VIKING SUPPLY SHIPS AB (PUBL)

INTERIM REPORT

Q3

JANUARY - SEPTEMBER

2019

VIKING SUPPLY SHIPS

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

Q3

Q3 **REVENUE**
MSEK 159 (72)
YTD: MSEK 348 (248)

ARCTIC FOCUS

Q3 **EBITDA**
MSEK 67 (2 476)
YTD: MSEK 51 (2,433)

Q3 **RESULT FOR THE PERIOD**
MSEK 33 (2 227)
YTD: MSEK -3 (1,874)

Q3 **EARNINGS PER SHARE AFTER TAX**
SEK 3.5 (238.7)
YTD: SEK 0.3 (206.9)

Viking Supply Ships AB (publ) is a Swedish shipping company with headquarter in Gothenburg, Sweden. Viking Supply Ships AB (publ) is organized into three segments: Anchor Handling Tug Supply vessels (AHTS), Services as well as Ship Management. The operations are focused on offshore and icebreaking primarily in Arctic and subarctic areas. The company has in total about 300 employees and the turnover in 2018 was MSEK 300. The company's B-share is listed on NASDAQ OMX Stockholm, segment Small Cap, www.vikingsupply.com.

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CONTENT

CEO STATEMENT

The financial result improved from MSEK (-113) in the corresponding period in 2018 (adjusted for sale of Tor, Balder and Vidar) till MSEK 33 in the third quarter of 2019. Revenue has increased compared to both last quarter and corresponding period in 2018 totalling MSEK 159 (72) for the quarter. EBITDA is positive for the quarter at MSEK 67 (-20).

The positive development in the North Sea market continued into the third quarter. As a result, both utilization and fixture rates in the North Sea spot market improved compared to corresponding period in 2018. During the quarter, three of four vessels have been operating on term contracts, with Magne Viking being the sole vessel in the spot market throughout the period. Njord Viking and Brage Viking concluded their contracts with Shell UK in mid-September and have since joined Magne Viking in the spot market.

During the third quarter, the Group sold the AHTS Odin Viking for MSEK 43. The sale did not have any material effect on the results. As the vessel did not have any mortgages, the full amount has contributed positively to the Groups liquidity. The sale is in line with the Groups strategy to focus on harsh environment and arctic/sub-arctic operations.

The group has not been present in the PSV-segment since the last vessels were sold in the beginning of 2019. In August the Group entered into an agreement for commercial and operational management for a new built, modern PSV on behalf of Vard. The vessel entered into operation in the beginning of September and will predominantly be based in the UK.

After the end of the quarter, the Group, in partnership with funds managed by Borealis Maritime, entered into a contract to purchase two ice-classed PSV vessels currently under construction. In addition to the partial ownership, the Group has been awarded full operational and commercial management of the vessels by Borealis Maritime. The vessels are set to deliver from the shipyard in Q4 2020 and Q1 2021, respectively. The vessels are environmentally friendly with dual fuel capabilities meaning they can run on LNG or MGO and will also come fully equipped with a battery pack solution, which will further reduce consumption and emissions. The vessels will complement the existing fleet and further enhance the Group's harsh environment capabilities towards its clients. The vessels will be marketed for global operations, but with its high specifications they are considered well suited for the Norwegian part of the North Sea.

OUTLOOK

After two positive quarters, the last quarter of the year in the North Sea is normally characterised by lower activity due to seasonal variations. The rig activity is expected to decrease slightly, but the activity is expected to remain at higher levels relative to corresponding periods over the last few years. Combined with challenging weather conditions in the region during winter this may give room for tighter periods in the market, although overall utilization is expected to be reduced. Into 2020 the Group expects that the market recovery will continue, but it is fundamental to note that the market balance is highly fragile and dependent on owners showing discipline not bringing additional tonnage into the market.

The Group is still working with several contract opportunities and notes an increasing number of term opportunities in the Group's core regions for the next couple of years. Viking Supply Ships is focused on increasing the future contract coverage, and with its fleet of high specification vessels with high ice-class, the Group is attractively positioned to obtain such contracts. With the current and future addition of new iceclassed PSVs in the fleet, the Group will also be well positioned to obtain longer contracts in the North Sea market and other harsh environment regions.

Gothenburg, 7 November 2019.

Trond Myklebust
CEO and President

Q3

THIRD QUARTER

- Total revenue from continuing operations was MSEK 159 (72)
- EBITDA from continuing operations was MSEK 67 (2,476)
- Result after tax including discontinued operations was MSEK 33 (2,227)
- Result after tax per share including discontinued operations was SEK 3.5 (238.7)

YEAR-TO-DATE

- Total revenue from continuing operations was MSEK 348 (248)
- EBITDA from continuing operations was MSEK 51 (2,433)
- Result after tax including discontinued operations was MSEK -3 (1,874)
- Result after tax per share including discontinued operations was SEK 0.3 (206.9)

SUMMARY OF EVENTS IN Q3

- EBITDA for Q3 from continuing operations was MSEK 67 (2 476).
- The average fixture rate in Q3 was USD 39,300 (27,100) and the average utilization was 89% (56).
- Loke Viking has since mid-May been on-hire to Gazprom for a medium term contract in the Pechora Sea. The contract has now been extended, and the vessel is now firm till December, with further options to extend the contract till Mid-January. Njord Viking and Brage Viking were for the majority of the quarter on a medium-term charter with Shell UK, but returned to the spot market in mid-September.
- Odin Viking was during the third quarter sold for MSEK 43. The sale did not have any material effect on the results. As the vessel did not have any mortgages the full amount has contributed positively to the Groups liquidity.
- During the third quarter the Group entered into an agreement for commercial and operational management for a newbuilt, modern PSV. The vessel entered into operation in the beginning of September.

