	-0.2	-0.2

1) Not tax deductible

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

(MSEK)	Q3 2017	FY 2016
Other tangible fixed assets	0	0
Intangible fixed assets	1	1
Financial assets	9	9
Total fixed assets	**10**	**10**
Current assets	8	16
ASSETS HELD FOR SALE	**18**	**26**
Current liabilities	3	15
LIABILITIES RELATED TO ASSETS HELD FOR SALE	**3**	**15**

CASH-FLOW FROM DISCONTINUED OPERATIONS

(MSEK)	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q4 2016
Cash flow from current operations	-2	-6	-3	-14	-127
Cash flow from investing activities	0	0	0	41	151
Cash flow from financing activities	0	0	0	-27	-131
NET CASH FLOW FROM DISCONTINUED OPERATIONS	**-2**	**-6**	**-3**	**0**	**-107**

5. INTEREST BEARING LIABILITIES

The vessels owned by the Group are financed through bank loans with pledge in the vessels. Further securities have been given in the form of pledge in revenue and insurance policies. The total interest-bearing debt at the end of the quarter was MSEK 1,697 (1,927 on Dec 31, 2016).

The interest bearing liabilities are associated with financial covenants, according to which the Group must fulfill certain key ratios. Due to the current weak market conditions, Viking Supply Ships A/S at the end of Q2 2017 registered a breach on its twelve month rolling EBITDA ratio which is to be positive.

Viking Supply Ships A/S has during the majority of Q3 2017 been in an ongoing dialogue with its lenders, during which Viking Supply Ships A/S has not paid installments and interest to its lenders.

At the end of Q3 2017, Viking Supply Ships 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 (see note 1, liquidity and going concern).

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

- Viking Supply Ships A/S loan facilities are as currently due 31 March 2020.
- Viking Supply Ships A/S loan facilities will carry significant less cash interest and instalments until maturity on 31 March 2020. Limited cash interest and instalments will be paid until Q4 2018.
- Financial covenants on the loan facilities are amended to provide Viking Supply Ships A/S with ample room to operate under the present challenging market conditions.
- Cash at hand exceeding a certain level will through a cash sweep mechanism be distributed as repayment of the bank facilities.

As part of the 2016 financial restructuring the cash redemption of the bond was partly funded by a loan of MNOK 20 provided by one of Viking Supply Ships A/S' existing lenders. The loan was received in January 2017.

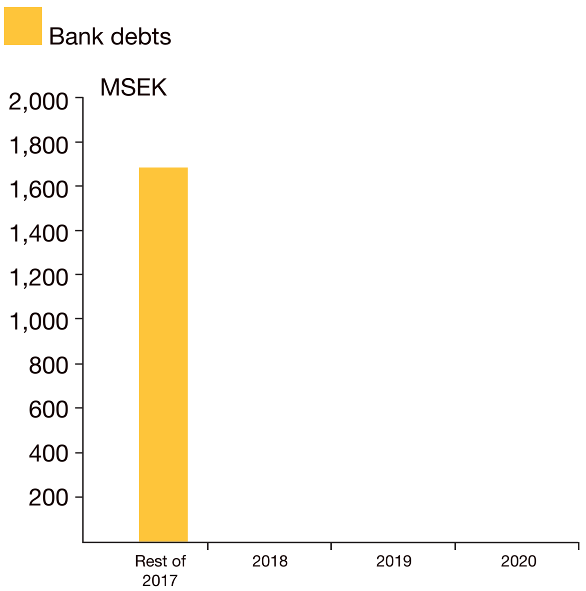
As a result of an agreement that was resolved by the bondholders in conjunction with the key terms of the 2016 debt restructuring plan, the bond agreement was changed in 2016 and the bond was delisted from Nordic ABM on 12 January 2017.

The Group has 99% (45%) of its interest-bearing debt in USD, 0% (17%) in GBP and 1% in NOK (38%). 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% (0) of the total loan portfolio swapped into fixed interest rates for more than 3 years.

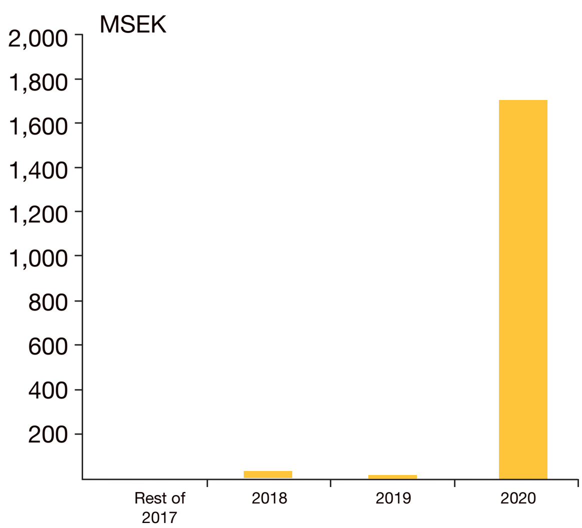
5.1. Classification by type of debt

MSEK	*Q3 2017*	*Q3 2016*	*FY 2016*
Short-term bond loan	-	212	-
Long-term debt to credit institutions	-	-	1,868
Short-term debt to credit institutions	1,697	2,168	59
TOTAL INTEREST BEARING LIABILITIES	**1,697**	**2,380**	**1,927**

5.2. Debt maturity



Current debt maturity



Debt maturity after restructuring

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6. CASH AND CASH EQUIVALENTS
Consolidated cash and cash equivalents available at the end of the year amounted to MSEK 30 (273). The cash assets include client funds of MSEK 19.

MSEK	Q3 2017	Q3 2016	FY 2016
Restricted cash [1)]	-	77	-
Free cash and cash equivalents	30	394	273
TOTAL	**30**	**471**	**273**

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 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 remaining business activity in the TransAtlantic segment operates 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 1,049 (1,048 on Dec 31, 2016). 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 (0 on Dec 31, 2016).

Transactions with closely related parties
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 204 until expiry on 2 August 2024. The Group has until September 30, 2017 paid charter hire of total MSEK 24. As part of the financial restructuring agreement, this bareboat charter contract will be cancelled.

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.

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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 star of the comparative period. The presentation of the consolidated balance sheet for preceding periods is not changed in a corresponding manner.

The same accounting policies for both the Group and the Parent Company have been applied as those used in the most recent Annual Report.

Viking Supply Ships 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 Viking Supply Ships A/S and the Group. Viking Supply Ships A/S has as of Q3 2011 been built through Group-internal transfers of vessels and operations at then current market prices, which is why differences in acquisition values have arisen.

Number of employees

The average number of full time employees in the Group for the first nine months was 396 (Jan-Dec 2016: 464).

Number of shares

Share distribution on September 30, 2017:

Number of Series A shares	20,684,348
Number of Series B shares, listed	388,908,612
Total number of shares	**409,592,960**

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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


QUARTERLY
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