



# Viking Supply Ships A/S Financial Report Q1 2014



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*Viking Supply Ships (VSS) conducts operations in the North Sea, Arctic and in the global offshore sector. The fleet comprises of 14 offshore vessels that are equipped for and have the capacity to operate in areas with harsh environment, further 7 of the AHTS vessels are equipped to operate in Arctic areas. The AHTS fleet, combined with crew and ice management competence, is tailor-made to operate in ice conditions. There has been an increased contract activity in this niche. VSS is committed to have a substantial part of the fleet on longer term contracts, and have a focus on increasing the contract backlog.*

*For further information, please contact CEO, Christian W. Berg, ph: +45 41 77 83 80.*

*The interim financial statements have not been subject to audit or review.*

*Front picture: AHTS Icebreaker Vidar Viking operating in Sakhalin during March 2014.*

## SUMMARY OF EVENTS Q1

Total revenue for Q1 2014 was MNOK 339 (MNOK 188), of which vessel operations contribute with MNOK 239 (MNOK 155) and Services and Ship Management segments contribute with MNOK 100 (MNOK 33). The EBITDA for Q1 was MNOK 75 (MNOK 5).

The operating result (EBIT) for Q1 was MNOK 27 (negative MNOK 37). The net profit result for Q1 was negative MNOK 19 (negative MNOK 78).

The political situation in Ukraine and the sanctions on Russia has to date not impacted VSS. An escalated situation could cause negative implications on the company's activities in Russia; however, it is difficult to substantiate the probability and consequences of this threat.

The average fixture rate for the VSS AHTS fleet in Q1 was NOK 390,000 (NOK 232,000) and GBP 10,000 (GBP 9,700) for the VSS PSV fleet. The average utilization for the VSS AHTS fleet for Q1 was 68 % (67 %) and 81 % (63 %) for the VSS PSV fleet.

Two of the vessels in the VSS PSV fleet (SBS Typhoon and Freyja Viking) are operated on bareboat charters, in which VSS has purchase options. VSS has declared the purchase options regarding SBS Typhoon and Freyja Viking, with purchase dates mid May and early October 2014, respectively.

As communicated in the Q4 2013 financial report, VSS has been negotiating a bareboat charter for two large high specification AHTS newbuild vessels. These negotiations have come to a halt, without VSS entering into such an agreement.

Further, the previously communicated evaluation of a possible sale of the VSS PSV fleet has not been concluded at the time of reporting.

Finally, as mentioned in the Q4 2013 financial report, VSS has refinanced the secured bank loan financing Magne Viking and Brage Viking, by signing a new secured bank loan agreement of MNOK 630 maturing in 2018. The refinancing generated free liquidity of MNOK 57.

## OPERATIONAL HIGHLIGHTS FOR Q1

### Anchor Handling Tug Supply vessels (AHTS)

During the first quarter, the AHTS market fleet in the North Sea has increased by seven vessels, five vessels from other regions as well as two newbuilds. As a result, market rates and utilization have been lower than expected except for short periods where severe weather conditions have caused delays in operations.

During the first quarter two VSS vessels were on term charters, while six VSS vessels traded in the North Sea spot market. In addition, Tor Viking and Balder Viking have been on stand-by for ice-breaking duties for the Swedish Maritime Authorities but no icebreaking duties were conducted during the quarter.

Q1 2014	Fixture rate (NOK)	Utilization (%)
AHTS vessels on term charters	379,500 (348,500)	100 % (100 %)
AHTS vessels on spot market	396,000 (169,000)	57 % (56 %)
Total AHTS fleet	390,000 (232,000)	68 % (67 %)

### Platform Supply Vessels (PSV)

The PSV market fleet in the North Sea has remained relatively stable over the first quarter, but seasonal low activity in the North Sea has caused the market to be soft for the period.

During the first quarter four VSS vessels were on term charters, while two VSS vessels traded in the North Sea spot market.

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Q1 2014	Fixture rate (GBP)	Utilization (%)
PSV vessels on term charters	9,900 (11,000)	100 % (100 %)
PSV vessels on spot market	10,400 (8,200)	57 % (45 %)
Total PSV fleet	10,000 (9,700)	81 % (63 %)

### Services and Ship Management

In the Services segment the Kara Sea Consultancy Project is progressing well without any major obstacles. The launch of a communication and monitoring tool has been completed successfully, a Shore Operations Center in Moscow has been prepared for start-up in the second quarter, training of the project personnel and seafarers have started at the Viking Ice Academy and all other parts of the project is progressing according to project plan.

The Ship Management segment operated according to plan with no major incidents during the first quarter.

