VIKING SUPPLY SHIPS AB (PUBL)

INTERIM REPORT

Q1 2017

VIKING SUPPLY SHIPS

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

Q1

Q1
NET SALES
MSEK 90 (233)

ARCTIC FOCUS

Q1
EBITDA
MSEK -61 (65)

Q1
RESULT AFTER TAX
MSEK -2 (-40)

Q1
EARNINGS PER SHARE AFTER TAX,
SEK -0.0 (-0.2)

Viking Supply Ships AB (publ) is a Swedish shipping company with headquarter in Gothenburg, Sweden. Viking Supply Ships AB (publ) is organized into four segments: Anchor Handling Tug Supply vessels (AHTS), Platform Supply Vessels (PSV), Services as well as Ship Management. The operations are focused on offshore and icebreaking primarily in Arctic and subarctic areas. The company has in total about 400 employees and the turnover in 2016 was MSEK 760. The company's B-share is listed on NASDAQ OMX Stockholm, segment Small Cap, www.vikingsupply.com.

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CONTENT

CEO STATEMENT

The first quarter resulted in a negative result for the Group. The North Sea market was significantly impacted by poor weather and low activity during the first two month of the quarter. Revenue was impacted by the soft market activity and was MSEK 90. The sustained efforts to reduce operational expenses have given a considerable positive effect on the operating result. Despite this EBITDA was MSEK -61 (65). For the first quarter, profit after tax for the Group was MSEK -2 (-40). The result was positively impacted by gains from the bond settlement related to the financial restructuring.

The flag-change of the four AHTS vessels which was communicated in the fourth quarter of 2016 was successfully completed during the first quarter of 2017. It was a clear ambition to keep as many of the crew members as possible and we are very satisfied that 96% of the crew accepted the new employment terms. We are positive that this process will provide an optimized operational and commercial platform going forward.

During the first quarter, Viking Supply Ships completed an ice management contract in the Bay of Bothnia for Statoil. The project, which involved two vessels as well as consultancy services from Viking Ice Consultancy emphasize the competence and market position within the harsh environment offshore market which the Group has built up over the last 15 years.

In 2016 Magne Viking was certified according to the IMO Polar Code. As soon as the Polar Code entered into force on 1 January 2017 the work of certifying the rest of the fleet began. By early April 2017 all four Loke-class vessels were fully compliant and certified in accordance with the Polar Code. Viking Supply Ships has a clear focus towards the harsh environment and Arctic offshore market and holds a unique competence within operations in such areas. The Polar code certification as well as the re-flagging to NOR emphasize this focus.

OUTLOOK

Viking Supply Ships expects that the rig activity will remain relatively unchanged in 2017, with certain signs of increased demand during the summer period. With several vessels in the spot market committed to various projects outside the spot market during the summer season, it is anticipated that the market balance will improve during certain periods of the year.

Despite the challenging market conditions, it remains a core focus to increase the contract backlog going forward. The activity in Viking Supply Ships' core regions has been reduced during the last two years, but the company does see attractive contract opportunities in 2017 and 2018, and has a clear ambition to secure term contracts for the AHTS fleet. The Group is well positioned to take advantage of future market opportunities.

Gothenburg, 4 May 2017.

Trond Myklebust

Trond Myklebust
CEO and President

Q1

FIRST QUARTER

- Total revenue from continuing operations was MSEK 90 (233)
- EBITDA from continuing operations was MSEK -61 (65)
- Result after tax including discontinued operations was MSEK -2 (-40)
- Result after tax per share including discontinued operations was SEK 0.0 (-0.2)

