VIKING

SUPPLY SHIPS AB (PUBL)

ANNUAL REPORT

2018

VIKING SUPPLY SHIPS

MORE
THAN A SHIPOWNER

THE COOLEST
PLACE TO WORK

ALWAYS AHEAD OF
COMPETITION

CONTENT

Sea of Okhotsk
Ice management and supply operations in ice 2012-2016
Alaska
Ice management and anchorhandling 2010, 2012, 2015
Northern Sea Route
Passage of the Northern Sea Route three times
The North Pole
Ice management and core drilling 2004
Kara Sea
Ice management 2014
Pechora Sea
Supply duties 2018
Canada
Ice berg management Grand Banks Canada 2012 and 2013
NE Greenland
Icebreaking/seismic support 2012 & 2013, ice-mgt in 2008
Barents Sea
All duties 2011-2016
West Greenland
Moved more than 200 ice-bergs during 2010 & 2011
Baltic Sea
Seasonal Icebreaking since 2000

1974
The Norwegian tanker company, Excelsior (established in 1946), begins to focus on the fast-growing offshore market. Viking Supply Ships is established as a marketing company for platform supply vessels (PSVs).

1972–1989
Nordsjöfrakt is established in 1972 and operates from Skärhamn, Sweden. In 1989, the shipping company merges with the Bylock Group to establish Bylock & Nordsjöfrakt (B&N).

1989
Christen Sveaas acquires Excelsior and changes the name of the company to Viking Supply Ships AS. A major expansion of the PSV fleet is initiated.

1990–1993
B&N acquires the shipping company Gorthon Lines from Bilspedition and is listed on the Stockholm Stock Exchange in 1991.
In 1993, Svenska Orient Linien is also acquired from Bilspedition.

1998
Viking Supply Ships acquires three combined AHTS vessels/icebreakers through a joint venture with Viking Supply Ships.

1998–2000
B&N acquires Paltrans Shipping.

2005
B&N is renamed Rederi AB Transatlantic.

2010
Rederi AB TransAtlantic acquires the shares outstanding in the TransViking joint venture, thus making the Norwegian company, Kistefos, the new principal owner.

2011
Rederi AB Transatlantic acquires the shipping and logistics companies Österströms and SBS Marine. Operations are divided into two business areas – the offshore business in Viking Supply Ships and the shipping and logistics operations in Industrial Shipping (subsequently "TransAtlantic"). The Group-wide functions are located in Gothenburg.

2012
Rederi AB Transatlantic acquires the Finnish shipping company Merilinja.

2013
Work continues with developing the operations Work continues with developing the operations of each business area. Industrial Shipping (subsequently TransAtlantic) implements stringent cost-cutting measures and leaves the unprofitable bulk segment to focus its resources on RoRo and the Container Feeder segment.
Viking Supply Ships signs several important Arctic offshore contracts and centralizes all of its support and operational functions at the head office in Copenhagen, Denmark.

2014
The Industrial Shipping business area was renamed to TransAtlantic. The work to prepare the company for a split was intensified. During the year, the last remaining portions of TransAtlantic's and Viking Supply Ships' respective operations were transferred so as to be exclusively conducted by the respective subsidiary, which means the Group's present structure is now better prepared for a split.

2015
The company name was changed from Rederi AB Transatlantic to Viking Supply Ships AB. TransAtlantic AB divested its ship management operations and container operations.

2016
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.

2017
The process to discontinue the remaining operations within TransAtlantic AB continued and by the end of 2017 only three small bulk vessels remain. The group finalized an equity issue as part of a financial restructuring, which was caused by the prolonged downturn within the offshore market.

2018
All PSV vessels and the three icebreakers Tor Viking, Balder Viking and Tor Viking were sold during the year. The discontination of TransAtlantic AB was concluded,

FY 2018

2018 SUMMARY

THE GROUP'S NET SALES DECREASED YEAR-ON-YEAR TO MSEK 300 (331), NET RESULT AFTER TAX WAS MSEK 1 751 (-332).

QUARTER 1

In January 2018, credit committee approval from all senior lenders was obtained and a restructuring agreement was signed with all senior lenders. This finalized the financial restructuring. In late January 2018 a contract was entered into with an international oil company for the charter of the Iceclass 1A-Super AHTS Brage Viking with prompt commencement. The duration is up to 140 days including optional periods. Securing this contract clearly emphasizes the competence and market position built up within the harsh environment offshore market. In order to streamline the organization and further increase the commercial focus of the company it was in January 2018 decided to relocate Viking Supply Ships A/S' headquarter from Copenhagen (Denmark) to Kristiansand (Norway).

QUARTER 2

In late 2016 Viking Supply Ships entered into a strategic cooperation with Sevnor Ltd. to explore future market opportunities in the Russian market. Both parties are satisfied with how the cooperation has worked and have thus decided to further develop the cooperation. As a result, Mr. Tom Babinski, Chief Commercial Officer (CCO) in Sevnor will as of now also act as CCO for Viking Supply Ships. Viking Supply Ships will as part of the cooperation also provide certain services to Sevnor. Viking Supply Ships has during the second quarter entered into an agreement to sell the three medium sized PSV-vessels Freyja Viking, Nanna Viking and Sol Viking. Because of the sale of the three vessels an impairment loss of MSEK 172 (MUSD 19.7) was recognized on the PSV-fleet during the second quarter. The sale will have no impact on the Group´s liquidity. Viking Supply Ships has a clear ambition to sell the last two vessels and has consequently classified the PSV segment as discontinued operations as of Q2. Morten G. Aggvin was appointed interim CFO in Viking Supply Ships AB and Viking Supply Ships A/S with effect from 1 July 2018. In accordance with the previously communicated decision to re-locate the Copenhagen office to Kristiansand, Norway, the existing office in Denmark was closed in late June. However, until the vessels can be formally sold to its new Norwegian entities, Viking Supply Ships A/S will continue to operate its fleet from Copenhagen. A new office has been acquired together with an interim management team. It is expected that the exit from Denmark can be fully completed during second half of 2018.

QUARTER 3

During the third quarter, VSS has sold its three Icebreakers, Tor Viking, Balder Viking and Vidar Viking to Her Majesty the Queen in Right of Canada. The vessels were delivered to its new owners in September, and VSS has received payment in full for the transaction. The net impact on the result is MSEK 2,485. An impairment loss of MSEK 18 was recognized for the two remaining PSV vessels Idun Viking and Frigg Viking. An impairment loss of MSEK 137 was recognized for the AHTS vessel Odin Viking.

QUARTER 4

An agreement has been entered into selling the remaining three small bulk vessels, and the vessels were delivered to the new owners during Q4 2018. The sales, which conclude the remaining business in TransAtlantic AB, brought a positive cash contribution to the Group of MSEK 18 and a positive P&L effect of 4 MSEK, which was recognized during Q4. During Q4 VSS entered into an agreement to sell the two remaining PSVs, Idun Viking and Frigg Viking. The sale did not have any material effect on the result. As of early January 2019, both vessels had been delivered to their new owners.

FURTHER EMPHASIS ON
HARSH ENVIRONMENT OFFSHORE

VIKING SUPPLY SHIPS' OPERATIONS ARE ORGANIZED INTO TWO INDEPENDENT SUBSIDIARIES: TRANSATLANTIC AB AND VIKING SUPPLY SHIPS A/S. DURING 2016 IT WAS DECIDED TO DISCONTINUE THE REMAINING OPERATIONS IN THE SUBSIDIARY TRANSATLANTIC AB, WHICH WAS ACHIEVED DURING 2018. THIS WAS THE FINAL STEP TO FORGIVE THE TRADITIONAL SHPPING SEGMENTS, AND FOR THE FUTURE FULLY FOCUS ON ITS CORE BUSINESS WITHIN THE HARSH ENVIRONMENT OFFSHORE INDUSTRY.

VIKING SUPPLY SHIPS

Viking Supply Ships offers offshore and icebreaking services to oil-prospecting customers in the North Sea, Arctic and Subarctic waters. As one of few operators in the market, Viking Supply Ships has unique expertise at its disposal to conduct operations in ice environments and difficult weather conditions.

- Offices in Copenhagen, Kristiansand and Stenungsund
- 295 employees at year end, of which 20 land-based and 275 are offshore
- 5 vessels and 5 managed vessels
- Customers primarily comprise major international oil companies

TRANSATLANTIC

During 2016 it was decided to discontinue the operations within TransAtlantic. The three remaining vessels were sold during the year, which concludes the discontinuation.

VIKING SUPPLY SHIPS AB

- Leading Swedish shipping company with a long history.
- Two independent subsidiaries – TransAtlantic AB and Viking Supply Ships A/S. During 2016 it was decided to discontinue the operations within TransAtlantic AB. The three remaining vessels were sold during the year, which concludes the discontinuation.
- At year-end, the fleet comprised 5 vessels and 5 managed vessels.
- The Group has 295 employees at year end and the parent company has its domicile in Gothenburg, Sweden.
- Sales for 2018 amounted to MSEK 300 (excluding discontinued operations).
- The number of shareholders at year-end was 3,072.
- The company is listed on Nasdaq OMX Stockholm under the Small Cap list.
- The company is majority-owned by the Norwegian investment company, Kistefos AS, which is owned by Christen Sveaas.
- At the year-end Kistefos AS held 78.3% of the share capital and 74.7% of the votes.

COMMENTS BY THE CEO

ALTHOUGH THE INCREASED OIL PRICE HAS LEAD TO RENEWED OPTIMISM WITHIN THE OIL AND GAS INDUSTRY IN GENERAL, THE DOWNTURN WITHIN THE OFFSHORE SUPPORT VESSEL MARKET HAS CONTINUED DURING 2018. AS A CONSEQUENCE THE OPERATIONAL REVENUES AND RESULTS HAS NOT REACHED SATISFACTORY LEVELS DURING 2018. A NEW FINANCIAL RESTRUCTURING, INCLUDING AN EQUITY ISSUE, WAS COMPLETED IN EARLY 2018, SECURING THE GROUP WITH A PLATFORM TO NAVIGATE THROUGH THE CHALLENGING MARKET. THE COMPANY HAS ALSO CONTINOUSLY WORKED TO REDUCE ITS OPERATIONAL EXPENSES. DURING 2018, THE GROUP SOLD ITS THREE ICE-BREAKERS TOR, BALDER AND VIDAR VIKING TO HER MAJESTY THE QUEEN BY RIGHT OF CANADA, LEAVING THE COMPANY IN A UNIQUE FINANCIAL POSITION WITHIN THE OSV INDUSTRY.

VIKING SUPPLY SHIPS

During the year, the AHTS fleet had an average rate level of USD 28,400 (29,000) and an average utilization rate of 53% (32). The downturn within the offshore market continued through 2018, which resulted in a continued highly challenging OSV market. As a result, the AHTS market was negatively impacted throughout the year, with both rates and utilization failing to reach profitable levels.

VSS A/S' head office has for the last few years been located in Copenhagen, Denmark with local presence in Norway and Sweden. In early 2018 it was decided to re-locate the head office to Kristiansand, Norway. The office in Copenhagen will consequently be closed down once the remaining activities has successfully been moved to Norway. Once completed, the Group's administration will be divided between the future headquarter in Kristiansand and the office in Stenungsund, Sweden.

During Q3, Viking Supply Ships sold its three ice-breakers Tor, Balder and Vidar Viking to her Majesty the Queen in right of Canada, which significantly impacted the financial result for 2018. The vessels were delivered to its new owners in September, and VSS has received payment in full for the transaction. The net impact on the result is MSEK 2 485. Following the above transactions, VSS core fleet will consist of three Ice-1A and one Ice-1A Super classed AHTS vessels. In addition, VSS has one AHTS without ice-class.

TRANSATLANTIC

During 2016 it was decided to discontinue the remaining activities within TransAtlantic AB. This process was completed during 2018, with the sales of the three-remaining small-bulk vessels in Q4 2018.

THE GROUP

During 2017 VSS A/S concluded a financial restructuring. As part of this, a series of equity issues were completed in Viking Supply Ships AB in early 2018. For further details on the development of the share capital and number of shares, see note 21.

OUTLOOK

Although still volatile, the oil price seems to have stabilized at a sustainable level, at which the investment level in the offshore oil and gas segment is expected to gradually increase. In the longer run this will positively impact the OSV segment, but due to oversupply of vessels and time lag due to budget cycles, the OSV market in general is expected to remain challenging through 2019. However, VSS has seen increased tendering activity within the harsh-environment segment, which is expected to increase the demand for ice-classed vessels.

VSS is committed to its strategy to focus on the harsh environment offshore market and its unique ice-breaking competence. As part of this VSS is currently upgrading Loke Viking to Ice-1A Super, which is assumed to increase the probability of obtaining term contracts for the vessel. The upgrade was completed in early 2019 and the vessel is expected to remain at yard for tests and further upgrades until the end of first quarter 2019.

Combined with the efforts to continuously reduce the cost base in the Group, the sale of the Ice-breakers has positioned the Group in a unique position within the offshore industry. Combined with its competence within the harsh environment offshore segment, the Group is therefore well positioned for the next growth cycle within the offshore industry.

Gothenburg, 13 February 2019

Trond Myklebust

Trond Myklebust
President and CEO

THE OFFSHORE MARKET BOTTOMING OUT

CONTINUED FOCUS ON HARSH ENVIRONMENT OFFSHORE MARKET

Viking Supply Ships pursues activities in the Arctic offshore market, in areas with difficult weather conditions, and in the offshore spot market in the North Sea. The fleet comprises 5 offshore vessels, of which four are equipped and have the capacity for operations in environments with harsh cold and extreme weather conditions, such as the Arctic region. The strategy is to sign long-term contracts for vessels to the extent this is possible. In 2018, contract coverage was 16% (0) for the AHTS fleet (excluding laid up vessels). Viking Supply Ships also has extensive experience in offering consultancy services for ice management and logistics support in the Arctic region. In addition, Viking Supply Ships handles ship management for the Swedish Maritime Administration's five ice-breakers, which further strengthens the position in environments with difficult weather conditions.

A CONTINUED CHALLENGING MARKET ENVIRONMENT

The oil market, which is the fundamental driver for the market in which Viking Supply Ships operates, stabilized during 2017 and has through 2018 shown clear signs of improvement. Although still volatile, the oil price has over the last year stabilized at a sustainable level, which is expected to lead to increased investment levels within the offshore oil and gas industry. Due to planning cycles and oversupply of vessels there is however a significant lag before this improvement is transferred to offshore activity, which is the demand driver for OSV vessels.

Viking Supply Ships maintains a positive long term outlook for the offshore industry. Due to planning cycles Viking Supply Ships does however anticipate that also 2019 will be challenging for the industry. There is currently a global oversupply of vessels which will require a significant increase in activity to be absorbed in the market. As a result the North Sea market is expected to remain challenging through 2019. However, VSS has seen increased tendering activity within the harsh-environment segment, which is expected to increase the demand for ice-classed vessels.

RUSSIA – TO REMAIN A CORE MARKET

The challenging situation related to sanctions in Russia was upheld through 2018, which has caused the exploration activity to be held back over the recent years. The current producing fields are mainly located in the Sakhalin region in the Far East and in the Pechora Sea. There has however been an increased exploration activity in the region during the last two summer seasons, but the sanctions are likely to hamper activity also in 2019. In the longer run, Viking Supply Ships still considers Russia to be a significant region within the Arctic offshore industry and the Group expects to see an up-lift in activity from 2020. During 2018, Viking Supply Ships had Brage Viking on a medium term contract with GNS in the Pechora Sea for 6 months, further underlining the Groups ability to operate in tough ice-conditions.

VIKING SUPPLY SHIPS

- Offices in Copenhagen in Denmark, in Kristiansand in Norway and Stenungsund in Sweden.
- 295 employees, of which 275 are offshore, and 20 are land based.
- Extensive experience in icebreaking, ice management and offshore activities.
- Customers include major international oil companies.
- A fleet of 5 vessels:
  - Four ice-reinforced AHTS vessels
  - One AHTS vessel without ice classification

A further step towards the North
VSS AB's subsidiary VSS A/S has for the last few decades focused on the harsh environment offshore regions, with the primary market being located in the Northern hemisphere.

VSS A/S' head office has for the last few years been located in Copenhagen, Denmark with local presence in Norway and Sweden. In order to streamline the organization and further increase the commercial focus of the company it was in early 2018 decided to re-locate VSS A/S' headquarter to Kristiansand (Norway). The office in Copenhagen will consequently be closed once the remaining activities have been re-located to Norway. The re-location of the headquarter further emphasizes the focus on the arctic areas as the core market for Viking Supply Ships.

CONTRACT OPPORTUNITIES AND MARKET OUTLOOK

VSS is committed to its strategy to focus on the harsh environment offshore market and its unique ice-breaking competence. As part of this VSS is currently upgrading Loke Viking to Ice-1A Super, which is assumed to increase the probability of obtaining term contracts for the vessel. The upgrade was completed in early 2019 and the vessel is expected to remain at yard for tests and further upgrades until the end of first quarter 2019.

Combined with the efforts to continuously reduce the cost base in the Group, the sale of the Ice-breakers has positioned the Group in a unique position within the offshore industry. Combined with its competence within the harsh environment offshore segment, the Group is therefore well positioned for the next growth cycle within the offshore industry.

Although still volatile, the oil price seems to have stabilized at a sustainable level, at which the investment level in the offshore oil and gas segment is expected to gradually increase. In the longer run this will positively impact the OSV segment, but due to oversupply of vessels and time lag due to budget cycles, the OSV market in general is expected to remain challenging through 2019. However, VSS has seen increased tendering activity within the harsh-environment segment, which is expected to increase the demand for ice-classed vessels. The group therefore maintains its clear ambition to secure term contracts for one or several of its vessels during 2019.

LIST OF VESSELS IN VIKING SUPPLY SHIPS AT DECEMBER 31, 2018

Vessels	Type	Dwt	Year of construction/year of remodeling	Holding/leasing form	Flag	Year acquired
Loke Viking	AHTS	4,500	2010	Owned – 100%	Norway	2010
Njord Viking	AHTS	4,500	2011	Owned – 100%	Norway	2011
Magne Viking	AHTS	4,500	2011	Owned – 100%	Norway	2011
Brage Viking	AHTS	4,500	2012	Owned – 100%	Norway	2012
Odin Viking	AHTS	2,869	2003	Financial lease - bareboat charter	Norway	n.a

SAFETY
AND ENVIRONMENT

All Companies in Viking Supply Ships Group are covered by the same principles regarding HSEQ to reach uniformity and effectivity in the continuously ongoing work with improvements. The vision for Viking Supply Ships is to be a workplace free of incidents and accidents, and with minimal negative impact on the environment. Customer focus in combination with a structured work to identify risks and opportunities among the company's interested parties, is the strategy that form the base for Viking Supply Ships, striving to offer the best possible service and create value added for the customers. At the same time as the company is interested in forming its activities in a sustainable way, making as low environmental footprint as possible, which among other is made through following all applicable laws and regulations regarding environment. Some of the principles that are important for Viking Supply Ships work with HSEQ are:

- Zero accidents, environmental or material damage
- Healthy working conditions
- Behavior based safety
- Strive for energy efficiency
- Innovation and development alongside with our customers

Viking Supply Ships adopt the "stop the job" policy where all employees are entitled to stop the job at any unsafe moment. The company also have a "no blame culture" which mean that no one will be blamed for incidents in the work environment. This culture is used to make people dare to speak up whenever they feel uncertainty or do not understand the task and in the long run this minimize incidents and accidents. Crew that know their vessel and their team are contributing to safely performed jobs.

The focus on reporting safety observations and improvement suggestions are further evidence of how active work with safety and work environment give positive result, which are shown in company HSE statistics.

The Group has a solid work regarding quality both on board the vessels and at the offices and is certified in accordance with the ISM Code and ISO standard 9001:2015. Viking Supply Ships is also certified according to ISPS for security, ISO 14001:2015 for environment and OHSAS 18001:2007 for work environment. During 2019, the certificate regarding OHSAS 18001:2007, will be replaced by the new ISO standard ISO 45001:2018 for work environment. Viking Supply Ships also have vessels that are certified according to the Polar Code where the vessel and the crew need to follow a vast number of criteria for sailing Arctic and Antarctic waters.

Through the extern management, Viking Supply Ships has been deeply involved in technical solutions to minimize NOx emissions from the vessels – a pioneering science project that include rebuilding of existing engines to common rail technique.

Own newbuilds after year 2000 have Clean Design and Green Passport notations by DNV GL and equipment to minimize NOx emissions to air. Work with frequency steering of for example pumps, upgrading the light fittings to LED and making still and sparkling drinking water are other examples of project gained from an active environmental work within the company.

Further information about the work regarding HSEQ can be found at the Viking Supply Ships web page under Safety and Environment.
www.vikingsupply.com/hseq

FIVE-YEAR OVERVIEW

Please see page 76 for definitions

MSEK	The Group 2018	2017	2016	2015	2014
Consolidated revenue and earnings					
Net sales					
AHTS [1]	154	181	611	951	1,255
PSV [2]	-	-	-	30	173
Services	3	15	8	0	340
Ship Management	143	135	137	133	129
TransAtlantic [3]	-	-	-	-	1,293
The Group's net sales	**300**	**331**	**756**	**1,114**	**3,190**
Result before tax					
AHTS [1]	2,170	-206	-118	133	367
PSV [2]	-	-	-254	-457	-63
Services	-3	-3	-4	-5	41
Ship Management	-3	-1	2	0	0
TransAtlantic [3]	-	-	-	-	-128
The Group's result before tax	**2,164**	**-210**	**-374**	**-329**	**217**
Tax	-1	1	4	-3	-17
The Group's result from continuing operations	**2,163**	**-209**	**-370**	**-332**	**200**
Result from discontinued operations [1) 2) 3)]	-412	-123	-36	-108	-
The Group's result after tax	**1,751**	**-332**	**-406**	**-440**	**200**
Consolidated cash flow					
Working capital	-148	-195	55	223	527
Changes in working capital	-110	-31	1	174	-97
Cash flow from investing activities	3,224	0	124	-181	-132
– of which, investments	-112	-1	-11	-183	-218
– of which, divestments	3,336	1	135	2	86
Cash flow from financing activities	-528	40	-21	-419	-251
Cash flow from continuing operations	**2,438**	**-186**	**159**	**-203**	**47**
Cash flow from discontinued operations	-366	-34	-95	-67	-
Total cash flow	**2,072**	**-220**	**64**	**-270**	**47**
Exchange-rate difference in cash and cash equivalents	-23	-19	14	15	22
Closing unappropriated cash and cash equivalents	**2,083**	**34**	**273**	**195**	**450**
Consolidated balance sheet, Dec. 31					
Vessels	1,708	2,715	3,229	3,470	3,982
Financial fixed assets	122	15	16	182	118
Other fixed assets	0	1	0	4	5
Current assets excluding cash and cash equivalents	227	105	149	266	705
Contractual assets	94	15	26	-	-
Cash and cash equivalents	2,083	34	273	195	450
Total assets	**4,234**	**2,885**	**3,693**	**4,117**	**5,260**
Shareholders' equity	2,968	971	1,440	1,386	2,042
Interest-bearing liabilities	885	1,748	1,927	2,334	2,695
Non-interest-bearing liabilities	117	163	310	397	523
Liabilites related to assets held for sale	264	3	16	-	-
Total shareholders' equity and liabilities	**4,234**	**2,885**	**3,693**	**4,117**	**5,260**

Please see page 76 for definitions

MSEK	The Group 2018	2017	2016	2015	2014
Total shareholders' equity and liabilities					
Shareholders' equity, Jan. 1	971	1,440	1,386	2,042	1,749
New share issue, net after transaction expenses	121	4	340	-	145
Dividend	-	-	-	-98	-
Result for the year	1,751	-332	-406	-440	200
Exchange-rate differences/Other	125	-141	120	-118	-52
Shareholders' equity	**2,968**	**971**	**1,440**	**1,386**	**2,042**
Data per share (SEK)					
EBITDA [5]	260.9	-34.6	88.4	164.9	421.7
Earnings before interest expenses (EBIT) [5]	249.2	-67.3	-137.3	-85.6	293.4
Result before tax [5]	237.0	-51.4	-206.2	-185.8	131.6
Result after tax [5]	236.9	-51.1	-204.2	-187.1	121.1
Cash flow from operating activities [5]	-28.2	-18.7	30.9	224.0	260.0
Total cash flow [5]	267.1	-45.6	87.7	-113.8	28.4
Shareholders' equity, Dec. 31	318.2	237.2	419.0	781.1	1,150.7
P/E ratio	0.6	n.a	n.a	n.a	3.7
Dividend paid per share	-	-	-	55.0	-
Number of shares, Dec. 31 (000)	9,327	409,593	343,545	177,444	177,444
Average number of shares (000)	9,127	408,534	181,297	177,444	164,804

1) The AHTS vessel with no ice-class, Odin Viking, is from 2017 recognised as discontinued operations and assets held for sale.
2) The PSV segment is from 2017 recognised as discontinued operations and assets held for sale.
3) The segment TransAtlantic is from 2015 recognised as discontinued operations and assets held for sale.
4) Retroactive adjustment of key ratios has been made as a result of the reverse share split (1:100) implemented in January 2018.
5) Discontinued operations and assets held for sale according to note 1-3 above, have been excluded from the key ratio calculations. Discontinued operations and assets held for sale are included for the other years in the time series.

Key data	2018	2017	2016	2015	2014
Earnings before capital expenses (EBITDA), MSEK [1]	2,382	-141	160	293	695
Earnings before interest expenses (EBIT), MSEK [1]	2,274	-275	-249	-152	484
Shareholders' equity, MSEK	2,968	971	1,440	1,386	2,042
Capital employed, MSEK	4,086	2,719	3,367	3,720	4,737
Net indebtedness, Dec. 31, MSEK	n.a	1,714	1,654	2,140	2,245
Operating cash flow, MSEK [1]	-213	-76	35	115	412
Total cash flow, MSEK	2,072	-221	64	-270	47
Return on shareholders' equity, %	88.9	-27.6	-28.8	-25.7	10.5
Return on capital employed, %	55.0	-12.5	-7.8	-4.9	10.6
Equity/assets ratio, %	70	34	39	34	39
Debt/equity ratio, Dec. 31, %	n.a	176	115	154	110
Profit margin, % [1]	721	-63	-49	-30	7
Interest-coverage ratio, multiple [1]	34.7	-2.7	1.9	2.7	4.7
Number of employees, year-end	295	360	375	482	796

1) Discontinued operations and assets held for sale according to note 1-3 above, have been excluded from the key ratio calculations. Discontinued operations and assets held for sale are included for the other years in the time series.

