



Press release

27 April 2017

Release of Annual report in Viking Supply Ships AB (publ)

The group's net sales decreased year-on-year to MSEK 760 (1,114), net result after tax was MESK -406 (-440).

Quarter 1

- In February 2016 Magne Viking was certified according to the IMO Polar Code. The vessel, which was the first vessel globally to comply with the code, was approved by DNV GL.
- Due to a continued weak PSV market VSS A/S, in March 2016, decided to lay up the PSVs Sol and Freyja Viking with immediate effect. The decision was to reduce the company's operational costs going forward and to give a positive impact on the results from the second quarter of 2016.
- The subsidiary VSS A/S has from 1 January 2016 changed its functional currency from NOK to USD.
- In the fourth quarter of 2015 VSS A/S had initiated a dialogue with its lenders to secure a long-term stable financing solution. In February 2016 VSS A/S entered into a standstill agreement with its lenders, during which VSS A/S did not pay instalments to its lenders. This agreement expired on 26 April 2016, but VSS A/S continued to not fully service its debt obligations as they fell due.
- At the expiration and redelivery of two bareboat vessels in TA AB there was a residual value guarantee commitment for the Group in favor of the financing bank. The commitment amounted to a total of MSEK 63. The bank agreed that the payment could be postponed to no later than the third quarter 2016. Further, in a loan agreement within TA AB there was a loan-to-value clause that the bank had invoked and requested an instalment of MSEK 47. The bank agreed to give TA AB time to pursue opportunities to free up liquidity to reduce the loan.

Quarter 2

- In May 2016, VSS A/S agreed the main principles for a restructuring agreement with the bank lenders. The term sheet with these main principles was signed on 12 July 2016. In August 2016, VSS A/S reached an agreement with the bondholders' committee, representing a majority of the outstanding bonds, regarding a revised proposal for restructuring of the bond issue, and a bondholders' meeting was summoned. The senior lenders were all positive to the agreement with the bondholders.
- As an effect of the deteriorated market conditions within the oil & gas industry and as a measure to further strengthen the focus on cost efficiency within VSS A/S, the Management decided to close down the office in St. John's, Newfoundland with effect as of 28 April 2016. VSS A/S still considers Newfoundland and Eastern-Canada to be of strategic importance going forward and in the future, commercial activities towards the region will be followed up closely by dedicated personnel from the headquarter in Copenhagen and the chartering office in Kristiansand.
- On 9 June 2016, VSS A/S was informed that Norseman Offshore AS had filed an application for bankruptcy against VSS A/S with the Maritime and Commercial High Court in Copenhagen. However, on the 16 June 2016 the petition for bankruptcy against VSS A/S was withdrawn.
- Due to the challenging market conditions, VSS A/S recognized an impairment loss during the quarter of MSEK 145 related to the PSV fleet.

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- TA AB sold the two small bulk vessels TransAndromeda and TransCapricorn. The transaction, which was concluded in May 2016, brought positive cash effect of MSEK 24.
- After a short temporary leave Christian W. Berg returned to his position as CEO of VSS A/S.

Quarter 3

- In July 2016, the term sheet which had been agreed with the banks was signed. This marked a significant step towards the completion of the financial restructuring of VSS A/S.
- On 15 September 2016 a bondholders meeting was held. The proposed resolution obtained 98.26% of the votes, and the proposal was adopted according to the voting requirements of the Bond Agreement. According to the proposal, 50% of the outstanding par value of bonds was to be converted to quoted class B shares in VSS A/S' parent company, VSS AB, at SEK 1.5 per share, the bonds being valued at 55% of par. The remaining 50% of the outstanding bonds was to be redeemed in cash at a price corresponding to 35% of par.
- On 9 November 2016, Odin Viking SPV AS and VSS A/S concluded on an agreement to amend the terms in the bareboat charter party.
- In July 2016, VSS A/S received an early termination notice of the contract for the Ice-class 1A AHTS vessel Njord Viking. The vessel has been working for Eni Norge in the Barents Sea and has also been part of the extended towing-preparedness in the area on behalf of the Norwegian Coastal Administration. The vessel was according to the contract with Eni Norge firm until the end of 2016, with optional periods of 2 x 6 months thereafter. According to the contract VSS A/S was entitled to a termination fee of approximately USD 13.300/day for the remainder of the firm period. The termination represented a loss of income during the remaining firm period of the contract of MUSD 3.3 in 2016.
- During the quarter, Vidar Viking and Brage Viking completed their term contracts and returned to the spot market in the North Sea.
- Due to the challenging market conditions, VSS A/S recognized an impairment loss during the quarter of MSEK 55 related to the PSV fleet.
- In September 2016, Christian W. Berg stepped down as CEO of VSS AB. He took on various projects within VSS AB and acts as an advisor to the Board of Directors. At the same time, Chairman of the Board Bengt A. Rem, was appointed as interim CEO of VSS AB. Further, Folke Patriksson was appointed Chairman of the Board for as long as Bengt A. Rem was interim CEO. Bengt A. Rem continued on the Board as a board member.
- During 2016 it was decided to discontinue the remaining operations in the subsidiary TA AB in order to meet financing commitments related to these operations. The decision led to the initiations of discussions and negotiations with employees, partners and other stakeholders. At the end of the third quarter of 2016 the Group assessed that discontinuation was likely to be completed within the next 12 months, subject the outcome of the ongoing discussions and negotiations. Due to this, the Group in its financial reports as from the third quarter of 2016 recognized TA AB as discontinued operations and assets held for sale, according to IFRS 5 Assets Held for Sale and Discontinued Operations. The discontinuing of the operations in TA AB will enable the Group to fully focus on its offshore operations.
- During the third quarter of 2016 an agreement was entered into for the sale of the RoRo-vessel TransReel, which was delivered to its new owners in October 2016. The sale was expected to give a positive result of MSEK 10 in the fourth quarter, but as the funds were to be used to cover amortizations of vessel loans it was not expected to have any liquidity effect.

