
# VIKING
## SUPPLY SHIPS AB (PUBL)

## ANNUAL REPORT
# 2017

VIKING SUPPLY SHIPS

MORE THAN A SHIPOWNER | THE COOLEST PLACE TO WORK | ALWAYS AHEAD OF COMPETITION

# CONTENT



Frontpage: Brage Viking working in ice in the Gulf of Bothnia


## 1974
The Norwegian tanker company, Excelsior (established in 1946), begins to focus on the fast-growing offshore market. Viking Supply Ships is established as a marketing company for platform supply vessels (PSVs).

## 1972–1989
Nordsjöfrakt is established in 1972 and operates from Skärhamn, Sweden. In 1989, the shipping company merges with the Bylock Group to establish Bylock & Nordsjöfrakt (B&N).

## 1989
Christen Sveaas acquires Excelsior and changes the name of the company to Viking Supply Ships AS. A major expansion of the PSV fleet is initiated.

## 1990–1993
B&N acquires the shipping company Gorthon Lines from Bilspedition and is listed on the Stockholm Stock Exchange in 1991.
In 1993, Svenska Orient Linien is also acquired from Bilspedition.

## 1998
Viking Supply Ships acquires three combined AHTS vessels/icebreakers through a joint venture with Viking Supply Ships.

## 1998–2000
B&N acquires Paltrans Shipping.

## 2005
B&N is renamed Rederi AB Transatlantic.

## 2010
Rederi AB TransAtlantic acquires the shares outstanding in the TransViking joint venture, thus making the Norwegian company, Kistefos, the new principal owner.

## 2011
Rederi AB Transatlantic acquires the shipping and logistics companies Österströms and SBS Marine. Operations are divided into two business areas – the offshore business in Viking Supply Ships and the shipping and logistics operations in Industrial Shipping (subsequently "TransAtlantic"). The Group-wide functions are located in Gothenburg.

## 2012
Rederi AB Transatlantic acquires the Finnish shipping company Merilinja.

## 2013
Work continues with developing the operations Work continues with developing the operations of each business area. Industrial Shipping (subsequently TransAtlantic) implements stringent cost-cutting measures and leaves the unprofitable bulk segment to focus its resources on RoRo and the Container Feeder segment.
Viking Supply Ships signs several important Arctic offshore contracts and centralizes all of its support and operational functions at the head office in Copenhagen, Denmark.

## 2014
The Industrial Shipping business area was renamed to TransAtlantic. The work to prepare the company for a split was intensified. During the year, the last remaining portions of TransAtlantic's and Viking Supply Ships' respective operations were transferred so as to be exclusively conducted by the respective subsidiary, which means the Group's present structure is now better prepared for a split.

## 2015
The company name was changed from Rederi AB Transatlantic to Viking Supply Ships AB. TransAtlantic AB divested its ship management operations and container operations.

## 2016
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.

## 2017
The process to discontinue the remaining operations within TransAtlantic AB continued and by the end of 2017 only three small bulk vessels remain. The group finalized an equity issue as part of a financial restructuring, which was caused by the prolonged downturn within the offshore market.

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# 2017 SUMMARY

**THE GROUP'S NET SALES DECREASED YEAR-ON-YEAR TO MSEK 331 (760), NET RESULT AFTER TAX WAS MSEK -332 (-406).**

## QUARTER 1

- The bond settlement by way of cash redemption and the set-off equity issue in VSS AB was completed on 12 January 2017. Under the settlement, bondholders of record as of 30 December 2016 (the "Record Date") received 36,821,058 new class B-shares in VSS AB and NOK 34,419,682.96 in cash as payment of the total outstanding principal amount – NOK 199,341,169, and holders as of the date of the Record Date of the right to receive interest coupon due on the bonds on 21 June 2016 ("Eligible Coupon holders") (in total NOK 9,232,561.83) have received 870,650 new class B-shares and NOK 813,868.94 in cash. The cash redemption is partly funded by a loan of MNOK 20 provided by one of VSS A/S' existing lenders. The bond settlement generated a gain of MSEK 110 which was recognized in January 2017.
- Mr. Trond Myklebust took over the responsibilities as CEO of VSS AB on 24 January 2017. As intended, Mr. Bengt A. Rem was reinstated as Chairman of the Board of VSS AB. Mr. Folke Patriksson returned to his previous position as Deputy Chairman.
- During January 2017 the number of shares increased by 204,059,888, of which 9,049,402 class A shares and 195,010,486 class B shares, through the issuances of new shares. The number of votes increased by 285,504,506. As of 31 January 2017, there were in total 409,592,960 shares in VSS AB, of which 20,684,348 class A shares, corresponding to 206,843,480 votes, and 388,908,612 class B shares, corresponding to 388,908,612 votes, 595,752,092 votes in total.
- In 2016 Magne Viking was certified according to the IMO Polar Code. As soon as the Polar Code entered into force on 1 January 2017 the work of certifying the rest of the fleet began. By early April 2017 all four Loke-class vessels were fully compliant and certified in accordance with the Polar Code.

## QUARTER 2

- 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.

## QUARTER 3

- The continued challenging market conditions, including downward pressure on rates and utilization, have impacted the Group's liquidity during the first nine months of 2017. As a consequence, VSS A/S shortly after the end of the second quarter initiated a dialogue with its lenders to secure a long-term stable financing solution.
- During the third quarter an impairment charge of MSEK 32 was recognized related to the PSV fleet.

## QUARTER 4

- During the fourth quarter it was decided to reduce the capacity of the spot fleet by placing Loke Viking in stand-by mode in Uddevalla, Sweden. Part of the crew has been reassigned to other vessels in the fleet, while some crew has been terminated. VSS A/S considers this to be an unfortunate, but necessary, step to preserve cash and influence the market balance in the region.
- An extraordinary general meeting was held on 6 November 2017. The extraordinary general meeting resolved in accordance with the Board of Directors' proposal on a rights issue of 123 MSEK, and two share issues with payment against set-off at the total amount of 8 MSEK.
- In December VSS A/S received confirmation that it had obtained support for a restructuring proposal from all senior lenders. A final restructuring agreement was subject to final approval from the senior lenders' credit committees.
- During the fourth quarter TA AB concluded the sale of two partly owned small bulk vessels TransSonoro and TransVolante. This transaction will have limited financial impact on the Group.
- During the fourth quarter an impairment charge of MSEK 19 was recognized related to the PSV fleet.

# FURTHER EMPHASIS ON
## HARSH ENVIRONMENT OFFSHORE

**VIKING SUPPLY SHIPS' OPERATIONS ARE ORGANIZED INTO TWO INDEPENDENT SUBSIDIARIES: TRANSATLANTIC AB AND VIKING SUPPLY SHIPS A/S. DURING 2016 IT WAS DECIDED TO DISCONTINUE THE REMAINING OPERATIONS IN THE SUBSIDIARY TA AB. THE PROCESS TO DISCONTINUE TA AB HAS CONTINUED DURING 2017 AND THE REMAINING ACTIVITIES CONSIST OF THREE PARTLY OWNED SMALL BULK VESSELS. GOING FORWARD THE GROUP WILL FULLY FOCUS ON ITS CORE BUSINESS WITHIN THE HARSH ENVIRONMENT OFFSHORE INDUSTRY.**

### VIKING SUPPLY SHIPS

Viking Supply Ships offers offshore and icebreaking services to oil-prospecting customers in the North Sea, Arctic and Subarctic waters. As one of few operators in the market, Viking Supply Ships has unique expertise at its disposal to conduct operations in ice environments and difficult weather conditions. The head office has been located in Copenhagen since 2011.

- Offices in Copenhagen, Kristiansand and Stenungsund
- 360 employees at year end, of which 25 land-based and 335 are offshore
- 13 owned vessels and 5 managed vessels
- Customers primarily comprise major international oil companies

### VIKING SUPPLY SHIPS AB

- Leading Swedish shipping company with a long history.
- Two independent subsidiaries – TransAtlantic AB (TA AB) and Viking Supply Ships A/S (VSS A/S). During 2016 it was decided to discontinue the remaining operations in the subsidiary TA AB. The process to discontinue TA AB has continued during 2017 and the remaining activities consist of three partly owned small bulk vessels. At year-end, the fleet comprised 16 vessels, of which 3 were operating under TransAtlantic and 13 under Viking Supply Ships. In addition the Group has management of further 5 vessels.
- The Group has 360 employees at year end and its domicile in Gothenburg, Sweden.
- Sales for 2017 amounted to MSEK 331 (excluding discontinued operations and assets held for sale).
- The number of shareholders at year-end was 4,286.
- The company is listed on Nasdaq OMX Stockholm under the Small Cap list.
- The company is majority-owned by the Norwegian investment company, Kistefos AS, which is owned by Christen Sveaas.
- After all equity issues related to the financial restructuring had been completed in January 2018, Kistefos AS had 78.6% of the share capital and 74.9% of the votes.

# COMMENTS BY THE CEO

THE DOWNTURN WITHIN THE OIL AND GAS INDUSTRY HAS CONTINUED IN 2017, WITH A FURTHER DETERIORATION OF THE OFFSHORE MARKET. AS A DIRECT CONSEQUENCE, THE FINANCIAL RESULTS OF VIKING SUPPLY SHIPS WERE NEGATIVELY IMPACTED BY REDUCED REVENUES AND IMPAIRMENT OF THE PSV FLEET. DURING 2017 VIKING SUPPLY SHIPS HAS COMPLETED SEVERAL INITIATIVES TO REDUCE THE COST BASE, RESULTING IN SIGNIFICANTLY REDUCED OPERATIONAL EXPENSES. A NEW FINANCIAL RESTRUCTURING, INCLUDING AN EQUITY ISSUE, WAS COMPLETED DURING 2017, SECURING THE GROUP WITH A PLATFORM TO NAVIGATE THROUGH THE CHALLENGING MARKET.

## VIKING SUPPLY SHIPS

During the year, the AHTS fleet had an average rate level of USD 29,000 (50,500) and an average utilization rate of 32% (54). The downturn within the offshore market further deteriorated through 2017, with the North Sea drilling activity seing a further reduction compared to 2016. As a result, the AHTS market was negatively impacted throughout the year, with both rates and utilization failing to reach profitable levels. Also the market for the PSV fleet remained weak throughout 2017, and Viking Supply Ships has not had any PSVs in operation during the year.

The previous financial restructuring was intended to secure the Group with a stable financial platform until 2020, subject certain vessel income levels. The continued challenging market conditions, including downward pressure on rates and utilization, impacted the Group's liquidity during 2017. As a consequence, Viking Supply Ships shortly after the end of the second quarter initiated a dialogue with its lenders to secure a long-term stable financing solution. Viking Supply Ships has during January 2018 obtained credit committee approval from all senior lenders, signed a restructuring term sheet and signed amended loan agreements. The signed restructuring term sheet, together with the completed equity issue in VSS AB and subsequent equity injection by the parent company into VSS A/S, finalized the financial restructuring. The restructuring agreement will provide Viking Supply Ships with a platform to navigate through the potential challenging market until 2020.

During 2017, the company also completed a series of initiatives to reduce the operational expenses. As part of this all 7 AHTS vessels were re-flagged to NOR-flag during the year. 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.

VSS A/S' head office has for the last few years been located in Copenhagen, Denmark with local presence in Norway and Sweden. In early 2018 it was decided to re-locate the head office to Kristiansand, Norway. The office in Copenhagen will as a consequence be closed down during the first half of 2018. To explore future commercial opportunities in Russia and strengthen its footprint in the region, Viking Supply Ships in 2016 entered into a strategic cooperation with Sevnor Ltd., a shipping and offshore company with extensive presence in the Russian offshore market.

## TRANSATLANTIC

During 2016 it was decided to discontinue the remaining operations in the subsidiary TA AB. The process to discontinue TA AB has continued during 2017 and the remaining activities consist of three partly owned small bulk vessels.

During the the year TA AB sold the two small bulk vessels TransSonoro and TransVolante. The remaining operations classified as discontinued operation and assets held for sales comprised at the end of the year of three bareboat chartered small bulk vessels. The contracts on these vessels run out within less than two years and are entered into with a company in which TA AB is a 38 % shareholder.  The process to discontinue the remaining operations within TA AB continues.

## THE GROUP

During 2017 VSS A/S concluded a financial restructuring. As part of this, a series of equity issues were completed in Viking Supply Ships AB. For further details on the development of the share capital and number of shares, see note 21.

## OUTLOOK

Viking Supply Ships expects that the rig activity will increase towards the spring and summer of 2018. Combined with increased tendering activity and more vessels being committed for summer projects, Viking Supply Ships anticipates a gradual improvement of the rates and vessel utilization. It is however expected that the high number of vessels in lay-up will subdue the market upturn in the short run.

Viking Supply Ships also sees increased tendering activity within its core regions of harsh environment offshore. The recent fixture of Brage Viking clearly shows the market position the Group has obtained within the harsh environment offshore market and Viking Supply Ships is currently pursuing several contract opportunities and has a clear ambition to secure term contracts for further vessels in the fleet for 2018 and 2019.

The recently completed restructuring agreement will provide Viking Supply Ships with a platform to navigate through the potential challenging market until 2020.  Combined with the competence built up within the company and the purpose built fleet suitable for operations in harsh environment offshore regions, Viking Supply Ships is well positioned to take advantage of future market opportunities.

Gothenburg, 25 April 2018
Trond Myklebust
President and CEO

A NEW CYCLE DAWNS

# A FURTHER STEP
## TOWARDS THE NORTH

Viking Supply Ships pursues activities in the Arctic offshore market, in areas with difficult weather conditions, and in the offshore spot market in the North Sea. The fleet comprises 13 offshore vessels, of which seven are equipped and have the capacity for operations in environments with harsh cold and extreme weather conditions, such as the Arctic region. The strategy is to sign long-term contracts for vessels to the extent this is possible. In 2017, contract coverage was 0% (30) for the AHTS fleet. Viking Supply Ships also has extensive experience in offering consultancy services for ice management and logistics support in the Arctic region. In addition, Viking Supply Ships handles ship management for the Swedish Maritime Administration's five ice-breakers, which further strengthens the position in environments with difficult weather conditions.

### A CONTINUED CHALLENGING MARKET ENVIRONMENT

The oil market, which is the fundamental driver for the market in which Viking Supply Ships operates, stabilized during the second half of 2016 and has through 2017 shown clear signs of improvement. Due to planning cycles there is however a significant lag before this improvement is transferred to offshore activity, which is the demand driver for OSV vessels.

Viking Supply Ships maintains a positive long term outlook for the offshore industry. Due to planning cycles Viking Supply Ships does however anticipate that also 2018 will be challenging for the industry. There is currently a global oversupply of vessels which will require a significant increase in activity to be absorbed in the market. Until this materializes the spot market is likely to be vulnerable to vessels being reactivated from lay-up or coming in from other offshore regions. However, backed by the increased oil price Viking Supply Ships does see clear signs in the global offshore industry that the market will improve in the long run. With the significant cost reductions seen among several arctic oil and gas projects, Viking Supply Ships maintains its view that there will be increasing activity in the arctic and subarctic regions during the next few years.

### RUSSIA – TO REMAIN A CORE MARKET

The challenging situation related to sanctions in Russia was upheld through 2017, which has caused the exploration activity to be held back over the last couple of years. The current producing fields are mainly located in the Sakhalin region in the Far East and in the Pechora Sea. There has however been an increased exploration activity in the region during the summer season of 2017. Combined with a significant increase in tendering activity in the region, this strengthens Viking Supply Ships' view of the Russian market and Viking Supply Ships still considers Russia to be a significant region within the Arctic offshore. Activity is expected to remain modest during 2018, with a potential uplift in 2019. To explore future commercial opportunities in Russia and strengthen its footprint in the region, Viking Supply Ships during 2016 entered into a strategic cooperation with Sevnor Ltd., a shipping and offshore company with extensive presence in the Russian offshore market.

### VIKING SUPPLY SHIPS

- Head office in Copenhagen in Denmark and offices in Kristiansand in Norway and Stenungsund in Sweden.
- 360 employees, of which 335 are offshore, and 25 are land based.
- Extensive experience in icebreaking, ice management and offshore activities.
- Customers include major international oil companies.
- A fleet of 13 vessels:
  - Three combined icebreakers/AHTS vessels
  - Four AHTS vessels with ice-class 1A/1A Super
  - One AHTS vessel without ice classification
  - Five PSVs without ice classification


## A FURTHER STEP TOWARDS THE NORTH

VSS AB's subsidiary VSS A/S has for the last few decades focused on the harsh environment offshore regions, with the primary market being located in the Northern hemisphere. During 2017 it was decided to re-flag the AHTS fleet to NOR-flag and shortly after the end of the second quarter of 2017, the process was completed. Through a tight dialogue with unions and crew representatives, Viking Supply Ships has managed to keep close to all crew members employed on the vessels through the process. The re-flagging was a further step to reduce 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.

VSS A/S' head office has for the last few years been located in Copenhagen, Denmark with local presence in Norway and Sweden. In order to streamline the organization and further increase the commercial focus of the company it was in early 2018 decided to re-locate VSS A/S' headquarter to Kristiansand (Norway). The office in Copenhagen will as a consequence be closed down during the first half of 2018. The re-location of the headquarter further emphasizes the focus on the arctic areas as the core market for Viking Supply Ships.

## CONTRACT OPPORTUNITIES AND MARKET OUTLOOK

Viking Supply Ships expects that the rig activity will increase towards the spring and summer of 2018. Combined with increased tendering activity and more vessels being committed for summer projects, Viking Supply Ships anticipates a gradual improvement of the rates and vessel utilization. It is however expected that the high number of vessels in lay-up will subdue the market upturn in the short run.

Viking Supply Ships also sees increased tendering activity within its core regions of harsh environment offshore. The recent fixture of Brage Viking clearly shows the market position the Group has obtained within the harsh environment offshore market and Viking Supply Ships is currently pursuing several contract opportunities and has a clear ambition to secure term contracts for further vessels in the fleet for 2018 and 2019. All PSVs in Viking Supply Ships' fleet have remained in lay-up since early 2016, and the company will continue to monitor the market for long term contract opportunities for the vessels.

Viking Supply Ships has a purpose built fleet of vessels suitable for operations in harsh environment offshore regions. With the anticipated activity growth in the Barents Sea and Russian arctic, Viking Supply Ships is well positioned to take a key role in future market opportunities.

## LIST OF VESSELS IN VIKING SUPPLY SHIPS AT DECEMBER 31, 2017

| Vessels | Type | Dwt | Year of con-struction/year of remodeling | Holding/leasing form | Flag | Year acquired |
|---|---|---|---|---|---|---|
| Balder Viking | AHTS/Icebreaker | 3,000 | 2000 | Owned – 100% | Norway | 2000 |
| Tor Viking II | AHTS/Icebreaker | 3,000 | 2000 | Owned – 100% | Norway | 2000 |
| Vidar Viking | AHTS/Icebreaker | 3,000 | 2001 | Owned – 100% | Norway | 2001 |
| Odin Viking | AHTS | 2,869 | 2003 | Operational lease – bareboat charter | Norway | n.a |
| Loke Viking | AHTS | 4,500 | 2010 | Owned – 100% | Norway | 2010 |
| Njord Viking | AHTS | 4,500 | 2011 | Owned – 100% | Norway | 2011 |
| Magne Viking | AHTS | 4,500 | 2011 | Owned – 100% | Norway | 2011 |
| Brage Viking | AHTS | 4,500 | 2012 | Owned – 100% | Norway | 2012 |
| Freyja Viking | PSV | 3,662 | 2007 | Owned – 100% | Norway | 2014 |
| Sol Viking | PSV | 3,662 | 2006 | Owned – 100% | Norway | 2014 |
| Frigg Viking | PSV | 3,662 | 2003 | Owned – 100% | Norway | 2011 |
| Idun Viking | PSV | 3,662 | 2003 | Owned – 100% | Norway | 2011 |
| Nanna Viking | PSV | 3,662 | 2006 | Owned – 100% | Norway | 2011 |

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# SAFETY AND ENVIRONMENT

Viking Supply Ships and all subsidiaries are operated under the same HSEQ umbrella and utilize the same principles and governing documents in order to maintain focus on HSEQ.

Viking Supply Ships' vision is an Incident and Injury Free workplace, with no harm to people and no damage to the environment.

Viking Supply Ships strives to achieve the best possible solutions that exceed customer expectations and provide customers with greater value. Viking Supply Ships performs its operations and services in such a way that the impact on the environment is as low as reasonably practicable and so that international and national environmental laws are adhered to. The objective is to create a work environment without accidents, and customer relations with highest level of quality, by adhering to the following principles:

- Zero accidents, environmental or material damage
- Compliance with all applicable Health, Safety and Environmental (HSE) legislation
- Healthy working conditions
- Clear tangible targets
- Require every employee to take personal responsibility for HSE by focusing on own behaviour
- Innovation and development alongside customers
- To reduce impact on the environment through energy efficiency

Viking Supply Ships' offshore fleet has a track record of more than five years since last Lost Time Incident (LTI) meaning that the company has been operating without significant accidents as a result of focusing on the above mentioned principles.

During 2017 Viking Supply Ships had no incidents with oil spill into the sea. The safety work is continuously improved and during the last three years Viking Supply Ships has focused on increasing safety observation reporting and improving reporting quality.

Viking Supply Ships is certified according to ISM and the ISPS code and for the standards ISO 14001:2004, ISO 9001:2008 and OHSAS18001:2007. This means that the company has a combined ISO certificate for the environment, quality and work environment for both the vessels and the offices. Viking Supply Ships will early 2018 be re-certified according to the 2015 revised ISO standards for environment and quality, ISO 14001:2015 and ISO 9001:2015.

Through our external vessel management Viking Supply Ships has been deeply involved in technical solutions for limiting NOx and fuel consumption on existing engines - a research project pioneering rebuilding existing engines to common rail technique.

The Viking Supply Ships AHTS fleet has NOx reduction plants - catalysts fitted on the engines on vessels build from 2000 and onwards.

Further we refer to the Safety and Environment section of the Viking Supply Ships website. www.vikingsupply.com/hseq

### 2017 FACTS

| | |
|---|---|
| Fatalities | 0 |
| Lost Time Incidents | 0 |
| Medical Treatment Case | 0 |
| First Aid cases | 5 |
| Restricted Work Case | 0 |
| Observation/Near miss | 112 |

# VIKING ICE CONSULTANCY
## A VALUE ADDING SERVICE

**IN 2015, VIKING ICE CONSULTANCY WAS FOUNDED TO FURTHER CAPITALIZE ON THE UNIQUE COMPETENCE WITHIN ICE MANAGEMENT AND HARSH ENVIRONMENT OFFSHORE OPERATIONS WHICH HAS BEEN BUILT UP WITHIN VIKING SUPPLY SHIPS. ALTHOUGH THE SEGMENT HAS BEEN WEAKENED BY THE INDUSTRY DOWNTURN, VIKING ICE CONSULTANCY HAS COMPLETED SEVERAL IMPORTANT PROJECTS DURING 2017.**

### STATION-KEEPING IN ICE

In March 2017, Statoil performed station-keeping trials in drifting ice in the Bay of Bothnia with Magne Viking and Tor Viking, as well as consultancy support from Viking Ice Consultancy. The primary objective of the Station-keeping Trials in Ice project was to gather full-scale data on a stationary floating structure in ice. The data will be used in validation of numerical and physical models, that over time will increase the reliability in modelling tools used for design and operations in ice-covered waters. The principal requirement of the project was to safely and timely collect the maximum amount of data meeting certain quality requirements. Magne Viking acted as the moored vessel, while Tor Viking performed the Ice Management and mooring operations. Magne Viking was outfitted with numerous sensor systems and all data were collected in data lake database systems. This project has lifted the capabilities of Viking Ice Consultancy to handle big data including building robust database structures. Further, Viking Ice Consultancy has been heading the work visualizing the data in modern Geographic Information Systems and interactive data visualization tools. During the second quarter the data was validated by running a model of Magne Viking in the ice test Basin at National Research Council of Canada in St. Johns, Newfoundland. This unique project verifies Viking Supply Ships' strong position to plan and execute advanced marine operations in ice and harsh environments.

### TAKING VIKING ICE ACADEMY INTO THE FUTURE

As the mandatory IMO PolarCode entered into force from January 2017 for all SOLAS vessels (500 gt), training courses will be required for officers serving on vessels trading the polar areas as from July 2018. During 2017, Viking Ice Academy have arranged Polar Code courses in Kalmar, Monaco, Ft. Lauderdale and Tromsø (UiT) for internal and external personnel. During this process the company has also prepared Polar Code manuals on a commercial basis for the certification of expedition vessels and yachts.

Historically, training simulators have required on-site facilities due to computer resources and bridge equipment. This meant that crew had to be sent to a training facility for the Polar Code training. Recent technological development has however made it possible to utilize portable computers together with VR-goggles to create a similar experience. Together with Kongsberg Digital and Morild Interaktiv, Viking Ice Consultancy has been developing a Virtual Reality simulator which can be used as a portable solution for Ice navigation training. This means that crew can be trained and receive education at any location. During 2017, Viking Ice Consultancy has used the system for courses at various locations. To meet clients at their location is a true value adding service. The project has been supported by Innovation Norway as well as the Norwegian Research Council. Also, the system has been approved by the Swedish Transport Agency for use in advanced Polar code training courses.