SUMMARY OF EVENTS IN Q1

- EBITDA for Q1 from continuing operations was MSEK -61 (65).
- The average fixture rate in Q1 was USD 36,400 (63,600) for the AHTS fleet and USD 0 (6,200) for the PSV fleet. The average utilization in Q1 was 23% (56) for the AHTS fleet and 0% (39) for the PSV fleet.
- The bond settlement by way of cash redemption and the set-off equity issue in VSS AB was completed on 12 January 2017. Under the settlement, bondholders of record as of 30 December 2016 (the “Record Date”) have received 36,821,058 new class B-shares in VSS AB and NOK 34,419,682.96 in cash as payment of the total outstanding principal amount – NOK 199,341,169, and holders as of the date of the Record Date of the right to receive interest coupon due on the bonds on 21 June 2016 (“Eligible Coupon holders”) (in total NOK 9,232,561.83) have received 870,650 new class B-shares and NOK 813,868.94 in cash. The cash redemption is partly funded by a loan of MNOK 20 provided by one of VSS A/S’ existing lenders. The bond settlement generated a gain of MSEK 110 which has been recognized in January 2017.
- Mr. Trond Myklebust took over the responsibilities as CEO of VSS AB on 24 January 2017. As intended, Mr. Bengt A. Rem was reinstated as Chairman of the Board of VSS AB. Mr. Folke Patriksson returned to his previous position as Deputy Chairman.
- During January 2017 the number of shares increased by 204,059,888, of which 9,049,402 class A shares and 195,010,486 class B shares, through the issuances of new shares. The number of votes increased by 285,504,506. As of 31 January 2017, there were in total 409,592,960 shares in VSS AB, of which 20,684,348 class A shares, corresponding to 206,843,480 votes, and 388,908,612 class B shares, corresponding to 388,908,612 votes, 595,752,092 votes in total.
- During the fourth quarter of 2016 it was decided to re-flag its four DIS-flagged vessels to Norway under NOR-flag. The flag-change process was completed shortly after the end of the first quarter of 2017.
- In 2016 Magne Viking was certified according to the IMO Polar Code. As soon as the Polar Code entered into force on 1 January 2017 the work of certifying the rest of the fleet began. By early April 2017 all four Loke-class vessels were fully compliant and certified in accordance with the Polar Code.

SUBSEQUENT EVENTS

- After the end of the quarter, it was decided to re-flag Tor Viking and Balder Viking to NOR. The decision is a further step to streamline the organization and reduce the operational expenses, while at the same time emphasizing the Group’s focus on the harsh environment offshore market in general and the Norwegian Continental Shelf specifically. The Group has initiated a dialogue with union representatives and has a clear ambition to keep all crew members currently employed on the vessels. The process is expected to be completed during Q2 2017.

Q1

LIQUIDITY AND GOING CONCERN

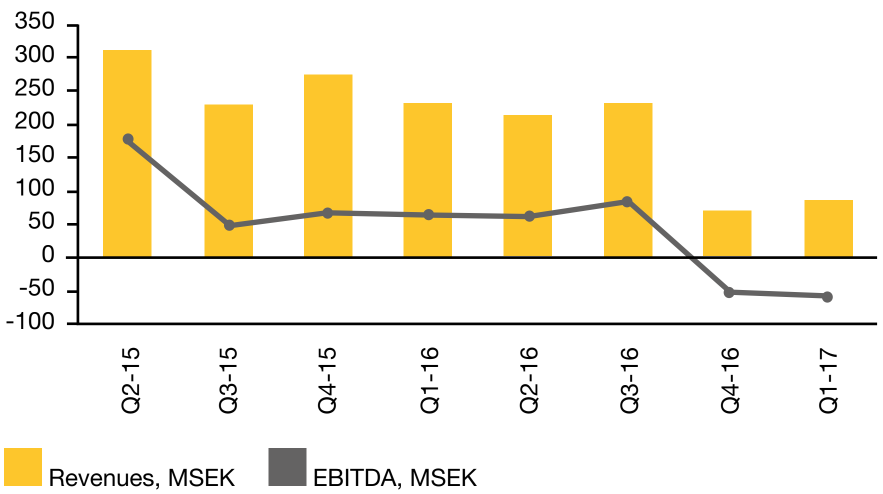
The condensed interim financial statements for the three months ending 31 March 2017 have been prepared using the going concern assumption.

Based on a continued belief in securing contracts within the core market segment, Management has concluded that both the company and the Group will be able to continue as going concern at least until 31 March 2018. This conclusion is based on the finalized debt restructuring, the current outlook for 2017/2018 and the current uncertainties and risks (see note 1, Liquidity and going concern).

KEY FINANCIALS	*Q1 2017*	*Q1 2016*
Net sales, MSEK 1)	90	233
EBITDA, MSEK 1)	-61	65
Result after tax, MSEK 2)	-2	-40
Earnings per share after tax, SEK 2)	0.0	-0.2
Shareholders´equity per share, SEK	3.4	7.4
Return on equity, % 2)	-0.8	-57.0
Equity ratio, % 3)	40.9	35.3
Market adjusted equity ratio, % 3)	45.1	44.4

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

FINANCIAL DEVELOPMENT CONTINUING OPERTIONS



RESULTS AND FINANCE

RESULTS FOR Q1 2017

Total revenue for the Group in Q1 2017 was for continuing operations MSEK 90 (233).

The Group's EBITDA for the first quarter was for continuing operations MSEK -61 (65).