REPORT CORPORATE GOVERNANCE AT VIKING SUPPLY SHIPS AB

CORPORATE GOVERNANCE

VIKING SUPPLY SHIPS AB IS A SWEDISH PUBLIC LIMITED COMPANY LISTED ON NASDAQ OMX STOCKHOLM, UNDER THE SMALL CAP SEGMENT. VIKING SUPPLY SHIPS AB IS GOVERNED THROUGH THE ANNUAL GENERAL MEETING (AGM), THE BOARD OF DIRECTORS AND THE CEO IN ACCORDANCE WITH THE SWEDISH COMPANIES ACT, THE ARTICLES OF ASSOCIATION AND THE SWEDISH CORPORATE GOVERNANCE CODE. THE COMPANY IS MAJORITY-OWNED BY KISTEFOS AS (VIA VIKING INVEST AS), WHICH ACCOUNTS FOR 78.3% OF THE SHARE CAPITAL AND 74.7% OF THE VOTING RIGHTS.

This Corporate Governance Report has been prepared in accordance with the provisions in the Swedish Corporate Governance Code (the "Code") and Chapter 6, § 6–9 of the Swedish Annual Accounts Act and Chapter 9, § 31 of the Swedish Companies Act, and pertains to the 2018 fiscal year. The auditor has expressed an opinion as to whether the preparation of the Corporate Governance Report and disclosures in accordance with Chapter 6, § 6, second paragraph 2–6 of the Annual Accounts Act (for example, the principal features of the company's system for internal control and risk management in conjunction with financial reporting) correspond with the other sections of the Annual Report. Viking Supply Ships AB's Articles of Association and other additional information on corporate governance at Viking Supply Ships AB are available at www.vikingsupply.com. The company's governance, management and control are based on external laws and regulations, as well as internal regulations, policies and instructions. Viking Supply Ships AB Board of Directors and management strive for the company to comply with the demands placed on the company by the stock market, shareholders and other stakeholders. By being transparent and accessible, Viking Supply Ships AB strives to provide shareholders' and other stakeholders with insight into decision channels, delegation of responsibility, authorities and control systems. In addition, the Articles of Association constitute a central control document. The Articles of Association stipulate where the Board has its registered head office, its operational focus, its authorized signatories, as well as information on the number of shares and share capital. The highest governing body in Viking Supply Ships AB is the General Meeting of Shareholders, where the company's shareholders exercise their influence. The Board of Directors manages, on behalf of the shareholders, the company's interests and transactions. Viking Supply Ships AB's Board of Directors is led by the Chairman of the Board, Bengt A. Rem. The Board appoints the CEO. Distribution of responsibility between the Board of Directors and the CEO is regulated in the Board's formal work plan and the instructions for the CEO, both of which are established annually. Administration by the Board of Directors and the CEO, as well as the company's financial reporting is reviewed by an external auditor, appointed by the Annual General Meeting.

APPLICATION OF THE CODE

The Board of Directors and management believe that the company complies with and applies all regulations included in the Code, with exception for not having publiced the names of the members of the Election Committee within the stipulated six months period before the Annual General Meeting. The Board assesses the exception, which consisted of this publishing took place three weeks late, to be justifiable as the Election

CORPORATE GOVERNANCE STRUCTURE AT VIKING SUPPLY SHIPS AB

Committee however had enough time carrying out their work.

SHAREHOLDERS

Viking Supply Ships AB's Series B shares have been listed on Nasdaq OMX Stockholm under the Small Cap segment since 1991. The share capital amounts to SEK 409,592,960, distributed among 9,327,339 shares with a quotient value of SEK 43.91. There are a total of 455,055 Series A shares and 8,872,284 Series B shares after registration of the new share issues and aggregation of shares in January 2018. Series A shares carry ten votes each and Series B shares carry one vote each. The number of shareholders at 31 December, 2018 was 3,072 (4,286). Both types of shares entitle right to dividend. For further information on the share and shareholders, see pages 72-74.

GENERAL MEETING OF SHAREHOLDERS

Viking Supply Ships AB's highest decision-making body is the General Meeting of Shareholders. The company's Annual General Meeting (AGM) is to be held within six months of the close of the fiscal year. Notice of the AGM is to be issued not earlier than six weeks and not later than four weeks prior to the meeting. All shareholders included in the shareholders' register which have registered for participation in time are entitled to participate and vote at the meeting. Those shareholders who cannot attend in person may be represented by proxy. The AGM was held on 30 May, 2018 in Gothenburg. The meeting was attended by 17 shareholders, representing 85.5% of the votes. At the meeting, the five representatives from the Board of Directors, representatives from the Group management and the company's auditors were present. The resolutions passed by the AGM included following:

- No decision regarding dividend for the fiscal year 2017 was made
- The fees for the Board of Directors will total SEK 1,100,000, distributed among Board members elected by the Meeting, including the Chairman.
- Guidelines governing remuneration of senior executives
- Procedures for the appointment and work of the Nomination Committee

At the AGM, Bengt A. Rem, Folke Patriksson, Erik Borgen, Håkan Larsson and Magnus Sonnorp were re-elected. In addition to these Board members elected by the AGM, Christer Lindgren will remain as the labor-union representative. Bengt A. Rem was elected as Chairman of the Board and Folke Patriksson as the Deputy Chairman.

During the meeting, shareholders were provided the opportunity to submit questions to the CEO and Board of Directors. Resolutions at the meeting are usually passed with a simple majority, but certain motions require a higher proportion of the votes represented at a General Meeting. It was not possible to follow or participate in the meeting from another location using communication technology and no change has been planned in this regard for forthcoming meetings.

NOMINATION COMMITTEE

The AGM resolved to establish a Nomination Committee comprising four members representing the three largest shareholders in terms of voting rights on 30 August, 2018. At the AGM in May 2018, the Nomination Committee, represented by Bengt A. Rem, reported on the work of the Nomination Committee. In its work, the Nomination Committee took into account the demands that can be placed on the Board of Directors resulting from the company operations and development phase, as well as competency, experience and background of the Board members. Independence issues were also highlighted, as well as issues pertaining to gender. The task of the Nomination Committee is to prepare proposals concerning Board membership and the Chairman of the Board, as well as remuneration of Board members and proposals for rules for the Nomination Committee ahead of the 2019 AGM. The composition of the Nomination Committee was announced on Viking Supply Ships' website and through a press release published on 31 October 2018. The Nomination Committee comprises Bengt A. Rem Charirman of the Board (representing Kistefos AS/Viking Invest AS), Lena Patriksson Keller (representing Enneff Rederi AB/Enneff Fastigheter AB/ Enneff Intressenter AB), Lennart Herou representing himself as well as Tom-Olav Holberg (representing Kistefos AS/Viking Invest AS) who was elected as Chairman of the Nomination Committee. The members of the Nomination Committee represent approximately 87%

BOARD OF DIRECTORS

Composition of the Board of Directors and number of meetings during the mandate period	*Elected*	*Board meetings*	*Independent of major shareholders*
Bengt A. Rem, Chairman	2015	12/12	No
Folke Patriksson, Deputy Chairman	1972	11/12	No
Erik Borgen	2016	12/12	No
Magnus Sonnorp	2010	12/12	Yes
Håkan Larsson	1993	12/12	Yes
Christer Lindgren, Employee representative	2010	9/12	Yes

of the voting rights (at 31 December 2018) of all shares in the company. The Nomination Committee's proposals, its reasoned statement about the proposed Board, as well as supplementary information on the proposed Board members, were announced in conjunction with the Notice convening the AGM and are presented jointly with a report on the Nomination Committee's work at the 2019 AGM.

BOARD OF DIRECTORS

The Board of Directors is to consist of not less than five and not more than ten members and not more than five deputies according to the Articles of Association. The Board members are elected annually at the AGM, with a period in office from the AGM until the next AGM. The AGM decides the exact number of Board members. At the AGM on 30 May, 2018, Bengt A. Rem, Folke Patriksson, Erik Borgen, Håkan Larsson and Magnus Sonnorp were elected to the Board. Bengt A. Rem was elected Chairman of the Board. Folke Patriksson was elected as Deputy Chairman. In addition to the AGM elected Board members, Christer Lindgren remained as the labor union representative. The number of AGM elected Board members who are considered independent in relation to the company, according to requirements of the Code, is estimated to be two and those dependent in relation to major shareholders is three. No other remuneration was made apart from that resolved on by the AGM. Fees to the Board of Directors are approved by the AGM following a proposal from the Nomination Committee. For more information on fees, see note 6.

BOARD OF DIRECTORS' WORK

The Board of Directors is elected by the shareholders at the AGM. The Board of Directors' responsibilities and tasks are determined by a formal work plan, in addition to laws and regulations. The work plan is reviewed by the Board on an annual basis, and established through a decision by the Board. The Board's tasks include determining the company's goals, strategies, business plans and budgets, as well as approving major investments and loans raised by Viking Supply Ships AB. Furthermore, it is the Board's task to evaluate the operating management, and to ensure that there are systems in place to monitor and control the established goals. It is also the Board's task to appoint the CEO, and where applicable, a Deputy CEO. The Finance Policy, Attestation Policy and the Communication Policy, which are established annually, represent important control instruments for the Board. The Board also ensures the quality of the financial reporting through detailed reviews of interim reports, annual reports and year-end reports at Board meetings. The Board addresses different issues in their entirety and, considering the Group's size and complexity, has not regarded sub-committees necessary to prepare certain issues. This means that the Board as a whole constitutes the Audit Committee and Remuneration Committee. The Board usually meets on seven occasions per year and additional meetings are held as necessary. Scheduled meetings are held in connection with quarterly reports and additional meetings are held to address strategic issues and decide on budgets for future fiscal years. Based on this, the Board held 12 meetings during the mandate period, of which seven were scheduled meetings, four were unscheduled meetings and one was the statutory meeting. CFO of Viking Supply Ships AB serves as secretary at the Board meetings. The Board of Directors also receives monthly reports pertaining to the company's financial position. At scheduled Board meetings, reports are also submitted pertaining to the current work in each business area with detailed analyses and action proposals.

CHAIRMAN'S RESPONSIBILITY

The Chairman of the Board is elected by the AGM. The role of the Chairman of the Board is to organize and lead the Board's work in accordance with applicable rules for listed companies, the Code and the Articles of Association. The Chairman is also tasked with supporting the President. The Chairman and the President ensure the preparation of proposals for the agenda for Board meetings. The Chairman conducts a dialogue with the CEO and is responsible for ensuring that other Board members receive the information and documentation needed to make decisions. The Chairman of the Board is also responsible for ensuring the annual review of the Board's work. The Chairman of the Board is Bengt A. Rem and the Deputy Chairman is Folke Patriksson. Bengt A. Rem is the CEO of Kistefos AS which, indirectly via Viking Invest AS, is the majority owner of Viking Supply Ships AB, with 78.3% of the share capital and 74.7% of the voting rights at 31 December 2018.

PRESIDENT

The President (and CEO), Trond Myklebust, succeeded Bengt A. Rem, on 27 February 2017. The CEO is responsible for the continuous management of the operations based on the terms of reference issued by the Board of Directors. The CEO's responsibilities include decisions regarding current investments and divestments, HR, financial and accounting issues, continuous contact with the company's stakeholders, as well as ensuring that the Board receives the information required to make well-substantiated decisions. The CEO reports to the Board of Directors. The CEO directs the work of the Group management and reaches decisions in consultation with the other members of management. For more information, see note 6.

GROUP MANAGEMENT

The CEO has appointed a Group Management team that had two members during 2018. In addition to CEO, Trond Myklebust the Group Management team included Interim CFO Morten G. Aggvin who in July 2018 succeeded CFO Ulrik Hegelund. The Group Management is responsible for planning, controlling and following up daily operations. The Group Management held regular meetings to monitor the business operations, follow-up on financial development and other operational, development and strategy issues. The Group Management ensures that the right competency exists in the organization in relation to the company's strategies. Authorities and responsibilities for the CEO and the Group Management are defined in the policies, job descriptions and attestation instructions.

For more detailed information about the CEO and the Group Management, see page 21.

AUDITORS

The auditors are elected by the AGM and at the Meeting in May 2018 the auditing firm of Rödl & Partner Nordic AB was elected for a period in office until the 2019 AGM. Authorized Public Accountant Mathias Racz was elected Auditor-in-Charge. The auditors' task is to review the President's and Board's management of the company and the quality of the company's financial reports, as well as review the Annual Report. The company's auditors participate once per year at a Board meeting to submit a report on the year's accounting and their view of the company's internal control system. Information on remuneration of auditors is found in note 7.

GUIDELINES GOVERNING REMUNERATION OF SENIOR EXECUTIVES

The 2018 AGM adopted the guidelines governing remuneration of senior executives, encompassing the CEO and Group Management, which comprised three members during its period in office, and which are based on the following general principles: The principles for remuneration of senior executives from a short- and long-term perspective are designed to attract, motivate and create favorable conditions for retaining competent employees and managers. To achieve this, it is important to maintain fair and internally balanced conditions that are also competitive in market terms with respect to structure, scope and level. The employment terms and conditions for senior executives are to contain a well-balanced combination of fixed salary, pension benefits and other benefits, as well as special terms for remuneration in the event of termination of employment. Payment of variable remuneration is also possible. The total annual cash remuneration to senior executives is to be determined on the basis of competitiveness. The total level of remuneration is to be reviewed annually to ensure that it is in line with comparable positions in the relevant market. Remuneration is to be based on performance and positions. The company's remuneration system is to contain various forms of remuneration aimed at creating well-balanced compensation that verifies and supports the achievement of short and long-term goals. The fixed salary shall be set individually and be based on the individual's responsibility and role, as well as the individual's competence and experience in the relevant position. The CEO and other senior executives may receive variable remuneration should the Board resolve to this effect. Such variable remuneration is to be based on extraordinary performance in relation to defined and measurable goals, be capped in relation to basic salary and must always be justified specifically in a joint Board discussion. As mentioned above, the outcome of variable remuneration is to be based on measurable goals. The variable remuneration is to be based on (i) outcomes in relation to the company's financial key data, as well as earnings and cash flow and (ii) fulfillment of established individual goals. Variable remuneration may not exceed a payment equivalent to 60% of the fixed salary for the respective senior executive. Pension provisions for senior executives are to be market aligned in relation to what is generally applicable to corresponding positions in the market and must be based on defined contribution pension solutions. The retirement age for senior executives is 65. Pension provisions are to be based only on fixed salary. Defined contribution pension payments must be implementable up to the equivalent of 25% of the fixed salary. Other benefits, such as company car, compensation for preventive healthcare and sickness insurance, are to comprise a small portion of the total compensation, correspond to market levels and contribute to the executive's possibilities of fulfilling his or her work assignment. The period of notice for senior executives is six months when the executive resigns and, in the event of notice from the company, six to 12 months. The CEO is subject to period of notice of up to six months if notice is served by the company. Severance may be payable but is capped at 12 monthly salaries, see note 6.

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

The Board in its entirety has decided to deal with auditing matters and one meeting was held with the Group's auditors during the year. Planned and completed audits were discussed at this meeting. The audit encompasses such issues as risk assessment, risk management, financial control, accounting issues, Group policies and administrative issues. Considerable emphasis is placed on follow-ups and implementing measures. The auditors also keep the Board informed of current developments in relevant areas. The Board also decided to address remuneration issues within the framework of Board duties. Remuneration of the President was addressed, as were the principles for remuneration of senior executives. Remuneration related to the Board of Directors' work is approved by the AGM.

THE BOARD'S DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT IN FINANCIAL REPORTING

This description of internal control and risk management is submitted by the Board of Viking Supply Ships AB and is prepared in accordance with the Swedish Corporate Governance Code. The Board of Directors of Viking Supply Ships AB has overall responsibility for the internal control pertaining to the financial reporting. Good internal control is based on efficient Board work. The Board's formal work plan and instructions for the CEO are aimed at establishing a clear role and distribution of responsibilities to efficiently manage operational risks. Based on established procedures and also on the auditor's review of the internal control, company management reports regularly to the Board of Directors, should the observations have any impact on the financial statements. The Group Management is responsible for the system of internal controls that is required to handle significant risks in operating activities. This is aimed at ensuring that the operation is conducted appropriately and efficiently, that the financial reporting is reliable and that rules, regulations and ordinances are complied with. The company has prepared procedures for the assessment of risks in the financial reporting, as well as to attain a high reliability in the external reporting and that the reporting is prepared in accordance with laws and other requirements on listed companies.

RISK ASSESSMENT AND CONTROL ACTIVITY

Viking Supply Ships AB's assessment of financial reporting aims to identify and evaluate the significant risks that influence the internal control with respect to the financial reporting in the Group's companies, business areas and business processes. Considerable emphasis has been placed in formulating the controls to prevent and recognize errors in these areas. The key control instruments for the financial reporting primarily comprise the company's Finance Policy. See page 25, Risks and uncertainties.

CONTROL ENVIRONMENT

The Board of Directors has overall responsibility for the internal control of financial reporting. The Board has established a formal work plan to clarify the Board's responsibilities and to regulate the distribution of work among Board members. Responsibility for maintaining an efficient control environment is based on an organization with distinct decision routes and clear instructions and with common values, where each employee has insight into his/her role in maintaining good internal control.

INFORMATION AND COMMUNICATION

Viking Supply Ships AB's Board of Directors has established a Communication Policy, which states what is to be communicated by whom and the manner in which the information is to be issued to ensure that the external information is correct and complete. In addition, there are instructions governing how financial information is to be communicated between management and other employees. Viking Supply Ships AB's shareholders and other stakeholders can monitor the company's operations and its development on the website (www.vikingsupply.com), where current information is published on a continuous basis. Events deemed as having a potential impact on the share price are published through press releases. Financial information is provided through quarterly reports and year-end reports, as well as through the company's annual report.

FOLLOW-UP

The Board continuously evaluates the information submitted by company management and the auditors. The work includes ensuring that measures are implemented which address inadequacies and preparing proposals for measures arising from the external audit.

INTERNAL AUDIT

The Board has not found any reason to establish an internal audit function considering the size of the Group and the centralization of the finance administration. Significant guidelines that are important to financial reporting are continuously updated and communicated to the employees concerned.

FEES AND REMUNERATION

Fees and remuneration to the CEO and the Group management are described in more detail in note 6.

KEY POLICIES

In addition to those listed above, the Board's responsibilities include ensuring that the Group's policies are kept updated and are observed. The Group has policies on such issues as investments, financing and foreign currency matters, anti-corruption, approval and authorization of and attestation instructions for financial undertaking, communication/investor relations, as well as ethics and a code of conduct. As part of the Group's responsibility, there is also health, safety, environmental and quality policies (HSEQ policy) for the company's operations at sea and on land.

BOARD SIGNATURES

Gothenburg, 13 February, 2019

BENGT A. REM Chairman	**FOLKE PATRIKSSON** Deputy Chairman	**ERIK BORGEN** Board member
MAGNUS SONNORP Board member	**HÅKAN LARSSON** Board member	**CHRISTER LINDGREN** Employee representative

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Viking Supply Ships AB, corporate identity number 556161-0113

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the year 2018 on pages 14-19 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, 13 February 2019

Mathias Racz
Authorized Public Accountant

BOARD OF DIRECTORS

1. BENGT A. REM
Born 1961 in Lørenskog, Norway. Board member since 2015, Chairman of the Board since 2016.

Bengt A. Rem is CEO of Kistefos AS. Prior to joining Kistefos in 2015, Bengt A. Rem was CEO in Arctic Partners. His previous experience includes Executive Vice President & CFO as well as other leading positions in the industrial investment company Aker ASA, Head of the Department Responsible for Financial Instruments on the Oslo Stock Exchange and state authorized accountant in Arthur Andersen & Co.

Mr. Rem holds a Master of Science in Business Administration and Finance from the Norwegian Business School (BI) and is a state authorized public accountant from the Norwegian School of Economics and Business Administration (NHH).

Shareholding: -
Board fee: SEK 300,000/year

2. FOLKE PATRIKSSON
Born 1940 in Skärhamn, Sweden. Deputy Chairman. Board member since 1972.

Folke Patriksson is Board member of Eneff Rederi AB and was previously the Chairman of the Board of the Swedish Sea Rescue Society and Board member of Swede Ship Marine AB. Mr. Patriksson holds a mate's examination (degree in Nautical Science) and has more than 55 years' experience in the shipping industry. He is one of the founders of Rederi AB TransAtlantic and was formerly CEO of the company for 32 years.

Shareholding: 135,916 Series A shares and 48,720 Series B shares through companies.
Board fee: SEK 200,000/year.

3. ERIK BORGEN
Erik Borgen works as Investment Director with Kistefos AS. Prior to joining Kistefos in 2016, Mr. Borgen was a partner at the private equity firm HitecVision, partner at Arctic Securities AS as well as held other positions in leading global Investment Banking firms like Morgan Stanley and Perella Weinberg Partners. Mr. Borgen is Board member of Kistefos Equity Operations AS, Lumarine AS and Western Bulk Chartering AS. He has previously engaged in projects and activities within the fields of mergers and acquisitions, debt capital markets, IPO's and restructurings.

Mr. Borgen holds a Master of Science in Finance from the Norwegian School of Economics (NHH).

Shareholding: -
Board fee: SEK 200,000/year

4. HÅKAN LARSSON
Born 1947 in Gothenburg, Sweden. Boardmember since 1993.

Håkan Larsson was the CEO of Rederi AB Transatlantic from 2003 to 2007 and has more than 40 years experience from senior executive positions within transport, logistics and shipping. Mr. Larsson was previously CEO of Bilspedition/BTL and Schenker AG. Mr. Larsson is Chairman of the Board of Wallenius Wilhelmsen ASA, Inpension Holding AB, Inpension Wealth Management AB, Tyréns AB, Valea AB och Valea Holding AB. He is Board member of Helian AB, Lidköping Invest AB och Stolt-Nielsen Ltd.

Mr. Larsson holds a Degree of Master of Science in Business and Economics from the University of Gothenburg.

Shareholding: 68 Series A shares and 2,844 Series B shares.
Board fee: SEK 200,000/year.

5. MAGNUS SONNORP
Born 1967 in Stockholm, Sweden. Board member since 2010.

Magnus Sonnorp has more than 25 years experience from business management, previously also CEO of Lokaldelen Försäljnings AB, De Gule Sidor A/S and Interninfo Management AS. Mr. Sonnorp is Board member of East Capital Baltic Property Fund I, Linver AB and Sulgrave Rd AB

Mr. Sonnorp holds a M.Sc. in Economics from the Stockholm School of Economics and an MBA from Insead.

Shareholding: 2,200 Series B shares.
Board fee: SEK 200,000/year.

6. CHRISTER LINDGREN
Born 1965 in Stockholm, Sweden. Boardmember since 2001. Employee representative.

Christer Lindgren is a chef and sailor. Board member of SEKO seafarers.

Shareholding: -
Board fee: -

MANAGEMENT

1. TROND MYKLEBUST
Chief Executive Officer
Born 1959, Vartdal, Norway.
Employed since 2017.

Education: Master Mariner from Aalesund University College.

Shareholding: 3,080 Series B shares.

2. MORTEN G. AGGVIN
Chief Financial Officer
Born 1981 in Oslo, Norway.
Employed since 2012.

Education: Degree of Master of Science in Business and Economics from the University of Agder.

Shareholding: 1,746 Series B shares.

AUDITOR

MATHIAS RACZ
Authorized Public Accountant, Rödl Authorized Public Accountant, Rödl & Partner Nordic AB. Born in 1965, Auditor of Viking Supply Ships AB since 2016.
Elected as company's auditor at the 2016 Annual General Meeting. Extensive experience in auditing listed and internationally active companies, including auditor assignments for SCA AB, Kaeser Kompressorer AB, Lenovo (Sweden) AB, ThyssenKrupp Elevator Sverige AB, Volkswagen Group Sverige AB and Micros-Fidelio Sweden AB.

FY 2018

BOARD OF DIRECTORS' REPORT 2018

VIKING SUPPLY SHIPS AB (PUBL) – CORPORATE REGISTRATION NUMBER 556161-0113

ALTHOUGH THE INCREASED OIL PRICE HAS LEAD TO RENEWED OPTIMISM WITHIN THE OIL AND GAS INDUSTRY IN GENERAL, THE DOWNTURN WITHIN THE OFFSHORE SUPPORT VESSEL MARKET HAS CONTINUED DURING 2018. AS A CONSEQUENCE, THE OPERATIONAL REVENUES AND RESULTS HAS NOT REACHED SATISFACTORY LEVELS DURING 2018. A NEW FINANCIAL RESTRUCTURING, INCLUDING AN EQUITY ISSUE, WAS COMPLETED IN EARLY 2018, SECURING THE GROUP WITH A PLATFORM TO NAVIGATE THROUGH THE CHALLENGING MARKET. THE COMPANY HAS ALSO CONTINOUSLY WORKED TO REDUCE ITS OPERATIONAL EXPENSES. DURING 2018, THE GROUP SOLD ITS THREE ICE-BREAKERS TOR, BALDER AND VIDAR VIKING TO HER MAJESTY THE QUEEN BY RIGHT OF CANADA, LEAVING THE COMPANY IN A UNIQUE FINANCIAL POSITION WITHIN THE OSV INDUSTRY.

SALES, EARNINGS AND BUSINESS DEVELOPMENT

The Group's net sales for continuing operations 2018 totaled MSEK 300 (331). The profit before tax for continuing operations amounted to MSEK 2 164 (-210) and the profit for the year was MSEK 1 751 (-332). The result was impacted by capital gains from sales of vessels of MSEK 2 462, impairment losses of the PSV fleet of MSEK 190 and an impairment loss of the AHTS vessel Odin Viking of MSEK 145.

