

**VIKING SUPPLY SHIPS AB
(PUBL)**

INTERIM REPORT

Q4

2019



VIKING SUPPLY SHIPS

MORE
THAN A SHIPOWNER

THE
COOLEST
PLACE TO WORK

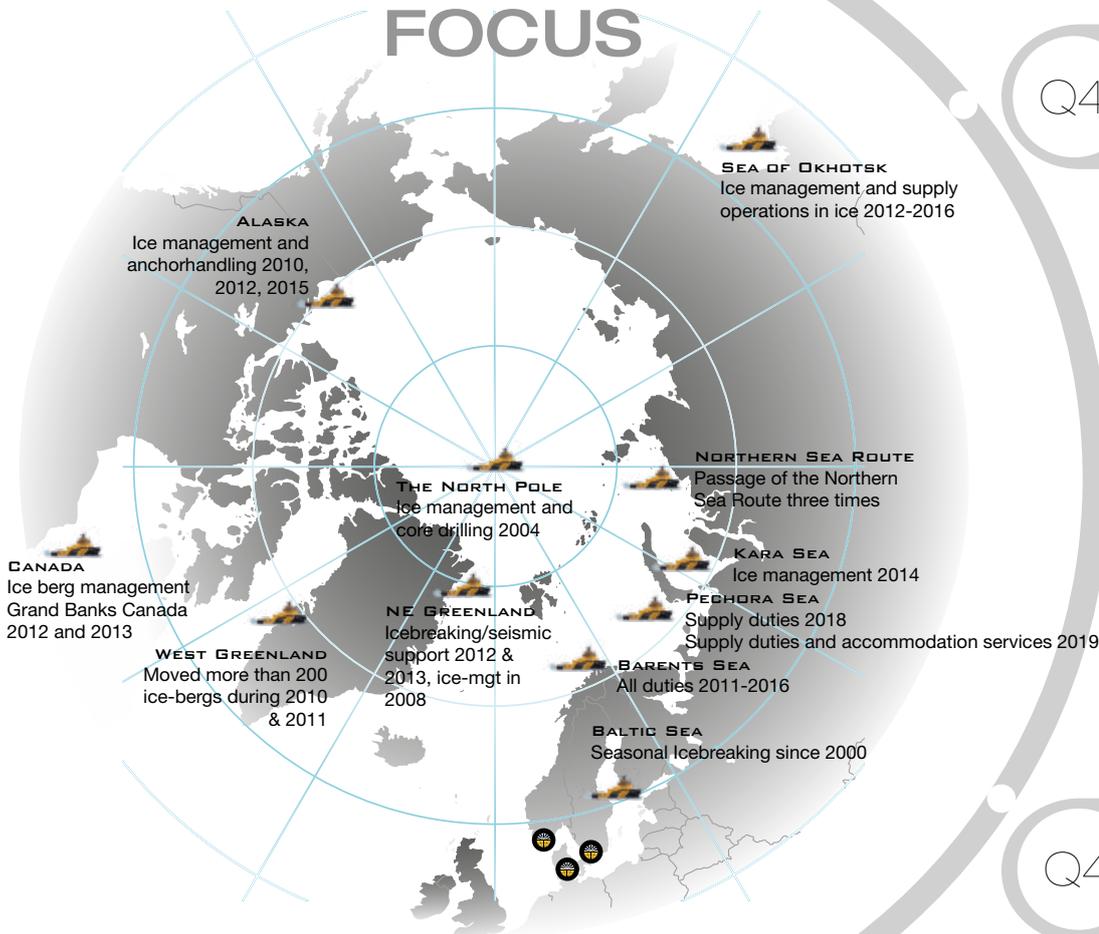
ALWAYS AHEAD OF
COMPETITION

Q4

Q4

REVENUE
MSEK 156 (52)
 YTD: MSEK 504 (300)

ARCTIC FOCUS



Q4

EBITDA
MSEK 63 (-51)
 YTD: MSEK 114 (2,382)

Q4

RESULT FOR THE PERIOD
MSEK 55 (-123)
 YTD: MSEK 52 (1,751)

Q4

EARNINGS PER SHARE AFTER TAX
SEK 5.9 (-13.2)
 YTD: SEK 5.5 (191.7)

Viking Supply Ships AB (publ) is a Swedish shipping company with headquarter in Gothenburg, Sweden. Viking Supply Ships AB (publ) is organized into three segments: Anchor Handling Tug Supply vessels (AHTS), Services as well as Ship Management. The operations are focused on offshore and icebreaking primarily in Arctic and subarctic areas. The company has in total about 300 employees and the turnover in 2019 was MSEK 504. The company's B-share is listed on NASDAQ OMX Stockholm, segment Small Cap, www.vikingsupply.com.

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CEO STATEMENT

The financial net result improved by MSEK 178 from MSEK (-123) in the corresponding period in 2018 to MSEK 55 in the fourth quarter of 2019. Revenue increased to MSEK 156 (52) for the quarter, which was in line with the previous quarter. EBITDA is positive for the quarter at MSEK 63 (-51). For the full year 2019, revenue from continuing operations was MSEK 504, which is a significant improvement of the corresponding figure for 2018 (300). EBITDA for the full year 2019 was MSEK 114, while the net result was MSEK 52. Both EBITDA and net result are significant improvements of corresponding figures in 2018, when adjusting for the sale of Tor, Balder and Vidar.

