

VIKING SUPPLY SHIPS AB
(PUBL)

INTERIM REPORT

Q2

JANUARY - JUNE

2019



VIKING SUPPLY SHIPS

MORE
THAN A SHIPOWNER

THE
COOLEST
PLACE TO WORK

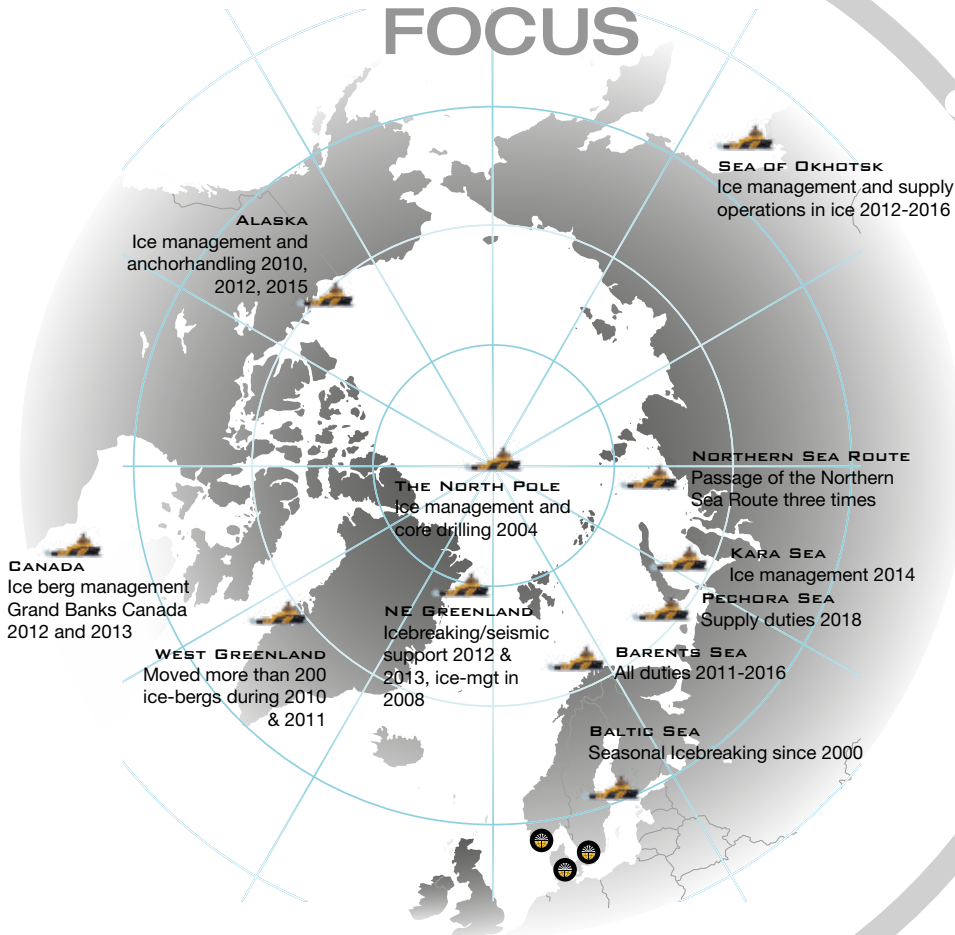
ALWAYS AHEAD OF
COMPETITION

Q2

Q2

REVENUE
MSEK 111 (92)
 YTD: MSEK 189 (176)

ARCTIC FOCUS



Q2

EBITDA
MSEK 6 (-21)
 YTD: MSEK -16 (-43)

Q2

RESULT FOR THE PERIOD
MSEK -19 (-268)
 YTD: MSEK -36 (-353)

Q2

EARNINGS PER SHARE AFTER TAX
SEK -2.0 (-28.7)
 YTD: SEK -3.8 (-39.6)

Viking Supply Ships AB (publ) is a Swedish shipping company with headquarter in Gothenburg, Sweden. Viking Supply Ships AB (publ) is organized into three segments: Anchor Handling Tug Supply vessels (AHTS), Services as well as Ship Management. The operations are focused on offshore and icebreaking primarily in Arctic and subarctic areas. The company has in total about 300 employees and the turnover in 2018 was MSEK 300. The company's B-share is listed on NASDAQ OMX Stockholm, segment Small Cap, www.vikingsupply.com.

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CEO STATEMENT

The financial result improved from MSEK (268) in the corresponding period in 2018 to MSEK (19) in the second quarter of 2019. Revenue has increased compared to both last quarter and corresponding period in 2018 totalling MSEK 111 (92) for the quarter. EBITDA is positive for the quarter at MSEK 6 (-21).

