

**VIKING SUPPLY SHIPS AB  
(PUBL)**

**INTERIM REPORT**

**Q3**

**JANUARY - SEPTEMBER**

**2020**



**VIKING SUPPLY SHIPS**

**MORE**  
THAN A SHIPOWNER

**THE COOLEST**  
PLACE TO WORK

**ALWAYS AHEAD OF  
COMPETITION**

Q3

Q3

**REVENUE**

**MSEK 100 (159)**

YTD: MSEK 230 (348)

**ARCTIC  
FOCUS**



Q3

**EBITDA**

**MSEK 2 (67)**

YTD: MSEK -69 (51)

Q3

**RESULT FOR THE PERIOD**

**MSEK -14 (33)**

YTD: MSEK -146 (-3)

Q3

**EARNINGS PER SHARE AFTER TAX**

**SEK -1.4 (3.5)**

YTD: SEK -15.6 (-0.3)

Viking Supply Ships AB (publ) is the parent company of a shipping Group domiciled in Gothenburg, Sweden, with the operational headquarters in Kristiansand, Norway. Viking Supply Ships AB (publ) is organized into three segments: Ice-classed Anchor Handling Tug Supply vessels (AHTS), Ice Management and 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 2019 was MSEK 504. The company's B-share is listed on NASDAQ OMX Stockholm, segment Small Cap, [www.vikingsupply.com](http://www.vikingsupply.com).

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For further information, please contact CEO, Trond Myklebust, ph. +47 23 11 70 00 or CFO, Morten G. Aggvin, ph. +47 41 04 71 25.



# CEO STATEMENT

**As previous quarters, the financial net result for the third quarter was negatively impacted by low oil price and the COVID-19 situation, which has had a significant adverse effect on the global economic activity and outlook. Revenues for the third quarter was MSEK 100 (159), EBITDA was MSEK 2 (67), and the net result was MSEK -14 (33). Year-to-date, revenue was MSEK 230 (348), while EBITDA was MSEK -69 (51), and the net result was MSEK -146, down from MSEK -3 in the corresponding period in 2019.**

The COVID-19 pandemic has continued to effectively hamper global economic activity and has throughout 2020 had an adverse effect on the global economy. Consequently, the oil companies have reduced their spending for 2020 and 2021 and the number of operating rigs has been reduced both in the North Sea and globally. Although activity in the third quarter improved compared to previous periods, this has still caused a significant negative effect on the Group's earnings.

The Group continues to focus on protecting its employees, both on- and off-shore and is actively working together with regulatory bodies and ship-owners associations to ensure that the operations can continue with as little disruption as possible, and at the same time minimizing the risk for crew and personnel involved in the operations. Due to travel restrictions and protective measures such as quarantine, the operating expenses have been negatively impacted throughout the quarter.

The activity within the North Sea increased compared to the previous quarter. As a result, both rates and utilization increased for the vessels operating in the North Sea spot market. During the third quarter, Magne Viking has been operating on a medium-term contract in a harsh environment region, but following the completion of the drilling season, the vessel returned to the North Sea shortly after the end of the third quarter.

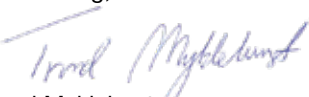
During the second quarter, the Group entered into a medium-term contract for Loke Viking with a major oil company in a harsh environment region. The contract was expected to commence in mid-November, with total duration being up till 165 days including options. Unfortunately, the client cancelled this contract prior to commencement.

## OUTLOOK

The effect of the COVID-19 situation is likely to continue impacting the global OSV industry in the near and medium-term. A recovery within the industry is subject to the global pandemic development, as well as the overall market sentiment within the offshore oil and gas industry. It is, however, expected that the rig activity in the North Sea region will show a slight improvement over the next few quarters, which in a normal situation would imply improved market conditions within the OSV segment compared to the level seen in the first half of 2020. With the recent escalation of a second wave of the pandemic, the situation and economic outlook are highly uncertain, and it is difficult to give an accurate outlook for the long-term development within the segment.