Although the activity during the winter season usually is reduced, resulting in lower utilization and fixture rates, the North Sea activity remained relatively stable in the last quarter of 2019. The market was impacted by periods of poor weather conditions, which caused delays and reduced weather windows, meaning that both rates and utilization in the North Sea AHTS market remained at healthier levels. During the quarter, three of four AHTS vessels have been operating in the spot market, while Loke Viking was on a contract with GNS in the Pechora Sea for the entire period. Loke Viking was released just before the end of the quarter and has since been conducting periodic maintenance in Norway.

The North Sea PSV market was challenging throughout the quarter, especially in the UK sector. The Group did however succeed in obtaining a medium-term contract for the Defender, which at the moment is the only PSV in operation. The vessel, for which the Group has commercial and operational management, commenced the 6 months plus options contract in mid-November. The vessel has proved to work very well since entering the market earlier last fall.

In the beginning of Q4 the Group, as previously communicated, in partnership with funds managed by Borealis Maritime, entered into a contract to purchase two ice-classed PSV vessels currently under construction. In addition to the partial ownership, the Group has been awarded full operational and commercial management of the vessels. The yard is now well underway with the construction and equipping of the vessels, closely monitored by the Group's supervision team. The Group is looking forward to including the vessels in the fleet and are confident that the vessels will be successful additions to the high-end harsh environment PSV market. The vessels are expected to be delivered from the yard in Q4 2020 and Q1 2021, respectively.

OUTLOOK

The surge of activity in December has, combined with very challenging weather conditions in the North Sea, resulted in a slow start to 2020. The activity level during winter is usually volatile. However, with both Loke Viking and Brage Viking in-house for periodic maintenance during January and February, the Group expects that the revenue level will likely be lower than the previous quarter.

The activity in the OSV-segment will hopefully gradually improve throughout the year, backed by an increasing number of rigs in operation compared to previous years. As previously communicated, the market balance is still very fragile, with much weaker activity than expected and an uncertain future.

The Group is still working to secure term contracts in the Group's core regions, but the market for longer contracts is basically nonexistent.

Gothenburg, 13 February 2020.


Trond Myklebust
CEO and President

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FOURTH QUARTER

- Total revenue from continuing operations was MSEK 156 (52)
- EBITDA from continuing operations was MSEK 63 (-51)
- Result after tax including discontinued operations was MSEK 55 (-123)
- Result after tax per share including discontinued operations was SEK 5.9 (-13.2)

YEAR TO DATE

- Total revenue from continuing operations was MSEK 504 (300)
- EBITDA from continuing operations was MSEK 114 (2,382)
- Result after tax including discontinued operations was MSEK 52 (1,751)
- Result after tax per share including discontinued operations was SEK 5.5 (191.7)

SUMMARY OF EVENTS IN Q4

- EBITDA for Q4 from continuing operations was MSEK 63 (-51).
- The average fixture rate in Q4 was USD 45,100 (17,500) and the average utilization was 70% (39).
- Loke Viking has since May 2019 been on-hire to Gazprom for a medium term contract in the Pechora Sea. The contract was completed in late December, and the vessel has since been conducting periodical maintenance in Norway. The vessel is thereafter expected to return to the North Sea spot market.
- As previously communicated, The Group has in partnership with funds managed by Borealis Maritime, entered into a contract to purchase two ice-classed PSV vessels currently under construction. In addition to the partial ownership, the Group has been awarded full operational and commercial management of the vessels. The vessels are set to deliver from the shipyard in Q4 2020 and Q1 2021 respectively.

KEY FINANCIALS	Q4 2019	Q4 2018
Net sales, MSEK ¹⁾	156	52
EBITDA, MSEK ¹⁾	63	-51
Result after tax, MSEK ²⁾	55	-123
Earnings per share after tax, SEK ²⁾	5.9	-13.2
Shareholders' equity per share, SEK ²⁾	218.1	318.2
Return on equity, % ²⁾	10.7	-16.6
Equity ratio, % ³⁾	95.1	70.1
Market adjusted equity ratio, % ³⁾	95.0	69.8

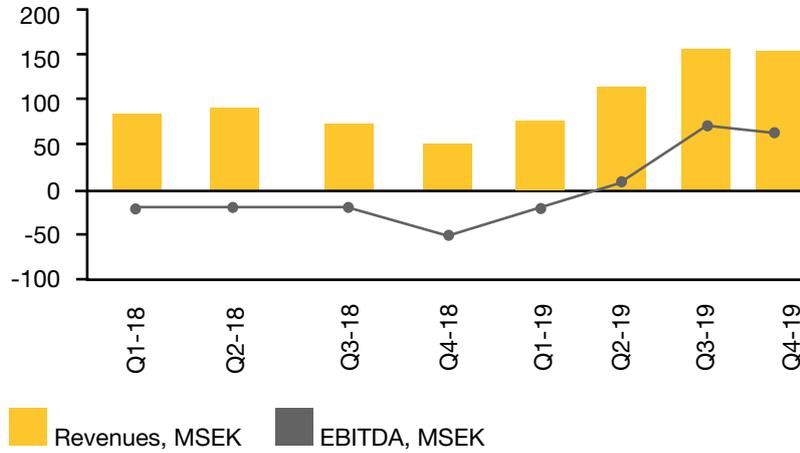
1) Excludes discontinued operations

2) Includes discontinued operations

3) The calculation includes assets held for sale

Q4

FINANCIAL DEVELOPMENT CONTINUING OPERATIONS



RESULTS AND FINANCE

RESULTS YEAR TO DATE 2019

Total revenue for the Group was for continuing operations MSEK 504 (300).

