

# VIKING SUPPLY SHIPS A/S

INTERIM REPORT JANUARY - JUNE

# Q2

# 2015



VIKING SUPPLY SHIPS  
SHIPOWNERS

**MORE**  
THAN A SHIPOWNER

THE  
**COOLEST**  
PLACE TO WORK

ALWAYS AHEAD OF  
**COMPETITION**



Q2

**REVENUE**  
**MNOK 290 (365)**

H1: MNOK 560 (705)

Q2

## ARCTIC FOCUS

Q2

**EBITDA**  
**MNOK 91 (115)**

H1: MNOK 164 (190)

Q2

**NET RESULT**  
**MNOK 47 (38)**

H1: MNOK 12 (20)

Q2

**FIXTURE RATE AHTS**  
**NOK 463,500 (413,000)**

H1: MNOK 443,500 (402,100)

Q2

**CONTRACT BACKLOG**

 AHTS contract coverage 2015: **50%**, 2016: **47%**, 2017: **35%**  
 (Including firm periods and options)


Viking Supply Ships A/S (VSS A/S) conducts operations in the North Sea, Arctic and in the global offshore sector. The fleet comprises of 13 offshore vessels that are equipped for and have the capacity to operate in areas with harsh environment, further 7 of the Anchor Handling Tug Supply (AHTS) vessels are equipped to operate in Arctic areas. The AHTS fleet, combined with crew and ice management competence, is tailor-made to operate in ice conditions. There has been an increased contract activity in this niche. VSS A/S is committed to have a substantial part of the fleet on longer term contracts, and have a focus on increasing the contract backlog. For further information, please contact CEO, Christian W. Berg, ph: +45 41 77 83 80.

The interim financial statements have not been subject to audit or review.  
 Front picture: Brage Viking in the Bay of Bothnia



## SUMMARY OF EVENTS

SUMMARY OF EVENTS Q2	3
OPERATIONAL HIGHLIGHTS FOR Q2	4
FINANCIAL HIGHLIGHTS	4
FINANCING AND CAPITAL STRUCTURE	5
SUBSEQUENT EVENTS	5
CONTRACT BACKLOG	5
EMPLOYMENT OVERVIEW	6
OUTLOOK	7
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT	8
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	8
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	8
CONDENSED CONSOLIDATED BALANCE SHEET	9
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	9

**Total revenue for Q2 2015 was MNOK 290 (MNOK 365), of which vessel operations contribute with MNOK 261 (MNOK 262) and Services and Ship Management segments contribute with MNOK 29 (MNOK 103). The total EBITDA for Q2 was MNOK 91 (MNOK 115). The operating result (EBIT) for Q2 was MNOK 43 (MNOK 69). The net result for Q2 was MNOK 47 (MNOK 38).**

The average fixture rate for the AHTS fleet in Q2 was NOK 463,500 (NOK 413,000) and GBP 2,650 (GBP 10,360) for the Platform Supply Vessels (PSV) fleet. The average utilization for the AHTS fleet for Q2 was 75% (72%) and 22% (82%) for the PSV fleet.

VSS A/S has been awarded a management contract to operate the Swedish Maritime Administration (SMA) ice-breaker fleet for a period of seven years. The contract is a continuation of a current management contract which commenced in 2000.

As communicated in the Q1 2015 financial report, VSS A/S announced to close down the Aberdeen office with

effect from July 2015. By the end of Q2 all activities related to the PSV fleet has been moved to Copenhagen and Kristiansand. The Aberdeen office has been closed.

VSS A/S has entered into a new contract with an oil and gas company for Vidar Viking. The vessel is now firm until August 2016, with options to extend the vessel until February 2017.

At Rederi AB Transatlantic's (RABT) Annual General Meeting it was resolved, in accordance with the proposal of the Board of Directors, to amend the Articles of Association resulting in the change of name from Rederi AB Transatlantic to Viking Supply Ships AB (VSS AB). The Board of VSS AB has decided to appoint Christian W. Berg as CEO of VSS AB with immediate effect, Mr. Berg will also continue as CEO of VSS A/S.

In June MNOK 145 was declared in dividend to VSS AB.