AHTS

The business area encompasses arctic offshore operations, the spot market for offshore in the North Sea and the global offshore sector. Viking Supply Ships' fleet comprises a total of 5 offshore vessels, four of which are Anchor Handling Tug Supply (AHTS) vessels with high ice-class and one is Anchor Handling Tug Supply (AHTS). The vessels are equipped and have the capacity to operate in areas with icy and harsh weather conditions. During the year, the AHTS fleet had an average rate level of USD 28,400 (29,000) and an average utilization rate of 53% (32). The downturn within the offshore market continued through 2018, which resulted in a continued highly challenging OSV market. As a result, the AHTS market was negatively impacted throughout the year, with both rates and utilization failing to reach profitable levels.

Net sales for the year for the AHTS segment amounted to MSEK 154 (181) and profit before tax was MSEK 2,171 (-206), which includes capital gains from sale of vessels of MSEK 2,485.

SERVICES

Viking Ice Consultancy was established as a subsidiary of Viking Supply Ships 1 January 2015, as a result of the increased activity related to ice-management and logistical operations in conjunction with Arctic offshore activity. The company is based in Kristiansand. Viking Ice Consultancy has developed an IMO Polar Code training course for internal and external clients and throughout the year Viking Ice Consultancy has arranged Polar Code courses at various locations and developed Polar Code manuals made for the certification of expedition vessels and yachts.

Net sales for the year for the Services segment amounted to MSEK 3 (15) and profit before tax was MSEK -3 (-2).

SHIP MANAGEMENT

Viking Supply Ships' primary activity within Ship Management is the management agreement with SMA. This agreement was renewed for seven years during 2015 and has progressed as planned during 2018.

Net sales for the year for the Ship Management segment amounted to MSEK 143 (135) and profit before tax was MSEK -3 (-1).

DISCONTINUED OPERATIONS

Due to the decisions to discontinue the operations in the previous segments TransAtlantic, PSV and AHTS vessels with no ice-class (Odin Viking) the Group have recognized these segments as discontinued operations and assets held for sale, according to IFRS 5 Assets held for sale and discontinued operation, which means that these segments are reported as a one-line item in the consolidated profit and loss statements. Assets and liabilities related to the segments are also presented in two rows in the consolidated balance sheet. The consolidated cash flow statement is presented including the segments, but with additional information about cash-flow from current operation and investing- and financing activities of the discontinued segments. Comparative figures for prior periods are also presented in accordance with this classification in the consolidated profit and loss statement and cash-flow statement. 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, for further information see note 31.

TRANSATLANTIC AB

During the third quarter 2016 it was decided to discontinue the remaining operations in TransAtlantic AB, whereafter the Group in its financial reports, according to IFRS 5 Assets held for sale and discontinued operations, recognize TransAtlanitc AB as discontinued operations and assets held for sale.

At the beginning of the year the business comprised of three small bulk vessels, Trans Forza, TransLontano and TransDistinto, which were bareboat chartered from a company in which TransAtlantic AB holds 38 % of the shares. The vessels were timechartered to AtoB.

All three remaining vessels were sold during Q3 and Q4 2018. The sales, which conclude the remaining business in the previous segment TransAtlantic, brought a positive cash contribution to the Group of MSEK 18 and a positive P&L effect of 4 MSEK.

Net sales for the year for TransAtlantic AB amounted to MSEK 30 (50) and profit before tax was MSEK 4 (-2).

PSV

The market for PSV vessels has during 2018 continued to be very soft. Based on the vessels being laid up for a long period, the continuous weak market, and the within foreseeable future poor market outlook for the segment, it was during the second quarter 2018 decided to sell all five PSV-vessels. Viking Supply Ships did in June 2018 enter into an agreement to sell the three medium sized PSV-vessels Freyja Viking, Nanna Viking and Sol Viking. The vessels were delivered to the new owner in July 2018. In October 2018 agreements were entered into to sell the remaining two vessels, Frigg Viking and Idun Viking. Frigg Viking was handed over to the new owner in December 2018 and Idun Viking in the beginning of January 2019. By reason of the sale of the PSV vessels, an impairment loss of total MSEK 190 (MUSD 21.6) was recognized during 2018. The agreed sales price, net after expenses, for the five vessles amounted to MSEK 115 (MUSD 13.3). The loan facility related to the PSV segment has been repaid, for further information see note 24, Liabilities. The vessels has been in lay-up in Uddevalla since 2015.

Net sales for the year for the PSV segement amounted to MSEK 0 (0) and profit before tax was MSEK -241 (-88).

ODIN VIKING

Odin Viking is a bareboat chartered vessel, for which the terms in the bareboat charter agreement was renegotiated as a part of the financial restructuring and consequently during 2018 reassessed to be a financial lease agreement in accordance with IAS 17 Leases. The market for AHTS vessels with no ice class has for several years been very poor. Odin Viking has as a consequence been in lay-up during the last three years. A decision to sell the vessel was taken during the fourth quarter. The decision implies that the vessel in accordance with IFRS 5 Assets held for sale and discontinued operations has to be measured at the lower of carrying amount and fair value less costs to sell. The evaluation of the vessel, which from 2018 has bees separated from the other AHTS vessels with ice-class, has led to an impairment loss of total MSEK 145 down to the fair value less expenses for the vessel of MSEK 45. The external market value assessment conducted by three internationally acknowledged shipbrokers shows a market value, net after sales expenses, of MSEK 45 (in a range between MSEK 36 to MSEK 54). The nominal minimum lease fee agreed is, TUSD 10/day until expiry on 2 August 2024, total MSEK 234 (MUSD 25,8), which also is the call option price to acquire the vessel ahead of an external sale. The vessel is owned by a subsidiary to Viking Supply Ships ABs majority shareholder Kistefos AS, for further information see note 28, Related-party transactions.

Net sales for the year for Odin Viking amounted to MSEK 0 (0) and profit before tax was MSEK -175 (-33).

FINANCIAL RESTRUCTURING 2018

The continued challenging market conditions, including downward pressure on rates and utilization, impacted the Group's liquidity in 2017. As a consequence, shortly after the end of Q2 2017, a dialogue was initiated with the lenders to secure a long-term stable financing solution. In December 2017 Viking Supply Ships received confirmation that it had obtained support for a restructuring proposal from all senior lenders. A final restructuring agreement was subject to final approval from the senior lenders' credit committees. In January 2018 credit committee approvals from all senior lenders were obtained, and a restructuring term sheet was signed. The signed restructuring term sheet, together with the completed equity issue in Viking Supply Ships AB and subsequent equity injection into Viking Supply Ships A/S, finalized the financial restructuring.

As part of the in January 2018 concluded financial restructuring, all loan facilities in Viking Supply Ships A/S are as currently due 31 March 2020. All loan facilities will carry significantly less cash interest and instalments until maturity and 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. The bareboat charter in respect of the vessel Odin Viking will not be payable in cash but added to the principal amount outstanding under the charter party as payment in kind. Further, 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 termination compensations equal to the accumulated and remaining charter hire. Viking Supply Ships A/S would also receive new capital at the amount of MUSD 15 through a new share issue in Viking Supply Ships AB.

The proceeds up to MSEK 135 (MUSD 15) from the sale of the PSV-vessels would, according to the previous mentioned agreement with the lenders, have been deposited on a blocked bank account. These funds were intended to be available on request from Viking Supply Ships against new issued shares in Viking Supply Ships AB. The proceed from the sale of Freyja Viking, Nanna Viking Sol Viking and Frigg Viking, the amount of MSEK 109 (MUSD 12), has remained deposited on a blocked account.

As a result of the sale of the ice-breakers, the financial position of the Group has significantly improved. All loan facilities related to PSV-vessels and the icebreakers Tor Viking, Balder Viking and Vidar Viking have been repaid. Instalments have also been made on the remaining loan facilities related to the AHTS segment. Instalments during the year for continuing and discontinued operations amounted to MSEK 1,084. On the basis of the changed situation the Group will, in accordance with the restructuring agreement with its creditors, repay all of its bank debts, total MSEK 885, which will result in the Group becoming debt-free. The charter agreement of Odin Viking which is classified as a financial lease in the financial statements, which entails reporting of financial debts in the balance sheet of 233 MSEK, is not affected of these repayments.

INVESTMENTS AND DIVESTMENTS

Gross investments during the year amounted to MSEK 112 (1) and persisted of investments in vessels of MSEK 3 and in fixed financial assets of MSEK 109 related to deposited cash from the sale of the PSV vessels.

CASH FLOW AND FINANCIAL POSITION

The Group's opening cash balance was MSEK 34 (273). Cash flow from operating activities for continuing operations amounted to MSEK -258 (-236). The cash flow from investments amounted to MSEK -112 and the divestments contributed with MSEK 3 336. The cash flow from financing for continuing operations was negative MSEK -528 (38) and includes amortization of vessel loans of MSEK -656, new loans of MSEK 8 and cash proceeds from the new share issues of MSEK 120. Total cash flow during the year including discontinued operations amounted to MSEK 2 072 (-220). The Group's cash and cash equivalents totaled MSEK 2 083 (34) at year-end. At the end of the year, the Group's total assets amounted to MSEK 4,234 (2,885) and shareholders' equity to MSEK 2,968 (971), corresponding to SEK 318.2/share (237.2). At year-end, the equity/assets ratio was 70 % (34).

PARENT COMPANY

The activity in the parent company mainly consists of the shareholdings in Viking Supply Ships A/S and TransAtlantic AB, as well as a limited Group wide administration. The parent company´s profit before and after tax for the year was MSEK 1,661 (-986). The result includes reversals on previously carried out write-downs on shareholdings in subsidiaries by MSEK 1,659, mainly related to the capital gain from the sale of the icebreakers Tor Viking, Balder Viking and Vidar Viking which materialized in the subsidiary Viking Supply Ships A/S. A dividend of MSEK 10 was during the year received from TransAtlantic AB.

The in January 2018 completed equity issues brought liquidity to the Group of total MSEK 120 net after expenses. The cash proceeds from these new share issues have been used to repay a shareholders loan of MSEK 33, and the remainder has been distributed to Viking Supply Ships A/S as part of the financial restructuring, for further information see note 24, Liabilities.

The parent company's shareholders' equity amounted to MSEK 2,787 (1,005) and total assets at year-end amounted to MSEK 2,828 (1,090). The equity/assets ratio was 99% (92) on the balance-sheet date. At the end of the period, cash and cash equivalents totaled MSEK 0 (0).

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

The PSV vessel Idun Viking was delivered to its new owner in medio January. The transaction brought no effects on the result but positive liquidity effect of MSEK 23.

As a result of the divestment of the ice-breakers, the financial situation of the group has significantly improved. The Group will, in accordance with the restructuring agreement with its creditors, repay all of its bank debts, MSEK 885, which will result in the Group becoming debt-free.

ENVIRONMENTAL AND SUSTAINABILITY RELATED MATTERS

Viking Supply Ships strives to achieve the best possible solutions that exceed customer expectations and provide customers with greater value. Viking Supply Ships performs its operations and services in such a way that the impact on the environment is as low as reasonably practicable and so that international and national environmental laws are adhered to. Viking Supply Ships continuously implements improvements to its vessels and operations, which reduces environmental impact each year. During 2018 Viking Supply Ships had no incidents with oil spill into the sea. Through external ship management Viking Supply Ships has been deeply involved in technical solutions for limiting NOx and fuel consumption on existing engines - a research project pioneering rebuilding existing engines to common rail technique.

All employees have the responsibility of safely performing their assignments in accordance to company guidelines and highest safety and environmental standard. Continuously the company, through exercises, increases the skills and readiness for normal shipboard operations and emergency situations for every personnel based on board as well as onshore.

Viking Supply Ships' offshore fleet has a track record of more than five years since last Lost Time Incident (LTI) meaning that the company has been operating without significant accidents. The safety work is continuously improved and during the last years Viking Supply Ships has focused on increasing safety observation reporting and improving reporting quality. This has even further minimized the number of accidents. For the HSE reporting and risk assessment Viking Supply Ships utilizes a common group reporting and assessment tools.

The Group has a solid work regarding quality both on board the vessels and at the offices and is certified in accordance with the ISM Code and ISO standard 9001:2015. Viking Supply Ships is also certified according to ISPS for security, ISO 14001:2015 for environment and OHSAS 18001:2007 for work environment. During 2019, the certificate regarding OHSAS 18001:2007, will be replaced by the new ISO standard ISO 45001:2018 for work environment. Viking Supply Ships also have vessels that are certified according to the Polar Code where the vessel and the crew need to follow a vast number of criteria for sailing Arctic and Antarctic waters.

For several years Viking Supply Ships has been evaluating suppliers in the areas of safety and security, environment, quality and work environment. This makes suppliers more involved in the Viking Supply Ships strategy and also makes the cooperation with suppliers stronger. The company has adhered to all legislation and has no outstanding issues with authorities.

RISKS AND UNCERTAINTIES

The Group operates in highly competitive markets and the operation is exposed to various operational and financial risks. Financial risks mainly pertain to liquidity, financing and currency exposure. Financial risk management is handled by the Group's central finance department, based on the finance policy adopted by the Board. The policy includes clear instructions on how to manage various financial risks, in which various types of derivative instruments comprise key elements in minimizing the financial risks. The policy also includes instructions for managing credit and liquidity risks through financing and loan commitments. The primary operational risk factors comprise overall macro-economic market conditions, competitive situations, the flow of goods in prioritized market segments and the general balance between supply and demand on vessels, which impacts prices and profit margins. The goal of the Group's overall risk management policy is to ensure a balance between risk and profitability. The market for Viking Supply Ships is dependent on the level of investments within the oil industry, which in turn is largely driven by price trends in the global oil market.

CORPORATE TAX

The general situation for the Group is that taxes payable is limited to foreign entities. The tax losses carry forward for Swedish entities amounted at end of the year to MSEK 1,071 (1,057 on Dec 31, 2017). There are no tax assets capitalized in the balance sheet related to these tax losses carry forward. The main part of the activities within the group's subsidiaries outside of Sweden is tonnage taxed, which means that the taxable is calculated as a lump sum based on the net tonnage, instead of conventional taxation, which is based on the company result. The recognized deferred tax liability for the operations outside Sweden amounted to MSEK 0 (0 on Dec 31, 2017).

NUMBER OF EMPLOYEES

The average number of employees for the continuing operations in the Group amounted to 321 (364) during the year. Further information is found in note 6.

OUTLOOK

Viking Supply Ships is committed to its strategy to focus on the harsh environment offshore market and its unique ice-breaking competence. As part of this Viking Supply Ships is currently upgrading Loke Viking to Ice-1A Super, which is assumed to increase the probability of obtaining term contracts for the vessel. The upgrade was completed in early 2019 and the vessel is expected to remain at yard for tests and further upgrades until the end of first quarter 2019.

Combined with the efforts to continuously reduce the cost base in the Group, the sale of the Ice-breakers has positioned the Group in a unique position within the offshore industry. Combined with its competence within the harsh environment offshore segment, the Group is therefore well positioned for the next growth cycle within the offshore industry.

Although still volatile, the oil price seems to have stabilized at a sustainable level, at which the investment level in the offshore oil and gas segment is expected to gradually increase. In the longer run this will positively impact the OSV segment, but due to oversupply of vessels and time lag due to budget cycles, the OSV market in general is expected to remain challenging through 2019. However, VSS has seen increased tendering activity within the harsh-environment segment, which is expected to increase the demand for ice-classed vessels.

Based on the result expectations, the financial situation of the Group, the current risks and a continued belief in securing contracts within the core market segment, the Board of Directors and Management have concluded that both the company and the Group will be able to continue as going concern at least until 31 December 2019. This conclusion is based on Management's assessment of the current outlook for 2018 and the uncertainties and risks described above and in the annual report.

DESCRIPTION IN SPECIFIC SECTIONS

The following are described in specific sections of the annual report:

- The share and ownership structure, see pages 72-74.
- Corporate governance with a description of the Board and management work, including the guidelines for the remuneration of senior executives, see pages 14-19.

FY 2018

PROPOSED DISTRIBUTION OF PROFITS

The following funds in the parent company are available to the Annual General Meeting:

TSEK	
Share premiumreserve	864,218
Retained earnings	-393,627
Loss for the year	1,660,663
Total	**2,131,254**

The Board of Directors proposes:

TSEK	
A dividend of SEK 116 per share to the shareholders (9,327,339 shares)	1,081,971
To be carried forward	1,049,283
Total	**2,131,254**

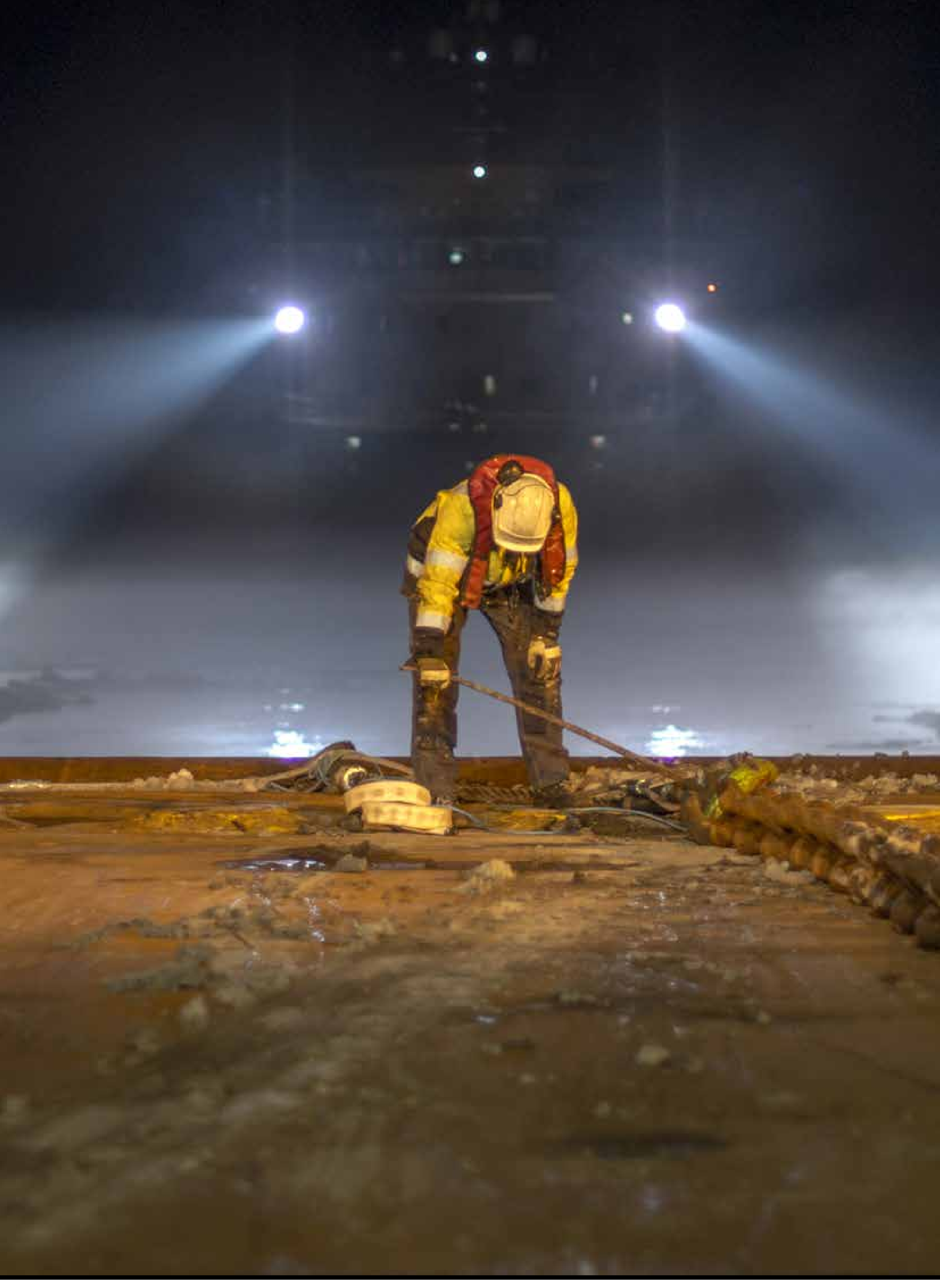
The Board of Directors proposes that the Annual General Meeting resolves that a dividend of SEK 116 per share, total TSEK 1,081,971, is distributed to the shareholders and that the remainder of the net profit available be carried forward. The Board of Directors' proposal is made following that the Company, as previously communicated, in the third quarter of 2018 divested three ice-breakers to Her Majesty the Queen in Right of Canada. The Company will, in accordance with the restructuring agreement with its creditors, repay all of its bank debt which will result in the Company becoming debt-free. The Board of Directors' proposal on dividend is in line with the Board's policy on dividends, which entails that resolutions on dividend shall represent a balance of the group's profitability, future investment plans and financial situation. The financial position will after the proposed dividend remain strong and is deemed sufficient for the company to have the ability to fulfil its obligations in both short and long term.

ANNUAL GENERAL MEETING

Viking Supply Ships AB´s Annual General Meeting will be held on Wednesday 6 March, 2019 at 15.00 at Scandic Hotel Rubinen, Kungsportsavenyn 24, Gothenburg, Sweden. The official notification will be published on the company's website and in Post- and Inrikes Tidningar no later than four (4) weeks prior to the AGM. Further information can be found on the company's website, www.vikingsupply.com.

EARNINGS, CASH FLOW AND BALANCE SHEET

The Group's and parent company's earnings, liquidity and financial position are presented in the following income statements, cash-flow statements and balance sheets, and in the notes relating to them.



FY 2018

INCOME STATEMENT

TSEK	Note 1, 3, 31	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Net sales	2, 3, 4	300,297	331,502	7,958	8,908
Other operating costs	5	2,485,211	0	-	-
Direct voyage cost		-26,570	-33,979	-	-
Personnel costs	6	-279,920	-338,704	-449	-96
Other external operating costs	4, 7	-97,487	-100,214	-8,657	-9,053
Other net profit/loss	8	-	-833	-	-
Depreciation and impairment of property, plant and equipment and intangible assets	9	-107,563	-133,666	-	-
Operating profit/loss		**2,273,968**	**-275,894**	**-1,148**	**-241**
Profit/loss from shares in Group companies	10	0	0	1,661,419	-984,261
Financial income	11	15,843	118,667	1,177	2,222
Financial expenses	12	-125,386	-52,818	-785	-3,489
Profit/loss before tax		**2,164,425**	**-210,045**	**1,660,663**	**-985,769**
Income tax	13	-1,171	1,503	-	-
Profit / loss for continuing operations		**2,163,254**	**-208,542**	**1,660,663**	**-985,769**
Profit / loss from discontinued operations	31	-412,135	-123,704	-	-
Profit / loss for the year		**1,751,119**	**-332,246**	**1,660,663**	**-985,769**
Earnings attribute to Parent Company's shareholders, per share in SEK (before and after dilution)	14				
- Continuing operations		210.99	-51.05		
- Discontinued operations		-19.13	-30.28		
Total		**191.87**	**-81.33**		

STATEMENT OF COMPREHENSIVE INCOME

TSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Profit/loss for the year	**1,751,119**	**-332,246**	**1,660,663**	**-985,769**
Other comprehensive income, net after tax:				
Items that will not be reclassified to profit or loss				
Remeasurements of post employment benefit obligations	-17	-25	163	47
Items that may be subsequently reclassified to profit or loss				
Change in translation reserve	124,445	-140,273	-	-
Other comprehensive income, net after tax	**124,428**	**-140,298**	**163**	**47**
Comprehensive income for the year	**1,875,547**	**-472,544**	**1,660,826**	**-985,722**

BALANCE SHEET

Balance sheet at December 31

TSEK	Note	Group		Parent Company	
	1	*2018*	*2017*	*2018*	*2017*
Assets					
Fixed assets					
Vessels	9	1,707,694	2,715,047	-	-
Equipment	9	292	703	-	-
Participations in Group companies	15	-	-	2,807,008	1,035,500
Other long-term receivables	16, 23	121,939	15,588	10,362	12,797
Total fixed assets		**1,829,925**	**2,731,338**	**2,817,370**	**1,048,297**
Current assets					
Inventories	17	11,442	19,757	-	-
Contractual assets	2	19,617	10,510	-	-
Accounts receivable	18	4,666	32,343	5	5
Receivables from Group companies		-	-	8,661	32,614
Other receivables		187,078	34,723	2,167	9,215
Prepaid expenses and accrued income	19	4,181	7,559	99	-
Cash and cash equivalents	20	2,083,155	33,650	68	91
Total other current assets		**2,310,139**	**138,542**	**11,000**	**41,925**
Assets held for sale	31	94,332	15,181	-	-
Total current assets		**2,404,471**	**153,723**	**11,000**	**41,925**
Total assets		**4,234,397**	**2,885,061**	**2,828,370**	**1,090,222**

FY 2018

TSEK	Note	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Shareholders' equity and liabilities					
Shareholders' equity and reserves attributable to the Parent Company's shareholders	**12, 22**				
Share capital		409,593	409,593	409,593	409,593
Other contributions from shareholders		1,031,344	907,396	864,218	733,433
Reserves		-116,794	-241,239	245,782	252,619
Retained earnings		1,644,005	-104,336	-393,627	594,740
Loss for the year		-	-	1,660,663	-985,769
Total shareholders' equity		**2,968,148**	**971,414**	**2,786,629**	**1,004,616**
Provisions					
Pension provisions	23	-	-	4,767	5,588
Total provisions		**-**	**-**	**4,767**	**5,588**
Long-term liabilities	**24**				
Vessel loans		884,695	-	-	-
Pension commitments	23	1,424	2,150	-	-
Derivative instruments	29	-	4,968	-	-
Other liabilities		10,362	12,797	10,362	12,797
Total long-term liabilities		**896,481**	**19,915**	**10,362**	**12,797**
Current liabilities	**24**				
Vessel loans		-	1,714,654	-	-
Accounts payable		4,041	29,263	489	1
Contractual liabilities	2	55,202	31,205	-	-
Liabilities to Group companies		-	-	22,379	28,496
Other liabilities		1,070	42,826	-	33,835
Accrued expenses and deferred income	25	45,503	72,507	3,744	4,889
Total other current liabilities		**105,816**	**1,890,455**	**26,612**	**67,221**
Liabilities attributable to assets held for sale	31	263,952	3,276		
Total current liabilities		**369,768**	**1,893,731**	**26,612**	**67,221**
Total shareholders' equity and liabilities		**4,234,397**	**2,885,060**	**2,828,370**	**1,090,222**
Pledged assets	26			17,008	19,462
Contingent liabilities				-	-

SHAREHOLDERS' EQUITY

Consolidated changes in shareholders' equity TSEK	Share capital	Other contributions from shareholders	Reserves: Translation reserve	Reserves: Retained earnings	Total shareholders equity
Opening shareholders' equity, January 1, 2017	**343,545**	**966,607**	**-100,966**	**230,378**	**1,439,564**
Profit/loss for the year	-	-	-	-332,246	-332,246
Remeasurements of post employment benefit obligations; see Note 23.	-	-	-	-25	-25
Exchangerate difference on translation of foreign operations	-	-	-140,273	-	-140,273
Total comprehensive income	**-**	**-**	**-140,273**	**-332,271**	**-472,544**
Registered new share issue [2]	66,048	-66,048	-	-	-
New share issue, see Note 21.	-	6,837 [3]	-	-2,443 [1]	4,394
Total transactions with company's owners	**66,048**	**-59,211**	**-**	**-2,443**	**4,394**
Closing shareholders' equity, Dec. 31, 2017	**409,593**	**907,396**	**-241,239**	**-104,336**	**971,414**
Opening shareholders' equity, January 1, 2018	**409,593**	**907,396**	**-241,239**	**-104,336**	**971,414**
Profit/loss for the year	-	-	-	1,751,119	1,751,119
Remeasurements of post employment benefit obligations, see Note 23.	-	-	-	-17	-17
Exchange-rate difference on translation of foreign operations	-	-	124,445	-	124,445
Total comprehensive income	**-**	**-**	**124,445**	**1,751,102**	**1,875,547**
Reduction to unrestricted reserves	-307,195	307,195	-	-	-
Registered new share issue [3]	6,837	-6,837	-	-	-
New share issue, see Note 21.	123,948		-	-2,761 [1]	121,187
Bonus issue	176,410	-176,410	-	-	-
Total transactions with company's owners	**-**	**123,948**	**-**	**-2,761**	**121,187**
Closing shareholders' equity, Dec. 31, 2018	**409,593**	**1,031,344**	**-116,794**	**1,644,005**	**2,968,148**

1) Transaction expenses in connection with the new share issue.
2) Shares subscribed for in December 2017 was registered and transfered to share capital in January 2018.
3) Shares subscribed for in December 2017, but registered in January 2018.