SUBSEQUENT EVENTS

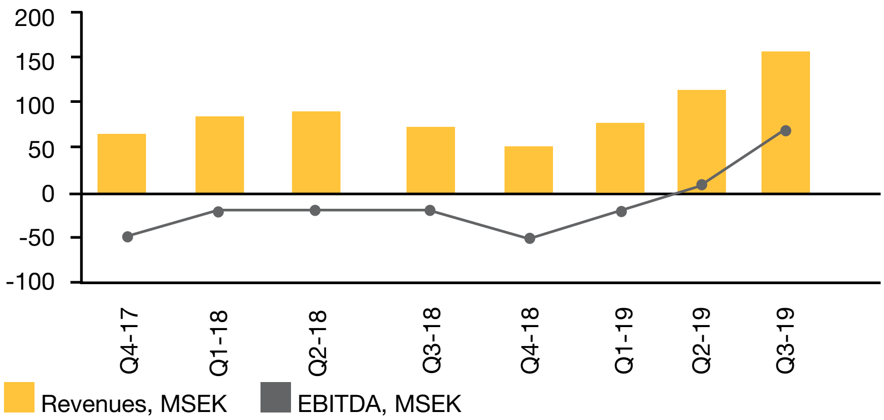
- After the end of the quarter, the Group in partnership with funds managed by Borealis Maritime, entered into a contract to purchase two ice-classed PSV vessels currently under construction. In addition to the partial ownership, the Group has been awarded full operational and commercial management of the vessels by Borealis Maritime. The vessels are set to deliver from the shipyard in Q4 2020 and Q1 2021 respectively.

KEY FINANCIALS	*Q3 2019*	*Q3 2018*
Net sales, MSEK [1)]	159	72
EBITDA, MSEK [1)]	67	2,476
Result after tax, MSEK [2)]	33	2,227
Earnings per share after tax, SEK [2)]	3,5	238.7
Shareholders´equity per share, SEK [2)]	221.9	322.8
Return on equity, % [2)]	6.4	464
Equity ratio, % [3)]	93.9	74.6
Market adjusted equity ratio, % [3)]	93.8	74.1

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

Q3

FINANCIAL DEVELOPMENT CONTINUING OPERATIONS



RESULTS AND FINANCE

RESULTS YEAR TO DATE 2019

Total revenue for the Group for the year to date was for continuing operations MSEK 348 (248).
The Group's EBITDA for the year to date from continuing operations was MSEK 51 (2,433).
Net financial items were for continuing operations MSEK 11 (-65). The amount includes positive exchange differences of MSEK 7.

The Group's result after tax including discontinued operations was MSEK -3 (1,874).

OPERATIONAL HIGHLIGHTS FOR THE THIRD QUARTER

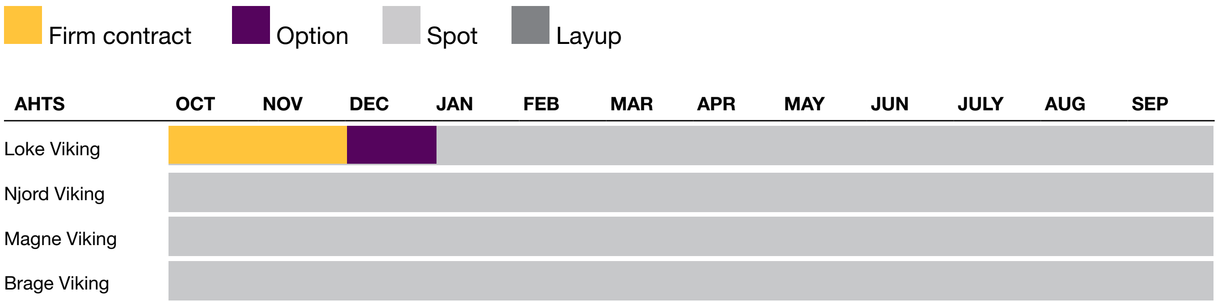
ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 126 (41) in Q3 and EBITDA was MSEK 68 (2 479).

During Q3, one vessel has been operating in the North Sea spot market. Loke Viking has for the whole quarter been on a medium term charter with Gazprom in the Pechora Sea, while two AHTS vessels returned to the spot market in mid-September after completing a medium term contract with Shell UK.