## OPERATIONAL HIGHLIGHTS

### ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

During Q2, four vessels have been operating in the North Sea spot market, while four vessels have been operating on term contracts. During the quarter, Tor Viking completed a charter with ENL in Sakhalin and commenced a seasonal contract with Shell US in Alaska. The vessel is expected to return to the North Sea at the end of 2015.

Extension of current contracts is part of the strategy to focus on long term contracts within core markets. Despite a challenging offshore market, VSS A/S maintains its focus and ambition to increase the term coverage going forward.

The activity in the North Sea remained relatively stable compared to the previous quarter. The spot market improved somewhat through the quarter, but with a few exemptions, fixture rates remained weak. The AHTS segment contributed with a positive EBITDA in Q2.

Q2 2015	FIXTURE RATE (NOK)	UTILIZATION (%)
AHTS vessels on term charters	557,100 (447,300)	100 (100)
AHTS vessels in spot market	283,700 (355,100)	51 (49)
Total AHTS fleet	463,500 (413,000)	75 (72)

### PLATFORM SUPPLY VESSELS (PSV)

During Q2, all five vessels were trading in the North Sea spot market. Despite increased number of vessels being laid-up, the market has not improved. Both rates and utilization have been weak for the quarter. The PSV segment contributed with a negative EBITDA in Q2.

The market for PSVs has weakened globally and as a result the market for term contracts is challenging. VSS A/S has a clear ambition to increase the term coverage going forward.

Q2 2015	FIXTURE RATE (GBP)	UTILIZATION (%)
PSV vessels on term charters	N/A (11,220)	N/A (100)
PSV vessels in spot market	2,650 (8,600)	22 (59)
Total PSV fleet	2,650 (10,360)	22 (82)

### SERVICES AND SHIP MANAGEMENT

Viking Ice Consultancy (VIC) is seeking opportunities for consulting work. Despite reduced Exploration & Production budgets from many oil operators, VIC has identified several potential clients for future consultancy projects within Ice management and marine operations. VIC is currently pursuing these opportunities with an ambition to secure work for the coming seasons.

The announced contract with SMA is considered to be strategically important for VSS A/S, and further confirms the company's position as one of the world's leading operators of icebreakers and offshore vessels designed for Arctic and harsh environments.

## FINANCIAL HIGHLIGHTS

### RESULTS FOR Q2 2015

Total revenue was MNOK 290 (MNOK 365) for Q2. The total operating costs were MNOK 199 (MNOK 250) and EBITDA was MNOK 91 (MNOK 115). The operating result (EBIT) was MNOK 43 (MNOK 69).

Net financials were MNOK 5 (negative MNOK 31). Financial costs include unrealized currency gain of MNOK 26 (MNOK 3) and realized value adjustment on interest rate swaps of MNOK 1 (negative MNOK 4).

The net result for Q2 was MNOK 47 (MNOK 38).

## RESULTS FOR YEAR-TO-DATE 2015

Total revenue was MNOK 560 (MNOK 705) for year-to-date 2015. The total operating costs were MNOK 396 (MNOK 514) and EBITDA was MNOK 164 (MNOK 190). The operating result (EBIT) was MNOK 68 (MNOK 96).

Net financials were negative MNOK 55 (negative MNOK 72). Financial costs include unrealized currency loss of MNOK 11 (loss of MNOK 7) and realized value adjustment on interest rate swaps of MNOK 2 (negative MNOK 4).

The net result for year-to-date 2015 was MNOK 12 (MNOK 20).

## FINANCING AND CAPITAL STRUCTURE

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

VSS A/S book equity amounted to MNOK 1,900 (MNOK 1,751) as of 30th June 2015 and was impacted by the result for the first half of 2015 of MNOK 12 (MNOK 20), currency translation effects of MNOK 9 (MNOK 12) and declared dividend of MNOK 145 (MNOK 0). The value adjusted equity ratio was 47% (45%).

## SUBSEQUENT EVENTS

In July VSS A/S extended the contract with Eni Norge for the charter of Njord Viking. The vessel is now firm until December 2016. The charterer has the option to extend the charter period with 2x6 months. The initial firm period lasted until July 2015. The total value of the extended firm contract period is about MNOK 150, or MNOK 255 when including the optional periods.