Parent Company's changes in shareholders' equity TSEK	Restricted reserves Share capital	Restricted reserves Other contributions from shareholders	Statutory reserve	Unrestricted reserves Other contributions from shareholders [1]	Retained earnings	Total shareholders' equity
Shareholders' equity, Jan. 1, 2017	**343,545**	**-**	**245,782**	**799,481**	**597,136**	**1,985,944**
Loss for the year	-	-	-	-	-985,769	-985,769
Remeasurements of post employment benefit Obligations; see also Note 23.	-	-	-	-	47	47
Total comprehensive income	**-**	**-**	**-**	**-**	**-985,722**	**-985,722**
Registered new share issue [3]	66,048	-	-	-66,048	-	-
New share issue, see Note 21.	-	6,837 [2]	-	-	-2,443 [4]	4,394
Total transactions with company's owners	**66,048**	**6,837**	**-**	**-66,048**	**-2,443**	**4,394**
Shareholders' equity, Dec. 31, 2017	**409,593**	**6,837**	**245,782**	**733,433**	**-391,029**	**1,004,616**
Shareholders' equity, Jan. 1, 2018	**409,593**	**6,837**	**245,782**	**733,433**	**-391,029**	**1,004,616**
Loss for the year	-	-	-	-	1,660,663	1,660,663
Remeasurements of post employment benefit Obligations, see also Note 23.	-	-	-	-	163	163
Total comprehensive income	**-**	**-**	**-**	**-**	**1,660,826**	**1,660,826**
Reduction to unrestricted reserves	-307,195	-	-	307,195	-	-
Registered new share issue [2]	6,837	-6,837	-	-	-	-
New share issue, see also Note 21.	123,948	-	-	-	-2,761 [4]	121,187
Bonus issue	176,410	-	-	-176,410	-	-
Total transactions with company's owners	**-**	**-6,837**	**-**	**130,785**	**-2,761**	**121,187**
Shareholders' equity, Dec. 31, 2018	**409,593**	**-**	**245,782**	**864,218**	**1,267,036**	**2,786,629**

1) Pertains to share premium reserve.
2) Shares subscribed for in December 2017 was registered and transfered to share capital in January 2018.
3) Transfer to share capital after shares subscribed for in December 2016 was registered in January 2017.
4) Transaction costs in connection with the new share issue.

CASH-FLOW STATEMENT

TSEK	Note	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
	22				
Cash flow from operating activities					
Profit/Loss before tax		2,164,425	-210,045	1,660,663	-985,769
Adjustments for non-cash items					
– Depreciation and impairment	10	107,563	133,666	-	-
– Capital gain/loss		-2,485,211	-30	-	-
– Results from participations in Group companies not affecting cash flow		-	-	-1,661,419	984,261
– Interest and exchange-rate differences not affecting cash flow [1)]		75,017	-118,835	-602	995
– Provisions		-743	7,684	-658	-597
– Profit and loss items set off in the new share issue		-	-	-	-
– Other		-7,440	-5,280	-	-
Income tax paid		-1,482	257	-	-
Cash flow from operating activities before changes in working capital		**-147,871**	**-192,583**	**-2,016**	**-1,110**
Changes in working capital					
Changes in inventories		4,609	1,914	-	-
Changes in accounts receivable and other current operating receivables		-158,129	4,751	112	-6,698
Changes in accounts payable and other current operating liabilities		43,852	-49,643	-648	-9,077
Cash flow from operating activities		**-257,539**	**-235,561**	**-2,552**	**-16,885**
Investing activities					
Investment in subsidiaries		-	-	-80,318	-42,534
Acquisition of vessels	10	-3,315	-615	-	-
Divestment of vessels	10	3,335,514	-	-	-
Acquisitions of other property, plant and equipment	10	-	-862	-	-
Investment in long-term receivables	17	-108,372	-	-	-
Cash flow from investing activities		**3,223,827**	**-1,477**	**-80,318**	**-42,534**
Financing operations					
Changes in loans from Group companies		-	-	-4,791	-33,004
New loans		8,033	34,152	8,033	34,152
Amortization of loans		-656,342	-36,321	-40,512	-
New share issue less issue expenses		120,117	40,091	120,117	40,091
Cash flow from financing activities		**-528,192**	**37,922**	**82,847**	**41,239**
Changes in cash and cash equivalents from continuing operations		**2,438,096**	**-199,116**	**-23**	**-18,180**
Cash flow from discontinued operations	**31**				
Cash flow from operating activities		-32,453	-38,770	-	-
Cash flow from investing activities		94,367	345	-	-
Cash flow from financing activities		-427,808	17,001	-	-
Change in cash and cash equivalents from discontinued operations		**-365,894**	**-21,424**	**-**	**-**
Cash and cash equivalents at the beginning of the year		33,650	273,150	91	18,271
Exchange-rate difference in cash and cash equivalents		-22,697	-18,960	-	-
Cash and cash equivalents at the end of the year		**2,083,155**	**33,650**	**68**	**91**
1) Interest received amounts to		*14,897*	*183*	*-*	*301*
Interest paid amounts to		*-49,001*	*-34,844*	*-*	*-*
Total		**-34,104**	**-34,661**	**-**	**301**

NOTES

NOTES

NOTE 1

ACCOUNTING AND MEASUREMENT POLICIES, SIGNIFICANT ASSESSMENTS AND FINANCIAL RISK MANAGEMENT

GENERAL INFORMATION

The Viking Supply Ships AB Group core business is within Offshore and Offshore/Icebreaking. The Parent Company, corporate registration number 556161-0113, is a limited liability company registered in Sweden and domiciled in Gothenburg. The administrative address for the head office is Idrottsvägen 1, SE-444 31 Stenungsund. The Parent Company is listed on the Small Cap list of the Nasdaq OMX Stockholm. The Board of Directors approved these consolidated financial statements for publication on 13 February, 2019.

BASIS FOR THE PREPARATION OF THE FINANCIAL REPORTS

The most significant accounting policies applied, which are stated below, have been applied consistently for the years presented, unless otherwise stated. The consolidated financial statements have been prepared in accordance with IFRS, with the regulatory framework adopted by the EU and with RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. Preparing financial statements that comply with IFRS requires that several crucial accounting estimates be applied and that management makes certain assumptions in the application of the company's accounting policies. The main estimates and assumptions made are stated at the end of this note. This annual report, including the consolidated financial statements, has been prepared with the assumption of going concern. The most significant estimates and assumptions including the assumption of going concern are referred to at the end of this note.

NEW AND AMENDED STANDARDS APPLIED BY THE GROUP

New standards that came into effect in 2018

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments Replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard contains new principles for the classification and valuation of financial assets and liabilities. The determining factor for the valuation is based on the company's purpose of holding the asset and the contractual cash flow of the financial instrument. The largest proportion of the Group's financial assets is accounts receivable and the amount of other financial assets is small. The standard also introduces new rules for hedge accounting, which means increased flexibility for which type of transactions hedge accounting can be applied. The standard provides increased opportunities to hedge risk components in non-financial items and that more types of instruments can be included in a hedging relationship. The provisions of IFRS 9 for hedge accounting allow for offsetting. As the Group does not apply hedge accounting, this does not affect the Group's accounts. The standard also includes a new write-down model for financial assets. The new and extended rules assume that an impairment loss for financial assets is based on expected losses. The Group application of IFRS 9 has not resulted in any significant difference between the new standard and the Group's previous applied principles for the classification and valuation of financial instruments and impairment of doubtful accounts receivable, which historically has been very low.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Income from Contracts with Customers determines a single comprehensive model that companies will use for revenue recognition as a result of contracts with customers. IFRS 15 will replace all previously issued standards and interpretations including IAS 18 Revenue. Viking Supply Ships applies IFRS 15 Revenues from agreements with customers from January 1, 2018. The majority of the Group's revenues consist of time-charter revenues from vessels. The revenues are recognized progressively after the performance commitment is transferred to the customer, which means no changes compared to the previous accounting principles. It is concluded that the new standard will not have a significant impact on the Group's revenue recognition. Due to the non-material effects of the new standard, no recalculation of previous periods has been carried out.

New standards, amendments and interpretations of existing standards not yet in effect and not applied in advance by the Group

From 2019 and beyond both new standards as well as amendments and annual improvements of a number of standards will come into force, subject to EU endorsement. These have not been applied in preparation of this financial report. New standard is IFRS 16 Leases.

IFRS 16 Leases
IFRS 16 Leases will enter into force on January 1, 2019 and the new standard will primarily affect leasing companies' accounts and will result in most leases being capitalized in the balance sheet. The accounting for the lessor will essentially remain unchanged. The standard means that the current distinction between operational and finance leases is removed and the standard requires the recognition of an asset (the right to use the leased asset) and a financial liability (the obligation to pay rent) for most of the Group's leasing agreements. There is a voluntary exception for short-term contracts at low values. The income statement will also be affected as the total cost is usually higher during the early years of a lease and lower in the end. In addition, operating expenses will be replaced by interest expenses and depreciations, so key ratios, such as EBITDA, may change. Operating cash flows presented in the cash flow statement will be higher because payments relating to the nominal parts of the lease liabilities are classified as financing activities. IFRS 16 will for many shipping companies result in increased fixed assets values in the balance sheet, mainly due to chartered vessels. The impact in the P&L statements will consequently be reduced operating expenses and increased depreciations and interest expenses. This will positively impact EBITDA. The Group has evaluated the effects of the implementation of IFRS 16. Except for the charter agreement of Odin Viking, which since earlier is classified as a financial lease agreement, there are only a few short term leasing agreements with low values, such as office and equipment rental agreements, that will be affected by the new standard. The conclusion is that this new standard will have no major impact on the Groups financial statements.

CONSOLIDATED FINANCIAL STATEMENTS
The consolidated financial statements include the Parent Company, as well as subsidiaries and associated companies.

SUBSIDIARIES
Subsidiaries are classified as companies in which the Group has a controlling influence through holding more than 50% of the voting rights, or in which the Group can exercise controlling influence through contracts or other agreements. The consolidated financial statements have been prepared in accordance with the acquisition method. Accordingly, consolidated shareholders' equity – excluding the Parent Company's shareholders' equity – only includes the changes in subsidiaries' shareholders' equity that occurred following acquisition of the subsidiaries.

Costs for acquisition of a subsidiary have been allocated to the company's various assets and liabilities taking into account the measurement executed in connection with the acquisition, regardless of the extent of any non-controlling interest. Identifiable assets and liabilities acquired are measured at their fair values at the acquisition date. For acquisitions that occur in stages, goodwill is established on the date controlling influence arises. If the company already owns a portion of the acquired company, this is re-measured at fair value and the value change is recognized in profit or loss for the year. Correspondingly, in a divestment where controlling influence is lost, the remaining holding is re-measured at fair value and the change in value is recognized in profit or loss for the year. The portion of the cost that exceeds the acquisition's net assets, measured at fair value, is recognized as goodwill and is subject to annual impairment testing. If the purchase price is lower than the net assets, the difference is recognized directly in profit or loss. Transaction expenses connected to acquisitions are not included in cost but are expensed immediately. Intra-group transactions, balance-sheet items and unrealized gains on transactions between Group companies are eliminated.

NON-CONTROLLING INTERESTS
The Group manages transactions with non-controlling interests as transactions with the Group's shareholders. In acquisitions from non-controlling interests, the difference between the purchase consideration paid and the actual acquired participation of the carrying amount of the subsidiary's net assets is recognized in shareholders' equity. Gains and losses on divestments to non-controlling interests are also recognized in shareholders' equity.

ASSOCIATED COMPANIES
Associated companies are companies in which the Group has a significant influence. Participations in associated companies are recognized in the consolidated financial statements in accordance with the equity method. The equity method entails that shares in a company are recognized at cost at the acquisition date and are subsequently adjusted by the Group's share of the change in the associated company's net assets. The Group's participation in the associated company's earnings is recognized under "Profit from shares in associated companies." The consolidated value of the holding is recognized as "Participations in associated companies". If the holding interest in an associated company is reduced, but significant influence is retained, only a proportional share of the amounts previously recognized in other comprehensive income will be reclassified to the income statement, where relevant.

TRANSLATION OF FOREIGN CURRENCIES
All transactions are measured and recognized in the functional currency. The reporting currency of the Group and the Parent Company is SEK, which is also the Parent

Note 1 continued

Company's functional currency. For Group companies that have a functional currency that is different to the Group's reporting currency, assets and liabilities in the balance sheet are translated at the closing-date rate and income statements are translated at the average exchange rate for the year, whereby the translation difference is recognized in other comprehensive income. If exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate. Significant items which occur in a period when exchange rates fluctuate significantly will be translated to the exchange rate at the transaction date. In the case of divestment or liquidation of such companies, the accumulated translation difference is recognized under capital gain/loss. Profit or loss items are translated at the transaction-date rate and any exchange-rate differences are entered in profit or loss for the year. The exception is if the transaction represents hedging and meets the criteria for hedge accounting of cash flows or net investments, when any gains and losses are recognized directly against other comprehensive income. Receivables and liabilities are translated in accordance with the principles stated under "Financial instruments" below.

REVENUE

Revenues from chartering of vessels (timecharter) are recognized successively as the customer simultaneously receives and consumes the benefits provided by the company's performance when the company fulfills a commitment. The revenue recognition of a timecharter assignment is calculated day by day on basis of the number of days to the agreed daily charterhire. Other revenues, such as those for external ship management assignments, are recognized only after agreement is reached with the customer and the service has been delivered. Invoiced operating expenses that are invoiced to the customer are recognized as net amounts in profit or loss. Costs for personnel employed in the Group, including crews of external vessels, are recognized in gross amounts if they are related to external vessel. Interest income is recognized distributed across the period of maturity, applying the effective interest-rate method. Dividend income is recognized when the right to receive payment has been established.

DIRECT VOYAGE COSTS

Expenses directly attributable to cargo assignments, such Expenses directly attributable to charter assignments, such as bunker and port expenses, are recognized in profit or loss under the item Direct voyage costs.

GOVERNMENT SUBSIDIES

The Swedish State subsidy to ship owners is recognized as a net amount against the payroll expenses on which it is based. Settlement is made monthly.

INCOME TAXES

Taxes included in the consolidated financial statements pertain to current and deferred tax. The Group recognizes deferred tax on temporary differences between the carrying amount and the tax value of assets and liabilities. Deferred tax assets are only recognized if it is probable that the temporary differences can be utilized against future taxable surpluses. The current nominal tax rate in each country is used in calculating deferred tax. Deferred tax liabilities for temporary differences pertaining to investments in subsidiaries and associated companies are not recognized in the consolidated financial statements as long as no decision on profit taking has been made. In all cases, the Parent Company can determine when the temporary differences will be reversed, and it is not currently considered probable that a reversal will occur in the foreseeable future. The tax effect of items recognized in profit or loss is recognized in profit or loss. The tax effect of items recognized directly in other comprehensive income is recognized in other comprehensive income. Taxes are recognized immediately in shareholders' equity in respect of transactions that are recognized immediately in shareholders' equity.

SEGMENT REPORTING

Internal reporting and follow-up are organized based on segments, which provide better potential to assess risks, opportunities and future development. The Group has three segments, AHTS, Services and Ship Management. Reporting is made to the company's Group Management team, which is appointed by the President. The previous segments TransAtlantic, PSV and AHTS vessel with no ice-class (Odin Viking) has been reported according to IFRS 5 Discontinued operations and assets held for sale.

DISCONTINUED OPERATIONS

IFRS 5 Non-current assets and discontinued operations is applied by the Group. 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.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as described below are recognized at cost after deductions for accumulated depreciation according to plan and possible impairment. Property, plant and equipment items that comprise components with different useful lives are treated as separate components. Expenses that raise the value of or return on the asset through, for example, capacity enhancements or cost rationalizations, increase the carrying amount of the asset. Expenses incurred by the re-flagging of vessels are capitalized in accordance with this principle. Expenses for major recurring inspection measures are capitalized as fixed assets, since they are considered to increase the vessel's fair value and are depreciated on a straight-line basis over the vessel's useful life. Other outlays for repairs and maintenance are expensed. Dry-dock expenses within the Group are also capitalized in accordance with this principle and are depreciated over a period of 30–60 months, which is the normal time between dockings. Expenses, including interest, pertaining to vessels during the construction period are capitalized as fixed assets. Depreciation of vessels according to plan is based on an individual assessment of each vessel's useful life and subsequent remaining residual value. Impairment is recognized if the asset's estimated recoverable amount is lower than its carrying amount. The residual value, the estimated amount that the company would currently obtain from disposal or scrapping of the asset less the estimated costs of the disposal or scrapping of the asset were already of the age and the condition expected at the end of its useful life, and useful lives are reviewed every balance sheet date, and adjusted if appropriate. The assets that have the greatest residual value are ships, where the residual value comprises the estimated scrap value at the end of its useful life.

Straight-line depreciation according to plan is based on the following useful lives:
– Vessels 25–30 years
– Docking and major overhaul measures 2.5–5 years
– Computers 3–5 years
– Other equipment 5–10 years

INTANGIBLE ASSETS

Intangible assets are recognized at cost or at impaired value after deductions for accumulated amortization according to plan. Useful life is determined for each asset and this is used for straight-line amortization according to plan.

Straight-line depreciation according to plan is based on the following useful lives:
– Computer software 4 years

Intangible assets considered to have the capacity to provide a financial return for an indeterminable period are not to be amortized. Instead, it shall annually, or, where there are indications that the asset has changed, be determined the recoverable amount of the asset, and whenever there are indicators of a decline in value of the intangible asset write-down should take place. The Group has goodwill and brands as intangible assets with indeterminable useful life. For impairment testing, goodwill is distributed among cash-generating units, which are the traffic areas within the segments. The trademark pertains to TransAtlantic.

IMPAIRMENT LOSSES

Assets with an indeterminate useful life are impairment tested annually. For other assets, impairment testing occurs whenever there are indications that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount corresponds to the higher of fair value less selling costs and value-in-use. Impairment is recognized in an amount equivalent to the difference between the recoverable amount and carrying amount.

FINANCIAL ASSETS

Financial assets are classified according to the following categories: Financial assets measured at fair value through profit or loss (FVTPL) for the period, or Loans, accounts receivable and cash holdings. The classification is determined by the purpose of the investment at the acquisition date.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) FOR THE PERIOD

A financial asset measured at FVTPL for the period constitutes one of the following categories. On initial recognition, the assets are either categorized under (1) financial instruments traded on an active market or (2) classification in accordance with the fair value option. For the former category to be applied, the asset must be acquired for the primary purpose of sale within a near future and it must be included in a portfolio that is jointly managed together with other financial instruments, and there must be a substantiated pattern of short-term profit realization. Derivatives, including embedded derivatives that are separated from their main contract, are categorized as though they are held for trading. Gains and losses on these assets are recognized in profit or loss for the period. The Group utilizes interest swaps. Hedge accounting is applied to the portion of derivatives that are documented to constitute effective hedging. Changes in fair value with regard to the hedging instrument are thus recognized under other comprehensive income and in profit or loss for the period. Apart from the above assets, the Group does not hold any financial assets that are measured at FVTPL for the period.

FINANCIAL LIABILITIES MEASURED AT FVTPL FOR THE PERIOD

Derivatives, including separable embedded derivatives, are categorized as being held for trading if they do not demonstrably constitute a portion of effective hedging. Gains and losses attributable to these items are recognized in profit or loss for the period to the extent that they do not constitute a portion of effective hedging.

MEASUREMENT OF FAIR VALUE

The fair values of financial instruments traded on active markets are based on listed market prices and belongs to measurement level 1 according to IFRS 13. Should there be no listed market prices fair value is measured through discounted cash flows. When measurements of discounted cash flows have been conducted, all variables, such as discount rates and exchange rates for measurements, have been retrieved from market

FY 2018

Note 1 continued

listings, wherever possible. These measurements belong to measurement level 2. Other measurements, for which a variable is based on own assessments, belong to measurement level 3. The nominal value less any credits was used as fair value of accounts receivable and accounts payable.

LOAN RECEIVABLES, ACCOUNTS RECEIVABLES AND CASH HOLDINGS

Loans and accounts receivable are initially recognized at fair value and subsequently at amortized cost using the effective interest method less any provision for value depletion. A provision for value depletion of accounts receivable is made when there are strong indications that the Group will not receive the full amount. The Group's loan receivables and accounts receivable comprise accounts receivable, other receivables. Cash holdings comprise cash and cash equivalents and short-term investments falling due within three months. Blocked cash holdings are recognized among Other long-term receivables.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Salable financial assets are classified under this category.

OTHER FINANCIAL LIABILITIES

Borrowing and other financial liabilities are initially recognized at fair value, net after transaction expenses and subsequently at amortized cost.

LEASING AGREEMENTS

The Group acts as both a lessor and a lessee and has entered into both financial and operational leasing agreements. The Group is currently not financial lessor. In financial leasing agreements, in which the Group enjoys the financial benefits and assumes responsibility for the risks, the item leased is recognized in the balance sheet as a fixed asset. At the beginning of the lease period, the asset is recognized at the lower of the fair value of the leased item or the present value of the minimum lease fees. Each leased item is assigned a useful life in accordance with the principles stated under property, plant and equipment. The remaining amortization obligation to the lessee is recognized as a liability.
Each lease payment is divided between amortization of the liability and financial expense. Operational leasing agreements are recognized as net sales in profit or loss straight-line over the lease period in cases where the Group is the lessor and as other external operating costs where the Group is the lessee.

INVENTORIES

Inventories have been measured at the lower of cost and net realizable value. Inventories mainly comprise bunker and lubricating oils, and were measured in accordance with the FIFO principle (First-In-First-Out).

PENSIONS AND SIMILAR COMMITMENTS

The Group has defined-benefit and defined-contribution pension plans. Defined-benefit pension plans provide employees with pension benefits corresponding to a predetermined amount and the Group is responsible for financing these plans so that these amounts can be paid in the future. For defined-contribution pension plans, the Group pays in an established fee to an independent legal entity. Fees are recognized as personnel costs when they mature for payment. Subsequently, the Group has no further pension commitments towards the employees. Provisions are made for all defined-benefit plans on the basis of actuarial calculations in accordance with the project unit credit method, with the purpose of establishing the present value of future commitments to current and previous employees. Actuarial calculations are conducted annually and are based on actuarial assumptions applicable on the closing date. The size of the provision is determined by the present value of future pension commitments less deductions for the fair value of plan assets. Discounting of pension commitments occurs based on the yield on government bonds. Actuarial gains and losses plus the difference between the actual and the estimated return on pension assets are recognized in other comprehensive income. Items attributable to the vesting of defined-benefit pensions and gains and losses arising from the settlement of pension liability, as well as interest on net assets and liabilities in the defined-benefit plan, are recognized in profit or loss.

CASH-FLOW STATEMENTS

The cash-flow statements are prepared in accordance with the indirect method. The recognized cash flow comprises only transactions entailing receipts and disbursements.

BUYBACK OF COMPANY SHARES

When the company's own shares are bought back, unrestricted shareholders' equity is reduced by the expense for the acquisition. When such treasury shares are transferred, unrestricted shareholders' equity is increased by the income derived from the transfer.

PARENT COMPANY'S ACCOUNTING POLICIES

The financial statements of the Parent Company are prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2, Accounting for legal entities. The Parent Company, in its financial statements, applies all of the EU-approved IFRS and statements insofar as these do not conflict with the Annual Accounts Act and the relationship between accounting and taxation.

The recommendation states the exceptions that are to be and may be made based on IFRS. This means that the Parent Company applies the same accounting policies as the Group with the exception of the instances stated below:

CLASSIFICATION AND PRESENTATION

The Parent Company's income statement and balance sheets are presented in accordance with the outline in the Annual Accounts Act, while the statement of comprehensive income, the statement on changes in shareholders' equity and cash-flow statements are based on IAS 1 Presentation of financial statements and IAS 7 Statement of cash flows. The differences in relation to the consolidated financial statements that apply in the Parent Company's income statements and balance sheets pertain primarily to shareholders' equity, as well as the presence of provisions as a separate category.