Net financial items for continuing operations were MSEK 96 (-53). Financial items include a gain from the bond settlement of MSEK 110.

The Group's result after tax including discontinued operations was MSEK -2 (-40).

Q1

OPERATIONAL HIGHLIGHTS FOR THE FIRST QUARTER

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 47 (192) in Q1 and total EBITDA was MSEK -57 (80).

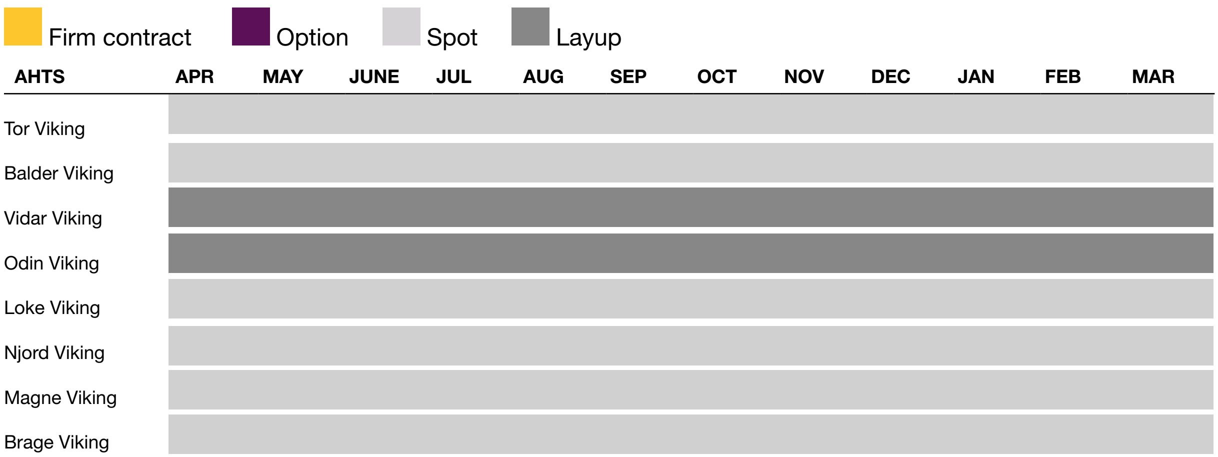
During Q1, six vessels have been operating in the North Sea spot market. Two AHTS vessels have remained in lay-up during the quarter.

The North Sea spot market was soft throughout the first two months of the quarter. Due to increased rig-move activity, the average fixture rates and utilization were lifted considerably during March, but not to a level compensating for the softer period at the beginning of the year.

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

AHTS Q1	*Fixture rates (USD)*	*Utilization (%)*
AHTS vessels on term charters	- (68,300)	0 (100)
AHTS vessels on the spot market	36,400 (48,800)	23 (24)
Total AHTS fleet	**36,400 (63,600)**	**23 (56)**

Table above excludes two laid-up vessel.



Figures in the tables are as of 31 March 2017.

PLATFORM SUPPLY VESSELS (PSV)

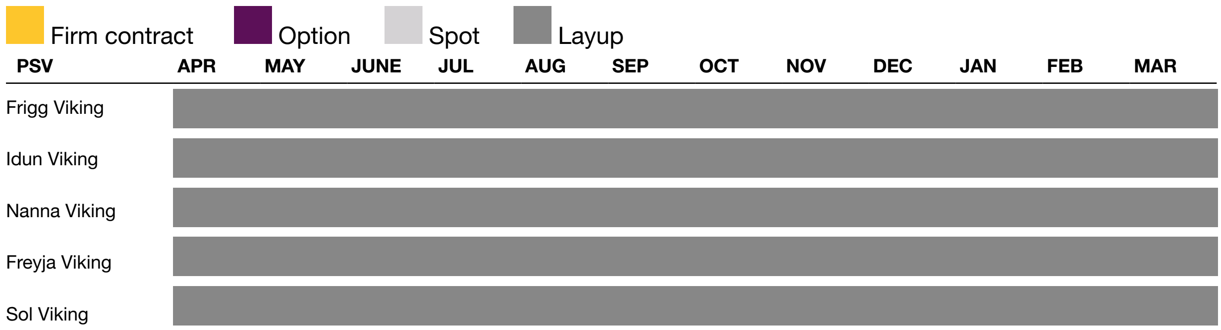
Total PSV revenue was MSEK 0 (3) in Q1 and total EBITDA was MSEK -4 (-13).

VSS A/S does not have any PSVs in operation, but will continue to monitor the market for long term contract opportunities for these vessels.

