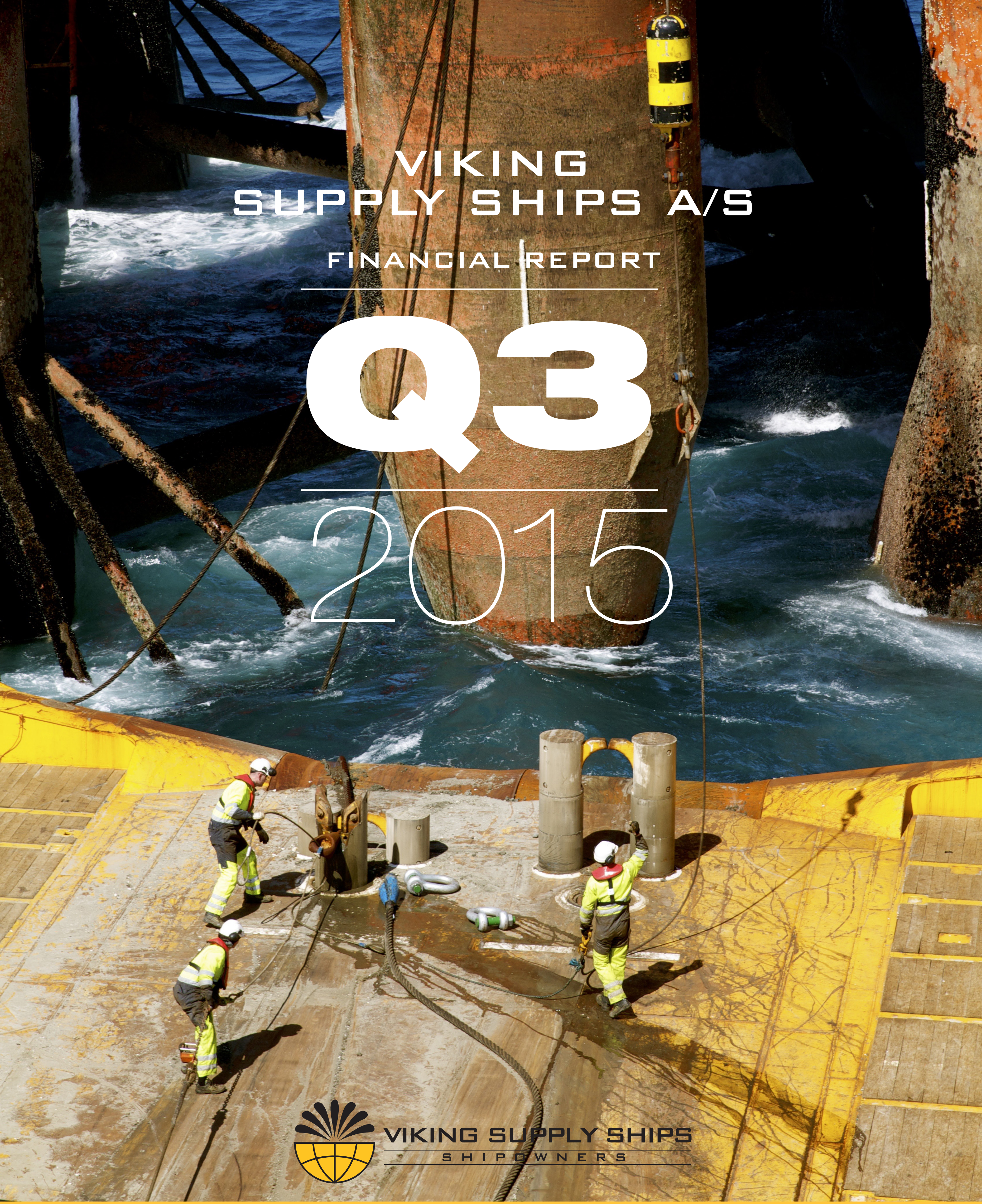
VIKING SUPPLY SHIPS A/S

FINANCIAL REPORT

Q3 2015



VIKING SUPPLY SHIPS
SHIPOWNERS

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Q3

Q3

REVENUE
MNOK 226 (561)