ASSOCIATED COMPANIES AND SUBSIDIARIES

Participations in associated companies and subsidiaries are recognized in the Parent Company using the cost method. Carrying amounts are impairment tested on each balance-sheet date. Only dividends received are recognized as revenue, on condition that these are derived from profits earned after the acquisition. Dividends that exceed these profits are considered a repayment of the investment and reduce the participation's carrying amount. Transaction expenses for holdings in subsidiaries and associated companies are included at the carrying amount. In the Group, however, transaction expenses for subsidiaries are recognized directly in profit or loss. Shareholders' contributions are recognized directly against shareholders' equity for the recipient and are capitalized in shares and participations by the contributor to the extent that impairment is not required.

GROUP CONTRIBUTIONS AND SHAREHOLDERS' CONTRIBUTIONS

Shareholders' contributions are recognized in accordance with RFR 2. Group contributions from/to Swedish Group companies are recognized as appropriations in profit or loss.

UNTAXED RESERVES

The amounts included in untaxed reserves comprise taxable temporary differences. In a legal entity, as a result of the link between accounting and taxation, the deferred tax liability attributable to untaxed reserves is not recognized separately, but in its gross amount in the balance sheet.

FINANCIAL INCOME

Net financial income in the Parent Company includes dividends on shares in subsidiaries only when the right to receive payment has been established.

FINANCIAL INSTRUMENTS

The Parent Company applies the same policies pertaining to financial instruments as the Group. In the Parent Company, financial fixed assets are measured at cost less any impairment losses, and financial current assets are measured at the lower of cost or market value.

RISK MANAGEMENT

The Group's operations entail a number of operational and financial risks that may affect earnings. The most significant risks are: operational risks, capital risks and market risks, including liquidity risks and credit risks. The Group's overriding goal is to minimize the impact of financial and operational risks on the consolidated income statements and balance sheets. The Board of Directors has identified these risks and continuously assesses how to avoid or minimize their impact on the consolidated income statement and balance sheets through various measures. It is stated through policies and reporting paths how these risks are to be managed and how debriefing is to occur, see note 29.

OPERATIONAL RISKS

The general economic trend in the countries where the Group is active is a crucial factor for financial development, since the economic trend has a major effect on the flows of goods, volumes, and the resultant demand for maritime transports. The trend in markets other than those where the Group is active can also affect demand for the Group's services, since the shipping markets are international. The Group endeavors to maintain close contact with its customers and signs long-term agreements with them to restrict the impact of economic fluctuations. Earnings can be impacted by the breakdown of a vessel. These costs can be minimized through active service and damage-prevention work, resulting in lower risk of considerable individual cost increases. An off-hire insurance that provides financial compensation in the event of prolonged operational disruption has been taken out for the TransAtlantic fleet. Supply and demand for oil and gas has a material impact on the development of offshore operations.

CAPITAL RISK

The Group is to have a capital structure that secures the operation of current business and enables the desired future investments and performance. Capital is assessed on the basis of the debt/equity ratio, meaning interest-bearing net loan liabilities in relation to shareholders' equity. The shareholders' equity may be impacted by further vessel impairment. The net loan liability comprises long and short-term interest-bearing borrowings less cash and cash equivalents. Total borrowing amounted to MSEK 1,118 (1,748) less cash and cash equivalents of MSEK 2,083 (less: 34), whereby net asset amounted to MSEK 965 (net debt 1,714). Shareholders' equity amounted to MSEK 2,968 (971).

MARKET RISKS

Currency risks

Because shipping is an international business, only a portion of the consolidated cash flow is generated in SEK, which means that currency fluctuations have a major impact on the Group's earnings and cash flows. The foreign-exchange risk is primarily restricted 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 matched with liabilities in the same currency. In accordance with the Group's policy, the remaining exposure is hedged using various hedging instruments, see note 29.

Interest-rate risks

Shipping is a capital-intensive business, in which long-term loans are the principal form of financing. Accordingly, interest-rate fluctuations have a major impact on the Group's earnings and cash flow. To reduce this risk, interest rates are largely hedged for varying periods of time and using various types of hedging instruments, see note 29.

Liquidity risk
An inadequate liquidity reserve constitutes a liquidity risk for the Group. This can lead to difficulties in discharging current payment liabilities in operating activities, planned investments and amortizations. The Financial Department continuously prepares liquidity forecasts for the Group that are aimed at foreseeing the Group's liquidity requirement for operating activities, taking into account future investment requirements and amortization. Based on this work, a liquidity reserve is ensured by maintaining bank balances/investments and committed lines of credit. The most significant liquidity risk relates to the volatility in the charter rates ,which in a high degree affect the Groups cash flow. The Group intends to meet its payment obligations by cash flow generated from operations, external financing and, if necessary, the sale of assets. For information regarding the maturity structure of liabilities, see also Note 24.

Credit risk
The Group formulates a policy for determining how credits are to be provided to customers and other business partners. The credits provided are primarily short-term credits in the form of receivables from customers. These credits are mainly provided to major customers, with whom the Group has a long-term relationship. Credit risk in cash and cash equivalents is managed by investing the liquidity with major Swedish banks.

Bunker risks
The Group's vessels are chartered out on time charter basis, which means that the charterers (lessees) carries the risk of changes in bunkers consumption and thus also the risk of changes in bunker prices during the charter period. Other times, when ships are off-hire, the Group carries the expenses for bunker consumption and the risk of changes in bunker prices. Please also see note 29.

DERIVATIVE INSTRUMENTS/HEDGE ACCOUNTING

If necessary, the Group signs, in accordance with the Group's Finance Policy, contracts for derivative instruments that partly hedge probable forecast transactions (cash-flow hedging). The Group utilizes derivative instruments to cover the risk of exchange rate fluctuations and exposure to interest-rate risks. The Group applies hedge accounting for currency futures. Hedge accounting requires that the explicit purpose of the hedging measure is classed as hedging, that it has an unequivocal connection with the hedge item and that the hedging measure effectively protects the hedged position. When a hedge is established, the relationship between the hedging instrument and the hedged item is documented, as are the objectives of the hedging and the strategy for implementing hedging measures. The Group also documents its assessment, both at the onset of the hedge and on an ongoing basis during its period of application, regarding the effectiveness of the hedge in evening out changes in cash flow for the hedged items. Derivative instruments are recognized at fair value at the acquisition date and are then continuously re-measured at fair value. Unrealized value changes for effective cash-flow hedging are recognized in other comprehensive income. Changes in the fair value of a derivative formally identified to hedge fair value, and that fulfills the conditions for hedge accounting, are recognized in profit or loss together with changes in the fair value attributable to the hedged risk of the hedged asset or liability. For other derivatives that are not held by the Group and do not qualify for hedge accounting, primarily interest-rate hedging instruments, the value changes are to be recognized directly in profit or loss among the financial items.

SIGNIFICANT ESTIMATES AND ASSESSMENTS

The preparation of financial statements and the application of accounting principles are often based on management's assessments, estimates and assumptions that are considered reasonable at the time of the assessment. Estimates and assessments are based on historical experience and a number of other factors, which are considered reasonable under the current circumstances. The results of these are used to assess the reported values of assets and liabilities, which are not otherwise clearly stated from other sources. The actual outcome may differ from these estimates and assessments. Estimates and assessments are reviewed regularly.

According to management significant assessments of applied accounting principles and sources of uncertainty in estimates are mainly related to management's assessment of significant inputs in the calculation of the value of the vessel fleet, in the impairment test of property, plant and equipment and the comparison of recoverable amounts of cash-generating units compared to book values.

The estimates with the greatest impact are:

- Assumption of going concern.
- The useful life of property, plant and equipment and their residual value.
- Valuation and impairment testing of the vessel fleet please see note 9, Property, plant and equipment and intangible assets.

Income taxes in cases where the Group conducts operations in different countries with different tax systems (such as tonnage taxation), please see note 13, Taxes.

Going concern
In order for the Group to have sufficient liquidity and equity to get through the challenging market situation, the Group has during the three last years completed comprehensive restructuring programs, including cost reducing efforts which includes lay-up of vessels, bond delisting, renegotiation of existing loan facilities and charter agreements, new share issues and sale of vessels. These measures, and the sale of vessels carried out during 2018, have significantly improved the Group´s financial position, both by reduced debts and improved liquidity.

The Group continues to operate in highly competitive markets, and the operation is exposed to various operational and financial risks. Viking Supply Ships maintains a positive long term outlook for the offshore industry and is of the opinion that there will be increasing activity in the arctic and subarctic regions during the next few years. Based on the result expectations, the Group´s strong financial situation, the current risks and a continued belief in securing contracts within the core market segment, the Board of Directors and Management have concluded that both the company and the Group will be able to continue as going concern at least until 31 December 2019. This conclusion is based on Management's assessment of the current outlook for 2019 and the uncertainties and risks described above and in the Board of Directors report.

The useful life of property, plant and equipment
Useful life and residual value are assessed in connection with annual impairment testing.

Valuation and impairment testing of the vessel fleet
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").

The Group is operating three groups of similar vessel types (AHTS, AHTS with no ice-class and PSV) which in reality can all be used for the same kind of tasks, and are thus inter-changeable. 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 the Group has deemed it appropriate to consider each group of vessels as a separate cash generating unit. As a result, the Group 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 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% (2017: 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.

<u>Impairment test PSV fleet in 2018</u>
The market for PSV vessels has during the first half year 2018 continued to be very soft. Based on the vessels being laid up for a long period, the continuous weak market, and the within foreseeable future poor market outlook for the segment, it was during the second quarter 2018 decided to sell all five PSV-vessels. In June 2018 VSS entered into agreements to sell Freyja Viking, Nanna Viking and Sol Viking. During the fourth quarter agreements were entered into also to sell Idun Viking and Frigg Viking. The decision implies, according to IFRS 5 Assets held for sale and discontinued operations that the assets held for sale shall be measured at the lower of carrying amount and fair value less costs to sell. Accordingly, the five PSV vessels, all sister vessels, was during Q2 2018 written down to the agreed sales price, MSEK 31 per vessel (MUSD 3.5). The agreed sales price was significantly impacted by the weak second-hand market. In Q3 2018 the two remaining vessels was written down with additional MSEK 9 down to MSEK 22 per vessel (MUSD 2.5). The total impairment loss posted during 2018 for the five vessels amounts to MSEK 190 (MUSD 21.6).

<u>Impairment test AHTS fleet in 2018</u>
In Q4 2018 Management evaluated the AHTS fleet and concluded that the AHTS vessels are not to be impaired. The value in use calculations prepared for the AHTS fleet amounts to MSEK 1,750, which exceeds the book value of MSEK 1,708. The impairment test also consists of an assessment of average external vessel valuations, less cost to sell, from three internationally acknowledged shipbrokers showing a total fleet value of MSEK 1,660 (ranging from MSEK 1,587 to MSEK 1,732).

<u>Impairment test AHTS vessels with no ice-class in 2018</u>
It was during the year decided to sell Odin Viking. The decision implies, according to IFRS 5 Assets held for sale and discontinued operations that the assets held for sale shall be measured at the lower of carrying amount and fair value less costs to sell. The evaluation of the AHTS vessel with no ice-class (Odin Viking), which from 2018 is separated from the other AHTS vessels, has during the year resulted in an impairment loss of MSEK 145. The external market value assessment conducted by three internationally acknowledged shipbrokers shows a market value, net after sales expenses, of MSEK 45 (in a range between MSEK 36 to MSEK 54). The book value of the AHTS vessel with no ice-class amounts to MSEK 45 after the write-downs. The bareboat charter for Odin Viking has due to change of terms in the financial restructuring been re-classified to a financial lease during 2018, in accordance with IAS 17 Leases.

Discontinued operations and non-current assets held for sale
The Group applies IFRS 5 for discontinued operations and non-current assets held for sale. In this report the previous segments TransAtlantic AB, PSV and AHTS vessels with no ice-class (Odin Viking) have been classified in accordance with IFRS 5. The implication of the classification of an non-current asset held for sale is that its bookvalue will be recovered by sale and not by use. An asset is classified as held for sale if it is

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available for immediate sale in its existing condition and on terms that are normal and that it is very likely that this will happen. These assets are reported on a separate line as current assets and short-term liabilities in the consolidated balance sheet. At the first classification held for sale, fixed assets are reported at the lower of carrying amount and fair value less costs to sell. A discontinued operation is part of a company's business and which represents an independent business segment or a significant business within a geographical area or is a subsidiary acquired solely for the purpose of being resold. Classification as a discontinued operation takes place on disposal or at an earlier date when the business meets the criteria for being classified as held for sale. Profit after tax from discontinued operations is reported on a separate line in the consolidated income statement. When a business is classified as discontinued, the presentation of the comparative period's income statement changes so that it is reported as if the discontinued operation had been discontinued at the beginning of the comparison period. The layout of the balance sheet does not change in the same way for the comparative period. See also Note 31, Discontinued operations and assets held for sale.

NOTE 2

REVENUES FROM CONTRACTS WITH CUSTOMERS

DISTRIBUTION OF REVENUES FROM CONTRACTS WITH CUSTOMERS

2018	*AHTS*	*Services*	*Ship Management*	*Total*
Timecharter revenues	144,202	-	-	144,202
ROV charter revenues	3,259	-	-	3,259
Mobilisation/demobilisation fees	3,477	-	-	3,477
Meals/accomodation onboard	1,389	-	-	1,389
Consultancy fees	-	3,125	-	3,125
Reinvoiced costs	1,754	-	143,091	144,845
Total	**154,081**	**3,125**	**143,091**	**300,297**

TIMING OF REVENUE RECOGNITION

2018	*At a point in time*	*Over time*	*Total*
Timecharter revenues	-	144,202	144,202
ROV charter revenues	-	3,259	3,259
Mobilisation/demobilisation fees	3,477		3,477
Meals/accomodation onboard	1,389	-	1,389
Consultancy fees	3,125	-	3,125
Reinvoiced costs	-	144,845	144,845
Total	**7,991**	**292,306**	**300,297**

DISTRIBUTION OF REVENUES FROM CONTRACTS WITH CUSTOMERS

2017	*AHTS*	*Services*	*Ship Management*	*Total*
Timecharter revenues	167,310	-	-	167,310
ROV charter revenues	7,439	-	-	7,439
Mobilisation/demobilisation fees	1,108	-	-	1,108
Meals/accomodation onboard	2,775	-	-	2,775
Consultancy fees	-	15,396	-	15,396
Reinvoiced costs	2,751	-	134,723	137,474
Total	**181,383**	**15,396**	**134,723**	**331,502**

TIMING OF REVENUE RECOGNITION

2017	*At a point in time*	*Over time*	*Total*
Timecharter revenues	-	167,310	167,310
ROV charter revenues	-	7,439	7,439
Mobilisation/demobilisation fees	1,108	-	1,108
Meals/accomodation onboard	2,775	-	2,775
Consultancy fees	15,396	-	15,396
Reinvoiced costs	-	137,474	137,474
Total	**19,279**	**312,223**	**331,502**

Timecharter revenues
Timecharter means that the shipowner grants the rights of disposal of the vessel to a charterer for a certain period and within certain agreed frameworks. The scope of the time charter is determined by the contract entered into and may include everything from short periods such as occasional days up to long term contracts that run for several years. Depending on the type of vessel, the agreement also determines if it is goods to be transported, towing or anchor handling to be carried out, as well as in which parts of the world the vessel is to operate. The charterer pays the timecharter hire to the shipowner, which is a rental fee to be paid per a certain time unit. The decisive factor is what has been agreed upon, but a usual occurrence is per calendar month and that payment must be made in advance, or per day for shorter contract periods. The timecharter parties mean that the Group negotiates a fixed day rate for the vessels, commonly for a unspecified period. Normally, the time period is defined to include a range that specifies the minimum and maximum number of days, which is ultimately determined by the charterer based on the actual time spent in having the work done. Changes in prices when utilizing options to extend a long charter contract is considered a new agreement, and the accounting effect for the extended period will be forward-looking. The revenue for the leasing of vessels (timecharter hire) shall be reported on a continuous basis when the customer simultaneously receives and consumes the benefits provided by the company fullfilling a performance obligation. In practice this means that the charter hire revenue is recognized day by day at agreed daily rate during the contract period. Invoice is normally issued after the ship has been redelivered from the charter assignment. In long-term charter contracts, invoicing and payment terms are negotiated individually. The above is also applicable to the cases where RoV equipment is rented out, see below.

ROV charter revenues
In some cases of long-term time charter contracts, the vessels may need to be adapted to the needs of the charters, eg equipped for towing or supplemented with ROV (Remote Operated Underwater Vehicle). The costs of such adaptations, or the hiring of supplementary equipment, are normally charters expenses. Otherwise, revenue recognition of leased ROV equipment takes place on the same principles as time charter revenue, as described above.

Mobilisation/demobilisation fee
Terms for mobilization/demobilization fees are included in the timecharter party and mean that the vessel must be adapted to charters needs, but may also include that the ship shall be delivered in a special port near the vessels operations areas. The compensation for these adaptations and or delivery of the vessels often consists of a fixed lump sum. Mobilization or demobilization fees are reported at a time when the company has a valid right to payment for the asset - if a customer is currently obliged to pay for an asset, which may indicate that the customer has been given the control of it as well as all remaining benefits from the asset. In practice this means that the Group recognise the revenue from mobilization on the day the ship is delivered to the charter at the agreed location, in accordance with the agreed terms. Similarly, the demobilization fee is recognized when the vessel is again in “home port” and has been restored from the current charter assignment.

Vidarefakturerade fartygskostnader
It is common for shipping companies to take care of operations, maintenance, HSEQ work and staffing on behalf of other shipping companies. It can be compared to property management. It is a wide range of options within ship management, from where the manager runs the entire operation of the vessel including staffing where the seamen are employed by the manager, to individual parts of the above mentioned areas or where only key personnel are provided by the manager. The Group has contract for the operation, maintenance and staffing of the Swedish Maritime Administration’s five icebreakers. This means that personnel costs and operating costs for the vessels including bunker oil, lubricating oil, repairs and maintenance of the vessels, classification costs, etc., are invoiced at cost to the client. The service provided by the Group contains a large number of components, where all these parts are interdependent and nothing can be ruled out in order to be able to perform a complete performance commitment according to the Ship Management contract. The revenue for the management assignment is recognised on an ongoing basis when the customer simultaneously receives and consumes the benefits provided by the company fulfilling its performance obligations. In practice this means that the Group issues monthly invoices on basis of actual cost, one for salaries and one for other costs, including costs for repair and maintenance of the vessels. These reinvoiced costs are neutral in the income statement for VSS, as the costs are reinvoiced and revenue is recognized simultaneously.

CONTRACTUAL ASSETS AND LIABILITIES

	31/12/18	*31/12/17*	*01/01/17*
Current assets related to:			
Timecharter revenues	4,449	1,331	4,025
Ship Management contracts [1)]	15,168	9,179	15,484
Total	**19,617**	**10,510**	**19,509**

	31/12/18	31/12/17	01/01/17
Short term liabilites related to:			
Time charter revenues	542	1,688	1,394
Ship Management contracts	35,181	29,517	27,962
Sold vessels	19,479	-	-
Total	**55,202**	**31,205**	**29,356**

1) excluding liquid funds

NOTE 3

SEGMENT REPORTING

The businesses within the group are conducted and reported in three segments; AHTS, Services and Ship Management. For information of the previous segements PSV, TransAtlantic and AHTS vessels with no ice-class (Odin Viking), which are reported in accordance to IFRS 5 Assets held for sale and discontinued operations, see note 31. The largest segment comprises ice-classified and icebreaking Anchor Handling Tug Supply (AHTS) vessels, which are used for icebreaking and for assignments within the offshore industry repositioning of rigs and anchors for these. The AHTS segment has during the year been contracted by 1 customerrepresenting more than 10 % of the Groups´annual turnover. The revenue from this customer represent the total of 26 % of the Groups´total annual turnover. In addition, Viking Supply Ships comprises a ship management and a services segment. The ship management segment mainly delivers ship management for the Swedish Maritime Administration's five ice-breakers. This assignment represent 48 % (41) of the Groups´annual annual turnover. The services segment offers consultancy services for ice management and logistics support in the Arctic region.

The transactions between the business areas were conducted at market prices.

	AHTS		Services		Ship Management		Total	
Group	2018	2017	2018	2017	2018	2017	2018	2017
Sales	154,081	181,383	3,125	15,396	143,091	134,723	300,297	331,502
Other operating income	2,485,211	-	-	-	-	-	2,485,211	-
Operating expenses	-252,156	-320,864	-5,371	-17,290	-146,450	-135,576	-403,977	-473,730
EBITDA	**2,387,136**	**-139,481**	**-2,246**	**-1,894**	**-3,359**	**-853**	**2,381,531**	**-142,228**
Depreciation/impairment	-107,129	-133,319	-434	-347	-	-	-107,563	-133,666
Operating profit/loss	**2,280,007**	**-272,800**	**-2,680**	**-2,241**	**-3,359**	**-853**	**2,273,968**	**-275,894**
Financial income	15,500	118,665	48	1	295	1	15,843	118,667
Financial expenses	-125,181	-52,229	-44	-22	-161	-567	-125,386	-52,818
Profit/loss before tax [1]	**2,170,326**	**-206,364**	**-2,676**	**-2,262**	**-3,225**	**-1,419**	**2,164,425**	**-210,045**
Income tax	-1,171	1,180	-	323	-	-	-1,171	1,503
Profit/loss for the year	**2,169,155**	**-205,184**	**-2,676**	**-1,939**	**-3,225**	**-1,419**	**2,163,254**	**-208,542**
Profit / loss from discontinued operations	-	-	-	-	-	-	-412,135	-123,704
Profit / loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**1,751,119**	**-332,246**
Assets	4,098,891	2 501 355	1,002	2,225	40,167	33,132	4,140,060	2,536,712
Assets held for sale [2]	-	-	-	-	-	-	94,332	348,349
Total assets	**4,098,891**	**2,501,355**	**1,002**	**2,225**	**40,167**	**33,132**	**4,234,392**	**2,885,061**
Liabilities	960,260	1,474,716	265	1,192	41,996	29,508	1,002,521	1,505,416
Liabilities attributable to assets held for sale [2]	-	-	-	-	-	-	263,952	408,231
Total liabilities	**960,260**	**1,474,716**	**265**	**1,192**	**41,996**	**29,508**	**1,266,473**	**1,913,647**
Gross investments [3]	111,687	615	-	862	-	-	111,687	1,477

1) The result within the AHTS segment was also during 2018 negatively impacted by the weak activity in the offshore market, which also has reasoned the lay-up of the vessels Odin-, Loke- and Vidar Viking during the year. The three icebreakers Tor Viking, Balder Viking and Vidar Viking was sold during the year. The sales resulted in a capital gain of MSEK 2 485. The previous years result was negatively impacted by the weak activity in the offshore market, which caused the continued lay-up of the vessels Odin-, Loke- and Vidar Viking during the year. The result within the AHTS segment was during the year positively impacted by a financial gain related to the bond settlement of MSEK 112.
2) The amounts relates to the previous reported segements PSV, TransAtlantic and AHTS vessels with no ice-class (Odin Viking) also see note 31 Discontinued operations and assets held for sale.

3) The Gross investments during the year consist of vessel upgrades of MSEK 3 and investments in fixed financial assets of MSEK 109 related to cash proceeds held on blocked bank accounts. The previous years investments consisted mainly of capitalized docking expenses.

SALES BY GEOGRAPHIC AREA

	Group	
Net sales TSEK	*2018*	*2017*
Denmark	5,306	1,796
Norway	7,497	32,142
Russia	73,845	7,465
UK	60,668	148,842
Sweden	144,543	138,930
Rest of the world	8,438	2,327
Total	**300,297**	**331,502**

ASSETS BY GEOGRAPHIC AREA

	Group	
Assets TSEK	*2018*	*2017*
Denmark	4,048,974	2,454,902
Norway	16,894	13,160
Russia	3,183	5,475
Sweden	70,943	62,204
Rest of the world	71	971
Discontinued operations [1)]	94,332	348,349
Total	**4,234,397**	**2,885,061**

1) The assets related to the previous reported segments TransAtlantic, PSV and AHTS vessels with no ice-class, see note 31 Discontiued operations and assets held for sale.

INVESTMENTS BY GEOGRAPHIC AREA

	Group	
Investments TSEK [1)]	*2018*	*2017*
Denmark	3,315	615
Norway	108,372	862
Total	**111,687**	**1,477**

1) None of this, or previous, years investments are related to discontinued operations or assets held for sale.

NOTE 4

PURCHASES AND SALES AMONG GROUP COMPANIES

Parent Company
The Parent Company's net sales include sales to other Group companies in the amount of TSEK 7,697 (8,875).
The Parent Company's external operating costs include purchases from other Group companies of TSEK 5,187 (5,874).

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NOTE 5
OTHER OPERATING INCOME

	Group		Parent Company	
TSEK	*2018*	*2017*	*2018*	*2017*
Capital gain [1]	2,485,211	-	-	-
Total	**2,485,211**	**-**	**-**	**-**

1) Capital gain from the sales of the icebreakers Tor Viking, Balder Viking and Vidar Viking to "Her Majesty the Queen in Right of Canada".

NOTE 6
AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS, ETC.

