

**VIKING SUPPLY SHIPS AB
(PUBL)
INTERIM REPORT**

Q2

2017



VIKING SUPPLY SHIPS

MORE
THAN A SHIPOWNER

THE COOLEST
PLACE TO WORK

**ALWAYS AHEAD OF
COMPETITION**

Q2

Q2

REVENUE
MSEK 81 (217)
 H1: MSEK 171 (450)

ARCTIC FOCUS



Q2

EBITDA
MSEK -45 (62)
 H1: MSEK -106 (127)

Q2

RESULT FOR THE PERIOD
MSEK -99 (-128)
 H1: MSEK -101 (-168)

Q2

EARNINGS PER SHARE AFTER TAX
SEK -0.23 (-0.72)
 H1: SEK -0.25 (-0.95)

Viking Supply Ships AB (publ) is a Swedish shipping company with headquarter in Gothenburg, Sweden. Viking Supply Ships AB (publ) is organized into four segments: Anchor Handling Tug Supply vessels (AHTS), Platform Supply Vessels (PSV), Services as well as Ship Management. The operations are focused on offshore and icebreaking primarily in Arctic and subarctic areas. The company has in total about 400 employees and the turnover in 2016 was MSEK 760. The company's B-share is listed on NASDAQ OMX Stockholm, segment Small Cap, www.vikingsupply.com.

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CEO STATEMENT



The second quarter resulted in a negative result for the Group. The North Sea market was very weak for large parts of the quarter, which impacted the Group's revenue, totalling MSEK 81 for the quarter. Despite positive contributions from cost saving initiatives, EBITDA was MSEK -45 (62). For the second quarter, profit after tax for the Group was MSEK -99 (-128).

The industry downturn has proved to be longer and deeper than previously assumed. The North Sea market has apart from a few short periods been weak, with both rates and utilization suffering. Moreover, due to the low oil price, vessel oversupply and sanctions against Russia, exploration activity in Arctic regions, which would otherwise have been a significant demand driver, remained absent. As a result all operators are forced to scrutinize their cost levels to preserve cash and secure future operations. Viking Supply Ships has over the last few years conducted a series of cost saving programs, reducing both the operational and administrative expenses significantly. Unfortunately the current market conditions have also required the Group to lay up several vessels resulting in further reductions of the operational cost level. At the end of the second quarter a total of 42 AHTS and 110 PSV vessels were laid up in the North Sea and the Group is constantly monitoring whether lay up of further vessels is necessary.

The re-flagging of the four Zamakona vessels was completed during the second quarter of 2017 and it was decided to also re-flag Tor, Balder and Vidar Viking to NOR-flag. During the second quarter, the Group completed negotiations with unions and crew representatives from the Tor class vessels and shortly after the end of the quarter all three vessels were flying NOR-flag. As previously communicated this is a further step in streamlining the organization and reduces the operational expenses, while at the same time also emphasizing Viking Supply Ships' focus on the harsh environment offshore market in general and the Norwegian Continental Shelf in particular. Viking

Supply Ships believes that this decision will improve the revenue potential going forward.

As Arctic waters continue to be an important focus area for Viking Supply Ships, the Group has put in extra efforts in order to have vessels certified in accordance with the Polar Code. The Polar Code is a new mandatory regulative framework for vessels operating in arctic waters. The Polar Code entered into force on 1 January 2017. By early April 2017 all four Loke-class vessels were fully compliant and certified in accordance with the Code. The work on certifying the Tor-class is continuing and the aim is to have these vessels fully certified as category A-vessels during the third quarter of 2017. It is Viking Supply Ships' opinion that the efforts on compliance with the Polar Code will benefit all work being carried out in the arctic regions both in terms of safe operation and environmental protection.

OUTLOOK

Viking Supply Ships expects that the North Sea offshore market will remain volatile and highly challenging for the coming months. Although short periods with increased activity will increase the fixture rates, the overall utilization and revenue levels are expected to remain unsatisfactory. There are certain signs that the market will improve in 2018, but with a fragile balance in the underlying oil market, a large number of vessels in lay-up and long planning cycles within the industry, it is uncertain to which degree this will materialize in improved earnings from the spot market.

Despite the challenging market conditions, it remains a core focus within Viking Supply Ships to increase the contract backlog going forward.

Gothenburg, 4 August, 2017.