YTD: MNOK 786 (1,266)

ARCTIC FOCUS

Q3

EBITDA
MNOK 49 (271)

YTD: MNOK 212 (461)

Q3

NET RESULT
MNOK -252 (159)

YTD: MNOK -241 (179)

Q3

FIXTURE RATE AHTS
NOK 407,100 (522,000)

YTD: MNOK 433,600 (451,000)

Q3

CONTRACT BACKLOG
AHTS contract coverage 2015: **50%**, 2016: **38%**, 2017: **26%**
(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 has a focus on increasing the contract backlog.

For further information, please contact CEO, Christian W. Berg, ph: +45 41 77 83 80 or Investor Relations & Treasury Director, Morten G. Aggvin, ph: +47 41 04 71 25.

The interim financial statements have not been subject to audit.
Front picture: Anchor handling on Brage Viking, photo: Daniel Möllerstöm.

CONTENT

Q3

SUMMARY OF EVENTS

During the quarter, Brage Viking was upgraded to Ice-Class 1A-Super in Singapore and is now back on-hire in Sakhalin. The upgrade was conducted below budget costs and within the estimated time frame.

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.

Shell US has announced that the company will not continue the exploration program offshore Alaska within the foreseeable future due to the current market conditions. This means that Shell US will not declare the optional period for Tor Viking for the 2016 drilling season. VSS A/S has consequently removed the potential income from the contract backlog. The Shell US decision will not impact the 2015 results.

The market conditions have been challenging during the quarter, characterized with abundant supply and decreasing demand. Consequently, VSS A/S decided to lay up the PSV vessels Idun, Frigg and Nanna Viking. The decision will reduce VSS A/S' operational costs going forward and will have a positive impact on the results from the fourth quarter of 2015, with full effect expected from the first quarter of 2016. The remaining two PSV vessels are operating in the North Sea spot market.

As a response to the continued weak market conditions, VSS A/S has initiated a Market Adaption Program (MAP), with the ambition to reduce yearly operational costs with up to MNOK 70. MAP comes as an addition to already implemented yearly cost reductions of MNOK 45.

Total revenue for Q3 2015 was MNOK 226 (561), of which vessel operations contribute with MNOK 204 (414) and Services and Ship Management segments contribute with MNOK 22 (147). The EBITDA for Q3 was MNOK 49 (271).

The operating result (EBIT) for Q3 was MNOK -187 (223). The net result for Q3 was MNOK -252 (159). The result for Q3 was negatively impacted by an impairment loss on the PSV fleet of MNOK 187 and off-hire related to the upgrade of Brage Viking of MNOK 19. Further, the result for Q3 was impacted by unrealized currency loss of MNOK -36 (-24).

The average fixture rate in Q3 was NOK 407,000 (522,000) for the AHTS fleet and GBP 3,660 (13,700) for the PSV fleet. The average utilization in Q3 was 63% (95) for the AHTS fleet and 39% (69) for the PSV fleet.

Ulrik Hegelund was appointed Chief Financial Officer in Viking Supply Ships A/S as well as Viking Supply Ships AB with effect as of 1st September 2015.

Q3

OPERATIONAL HIGHLIGHTS

ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

During Q3, four vessels have been operating in the North Sea spot market, while four vessels have been operating on term contracts. During Q3, Brage Viking completed the planned upgrade to Ice Class 1A-Super and is now back on-hire in Sakhalin.

Tor Viking is currently on-hire to Shell US. Shell US recently announced that the company will not continue the exploration program offshore Alaska within the foreseeable future. As a consequence Tor Viking will be available for the 2016 drilling season.

The North Sea spot market was weak during the quarter, as activity did not meet the supply of vessels. Additional rigs have come off contracts since the summer period which is reducing the activity in the region.

