VIKING SUPPLY SHIPS AB (PUBL)

INTERIM REPORT

Q2

2018

VIKING SUPPLY SHIPS

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

Q2

Q2
REVENUE
MSEK 92 (81)
H1: MSEK 176 (171)

ARCTIC FOCUS

Q2
EBITDA
MSEK -29 (-44)
H1: MSEK -60 (-101)

Q2
RESULT FOR THE PERIOD
MSEK -268 (-99)
H1: MSEK -353 (-101)

Q2
EARNINGS PER SHARE AFTER TAX
SEK -28.7 (-23.8)
H1: SEK -39.5 (-24.5)

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 400 employees and the turnover in 2017 was MSEK 331. The company's B-share is listed on NASDAQ OMX Stockholm, segment Small Cap, www.vikingsupply.com.

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CEO STATEMENT

The second quarter resulted in a loss for the Group. Revenue is still not at a satisfactory level because of the weak activity in the segment, totalling MSEK 92 (81) for the quarter. EBITDA is still negative for the quarter at MSEK -29, but cost saving initiatives has significantly reduced the cost base throughout the company. For the second quarter, profit after tax including discontinued operations was MSEK -268 (-99). The result was significantly impacted by an impairment loss of MSEK 172 related to the PSV fleet.

The market for PSV vessels has during the first half year 2018 continued to be very soft. Based on the vessels being laid up for a long period, the continuous weak market, and the within foreseeable future poor market outlook for the segment, it was during the second quarter 2018 decided to sell all five PSV-vessels. In June 2018 VSS entered into an agreement to sell Freyja Viking, Nanna Viking and Sol Viking.

Over the last three years, the Group has significantly reduced its cost base, both in terms of operational expenditures and G&A costs. Combined with the decisions to divest the Industrial shipping and PSV segments, this has resulted in a streamlined and lean organization. Together with its unique position within the Arctic and harsh environment offshore segment, the Group is therefore well positioned for the next growth cycle within the offshore industry.

OUTLOOK

Viking Supply Ships still estimates that the offshore market is set for a return, backed by increasing investment levels and exploration activity in the North Sea. Increased rig tendering in the region is a firm signal that the market will recover, but due to the ample supply of vessels, the Group expects that such recovery will take time. In order for the market to absorb the currently laid up vessels it is vital that offshore activity in leading regions such as Brazil, West Africa and Australia increases accordingly over the next couple of years.
The Group has a clear ambition to secure term coverage for parts of its fleet, and is well positioned to take advantage of future market opportunities within its core regions. With the cost reductions seen across the industry, Arctic and sub-Arctic oil and gas will likely be profitable also at todays oil price

Gothenburg, 10 August 2018.

Trond Myklebust
CEO and President

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SECOND QUARTER

- Total revenue from continuing operations was MSEK 92 (81)
- EBITDA from continuing operations was MSEK -29 (-44)
- Result after tax including discontinued operations was MSEK -268 (-99)
- Result after tax per share including discontinued operations was SEK -28.7 (-23.8)

YEAR TO DATE

- Total revenue from continuing operations was MSEK 176 (171)
- EBITDA from continuing operations was MSEK -60 (-101)
- Result after tax including discontinued operations was MSEK -353 (-101)
- Result after tax per share including discontinued operations was SEK -39.5 (-24.5)

SUMMARY OF EVENTS IN Q2

- EBITDA for Q2 from continuing operations was MSEK -29 (-44).
- The average fixture rate in Q2 was USD 33,400 (22,000) for the AHTS fleet and USD 0 (0) for the PSV fleet. The average utilization in Q2 was 68% (40) for the AHTS fleet and 0% (0) for the PSV fleet.
- In late 2016 Viking Supply Ships entered into a strategic cooperation with Sevnor Ltd. to explore future market opportunities in the Russian market. Both parties are satisfied with how the cooperation has worked and have thus decided to further develop the cooperation. As a result, Mr. Tom Babinski, Chief Commercial Officer (CCO) in Sevnor will as of now also act as CCO for Viking Supply Ships. Viking Supply Ships will as part of the cooperation also provide certain services to Sevnor.
- Viking Supply Ships has during the second quarter entered into an agreement to sell the three medium sized PSV-vessels Freyja Viking, Nanna Viking and Sol Viking. Because of the sale of the three vessels an impairment loss of MSEK 172 (MUSD 19.7) was recognized on the PSV-fleet during the second quarter. The sale will have no impact on the Group´s liquidity. Viking Supply Ships has a clear ambition to sell the last two vessels and has consequently classified the PSV segment as discontinued operations as of Q2. (for further information see note 2 and 5)
- Morten G. Aggvin was appointed interim CFO in Viking Supply Ships AB and Viking Supply Ships A/S with effect from 1 July 2018.
- In accordance with the previously communicated decision to re-locate the Copenhagen office to Kristiansand, Norway, the existing office in Denmark was closed in late June. However, until the vessels can be formally sold to its new Norwegian entities, Viking Supply Ships A/S will continue to operate its fleet from Copenhagen. A new office has been acquired together with an interim management team. It is expected that the exit from Denmark can be fully completed during second half of 2018.