The North Sea market has seen increased activity levels during the second quarter. As a result, fixture rates and utilization has improved compared to previous periods. During the first half of 2019, Viking Supply Ships AB has re-activated the previously laid-up Loke Viking, as a result of obtaining a medium term contract in the Pechora Sea. As a result, all four vessels which are described as core fleet of the Group are now in operation. Further The Group has been successful in obtaining a shorter term contract for two of the vessels during the quarter, and as a result Magne Viking has been the only vessel in the Group operating in the North Sea spot market for the majority of the period.

In June, Viking Supply Ships acquired Odin Viking from Odin Viking SPV, a fully owned subsidiary of Viking Supply Ships AB's majority shareholder, Kistefos AS. The acquisition completes the already agreed and approved restructuring agreement which the Group entered into in early 2018. The vessel was acquired for USD 1 against paying a termination fee equalling the

remaining part of the bareboat charter hire and the exercise of the option was performed to facilitate a future, external sale of the vessel.

OUTLOOK

The North Sea spot market has improved during the second quarter, as a result of increased rig activity. However, the Group expects that the overall market conditions will likely remain somewhat challenging. The rig activity in the North Sea is expected to see a modest increase during Q3, before softening slightly during the winter season. The long-term trend within the offshore market is however positive, with a gradual recovery of the rig activity in the region. It is therefore expected that also the OSV segment will gradually improve.

The Group is currently working with several contract opportunities and notes an increasing number of term opportunities in the Group's core regions. Viking Supply Ships is focused on increasing the contract coverage and with its fleet of high specification vessels with high ice-class, the Group is attractively positioned to obtain such contracts.

Gothenburg, 14 August 2019.

Trond Myklebust
CEO and President

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SECOND QUARTER

- Total revenue from continuing operations was MSEK 111 (92)
- EBITDA from continuing operations was MSEK 6 (-21)
- Result after tax including discontinued operations was MSEK -19 (-268)
- Result after tax per share including discontinued operations was SEK -2.0 (-28.7)

YEAR-TO-DATE

- Total revenue from continuing operations was MSEK 189 (176)
- EBITDA from continuing operations was MSEK -16 (-43)
- Result after tax including discontinued operations was MSEK -36 (-353)
- Result after tax per share including discontinued operations was SEK -3.8 (-39.6)

SUMMARY OF EVENTS IN Q2

- EBITDA for Q2 from continuing operations was MSEK 6 (-21).
- The average fixture rate in Q2 was USD 32,300 (33,400) and the average utilization was 72% (68).
- Loke Viking has since medio May been on-hire to Gazprom for a medium term contract in the Pechora Sea. Njord Viking and Brage Viking have for the majority of the quarter been on a medium-term charter with Shell UK.
- The previously approved restructuring agreement included a call option, under which Viking Supply Ships could acquire Odin Viking for USD 1 from Odin Viking SPV (a fully owned subsidiary to Viking Supply Ships AB's majority shareholder Kistefos AS), against paying a termination compensation consisting of accrued and remaining charter-hire under the agreement. The Group has in June 2019, as part of the decided external sale of Odin Viking, acquired the vessel by way of using this call option (see note 8).

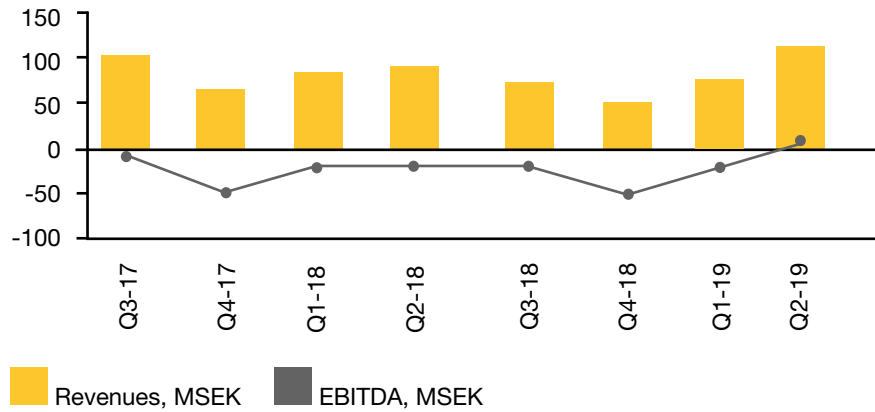
KEY FINANCIALS	Q2 2019	Q2 2018
Net sales, MSEK ¹⁾	111	92
EBITDA, MSEK ¹⁾	6	-21
Result after tax, MSEK ²⁾	-19	-268
Earnings per share after tax, SEK ²⁾	-2.0	-28.7
Shareholders' equity per share, SEK ²⁾	206.6	88.8
Return on equity, % ²⁾	-3.9	-116.3
Equity ratio, % ³⁾	93.0	28.4
Market adjusted equity ratio, % ³⁾	92.9	30.5

1) Excludes discontinued operations

2) Includes discontinued operations

3) The calculation includes assets held for sale

FINANCIAL DEVELOPMENT CONTINUING OPERATIONS



RESULTS AND FINANCE

RESULTS YEAR TO DATE 2019

Total revenue for the Group for the year to date was for continuing operations MSEK 189 (176).