The activity in the North Sea spot market has shown positive signs during the quarter, and combined with high contract coverage this has positively impacted the Groups revenue.

AHTS Q3	*Fixture rates (USD)*	*Utilization (%)*
AHTS vessels on term charters	31,300 (37,500)	100 (100)
AHTS vessels on the spot market	46,500 (22,000)	69 (51)
Total AHTS fleet	**39,300 (27,100)**	**89 (56)**



Figures in the tables are as of 30 September 2019.

SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 33 (31) in Q3. Total EBITDA was MSEK -1 (-3).

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

In August the Group entered into an agreement for commercial and operational management for a newbuilt, modern PSV on behalf of Vard. The vessel entered into operation in the beginning of September. The other operations within the ship management segment proceeded as planned throughout the quarter.

DISCONTINUED OPERATIONS

The previous segments TransAtlantic AB, PSV and the ordinary AHTS vessel Odin Viking have in this financial report been recognized as discontinued operations and assets held for sale, according to IFRS 5 Assets Held for Sale and Discontinued Operations (see note 5, Discontinued operation and assets held for sale).

FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the quarter, the Group's equity amounted to MSEK 2,069. The equity decreased during the first nine months by net MSEK 899 due to the dividend of MSEK 1,082, the loss for the period of MSEK 3 and a positive change in the translation reserve of MSEK 186 attributable to currency differences on net investments in subsidiaries. Further information can be found in section "Changes in the Group´s shareholders´ equity" on page 11.

Gross investments during the first nine months amounted to MSEK 52 (0) which consisted of investments in vessels of MSEK 22 related to the upgrade of Loke Viking, capitalized docking expenses of 8 MSEK and investments in financial fixed assets of MSEK 22 consisting of blocked cash deposits.

The divestments during the nine months period amounted to MSEK 201. In January 2019 Idun Viking was sold, and the sale proceeds, net after sales expenses, was MSEK 22. During the second quarter all the remaining blocked cash deposits of MSEK 136 (14,5 MUSD), which were classified as fixed financial assets, were released and used to settle all outstanding financial lease debts related to Odin Viking. In September 2019 Odin Viking was sold, and the sale proceed, net after sales expenses, was MSEK 43.

The Group has, in accordance with the restructuring agreement with its creditors, repaid all of its bank debts which have resulted in the Group becoming debt-free. The total loan amortizations during the first half year amounted to MSEK 1,119 (1,255), including settlement of the financial lease debt related to Odin Viking of MSEK 245 (MUSD 26.1).

The Annual General Meeting resolved that a dividend of SEK 116 per share, total MSEK 1,082, to the shareholders. The dividend was in accordance with the resolutions distributed to the shareholders on 13 March 2019.

For further information of the Group´s financial position see note 6, Interest bearing liabilities and note 7, Cash and cash equivalents.

Viking Supply Ships AB is obliged to publish this report in accordance with the Swedish Securities Act and/or the Swedish Financial Instruments Trading Act. This report has been prepared in both Swedish and English versions. In case of variations in the contents between the two versions, the Swedish version shall govern. This report was submitted for publication at 8:30 am (CET) on 7 November, 2019.

The undersigned certify that the interim report gives a true and fair picture of the Group's financial position and results, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Gothenburg, 7 November 2019

Viking Supply Ships AB

Bengt A. Rem Chairman	Folke Patriksson Deputy chairman	Erik Borgen Board member
Håkan Larsson Board member	Magnus Sonnorp Board member	Trond Myklebust CEO
Christer Lindgren Employee representative		

FINANCIAL CALENDAR 2020

13 February	Q4 interim report 2019
1 April	Annual General Meeting

INVESTOR RELATIONS

Please contact CFO, Morten G. Aggvin, ph. +47 41 04 71 25

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

Rödl & Partner

Auditors' review report of interim financial information prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act.

To the Board of Directors of Viking Supply Ships AB (publ.), org. nr. 556161-0113

Introduction

We have reviewed the accompanying interim report for Viking Supply Ships AB (publ.) for the period 1 January 2019 to 30 September, 2019. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim report does not present fairly, in all material aspects, the financial position of the entity as at 30 September 2019, and of its financial performance and its cash flows for the nine months period then ended in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act.

