

VIKING SUPPLY SHIPS AB
(PUBL)
INTERIM REPORT

Q2

JANUARY - JUNE

2021



VIKING SUPPLY SHIPS

MORE
THAN A SHIPOWNER

THE
COOLEST
PLACE TO WORK

ALWAYS AHEAD OF
COMPETITION

Q2

Q2

REVENUE
MSEK 74 (60)
 YTD: MSEK 147 (130)

ARCTIC FOCUS



Q2

EBITDA
MSEK -14 (-34)
 YTD: MSEK -38 (-71)

Q2

RESULT FOR THE PERIOD
MSEK -31 (-54)
 YTD: MSEK -73 (-132)

Q2

EARNINGS PER SHARE AFTER TAX
SEK -3.3 (-5.8)
 YTD: MSEK -7.8 (-14.2)

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 four segments: Ice-classed Anchor Handling Tug Supply vessels (AHTS), Ice-classed Platform Supply Vessels (PSV), 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 2020 was MSEK 286. The company's B-share is listed on NASDAQ OMX Stockholm, segment Small Cap, www.vikingsupply.com.

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CEO STATEMENT

The activity within the OSV industry has throughout the second quarter continued to be adversely impacted by the reduced investments within offshore oil and gas. Revenue for the second quarter was MSEK 74 (60), EBITDA was MSEK -14 (-34), and the net result was MSEK -31 (-54). Year-to-date revenue was MSEK 147 (130), EBITDA was MSEK -38 (-71) and the net result was MSEK -73 (-132).

The recovery of the global economy has continued throughout the second quarter, with Brent climbing to levels between USD 70-75 per barrel. The COVID-19 situation has however continued to add to the insecurity regarding future demand for oil and gas, and as a result the activity level within the offshore oil and gas industry is still at low levels. Normally, the activity level within the OSV segment increases during spring, but due to low rig activity the Group's revenue levels remained at low and unsatisfactory levels throughout the quarter.

The pandemic situation has continued to impact the Group's operations throughout the quarter. The Group is fully focused to protect the health and safety of its crew, while at the same time maintain its high operational levels towards its clients. Although several measures will still need to be maintained also in the future, the Group anticipates a gradual easing of travel restrictions and other measures throughout the second half of 2021.

During the second quarter, the Group took delivery of Cooper Viking, the second of two ice-classed PSVs constructed at Remontowa Shipyard in Poland. The vessel commenced a term contract with Vår Energi shortly after the end of the quarter. With both vessels being fixed on term contracts prior to delivery from the yard, the vessels have already

demonstrated their commercial abilities and the Group is pleased to see both vessels operating successfully for its clients.

OUTLOOK

Despite the persistence of COVID-19, the global economy has shown clear signs of recovery through the first half of 2021, with both the oil price and other key parameters increasing compared to previous quarters. There are also signs that the activity within offshore oil and gas will see a positive development from 2022, based on an increasing number of rigs in operation. This is likely to also positively impact the OSV industry. It is however vital that ship-owners continue to show discipline with regards to re-activating vessels in lay-up as this can potentially impair an eventual market recovery.

Although there are indications for a slight increase in the activity levels for the coming months, the Group expects that the remainder of 2021 and likely first quarter of 2022 will continue to be challenging.

The prolonged market downturn has, as previously communicated, caused a need to take further measures to strengthen the liquidity. Given the financial institutions' reluctance to provide financing to the OSV industry, the liquidity must be secured through a share issue. The Board has therefore decided to convene an Extraordinary General Meeting on September 13, 2021 with a proposal for a rights issue of approximately MSEK 101 before issue costs which are expected to amount to approximately 3 MSEK.