The Group has a sound financial position due to a clean balance sheet with no interest-bearing debt. The Group has also initiated cost reducing measures to preserve cash throughout the market downturn. Note that the company has had negative cash flow for the first nine months of 2020 and if the measures to preserve cash are not sufficient, there is a risk that the company will need to raise new equity during 2021. In the future, the Group will continue to focus on its unique competence within the harsh environment market to navigate through the downturn and maintains a clear ambition to secure term coverage for parts of the fleet. The Group is also prepared to lay-up additional vessels if the market conditions should deteriorate further.

Gothenburg, 12 November 2020

  
Trond Myklebust  
CEO and President

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Q3

## THIRD QUARTER

- Total revenue was MSEK 100 (159)
- EBITDA was MSEK 2 (67)
- Result after tax was MSEK -14 (33)
- Result after tax per share was SEK -1.4 (3.5)

## YEAR-TO-DATE

- Total revenue was MSEK 230 (348)
- EBITDA was MSEK -69 (51)
- Result after tax was MSEK -146 (-3)
- Result after tax per share was SEK -15.6 (-0.3)

## SUMMARY OF EVENTS IN Q3

- EBITDA for Q3 was MSEK 2 (67).
- The average fixture rate in Q3 was USD 35,300 (39,300) and the average utilization was 62% (89).

## SUBSEQUENT EVENTS

- During the second quarter the Group entered into a medium-term contract for Loke Viking with a major oil company in a harsh environment region. The contract was expected to commence in mid-November, with total duration being up till 165 days including options. Unfortunately, the client cancelled this contract prior to commencement.

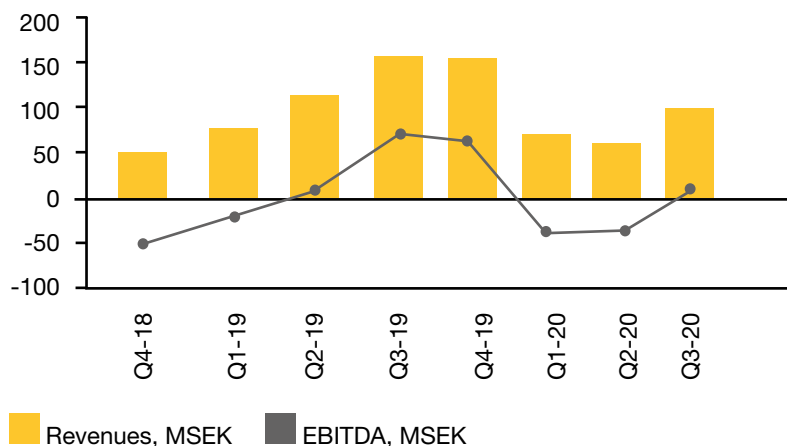
KEY FINANCIALS	Q3 2020	Q3 2019
Net sales, MSEK <sup>1)</sup>	100	159
EBITDA, MSEK <sup>1)</sup>	2	67
Result after tax, MSEK <sup>2)</sup>	-14	33
Earnings per share after tax, SEK <sup>2)</sup>	-1.4	3,5
Shareholders' equity per share, SEK <sup>2)</sup>	194.4	221.9
Return on equity, % <sup>2)</sup>	-2.9	6.4
Equity ratio, % <sup>3)</sup>	95.4	93.9
Market adjusted equity ratio, % <sup>3)</sup>	95.0	93.8

1) Excludes discontinued operations

2) Includes discontinued operations

3) The calculation includes assets held for sale

### FINANCIAL DEVELOPMENT CONTINUING OPERATIONS



## RESULTS AND FINANCE

### RESULTS YEAR TO DATE 2020

Total revenue for the Group was MSEK 230 (348).

The Group's EBITDA was MSEK -69 (51).

Net financial items were MSEK -15 (11). The amount includes negative exchange differences of MSEK 16 (previous year: positive exchange differences of MSEK 7).

The Group's result after tax was MSEK -146 (-3).

## OPERATIONAL HIGHLIGHTS FOR THE THIRD QUARTER

### ICE-CLASSED ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 56 (126) in Q3 and EBITDA was MSEK 4 (68).

During Q3, two vessels have been operating in the North Sea spot market, with one vessel being laid up during the quarter. Shortly after the end of the third quarter, Magne Viking returned to the North Sea, following the completion of its medium-term contract with a major oil company in a harsh environment region.