### FINANCIAL HIGHLIGHTS

#### Results for Q1 2014

Total revenue was MNOK 339 (MNOK 188) for Q1. The operating costs were MNOK 264 (MNOK 183) and EBITDA MNOK 75 (MNOK 5). The operating result (EBIT) was MNOK 27 (negative MNOK 37).

Net financials were negative MNOK 42 (negative MNOK 51). Financial costs include unrealized currency loss of MNOK 10 (loss of MNOK 14) and realized value adjustment on interest rate swaps of MNOK 0 (negative MNOK 5).

The result for the quarter was negative MNOK 19 (negative MNOK 78).

### FINANCING AND CAPITAL STRUCTURE

Viking Supply Ships A/S is a 100 % owned subsidiary of RABT. RABT is a limited liability company registered in Sweden, with its domicile in Gothenburg, and corporate registration number 556161-0113. RABT is listed on the Small Cap list of the NASDAQ OMX Nordic Exchange in Stockholm.

VSS book equity amounted to MNOK 1,698 (MNOK 1,665) as of 31 March 2014 and was impacted by the result for the period of negative MNOK 19 (negative MNOK 78) and currency translation effects of negative MNOK 3 (positive MNOK 20). The value adjusted equity ratio was 46 % (43 %).

### SUBSEQUENT EVENTS

VSS has received notice of cancellation of the 2014 drilling season for Tor Viking. VSS will receive a compensation fee for the cancellation.

After the quarter end VSS refinanced the secured bank loan financing the PSV fleet, by signing a new secured bank loan agreement of MNOK 445 maturing in 2016. The purpose of the refinancing was to extend the existing loan agreement and to facilitate the purchase of SBS Typhoon and Freyja Viking.

### CONTRACT BACKLOG

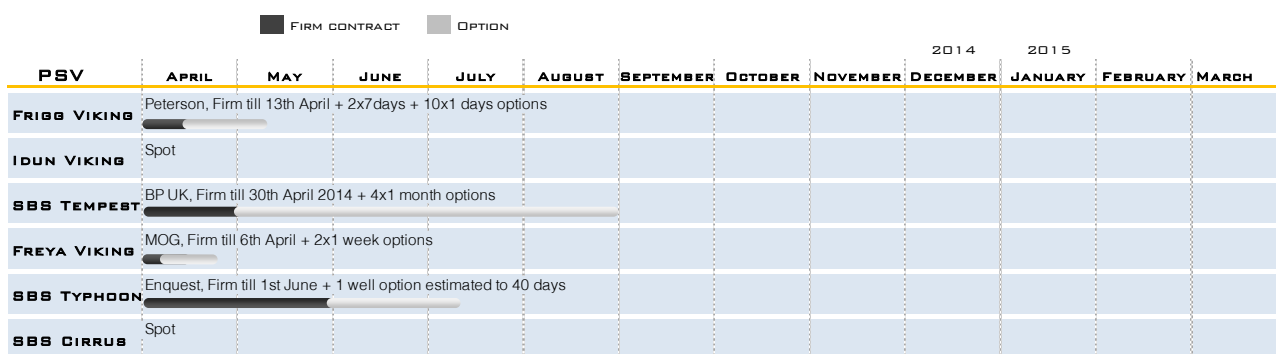
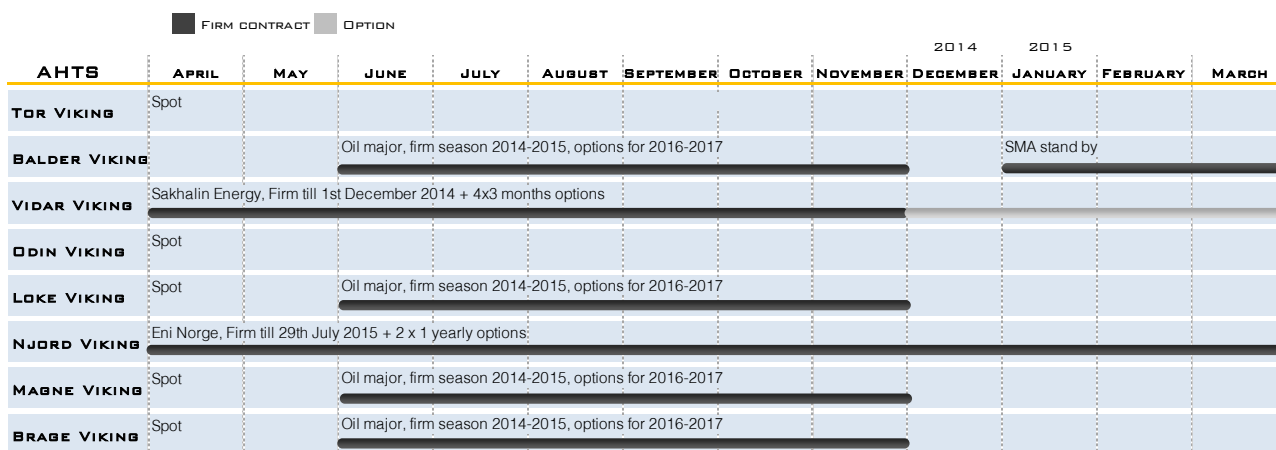
	2014	2015	2016
Total contract backlog (MNOK)	2,810	1,971	1,122
AHTS contract backlog (MNOK)	2,773	1,971	1,122
PSV contract backlog (MNOK)	37	-	-
Total contract coverage (%)	34%	34%	26%
AHTS contract coverage (%)	48%	59%	45%
PSV contract coverage (%)	14%	0%	0%