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# FIVE-YEAR OVERVIEW

*Please see page 78 for definitions*

| MSEK | *The Group* 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Consolidated revenue and earnings** | | | | | |
| **Net sales** | | | | | |
| AHTS | 181 | 611 | 951 | 1,255 | 830 |
| PSV | - | 4 | 30 | 173 | 189 |
| Services | 15 | 8 | - | 340 | - |
| Ship Management | 135 | 137 | 133 | 129 | 119 |
| **The Group's net sales** | **331** | **760** | **1,114** | **1,897** | **1,138** |
| | | | | | |
| **Result before tax** | | | | | |
| AHTS | -239 | -118 | 133 | 367 | 72 |
| PSV | -88 | -254 | -457 | -63 | -110 |
| Services | -3 | -4 | -5 | 41 | - |
| Ship Management | -1 | 2 | - | - | - |
| **The Group's result before tax** | **-331** | **-374** | **-329** | **345** | **-38** |
| Tax | 1 | 4 | -3 | -17 | -38 |
| **The Group's result from continuing operations** | **-330** | **-370** | **-332** | **328** | **-76** |
| Result from discontinued operations | -2 | -36 | -108 | -128 | -283 |
| **The Group's result after tax** | **-332** | **-406** | **-440** | **200** | **-359** |
| | | | | | |
| **Consolidated cash flow** | | | | | |
| Cash flow from operating activities before changes in working capital | -242 | 55 | 223 | 527 | 56 |
| Changes in working capital | -31 | 1 | 174 | -97 | 6 |
| Cash flow from investing activities | - | 124 | -181 | -132 | -4 |
| – of which, investments | -1 | -11 | -183 | -218 | -75 |
| – of which, divestments | 1 | 135 | 2 | 86 | 71 |
| Cash flow from financing activities | 57 | -21 | -419 | -251 | -30 |
| **Cash flow from continuing operations** | **-216** | **159** | **-203** | **47** | **28** |
| Cash flow from discontinued operations | -4 | -95 | -67 | - | - |
| **Total cash flow** | **-220** | **64** | **-270** | **47** | **28** |
| Exchange-rate difference in cash and cash equivalents | -19 | 14 | 15 | 22 | -8 |
| **Closing unappropriated cash and cash equivalents** | **34** | **273** | **195** | **450** | **381** |
| | | | | | |
| **Consolidated balance sheet, Dec. 31** | | | | | |
| Vessels | 2,715 | 3,229 | 3,470 | 3,982 | 3,925 |
| Financial fixed assets | 15 | 16 | 182 | 118 | 141 |
| Other fixed assets | 1 | - | 4 | 5 | 20 |
| Current assets excluding cash and cash equivalents | 120 | 175 | 266 | 705 | 417 |
| Cash and cash equivalents | 34 | 273 | 195 | 450 | 381 |
| **Total assets** | **2,885** | **3,693** | **4,117** | **5,260** | **4,884** |
| | | | | | |
| Shareholders' equity | 971 | 1,440 | 1,386 | 2,042 | 1,749 |
| Interest-bearing liabilities | 1,748 | 1,927 | 2,334 | 2,695 | 2,650 |
| Non-interest-bearing liabilities | 166 | 326 | 397 | 523 | 485 |
| **Total shareholders' equity and liabilities** | **2,885** | **3,693** | **4,117** | **5,260** | **4,884** |

*Please see page 78 for definitions*

| MSEK | The Group 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Total shareholders' equity and liabilities** | | | | | |
| Shareholders' equity, Jan. 1 | 1,440 | 1,386 | 2,042 | 1,749 | 2,103 |
| Effect of amended pension accounting policies | - | - | - | - | 2 |
| New share issue, net after transaction expenses | 4 | 340 | - | 145 | 144 |
| Dividend | - | - | -98 | - | - |
| Result for the year | -332 | -406 | -440 | 200 | -359 |
| Exchange-rate differences/Other | -141 | 120 | -118 | -52 | -141 |
| **Shareholders' equity** | **971** | **1,440** | **1,386** | **2,042** | **1,749** |
| | | | | | |
| **Data per share (SEK)** | | | | | |
| EBITDA 1) | -0.5 | 0.9 | 1.6 | 4.2 | 2.4 |
| Earnings before interest expenses (EBIT) 1) | -0.9 | -1.4 | -0.9 | 2.9 | -1.7 |
| Result before tax 1) | -0.8 | -2.1 | -1.9 | 1.3 | -2.8 |
| Result after tax 1) | -0.8 | -2.0 | -1.9 | 1.2 | -3.2 |
| Cash flow from operating activities 1) | -0.6 | 0.3 | 2.2 | 2.6 | 0.6 |
| Total cash flow 1) | -0.5 | 0.9 | -1.1 | 0.3 | 0.3 |
| Shareholders' equity, Dec. 31 | 2.4 | 4.2 | 7.8 | 11.5 | 11.8 |
| P/E ratio | n.a | n.a | n.a | 3.7 | n.a |
| Dividend paid per share | - | - | 0,55 | - | - |
| Number of shares, Dec. 31 (000) | 409,593 | 343,545 | 177,444 | 177,444 | 147,870 |
| Average number of shares (000) | 408,534 | 181,297 | 177,444 | 164,804 | 112,726 |
| *1) The data per share and key data for 2017, 2016 and 2015 are calculated excluding the discontinued operations, for all other years in the time series the discontinued operations are included.* | | | | | |
| | | | | | |
| **Key data** | | | | | |
| Earnings before capital expenses (EBITDA), MSEK 1) | -184 | 160 | 293 | 695 | 270 |
| Earnings before interest expenses (EBIT), MSEK 1) | -378 | -249 | -152 | 484 | -194 |
| Shareholders' equity, MSEK | 971 | 1,440 | 1,386 | 2,042 | 1,749 |
| Capital employed, MSEK | 2,719 | 3,367 | 3,720 | 4,737 | 4,744 |
| Net indebtedness, Dec. 31, MSEK | 1,714 | 1,654 | 2,140 | 2,245 | 2,268 |
| Operating cash flow, MSEK 1) | -137 | 35 | 115 | 412 | 144 |
| Total cash flow, MSEK | -221 | 64 | -270 | 47 | 28 |
| Return on shareholders' equity, % | -27.6 | -28.8 | -25.7 | 10.5 | -18.6 |
| Return on capital employed, % | -12.5 | -7.8 | -4.9 | 10.6 | -4.1 |
| Equity/assets ratio, % | 34 | 39 | 34 | 39 | 36 |
| Debt/equity ratio, Dec. 31, % | 176 | 115 | 154 | 110 | 130 |
| Profit margin, % 1) | -100 | -49 | -30 | 7 | -11 |
| Interest-coverage ratio, multiple 1) | -2.5 | 1.6 | 2.7 | 4.7 | 1.6 |
| Number of employees, year-end | 360 | 375 | 482 | 796 | 866 |
| *1) The data per share and key data for 2017, 2016 and 2015 are calculated excluding the discontinued operations, for all other years in the time series the discontinued operations are included.* | | | | | |

REPORT CORPORATE GOVERNANCE AT VIKING SUPPLY SHIPS AB

# CORPORATE GOVERNANCE

**VIKING SUPPLY SHIPS AB IS A SWEDISH PUBLIC LIMITED COMPANY LISTED ON NASDAQ OMX STOCKHOLM, UNDER THE SMALL CAP SEGMENT. VIKING SUPPLY SHIPS AB IS GOVERNED THROUGH THE ANNUAL GENERAL MEETING (AGM), THE BOARD OF DIRECTORS AND THE CEO IN ACCORDANCE WITH THE SWEDISH COMPANIES ACT, THE ARTICLES OF ASSOCIATION AND THE SWEDISH CORPORATE GOVERNANCE CODE. THE COMPANY IS MAJORITY-OWNED BY KISTEFOS AS (VIA VIKING INVEST AS), WHICH AFTER ALL EQUITY ISSUES RELATED TO THE FINANCIAL RESTRUCTURING HAD BEEN COMPLETED IN EARLY 2018 ACCOUNTED FOR 78.6% OF THE SHARE CAPITAL AND 74.9% OF THE VOTING RIGHTS.**

This Corporate Governance Report has been prepared in accordance with the provisions in the Swedish Corporate Governance Code (the "Code") and Chapter 6, § 6–9 of the Swedish Annual Accounts Act and Chapter 9, § 31 of the Swedish Companies Act, and pertains to the 2017 fiscal year. The auditor has expressed an opinion as to whether the preparation of the Corporate Governance Report and disclosures in accordance with Chapter 6, § 6, second paragraph 2–6 of the Annual Accounts Act (for example, the principal features of the company's system for internal control and risk management in conjunction with financial reporting) correspond with the other sections of the Annual Report. Viking Supply Ships AB's Articles of Association and other additional information on corporate governance at Viking Supply Ships AB are available at www.vikingsupply.com. The company's governance, management and control are based on external laws and regulations, as well as internal regulations, policies and instructions. Viking Supply Ships AB Board of Directors and management strive for the company to comply with the demands placed on the company by the stock market, shareholders and other stakeholders. By being transparent and accessible, Viking Supply Ships AB strives to provide shareholders' and other stakeholders with insight into decision channels, delegation of responsibility, authorities and control systems. In addition, the Articles of Association constitute a central control document. The Articles of Association stipulate where the Board has its registered head office, its operational focus, its authorized signatories, as well as information on the number of shares and share capital. The highest governing body in Viking Supply Ships AB is the General Meeting of Shareholders, where the company's shareholders exercise their influence. The Board of Directors manages, on behalf of the shareholders, the company's interests and transactions. Viking Supply Ships AB's Board of Directors is led by the Chairman of the Board, Bengt A. Rem. The Board appoints the CEO. Distribution of responsibility between the Board of Directors and the CEO is regulated in the Board's formal work plan and the instructions for the CEO, both of which are established annually. Administration by the Board of Directors and the CEO, as well as the company's financial reporting is reviewed by an external auditor, appointed by the Annual General Meeting.

## APPLICATION OF THE CODE

The Board of Directors and management believe that the company complies with and applies all regulations included in the Code.

## SHAREHOLDERS

Viking Supply Ships AB's Series B shares have been listed on Nasdaq OMX Stockholm under the Small Cap segment since 1991. The share capital amounts to SEK

## CORPORATE GOVERNANCE STRUCTURE AT VIKING SUPPLY SHIPS AB

409,592,960, distributed among 9,327,339 shares with a quotient value of SEK 43.91. There are a total of 455,055 Series A shares and 8,872,284 Series B shares after registration of the new share issues and aggregation of shares in January 2018. Series A shares carry ten votes each and Series B shares carry one vote each. At the balance date, the share capital was SEK 409,592,960 and the number of shares were 409,592,960.The number of shareholders at 31 December, 2017 was 4,286 (3,348). Both types of shares entitle right to dividend. For further information on the share and shareholders, see pages 74-76.

## GENERAL MEETING OF SHAREHOLDERS

Viking Supply Ships AB's highest decision-making body is the General Meeting of Shareholders. The company's Annual General Meeting (AGM) is to be held within six months of the close of the fiscal year. Notice of the AGM is to be issued not earlier than six weeks and not later than four weeks prior to the meeting. All shareholders included in the shareholders' register which have registered for participation in time are entitled to participate and vote at the meeting. Those shareholders who cannot attend in person may be represented by proxy. The AGM was held on 30 May, 2017 in Gothenburg. The meeting was attended by 27 shareholders, representing 82.9% of the votes. At the meeting, the three representatives from the Board of Directors, representatives from the Group management and the company's auditors were present. The resolutions passed by the AGM included following:

- No decision regarding dividend was made
- The fees for the Board of Directors will total SEK 1,100,000, distributed among Board members elected by the Meeting, including the Chairman.
- Guidelines governing remuneration of senior executives
- Procedures for the appointment and work of the Nomination Committee

At the AGM, Bengt A. Rem, Folke Patriksson, Erik Borgen, Håkan Larsson and Magnus Sonnorp were re-elected. In addition to these Board members elected by the AGM, Christer Lindgren will remain as the labor-union representative. Bengt A. Rem was elected as Chairman of the Board and Folke Patriksson as the Deputy Chairman.

During the meeting, shareholders were provided the opportunity to submit questions to the CEO and Board of Directors. Resolutions at the meeting are usually passed with a simple majority, but certain motions require a higher proportion of the votes represented at a General Meeting. It was not possible to follow or participate in the meeting from another location using communication technology and no change has been planned in this regard for forthcoming meetings.

An extraordinary general meeting was held on 6 November 2017. The extraordinary general meeting resolved in accordance with the Board of Directors' proposal on a rights issue of shares, the Board of Directors' proposal on a directed share issue to Viking Invest AS with payment against set-off for an underwriting fee and the Board of Directors' proposal on a directed share issue to Viking Invest AS with payment against set-off for a consulting fee and therewith related proposals. The rights issue was fully underwritten.

## NOMINATION COMMITTEE

The AGM resolved to establish a Nomination Committee comprising four members representing the three largest shareholders in terms of voting rights on 30 August, 2017. At the AGM in May 2017, the Nomination Committee, represented by Bengt A. Rem, reported on the work of the Nomination Committee. In its work, the Nomination Committee took into account the demands that can be placed on the Board of Directors resulting from the company operations and development phase, as well as competency, experience and background of the Board members. Independence issues were also highlighted, as well as issues pertaining to gender. The task of the Nomination Committee is to prepare proposals concerning Board membership and the Chairman of the Board, as well as remuneration of Board members and proposals for rules for the Nomination Committee ahead of the 2018 AGM. The composition of the Nomination Committee was announced on Viking Supply Ships' website and through a press release published on 28 November 2017. The Nomination Committee comprises Bengt A. Rem Charirman of the Board (representing Kistefos AS/Viking Invest AS), Lena Patriksson Keller

## BOARD OF DIRECTORS

| **Composition of the Board of Directors and number of meetings during the mandate period** | *Elected* | *Board meetings* | *Independent of major shareholders* |
|---|---|---|---|
| Bengt A. Rem, Chairman | 2015 | 19/19 | No |
| Folke Patriksson, Deputy Chairman | 1972 | 19/19 | No |
| Erik Borgen | 2016 | 19/19 | No |
| Magnus Sonnorp | 2010 | 18/19 | Yes |
| Håkan Larsson | 1993 | 17/19 | Yes |
| Christer Lindgren, Employee representative | 2010 | 16/19 | Yes |

(representing Enneff Rederi AB/Enneff Fastigheter AB/ Enneff Intressenter AB), as well as Tom-Olav Holberg (representing Kistefos AS/Viking Invest AS) who was elected as Chairman of the Nomination Committee. Notably, the third largest shareholder have abstained from their right to appoint a member to the Nomination Committee, and no other shareholder held a minimum 3% of the votes in the company, hence the Nomination Committee comprise three members . The members of the Nomination Committee represent approximately 82% of the voting rights (at 31 December 2017) of all shares in the company. The Nomination Committee's proposals, its reasoned statement about the proposed Board, as well as supplementary information on the proposed Board members, were announced in conjunction with the Notice convening the AGM and are presented jointly with a report on the Nomination Committee's work at the 2018 AGM.

## BOARD OF DIRECTORS

The Board of Directors is to consist of not less than five and not more than ten members and not more than five deputies according to the Articles of Association. The Board members are elected annually at the AGM, with a period in office from the AGM until the next AGM. The AGM decides the exact number of Board members. At the AGM on 30 May, 2017, Bengt A. Rem, Folke Patriksson, Erik Borgen, Håkan Larsson and Magnus Sonnorp were elected to the Board. Bengt A. Rem was elected Chairman of the Board. Folke Patriksson was elected as Deputy Chairman. In addition to the AGM elected Board members, Christer Lindgren remained as the labor union representative. The number of AGM elected Board members who are considered independent in relation to the company, according to requirements of the Code, is estimated to be two and those dependent in relation to major shareholders is three. No other remuneration was made apart from that resolved on by the AGM. Fees to the Board of Directors are approved by the AGM following a proposal from the Nomination Committee. For more information on fees, see note 6.

## BOARD OF DIRECTORS' WORK

The Board of Directors is elected by the shareholders at the AGM. The Board of Directors' responsibilities and tasks are determined by a formal work plan, in addition to laws and regulations. The work plan is reviewed by the Board on an annual basis, and established through a decision by the Board. The Board's tasks include determining the company's goals, strategies, business plans and budgets, as well as approving major investments and loans raised by Viking Supply Ships AB. Furthermore, it is the Board's task to evaluate the operating management, and to ensure that there are systems in place to monitor and control the established goals. It is also the Board's task to appoint the CEO, and where applicable, a Deputy CEO. The Finance Policy, Attestation Policy and the Communication Policy, which are established annually, represent important control instruments for the Board. The Board also ensures the quality of the financial reporting through detailed reviews of interim reports, annual reports and year-end reports at Board meetings. The Board addresses different issues in their entirety and, considering the Group's size and complexity, has not regarded sub-committees necessary to prepare certain issues. This means that the Board as a whole constitutes the Audit Committee and Remuneration Committee. The Board usually meets on seven occasions per year and additional meetings are held as necessary. Scheduled meetings are held in connection with quarterly reports and additional meetings are held to address strategic issues and decide on budgets for future fiscal years. Based on this, the Board held 19 meetings during the mandate period, of which seven were scheduled meetings, eleven were unscheduled meetings and one was the statutory meeting. The Legal/Tax Manager of Viking Supply Ships AB serves as secretary at the Board meetings. The Board of Directors also receives monthly reports pertaining to the company's financial position. At scheduled Board meetings, reports are also submitted pertaining to the current work in each business area with detailed analyses and action proposals.

## CHAIRMAN'S RESPONSIBILITY

The Chairman of the Board is elected by the AGM. The role of the Chairman of the Board is to organize and lead the Board's work in accordance with applicable rules for listed companies, the Code and the Articles of Association. The Chairman is also tasked with supporting the President. The Chairman and the President ensure the preparation of proposals for the agenda for Board meetings. The Chairman conducts a dialogue with the CEO and is responsible for ensuring that other Board members receive the information and documentation needed to make decisions. The Chairman of the Board is also responsible for ensuring the annual review of the Board's work. The Chairman of the Board is Bengt A. Rem and the Deputy Chairman is Folke Patriksson. Bengt A. Rem is the CEO of Kistefos AS which, indirectly via Viking Invest AS, is the majority owner of Viking Supply Ships AB, with 78.6% of the share capital and 74.9% of the voting rights at 31 January 2018.

## PRESIDENT

The President (and CEO), Trond Myklebust, succeeded temporary CEO Bengt A. Rem, who had temporarily replaced Christian W. Berg from 19 September 2016, as President and CEO of Viking Supply Ships AB, on 27 February 2017. The CEO is responsible for the continuous management of the operations based on the terms of reference issued by the Board of Directors. The CEO's responsibilities include decisions regarding current investments and divestments, HR, financial and accounting issues, continuous contact with the company's stakeholders, as well as ensuring that the Board receives the information required to make well-substantiated decisions. The CEO reports to the Board of Directors. The CEO directs the work of the Group management and reaches decisions in consultation with the other members of management. For more information, see note 6.

## GROUP MANAGEMENT

The CEO has appointed a Group Management team that had two members during 2017. In addition to CEO, Trond Myklebust the Group Management team included Ulrik Hegelund as CFO. The Group Management is responsible for planning, controlling and following up daily operations. The Group Management held regular meetings to monitor the business operations, follow-up on financial development and other operational, development and strategy issues. The Group Management ensures that the right competency exists in the organization in relation to the company's strategies. Authorities and responsibilities for the CEO and the Group Management are defined in the policies, job descriptions and attestation instructions. For more detailed information about the CEO and the Group Management, see page 21.

## AUDITORS

The auditors are elected by the AGM and at the Meeting in May 2017 the auditing firm of Rödl & Partner Nordic AB was elected for a period in office until the 2018 AGM. Authorized Public Accountant Mathias Racz was elected Auditor-in-Charge. The auditors' task is to review the President's and Board's management of the company and the quality of the company's financial reports, as well as review the Annual Report. The company's auditors participate once per year at a Board meeting to submit a report on the year's accounting and their view of the company's internal control system. Information on remuneration of auditors is found in note 7.

## GUIDELINES GOVERNING REMUNERATION OF SENIOR EXECUTIVES

The 2017 AGM adopted the guidelines governing remuneration of senior executives, encompassing the CEO and Group Management, which comprised three members during its period in office, and which are based on the following general principles: The principles for remuneration of senior executives from a short- and long-term perspective are designed to attract, motivate and create favorable conditions for retaining competent employees and managers. To achieve this, it is important to maintain fair and internally balanced conditions that are also competitive in market terms with respect to structure, scope and level. The employment terms and conditions for senior executives are to contain a well-balanced combination of fixed salary, pension benefits and other benefits, as well as special terms for remuneration in the event of termination of employment. Payment of variable remuneration is also possible. The total annual cash remuneration to senior executives is to be determined on the basis of competitiveness. The total level of remuneration is to be reviewed annually to ensure that it is in line with comparable positions in the relevant market. Remuneration is to be based on performance and positions. The company's remuneration system is to contain various forms of remuneration aimed at creating well-balanced compensation that verifies and supports the achievement of short and long-term goals. The fixed salary shall be set individually and be based on the individual's responsibility and role, as well as the individual's competence and experience in the relevant position. The CEO and other senior executives may receive variable remuneration should the Board resolve to this effect. Such variable remuneration is to be based on extraordinary performance in relation to defined and measurable goals, be capped in relation to basic salary and must always be justified specifically in a joint Board discussion. As mentioned above, the outcome of variable remuneration is to be based on measurable goals. The variable remuneration is to be based on (i) outcomes in relation to the company's financial key data, as well as earnings and cash flow and (ii) fulfillment of established individual goals. Variable remuneration may not exceed a payment equivalent to 60% of the fixed salary for the respective senior executive. Pension provisions for senior executives are to be market aligned in relation to what is generally applicable to corresponding positions in the market and must be based on defined contribution pension solutions. The retirement age for senior executives is 65. Pension provisions are to be based only on fixed salary. Defined contribution pension payments must be implementable up to the equivalent of 25% of the fixed salary. Other benefits, such as company car, compensation for preventive healthcare and sickness insurance, are to comprise a small portion of the total compensation, correspond to market levels and contribute to the executive's possibilities of fulfilling his or her work assignment. The period of notice for senior executives is six months when the executive resigns and, in the event of notice from the company, six to 12 months. The CEO is subject to period of notice of up to six months if notice is served by the company. Severance may be payable but is capped at 12 monthly salaries, see note 6.

## AUDIT COMMITTEE AND REMUNERATION COMMITTEE

The Board in its entirety has decided to deal with auditing matters and one meeting was held with the Group's auditors during the year. Planned and completed audits were discussed at this meeting. The audit encompasses such issues as risk assessment, risk management, financial control, accounting issues, Group policies and administrative issues. Considerable emphasis is placed on follow-ups and implementing measures. The auditors also keep the Board informed of current developments in relevant areas. The Board also decided to address remuneration issues within the framework of Board duties. Remuneration of the President was addressed, as were the principles for remuneration of senior executives. Remuneration related to the Board of Directors' work is approved by the AGM.

## THE BOARD'S DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT IN FINANCIAL REPORTING

This description of internal control and risk management is submitted by the Board of Viking Supply Ships AB and is prepared in accordance with the Swedish Corporate Governance Code. The Board of Directors of Viking Supply Ships AB has overall responsibility for the internal control pertaining to the financial reporting. Good internal control is based on efficient Board work. The Board's formal work plan and instructions for the CEO are aimed at establishing a clear role and distribution of responsibilities to efficiently manage operational risks. Based on established procedures and also on the auditor's review of the internal control, company management reports regularly to the Board of Directors, should the observations have any impact on the financial statements. The Group Management is responsible for the system of internal controls that is required to handle significant risks in operating activities. This is aimed at ensuring that the operation is conducted appropriately and efficiently, that the financial reporting is reliable and that rules, regulations and ordinances are complied with. The company has prepared procedures for the assessment of risks in the financial reporting, as well as to attain a high reliability in the external reporting and that the reporting is prepared in accordance with laws and other requirements on listed companies.

## RISK ASSESSMENT AND CONTROL ACTIVITY

Viking Supply Ships AB's assessment of financial reporting aims to identify and evaluate the significant risks that influence the internal control with respect to the financial reporting in the Group's companies, business areas and business processes. Considerable emphasis has been placed in formulating the controls to prevent and recognize errors in these areas. The key control instruments for the financial reporting primarily comprise the company's Finance Policy. See page 25, Risks and uncertainties.

## CONTROL ENVIRONMENT

The Board of Directors has overall responsibility for the internal control of financial reporting. The Board has established a formal work plan to clarify the Board's responsibilities and to regulate the distribution of work among Board members. Responsibility for maintaining an efficient control environment is based on an organization with distinct decision routes and clear instructions and with common values, where each employee has insight into his/her role in maintaining good internal control.

## INFORMATION AND COMMUNICATION

Viking Supply Ships AB's Board of Directors has established a Communication Policy, which states what is to be communicated by whom and the manner in which the information is to be issued to ensure that the external information is correct and complete. In addition, there are instructions governing how financial information is to be communicated between management and other employees. Viking Supply Ships AB's shareholders and other stakeholders can monitor the company's operations and its development on the website (www.vikingsupply.com), where current information is published on a continuous basis. Events deemed as having a potential impact on the share price are published through press releases. Financial information is provided through quarterly reports and year-end reports, as well as through the company's annual report.

## FOLLOW-UP

The Board continuously evaluates the information submitted by company management and the auditors. The work includes ensuring that measures are implemented which address inadequacies and preparing proposals for measures arising from the external audit.

## INTERNAL AUDIT

The Board has not found any reason to establish an internal audit function considering the size of the Group and the centralization of the finance administration. Significant guidelines that are important to financial reporting are continuously updated and communicated to the employees concerned.

## FEES AND REMUNERATION

Fees and remuneration to the CEO and the Group management are described in more detail in note 6.

## KEY POLICIES

In addition to those listed above, the Board's responsibilities include ensuring that the Group's policies are kept updated and are observed. The Group has policies on such issues as investments, financing and foreign currency matters, anti-corruption, approval and authorization of and attestation instructions for financial undertaking, communication/investor relations, as well as ethics and a code of conduct. As part of the Group's responsibility, there is also health, safety, environmental and quality policies (HSEQ policy) for the company's operations at sea and on land.

# BOARD SIGNATURES
## Gothenburg, 25 April, 2018

**BENGT A. REM**
Chairman

**FOLKE PATRIKSSON**
Deputy Chairman

**ERIK BORGEN**
Board member

**MAGNUS SONNORP**
Board member

**HÅKAN LARSSON**
Board member

**CHRISTER LINDGREN**
Employee representative

### AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Viking Supply Ships AB, corporate identity number 556161-0113

**Engagement and responsibility**
It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 14-19 and that it has been prepared in accordance with the Annual Accounts Act.

**The scope of the audit**
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

**Opinions**
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, 25 April 2018

Mathias Racz
Authorized Public Accountant

# BOARD OF DIRECTORS


### 1. BENGT A. REM
Born 1961 in Lørenskog, Norway. Board member since 2015, Chairman of the Board since 2016.

Prior to joining Kistefos as deputy CEO in 2015, Bengt A. Rem was CEO in Arctic Partners. His previous experience includes Executive Vice President & CFO as well as other leading positions in the industrial investment company Aker ASA, Head of the Department Responsible for Financial Instruments on the Oslo Stock Exchange and state authorized accountant in Arthur Andersen & Co.

Mr. Rem holds a Master of Science in Business Administration and Finance from the Norwegian Business School (BI) and is a state authorized public accountant from the Norwegian School of Economics and Business Administration (NHH).

Shareholding: -

Board fee: SEK 300,000/year

### 2. FOLKE PATRIKSSON
Born 1940 in Skärhamn, Sweden. Deputy Chairman. Board member since 1972.

Folke Patriksson is Board member of Eneff Rederi AB and was previously the Chairman of the Board of the Swedish Sea Rescue Society and Board member of Swede Ship Marine AB. Mr. Patriksson holds a mate's examination (degree in Nautical Science) and has 40 years' experience in the shipping industry. He is one of the founders of Rederi AB TransAtlantic and was formerly CEO of the company for 32 years.

Shareholding: 135,916 Series A shares and 48,720 Series B shares through companies.

Board fee: SEK 200,000/year.

### 3. ERIK BORGEN
Erik Borgen works as Investment Director with Kistefos AS. Prior to joining Kistefos in 2016, Mr. Borgen was a partner at the private equity firm HitecVision, partner at Arctic Securities AS as well as held other positions in leading global Investment Banking firms like Morgan Stanley and Perella Weinberg Partners. Mr. Borgen is Board member of Kistefos Equity Operations AS, Lumarine AS and Western Bulk Chartering AS. He has previously engaged in projects and activities within the fields of mergers and acquisitions, debt capital markets, IPO's and restructurings.

Mr. Borgen holds a Master of Science in Finance from the Norwegian School of Economics (NHH).