The Group's EBITDA from continuing operations was MSEK 114 (2 382).

Net financial items were for continuing operations MSEK 26 (-110). The amount includes positive exchange differences of MSEK 22.

The Group's result after tax including discontinued operations was MSEK 52 (1,751).

OPERATIONAL HIGHLIGHTS FOR THE FOURTH QUARTER

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

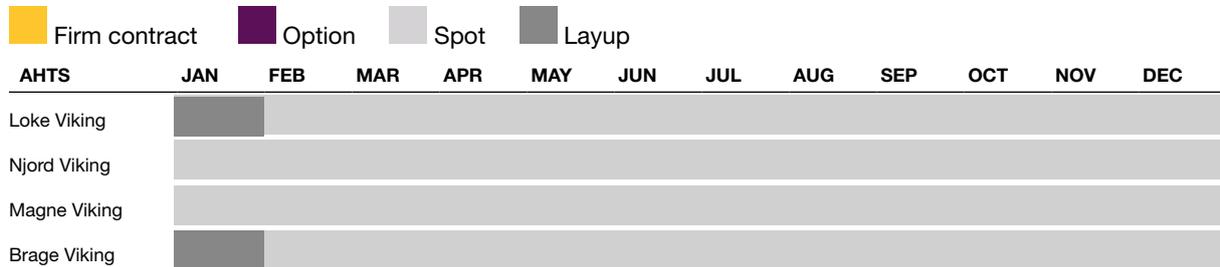
Total AHTS revenue was MSEK 115 (16) in Q4 and EBITDA was MSEK 64 (-52).

During Q4, three vessels have been operating in the North Sea spot market. Loke Viking has for the whole quarter been on a medium term charter with Gazprom in the Pechora Sea. Loke Viking is currently undergoing periodical maintenance.

The positive trend from Q3 continued into the last quarter of the year, and although utilization levels were in general impacted by periods with bad weather, the revenue levels increased significantly compared to corresponding period in 2018.

AHTS Q4	Fixture rates (USD)	Utilization (%)
AHTS vessels on term charters	36,600 (-)	97 (-)
AHTS vessels on the spot market	49,600 (17,500)	61 (39)
Total AHTS fleet	45,100 (17,500)	70 (39)





Figures in the tables are as of 31 December 2019.

SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 41 (36) in Q4. Total EBITDA was MSEK -1 (1). Viking Ice Consultancy (VIC) has during the fourth quarter continued the work on several smaller consultancy contracts, with focus on ice management and implementation of the Polar Code.

Defender, the vessel the Group operates on behalf of Vard, entered in November into a contract with Total DK for a duration of 6 months plus options. The segment is also responsible for new build supervision of the two PSVs which the Group has part-ownership in. The construction is going according to schedule.

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

DISCONTINUED OPERATIONS

For information regarding the previous segments TransAtlantic AB, PSV and the ordinary AHTS vessel Odin Viking, see note 4, Discontinued operation and assets held for sale.

FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the year, the Group's equity amounted to MSEK 2,034. The equity decreased during the year by net MSEK 934 due to the dividend of MSEK 1,082, the profit for the period of MSEK 52 and a positive change in the translation reserve of MSEK 96 attributable to currency differences on net investments in subsidiaries. Further information can be found in section "Changes in the Group's shareholders' equity" on page 10.

Gross investments during the year amounted to MSEK 84 (112) which consisted of investments in vessels of MSEK 24 mainly related to the upgrade of Loke Viking, capitalized docking expenses of 8 MSEK, investments in an associated company of 30 MSEK and financial fixed assets of MSEK 22 consisting of restricted cash deposits.

The divestments during the year amounted to MSEK 201. In January 2019 Idun Viking was sold, and the sale proceeds, net after sales expenses, was MSEK 22. During the second quarter all the remaining restricted cash deposits of MSEK 136 (14,5 MUSD), which were classified as fixed financial assets, were released and used to settle all outstanding financial lease debts related to Odin Viking. In September 2019 Odin Viking was sold, and the sale proceeds, net after sales expenses, was MSEK 43.

The Group has, in accordance with the restructuring agreement with its creditors, repaid all of its bank debts which have resulted in the Group becoming debt-free. The total loan amortizations during the first half year amounted to MSEK 1,124 (1,255), including settlement of the financial lease debt related to Odin Viking of MSEK 245 (MUSD 26.1).

The Annual General Meeting resolved that a dividend of SEK 116 per share, total MSEK 1 082, should be distributed to the shareholders. The dividend was in accordance with the resolutions distributed to the shareholders on 13 March 2019.

For further information of the Group's financial position see note 6, Interest bearing liabilities and note 7, Cash and cash equivalents.

Viking Supply Ships AB is obliged to publish this report in accordance with the Swedish Securities Act and/ or the Swedish Financial Instruments Trading Act. This report has been prepared in both Swedish and English versions. In case of variations in the contents between the two versions, the Swedish version shall govern. This report was submitted for publication at 8:30 am (CET) on 13 February, 2020.

The undersigned certify that the interim report gives a true and fair picture of the Group's financial position and results, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Board of Directors will propose to the Annual General Meeting that no dividend shall be distributed for the fiscal year 2019.

