

VIKING SUPPLY SHIPS AB (PUBL)

INTERIM REPORT

Q2

JANUARY - JUNE

2020



VIKING SUPPLY SHIPS

MORE
THAN A SHIPOWNER

THE
COOLEST
PLACE TO WORK

ALWAYS AHEAD OF
COMPETITION

Q2

Q2

REVENUE
MSEK 60 (111)
 YTD: MSEK 130 (189)

ARCTIC FOCUS



Q2

EBITDA
MSEK -34 (6)
 YTD: MSEK -71 (-16)

Q2

RESULT FOR THE PERIOD
MSEK -54 (-19)
 YTD: MSEK -132 (-36)

Q2

EARNINGS PER SHARE AFTER TAX
SEK -5.8 (-2.0)
 YTD: SEK -14.2 (-3.8)

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 2019 was MSEK 504. The company's B-share is listed on NASDAQ OMX Stockholm, segment Small Cap, www.vikingsupply.com.

Viking Supply Ships AB (publ)
 Idrottsvägen 1
 SE-444 31 Stenungsund, Sweden

Tel: +47 38 12 41 70
 E-mail: ir@vikingsupply.com
www.vikingsupply.com

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 with the previous quarter, the financial net result for the second quarter was negatively impacted by low oil price and the Covid-19 situation. Revenues for the second quarter decreased to MSEK 60 (111) and EBITDA was negative with MSEK -34 (6). The net result was MSEK -54 (-19). Year-to-date, revenue was MSEK 130 (189), while EBITDA was MSEK -71 (-16). The net result was MSEK -132. Year-to-date, down from MSEK -36 in the corresponding period in 2019.

Low oil price and significantly lower activity has continued to impact the North Sea spot market throughout the quarter. Since March, the global lock down has significantly reduced demand for oil and gas. 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. Both rates and utilization are significantly reduced compared to the expectations for this part of the year, which has consequently had an adverse negative effect on the Group's earnings. Additionally, the Group's operating costs have been negatively impacted by increased costs for crew changes due to COVID-19 situation. In this challenging operational and commercial environment, the Group has focused on protecting its employees, both on- and off-shore.

Although the supply of vessels in the region have also been reduced throughout the quarter, the market has not shown any significant improvements.

During the second quarter, the Group entered into a contract for Magne Viking with a major oil company. The vessel has since mid-June operated in a harsh environment region and duration of the contract is 80 days firm, as well as a further 80 days optional period.

After the end of the quarter, the Group has been awarded a contract

for Loke Viking with a major oil company in a harsh environment region. Commencement is expected to be mid-November, with total duration being up till 165 days including options. These contracts clearly demonstrate the advantages with a fleet consisting of high ice-classed vessels.

OUTLOOK

The effect of the COVID-19 situation will likely continue to impact the global OSV industry in the near and medium term. Although the oil price has increased somewhat from its lowest levels seen during the spring, the high degree of uncertainty surrounding the global economic development is expected to yield lower investments within the offshore oil and gas industry, resulting in reduced demand for vessels within the segments in which the Group operates. A recovery within the industry is thus subject the global pandemic development, as well as the overall market sentiment within the offshore oil and gas industry.

The Group has a sound financial position due to a clean balance sheet with no interest-bearing debt. Furthermore, the group has initiated cost reducing measures to mitigate the current situation. Although the market is expected to be challenging, the recent contract awards for Magne and Loke Viking clearly demonstrates the benefits from operating in a niche with less supply and higher barriers of entry. Going forward the Group will continue to focus on this advantage to navigate through the downturn and maintains a clear ambition to secure term coverage for parts of the fleet. However, should the market not show any signs of improvement throughout the fall, the Group will have to consider lay-up of additional vessels.