Shareholding: -

Board fee: SEK 200,000/year

### 4. HÅKAN LARSSON
Born 1947 in Gothenburg, Sweden. Boardmember since 1993.

Håkan Larsson was the CEO of Rederi AB Transatlantic from 2003 to 2007 and has 40 years experience from senior executive positions within transport, logistics and shipping. Mr. Larsson was previously CEO of Bilspedition/BTL and Schenker AG. Mr. Larsson is Chairman of the Board of Wallenius Wilhelmsen ASA, Inpension Holding AB, Inpension Wealth Management AB, Tyréns AB, Valea AB och Valea Holding AB. He is Board member of Helian AB, Lidköping Invest AB och Stolt-Nielsen Ltd.

Mr. Larsson is a Graduate in Business Administration from the University of Gothenburg.

Shareholding: 68 Series A shares and 2,844 Series B shares.

Board fee: SEK 200,000/year.

### 5. MAGNUS SONNORP
Born 1967 in Stockholm, Sweden. Board member since 2010.

Magnus Sonnorp has more than 20 years experience from business management, previously also CEO of Lokaldelen Försäljnings AB, De Gule Sidor A/S and Interninfo Management AS. Mr. Sonnorp is Board member of Brunkeberg Systems AB, Linver AB and Sulgrave Rd AB

Mr. Sonnorp holds a M.Sc. in Economics from the Stockholm School of Economics and an MBA from Insead.

Shareholding: 2,200 Series B shares.

Board fee: SEK 200,000/year.

### 6. CHRISTER LINDGREN
Born 1965 in Stockholm, Sweden. Boardmember since 2001. Employee representative.

Christer Lindgren is a chef and sailor. Board member of SEKO seafarers.

Shareholding: -

Board fee: -

# MANAGEMENT



**1. TROND MYKLEBUST**
Chief Executive Officer
Born 1959, Vartdal, Norway.
Employed since 2017.

Education: Master Mariner from Aalesund University College.

Shareholding: 3,080 Series B shares.

**2. ULRIK HEGELUND**
Chief Financial Officer
Born 1969 in Herning, Denmark.
Employed since 2012.

Education: Master Degree in Accounting and Controlling from Århus International School of Business.

Shareholding: 4,966 Series B shares.

# AUDITOR

**MATHIAS RACZ**
Authorized Public Accountant, Rödl & Partner Nordic AB. Born in 1965, Auditor of Viking Supply Ships AB since 2016.
Elected as company's auditor at the 2016 Annual General Meeting.
Extensive experience in auditing listed and internationally active companies, including auditor assignments for Acarix AB, Kaeser Kompressorer AB, Lenovo (Sweden) AB, ThyssenKrupp Elevator Sverige AB, Aryzta Nordic AB, Bosch Rexroth AB and Micros-Fidelio Sweden AB.

# BOARD OF DIRECTORS' REPORT 2017

VIKING SUPPLY SHIPS AB (PUBL) – CORPORATE REGISTRATION NUMBER 556161-0113

THE DOWNTURN WITHIN THE OIL AND GAS INDUSTRY HAS CONTINUED IN 2017, WITH A FURTHER DETERIORATION OF THE OFFSHORE MARKET. AS A DIRECT CONSEQUENCE, THE FINANCIAL RESULTS OF VIKING SUPPLY SHIPS WERE NEGATIVELY IMPACTED BY REDUCED REVENUES AND IMPAIRMENT OF THE PSV FLEET. DURING 2017 VIKING SUPPLY SHIPS HAS COMPLETED SEVERAL INITIATIVES TO REDUCE THE COST BASE, RESULTING IN SIGNIFICANTLY REDUCED OPERATIONAL EXPENSES. A NEW FINANCIAL RESTRUCTURING, INCLUDING AN EQUITY ISSUE, WAS COMPLETED DURING 2017, SECURING THE GROUP WITH A PLATFORM TO NAVIGATE THROUGH THE CHALLENGING MARKET.

## SALES, EARNINGS AND BUSINESS DEVELOPMENT

The Group's net sales for continuing operations 2017 totaled MSEK 331 (760). The profit before tax for continuing operations amounted to MSEK -331 (-374) and the profit for the year was MSEK -332 (-406). The result was, in addition to the weak offshore market, negatively impacted by the impairment of the PSV fleet of MSEK 51 as well as a financial gain related to the bond settlement of MSEK 112.

## VIKING SUPPLY SHIPS A/S

The business area encompasses arctic offshore operations, the spot market for offshore in the North Sea and the global offshore sector. Viking Supply Ships' fleet comprises a total of 13 offshore vessels, eight of which are Anchor Handling Tug Supply (AHTS) vessels and five are Platform Supply Vessels (PSVs). The vessels are equipped and have the capacity to operate in areas with icy and harsh weather conditions. Three of the AHTS vessels have ice-breaking capacity and four of the AHTS vessels are ice reinforced.

### AHTS

As a consequence of the reduced activity level in the North Sea as well as the global offshore market, Viking Supply Ships anticipated that 2017 would be challenging for the AHTS segment. With the exception of a few short periods where rate levels increased to profitable levels, fixture rates were subdued as a result of a continuous oversupply of vessels in the market. During the year, the AHTS fleet had an average rate level of USD 29,000 (50,500) and an average utilization rate of 32% (54). The reduced revenue levels is a direct consequence of the weak North Sea market, combined with a reduced contract coverage compared to 2016. During 2017 the AHTS fleet has been working in the North Sea spot market. Several vessels came off contract during the latter part of 2016 and due to the weak market there has been limited term opportunities throughout 2017. Loke Viking was laid up during the fourth quarter of 2017 due to the weak spot market in the North Sea. At the end of the year Viking Supply Ships had three AHTS vessels in lay-up.

### PSV

During the year, the PSV segment had an average utilization rate of 0% (10) and an average rate of USD 0 (6,200). Viking Supply Ships has not had any PSVs in operation during 2017 as a result of the prolonged downturn within the segment. Due to the challenging market conditions, Viking Supply Ships has recognized impairment losses during the year of MSEK 51 (246) related to the PSV fleet.

### Services and Ship Management

Viking Ice Consultancy was established as a subsidiary of Viking Supply Ships 1 January 2015, as a result of the increased activity related to ice-management and logistical operations in conjunction with Arctic offshore activity. The company is based in Kristiansand.

During 2017 Viking Ice Consultancy has been involved in several projects and course activities, with the Station-keeping in Ice for Statoil Greenland as the most comprehensive project.

Viking Ice Consultancy has also developed an IMO Polar Code training course for internal and external clients and throughout the year Viking Ice Consultancy has arranged Polar Code courses at various locations and developed Polar Code manuals made for the certification of expedition vessels and yachts.

Viking Supply Ships' primary activity within Ship Management is the management agreement with SMA. This agreement was renewed for seven years during 2015 and has progressed as planned during 2017.

## DISCONTINUED OPERATIONS – TRANSATLANTIC AB

During the third quarter 2016 it was decided to discontinue the remaining operations in the subsidiary TA AB. At the end of 2016 the assessment was that the discontinuation was likely to be concluded within the next 12 months. Due to this, which still remains, the Group in its financial reports, according to IFRS 5 Assets held for sale and discontinued operations, recognize TA AB as discontinued operations and assets held for sale, 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 information about cash-flow from current operations and investing- and financing activities of TA AB on separate rows. Comparative figures for prior periods are also presented in accordance with this classification. For further information see note 32.

In 2017 the discontinuation of the segment continued. Parts of the corporate company structure related to TA AB were liquidated and the sale of the two partly-owned small bulk carriers, TransSonoro and TransVolante, was completed. These divestments have not had any significant financial impact on the Group. The process to dicontinue the remaining operations continues.

The remaining operations, classified as discontinued operations and assets held for sale, comprised at the end of the year of three 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 contract. 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 holding in Industrial Shipping DIS (38 %) are supported by independent broker valuations of the three small bulk vessels owned by this company including an overall assessment from ongoing sales processes.

Net sales for the year for the discontinued operations amounted to MSEK 50 (309) and profit before tax was MSEK -2 (-36).

## COMPLETED FINANCIAL RESTRUCTURING

The previous 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, impacted the Group's liquidity during 2017. As a consequence, VSS A/S shortly after the end of Q2 2017 initiated a dialogue with its lenders to secure a long-term stable financing solution. At the end of Q3 2017, VSS A/S was not able to comply with events of default provisions in loan agreements, which rendered all borrowings short-term and payable on demand by the lenders.

VSS A/S was during the majority of the second half of 2017 in an ongoing dialogue with its lenders, during which VSS A/S did not pay installments and interest to its lenders.

In December 2017, VSS A/S received confirmation that it had obtained support for a restructuring proposal from all senior lenders. A final restructuring agreement was subject to final approval from the senior lenders' credit committees. VSS A/S has during January 2018 obtained credit committee approval from all senior lenders, signed a restructuring term sheet and signed amended loan agreements. The signed restructuring term sheet, together with the completed equity issue in VSS AB and subsequent equity injection into VSS A/S, finalized the financial restructuring.

The share issues in VSS AB that formed part of the VSS A/S' financial restructuring comprised the following:

- A MSEK 123 rights issue.
- A MSEK 7 share issue with payment against set-off to Viking Invest AS for financial services.
- A MSEK 1 share issue with payment against set-off to Viking Invest AS for guarantee fee for the guarantee undertaking in the rights issue.
- Following these equity issues, the equity in VSS AB increased with MSEK 131.

The final agreement includes the following key terms:

- VSS A/S loan facilities are as currently due 31 March 2020.
- VSS A/S loan facilities will carry significant less cash interest and instalments until maturity on 31 March 2020. Limited cash interest and instalments will be paid until Q4 2018.
- Financial covenants on the loan facilities are amended to provide VSS A/S with ample room to operate under the present challenging market conditions.
- Cash at hand exceeding a certain level will through a cash sweep mechanism be distributed as repayment of the bank facilities.
- The bareboat charter in respect of the vessel Odin Viking will be amended to reflect that the charter hire of USD 10,000 per day will not be payable in cash, but added to the principal amount outstanding under the charter party as payment in kind. Further, VSS A/S will have the right to exercise the previously agreed purchase option in respect of Odin Viking before the end of the charter party. If the option is exercised, the bareboat charter will be terminated against a termination compensation equal to the accumulated and remaining charter hire and VSS A/S will replace Odin Viking SPV AS as borrower under the Odin Viking SPV AS facility with DVB Bank SE. The outstanding loan amount under the Odin Viking facility will be off-set against the termination compensation payable by VSS A/S.
- VSS A/S has received new capital in the amount of MUSD 15.0.

The restructuring agreement will provide the Group with a platform to navigate through the potential challenging market until 2020.

## INVESTMENTS AND DIVESTMENTS

Gross investments during the year amounted to MSEK 1 (11) mainly related to dockings.

## CASH FLOW AND FINANCIAL POSITION

The Group's opening cash balance was MSEK 273 (195). Cash flow from operating activities for continuing operations amounted to MSEK -270 (68). The cash flow from financing for continuing operations was negative MSEK 55 (-21) and includes amortization of vessel loans of MSEK -40, new loans of MSEK 55 and cash proceeds from the new share issues of MSEK 40. Total cash flow during the year including discontinued operations amounted to MSEK -221 (64). The Group's cash and cash equivalents totaled MSEK 34 (273) at year-end. At the end of the year, the Group's total assets amounted to MSEK 2,885 (3,693) and shareholders' equity to MSEK 971 (1,440), corresponding to SEK 2.4/share (4.2). At year-end, the equity/assets ratio was 34 % (39) and the debt/equity ratio was 176 % (115).

## PARENT COMPANY

The activity in the parent company mainly consists of the shareholdings in VSS A/S and TA AB, as well as a limited Group wide administration. The parent company´s loss before and after tax for the year was MSEK 986 (-344). Impairment losses on shares in subsidiaries were MSEK 984 mainly related to losses and declining vessel values in VSS A/S.

The 2016/2017 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 parent company's shareholders' equity amounted to MSEK 1,005 (1,986) and total assets at year-end amounted to MSEK 1,090 (2,055). The equity/assets ratio was 92% (97) on the balance-sheet date. At the end of the period, cash and cash equivalents totaled MSEK 0 (18).

## SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

FINANCIAL RESTRUCTURING

The share issues in VSS AB that form part of the VSS A/S' financial restructuring, which were completed in January 2018, comprised the following:

- A MSEK 123 rights issue.
- A MSEK 7 share issue with payment against set-off to Viking Invest AS for financial services.
- A MSEK 1 share issue with payment against set-off to Viking Invest AS for guarantee fee for the guarantee undertaking in the rights issue.
- Following these equity issues, the equity in Viking Supply Ships AB increased with MSEK 131.

VSS A/S has during January 2018 obtained credit committee approval from all senior lenders, signed a restructuring term sheet and signed amended loan agreements. The financial restructuring comprised the following:

- VSS A/S loan facilities are as currently due 31 March 2020.
- VSS A/S loan facilities will carry significant less cash interest and instalments until maturity on 31 March 2020. Limited cash interest and instalments will be paid until Q4 2018.
- Financial covenants on the loan facilities are amended to provide VSS A/S with ample room to operate under the present challenging market conditions.
- Cash at hand exceeding a certain level will through a cash sweep mechanism be distributed as repayment of the bank facilities.
- The bareboat charter in respect of the vessel Odin Viking will be amended to reflect that the charter hire of USD 10,000 per day will not be payable in cash, but added to the principal amount outstanding under the charter party as payment in kind. Further, VSS A/S will have the right to exercise the previously agreed purchase option in respect of Odin Viking before the end of the charter party. If the option is exercised, the bareboat charter will be terminated against a termination compensation equal to the accumulated and remaining charter hire and VSS A/S will replace Odin Viking SPV AS as borrower under the Odin Viking SPV AS facility with DVB Bank SE. The outstanding loan amount under the Odin Viking facility will be off-set against the termination compensation payable by VSS A/S.
- VSS A/S has received new capital in the amount of MUSD 15.0.

Following the financial restructuring, loans previously classified as short-term will in 2018 be reclassified as long-term debt in the balance sheet.

OTHER EVENTS OCCURRING AFTER THE REPORTING PERIOD

In late January 2018 a contract was entered into with an international oil company for the charter of the Iceclass 1A-Super AHTS Brage Viking with prompt commencement. The duration is up to 140 days including optional periods. Securing this contract clearly emphasizes the competence and market position built up within the harsh environment offshore market.

In order to streamline the organization and further increase the efficiency and the commercial focus of the company it was in January 2018 decided to relocate VSS A/S' headquarter from Copenhagen (Denmark) to Kristiansand (Norway).

The current challenging market conditions are supported by a decline in observable broker values of the PSV fleet. Viking Supply Ships will continue to closely monitor the market development and impairment exposure of the PSV fleet's carrying amount.

## ENVIRONMENTAL AND SUSTAINABILITY RELATED MATTERS

Viking Supply Ships strives to achieve the best possible solutions that exceed customer expectations and provide customers with greater value. Viking Supply Ships performs its operations and services in such a way that the impact on the environment is as low as reasonably practicable and so that international and national environmental laws are adhered to. Viking Supply Ships continuously implements improvements to its vessels and operations, which reduces environmental impact each year. All employees have the responsibility of safely performing their assignments in accordance to company guidelines and highest safety and environmental standard. Continuously the company, through exercises, increases the skills and readiness for normal shipboard operations and emergency situations for every personnel based on board as well as onshore.

Viking Supply Ships' offshore fleet has a track record of more than five years since last Lost Time Incident (LTI) meaning that the company has been operating without significant accidents as a result of focusing on the above mentioned principles. During 2017 Viking Supply Ships had no incidents with oil spill into the sea. The safety work is continuously improved and during the last three years Viking Supply Ships has focused on increasing safety observation reporting and improving reporting quality. This has even further minimized the number of accidents. For the HSE reporting and risk assessment Viking Supply Ships utilizes a common group reporting and assessment tool. The tool has a potential for further integrating and simplifying the workload and the goal is to implement further improvements during 2018.

Viking Supply Ships is certified according to ISM and the ISPS code and for the standards ISO 14001:2004, ISO 9001:2008 and OHSAS18001:2007. This means that the company has a combined ISO certificate for the environment, quality and work environment for both the vessels and the offices. Viking Supply Ships will early 2018 be re-certified according to the 2015 revised ISO standards for environment and quality, ISO 14001:2015 and ISO 9001:2015.

Through external vessel management Viking Supply Ships has been deeply involved in technical solutions for limiting NOx and fuel consumption on existing engines - a research project pioneering rebuilding existing engines to common rail technique.

The Viking Supply Ships' AHTS fleet has NOx reduction plants - catalysts fitted on the engines on vessels build from 2000 and onwards.

For several years Viking Supply Ships has been evaluating suppliers in the areas of safety and security, environment, quality and work environment. This makes suppliers more involved in the Viking Supply Ships strategy and also makes the cooperation with suppliers stronger.
The company has adhered to all legislation and has no outstanding issues with authorities.

## RISKS AND UNCERTAINTIES
The Group operates in highly competitive markets and the operation is exposed to various operational and financial risks. Financial risks mainly pertain to liquidity, financing and currency exposure. Financial risk management is handled by the Group's central finance department, based on the finance policy adopted by the Board. The policy includes clear instructions on how to manage various financial risks, in which various types of derivative instruments comprise key elements in minimizing the financial risks. The policy also includes instructions for managing credit and liquidity risks through financing and loan commitments. The primary operational risk factors comprise overall macro-economic market conditions, competitive situations, the flow of goods in prioritized market segments and the general balance between supply and demand on vessels, which impacts prices and profit margins. The goal of the Group's overall risk management policy is to ensure a balance between risk and profitability. The market for Viking Supply Ships is dependent on the level of investments within the oil industry, which in turn is largely driven by price trends in the global oil market.

The Groups liquidity has due to the market conditions been strained and in the current market the Group has been unable to fulfill existing covenant undertakings in loan agreements. A solution with the lenders was necessary and accordingly, a dialogue with the lenders was initiated shortly after the end of Q2 2017, with an ambition to secure a long-term stable financing solution. With the completion of the restructuring a long-term stable financing solution has been completed. Further information is found in note 30.

## CORPORATE TAX
The general scenario for the Group is that its payable tax is highly limited. Accordingly, the recognized corporate tax primarily comprises deferred taxes. Deferred tax assets are only recognized if it is probable that the temporary differences can be utilized against future taxable surpluses. The total recognized deferred tax liability for foreign operations was MSEK 0 (0).

## NUMBER OF EMPLOYEES
The average number of employees for the continuing operations in the Group amounted to 364 (464) during the year. Further information is found in note 6.

## OUTLOOK
The oil market, which is the fundamental driver for the market in which Viking Supply Ships operates, stabilized during the second half of 2016 and has through 2017 shown clear signs of improvement. Due to planning cycles there is however a significant lag before this improvement is transferred to offshore activity, which is the demand driver for OSV vessels.

The challenging situation related to sanctions in Russia was upheld through 2017, which has caused the exploration activity to be held back during the last couple of years. The current producing fields are mainly located in the Sakhalin region in the Far East and in the Pechora Sea. There has however been an increased exploration activity in the region during the summer season. Combined with a significant increase in tendering activity in the region, this strengthens Viking Supply Ships' view of the Russian market and Viking Supply Ships still considers Russia to be a significant region within the Arctic offshore. Activity is expected to remain modest during 2018, with a potential uplift in 2019. To explore future commercial opportunities in Russia and strengthen its footprint in the region, Viking Supply Ships during 2016 entered into a strategic cooperation with Sevnor Ltd., a shipping and offshore company with extensive presence in the Russian offshore market.

Viking Supply Ships maintains a positive long term outlook for the offshore industry. Due to planning cycles Viking Supply Ships does however anticipate that also 2018 will be challenging for the industry. There is currently a global oversupply of vessels which will require a significant increase in activity to be absorbed in the market. Until this materializes the spot market is likely to be vulnerable to vessels being reactivated from lay-up or coming in from other offshore regions. However, backed by the increased oil price Viking Supply Ships does see clear signs in the global offshore industry that the market will improve in the long run. With the significant cost reductions seen among several arctic oil and gas projects, Viking Supply Ships maintains its view that there will be increasing activity in the arctic and subarctic regions during the next few years.

Viking Supply Ships expects that the rig activity will increase towards the spring and summer of 2018. Combined with increased tendering activity and more vessels being committed for summer projects, Viking Supply Ships anticipates a gradual improvement of the rates and vessel utilization. It is however expected that the high number of vessels in lay-up will subdue the market upturn in the short run. Viking Supply Ships also sees increased tendering activity within its core regions of harsh environment offshore. The recent fixture of Brage Viking clearly shows the market position the Group has obtained within the harsh environment offshore market and Viking Supply Ships is currently pursuing several contract opportunities and has a clear ambition to secure term contracts for further vessels in the fleet for 2018 and 2019.

In order for the Group to have sufficient liquidity and equity to get through the challenging market situation, the Group has not only in 2016 but also in 2017 completed comprehensive restructuring programs, including cost reducing efforts which includes lay-up of vessels, bond delisting, renegotiation of existing loan facilities and injection of new equity. The Group operates 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 financial situation of the Group, the current risks and a continued belief in securing contracts within the core market segment, the Board of Directors and Management have concluded that both the company and the Group will be able to continue as going concern at least until 31 December 2018. This conclusion is based on Management's assessment of the current outlook for 2018 and the uncertainties and risks described above and in the annual report.

## DESCRIPTION IN SPECIFIC SECTIONS

The following are described in specific sections of the annual report:

- The share and ownership structure, see pages 74-75.
- Corporate governance with a description of the Board and management work, including the guidelines for the remuneration of senior executives, see pages 14-19.

## PROPOSED DISTRIBUTION OF PROFITS

The following funds in the parent company are available to the Annual General Meeting:

| TSEK | |
|---|---|
| Share premiumreserve | 733,433 |
| Retained earnings | 594,740 |
| Loss for the year | –985,769 |
| **Total** | **342,404** |

The Board of Directors proposes that no dividend is to be issued for the fiscal year 2017.

| TSEK | |
|---|---|
| To be carried forward | 342,404 |
| **Total** | **342,404** |

## ANNUAL GENERAL MEETING

Viking Supply Ships AB´s Annual General Meeting will be held on Wednesday 30 May, 2018 at 16.00 at Radisson Blu Scandinavia Hotel Göteborg, Södra Hamngatan 59, 401 24 Gothenburg, Sweden. The official notification will be published on the company's website and in Post- and Inrikes Tidningar no later than four (4) weeks prior to the AGM. Further information can be found on the company's website, www.vikingsupply.com.

## EARNINGS, CASH FLOW AND BALANCE SHEET

The Group's and parent company's earnings, liquidity and financial position are presented in the following income statements, cash-flow statements and balance sheets, and in the notes relating to them.

FY 2017

# INCOME STATEMENT

| TSEK | Note 1, 3, 32 | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|---|
| Net sales | 2, 3, 4 | 331,502 | 760,163 | 8,908 | 333,166 |
| Direct voyage cost | | -34,005 | -35,728 | - | - |
| Personnel costs | 6 | -340,202 | -385,834 | -96 | -1,297 |
| Other external operating costs | 4, 7 | -141,481 | -176,185 | -9,053 | -333,753 |
| Other operating costs | 5 | - | -2,223 | - | - |
| Other net profit/loss | 8 | -833 | 1,318 | - | - |
| Depreciation and impairment of property, plant and equipment and intangible assets | 9 | -194,370 | -409,170 | - | - |
| **Operating profit/loss** | | **-379,389** | **-247,659** | **-241** | **-1,884** |
| Profit/loss from shares in Group companies | 10 | - | - | -984,261 | -338,453 |
| Financial income | 11 | 118,667 | 60,041 | 2,222 | 8,809 |
| Financial expenses | 12 | -70,733 | -186,304 | -3,489 | -12,283 |
| **Profit/loss before tax** | | **-331,455** | **-373,922** | **-985,769** | **-343,811** |
| Income tax | 13 | 1,503 | 3,771 | - | - |
| **Profit / loss for continuing operations** | | **-329,952** | **-370,151** | **-985,769** | **-343,811** |
| Profit / loss from discontinued operations | 32 | -2,294 | -36,331 | - | - |
| **Profit / loss for the year** | | **-332,246** | **-406,482** | **-985,769** | **-343,811** |
| Earnings attribute to Parent Company's shareholders, per share in SEK (before and after dilution) | 14 | | | | |
| - Continuing operations | | -0.81 | -2.04 | | |
| - Discontinued operations | | -0.01 | -0.20 | | |
| **Total** | | **-0.81** | **-2.24** | | |

# STATEMENT OF COMPREHENSIVE INCOME

| TSEK | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| **Profit/loss for the year** | **-332,246** | **-406,482** | **-985,769** | **-343,811** |
| Other comprehensive income, net after tax: | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Remeasurements of post employment benefit obligations | -25 | 806 | 47 | -120 |
| **Items that may be subsequently reclassified to profit or loss** | | | | |
| Change in translation reserve | -140,273 | 119,550 | - | - |
| **Other comprehensive income, net after tax** | **-140,298** | **120,356** | **47** | **-120** |
| **Comprehensive income for the year** | **-472,544** | **-286,126** | **-985,722** | **-343,931** |