Quarter 4

- On 21 November 2016, Odin Viking SPV AS and VSS A/S entered into an agreement to amend the terms in the bareboat charter party.
- During the quarter, all of the share issues that form part of the Group's financial restructuring were completed. VSS AB has received new capital in the amount of MSEK 340 net after expenses. MSEK 43 of the capital increase was received after the end of the quarter.
- According to the restructuring agreement made with the owners in FRN VSS A/S Senior Unsecured Open Bond Issue 2012/2017, 50% of the outstanding par value of bonds was to be converted to quoted class B shares in VSS A/S' parent company, VSS AB, at SEK 1.5 per share, the bonds being valued at 55% of par. The remaining 50% of the outstanding bonds was

to be redeemed in cash at a price corresponding to 35% of par. The settlement by way of cash redemption and the set-off equity issue in VSS AB was completed on 12 January 2017, with the bond being delisted from Nordic ABM as of the same date.

- As a part of the restructuring agreement, all loans in VSS A/S previously denominated in NOK and GBP were converted to USD during the quarter.
- VSS A/S decided to re-flag its DIS-flagged vessels to Norway under NOR-flag. This is assumed to reduce operational expenses and improve VSS A/S' commercial and operational platform going forward, by giving the company increased access to the important Norwegian market. VSS A/S has during January 2017 been in dialogue with unions and crew representatives, after which new contracts and terms have been presented to the crew. The flag-change process was expected to be completed within the first quarter of 2017.
- To explore future commercial opportunities in Russia and strengthen its footprint in the region, VSS A/S has entered into a strategic cooperation with Sevnor Ltd., a shipping and offshore company with extensive presence in the Russian offshore market. As a consequence, VSS A/S has decided to close down its own offices in Moscow and Sakhalin. Future operations will be run in cooperation between the company and Sevnor Ltd.
- The process to discontinue the remaining operations within TA AB continued during the fourth quarter. VSS AB, through its fully owned subsidiary TA AB, has during Q4 novated three long term bareboat charter agreements for the RoRo vessels TransPaper, TransPulp and TransTimber to Svenska Orient Linien (SOL) together with time charter agreements for the same vessels. The transaction had a positive effect on the profit and loss and liquidity during the quarter MSEK 17. Furthermore, TA AB concluded the agreement to sell the vessel TransFighter during the quarter. The sale had no effect on the profit and loss and no liquidity effect as the sales proceeds were fully utilized for amortization of vessel loans. The sale of TransReel, which also was concluded, gave a positive result of MSEK 10 in the fourth quarter, but as the funds were used to cover amortization of vessel loans it had no liquidity effect.
- During the quarter an impairment charge of MSEK 46 was recognized related to the PSV fleet.
- The Board of Directors of VSS AB appointed Mr. Trond Myklebust as Chief Executive Officer (CEO) of VSS AB. Mr. Myklebust will also act as CEO of VSS A/S, and has since late January been functioning as CEO in both companies. At the same time, interim CEO Bengt A. Rem stepped down as CEO and was reappointed Chairman of the Board. Former Chairman of the Board Folke Patriksson continued as Deputy Chairman.

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Viking Supply Ships AB is the parent company of a Swedish shipping group with its main office in Gothenburg, Sweden. The Group conducts its business in four segments: Anchor Handling Tug Supply ships (AHTS), Platform Supply Vessels (PSV), Services and Ship Management. The business is focused within offshore and ice-breaking primarily in Arctic and subarctic areas. The Group has approximately 500 employees and its revenue for 2016 amounted to MSEK 760. The Company's series B share is listed at Nasdaq Stockholm, Small Cap segment. For further information, please visit: www.vikingsupply.com.

This information is information that Viking Supply Ships AB is obliged to make public pursuant to the Securities Markets Act. The information was submitted for publication at 08:30 CET on 27 April 2017.