## CONTRACT BACKLOG

	2015	2016	2017
Total contract backlog (MNOK)	2,016	1,644	805
AHTS contract backlog (MNOK)	2,016	1,644	805
PSV contract backlog (MNOK)	-	-	-
Total contract coverage (%)	31	29	22
AHTS contract coverage (%)	50	47	35
PSV contract coverage (%)	-	-	-

Figures in the table are basis 30th June 2015 and include firm period and options (corrected for the extension of Njord Viking).



Q2

## EMPLOYMENT OVERVIEW

■ Firm contract   
 ■ Option   
 ■ Spot

AHTS	JUL '15	AUG '15	SEP '15	OCT '15	NOV '15	DEC '15	JAN '16	FEB '16	MAR '16	APR '16	MAY '16	JUN '16
Tor Viking	1					1				2		
Balder Viking												
Vidar Viking	3											
Odin Viking												
Loke Viking												
Njord Viking	4											
Magne Viking												
Brage Viking	5											

1. Oil major, firm drilling season + 8 weekly options + options for drilling season 2016/2017

2. Oil major, options for seasons 2016/2017

3. Oil major, firm till 1st August 2016 + 1 x 6 months options

4. Oil major, firm till 31st December 2016 + 2 x 6 months options

PSV	JUL '15	AUG '15	SEP '15	OCT '15	NOV '15	DEC '15	JAN '16	FEB '16	MAR '16	APR '16	MAY '16	JUN '16
Frigg Viking												
Idun Viking												
Nanna Viking												
Freyja Viking												
Sol Viking												

Figures are basis 30th June 2015 (corrected for the extension of Njord Viking).



## OUTLOOK

VSS A/S expects the offshore market in general to remain challenging during 2016 and into 2017. Especially the PSV segment is characterized by oversupply, and fleet reduction is required to regain a healthy market balance. The rig activity in the North Sea is assumed to decrease through the remainder of 2015, which is expected to cause weak market conditions for both the AHTS and PSV spot fleet.

Viking Supply Ships A/S has secured several contracts during the first half of 2015 within the company's core markets. VSS A/S has also identified further contract opportunities going forward, and the focus remains to increase the contract coverage.

Copenhagen, 7th August 2015

**Board of Directors:**

Christen Sveaas  
Chairman

Folke Patriksson  
Vice chairman

Bengt A. Rem

Håkan Larsson

Magnus Sonnorp

**Managing Director:**

Christian W. Berg



## CONSOLIDATED INCOME STATEMENT

(MNOK)	Note	Q2 2015	H1 2015	Q2 2014	H1 2014	FY 2014
<b>Total Revenue</b>		<b>289.8</b>	<b>559.8</b>	<b>365.3</b>	<b>704.6</b>	<b>1,741.5</b>
Direct voyage costs		-12.6	-24.8	-11.6	-29.9	-48.5
Operating costs		-186.1	-371.4	-238.4	-484.3	-974.8
<b>Total operating costs</b>		<b>-198.7</b>	<b>-396.2</b>	<b>-250.0</b>	<b>-514.2</b>	<b>-1,023.3</b>
<b>Operating profit before depr (EBITDA)</b>		<b>91.1</b>	<b>163.6</b>	<b>115.3</b>	<b>190.4</b>	<b>718.2</b>
Net gain on sale of fixed assets		-	-	-	-	0.9
Depreciation	1	-48.2	-95.5	-46.0	-94.3	-194.7
<b>Operating profit (EBIT)</b>		<b>42.9</b>	<b>68.1</b>	<b>69.3</b>	<b>96.1</b>	<b>524.4</b>
Financial income		1.0	2.1	0.2	0.5	2.8
Financial costs		3.7	-57.5	-30.7	-72.5	-220.0
<b>Net financials</b>		<b>4.7</b>	<b>-55.4</b>	<b>-30.5</b>	<b>-72.0</b>	<b>-217.2</b>
<b>Pre-tax result</b>		<b>47.6</b>	<b>12.7</b>	<b>38.8</b>	<b>24.1</b>	<b>307.2</b>
Taxes		-0.5	-1.1	-0.6	-4.4	-15.3
<b>Result for the period</b>	2	<b>47.1</b>	<b>11.6</b>	<b>38.2</b>	<b>19.7</b>	<b>291.8</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MNOK)	Q2 2015	H1 2015	Q2 2014	H1 2014	FY 2014
<b>Result for the period</b>	<b>47.1</b>	<b>11.6</b>	<b>38.2</b>	<b>19.7</b>	<b>291.8</b>
Translation effect foreign operations	5.8	8.5	15.0	12.3	13.4
Other comprehensive income net of tax	5.8	8.5	15.0	12.3	13.4
<b>Total comprehensive income for the period</b>	<b>52.9</b>	<b>20.1</b>	<b>53.2</b>	<b>32.0</b>	<b>305.2</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(MNOK)	Q2 2015	H1 2015	Q2 2014	H1 2014	FY 2014
Cash flow from operating activities	39.7	168.2	116.5	138.0	539.0
Cash flow from investing activities	-17.8	-21.9	-153.7	-163.4	-333.4
Cash flow from financing activities	-114.0	-301.9	82.6	47.2	-126.9
<b>Net changes in cash and cash equivalents</b>	<b>-92.1</b>	<b>-155.6</b>	<b>45.4</b>	<b>21.8</b>	<b>78.7</b>
Cash and cash equivalents at the start of period	253.4	316.9	214.7	238.2	238.2
<b>Cash and cash equivalents at the end of the period</b>	<b>161.3</b>	<b>161.3</b>	<b>260.0</b>	<b>260.0</b>	<b>316.9</b>