The activity within the segment has been significantly impacted by the reduced oil price and global pandemic situation during 2020. Although the North Sea market has seen some improvement during the third quarter, the income has remained at unsatisfactory levels throughout the quarter.

AHTS Q3	Fixture rates (USD)	Utilization (%)
AHTS vessels on term charters	35,400 (37,500)	91 (100)
AHTS vessels on the spot market	34,200 (46,300)	48 (69)
<b>Total AHTS fleet</b>	<b>35,300 (39,300)</b>	<b>62 (89)</b>

■ Firm contract
 ■ Option
 ■ Spot
 ■ Layup

AHTS	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP
Loke Viking												
Njord Viking												
Magne Viking												
Brage Viking												

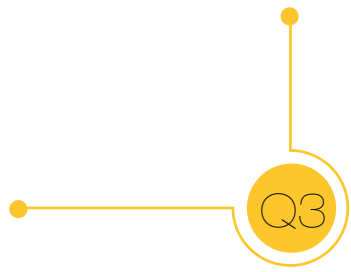
Figures in the tables are as of 30 September 2020.

### ICE MANAGEMENT, SERVICES AND SHIP MANAGEMENT

Total Ice Management, Services and Ship Management revenue was MSEK 44 (33) in Q3. Total EBITDA was MSEK -2 (-1).

In the second quarter the Group received termination of the management contract for Defender, which the Group has operated on behalf of its owner. The vessel was returned to its owner during the third quarter.

The segment is also responsible for new build supervision of the two PSVs which the Group has part-ownership in. The construction is going according to schedule and the first vessel is scheduled to be delivered early next year. Once delivered, the Group will take on the Commercial and Operational management of the vessels.



The other operations within the Ice Management, Services and Ship Management segment proceeded as planned throughout the quarter.

**DISCONTINUED OPERATIONS**

For information about the previously owned ordinary AHTS vessel Odin Viking, see note 5, “Discontinued operation and assets held for sale”.

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## FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the quarter, the Group's equity amounted to MSEK 1,813. The equity decreased during the first nine months by net MSEK 221 due to the loss for the period of MSEK 146 and a negative change in the translation reserve of MSEK 75 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.

At the beginning of the year the total cash holdings was MSEK 242. The cash-flow for the nine-month period was negative by MSEK 90, including exchange rate differences of MSEK 11. The total cash holding at the end of the third quarter was MSEK 152.

The gross investments during the nine-month period amounted to MSEK 24 (52), and consisted of capitalized docking expenses and investments in the two PSV's under construction in Poland.

The Annual General Meeting, which was held on April 1, 2020, resolved that no dividend would be distributed for the fiscal year 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 12 November, 2020.

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, 12 November 2020

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

11 February	Q4 Interim report
29 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](http://www.vikingsupply.com)

## **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 to 30 September, 2020. 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 2020, 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 12 November 2020