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

PSV Q1	*Fixture rates (USD)*	*Utilization (%)*
PSV vessels on term charters	- (-)	- (-)
PSV vessels in the spot market	- (6,200)	- (39)
Total PSV fleet	**- (6,200)**	**- (39)**

Table above excludes laid-up vessels.



Figures in the tables are as of 31 March 2017.

SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 43 (38) in Q1 and total EBITDA was MSEK 0 (-2).

Viking Ice Consultancy (VIC) completed a consultancy contract for Statoil during the first quarter, providing ice management services for a project in the Bay of Bothnia. VIC will continue to develop and pursue further contract opportunities going forward.

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

DISCONTINUED OPERATIONS (TRANSATLANTIC AB)

During 2016 it was decided to discontinue the remaining operations in the subsidiary TransAtlantic AB (TA AB). At the end of Q3 2016 the Group assessed that discontinuation was likely to be completed within the next 12 months. Due to this, the Group has in its financial reports as from Q3 2016 recognized TA AB as discontinued operations and assets held for sale, according to IFRS 5 Assets Held for Sale and Discontinued Operations (see note 4, Discontinued operation and assets held for sale).

The remaining activities within the small bulk segment recorded revenues of MSEK 12 (86) in Q1 and EBITDA was MSEK -1 (2).

FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the quarter, the Group's equity amounted to MSEK 1,394 (equivalent to 3.40 SEK/share). The Equity decreased during the quarter by net MSEK 46 due to the loss for the quarter of MSEK 2 and a negative change in the translation reserve of MSEK 44 attributable to currency differences on net investments in subsidiaries, mainly related to the weakened USD against SEK.

The completed equity issue, of total MSEK 340, brought liquidity to the Group of total MSEK 250 of which MSEK 207 was obtained in December 2016 and the remaining MSEK 43 in the beginning of January 2017. In January the outstanding bond debt, including accrued coupon interest, of total MSEK 220 was settled partly by cash redemption of total MSEK 38, and by way of the final set-off equity issue of MSEK 57. The redeemed bonds resulted in a financial gain of MSEK 110.

Gross investments during the quarter amounted to MSEK 1 (3).

The scheduled loan amortizations during the quarter amounted to MSEK 38. A new loan of MSEK 21 was provided during the quarter.

For further information of the Group´s financial position see note 5, Interest bearing liabilities and note 6, Cash and cash equivalents.

Viking Supply Ships AB is obliged to publish this report in accordance with the Swedish Securities Act and/or the Swedish Financial Instruments Trading Act. This report has been prepared in both Swedish and English versions. In case of variations in the contents between the two versions, the Swedish version shall govern. This report was submitted for publication at 8:30 am (CET) on 4 May, 2017.

Q1

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

This interim report is unaudited.

Gothenburg, 4 May 2017

Viking Supply Ships AB

Bengt A. Rem
Chairman

Folke Patriksson
Deputy chairman

Erik Borgen
Board member

Håkan Larsson
Board member

Magnus Sonnorp
Board member

Trond Myklebust
CEO

Christer Lindgren
Employee representative

ANNUAL GENERAL MEETING

According to summons published on 27 April, the Annual General Meeting (AGM) in Viking Supply Ships AB (publ) was scheduled for 30 May. The date for the AGM has changed and it will be held on 27 June 2017. The notice convening to the AGM will be published no later than four (4) weeks prior to holding the AGM.

NOMINATIONS COMMITTEE

Information on the Nominations Committee is available on the website: www.vikingsupply.com

PRESS AND ANALYST CONFERENCE

In conjunction with the publication of this interim report, an earnings call will take place on 4 May 2017 at 10.00 am (CET) with Viking Supply Ships AB's CEO Trond Myklebust, CFO Ulrik Hegelund and IR Director Morten G. Aggvin. In connection with the conference, a presentation will be available on the company's website, www.vikingsupply.com. Please see Investor Relations/Reporting Center.