Trond Myklebust
CEO and President

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SECOND QUARTER

- Total revenue from continuing operations was MSEK 81 (217)
- EBITDA from continuing operations was MSEK -45 (62)
- Result after tax including discontinued operations was MSEK -99 (-128)
- Result after tax per share including discontinued operations was SEK -0.23 (-0.72)

YEAR TO DATE

- Total revenue from continuing operations was MSEK 171 (450)
- EBITDA from continuing operations was MSEK -106 (127)
- Result after tax including discontinued operations was MSEK -101 (-168)
- Result after tax per share including discontinued operations was SEK -0.25 (-0.95)

SUMMARY OF EVENTS IN Q2

- EBITDA for Q2 from continuing operations was MSEK -45 (62).
- The average fixture rate in Q2 was USD 22,000 (51,400) for the AHTS fleet and USD 0 (0) for the PSV fleet. The average utilization in Q2 was 40% (68) for the AHTS fleet and 0% (0) for the PSV fleet.
- Shortly after the end of the second quarter, the process to re-flag seven AHTS vessels to NOR-flag was completed. All of the Groups' AHTS vessels are now flying NOR-flag. Through a very positive dialogue with union representatives the Group has managed to keep close to all crew members employed on the vessels. As previously communicated this is a further step in streamlining the organization and to reduce the operational expenses, while at the same time also emphasizing the Groups' focus on the harsh environment offshore market in general and the Norwegian Continental Shelf in particular.

SUBSEQUENT EVENTS

- Early in July 2017 Balder Viking and Vidar Viking was re-flagged to NOR.

LIQUIDITY AND GOING CONCERN

The condensed interim financial statements for the six months ending 30 June 2017 have been prepared using the going concern assumption.

Based on a continued belief in securing contracts within the core market segment, Management has concluded that both the company and the Group will be able to continue as going concern at least until 30 June 2018. This conclusion is based on the finalized debt restructuring, the current outlook for 2017/2018 and the current uncertainties and risks (see note 1, Liquidity and going concern).

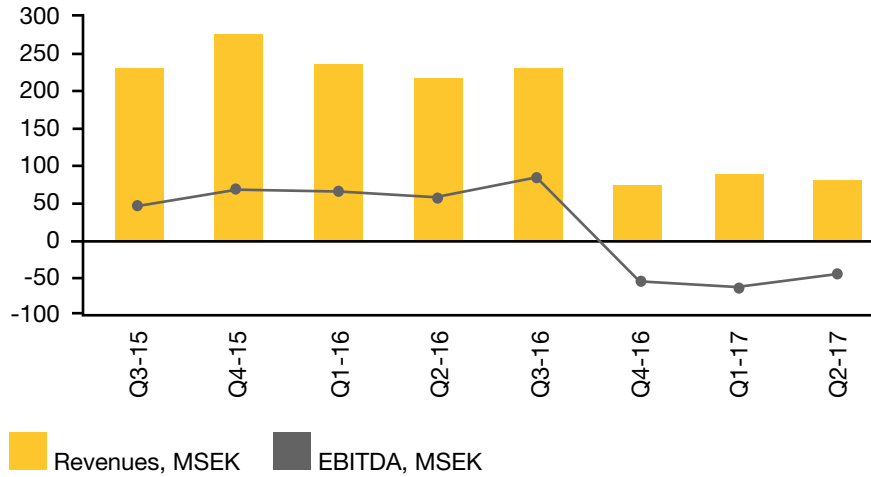
KEY FINANCIALS	Q2 2017	Q2 2016
Net sales, MSEK ¹⁾	81	217
EBITDA, MSEK ¹⁾	-45	62
Result after tax, MSEK ²⁾	-99	-128
Earnings per share after tax, SEK ²⁾	-0.2	-0.7
Shareholders' equity per share, SEK	3.0	7.0
Return on equity, % ²⁾	-30.3	-39.9
Equity ratio, % ³⁾	38.9	32.1
Market adjusted equity ratio, % ³⁾	42.1	41.7

1) Excludes discontinued operations

2) Includes discontinued operations

3) The calculation includes assets held for sale

FINANCIAL DEVELOPMENT CONTINUING OPERATIONS



RESULTS AND FINANCE

RESULTS YEAR TO DATE 2017

Total revenue for the Group for the first half year 2017 was for continuing operations MSEK 171 (450).

The Group's EBITDA for the first half year was for continuing operations MSEK -106 (127).

Net financial items were for continuing operations MSEK 80 (-45). Financial items include a gain from bond settlement of MSEK 110.

The Group's result after tax including discontinued operations was MSEK -101 (-168).

OPERATIONAL HIGHLIGHTS FOR THE SECOND QUARTER

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 42 (184) in Q2. Total EBITDA was MSEK -43 (75).

