

VIKING SUPPLY SHIPS AB
(PUBL)

INTERIM REPORT

Q1

JANUARY - MARCH

2020



VIKING SUPPLY SHIPS

MORE
THAN A SHIPOWNER

THE
COOLEST
PLACE TO WORK

ALWAYS AHEAD OF
COMPETITION

Q1

Q1

REVENUE
MSEK 70 (78)ARCTIC
FOCUS

Q1

EBITDA
MSEK -37 (-22)

Q1

RESULT FOR THE PERIOD
MSEK -78 (-17)

Q1

EARNINGS PER SHARE AFTER TAX
SEK -8.4 (-1.8)

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

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CEO STATEMENT



The financial net result was impacted by lower revenue and weaker development of financial items. Revenue decreased to MSEK 70 (78) for the quarter. EBITDA is negative for the quarter at MSEK -37 (-22). Due to net financial items of MSEK -20 (positive 25), the net result was MSEK -78, which is MSEK 61 worse than corresponding quarter in 2019.

Due to the COVID-19 outbreak, the Group has implemented operational procedures to reduce the risk for contamination and keep our employees safe. Consequently, visits between the vessels are restricted and external visitors reduced to an absolute minimum. We are working closely with the authorities, unions and the Norwegian Shipowners Association to find the best possible solutions for our clients, suppliers and employees.

The North Sea spot market has been significantly impacted by the escalating COVID-19 situation and collapse in the oil price. Consequently, several rigs have been suspended prior to contract expiry. The adverse economic effect of the pandemic has also caused most oil and gas companies to reduce their planned spending for exploration and development, which has had and is expected to continue to have a negative effect on the OSV segment.

The Group has worked hard to keep the vessels operational, and at the same time maintain the safety and well-being of our crew and employees. To mitigate operational risk and as a cost reducing measure, the Group has after the end of the quarter decided to lay-up Loke Viking temporarily. Part of the crew will be laid off according to the Norwegian lay-off rules, while those on temporary contracts will not be extended. The Group has a clear ambition to get the vessel back in operation as soon as possible but find this to be a necessary measure until the market shows a better visibility.

After the end of the quarter, the Group has entered into a contract

for Magne Viking with a major oil company. The vessel will operate in a harsh environment region for a duration of 80 days firm, as well as a further 80 days optional period. Commencement is expected to be mid-June. The contract clearly demonstrates the advantages with a fleet consisting of high ice-classed vessels.

OUTLOOK

In early March 2020, the price war between Russia and OPEC led to a disintegration of the cooperation within OPEC+, causing the Brent price to collapse. The significantly reduced demand caused by the COVID-19 lock-down has put further pressure on the oil price, and although OPEC+ has now implemented mitigating measures it is still significant uncertainty in the market. Oil companies have so far reduced their capex budgets significantly for 2020 and 2021, which will likely reduce the demand for OSVs in the short and medium term. The Group expects that this will have a negative effect on both rates and utilization in the North Sea for the next 18-24 months, but the uncertainty is currently high, and it is thus challenging to give a detailed outlook.

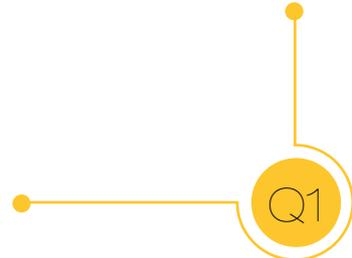
A long-term recovery within the OSV segment is subject to the global pandemic development, as well as the overall market sentiment within the offshore oil and gas industry. It is expected that large parts of the industry will need to go through another round of financial restructuring and an ultimate recovery will also depend on vessels being scrapped or laid up.

The Group has a sound financial position as it is debt free and has also initiated cost reducing measures to mitigate the current situation. Although the market is expected to be very challenging, the Group is working hard to secure term contracts for the fleet going forward.

Gothenburg, 18 May 2020

Trond Myklebust
CEO and President

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A graphic consisting of a yellow circle with the text 'Q1' inside. A vertical line extends upwards from the top of the circle, and a horizontal line extends to the left from the left side of the circle. Both lines end in small yellow circles.