The Group's EBITDA for the year to date from continuing operations was MSEK -16 (-43).

Net financial items were for continuing operations MSEK 23 (-39). The amount includes positive exchange differences of MSEK 20.

The Group's result after tax including discontinued operations was MSEK -36 (-353).

OPERATIONAL HIGHLIGHTS FOR THE SECOND QUARTER

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 74 (54) in Q2 and EBITDA was MSEK 5 (-18).

During Q2, one vessel has been operating in the North Sea spot market. Two AHTS vessels have for the majority of the quarter been on a medium term charter with Shell UK, while Loke Viking since medio May has been on a medium term charter with Gazprom in the Pechora Sea.

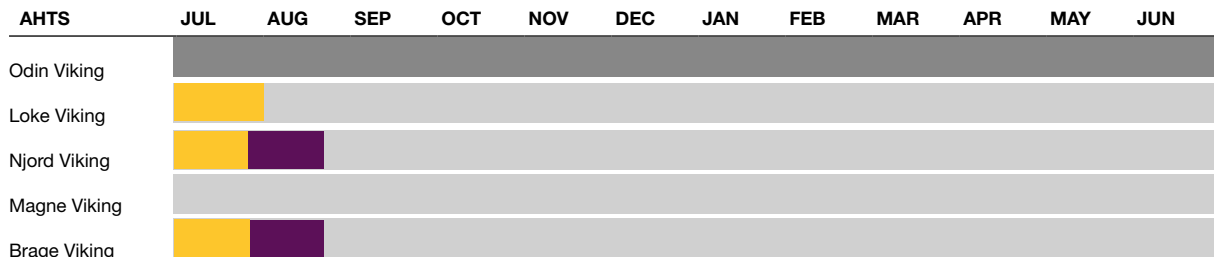
The activity in the North Sea spot market has improved during the quarter, and while utilization and fixture rates are not yet at a stable, satisfactory level, this has contributed to increased revenue for the Group.

AHTS Q2	Fixture rates (USD)	Utilization (%)
AHTS vessels on term charters	31,300 (45,200)	100 (100)
AHTS vessels on the spot market	38,300 (22,000)	51 (36)
Total AHTS fleet	32,300 (33,400)	72 (68)



Q2

■ Firm contract
 ■ Option
 ■ Spot
 ■ Layup



Figures in the tables are as of 30 June 2019.

SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 37 (38) in Q2. Total EBITDA was MSEK 1 (-3).

Viking Ice Consultancy (VIC) has during the second quarter continued the work on several smaller consultancy contracts, with focus on ice management and implementation of the Polar Code.

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

DISCONTINUED OPERATIONS

The previous segments TransAtlantic AB, PSV and the ordinary AHTS vessel Odin Viking have in this financial report been recognized as discontinued operations and assets held for sale, according to IFRS 5 Assets Held for Sale and Discontinued Operations (see note 4, Discontinued operation and assets held for sale).

FINANCIAL POSITION AND CAPITAL STRUCTURE

At the end of the quarter, the Group's equity amounted to MSEK 1,927. The equity decreased during the first half year by net MSEK 1,041 due to the dividend of MSEK 1,082, the loss for the period of MSEK 36 and a positive change in the translation reserve of MSEK 77 attributable to currency differences on net investments in subsidiaries. Further information can be found in section "Changes in the Group's shareholders' equity" on page 9.

Gross investments during the first six months amounted to MSEK 29 (0) which consisted of investments in vessels of MSEK 21 related to the upgrade of Loke Viking, capitalized docking expenses of 8 MSEK and investments in financial fixed assets of MSEK 22 consisting of blocked cash deposits.

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

The Group has, in accordance with the restructuring agreement with its creditors, repaid all of its bank debts which have resulted in the Group becoming debt-free. The total loan amortizations during the first half year amounted to MSEK 1,128 (39), including settlement of the financial lease debt related to Odin Viking of MSEK 245 (MUSD 26.1).