Q3 2015	FIXTURE RATE (NOK)	UTILIZATION (%)
AHTS vessels on term charters	519,400 (514,000)	90 (100)
AHTS vessels on spot market	140,600 (615,000)	34 (60)
Total AHTS fleet	407,100 (522,000)	63 (95)

PLATFORM SUPPLY VESSELS (PSV)

During most of Q3, all five vessels were trading in the North Sea spot market, but in the latter part of the quarter, Idun, Frigg and Nanna Viking were laid up. The lay-up will reduce VSS A/S' operational costs going forward and will have a positive impact on the results from the fourth quarter of 2015, with full effect expected from the first quarter of 2016.

Despite an increasing number of vessels being laid up the market has failed to improve. Lay-up of vessels is therefore assumed to be necessary to reduce operational costs and improve the market balance. VSS A/S is actively pursuing contract opportunities for the two remaining PSV vessels. Should these not materialize, lay-up will be considered for the remaining two vessels as well.

Q3 2015	FIXTURE RATE (GBP)	UTILIZATION (%)
PSV vessels on term charters	- (14,400)	- (100)
PSV vessels on spot market	3,660 (13,100)	39 (55)
Total PSV fleet	3,660 (13,700)	39 (69)

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.

VIC is also working together with VSS A/S to prepare for the IMO Polar Code.

FINANCIAL HIGHLIGHTS

RESULTS FOR Q3 2015

Total revenue was MNOK 226 (561) for Q3. The total operating costs were MNOK -178 (-291) and EBITDA was MNOK 49 (271). The operating result (EBIT) was MNOK -187 (223).

Net financials were MNOK -64 (-58). Financial costs include unrealized currency loss of MNOK -36 (-24) and realized value adjustment on interest rate swap of MNOK -4 (-4).

The net result for Q3 was MNOK -252 (159). The result for Q3 was negatively impacted by an impairment loss on the PSV fleet of MNOK -187.

Q3

RESULTS FOR YEAR-TO-DATE 2015
Total revenue was MNOK 786 (1,266) for year-to-date 2015. The total operating costs were MNOK -574 (-805) and EBITDA was MNOK 212 (461). The operating result (EBIT) was MNOK -119 (319).

Net financials were MNOK -120 (-130). Financial costs include unrealized currency loss of MNOK -47 (-31) and realized value adjustment on interest rate swap of MNOK -1 (-8).

The net result for year-to-date 2015 was MNOK -241 (179). The result for year-to-date was negatively impacted by an impairment loss in Q3 on the PSV fleet of MNOK -187.

EQUITY

VSS A/S book equity amounted to MNOK 1,647 as of 30th September 2015 (MNOK 2,025 on 31st December 2014). The equity declined during the nine months period by MNOK 378, impacted by dividends of MNOK -145, the result for the period of MNOK -241 and currency translation effects of MNOK 8. The value adjusted equity ratio was 46% (48).

SUBSEQUENT EVENTS

As a consequence of the weak market conditions for conventional AHTS vessels, VSS A/S has, after the end of the quarter, decided to lay-up Odin Viking. VSS A/S will commence negotiations with the employees with the ambition to minimize lay-offs.

VSS A/S is after the end of the quarter, according to contract coverage clauses and loan-to-value clauses, requested to deposit additional security (see note 5, Operational and financial risk).