	2018		*2017*	
Average number of employees	*No. of employees*	*Of whom, women, %*	*No. of employees*	*Of whom, women, %*
Parent Company				
Sweden				
– land based	-	-	-	-
– shipboard	-	-	-	-
Total, Parent Company	**-**	**-**	**-**	**-**
Subsidiaries				
Sweden				
– land based	7	51%	5	49%
– shipboard	170	12%	208	8%
Denmark				
– land based	8	48%	14	55%
– shipboard	0	0%	31	7%
Russia				
– land based	0	0%	0	0%
– shipboard	0	0%	0	0%
Norway				
– land based	7	38%	5	0%
– shipboard	129	2%	101	5%
Total in subsidiaries	**321**	**10%**	**364**	**9%**
Group total	**321**	**10%**	**364**	**9%**

SALARIES, OTHER REMUNERATION AND SOCIAL-SECURITY COSTS

TSEK	2018 Salaries and remuneration	2018 Social-security costs (of which, pension costs)	2017 Salaries and remuneration	2017 Social-security costs (of which, pension costs)
Parent Company	-	449	-	96
		(449)		(96)
Subsidiaries in Sweden	101,371	52,710	117,965	39,998
		(19,853)		(17,694)
Foreign subsidiaries	95,071	6,646	148,497	31,527
		(8,903)		(9,442)
Group total	**196,442**	**59,356**	**266,462**	**71,621**
		(28,756)		**(27,232)**

SALARIES AND OTHER REMUNERATION BY COUNTRY

TSEK	2018 Board and President	2018 Other employees	2017 Board and President	2017 Other employees
Parent Company				
Sweden	-	-	-	-
Total, Parent Company	**-**	**-**	**-**	**-**
Subsidiaries in Sweden	-	101,371	-	117,965
Subsidiaries outside Sweden				
Norway	-	80,643	-	83,956
Denmark	3,553	10,326	3,601	57,046
Russia	-	548	-	3,894
Total, foreign subsidiaries	**3,553**	**91,517**	**3,601**	**144,896**
Group total	**3,553**	**192,888**	**3,601**	**262,861**

The Group has received government shipping subsidy of TSEK 0 (19,526).
The amounts in the note above are before reductions for the government shipping subsidy received.

SALARIES AND OTHER REMUNERATION PAID TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Remuneration paid to the Board of Directors TSEK	Board fee 2018	Board fee 2017
Bengt A. Rem, Chairman	300	300
Folke Patriksson, Deputy Chairman	200	200
Håkan Larsson	200	200
Magnus Sonnorp	200	200
Erik Borgen	200	200
Christer Lindgren, employee representative	-	-
Total	**1,100**	**1,100**

A lifelong defined-benefit pension is paid to the Deputy Chairman, based on the ITP plan. To cover the company's pension commitment, which amounted to TSEK 6,811 at December 31, 2018, pension insurance plans have been signed with a market value of TSEK 6,646 as at December 31, 2018. During 2018, the company had no expenses for this commitment. There are no other pension commitments for the Parent Company's Board members

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The separate Corporate Governance section in the Annual Report addresses matters regarding decisions on remuneration.

REMUNERATION PAID TO SENIOR EXECUTIVES

	Salary		*Variable remuneration*		*Other benefits*		*Pension premium*		*Total*	
TSEK	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
VD Trond Myklebust	2,141	2,235	1,088	-	312	266	321	291	3,862	2,792
Other senior executives, 2 individuals (4).	3,550	2,057	267	-	6	-	234	270	4,057	2,327
Total	**5,691**	**4,292**	**1,355**	**-**	**318**	**266**	**555**	**561**	**7,919**	**5,118**

Termination notice on the part of the company for other senior executives (except the CEO) is six to 12 months. For this group, defined-contribution pension payments of up to 25% of the fixed salary should be payable. Other benefits, such as company car, compensation for preventive healthcare and sickness insurance, shall comprise a small portion of the total compensation, correspond to market levels. In 2018, the group included no women (previous year: no women).

The separate Corporate Governance section in the Annual Report addresses matters regarding decisions on remuneration.

NOTE 7
AUDIT ASSIGNMENTS

Expensed fees and reimbursements during the year amounted to:

	Group		*Parent Company*	
TSEK	*2018*	*2017*	*2018*	*2017*
Fees pertaining to audit assignments				
- Rödl & Partner	1,284	807	1,284	807
- RSM	1,101	1,350	-	-
- EY	-	30	-	-
Fees pertaining to auditing operations in addition to the audit assignment				
- Rödl & Partner	310	407	310	407
- RSM	757	584	-	-
Fees pertaining to tax advice				
- PwC	444	1,528	73	-
Other services				
- PwC	6	-	6	-
- EY	-	32	-	-
Total	**3,902**	**4,738**	**1,673**	**1,214**

NOTE 8
OTHER NET PROFIT/LOSS

	Group		*Parent Company*	
TSEK	*2018*	*2017*	*2018*	*2017*
Interest rate derivatives:				
– Fair value gains (+) / losses (-)	-	-833	-	-
Total	**-**	**-833**	**-**	**-**

Please also see Note 29 Financial risk management and derivative instruments, section "Fair value of derivative instruments".

NOTE 9

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE FIXED ASSETS

	Group		Parent Company	
Vessels, TSEK [1]	2018	2017	2018	2017
Cost				
Cost, Jan. 1	4,794,833	5,331,554	-	-
Acquisitions for the year (incl. improvement costs)	3,315	615	-	-
Reclassification [2) 3)]	-1,097,527	-858	-	-
Sales/scrapping	-1,857,554	-	-	-
Translation difference for the year	378,397	-536,478	-	-
Accumulated cost, Dec. 31	**2,221,464**	**4,794,833**	**-**	**-**
Accumulated depreciation according to plan				
Depreciation, Jan. 1	-1,432,705	-1,442,247	-	-
Reclassification [2]	139,171	-	-	-
Sales/scrapping	1,023,653	-	-	-
Translation difference for the year	-136,771	152,116	-	-
Depreciation according to plan for the year [3]	-107,118	-142,574	-	-
Accumulated depreciation according to plan, Dec. 31	**-513,770**	**-1 432,705**	**-**	**-**
Impairment				
Impairment, Jan. 1	-647,081	-660,424	-	-
Reclassification [2]	647,081	-	-	-
Translation difference for the year	-	64,150	-	-
Impairment/reversal of previously recognized impairment [1]	-	-50,807	-	-
Accumulated impairment, Dec. 31	**-**	**-647,081**	**-**	**-**
Residual value according to plan, Dec. 31	**1,707,694**	**2,715,047**	**-**	**-**

The remaining useful life of the vessels are 16 years (15).

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.

1) 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").

The Group has until the second quarter classified its operation into two groups of similar vessel types, AHTS and PSV. From the third quarter one vessel, Odin Viking has been separated from the AHTS group of vessels. The reason is that the weaker market conditions have changed the demand for AHTS vessels with lower specifications. Combined with the vessel not being ice-classed this means that the vessel in its characteristics departs from the other four vessels in the AHTS segment. It is thus deemed that it should not be included in the same group of vessels as the ones with high ice class and specifications, namely Loke Viking, Njord Viking, Magne Viking and Brage Viking. From the third quarter the vessels are therefore classified into three groups of vessels; AHTS with ice-class, AHTS with no ice-class and PSV. These three groups of vessels can in reality 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 the Group has deemed it appropriate to consider each group of vessels as a separate cash generating unit. As a result, impairment tests are performed 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 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% (2017: 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 2018
The market for PSV vessels has during the first half year 2018 continued to be very soft. Based on the vessels being laid up for a long period, the continuous weak market, and the within foreseeable future poor market outlook for the segment, it was during the second quarter 2018 decided to sell all five PSV-vessels. In June 2018 VSS entered into agreements to sell Freyja Viking, Nanna Viking and Sol Viking. During the fourth quarter agreements were entered into also to sell Idun Viking and Frigg Viking. The decision implies, according to IFRS 5 Assets held for sale and discontinued operations that the assets held for sale shall be measured at the lower of carrying amount and fair value less costs to sell. Accordingly, the five PSV vessels, all sister vessels, was during Q2 2018 written down to the agreed sales price, MSEK 31 per vessel (MUSD 3.5). The agreed sales price was significantly impacted by the weak second-hand market. In Q3 2018 the two remaining vessels was written down with additional MSEK 9 down to MSEK 22 per vessel (MUSD 2.5). The total impairment loss posted during 2018 for the five vessels amounts to MSEK 190 (MUSD 21.6).

Impairment test AHTS vessels with ice-class in 2018
In Q4 2018 Management evaluated the AHTS fleet and concluded that the AHTS vessels are not to be impaired. The value in use calculations prepared for the AHTS fleet amounts to MSEK 1,750, which exceeds the book value of MSEK 1,708. The impairment test also consists of an assessment of average external vessel valuations, less cost to sell, from three internationally acknowledged shipbrokers showing a total fleet value of MSEK 1,660 (ranging from MSEK 1,587 to MSEK 1,732).

Impairment test AHTS vessels with no ice-class in 2018
It was during the year decided to sell Odin Viking. The decision implies, according to IFRS 5 Assets held for sale and discontinued operations that the assets held for sale shall be measured at the lower of carrying amount and fair value less costs to sell. The evaluation of the AHTS vessel with no ice-class (Odin Viking), which from 2018 is separated from the other AHTS vessels, has during the year resulted in an impairment loss of MSEK 145. The external market value assessment conducted by three internationally acknowledged shipbrokers shows a market value, net after sales expenses, of MSEK 45 (in a range between MSEK 36 to MSEK 54). The book value of the AHTS vessel with no ice-class amounts to MSEK 45 after the write-downs. The bareboat charter for Odin Viking has due to change of terms in the financial restructuring been re-classified to a financial lease during 2018, in accordance with IAS 17 Leases.

2) Reclassification of assets related to the segments PSV and Odin Viking, see note 31 Discontinued operations and non-current assets held for sale.
3) The useful life and residual values are determined in conjunction with annual impairment testing.

	Group		Parent Company	
Equipment, TSEK	2018	2017	2018	2017
Cost				
Cost, Jan.1	3,738	2,578	-	-
Reclassification	-	858	-	-
Acquisitions for the year (incl. improvement costs)	-	862	-	-
Sales/scrapping	-	-290	-	-
Translation difference for the year	34	-270	-	-
Accumulated cost, Dec 31	**3,772**	**3,738**	**-**	**-**
Accumulated depreciation according to plan				
Depreciation, Jan. 1	-3,035	-2,328	-	-
Sales/scrapping	-	61	-	-
Translation difference for the year	-	221	-	-
Depreciation according to plan for the year	-445	-989	-	-
Accumulated depreciation according to plan, Dec 31	**-3,480**	**-3,035**	**-**	**-**
Residual value according to plan	**292**	**703**	**-**	**-**

NOTE 10
PROFIT/LOSS FROM SHARES IN GROUP COMPANIES

	Group		Parent Company	
TSEK	2018	2017	2018	2017
Dividends	-	-	10,388	-
Reversed write-downs of shares in subsidiaries	-	-	1,651,031	-
Write-downs of shares in subsidiaries	-	-	-	-984,261
Total	**-**	**-**	**1,661,419**	**-984,261**

NOTE 11
FINANCIAL INCOME

TSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Interest income	15,843	183	-	-
Interest income from Group companies	-	-	573	436
Financial gain from bond settlement [1)]	-	112,478	-	-
Exchange-rate differences	-	6,006	604	1,786
Total	**15,843**	**118,667**	**1,177**	**2,222**

1) In January 2017, at the time when the 2016/2017 financial restructuring was finalized, a bond loan was redeemed below nominal value. This transaction brought a financial gain of TSEK 112,478.

NOTE 12
FINANCIAL EXPENSES

TSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Interest expenses	69,045	52,818	4	1
Interest expenses paid to Group companies	-	-	781	999
Exchange-rate differences	48,852	-	-	2,218
Other financial expenses	7,489	-	-	271
Total	**125,386**	**52,818**	**785**	**3,489**

NOTE 13
TAXES

TSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Tax in income statement				
– Current tax	-1,482	256	-	-
– Deferred tax	311	1,247	-	-
Total	**-1,171**	**1,503**	**-**	**-**

	Group				Parent Company			
	2018		2017		2018		2017	
Difference between recognized tax expense and tax expense based on the current tax rate	TSEK	%	TSEK	%	TSEK	%	TSEK	%
Recognized profit/loss before tax	2,164,425		-210,045		1,660,663		-985,769	
Tax at current Swedish tax rate, 22% (22)	-476,174	22%	46,210	22%	-365,346	22%	216,869	22%
– Difference in tax rate in countries in which operations are conducted	-3,909	0%	-387	0%	-	-	-	-
– Tonnage-tax based operations	479,906	-22%	-48,456	-23%	-	-	-	-
– Effect of non-taxable revenue	1,647	0%	1,463	1%	367,159	-22%	1,463	0%
– Effect of non-deductible expenses	-65	0%	-107	0%	-11	0%	-216,535	-22%
– Deficit for tax receivable not recognozed	-2,467	0%	-1,678	-1%	-1,811	0%	-1,798	0%
– Adjustment of preceding year´s tax	240	0%	254	0%	5	0%	-	-
– Other	-349	0%	4,204	2%	4	0%	-	-
Tax expense	**-1,171**	**0%**	**1,503**	**-1%**	**0**	**0%**	**0**	**0%**

FY 2018

TSEK	Group					
	2018			2017		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Tax attributable to other comprehensive income						
Remeasurements of post employment benefit obligations	-17	4	-13	-25	6	-20
Change in translation provision	124,445	-	124,445	-140,273	-	-140,273
	124,428	**4**	**124,432**	**-140,298**	**6**	**-140,293**

The deferred tax asset/tax liability is recognized net in each country of operation since offsetting rights are deemed to exist. The loss carryforwards in the Group for Swedish units amount to MSEK 1,071 (1,057) net after deduction for untaxed reserves, of which MSEK 0 (0) was capitalized. Loss carryforwards in the Parent Company amounted to MSEK 792 (784), of which MSEK 0 (0) was capitalized to meet estimated future results. Under Swedish tax law, there is no time limit on the use of loss carryforwards.

Temporary differences regarding investments in subsidiaries have not been recognized, since capital gains/losses are not taxable in accordance with the applicable tax legislation.

Deferred tax assets are recognized only insofar as it is probable that the amounts could be utilized against future taxable surpluses.

NOTE 14
EARNINGS PER SHARE

	Group	
	2018	2017
Weighted average number of shares excluding treasury shares	9,126,684	408,533,778
Earnings attributable to the Parent Company's shareholders, SEK	1,751,119,000	-332 246,000
Earnings per share attributable to the Parent Company's shareholders, SEK	191.87	-81.33 [1)]

1) Retroactive adjustment of key ratios has been made as a result of the reverse share split (1:100) implemented in January 2018.

In the Group, there are no share-option programs that could result in dilution effects.

NOTE 15

PARTICIPATIONS IN GROUP COMPANIES, ASSOCIATED COMPANIES

			Holding		*Holding value*	
	Corp. Reg. No.	*Registered office*	*No. of shares/ participa-tions*	*% of share capital*	*Carrying amount Dec. 31, 2018, TSEK*	*Carrying amount Dec. 31, 2017, TSEK*
Subsidiaries owned by Parent Company [1]						
TransAtlantic AB	556208-0373	Göteborg	1,000,000	100	33,800	41,500
Viking Supply Ships A/S	33369794	Köpenhamn	5,006	100	2,773,208 [5]	994,000
Total					**2,807,008**	**1,035,500**
Other Group companies						
Transatlantic Administration AB [2]	556662-6866	Gothenburg	1,000	100		
TRVI Offshore & Icebreaking AB [2]	556710-9003	Gothenburg	500	100		
TRVI Offshore & Icebreaking 3 AB [2]	556733-1102	Skärhamn	1,000	100		
TRVI Offshore & Icebreaking 4 AB [2]	556733-1094	Skärhamn	1,000	100		
Viking Supply Ships Management AB	556858-2463	Gothenburg	1,000	100		
Viking Icebreaker Management AB	556679-1454	Gothenburg	1,000	100		
Short Sea Bulk AS [2]	913 350 790	Oslo	30,000	100		
VSS Holdings AS [3]	818 906 692	Kristiansand	300	100		
Viking Ice Consultancy AS	913 740 998	Kristiansand	300	100		
Viking Supply Ships AS	981240030	Kristiansand	50	100		
Viking Supply Ships PSV AS	814 837 572	Kristiansand	300	100		
VSS Seafarers AS [3]	818 283 792	Kristiansand	300	100		
VSS MB AS [3]	818 906 862	Kristiansand	300	100		
VSS LN AS [3]	919 122 870	Kristiansand	300	100		
VSS TBV AS [3]	918 906 851	Kristiansand	300	100		
VSS Odin AS [3]	919 122 927	Kristiansand	300	100		
Viking Supply Ships Crewing ApS	33775199	Köpenhamn	800	100		
Viking Supply Ships 5 ApS	34471800	Köpenhamn	800	100		
Viking Supply Ships Limited	1107746094060	Moscow		100		
Viking Supply Ships Limited	SC303430	Aberdeen, UK	7,900,001	100		
Viking Supply Ships (Holdings) LTD	SC180512	Aberdeen, UK	76,924	100		
Transatlantic Shipping (2) LTD [2]	103202	Gibraltar		100		
Transatlantic Shipping (3) LTD [2]	109138	Gibraltar		100		
Transatlantic Shipping (4) LTD [2]	109139	Gibraltar		100		
Transatlantic Shipping (5) LTD [2]	109140	Gibraltar		100		
Consolidated value of associated companies						
Industrial Shipping DIS [4]		Oslo		38	-	-
Total					**-**	**-**

1) The Parent Company in the Group is Viking Supply Ships AB, corp. reg. no. 556161-0113, with its registered office in Gothenburg, Sweden.
2) The companies are subsidiaries to TransAtlantic AB, also see note 33 Discontinued operations and assets held for sale.
3) The company was incorporated during 2017.
4) The company which earlier held 3 small bulk vessels chartered by the Group, is a subsidiary to TransAtlantic AB, also see note 31 Discontinued operations and assets held for sale.
5) Reversals of previous years write-downs has during 2018 been carried out with TSEK 1,651,031, mainly due to the capital gain from Viking Supply Ships A/S sale of the three icebreakers Tor Viking, Balder Viking and Vidar Viking.

NOTE 16
OTHER LONG-TERM RECEIVABLES

TSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Opening balance	15,588	16,096	12,797	15,186
Acquisitions during the year [1)]	108,868	1,881	-	-
Divestments during the year	-2,517	-2,389	-2,435	-2,389
Closing balance	**121,939**	**15,588**	**10,362**	**12,797**

Largest individual items consist of: TSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Endowment insurances [2)]	10,362	12,797	10,362	12,797
Blocked cash [1)]	108,868	-	-	-
Other	2,709	2,791	-	-
Total	**121,939**	**15,588**	**10,362**	**12,797**

Refer also to Note 29 Financial risk management and derivative instruments.

1) Persists of cash proceeds from the sale of the PSV vessels held on a blocked bank account until a long-term financial structure has been agreed with the lenders.
2) Relates to and correspond with pension obligations, reported at fair value.

NOTE 17
INVENTORIES

Inventories comprise bunker oil, lubricating oil and cargo handling equipment.

NOTE 18
ACCOUNTS RECEIVABLE

The carrying amount for accounts receivable is classified as follows:

TSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Invoiced receivables	5,066	32,861	405	583
Provision for doubtful receivables	-400	-419	-400	-445
Total	**4,666**	**32,442**	**5**	**138**

The carrying amount for accounts receivable correspond to the fair value since the discount effect is negligible.

The provision for doubtful receivables changed as follows:

TSEK	Group 2018	Group 2017	Parent Company 2017	Parent Company 2017
Opening balance	419	445	445	453
Reversed provisions	-19	-26	-45	-8
Closing balance	**400**	**419**	**400**	**445**

There were no confirmed loss during the year on the accounts receivable. The remaining accounts are deemed to be subject to only minor credit risk. The maximum exposure for credit risks on the closing date is the carrying amount of each category of receivables mentioned above.

Age analysis regarding unimpaired accounts receivable:

	Group		*Parent Company*	
TSEK	*2018*	*2017*	*2018*	*2017*
Not due	873	29,971	5	138
Due date exceeded by up to 30 days	3,699	1,947	-	-
Due date exceeded by 31–60 days	-	-	-	-
Due date exceededby 61 days or more	94	425	-	-
Total	**4,666**	**32,343**	**5**	**138**

NOTE 19

PREPAID EXPENSES AND ACCRUED INCOME

	Group		*Parent Company*	
TSEK	*2018*	*2017*	*2018*	*2017*
Prepaid personnel expenses	875	-	-	-
Prepaid insurance	1,461	5,292	99	-
Accrued voyage income	1,248	50	-	-
Other prepaid expenses and accrued income	597	2,217	-	-
Total	**4,181**	**7,559**	**99**	**-**

NOTE 20

CASH-FLOW STATEMENT

	Group		*Parent Company*	
TSEK	*2018*	*2017*	*2018*	*2017*
Cash and cash equivalents				
Opening cash and bank balances	33,650	273,150	91	18 271
Changes in cash and bank balances for the year	2,049,505	-239,500	-23	-18 180
Cash and cash equivalents at year-end [1)]	**2,083,155**	**33,650**	**68**	**91**

1) The Group's cash and cash equivalents includes prepayments from external clients totaling MSEK 23 to be utilized in external ship management operations. In loan agreements, Viking Supply Ships A/S has committed, at any time, to ensure that cash and cash equivalents do not fall below MUSD 2.0, which at the balance day corresponded to MSEK 18.1. At the balance day, the cash holdings of Viking Supply Ships A/S amounted to MUSD 255.6, which at the balance day corresponded to MSEK 2,062.9. Cash proceeds of MSEK 108.9 from the sale of the PSV vessels has been deposited on a blocked account and will remain until a long-term financial structure has been agreed with the lenders. Further MSEK 181 has on short term been deposited with one of the lenders and is disclosed among other current assets. For further information see note 24, Liabilities.

NOTE 21
SHARE CAPITAL

SEK	Share capital					
	2018			2017		
	Series A shares	Series B shares	Total	Series A shares	Series B shares	Total
Share capital, Jan. 1	20,684,348	388,908,612	409,592,960	20,684,348	322,860,970	343,545,318
Reduction to unrestricted reserve 1)	-	-	-307,194,720	-	-	-
New share issue 2,3)	6,205,304	124 579,971	130,785,275	-	66,047,642	66,047,642
Bonus issue 5)	-	-	176,409,445	-	-	-
Share capital, Dec. 31	**26,889,652**	**513,488 583**	**409,592,960**	**20,684,348**	**388,908,612**	**409,592,960**

	Number of shares					
	2018			2017		
	Series A shares	Series B shares	Total	Series A shares	Series B shares	Total
Number of shares, Jan. 1	20,684,348	388,908,612	409,592,960	20,684,348	322,860,970	343,545,318
New share issue 2) 3)	24,821,217	498,319,883	523,141,100	-	66,047,642	66,047,642
Reversed split 4)	-45,050,510	-878,356,211	-923,406,721	-	-	-
Number of shares, Dec. 31	**455,055**	**8,872,284**	**9,327,339**	**20,684,348**	**388,908,612**	**409,592,960**

	Number of votes					
	2018			2017		
	Series A shares	Series B shares	Total	Series A shares	Series B shares	Total
Number of votes	4,550,550	8,872,285	13,422,835	206,843,480	388,908,612	595,752,092
Total number of votes	**4,550,550**	**8,872,285**	**13,422,835**	**206,843,480**	**388,908,612**	**595,752,092**

The quotient value is SEK 43,91 per share. The Group has no option programs.

1) The share capital was in January 2018 reduced and transferred to unrestricted reserves by way of changing the quotient value from SEK 1 to to SEK 0.25 per share.

2) In January 2017 the following new share issues were completed:
-A share issue with cash payment to the owners of Odin Viking, Odin Viking SPV AS, whereby the number of shares after the end of the year was increased by 28,355,933 series B shares. The issue price was SEK 1.50 per share.
-A share issue with payment against set-off to the owners of Odin Viking, Odin Viking SPV AS, shereby the number of shares after the end of the year was increased by 37,691,709 series B shares. The issue price was SEK 1.50 per share. Also see note 32 Events after the closing date.

3) In January 2018 the following new share issues were completed:
-A new share issue with preferential rights for existing shareholders whereby the number of shares was increased by 24,821,217 series A shares and by 466,690,334 series B shares, total 491 511 551 new shares. The issue price was SEK 0.25 per share.
-A share issue with payment against set-off to Viking Invest AS wherby the number of shares was increased by 5,463,150 series B shares. The issue price was SEK 0.25 per share.
-A share issue with payment against set-off to Viking Invest AS wherby the number of shares was increased by 26,166,400 series B shares. The issue price was SEK 0.25 per share.

4) In January 2018 a reversed split was carried out with ratio 100:1, which implied that every 100 of series A- and B shares was replaced by 1 share in the same series, whereby the total number of outstanding shares amounted to 9,327,340.

5) In January 2018 a bonus issue was carried out to restore the share capital to original SEK 409,592,960 before above mentioned transactions.

NOTE 22
DIVIDEND PER SHARE

No dividends were paid during 2018 or 2017. At the Annual General Meeting on March 6, 2019, it will be proposed a dividend of SEK 116 per share, total TSEK 1,081,971, be paid for the 2018 fiscal year.

NOTE 23
PENSION PROVISIONS

Post-employment employee benefits mainly take the form of ongoing payments to independent authorities or insurance companies, which subsequently assume responsibility for the commitments to employees. These types of arrangements are called defined-contribution plans.

The commitment for old-age pensions and servivor pensions for employees in Sweden is covered through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, URF 10, this is a defined-benefit multi-employer plan. For the 2017 fiscal year, the Group did not have access to such information that makes it possible to report this plan as a defined-benefit plan. The pension plan in accordance with ITP2, which is safeguarded through insurance with Alecta, is therefore reported as a defined -contribution plan. Alecta's surplus can be distributed to the insurers and/or the insured. At the end of 2018, Alecta's surplus in the form of the collective consolidation level was 142 % (154). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance commitment calculated in accordance with Alecta's actuarial calculation assumption, which does not correspond with IAS 19. The pensionplan ITP1 is reported as a defined-contribution plan.

Defined benefit plans are characterized by the fact that the Group retains its commitment until the pension has been paid. The costs and provisions for defined-benefit plans are assessed through actuarial calculations with the purpose of determining the present value of the commitment. Defined benefit plans exist only in Sweden.

Commitments are secured through pension insurances with investments primarily in interest funds and equity funds.

As the Group does not enter into any new defined-benefit plans it is not expected to occure any material change in the net expenses for the deferred-benefit plans the coming year in comparsation to 2018.

The tables below provide data on the Group´s defined benefit plans, the assumptions used in the calculations, the expenses recognized and the values of the commitments and plan assets.