FIRST QUARTER

- Total revenue was MSEK 70 (78)
- EBITDA was MSEK -37 (-22)
- Result after tax was MSEK -78 (-17)
- Result after tax per share was SEK -8.4 (-1.8)

SUMMARY OF EVENTS IN Q1

- EBITDA for Q1 was MSEK -37 (-22).
- The average fixture rate in Q1 was USD 31,300 (41,800) and the average utilization was 31% (35).

SUBSEQUENT EVENTS

- The COVID-19 situation has given significant operational impact for all shipowners, with especially travel restrictions and quarantine regulations making daily operations more challenging. In addition, the market activity is impacted as several rigs have been suspended due to the situation. The reduced demand for oil has also created a significant uncertainty for the future market outlook within the OSV industry. As a result of these factors, VSS decided to put Loke Viking in temporary lay-up after the end of the quarter.
- After the end of the quarter, the Group has entered into a medium-term contract for Magne Viking with a major oil company in a harsh environment region. The vessel is expected to commence the contract in Mid-June, and the duration is 80 days firm + 80 days optional period.
- After the end of the quarter, Geir Karlsen was appointed Chief Operational Officer in the Group. He will be overall responsible for all operations within the Group and take part in the senior management team.

KEY FINANCIALS	Q1 2020	Q1 2019
Net sales, MSEK ¹⁾	70	78
EBITDA, MSEK ¹⁾	-37	-22
Result after tax, MSEK ²⁾	-78	-17
Earnings per share after tax, SEK ²⁾	-8.4	-1.8
Shareholders' equity per share, SEK ²⁾	223.2	209.3
Return on equity, % ²⁾	-15.2	-2.7
Equity ratio, % ³⁾	95.9	83.7
Market adjusted equity ratio, % ³⁾	95.7	83.4

1) Excludes discontinued operations

2) Includes discontinued operations

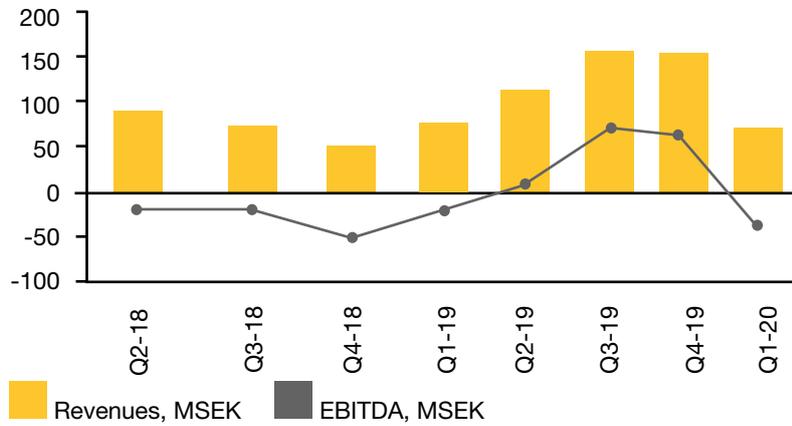
3) The calculation includes assets held for sale





Q1

FINANCIAL DEVELOPMENT CONTINUING OPERATIONS



RESULTS AND FINANCE

RESULTS YEAR TO DATE 2020

Total revenue for the Group was MSEK 70 (78).

The Group's EBITDA was MSEK -37 (-22).

Net financial items were MSEK -20 (25). The amount includes negative exchange differences of MSEK 22 due to extraordinary currency fluctuations during March.

The Group's result after tax was MSEK -78 (-17).

OPERATIONAL HIGHLIGHTS FOR THE FIRST QUARTER

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 28 (36) in Q1 and EBITDA was MSEK -35 (-19).

During Q1, four vessels have been operating in the North Sea spot market.

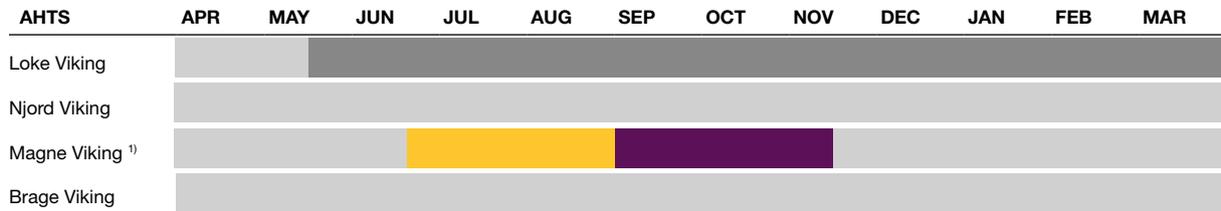
The activity in the beginning of the quarter was, as expected, reduced due to seasonal variations. The North Sea market normally sees increased activity towards the spring, but due to significant impact from the COVID-19 situation, this did not materialize in 2020. As a result, both rates and utilization has remained at unsatisfactory levels throughout the quarter.