CONTRACT BACKLOG

CURRENT OVERVIEW

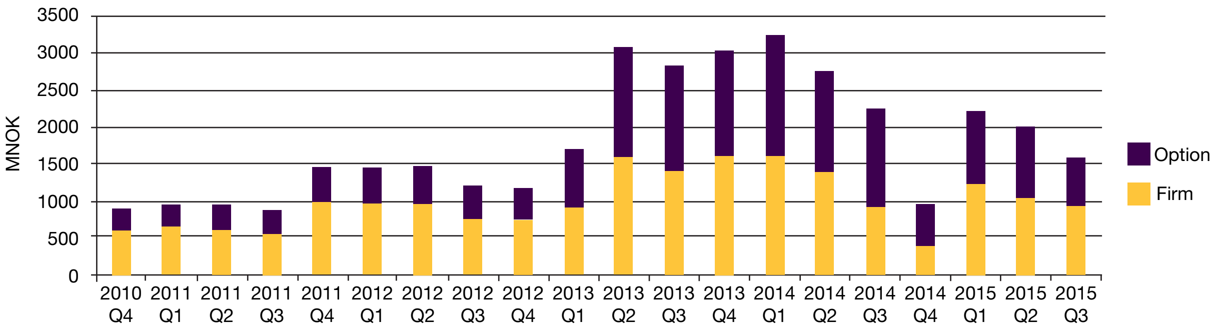
AHTS	Q4 2015	2016	2017	AFTER 2017
Firm contract backlog (MNOK)	178	547	205	0
Optional contract backlog (MNOK)	39	156	149	311
Total contract backlog (MNOK)	218	702	354	311
Firm contract coverage	42%	32%	12%	N/A
Optional contract coverage	8%	5%	14%	N/A
Total contract coverage	50%	38%	26%	N/A

PSV	Q4 2015	2016	2017	AFTER 2017
Firm contract backlog (MNOK)	0	0	0	0
Optional contract backlog (MNOK)	0	0	0	0
Total contract backlog (MNOK)	0	0	0	0
Firm contract coverage	0%	0%	0%	0%
Optional contract coverage	0%	0%	0%	0%
Total contract coverage	0%	0%	0%	0%

Figures in the tables are as of 30th September 2015.