Gothenburg, 14 August 2020

Trond Myklebust
CEO and President

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SECOND QUARTER

- Total revenue was MSEK 60 (111)
- EBITDA was MSEK -34 (6)
- Result after tax was MSEK -54 (-19)
- Result after tax per share was SEK -5.8 (-2.0)

YEAR-TO-DATE

- Total revenue was MSEK 130 (189)
- EBITDA was MSEK -71 (-16)
- Result after tax was MSEK -132 (-36)
- Result after tax per share was SEK -14.2 (-3.8)

SUMMARY OF EVENTS IN Q2

- EBITDA for Q2 was MSEK -34 (6).
- The average fixture rate in Q2 was USD 23,100 (32,300) and the average utilization was 28% (72).
- The COVID-19 situation has significantly impacted the operations for all ship-owners, with especially travel restrictions and quarantine regulations making daily operations more challenging. In addition, the market activity has been impacted as several rigs have been suspended due to the situation. The reduced demand for oil has also created a significant uncertainty for the future market outlook within the OSV industry. As a result of these factors, VSS has during the quarter decided to put one of its AHTS vessels in temporary lay-up.
- The Group has during the quarter entered into a medium-term contract for Magne Viking with a major oil company in a harsh environment region. The vessel commenced the contract in Mid-June, and the duration is 80 days firm + options representing additional 80 days.
- Geir Karlsen was appointed Chief Operational Officer in the Group. He is overall responsible for all operations within the Group and is a member of the senior management team.
- The Group has received termination of the management contract for Defender, the PSV the Group has been operating on behalf of Vard. The vessel has been returned to its owner after the end of the quarter.

SUBSEQUENT EVENTS

- After the end of the quarter the Group has entered into a medium-term contract for Loke Viking with a major oil company in a harsh environment region. The contract is expected to commence in mid-November, with total duration being up till 165 days including options.

KEY FINANCIALS	Q2 2020	Q2 2019
Net sales, MSEK ¹⁾	60	111
EBITDA, MSEK ¹⁾	-34	6
Result after tax, MSEK ²⁾	-54	-19
Earnings per share after tax, SEK ²⁾	-5.8	-2.0
Shareholders' equity per share, SEK ²⁾	203.1	206.6
Return on equity, % ²⁾	-10.9	-3.9
Equity ratio, % ³⁾	95.1	93.0
Market adjusted equity ratio, % ³⁾	94.8	92.9

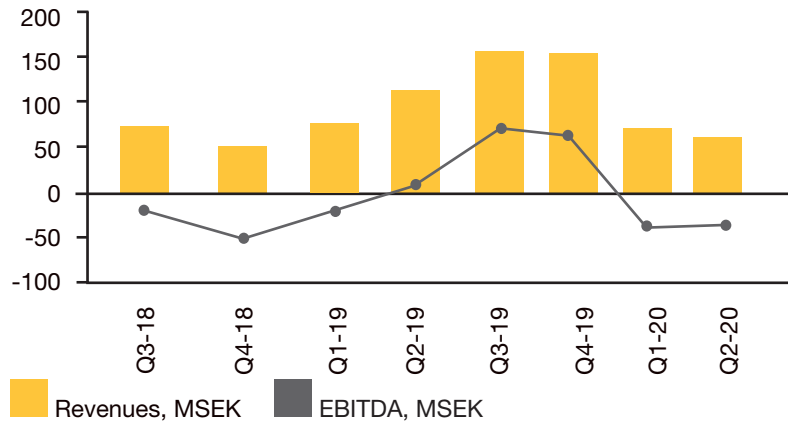
1) Excludes discontinued operations

2) Includes discontinued operations

3) The calculation includes assets held for sale

Q2

FINANCIAL DEVELOPMENT CONTINUING OPERATIONS



RESULTS AND FINANCE

RESULTS YEAR TO DATE 2020

Total revenue for the Group was MSEK 130 (189).

The Group's EBITDA was MSEK -71 (-16).

Net financial items were MSEK -18 (23). The amount includes negative exchange differences of MSEK 19 (previous year: positive exchange differences of MSEK 20).

The Group's result after tax was MSEK -132 (-36).

OPERATIONAL HIGHLIGHTS FOR THE SECOND QUARTER

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 24 (74) in Q2 and EBITDA was MSEK -33 (5).