Stockholm on 7 November 2019

Rödl & Partner Nordic AB

Mathias Racz
Authorized public accountant

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MSEK)	Note	Q3 2019	Q3 2018	Q1-3 2019	Q1-3 2018	Q1-4 2018
Net sales	2	159	72	348	248	300
Other operating revenue		0	2,496	0	2,496	2,485
Direct voyage cost		-7	-7	-27	-21	-27
Personnel costs		-69	-59	-221	-213	-279
Other costs		-16	-26	-49	-77	-97
Depreciation/impairment	3	-18	-28	-53	-91	-108
Operating result		**49**	**2,448**	**-2**	**2,342**	**2,274**
Net financial items		-12	-26	11	-65	-110
Result before tax		**37**	**2,422**	**9**	**2,277**	**2,164**
Tax	9	0	-3	0	-3	-1
Result from continuing operations	**4**	**37**	**2,419**	**9**	**2,274**	**2,163**
Result from discontinued operations	5	-4	-192	-12	-400	-412
Result for the period		**33**	**2,227**	**-3**	**1,874**	**1,751**
Earnings attributable to Parent Company's share-holders, per share in SEK (before and after dilution):						
-Result from continuing operations		3.9	259.2	1.0	250.9	236.9
-Result from discontinued operations		-0.4	-20.5	-1.3	-44.0	-45.2
Total		**3.5**	**238.7**	**-0.3**	**206.9**	**191.7**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q3 2019	Q3 2018	Q1-3 2019	Q1-3 2018	Q1-4 2018
Result for the period		**33**	**2,227**	**-3**	**1,874**	**1,751**
Other comprehensive income for the period:						
Items that will not be restored to the income statement						
Revaluation of net pension obligations		0	0	0	0	0
Items that later can be restored to the income statement						
Change in translation reserve, net		109	-44	186	44	125
Other comprehensive income		**109**	**-44**	**186**	**44**	**125**
Total comprehensive income for the period		**142**	**2,183**	**183**	**1,918**	**1,876**

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CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q3 2019	Q4 2018
Vessels	3	1,819	1,708
Other tangible fixed assets		0	0
Financial assets		15	122
Total fixed assets		**1,834**	**1,830**
Other current assets	7	369	2,310
Assets held for sale	5	0	94
Total current assets		**369**	**2,404**
TOTAL ASSETS	**4**	**2,203**	**4,234**
Shareholders' equity		**2,069**	**2,968**
Long-term liabilities	**6**	**15**	**896**
Other current liabilities	6	113	106
Liabilities related to assets held for sale	5	6	264
Total current liabilities		**119**	**370**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**2,203**	**4,234**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	Q3 2019	Q3 2018	Q1-3 2019	Q1-3 2018	Q1-4 2018
Cash flow from operations before changes in working capital		78	-85	62	-112	-148
Changes in working capital		11	42	66	40	-110
Cash flow from current operations		**89**	**-43**	**128**	**-72**	**-258**
Cash flow from investing activities		-1	3.331	106	3.331	3.224
-whereof acquisitions		-1	0	-52	0	-112
-whereof divestments		-	3.331	158	3.331	3.336
Cash flow from financing activities		8	-791	-1.959	-710	-528
-whereof changes in loans		8	-791	-877	-710	-528
-whereof dividends		-	-	-1.082	-	-
Changes in cash and cash equivalents from continuing operations		**96**	**2.497**	**-1.725**	**2.549**	**2.438**
Cash-flow from discontinued operations:						
Cash flow from current operations		-1	-56	-6	-66	-32
Cash flow from investing activities		43	75	43	75	94
Cash flow from financing activities		0	-427	-242	-425	-428
Changes in cash and cash equivalents from discontinued operations	**5**	**42**	**-408**	**-205**	**-416**	**-366**
Cash and cash equivalents at beginning of period		81	78	2.083	34	34
Exchange-rate difference in cash and cash equivalents		-18	-29	48	-29	-23
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**7**	**201**	**2.138**	**201**	**2.138**	**2.083**

Q3

CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q3 2019	Q3 2018	Q1-3 2019	Q1-3 2018	Q1-4 2018
Equity at beginning of period		1,927	828	2,968	971	971
New share issue, net after expenses		-	-	-	122	121
Dividend		-	-	-1,082	-	-
Total comprehensive income for the period		142	2 183	183	1,918	1,876
SHAREHOLDERS' EQUITY AT END OF PERIOD		**2,069**	**3,011**	**2,069**	**3,011**	**2,968**

Share capital (MSEK)	Note	Q3 2019	Q3 2018	Q1-3 2019	Q1-3 2018	Q1-4 2018
Share capital at beginning of period		410	410	410	410	410
Reduction to unrestricted reserve		-	-	-	-307	-307
New share issue		-	-	-	131	131
Bonus issue		-	-	-	176	176
Share capital at end of period		**410**	**410**	**410**	**410**	**410**

Number of shares ('000)	Note	Q3 2019	Q23 2018	Q1-3 2019	Q1-3 2018	Q1-4 2018
Number of outstanding shares at beginning of period		9,327	9,327	9,327	409,593	409,593
Number of new shares issued		-	-	-	523,141	523,141
Reversed split		-	-	-	-923,407	-923,407
Total number of shares at end of period		**9,327**	**9,327**	**9,327**	**9,327**	**9,327**
Average number of shares outstanding		9,327	9,327	9,327	9,059	9,127

DATA PER SHARE

(SEK)	Note	Q3 2019	Q3 2018	Q1-3 2019	Q1-3 2018	Q1-4 2018
EBITDA [1]		7.3	265.3	5.5	268.4	260.9
Result after tax (EPS) [1]		3.9	259.2	1.0	250.9	236.9
Equity [2]		221.9	322.8	221.9	322.8	318.2
Operating cash flow [2]		5.9	-5.0	6.6	-14.2	-23.4
Total cash flow [1]		3.3	265.2	-184.8	278.0	267.1

1) Calculated on continuing operations
2) The calculation includes assets held for sale.