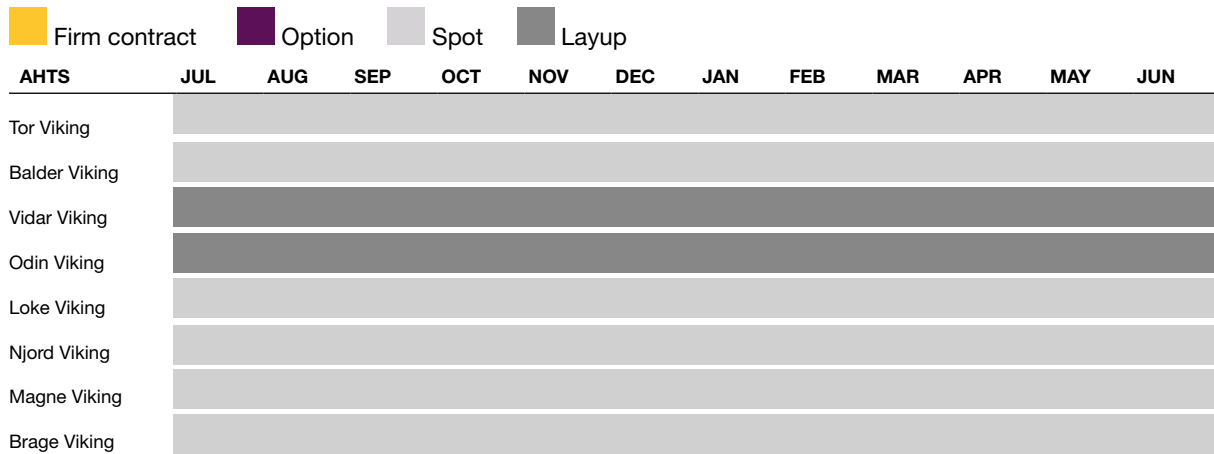
During Q2, six vessels have been operating in the North Sea spot market. Two AHTS vessels have remained in lay-up during the quarter.

The North Sea spot market was soft throughout the quarter. As a result, neither fixture levels nor utilization has been satisfactory.

The total AHTS contract backlog at the end of the quarter was MSEK 0.

AHTS Q2	Fixture rates (USD)	Utilization (%)
AHTS vessels on term charters	- (68,400)	0 (100)
AHTS vessels on the spot market	22,000 (21,900)	40 (43)
Total AHTS fleet	22,000 (51,400)	40 (68)

Table above excludes two laid-up vessel.



Figures in the tables are as of 30 June 2017.

PLATFORM SUPPLY VESSELS (PSV)

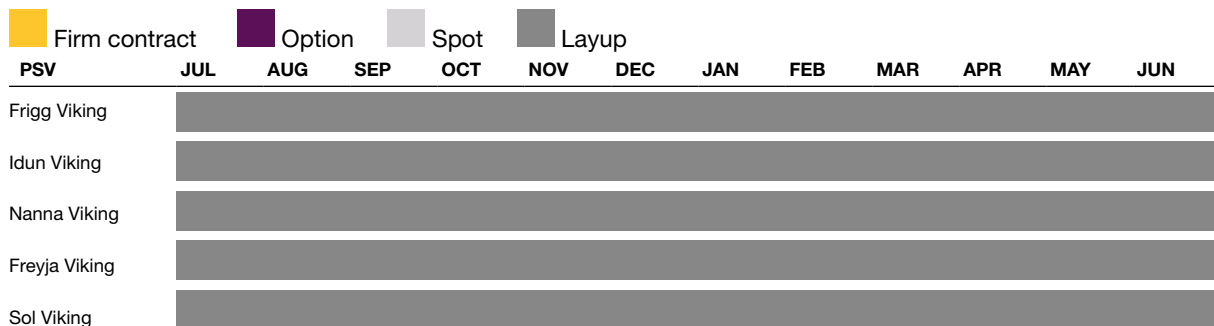
Total PSV revenue was MSEK 0 (0) in Q2. Total EBITDA was MSEK -1 (-11).

VSS A/S does not have any PSVs in operation, but will continue to monitor the market for long term contract opportunities for these vessels.

The total PSV contract backlog at the end of the quarter was MSEK 0.

PSV Q2	Fixture rates (USD)	Utilization (%)
PSV vessels on term charters	- (-)	0 (0)
PSV vessels in the spot market	- (-)	0 (0)
Total PSV fleet	- (-)	0 (0)

Table above excludes laid-up vessels.



Figures in the tables are as of 30 June 2017.

SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 39 (33) in Q2. Total EBITDA was MSEK -1 (-2).