Rödl & Partner Nordic AB



Mathias Racz  
Authorized public accountant



## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MSEK)	Note	Q3 2020	Q3 2019	Q1-3 2020	Q1-3 2019	Q1-4 2019
Net sales	2	100	159	230	348	504
Other operating revenue		0	0	0	0	0
Direct voyage cost		-5	-7	-29	-27	-39
Personnel costs		-79	-69	-222	-221	-285
Other costs		-14	-16	-48	-49	-66
Depreciation/impairment	3	-19	-18	-61	-53	-76
<b>Operating result</b>		<b>-17</b>	<b>49</b>	<b>-130</b>	<b>-2</b>	<b>38</b>
Net financial items		3	-12	-15	11	26
<b>Result before tax</b>		<b>-14</b>	<b>37</b>	<b>-145</b>	<b>9</b>	<b>64</b>
Tax	9	0	0	-1	0	0
<b>Result from continuing operations</b>	<b>4</b>	<b>-14</b>	<b>37</b>	<b>-146</b>	<b>9</b>	<b>64</b>
Result from discontinued operations	5	-	-4	-	-12	-12
<b>Result for the period</b>		<b>-14</b>	<b>33</b>	<b>-146</b>	<b>-3</b>	<b>52</b>
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):						
-Result from continuing operations		-1.4	3.9	-15.6	1.0	6.8
-Result from discontinued operations		-	-0.4	-	-1.3	-1.3
<b>Total</b>		<b>-1.4</b>	<b>3.5</b>	<b>-15.6</b>	<b>-0.3</b>	<b>5.5</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q3 2020	Q3 2019	Q1-3 2020	Q1-3 2019	Q1-4 2019
<b>Result for the period</b>		<b>-14</b>	<b>33</b>	<b>-146</b>	<b>-3</b>	<b>52</b>
Other comprehensive income for the period:						
<b>Items that will not be restored to the income statement</b>						
Revaluation of net pension obligations		0	0	0	0	0
<b>Items that later can be restored to the income statement</b>						
Change in translation reserve, net		-67	109	-75	186	96
<b>Other comprehensive income</b>		<b>-67</b>	<b>109</b>	<b>-75</b>	<b>186</b>	<b>96</b>
<b>Total comprehensive income for the period</b>		<b>-81</b>	<b>142</b>	<b>-221</b>	<b>183</b>	<b>148</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q3 2020	Q4 2019
Intangible assets		1	1
Vessels	3	1,614	1,728
Value-in-use assets	9	5	8
Other tangible fixed assets		0	0
Financial assets		46	40
<b>Total fixed assets</b>		<b>1,665</b>	<b>1,777</b>
Other current assets		84	121
Cash and cash equivalents	7	152	242
<b>Total current assets</b>		<b>236</b>	<b>363</b>
<b>TOTAL ASSETS</b>	<b>4</b>	<b>1,901</b>	<b>2,140</b>
<b>Shareholders' equity</b>		<b>1,813</b>	<b>2,034</b>
<b>Long-term liabilities</b>	<b>6</b>	<b>10</b>	<b>13</b>
<b>Current liabilities</b>	<b>6</b>	<b>78</b>	<b>93</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>1,901</b>	<b>2,140</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	Q3 2020	Q3 2019	Q1-3 2020	Q1-3 2019	Q1-4 2019
Cash flow from operations before changes in working capital		4	78	-76	62	112
Changes in working capital		-25	11	25	66	82
<b>Cash flow from current operations</b>		<b>-21</b>	<b>89</b>	<b>-51</b>	<b>128</b>	<b>194</b>
Cash flow from investing activities		-2	-1	-24	106	52
-whereof acquisitions		-2	-8	-24	-29	-85
-whereof divestments		-	136	-	136	137
Cash flow from financing activities		-1	8	-4	-1,959	-1,964
-whereof changes in loans		-1	-188	-4	-885	-882
-whereof dividends		-	-	-	-1,082	-1,082
<b>Changes in cash and cash equivalents from continuing operations</b>		<b>-24</b>	<b>96</b>	<b>-79</b>	<b>-1,725</b>	<b>-1,718</b>
Cash-flow from discontinued operations:						
Cash flow from current operations		-	-1	-	-6	-5
Cash flow from investing activities		-	43	-	43	65
Cash flow from financing activities		-	0	-	-242	-242
<b>Changes in cash and cash equivalents from discontinued operations</b>	<b>5</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>-205</b>	<b>-182</b>
Cash and cash equivalents at beginning of period		181	81	242	2,083	2,083
Exchange-rate difference in cash and cash equivalents		-5	-18	-11	48	59
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>7</b>	<b>152</b>	<b>201</b>	<b>152</b>	<b>201</b>	<b>242</b>

## CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q3 2020	Q3 2019	Q1-3 2020	Q1-3 2019	Q1-4 2019
Equity at beginning of period		1,894	1,927	2,034	2,968	2,968
Dividend		-	-	-	-1,082	-1,082
Total comprehensive income for the period		-81	142	-221	183	148
<b>SHAREHOLDERS' EQUITY AT END OF PERIOD</b>		<b>1,813</b>	<b>2,069</b>	<b>1,813</b>	<b>2,069</b>	<b>2,035</b>

Share capital (MSEK)	Note	Q3 2020	Q3 2019	Q1-3 2020	Q1-3 2019	Q1-4 2019
Share capital at beginning of period		410	410	410	410	410
Bonus issue		-	-	-	176	176
<b>Share capital at end of period</b>		<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>

Number of shares ('000)	Note	Q3 2020	Q3 2019	Q1-3 2020	Q1-3 2019	Q1-4 2019
Number of outstanding shares at beginning of period		9,327	9,327	9,327	9,327	9,327
<b>Total number of shares at end of period</b>		<b>9,327</b>	<b>9,327</b>	<b>9,327</b>	<b>9,327</b>	<b>9,327</b>
Average number of shares outstanding		9,327	9,327	9,327	9,327	9,327

The Group holds 4,262 own shares after a bond loan in Norwegian kronor was converted to equity in connection with the financial restructuring in 2017. Excess shares have remained in deposit as a result of changes in exchange rates at the time of conversion in relation to the calculated exchange rates used when the shares were issued. The shares will be sold during 2020.