# CONDENSED CONSOLIDATED BALANCE SHEET

(MNOK)	Note	H1 2015	H1 2014	FY 2014
<b>ASSETS</b>				
Vessels and equipment		3,875.8	3,762.7	3,887.5
Tangible fixed assets	1,2	3,875.8	3,762.7	3,887.5
Financial fixed assets	4	177.3	31.8	75.7
<b>Total fixed assets</b>		<b>4,053.1</b>	<b>3,794.5</b>	<b>3,963.2</b>
Inventories		19.6	13.2	21.7
Accounts receivables		192.9	170.7	305.8
Other current receivables		60.0	139.5	90.6
Cash and cash equivalents	4	161.3	260.0	316.9
<b>Total current assets</b>		<b>433.8</b>	<b>583.4</b>	<b>735.0</b>
<b>Total assets</b>		<b>4,486.9</b>	<b>4,377.9</b>	<b>4,698.2</b>

(MNOK)	Note	H1 2015	H1 2014	FY 2014
<b>EQUITY AND LIABILITIES</b>				
Share capital		0.5	0.5	0.5
Retained earnings and reserves		1,899.1	1,750.7	2,024.0
<b>Total equity</b>		<b>1,899.6</b>	<b>1,751.2</b>	<b>2,024.5</b>
Long-term bond loan	3	192.8	304.4	191.9
Long-term debt to credit institutions	3	1,857.3	1,726.8	1,932.7
Other non-current liabilities		18.5	28.5	28.6
<b>Non-current liabilities</b>		<b>2,068.6</b>	<b>2,059.7</b>	<b>2,153.2</b>
Short-term bond loan	3	-	99.6	-
Short-term debt to credit institutions	3	274.4	200.5	268.7
Accounts payable		50.6	65.6	154.0
Other current liabilities	3	193.7	201.3	97.8
<b>Current liabilities</b>		<b>518.7</b>	<b>567.0</b>	<b>520.5</b>
<b>Total liabilities</b>		<b>2,587.3</b>	<b>2,626.7</b>	<b>2,673.7</b>
<b>Total equity and liabilities</b>		<b>4,486.9</b>	<b>4,377.9</b>	<b>4,698.2</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. DEPRECIATION

Tangible fixed assets are recognized at cost or after deductions for accumulated depreciation according to plan and possible impairment. Straight-line amortization according to plan is based on the following useful lives:

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

No impairment or reversal of previous impairments have been undertaken as of 30th June 2015.