FINANCIAL CALENDAR 2017

27 June	Annual General Meeting
4 August	Q2 Interim report
10 November	Q3 Interim report

INVESTOR RELATIONS

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

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

Q1

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MSEK)	*Note*	*Q1 2017*	*Q1 2016*	*Q1-Q4 2016*
Net sales		90	233	760
Other operating revenue		0	0	0
Direct voyage cost		-9	-12	-36
Personnel costs		-100	-109	-386
Other costs		-42	-47	-177
Depreciation/impairment	2	-37	-42	-409
Operating result		**-98**	**23**	**-248**
Net financial items		96	-53	-126
Result before tax		**-2**	**-30**	**-374**
Tax	8	1	-1	4
Result from continuing operations	**3**	**-1**	**-31**	**-370**
Result from discontinued operations	4	-1	-9	-36
Result for the period		**-2**	**-40**	**-406**
Earnings attributable to Parent Company's share-holders, per share in SEK (before and after dilution):				
-Result from continuing operations		0.0	-0.2	-2.0
-Result from discontinued operations		**0.0**	**-0.1**	**-0.2**
Total		**0.0**	**-0.2**	**-2.2**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	*Note*	*Q1 2017*	*Q1 2016*	*Q1-Q4 2016*
Result for the period		**-2**	**-40**	**-406**
Other comprehensive income for the period:				
Items that will not be restored to the income statement				
Revaluation of net pension obligations		-	-	1
Items that later can be restored to the income statement				
Change in translation reserve, net		-44	-25	119
Other comprehensive income		**-44**	**-25**	**120**
Total comprehensive income for the period		**-46**	**-65**	**-286**

Q1

CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q1 2017	FY 2016
Vessels	2	3,093	3,229
Other tangible fixed assets		1	0
Financial assets		16	16
Total fixed assets		**3,110**	**3,245**
Other current assets	6	281	422
Assets held for sale	4	16	26
Total current assets		**297**	**448**
TOTAL ASSETS	**3**	**3,407**	**3,693**
Shareholders' equity		**1,394**	**1,440**
Long-term liabilities	**5**	**1,812**	**1,896**
Other current liabilities	5	196	342
Liabilities related to assets held for sale	4	5	15
Total current liabilities		**201**	**357**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**3,407**	**3,693**

VALUATION OF FINANCIAL ASSETS AND LIABILITIES

The valuation of financial assets and liabilities in the balance sheet is based on acquisition value or fair value. The valuation of FX derivatives and interest rate derivatives is based on fair value. The balance items “Long-term liabilities” include derivatives of MSEK 10 (18). Valuation of other financial assets and liability items in the balance sheets are based on acquisition value.

ASSESSMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	Q1 2017	Q1 2016	Q1-Q4 2016
Cash flow from operations before changes in working capital		-78	29	55
Changes in working capital		-57	0	13
Cash flow from current operations		**-135**	**29**	**68**
Cash flow from investing activities		-1	52	124
Cash flow from financing activities		26	0	-21
Changes in cash and cash equivalents from continuing operations		**-110**	**81**	**171**
Cash-flow from discontinued operations:				
Cash flow from current operations		-1	4	-127
Cash flow from investing activities		0	1	151
Cash flow from financing activities		0	-2	-131
Changes in cash and cash equivalents from discontinued operations	**4**	**-1**	**3**	**-107**
Cash and cash equivalents at beginning of period		273	195	195
Exchange-rate difference in cash and cash equivalents		-7	-1	14
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**6**	**155**	**278**	**273**

CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q1 2017	Q1 2016	Q1-Q4 2016
Equity at beginning of period		1,440	1,386	1,386
New share issue [1]		-	-	340
Total comprehensive income for the period		-46	-65	-286
SHAREHOLDERS' EQUITY AT END OF PERIOD		**1,394**	**1,321**	**1,440**

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

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

Number of shares ('000)	Note	Q1 2017	Q1 2016	Q1-Q4 2016
Number of outstanding shares at beginning of period		343,545	177,444	177,444
Number of new shares issued		66,048	-	166,101
Total number of shares at end of period		**409,593**	**177,444**	**343,545**
Average number of shares outstanding		405,297	177,444	181,297

DATA PER SHARE

(SEK)	Note	Q1 2017	Q1 2016	Q1-Q4 2016
EBITDA [1]		-0.1	0.4	0.9
Result after tax (EPS) [1]		0.0	-0.2	-2.0
Equity [2]		3.4	7.4	4.2
Operating cash flow [1]		0.1	0.1	0.2
Total cash flow [1]		-0.3	0.5	0.9

1) Calculated on continuing operations

2) The calculation includes assets held for sale

PARENT COMPANY

The Parent Company's result after tax for the quarter was MSEK -1 (0).

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

At the end of the year the Parent Company's equity was MSEK 1,985 (1,986 on Dec 31, 2016), and total assets were MSEK 2,053 (2,055 on Dec 31, 2016). The equity decreased during the year by net MSEK 1 due to the loss for the year of MSEK 1. The completed equity issue, of total MSEK 340, brought liquidity to the Group of total MSEK 250 of which MSEK 207 was obtained in December 2016 and the remaining MSEK 43 in the beginning of January 2017. The cash proceeds from these new share issues have been distributed to the subsidiaries as part of the financial restructuring.