Gothenburg, 12 August 2021

Trond Myklebust
CEO and President

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|--|----|
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Q2

SECOND QUARTER

- Total revenue was MSEK 74 (60)
- EBITDA was MSEK -14 (-34)
- Result after tax was MSEK -31 (-54)
- Result after tax per share was SEK -3.3 (-5.8)

YEAR-TO-DATE

- Total revenue was MSEK 147 (130)
- EBITDA was MSEK -38 (-71)
- Result after tax was MSEK -73 (-132)
- Result after tax per share was SEK -7.8 (-14.2)

SUMMARY OF EVENTS IN Q2

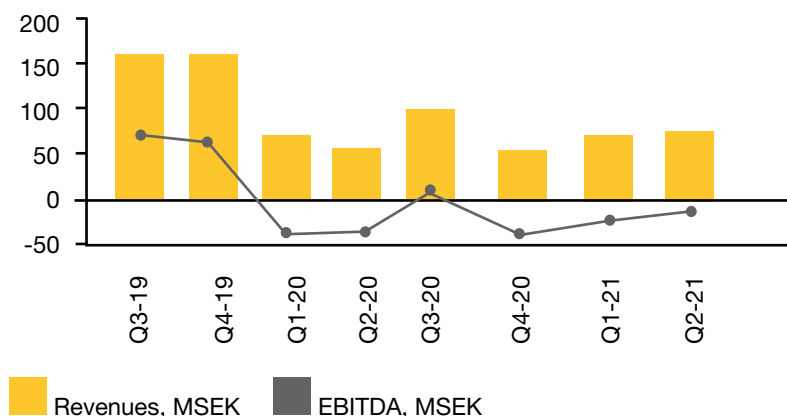
- EBITDA for Q2 was MSEK -14 (-34).
- For the AHTS-fleet the average fixture rate in Q2 was USD 28,400 (23,100) and the average utilization was 57% (28). The average fixture rates for the PSV-vessels in Q2 was USD 15,700 (-), and the average utilization was 92% (-).
- In mid-April the Group took delivery of the second of the two ice-classed PSV-vessels, Cooper Viking, from Remontowa Shipyard in Poland. Prior to its delivery, Cooper Viking was fixed on a term contract for Vår Energi on the Norwegian continental shelf with commencement in June. The vessel operated in the spot market before commencing on the contract with Vår Energi shortly after the end of the second quarter.

SUBSEQUENT EVENTS

- The Board has decided to convene an Extraordinary General Meeting on September 13, 2021 with a proposal for a rights issue of approximately MSEK 101 before issue costs which are expected to amount to approximately 3 MSEK.

| KEY FINANCIALS | Q2 2021 | Q2 2020 |
|-------------------------------------|---------|---------|
| Net sales, MSEK | 74 | 60 |
| EBITDA, MSEK | -14 | -34 |
| Result after tax, MSEK | -31 | -54 |
| Earnings per share after tax, SEK | -3.3 | -5.8 |
| Shareholders' equity per share, SEK | 171.3 | 203.1 |
| Return on equity, % | -7.6 | -10.9 |
| Equity ratio, % | 94.0 | 95.1 |
| Market adjusted equity ratio, % | 93.7 | 94.8 |

FINANCIAL DEVELOPMENT



RESULTS AND FINANCE

RESULTS YEAR TO DATE 2021

Total revenue for the Group was MSEK 147 (130).

The Group's EBITDA was MSEK -38 (-71).

Net financial items were MSEK -1 (-18).

The Group's result after tax was MSEK -73 (-132).

OPERATIONAL HIGHLIGHTS FOR THE SECOND QUARTER

ICE-CLASSED ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 25 (24) in Q2 and EBITDA was MSEK -7 (-33).

During Q2, two vessels have been operating in the North Sea spot market, with two vessel being laid up during the quarter.

The activity within the segment continued to be hampered by reduced activity within the industry, partly as a result of the COVID-19 pandemic. This has consequently had a negative impact on both fixture rates and utilization throughout the quarter and as a result negatively impacted the Group's revenue level.

| AHTS Q2 | Fixture rates (USD) | Utilization (%) |
|---------------------------------|------------------------|-----------------|
| AHTS vessels on term charters | -(45,000) | -(54) |
| AHTS vessels in the spot market | 28,400 (18,400) | 57 (25) |
| Total AHTS fleet | 28,400 (23,100) | 57 (28) |

■ Firm contract
 ■ Option
 ■ Spot
 ■ Layup / inhouse

| AHTS | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|--------------|-----------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Loke Viking | Layup / inhouse | | | | | | | | | | | |
| Njord Viking | Spot | | | | | | | | | | | |
| Magne Viking | Spot | | | | | | | | | | | |
| Brage Viking | Layup / inhouse | | | | | | | | | | | |

Figures in the tables are as of 30 June 2021.