This interim report is unaudited.

Gothenburg, 13 February 2020

Viking Supply Ships AB

Bengt A. Rem
Chairman

Folke Patriksson
Deputy chairman

Erik Borgen
Board member

Håkan Larsson
Board member

Magnus Sonnorp
Board member

Trond Myklebust
CEO

Christer Lindgren
Employee representative

FINANCIAL CALENDAR 2020

1 April Annual General Meeting

INVESTOR RELATIONS

Please contact CFO, Morten G. Aggvin, ph. +47 41 04 71 25

The interim report is available on the company's website: www.vikingsupply.com

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MSEK)	<i>Note</i>	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Net sales	2	156	52	504	300
Other operating revenue		0	-11	0	2,485
Direct voyage cost		-12	-6	-39	-27
Personnel costs		-64	-66	-285	-279
Other costs		-17	-20	-66	-97
Depreciation/impairment	3	-23	-17	-76	-108
Operating result		40	-68	38	2,274
Net financial items		15	-45	26	-110
Result before tax		55	-113	64	2,164
Tax	9	0	2	0	-1
Result from continuing operations	4	55	-111	64	2,163
Result from discontinued operations	5	0	-12	-12	-412
Result for the period		55	-123	52	1,751
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):					
-Result from continuing operations		5.9	-11.8	6.8	236.9
-Result from discontinued operations		0.0	-1.4	-1.3	-45.2
Total		5.9	-13.2	5.5	191.7

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MSEK)	<i>Note</i>	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Result for the period		55	-123	52	1,751
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
Items that later can be restored to the income statement					
Change in translation reserve, net		-90	80	96	124
Other comprehensive income		-90	80	96	124
Total comprehensive income for the period		-35	-43	148	1,875

CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q4 2019	Q4 2018
Intangible assets		1	0
Vessels	3	1,728	1,708
Value-in-use assets	9	8	0
Other tangible fixed assets		0	0
Financial assets		40	122
Total fixed assets		1,777	1,830
Other current assets	7	363	2,310
Assets held for sale	5	0	94
Total current assets		363	2,404
TOTAL ASSETS	4	2,140	4,234
Shareholders' equity		2,034	2,968
Long-term liabilities	6	13	896
Other current liabilities	6	93	106
Liabilities related to assets held for sale	5	0	264
Total current liabilities		93	370
TOTAL EQUITY, PROVISIONS AND LIABILITIES		2,140	4,234

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Cash flow from operations before changes in working capital		50	-10	112	-148
Changes in working capital		16	-136	82	-110
Cash flow from current operations		66	-146	194	-258
Cash flow from investing activities		-32	-107	52	3,224
-whereof acquisitions		-32	-112	-84	-112
-whereof divestments		-	5	136	3,336
Cash flow from financing activities		-5	182	-1,964	-528
-whereof changes in loans		-5	182	-882	-648
-whereof dividends		-	-	-1,082	-
Changes in cash and cash equivalents from continuing operations		29	-71	-1,718	2,438
Cash-flow from discontinued operations:					
Cash flow from current operations		0	-6	-6	-32
Cash flow from investing activities		0	19	65	94
Cash flow from financing activities		0	-3	-242	-428
Changes in cash and cash equivalents from discontinued operations	5	0	10	-183	-366
Cash and cash equivalents at beginning of period		201	2,138	2,083	34
Exchange-rate difference in cash and cash equivalents		11	6	59	-23
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	241	2,083	241	2,083

CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Equity at beginning of period		2,069	3,011	2,968	971
New Share Issue, net after expenses		-	-	-	121
Dividend		-	-	-1,082	-
Total comprehensive income for the period		-35	-43	148	1,875
SHAREHOLDERS' EQUITY AT END OF PERIOD		2,034	2,968	2,034	2,968

Share capital (MSEK)	Note	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Share capital at beginning of period		410	410	410	410
Reduction to unrestricted reserve		-	-	-	-307
New share issue		-	-	-	131
Bonus issue		-	-	-	176
Share capital at end of period		410	410	410	410

Number of shares ('000)	Note	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Number of outstanding shares at beginning of period		9,327	9,327	9,327	409,593
Number of new shares issued		-	-	-	523,141
Reversed split		-	-	-	-923,407
Total number of shares at end of period		9,327	9,327	9,327	9,327
Average number of shares outstanding		9,327	9,327	9,327	9,127

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

DATA PER SHARE

(SEK)	Note	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
EBITDA ²⁾		6.7	-5.4	12.3	260.9
Result after tax (EPS) ¹⁾		5.9	-11.8	6.8	236.9
Equity ²⁾		218.1	318.2	218.1	318.2
Operating cash flow ²⁾		2.8	-9.1	9.4	-23.4
Total cash flow ¹⁾		3.1	-8.6	-181.7	267.1

1) Calculated on continuing operations

2) The calculation includes assets held for sale

PARENT COMPANY

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

The Parent Company's result after tax for the year was MSEK 302 (1 661). The financial net includes dividends from TransAtlantic AB of MSEK 11, dividends from Viking Supply Ships A/S of MSEK 1,052, write-down of shares in subsidiaries of MSEK 764, group contributions of MSEK 6 submitted, and exchange gains of MSEK 9.

At the end of the year the Parent Company's equity was MSEK 2,006 (2,787 on Dec 31, 2018), and total assets were MSEK 2,051 (2,828 on Dec 31, 2018). The equity was during the year affected by the dividend of MSEK 1,082 and the profit for the period of MSEK 302.