Table is basis 31<sup>st</sup> March 2014 (including adjustment for subsequent events).

Contracts include options.

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EMPLOYMENT OVERVIEW



Overviews are basis 31<sup>st</sup> March 2014 (including adjustment for subsequent events)

OUTLOOK

The number of vessels in the North Sea spot market has increased more than expected. However, the ample supply seen recently is expected to gradually decrease as vessels depart the market for project work. Thus we still expect a gradual improvement of the market towards and during the summer. Several of the current North Sea spot market vessels are bound for operations in Russia and an escalated political situation in Ukraine may cause implications on the market balance.

For the PSV segment, we expect the market to improve going forward. More rigs entering the region will lead to increased demand, and combined with limited fleet growth the market balance should tighten during the summer.

VSS is continuing its effort to secure long term contracts within the arctic offshore market, and the company is optimistic of future opportunities within the segment.

Copenhagen, 15 May 2014

Board of Directors:

Christen Sveaas  
*Chairman*

Anders Folke Patriksson  
*Vice chairman*

Tom Ruud

Lars Håkan Larsson

Per Magnus Sonnorpp

Managing Director:

Christian W. Berg

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(MNOK)	Note	Q1 2014	Q1 2013	FY 2013
<b>Total Revenue</b>		<b>339.3</b>	<b>187.6</b>	<b>1,006.9</b>
Direct voyage costs		-18.3	-12.7	-43.6
Operating costs		-245.9	-170.4	-663.9
<b>Total operating costs</b>		<b>-264.2</b>	<b>-183.1</b>	<b>-707.5</b>
<b>Operating profit before depreciation (EBITDA)</b>		<b>75.1</b>	<b>4.5</b>	<b>299.4</b>
Depreciation	1	-48.3	-41.4	-175.6
<b>Operating profit (EBIT)</b>		<b>26.8</b>	<b>-36.9</b>	<b>43.8</b>
Financial income		0.2	0.3	2.8
Financial costs		-41.8	-50.9	-105.7
<b>Net financials</b>		<b>-41.6</b>	<b>-50.7</b>	<b>-102.8</b>
<b>Pre-tax result</b>		<b>-14.8</b>	<b>-87.6</b>	<b>-59.0</b>
Taxes		-3.8	10.0	7.4
<b>Result for the period</b>		<b>-18.5</b>	<b>-77.6</b>	<b>-51.6</b>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(MNOK)	Q1 2014	Q1 2013	FY 2013
<b>Result for the period</b>	<b>-18.5</b>	<b>-77.6</b>	<b>-51.6</b>
Translation effect foreign operations	-2.7	20.1	48.0
<b>Total comprehensive income for the period</b>	<b>-21.2</b>	<b>-57.5</b>	<b>-3.6</b>

**CONDENSED CONSOLIDATED CASHFLOW STATEMENT**

(MNOK)	Q1 2014	Q1 2013	FY 2013
Cash flow from operating activities	21.5	-6.8	121.7
Cash flow from investing activities	-9.7	-12.4	-49.4
Cash flow from financing activities	-35.4	29.0	-31.2
<b>Net changes in cash and cash equivalents</b>	<b>-23.6</b>	<b>9.9</b>	<b>41.1</b>
Cash and cash equivalents at the start of period	238.2	197.1	197.1
<b>Cash and cash equivalents at the end of the period</b>	<b>214.6</b>	<b>207.0</b>	<b>238.2</b>