# BALANCE SHEET

*Balance sheet at December 31*

| TSEK | Note | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|---|
| **Assets** | **1** | | | | |
| **Fixed assets** | | | | | |
| Vessels | 9 | 2,715,047 | 3,228,883 | - | - |
| Equipment | 9 | 703 | 250 | - | - |
| Goodwill | 9 | - | - | - | - |
| Brands | 9 | - | - | - | - |
| Participations in Group companies | 15 | - | - | 1,035,500 | 1,890,000 |
| Other long-term receivables | 16, 23 | 15,588 | 16,096 | 12,797 | 15,186 |
| **Total fixed assets** | | **2,731,338** | **3,245,229** | **1,048,297** | **1,905,186** |
| | | | | | |
| **Current assets** | | | | | |
| Inventories | 17 | 19,757 | 22,425 | - | - |
| Accounts receivable | 18 | 32,442 | 15,805 | 5 | 138 |
| Receivables from Group companies | | - | - | 32,614 | 86,706 |
| Other receivables | | 43,529 | 91,238 | 9,215 | 44,788 |
| Prepaid expenses and accrued income | 19 | 9,164 | 18,705 | 0 | 130 |
| Cash and cash equivalents | 20 | 33,650 | 273,150 | 91 | 18,271 |
| **Total other current assets** | | **138,542** | **421,323** | **41,925** | **150,033** |
| Assets held for sale | 32 | 15,181 | 26,269 | - | - |
| **Total current assets** | | **153,723** | **447,592** | **41,925** | **150,033** |
| | | | | | |
| **Total assets** | | **2,885,061** | **3,692,821** | **1,090,222** | **2,055,219** |

| TSEK | Note | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|---|
| **Shareholders' equity and liabilities** | | | | | |
| **Shareholders' equity and reserves attributable to the Parent Company's shareholders** | **21, 22** | | | | |
| Share capital | | 409,593 | 343,545 | 409,593 | 343,545 |
| Other contributions from shareholders | | 907,396 | 966,607 | 733,433 | 799,481 |
| Reserves | | -241,239 | -100,966 | 252,619 | 245,782 |
| Retained earnings | | -104,336 | 230,378 | 594,740 | 940,947 |
| Loss for the year | | - | - | -985,769 | -343,811 |
| **Total shareholders' equity** | | **971,414** | **1,439,564** | **1,004,616** | **1,985,944** |
| | | | | | |
| **Provisions** | | | | | |
| Pension provisions | 23 | - | - | 5,588 | 6,233 |
| **Total provisions** | | **-** | **-** | **5,588** | **6,233** |
| | | | | | |
| **Long-term liabilities** | **24** | | | | |
| Vessel loans | | - | 1,868,615 | - | - |
| Pension commitments | 23 | 2,150 | 974 | - | - |
| Derivative instruments | 30 | 4,968 | 11,332 | - | - |
| Other liabilities | | 12,797 | 15,186 | 12,797 | 15,186 |
| **Total long-term liabilities** | | **19,915** | **1,896,107** | **12,797** | **15,186** |
| | | | | | |
| **Current liabilities** | **24** | | | | |
| Vessel loans | | 1,714,654 | 58,860 | - | - |
| Accounts payable | | 37,884 | 22,855 | 1 | 1,928 |
| Liabilities to Group companies | | - | - | 28,496 | 27,369 |
| Other liabilities | | 52,458 | 187,733 | 33,835 | 13,963 |
| Accrued expenses and deferred income | 25 | 85,460 | 72,178 | 4,889 | 4,596 |
| **Total other current liabilities** | | **1,890,456** | **341,626** | **67,221** | **47,856** |
| Liabilities attributable to assets held for sale | 32 | 3,276 | 15,524 | | |
| **Total current liabilities** | | **1,893,732** | **357,150** | **67,221** | **47,856** |
| | | | | | |
| **Total shareholders' equity and liabilities** | | **2,885,061** | **3,692,821** | **1,090,222** | **2,055,219** |
| Pledged assets | 26 | | | 19,462 | 21,965 |
| Contingent liabilities | 27 | | | - | - |

# SHAREHOLDERS' EQUITY

| Consolidated changes in shareholders' equity TSEK | Share capital | Other contributions from shareholders | Reserves: Translation reserve | Reserves: Retained earnings | Total shareholders equity |
|---|---|---|---|---|---|
| **Opening shareholders' equity, January 1, 2016** | **177,444** | **784,485** | **-220,516** | **644,577** | **1,385,990** |
| Profit/loss for the year | - | - | - | -406,482 | -406,482 |
| Remeasurements of post employment benefit obligations; see Note 23. | - | - | - | 806 | 806 |
| Exchangerate difference on translation of foreign operations | - | - | 119,550 | - | 119,550 |
| **Total comprehensive income** | **-** | **-** | **119,550** | **-405,676** | **-286,126** |
| New share issue, see Note 21. | 166,101 | 182,122 | - | -8,522 [1] | 339,701 |
| **Total transactions with company's owners** | **166,101** | **182,122** | **-** | **-8,522** | **339,701** |
| **Closing shareholders' equity, Dec. 31, 2016** | **343,545** | **966,607** | **-100,966** | **230,378** | **1,439,564** |
| **Opening shareholders' equity, January 1, 2017** | **343,545** | **966,607** | **-100,966** | **230,378** | **1,439,564** |
| Profit/loss for the year | - | - | - | -332,246 | -332,246 |
| Remeasurements of post employment benefit obligations, see Note 23. | - | - | - | -25 | -25 |
| Exchange-rate difference on translation of foreign operations | - | - | -140,273 | - | -140,273 |
| **Total comprehensive income** | **-** | **-** | **-140,273** | **-332,271** | **-472,544** |
| Registered new share issue [2] | 66,048 | -66,048 | - | - | - |
| New share issue, see Note 21. | - | 6,837 [3] | - | -2,443 [1] | 4,394 |
| **Total transactions with company's owners** | **66,048** | **-59,211** | **-** | **-2,443** | **4,394** |
| **Closing shareholders' equity, Dec. 31, 2017** | **409,593** | **907,396** | **-241,239** | **-104,336** | **971,414** |

*1) Transaction expenses in connection with the new share issue.*
*2) Transfer to share capital after shares subscribed for in December 2016 was registered in January 2017.*
*3) Shares subscribed for in December 2017, but registered in January 2018.*

| Parent Company's changes in shareholders' equity TSEK | Restricted reserves: Share capital | Restricted reserves: Other contributions from shareholders | Restricted reserves: Statutory reserve | Unrestricted reserves: Other contributions from shareholders [1] | Unrestricted reserves: Retained earnings | Total shareholders' equity |
|---|---|---|---|---|---|---|
| **Shareholders' equity, Jan. 1, 2016** | **177,444** | **-** | **245,782** | **617,359** | **949,589** | **1,990,174** |
| Loss for the year | - | - | - | - | -343,811 | -343,811 |
| Remeasurements of post employment benefit Obligations; see also Note 23. | - | - | - | - | -120 | -120 |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **-343,931** | **-343,931** |
| New share issue, see Note 21. | 166,101 | - | - | 182,122 | -8,522 [4] | 339,701 |
| **Total transactions with company's owners** | **166,101** | **-** | **-** | **182,122** | **-8,522** | **339,701** |
| **Shareholders' equity, Dec. 31, 2016** | **343,545** | **-** | **245,782** | **799,481** | **597,136** | **1,985,944** |
| **Shareholders' equity, Jan. 1, 2017** | **343,545** | **-** | **245,782** | **799,481** | **597,136** | **1,985,944** |
| Loss for the year | - | - | - | - | -985,769 | -985,769 |
| Remeasurements of post employment benefit Obligations, see also Note 23. | - | - | - | - | 47 | 47 |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **-985,722** | **-985,722** |
| Registered new share issue [3] | 66,048 | - | - | -66,048 | - | - |
| New share issue, see also Note 21. | - | 6,837 [2] | - | - | -2,443 [4] | 4,394 |
| **Total transactions with company's owners** | **66,048** | **6,837** | **-** | **-66,048** | **-2,443** | **4,394** |
| **Shareholders' equity, Dec. 31, 2017** | **409,593** | **6,837** | **245,782** | **733,433** | **-391,029** | **1,004,616** |

*1) Pertains to share premium reserve.*
*2) Shares subscribed for in December 2017, but registered in January 2018.*
*3) Transfer to share capital after shares subscribed for in December 2016 was registered in January 2017.*
*4) Transaction costs in connection with the new share issue.*

FY 2017

# CASH-FLOW STATEMENT

| TSEK | Note | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|---|
| | 21 | | | | |
| **Cash flow from operating activities** | | | | | |
| Profit/Loss before tax | | -331,455 | -373,922 | -985,769 | -343,811 |
| Adjustments for non-cash items | | - | - | - | - |
| – Depreciation and impairment | 9 | 194,370 | 409,170 | - | - |
| – Capital gain/loss | | -30 | - | - | - |
| – Results from participations in Group companies not affecting cash flow | | - | - | 984,261 | 338,453 |
| – Interest and exchange-rate differences not affecting cash flow [1] | | -117,835 | 3,130 | 995 | -4,092 |
| – Provisions | | 7,684 | -14,898 | -597 | 393 |
| – Profit and loss items set off in the new share issue | | - | 39,376 | - | 7,867 |
| – Other | | 8,150 | -8,261 | - | - |
| Income tax paid | | 257 | - | - | - |
| **Cash flow from operating activities before changes in working capital** | | **-238,859** | **54,595** | **-1,110** | **-1,190** |
| **Changes in working capital** | | | | | |
| Changes in inventories | | 2,668 | -5,789 | - | - |
| Changes in accounts receivable and other current operating receivables | | 5,294 | 86,011 | -6,698 | 5,858 |
| Changes in accounts payable and other current operating liabilities | | -39,224 | -66,356 | -9,077 | -26,003 |
| **Cash flow from operating activities** | | **-270,121** | **68,461** | **-16,885** | **-21,335** |
| **Investing activities** | | | | | |
| Investment in subsidiaries | | - | - | -42,534 | -120,205 |
| Acquisition of vessels | 9 | -615 | -10,333 | - | - |
| Acquisitions of other property, plant and equipment | 9 | -862 | -587 | - | - |
| Divestment of long-term receivables | 16 | - | 134,548 | - | - |
| **Cash flow from investing activities** | | **-1,477** | **123,628** | **-42,534** | **-120,205** |
| **Financing operations** | | | | | |
| Changes in loans from Group companies | | - | - | -33,004 | -72,644 |
| New loans | | 55,070 | - | 34,152 | - |
| Amortization of loans | | -40,238 | -219,142 | - | - |
| New share issue less issue expenses | | 40,091 | 198,496 | 40,091 | 198,496 |
| **Cash flow from financing activities** | | **54,923** | **-20,646** | **41,239** | **125,852** |
| **Changes in cash and cash equivalents from continuing operations** | | **-216,675** | **171,443** | **-18,180** | **-15,688** |
| **Cash flow from discontinued operations** | **32** | | | | |
| Cash flow from operating activities | | -4,210 | -127,407 | - | - |
| Cash flow from investing activities | | 345 | 151,322 | - | - |
| Cash flow from financing activities | | - | -131,175 | - | - |
| **Change in cash and cash equivalents from discontinued operations** | | **-3,865** | **-107,260** | **-** | **-** |
| Cash and cash equivalents at the beginning of the year | | 273,150 | 194,559 | 18,271 | 33,959 |
| Exchange-rate difference in cash and cash equivalents | | -18,960 | 14,408 | | |
| **Cash and cash equivalents at the end of the year** | | **33,650** | **273,150** | **91** | **18,271** |

| | | | | |
|---|---|---|---|---|
| *1) Interest received amounts to* | *183* | *1,125* | *-* | *301* |
| *Interest paid amounts to* | *-34,844* | *-85,243* | *-* | *-* |
| **Total** | **-34,661** | **-84,118** | **-** | **301** |

# NOTES

NOTES



# NOTE 1

## ACCOUNTING AND MEASUREMENT POLICIES, SIGNIFICANT ASSESSMENTS AND FINANCIAL RISK MANAGEMENT

### GENERAL INFORMATION

The Viking Supply Ships AB Group core business is within Offshore and Offshore/Icebreaking. The Parent Company, corporate registration number 556161-0113, is a limited liability company registered in Sweden and domiciled in Gothenburg. The administrative address for the head office is Idrottsvägen 1, SE-444 31 Stenungsund. The Parent Company is listed on the Small Cap list of the Nasdaq OMX Stockholm. The Board of Directors approved these consolidated financial statements for publication on 25 April, 2018.

### BASIS FOR THE PREPARATION OF THE FINANCIAL REPORTS

The most significant accounting policies applied, which are stated below, have been applied consistently for the years presented, unless otherwise stated. The consolidated financial statements have been prepared in accordance with IFRS, with the regulatory framework adopted by the EU and with RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. Preparing financial statements that comply with IFRS requires that several crucial accounting estimates be applied and that management makes certain assumptions in the application of the company's accounting policies. The main estimates and assumptions made are stated at the end of this note. This annual report, including the consolidated financial statements, has been prepared with the assumption of going concern. The most significant estimates and assumptions including the assumption of going concern are referred to at the end of this note.

### NEW AND AMENDED STANDARDS APPLIED BY THE GROUP

**New standards that came into effect in 2017**

No new standards or amendments to standards have been added that have necessitated changes in the accounting principles or disclosures.

**New standards, amendments and interpretations of existing standards not yet in effect and not applied in advance by the Group**

From 2018 and beyond both new standards as well as amendments and annual improvements of a number of standards will come into force, subject to EU endorsement. These have not been applied in preparation of this financial report. New standards are IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customer and IFRS 16 Leases.

**IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments Replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard contains new principles for the classification and valuation of financial assets and liabilities. The determining factor for the valuation is based on the company's purpose of holding the asset and the contractual cash flow of the financial instrument. The largest proportion of the Group's financial assets is accounts receivable and the amount of other financial assets is small. The standard also introduces new rules for hedge accounting, which means increased flexibility for which type of transactions hedge accounting can be applied. The standard provides increased opportunities to hedge risk components in non-financial items and that more types of instruments can be included in a hedging relationship. The provisions of IFRS 9 for hedge accounting allow for offsetting. As the Group does not apply hedge accounting, this does not affect the Group's accounts. The standard also includes a new write-down model for financial assets. The new and extended rules assume that an impairment loss for financial assets is based on expected losses. The Group has evaluated the effects of the introduction of IFRS 9 and estimates that there are no significant differences between the new standard and the Group's current principles for the classification and valuation of financial instruments and impairment of doubtful accounts

*Note 1 continued*

receivable, which historically has been very low. The Group will apply the standard as of January 1, 2018.

**IFRS 15 Revenue from Contracts with Customers**
IFRS 15 Income from Contracts with Customers determines a single comprehensive model that companies will use for revenue recognition as a result of contracts with customers. IFRS 15 will replace all previously issued standards and interpretations including IAS 18 Revenue. The principles on which IFRS 15 is based will provide users of financial statements with more useful information about the company's revenue. The increased disclosure obligation means that information about revenue types, timing of recognition, uncertainties linked to revenue recognition and cash flow attributable to the company's customer contracts shall be provided. According to IFRS 15, a company recognizes revenue when (or in the meantime) a performance commitment has been fulfilled, ie. when "control" of the underlying product or service of the performance commitment is transferred to the customer. IFRS 15 enters into force on January 1, 2018. The Group is currently considering the possible impact of the new standard and its revenue recognition and disclosure. IFRS 15 will be applied from January 1, 2018.

**IFRS 16 Leases**
IFRS 16 Leases replaces IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and related rules, and will enter into force on January 1, 2019. The new standard will primarily affect leasing companies' accounts and will result in most leases being capitalized in the balance sheet. The accounting for the lessor will essentially remain unchanged. The standard means that the current distinction between operational and finance leases is removed and the standard requires the recognition of an asset (the right to use the leased asset) and a financial liability (the obligation to pay rent) for most of the Group's leasing agreements. There is a voluntary exception for short-term contracts at low values. The income statement will also be affected as the total cost is usually higher during the early years of a lease and lower in the end. In addition, operating expenses will be replaced by interest expenses and depreciations, so key ratios, such as EBITDA, may change. Operating cash flows presented in the cash flow statement will be higher because payments relating to the nominal parts of the lease liabilities are classified as financing activities. Based on the Group's preliminary assessment of the effect, the introduction of IFRS 16 will increase tangible fixed assets in the balance sheet, mainly due to chartering of vessels currently classified as operating leases (see also Note 29 Commitments). In the consolidated accounts, operating expenses will decrease, while depreciation and interest expenses will increase as an effect of the standard as the leasing cost is no longer classified as an operating cost. This will lead to improved EBITDA. The Group is currently evaluating the effects of IFRS 16, which will be applied as of January 1, 2019.

## CONSOLIDATED FINANCIAL STATEMENTS
The consolidated financial statements include the Parent Company, as well as subsidiaries and associated companies.

## SUBSIDIARIES
Subsidiaries are classified as companies in which the Group has a controlling influence through holding more than 50% of the voting rights, or in which the Group can exercise controlling influence through contracts or other agreements. The consolidated financial statements have been prepared in accordance with the acquisition method. Accordingly, consolidated shareholders' equity – excluding the Parent Company's shareholders' equity – only includes the changes in subsidiaries' shareholders' equity that occurred following acquisition of the subsidiaries.

Costs for acquisition of a subsidiary have been allocated to the company's various assets and liabilities taking into account the measurement executed in connection with the acquisition, regardless of the extent of any non-controlling interest. Identifiable assets and liabilities acquired are measured at their fair values at the acquisition date. For acquisitions that occur in stages, goodwill is established on the date controlling influence arises. If the company already owns a portion of the acquired company, this is re-measured at fair value and the value change is recognized in profit or loss for the year. Correspondingly, in a divestment where controlling influence is lost, the remaining holding is re-measured at fair value and the change in value is recognized in profit or loss for the year. The portion of the cost that exceeds the acquisition's net assets, measured at fair value, is recognized as goodwill and is subject to annual impairment testing. If the purchase price is lower than the net assets, the difference is recognized directly in profit or loss. Transaction expenses connected to acquisitions are not included in cost but are expensed immediately. Intra-group transactions, balance-sheet items and unrealized gains on transactions between Group companies are eliminated.

## NON-CONTROLLING INTERESTS
The Group manages transactions with non-controlling interests as transactions with the Group's shareholders. In acquisitions from non-controlling interests, the difference between the purchase consideration paid and the actual acquired participation of the carrying amount of the subsidiary's net assets is recognized in shareholders' equity. Gains and losses on divestments to non-controlling interests are also recognized in shareholders' equity.

## ASSOCIATED COMPANIES
Associated companies are companies in which the Group has a significant influence. Participations in associated companies are recognized in the consolidated financial statements in accordance with the equity method. The equity method entails that shares in a company are recognized at cost at the acquisition date and are subsequently adjusted by the Group's share of the change in the associated company's net assets. The Group's participation in the associated company's earnings is recognized under "Profit from shares in associated companies." The consolidated value of the holding is recognized as "Participations in associated companies". If the holding interest in an associated company is reduced, but significant influence is retained, only a proportional share of the amounts previously

*Note 1 continued*

recognized in other comprehensive income will be reclassified to the income statement, where relevant.

## TRANSLATION OF FOREIGN CURRENCIES

All transactions are measured and recognized in the functional currency. The reporting currency of the Group and the Parent Company is SEK, which is also the Parent Company's functional currency. For Group companies that have a functional currency that is different to the Group's reporting currency, assets and liabilities in the balance sheet are translated at the closing-date rate and income statements are translated at the average exchange rate for the year, whereby the translation difference is recognized in other comprehensive income. If exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate. Significant items which occur in a period when exchange rates fluctuate significantly will be translated to the exchange rate at the transaction date. In the case of divestment or liquidation of such companies, the accumulated translation difference is recognized under capital gain/loss. Profit or loss items are translated at the transaction-date rate and any exchange-rate differences are entered in profit or loss for the year. The exception is if the transaction represents hedging and meets the criteria for hedge accounting of cash flows or net investments, when any gains and losses are recognized directly against other comprehensive income. Receivables and liabilities are translated in accordance with the principles stated under "Financial instruments" below.

## REVENUE

Revenues and expenses from implemented cargo assignments are recognized successively in relation to the cargo assignment's degree of completion on the balance-sheet date. The cargo assignment's degree of completion is calculated on the basis of the number of voyage days on the balance-sheet date in relation to the total number of voyage days for the assignment. Other revenues, such as those for external ship management assignments, are recognized only after agreement is reached with the customer and the service has been delivered. Invoiced operating expenses that are invoiced to the customer are recognized as net amounts in profit or loss. Costs for personnel employed in the Group, including crews of external vessels, are recognized in gross amounts if they are related to external vessel. Interest income is recognized distributed across the period of maturity, applying the effective interest-rate method. Dividend income is recognized when the right to receive payment has been established.

## DIRECT VOYAGE COSTS

Expenses directly attributable to cargo assignments, such as bunker and port expenses, are recognized in profit or loss under the item Direct voyage costs.

## GOVERNMENT SUBSIDIES

The Swedish State subsidy to ship owners is recognized as a net amount against the payroll expenses on which it is based. Settlement is made monthly.

## INCOME TAXES

Taxes included in the consolidated financial statements pertain to current and deferred tax. The Group recognizes deferred tax on temporary differences between the carrying amount and the tax value of assets and liabilities. Deferred tax assets are only recognized if it is probable that the temporary differences can be utilized against future taxable surpluses. The current nominal tax rate in each country is used in calculating deferred tax. Deferred tax liabilities for temporary differences pertaining to investments in subsidiaries and associated companies are not recognized in the consolidated financial statements as long as no decision on profit taking has been made. In all cases, the Parent Company can determine when the temporary differences will be reversed, and it is not currently considered probable that a reversal will occur in the foreseeable future. The tax effect of items recognized in profit or loss is recognized in profit or loss. The tax effect of items recognized directly in other comprehensive income is recognized in other comprehensive income. Taxes are recognized immediately in shareholders' equity in respect of transactions that are recognized immediately in shareholders' equity.

## SEGMENT REPORTING

Internal reporting and follow-up are organized based on segments, which provide better potential to assess risks, opportunities and future development. The Group has four segments, AHTS, PSV, Services and Ship Management. Reporting is made to the company's Group Management team, which is appointed by the President. The previous segment TransAtlantic has been reported according to IFRS 5 Discontinued operations and assets held for sale.

## DISCONTINUED OPERATIONS

IFRS 5 Non-current assets and discontinued operations is applied by the Group. 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.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as described below are recognized at cost after deductions for accumulated depreciation according to plan and possible impairment. Property, plant and equipment items that comprise components with different useful lives are treated as separate components. Expenses that raise the value of or return on the asset through, for example, capacity enhancements or cost rationalizations, increase the carrying amount of the asset. Expenses incurred by the re-flagging of vessels are capitalized in accordance with this principle. Expenses for major recurring inspection measures are capitalized as fixed assets, since they are considered to increase the vessel's fair value and are depreciated on a straight-line basis over the vessel's useful life. Other outlays for repairs and maintenance are expensed. Dry-dock expenses within the Group are also capitalized in accordance with this principle and are depreciated over a period of 30–60 months, which is the normal time between dockings. Expenses, including interest, pertaining to vessels during the construction period are capitalized as fixed assets. Depreciation of vessels according to plan is based on an individual assessment of each vessel's useful life and subsequent remaining residual value. Impairment is recognized if the asset's estimated recoverable amount is lower than its carrying amount. The residual value, the estimated amount that the company would currently obtain from disposal or scrapping of the asset less the estimated costs of the disposal or scrapping of the asset were already of the age and the condition expected at the end of its useful life, and useful lives are reviewed every balance sheet date, and adjusted if appropriate. The assets that have the greatest residual value are ships, where the residual value comprises the estimated scrap value at the end of its useful life.

Straight-line depreciation according to plan is based on the following useful lives:
- Vessels 25–30 years
- Docking and major overhaul measures 2.5–5 years
- Computers 3–5 years
- Other equipment 5–10 years
- Buildings 25 years

## INTANGIBLE ASSETS

Intangible assets are recognized at cost or at impaired value after deductions for accumulated amortization according to plan. Useful life is determined for each asset and this is used for straight-line amortization according to plan.

Straight-line depreciation according to plan is based on the following useful lives:
- Computer software 4 years

Intangible assets considered to have the capacity to provide a financial return for an indeterminable period are not to be amortized. Instead, it shall annually, or, where there are indications that the asset has changed, be determined the recoverable amount of the asset, and whenever there are indicators of a decline in value of the intangible asset write-down should take place.

The Group has goodwill and brands as intangible assets with indeterminable useful life. For impairment testing, goodwill is distributed among cash-generating units, which are the traffic areas within the segments. The trademark pertains to TransAtlantic.

## IMPAIRMENT LOSSES

Assets with an indeterminate useful life are impairment tested annually. For other assets, impairment testing occurs whenever there are indications that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount corresponds to the higher of fair value less selling costs and value-in-use. Impairment is recognized in an amount equivalent to the difference between the recoverable amount and carrying amount.

## FINANCIAL ASSETS

Financial assets are classified according to the following categories: Financial assets measured at fair value through profit or loss (FVTPL) for the period, or Loans, accounts receivable and cash holdings. The classification is determined by the purpose of the investment at the acquisition date.

## FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) FOR THE PERIOD

A financial asset measured at FVTPL for the period constitutes one of the following categories. On initial recognition, the assets are either categorized under (1) financial instruments traded on an active market or (2) classification in accordance with the fair value option. For the former category to be applied, the asset must be acquired for the primary purpose of sale within a near future and it must be included in a portfolio that is jointly managed together with other financial instruments, and there must be a substantiated pattern of short-term profit realization. Derivatives, including embedded derivatives that are separated from their main contract, are categorized as though they are held for trading. Gains and losses on these assets are recognized in profit or loss for the period. The Group utilizes interest swaps. Hedge accounting is applied to the portion of derivatives that are documented to constitute effective hedging. Changes in fair value with regard to the hedging instrument are thus recognized under other comprehensive income and in profit or loss for the period. Apart from the above assets, the Group does not hold any financial assets that are measured at FVTPL for the period.

## FINANCIAL LIABILITIES MEASURED AT FVTPL FOR THE PERIOD

Derivatives, including separable embedded derivatives, are categorized as being held for trading if they do not demonstrably constitute a portion of effective hedging. Gains and losses attributable to these items are recognized in profit or loss for the period to the extent that they do not constitute a portion of effective hedging.

## MEASUREMENT OF FAIR VALUE

The fair values of financial instruments traded on active markets are based on listed market prices and belongs

*Note 1 continued*

to measurement level 1 according to IFRS 13. Should there be no listed market prices fair value is measured through discounted cash flows. When measurements of discounted cash flows have been conducted, all variables, such as discount rates and exchange rates for measurements, have been retrieved from market listings, wherever possible. These measurements belong to measurement level 2. Other measurements, for which a variable is based on own assessments, belong to measurement level 3. The nominal value less any credits was used as fair value of accounts receivable and accounts payable.

## LOAN RECEIVABLES, ACCOUNTS RECEIVABLES AND CASH HOLDINGS

Loans and accounts receivable are initially recognized at fair value and subsequently at amortized cost using the effective interest method less any provision for value depletion. A provision for value depletion of accounts receivable is made when there are strong indications that the Group will not receive the full amount. The Group's loan receivables and accounts receivable comprise accounts receivable, other receivables. Cash holdings comprise cash and cash equivalents and short-term investments falling due within three months. Blocked cash holdings are recognized among Other long-term receivables.

## AVAILABLE-FOR-SALE FINANCIAL ASSETS

Salable financial assets are classified under this category.

## OTHER FINANCIAL LIABILITIES

Borrowing and other financial liabilities are initially recognized at fair value, net after transaction expenses and subsequently at amortized cost.

## LEASING AGREEMENTS

The Group acts as both a lessor and a lessee and has entered into both financial and operational leasing agreements. The Group is currently not financial lessor. In financial leasing agreements, in which the Group enjoys the financial benefits and assumes responsibility for the risks, the item leased is recognized in the balance sheet as a fixed asset. At the beginning of the lease period, the asset is recognized at the lower of the fair value of the leased item or the present value of the minimum lease fees. Each leased item is assigned a useful life in accordance with the principles stated under property, plant and equipment. The remaining amortization obligation to the lessee is recognized as a liability. Each lease payment is divided between amortization of the liability and financial expense. Operational leasing agreements are recognized as net sales in profit or loss straight-line over the lease period in cases where the Group is the lessor and as other external operating costs where the Group is the lessee.

## INVENTORIES

Inventories have been measured at the lower of cost and net realizable value. Inventories mainly comprise bunker and lubricating oils, and were measured in accordance with the FIFO principle (First-In-First-Out).