Q2

LIQUIDITY AND GOING CONCERN

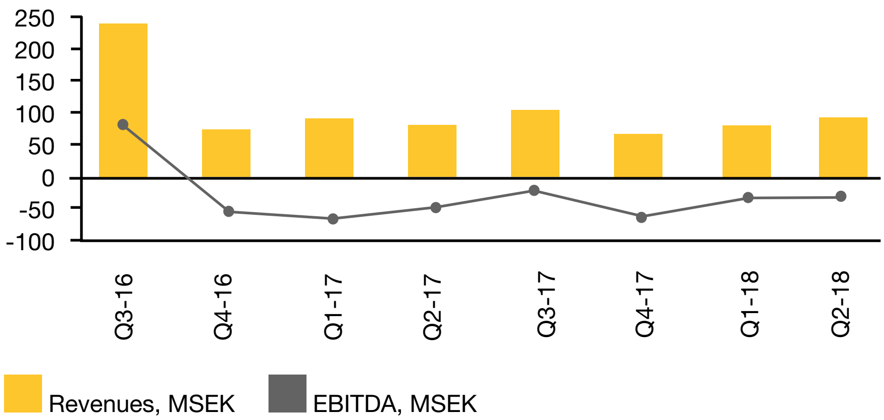
The condensed interim financial statements for the period ending 30 June 2018 have been prepared using the going concern assumption.

Based on a continued belief in securing contracts within the core market segment, Management has concluded that both the company and the Group will be able to continue as going concern at least until 30 June 2019. This conclusion is based on the finalized debt restructuring, the current outlook for 2018/2019 and the current uncertainties and risks (see note 1, Liquidity and going concern).

KEY FINANCIALS	Q2 2018	Q2 2017
Net sales, MSEK [1)]	92	81
EBITDA, MSEK [1)]	-29	-44
Result after tax, MSEK [2)]	-268	-99
Earnings per share after tax, SEK [2)]	-28.7	-23.8
Shareholders´equity per share, SEK [4)]	88.8	302.8
Return on equity, % [2)]	-116.3	-30.3
Equity ratio, % [3)]	28.4	38.9
Market adjusted equity ratio, % [3)]	30.5	42.1

1) Excludes discontinued operations
2) Includes discontinued operations
3) The calculation includes assets held for sale
4) Retroactive adjustment of key ratios has been made as a result of the reverse share split (1:100) implemented in January 2018.

FINANCIAL DEVELOPMENT CONTINUING OPERTIONS



RESULTS AND FINANCE

RESULTS FOR Q2 2018

Total revenue for the Group for the year to date was for continuing operations MSEK 176 (171).

The Group's EBITDA for the year to date was for continuing operations MSEK -60 (-101).

Net financial items were for continuing operations MSEK -39 (89). Financial items 2017 include a gain from bond settlement of MSEK 112.

The Group's result after tax including discontinued operations was MSEK -353 (-101). The result includes impairment losses on the PSV-fleet by MSEK 172.

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OPERATIONAL HIGHLIGHTS FOR THE SECOND QUARTER

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 54 (42) in Q2. Total EBITDA was MSEK -26 (-43).

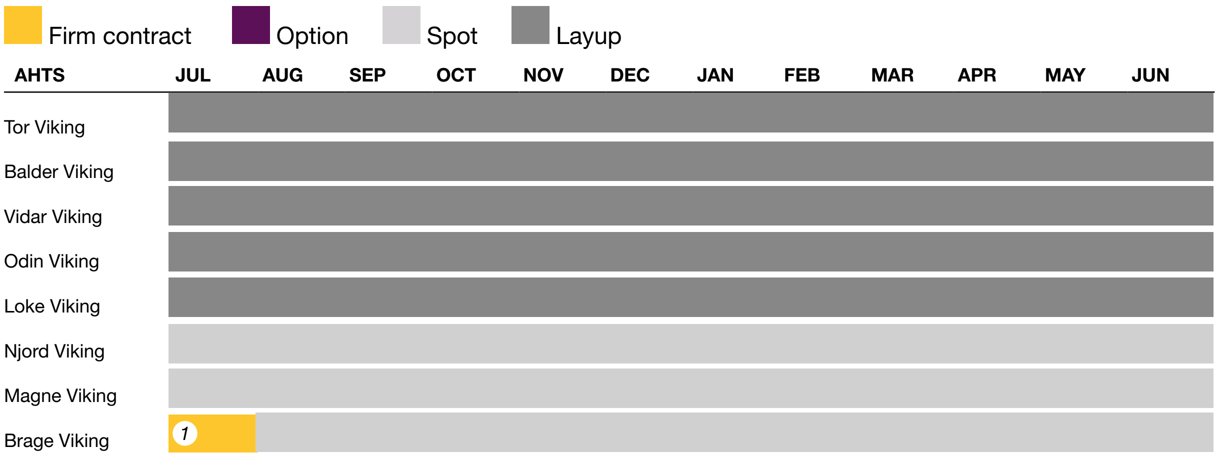
During Q2, two vessels have been operating in the North Sea spot market. Brage Viking has during the quarter been operating on a term contract. Two AHTS vessels have remained in lay-up during the quarter, while three vessels have been positioned in Landskrona, Sweden as part of mobilization for a potential term contract.

The utilization for the vessels operating in the spot market has seen a modest increase compared to the corresponding quarter last year, but overall the North Sea spot market has been weak throughout the quarter. AHTS earnings are positively impacted by the fixture of Brage Viking on a medium term contract.

The total AHTS contract backlog at the end of the quarter was MSEK 11 including options.

AHTS Q2	*Fixture rates*	*(USD)*	*Utilization*	*(%)*
AHTS vessels on term charters	45,200	(-)	100	(-)
AHTS vessels on the spot market	22,000	(22,000)	51	(40)
Total AHTS fleet	**33,400**	**(22,000)**	**68**	**(40)**

The table above excludes three laid-up vessels.