ICE-CLASSED PLATFORM SUPPLY VESSELS (PSV)

The profit-share according to the equity method for Q2 was MSEK -3 (-).

During the second quarter VSS took delivery of Cooper Viking. The vessel has after the end of the quarter commended a term contract with Vår Energi. Coey Viking has been working on the term contract with Wintershall throughout the quarter.

The vessels are owned in partnership with funds managed by Borealis Maritime. VSS owns 30% of the vessels, which are consolidated in the financial statements according to the equity-method.

| PSV Q2 | Fixture rates (USD) | Utilization (%) |
|--------------------------------|---------------------|-----------------|
| PSV vessels on term charters | 14,800 (-) | 100 (-) |
| PSV vessels in the spot market | 14,100 (-) | 66 (-) |
| Total PSV fleet | 15,700 (-) | 92 (-) |



Q2

Firm contract
 Option
 Spot
 Layup

| AHTS | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Coey Viking | | | | | | | | | | | | |
| Cooper Viking | | | | | | | | | | | | |

Figures in the tables are as of 30 June 2021.

ICE MANAGEMENT, SERVICES AND SHIP MANAGEMENT

Total Ice Management and Services and Ship Management revenue was MSEK 49 (36) in Q2. Total EBITDA was MSEK -4 (-1).

The segment has been responsible for new build supervision of the two PSVs which the Group has part-ownership in, which was concluded during the second quarter. The Group has now taken over the commercial and operational management of both vessels.

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

FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the second quarter, the Group's equity amounted to MSEK 1,598. The equity decreased during the first six months by net MSEK 10 due to the loss for the period of MSEK 73 and a positive change in the translation reserve of MSEK 63 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 9.

At the beginning of the year the total cash holdings was MSEK 124. The cash-flow for the first half year was negative by MSEK 81, including exchange rate differences. The total cash holdings at the end of the quarter was MSEK 43.

The gross investments during the first half year amounted to MSEK 46 (22) and consisted of capitalized docking expenses and investments in the two PSV's under construction in Poland.

During the second quarter the Group raised a new shareholders loan from Kistefos AS of MUS\$ 1 (MSEK 9), for further information see Note 8, Transactions with related parties.

The Annual General Meeting, which was held on April 29, 2021, resolved that no dividend would be distributed for the fiscal year 2020.

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. 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 on 12 August, 2021.

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, 12 August 2021

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 2021

13 September Extra General Meeting
11 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) | <i>Note</i> | Q2 2021 | Q2 2020 | Q1-Q2 2021 | Q1-Q2 2020 | Q1-Q4 2020 |
|---|-------------|----------------|----------------|-------------------|-------------------|-------------------|
| Net sales | 2 | 74 | 60 | 147 | 130 | 286 |
| Other operating revenue | | 0 | 0 | 0 | 0 | 2 |
| Direct voyage cost | | -3 | -12 | -8 | -24 | -32 |
| Personnel costs | | -66 | -69 | -136 | -143 | -284 |
| Other costs | | -16 | -13 | -36 | -34 | -73 |
| Depreciation/impairment | 3 | -16 | -21 | -33 | -42 | -79 |
| Result from shares in associated companies | | -3 | 0 | -5 | 0 | |
| Operating result | | -30 | -55 | -71 | -113 | -180 |
| Net financial items | | 0 | 2 | -1 | -18 | -10 |
| Result before tax | | -30 | -53 | -72 | -131 | -190 |
| Tax | 9 | -1 | -1 | -1 | -1 | -1 |
| Result for the period | | -31 | -54 | -73 | -132 | -191 |
| Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution): | | -3.3 | -5.8 | -7.8 | -14.2 | -20.5 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| MSEK | <i>Note</i> | Q2 2021 | Q2 2020 | Q1-Q2 2021 | Q1-Q2 2020 | Q1-Q4 2020 |
|---|-------------|----------------|----------------|-------------------|-------------------|-------------------|
| Result for the period | | -31 | -54 | -73 | -132 | -191 |
| 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 | | -41 | -134 | 63 | -8 | -235 |
| Other comprehensive income | | -41 | -134 | 63 | -8 | -235 |
| Total comprehensive income for the period | | -72 | -188 | -10 | -140 | -426 |