## PENSIONS AND SIMILAR COMMITMENTS

The Group has defined-benefit and defined-contribution pension plans. Defined-benefit pension plans provide employees with pension benefits corresponding to a predetermined amount and the Group is responsible for financing these plans so that these amounts can be paid in the future. For defined-contribution pension plans, the Group pays in an established fee to an independent legal entity. Fees are recognized as personnel costs when they mature for payment. Subsequently, the Group has no further pension commitments towards the employees. Provisions are made for all defined-benefit plans on the basis of actuarial calculations in accordance with the project unit credit method, with the purpose of establishing the present value of future commitments to current and previous employees. Actuarial calculations are conducted annually and are based on actuarial assumptions applicable on the closing date. The size of the provision is determined by the present value of future pension commitments less deductions for the fair value of plan assets. Discounting of pension commitments occurs based on the yield on government bonds. Actuarial gains and losses plus the difference between the actual and the estimated return on pension assets are recognized in other comprehensive income. Items attributable to the vesting of defined-benefit pensions and gains and losses arising from the settlement of pension liability, as well as interest on net assets and liabilities in the defined-benefit plan, are recognized in profit or loss.

## CASH-FLOW STATEMENTS

The cash-flow statements are prepared in accordance with the indirect method. The recognized cash flow comprises only transactions entailing receipts and disbursements.

## BUYBACK OF COMPANY SHARES

When the company's own shares are bought back, unrestricted shareholders' equity is reduced by the expense for the acquisition. When such treasury shares are transferred, unrestricted shareholders' equity is increased by the income derived from the transfer.

## PARENT COMPANY'S ACCOUNTING POLICIES

The financial statements of the Parent Company are prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2, Accounting for legal entities. The Parent Company, in its financial statements, applies all of the EU-approved IFRS and statements insofar as these do not conflict with the Annual Accounts Act and the relationship between accounting and taxation.

The recommendation states the exceptions that are to be and may be made based on IFRS. This means that the Parent Company applies the same accounting policies as the Group with the exception of the instances stated below:

## CLASSIFICATION AND PRESENTATION

The Parent Company's income statement and balance sheets are presented in accordance with the outline in the Annual Accounts Act, while the statement of comprehensive income, the statement on changes in shareholders' equity and cash-flow statements are based on IAS 1 Presentation of financial statements and IAS 7 Statement of cash flows. The differences in relation to the consolidated financial statements that apply in the Parent Company's income statements and balance sheets pertain primarily to shareholders' equity, as well as the presence of provisions as a separate category.

## ASSOCIATED COMPANIES AND SUBSIDIARIES

Participations in associated companies and subsidiaries are recognized in the Parent Company using the cost method. Carrying amounts are impairment tested on each balance-sheet date. Only dividends received are recognized as revenue, on condition that these are derived from profits earned after the acquisition. Dividends that exceed these profits are considered a repayment of the investment and reduce the participation's carrying amount. Transaction expenses for holdings in subsidiaries and associated companies are included at the carrying amount. In the Group, however, transaction expenses for subsidiaries are recognized directly in profit or loss. Shareholders' contributions are recognized directly against shareholders' equity for the recipient and are capitalized in shares and participations by the contributor to the extent that impairment is not required.

## GROUP CONTRIBUTIONS AND SHAREHOLDERS' CONTRIBUTIONS

Shareholders' contributions are recognized in accordance with RFR 2. Group contributions from/to Swedish Group companies are recognized as appropriations in profit or loss.

## UNTAXED RESERVES

The amounts included in untaxed reserves comprise taxable temporary differences. In a legal entity, as a result of the link between accounting and taxation, the deferred tax liability attributable to untaxed reserves is not recognized separately, but in its gross amount in the balance sheet.

## FINANCIAL INCOME

Net financial income in the Parent Company includes dividends on shares in subsidiaries only when the right to receive payment has been established.

## FINANCIAL INSTRUMENTS

The Parent Company applies the same policies pertaining to financial instruments as the Group. In the Parent Company, financial fixed assets are measured at cost less any impairment losses, and financial current assets are measured at the lower of cost or market value.

## RISK MANAGEMENT

The Group's operations entail a number of operational and financial risks that may affect earnings. The most significant risks are: operational risks, capital risks and market risks, including liquidity risks and credit risks. The Group's overriding goal is to minimize the impact of financial and operational risks on the consolidated income statements and balance sheets. The Board of Directors has identified these risks and continuously assesses how to avoid or minimize their impact on the consolidated income statement and balance sheets through various measures. It is stated through policies and reporting paths how these risks are to be managed and how debriefing is to occur, see note 30.

## OPERATIONAL RISKS

The general economic trend in the countries where the Group is active is a crucial factor for financial development, since the economic trend has a major effect on the flows of goods, volumes, and the resultant demand for maritime transports. The trend in markets other than those where the Group is active can also affect demand for the Group's services, since the shipping markets are international. The Group endeavors to maintain close contact with its customers and signs long-term agreements with them to restrict the impact of economic fluctuations. Earnings can be impacted by the breakdown of a vessel. These costs can be minimized through active service and damage-prevention work, resulting in lower risk of considerable individual cost increases. An off-hire insurance that provides financial compensation in the event of prolonged operational disruption has been taken out for the TransAtlantic fleet. Supply and demand for oil and gas has a material impact on the development of offshore operations.

## CAPITAL RISK

The Group is to have a capital structure that secures the operation of current business and enables the desired future investments and performance. Capital is assessed on the basis of the debt/equity ratio, meaning interest-bearing net loan liabilities in relation to shareholders' equity. The shareholders' equity may be impacted by further vessel impairment. The net loan liability comprises long and short-term interest-bearing borrowings less cash and cash equivalents. Total borrowing amounted to MSEK 1,748 (1,927) less cash and cash equivalents of MSEK 34 (less: 273), whereby net debt amounted to MSEK 1,714 (1,654). Shareholders' equity amounted to MSEK 971 (1,440). The debt/equity ratio was 176% (115).

## MARKET RISKS

**Currency risks**

Because shipping is an international business, only a portion of the consolidated cash flow is generated in SEK, which means that currency fluctuations have a major impact on the Group's earnings and cash flows. The foreign-exchange risk is primarily restricted 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 matched with liabilities in the same currency. In accordance with the Group's policy, the remaining exposure is hedged using various hedging instruments, see note 30.

**Interest-rate risks**
Shipping is a capital-intensive business, in which long-term loans are the principal form of financing. Accordingly, interest-rate fluctuations have a major impact on the Group's earnings and cash flow. To reduce this risk, interest rates are largely hedged for varying periods of time and using various types of hedging instruments, see note 30.

**Liquidity risk**
An inadequate liquidity reserve constitutes a liquidity risk for the Group. This can lead to difficulties in discharging current payment liabilities in operating activities, planned investments and amortizations.

The Financial Department continuously prepares liquidity forecasts for the Group that are aimed at foreseeing the Group's liquidity requirement for operating activities, taking into account future investment requirements and amortization. Based on this work, a liquidity reserve is ensured by maintaining bank balances/investments and committed lines of credit. The most significant liquidity risk relates to the volatility in the charter rates ,which in a high degree affect the Groups cash flow.

The Group intends to meet its payment obligations by cash flow generated from operations, external financing and, if necessary, the sale of assets. For information regarding the maturity structure of liabilities, see also Note 24.

**Credit risk**
The Group formulates a policy for determining how credits are to be provided to customers and other business partners. The credits provided are primarily short-term credits in the form of receivables from customers. These credits are mainly provided to major customers, with whom the Group has a long-term relationship. Credit risk in cash and cash equivalents is managed by investing the liquidity with major Swedish banks.

**Bunker risks**
The Group's vessels are chartered out on time charter basis, which means that the charterers (lessees) carries the risk of changes in bunkers consumption and thus also the risk of changes in bunker prices during the charter period. Other times, when ships are off-hire, the Group carries the expenses for bunker consumption and the risk of changes in bunker prices. Please also see note 31.

## DERIVATIVE INSTRUMENTS/HEDGE ACCOUNTING

If necessary, the Group signs, in accordance with the Group's Finance Policy, contracts for derivative instruments that partly hedge probable forecast transactions (cash-flow hedging). The Group utilizes derivative instruments to cover the risk of exchange rate fluctuations and exposure to interest-rate risks. The Group applies hedge accounting for currency futures. Hedge accounting requires that the explicit purpose of the hedging measure is classed as hedging, that it has an unequivocal connection with the hedge item and that the hedging measure effectively protects the hedged position. When a hedge is established, the relationship between the hedging instrument and the hedged item is documented, as are the objectives of the hedging and the strategy for implementing hedging measures. The Group also documents its assessment, both at the onset of the hedge and on an ongoing basis during its period of application, regarding the effectiveness of the hedge in evening out changes in cash flow for the hedged items. Derivative instruments are recognized at fair value at the acquisition date and are then continuously re-measured at fair value. Unrealized value changes for effective cash-flow hedging are recognized in other comprehensive income. Changes in the fair value of a derivative formally identified to hedge fair value, and that fulfills the conditions for hedge accounting, are recognized in profit or loss together with changes in the fair value attributable to the hedged risk of the hedged asset or liability. For other derivatives that are not held by the Group and do not qualify for hedge accounting, primarily interest-rate hedging instruments, the value changes are to be recognized directly in profit or loss among the financial items.

## SIGNIFICANT ESTIMATES AND ASSESSMENTS

The preparation of financial statements and the application of accounting principles are often based on management's assessments, estimates and assumptions that are considered reasonable at the time of the assessment. Estimates and assessments are based on historical experience and a number of other factors, which are considered reasonable under the current circumstances. The results of these are used to assess the reported values of assets and liabilities, which are not otherwise clearly stated from other sources. The actual outcome may differ from these estimates and assessments. Estimates and assessments are reviewed regularly. According to management significant assessments of applied accounting principles and sources of uncertainty in estimates are mainly related to management's assessment of significant inputs in the calculation of the value of the vessel fleet, in the impairment test of property, plant and equipment and the comparison of recoverable amounts of cash-generating units compared to book values. The estimates with the greatest impact are:

- Assumption of going concern.
- The useful life of property, plant and equipment and their residual value.
- Valuation and impairment testing of the vessel fleet please see note 10, Property, plant and equipment and intangible assets.
- Income taxes in cases where the Group conducts operations in different countries with different tax systems (such as tonnage taxation), please see note 13, Taxes.

**Liquidity and going concern**
The previous 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, impacted the Group's liquidity during 2017. As a consequence, VSS A/S shortly after the end of Q2 2017 initiated a dialogue with its lenders to secure a long-term stable financing solution.

At the end of Q3 2017, VSS A/S was not able to comply with events of default provisions in loan agreements, which rendered all borrowings short-term and payable on demand by the lenders.
VSS A/S was during the majority of the second half of 2017 in an ongoing dialogue with its lenders, during which VSS A/S did not pay installments and interest to its lenders.

In December 2017, VSS A/S received confirmation that it had obtained support for a restructuring proposal from all senior lenders. A final restructuring agreement was subject to final approval from the senior lenders' credit committees. VSS A/S has during January 2018 obtained credit committee approval from all senior lenders, signed a restructuring term sheet and signed amended loan agreements. The signed restructuring term sheet, together with the completed equity issue in VSS AB and subsequent equity injection into VSS A/S, finalized the financial restructuring.

The share issues in VSS AB that formed part of the VSS A/S' financial restructuring comprised the following:

- A MSEK 123 rights issue.
- A MSEK 7 share issue with payment against set-off to Viking Invest AS for financial services.
- A MSEK 1 share issue with payment against set-off to Viking Invest AS for guarantee fee for the guarantee undertaking in the rights issue.
- Following these equity issues, the equity in VSS AB increased with MSEK 131.

The final agreement includes the following key terms:
- VSS A/S loan facilities are as currently due 31 March 2020.
- VSS A/S loan facilities will carry significant less cash interest and instalments until maturity on 31 March 2020. Limited cash interest and instalments will be paid until Q4 2018.
- Financial covenants on the loan facilities are amended to provide VSS A/S with ample room to operate under the present challenging market conditions.
- Cash at hand exceeding a certain level will through a cash sweep mechanism be distributed as repayment of the bank facilities.
- The bareboat charter in respect of the vessel Odin Viking will be amended to reflect that the charter hire of USD 10,000 per day will not be payable in cash, but added to the principal amount outstanding under the charter party as payment in kind. Further, VSS A/S will have the right to exercise the previously agreed purchase option in respect of Odin Viking before the end of the charter party. If the option is exercised, the bareboat charter will be terminated against a termination compensation equal to the accumulated and remaining charter hire and VSS A/S will replace Odin Viking SPV AS as borrower under the Odin Viking SPV AS facility with DVB Bank SE. The outstanding loan amount under the Odin Viking facility will be off-set against the termination compensation payable by VSS A/S.
- VSS A/S has received new capital in the amount of MUSD 15.0.

The restructuring agreement will provide the Group with a platform to navigate through the potential challenging market until 2020.
In order for the Group to have sufficient liquidity and equity to get through the challenging market situation, the Group has not only in 2016 but also in 2017 completed comprehensive restructuring programs, including cost reducing efforts which includes lay-up of vessels, bond delisting, renegotiation of existing loan facilities and injection of new equity. The Group operates 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 financial situation of the Group, the current risks and a continued belief in securing contracts within the core market segment, the Board of Directors and Management have concluded that both the company and the Group will be able to continue as going concern at least until 31 December 2018. This conclusion is based on Management's assessment of the current outlook for 2018 and the uncertainties and risks described above and in the Board of Directors Report.

**The useful life of property, plant and equipment**
Useful life and residual value are assessed in connection with annual impairment testing.

**Valuation and impairment testing of the vessel fleet**
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 Group is operating two groups of similar vessel types which in reality can all be used for the same kind of tasks, and are thus inter-changeable. 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 the Group has deemed it appropriate to consider each group of vessels as a separate cash generating unit. As a result, the Group is performing impairment tests on a portfolio level rather than per vessel.

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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.

<u>Impairment test PSV fleet in 2017</u>
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 2018-19 due to all PSV vessels in warm lay-up in 2018/H12019 and poor market conditions expected in H2 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 value in use has been estimated by the company to be in line with the market value.

An increase of the applied discount factor of 1 percentage point would result in a decrease in the net present value of the PSV fleet of MSEK 35 (increase in the impairment charge). A decrease of 10% on the daily income rates applied would result in a decrease in the net present value of the PSV fleet of MSEK 61 (increase in the impairment charge).

The impairment test also consists of an assessment of average external vessel valuations, less cost to sell, from internationally acknowledged ship brokers showing a total PSV fleet value of MSEK 307 (ranging from MSEK 299 to MSEK 316). The valuations obtained from these ship brokers are subject to more uncertainty than normal due to lack of sales and purchase transactions for comparable vessels. Considering this uncertainty further vessel valuations have been obtained to support the market value assessment.

The book value has been written down by SEK 51 million in 2017 to adjust the book value to the recoverable amount, which approximately corresponded to 12% of the carrying amount of the PSV fleet at 1 January 2017.

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

<u>Impairment test AHTS fleet in 2017</u>
In 2017 management has 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.

**Discontinued operations and non-current assets held for sale**
During 2016 it was decided to discontinue the remaining operations in the subsidiary TA AB. At the end of the year, basis concluded asset sales, fulfilled financial commitments and outcome from the negotiations and discussions, the assessment is that the discontinuation is likely to be concluded within the next 12 months. Due to this, the Group in its financial reports, according to IFRS 5 Assets held for sale and discontinued operations, recognized TA AB as discontinued operations and assets held for sale. For further information see note 32.

# NOTE 2
## DISTRIBUTION OF NET SALES

| | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2017* | *2016* |
| Time charter revenues | 167,312 | 603,168 | - | 200,635 |
| Expenses recharged to external customers | 135,878 | 140,888 | - | 4,947 |
| Expenses recharged to internal customers | - | - | 8,785 | 127,584 |
| Other | 28,312 | 16,107 | 123 | - |
| **Total** | **331,502** | **760,163** | **8,908** | **333,166** |

# NOTE 3

## SEGMENT REPORTING

The segment reporting within the Group is presented in four segments; AHTS, PSV, Services and Ship Management. For information of the previous segment TransAtlantic, which is reported in accordance to IFRS 5 Assets held for sale and discontinued operations, see note 32. The largest segment comprises ice-classed and icebreaking Anchor Handling Tug Supply (AHTS) vessels, which are used for icebreaking and for assignments within the offshore industry repositioning of rigs and anchors for these. The AHTS segment has during the year been contracted by 2 (3) customers, each representing more than 10% of the Groups´ annual turnover. The revenues from 2 (3) customers represent 50% (62) of the Groups´ total annual turnover. The other vessel related segment, Platform Supply Vessels (PSVs), mainly transport supplies to rigs for customers in the offshore industry. In addition, Viking Supply Ships comprises a ship management and a services segment. The ship management segment mainly delivers ship management for the Swedish Maritime Administration's five ice-breakers. This assignment represents 41% (18) of the Groups´ annual turnover. The services segment offers consultancy services for ice management and logistics support in Arctic regions.

The transactions between the business areas were conducted at market prices.

| | *AHTS* | | *PSV* | | *Services* | | *Ship Management* | | *Total* | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | *2017* | *2016* | *2017* | *2016* | *2017* | *2016* | *2017* | *2016* | *2017* | *2016* |
| Sales | 181,383 | 611,155 | - | 3,658 | 15,396 | 7,970 | 134,723 | 137,380 | 331,502 | 760,163 |
| Operating expenses | -351,474 | -411,098 | -11,348 | -36,457 | -17,290 | -12,361 | -135,576 | -138,736 | -515,688 | -598,652 |
| **EBITDA** | **-170,091** | **200,057** | **-11,348** | **-32,799** | **-1,894** | **-4,391** | **-853** | **-1,356** | **-184,186** | **161,511** |
| Depreciation/impairment | -135,108 | -135,698 | -58,915 | -273,472 | -347 | - | - | - | -194,370 | -409,170 |
| **Operating profit/loss** | **-305,199** | **64,359** | **-70,263** | **-306,271** | **-2,241** | **-4,391** | **-853** | **-1,356** | **-378,556** | **-247,659** |
| Financial income | 118,661 | 4,709 | 4 | 51,822 | 1 | 137 | 1 | 3,373 | 118,667 | 60,041 |
| Financial expenses | -52,225 | -186,304 | -17,919 | - | -22 | - | -567 | - | -70,733 | -186,304 |
| **Profit/loss before tax** 1) | **-238,763** | **-117,236** | **-88,178** | **-254,449** | **-2,262** | **-4,254** | **-1,419** | **2,017** | **-330,622** | **-373,923** |
| Income tax | 1,180 | 3,771 | - | - | 323 | - | - | - | 1,503 | 3,771 |
| **Profit/loss for the year** | **-237,583** | **-113,465** | **-88,178** | **-254,449** | **-1,939** | **-4,254** | **-1,419** | **2,017** | **-329,119** | **-370,152** |
| Assets | 2,501,355 | 3,230,624 | 333,168 | 435,928 | 2,225 | - | 33,132 | - | 2,869,880 | 3,666,552 |
| Assets held for sale 2) | - | - | - | - | - | - | - | - | 15,181 | 26,269 |
| **Total assets** | **2,501,355** | **3,230,624** | **333,168** | **435,928** | **2,225** | **-** | **33,132** | **-** | **2,885,061** | **3,692,821** |
| Liabilities | 1,474,716 | 1,816,670 | 404,955 | 421,063 | 1,192 | - | 29,508 | - | 1,910,371 | 2,237,733 |
| Liabilities attributable to assets held for sale 2) | - | - | - | - | - | - | - | - | 3,276 | 15,524 |
| **Total liabilities** | **1,474,716** | **1,816,670** | **404,955** | **421,063** | **1,192** | **-** | **29,508** | **-** | **1,913,647** | **2,253,257** |
| Gross investments 3) | 615 | 10,920 | - | - | 862 | - | - | - | 1,477 | 10,920 |

*1) The result within the AHTS segment was negatively impacted by the weak activity in the offshore market, which caused the continued lay-up of the vessels Odin-, Loke- and Vidar Viking during the year. The result within the AHTS segment was during the year positively impacted by a financial gain related to the bond settlement of MSEK 112. All five PSV vessels have, due to the weak offshore market, been in lay-up throughout the year. The result in the PSV segment was also impacted by impairment losses on the PSV fleet of MSEK 51. The previous year result within the AHTS segment was negatively impacted by financial expenses related to the renegotiated Odin Viking bareboat agreement of -62 MSEK as well as financial expenses related to the financial restructuring of -20 MSEK. The previous year result within the PSV segment was negatively impacted by impairment losses of total -246 MSEK.*

*2) The amounts relates to the previous reported segement TransAtlantic, also see note 32 Discontinued operations and assets held for sale.*

*3) The Gross investments during the year mainly related to dockings. The gross investments in the preceding year mainly consisted of dockings and the increase in financial assets related to cash which was deposited as additional security for ship loans.*

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## SALES BY GEOGRAPHIC AREA

| Net sales TSEK | Group 2017 | Group 2016 |
|---|---|---|
| Denmark | 1,796 | 6,067 |
| Norway | 32,142 | 148,237 |
| Russia | 7,465 | 371,932 |
| UK | 148,842 | 91,180 |
| Sweden | 138,930 | 136,984 |
| Rest of the world | 2,327 | 5,763 |
| **Total** | **331,502** | **760,163** |

## ASSETS BY GEOGRAPHIC AREA

| Assets TSEK | Group 2017 | Group 2016 |
|---|---|---|
| Denmark | 2,454,902 | 3,092,352 |
| Norway | 325,273 | 421,780 |
| Russia | 5,475 | 12,523 |
| Sweden | 62,204 | 118,470 |
| Rest of the world | 22,026 | 21,427 |
| Discontinued operations [1)] | 15,181 | 26,269 |
| **Total** | **2,885,061** | **3,692,821** |

*1) Assets related to the previous reported segment TransAtlantic, see note 32 Discontiued operations and assets held for sale.*

## INVESTMENTS BY GEOGRAPHIC AREA

| Investments TSEK | Group 2017 | Group 2016 |
|---|---|---|
| Denmark | 615 | 10,920 |
| Norway | 862 | - |
| **Total** | **1,477** | **10,920** |

# NOTE 4

## PURCHASES AND SALES AMONG GROUP COMPANIES

**Parent Company**

The Parent Company's net sales include sales to other Group companies in the amount of TSEK 8,875 (127,758). The Parent Company's external operating costs include purchases from other Group companies of TSEK 5,874 (211,601).

# NOTE 5

## OTHER OPERATING COSTS

| TSEK | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| Exchange-rate differences | - | -2,223 | - | - |
| **Total** | **-** | **-2,223** | **-** | **-** |

# NOTE 6

## AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS, ETC.

| Average number of employees | 2017 No. of employees | 2017 Of whom, women, % | 2016 No. of employees | 2016 Of whom, women, % |
|---|---|---|---|---|
| **Parent Company** | | | | |
| Sweden | | | | |
| – land based | - | - | - | - |
| – shipboard | - | - | - | - |
| **Total, Parent Company** | **-** | **-** | **-** | **-** |
| | | | | |
| **Subsidiaries** | | | | |
| Sweden | | | | |
| – land based | 5 | 49% | 5 | 40% |
| – shipboard | 208 | 8% | 236 | 10% |
| Denmark | | | | |
| – land based | 14 | 55% | 21 | 48% |
| – shipboard | 31 | 7% | 122 | 6% |
| Russia | | | | |
| – land based | - | 0% | 10 | 50% |
| – shipboard | - | 0% | 66 | 0% |
| Norway | | | | |
| – land based | 5 | 0% | 4 | 0% |
| UK | | | | |
| – land based | 101 | 5% | - | - |
| **Total in subsidiaries** | **364** | **9%** | **464** | **10%** |
| | | | | |
| **Group total** | **364** | **9%** | **464** | **10%** |

## SALARIES, OTHER REMUNERATION AND SOCIAL-SECURITY COSTS

| TSEK | 2017 Salaries and remuneration | 2017 Social-security costs (of which, pension costs) | 2016 Salaries and remuneration | 2016 Social-security costs (of which, pension costs) |
|---|---|---|---|---|
| Parent Company | - | 96 | 683 | 586 |
| | | (96) | | (393) |
| Subsidiaries in Sweden | 117,965 | 39,998 | 134,813 | 39,793 |
| | | (17,694) | | (20,698) |
| Foreign subsidiaries | 148,497 | 31,527 | 165,444 | 25,688 |
| | | (9,442) | | (22,402) |
| **Group total** | **266,462** | **71,525** | **300,940** | **66,067** |
| | | **(27,136)** | | **(43,493)** |

## SALARIES AND OTHER REMUNERATION BY COUNTRY

| TSEK | 2017 Board and President [1] | 2017 Other employees | 2016 Board and President | 2016 Other employees |
|---|---|---|---|---|
| **Parent Company** | | | | |
| Sweden | - | - | 683 | - |
| **Total, Parent Company** | **-** | **-** | **683** | **-** |
| Subsidiaries in Sweden | - | 117,965 | - | 134,813 |
| Subsidiaries outside Sweden | | | | |
| Norway | - | 83,956 | - | 20,566 |
| Denmark | 3,601 | 57,046 | 4,403 | 103,601 |
| Russia | - | 3,894 | - | 34,773 |
| Canada | - | - | - | 2,101 |
| **Total, foreign subsidiaries** | **3,601** | **144,896** | **4,403** | **161,041** |
| **Group total** | **3,601** | **262,861** | **5,086** | **295,854** |

*1) The amount for the Parent Company relates to Directors' fees.*

*The Parent Company received a government shipping subsidy of SEK 0 (0) and the total shipping subsidy received by the Group amounted to TSEK 19,526 (28,683). The figures in the Note above pertain to amounts before reductions for the government shipping subsidy received.*

## SALARIES AND OTHER REMUNERATION PAID TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

| Remuneration paid to the Board of Directors [1] TSEK | Board fee 2017 | Board fee 2016 |
|---|---|---|
| Christen Sveaas, Chairman [2] | - | 100 |
| Bengt A. Rem, Chairman [2] | 300 | 267 |
| Folke Patriksson, Deputy Chairman | 200 | 200 |
| Håkan Larsson | 200 | 200 |
| Magnus Sonnorp | 200 | 200 |
| Erik Borgen [3] | 200 | 133 |
| Christer Lindgren, employee representative | - | - |
| **Total** | **1,100** | **1,100** |

*1) The Directors' fees was for the period until June 30, 2016, paid from the parent company Viking Supply Ships AB, whereafter the fees have been paid by the subsidiary Viking Supply Ships A/S. For 2017 the total fees to the Board of Directors amounted to TSEK 1,100 (1,000).*
*2) Christen Sveaas resigned as Director of the board at the Annual General Meeting 2016. At the same time Bengt A. Rem was appointed Chairman of the Board.*
*3) Erik Borgen was appointed to the Board of Directors at the Annual General Meeting 2016.*

*A lifelong defined-benefit pension is paid to the Deputy Chairman, based on the ITP plan. To cover the company's pension commitment, which amounted to TSEK 6,986 at December 31, 2017, pension insurance plans have been signed with a market value of TSEK 6,665 as at December 31, 2017. During 2017, the company had no expenses for this commitment. There are no other pension commitments for the Parent Company's Board members.*

## REMUNERATION PAID TO SENIOR EXECUTIVES

| TSEK | Salary 2017 | Salary 2016 | Variable remuneration 2017 | Variable remuneration 2016 | Other benefits 2017 | Other benefits 2016 | Pension premium 2017 | Pension premium 2016 | Consulting fees 2017 | Consulting fees 2016 | Total 2017 | Total 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| VD Christian W. Berg [1] | - | 3,986 | - | - | - | 316 | - | 576 | - | - | - | 4,878 |
| VD Bengt A. Rem [2] [3] | - | - | - | - | - | - | - | - | - | 1,224 | - | 1,224 |
| VD Trond Myklebust | 2,235 | - | - | - | 266 | - | 291 | - | - | - | 2,792 | - |
| Other senior executives, one individual | 2,057 | 2,148 | - | - | - | 4 | 270 | 311 | - | - | 2,327 | 2,463 |
| **Total** | **4,292** | **6,134** | **-** | **-** | **266** | **320** | **561** | **887** | **-** | **1,224** | **5,118** | **8,565** |

*1) Christian W. Berg resigned as CEO September 15, 2016 and was succeeded by Bengt A. Rem.*
*2) Bengt A. Rem took over as interim CEO September 15, 2016. Renumeration for Bengt A. Rem was paid for time spent in accordance with a consultancy agreement signed with Kistefos AS.*
*3) Bengt A. Rem resigned as CEO January 23, 2017 and was succeeded by Trond Myklebust.*

*Termination notice on the part of the company for other senior executives (except the CEO) is six to 12 months. For this group, defined-contribution pension payments of up to 25% of the fixed salary should be payable. Other benefits, such as company car, compensation for preventive healthcare and sickness insurance, shall comprise a small portion of the total compensation, corresponding to market levels. In 2017, the group included no women (previous year none).*

*To the Board of Directors in TransAtlantic AB no Directors fees was paid during the year (2016: 100 TSEK).*

*The separate Corporate Governance section in the Annual Report addresses matters regarding decisions on remuneration.*

# NOTE 7
## AUDIT ASSIGNMENTS

Expensed fees and reimbursements during the year amounted to:

| TSEK | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| **Fees pertaining to audit assignments** | | | | |
| -Rödl & Partner | 807 | 740 | 807 | 690 |
| -RSM | 1,350 | 1,084 | - | - |
| - EY | 30 | 413 | - | - |
| **Fees pertaining to auditing operations in addition to the audit assignment** | | | | |
| -Rödl & Partner | 407 | 27 | 407 | 27 |
| -RSM | 584 | - | - | - |
| - EY | - | 3,203 | - | 1,333 |
| **Fees pertaining to tax advice** | | | | |
| - EY | - | 60 | - | 60 |
| - PwC | 1,528 | 1,353 | - | 583 |
| **Other services** | | | | |
| -Rödl & Partner | - | 57 | - | 57 |
| - EY | 32 | 468 | - | 468 |
| **Totalt** | **4,738** | **7,405** | **1,214** | **3,218** |

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# NOTE 8
## OTHER NET PROFIT/LOSS

| TSEK | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| Interest rate derivatives: | | | | |
| – Fair value gains/losses | -833 | 1,318 | - | - |
| **Total** | **-833** | **1,318** | **-** | **-** |

Please also see Note 30 Financial risk management and derivative instruments, section “Fair value of derivative instruments”.