AHTS Q1	Fixture rates (USD)	Utilization (%)
AHTS vessels on term charters	- (-)	- (-)
AHTS vessels in the spot market	31,300 (41,800)	31 (35)
Total AHTS fleet	31,300 (41,800)	31 (35)



Q1

■ Firm contract
 ■ Option
 ■ Spot
 ■ Layup



1) Oil major, 80 days firm + 80 days optional period.
 Figures in the tables are as of 15 May 2020.

SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 42 (42) in Q1. Total EBITDA was MSEK -2 (-3).

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 and has operated as planned throughout the quarter. 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 and services segment proceeded as planned throughout the quarter.

DISCONTINUED OPERATIONS

For information about the previously owned ordinary AHTS vessel Odin Viking, see note 4, Discontinued operation and assets held for sale.



FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the quarter, the Group's equity amounted to MSEK 2,082. The equity increased during the year by net MSEK 48 due to the loss for the period of MSEK 78 and a positive change in the translation reserve of MSEK 126 attributable to currency differences on net investments in subsidiaries. Further information can be found in section "Changes in the Group's shareholders' equity" on page 9.

The gross investments during the quarter amounted to MSEK 13 (43), and consisted of capitalized docking expenses.

The Annual General Meeting which was held on April 1, 2020, resolved that no dividend would be distributed for the fiscal year 2019.

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

Viking Supply Ships AB is obliged to publish this report in accordance with the Swedish Securities Act and/ or the Swedish Financial Instruments Trading Act. This report has been prepared in both Swedish and English versions. In case of variations in the contents between the two versions, the Swedish version shall govern. This report was submitted for publication at 8:30 am (CET) on 18 May, 2020.

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

This interim report is unaudited.

Gothenburg, 18 May 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

14 August	Q2 Interim report
12 November	Q3 Interim report

INVESTOR RELATIONS

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

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

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MSEK)	<i>Note</i>	Q1 2020	Q1 2019	Q1-Q4 2019
Net sales	2	70	78	504
Other operating revenue		0	0	0
Direct voyage cost		-12	-8	-39
Personnel costs		-74	-80	-285
Other costs		-21	-12	-66
Depreciation/impairment	3	-21	-17	-76
Operating result		-58	-39	38
Net financial items		-20	25	26
Result before tax		-78	-14	64
Tax	9	0	0	0
Result from continuing operations	4	-78	-14	64
Result from discontinued operations	5	-	-3	-12
Result for the period		-78	-17	52
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):				
-Result from continuing operations		-8.4	-1.5	6.8
-Result from discontinued operations		-	-0.3	-1.3
Total		-8.4	-1.8	5.5

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	<i>Note</i>	Q1 2020	Q1 2019	Q1-Q4 2019
Result for the period		-78	-17	52
Other comprehensive income for the period:				
Items that will not be restored to the income statement				
Revaluation of net pension obligations		0	0	0
Items that later can be restored to the income statement				
Change in translation reserve, net		126	83	96
Other comprehensive income		126	83	96
Total comprehensive income for the period		48	66	148

Q1

CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q1 2020	Q4 2019
Intangible assets		1	1
Vessels	3	1,827	1,728
Value-in-use assets	9	7	8
Other tangible fixed assets		0	0
Financial assets		41	40
Total fixed assets		1,876	1,777
Other current assets		78	121
Cash and cash equivalents	7	217	242
Total current assets		295	363
TOTAL ASSETS	4	2,171	2,140
Shareholders' equity		2,082	2,034
Long-term liabilities	6	11	13
Current liabilities	6	78	93
TOTAL EQUITY, PROVISIONS AND LIABILITIES		2,171	2,140