The equity ratio was at the end of the year 98 % (99 % on Dec 31, 2018). Cash and cash equivalents at the end of the year was MSEK 1 (0 on Dec 31, 2018).

PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Net sales		2	2	11	8
Personnel costs		0	0	-4	0
Other costs		-2	-3	-7	-9
Operating result		0	-1	0	-1
Net financial items		-29	0	302	1,662
Result before tax		-29	-1	302	1,661
Tax on result for the year		-	-	-	-
RESULT FOR THE PERIOD		-29	-1	302	1,661
<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
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-29	-1	302	1,661

PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q4 2019	Q4 2018
Financial fixed assets		2,051	2,817
Current assets		6	11
TOTAL ASSETS		2,057	2,828
Shareholders' equity		2,006	2,787
Provisions		4	5
Long-term liabilities		7	10
Current liabilities		40	26
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		2,057	2,828

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Equity at beginning of period	2,036	2,788	2,787	1,005
New share issue	-	-	-	121
Dividend	-	-	-1,082	-
Total comprehensive income for the period	-29	-1	302	1,661
SHAREHOLDERS' EQUITY AT END OF PERIOD	2,006	2,787	2,006	2,787

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. LIQUIDITY AND GOING CONCERN

In order for the Group to have sufficient liquidity and equity to get through the challenging market situation, the Group has during the three last years completed comprehensive restructuring programs, including cost reducing efforts which includes lay-up of vessels, bond delisting, renegotiation and subsequent repayment of existing loan facilities and charter agreements, new share issues and sale of vessels. These measures, and the sale of vessels carried out during 2018 and 2019, have significantly improved the Group's financial position, both by reducing outstanding debts to zero and improved liquidity.

The Group continues to operate in highly competitive markets, and the operation is exposed to various operational and financial risks. Viking Supply Ships maintains a positive long term outlook for the offshore industry and is of the opinion that there will be increasing activity in the arctic and subarctic regions during the next few years. Based on the result expectations, the Group's strong financial situation, the current risks and a continued belief in securing contracts within the core market segment, the Board of Directors and Management have concluded that both the company and the Group will be able to continue as going concern at least until 31 December 2020. This conclusion is based on Management's assessment of the current outlook for 2020 and the uncertainties and risks described in this report.

2. REVENUES FROM CONTRACTS WITH CUSTOMERS

(MSEK)	Note	Q4 2019	Q4 2018	Q 1-4 2019	Q 1-4 2018
Time charter revenues ¹⁾		106	38	324	144
ROV charter revenues ¹⁾		7	0	22	3
Mobilisation/demobilisation fees ¹⁾		0	1	1	4
Meals/accomodation onboard ¹⁾		1	0	3	1
Consultancy fees ²⁾		3	1	8	3
Reinvoiced costs ³⁾		39	37	146	145
TOTAL		156	52	504	300

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

2) The revenues are attributable to the Services- and Ship management segments.

3) The revenues are mainly attributable to the Ship management segment.

Time charter revenues

Time charter means that the ship owner grants the rights of disposal of the vessel to a charterer for a certain period and within certain agreed frameworks. The scope of the time charter is determined by the contract entered into and may include everything from short periods such as occasional days up to long term contracts that run for several years. Depending on the type of vessel, the agreement also determines if it is goods to be transported, towing or anchor handling to be carried out, as well as in which parts of the world the vessel is to operate. The charterer pays the time charter hire to the ship owner, which is a rental fee to be paid per a certain time unit. The decisive factor is what has been agreed upon, but a usual occurrence is per calendar month and that payment must be made in advance, or per day for shorter contract periods. The time charter parties mean that the Group negotiates a fixed day rate for the vessels, commonly for an unspecified period. Normally, the time period is defined to include a range that specifies the minimum and maximum number of days, which is ultimately determined by the charterer based on the actual time spent in having the work done. The above is also applicable to the cases where RoV equipment is rented out, see below.

ROV charter revenues

In some cases of long-term time charter contracts, the vessels may need to be adapted to the needs of the charters, eg equipped for towing or supplemented with ROV (Remote Operated Underwater Vehicle). The costs of such adaptations, or the hiring of supplementary equipment, are normally charters expenses. Otherwise, revenue recognition of leased ROV equipment takes place on the same principles as time charter revenue, as described above.

Mobilisation/demobilisation 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.

During 2019, the useful life for the remaining advanced ice-classed AHTS vessels has been reassessed and adjusted, which has meant that it has been increased from 25 years to 30 years, which is within the framework of the Group’s previously adopted accounting principles, which indicate a useful life in the range 25-30 years. The change has been the result of experience from previous and remaining vessel holdings, technical status of remaining vessels, market demand and analysis of industry practice. The changes have been applied as of January 1, 2019. Overall, the changed useful life and the effect of reconsidered residual values have no significant impact on the annual depreciation.

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 2019 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% (2018: 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 independent shipbrokers on a quarterly basis.

Conclusion Impairment test AHTS vessels with ice-class in 2019

In Q4 2019 Management evaluated the AHTS fleet with ice-class and concluded that the vessels are not to be impaired. The value in use calculations prepared for the AHTS fleet amounts to MSEK 1,742, which exceeds the book value of MSEK 1,728. The impairment test also consists of an assessment of average external vessel valuations, less cost to sell, from three independent shipbrokers showing a total fleet value of MSEK 1,704 (ranging from MSEK 1,538 to MSEK 1,820).