1. Oil Major, firm 31 days
Figures in the tables are as of 30 June 2018.

SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 38 (39) in Q2. Total EBITDA was MSEK -3 (-1).

Viking Ice Consultancy (VIC) has during the second quarter continued the work on several smaller consultancy contracts, with a focus on ice management and implementation of the Polar Code. VIC will continue to develop and pursue further contract opportunities going forward.

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

DISCONTINUED OPERATIONS (TRANSATLANTIC AB)

The previous segments TransAtlantic AB and PSV have in this financial report been recognized as discontinued operations and assets held for sale, according to IFRS 5 Assets Held for Sale and Discontinued Operations (see note 4, Discontinued operation and assets held for sale).

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FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the period, the Group's equity amounted to MSEK 828 (equivalent to 88.8 SEK/share). The equity decreased during the first half year by net MSEK 143 due to the new share issue of MSEK 122 net after expenses, the loss for the period of MSEK 353 and a positive change in the translation reserve of MSEK 88 attributable to currency differences on net investments in subsidiaries. Further information of the concluded new share issues can be found in section "Changes in the Group´s shareholders´ equity" on page 10.

The in January 2018 completed equity issue of total MSEK 126, net after expenses, brought liquidity to the Group of total MSEK 120.

Gross investments during the first half year amounted to MSEK 0 (1).

The loan amortizations during the first half year amounted to MSEK 39 (38).

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

Viking Supply Ships AB is obliged to publish this report in accordance with the Swedish Securities Act and/ or the Swedish Financial Instruments Trading Act. This report has been prepared in both Swedish and English versions. In case of variations in the contents between the two versions, the Swedish version shall govern. This report was submitted for publication on 10 August, 2018.

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, 10 August 2018

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 2018

9 November Q3 Interim report

INVESTOR RELATIONS

Please contact Interim CFO, Morten G. Aggvin, ph. +47 41 04 71 25
The interim report is available on the company's website: www.vikingsupply.com

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CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MSEK)	Note	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	Q1-Q4 2017
Net sales		92	81	176	171	331
Other operating revenue		0	0	0	0	0
Direct voyage cost		-7	-8	-14	-17	-34
Personnel costs		-76	-88	-154	-188	-334
Other costs		-38	-29	-68	-67	-137
Depreciation/impairment	2	-32	-35	-63	-70	-135
Operating result		**-61**	**-79**	**-123**	**-171**	**-309**
Net financial items		-27	-11	-39	89	66
Result before tax		**-88**	**-90**	**-162**	**-82**	**-243**
Tax	8	0	0	0	1	1
Result from continuing operations	**3**	**-88**	**-90**	**-162**	**-81**	**-242**
Result from discontinued operations	4	-180	-9	-191	-20	-90
Result for the period		**-268**	**-99**	**-353**	**-101**	**-332**
Earnings attributable to Parent Company's share-holders, per share in SEK (before and after dilution):						
-Result from continuing operations		-9.4	-21.4	-18.1	-19.4	-59.2
-Result from discontinued operations		-19.3	-2.4	-21.4	-5.1	-22.1
Total [1)]		**-28.7**	**-23.8**	**-39.5**	**-24.5**	**-81.3**

1) Retroactive adjustment of key ratios has been made as a result of the reverse share split (1:100) implemented in January 2018.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	Q1-Q4 2017
Result for the period		**-268**	**-99**	**-353**	**-101**	**-332**
Other comprehensive income for the period:						
Items that will not be restored to the income statement						
Revaluation of net pension obligations		-	-	-	-	0
Items that later can be restored to the income statement						
Change in translation reserve, net		85	-55	88	-99	-141
Other comprehensive income		**85**	**-55**	**88**	**-99**	**-141**
Total comprehensive income for the period		**-183**	**-154**	**-265**	**-200**	**-473**

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CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q2 2018	Q4 2017
Vessels	2	2,559	2,715
Other tangible fixed assets		1	1
Financial assets		16	15
Total fixed assets		**2,576**	**2,731**
Other current assets	6	145	139
Assets held for sale	4	196	15
Total current assets		**341**	**154**
TOTAL ASSETS	**3**	**2,917**	**2,885**
Shareholders' equity		**828**	**971**
Long-term liabilities	**5**	**1,924**	**20**
Other current liabilities	5	136	1,891
Liabilities related to assets held for sale	4	29	3
Total current liabilities		**165**	**1,894**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**2,917**	**2,885**

VALUATION OF FINANCIAL ASSETS AND LIABILITIES

The valuation of financial assets and liabilities in the balance sheet is based on acquisition value or fair value. The valuation of FX derivatives and interest rate derivatives is based on fair value. The balance items “Long-term liabilities” include derivatives of MSEK 3 (5). Valuation of other financial assets and liability items in the balance sheets are based on acquisition value.

ASSESSMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	Q1-Q4 2017
Cash flow from operations before changes in working capital		-1	-51	-40	-124	-210
Changes in working capital		31	-17	4	-76	-42
Cash flow from current operations		**30**	**-68**	**-36**	**-200**	**-252**
Cash flow from investing activities		0	0	0	-1	-1
Cash flow from financing activities		0	-1	81	4	38
Changes in cash and cash equivalents from continuing operations		**30**	**-69**	**45**	**-197**	**-215**
Cash-flow from discontinued operations:						
Cash flow from current operations		-2	-7	-3	-11	-22
Cash flow from investing activities		0	0	0	0	0
Cash flow from financing activities		0	0	2	21	17
Changes in cash and cash equivalents from discontinued operations	**4**	**-2**	**-7**	**-1**	**10**	**-5**
Cash and cash equivalents at beginning of period		50	155	34	273	273
Exchange-rate difference in cash and cash equivalents		0	-8	0	-15	-19
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**6**	**78**	**71**	**78**	**71**	**34**