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	Q1 2020	Q1 2019	Q1-Q4 2019
Cash flow from operations before changes in working capital		-45	-19	112
Changes in working capital		29	-46	82
Cash flow from current operations		-16	-65	194
Cash flow from investing activities		-13	-21	52
-whereof acquisitions		-13	-21	-85
-whereof divestments		-	-	137
Cash flow from financing activities		0	-1,779	-1,964
-whereof changes in loans		-	-697	-882
-whereof dividends		-	-1,082	-1,082
Changes in cash and cash equivalents from continuing operations		-29	-1,865	-1,718
Cash-flow from discontinued operations:				
Cash flow from current operations		-	-1	-5
Cash flow from investing activities		-	0	65
Cash flow from financing activities		-	0	-242
Changes in cash and cash equivalents from discontinued operations	5	0	-1	-182
Cash and cash equivalents at beginning of period		241	2,083	2,083
Exchange-rate difference in cash and cash equivalents		5	59	59
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	217	276	242

CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q1 2020	Q1 2019	Q1-Q4 2019
Equity at beginning of period		2,034	2,968	2,968
Dividend		-	-1,082	-1,082
Total comprehensive income for the period		48	66	148
SHAREHOLDERS' EQUITY AT END OF PERIOD		2,082	1,952	2,035



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

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

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	Q1 2020	Q1 2019	Q1-Q4 2019
EBITDA ¹⁾		-4.0	-2.4	12.3
Result after tax (EPS) ¹⁾		-8.4	-1.5	6.8
Equity ²⁾		223.2	209.3	218.1
Operating cash flow ²⁾		-6.2	0.3	9.4
Total cash flow ¹⁾		-3.2	-200.8	-181.7

1) Calculated on continuing operations

2) The calculation includes assets held for sale

PARENT COMPANY

The activity in the Parent Company mainly consists of shareholdings and a limited Group wide administration.

The Parent Company's result after tax for the first quarter was MSEK 0 (5).

At the end of the quarter the Parent Company's equity was MSEK 2,006 (2,006 on Dec 31, 2019), and total assets were MSEK 2,053 (2,057 on Dec 31, 2019).

The equity ratio was at the end of the quarter 98 % (98 % on Dec 31, 2019). Cash and cash equivalents at the end of the quarter was MSEK 0 (0 on Dec 31, 2019).



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PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	Q1 2020	Q1 2019	Q1-Q4 2019
Net sales		2	5	11
Personnel costs		0	-3	-4
Other costs		-2	-2	-7
Operating result		0	0	0
Net financial items		0	5	302
Result before tax		0	5	302
Tax on result for the year		-	-	-
RESULT FOR THE PERIOD		0	5	302
<i>Other comprehensive income for the period:</i>				
Items that will not be restored to the income statement				
Revaluation of net pension obligations		0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		0	5	302

PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q1 2020	Q4 2019
Financial fixed assets		2,051	2,051
Current assets		2	6
TOTAL ASSETS		2,053	2,057
Shareholders' equity		2,006	2,006
Provisions		4	4
Long-term liabilities		7	7
Current liabilities		36	40
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		2,053	2,057

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Note	Q1 2020	Q1 2019	Q1-Q4 2019
Equity at beginning of period		2,006	2,787	2,787
Dividend		-	-1,082	-1,082
Total comprehensive income for the period		0	5	302
SHAREHOLDERS' EQUITY AT END OF PERIOD		2,006	1,709	2,006

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. LIQUIDITY AND GOING CONCERN

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

The Group continues to operate in highly competitive markets, and the operation is exposed to various operational and financial risks. Viking Supply Ships maintains a positive long term outlook for the offshore industry and is of the opinion that there will be increasing activity in the arctic and subarctic regions during the next few years. Based on the result expectations, the Group's strong financial situation, the current risks and a continued belief in securing contracts within the core market segment, the Board of Directors and Management have concluded that both the company and the Group will be able to continue as going concern at least until 31 March 2021. This conclusion is based on Management's assessment of the current outlook for 2020/2021 and the uncertainties and risks described in this report.