	Group				
TSEK	*2018*	*2017*	*2016*	*2015*	*2014*
Yearly overview					
At closing date					
Present value of defined-benefit obligations	7,775	8,027	11,205	11,550	13,417
Fair value of plan assets	-10,953	-11,144	-16,107	-16,494	-16,643
Payroll tax liability	4,602	5,267	5,876	6,823	7,063
Net liability	**1,424**	**2,150**	**974**	**1,879**	**3,837**

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TSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Assumptions applied in actuarial calculations				
Sweden				
Average discount interest rate, %	2.30%	2.50%	2.30%	2.50%
Projected return on plan assets, %	2.30%	2.50%	2.30%	2.50%
Estimated long-term salary increase, %	3.00%	3.00%	3.00%	3.00%
Estimated long-term inflation, %	2.00%	2.00%	2.00%	2.00%
Assumptions regarding mortality are the same as those specified by the Swedish Financial Supervisory Authority (FFFS 2007:31).				
Pension expenses for the year				
Cost of benefits vested during the year	-	229	-	-
Interest expense	190	274	167	191
Projected return on plan assets (–)	-268	-397	-159	-181
Net reduction / settlement	-	796	-	-
Expenses for the year pertaining to defined-benefit pension plans	**-78**	**902**	**8**	**10**
Expenses for the year pertaining to defined-contribution pension plans	22,839	26,601	-	-
Payroll tax expense for the year	3,941	3,942	320	277
Pension expense for the year included in personnel costs	**26,702**	**31,445**	**328**	**287**
Actual return on plan assets, %	5.2%	5.3%	7.8%	6.7%

1) All items are recognized as personnel costs. Of the costs for defined-contributions plans, TSEK 8,349 (7,795) comprises premiums to Alecta. The premiums for the coming fiscal year is expected to equal 2018.

Changes in fair value of plan assets TSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Plan assets, Jan. 1	11,144	16,107	6,665	6,779
Expected return	268	397	159	181
Withdrawal	-755	-1,801	-532	-555
Premiums/deposits	-	170	-	-
Reduction/adjustment	-	-4,045	-	-
Actuarial gains/(losses)	296	316	354	260
Plan assets, Dec. 31	**10,953**	**11,144**	**6,646**	**6,665**

These assets consist primarily of funds investing in shares, bonds and money-market instruments.

TSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Changes in defined-benefit pension obligation				
Obligation, Jan. 1	8,027	11,205	6,986	7,136
Cost of benefits earned during the year	-	229	-	-
Interest expense	190	274	167	191
Pension payments	-755	-773	-532	-554
Reduction/adjustment	-	-3 249	-	-
Actuarial (gains)/losses	313	341	191	213
Obligation, Dec. 31	**7,775**	**8,027**	**6,811**	**6,986**
Actuarial gains and losses				
Actuarial gains/(losses) on assets	296	316	354	260
Actuarial gains/(losses) on liabilities	-313	-341	-191	-213
Actuarial gains/(losses)	**-17**	**-25**	**163**	**47**
Change in payroll tax liability				
Liability in balance sheet, Jan. 1	5,267	5,876	5,267	5,876
Change in payroll-tax liability for the year	-665	-609	-665	-609
Payroll tax liability, Dec. 31	**4,602**	**5 267**	**4,602**	**5,267**
Liability in balance sheet				
Pension obligation	7,775	8,027	6,811	6,986
Payroll tax liability	4,602	5,267	4,602	5,267
Liability in balance sheet, Dec. 31	**12,377**	**13,294**	**11,413**	**12,253**
Net liability in balance sheet				
Plan assets (–)	-10,953	-11,144	-6,646	-6,665
Pension obligation	7,775	8,027	6,811	6,986
Payroll tax liability	4,602	5,267	4,602	5,267
Net liability, Dec. 31	**1,424**	**2,150**	**4,767**	**5,588**
Reconciliation of changes in net liability				
Liability in balance sheet, Jan. 1	2,150	974	5,588	6,233
Pension expenses for the year (+)	-78	902	8	10
Payment to plan assets (–)	-	-170	-	-
Withdrawal from plan assets (+)	755	1,801	532	555
Pension payments (–)	-755	-773	-532	-554
Actuarial (gains)/losses	17	25	-163	-47
Change in payroll-tax liability for the year	-665	-609	-665	-609
Net liability, Dec. 31	**1,424**	**2,150**	**4,767**	**5,588**

Analysis of the sensitivity in the defined-benefit commitments to changes in the assumptions applied in the actuarial calculations TSEK	*The expected pension obligation*	*Change compared to the applied actuarial assumptions*
Pension commitment according to current assessment (+) debt	7,775	-
Discount interest rate +1 %	7,141	-634
Inflation +1 %	8,356	581
Salary increase +1 %	7,775	-

The above sensitivity analysis is based on a change in one assumption while all other assumptions are held constant

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NOTE 24

LIABILITIES

GROUP

The Group's total interest-bearing liabilities for continuing and discontinued operations amounted to MSEK 1,118 (1,748) at the closing-date rate. In addition,there were non-interest-bearing liabilities totaling MSEK 148 (166).

The continued challenging market conditions, including downward pressure on rates and utilization, impacted the Group's liquidity in 2017. As a consequence, shortly after the end of Q2 2017, a dialogue was initiated with the lenders to secure a long-term stable financing solution.

In December 2017 Viking Supply Ships received confirmation that it had obtained support for a restructuring proposal from all senior lenders. A final restructuring agreement was subject to final approval from the senior lenders' credit committees. In January 2018 credit committee approvals from all senior lenders were obtained, and a restructuring term sheet was signed. The signed restructuring term sheet, together with the completed equity issue in Viking Supply Ships AB and subsequent equity injection into Viking Supply Ships A/S, finalized the financial restructuring.

As part of the in January 2018 concluded financial restructuring, all loan facilities in Viking Supply Ships A/S will carry significantly less cash interest and instalments are as currently due 31 March 2020. All loan facilities until maturity and 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. The bareboat charter in respect of the vessel Odin Viking will not be payable in cash but added to the principal amount outstanding under the charter party as payment in kind. Further, 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 termination compensations equal to the accumulated and remaining charter hire. Viking Supply Ships A/S would also receive new capital at the amount of MUSD 15 through a new share issue in Viking Supply Ships AB.

The proceeds up to MSEK 135 (MUSD 15) from the sale of the PSV-vessels would, according to the previous mentioned agreement with the lenders, have been deposited on a blocked bank account. These funds were intended to be available on request from Viking Supply Ships against new issued shares in Viking Supply Ships AB. The proceed from the sale of Freyja Viking, Nanna Viking Sol Viking and Frigg Viking, the amount of MSEK 109 (MUSD 12), has remained deposited on a blocked account.

As a result of the sale of the icebreakers, the financial position of the Group has significantly improved. In conjunction with the sale of the icebreakers all loan facilities related to the PSV Segment and the AHTS/Icebreaker vessels Tor-, Balder- and Vidar Viking was repaid. Installments have also been made on remaining loan facilities related to the AHTS segment.

On the basis of the changed situation the Group will, in accordance with the restructuring agreement with its creditors, repay all of its bank debts, total MSEK 885. The charter agreement of Odin Viking which is classified as a financial lease in the financial statements, which entails reporting of financial debts in the balance sheet of 233 MSEK, is not affected of these repayments.

PARENT COMPANY

The Parent Company's total interest-bearing liabilities amounted to MSEK 18 (33). In addition, there were non-interest-bearing liabilities and provisions totaling MSEK 19 (53).

TOTAL INTEREST-BEARING LIABILITIES, FOR CONTINUING AND DISCONTINUED OPERATIONS, DISTRIBUTED BY CURRENCY

	Group	
TSEK	*Dec. 31, 2018*	*Dec. 31, 2017*
USD	1,118,269	1,731,379
NOK	-	16,231
Total	**1,118,269**	**1,747,610**

TOTAL FUTURE CONTRACTUAL COMMITMENTS

	Group		
TSEK	*2019*	*2020-2023*	*After 2023*
Interest-bearing liabilities including calculated future interests	-	1,161,489	19,589
Accounts payable	4,041	-	-
Other liabilities	1,070	-	-
Total	**5,111**	**1,161,489**	**19,589**

	Parent Company		
TSEK	*2019*	*2020-2023*	*After 2023*
Liabilities to Group companies	22,379	-	-
Accounts payable	489	-	-
Other liabilities	-	-	-
Total	**22,868**	**-**	**-**

GROUP
At December 31, the Group had no unutilized credit facilities or unutilized overdraft facilities.

PARENT COMPANY
At December 31, the Parent company had no unutilized credit facilities or unutilized overdraft facilities.

NOTE 25
ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
TSEK	*2018*	*2017*	*2018*	*2017*
Group				
Accrued personnel costs	12,186	3,922	-	1,974
Accrued interest expenses	4,888	43,023	-	-
Accrued voyage costs	501	3,785	-	-
Accrued other expenses	27,927	21,777	3,744	2,915
Total	**45,503**	**72,507**	**3,744**	**4,889**

NOTE 26
PLEDGED ASSETS

	Group		Parent Company	
TSEK	*2018*	*2017*	*2018*	*2017*
For current and long-term ship loans:				
- Ship mortgages [1)]	3,604,210	7,071,454	-	-
- Shares in subsidiaries	-	551,502	-	-
For pension obligations:				
- Endowment insurances and plan assets	21,315	23,941	17,008	19,462
Total	**3,625,525**	**7,646,897**	**17,008**	**19,462**

1) The amount for 2018 includes ship mortgages of TSEK 609,576 related to the remaining PSV vessel Idun Viking which is classified as discontinued operation and assets held for sale. All loans related to the PSV vessels were repaid during 2018. Idun Viking was sold in medio January 2018 whereafter mentioned ship mortgages were unregistered. For further information see note 24, 30, and 31.

FY 2018

NOTE 27
COMMITMENTS

Leasing commitments
The Group leases in its continuing operations buildings and equipment through leasing agreements, all classified as operational leasing agreements. For information of the bareboat chartered vessel Odin Viking and the by TransAtlantic AB chartered small bulk vessels which are classified as financial lease, see note 31 Discontinued operations and assets held for sale.

TSEK	*2018*	*2019*	*2020-2023*	*after 2023*
Leasing expenses				
Contractual operational leasing expenses	2,472	527	137	-

There are no leasing agreements of vessels in the continuing operations. The above future leasing fees are the Group's nominal minimum fees. No of the 2018 leasing fees were variable. No of the total future contractual obligations are variable fees.

TSEK	*2018*	*2019*	*2020-2023*	*efter 2023*
Leasing expenses				
Contractual operational leasing revenues from vessels and equipment	144,202	626	-	-

Operational leasing revenue for continuing operations 2018 derives from vessels leased on timecharter contracts. At 31 December the number of vessels leased to others was 1 (0 at 31 December, 2017).

NOTE 28
RELATED-PARTY TRANSACTIONS

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 including accrued unsettled bareboat charter hires of MSEK 49, whereof 33 MSEK has arisen during 2018, amounts to MSEK 234 until expiry on 2 August 2024 (TUSD 10 per day). The bareboat charter does not contain any variable elements. As part of the financial restructuring agreement, this bareboat charter contract has been amended, please also see note 5. The amendment has also caused the bare-boat charter to be re-classified to a financial lease, according to IAS 17 Leases. For further information see note 9 and 31.

The Group has during the fourth quarter of 2017 raised a short-term loan of 33 MSEK on market conditions from a subsidiary to Kistefos AS, Viking Invest AS. The loan carried an interest-rate of 12 % and was repaid in January 2018.

Kistefos AS has during the fourth quarter 2017, through consultancy agreements, made financial services available during the restructuring process for which a compensation of MSEK 7 has been set off as a part of the share issues in January 2018.

Viking Invest AS has, as a part of the restructuring process, entered into a share subscription guarantee agreement. The compensation for this guarantee amounted to MSEK 1 and was set off as part of the share issues in January 2018.

Further, Kistefos AS has obtained a success fee of MSEK 159 for their efforts in connection with the sale of Tor Viking, Balder Viking and Vidar Viking to Her Majesty the Queen in Right of Canada.

NOTE 29

FINANCIAL RISK MANAGEMENT AND DERIVATIVE INSTRUMENTS

In its operations, the Group is exposed to various types of financial risks, such as changes in exchange rates and interest rates, as well as liquidity and credit risks. The Group's goal is to minimize such negative effects in the consolidated income statement and balance sheet.

Risk management is handled by the Group's central finance department on the basis of the Finance Policy established by the Board of Directors. The policy contains instructions on how various financial risks are to be managed, where hedging instruments can be used to reduce the financial risks. The policy also includes instructions for managing credit and liquidity risks through financing and committed lines of credit.

Credit risks
The Group formulates a policy for how credits are to be provided to customers and other business partners. The credits provided are primarily short-term credits in the form of receivables from customers. Credit risk in cash and cash equivalents is managed by investing the liquidity with major Swedish banks.

Liquidity risks
An inadequate liquidity reserve constitutes a liquidity risk for the Group. This can lead to difficulties in discharging current payment liabilities in operating activities, planned investments and amortizations. The Financial Department continuously prepares liquidity forecasts for the Group that are aimed at foreseeing the Group's liquidity requirement for operating activities, taking into account future investment requirements and amortization. Based on this work, a liquidity reserve is ensured by maintaining bank balances/investments and committed lines of credit. The most significant liquidity risk relates to the volatility in the charter rates ,which in a high degree affect the Groups cash flow. The Group intends to meet its payment obligations by cash flow generated from operations, external financing and, if necessary, the sale of assets.For information regarding the maturity structure of liabilities, see also Note 24.

Surplus liquidity is invested in accordance with the established finance policy.

Currency risks
Based on the significant changes occurring in the market in which the company operates and the increased volatility in exchange rates, management has evaluated the functional currency for VSS A/S. Having considered the aggregate effect of all relevant factors, management has concluded that the functional currency of the company is USD. The evaluation included all factors of the primary economic environment in which VSS A/S operates including vessel values, financing, income and expenses.

The Groups assets and liabilities distributed on currency:

TSEK	*Fixed* assets	Contractual *assets*	*Accounts* receivable	*Cash* assets	*Interest-* bearing loans	Contractual *liabilities*	*Accouts payable*	*Net* position	FX change *1%*
NOK	292			1,332,572				**1,332,864**	**13,329**
USD	1,707,694		23	992,863	884,695		1,151	**1,814,734**	**18,147**
GBP		542	3,784	2,011				**6,337**	**63**
SEK		49	481	24,931		12,264	2,692	**10,505**	
EUR				20,204				**20,204**	**202**
DKK				57			198	**-141**	**1**
Other			378	719				**1,097**	**11**
	1,707,986	**591**	**4 666**	**2,373,357**	**884,695**	**12,264**	**4,041**	**3,185,600**	

1) the amount includes blocked liquid funds of total TSEK 290,202 (TUSD 32,000), of which TSEK 181,376 (TUSD 20,000) are disclosed among the fixed financial assets and TSEK 108,826 (TUSD 12,000) are disclosed among the current assets.

The currency exposure of assets is to be primarily managed through financing being raised in the same currency as the asset, which in a high degree is applied whithin the Group to minimize currency risk. The Parent Company has a number of foreign subsidiaries, whose net assets are exposed to currency-translation risk, mainly changes in USD and NOK versus SEK. These currency positions have not been hedged. A change in USD versus SEK of 1 % would have, based on the currency distribution at 31 December 2018, impacted the net assets of the Group by approximately MSEK 18, which would have been accounted for in the other comprehensive income. A change in NOK versus SEK of 1 % would have, based on the currency distribution at 31 December 2018, impacted the net assets of the Group by approximately MSEK 13. The exposure to changes in other currencies is limited and such changes are not expected to have any material impact on the Groups balance sheet.

The Group´s cash flow is mainly denominated in USD, GBP, SEK and NOK. Since most of the vessels currently are operating in the spot market, and currency distribution thus thereby will vary, there are uncertainties of future distribution by currency, mainly on the revenues of the Group. In accordance with the Finance Policy, currency risks affecting cash flow must primarily be managed by balancing currency flows so that inward and outward flows offset one another. Invoiced net flows can be hedged to a maximum of 100% per currency pair and up to 50% of 12-months' forecast net flows per currency pair. On the balance-sheet date, the Group had no open currency hedging contracts.

Interest-rate risks

The Finance olicy states that interest-rate risk can be hedged through financial instruments that limit exposure to interest-rate increases. The Group's policy is that the average fixed interest period for the Group's consolidated borrowing must, at any given time, be at least 180 days and a maximum of three years. A maximum of 25% of the loan should have a fixed-interest period of less than 90 days or longer than three years.

Interest-rate terms

The Group uses various kinds of interest-hedging instruments. At the closing date, the Group held the following interest-rate maturities:

Secured underlying loan values for which the Group carries the interest rate risk:

MSEK	*Less than 90 days*	*90 days–3 years*	*3 years or longer*	*Total*
Total interest-bearing loan values	-	884,695	-	884,695
% of total interest-bearing loan values	0%	100%	0%	100%

The weighted average interest rate for interest-bearing loans amounted to:	*Group*		*Parent Company*	
%	*2018*	*2017*	*2018*	*2017*
	5.03	4.03	3.00%	3.00%

With a change in market interest rates of 1 percentage point, the Group's interest expense would change by MSEK 9.

Bunker risks

The Groups vessels are chartered out on time-charter basis where the charterer is responsible for the bunker consumption as well as stands the risk of changes in bunker prices during the charter period.

The Group is for other periods, when the vessels are off-hire, responsible for bunker consumption and stands the risk for changes in bunkerprices. At the end of the year, the Group had no derivative instruments related to bunker oil.

Financial instruments by category

	Accounts receivable and cash and cash equivalents		*Derivative instruments used for hedging purposes*		*Financial assets held for sale*		*Total*	
TSEK	*Dec. 31, 2018*	*Dec. 31, 2017*	*Dec. 31, 2018*	*Dec. 31, 2017*	*Dec. 31, 2018*	*Dec. 31, 2017*	*Dec. 31, 2018*	*Dec. 31, 2017*
Assets in the balance sheet								
Accounts receivable and other receivables, excl. interim receivables [4]	211,361	77,576	-	-	-	-	211,361	77,576
Total	**211,361**	**77,576**	**-**	**-**	**-**	**-**	**211,361**	**77,576**

	Liabilities measured at FVTPL		*Derivative instruments used for hedging purposes [5]*		*Other financial liabilities*		*Total*	
TSEK	*Dec. 31, 2018*	*Dec. 31, 2017*	*Dec. 31, 2018*	*Dec. 31, 2017*	*Dec. 31, 2018*	*Dec. 31, 2017*	*Dec. 31, 2018*	*Dec. 31, 2017*
Liabilities in the balance sheet								
Loans, excluding liabilities pertaining to financial leasing [4]	-	-	-	-	884,695	1,747,610	884,695	1,747,610
Derivative instruments [2]	-	-	-	4,968	-	-	-	4,968
Accounts payable and other liabilities, excl. interim liabilities [4]	-	-	-	-	41,130	106,977	41,130	106,977
Total	**-**	**-**	**-**	**4,968**	**925,825**	**1,854,587**	**925,825**	**1,859,555**

1) Fair value based on listed market prices, where financial instruments are traded on an active market (Level 1).
2) Fair values for which there are no listed market values, but instead are based on measurements of discounted cash flows. Variables in the measurement model, such as exchange rates and interest rates, are derived from market listings when possible (Level 2).
3) Other measurements in which one variable is based on own assessments (Level 3).
4) Recognized at acquisition value translated to closing date exchange rate.
5) Fair value measurement is based on average prices and does not reflect the customary difference between buy and sell prices for these transactions.

Fair value
Fair values for the Group's financial instruments on the closing date were as follows:

	Group			
	2018		*2017*	
TSEK	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Assets in the balance sheet				
Accounts receivable and other receivables, excl. interim receivables	211,361	211,361	77,576	77,576
Total	**211,361**	**211,361**	**77,576**	**77,576**
Liabilities in the balance sheet				
Loans (excluding liabilities pertaining to financial leasing)	884,695	884,695	1,747,610	1,747,610
Interest-hedging instruments [1]	-	-	4,968	4,968
Accounts payable and other liabilities, excl. interim liabilities	41,130	41,130	106,977	106,977
Total	**925 825**	**925,825**	**1,859,555**	**1,859,555**

1) Hedge accounting is not applied for the Group's interest-hedging instruments. Value changes in these instruments are recognized in consolidated profit and loss, see note 8.

The Parent Company does not hold any financial instruments.

NOTE 30
EVENTS AFTER THE CLOSING DATE

The PSV vessel Idun Viking was delivered to its new owner in medio January. The transaction brought no effects on the result but positive liquidity effect of MSEK 23.

As a result of the divestment of the ice-breakers, the financial situation of the group has significantly improved. The Group will, in accordance with the restructuring agreement with its creditors, repay all of its bank debts, total MSEK 885, which will result in the Group becoming debt-free.

NOTE 31
DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

Due to the decisions to discontinue the operations in the previous segments TransAtlantic, PSV and AHTS vessels with no ice-class (Odin Viking) the Group have recognized these segments as discontinued operations and assets held for sale, according to IFRS 5 Assets held for sale and discontinued operation, which means that these segments are reported as a one-line item in the consolidated profit and loss statements. Assets and liabilities related to the segments are also presented in two rows in the consolidated balance sheet. The consolidated cash flow statement is presented including the segments, but with additional information about cash-flow from current operation and investing- and financing activities of the discontinued segments. Comparative figures for prior periods are also presented in accordance with this classification in the consolidated profit and loss statement and cash-flow statement. 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.

FY 2018

Segment TransAtlantic
During 2016 it was decided to discontinue the remaining operations in the subsidiary TransAtlantic. The remaining operations, classified as discontinued operations and assets held for sale, comprised at the beginning of 2018 of three small bulk vessels bareboat-chartered by TransAtlantic AB from a company in which TransAtlantic owns 38% of the shares. During 2018 charter hire was paid for these vessels of TSEK 9,261. At the end of the year there were no outstanding obligations for the terminated charter agreements. The vessels were chartered out on a time-charter. All three vessels were sold during Q4 2018. The sales, which conclude the remaining business in the previous segment TransAtlantic, brought a positive cash contribution to the Group of MSEK 18 and a positive P&L effect of 4 MSEK.

Segment PSV
The market for PSV vessels has during the first half year 2018 continued to be very soft. Based on the vessels being laid up for a long period, the continuous weak market, and the within foreseeable future poor market outlook for the segment, it was during the second quarter 2018 decided to sell all five PSV-vessels. In June 2018 an agreement was entered into to sell the three medium sized PSV-vessels Freyja Viking, Nanna Viking and Sol Viking. The vessels were delivered to the new owner in July 2018. During the fourth quarter agreements was entered into selling the remaining two vessels, Frigg Viking and Idun Viking. Frigg Viking was handed over to the new owner in December 2018 and idun in January 2019. By reason of the sale of the five vessels an impairment loss of total MSEK 190 (MUSD 19.6) has been recognized during 2018. The sales proceeds, net after expenses, for the five vessels amounted to MSEK 115 (MUSD 13.3). The loan facility related to the PSV segment has been repaid.

AHTS vessels with no ice-class
Odin Viking is a bareboat chartered vessel, for which the terms in the bareboat charter agreement was renegotiated as a part of the financial restructuring and consequently during 2018 reassessed to be a financial lease agreement in accordance with IAS 17 Leases. The market for AHTS vessels with no ice class has for several years been very poor. Odin Viking has as a consequence been in lay-up during the last three years. A decision to sell the vessel was taken during the fourth quarter. The decision implies that the vessel in accordance with IFRS 5 Assets held for sale and discontinued operations has to be measured at the lower of carrying amount and fair value less costs to sell. The evaluation of the vessel, which from 2018 has bees separated from the other AHTS vessels with ice-class, has led to an impairment loss of total MSEK 145 down to the fair value less expenses for the vessel of MSEK 45. The nominal minimum lease fee agreed is, TUSD 10/day until expiry on 2 August 2024, total MSEK 234 (MUSD 25,8), which also is the call option price to acquire the vessel ahead of an external sale. The vessel is owned by a subsidiary to Viking Supply Ships ABs majority shareholder Kistefos AS, see note 28.