**CONDENSED CONSOLIDATED BALANCE SHEET**

(MNOK)	Note	Q1 2014	Q1 2013	FY 2013
<b>ASSETS</b>				
Vessels and equipment		3,633.4	3,764.4	3,669.8
<b>Tangible fixed assets</b>	1,2	<b>3,633.4</b>	<b>3,764.4</b>	<b>3,669.8</b>
<b>Financial fixed assets</b>	4	<b>43.3</b>	<b>92.9</b>	<b>68.8</b>
<b>Total fixed assets</b>		<b>3,676.7</b>	<b>3,857.3</b>	<b>3,738.6</b>
Inventories		28.9	20.5	24.2
Accounts receivables		132.2	119.2	118.7
Other current receivables		95.0	64.5	83.8
Cash and cash equivalents	4	214.6	207.0	238.2
<b>Total current assets</b>		<b>470.7</b>	<b>411.1</b>	<b>464.9</b>
<b>Total assets</b>		<b>4,147.4</b>	<b>4,268.4</b>	<b>4,203.5</b>

(MNOK)	Note	Q1 2014	Q1 2013	FY 2013
<b>EQUITY AND LIABILITIES</b>				
Share capital		0.5	0.5	0.5
Retained earnings and reserves		1,697.5	1,664.9	1,718.7
<b>Total equity</b>		<b>1,698.0</b>	<b>1,665.4</b>	<b>1,719.2</b>
Deferred taxes		-	6.2	-
Long-term bond loan	3	303.7	372.5	359.9
Long-term debt to credit institutions	3	1,648.4	1,773.6	1,647.4
Other non-current liabilities		27.8	57.1	33.1
<b>Non-current liabilities</b>		<b>1,979.8</b>	<b>2,209.4</b>	<b>2,040.4</b>
Short-term bond loan	3	99.2	-	98.8
Short-term debt to credit institutions	3	188.1	188.4	189.6
Accounts payable		68.9	61.5	38.4
Other current liabilities		113.4	143.7	117.1
<b>Current liabilities</b>		<b>469.6</b>	<b>393.6</b>	<b>443.9</b>
<b>Total liabilities</b>		<b>2,449.4</b>	<b>2,603.0</b>	<b>2,484.3</b>
<b>Total equity and liabilities</b>		<b>4,147.4</b>	<b>4,268.4</b>	<b>4,203.5</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. Depreciation**

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 based on the following useful lives:

- Vessels 25–30 years with residual value
- Docking and major overhaul measures 2.5–5 years
- Other equipment 5–10 years

Impairment test as at 31 March shows no need for impairment.

**2. Segment information**

The segment information is presented in accordance with the internal reporting structure and includes four segments.

(MNOK)	Q1 AHTS	Q1 PSV	Q1 Services	Q1 Ship Mgmt.
<b>Total Revenue</b>	<b>193.7</b>	<b>45.5</b>	<b>65.9</b>	<b>34.3</b>
Direct voyage costs	-16.1	-2.2	-	-
Operating costs	-111.0	-40.5	-60.1	-34.3
<b>Total operating costs</b>	<b>-127.2</b>	<b>-42.7</b>	<b>-60.1</b>	<b>-34.3</b>
<b>Operating profit before depreciation (EBITDA)</b>	<b>66.6</b>	<b>2.8</b>	<b>5.8</b>	<b>-</b>
Depreciation	-39.6	-8.7	-	-
<b>Operating profit (EBIT)</b>	<b>26.9</b>	<b>-5.9</b>	<b>5.8</b>	<b>-</b>
Financial income	0.2	-	-	-
Financial costs	-40.0	-1.8	-	-
<b>Net financials</b>	<b>-39.8</b>	<b>-1.8</b>	<b>-</b>	<b>-</b>
<b>Pre-tax result</b>	<b>-12.8</b>	<b>-7.7</b>	<b>5.8</b>	<b>-</b>
Taxes	-3.8	-	-	-
<b>Result for the period</b>	<b>-16.6</b>	<b>-7.7</b>	<b>5.8</b>	<b>-</b>

(MNOK)	Q1 AHTS	Q1 PSV	Q1 Services	Q1 Ship Mgmt.
Total tangible fixed assets	3,077.2	556.2	-	-
Total interest bearing debt	2,006.3	233.1	-	-

There are no significant revenue transactions between the segments.

**3. Interest bearing liabilities**

The vessels owned by the Company are primarily 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 interest-bearing debt in VSS per Q1 2014 is MNOK 2,239 (MNOK 2,335).

Parts of the interest-bearing liabilities are associated with so-called covenants, according to which VSS must fulfill certain key data. VSS has secured waivers from the appropriate banks for the first quarter of 2014 in conjunction with the RABT group, as a guarantor, failing to fulfil one of its covenants in the loan agreements, hence at the balance date all covenants were in compliance.