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CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	Q1-Q4 2017
Equity at beginning of period 1)		1,011	1,394	971	1,440	1,440
New Share Issue, net after expenses 1) 2)		-	-	122	-	4
Total comprehensive income for the period		-183	-154	-265	-200	-473
SHAREHOLDERS' EQUITY AT END OF PERIOD		**828**	**1,240**	**828**	**1,240**	**971**

1) Shares equivalent to MSEK 7, of the total new share issue of MSEK 131, was subscribed and paid for and thus included in the Group´s closing shareholders´equity at 31 December 2017.
2) The amount in Q1 2018 includes issue expenses of MSEK 2, and in Q1-Q4 of MSEK 3.

Share capital (MSEK)	Note	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	Q1-Q4 2017
Share capital at beginning of period		410	410	410	344	344
Reduction to unrestricted reserve 2)		-	-	-307	-	-
New share issue 1)		-	-	131	66	66
Bonus issue 2)		-	-	176	-	-
Share capital at end of period		**410**	**410**	**410**	**410**	**410**

1) The share issue of total MSEK 131 comprised a MSEK 123 rights issue, a MSEK 7 share issue with payment against set-off to Viking Invest AS for financial services and a MSEK 1 share issue payment against set-off to Viking Invest AS for guarantee fee for the guarantee undertaking.
2) The reduction to unrestricted reserve and the bonus issue has been carried out to conserve the share capital before the new share issues and the reverse spit.

Number of shares ('000)	Note	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	Q1-Q4 2017
Number of outstanding shares at beginning of period		9,327	409,593	409,593	343,545	343,545
Number of new shares issued 1)		-	-	523,141	66,048	66,048
Reversed split 2)		-	-	-923,407	-	-
Total number of shares at end of period		**9,327**	**409,593**	**9,327**	**409,593**	**409,593**
Average number of shares outstanding		9,327	409,593	8,923	407,457	408,534

1) In January 2018 following new share issues were completed:
- *A new share issue with preferential rights for existing shareholders whereby the number of shares was increased by 24,821,217 series A shares and by 466,690,334 series B shares, total 491 511 551 new shares. The issue price was SEK 0.25 per share.*
- *A share issue with payment against set-off to Viking Invest AS whereby the number of shares was increased by 5,463,150 series B shares. The issue price was SEK 0.25 per share.*
- *A share issue with payment against set-off to Viking Invest AS whereby the number of shares was increased by 26,166,400 series B shares. The issue price was SEK 0.25 per share.*

2) In January 2018 a reversed split was carried out with ratio 100:1, which implied that every 100 of series A- and B shares was replaced by 1 share in the same series, whereby the total number of outstanding shares amounted to 9,327,339.

DATA PER SHARE 1)

(SEK)	Note	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	Q1-Q4 2017
EBITDA 2)		-3.1	-10.6	-6.7	-24.7	-42.3
Result after tax (EPS) 2)		-9.4	-21.4	-18.1	-19.4	-59.2
Equity 3)		88.8	302.8	88.8	302.8	237.2
Operating cash flow 2)		-5.9	-12.9	-11.1	-2.4	-26.4
Total cash flow 2)		3.2	-18.3	5.0	-45.6	-53.0

1) Retroactive adjustment of key ratios has been made as a result of the reverse share split (1:100) implemented in January 2018.
2) Calculated on continuing operations
3) The calculation includes assets held for sale

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PARENT COMPANY

The activity in the Parent Company mainly consists of the shareholdings in Viking Supply Ships A/S and TA AB, as well as limited Group wide administration.

The Parent Company's result after tax for the first half year was MSEK -193 (-475). The result includes impairment losses on shareholdings in subsidiaries mainly related to losses and impairment losses on vessels in Viking Supply Ships A/S.

At the end of the second quarter the Parent Company's equity was MSEK 933 (1,005 on Dec 31, 2017), and total assets were MSEK 973 (1,090 on Dec 31, 2017). The equity decreased during the year by net MSEK 72 due to the result for the period and the completed new share issues of MSEK 121 net after expenses.

The in January 2018 completed equity issues brought liquidity to the Group of total MSEK 120 net after expenses. The cash proceeds from these new share issues have been used to repay a shareholders loan of MSEK 33, and the remainder has been distributed to Viking Supply Ships A/S as part of the financial restructuring. For further information also see note 1, Liquidity and going concern.
The equity ratio on the balance day was 96 % (92 on Dec 31, 2017). Cash and cash equivalents at the end of the period was MSEK 0 (0 on Dec 31, 2017).

PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	Q1-Q4 2017
Net sales		2	3	4	5	9
Other costs		-2	-3	-4	-5	-9
Operating result		**0**	**0**	**0**	**0**	**0**
Net financial items		-193	-474	-193	-475	-986
Result before tax		**-193**	**-474**	**-193**	**-475**	**-986**
Tax on result for the year		-	-	-	-	-
RESULT FOR THE PERIOD		**-193**	**-474**	**-193**	**-475**	**-986**
Other comprehensive income for the period:						
Items that will not be restored to the income statement						
Revaluation of net pension obligations		-	-	-	-	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-193**	**-474**	**-193**	**-475**	**-986**

PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q2 2018	Q2 2017
Financial fixed assets		964	1,048
Current assets		9	42
TOTAL ASSETS		**973**	**1,090**
Shareholders' equity		933	1,005
Provisions		6	6
Long-term liabilities		13	13
Current liabilities		21	66
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**973**	**1,090**