The equity ratio on the balance day was 97% (97 on Dec 31, 2016). Cash and cash equivalents at the end of the period was MSEK 18 (18 on Dec 31, 2016) of which MSEK 14 comprised of client funds.

Q1

PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	Q1 2017	Q1 2016	Q1-Q4 2016
Net sales		2	84	333
Personnel costs		-	-1	-1
Other costs		-2	-84	-334
Operating result		**0**	**-1**	**-2**
Net financial items		-1	1	-342
Result before tax		**-1**	**0**	**-344**
Tax on result for the year		-	-	-
RESULT FOR THE PERIOD		**-1**	**0**	**-344**
Other comprehensive income for the period:				
Items that will not be restored to the income statemement				
Revaluation of net pension obligations		-	-	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-1**	**0**	**-344**

PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q1 2017	FY 2016
Financial fixed assets		2,035	1,905
Current assets		18	150
TOTAL ASSETS		**2,053**	**2,055**
Shareholders' equity		1,985	1,986
Provisions		6	6
Long-term liabilities		15	15
Current liabilities		47	48
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**2,053**	**2,055**

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Note	Q1 2017	Q1 2016	Q1-Q4 2016
Equity at beginning of period		1,986	1,990	1,990
New share issue [1)]		-	-	340
Total comprehensive income for the period		**-1**	**0**	**-344**
SHAREHOLDERS' EQUITY AT END OF PERIOD		**1,985**	**1,990**	**1,986**

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

Q1

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. LIQUIDITY AND GOING CONCERN

The financial restructuring was completed on 12 January 2017 when the bond settlement by way of cash redemption and the set-off equity issue was completed.

The restructuring secures the Group with a stable financial platform until 2020, subject certain vessel income levels. The primary uncertainties and risks in relation to the going concern considerations include a prolonged weakening of the market conditions.

Based on the above and a continued belief in securing contracts within the core market segment, Management has concluded that both the company and the Group will be able to continue as going concern at least until 31 March 2018. This conclusion is based on Management's assessment of the current outlook for 2017/2018 and the uncertainties and risks described above.

2. TANGIBLE FIXED ASSETS

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

Impairment test

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

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

The key assumptions used in the value in use calculation and in the assessment of owned vessels, for 2016 are as follows:

- The cash flows are based on current tonnage.
- Estimates of fixture rates, utilization and contract coverage as well as estimated residual values are based on Management's extensive experience and knowledge of the market.
- Operating expenses and dry dock costs are estimated based on Management's experience and knowledge of the market as well as plans and initiatives outlined in the operating budgets.
- The weighted average cost of capital (WACC) used to discount the forecasted cash flows was 9% (2016: 9%). The pre- and post-tax discount factor is the same due to tonnage taxation.

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

Impairment test PSV fleet in 2017

Based on fixtures rates, utilization, contract coverage, cost levels and currency exchange levels the Group has prepared discounted cash flow calculations covering the remaining useful lives of the vessels. All significant assumptions have been estimated using Management's best estimate in a challenging market. The cash flow projection shows negative cash flows for 2017-19 due to all PSV vessels in warm lay-up in 2017/2018 and poor market conditions expected in 2019 with step-wise improving rates and utilization in 2020 and going forward. The value in use calculation based on discounted cash flows is very sensitive to changes in the underlying assumptions including the pace and timing of assumed market recovery and redeployment of vessels, which is uncertain due to the current challenging market conditions. The calculated value in use is MSEK 400.

The impairment test also consists of an assessment of average external vessel valuations, less cost to sell, from two internationally acknowledged shipbrokers showing a total PSV fleet value of MSEK 314 (ranging from MSEK 240 to MSEK 389). The valuations obtained from these shipbrokers are subject to more uncertainty than normal due to lack of sales and purchase transactions for comparable vessels.

Since the recoverable amount of MSEK 400 exceeds the carrying amount of MSEK 395 at the end of Q1 2017, no impairment charge has been recognized.

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

Impairment test AHTS fleet in 2017
In Q1 2017 Management evaluated the AHTS fleet and concluded that the AHTS vessels are not impaired. Value in use calculations prepared for the AHTS fleet showed no indications that the carrying amount may not be fully recoverable. This was further supported by the external vessel valuations from two independent internationally acknowledged shipbrokers showing a total AHTS fleet value in excess of the carrying amount of the owned AHTS fleet (MSEK 2,699) by 13% on average.