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 limited Group wide administration.

The Parent Company's result after tax for the first nine months was MSEK 331 (1,662). The financial net includes dividends from TransAtlantic AB of MSEK 11, dividends from Viking Supply Ships A/S of MSEK 1,052, write-down of shares in subsidiaries of MSEK 740 and exchange gains of MSEK 9.

At the end of the period the Parent Company's equity was MSEK 2,036 (2,787 on Dec 31, 2018), and total assets were MSEK 2,085 (2,828 on Dec 31, 2018). The equity was during the first nine months affected by the dividend of MSEK 1,082 and the profit for the period of MSEK 331.

The equity ratio was at the end of the period 98 % (99 on Dec 31, 2018). Cash and cash equivalents at the end of the period was MSEK 0 (0 on Dec 31, 2018).

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PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	Q3 2019	Q3 2018	Q1-3 2019	Q1-3 2018	Q1-4 2018
Net sales		2	2	9	6	8
Personnel cost		-1	0	-4	0	0
Other costs		-1	-2	-5	-6	-9
Operating result		**0**	**0**	**0**	**0**	**-1**
Net financial items		317	1,855	331	1,662	1,662
Result before tax		**317**	**1,855**	**331**	**1,662**	**1,661**
Tax on result for the year		-	-	-		-
RESULT FOR THE PERIOD		**317**	**1,855**	**331**	**1,662**	**1,661**
Other comprehensive income for the period:						
Items that will not be restored to the income statement						
Revaluation of net pension obligations		0	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**317**	**1,855**	**331**	**1,662**	**1,661**

PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q3 2019	Q4 2018
Financial fixed assets		2,077	2,817
Current assets		8	11
TOTAL ASSETS		**2,085**	**2,828**
Shareholders' equity		2,036	2,787
Provisions		5	5
Long-term liabilities		10	10
Current liabilities		34	26
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**2,085**	**2,828**

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Note	Q3 2019	Q3 2018	Q1-3 2019	Q1-3 2018	Q1-4 2018
Equity at beginning of period		1,719	933	2,787	1,005	1,005
New share issue		-	-	-	121	121
Divident		-	-	-1,082	-	-
Total comprehensive income for the period		317	1,855	331	1,662	1,661
SHAREHOLDERS' EQUITY AT END OF PERIOD		**2,036**	**2,788**	**2,036**	**2,788**	**2,787**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. LIQUIDITY AND 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 and subsequent repayment 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 and 2019, have significantly improved the Group´s financial position, both by reducing outstanding debts to zero 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 30 September 2020. This conclusion is based on Management's assessment of the current outlook for 2019/2020 and the uncertainties and risks described in this report.

2. REVENUES FROM CONTRACTS WITH CUSTOMERS

(MSEK)	Not	Q3 2019	Q3 2018	Q 1-3 2019	Q 1-3 2018	Q 1-4 2018
Time charter revenues [1)]		119	38	218	131	144
ROV charter revenues [1)]		7	2	15	3	3
Mobilisation/demobilisation fees [1)]		0	1	1	3	4
Meals/accomodation onboard [1)]		0	0	2	1	1
Consultancy fees [2)]		2	0	5	2	3
Reinvoiced costs [3)]		31	31	107	108	145
TOTAL		**159**	**72**	**348**	**248**	**300**

1) The revenues are entirely attributable to the AHTS segment.
2) The revenues are attributable to the Services- and Ship management segments.
3) The revenues are mainly attributable to the Ship management segment.

Time charter revenues

Time charter means that the ship owner 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 time charter hire to the ship owner, 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 time charter parties mean that the Group negotiates a fixed day rate for the vessels, commonly for an 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. 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 time charter 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. Similarly, the demobilization fee is recognized when the vessel is again in “home port” and has been restored from the current charter assignment.

Reinvoiced expenses

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.

3. TANGIBLE FIXED ASSETS

Tangible fixed assets are recognized at cost or after deductions for accumulated depreciation according to plan and possible impairment. Straight-line amortization according to plan is applied.

Impairment test

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

The operations are conducted with four ice-classed AHTS vessels. The ice-classed vessels consist of Loke Viking, Njord Viking, Magne Viking and Brage Viking, which all hold high ice-class and extensive possibilities to operate in various conditions. These four sister vessels are similar and can all be used for the same kind of tasks and are thus interchangeable. Each vessel generates its own cash streams, but the company’s customers could, just as easily, have used another vessel from the actual fleet type. Based on this the Group has deemed it appropriate to consider the group of ice-classed AHTS 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, for 2019 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% (2018: 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 independent shipbrokers on a quarterly basis.

Conclusion Impairment test AHTS vessels with ice-class in 2019

In Q3 2019 Management evaluated the AHTS fleet with ice-class and concluded that the vessels are not to be impaired. The value in use calculations prepared for the AHTS fleet amounts to MSEK 2,001, which exceeds the book value of MSEK 1,817. The impairment test also consists of an assessment of average external vessel valuations, less cost to sell, from three independent shipbrokers showing a total fleet value of MSEK 1,781 (ranging from MSEK 1,614 to MSEK 1,897).