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

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

Viking Supply Ships AB is obliged to publish this report in accordance with the Swedish Securities Act and/





Q2

or the Swedish Financial Instruments Trading Act. This report has been prepared in both Swedish and English versions. In case of variations in the contents between the two versions, the Swedish version shall govern. This report was submitted for publication at 8:30 am (CET) on 14 August, 2019.

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

This interim report is unaudited.

Gothenburg, 14 August 2019

Viking Supply Ships AB

Bengt A. Rem
Chairman

Folke Patriksson
Deputy chairman

Erik Borgen
Board member

Håkan Larsson
Board member

Magnus Sonnorp
Board member

Trond Myklebust
CEO

Christer Lindgren
Employee representative

FINANCIAL CALENDAR 2019

7 November Q3 Interim report

INVESTOR RELATIONS

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

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



CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MSEK)	Note	Q2 2019	Q2 2018	Q1-2 2019	Q1-2 2018	Q1-4 2018
Net sales		111	92	189	176	300
Other operating revenue		0	0	0	0	2,485
Direct voyage cost		-12	-7	-20	-14	-27
Personnel costs		-72	-76	-152	-154	-279
Other costs		-21	-30	-33	-51	-97
Depreciation/impairment	2	-18	-32	-35	-63	-108
Operating result		-12	-53	-51	-106	2,274
Net financial items		-2	-27	23	-39	-110
Result before tax		-14	-80	-28	-145	2,164
Tax	8	0	0	0	0	-1
Result from continuing operations	3	-14	-80	-28	-145	2,163
Result from discontinued operations	4	-5	-188	-8	-208	-412
Result for the period		-19	-268	-36	-353	1,751
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):						
-Result from continuing operations		-1.4	-8.5	-3.0	-16.2	236.9
-Result from discontinued operations		-0.6	-20.2	-0.8	-23.4	-45.2
Total		-2.0	-28.7	-3.8	-39.6	191.7

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MSEK)	Note	Q1 2019	Q1 2018	Q1-2 2019	Q1-2 2018	Q1-4 2018
Result for the period		-19	-268	-36	-353	1,751
Other comprehensive income for the period:						
Items that will not be restored to the income statement						
Revaluation of net pension obligations		0	0	0	0	0
Items that later can be restored to the income statement						
Change in translation reserve, net		-6	85	77	88	125
Other comprehensive income		-6	85	77	88	125
Total comprehensive income for the period		-25	-183	41	-265	1,876

CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Note	Q2 2019	Q4 2018
Vessels	2	1,744	1,708
Other tangible fixed assets		0	0
Financial assets		14	122
Total fixed assets		1,758	1,830
Other current assets	6	269	2,310
Assets held for sale	4	45	94
Total current assets		314	2,404
TOTAL ASSETS	3	2,072	4,234
Shareholders' equity		1,927	2,968
Long-term liabilities	5	16	896
Other current liabilities	5	124	106
Liabilities related to assets held for sale	4	5	264
Total current liabilities		129	370
TOTAL EQUITY, PROVISIONS AND LIABILITIES		2,072	4,234

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	Q2 2019	Q2 2018	Q1-2 2019	Q1-2 2018	Q1-4 2018
Cash flow from operations before changes in working capital		10	4	-16	-27	-148
Changes in working capital		-94	25	55	-2	-110
Cash flow from current operations		-84	29	39	-29	-258
Cash flow from investing activities		128	0	107	0	3,224
Cash flow from financing activities		0	0	-1,967	81	-528
Changes in cash and cash equivalents from continuing operations		44	29	-1,821	52	2,438
Cash-flow from discontinued operations:						
Cash flow from current operations		-4	-1	-5	-10	-32
Cash flow from investing activities		0	0	0	0	94
Cash flow from financing activities		-242	0	-242	2	-428
Changes in cash and cash equivalents from discontinued operations	4	-246	-1	-247	-8	-366
Cash and cash equivalents at beginning of period		276	50	2,083	34	34
Exchange-rate difference in cash and cash equivalents		7	0	66	0	-23
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	81	78	81	78	2,083

CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

Shareholders' equity (MSEK)	Note	Q2 2019	Q2 2018	Q1-2 2019	Q1-2 2018	Q1-4 2018
Equity at beginning of period		1,952	1,011	2,968	971	971
New share issue, net after expenses		-	-	-	122	121
Dividend		-	-	-1,082	-	-
Total comprehensive income for the period		-25	-183	41	-265	1,876
SHAREHOLDERS' EQUITY AT END OF PERIOD		1,927	828	1,927	828	2,968