During Q2, three vessels have been operating in the North Sea spot market, with one vessel being laid up for the majority of the quarter. Towards the end of the quarter Magne Viking departed the North Sea to commence a medium term contract in a harsh environment region.

The activity within the segment has been significantly impacted by the reduced oil price and global pandemic situation throughout the quarter. As a result, both rates and utilization has remained at unsatisfactory levels throughout the quarter.

AHTS Q2	Fixture rates (USD)	Utilization (%)
AHTS vessels on term charters	45,000 (31,300)	54 (100)
AHTS vessels in the spot market	18,400 (38,300)	25 (43)
Total AHTS fleet	23,100 (32,300)	28 (72)

Q2

Firm contract
 Option
 Spot
 Layup

AHTS	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Loke Viking												
Njord Viking												
Magne Viking ¹⁾												
Brage Viking												

1) Oil major, 80 days firm + 80 days optional period.
 Figures in the tables are as of 30 June 2020.

SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 36 (37) in Q2. Total EBITDA was MSEK -1 (1).

The Group has received termination of the management contract for Defender, which the Group has operated on behalf of its owner. The vessel has been returned to its owner after the end of the quarter.

The segment is also responsible for new build supervision of the two PSVs which the Group has part-ownership in. The construction work is going according o schedule and the first vessel is scheduled to be delivered around year-end.

The other operations within the ship-management and services segment proceeded as planned throughout the quarter.

DISCONTINUED OPERATIONS

For information about the previously owned ordinary AHTS vessel Odin Viking, see note 4, 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 1,894. The equity decreased during the first half year by net MSEK 140 due to the loss for the period of MSEK 132 and a negative change in the translation reserve of MSEK 8 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 10.

The gross investments during the six month period amounted to MSEK 22 (29), and consisted of capitalized docking expenses and 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 14 August, 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.

This interim report is unaudited.

Gothenburg, 14 August 2020

Viking Supply Ships AB

Bengt A. Rem
Chairman

Folke Patriksson
Deputy chairman

Erik Borgen
Board member

Håkan Larsson
Board member

Magnus Sonnor
Board member

Trond Myklebust
CEO

Christer Lindgren
Employee representative

FINANCIAL CALENDAR 2020

12 November Q3 Interim report

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

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MSEK)	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q4 2019
Net sales	2	60	111	130	189	504
Other operating revenue		0	0	0	0	0
Direct voyage cost		-12	-12	-24	-20	-39
Personnel costs		-69	-72	-143	-152	-285
Other costs		-13	-21	-34	-33	-66
Depreciation/impairment	3	-21	-18	-42	-35	-76
Operating result		-55	-12	-113	-51	38
Net financial items		2	-2	-18	23	26
Result before tax		-53	-14	-131	-28	64
Tax	9	-1	0	-1	0	0
Result from continuing operations	4	-54	-14	-132	-28	64
Result from discontinued operations	5	-	-5	0	-8	-12
Result for the period		-54	-19	-132	-36	52
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):						
-Result from continuing operations		-5.8	-1.4	-14.2	-3.0	6.8
-Result from discontinued operations		0.0	-0.6	0.0	-0.8	-1.3
Total		-5.8	-2.0	-14.2	-3.8	5.5

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MSEK)	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q4 2019
Result for the period		-54	-19	-132	-36	52
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		-134	-6	-8	77	96
Other comprehensive income		-134	-6	-8	77	96
Total comprehensive income for the period		-188	-25	-140	41	148

CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q2 2020	Q4 2019
Intangible assets		1	1
Vessels	3	1,690	1,728
Value-in-use assets		6	8
Other tangible fixed assets		0	0
Financial assets		48	40
Total fixed assets		1,744	1,777
Other current assets		66	121
Cash and cash equivalents	7	181	242
Total current assets		247	363
TOTAL ASSETS	4	1,991	2,140
Shareholders' equity		1,894	2,034
Long-term liabilities	6	11	13
Current liabilities	6	86	93
TOTAL EQUITY, PROVISIONS AND LIABILITIES		1,991	2,140