4. SEGMENT INFORMATION

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

-The segment AHTS with ice-class comprise 4 offshore vessels that are equipped for and have the capacity to operate in areas with harsh environment. All vessels are also equipped and classed to operate in Arctic areas.

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

Q3

-The segment Ship Management is involved in commercial management of five icebreakers owned by the Swedish Maritime Administration and one PSV vessel owned by an external ship-owner.

For information about the previous segments TransAtlantic, PSV and the ordinary AHTS vessel (Odin Viking), which in this financial report are classified as discontinued operations and assets held for sale, see note 5.

Q3 **MSEK**	AHTS		Services		Ship Management		Continuing operations	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales	126	41	1	0	32	31	**159**	**72**
EBITDA	68	2,479	1	-1	-2	-2	**67**	**2,476**
Result before tax	38	2,426	1	-1	-2	-3	**37**	**2,422**
Total assets	2,161	4,099	2	1	40	40	**2,203**	**4,140**

Year to date **MSEK**	AHTS		Services		Ship Management		Continuing operations	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales	236	138	3	2	109	108	**348**	**248**
EBITDA	54	2,440	1	-2	-4	-6	**51**	**2,433**
Result before tax	13	2,285	1	-2	-5	-6	**9**	**2,277**
Total assets	2,161	4,099	2	1	40	40	**2,203**	**4,140**

There have been no significant transactions between the segments.

5. DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

Due to the decisions to discontinue the operations in the previous segments TransAtlantic, PSV and ordinary AHTS vessel (Odin Viking) the Group has 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 3.

Segment TransAtlantic

It was during 2016 decided to discontinue the remaining operations in the subsidiary TransAtlantic AB. The remaining three vessels were sold during H2 2018. All operations within the previous segment TransAtlantic are thereby concluded.

Segment PSV

It was during Q2 2018 decided to sell the five PSV vessels which also implied to recognize the segment according to IFRS 5 assets held for sale and discontinued operations. Four of the vessels were sold during H2 2018. The last remaining vessel, IdunViking, was delivered to its new owners in January 2019.

Ordinary AHTS vessels

The market for ordinary AHTS vessels has for several years been very poor. Odin Viking has as a consequence been in lay-up during the last four years. A decision to sell the vessel was taken during the fourth quarter 2018. 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 (for further information see note 2). Odin Viking was 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 IFRS 16 Leases. The nominal minimum lease fee agreed was TUSD 10/day until expiry on 2 August 2024. The restructuring agreement included a call option, under which Viking Supply Ships could acquire Odin Viking for USD 1, against paying a termination compensation consisting of accrued and remaining charter-hire under the agreement. To enable an external sale of the vessel the call option in the bareboat agreement was used in mid June to acquire Odin Viking. The acquisition was carried out by way of settling accrued bareboat hires and early payment of the remaining future lease obligations, total MSEK 245 (MUSD 26.1). The external sale of the vessel was concluded in September 2019. The sales price amounted to MSEK 43. The vessel was previously owned by a subsidiary to Viking Supply Ships ABs majority shareholder Kistefos AS, for further information, see note 9.

CONSOLIDATED INCOME DISCONTINUED OPERATIONS

	Q3 2019				Q3 2018				Q1-Q3 2019				Q1-Q3 2018				Q1-Q4 2018			
(MSEK)	*TA*	*PSV*	*Odin*	*Total*	*TA*	*PSV*	*Odin*	*Total*	*TA*	*PSV*	*Odin*	*Total*	*TA*	*PSV*	*Odin*	*Total*	*TA*	*PSV*	*Odin*	*Total*
Net sales	-	-	0	0	8	0	0	8	-	-	0	0	25	0	0	25	30	0	0	30
Personnel costs	-	-	-1	-1	0	0	0	0	-	-	-1	-1	0	0	0	0	0	-1	-1	-2
Other costs	-	-	-2	-2	-8	-23	-9	-40	-	-	-4	-4	-26	-28	-26	-80	-32	-31	-26	-89
Depreciations / write-downs	-	-	-1	-1	0	-18	-137	-155	-	-	-4	-4	0	-194	-137	-331	0	-195	-147	-342
Operating result	**-**	**-**	**-4**	**-4**	**0**	**-41**	**-146**	**-187**	**-**	**-**	**-9**	**-9**	**-1**	**-222**	**-163**	**-386**	**-2**	**-227**	**-174**	**-403**
Net financial items	-	-	0	0	0	-5	0	-5	-	-	-3	-3	1	-15	0	-14	6	-15	0	-9
Result before tax	**-**	**-**	**-4**	**-4**	**0**	**-46**	**-146**	**-192**	**-**	**-**	**-12**	**-12**	**0**	**-237**	**-163**	**-400**	**4**	**-242**	**-174**	**-412**
Tax	-	-	0	0	0	0	0	0	-	-	0	0	0	0	0	0	0	0	0	0
RESULT FROM DISCONTINUED OPERATIONS	**-**	**-**	**-4**	**-4**	**0**	**-46**	**-146**	**-192**	**-**	**-**	**-12**	**-12**	**0**	**-237**	**-163**	**-400**	**4**	**-242**	**-174**	**-412**
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):																				
-Result from discontinued operations				-0,4				-20,5				-1,3				-44,0				-45,2