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CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Note	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	Q1-Q4 2017
Equity at beginning of period [1]		1,126	1,985	1,005	1,986	1,986
New share issue [1] [2]		-	-	121	-	5
Total comprehensive income for the period		-193	-474	-193	-475	-986
SHAREHOLDERS' EQUITY AT END OF PERIOD		**933**	**1,511**	**933**	**1,511**	**1,005**

1) Shares equivalent to MSEK 7, of the total new share issue of MSEK 131, was subscribed and paid for and thus included in the Group´s closing shareholders´ equity on 31 December 2017.
2) The amount in Q1 2018 includes issue expenses of MSEK 2, and in Q1-Q4 of MSEK 3.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. LIQUIDITY AND GOING CONCERN

The continued challenging market conditions, including downward pressure on rates and utilization, have impacted the Group's liquidity 2017. As a consequence, shortly after the end of Q2 2017, a dialogue was initiated with the lenders to secure a long-term stable financing solution.

In December 2017 Viking Supply Ships received confirmation that it had obtained support for a restructuring proposal from all senior lenders. A final restructuring agreement was subject to final approval from the senior lenders' credit committees. In January 2018 credit committee approvals from all senior lenders were obtained, and a restructuring term sheet was signed. The signed restructuring term sheet, together with the completed equity issue in Viking Supply Ships AB and subsequent equity injection into Viking Supply Ships A/S, finalized the financial restructuring.

The share issues in Viking Supply Ships AB that form part of the Viking Supply Ships A/S' financial restructuring comprised the following:

- A MSEK 123 (15 MUSD) rights issue.
- A share issue of MSEK 7 with payment against set-off to Viking Invest AS for financial services.
- A share issue of MSEK 1 with payment against set-off to Viking Invest AS for guarantee fee for the guarantee undertaking in the rights issue.
- Following these equity issues, the equity in Viking Supply Ships AB increased with MSEK 131.

The final agreement included the following key terms:

- Viking Supply Ships A/S loan facilities are as currently due 31 March 2020.
- Viking Supply Ships A/S loan facilities will carry significant less cash interest and instalments until maturity on 31 March 2020. Limited cash interest and instalments will be paid until Q4 2018.
- Financial covenants on the loan facilities are amended to provide Viking Supply Ships A/S with ample room to operate under the present challenging market conditions.
- Cash at hand exceeding a certain level will through a cash sweep mechanism be distributed as repayment of the bank facilities.
- The bareboat charter in respect of the vessel Odin Viking will be amended to reflect that the charter hire of USD 10,000 per day will not be payable in cash, but added to the principal amount outstanding under the charter party as payment in kind. Further, Viking Supply Ships A/S will have the right to exercise the previously agreed purchase option in respect of Odin Viking before the end of the charter party. If the option is exercised, the bareboat charter will be terminated against a termination compensation equal to the accumulated and remaining charter hire and Viking Supply Ships A/S will replace Odin Viking SPV AS as borrower under the Odin Viking SPV AS facility with DVB Bank SE. The outstanding loan amount under the Odin Viking facility will be off-set against the termination compensation payable by Viking Supply Ships A/S.
- Viking Supply Ships A/S has received new capital in the amount of MUSD 15.0.

The restructuring agreement will provide the Group with a stable platform to navigate through the potential challenging market until 2020.

In order for the Group to have sufficient liquidity and equity to get through the challenging market situation, the Group has not only in 2016 but also in 2017 completed comprehensive restructuring programs, including cost reducing efforts which includes lay-up of vessels, bond delisting, renegotiation of existing loan facilities and injection of new equity. The Group operates 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 financial situation of the Group, 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 2019. This conclusion is based on Management's assessment of the current outlook for 2018/2019 and the uncertainties and risks described in this report.

2. TANGIBLE FIXED ASSETS

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

Impairment test

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

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

The key assumptions used in the value in use calculation and in the assessment of owned vessels, for 2018 are as follows:

- The cash flows are based on current tonnage.
- Estimates of fixture rates, utilization and contract coverage as well as estimated residual values are based on Management's extensive experience and knowledge of the market.
- Operating expenses and dry dock costs are estimated based on Management's experience and knowledge of the market as well as plans and initiatives outlined in the operating budgets.
- The weighted average cost of capital (WACC) used to discount the forecasted cash flows was 9% (2017: 9%). The pre- and post-tax discount factor is the same due to tonnage taxation.

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

Impairment test PSV fleet in 2018

The market for PSV vessels has during the first half year 2018 continued to be very soft. Based on the vessels being laid up for a long period, the continuous weak market, and the within foreseeable future poor market outlook for the segment, it was during the second quarter 2018 decided to sell all five PSV-vessels. In June 2018 VSS entered into an agreement to sell Freyja Viking, Nanna Viking and Sol Viking. A process is ongoing to find buyers also for the remaining two vessels. It is expected to have the sale concluded within 12 months. The decision implies, according to IFRS 5 Assets held for sale and discontinued operations that the assets held for sale shall be measured at the lower of carrying amount and fair value less costs to sell. Accordingly, the five PSV vessels, all sister vessels, have been written down to the agreed sales price, MSEK 31 per vessel (MUSD 3.5). The total impairment loss posted during the second quarter 2018 for the five vessels amounts to MSEK 172 (MUSD 19.7).