## DATA PER SHARE

(SEK)	Note	Q3 2020	Q3 2019	Q1-3 2020	Q1-3 2019	Q1-4 2019
EBITDA <sup>1)</sup>		0.2	7.3	-7.4	5.5	12.3
Result after tax (EPS) <sup>1)</sup>		-1.4	3.9	-15.6	1.0	6.8
Equity <sup>2)</sup>		194.4	221.9	194.4	221.9	218.1
Operating cash flow <sup>2)</sup>		0.6	5.9	-9.0	6.6	9.4
Total cash flow <sup>1)</sup>		-2.6	3.3	-8.5	-184.8	-181.7

1) Calculated on continuing operations

2) The calculation includes assets held for sale.

## PARENT COMPANY

The activity in the Parent Company mainly consists of shareholdings and a limited Group wide administration.

The Parent Company's result after tax for the nine-month period was MSEK -193 (331). The negative financial net of MSEK 194 includes dividends from subsidiaries of MSEK 12 and impairment losses from investments in subsidiaries of MSEK 206.

At the end of the quarter the Parent Company's equity was MSEK 1,813 (2,006 on Dec 31, 2019), and total assets were MSEK 1,847 (2,057 on Dec 31, 2019).

The equity ratio at the end of the quarter was 98 % (98 % on Dec 31, 2019). Cash and cash equivalents at the end of the quarter was MSEK 0 (MSEK 1 on Dec 31, 2019).

## PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	Q3 2020	Q3 2019	Q1-3 2020	Q1-3 2019	Q1-4 2019
Net sales		3	2	7	9	11
Personnel cost		0	-1	-1	-4	-4
Other costs		-2	-1	-5	-5	-7
<b>Operating result</b>		<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>
Net financial items		-78	317	-194	331	302
<b>Result before tax</b>		<b>-77</b>	<b>317</b>	<b>-193</b>	<b>331</b>	<b>302</b>
Tax on result for the year		-	-	-	-	-
<b>RESULT FOR THE PERIOD</b>		<b>-77</b>	<b>317</b>	<b>-193</b>	<b>331</b>	<b>302</b>
<i>Other comprehensive income for the period:</i>						
<b>Items that will not be restored to the income statement</b>						
Revaluation of net pension obligations		0	0	0	0	0
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>-77</b>	<b>317</b>	<b>-193</b>	<b>331</b>	<b>302</b>

## PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q3 2020	Q4 2019
Financial fixed assets		1,845	2,051
Current assets		2	6
<b>TOTAL ASSETS</b>		<b>1,847</b>	<b>2,057</b>
Shareholders' equity		1,813	2,006
Provisions		4	4
Long-term liabilities		7	7
Current liabilities		23	40
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>1,847</b>	<b>2,057</b>

## CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Note	Q3 2020	Q3 2019	Q1-3 2020	Q1-3 2019	Q1-4 2019
Equity at beginning of period		1,890	1,719	2,006	2,787	2,787
Divident		-	-	-	-1,082	-1,082
Total comprehensive income for the period		-77	317	-193	331	302
<b>SHAREHOLDERS' EQUITY AT END OF PERIOD</b>		<b>1,813</b>	<b>2,036</b>	<b>1,813</b>	<b>2,036</b>	<b>2,006</b>

# 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 2021. This conclusion is based on Management's assessment of the current outlook for 2020/2021 and the uncertainties and risks described in this report.