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

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

DISCONTINUED OPERATIONS (TRANSATLANTIC AB)

During 2016 it was decided to discontinue the remaining operations in the subsidiary TransAtlantic AB (TA AB). At the end of Q3 2016 the Group assessed that discontinuation was likely to be completed within the next 12 months. Due to this, the Group has in its financial reports as from Q3 2016 recognized TA AB as discontinued

operations and assets held for sale, according to IFRS 5 Assets Held for Sale and Discontinued Operations (see note 4, Discontinued operation and assets held for sale).

The remaining activities within the small bulk segment recorded revenues of MSEK 13 (81) in Q2. EBITDA was MSEK -1 (-5).

FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the second quarter, the Group's equity amounted to MSEK 1,240 (equivalent to 3.03 SEK/share). The Equity decreased during the first half year by net MSEK 200 due to the loss for the first half year of MSEK 101 and a negative change in the translation reserve of MSEK 99 attributable to currency differences on net investments in subsidiaries, mainly related to the weakened USD against SEK.

The completed equity issue, of total 340 MSEK, brought liquidity to the Group of total MSEK 250 of which MSEK 207 was obtained in December 2016 and the remaining MSEK 43 in the beginning of January 2017. In January the outstanding bond debt, including accrued coupon interest, of total MSEK 220 was settled partly by cash redemption of total MSEK 38, and by way of the final set-off equity issue of MSEK 57. The redeemed bonds resulted in a financial gain of 113 MSEK.

Gross investments during the first half year amounted to MSEK 1 (3).

The scheduled loan amortizations during the first half year amounted to MSEK 38. A new loan of MSEK 21 was raised during the same period.

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

Viking Supply Ships AB is obliged to publish this report in accordance with the Swedish Securities Act and/ or the Swedish Financial Instruments Trading Act. This report has been prepared in both Swedish and English versions. In case of variations in the contents between the two versions, the Swedish version shall govern. This report was submitted for publication at 8:30 am (CET) on 4 August, 2017.

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, 4 August 2017

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

A graphic consisting of a yellow circle with the text 'Q2' 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 dots.

Q2

PRESS AND ANALYST CONFERENCE

In conjunction with the publication of this interim report, an earnings call will take place on 4 August 2017 at 10.00 am (CET) with Viking Supply Ships AB's CFO Ulrik Hegelund and IR Director Morten G. Aggvin. In connection with the conference, a presentation will be available on the company's website, www.vikingsupply.com. Please see Investor Relations/Reporting Center.

FINANCIAL CALENDAR 2017

10 November Q3 Interim report

INVESTOR RELATIONS

Please contact CFO, Ulrik Hegelund, ph. +45 41 77 83 97 or
IR & Treasury Director, 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)	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016
Net sales		81	217	171	450	760
Other operating revenue		0	0	0	0	0
Direct voyage cost		-8	-6	-17	-18	-36
Personnel costs		-88	-88	-188	-197	-386
Other costs		-30	-61	-72	-108	-177
Depreciation/impairment	2	-37	-186	-74	-228	-409
Operating result		-82	-124	-180	-101	-248
Net financial items		-16	8	80	-45	-126
Result before tax		-98	-116	-100	-146	-374
Tax	8	0	-2	1	-3	4
Result from continuing operations	3	-98	-118	-99	-149	-370
Result from discontinued operations	4	-1	-10	-2	-19	-36
Result for the period		-99	-128	-101	-168	-406
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):						
-Result from continuing operations		-0.2	-0.7	-0.2	-0.8	-2.0
-Result from discontinued operations		0.0	-0.1	0.0	-0.1	-0.2
Total		-0.2	-0.7	-0.3	-1.0	-2.2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016
Result for the period		-99	-128	-101	-168	-406
Other comprehensive income for the period:						
Items that will not be restored to the income statement						
Revaluation of net pension obligations		-	-	-	-	1
Items that later can be restored to the income statement						
Change in translation reserve, net		-55	56	-99	31	119
Other comprehensive income		-55	56	-99	31	120
Total comprehensive income for the period		-154	-72	-200	-137	-286

CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q2 2017	FY 2016
Vessels	2	2,929	3,229
Other tangible fixed assets		1	0
Financial assets		15	16
Total fixed assets		2,945	3,245
Other current assets	6	169	422
Assets held for sale	4	19	26
Total current assets		188	448
TOTAL ASSETS	3	3,133	3,693
Shareholders' equity		1,240	1,440
Long-term liabilities	5	1,732	1,896
Other current liabilities	5	156	342
Liabilities related to assets held for sale	4	5	15
Total current liabilities		161	357
TOTAL EQUITY, PROVISIONS AND LIABILITIES		3,133	3,693

VALUATION OF FINANCIAL ASSETS AND LIABILITIES

The valuation of financial assets and liabilities in the balance sheet is based on acquisition value or fair value. The valuation of FX derivatives and interest rate derivatives is based on fair value. The balance items "Long-term liabilities" include derivatives of MSEK 8 (16). Valuation of other financial assets and liability items in the balance sheets are based on acquisition value.

ASSESSMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016
Cash flow from operations before changes in working capital		-59	41	-137	70	55
Changes in working capital		-16	-100	-73	-100	13
Cash flow from current operations		-75	-59	-210	-30	68
Cash flow from investing activities		0	-1	-1	51	124
Cash flow from financing activities		-1	0	25	0	-21
Changes in cash and cash equivalents from continuing operations		-76	-60	-186	21	171
Cash-flow from discontinued operations:						
Cash flow from current operations		0	-12	-1	-8	-127
Cash flow from investing activities		0	41	0	42	151
Cash flow from financing activities		0	-25	0	-27	-131
Changes in cash and cash equivalents from discontinued operations	4	0	4	-1	7	-107
Cash and cash equivalents at beginning of period		155	278	273	195	195
Exchange-rate difference in cash and cash equivalents		-8	5	-15	4	14
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	71	227	71	227	273

CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016
Equity at beginning of period		1,394	1,321	1,440	1,386	1,386
New share issue ¹⁾		-	-	-	-	340
Total comprehensive income for the period		-154	-72	-200	-137	-286
SHAREHOLDERS' EQUITY AT END OF PERIOD		1,240	1,249	1,240	1,249	1,440

1) Net after expenses related to the new share issue.

Share capital (MSEK)	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016
Share capital at beginning of period		410	177	344	177	177
New share issue		-	-	66	-	167
Share capital at end of period		410	177	410	177	344

Number of shares ('000)	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016
Number of outstanding shares at beginning of period		409,593	177,444	343,545	177,444	177,444
Number of new shares issued		-	-	66,048	-	166,101
Total number of shares at end of period		409,593	177,444	409,593	177,444	343,545
Average number of shares outstanding		409,593	177,444	407,457	177,444	181,297

DATA PER SHARE

(SEK)	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016
EBITDA ¹⁾		-0.1	0.3	-0.3	0.7	0.9
Result after tax (EPS) ¹⁾		-0.2	-0.7	-0.2	-0.8	-2.0
Equity ²⁾		3.0	7.0	3.0	7.0	4.2
Operating cash flow ¹⁾		-0.1	0.4	-0.1	0.5	0.2
Total cash flow ¹⁾		-0.2	-0.4	-0.5	0.1	0.9

1) Calculated on continuing operations

2) The calculation includes assets held for sale

PARENT COMPANY

The Parent Company's result after tax for the first half year was MSEK -475 (-173). The net financial items include impairment losses on shareholdings in subsidiaries of MSEK -475.

The activity in the Parent Company mainly consists of the shareholdings in VSS A/S and TA AB, as well as limited Group wide administration. The decline in the parent company's revenues and costs relates to the charter agreements of the three RoRo-vessels TransPaper, TransPulp and TransTimber which were novated to an external party in Q4 2016.

At the end of the year the Parent Company's equity was MSEK 1,510 (1,986 on Dec 31, 2016), and total assets were MSEK 1,565 (2,055 on Dec 31, 2016). The equity decreased during the year by net MSEK 475 due to the loss for the year of MSEK 475. The completed equity issue, of total 340 MSEK, brought liquidity to the Group of total MSEK 250 of which MSEK 207 was obtained in December 2016 and the remaining MSEK 43 in the beginning of January 2017. The cash proceeds from these new share issues have been distributed to the subsidiaries as part of the financial restructuring.

The equity ratio on the balance day was 97% (97 on Dec 31, 2016). Cash and cash equivalents at the end of the period was MSEK 2 (18 on Dec 31, 2016). The decline in cash holdings relates to repaid client funds.

PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016
Net sales		3	86	5	170	333
Personnel costs		-	0	-	-1	-1
Other costs		-3	-86	-5	-170	-334
Operating result		0	0	0	-1	-2
Net financial items		-474	-173	-475	-172	-342
Result before tax		-474	-173	-475	-173	-344
Tax on result for the year		-	-	-	-	-
RESULT FOR THE PERIOD		-474	-173	-475	-173	-344
<i>Other comprehensive income for the period:</i>						
Items that will not be restored to the income statement						
Revaluation of net pension obligations		-	-	-	-	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-474	-173	-475	-173	-344

PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q2 2017	FY 2016
Financial fixed assets		1,560	1,905
Current assets		5	150
TOTAL ASSETS		1,565	2,055
Shareholders' equity		1,510	1,986
Provisions		6	6
Long-term liabilities		15	15
Current liabilities		34	48
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		1,565	2,055

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016
Equity at beginning of period		1,985	1,990	1,986	1,990	1,990
New share issue ¹⁾		-	-	-	-	340
Total comprehensive income for the period		-474	-173	-475	-173	-344
SHAREHOLDERS' EQUITY AT END OF PERIOD		1,511	1,817	1,511	1,817	1,986

1) Net, after expenses related to the new share issue

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. LIQUIDITY AND GOING CONCERN

The financial restructuring was completed on 12 January 2017 when the bond settlement by way of cash redemption and conversion to equity was completed.

The restructuring was intended to secure the Group with a stable financial platform until 2020, subject certain vessel income levels. The primary uncertainties and risks in relation to the going concern considerations included a prolonged weakening of the market conditions.

The continued challenging market conditions, including downward pressure on rates and utilization, have impacted the Group's liquidity during the first six months of 2017. In the event that the Group continues to be adversely impacted by the weak market conditions during the third quarter of 2017 there is a risk that the Group will not be able to fulfil covenant undertakings, which in that event will impact the Group's and the company's ability to continue as going concern.

Based on a continued belief in securing contracts within the core market segment, Management has concluded that both the company and the Group will be able to continue as going concern at least until 30 June 2018. This conclusion is based on Management's assessment of the current outlook for 2017/2018 and the uncertainties and risks described above.

2. TANGIBLE FIXED ASSETS

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

Impairment test

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

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

The key assumptions used in the value in use calculation and in the assessment of owned vessels, for 2017 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% (2016: 9%). The pre- and post-tax discount factor is the same due to tonnage taxation.

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

Impairment test PSV fleet in 2017

Based on fixtures rates, utilization, contract coverage, cost levels and currency exchange levels the Group has prepared discounted cash flow calculations covering the remaining useful lives of the vessels. All significant assumptions have been estimated using Management's best estimate in a challenging market. The cash flow projection shows negative cash flows for 2017-19 due to all PSV vessels in warm lay-up in 2017/2018 and poor market conditions expected in 2019 with step-wise improving rates and utilization in 2020 and going forward.

The value in use calculation based on discounted cash flows is very sensitive to changes in the underlying assumptions including the pace and timing of assumed market recovery and redeployment of vessels, which is uncertain due to the current challenging market conditions. The calculated value in use is MSEK 383.

The impairment test also consists of an assessment of average external vessel valuations, less cost to sell, from two internationally acknowledged shipbrokers showing a total PSV fleet value of MSEK 277 (ranging from MSEK 187 to MSEK 366). The valuations obtained from these shipbrokers are subject to more uncertainty than normal due to lack of sales and purchase transactions for comparable vessels.

Since the recoverable amount of MSEK 383 exceeds the carrying amount of MSEK 376 at the end of Q2 2017, no impairment charge has been recognized.

The Group will continue to closely monitor the market development and impairment exposure of the PSV fleet's carrying amount.

Impairment test AHTS fleet in 2017

In Q2 2017 Management evaluated the AHTS fleet and concluded that the AHTS vessels are not impaired. Value in use calculations prepared for the AHTS fleet showed no indications that the carrying amount may not be fully recoverable. This was further supported by the external vessel valuations from two independent internationally acknowledged shipbrokers showing a total AHTS fleet value in excess of the carrying amount of the owned AHTS fleet (MSEK 2 553) by 11% on average.

3. SEGMENT INFORMATION ABOUT CONTINUING OPERATIONS

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

- The segments AHTS and PSV comprise 13 offshore vessels that are equipped for and have the capacity to operate in areas with harsh environment, further 7 of the Anchor Handling Tug Supply (AHTS) vessels are equipped to operate in Arctic areas.
- The segment Services provides ice management services and logistical support in the Arctic regions.
- The segment Ship Management is involved in commercial management of five icebreakers owned by the Swedish Maritime Administration.

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

Q2 MSEK	AHTS	PSV	Services	Ship Management	Continuing operations
Net sales	42	0	4	35	81
EBITDA	-43	-1	0	-1	-45
Result before tax	-89	-8	0	-1	-98
Total assets	2,711	403	0	0	3,114

Year to date MSEK	AHTS	PSV	Services	Ship Management	Continuing operations
Net sales	89	0	9	73	171
EBITDA	-100	-5	0	-1	-106
Result before tax	-81	-18	0	-1	-100
Total assets	2,711	403	0	0	3,114

There have been no significant transactions between the segments.

4. DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

During 2016 it was decided to discontinue the remaining operations in the subsidiary TransAtlantic AB in order to meet financing commitments related to these operations. At the end of Q3 2016 the Group assessed that discontinuation was likely to be completed within the next 12 months, subject the outcome of the ongoing discussions and negotiations. Due to this, the Group have in its financial reports as from Q3 2016 recognized TA AB as discontinued operations and assets held for sale, according to IFRS 5 Assets held for sale and discontinued operation, which means that TA AB is reported as a one-line item in the consolidated profit and loss statements. Assets and liabilities related to TA AB are also presented in two rows in the consolidated balance

sheet. The consolidated cash flow statement is presented including TA AB, but with additional information about cash-flow from current operation and investing- and financing activities of TA AB. Comparative figures for prior periods are also presented in accordance with this classification in the consolidated profit and loss statement and cash-flow statement.

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

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

CONSOLIDATED INCOME DISCONTINUED OPERATIONS

(MSEK)	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016
Net sales	13	81	25	167	309
Other operating revenue	0	0	0	0	34
Direct voyage cost	0	-3	0	-5	-4
Personnel costs	0	-1	0	-3	-9
Other costs	-14	-82	-27	-162	-330
Depreciation/impairment	-	5	19	-13	-8
Impairment to fair value less selling costs ¹⁾	-	-7	-19	-	-19
Operating result	-1	-7	-2	-16	-27
Net financial items	0	-3	0	-3	-9
Result before tax	-1	-10	-2	-19	-36
Tax	0	0	0	0	0
RESULT FROM DISCONTINUED OPERATIONS	-1	-10	-2	-19	-36
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):					
-Result from discontinued operations	0.0	-0.1	-0.0	-0.1	-0.2

1) Not tax deductible

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

(MSEK)	Q2 2017	FY 2016
Other tangible fixed assets	0	0
Intangible fixed assets	1	1
Financial assets	9	9
Total fixed assets	10	10
Current assets	9	16
ASSETS HELD FOR SALE	19	26
Current liabilities	5	15
LIABILITIES RELATED TO ASSETS HELD FOR SALE	5	15

CASH-FLOW FROM DISCONTINUED OPERATIONS

(MSEK)	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q4 2016
Cash flow from current operations	0	-12	-1	-8	-127
Cash flow from investing activities	0	41	0	42	151
Cash flow from financing activities	0	-25	0	-27	-131
NET CASH FLOW FROM DISCONTINUED OPERATIONS	0	4	-1	7	-107

5. INTEREST BEARING LIABILITIES

The vessels owned by the Group are financed through bank loans with pledge in the vessels. Further securities have been given in the form of pledge in revenue and insurance policies. The total interest-bearing debt at the end of the quarter was MSEK 1,773 (1,927 on Dec 31, 2016).

The interest bearing liabilities are associated with financial covenants, according to which the Group must fulfill certain key ratios. Due to the current weak market conditions, the Group has registered a breach on its twelve month rolling EBITDA ratio which is to be positive. The Group has informed its lenders of such breach and has

initiated a further dialogue which is expected to lead to a remedy plan. A remedy plan is needed within Q3 2017. At 30 June 2017, all other financial covenants were in compliance.

As part of the financial restructuring the cash redemption of the bond was partly funded by a loan of MNOK 20 provided by one of the existing lenders. The loan was received in January 2017.

As a result of an agreement that was resolved by the bondholders in conjunction with the key terms of the debt restructuring plan, the bond agreement was changed in 2016 and the bond was delisted from Nordic ABM on 12 January 2017.

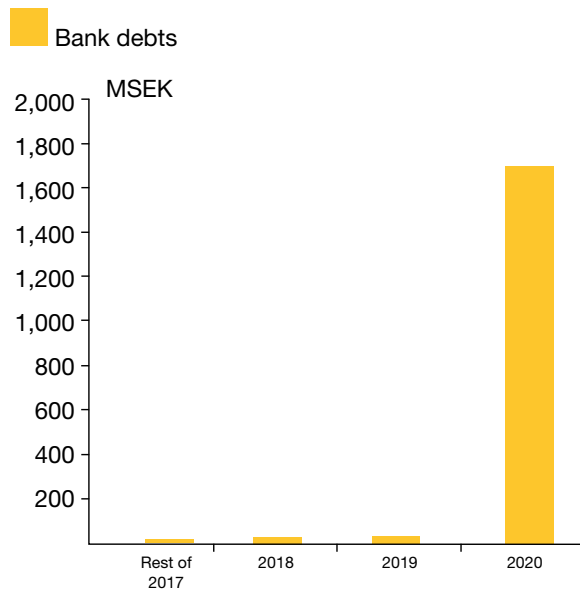
As part of the financial restructuring the Group's bank facilities have been extended until 31 March 2020. Further, in addition to fixed amortizations under the bank facilities payable from 31 March 2018, there will be a cash sweep mechanism, whereby cash on hand exceeding certain levels shall be distributed as repayment of the bank facilities from 2018. During 2017, the cash sweep amounts have been pre-agreed.