3. SEGMENT INFORMATION ABOUT CONTINUING OPERATIONS

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

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

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

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

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

Q1 MSEK	*AHTS*	*PSV*	*Services*	*Ship Management*	*Continuing operations*
Net sales	47	0	5	38	**90**
EBITDA	-57	-4	0	0	**-61**
Result before tax	8	-10	0	0	**-2**
Total assets	2,971	420	0	0	**3,391**

There have been no significant transactions between the segments.

4. DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

During 2016 it was decided to discontinue the remaining operations in the subsidiary TransAtlantic AB in order to meet financing commitments related to these operations. At the end of Q3 2016 the Group assessed that discontinuation was likely to be completed within the next 12 months. Due to this, the Group have in its financial reports as from Q3 2016 recognized TA AB as discontinued operations and assets held for sale, according to IFRS 5 Assets held for sale and discontinued operation, which means that TA AB is reported as a one-line item in the consolidated profit and loss statements. Assets and liabilities related to TA AB are also presented in two rows in the consolidated balance sheet. The consolidated cash flow statement is presented including TA AB, but with additional information about cash-flow from current operation and investing- and financing activities of TA AB. Comparative figures for prior periods are also presented in accordance with this classification in the consolidated profit and loss statement and cash-flow statement.

The remaining operations, classified as discontinued operations and assets held for sale, comprised at the end of the quarter of five small bulk vessels bareboat-chartered by TA AB from a company in which TA AB owns 38% of the shares. The vessels are chartered out on a long-term time-charter.

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

Q1

CONSOLIDATED INCOME DISCONTINUED OPERATIONS

(MSEK)	Q1 2017	Q1 2016	Q1-Q4 2016
Net sales	12	86	309
Other operating revenue	0	0	34
Direct voyage cost	0	-2	-4
Personnel costs	0	-2	-9
Other costs	-13	-80	-330
Depreciation/impairment	-	-4	-8
Impairment to fair value less selling costs [1]	-	-7	-19
Operating result	**-1**	**-9**	**-27**
Net financial items	0	0	-9
Result before tax	**-1**	**-9**	**-36**
Tax	0	0	0
RESULT FROM DISCONTINUED OPERATIONS	**-1**	**-9**	**-36**
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):			
-Result from discontinued operations	0.0	-0.1	-0.2

1) Not tax deductible

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

(MSEK)	Q1 2017	FY 2016
Other tangible fixed assets	0	0
Intangible fixed assets	1	1
Financial assets	9	9
Total fixed assets	**10**	**10**
Current assets	6	16
ASSETS HELD FOR SALE	**16**	**26**
Current liabilities	5	15
LIABILITIES RELATED TO ASSETS HELD FOR SALE	**5**	**15**

CASH-FLOW FROM DISCONTINUED OPERATIONS

(MSEK)	Q1 2017	Q1 2016	Q1-Q4 2016
Cash flow from current operations	-1	4	-127
Cash flow from investing activities	0	1	151
Cash flow from financing activities	0	-2	-131
NET CASH FLOW FROM DISCONTINUED OPERATIONS	**-1**	**3**	**-107**

5. INTEREST BEARING LIABILITIES

The vessels owned by the Group are financed through bank loans with pledge in the vessels. Further securities have been given in the form of pledge in revenue and insurance policies. The total interest-bearing debt at the end of the quarter was MSEK 1,852 (1,927 on Dec 31, 2016).

The interest bearing liabilities are associated with financial covenants, according to which the Group must fulfill certain key ratios. At 31 March 2017, all such financial covenants were in compliance.

As part of the financial restructuring the cash redemption of the bond was partly funded by a loan of MSEK 21 provided by one of the existing lenders. The loan was received in January 2017.

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

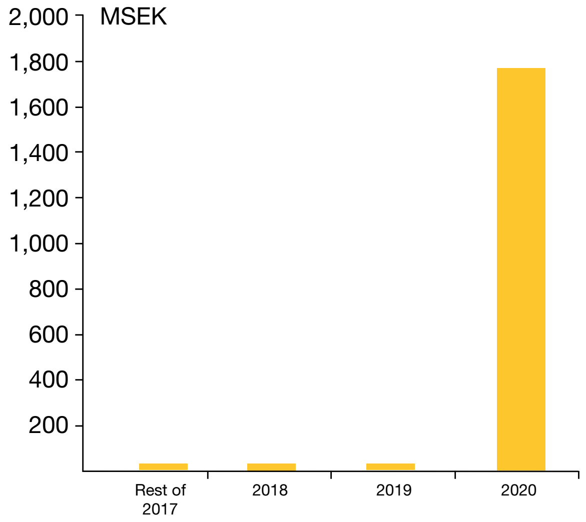
As part of the financial restructuring the Group's bank facilities have been extended until 31 March 2020. Further, in addition to fixed amortizations under the bank facilities payable from 31 March 2018, there will be a cash sweep mechanism, whereby cash on hand exceeding certain levels shall be distributed as repayment of the bank facilities from 2018. During 2017, the cash sweep amounts have been pre-agreed.