Share capital (MSEK)	Note	Q2 2019	Q2 2018	Q1-2 2019	Q1-2 2018	Q1-4 2018
Share capital at beginning of period		410	410	410	410	410
Reduction to unrestricted reserve		-	-	-	-307	-307
New share issue		-	-	-	131	131
Bonus issue		-	-	-	176	176
Share capital at end of period		410	410	410	410	410
Number of shares ('000)	Note	Q2 2019	Q2 2018	Q1-2 2019	Q1-2 2018	Q1-4 2018
Number of outstanding shares at beginning of period		9,327	9,327	9,327	409,593	409,593
Number of new shares issued		-	-	-	523,141	523,141
Reversed split		-	-	-	-923,407	-923,407
Total number of shares at end of period		9,327	9,327	9,327	9,327	9,327
Average number of shares outstanding		9,327	9,327	9,327	8,923	9,127

DATA PER SHARE

(SEK)	Note	Q2 2019	Q2 2018	Q1-2 2019	Q1-2 2018	Q1-4 2018
EBITDA ¹⁾		0.7	-2.3	-1.7	-4.8	260.9
Result after tax (EPS) ¹⁾		-1.4	-8.5	-3.0	-16.2	236.9
Equity ²⁾		206.6	88.8	206.6	88.8	318.2
Operating cash flow ²⁾		0.5	-5.0	0.7	-9.2	-23.4
Total cash flow ¹⁾		12.7	3.2	-188.1	5.1	267.1

1) Calculated on continuing operations

2) The calculation includes assets held for sale.

PARENT COMPANY

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

The Parent Company's result after tax for the first half year was MSEK 14 (-193). The financial net includes dividends from subsidiaries of MSEK 10, write-down of shares in subsidiaries of MSEK 5 and unrealized exchange gains of MSEK 9.

At the end of the period the Parent Company's equity was MSEK 1,719 (2,787 on Dec 31, 2018), and total assets were MSEK 2,817 (2,828 on Dec 31, 2018). The equity was during the first six months affected by the dividend of MSEK 1,082 and the profit for the period of MSEK 14.

The equity ratio was at the end of the period 61 % (99 on Dec 31, 2018). Cash and cash equivalents at the end of the period was MSEK 3 (0 on Dec 31, 2018).

PARENT COMPANY INCOME STATEMENT

(MSEK)	Note	Q2 2019	Q2 2018	Q1-2 2019	Q1-2 2018	Q1-4 2018
Net sales		2	2	7	4	8
Other costs		-2	-2	-7	-4	-9
Operating result		0	0	0	0	-1
Net financial items		9	-193	14	-193	1,662
Result before tax		9	-193	14	-193	1,661
Tax on result for the year		-	-	-	-	-
RESULT FOR THE PERIOD		9	-193	14	-193	1,661
<i>Other comprehensive income for the period:</i>						
Items that will not be restored to the income statement						
Revaluation of net pension obligations		0	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9	-193	14	-193	1,661

PARENT COMPANY BALANCE SHEET

(MSEK)	Note	Q2 2019	Q4 2018
Financial fixed assets		2,812	2,817
Current assets		5	11
TOTAL ASSETS		2,817	2,828
Shareholders' equity		1,719	2,787
Provisions		5	5
Long-term liabilities		10	10
Current liabilities		1,083	26
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		2,817	2,828

CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

(MSEK)	Note	Q2 2019	Q2 2018	Q1-2 2019	Q1-2 2018	Q1-4 2018
Equity at beginning of period		1,709	1,126	2,787	1,005	1,005
New share issue		-	-	-	121	121
Dividend		-	-	-1,082	-	-
Total comprehensive income for the period		9	-193	14	-193	1,661
SHAREHOLDERS' EQUITY AT END OF PERIOD		1,719	933	1,719	933	2,787

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. LIQUIDITY AND GOING CONCERN

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

The Group continues to operate in highly competitive markets, and the operation is exposed to various operational and financial risks. Viking Supply Ships maintains a positive long term outlook for the offshore industry and is of the opinion that there will be increasing activity in the arctic and subarctic regions during the next few years. Based on the result expectations, the Group's strong financial situation, the current risks and a continued belief in securing contracts within the core market segment, the Board of Directors and Management have concluded that both the company and the Group will be able to continue as going concern at least until 30 June 2020. This conclusion is based on Management's assessment of the current outlook for 2019/2020 and the uncertainties and risks described in this report.