CONDENSED CONSOLIDATED BALANCE SHEET

| MSEK | Note | Q2 2021 | Q4 2020 |
|---|----------|--------------|--------------|
| Intangible assets | | 1 | 1 |
| Vessels | 3 | 1,498 | 1,458 |
| Value-in-use assets | | 2 | 3 |
| Other tangible fixed assets | | 1 | 1 |
| Financial assets | | 68 | 40 |
| Total fixed assets | | 1,570 | 1,503 |
| Other current assets | | 87 | 63 |
| Cash and cash equivalents | 7 | 43 | 124 |
| Total current assets | | 130 | 187 |
| TOTAL ASSETS | 4 | 1,700 | 1,690 |
| Shareholders' equity | | 1,598 | 1,608 |
| Long-term liabilities | 6 | 6 | 7 |
| Current liabilities | 6 | 96 | 75 |
| TOTAL EQUITY, PROVISIONS AND LIABILITIES | | 1,700 | 1,690 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| MSEK | Note | Q2 2021 | Q2 2020 | Q1-Q2 2021 | Q1-Q2 2020 | Q1-Q4 2020 |
|---|----------|------------|------------|------------|------------|------------|
| Cash flow from operations before changes in working capital | | -10 | -35 | -33 | -80 | -107 |
| Changes in working capital | | 5 | 21 | -13 | 50 | 44 |
| Cash flow from current operations | | -5 | -14 | -46 | -30 | -63 |
| Cash flow from investing activities | | -17 | -9 | -46 | -22 | -28 |
| -whereof acquisitions | | -17 | -9 | -46 | -22 | -28 |
| Cash flow from financing activities | | 8 | -3 | 7 | -3 | -5 |
| -whereof changes in loans | | 8 | -3 | 7 | -3 | -5 |
| Changes in cash and cash equivalents | | -14 | -26 | -85 | -55 | -96 |
| Cash and cash equivalents at beginning of period | | 58 | 217 | 124 | 242 | 242 |
| Exchange-rate difference in cash and cash equivalents | | -1 | -10 | 4 | -6 | -22 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 7 | 43 | 181 | 43 | 181 | 124 |

CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

| Shareholders' equity (MSEK) | Note | Q2 2021 | Q2 2020 | Q1-Q2 2021 | Q1-Q2 2020 | Q1-Q4 2020 |
|--|------|--------------|--------------|--------------|--------------|--------------|
| Equity at beginning of period | | 1,670 | 2,082 | 1,608 | 2,034 | 2,034 |
| Total comprehensive income for the period | | -72 | -188 | -10 | -140 | -426 |
| SHAREHOLDERS' EQUITY AT END OF PERIOD | | 1,598 | 1,894 | 1,598 | 1,894 | 1,608 |

| Share capital (MSEK) | Note | Q2 2021 | Q2 2020 | Q1-Q2 2021 | Q1-Q2 2020 | Q1-Q4 2020 |
|---------------------------------------|------|------------|------------|------------|------------|------------|
| 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 2021 | Q2 2020 | Q1-Q2 2021 | Q1-Q2 2020 | Q1-Q4 2020 |
|---|------|--------------|--------------|--------------|--------------|--------------|
| 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 |

DATA PER SHARE

| (SEK) | Note | Q2 2021 | Q2 2020 | Q1-Q2 2021 | Q1-Q2 2020 | Q1-Q4 2020 |
|------------------------|------|---------|---------|------------|------------|------------|
| EBITDA | | -1.5 | -3.7 | -4.0 | -7.7 | -10.8 |
| Result after tax (EPS) | | -3.3 | -5.8 | -7.8 | -14.2 | -20.5 |
| Equity | | 171.3 | 203.1 | 171.3 | 203.1 | 172.4 |
| Operating cash flow | | -1.3 | -3.4 | -3.9 | -9.6 | -11.9 |
| Total cash flow | | -1.5 | -2.6 | -9.1 | -5.9 | -10.3 |

PARENT COMPANY

The activities in the Parent Company mainly consist of shareholdings and a limited Group wide administration.

The Parent Company's result after tax for the six month period was MSEK -8 (-116). The result includes an impairment loss on shares in subsidiaries of MSEK 8.

At the end of the second quarter the Parent Company's equity was MSEK 1,593 (1,601 on Dec 31, 2020), and total assets were MSEK 1,636 (1,636 on Dec 31, 2020).