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q4 2019
Cash flow from operations before changes in working capital		-35	3	-80	-16	112
Changes in working capital		21	101	50	55	82
Cash flow from current operations		-14	104	-30	39	194
Cash flow from investing activities		-9	128	-22	107	52
-whereof acquisitions		-9	-8	-22	-29	-85
-whereof divestments		-	136	-	136	137
Cash flow from financing activities		-3	-188	-3	-1,967	-1,964
-whereof changes in loans		-3	-188	-3	-885	-882
-whereof dividends		-	-	-	-1,082	-1,082
Changes in cash and cash equivalents from continuing operations		-26	44	-55	-1,821	-1,718
Cash-flow from discontinued operations:						
Cash flow from current operations		-	-4	-	-5	-5
Cash flow from investing activities		-	0	-	0	65
Cash flow from financing activities		-	-242	-	-242	-242
Changes in cash and cash equivalents from discontinued operations	5	-	-246	-	-247	-182
Cash and cash equivalents at beginning of period		217	276	242	2,083	2,083
Exchange-rate difference in cash and cash equivalents		-10	7	-6	66	59
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	181	81	181	81	242

CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q4 2019
Equity at beginning of period		2,082	1,952	2,034	2,968	2,968
Dividend		-	-	-	-1,082	-1,082
Total comprehensive income for the period		-188	-25	-140	41	148
SHAREHOLDERS' EQUITY AT END OF PERIOD		1,894	1,927	1,894	1,927	2,034

Share capital (MSEK)	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q4 2019
Share capital at beginning of period		410	410	410	410	410
Share capital at end of period		410	410	410	410	410

Number of shares ('000)	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q4 2019
Number of outstanding shares at beginning of period		9,327	9,327	9,327	9,327	9,327
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	9,327	9,327

The Group holds 4,262 own shares after a bond loan in Norwegian kroner 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	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q4 2019
EBITDA ¹⁾		-3.7	0.7	-7.7	-1.7	12.3
Result after tax (EPS) ¹⁾		-5.8	-1.4	-14.2	-3.0	6.8
Equity ²⁾		203.1	206.6	203.1	206.6	218.1
Operating cash flow ²⁾		-3.4	0.5	-9.6	0.7	9.4
Total cash flow ¹⁾		-2.6	12.7	-5.9	-188.1	-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 first half year was MSEK -116 (14). The financial net includes dividends from subsidiaries of MSEK 12 and impairment losses from investments in subsidiaries of MSEK 128.

At the end of the quarter the Parent Company's equity was MSEK 1,890 (2,006 on Dec 31, 2019), and total assets were MSEK 1,925 (2,057 on Dec 31, 2019).

The equity ratio was at the end of the quarter 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	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q4 2019
Net sales		2	2	4	7	11
Personnel costs		-1	0	-1	-3	-4
Other costs		-1	-2	-3	-4	-7
Operating result		0	0	0	0	0
Net financial items		-116	9	-116	14	302
Result before tax		-116	9	-116	14	302
Tax on result for the year		-	-	-	-	-
RESULT FOR THE PERIOD		-116	9	-116	14	302
<i>Other comprehensive income for the period:</i>						
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		-116	9	-116	14	302

PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q2 2020	Q4 2019
Financial fixed assets		1,923	2,051
Current assets		2	6
TOTAL ASSETS		1,925	2,057
Shareholders' equity		1,890	2,006
Provisions		4	4
Long-term liabilities		8	7
Current liabilities		23	40
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		1,925	2,057

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Note	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q4 2019
Equity at beginning of period		2,006	1,709	2,006	2,787	2,787
Dividend		-	-	-	-1,082	-1,082
Total comprehensive income for the period		-116	9	-116	14	302
SHAREHOLDERS' EQUITY AT END OF PERIOD		1,890	1,719	1,890	1,719	2,006

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 June 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	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q4 2019
Time charter revenues ¹⁾		19	62	40	99	324
ROV charter revenues ¹⁾		3	9	7	9	22
Mobilisation/demobilisation fees ¹⁾		1	1	3	1	1
Meals/accommodation onboard ¹⁾		0	1	1	1	3
Consultancy fees ²⁾		3	1	5	2	8
Reinvoiced costs ³⁾		34	37	74	77	146
TOTAL		60	111	130	189	504

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.