2. TANGIBLE FIXED ASSETS

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

Impairment test

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

The operation is divided in two groups of vessel types, AHTS with ice-class and ordinary AHTS. The group of ice-classed vessels consists of Loke Viking, Njord Viking, Magne Viking and Brage Viking, which all hold high ice-class and extensive possibilities to operate in various conditions. These four sister vessels are similar and 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 actual fleet type. Based on this the Group has deemed it appropriate to consider the group of ice-classed AHTS vessels as a separate cash generating unit. As a result, impairment tests are performed on a portfolio level rather than per vessel. The other category, ordinary AHTS, consists of the anchor handler Odin Viking. This vessel with lower specification, which in its characteristics departs from the other four vessels in the AHTS segment, is less technical advanced which is a limitation in certain assignments and geographical areas.

The key assumptions used in the value in use calculation and in the assessment of owned vessels, for 2019 are as follows:

- The cash flows are based on current tonnage.
- Estimates of fixture rates, utilization and contract coverage as well as estimated residual values are based on Management's extensive experience and knowledge of the market.
- Operating expenses and dry dock costs are estimated based on Management's experience and knowledge of the market as well as plans and initiatives outlined in the operating budgets.
- The weighted average cost of capital (WACC) used to discount the forecasted cash flows was 9% (2018: 9%). The pre- and post-tax discount factor is the same due to tonnage taxation.

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

Impairment test vessels with ice-class in 2019

In Q2 2019 Management evaluated the AHTS fleet with ice-class and concluded that the vessels are not to be impaired. The value in use calculations prepared for the AHTS fleet amounts to MSEK 1,950, which exceeds the book value of MSEK 1,741. The impairment test also consists of an assessment of average external vessel

valuations, less cost to sell, from three independent shipbrokers showing a total fleet value of MSEK 1,697 (ranging from MSEK 1,576 to MSEK 1,799).

Impairment test Ordinary AHTS vessels in 2019

It was during the fourth quarter 2018 decided to sell Odin Viking. The vessel was, to enable an external sale, during the second quarter 2019 acquired by using the call option in the bareboat charter agreement. The acquisition has not affected the Group's book value of the vessel since it earlier was classified as a financial lease asset in the balance sheet according to IFRS 16 Leases. The decision implies, according to IFRS 5 Assets held for sale and discontinued operations, that the assets held for sale shall be measured at the lower of carrying amount and fair value less costs to sell. The external market value assessment conducted by three independent shipbrokers shows a market value, net after sales- and restart expenses, of MSEK 44 (in a range between MSEK 23 to MSEK 60). The book value of the ordinary AHTS vessel amounts to MSEK 44.

3. SEGMENT INFORMATION

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

-The segment AHTS with ice-class comprise 4 offshore vessels that are equipped for and have the capacity to operate in areas with harsh environment. All vessels are also equipped and classed to operate in Arctic areas.

-The segment Services provides ice management services and logistical support in the Arctic regions.

-The segment Ship Management is involved in commercial management of five icebreakers owned by the Swedish Maritime Administration.

For information about the previous segments TransAtlantic, PSV and the ordinary AHTS vessel (Odin Viking), which in this financial report are classified as discontinued operations and assets held for sale, see note 4.

Q2 MSEK	AHTS		Services		Ship Management		Continuing operations	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales	74	54	1	1	36	37	111	92
EBITDA	5	-18	0	0	1	-3	6	-21
Result before tax	-15	-77	0	0	1	-3	-14	-80
Total assets	1,970	4,099	1	1	56	40	2,027	4,140

Year to date MSEK	AHTS		Services		Ship Management		Continuing operations	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales	110	97	2	2	77	77	189	176
EBITDA	-14	-39	0	-1	-2	-3	-16	-43
Result before tax	-25	-141	0	-1	-3	-3	-28	-145
Total assets	1,970	4,099	1	1	56	40	2,027	4,140

There have been no significant transactions between the segments.

4. DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

Due to the decisions to discontinue the operations in the previous segments TransAtlantic, PSV and ordinary AHTS vessel (Odin Viking) the Group has recognized these segments as discontinued operations and assets held for sale, according to IFRS 5 Assets held for sale and discontinued operation, which means that these segments are reported as a one-line item in the consolidated profit and loss statements. Assets and liabilities related to the segments are also presented in two rows in the consolidated balance sheet. The consolidated cash flow statement is presented including the segments, but with additional information about cash-flow from current operation and investing- and financing activities of the discontinued segments. Comparative figures for prior periods are also presented in accordance with this classification in the consolidated profit and loss statement and cash-flow statement.

Discontinued operations are in accordance with IFRS 5 measured at the lower of carrying amount and fair value less costs to sell. The assessment of the valuations of the remaining vessels assets are supported by independent broker valuations and an overall assessment from ongoing sales processes, for further information see note 2.