2. REVENUES FROM CONTRACTS WITH CUSTOMERS

(MSEK)	Not	Q1 2020	Q1 2019	Q1-4 2019
Time charter revenues ¹⁾		21	37	324
ROV charter revenues ¹⁾		4	0	22
Mobilisation/demobilisation fees ¹⁾		2	0	1
Meals/accomodation onboard ¹⁾		1	0	3
Consultancy fees ²⁾		2	1	8
Reinvoiced costs ³⁾		40	40	146
TOTAL		70	78	504

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

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

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

Time charter revenues

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

ROV charter revenues

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

Mobilization/demobilization fees

Terms for mobilization/demobilization fees are included in the time charter party and mean that the vessel must be adapted to charters needs, but may also include that the ship shall be delivered in a special port near the vessels operations areas. The compensation for these adaptations and or delivery of the vessels often consists

of a fixed lump sum. Similarly, the demobilization fee is recognized when the vessel is again in “home port” and has been restored from the current charter assignment.

Reinvoiced expenses

It is common for shipping companies to take care of operations, maintenance, HSEQ work and staffing on behalf of other shipping companies. It can be compared to property management. It is a wide range of options within ship management, from where the manager runs the entire operation of the vessel including staffing where the seamen are employed by the manager, to individual parts of the above mentioned areas or where only key personnel are provided by the manager. The Group has contract for the operation, maintenance and staffing of the Swedish Maritime Administration’s five icebreakers. This means that personnel costs and operating costs for the vessels including bunker oil, lubricating oil, repairs and maintenance of the vessels, classification costs, etc., are invoiced at cost to the client.

3. TANGIBLE FIXED ASSETS

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

Impairment test

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

The operations are conducted with advanced AHTS vessels; Loke Viking, Njord Viking, Magne Viking and Brage Viking, which all hold high ice-class and extensive possibilities to operate in various conditions. These four are a group of sister-vessels delivered from the construction shipyard between June 2010 and January 2012, but with some differences in equipment level. The market experience from the previous years, and the current market situation, prove that the vessels with occasional exceptions can all be used for the same kind of operations and are thus deemed interchangeable. Which vessel to be nominated for a certain contract is in principle determined by factors such as availability, geographic position relative to operation area and time for crew change. Each vessel generates its own cash streams, but the company’s customers could still have used another vessel from the actual fleet type. Based on this the Management has deemed it appropriate to consider the group of ice-classed AHTS vessels seen as a separate cash generating unit. As a result, impairment tests are performed on a portfolio level rather than on individual vessels. If a change in the customers requirements occurs that affects the earnings capacity of individual vessels in relation to the sister vessels, this assessment could be reconsidered.

The key assumptions used in the value in use calculation and in the assessment of owned vessels, for 2020 are as follows:

- The cash flows are based on current tonnage.
- Estimates of fixture rates, utilization and contract coverage as well as estimated residual values are based on Management’s extensive experience and knowledge of the market.
- Operating expenses and dry dock costs are estimated based on Management’s experience and knowledge of the market as well as plans and initiatives outlined in the operating budgets.
- The weighted average cost of capital (WACC) used to discount the forecasted cash flows was 8.4% (2019: 9.0%). The pre- and post-tax discount factor is the same due to tonnage taxation.

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

Conclusion Impairment test AHTS vessels with ice-class in 2020

In Q1 2020 the Management evaluated the AHTS fleet and concluded that the AHTS vessels are not to be impaired. At balance-day the recoverable amount has been calculated and compared to the book value of MSEK 1,827. The conclusion is that the calculation of value-in-use of MSEK 1,843 is considered being the recoverable amount. The fair value for the fleet, less cost to sell, based on an assessment of average external vessel valuations from three independent shipbrokers, amounts to MSEK 1,741 (ranging from MSEK 1,552 to MSEK 1,891).

4. SEGMENT INFORMATION

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

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

Q1 MSEK	AHTS		Services		Ship Management		Continuing operations	
	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	28	36	0	1	42	41	70	78
EBITDA	-35	-19	-1	0	-1	-3	-37	-22
Result before tax	-76	-10	-1	0	-1	-4	-78	-14
Total assets	2,126	2,236	1	1	44	48	2,171	2,285

There have been no significant transactions between the segments.

5. DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

It was during 2018 decided to sell Odin Viking, the only vessel held by the Group without ice-class. The sale of the vessel was concluded during 2019. IFRS 5 Assets held for sale and discontinued operation has been applied, which means that the vessel after the decision is reported as a one-line item in the consolidated profit and loss statements. Assets and liabilities related to the segments are also presented in two rows in the consolidated balance sheet. The consolidated cash flow statement is presented including the segments, but with additional information about cash-flow from current operation and investing- and financing activities of the discontinued segments. Comparative figures for prior periods are also presented in accordance with this classification in the consolidated profit and loss statement and cash-flow statement.