The equity ratio at the end of the year was 97 % (98 % on Dec 31, 2020). Cash and cash equivalents at the end of the quarter was MSEK 0 (MSEK 1 on Dec 31, 2020).

PARENT COMPANY INCOME STATEMENT

| (MSEK) | Note | Q2 2021 | Q2 2020 | Q1-Q2 2021 | Q1-Q2 2020 | Q1-Q4 2020 |
|--|------|-----------|-------------|------------|-------------|-------------|
| Net sales | | 3 | 2 | 5 | 4 | 9 |
| Personnel costs | | -1 | -1 | -1 | -1 | -1 |
| Other costs | | -2 | -1 | -4 | -3 | -7 |
| Operating result | | 0 | 0 | 0 | 0 | 1 |
| Net financial items | | -8 | -116 | -8 | -116 | -406 |
| Result before tax | | -8 | -116 | -8 | -116 | -405 |
| Tax on result for the year | | - | - | - | - | - |
| RESULT FOR THE PERIOD | | -8 | -116 | -8 | -116 | -405 |
| <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 | | -8 | -116 | -8 | -116 | -405 |

PARENT COMPANY BALANCE SHEET

| (MSEK) | Note | Q2 2021 | Q4 2020 |
|---|------|--------------|--------------|
| Financial fixed assets | | 1,625 | 1,633 |
| Current assets | | 11 | 3 |
| TOTAL ASSETS | | 1,636 | 1,636 |
| Shareholders' equity | | 1,593 | 1,601 |
| Provisions | | 4 | 4 |
| Long-term liabilities | | 5 | 5 |
| Current liabilities | | 34 | 26 |
| TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES | | 1,636 | 1,636 |

A graphic consisting of a yellow circle with the text 'Q2' inside. A vertical line extends upwards from the top of the circle, and a horizontal line extends to the left from the left side of the circle. Both lines end in small yellow circles.

Q2

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

| (MSEK) | <i>Note</i> | Q2 2021 | Q2 2020 | Q1-Q2 2021 | Q1-Q2 2020 | Q1-Q4 2020 |
|--|-------------|----------------|----------------|-------------------|-------------------|-------------------|
| Equity at beginning of period | | 1,601 | 2,006 | 1,601 | 2,006 | 2,006 |
| Total comprehensive income for the period | | -8 | -116 | -8 | -116 | -405 |
| SHAREHOLDERS' EQUITY AT END OF PERIOD | | 1,593 | 1,890 | 1,593 | 1,890 | 1,600 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. LIQUIDITY AND GOING CONCERN

The COVID-19 pandemic has had significant adverse effect on the markets in which the Group operates. This has negatively impacted the Group's earnings and the Group has had a negative cash flow throughout 2020 and the beginning of 2021. The prolonged market downturn has, as previously communicated, caused a need to take further measures to strengthen the liquidity. Given the financial institutions' reluctance to provide financing to the OSV industry, the liquidity must be secured through a share issue. The Board has therefore decided to convene an Extraordinary General Meeting on September 13, 2021 with a proposal for a rights issue of approximately MSEK 101 before issue costs which are expected to amount to approximately 3 MSEK.

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 balance-sheet, 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 2022. This conclusion is based on Management's assessment of the current outlook for 2021/2022 and the uncertainties and risks described in this report.

2. REVENUES FROM CONTRACTS WITH CUSTOMERS

| (MSEK) | Note | Q2 2021 | Q2 2020 | Q1-Q2 2021 | Q1-Q4 2020 |
|--|------|-----------|-----------|------------|------------|
| Time charter revenues ¹⁾ | | 25 | 19 | 43 | 40 |
| ROV charter revenues ¹⁾ | | 1 | 3 | 3 | 7 |
| Mobilisation/demobilisation fees ¹⁾ | | 0 | 1 | 0 | 3 |
| Meals/accommodation onboard ¹⁾ | | 0 | 0 | 0 | 1 |
| Consultancy fees ²⁾ | | 4 | 3 | 7 | 5 |
| Reinvoiced costs ³⁾ | | 44 | 34 | 94 | 74 |
| TOTAL | | 74 | 60 | 147 | 130 |

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.