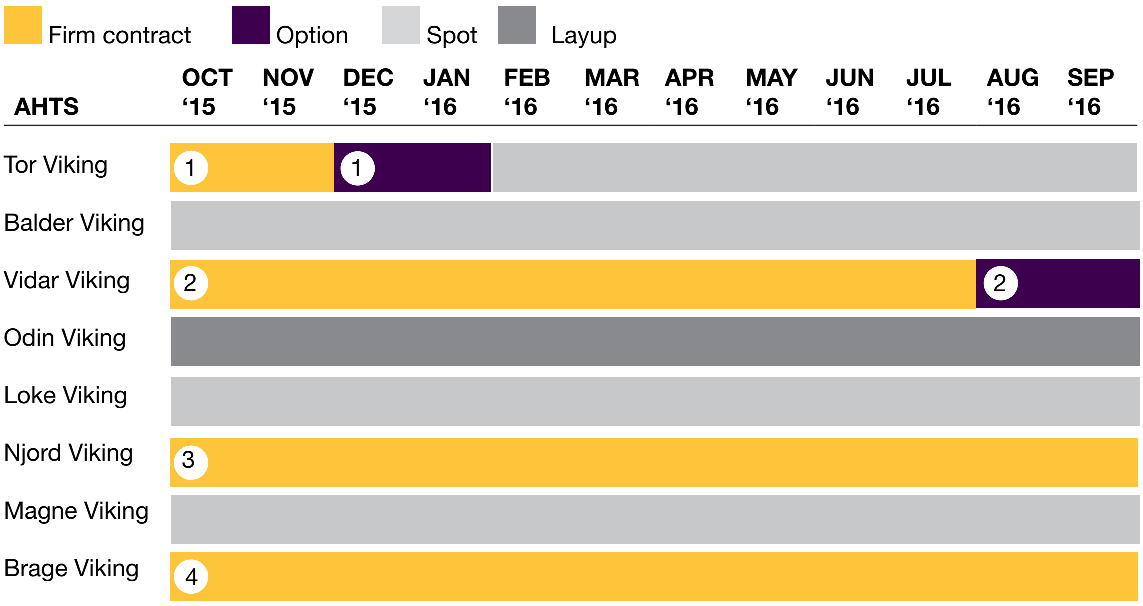
Q3

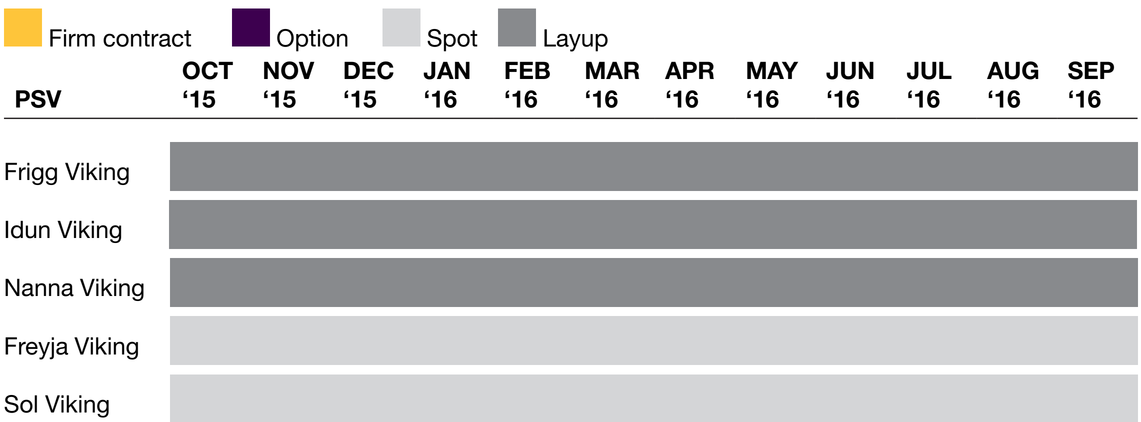
HISTORIC DEVELOPMENT



Figures in the table are as of 30th September 2015.

EMPLOYMENT OVERVIEW





Figures in the tables are as of 30th September 2015 adjusted for Odin Viking in layup.

OUTLOOK

The OSV market in general is expected to remain challenging for a prolonged period. Despite a significant number of vessels being in lay-up, the market has failed to rebalance and especially the PSV market is characterized by over-supply. The rig activity has been reduced over the last year, and we expect this trend to continue for the next couple of years.

Within VSS A/S' core market, i.e. offshore services to harsh environment exploration and production, the reduced oil price and oil companies' constrained capital expenditure budgets are a threat towards next years' activity. Despite this, VSS A/S, with it's unique specialized competence and specifically designed vessels for operations in these areas, is well positioned to pursue contract opportunities and has a clear ambition to increase the contract coverage going forward.

Copenhagen, 12th November 2015

Board of Directors:

Christen Sveaas Chairman	Folke Patriksson Vice chairman	Bengt A. Rem
Håkan Larsson	Magnus Sonnorp	

Managing Director:

Christian W. Berg

Q3

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MNOK)	Note	Q3 2015	YTD 2015	Q3 2014	YTD 2014	FY 2014
Total Revenue		**226.3**	**786.1**	**561.0**	**1,265.6**	**1,741.5**
Direct voyage costs		-10.3	-35.1	-6.5	-36.4	-48.5
Operating costs		-167.4	-538.8	-284.0	-768.3	-974.8
Total operating costs		**-177.7**	**-573.9**	**-290.5**	**-804.7**	**-1,023.3**
Operating profit before depreciation (EBITDA)		**48.6**	**212.2**	**270.5**	**460.9**	**718.2**
Net gain on sale of fixed assets		-	-	0.9	0.9	0.9
Depreciation	1	-49.0	-144.5	-48.9	-143.2	-194.7
Impairment	1	-186.5	-186.5	-	-	-
Operating profit (EBIT)		**-186.9**	**-118.8**	**222.5**	**318.6**	**524.4**
Financial income		0.9	3.0	0.2	0.7	2.8
Financial costs		-65.1	-122.6	-57.7	-130.2	-220.0
Net financials		**-64.2**	**-119.6**	**-57.5**	**-129.6**	**-217.2**
Pre-tax result		**-251.1**	**-238.4**	**165.0**	**189.1**	**307.2**
Taxes		-1.0	-2.1	-5.9	-10.3	-15.3
Result for the period	2	**-252.1**	**-240.5**	**159.1**	**178.8**	**291.8**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MNOK)	Q3 2015	YTD 2015	Q3 2014	YTD 2014	FY 2014
Result for the period	**-252.1**	**-240.5**	**159.1**	**178.8**	**291.8**
Translation effect foreign operations	-0.2	8.3	-5.4	6.9	13.4
Other comprehensive income net of tax	-0.2	8.3	-5.4	6.9	13.4
Total comprehensive income for the period	**-252.3**	**-232.2**	**153.7**	**185.7**	**305.2**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(MNOK)	Q3 2015	YTD 2015	Q3 2014	YTD 2014	FY 2014
Cash flow from operating activities	21.4	189.6	111.3	249.3	539.0
Cash flow from investing activities	-12.6	-34.5	7.8	-155.6	-333.4
Cash flow from financing activities	-34.7	-336.6	-106.4	-59.2	-126.9
Net changes in cash and cash equivalents	**-25.9**	**-181.5**	**12.7**	**34.5**	**78.7**
Cash and cash equivalents at the start of period	161.3	316.9	260.0	238.2	238.2
Cash and cash equivalents at the end of the period	**135.4**	**135.4**	**272.7**	**272.7**	**316.9**