## 2. REVENUES FROM CONTRACTS WITH CUSTOMERS

(MSEK)	Not	Q3 2020	Q3 2019	Q1-3 2020	Q1-3 2019	Q1-4 2019
Time charter revenues <sup>1)</sup>		55	119	95	218	324
ROV charter revenues <sup>1)</sup>		0	6	7	15	22
Mobilisation/demobilisation fees <sup>1)</sup>		2	0	5	1	1
Meals/accomodation onboard <sup>1)</sup>		0	1	1	2	3
Consultancy fees <sup>2)</sup>		2	3	7	5	8
Reinvoiced costs <sup>3)</sup>		41	30	115	107	146
<b>TOTAL</b>		<b>100</b>	<b>159</b>	<b>230</b>	<b>348</b>	<b>504</b>

1) The revenues are entirely attributable to the Ice-classed AHTS segment.

2) The revenues are attributable to the Ice Management, 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, e.g. 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 advanced AHTS vessels; 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 are a group of sister-vessels delivered from the construction shipyard between June 2010 and January 2012, but with some differences in equipment level. The market experience from the previous years, and the current market situation, prove that the vessels with occasional exceptions can all be used for the same kind of operations and are thus deemed interchangeable. Which vessel to be nominated for a certain contract is in principle determined by factors such as availability, geographic position relative to operation area and time for crew-change. Each vessel generates its own cash streams, but the company’s customers could still have used another vessel from the actual fleet type. Based on this the Management has deemed it appropriate to consider the group of ice-classed AHTS vessels seen as a separate cash generating unit. As a result, impairment tests are performed on a portfolio level rather than on individual vessels. If a change in the customers requirements occurs that affects the earnings capacity of individual vessels in relation to the sister vessels, this assessment could be reconsidered.

The key assumptions used in the value in use calculation and in the assessment of owned vessels, for 2020 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 8.4% (2019: 9.0%). 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 Ice-classed AHTS vessels in 2020**

In Q3 2020 the Management evaluated the AHTS fleet and concluded that the AHTS vessels are not to be impaired. At balance-day the recoverable amount has been calculated and compared to the book value of MSEK 1,614. The conclusion is that the calculation of value-in-use of MSEK 1,687 is considered being the recoverable amount. The fair value for the fleet, less cost to sell, based on an assessment of average external vessel valuations from three independent shipbrokers, amounts to MSEK 1,474 (ranging from MSEK 1,294 to MSEK 1,618). The Management will continue to closely monitor external developments, which in this context, with the prevailing uncertainty, may affect future impairment tests.

#### 4. SEGMENT INFORMATION

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

- The segment Ice-classed AHTS 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 Ice Management and 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 and one PSV vessel owned by an external ship-owner.

Q3 MSEK	Ice-classed AHTS		Ice Management and Services		Ship Management		Continuing operations	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	56	126	0	1	44	32	100	159
EBITDA	4	68	-2	1	0	-2	2	67
Result before tax	-12	38	-2	1	0	-2	-14	37
Total assets	1,857	2,161	0	2	44	40	1,901	2,203

Year to date MSEK	Ice-classed AHTS		Ice Management and Services		Ship Management		Continuing operations	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	108	236	0	3	122	109	230	348
EBITDA	-64	54	-4	1	-1	-4	-69	51
Result before tax	-140	13	-4	1	-1	-5	-145	9
Total assets	1,857	2,161	0	2	44	40	1,901	2,203

There have been no significant transactions between the segments.

#### 5. DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

It was during 2018 decided to sell Odin Viking, the only vessel held by the Group without ice-class. The sale of the vessel was concluded during 2019. IFRS 5 Assets held for sale and discontinued operation has been applied, which means that the vessel after the decision is 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.