Discontinued operations are in accordance with IFRS 5 measured at the lower of carrying amount and fair value less costs to sell.

CONSOLIDATED INCOME DISCONTINUED OPERATIONS

(MSEK)	Q1 2020			Q1 2019			Q1-4 2019		
	Odin	PSV	Total	Odin	PSV	Total	Odin	PSV	Total
Net sales	-	-	-	0	-	0	0	-	0
Personnel costs	-	-	-	0	-	0	-1	-	-1
Other costs	-	-	-	-1	-	-1	-4	-	-4
Depreciations / write-downs	-	-	-	-2	-	-2	-4	-	-4
Operating result	-	-	-	-3	-	-3	-9	-	-9
Net financial items	-	-	-	0	-	0	-3	-	-3
Result before tax	-	-	-	-3	-	-3	-12	-	-12
Tax	-	-	-	0	-	0	0	-	0
RESULT FROM DISCONTINUED OPERATIONS	-	-	-	-3	-	-3	-12	-	-12

Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):
-Result from discontinued operations

-0.3 -1.3

CASH-FLOW FROM DISCONTINUED OPERATIONS

(MSEK)	Q1 2020			Q1 2019			Q1-4 2019		
	Odin	PSV	Total	Odin	PSV	Total	Odin	PSV	Total
Cash flow from current operations	-	-	-	-1	-	-1	-6	-	-6
Cash flow from investing activities	-	-	-	0	-	0	43	22	65
Cash flow from financing activities	-	-	-	0	-	0	-242	-	-242
NET CASH FLOW FROM DISCONTINUED OPERATIONS	-	-	-	-1	-	-1	-205	22	-183

6. INTEREST BEARING LIABILITIES

At the end of the quarter the Interest-bearing liabilities consist of leasing debts mainly related to hired vessel equipment (right-to-use assets), reported in accordance with IFRS 16 Leases.

6.1. Classification by type of debt

MSEK	Q1 2020	Q1 2019	Q4 2019
Long-term financial lease debt	3	150	3
Short-term financial lease debt	4	94	5
TOTAL INTEREST BEARING LIABILITIES	7	244	8

7. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents available at the end of the quarter amounted to MSEK 217 (242 on Dec 31, 2019), including client funds, used in the external ship management operation, of MSEK 23 (22 on Dec 31, 2019).

MSEK	Q1 2020	Q1 2019	Q4 2019
Free cash and cash equivalents	217	276	242
TOTAL	217	276	242

8. OPERATIONAL AND FINANCIAL RISK

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

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

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

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

9. OTHER INFORMATION

Company information

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

Corporate tax

The general situation for the Group is that taxes payable is limited to foreign entities. The tax losses carry forward for Swedish entities amounted at end of the quarter to MSEK 1,070 (1,071 on Dec 31, 2019). There are no tax assets capitalized in the balance sheet related to these tax losses carry forward. The main part of the activities within the group's subsidiaries outside of Sweden is tonnage taxed, which means that the taxable is calculated as a lump sum based on the net tonnage, instead of conventional taxation, which is based on the company result. The recognized deferred tax liability for the operations outside Sweden amounted to MSEK 0 (0 on Dec 31, 2019).

Transactions with closely related parties

One of the Group's foreign subsidiaries has during the quarter submitted a liquidity loan to the majority owner of Viking Supply Ships AB, Kistefos AS, on market terms. The loan, including interest, was fully repaid at the end of the quarter.

Accounting policies

This interim report for the Group was prepared in accordance with the application of IAS 34 Interim Financial Reporting and applicable rules in the Swedish Annual Accounts Act and for the Parent Company, in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The accounting policies applied for the Group and the parent company correspond, unless otherwise stated below, with the accounting policies applied in the preparation of the latest annual report.

Number of employees

The average number of full time employees in the Group for Q1 was 336 (Jan-Dec 2019: 287).

Number of shares

Share distribution on 31 March, 2020:

Number of Series A shares	455,055
<u>Number of Series B shares, listed</u>	<u>8,872,284</u>
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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