# NOTE 9
## PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE FIXED ASSETS

| Vessels, TSEK [1] | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| **Cost** | | | | |
| Cost, Jan. 1 | 5,331,554 | 5,434,210 | - | - |
| Acquisitions for the year (incl. improvement costs) | 615 | 10,333 | - | - |
| Reclassification [2] | -858 | -586,396 | - | - |
| Sales/scrapping | - | -719 | - | - |
| Translation difference for the year | -536,478 | 474,126 | - | - |
| **Accumulated cost, Dec. 31** | **4,794,833** | **5,331,554** | **-** | **-** |
| | | | | |
| **Accumulated depreciation according to plan** | | | | |
| Depreciation, Jan. 1 | -1,442,247 | -1,417,984 | - | - |
| Reclassification [2] | - | 262,830 | - | - |
| Translation difference for the year | 152,116 | -125,621 | - | - |
| Depreciation according to plan for the year [3] | -142,574 | -161,472 | - | - |
| **Accumulated depreciation according to plan, Dec. 31** | **-1,432,705** | **-1,442,247** | **-** | **-** |
| | | | | |
| **Impairment** | | | | |
| Impairment, Jan. 1 | -660,424 | -545,958 | - | - |
| Reclassification [2] | - | 181,259 | - | - |
| Translation difference for the year | 64,150 | -49,195 | - | - |
| Impairment/reversal of previously recognized impairment [1] | -50,807 | -246,530 | - | - |
| **Accumulated impairment, Dec. 31** | **-647,081** | **-660,424** | **-** | **-** |
| | | | | |
| **Residual value according to plan, Dec. 31** | **2,715,047** | **3,228,883** | **-** | **-** |

*The remaining useful life of the vessels are 15 years (16).*

*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.*

*1) 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 Group 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 the Group has deemed it appropriate to consider each group of vessels as a separate cash generating unit. As a result, the Group 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.*

*Further, in order to support the value in use calculations, valuations for the 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 2018-19 due to all PSV vessels in warm lay-up in 2018/H12019 and poor market conditions expected in H2 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 value in use has been estimated by the company to be in line with the market value.*

*An increase of the applied discount factor of 1 percentage point would result in a decrease in the net present value of the PSV fleet of MSEK 35 (increase in the impairment charge). A decrease of 10% on the daily income rates applied would result in a decrease in the net present value of the PSV fleet of MSEK 61 (increase in the impairment charge).*

*The impairment test also consists of an assessment of average external vessel valuations, less cost to sell, from internationally acknowledged ship brokers showing a total PSV fleet value of MSEK 307 (ranging from MSEK 299 to MSEK 316). The valuations obtained from these ship brokers are subject to more uncertainty than normal due to lack of sales and purchase transactions for comparable vessels. Considering this uncertainty further vessel valuations have been obtained to support the market value assessment.*

*The book value has been written down by SEK 51 million in 2017 to adjust the book value to the recoverable amount, which approximately corresponded to 12% of the carrying amount of the PSV fleet at 1 January 2017.*

*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 2017 the management has 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.*

*2) Reclassification of assets related to TransAtlantic, see note 33 Discontinued operations and assets held for sale.*
*3) The useful life and residual value are determined in conjunction with annual impairment testing.*

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| Equipment, TSEK | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| **Cost** | | | | |
| Cost, Jan.1 | 2,578 | 47,297 | - | - |
| Reclassification [1)] | 858 | -46,785 | - | - |
| Acquisitions for the year (incl. improvement costs) | 862 | 587 | - | - |
| Sales/scrapping | -290 | - | - | - |
| Translation difference for the year | -270 | 1,479 | - | - |
| **Accumulated cost, Dec 31** | **3,738** | **2,578** | **-** | **-** |
| | | | | |
| **Accumulated depreciation according to plan** | | | | |
| Depreciation, Jan. 1 | -2,328 | -45,189 | - | - |
| Reclassification [1)] | - | 44,722 | - | - |
| Sales/scrapping | 61 | - | - | - |
| Translation difference for the year | 221 | -693 | - | - |
| Depreciation according to plan for the year | -989 | -1,168 | - | - |
| **Accumulated depreciation according to plan, Dec 31** | **-3,035** | **-2,328** | **-** | **-** |
| | | | | |
| **Residual value according to plan** | **703** | **250** | **-** | **-** |

*1) Reclassification of assets related to TransAtlantic, see note 32 Discontinued operations and assets held for sale.*

| Goodwill, TSEK | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| **Cost** | | | | |
| Cost, Jan.1 | - | 59,422 | - | 8,278 |
| Reclassification [1)] | - | -59,422 | - | - |
| Scrapping | - | - | - | -8,278 |
| **Accumulated cost, Dec. 31** | **-** | **-** | **-** | **-** |
| | | | | |
| **Accumulated impairments** | | | | |
| Impairments, Jan. 1 | - | -59,422 | - | -8,278 |
| Reclassification [1)] | - | 59,422 | - | - |
| Scrapping | - | - | - | 8,278 |
| **Accumulated impairments, Dec. 31** | **-** | **-** | **-** | **-** |
| | | | | |
| **Residual value according to plan, Dec. 31** | **-** | **-** | **-** | **-** |

*1) Reclassifcation of assets related to TransAtlantic, see note 32 Discontinued operations and assets held for sale.*

| Brands, TSEK | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| **Cost** | | | | |
| Cost, Jan. 1 | - | 1,203 | - | - |
| Reclassification [1)] | - | -1,203 | - | - |
| **Residual value according to plan, Dec. 31** | **-** | **-** | **-** | **-** |

*1) Reclassifcation of assets related to TransAtlantic, see note 32 Discontinued operations and assets held for sale.*

# NOTE 10

## PROFIT/LOSS FROM SHARES IN GROUP COMPANIES

| TSEK | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| Dividends | - | - | - | 73,714 |
| Impairments of shares in Group companies [1)] | - | - | -984,261 | -412 167 |
| **Total** | **-** | **-** | **-984 261** | **-338 453** |

*1) The impairments mainly relates to negative results of MSEK 583 and declining vessel values of MSEK 401 in the subsidiary Viking Supply Ships A/S.*

# NOTE 11
## FINANCIAL INCOME

| | Group | | Parent Company | |
|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2017* | *2016* |
| Interest income | 183 | 1,125 | - | 301 |
| Interest income from Group companies | - | - | 436 | 3,554 |
| Financial gain from bond settlement [1)] | 112,478 | - | - | - |
| Exchange-rate differences | 6,006 | 58,916 | 1,786 | 4,954 |
| **Total** | **118,667** | **60,041** | **2,222** | **8,809** |

*1) In January 2017, at the time when the 2016/2017 financial restructuring was finalized, the bond settlement by way of cash redemption and set-off equity issue was completed. The bond settlement generated a gain of TSEK 112,478.*

# NOTE 12
## FINANCIAL EXPENSES

| | Group | | Parent Company | |
|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2017* | *2016* |
| Interest expenses | 70,733 | 84,872 | 1 | - |
| Interest expenses paid to Group companies | - | - | 999 | 4,416 |
| Exchange-rate differences | - | - | 2,218 | - |
| Chang in fair value on debt certificates | - | 4,583 | - | - |
| Loss financial receivable [1)] | - | 40,683 | - | - |
| Compensation guarantee agreement [2)] | - | 11,192 | - | 7,867 |
| Restructuring expenses [3)] | - | 8,561 | - | - |
| Compensation renegotiated leasing agreement Odin Viking [4)] | - | 20,547 | - | - |
| Other financial expenses | - | 15,865 | 271 | - |
| **Total** | **70,733** | **186,304** | **3,489** | **12,283** |

*1) When the former owner of the AHTS vessel Odin Viking, Norseman Offshore AS, in October 2016 went into bankruptcy, a loss of TSEK 40,683 was recognized on the financial receivable, the sellers credit, which in 2012 was given by the company to Norseman Offshore AS in conjunction with the sale and lease-back transaction of Odin Viking.*
*2) As a part of the restructuring process of the Group, a subsidiary to the majority shareholder Kistefos AS, Viking Invest AS, has entered into agreements with some of the Groups' financial counterparts. As a consequense, the Group has entered into agreement on market terms with Viking Invest AS. The compensation in these agreements has been agreed to an annualized fee of 12 % covering the associated risk and exposure. The compensation for the year amounted to TSEK 11,192 and has been set off as part of the share issues.*
*3) Kistefos AS has, through consultancy agreements in 2016, made financial services available during the restructuring process for which a compensation of TSEK 8,561 has been set off as part of the new share issues.*
*4) Odin Viking SPV AS has been compensated by the Group for renegotiated terms in the bareboat charter agreement. The compensation amounts to TSEK 20,547 and was during 2016 set off as part of the share issues.*

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# NOTE 13

## TAXES

| TSEK | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| **Tax in income statement** | | | | |
| – Current tax | 256 | - | - | - |
| – Deferred tax | 1,247 | 3,771 | - | - |
| **Total** | **1,503** | **3,771** | **-** | **-** |

| **Difference between recognized tax expense and tax expense based on the current tax rate** | Group 2017 TSEK | Group 2017 % | Group 2016 TSEK | Group 2016 % | Parent Company 2017 TSEK | Parent Company 2017 % | Parent Company 2016 TSEK | Parent Company 2016 % |
|---|---|---|---|---|---|---|---|---|
| Recognized profit/loss before tax | -331,455 | | -373,922 | | -985,769 | | -343,811 | |
| Tax at current Swedish tax rate, 22% (22) | 72,920 | 22% | 82,263 | 22% | 216,869 | 22% | 75,638 | 22% |
| – Difference in tax rate in countries in which operations are conducted | -387 | 0% | -1,813 | -1% | | - | - | - |
| – Tonnage-tax based operations [1] | -74,856 | -23% | -79,088 | -21% | | - | - | - |
| – Effect of non-taxable revenue | 1,463 | 0% | 2,842 | 1% | 1,463 | 0% | 19,059 | 5% |
| – Effect of non-deductible expenses | -107 | 0% | -52 | 0% | -216,535 | -22% | -90,729 | -26% |
| – Deficit for tax receivable not recognozed | -1,678 | -1% | -2,987 | -1% | -1,798 | 0% | -3,968 | -1% |
| – Adjustment of preceding year´s tax | 254 | 0% | 17 | 0% | - | - | - | - |
| – Other | 3,894 | 1% | 2,589 | 1% | - | - | - | - |
| **Tax expense** | **1,503** | **0%** | **3,771** | **1%** | **-** | **0%** | **-** | **0%** |

*1) There is no ordinary income tax from tonnage tax regimes. Tax from tonnage tax regimes is calculated based on the current tonnage and is accounted for in the operating expenses.*

| TSEK | Group 2017 Before tax | Group 2017 Tax | Group 2017 After tax | Group 2016 Before tax | Group 2016 Tax | Group 2016 After tax |
|---|---|---|---|---|---|---|
| **Tax attributable to other comprehensive income** | | | | | | |
| Remeasurements of post employment benefit obligations | -25 | 6 | -20 | 806 | -177 | 629 |
| Change in translation provision | -140,273 | - | -140,273 | 119,550 | - | 119,550 |
| | **-140,298** | **6** | **-140,293** | **120,356** | **-177** | **120.179** |

*1) Temporary differences – due to the tax-related recognition of depreciation/amortization and impairment.*
*2) The deferred tax asset/tax liability is recognized net in each country of operation since offsetting rights are deemed to exist. The loss carryforwards in the Group for Swedish units amount to MSEK 1,057 (1,048) net after deduction for untaxed reserves, of which MSEK 0 (0) was capitalized. Loss carryforwards in the Parent Company amounted to MSEK 784 (775), of which MSEK 0 (0) was capitalized to meet estimated future results. Under Swedish tax law, there is no time limit on the use of loss carryforwards.*

*Temporary differences regarding investments in subsidiaries have not been recognized, since capital gains/losses are not taxable in accordance with the applicable tax legislation.*

*Deferred tax assets are recognized only insofar as it is probable that the amounts could be utilized against future taxable surpluses.*

# NOTE 14

## EARNINGS PER SHARE

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| Weighted average number of shares excluding treasury shares | 408,533,778 | 181,296,560 |
| Earnings attributable to the Parent Company's shareholders, SEK | -332,246,000 | -406,482,112 |
| Earnings per share attributable to the Parent Company's shareholders, SEK | -0.81 | -2.24 |

*In the Group, there are no share-option programs that could result in dilution effects.*

# NOTE 15

## PARTICIPATIONS IN GROUP COMPANIES, ASSOCIATED COMPANIES

| | | | Holding | | Holding value | |
|---|---|---|---|---|---|---|
| | Corp. Reg. No. | Registered office | No. of shares/ participa-tions | % of share capital | Carrying amount Dec. 31, 2017, TSEK | Carrying amount Dec. 31, 2016, TSEK |
| **Subsidiaries owned by Parent Company [1]** | | | | | | |
| TransAtlantic AB | 556208-0373 | Göteborg | 1,000,000 | 100 | 41,500 | 45,000 |
| Viking Supply Ships A/S | 33369794 | Köpenhamn | 5,006 | 100 | 994,000 | 1,845,000 |
| **Total** | | | | | **1,035,500** | **1,890,000** |
| | | | | | | |
| **Other Group companies** | | | | | | |
| Transatlantic Administration AB [2] | 556662-6866 | Gothenburg | 1,000 | 100 | | |
| TRVI Offshore & Icebreaking AB [2] | 556710-9003 | Gothenburg | 500 | 100 | | |
| TRVI Offshore & Icebreaking 3 AB [2] | 556733-1102 | Skärhamn | 1,000 | 100 | | |
| TRVI Offshore & Icebreaking 4 AB [2] | 556733-1094 | Skärhamn | 1,000 | 100 | | |
| Viking Supply Ships Management AB | 556858-2463 | Göteborg | 1,000 | 100 | | |
| Viking Icebreaker Management AB | 556679-1454 | Göteborg | 1,000 | 100 | | |
| Short Sea Bulk AS [2] | 913 350 790 | Oslo | 30,000 | 100 | | |
| VSS Holdings AS [3] | 818 906 692 | Kristiansand | 300 | 100 | | |
| Viking Ice Consultancy AS | 913 740 998 | Kristiansand | 300 | 100 | | |
| Viking Supply Ships AS | 981240030 | Kristiansand | 50 | 100 | | |
| Viking Supply Ships PSV AS | 814 837 572 | Kristiansand | 300 | 100 | | |
| VSS Seafarers AS [3] | 818 283 792 | Kristiansand | 300 | 100 | | |
| VSS MB AS [3] | 818 906 862 | Kristiansand | 300 | 100 | | |
| VSS LN AS [3] | 919 122 870 | Kristiansand | 300 | 100 | | |
| VSS TBV AS [3] | 918 906 851 | Kristiansand | 300 | 100 | | |
| VSS Odin AS [3] | 919 122 927 | Kristiansand | 300 | 100 | | |
| Viking Supply Ships Crewing ApS | 33775199 | Köpenhamn | 800 | 100 | | |
| Viking Supply Ships 5 ApS | 34471800 | Köpenhamn | 800 | 100 | | |
| Viking Supply Ships Limited | 1107746094060 | Moscow | | 100 | | |
| Viking Supply Ships Limited | SC303430 | Aberdeen, UK | 7,900,001 | 100 | | |
| Viking Supply Ships (Holdings) LTD | SC180512 | Aberdeen, UK | 76,924 | 100 | | |
| Transatlantic Shipping (2) LTD [2] | 103202 | Gibraltar | | 100 | | |
| Transatlantic Shipping (3) LTD [2] | 109138 | Gibraltar | | 100 | | |
| Transatlantic Shipping (4) LTD [2] | 109139 | Gibraltar | | 100 | | |
| Transatlantic Shipping (5) LTD [2] | 109140 | Gibraltar | | 100 | | |
| Transhawk LTD [2] | 100833 | Gibraltar | | 100 | | |
| | | | | | | |
| **Consolidated value of associated companies** | | | | | | |
| Industrial Shipping DIS [3] | | Oslo | | 38 | - | - |
| **Total** | | | | | **-** | **-** |

*1) The Parent Company in the Group is Viking Supply Ships AB, corp. reg. no. 556161-0113, with its registered office in Gothenburg, Sweden.*

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*2) The companies are subsidiaries to TransAtlantic AB, also see note 32 Discontinued operations and assets held for sale.*
*3) The company was incorporated during 2017.*
*4) The company which holds 3 small bulk vessels chartered by the Group, are subsidiaries to TransAtlantic AB, also see note 32 Discontinued operations and assets held for sale.*

# NOTE 16
## OTHER LONG-TERM RECEIVABLES

| | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2017* | *2016* |
| Opening balance | 16,096 | 164,745 | 15,186 | 17,317 |
| Acquisitions during the year | 1,881 | - | - | - |
| Divestments during the year [1)] | -2,389 | -148,649 | -2,389 | -2,131 |
| **Closing balance** | **15,588** | **16,096** | **12,797** | **15,186** |

| **Largest individual items consist of:** | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2017* | *2016* |
| Endowment insurances [2)] | 12,797 | 15,186 | 12,797 | 15,186 |
| Other | 2,791 | 910 | - | - |
| **Total** | **15,588** | **16,096** | **12,797** | **15,186** |

Please also see Note 30 Financial risk management and derivative instruments.

*1) The divestment in 2016 mainly relates to the release of pledged bank funds which have been used for extra amortizations of ship loans in conjunction with the financial restructuring, and the confirmed loss of the financial receivable when Odin Vikings´ owner, Norseman Offshore AS, went into bankruptcy.*
*2) Relates to and correspond with pension obligations, reported at fair value.*

# NOTE 17
## INVENTORIES

Inventories comprise bunker oil, lubricating oil and cargo handling equipment.

# NOTE 18
## ACCOUNTS RECEIVABLE

The carrying amount for accounts receivable is classified as follows:

| | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2017* | *2016* |
| Invoiced receivables | 32,861 | 16,250 | 424 | 583 |
| Provision for doubtful receivables | -419 | -445 | -419 | -445 |
| **Total** | **32,442** | **15,805** | **5** | **138** |

The carrying amount for accounts receivable correspond to the fair value since the discount effect is negligible.

The provision for doubtful receivables changed as follows:

| | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2017* | *2016* |
| Opening balance | 445 | 2,610 | 445 | 453 |
| Reclassified to assets held for sale, see note 33. | - | -2,157 | - | - |
| Reversed provisions | -26 | -8 | -26 | -8 |
| **Closing balance** | **419** | **445** | **419** | **445** |

There were no confirmed loss during 2017 and 2016 on the accounts receivable. The remaining accounts are deemed to be subject to only minor credit risk. The maximum exposure for credit risks on the closing date is the carrying amount of each category of receivables mentioned above.

Age analysis regarding unimpaired accounts receivable:

| | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2017* | *2016* |
| Not due | 29,971 | 12,554 | - | 138 |
| Due date exceeded by up to 30 days | 1,947 | 1,968 | - | - |
| Due date exceeded by 31–60 days | - | 1,182 | - | - |
| Due date exceededby 61 days or more | 524 | 101 | 419 | - |
| **Total** | **32,442** | **15,805** | **419** | **138** |

# NOTE 19

## PREPAID EXPENSES AND ACCRUED INCOME

| | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2017* | *2016* |
| Prepaid personnel expenses | - | 38 | - | - |
| Prepaid insurance | 5,292 | 6,474 | - | 130 |
| Accrued voyage income | 1,381 | 2,171 | - | - |
| Other prepaid expenses and accrued income | 2,491 | 10,022 | - | - |
| **Total** | **9,164** | **18,705** | **-** | **130** |

# NOTE 20

## CASH-FLOW STATEMENT

The acquisition/divestment of shares in subsidiaries is recognized in the consolidated financial statements as paid/received purchase consideration less the acquired/divested subsidiary's cash and cash equivalents on the date of acquisition/divestment.

| | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2017* | *2016* |
| **Cash and cash equivalents** | | | | |
| Opening cash and bank balances | 273,150 | 194,560 | 18,271 | 33,959 |
| Changes in cash and bank balances for the year | -239,500 | 78,590 | -18,180 | -15,688 |
| **Cash and cash equivalents at year-end [1)]** | **33,650** | **273,150** | **91** | **18,271** |

*1) The Group's cash and cash equivalents includes prepayments from external clients totaling MSEK 24 to be utilized in external ship management operations. In loan agreements, VSS A/S has committed, at any time, to ensure that cash and cash equivalents do not fall below MUSD 2, which at the balance day corresponded to MSEK 16,5. At the balance day, the cash holdings of VSS A/S amounted to MUSD 4,0, which at the balance day corresponded to MSEK 32,5.*

# NOTE 21
## SHARE CAPITAL

| SEK | Share capital | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | Series A shares | Series B shares | Total | Series A shares | Series B shares | Total |
| Share capital, Jan. 1 | 20,684,348 | 322,860,970 | 343,545,318 | 11,634,946 | 165,809,372 | 177,444,318 |
| New share issue [1] | - | 66,047,642 | 66,047,642 | 9,049,402 | 157,051,598 | 166,101,000 |
| **Share capital, Dec. 31** | **20,684,348** | **388,908,612** | **409,592,960** | **20,684,348** | **322,860,970** | **343,545,318** |
| | Number of shares | | | | | |
| | 2017 | | | 2016 | | |
| | Series A shares | Series B shares | Total | Series A shares | Series B shares | Total |
| Number of shares, Jan. 1 | 20,684,348 | 322,860,970 | 343,545,318 | 11,634,946 | 165,809,372 | 177,444,318 |
| New share issue [1] | - | 66,047,642 | 66,047,642 | 9,049,402 | 157,051,598 | 166,101,000 |
| **Number of shares, Dec. 31** | **20,684,348** | **388,908,612** | **409,592,960** | **20,684,348** | **322,860,970** | **343,545,318** |
| | Number of votes | | | | | |
| | 2017 | | | 2016 | | |
| | Series A shares | Series B shares | Total | Series A shares | Series B shares | Total |
| Number of votes | 206,843,480 | 388,908,612 | 595,752,092 | 206,843,480 | 322,860,970 | 529,704,450 |
| **Total number of votes** | **206,843,480** | **388,908,612** | **595,752,092** | **206,843,480** | **322,860,970** | **529,704,450** |

The quotient value is SEK 1 per share. The Group has no option programs.

*1) In December 2016 the following new share issues were completed:*

- *A new share issue with preferential rights for existing shareholders whereby the number of shares was increased by 9,049,402 series A shares and by 128,962,844 series B shares, total 138,012,246 new shares. The issue price was SEK 1.50 per share.*
- *A share issue with payment against set-off to Viking Invest AS wherby the number of shares was increased by 11,455,864 series B shares. The issue price was SEK 1.50 per share.*
- *A share issue with payment against set-off to Viking Invest AS wherby the number of shares was increased by 1,838,490 series B shares. The issue price was SEK 1.50 per share.*
- *A share issue with payment against set-off to the owners of Odin Viking, Odin Viking SPV AS, wherby the number of shares was increased by 14,794,400 series B shares. The issue price was SEK 1.50 per share.*

*1) In January 2017 the following new share issues were completed:*

- *A share issue, at balance-day subscribed for, with cash payment to the owners of Odin Viking, Odin Viking SPV AS, whereby the number of shares after the end of the year was increased by 28,355,933 series B shares. The issue price was SEK 1.50 per share.*
- *A share issue, at balance-day agreed on, with payment against set-off to the owners of Odin Viking, Odin Viking SPV AS, whereby the number of shares after the end of the year was increased by 37,691,709 series B shares. The issue price was SEK 1.50 per share. Also see note 31 Events after the closing date.*

# NOTE 22
## DIVIDEND PER SHARE

No dividends were paid during 2017 or 2016. At the Annual General Meeting on May 30, 2018, it will be proposed that no dividend be paid for the 2017 fiscal year.

# NOTE 23

## PENSION PROVISIONS

Post-employment employee benefits mainly take the form of ongoing payments to independent authorities or insurance companies, which subsequently assume responsibility for the commitments to employees. These types of arrangements are called defined-contribution plans.