Impairment test AHTS fleet in 2018

In Q2 2018 Management evaluated the AHTS fleet and concluded that the AHTS vessels are not impaired. Value in use calculations prepared for the AHTS fleet showed no indications that the carrying amount may not be fully recoverable. This was further supported by the external vessel valuations from two independent internationally acknowledged shipbrokers showing a total AHTS fleet value in excess of the carrying amount of the owned AHTS fleet (MSEK 2 559) by 4 % on average.

3. SEGMENT INFORMATION ABOUT CONTINUING OPERATIONS

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

-The segment AHTS comprise 8 offshore vessels that are equipped for and have the capacity to operate in areas with harsh environment, further 7 of these vessels are equipped to operate in Arctic areas.

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

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

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

Q2 MSEK	AHTS	Services	Ship Management	Continuing operations
Net sales	54	1	37	**92**
EBITDA	-26	0	-3	**-29**
Result before tax	-85	0	-3	**-88**
Total assets	2,721	0	0	**2,721**

Year to date MSEK	AHTS	Services	Ship Management	Continuing operations
Net sales	97	2	77	**176**
EBITDA	-56	-1	-3	**-60**
Result before tax	-158	-1	-3	**-162**
Total assets	2,721	0	0	**2,721**

There have been no significant transactions between the segments.

4. DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

Due to the decisions to discontinue the operations in the previous segments TransAtlantic and PSV the Group have recognized these segments as discontinued operations and assets held for sale, according to IFRS 5 Assets held for sale and discontinued operation, which means that these segments are reported as a one-line item in the consolidated profit and loss statements. Assets and liabilities related to the segments are also presented in two rows in the consolidated balance sheet. The consolidated cash flow statement is presented including the segments, but with additional information about cash-flow from current operation and investing- and financing activities of the discontinued segments. Comparative figures for prior periods are also presented in accordance with this classification in the consolidated profit and loss statement and cash-flow statement.

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

Segment TransAtlantic

During 2016 it was decided to discontinue the remaining operations in the subsidiary TransAtlantic AB. At the end of Q3 2016 the Group assessed that discontinuation was likely to be completed within the next 12 months.

The remaining operations, classified as discontinued operations and assets held for sale, comprised at the end of the second quarter 2018 of three small bulk vessels bareboat-chartered by TA AB from a company in which TA AB owns 38% of the shares. The vessels are chartered out on a time-charter.

Segment PSV

The market for PSV vessels has during the first half year 2018 continued to be very soft. Based on the vessels being laid up for a long period, the continuous weak market, and the within foreseeable future poor market outlook for the segment, it was during the second quarter 2018 decided to sell all five PSV-vessels.

Viking Supply Ships has during the second quarter entered into an agreement to sell the three medium sized PSV-vessels Freyja Viking, Nanna Viking and and Sol Viking. The vessels were delivered to the new owner in August 2018. By reason of the sale of the three vessels an impairment loss of MSEK 172 (MUSD 19.7) was recognized on the PSV-fleet during the second quarter. The sale will have no impact on the Group´s liquidity (for further information see note 2 and 5).

Q2

CONSOLIDATED INCOME DISCONTINUED OPERATIONS

	Q2 2018			Q2 2017			Q1-2 2018			Q1-2 2017			Q1-4 2017		
(MSEK)	*TA*	*PSV*	*Total*	*TA*	*PSV*	*Total*	*TA*	*PSV*	*Total*	*TA*	*PSV*	*Total*	*TA*	*PSV*	*Total*
Net sales	9	0	9	13	0	13	17	0	17	25	0	25	50	0	50
Other operating revenue	-10	-2	-12	-14	-1	-15	-18	-5	-23	-27	-5	-32	-51	-11	-62
Deprecitations / write-downs	0	-175	-175	0	-2	-2	0	-176	-176	0	-4	-4	0	-59	-59
Operating result	**-1**	**-177**	**-178**	**-1**	**-3**	**-4**	**-1**	**-181**	**-182**	**-2**	**-9**	**-11**	**-1**	**-70**	**-71**
Net financial items	2	-4	-2	0	-5	-5	1	-10	-9	0	-9	-9	-1	-18	-19
Result before tax	**1**	**-181**	**-180**	**-1**	**-8**	**-9**	**0**	**-191**	**-191**	**-2**	**-18**	**-20**	**-2**	**-88**	**-90**
Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RESULT FROM DISCONTINUED OPERATIONS	**1**	**-181**	**-180**	**-1**	**-8**	**-9**	**0**	**-191**	**-191**	**-2**	**-18**	**-20**	**-2**	**-88**	**-90**
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):															
-Result from discontinued operations [1]			-19.3			-2.4			-21.4			-5.1			-22.1

1) Retroactive adjustment of key ratios has been made as a result of the reverse share split (1:100) implemented in January 2018.

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

	Q2 2018			Q4 2017		
(MSEK)	*TA*	*PSV*	*Total*	*TA*	*PSV*	*Total*
Other tangible fixed assets	0	157	157	0	0	0
Intangible fixed assets	1	0	1	1	0	1
Financial assets	10	0	10	9	0	9
Total fixed assets	**11**	**157**	**168**	**10**	**0**	**10**
Current assets	2	26	28	5	0	5
ASSETS HELD FOR SALE	**13**	**183**	**196**	**15**	**0**	**15**
Current liabilities	2	4	6	3	0	3
LIABILITIES RELATED TO ASSETS HELD FOR SALE	**2**	**4**	**6**	**3**	**0**	**3**