Mobilization/demobilization fees

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 AHTS vessels with ice-class in 2020

In Q2 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 1,690. The conclusion is that the calculation of value-in-use of MSEK 1,748 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 1,561 (ranging from MSEK 1,378 to MSEK 1,676).

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.
- 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.

Q2 MSEK	AHTS		Services		Ship Management		Continuing operations	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	24	74	0	1	36	36	60	111
EBITDA	-33	5	-1	0	0	1	-34	6
Result before tax	-52	-15	-1	0	0	1	-53	-14
Total assets	1,939	2,236	0	1	52	48	1,991	2,285

YEAR TO DATE MSEK	AHTS		Services		Ship Management		Continuing operations	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	52	110	0	2	78	77	130	189
EBITDA	-68	-14	-2	0	-1	-3	-71	-17
Result before tax	-128	-25	-2	0	-1	-3	-131	-28
Total assets	1,939	2,236	0	1	52	48	1,991	2,285

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)	Q2 2020			Q2 2019			Q1-2 2020			Q1-2 2019			Q1-4 2019		
	Odin	PSV	Total	Odin	PSV	Total	Odin	PSV	Total	Odin	PSV	Total	Odin	PSV	Total
Net sales	-	-	-	0	-	0	-	-	-	0	-	0	0	-	0
Personnel costs	-	-	-	0	-	0	-	-	-	0	-	0	-1	-	-1
Other costs	-	-	-	-1	-	-1	-	-	-	-2	-	-2	-4	-	-4
Depreciations / write-downs	-	-	-	-1	-	-1	-	-	-	-3	-	-3	-4	-	-4
Operating result	-	-	-	-2	-	-2	-	-	-	-5	-	-5	-9	-	-9
Net financial items	-	-	-	-3	-	-3	-	-	-	-3	-	-3	-3	-	-3
Result before tax	-	-	-	-5	-	-5	-	-	-	-8	-	-8	-12	-	-12
Tax	-	-	-	0	-	0	-	-	-	0	-	0	0	-	0
RESULT FROM DISCONTINUED OPERATIONS	-	-	-	-5	-	-5	-	-	-	-8	-	-8	-12	-	-12
Earnings attributable to Parent Company's share- holders, per share in SEK (before and after dilution):															
-Result from discontinued operations															

CASH-FLOW FROM DISCONTINUED OPERATIONS

(MSEK)	Q2 2020			Q2 2019			Q1-2 2020			Q1-2 2019			Q1-4 2019		
	Odin	PSV	Total	Odin	PSV	Total	Odin	PSV	Total	Odin	PSV	Total	Odin	PSV	Total
Cash flow from current operations	-	-	-	-4	-	-4	-	-	-	-5	-	-5	-6	-	-6
Cash flow from investing activities	-	-	-	0	-	0	-	-	-	0	-	0	43	22	65
Cash flow from financing activities	-	-	-	-242	-	-242	-	-	-	-242	-	-242	-242	-	-242
NET CASH FLOW FROM DISCONTINUED OPERATIONS	-	-	-	-246	-	-246	-	-	-	-247	-	-247	-205	22	-183

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	Q2 2020	Q2 2019	Q4 2019
Long-term financial lease debt	2	2	3
Short-term financial lease debt	4	1	5
TOTAL INTEREST BEARING LIABILITIES	6	3	8

7. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents available at the end of the quarter amounted to MSEK 181 (242 on Dec 31, 2019), including client funds, used in the external ship management operation, of MSEK 27 (22 on Dec 31, 2019).

MSEK	Q1 2020	Q1 2019	Q4 2019
Free cash and cash equivalents	181	81	242
TOTAL	181	81	242

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 half year was 311 (Jan-Dec 2019: 287).

Number of shares

Share distribution on 30 June, 2020:

Number of Series A shares 455,055

Number of Series B shares, listed 8,872,284

Total number of shares 9,327,339

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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