Segment TransAtlantic

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

Segment PSV

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

Ordinary AHTS vessels

The market for ordinary AHTS vessels has for several years been very poor. Odin Viking has as a consequence been in lay-up during the last four years. A decision to sell the vessel was taken during the fourth quarter 2018. The decision implies that the vessel in accordance with IFRS 5 Assets held for sale and discontinued operations has to be measured at the lower of carrying amount and fair value less costs to sell (for further information see note 2). Odin Viking was a bareboat chartered vessel, for which the terms in the bareboat charter agreement was renegotiated as a part of the financial restructuring and consequently during 2018 reassessed to be a financial lease agreement in accordance with IFRS 16 Leases. The nominal minimum lease fee agreed was TUSD 10/day until expiry on 2 August 2024. The restructuring agreement included a call option, under which Viking Supply Ships could acquire Odin Viking for USD 1, against paying a termination compensation consisting of accrued and remaining charter-hire under the agreement. To enable an external sale of the vessel the call option in the bareboat agreement was used in mid June to acquire Odin Viking. The acquisition was carried out by way of settling accrued bareboat hires and early payment of the remaining future lease obligations, total MSEK 245 (MUSD 26.1). The vessel was owned by a subsidiary to Viking Supply Ships ABs majority shareholder Kistefos AS, see note 8.

CONSOLIDATED INCOME DISCONTINUED OPERATIONS

(MSEK)	Q2 2019				Q2 2018				Q1-Q2 2019				Q1-Q2 2018				Q1-Q4 2018			
	TA	PSV	Odin	Total	TA	PSV	Odin	Total	TA	PSV	Odin	Total	TA	PSV	Odin	Total	TA	PSV	Odin	Total
Net sales	-	-	0	0	9	0	0	9	-	-	0	0	17	0	0	17	30	0	0	30
Personnel costs	-	-	0	0	0	0	0	0	-	-	0	0	0	0	0	0	0	-1	-1	-2
Other costs	-	-	-1	-1	-10	-2	-8	-20	-	-	-2	-2	-18	-5	-17	-40	-32	-31	-26	-89
Depreciations / write-downs	-	-	-1	-1	0	-175	0	-175	-	-	-3	-3	0	-176	0	-176	0	-195	-147	-342
Operating result	-	-	-2	-2	-1	-177	-8	-186	-	-	-5	-5	-1	-181	-17	-199	-2	-227	-174	-403
Net financial items	-	-	-3	-3	2	-4	0	-2	-	-	-3	-3	1	-10	0	-9	6	-15	0	-9
Result before tax	-	-	-5	-5	1	-181	-8	-188	-	-	-8	-8	0	-191	-17	-208	4	-242	-174	-412
Tax	-	-	0	0	0	0	0	0	-	-	0	0	0	0	0	0	0	0	0	0
RESULT FROM DISCONTINUED OPERATIONS	-	-	-5	-5	1	-181	-8	-188	-	-	-8	-8	0	-191	-17	-208	4	-242	-174	-412
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution):																				
-Result from discontinued operations				-0.6				-20.2				-0.8				-23.4				-45.2

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

(MSEK)	Q2 2019				Q4 2018			
	TA	PSV	Odin	Total	TA	PSV	Odin	Total
Vessels	-	-	44	44	0	23	45	68
Intangible fixed assets	-	-	0	0	1	0	0	1
Financial assets	-	-	0	0	0	0	0	0
Total fixed assets	-	-	44	44	1	23	45	69
Current assets	-	-	1	1	1	23	1	25
ASSETS HELD FOR SALE	-	-	45	45	2	46	46	94
Long-term liabilities	-	-	0	0	0	0	152	152
Current liabilities	-	-	5	5	3	22	87	112
LIABILITIES RELATED TO ASSETS HELD FOR SALE	-	-	5	5	3	22	239	264

CASH-FLOW FROM DISCONTINUED OPERATIONS

(MSEK)	Q2 2019				Q2 2018				Q1-Q2 2019				Q1-Q2 2018				Q1-Q4 2018			
	TA	PSV	Odin	Total	TA	PSV	Odin	Total	TA	PSV	Odin	Total	TA	PSV	Odin	Total	TA	PSV	Odin	Total
Cash flow from current operations	-	-	-4	-4	0	0	-1	-1	-	-	-5	-5	2	-11	-1	-10	19	-11	-40	-32
Cash flow from investing activities	-	-	0	0	0	0	0	0	-	-	0	0	0	0	0	0	0	94	0	94
Cash flow from financing activities	-	-	-242	-242	0	0	0	0	-	-	-242	-242	2	0	0	2	0	-428	0	-428
NET CASH FLOW FROM DISCONTINUED OPERATIONS	-	-	-246	-246	0	0	-1	-1	-	-	-247	-247	4	-11	-1	-8	19	-345	-40	-366

5. INTEREST BEARING LIABILITIES

As a result of the sale of the ice-breakers, the financial position of the Group has significantly improved. On the basis of the changed situation the Group has, in accordance with the restructuring agreement entered into in January 2018 with its creditors, during H1 2019 repaid bank and leasing debts of total MSEK 1,128, which has resulted in the Group becoming free from bank debts.