The commitment for old-age pensions and survivor pensions for employees in Sweden is covered through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, URF 10, this is a defined-benefit multi-employer plan. For the 2017 fiscal year, the Group did not have access to such information making it possible to report this plan as a defined-benefit plan. The pension plan in accordance with ITP2, which is safeguarded through insurance with Alecta, is therefore reported as a defined-contribution plan. Alecta's surplus can be distributed to the insurers and/or the insured. At the end of 2017, Alecta's surplus in the form of the collective consolidation level was 154 % (149). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance commitment calculated in accordance with Alecta's actuarial calculation assumption, which does not correspond with IAS 19. The pension plan ITP1 is reported as a defined-contribution plan.

Defined benefit plans are characterized by the fact that the Group retains its commitment until the pension has been paid. The costs and provisions for defined-benefit plans are assessed through actuarial calculations with the purpose of determining the present value of the commitment. Defined benefit plans exist only in Sweden.

Commitments are secured through pension insurances with investments primarily in interest funds and equity funds.

As the Group does not enter into any new defined-benefit plans no material change is expected in the net expenses for the deferred-benefit plans the coming year in comparsation to 2017.

The tables below provide data on the Group´s defined benefit plans, the assumptions used in the calculations, the expenses recognized and the values of the commitments and plan assets.

| | *Group* | | | | |
|---|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2015* | *2014* | *2013* |
| **Yearly overview** | | | | | |
| At closing date | | | | | |
| Present value of defined-benefit obligations | 8,027 | 11,205 | 11 550 | 13,417 | 13,341 |
| Fair value of plan assets | -11,144 | -16,107 | -16,494 | -16,643 | -17,662 |
| Payroll tax liability | 5,267 | 5,876 | 6,823 | 7,063 | 7,447 |
| **Net liability** | **2,150** | **974** | **1,879** | **3,837** | **3,126** |

| | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| **TSEK** | *2017* | *2016* | *2017* | *2016* |
| **Assumptions applied in actuarial calculations** | | | | |
| Sweden | | | | |
| Average discount interest rate, % | 2.50% | 2.80% | 2.50% | 2.80% |
| Projected return on plan assets, % | 2.50% | 2.80% | 2.50% | 2.80% |
| Estimated long-term salary increase, % | 3.00% | 3.00% | 3.00% | 3.00% |
| Estimated long-term inflation, % | 2.00% | 2.00% | 2.00% | 2.00% |
| Assumptions regarding mortality are the same as those specified by the Swedish Financial Supervisory Authority (FFFS 2007:31). | | | | |
| **Pension expenses for the year** | | | | |
| Cost of benefits vested during the year | 229 | 375 | - | - |
| Interest expense | 274 | 361 | 191 | 228 |
| Projected return on plan assets (–) | -397 | -523 | -181 | -228 |
| Net reduction / settlement | 796 | - | - | - |
| **Expenses for the year pertaining to defined-benefit pension plans** | **902** | **213** | **10** | **-** |
| Expenses for the year pertaining to defined-contribution pension plans | 26,601 | 41,018 | - | - |
| Payroll tax expense for the year | 3,942 | 4,303 | 277 | 155 |
| **Pension expense for the year included in personnel costs** | **31,445** | **45,534** | **287** | **155** |
| Actual return on plan assets, % | 5.3% | 12.0% | 6.7% | 10.5% |

1) All items are recognized as personnel costs. Of the costs for defined-contributions plans, TSEK 7,795 (8,065) comprises premiums to Alecta. The premiums for the coming fiscal year is expected to equal 2017.

| Changes in fair value of plan assets | Group | | Parent Company | |
|---|---|---|---|---|
| TSEK | 2017 | 2016 | 2017 | 2016 |
| Plan assets, Jan. 1 | 16,107 | 16,494 | 6,779 | 7,614 |
| Expected return | 397 | 523 | 181 | 228 |
| Withdrawal | -1,801 | -2,607 | -555 | -1,579 |
| Premiums/deposits | 170 | 288 | - | - |
| Reduction/adjustment | -4,045 | - | - | - |
| Actuarial gains/(losses) | 316 | 1,409 | 260 | 516 |
| **Plan assets, Dec. 31** | **11,144** | **16,107** | **6,665** | **6,779** |

These assets consist primarily of funds investing in shares, bonds and money-market instruments.

| | Group | | Parent Company | |
|---|---|---|---|---|
| TSEK | 2017 | 2016 | 2017 | 2016 |
| **Changes in defined-benefit pension obligation** | | | | |
| Obligation, Jan. 1 | 11,205 | 11,550 | 7,136 | 7,613 |
| Cost of benefits earned during the year | 229 | 375 | - | - |
| Interest expense | 274 | 361 | 191 | 228 |
| Pension payments | -773 | -1,564 | -554 | -1,341 |
| Reduction/adjustment | -3,249 | - | - | - |
| Actuarial (gains)/losses | 341 | 483 | 213 | 636 |
| **Obligation, Dec. 31** | **8,027** | **11,205** | **6,986** | **7,136** |
| **Actuarial gains and losses** | | | | |
| Actuarial gains/(losses) on assets | 316 | 1,409 | 260 | 516 |
| Actuarial gains/(losses) on liabilities | -341 | -483 | -213 | -636 |
| **Actuarial gains/(losses)** | **-25** | **926** | **47** | **-120** |
| **Change in payroll tax liability** | | | | |
| Liability in balance sheet, Jan. 1 | 5,876 | 6,823 | 5,876 | 6,609 |
| Change in payroll-tax liability for the year | -609 | -947 | -609 | -733 |
| **Payroll tax liability, Dec. 31** | **5,267** | **5,876** | **5,267** | **5,876** |
| **Liability in balance sheet** | | | | |
| Pension obligation | 8,027 | 11,205 | 6,986 | 7,136 |
| Payroll tax liability | 5,267 | 5,876 | 5,267 | 5,876 |
| **Liability in balance sheet, Dec. 31** | **13,294** | **17,081** | **12,253** | **13,012** |
| **Net liability in balance sheet** | | | | |
| Plan assets (–) | -11,144 | -16,107 | -6,665 | -6,779 |
| Pension obligation | 8,027 | 11,205 | 6,986 | 7,136 |
| Payroll tax liability | 5,267 | 5,876 | 5,267 | 5,876 |
| **Net liability, Dec. 31** | **2,150** | **974** | **5,588** | **6,233** |
| **Reconciliation of changes in net liability** | | | | |
| Liability in balance sheet, Jan. 1 | 974 | 1,879 | 6,233 | 6,608 |
| Pension expenses for the year (+) | 902 | 213 | 10 | - |
| Payment to plan assets (–) | -170 | -288 | - | - |
| Withdrawal from plan assets (+) | 1,801 | 2,607 | 555 | 1,579 |
| Pension payments (–) | -773 | -1,564 | -554 | -1,341 |
| Actuarial (gains)/losses | 25 | -926 | -47 | 120 |
| Change in payroll-tax liability for the year | -609 | -947 | -609 | -733 |
| **Net liability, Dec. 31** | **2,150** | **974** | **5,588** | **6,233** |

| **Analysis of the sensitivity in the defined-benefit commitments to changes in the assumptions applied in the actuarial calculations TSEK** | *The expected pension obligation* | *Change compared to the applied actuarial assumptions* |
|---|---|---|
| Pension commitment according to current assessment (+) debt | 8,027 | - |
| Discount interest rate +1 % | 7,345 | -682 |
| Inflation +1 % | 8,654 | 627 |
| Salary increase +1 % | 8,027 | - |

The above sensitivity analysis is based on a change in one assumption while all other assumptions are held constant.

# NOTE 24
## LIABILITIES

### GROUP

The Group's total interest-bearing liabilities amounted to MSEK 1,748 (1,927) at the closing-date rate. In addition, there were non-interest-bearing liabilities totaling MSEK 166 (326).

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, VSS A/S at the end of Q2 2017 registered a breach on its twelve month rolling EBITDA ratio which is to be positive.

At the end of Q3 2017, VSS A/S was not able to comply with events of default provisions in loan agreements, which rendered all borrowings short-term and payable on demand by the lenders (see note 1, liquidity and going concern).

VSS A/S was during the majority of the second half of 2017 in an ongoing dialogue with its lenders, during which VSS A/S did pay installments and interest to its lenders.

In December 2017, VSS A/S received confirmation that it had obtained support for a restructuring proposal from all senior lenders. A final restructuring agreement was subject to final approval from the senior lenders' credit committees. VSS A/S has during January 2018 obtained credit committee approval from all senior lenders, signed a restructuring term sheet and signed amended loan agreements. The signed restructuring term sheet, together with the completed equity issue in VSS AB and subsequent equity injection into VSS A/S, finalized the financial restructuring.

As part of the financial restructuring the following has taken place in terms of the interest bearing liabilities:

- VSS A/S loan facilities are as currently due 31 March 2020.
- VSS A/S loan facilities will carry significant less cash interest and instalments until maturity on 31 March 2020. Limited cash interest and instalments will be paid until Q4 2018.
- Financial covenants on the loan facilities are amended to provide VSS A/S with ample room to operate under the present challenging market conditions.
- Cash at hand exceeding a certain level will through a cash sweep mechanism be distributed as repayment of the bank facilities.

Following the financial restructuring, loans previously classified as short-term will in 2018 be reclassified as long-term debt in the balance sheet.

As part of the 2016 financial restructuring the cash redemption of the bond was partly funded by a loan of MNOK 20 provided by one of VSS A/S' existing lenders. The loan was raised in January 2017. As a result of an agreement that was resolved by the bondholders in conjunction with the key terms of the 2016 debt restructuring plan, the bond agreement was changed in 2016 and the bond was delisted from Nordic ABM on 12 January 2017.

### PARENT COMPANY

The Parent Company's total interest-bearing liabilities amounted to MSEK 33 (-). In addition, there were non-interest-bearing liabilities and provisions totaling MSEK 53 (69).

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## TOTAL INTEREST-BEARING LIABILITIES, DISTRIBUTED BY CURRENCY

| TSEK | Group 2017 | Group 2016 |
|---|---|---|
| USD | 1,731,379 | 1,927,475 |
| NOK | 16,231 | - |
| **Total** | **1,747,610** | **1,927,475** |

## TOTAL FUTURE CONTRACTUAL COMMITMENTS

| TSEK | Group | | |
|---|---|---|---|
| | 2018 | 2019-2022 | After 2022 |
| Interest-bearing liabilities including calculated future interests | 178,992 | 1,774,286 | - |
| Derivative instruments | - | 4,968 | - |
| Accounts payable | 37,884 | - | - |
| Other liabilities | 52,458 | - | - |
| **Total** | **269,334** | **1,779,254** | **-** |

| TSEK | Parent Company | | |
|---|---|---|---|
| | 2018 | 2019-2022 | After 2022 |
| Liabilities to Group companies | 28,496 | - | - |
| Accounts payable | 1 | - | - |
| Other liabilities | 33,835 | - | - |
| **Total** | **62,332** | **-** | **-** |

### GROUP
At December 31, the Group had no unutilized credit facilities or unutilized overdraft facilities.

### PARENT COMPANY
At December 31, the Parent company had no unutilized credit facilities or unutilized overdraft facilities.

# NOTE 25
## ACCRUED EXPENSES AND DEFERRED INCOME

| TSEK | Group | | Parent Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Group** | | | | |
| Accrued personnel costs | 14,407 | 35,226 | 1,974 | 1,089 |
| Accrued interest expenses | 43,023 | 2,034 | - | - |
| Accrued voyage costs | 5,474 | 5,666 | - | - |
| Accrued other expenses | 22,556 | 29,252 | 2,915 | 3,507 |
| **Total** | **85,460** | **72,178** | **4,889** | **4,596** |

# NOTE 26
## PLEDGED ASSETS

| TSEK | Group 2017 | Group 2016 | Parent Company 2017 | Parent Company 2016 |
|---|---|---|---|---|
| **For current and long-term ship loans:** | | | | |
| - Ship mortgages | 7,071,454 | 4,507,259 | - | - |
| - Shares in subsidiaries | 551,502 | 743,762 | - | - |
| **For pension obligations:** | | | | |
| - Endowment insurances and plan assets | 23,941 | 31,293 | 19,462 | 21,965 |
| **Total** | **7,646,897** | **5,282,314** | **19,462** | **21,965** |

# NOTE 27
## CONTINGENT LIABILITIES

The Parent Company has provided a guarantee regarding a subsidiary's completion of time-charter agreements, which also comprise parts of the undertaking of a divested subsidiary (valid through 2018). For the latter, there is also a reciprocal guarantee from an external party for an equivalent amount. The company was divested in 2005.

# NOTE 28
## COMMITMENTS

**Leasing commitments**
The Group leases vessels, buildings and equipment through leasing agreements.

**Operational leasing**
AHTS
In December 2012 a sale-and-leaseback agreement was entered into regarding the AHTS vessel Odin Viking. During 2016 the owner of Oding Viking, Norseman Offshore AS, was declared bankrupt whereby a new leasing agreement was entered into with the new owners of Oding Viking, Odin Viking SPV AS. The new agreement has, in relation to the previous agreement, resulted in a reduced charter hire, a maximum TUSD 10 per day, and runs until 2 August 2024.

**Operational leasing revenue**
Operational leasing revenue derives from vessels leased on time- and bareboat charter contracts.

At 31 December, 2017 the number of vessels leased as part of the continuing operations was 1 (1 at 31 December, 2016), and the number of vessels leased to others was 0 (2 at 31 December, 2016).

| TSEK | 2017 | 2018 | 2019-2022 | after 2022 |
|---|---|---|---|---|
| **Leasing expenses** | | | | |
| **Operational leases** | **45** | **31** | **120** | **48** |
| Of which: - Bareboat charter | 42 | 30 | 120 | 48 |
| - Other | 3 | 1 | - | - |
| **Leasing revenues** | | | | |
| Operational leases | 217 | - | - | - |

The above future leasing fees are the Group's nominal minimum fees. None of the 2017 leasing fees were variable. None of the total future contractual obligations are variable fees.

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# NOTE 29

## RELATED-PARTY TRANSACTIONS

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 198 until expiry on 2 August 2024. The Group has until December 31, 2017 paid charter hire of total MSEK 30. As part of the financial restructuring agreement, this bareboat charter contract has been amended, please also see note 31, Events after the closing date.

The Group has during the fourth quarter raised a short-term loan of 33 MSEK on market terms from a subsidiary to Kistefos AS, Viking Invest AS. The loan carried an interest-rate of 12 % and was repaid in January 2018.

Kistefos AS has during the fourth quarter, through consultancy agreements, made financial services available during the restructuring process for which a compensation of MSEK 7 has been set off as a part of the share issues in January 2018.

Further Viking Invest AS has, as a part of the restructuring process, entered into a share subscription guarantee agreement. The compensation for this guarantee amounted to MSEK 1 and was set off as part of the share issues in January 2018.

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# NOTE 30

## FINANCIAL RISK MANAGEMENT AND DERIVATIVE INSTRUMENTS

In its operations, the Group is exposed to various types of financial risks, such as changes in exchange rates and interest rates, as well as liquidity and credit risks. The Group's goal is to minimize such negative effects in the consolidated income statement and balance sheet.

Risk management is handled by the Group's central finance department on the basis of the Finance Policy established by the Board of Directors. The policy contains instructions on how various financial risks are to be managed, where hedging instruments can be used to reduce the financial risks. The policy also includes instructions for managing credit and liquidity risks through financing and committed lines of credit.

**Credit risks**
The Group formulates a policy for how credits are to be provided to customers and other business partners. The credits provided are primarily short-term credits in the form of receivables from customers. Credit risk in cash and cash equivalents is managed by investing the liquidity with major Swedish banks.

**Liquidity risks**
An inadequate liquidity reserve constitutes a liquidity risk for the Group. This can lead to difficulties in discharging current payment liabilities in operating activities, planned investments and amortizations.

The Financial Department continuously prepares liquidity forecasts for the Group that are aimed at foreseeing the Group's liquidity requirement for operating activities, taking into account future investment requirements and amortization. Based on this work, a liquidity reserve is ensured by maintaining bank balances/investments and committed lines of credit. The most significant liquidity risk relates to the volatility in the charter rates ,which in a high degree affect the Groups cash flow. The Group intends to meet its payment obligations by cash flow generated from operations, external financing and, if necessary, the sale of assets.For information regarding the maturity structure of liabilities, see also Note 24.

Surplus liquidity is invested in accordance with the established finance policy.

**Currency risks**
Based on the significant changes occurring in the market in which the company operates and the increased volatility in exchange rates, management has evaluated the functional currency for VSS A/S. Having considered the aggregate effect of all relevant factors, management has concluded that the functional currency of the company is USD. The evaluation included all factors of the primary economic environment in which VSS A/S operates including vessel values, financing, income and expenses.

| TSEK | *Fixed* assets | *Accounts* receivable | *Cash* assets | *Interest-* bearing loans | *Accouts payable* | *Net* position |
|---|---|---|---|---|---|---|
| NOK | 903 | 931 | 5,949 | 16,231 | 610 | **-9,057** |
| USD | 2,714,847 | 31,406 | 490 | 1,731,379 | 27,885 | **987,479** |
| GBP | - | - | 2 | - | - | **2** |
| SEK | - | 104 | 23,663 | - | 9,344 | **14,423** |
| EUR | - | - | 916 | - | - | **916** |
| DKK | - | - | 616 | - | 45 | **571** |
| Other | - | - | 2,014 | - | - | **2,014** |
| | **2,715,750** | **32,442** | **33,650** | **1,747,610** | **37,884** | **996,348** |

The currency exposure of assets is to be primarily managed through financing being raised in the same currency as the asset, which in a high degree is applied whithin the Group to minimize currency risk. The Parent Company has a number of foreign subsidiaries, whose net assets are exposed to currency-translation risk, mainly changes in USD versus SEK. These currency positions have not been hedged. A change in USD versus SEK of 1 % would have, based on the currency distribution at 31 December 2017, impacted the net assets of the Group by approximately MSEK 10, which would have been accounted for in the other comprehensive income. The exposure to changes in other currencies is limited and such changes are not expected to have any material impact on the Groups balance sheet.

The Group´s cash flow is mainly denominated in USD, GBP, SEK and NOK. Since most of the vessels currently are operating in the spot market, and currency distribution thus thereby will vary, there are uncertainties of future distribution by currency, mainly on the revenues of the Group. In accordance with the Finance Policy, currency risks affecting cash flow must primarily be managed by balancing currency flows so that inward and outward flows offset one another. Invoiced net flows can be hedged to a maximum of 100% per currency pair and up to 50% of 12-months' forecast net flows per currency pair. On the balance-sheet date, the Group had no open currency hedging contracts.

If the average of below mentioned currencies during 2017 would have been 10 % stronger versus SEK, the result of the Group would be affected by:

| Currency | *MSEK* |
|---|---|
| USD | -20 |
| GBP | 15 |
| NOK | -2 |
| RUB | 1 |
| DKK | - 6 |

**Interest-rate risks**

The Finance Policy states that interest-rate risk can be hedged through financial instruments that limit exposure to interest-rate increases. At 31 December 2017, the Group had a total interest rate swap portfolio of MSEK 222 (242) on a fixed basis with an average outstanding duration of 8 months (20 months), and a market value of -5 MSEK (-10). The average fixed rate was 3.9% (3.9).

The Group's policy is that the average fixed interest period for the Group's consolidated borrowing must, at any given time, be at least 180 days and a maximum of three years.

A maximum of 25% of the loan should have a fixed-interest period of less than 90 days or longer than three years.

**Interest-rate terms**

The Group uses various kinds of interest-hedging instruments. At the closing date, the Group held the following interest-rate maturities:

| MSEK | *Less than 90 days* | *90 days–3 years* | *3 years or longer* | *Total* |
|---|---|---|---|---|
| Total interest-bearing loan values | 33 | 1,715 | - | 1,748 |
| % of total interest-bearing loan values | 2% | 98% | 0% | 100% |

| **The weighted average interest rate for interest-bearing loans amounted to:** | *Group* | | *Parent Company* | |
|---|---|---|---|---|
| % | *2017* | *2016* | *2017* | *2016* |
| | 4.03 | 3.22 | 3.00% | 3.00% |

With a change in market interest rates of 1 percentage point, the Group's interest expense would change by MSEK 17.

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## Bunker risks

The Groups vessels are chartered out on time-charter basis where the charterer is responsible for the bunker consumption as well as stands the risk of changes in bunker prices during the charter period.

The Group is for other periods, when the vessels are off-hire, responsible for bunker consumption and stands the risk for changes in bunkerprices. At the end of the year, the Group had no derivative instruments related to bunker oil.

### Financial instruments by category

| | *Accounts receivable and cash and cash equivalents* | | *Derivative instruments used for hedging purposes* | | *Financial assets held for sale* | | *Total* | |
|---|---|---|---|---|---|---|---|---|
| **TSEK** | *Dec. 31, 2017* | *Dec. 31, 2016* | *Dec. 31, 2017* | *Dec. 31, 2016* | *Dec. 31, 2017* | *Dec. 31, 2016* | *Dec. 31, 2017* | *Dec. 31, 2016* |
| **Assets in the balance sheet** | | | | | | | | |
| Accounts receivable and other receivables, excl. interim receivables [4] | 75,971 | 107,043 | - | - | - | - | 75,971 | 107,043 |
| **Total** | **75,971** | **107,043** | **-** | **-** | **-** | **-** | **75,971** | **107,043** |

| | *Liabilities measured at FVTPL* | | *Derivative instruments used for hedging purposes [5]* | | *Other financial liabilities* | | *Total* | |
|---|---|---|---|---|---|---|---|---|
| **TSEK** | *Dec. 31, 2017* | *Dec. 31, 2016* | *Dec. 31, 2017* | *Dec. 31, 2016* | *Dec. 31, 2017* | *Dec. 31, 2016* | *Dec. 31, 2017* | *Dec. 31, 2016* |
| **Liabilities in the balance sheet** | | | | | | | | |
| Loans, excluding liabilities pertaining to financial leasing [4] | - | - | - | - | 1,747,610 | 1,927,475 | 1,747,610 | 1,927,475 |
| Derivative instruments [2] | - | - | 4,968 | 11,332 | - | - | 4,968 | 11,332 |
| Accounts payable and other liabilities, excl. interim liabilities [4] | - | - | - | | 105,289 | 226,748 | 105,289 | 226,748 |
| **Total** | **-** | **-** | **4,968** | **11,332** | **1,852,899** | **2,154,223** | **1,857,867** | **2,165,555** |

*1) Fair value based on listed market prices, where financial instruments are traded on an active market (Level 1).*
*2) Fair values for which there are no listed market values, but instead are based on measurements of discounted cash flows. Variables in the measurement model, such as exchange rates and interest rates, are derived from market listings when possible (Level 2).*
*3) Other measurements in which one variable is based on own assessments (Level 3).*
*4) Recognized at acquisition value translated to closing date exchange rate.*
*5) Fair value measurement is based on average prices and does not reflect the customary difference between buy and sell prices for these transactions.*

## Fair value

Fair values for the Group's financial instruments on the closing date were as follows:

| | *Group* | | | |
|---|---|---|---|---|
| | *2017* | | *2016* | |
| **TSEK** | *Carrying amount* | *Fair value* | *Carrying amount* | *Fair value* |
| **Assets in the balance sheet** | | | | |
| Short-term investments (debt certificates) | - | - | 30,558 | 30,558 |
| Accounts receivable and other receivables, excl. interim receivables | 75,971 | 75,971 | 170,440 | 170,440 |
| **Total** | **75,971** | **75,971** | **200,998** | **200,998** |
| **Liabilities in the balance sheet** | | | | |
| Loans (excluding liabilities pertaining to financial leasing) | 1,747,610 | 1,747,610 | 2,315,564 | 2,334,137 |
| Interest-hedging instruments [1] | 4,968 | 4,968 | 17,928 | 17,928 |
| Accounts payable and other liabilities, excl. interim liabilities | 105,289 | 105,289 | 245,193 | 245,193 |
| **Total** | **1,857,867** | **1,857,867** | **2,578,685** | **2 597,258** |

*1) Hedge accounting is not applied for the Group's interest-hedging instruments. Value changes in these instruments are recognized in consolidated profit and loss, see note 8.*

The Parent Company does not hold any financial instruments.

# NOTE 31

## EVENTS AFTER THE CLOSING DATE

The share issues in VSS AB that form part of the VSS A/S' financial restructuring, which were completed in January 2018, comprised the following:

- A MSEK 123 rights issue.
- A MSEK 7 share issue with payment against set-off to Viking Invest AS for financial services.
- A MSEK 1 share issue payment against set-off to Viking Invest AS for guarantee fee for the guarantee undertaking in the rights issue.
- Following these equity issues, the equity in Viking Supply Ships AB increased with MSEK 131.

In January 2018, credit committee approval from all senior lenders was obtained and a restructuring agreement was signed with all senior lenders. This finalized the financial restructuring. The financial restructuring includes following final key terms:

- Viking Supply Ships A/S loan facilities are as currently due 31 March 2020.
- Viking Supply Ships A/S loan facilities will carry significant less cash interest and instalments until maturity on 31 March 2020. Limited cash interest and instalments will be paid until Q4 2018.
- Financial covenants on the loan facilities are amended to provide Viking Supply Ships A/S with ample room to operate under the present challenging market conditions.
- Cash at hand exceeding a certain level will through a cash sweep mechanism be distributed as repayment of the bank facilities.
- The bareboat charter in respect of the vessel Odin Viking will be amended to reflect that the charter hire of USD 10,000 per day will not be payable in cash, but added to the principal amount outstanding under the charter party as payment in kind. Further, Viking Supply Ships A/S will have the right to exercise the previously agreed purchase option in respect of Odin Viking before the end of the charter party. If the option is exercised, the bareboat charter will be terminated against a termination compensation equal to the accumulated and remaining charter hire and Viking Supply Ships A/S will replace Odin Viking SPV AS as borrower under the Odin Viking SPV AS facility with DVB Bank SE. The outstanding loan amount under the Odin Viking facility will be off-set against the termination compensation payable by Viking Supply Ships A/S.
- Viking Supply Ships A/S has received new capital in the amount of MUSD 15.0.

Following the financial restructuring, loans previously classified as short-term will in 2018 be reclassified as long-term debt in the balance sheet.

In late January 2018 a contract was entered into with an international oil company for the charter of the Iceclass 1A-Super AHTS Brage Viking with prompt commencement. The duration is up to 140 days including optional periods. Securing this contract clearly emphasizes the competence and market position built up within the harsh environment offshore market.

In order to streamline the organization and further increase the efficiency and the commercial focus of the company it was in January 2018 decided to relocate Viking Supply Ships A/S' headquarter from Copenhagen (Denmark) to Kristiansand (Norway).

The current challenging market conditions are supported by a decline in observable broker values of the PSV fleet. Viking Supply Ships will continue to closely monitor the market development and impairment exposure of the PSV fleet's carrying amount.