4. SEGMENT INFORMATION ABOUT CONTINUING OPERATIONS

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

- The segment AHTS with ice-class comprise 4 offshore vessels that are equipped for and have the capacity to operate in areas with harsh environment. All vessels are also equipped and classed to operate in Arctic areas.
- The segment Services provides ice management services and logistical support in the Arctic regions.
- The segment Ship Management is involved in commercial management of five icebreakers owned by the Swedish Maritime Administration and one PSV vessel owned by an external ship-owner.

For information about the previous segments TransAtlantic, PSV and the ordinary AHTS vessel (Odin Viking), which in this financial report are classified as discontinued operations and assets held for sale, see note 5.

Q4 MSEK	AHTS		Services		Ship Management		Continuing operations	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales	115	16	1	1	40	35	156	52
EBITDA	64	-52	0	-1	-1	2	63	-51
Result before tax	57	-114	-1	-1	-1	3	55	-112
Total assets	2,100	4,100	1	1	39	40	2,140	4,141

Year to date MSEK	AHTS		Services		Ship Management		Continuing operations	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales	351	154	4	3	149	143	504	300
EBITDA	118	2,388	1	-3	-5	-3	114	2,382
Result before tax	70	2,171	0	-3	-6	-3	64	2,165
Total assets	2,100	4,100	1	1	39	40	2,140	4,141

There have been no significant transactions between the segments.

5. DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

Due to the decisions to discontinue the operations in the previous segments TransAtlantic, PSV and ordinary AHTS vessel (Odin Viking) the Group has 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.

Segment TransAtlantic

It was during 2016 decided to discontinue the remaining operations in the subsidiary TransAtlantic AB. The remaining three vessels were sold during H2 2018. All operations within the previous segment TransAtlantic are thereby concluded.

Segment PSV

It was during Q2 2018 decided to sell the five PSV vessels which also implied to recognize the segment according to IFRS 5 assets held for sale and discontinued operations. Four of the vessels were sold during H2 2018. The last remaining vessel, Idun Viking, was delivered to its new owners in January 2019.

AHTS vessels with no ice-class

The market for ordinary AHTS vessels has for several years been very poor. Odin Viking has as a consequence been in lay-up during the last four years. A decision to sell the vessel was taken during the fourth quarter 2018. The decision implies that the vessel in accordance with IFRS 5 Assets held for sale and discontinued operations has to be measured at the lower of carrying amount and fair value less costs to sell (for further information see note 2). Odin Viking was a bareboat chartered vessel, for which the terms in the bareboat charter agreement was renegotiated as a part of the financial restructuring and consequently during 2018 reassessed to be a financial lease agreement in accordance with IFRS 16 Leases. The nominal minimum lease fee agreed was TUSD 10/day until expiry on 2 August 2024. The restructuring agreement included a call option, under which Viking Supply Ships could acquire Odin Viking for USD 1, against paying a termination compensation consisting of accrued and remaining charter-hire under the agreement. To enable an external sale of the vessel the call option in the bareboat agreement was used in mid June to acquire Odin Viking. The acquisition was carried out by way of settling accrued bareboat hires and early payment of the remaining future lease obligations, total MSEK 245 (MUSD 26.1). The external sale of the vessel was concluded in September 2019. The sales price amounted to MSEK 43. The vessel was previously owned by a subsidiary to Viking Supply Ships ABs majority shareholder Kistefos AS, for further information, see note 9.

CONSOLIDATED INCOME DISCONTINUED OPERATIONS

(MSEK)	Q4 2019				Q4 2018				Q1-4 2019				Q1-4 2018			
	TA	PSV	Odin	Total	TA	PSV	Odin	Total	TA	PSV	Odin	Total	TA	PSV	Odin	Total
Net sales	-	-	0	0	5	0	0	5	-	-	0	0	30	0	0	30
Personnel costs	-	-	0	0	0	-1	-1	-2	-	-	-1	-1	0	-1	-1	-2
Other costs	-	-	0	0	-6	-3	0	-9	-	-	-4	-4	-32	-31	-26	-89
Depreciations / write-downs	-	-	0	0	0	-1	-10	-11	-	-	-4	-4	0	-195	-147	-342
Operating result	-	-	0	0	-1	-5	-11	-17	0	0	-9	-9	-2	-227	-174	-403
Net financial items	-	-	0	0	5	0	0	5	-	-	-3	-3	6	-15	0	-9
Result before tax	-	-	0	0	4	-5	-11	-12	0	0	-12	-12	4	-242	-174	-412
Tax	-	-	0	0	0	0	0	0	-	-	0	0	0	0	0	0
RESULT FROM DISCONTINUED OPERATIONS	-	-	0	0	4	-5	-11	-12	0	0	-12	-12	4	-242	-174	-412
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):																
-Result from discontinued operations				0,0				-1,4				-1,3				-45,2

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

(MSEK)	Q4 2019				Q4 2018			
	TA	PSV	Odin	Total	TA	PSV	Odin	Total
Vessels	-	-	0	0	0	23	45	68
Intangible fixed assets	-	-	0	0	1	0	0	1
Financial assets	-	-	0	0	0	0	0	0
Total fixed assets	-	-	0	0	1	23	45	69
Current assets	-	-	0	0	1	23	1	25
ASSETS HELD FOR SALE	-	-	0	0	2	46	46	94
Long-term liabilities	-	-	0	0	0	0	152	152
Current liabilities	-	-	0	0	3	22	87	112
LIABILITIES RELATED TO ASSETS HELD FOR SALE	-	-	0	0	3	22	239	264