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

	Q3 2019				Q4 2018			
(MSEK)	*TA*	*PSV*	*Odin*	*Total*	*TA*	*PSV*	*Odin*	*Total*
Vessels	-	-	0	0	0	23	45	68
Intangible fixed assets	-	-	0	0	1	0	0	1
Financial assets	-	-	0	0	0	0	0	0
Total fixed assets	**-**	**-**	**0**	**0**	**1**	**23**	**45**	**69**
Current assets	-	-	0	0	1	23	1	25
ASSETS HELD FOR SALE	**-**	**-**	**0**	**0**	**2**	**46**	**46**	**94**
Long-term liabilities	-	-	0	0	0	0	152	152
Current liabilities	-	-	6	6	3	22	87	112
LIABILITIES RELATED TO ASSETS HELD FOR SALE	**-**	**-**	**6**	**6**	**3**	**22**	**239**	**264**

CASH-FLOW FROM DISCONTINUED OPERATIONS

	Q3 2019				Q3 2018				Q1-Q3 2019				Q1-Q3 2018				Q1-Q4 2018			
(MSEK)	*TA*	*PSV*	*Odin*	*Total*	*TA*	*PSV*	*Odin*	*Total*	*TA*	*PSV*	*Odin*	*Total*	*TA*	*PSV*	*Odin*	*Total*	*TA*	*PSV*	*Odin*	*Total*
Cash flow from current operations	-	-	-1	-1	-2	-15	-39	-56	-	-	-6	-6	0	-26	-40	-66	19	-11	-40	-32
Cash flow from investing activities	-	-	43	43	0	75	0	75	-	-	43	43	0	75	0	75	0	94	0	94
Cash flow from financing activities	-	-	0	0	1	-428	0	-427	-	-	-242	-242	3	-428	0	-425	0	-428	0	-428
NET CASH FLOW FROM DISCONTINUED OPERATIONS	**-**	**-**	**42**	**42**	**-1**	**-368**	**-39**	**-408**	**0**	**0**	**-205**	**-205**	**3**	**-379**	**-40**	**-416**	**19**	**-345**	**-40**	**-366**

6. INTEREST BEARING LIABILITIES

As a result of the sale of the ice-breakers, the financial position of the Group has significantly improved. On the basis of the changed situation the Group has, in accordance with the restructuring agreement entered into in January 2018 with its creditors, during H1 2019 repaid bank and leasing debts of total MSEK 1,119, which has resulted in the Group becoming free from bank debts.

The restructuring agreement implicated that sales proceeds up to MSEK 139 (MUSD 15) from the sale of the PSV-vessels had to be deposited on a blocked bank account. The proceeds from the sale of the five PSVs, total MSEK 134 (MUSD 14.5), was during the second quarter released and used settling the lease debts related to Odin Viking, also see note 7, Cash and cash equivalents.

6.1. Classification by type of debt

MSEK	*Q3 2019*	*Q3 2018*	*Q4 2018*
Long-term debt to credit institutions	-	673	885
Long-term financial lease debt	1	145	152
Short-term liabilities to credit institutions	-	-	-
Short-term financial lease debt	1	71	81
TOTAL INTEREST BEARING LIABILITIES	**2**	**889**	**1,118**

7. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents available at the end of the quarter amounted to MSEK 201 (2,083 on Dec 31, 2018), including client funds, used in the external ship management operation, of MSEK 24 (23 on Dec 31, 2018). All blocked cash holdings has during H1 been released and used to repayment of interest-bearing debts and lease debts related to Odin Viking. For further information, see note 6, Interest bearing liabilities.

MSEK	*Q3 2019*	*Q3 2018*	*Q4 2018*
Blocked cash holdings	-	84	290
Free cash and cash equivalents	201	2,054	2 083
TOTAL	**201**	**2,138**	**2 373**

8. OPERATIONAL AND FINANCIAL RISK

The Group operates in highly competitive markets and is exposed to various operational and financial risk factors. The financial risk is mainly related to liquidity risk, funding risk and currency risk. The Group works actively to identify, assess and manage these risks.

The main operational risk factors relate to the overall macroeconomic market conditions, degree of competition, flow of goods in prioritized market segments and finally the overall balance of supply and demand of vessels, affecting rates and profit margins. The objective of the overall risk management policy of the Group is to ensure a balanced risk and return relationship.

The offshore market is to a high degree dependent on the investment level in the oil industry which in turn is driven by the oil price development on the global market. The recent decline in the offshore market has impacted the Group´s profitability and liquidity. The Group has a clear focus on increasing the number of vessels on term contracts within the offshore operations to mitigate fluctuations in rates and utilization.