# NOTE 32

## DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

During the third quarter 2016 it was decided to discontinue the remaining operations in the subsidiary TA AB. At the end of 2016 the assessment was that the discontinuation was likely to be concluded within the next 12 months. Due to this, which still remains, the Group in its financial reports, according to IFRS 5 Assets held for sale and discontinued operations, recognize TA AB as discontinued operations and assets held for sale, 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 information about cash-flow from current operations and investing- and financing activities of TA AB on separate rows. Comparative figures for prior periods are also presented in accordance with this classification.

In 2017 the discontinuation of the segment continued. Parts of the corporate company structure related to TA AB were liquidated and the sale of the two partly-owned small bulk carriers, TransSonoro and TransVolante, was completed. These divestments have not had any significant financial impact on the Group. The process to dicontinue the remaining operations continues.

The remaining operations, classified as discontinued operations and assets held for sale, comprised at the end of the year of three 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 contract. 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 holding in Industrial Shipping DIS (38 %) are supported by independent broker valuations of the three small bulk vessels owned by this company including an overall assessment from ongoing sales processes.

### PROFIT/LOSS FROM DISCONTINUED OPERATIONS

| TSEK | *2017* | *2016* |
|---|---:|---:|
| Net sales | | |
| Other operating revenue | 49,450 | 308,875 |
| Direct voyage costs | 161 | 34,054 |
| Personnel costs | -125 | -4,252 |
| Other external operating costs | -600 | -8,738 |
| Other operating costs | -50,251 | -319,817 |
| Depreciation and impairment of property, plant, equipment and intangible assets | - | -27,460 |
| Profit from shares in associated companies | - | -9,920 |
| **Operating profit/loss** | **-1,365** | **-27,258** |
| Financial income | 1,447 | 27 |
| Financial expenses | -1,995 | -9,100 |
| **Profit before tax** | **-1,913** | **-36,331** |
| Income tax | -381 | - |
| **Profit/loss for the year** | **-2,294** | **-36,331** |

## ASSETS AND LIABILITIES HELD FOR SALE

| TSEK | 2017 | 2016 |
|---|---|---|
| **Fixed assets** | | |
| Equipment | - | 259 |
| Brands | 1,033 | 944 |
| Participations in associated companies | 8,701 | 9,180 |
| **Total fixed assets** | **9,734** | **10,383** |
| | | |
| **Current assets** | | |
| Inventories | 244 | 497 |
| Accounts receivable | 1,271 | 2,001 |
| Other receivables | 3,719 | 6,856 |
| Prepaid expenses and accrued income | 213 | 6,532 |
| **Total current assets** | **5,447** | **15,886** |
| | | |
| **Total assets held for sale** | **15,181** | **26,269** |
| | | |
| **Short-term liabilities** | | |
| Accounts payable | 351 | 115 |
| Other liabilities | - | 565 |
| Accrued expenses and deferred income | 2,925 | 14,844 |
| **Total liabilities attributable to assets held for sale** | **3,276** | **15,524** |

## CASH FLOW FROM DISCONTINUED OPERATIONS

| TSEK | 2017 | 2016 |
|---|---|---|
| Cash flow from operating activities | -4,210 | -114,936 |
| Cash flow from investing activities | 345 | 151,322 |
| Cash flow from financing activities | - | -131,175 |
| **Total cash flow from discontinued operations** | **-3,865** | **-94,789** |

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The Board of Directors and the President give their assurance that the consolidated financial statements have been prepared in accordance with the international accounting standards (IFRS) as adopted by the EU and that they provide a fair view of the Group's financial position and results. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles and provide a true and fair view of the Parent Company's financial position and results of operations. The Directors' Report for the Group and Parent Company provides a fair overview of the development of the Group's and the Parent Company's operations, financial position and earnings, and also describes material risks and uncertainties facing the Parent Company and companies included i the Group.

Gothenburg, 25 April, 2018

The income statement and balance sheets will be presented to the Annual General Meeting on 30 May, 2018 for approval.

Bengt A. Rem
Chairman

Folke Patriksson
Deputy Chairman

Erik Borgen
Board member

Magnus Sonnorp
Board member

Håkan Larsson
Board member

Christer Lindgren
Employee representative

Our Auditor's Report was submitted on 25 April, 2018

Rödl & Partner Nordic AB

Mathias Racz
Authorized Public Accountant

# Auditor's report

To the general meeting of the shareholders of Viking Supply Ships AB (publ), corporate identity number 556161-0113

## Report on the annual accounts and consolidated accounts

*Opinions*

We have audited the annual accounts and consolidated accounts of Viking Supply Ships AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 22-68 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The Board of Director's report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014/EU) Article 11.

*Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of my our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014/EU) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

*Material Uncertainty Related to Going Concern*

We draw attention to the Board of Director's report, Note 30 as well as Note 1 in the annual report, which describes the Groups negative cash flow from operations during 2017 and the need of external financing in case the operating cash flow will not be sufficient. As stated in Note 30 and the Board of Director's report these conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Key Audit Matters*

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

*Valuation of vessels*

The book-value of the vessels represents the single largest asset item in the balance sheet and the valuation of the vessels is therefore a special significant audit area.

Information regarding the valuation of the vessels as well as impairment test of the vessels may be seen in note 1 and note 9.

The audit has, due to the challenging market conditions and the increased risk of overvaluation of the fixed assets that comes with it, concentrated towards an intensified audit of management's impairment test, as well as, the judgement, assumptions, and external valuations which have been considered at the determination of the recoverable amount and its relation to the book-value.

*Going-concern*

Management's assumption about going-concern may be seen in the section in note 1 with the same name, note 30, as well as, the Board of Director's report. The assumption is heavily dependent on the group's cash flow forecast which, according to disclosures in note 1 and 30, may bring to the fore a disposal of assets during 2018.

*Revenue recognition*

The audit of the revenue recognition has, among others, but not solely, regarded auditing of material revenue streams, contract with clients, as well as, the internal controls that shall ensure a fair presentation of revenue.

*Other Information than the annual accounts and consolidated accounts*

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-21 and 72-77. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

*Auditor's responsibility*

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for my (our) opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

**Report on other legal and regulatory requirements**

*Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Viking Supply Ships AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the board of director's report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

*Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

*Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

*Auditor's responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Rödl & Partner Nordic AB, Drottninggatan 95A, 113 60 Stockholm, was appointed auditor of Viking Supply Ships AB by the general meeting of the shareholders on the 27-06-2017 and has been the company's auditor since the 13-06-2016.

Stockholm 25 April 2018

Rödl & Partner Nordic AB

Mathias Racz
Authorized public accountant

# THE SHARE

THE YEAR WAS CHARACTERIZED BY VOLATILITY IN THE SHARE PRICE. A HIGH PRICE OF SEK 1.13 AND A LOW PRICE OF SEK 0.24 WAS NOTED. THE REDUCED SHARE PRICE MUST BE SEEN IN CONJUNCTION WITH THE EQUITY ISSUE, WHICH WAS COMPLETED IN Q4 AT A PRICE OF 0.25 SEK/SHARE. AS A RESULT OF THE RIGHTS ISSUE AND SET-OFF ISSUE TOWARDS THE BONDHOLDERS IN VIKING SUPPLY SHIPS A/S THERE WERE CERTAIN CHANGES TO THE LARGEST SHAREHOLDERS OWNERSHIP.

Viking Supply Ships AB Series B shares are listed on Nasdaq OMX Stockholm, in the Small Cap segment, and are included in the Transport index. At year-end, the share price was SEK 1.46, corresponding to market capitalization of MSEK 101 (471). On the same date, shareholders' equity totaled MSEK 971, (1,439), corresponding to 2,37 SEK/share (4,19). The highest price paid during the year was SEK 1,13 on January 9 and the lowest price paid was SEK 0,24 on November 23. The turnover rate for the share increased during the year to 28 percent (7).

## SHARE CAPITAL

Certain of the equity issues completed in 2016 were registered in January 2017, increasing the share capital from SEK 343,545,318 to SEK 409,592,960 and the number of shares from 343,545,318 to 409,592,960. Through a series of equity issues towards the end of 2017 the number of shares increased to 932,734,061. However, as these equity issues were first registered after the balance date, the number of shares at the balance date was 409,592,960. After the balance date a reverse split was carried out in the relation 1:100, meaning that one hundred (100) previous A-shares or B-shares are replaced by one (1) new share of the same series. After this reverse split was carried out, the number of shares changed to 9 327 339.

## SHAREHOLDERS AND CHANGES

Due to the rights issue and set-off issue towards the bondholders in Viking Supply Ships A/S there were certain changes to the largest shareholders ownership. The total number of shareholders at year-end increased to 4,286 (3,348).

## DIVIDEND PROPOSAL AND DIVIDEND POLICY

At the Annual General Meeting, it was resolved that no dividend was to be paid for the fiscal year of 2016. Viking Supply Ships AB target is that average dividend payments will correspond to 33% of annual net profit. However, as part of the financial restructuring no dividends are to be paid until 2020.

## CONTACTS WITH SHAREHOLDERS

Viking Supply Ships AB's ambition is to maintain a positive dialog with the stock market and to provide detailed information on developments and events concerning its operations. This is done via presentations in conjunction with the quarterly reports and participation at conferences and seminars. The Annual Report, year-end reports and interim reports are available on the company's website www.vikingsupply.com. The website also includes other information concerning the company and its share.

## SIGNIFICANT PRESSRELEASES IN 2017

- Viking Supply Ships AB completes financial restructuring with share issue with payment against set-off
  Posted: 06.01.2017
- Change of CEO and Chairman of the Board in Viking Supply Ships AB.
  Posted: 24.01.2017
- Change in number of shares and votes in Viking Supply Ships AB
  Posted: 31.01.2017
- Rights issue in Viking Supply Ships AB (publ) to secure increased liquidity
  Posted: 25.09.2017
- Extraordinary general meeting in Viking Supply Ships AB (publ)
  Posted: 06.11.2017
- Viking Supply Ships AB publishes prospectus relating to the rights issue
  Posted: 15.11.2017
- Viking Supply Ships AB's rights issue and two directed share issues have been completed
  Posted: 10.1.2018
- Viking Supply Ships AB completes financial restructuring
  Posted: 31.1.2018

IR Contact
Morten G. Aggvin
IR & Treasury Director
Direct Tel: +47 41 04 71 25
E-mail: ir@vikingsupply.com

## KEY PERFORMANCE INDICATORS

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Number of shares, Dec. 31, 000s | 409,593 | 343,545 | 177,444 | 177,444 | 147,870 |
| Market capitalization, Dec. 31, MSEK | 101 | 471 | 523 | 786 | 713 |
| Number of shareholders Dec. 31 | 4,286 | 3,461 | 3,451 | 3,501 | 5,349 |
| Change in share price during the year, % | -81.8 | -45.7 | -40.1 | -7.4 | -7.4 |
| Dividend, SEK/share | - | - | 0.55 | - | - |
| Dividend as a percentage of earnings per share | - | - | 45% | - | - |
| P/E ratio, Dec. 31 | n.a. | n.a. | n.a. | 3.7 | n.a. |
| Shareholders' equity/share, Dec. 31, SEK/share | 2.4 | 4.2 | 7.8 | 11.5 | 11.8 |

## SHAREHOLDERS IN VIKING SUPPLY SHIPS AB AT JAN. 31, 2018

| | *Series A shares* | *Series B shares* | *Shares of capital (%)* | *Shares of votes (%)* | *Market value [1] (TSEK)* |
|---|---|---|---|---|---|
| Kistefos AS | 302,438 | 7,024,741 | 78.56% | 74.87% | 178,428 |
| HERO, LENNART | - | 221,879 | 2.38% | 1.65% | 5,636 |
| AVANZA BANK AB | 14 | 187,142 | 2.01% | 1.40% | 4,753 |
| Enneff Rederi / Enneff Fastigheter | 135,916 | 48,720 | 1.98% | 10.49% | 1,237 |
| NORDNET PENSIONSFÖRSÄKRING AB | - | 154,988 | 1.66% | 1.15% | 3,937 |
| SKANDIA LEBENSIP 203, SKANDIA LEBEN | - | 123,449 | 1.32% | 0.92% | 3,136 |
| NORDEA BANK AB(PUBL) | - | 120,205 | 1.29% | 0.90% | 3,053 |
| ML INSURANCE COMPANY | - | 107,768 | 1.16% | 0.80% | 2,737 |
| LINDÉN URNES, JENNY ULRIKA U | 14,608 | 85,008 | 1.07% | 1.72% | 2,159 |
| ERNSTRÖM FINANS AB | - | 49,759 | 0.53% | 0.37% | 1,264 |

*1) Calculated on holdings in Series B shares.*

## NUMBER OF SHAREHOLDERS IN SIZE CATEGORIES AT JAN. 31, 2018

| **Holdings** | *Shareholders* |
|---|---|
| 1–500 | 3,529 |
| 501–1,000 | 90 |
| 1,001–5,000 | 15 |
| 5,001–10,000 | 12 |
| 10,001–15,000 | 6 |
| 15,001–20,000 | 4 |
| 20,001– | 15 |
| **Total** | **3,671** |

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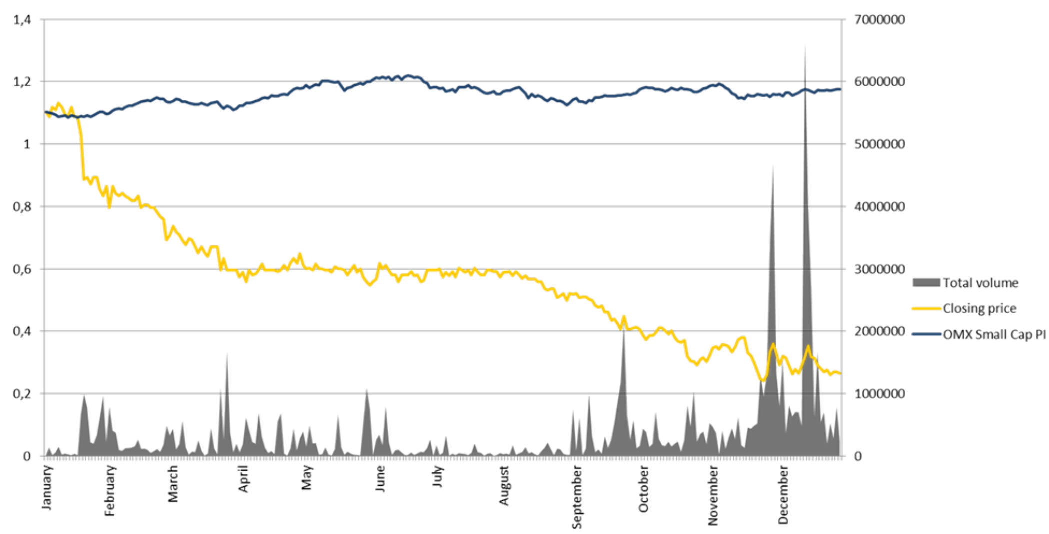
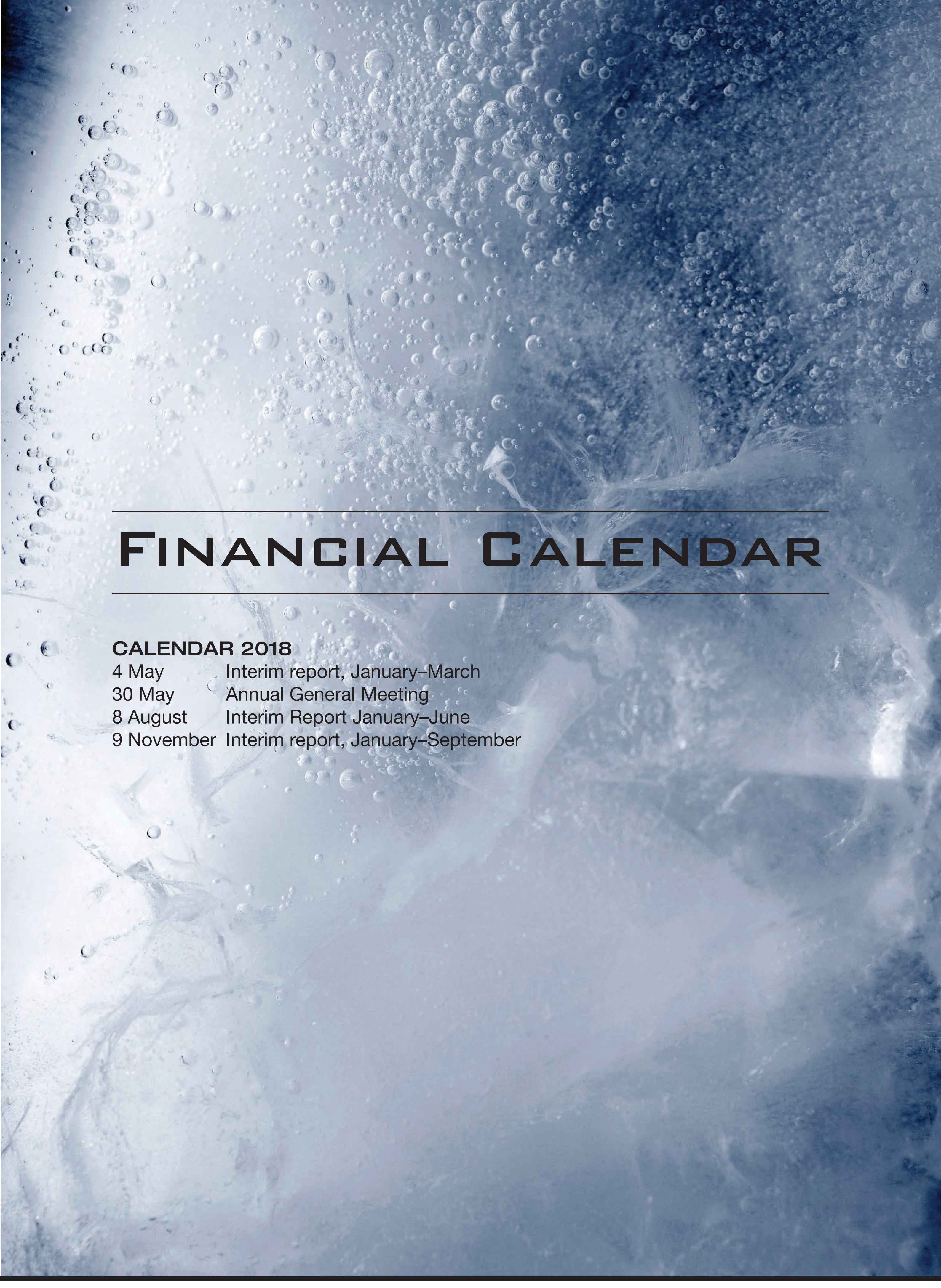
## SHARE CAPITAL TREND

| | Change | | | Number of shares | | | Share capital (SEK) | | Quotient value (SEK) |
|---|---|---|---|---|---|---|---|---|---|
| | *Series A shares* | *Series B shares* | *Total* | *Series A shares* | *Series B shares* | *Total* | *Change* | *Total* | |
| 2004 New share issue | - | 474,275 | 474,275 | 1,208,980 | 17,910,153 | 19,119,133 | 4,742,750 | 191,191,330 | 10 |
| 2005 New share issue | 608,980 | 11,129,541 | 11,738,521 | 1,817,960 | 29,039,694 | 30,857,654 | 117,385,210 | 308,576,540 | 10 |
| 2007 Share withdrawal during the year | - | –2,427,180 | –2,427,180 | 1,817,960 | 26,612,514 | 28,430,474 | –24,271,800 | 284,304,740 | 10 |
| 2010 New share issue | 1,817,961 | 25,907,715 | 27,725,676 | 3,635,921 | 52,520,229 | 56,156,150 | 277,256,760 | 561,561,500 | 10 |
| 2010 Withdrawal of treasury shares | - | –704,800 | –704,800 | 3,635,921 | 51,815,429 | 55,451,350 | –7,048,000 | 554,513,500 | 10 |
| 2011 New share issue | 3,635,921 | 51,815,429 | 55,451,350 | 7,271,842 | 103,630,858 | 110,902,700 | 554,513,500 | 1,109,027,000 | 10 |
| 2012 Reduction to unrestricted reserve | - | - | - | 7,721,842 | 103,630,858 | 110,902,700 | –998,124,300 | 110,902,700 | 1 |
| 2013 New share issue | 2,423,947 | 34,543,619 | 36,967,566 | 9,695,789 | 138,174,477 | 147,870,266 | 36,967,566 | 147,870,266 | 1 |
| 2014 New share issue | 1,939,157 | 27,634,895 | 29,574,052 | 11,634,946 | 165,809,372 | 177,444,318 | 29,574,052 | 177,444,318 | 1 |
| 2016 New share issue | 9,049,402 | 223,099,240 | 232,148,642 | 20,684,348 | 388,908,612 | 409,592,960 | 232,148,642 | 409,592,960 | 1 |
| 2018 Reduction to unrestricted reserve | - | - | - | - | - | - | -307,194 720 | 102,398,240 | 0.25 |
| 2018 New share issue [1)] | 24,821,217 | 498,319,884 | 523,141,101 | 45,505,548 | 887,228,496 | 932,734,044 | 130,785,275 | 233,183,515 | 0.25 |
| 2018 Bonus issue | - | - | - | - | - | - | 176,409,445 | 409,592,960 | 0.25 |
| 2018 Reverse split 100:1 | -45,050,493 | -878,356,211 | -923,406,704 | 455,055 | 8,872,285 | 9,327,340 | - | 409,592,960 | 43.91 |

*1) In January 2018 the following new share issues were registered with the Swedish Companies Register:*
*A new share issue with preferential rights for existing shareholders whereby the number of shares was increased by 24,821,217 series A shares and by 466,690,334 series B shares, total 491 511 551 new shares. The issue price was SEK 0.25 per share.*
*A share issue with payment against set-off to Viking Invest AS wherby the number of shares was increased by 5,463,150 series B shares. The issue price was SEK 0.25 per share.*
*A share issue with payment against set-off to Viking Invest AS wherby the number of shares was increased by 26,166,400 series B shares. The issue price was SEK 0.25 per share.*

## SHARE HISTORY





# Financial Calendar

**CALENDAR 2018**

| | |
|---|---|
| 4 May | Interim report, January–March |
| 30 May | Annual General Meeting |
| 8 August | Interim Report January–June |
| 9 November | Interim report, January–September |

# DEFINITIONS

**Capital employed:**
Interest-bearing liabilities and shareholders' equity.

**Debt/equity ratio:**
Interest-bearing liabilities minus cash and cash equivalents divided by shareholders' equity.

**Earnings per share:**
Earnings after financial items less tax on profit for the year (current and deferred tax) according to the consolidated income statement.

**EBIT:**
Earnings Before Interest and Taxes, corresponding to operating profit/ loss.

**EBITDA:**
Earnings Before Interest, Taxes, Depreciation, and Amortization, corresponding to profit/loss before capital expenses and tax.

**Equity/assets ratio:**
Shareholders' equity divided by total assets.

**Equity per share:**
Equity divided by the number of shares outstanding.

**IFRS:**
International Financial Reporting Standards, an international accounting standard that all listed companies must adopt. Certain older standards included in the IFRS collective name are referred to as IAS (International Accounting Standards).

**Interest-coverage ratio:**
Operating profit/loss before depreciation plus interest income divided by interest expense.

**Net indebtedness:**
Interest-bearing liabilities less cash and cash equivalents.

**Operating cash flow:**
Profit/loss after net financial income/ expense adjusted for capital gains/ losses, depreciation/ amortization and impairment.

**Operating profit/loss:**
Profit/loss before financial items and tax, and before restructuring costs.

**Operating profit/loss (before tax):**
Profit/loss before tax and before restructuring costs.

**Operating result per business area:**
Profit/loss after financial items and before Group-wide expenses and central/Group-wide net financial income/expenses.

**Operating profit/loss per business area:**
Operating profit/loss for each business area, recognized before Group-wide expenses.

**P/E ratio:**
Closing share price at the end of the period divided by earnings after financial items less full tax per share.
Percentage of risk-bearing capital:
Shareholders' equity and deferred tax liabilities (including non-controlling interests) divided by total assets.

**Profit margin:**
Profit after financial items divided by net sales.

**Return on capital employed:**
EBITDA divided by average capital employed.

**Restructuring costs:**
Includes revenues and expenses of a nonrecurring nature, such as capital gains/losses from the sale of vessels, impairment of vessels and costs related to personnel cutbacks.

**Return on shareholders' 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.

# GLOSSARY

**AHTS – Anchor Handling Tug Supply vessels:**
Combination vessels operating in the offshore market,intended for use in anchor-handling, tug operations and transportation of supplies.

**Bareboat charter:**
The leasing of a vessel without a crew to a charter party for a fixed period. In principle, the charterer pays all operating costs.

**Bulk carrier:**
Vessel for the transportation of loose goods in large quantities, such as coal, ore and grain.

**Bunker:**
Name of the vessel's fuel, i.e. the oil used for poweringthe vessel's engines.

**Charterer:**
A cargo owner or party that charters a vessel.

**Deadweight tons (DWT):**
The total weight of cargo, bunkers and unattached equipment that a vessel can carry.

**Feeder traffic:**
Feeder services with smaller vessels to ports where reloading to larger vessels is undertaken.

**HSEQ policy:**
Health, safety, environmental and quality policy.

**ISM code (International Safety Management):**
Quality and safety regulations stipulated by IMO for international merchant shipping. Certification in accordance with the ISM Code is administered by the national maritime authority, which in Sweden is the Swedish Maritime Administration.

**ISO:**
International Standards Organization.

**Joint Venture:**
Business operations performed by two or more companies jointly, with shared risk-taking.

**LoLo vessel (Lift on Lift off):**
Vessel that is loaded/unloaded using its on-board or fixed dockside cranes.

**MRM:**
Maritime Resource Management.
**NGO:**
Non-governmental organization.

**Offshore:**
General term for industrial activities in connection with the exploitation of oil resources at sea.

**PSV:**
Platform Supply Vessel. A vessel that transports supplies to oil rigs and platforms in the North Sea.

**Rates:**
Freight or transport charges/prices.

**RoRo vessel (Roll on Roll off):**
Vessel on which cargo is driven on board via one or more ramps located on the vessel.

**SECA:**
SOx Emission Control Areas.

**Side-port vessel/side loader:**
Vessel that is loaded using trucks and/or rolling platforms through side ports, often in combination with lifts between various decks.

**Ship Management:**
All the services required to operate a vessel, including the crew.

**Spot market:**
The sector of the chartering market in which a vessel is chartered for individual voyages as opposed to longterm charters.

**Time charter (T/C):**
Leasing a vessel to a charter party for a fixed period of time. The ship-owner pays all the operating costs except bunkers and port dues.

VIKING SUPPLY SHIPS

Viking Supply Ships AB is the parent company of a Swedish shipping group with its main office in Gothenburg, Sweden. The Group conducts its business in four segments: Anchor Handling Tug Supply ships (AHTS), Platform Supply Vessels (PSV), Services and Ship Management. The business is focused within offshore and ice-breaking primarily in Arctic and subarctic areas. The Group has approximately 400 employees and its revenue for 2017 amounted to MSEK 331. The Company's series B share is listed at Nasdaq Stockholm, Small Cap segment. For further information, please visit: www.vikingsupply.com.

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