In March 2012 VSS issued a 5 year senior unsecured bond loan in the Norwegian capital market, with maturity in March 2017, totaling MNOK 300. The bond agreement has a limit of MNOK 750. The net proceeds from the bond shall be employed for investments, capital expenditures related to fleet expansion and general corporate purposes. The



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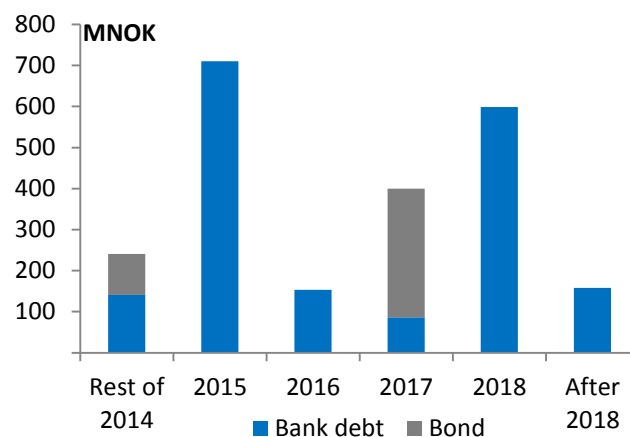
bond was listed on Nordic ABM in Oslo on 28 June, 2012. In March 2013 an additional MNOK 85 was drawn in a tap issue. In June 2013 VSS issued a 15 month senior unsecured bond loan in the Norwegian capital market, with maturity in September 2014, totaling MNOK 100. The bond was listed on Nordic ABM in Oslo on 25 June, 2013.

VSS has 38 % (11 %) of its interest bearing debt in USD. The remaining loans are denominated in NOK. VSS has 11 % (39 %) of the total loan portfolio swapped into fixed interest rate.

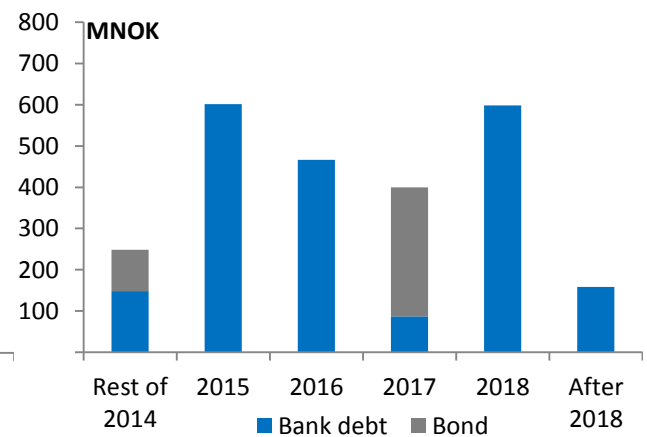
**3.1. Classification by type of debt**

(MNOK)	Q1 2014	Q1 2013	FY 2013
Long-term bond loan	303.7	372.5	359.9
Short-term bond loan	99.2	-	98.8
Long-term debt to credit institutions	1,648.4	1,773.6	1,647.4
Short-term debt to credit institutions	188.1	188.4	189.6
<b>Total interest bearing liabilities</b>	<b>2,239.4</b>	<b>2,334.5</b>	<b>2,295.7</b>

**3.2. Debt maturity**



Figures basis 31<sup>st</sup> March 2014



Figures basis 15<sup>th</sup> May 2014

**4. Cash and cash equivalents**

(MNOK)	Q1 2014	Q1 2013	FY 2013
Restricted cash *	12.2	61.1	37.2
Free cash and cash equivalents	214.6	207.0	238.2
<b>Cash and cash equivalents</b>	<b>226.8</b>	<b>268.1</b>	<b>275.4</b>

\* The amount is included in the item "Financial fixed assets" in the balance-sheet

**5. Operational and financial risk**

VSS is characterized by a high degree of international operations and is thus exposed to a number of operational and financial risks. VSS works actively to identify, assess and manage these risks.

VSS is exposed to changes in the freight rates. To mitigate this operational risk, VSS has a clear focus on increasing the number of vessels on term contracts.

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

Part of the VSS' cash flow is generated in currencies other than NOK which is VSS' functional currency. This means that currency fluctuations have an impact on VSS' earnings and cash flows. 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.

**6. Basis of preparation**

These condensed interim financial statements for the three months ended 31 March 2014 have been prepared in accordance with the accounting principles as described in the VSS Annual report for 2013.