The restructuring agreement implicated that sales proceeds up to MSEK 139 (MUSD 15) from the sale of the PSV-vessels had to be deposited on a blocked bank account. The proceeds from the sale of the five PSVs, total MSEK 134 (MUSD 14.5), was during the second quarter released and used settling the lease debts related to Odin Viking., also see note 6, Cash and cash equivalents.

5.1. Classification by type of debt

(MSEK)	Q2 2019	Q2 2018	Q4 2018
Long-term debt to credit institutions	-	1,928	885
Long-term financial lease debt	2	-	152
Short-term financial lease debt	1	-	81
TOTAL INTEREST BEARING LIABILITIES	3	1,928	1,118

6. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents available at the end of the quarter amounted to MSEK 81 (2,083 on Dec 31, 2018), including client funds, used in the external ship management operation, of MSEK 1 (23 on Dec 31, 2018). All blocked cash holdings has during H1 been released and used to repayment of interest-bearing debts and lease debts related to Odin Viking. For further information, see note 5, Interest bearing liabilities.

MSEK	Q2 20189	Q2 2018	Q4 2018
Blocked cash holdings	-	-	290
Free cash and cash equivalents	81	78	2,083
TOTAL	81	78	2,373

7. OPERATIONAL AND FINANCIAL RISK

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

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

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

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

8. OTHER INFORMATION

Company information

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

Corporate tax

The general situation for the Group is that taxes payable is limited to foreign entities. The tax losses carry forward for Swedish entities amounted at end of the quarter to MSEK 1,065 (1,071 on Dec 31, 2018). There are no tax assets capitalized in the balance sheet related to these tax losses carry forward. The main part of the activities within the group's subsidiaries outside of Sweden is tonnage taxed, which means that the taxable is calculated as a lump sum based on the net tonnage, instead of conventional taxation, which is based on the company result. The recognized deferred tax liability for the operations outside Sweden amounted to MSEK 0 (0 on Dec 31, 2018).

Transactions with closely related parties

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

Accounting policies

This interim report for the Group was prepared in accordance with the application of IAS 34 Interim Financial Reporting and applicable rules in the Swedish Annual Accounts Act and for the Parent Company, in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation

RFR 2 Accounting for Legal Entities. The accounting policies applied for the Group and the parent company correspond, unless otherwise stated below, with the accounting policies applied in the preparation of the latest annual report.

IFRS 16 Leases

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

The only significant lease agreement in the Group, which was terminated in June 2019, related to the AHTS vessel Odin Viking. This agreement was previously recognized as a financial leasing agreement in accordance with IAS 17, and has thus not resulted in any adjustment of the Group's opening balances as of January 1, 2019 due to the transition to IFRS 16. In addition to the aforementioned agreement, a few agreements, primarily leased vessel equipment, previously reported as operational leasing agreements, have been affected by the new standard. These agreements mean that right-of-use assets of MSEK 3 are reported among fixed assets, and leasing liabilities of MSEK 3 are reported among long- and short-term liabilities. In addition to these, additional small amount commitments and short-term agreements, including office premises and vessel equipment, are exempted in accordance with IFRS 16 5a and 5b.

Number of employees

The average number of full time employees in the Group for H1 was 299 (Jan-Dec 201: 321).

Number of shares

Share distribution on 30 June, 2019:

Number of Series A shares	455,055
Number of Series B shares, listed	8,872,284
Total number of shares	9,327,339

DEFINITIONS

AHTS

Anchor Handling Tug Supply vessel

EARNINGS PER SHARE

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

EBIT

Earnings before interest and taxes

EBITDA

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

EQUITY RATIO

Shareholders' equity divided by total assets

THE GROUP

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

IFRS

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

MARKET ADJUSTED EQUITY RATIO

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

OPERATING CASH FLOW

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

OPERATING COST

Operating cost consists of crew, technical and administration costs

OPERATING PROFIT/LOSS

Profit/loss before financial items and tax

OSV

Offshore Support Vessels

PROFIT MARGIN

Profit after financial items divided by net sales

PSV

Platform Supply Vessel

RETURN ON EQUITY

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

TOTAL CASH FLOW

Cash flow from operating activities, investing activities and financing activities



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