## 2. SEGMENT INFORMATION

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

(MNOK)	Q2 AHTS	Q2 PSV	Q2 Services	Q2 Ship Mgmt.
<b>Total Revenue</b>	<b>257.0</b>	<b>4.2</b>	<b>-0.6</b>	<b>29.2</b>
Direct voyage costs	-9.9	-2.7	-	-
Operating costs	-115.1	-40.9	-0.9	-29.2
<b>Total operating costs</b>	<b>-125.0</b>	<b>-43.6</b>	<b>-0.9</b>	<b>-29.2</b>
<b>Operating profit before depr. (EBITDA)</b>	<b>132.0</b>	<b>-39.4</b>	<b>-1.5</b>	<b>-</b>
Net gain on sale of fixed assets	-	-	-	-
Depreciation	-34.8	-13.4	-	-
<b>Operating profit (EBIT)</b>	<b>97.2</b>	<b>-52.8</b>	<b>-1.5</b>	<b>-</b>
Financial income	0.9	0.1	-	-
Financial costs	10.4	-6.5	-0.2	-
<b>Net financials</b>	<b>11.3</b>	<b>-6.4</b>	<b>-0.2</b>	<b>-</b>
<b>Pre-tax result</b>	<b>108.5</b>	<b>-59.2</b>	<b>-1.7</b>	<b>-</b>
Taxes	-0.5	-	-	-
<b>Result for the period</b>	<b>108.0</b>	<b>-59.2</b>	<b>-1.7</b>	<b>-</b>

(MNOK)	H1 AHTS	H1 PSV	H1 Services	H1 Ship Mgmt.
<b>Total Revenue</b>	<b>473.5</b>	<b>12.7</b>	<b>6.4</b>	<b>67.2</b>
Direct voyage costs	-19.5	-5.3	-	-
Operating costs	-226.6	-71.1	-6.5	-67.2
<b>Total operating costs</b>	<b>-246.1</b>	<b>-76.4</b>	<b>-6.5</b>	<b>-67.2</b>
<b>Operating profit before depr. (EBITDA)</b>	<b>227.4</b>	<b>-63.7</b>	<b>-0.1</b>	<b>-</b>
Depreciation	-69.8	-25.7	-	-
<b>Operating profit (EBIT)</b>	<b>157.6</b>	<b>-89.4</b>	<b>-0.1</b>	<b>-</b>
Financial income	2.0	0.1	-	-
Financial costs	-42.5	-14.3	-0.7	-
<b>Net financials</b>	<b>-40.5</b>	<b>-14.2</b>	<b>-0.7</b>	<b>-</b>
<b>Pre-tax result</b>	<b>117.1</b>	<b>-103.6</b>	<b>-0.8</b>	<b>-</b>
Taxes	-1.1	-	-	-
<b>Result for the period</b>	<b>116.0</b>	<b>-103.6</b>	<b>-0.8</b>	<b>-</b>

*There are no significant revenue transactions between the segments.*

## 3. INTEREST BEARING LIABILITIES

The vessels owned by VSS A/S are primarily financed through bank loans with pledge in the vessels. Further securities have been given in the form of pledge in revenue and insurance policies. The interest-bearing debt in VSS A/S per Q2 2015 is MNOK 2,325 (MNOK 2,331).

The interest bearing liabilities are associated with financial covenants, according to which VSS A/S must fulfil certain key ratios. At the balance date all covenants were in compliance.

Further, the interest bearing liabilities are also associated with loan clauses, such as contract coverage clauses and loan-to-value clauses, according to which VSS A/S must fulfil certain levels of contract coverage and loan-to-value, pursuant to the individual loan agreements. If these levels are not met, then VSS A/S must deposit additional security, according to the terms in the relevant loan agreements.

Any such amount in deposit will vary up and down and the variation is dependent upon currency exchange rates, amortizations under the loan and vessel valuations.

If the levels of contract coverage and loan-to-value, pursuant to the terms in the individual loan agreements, yet again are met then the obligation of providing additional security will cease. At the balance date VSS A/S had provided the lenders with a total of MUSD 12.6 in additional security.

After the balance date, VSS A/S entered into dialog with lenders regarding the loan-to-value clauses in the loan agreement for two of the AHTS vessels and the loan agreement for the PSV-fleet, respectively. Based on the current situation determining the net adjustment of required additional security, the lenders have accepted to release MUSD 3.3 of the deposited additional security. Hence, at reporting date a net total of MUSD 9.3 is deposited as additional security.