CASH-FLOW FROM DISCONTINUED OPERATIONS

	Q2 2018			Q2 2017			Q1-2 2018			Q1-2 2017			Q1-4 2017		
(MSEK)	*TA*	*PSV*	*Total*	*TA*	*PSV*	*Total*	*TA*	*PSV*	*Total*	*TA*	*PSV*	*Total*	*TA*	*PSV*	*Total*
Cash flow from current operations	0	-2	-2	0	-7	-7	2	-5	-3	-1	-10	-11	-4	-18	-22
Cash flow from investing activities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash flow from financing activities	0	0	0	0	0	0	2	0	2	0	21	21	0	17	17
NET CASH FLOW FROM DISCONTINUED OPERATIONS	**0**	**-2**	**-2**	**0**	**-7**	**-7**	**4**	**-5**	**-1**	**-1**	**11**	**10**	**-4**	**-1**	**-5**

5. INTEREST BEARING LIABILITIES

The vessels owned by the Group are financed through bank loans with pledge in the vessels. Further securities have been given in the form of pledge in revenue and insurance policies. The total interest-bearing debt at the end of the quarter was MSEK 1,935 (1,748 on Dec 31, 2017). The increase of the interest-bearing debts relates to the weakened SEK to USD and accrued interests for the first half-year added to the debt.

As part of the in January 2018 concluded financial restructuring the following has taken place in terms of the interest bearing liabilities:

- Viking Supply Ships A/S loan facilities are as currently due 31 March 2020.
- Viking Supply Ships A/S loan facilities will carry significant less cash interest and instalments until maturity on 31 March 2020. Limited cash interest and instalments will be paid until Q4 2018.
- Financial covenants on the loan facilities are amended to provide Viking Supply Ships A/S with ample room to operate under the present challenging market conditions.

- Cash at hand exceeding a certain level will through a cash sweep mechanism be distributed as repayment of the bank facilities.

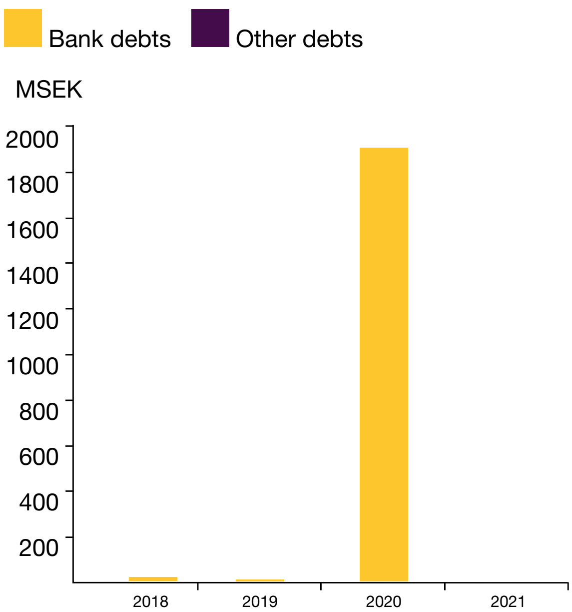
The proceeds up to MSEK 135 (MUSD 15) from the sale of the PSV-vessels will according to agreement with the lenders be held on a blocked bank account. These funds will at request from Viking Supply Ships be available against new issued shares in Viking Supply Ships AB. The part of the sales proceeds exceeding MSEK 135 (MUSD 15) will be used to repay PSV related bank debts. The loan residual, after any repayments, will remain in the company with mortgages in remaining vessels.

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

5.1. Classification by type of debt

MSEK	Q2 2018	Q2 2017	Q4 2017
Long-term debt to credit institutions	1,928	1,708	-
Short-term debt to credit institutions	7	65	1,715
Other short term interest liabilities	-	-	33
TOTAL INTEREST BEARING LIABILITIES	**1,935**	**1,773**	**1,748**

5.2. Debt maturity



6. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents available at the end of the Q2 amounted to MSEK 78 (71). The cash assets include client funds of MSEK 30 (17)

MSEK	Q2 2018	Q2 2017	Q4 2017
Free cash and cash equivalents	78	71	34
TOTAL	**78**	**71**	**34**

7. OPERATIONAL AND FINANCIAL RISK

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

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

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

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

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

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

8. OTHER INFORMATION

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

Corporate tax
The general situation for the Group is that taxes payable are limited to foreign entities. The tax losses carry forward for Swedish entities amounted at end of the period to MSEK 1,058 (1,057 on Dec 31, 2017). There are no tax assets capitalized in the balance sheet related to these tax losses carry forward. The recognized deferred tax liability for the operations outside Sweden amounted to MSEK 0 (0 on Dec 31, 2017).

Transactions with closely related parties
The Group has entered into a long-term bareboat charter agreement with a subsidiary to Kistefos AS, Odin Viking SPV AS, in relation to hire of the AHTS vessel Odin Viking. The nominal minimum lease hire payments including accrued unsettled bareboat charter hires of MSEK 33, whereof 16 MSEK has arisen during the first half year 2018, amounts to MSEK 233 until expiry on 2 August 2024. As part of the financial restructuring agreement, this bareboat charter contract has been amended, please also see note 5. The Group has during the fourth quarter raised a short-term loan of 33 MSEK on marked conditions from a subsidiary to Kistefos AS, Viking Invest AS. The loan carried an interest-rate of 12 % and was repaid in January 2018. Kistefos AS has during the fourth quarter 2017, through consultancy agreements, made financial services available during the restructuring process for which a compensation of MSEK 7 has been set off as a part of the share issues in January 2018. Further Viking Invest AS has, as a part of the restructuring process, entered into a share subscription guarantee agreement. The compensation for this guarantee amounted to MSEK 1 and was set off as part of the share issues in January 2018.

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.