CASH-FLOW FROM DISCONTINUED OPERATIONS

(MSEK)	Q4 2019				Q4 2018				Q1-4 2019				Q1-4 2018			
	TA	PSV	Odin	Total	TA	PSV	Odin	Total	TA	PSV	Odin	Total	TA	PSV	Odin	Total
Cash flow from current operations	-	-	0	0	19	15	-40	-6	-	-	-6	-6	19	-11	-40	-32
Cash flow from investing activities	-	-	0	0	0	19	0	19	-	22	43	65	0	94	0	94
Cash flow from financing activities	-	-	0	0	-3	0	0	-3	-	-	-242	-242	0	-428	0	-428
NET CASH FLOW FROM DISCONTINUED OPERATIONS	-	-	0	0	16	34	-40	10	-	22	-205	-183	19	-345	-40	-366

6. INTEREST BEARING LIABILITIES

As a result of the sale of the ice-breakers, the financial position of the Group has significantly improved. On the basis of the changed situation the Group has, in accordance with the restructuring agreement entered into in January 2018 with its creditors, during H1 2019 repaid bank and leasing debts of total MSEK 1,118, which has resulted in the Group becoming free from bank debts. At the end of the year the interest-bearing liabilities entirely consisted of leasing debts related to value-in-use assets recognized according to IFRS 16 Leases. For further information see Note 9, Accounting policies.

The restructuring agreement implicated that sales proceeds up to MSEK 139 (MUSD 15) from the sale of the PSV-vessels had to be deposited on a restricted bank account. The proceeds from the sale of the five PSVs, total MSEK 134 (MUSD 14.5), was during the year released and used settling the lease debts related to Odin Viking, for further information see note 7, Cash and cash equivalents.

6.1. Classification by type of debt

MSEK	Q4 2019	Q4 2018
Long-term debt to credit institutions	-	885
Long-term financial lease debt	3	152
Short-term debt to credit institutions	-	-
Short-term financial lease debt	5	81
TOTAL INTEREST BEARING LIABILITIES	8	1,118

7. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents available at the end of the quarter amounted to MSEK 242 (2,083 on Dec 31, 2018), including client funds, used in the external ship management operation, of MSEK 22 (23 on Dec 31, 2018). All restricted cash holdings has during H1 been released and used to repayment of interest-bearing debts and lease debts related to Odin Viking. For further information, see note 6, Interest bearing liabilities.

MSEK	Q4 2019	Q4 2018
Restricted cash holdings	-	290
Cash and cash equivalents	242	2,083
TOTAL	242	2,373

8. OPERATIONAL AND FINANCIAL RISK

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

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

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

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

9. OTHER INFORMATION

Company information

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

Corporate tax

The general situation for the Group is that taxes payable is limited to foreign entities. The tax losses carry forward for Swedish entities amounted at end of the quarter to MSEK 1,070 (1,071 on Dec 31, 2018). 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, 2018).

Transactions with closely related parties

The previously approved restructuring agreement included a call option, under which Viking Supply Ships could acquire Odin Viking for USD 1 from Odin Viking SPV (a fully owned subsidiary to Viking Supply Ships AB's majority shareholder Kistefos AS), against paying a termination compensation consisting of accrued and remaining charter-hire under the agreement. The Group has in June 2019, as part of the decided external sale of Odin Viking, acquired the vessel by way of using this call option. The acquisition was carried out by way of settling accrued bareboat hires including interest and early payment of the remaining future bareboat hire obligations until expiry on 2 August 2024 (TUSD 10 per day). The total compensation for termination of the bareboat agreement amounts to MSEK 245 (MUSD 26.1), whereof accrued bareboat hires MSEK 69 (MUSD 7.3) and future bareboat hire obligations MSEK 176 (18.8).

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.

IFRS 16 Leases

As of January 1, 2019, Viking Supply Ships applies IFRS 16 Leases. The standard implies that the previous distinction between operational and financial leases has been removed, which means that in most cases the standard requires the recognition of an asset (the right to use the leased asset) and a financial liability (the obligation to pay rent) for the Group's leasing agreements. In addition, the operating cost is replaced by interest expense and depreciation, so that key figures, such as EBITDA, will change. Operational cash flows presented in the cash flow statement will be higher since payments relating to the nominal part of the lease liabilities are classified as financing activities. Only parts of the payments that reflect interest expenses will continue to be reported as operational cash flows. There are voluntary exemptions that the Group applies for short-term leases and low-value contracts. The exceptions mean that the costs for such agreements are reported on a straight-line basis over the lease term, while no right-of-use asset or leasing liabilities are reported.

The only significant lease agreement in the Group, which was terminated in June 2019, related to the AHTS vessel Odin Viking. This agreement was previously recognized as a financial leasing agreement in accordance with IAS 17, and has thus not resulted in any adjustment of the Group's opening balances as of January 1, 2019 due to the transition to IFRS 16. In addition to the aforementioned agreement, a few agreements, primarily leased vessel equipment, previously reported as operational leasing agreements, have been affected by the new standard. These agreements mean that right-of-use assets of MSEK 8 are reported among fixed assets, and leasing liabilities of MSEK 8 are reported among long- and short-term liabilities. In addition to these, additional small amount commitments and short-term agreements, including office premises and vessel equipment, are exempted in accordance with IFRS 16 5a and 5b.