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 2021 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% (2020: 8.4%). 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 2021

In Q2 2021 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 1,498. The conclusion is that the calculation of value-in-use of MSEK 1,604 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 two independent shipbrokers, amounts to MSEK 1,391 (ranging from MSEK 1,217 to MSEK 1,515). Due to the global pandemic situation, there is currently an increased uncertainty surrounding the future market development. The underlying calculations take into account a gradual recovery towards a more normalized market situation through 2022 and 2023. The Management will continue to closely monitor external

developments, which in this context, with the prevailing uncertainty, may affect future impairment tests. For further information on sensitivity analysis on these calculations, please see the latest published annual report.

4. SEGMENT INFORMATION

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

- The segment Ice-classed AHTS comprises four 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-classed PSV comprises two large new-built PSV-vessels. The vessels are powered with LNG and equipped with battery-packs which provide good fuel economy and lower environmental impact. The Group owns 30% of the vessels which are taken into the financial statements according to the equity method.
- 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.

| Q2 2021 MSEK | Ice-classed AHTS | | PSV | | Ice Management and Services | | Ship Management | | TOTAL | |
|-------------------|------------------|-------|------|------|-----------------------------|------|-----------------|------|-------|-------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Net sales | 25 | 24 | 0 | - | 1 | 0 | 48 | 36 | 74 | 60 |
| EBITDA | -7 | -33 | -3 | - | -1 | -1 | -3 | 0 | -14 | -34 |
| Result before tax | -24 | -52 | -3 | - | -1 | -1 | -2 | 0 | -30 | -53 |
| Total assets | 1,577 | 1,651 | 60 | - | 1 | 1 | 62 | 38 | 1,700 | 1,690 |

| Year to date MSEK | Ice-classed AHTS | | PSV | | Ice Management and Services | | Ship Management | | TOTAL | |
|----------------------|------------------|-------|------|------|-----------------------------|------|-----------------|------|-------|-------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Net sales | 48 | 52 | 0 | - | 1 | 0 | 98 | 78 | 147 | 130 |
| EBITDA | -26 | -68 | -5 | - | -2 | -2 | -5 | -1 | -38 | -71 |
| Result before tax | -60 | -128 | -5 | - | -2 | -2 | -5 | -1 | -72 | -131 |
| Total assets | 1,577 | 1,651 | 60 | - | 1 | 1 | 62 | 38 | 1,700 | 1,690 |

There have been no significant transactions between the segments.

5. INTEREST-BEARING LIABILITIES

During the second quarter the Group raised a shareholders loan from Kistefos AS of MUS\$ 1 (MSEK 9), for further information see note 8, Transactions with related parties. At the end of the quarter the Interest-bearing liabilities totaled MSEK 11 and consisted, in addition to the shareholders loan, of leasing debts mainly related to hired vessel equipment (right-to-use assets), reported in accordance with IFRS 16 Leases.

5.1. Classification by type of debt

| MSEK | Q2 2021 | Q2 2020 | Q4 2020 |
|---|-----------|----------|----------|
| Long-term financial lease debt | 0 | 2 | 1 |
| Short-term financial lease debt | 2 | 4 | 2 |
| Other short-term interest-bearing liabilities | 9 | - | - |
| TOTAL | 11 | 6 | 3 |

6. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents at the end of the quarter amounted to MSEK 43 (124 on Dec 31, 2020), including client funds, used in the external ship management operation, of MSEK 33 (20 on Dec 31, 2020).

| MSEK | Q2 2021 | Q2 2020 | Q4 2020 |
|--------------------------------|-----------|------------|------------|
| Free cash and cash equivalents | 10 | 154 | 104 |
| Restricted cash | 33 | 27 | 20 |
| TOTAL | 43 | 181 | 124 |

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 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 is limited to foreign entities. The tax losses carry forward for Swedish entities amounted at end of the quarter to MSEK 1,075 (1,075 on Dec 31, 2020). 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, 2020).

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.

Transactions with related parties

During the second quarter the Group raised a short-term shareholders loan from Kistefos AS on market terms of MUSD 1 (MSEK 9).

Number of employees

The average number of full-time employees in the Group during the first half year was 311 (Jan-Dec 2020: 295).

Number of shares

Share distribution on 30 June, 2021:

| | |
|-----------------------------------|------------------|
| 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

WACC

The weighted average cost of capital (WACC) is a calculation of a firm's cost of capital in which each category of capital is proportionately weighted.



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