The Group has 99% (42%) of its interest-bearing debt in USD, 0% (20%) in GBP and 1% in NOK (38%). The Group has 100% (100) of the total loan portfolio swapped into fixed interest rates within the interval of 90 days up to three years and 0% (0) of the total loan portfolio swapped into fixed interest rates for more than 3 years.

5.1. Classification by type of debt

MSEK	Q1 2017	Q1 2016	FY 2016
Short-term bond loan	-	195	-
Long-term debt to credit institutions	1,787	37	1,868
Short-term debt to credit institutions	65	2,072	59
TOTAL INTEREST BEARING LIABILITIES	**1,852**	**2,304**	**1,927**

5.2. Debt maturity



6. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents available at the end of the year amounted to MSEK 155 (273). Cash assets include client funds of MSEK 34.

MSEK	Q1 2017	Q1 2016	FY 2016
Restricted cash [1]	-	75	-
Free cash and cash equivalents	155	278	273
TOTAL	**155**	**353**	**273**

1) The amount is included in the item “Financial Assets” in the balance sheet.

7. OPERATIONAL AND FINANCIAL RISK

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

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

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

The remaining business activity in the TransAtlantic segment operates is a competitive market with profit margins under pressure.

Long-term loans are the principal form of financing. Accordingly, interest rate fluctuations have an impact on the Groups earnings and cash flow. To reduce this risk the Group aims to actively manage the interest exposure through various types of hedging instruments.

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

8. OTHER INFORMATION

Company information

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

Corporate tax

The general situation for the Group is that taxes payable are limited to foreign entities. The tax losses carry forward for Swedish entities amounted at end of the period to MSEK 1,049 (1,048 on Dec 31, 2016). There are no tax assets capitalized in the balance sheet related to these tax losses carry forward. The recognized deferred tax liability for the operations outside Sweden amounted to MSEK 0 (0 on Dec 31, 2016).

Transactions with closely related parties

The Group has entered into a long-term bareboat charter agreement with a subsidiary to Kistefos AS, Odin Viking SPV AS, in relation to hire of the AHTS vessel Odin Viking. The nominal minimum lease hire payments amount to MSEK 238 until expiry on 2 August 2024.

Accounting policies

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

Viking Supply Ships applies IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in accounting for discontinued operations for the segment TransAtlantic AB. Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than from continuing use. An asset is classified as held for sale if it is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. These assets are recognized on a separate line as current assets or current liabilities in the consolidated balance sheet. On initial classification as held for sale, non-current assets are recognized at the lower of carrying amount and fair value less costs to sell. A discontinued operation is a component of the Group´s business that represents a separate business segment or major line of business within a geographical area of operations or a subsidiary acquired exclusively with a view to sell. Classification as a discontinued operation occurs upon disposal or, if earlier, when the operation meets the criteria to be classified as held for sale. When an operation is classified as discontinued, the presentation of the consolidated income statement for the comparative year is changed so that the discontinued operation is recognized as if it had been discontinued at the star of the comparative period. The presentation of the consolidated balance sheet for preceding periods is not changed in a corresponding manner.

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

VSS A/S publishes a separate report as a result of the issued debt certificates. Some values in that report are not comparable to the values in this report, as a result of different acquisition values and depreciation schedules between VSS A/S and the Group. VSS A/S has as of Q3 2011 been built through Group-internal transfers of vessels and operations at then current market prices, which is why differences in acquisition values have arisen.

Number of employees

The average number of full time employees in the Group for the quarter was 377 (Jan-Dec 2016: 464).

Q1

Number of shares

Share distribution on March 31, 2017:

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

Q1

DEFINITIONS

AHTS
Anchor Handling Tug Supply vessel

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

EBIT
Earnings before interest and taxes

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

EQUITY RATIO
Shareholders' equity divided by total assets

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

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

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

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

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

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

OSV
Offshore Support Vessels

PROFIT MARGIN
Profit after financial items divided by net sales

PSV
Platform Supply Vessel

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

RORO
Roll-on/roll-off ships are vessels designed to carry wheeled cargo, such as automobiles, trucks etc.

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