A graphic consisting of a central yellow circle containing the text 'Q4'. A vertical line extends upwards from the top of the circle to a small yellow dot. A horizontal line extends to the left from the left side of the circle to another small yellow dot.

Q4

Number of employees

The average number of full time employees in the Group for the year was 287 (Jan-Dec 2019: 321).

Number of shares

Share distribution on December 31, 2019:

Number of Series A shares 455,055

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

Total number of shares 9,327,339

DEFINITIONS

AHTS

Anchor Handling Tug Supply vessel

EARNINGS PER SHARE

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

EBIT

Earnings before interest and taxes

EBITDA

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

EQUITY RATIO

Shareholders' equity divided by total assets

THE GROUP

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

IFRS

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

MARKET ADJUSTED EQUITY RATIO

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

OPERATING CASH FLOW

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

OPERATING COST

Operating cost consists of crew, technical and administration costs

OPERATING PROFIT/LOSS

Profit/loss before financial items and tax

OSV

Offshore Support Vessels

PROFIT MARGIN

Profit after financial items divided by net sales

PSV

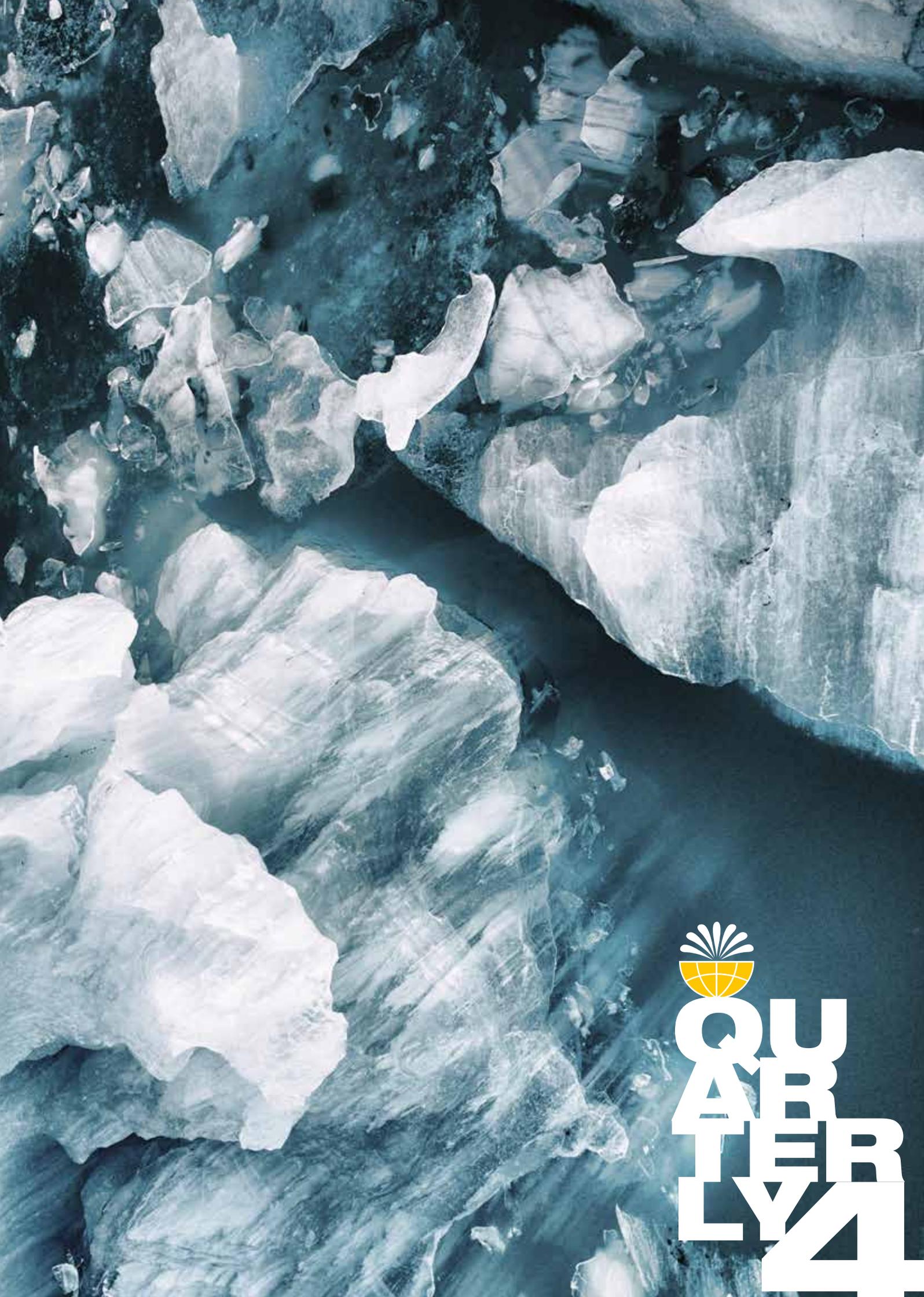
Platform Supply Vessel

RETURN ON EQUITY

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

TOTAL CASH FLOW

Cash flow from operating activities, investing activities and financing activities



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