CONDENSED CONSOLIDATED BALANCE SHEET

(MNOK)	Note	Q3 2015	Q3 2014	FY 2014
ASSETS				
Vessels and equipment		3,691.1	3,712.2	3,887.5
Tangible fixed assets	1,2	**3,691.1**	**3,712.2**	**3,887.5**
Financial fixed assets	4	**155.7**	**33.6**	**75.7**
Total fixed assets		**3,846.8**	**3,745.8**	**3,963.2**
Inventories		17.6	14.9	21.7
Accounts receivables		154.7	251.9	305.8
Other current receivables		63.2	133.9	90.6
Cash and cash equivalents	4	135.4	272.7	316.9
Total current assets		**370.9**	**673.4**	**735.0**
Total assets		**4,217.7**	**4,419.2**	**4 698.2**

(MNOK)	Note	Q3 2015	Q3 2014	FY 2014
EQUITY AND LIABILITIES				
Share capital		0.5	0.5	0.5
Retained earnings and reserves		1,646.8	1,904.4	2,024.0
Total equity		**1,647.3**	**1,904.9**	**2,024.5**
Long-term bond loan	3	193.3	238.7	191.9
Long-term debt to credit institutions	3	1,439.4	1,776.7	1,932.7
Other non-current liabilities		20.3	25.9	28.6
Non-current liabilities		**1,652.9**	**2,041.3**	**2,153.2**
Short-term bond loan	3	-	-	-
Short-term debt to credit institutions	3	717.1	250.9	268.7
Accounts payable		47.7	91.3	154.0
Other current liabilities	3	152.7	130.8	97.8
Current liabilities		**917.5**	**473.0**	**520.5**
Total liabilities		**2,570.4**	**2,514.3**	**2,673.7**
Total equity and liabilities		**4,217.7**	**4,419.2**	**4,698.2**

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

Management has for Q3 2015 evaluated the values of the PSV segment and concluded that the PSV vessels are impaired resulting in an impairment loss of MNOK 187. The impairment is based on vessel valuations from internationally acknowledged shipbrokers and a calculated value in use based on discounted cash flows using a weighted average cost of capital (WACC) of 9%. Based on key assumptions related to fixture rates, utilisation, contract coverage, cost levels and currency exchange levels as well as an estimated residual value at the end of the forecasted period, VSS A/S has made discounted cash flows covering a period of 14 years. The impairment test is sensitive to changes in the underlying assumptions, which are uncertain due to the current challenging market conditions.

The external vessel valuations for the AHTS segment shows market values in excess of the carrying amount.