PROFIT/LOSS FROM DISCONTINUED OPERATIONS

	2018				*2017*			
TSEK	*Odin Viking*	*PSV*	*TransAtlantic*	*Total*	*Odin Viking*	*PSV*	*TransAtlantic*	*Total*
Net sales	-	-	29 535	29,535	-	-	49,450	49,450
Other operating revenue	-	-	-	-	-	-	161	161
Direct voyage costs	-25	-264	-59	-348	-26	-	-125	-151
Personnel costs	-941	-520	-	-1,461	-347	-1,151	-600	-2,098
Other external operating costs	-26,298	-8,259	-31,292	-65,849	-31,070	-10,197	-50,251	-91,518
Other operating costs	-	-22,883	-	-22,883	-	-	-	-
Depreciation and impairment of property, plant, equipment and intangible assets	-147,299	-194,792	-	-342,091	-1,789	-58,915	-	-60,704
Operating profit/loss	**-174,563**	**-226,718**	**-1,816**	**-403,097**	**-33 232**	**-70,263**	**-1,365**	**-104,860**
Financial income	-	2,979	7,275	10,254	-	1,410	1,447	2,857
Financial expenses	-1	-17,687	-1,306	-18,994	-	-19,325	-1,995	-21,320
Profit before tax	**-174,564**	**-241,426**	**4,153**	**-411,837**	**-33 232**	**-88,178**	**-1,913**	**-123,323**
Income tax	-	-298	-	-298	-	-	-381	-381
Profit/loss for the year	**-174,564**	**-241,724**	**4,153**	**-412,135**	**-33,232**	**-88,178**	**-2,294**	**-123,704**

ASSETS AND LIABILITIES HELD FOR SALE

TSEK	2018 Odin Viking	PSV	TransAtlantic	Total	2017 Odin Viking	PSV	TransAtlantic	Total
Fixed assets								
Vessels [1)]	45,242	22,761	-	68,003	-	-	-	-
Brands	-	-	1,084	1,084	-	-	1,033	1,033
Participations in associated companies	-	-	-	-	-	-	8,701	8,701
Total fixed assets	**45,242**	**22,761**	**1,084**	**69,087**	**-**	**-**	**9,734**	**9,734**
Current assets								
Inventories	995	1,609	-	2,604	-	-	244	244
Accounts receivable	-	-	81	81	-	-	1,271	1,271
Other receivables	-	21,843	176	22,019	-	-	3,719	3,719
Prepaid expenses and accrued income	34	67	440	541	-	-	213	213
Total current assets	**1,029**	**23,519**	**697**	**25,245**	**-**	**-**	**5,447**	**5,447**
Total assets held for sale	**46,271**	**46,280**	**1,781**	**94,332**	**-**	**-**	**15,181**	**15,181**
Long-term liabilities								
Ship loans	151,933	-	-	151,933	-	-	-	-
Total long-term liabilities	**151,933**	**-**	**-**	**151,933**	**-**	**-**	**-**	**-**
Short-term liabilities								
Ship loans	81,641	-	-	81,641	-	-	-	-
Accounts payable	1,066	917	296	2,279	-	-	351	351
Other liabilities	4,319	18,343	89	22,751	-	-	-	-
Accrued expenses and deferred income	128	2,568	2,652	5,348	-	-	2,925	2,925
Total short-term liabilities	**87,154**	**21,828**	**3,037**	**112,019**	**-**	**-**	**3,276**	**3,276**
Total liabilities attributable to assets held for sale	**239,087**	**21,828**	**3,037**	**263,952**	**-**	**-**	**3,276**	**3,276**

CASH FLOW FROM DISCONTINUED OPERATIONS

TSEK	2018 Odin Viking	PSV	TransAtlantic	Total	2017 Odin Viking	PSV	TransAtlantic	Total
Cash-flow from operating activities	-40,225	-11,377	19,149	-32,453	-17,459	-17,101	-4,210	-38,770
Cash-flow from investment activities	-	94,367	-	94,367	-	-	345	345
Cash-flow from financing activities	-	-427,808	-	-427,808	-	17,001	-	17,001
Total cash-flow from discontinued operations	**-40,225**	**-344,818**	**19,149**	**-365,894**	**-17,459**	**-100**	**-3,865**	**-21,424**

FY 2018

Vessels, TSEK	Odin Viking [1] 2018	PSV 2018	Totalt 2018
Cost			
Cost, Jan. 1	9,430	1,088,097	1,097,527
Reclassification	187,509	-	187,509
Sales/scrapping	-	-935,609	-935 609
Translation difference for the year	5,612	106,981	112,593
Accumulated cost, Dec. 31	**202,551**	**259,469**	**462,020**
Accumulated depreciation according to plan			
Depreciation, Jan. 1	-7,489	-131,683	-139,172
Sales/scrapping	-	109,737	109,737
Translation difference for the year	-765	-14,704	-15,469
Depreciation according to plan for the year	-2,213	-4,310	-6,523
Accumulated depreciation according to plan, Dec. 31	**-10,467**	**-40,960**	**-51,427**
Impairment			
Impairment, Jan. 1	-	-647,081	-647,081
Sales/scrapping	-	708,622	708,622
Translation difference for the year	-1,756	-66,807	-68,563
Impairment [1]	-145,086	-190,482	-335,568
Accumulated impairment, Dec. 31	**-146,842**	**-195,748**	**-342,590**
Residual value according to plan, Dec. 31	**45,242**	**22,761**	**68,003**

1) Odin Viking is a bareboat chartered vessel, for which the terms in the bareboat charter agreement was renegotiated as a part of the financial restructuring and consequently during 2018 reassessed to be a financial lease agreement in accordance with IAS 17 Leases.

The Board of Directors and the President give their assurance that the consolidated financial statements have been prepared in accordance with the international accounting standards (IFRS) as adopted by the EU and that they provide a fair view of the Group's financial position and results. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles and provide a true and fair view of the Parent Company's financial position and results of operations. The Directors' Report for the Group and Parent Company provides a fair overview of the development of the Group's and the Parent Company's operations, financial position and earnings, and also describes material risks and uncertainties facing the Parent Company and companies included i the Group.

Gothenburg, 13 February, 2019

The income statement and balance sheets will be presented to the Annual General Meeting on 6 March, 2019 for approval.

Bengt A. Rem
Chairman

Folke Patriksson
Deputy Chairman

Erik Borgen
Board member

Magnus Sonnorp
Board member

Håkan Larsson
Board member

Christer Lindgren
Employee representative

Our Auditor's Report was submitted on 13 February, 2019

Rödl & Partner Nordic AB

Mathias Racz
Authorized Public Accountant

Translation of the official audit report in Swedish

Auditor's report

To the general meeting of the shareholders of Viking Supply Ships AB (publ), corporate identity number 556161-0113

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Viking Supply Ships AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 22-71 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014/EU) Article 11.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of my our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014/EU) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of vessels
The book-value of the group´s vessels in terms of cash-generating units represents the single largest asset in the consolidated balance sheet and the valuation of the vessels is therefore of significantly important for the consolidated accounts as a whole.

The audit has, due to the challenging market conditions and the increased risk of overvaluation of the fixed assets that comes with it, concentrated towards an intensified audit of management's impairment test as well as, the judgement, assumptions, and external valuations which have been considered at the determination of the recoverable amount and its relation to the book-value.

The book-value of 1,708 MSEK in the balance sheet of the consolidated accounts has in the impairment test been found to be less then the recoverable amount in terms of the by corporate management calculated value in use of 1,750 MSEK. The recoverable value is the highest of the asset's value in use and its fair value. Since the fair value of the asset totaling 1,660 MSEK, albeit in a range, is a bit below the book-value, the valuation of the vessels is expected to continuously be a significant area for the board and corporate management to observe. Information regarding the valuation of the vessel fleet as well as its impairment test appear from note 1 and note 9.

Revenue recognition
The audit of the revenue recognition has, among others, but not solely, regarded auditing of material revenue streams, contract with clients, as well as, the internal controls that shall ensure a fair presentation of revenue.

The sale of the three icebreaker vessels disposed during annual year 2018 and the contract terms that prompted the execution of the transaction has due to the importance for the consolidated income statement been audited with particular focus.

Related party transactions
In addition to the matters mentioned above has the audit been focused on checking of the related party transactions, which mainly relate to accounting consequences of changed contract terms regarding the bareboat agreement of the vessel Odin Viking which caused the contract to be accounted for as financial lease.

In addition have the fees and remuneration to the main owner Kistefos AS, as stated in Note 28 in the annual report, been audited in context with significant agreements.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-21 and 72-79. The Board of Directors and the Managing Director are responsible for this other information.

Translation of the official audit report in Swedish

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for my (our) opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Viking Supply Ships AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Rödl & Partner Nordic AB, Drottninggatan 95A, 113 60 Stockholm, was appointed auditor of Viking Supply Ships AB by the general meeting of the shareholders on the 30-05-2018 and has been the company's auditor since the 13-06-2016.

Stockholm 13 February 2019

Rödl & Partner Nordic AB

Mathias Racz
Authorized public accountant

FY
2018

The share

THE YEAR WAS CHARACTERIZED BY HIGH VOLATILITY IN THE SHARE PRICE. A HIGH PRICE OF SEK 214.50 AND A LOW PRICE OF SEK 20.61 WAS NOTED. THE SHARE PRICE WAS IMPACTED BY THE SALE OF THE THREE ICE-BREAKERS TO "HER MAJESTY THE QUEEN BY RIGHT OF CANADA", WHICH IMPACTED THE NET RESULT WITH MSEK 2,485. AS A RESULT OF THE RIGHTS ISSUE AND SET-OFF ISSUES IN VIKING SUPPLY SHIPS A/S THERE WERE CERTAIN CHANGES TO THE LARGEST SHAREHOLDERS OWNERSHIP DURING 2018.

Viking Supply Ships AB Series B shares are listed on Nasdaq OMX Stockholm, in the Small Cap segment, and are included in the Transport index. At year-end, the share price was SEK 178.32, corresponding to market capitalization of MSEK 1,582 (101). On the same date, shareholders' equity totaled MSEK 2,968, (971), corresponding to 318.22 SEK/share (237.20). The highest price paid during the year was SEK 214.50 on September 7 and the lowest price paid was SEK 20.61 on June 20. The turnover rate for the share increased during the year to 66 percent (28).

SHARE CAPITAL

Certain of the equity issues completed in 2017 were registered in January 2018, increasing the number of shares to 932,734,061. However, as these equity issues were first registered after the balance date, the number of shares at the balance date was 409,592,960. After the balance date a reverse split was carried out in the relation 1:100, meaning that one hundred (100) previous A-shares or B-shares are replaced by one (1) new share of the same series. After this reverse split was carried out, the number of shares changed to 9,327,339.

SHAREHOLDERS AND CHANGES

Due to the rights issue and set-off issue towards the bondholders in Viking Supply Ships A/S there were certain changes to the largest shareholders ownership. The total number of shareholders at year-end increased to 3,072 (4,286).

DIVIDEND PROPOSAL AND DIVIDEND POLICY

At the Annual General Meeting, it was resolved that no dividend was to be paid for the fiscal year of 2017. The Board of Directors propose to the Annual General Meeting that a dividend of SEK 116 per share (in total SEK 1,081,971,324) is distributed to the shareholders. Viking Supply Ships AB's target is that average dividend payments will correspond to 33% of annual net profit.

CONTACTS WITH SHAREHOLDERS

Viking Supply Ships AB's ambition is to maintain a positive dialog with the stock market and to provide detailed information on developments and events concerning its operations. This is done via press releases, presentations and participation at conferences and seminars. The Annual Report, year-end reports and interim reports are available on the company's website www.vikingsupply.com. The website also includes other information concerning the company and its share.

SIGNIFICANT PRESSRELEASES IN 2018

- Viking Supply Ships AB's rights issue and two directed share issues have been completed
  Posted: 10.1.2018
- Viking Supply Ships AB completes financial restructuring
  Posted: 31.1.2018
- Change in number of shares and votes in Viking Supply Ships AB (publ)
  Posted: 31.01.2018
- Viking Supply Ships A/S sells three PSVs
  Posted: 27.06.2018
- New Interim Chief Financial Officer in Viking Supply Ships AB (publ.)
  Posted: 29.06.2018
- Sale of ships including write down of certain book values in Q2 and guiding of an expected loss in H2
  Posted: 10.08.2018
- Viking Supply Ships AB (publ) has received decision from Nasdaq Stockholm Exchange Disciplinary Committee
  Posted: 8.10.2018

IR Contact
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Interim CFO
Direct Tel: +47 41 04 71 25
E-mail: ir@vikingsupply.com

KEY PERFORMANCE INDICATORS

	2018	*2017*	*2016*	*2015*	*2014*
Number of shares, Dec. 31, 000s	9,327	409,593	343,545	177,444	177,444
Market capitalization, Dec. 31, MSEK	1,582	101	471	523	786
Number of shareholders Dec. 31	3,072	4,286	3,461	3,451	3,501
Change in share price during the year, %	686	-81.8	-45.7	-40.1	-7.4
Dividend, SEK/share	-	-	-	0.55	-
Dividend as a percentage of earnings per share	-	-	-	45%	-
P/E ratio, Dec. 31	0.6	n.a.	n.a.	n.a.	3.7
Shareholders' equity/share, Dec. 31, SEK/share	318.2	237.2	419.0	781.1	1,150.7

SHAREHOLDERS IN VIKING SUPPLY SHIPS AB AT DEC. 28, 2018

	Series A shares	*Series B shares*	*Shares of capital (%)*	*Shares of votes (%)*	*Market value 1) (TSEK)*
Kistefos AS	302,438	7,004,741	78.34%	74.71%	1,249,000
Pareto Securities AS	-	372,453	3.99%	2.77%	66,416
Hero, Lennart	-	221,879	2.38%	1.65%	39,565
ENNEFF REDERI AB	135,916	48,720	1.98%	10.49%	8,688
Skandia Lebensip 203, Skandia Leben	-	123,449	1.32%	0.92%	22,013
Nordnet Pensionsförsäkring AB	-	108,965	1.17%	0.81%	19,431
Mediuminvest A/S	-	73,143	0.78%	0.54%	13,043
Lindén Urnes, Jenny Ulrika	14,608	53,000	0.72%	1.48%	9,451
Nordea Bank AB (PUBL)	-	50,676	0.54%	0.38%	9,037
Försäkringsaktiebolaget Avanza Pension	-	41,244	0.44%	0.31%	7,355

1) Calculated on holdings in Series B shares.

NUMBER OF SHAREHOLDERS IN SIZE CATEGORIES AT DEC. 28, 2018

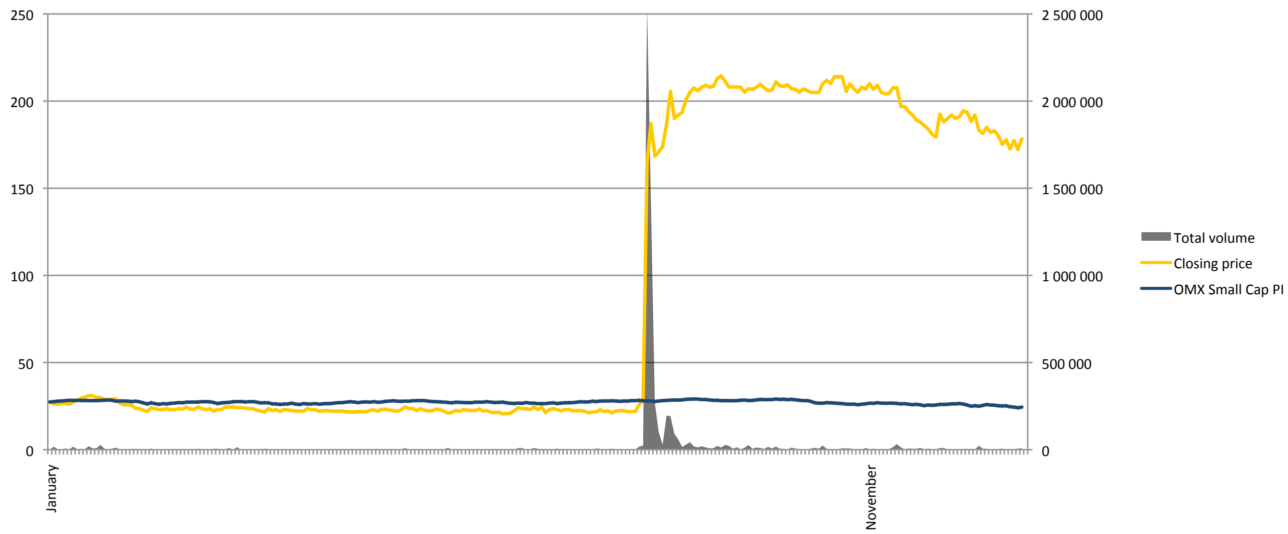
Holdings	*Shareholders*
1–500	2,904
501–1,000	54
1,001–5,000	70
5,001–10,000	18
10,001–15,000	5
15,001–20,000	5
20,001–	16
Total	**3,072**

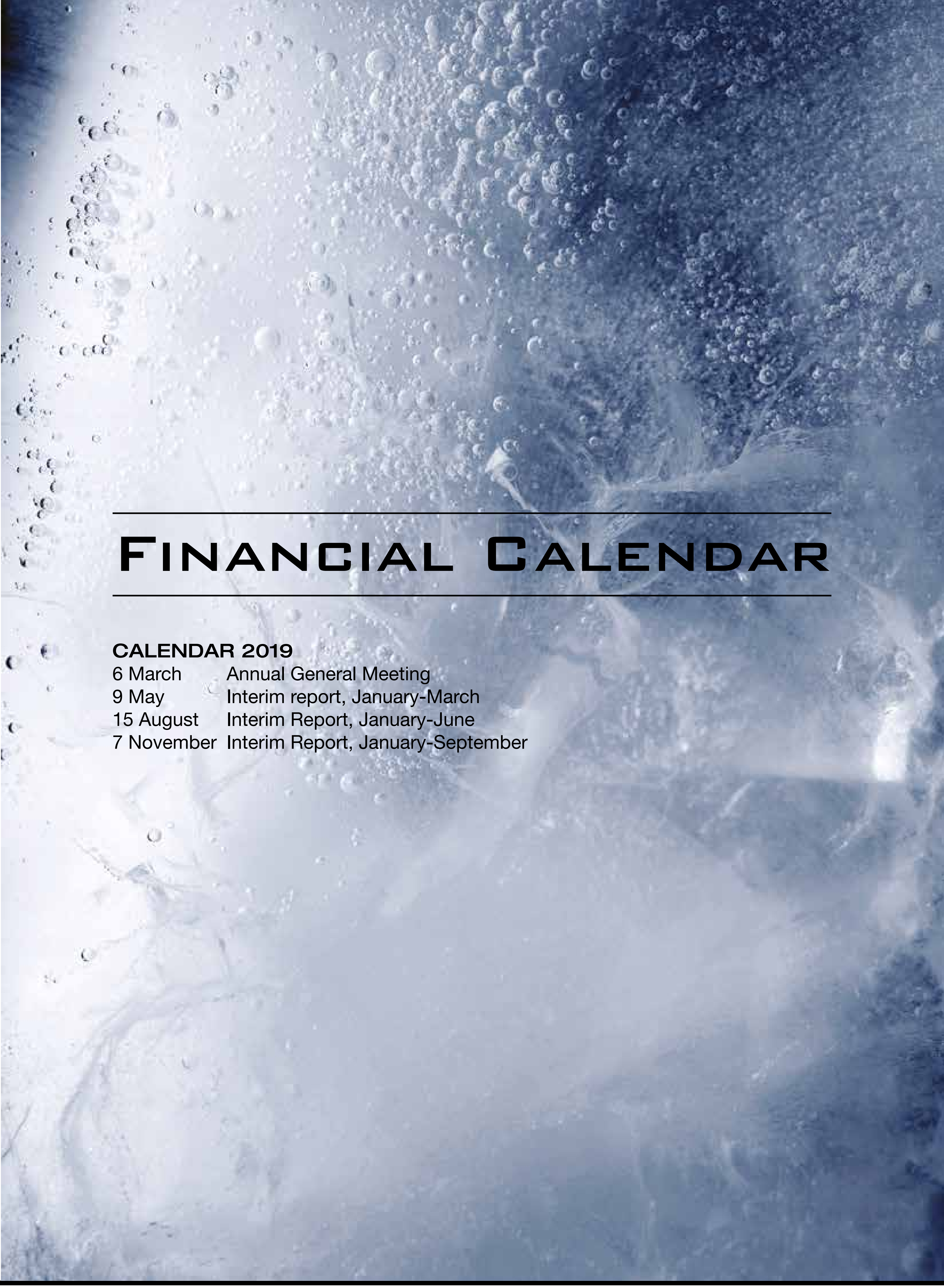
SHARE CAPITAL TREND

	Change			Number of shares			Share capital (SEK)		Quotient value (SEK)
	Series A shares	Series B shares	Total	Series A shares	Series B shares	Total	Change	Total	
2004 New share issue	-	474,275	474,275	1,208,980	17,910,153	19,119,133	4,742,750	191,191,330	10
2005 New share issue	608,980	11,129,541	11,738,521	1,817,960	29,039,694	30,857,654	117,385,210	308,576,540	10
2007 Share withdrawal during the year	-	–2,427,180	–2,427,180	1,817,960	26,612,514	28,430,474	–24,271,800	284,304,740	10
2010 New share issue	1,817,961	25,907,715	27,725,676	3,635,921	52,520,229	56,156,150	277,256,760	561,561,500	10
2010 Withdrawal of treasury shares	-	–704,800	–704,800	3,635,921	51,815,429	55,451,350	–7,048,000	554,513,500	10
2011 New share issue	3,635,921	51,815,429	55,451,350	7,271,842	103,630,858	110,902,700	554,513,500	1,109,027,000	10
2012 Reduction to unrestricted reserve	-	-	-	7,721,842	103,630,858	110,902,700	–998,124,300	110,902,700	1
2013 New share issue	2,423,947	34,543,619	36,967,566	9,695,789	138,174,477	147,870,266	36,967,566	147,870,266	1
2014 New share issue	1,939,157	27,634,895	29,574,052	11,634,946	165,809,372	177,444,318	29,574,052	177,444,318	1
2016 New share issue	9,049,402	223,099,240	232,148,642	20,684,348	388,908,612	409,592,960	232,148,642	409,592,960	1
2018 Reduction to unrestricted reserve	-	-	-	-	-	-	-307,194 720	102,398,240	0.25
2018 New share issue [1)]	24,821,217	498,319,884	523,141,101	45,505,548	887,228,496	932,734,044	130,785,275	233,183,515	0.25
2018 Bonus issue	-	-	-	-	-	-	176,409,445	409,592,960	0.25
2018 Reverse split 100:1	-45,050,493	-878,356,212	-923,406,704	455,055	8,872,284	9,324,339	-	409,592,960	43.91

1) In January 2018 the following new share issues were registered with the Swedish Companies Register:
A new share issue with preferential rights for existing shareholders whereby the number of shares was increased by 24,821,217 series A shares and by 466,690,334 series B shares, total 491 511 551 new shares. The issue price was SEK 0.25 per share.
A share issue with payment against set-off to Viking Invest AS wherby the number of shares was increased by 5,463,150 series B shares. The issue price was SEK 0.25 per share.
A share issue with payment against set-off to Viking Invest AS wherby the number of shares was increased by 26,166,400 series B shares. The issue price was SEK 0.25 per share.

SHARE HISTORY





Financial Calendar

CALENDAR 2019

6 March	Annual General Meeting
9 May	Interim report, January-March
15 August	Interim Report, January-June
7 November	Interim Report, January-September

FY 2018

DEFINITIONS

Capital employed:
Interest-bearing liabilities and shareholders' equity.

Debt/equity ratio:
Interest-bearing liabilities minus cash and cash equivalents divided by shareholders' equity.

Earnings per share:
Earnings after financial items less tax on profit for the year (current and deferred tax) according to the consolidated income statement.

EBIT:
Earnings Before Interest and Taxes, corresponding to operating profit/loss.

EBITDA:
Earnings Before Interest, Taxes, Depreciation, and Amortization, corresponding to profit/loss before capital expenses and tax.

Equity/assets ratio:
Shareholders' equity divided by total assets.

Equity per share:
Equity divided by the number of shares outstanding.

IFRS:
International Financial Reporting Standards, an international accounting standard that all listed companies must adopt. Certain older standards included in the IFRS collective name are referred to as IAS (International Accounting Standards).

Interest-coverage ratio:
Operating profit/loss before depreciation plus interest income divided by interest expense.

Net indebtedness:
Interest-bearing liabilities less cash and cash equivalents.

Operating cash flow:
Profit/loss after net financial income/expense adjusted for capital gains/losses, depreciation/ amortization and impairment.

Operating profit/loss:
Profit/loss before financial items and tax, and before restructuring costs.

Operating profit/loss (before tax):
Profit/loss before tax and before restructuring costs.

Operating result per business area:
Profit/loss after financial items and before Group-wide expenses and central/Group-wide net financial income/expenses.

Operating profit/loss per business area:
Operating profit/loss for each business area, recognized before Group-wide expenses.

P/E ratio:
Closing share price at the end of the period divided by earnings after financial items less full tax per share.
Percentage of risk-bearing capital:
Shareholders' equity and deferred tax liabilities (including non-controlling interests) divided by total assets.

Profit margin:
Profit after financial items divided by net sales.

Return on capital employed:
EBITDA divided by average capital employed.

Restructuring costs:
Includes revenues and expenses of a nonrecurring nature, such as capital gains/losses from the sale of vessels, impairment of vessels and costs related to personnel cutbacks.

Return on shareholders' equity:
Profit after financial items less tax on profit for the year, divided by average shareholders' equity.

Total cash flow:
Cash flow from operating activities, investing activities and financing activities.

GLOSSARY

AHTS – Anchor Handling Tug Supply vessels:
Combination vessels operating in the offshore market,intended for use in anchor-handling, tug operations and transportation of supplies.

Bareboat charter:
The leasing of a vessel without a crew to a charter party for a fixed period. In principle, the charterer pays all operating costs.

Bulk carrier:
Vessel for the transportation of loose goods in large quantities, such as coal, ore and grain.

Bunker:
Name of the vessel's fuel, i.e. the oil used for poweringthe vessel's engines.

Charterer:
A cargo owner or party that charters a vessel.

Deadweight tons (DWT):
The total weight of cargo, bunkers and unattached equipment that a vessel can carry.

HSEQ policy:
Health, safety, environmental and quality policy.

ISM code (International Safety Management):
Quality and safety regulations stipulated by IMO for international merchant shipping. Certification in accordance with the ISM Code is administered by the national maritime authority, which in Sweden is the Swedish Maritime Administration.

ISO:
International Standards Organization.

Joint Venture:
Business operations performed by two or more companies jointly, with shared risk-taking.

MRM:
Maritime Resource Management.

NGO:
Non-governmental organization.

Offshore:
General term for industrial activities in connection with the exploitation of oil resources at sea.

OSV:
Offshore Support Vessel, various types of service vessels operating for the offshore industry.

PSV:
Platform Supply Vessel. A vessel that transports supplies to oil rigs and platforms in the North Sea.

Rates:
Freight or transport charges/prices.

SECA:
SOx Emission Control Areas.

Ship Management:
All the services required to operate a vessel, including the crew.

Spot market:
The sector of the chartering market in which a vessel is chartered for individual voyages as opposed to longterm charters.

Time charter (T/C):
Leasing a vessel to a charter party for a fixed period of time. The ship-owner pays all the operating costs except bunkers and port dues.

VIKING SUPPLY SHIPS

Viking Supply Ships AB is the parent company of a Swedish shipping group domiciled in Gothenburg, Sweden. The Group conducts its business in three segments: Anchor Handling Handling Tug Supply Ships (AHTS), Services and Ship Management. The business is focused within offshore and ice-breaking primarily in Arctic and subarctic areas. The Group has approximately 300 employees and its revenue for 2018 amounted to MSEK 300. The Company's series B share is listed at Nasdaq Stockholm, Small Cap segment. For further information, please visit: www.vikingsupply.com.

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