From 1 January 2018 Viking Supply Ships applies IFRS 9, Financial Instruments. The new standard has not entailed any significant change in the accounting of Viking Supply Ships financial assets. The new write-down model for accounts receivable involves fundamental differences in how and when a write-down of a customer receivable is reported. The new principles have no effect on the Group’s financial position, as credit losses have historically been very limited. The accounting of the Group’s financial liabilities consisting of mainly interest bearing liabilities, interest-rate derivatives recognized at fair value through profit or loss and other short-term liabilities have not been impacted by the new standard. The Group does not apply hedge accounting, whereby the Group is not affected by the new principles for hedge accounting.

Viking Supply Ships also applies IFRS 15 Revenues from agreements with customers from January 1, 2018. The majority of the Group's revenues consist of time-charter revenues from vessels. The revenues are recognized progressively after the performance commitment is transferred to the customer, which means no changes compared to the previous accounting principles. It is concluded that the new standard will not have a significant impact on the Group's revenue recognition. Due to the non-material effects of the new standard, no recalculation of previous periods has been carried out.

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

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

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

Number of employees
The average number of full time employees in the Group for Q2 was 320 (Jan-Dec 2017: 364).

Number of shares
Share distribution on 30 June, 2018:

Number of Series A shares	455,055
Number of Series B shares, listed	8,872,285
Total number of shares	**9,327,340**

Q2

DEFINITIONS

AHTS
Anchor Handling Tug Supply vessel

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

EBIT
Earnings before interest and taxes

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

EQUITY RATIO
Shareholders' equity divided by total assets

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

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

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

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

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

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

OSV
Offshore Support Vessels

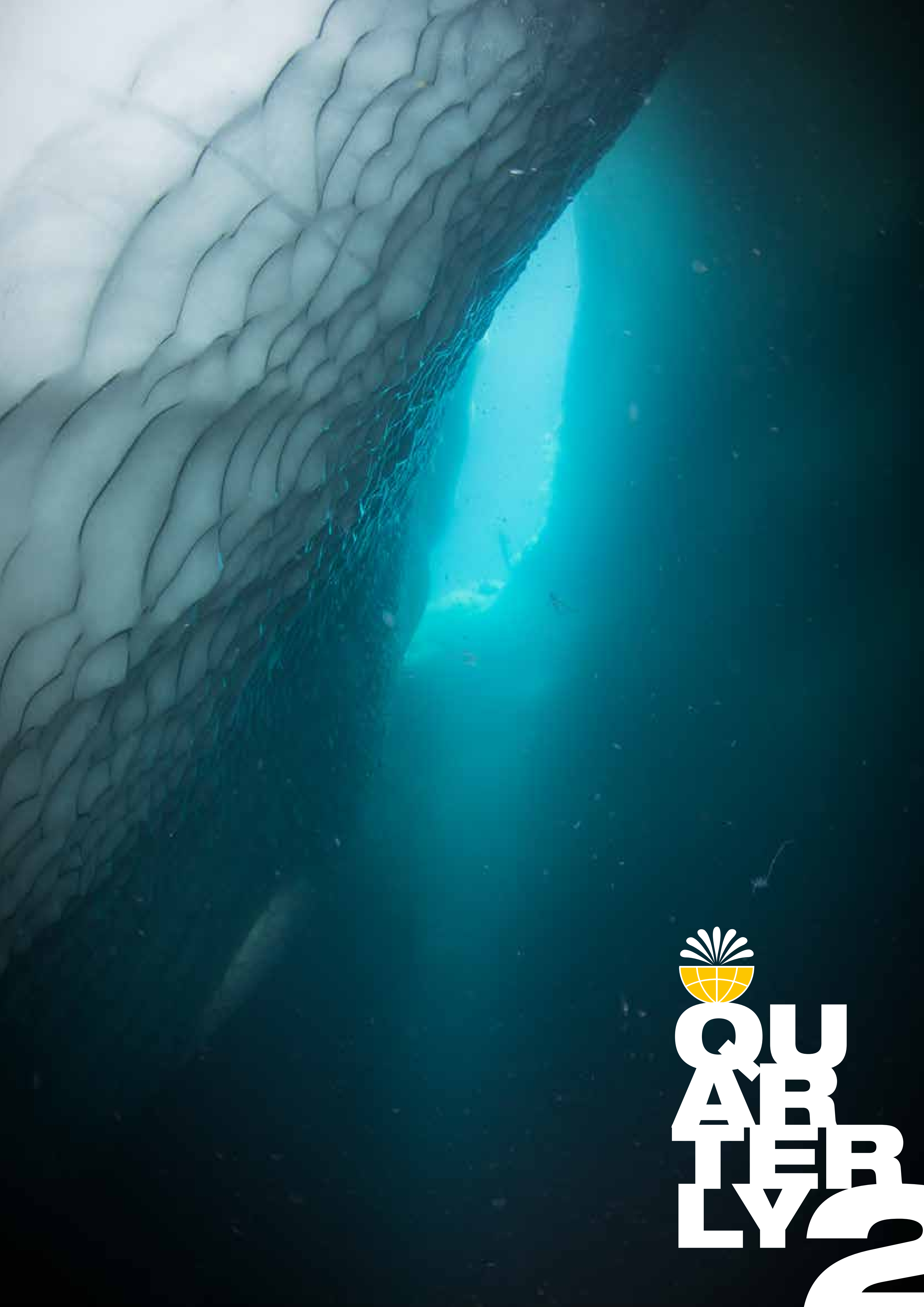
PROFIT MARGIN
Profit after financial items divided by net sales

PSV
Platform Supply Vessel

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

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

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