The Group has 99% (43%) of its interest-bearing debt in USD, 0% (18%) in GBP and 1% in NOK (39%). The Group has 100% (100) of the total loan portfolio swapped into fixed interest rates within the interval of 90 days up to three years and 0% (0) of the total loan portfolio swapped into fixed interest rates for more than 3 years.

5.1. Classification by type of debt

MSEK	Q2 2017	Q2 2016	FY 2016
Short-term bond loan	-	205	-
Long-term debt to credit institutions	1,708	38	1,868
Short-term debt to credit institutions	65	2,089	59
TOTAL INTEREST BEARING LIABILITIES	1,773	2,332	1,927

5.2. Debt maturity



6. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents available at the end of the year amounted to MSEK 71 (273). The cash assets include client funds of MSEK 17.

MSEK	Q2 2017	Q2 2016	FY 2016
Restricted cash ¹⁾	-	77	-
Free cash and cash equivalents	71	227	273
TOTAL	71	304	273

1) The amount is included in the item "Financial Assets" in the balance sheet.

7. OPERATIONAL AND FINANCIAL RISK

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

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

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

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

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

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

8. OTHER INFORMATION

Company information

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

Corporate tax

The general situation for the Group is that taxes payable are limited to foreign entities. The tax losses carry forward for Swedish entities amounted at end of the period to MSEK 1,049 (1,048 on Dec 31, 2016). There are no tax assets capitalized in the balance sheet related to these tax losses carry forward. The recognized deferred tax liability for the operations outside Sweden amounted to MSEK 0 (0 on Dec 31, 2016).

Transactions with closely related parties

The Group has entered into a long-term bareboat charter agreement with a subsidiary to Kistefos AS, Odin Viking SPV AS, in relation to hire of the AHTS vessel Odin Viking. The nominal minimum lease hire payments amount to MSEK 220 until expiry on 2 August 2024. The Group has until June 30, 2017 paid charter hire of total MSEK 15.

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.

Viking Supply Ships applies IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in accounting for discontinued operations for the segment TransAtlantic AB. Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than from continuing use. An asset is classified as held for sale if it is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. These assets are recognized on a separate line as current assets or current liabilities in the consolidated balance sheet. On initial classification as held for sale, non-current assets are recognized at the lower of carrying amount and fair value less costs to sell. A discontinued operation is a component of the Group's business that represents a separate business segment or major line of business within a geographical area of operations or a subsidiary

acquired exclusively with a view to sell. Classification as a discontinued operation occurs upon disposal or, if earlier, when the operation meets the criteria to be classified as held for sale. When an operation is classified as discontinued, the presentation of the consolidated income statement for the comparative year is changed so that the discontinued operation is recognized as if it had been discontinued at the start of the comparative period. The presentation of the consolidated balance sheet for preceding periods is not changed in a corresponding manner.

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

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

Number of employees

The average number of full time employees in the Group for the first half year was 365 (Jan-Dec 2016: 464).

Number of shares

Share distribution on June 30, 2017:

Number of Series A shares	20,684,348
<u>Number of Series B shares, listed</u>	<u>388,908,612</u>
Total number of shares	409,592,960

DEFINITIONS

AHTS

Anchor Handling Tug Supply vessel

EARNINGS PER SHARE

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

EBIT

Earnings before interest and taxes

EBITDA

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

EQUITY RATIO

Shareholders' equity divided by total assets

THE GROUP

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

IFRS

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

MARKET ADJUSTED EQUITY RATIO

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

OPERATING CASH FLOW

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

OPERATING COST

Operating cost consists of crew, technical and administration costs

OPERATING PROFIT/LOSS

Profit/loss before financial items and tax

OSV

Offshore Support Vessels

PROFIT MARGIN

Profit after financial items divided by net sales

PSV

Platform Supply Vessel

RETURN ON EQUITY

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

RORO

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

TOTAL CASH FLOW

Cash flow from operating activities, investing activities and financing activities



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