#### CONSOLIDATED INCOME DISCONTINUED OPERATIONS

(MSEK)	Q3 2020			Q3 2019			Q1-3 2020			Q1-3 2019			Q 1-4 2019		
	Odin	PSV	Totalt	Odin	PSV	Totalt	Odin	PSV	Totalt	Odin	PSV	Totalt	Odin	PSV	Totalt
Net sales	-	-	0	-	-	0	-	-	-	0	-	0	0	-	0
Personnel costs	-	-	-	-1	-	-1	-	-	-	-1	-	-1	-1	-	-1
Other costs	-	-	-	-2	-	-2	-	-	-	-4	-	-4	-4	-	-4
Depreciations / write-downs	-	-	-	-1	-	-1	-	-	-	-4	-	-4	-4	-	-4
<b>Operating result</b>	-	-	-4	-	-	-4	-	-	-	-9	-	-9	-9	-	-9
Net financial items	-	-	-	0	-	0	-	-	-	-3	-	-3	-3	-	-3
<b>Result before tax</b>	-	-	-4	-	-	-4	-	-	-	-12	-	-12	-12	-	-12
Tax	-	-	-	0	-	0	-	-	-	0	-	0	0	-	0
<b>RESULT FROM DISCONTINUED OPERATIONS</b>	-	-	-4	-	-	-4	-	-	-	-12	-	-12	-12	-	-12
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):															
-Result from discontinued operations			-			-0.4						-1.3			-1.3

## CASH-FLOW FROM DISCONTINUED OPERATIONS

(MSEK)	Q3 2020			Q3 2019			Q1-3 2020			Q1-3 2019			Q1-4 2019		
	Odin	PSV	Total	Odin	PSV	Total	Odin	PSV	Total	Odin	PSV	Total	Odin	PSV	Total
Cash flow from current operations	-	-	-	-1	-	-1	-	-	-	-6	-	-6	-6	-	-6
Cash flow from investing activities	-	-	-	43	-	43	-	-	-	43	-	43	43	22	65
Cash flow from financing activities	-	-	-	0	-	0	-	-	-	-242	-	-242	-242	-	-242
<b>NET CASH FLOW FROM DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-205</b>	<b>-</b>	<b>-205</b>	<b>-205</b>	<b>22</b>	<b>-183</b>

## 6. INTEREST BEARING LIABILITIES

At the end of the quarter the Interest-bearing liabilities consist of leasing debts mainly related to hired vessel equipment (right-to-use assets), reported in accordance with IFRS 16 Leases.

### 6.1. Classification by type of debt

MSEK	Q3 2020	Q3 2019	Q4 2019
Long-term financial lease debts	2	1	3
Short-term financial lease debts	3	1	5
<b>TOTAL INTEREST BEARING LIABILITIES</b>	<b>5</b>	<b>2</b>	<b>8</b>

## 7. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents at the end of the quarter amounted to MSEK 152 (242 on Dec 31, 2019), including client funds, used in the external ship management operation, of MSEK 26 (22 on Dec 31, 2019).

MSEK	Q3 2020	Q3 2019	Q4 2019
Free cash and cash equivalents	126	177	220
Restricted cash	26	24	22
<b>TOTAL</b>	<b>152</b>	<b>201</b>	<b>242</b>

## 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

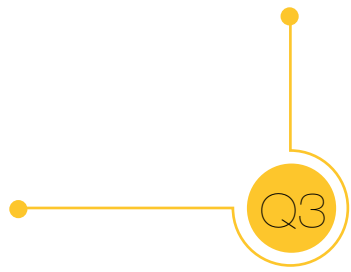
### Company information

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 1,070 (1,071 on Dec 31, 2019). 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, 2019).

#### **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.

#### **Number of employees**

The average number of full-time employees in the Group during the first nine months was 322 (Jan-Dec 2019: 287).

#### **Number of shares**

Share distribution on 30 September, 2020:

Number of Series A shares	455,055
Number of Series B shares, listed	<u>8,872,284</u>
<b>Total number of shares</b>	<b>9,327,339</b>

## DEFINITIONS

**AHTS**

Anchor Handling Tug Supply vessel

**EARNINGS PER SHARE**

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

**EBIT**

Earnings before interest and taxes

**EBITDA**

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

**EQUITY RATIO**

Shareholders' equity divided by total assets

**THE GROUP**

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

**IFRS**

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

**MARKET ADJUSTED EQUITY RATIO**

Shareholders' equity divided by total assets, adjusted for asset market valuations

**OPERATING CASH FLOW**

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

**OPERATING COST**

Operating cost consists of crew, technical and administration costs

**OPERATING PROFIT/LOSS**

Profit/loss before financial items and tax

**OSV**

Offshore Support Vessels

**PROFIT MARGIN**

Profit after financial items divided by net sales

**PSV**

Platform Supply Vessel

**RETURN ON EQUITY**

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

**TOTAL CASH FLOW**

Cash flow from operating activities, investing activities and financing activities



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