The foreign exchange risk is primarily reduced by matching the exposure to revenues in various currencies with costs in the corresponding currency. In the same manner, assets in a certain currency are primarily matched with liabilities in the same currency.

9. OTHER INFORMATION

Company information

Viking Supply Ships AB is a limited liability company registered in Sweden, with its domicile in Gothenburg, and corporate registration number 556161-0113. Viking Supply Ships AB is listed on the Small Cap list of the NASDAQ OMX Nordic Exchange in Stockholm under the ticker VSSAB.

Corporate tax

The general situation for the Group is that taxes payable is limited to foreign entities. The tax losses carry forward for Swedish entities amounted at end of the quarter to MSEK 1,062 (1,071 on Dec 31, 2018). 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, 2018).

Transactions with closely related parties
The previously approved restructuring agreement included a call option, under which Viking Supply Ships could acquire Odin Viking for USD 1 from Odin Viking SPV (a fully owned subsidiary to Viking Supply Ships AB's majority shareholder Kistefos AS), against paying a termination compensation consisting of accrued and remaining charter-hire under the agreement. The Group has in June 2019, as part of the decided external sale of Odin Viking, acquired the vessel by way of using this call option. The acquisition was carried out by way of settling accrued bareboat hires including interest and early payment of the remaining future bareboat hire obligations until expiry on 2 August 2024 (TUSD 10 per day). The total compensation for termination of the bareboat agreement amounts to MSEK 245 (MUSD 26.1), whereof accrued bareboat hires MSEK 69 (MUSD 7.3) and future bareboat hire obligations MSEK 176 (MUSD 18.8).

Accounting policies
This interim report for the Group was prepared in accordance with the application of IAS 34 Interim Financial Reporting and applicable rules in the Swedish Annual Accounts Act and for the Parent Company, in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The accounting policies applied for the Group and the parent company correspond, unless otherwise stated below, with the accounting policies applied in the preparation of the latest annual report.

IFRS 16 Leases
As of January 1, 2019, Viking Supply Ships applies IFRS 16 Leases. The standard implies that the previous distinction between operational and financial leases has been removed, which means that in most cases 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 the Group's leasing agreements. In addition, the operating cost is replaced by interest expense and depreciation, so that key figures, such as EBITDA, will change. Operational cash flows presented in the cash flow statement will be higher since payments relating to the nominal part of the lease liabilities are classified as financing activities. Only parts of the payments that reflect interest expenses will continue to be reported as operational cash flows. There are voluntary exemptions that the Group applies for short-term leases and low-value contracts. The exceptions mean that the costs for such agreements are reported on a straight-line basis over the lease term, while no right-of-use asset or leasing liabilities are reported.

The only significant lease agreement in the Group, which was terminated in June 2019, related to the AHTS vessel Odin Viking. This agreement was previously recognized as a financial leasing agreement in accordance with IAS 17, and has thus not resulted in any adjustment of the Group's opening balances as of January 1, 2019 due to the transition to IFRS 16. In addition to the aforementioned agreement, a few agreements, primarily leased vessel equipment, previously reported as operational leasing agreements, have been affected by the new standard. These agreements mean that right-of-use assets of MSEK 2 are reported among fixed assets, and leasing liabilities of MSEK 2 are reported among long- and short-term liabilities. In addition to these, additional small amount commitments and short-term agreements, including office premises and vessel equipment, are exempted in accordance with IFRS 16 5a and 5b.

Number of employees
The average number of full time employees in the Group for the first nine months was 292 (Jan-Dec 2019: 321).

Number of shares
Share distribution on 30 September, 2019:

Number of Series A shares	455,055
Number of Series B shares, listed	8,872,284
Total number of shares	**9,327,339**

Q3

DEFINITIONS

AHTS
Anchor Handling Tug Supply vessel

EARNINGS PER SHARE
Profit after financial items less 1) current tax, 2) tax on profit for the year (current and deferred tax) in accordance with the consolidated income statement

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortization, corresponding to profit/loss before capital expenses and tax

EQUITY RATIO
Shareholders' equity divided by total assets

THE GROUP
Viking Supply Ships AB, a Limited Liability Company registered in Sweden, with all subsidiaries

IFRS
International Financial Reporting Standards – an international accounting standard used by all listed companies. Some older standards included in IFRS include IAS (International Accounting Standards)

MARKET ADJUSTED EQUITY RATIO
Shareholders' equity divided by total assets, adjusted for asset market valuations

OPERATING CASH FLOW
Profit/loss after financial income/expense adjusted for capital gains/losses, depreciation/amortization and impairment

OPERATING COST
Operating cost consists of crew, technical and administration costs

OPERATING PROFIT/LOSS
Profit/loss before financial items and tax

OSV
Offshore Support Vessels

PROFIT MARGIN
Profit after financial items divided by net sales

PSV
Platform Supply Vessel

RETURN ON EQUITY
Profit after financial items less tax on profit for the year, divided by average shareholders' equityv

TOTAL CASH FLOW
Cash flow from operating activities, investing activities and financing activities


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