In March 2012 VSS A/S issued a 5 year senior unsecured bond loan in the Norwegian capital market, with maturity in March 2017, totaling MNOK 300. The bond agreement has a limit of MNOK 750. The net proceeds from the bond shall be employed for investments, capital expenditures related to fleet expansion and general corporate purposes. The bond was listed on Nordic ABM in Oslo on 28th June, 2012. In March 2013 an additional MNOK 85 was drawn in a tap issue. As at balance date VSS A/S is holding nominal MNOK 189 of this bond, consequently MNOK 196 is outstanding.

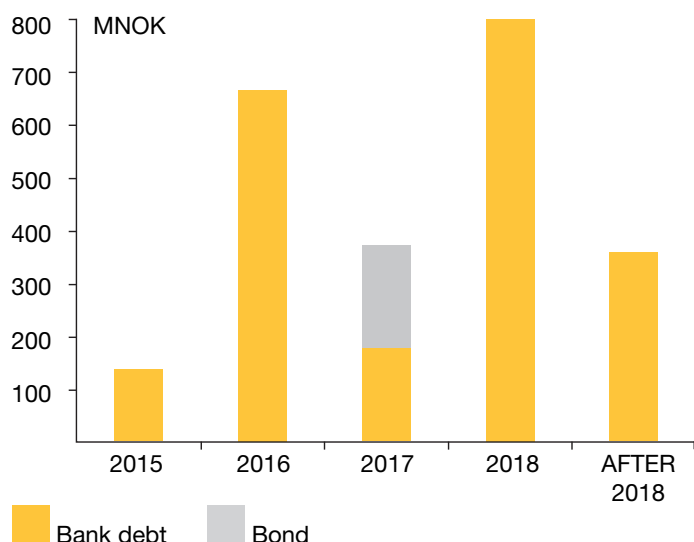
VSS A/S has 41% (26%) of its interest bearing debt in USD and 20% (15%) in GBP. The remaining loans are denominated in NOK. VSS A/S has 10% (11%) of the total loan portfolio swapped into fixed interest rate.

As communicated in the 2014 Group Annual Report, VSS A/S received a loan of MNOK 73 from VSS AB in relation to the MNOK 145 dividend. The loan is given on an arm's length basis. The loan is part of Other current liabilities in the Balance Sheet.

### 3.1. CLASSIFICATION BY TYPE OF DEBT

(MNOK)	H1 2015	H1 2014	FY 2014
Long-term bond loan	192.8	304.4	191.9
Short-term bond loan	-	99.6	-
Long-term debt to credit institutions	1,875.3	1,726.8	1,932.7
Short-term debt to credit institutions	274.4	200.5	268.7
<b>Total interest bearing liabilities</b>	<b>2,324.5</b>	<b>2,331.3</b>	<b>2,393.3</b>

### 3.2. DEBT MATURITY



#### 4. CASH AND CASH EQUIVALENTS

(MNOK)	H1 2015	H1 2014	FY 2014
Restricted cash *	99.7	-	-
Free cash and cash equivalents	161.3	260.0	316.9
<b>Cash and cash equivalents</b>	<b>261.0</b>	<b>260.0</b>	<b>316.9</b>

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

#### 5. OPERATIONAL AND FINANCIAL RISK

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

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

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

Part of the VSS A/S' cash flow is generated in currencies other than NOK which is VSS A/S' functional currency. This means that currency fluctuations have an impact on VSS A/S' earnings and cash flows. The foreign exchange risk is primarily reduced by matching the exposure to revenues in various currencies with costs in the corresponding currency. In the same manner, assets in a certain currency are primarily matched with liabilities in the same currency.

#### 6. BASIS OF PREPARATION

These condensed interim financial statements for the three months ended 30 June 2015 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies implemented are consistent with those of the Group Annual Report for the year ended December 2014. The condensed interim financial statements should be read in conjunction with the Group Annual Report for the year ended 31 December 2014, which have been prepared in accordance with IFRS, as adopted by the European Union.





**QUARTERLY**