2. SEGMENT INFORMATION

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

(MNOK)	Q3 AHTS	Q3 PSV	Q3 Services	Q3 Ship Mgmt.
Total Revenue	**195.3**	**8.4**	**-7.4**	**30.0**
Direct voyage costs	-8.1	-2.2	-	-
Operating costs	-111.6	-31.3	5.5	-30.0
Total operating costs	**-119.7**	**-33.5**	**5.5**	**-30.0**
Operating profit before depreciation (EBITDA)	**75.6**	**-25.1**	**-1.9**	**-**
Depreciation	-35.2	-13.8	-	-
Impairment	-	-186.5	-	-
Operating profit (EBIT)	**40.4**	**-225.4**	**-1.9**	**-**
Financial income	0.9	-0.0	-	-
Financial costs	-53.8	-11.4	0.1	-
Net financials	**-52.9**	**-11.4**	**0.1**	**-**
Pre-tax result	**-12.5**	**-236.8**	**-1.8**	**-**
Taxes	-1.0	-	-	-
Result for the period	**-13.5**	**-236.8**	**-1.8**	**-**

(MNOK)	YTD AHTS	YTD PSV	YTD Services	YTD Ship Mgmt.
Total Revenue	**668.8**	**21.1**	**-1.0**	**97.2**
Direct voyage costs	-27.6	-7.5	-	-
Operating costs	-338.2	-102.4	-1.0	-97.2
Total operating costs	**-365.8**	**-109.9**	**-1.0**	**-97.2**
Operating profit before depreciation (EBITDA)	**303.0**	**-88.8**	**-2.0**	**-**
Depreciation	-105.0	-39.5	-	-
Impairment	**-**	**-186.5**	**-**	**-**
Operating profit (EBIT)	198.0	-314.8	-2.0	-
Financial income	2.9	0.1	-	-
Financial costs	-96.3	-25.7	-0.6	-
Net financials	**-93.4**	**-25.6**	**-0.6**	**-**
Pre-tax result	**104.6**	**-340.4**	**-2.6**	**-**
Taxes	-2.1	-	-	-
Result for the period	**102.5**	**-340.4**	**-2.6**	**-**

(MNOK)	Q3 AHTS	Q3 PSV	Q3 Services	Q3 Ship Mgmt.
Total tangible fixed assets	2,937.1	754.0	-	-
Total interest bearing debt	1,874.0	475.7	-	-

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 Q3 2015 is MNOK 2,350 (2,266).

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 or 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 9.3 in additional security.

At the reporting date, VSS A/S, due to the challenging OSV market, is in dialogue with its lenders regarding these loan clauses (see note 5, Operational and financial risk).

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.

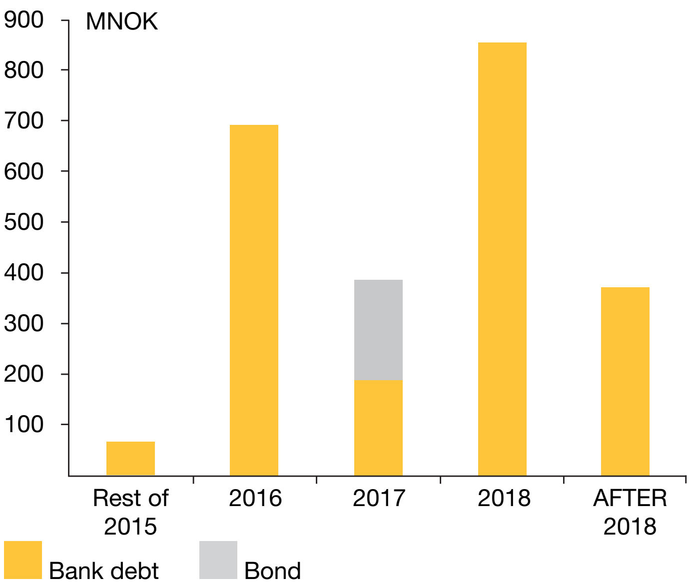
VSS A/S has 42% (39) of its interest bearing debt in USD and 20% (15) in GBP. The remaining loans are denominated in NOK. VSS A/S has 10% (11) of the total loan portfolio swapped into fixed interest rate.

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)	Q3 2015	Q3 2014	FY 2014
Long-term bond loan	193.3	238.7	191.9
Short-term bond loan	-	-	-
Long-term debt to credit institutions	1,439.4	1,776.7	1,932.7
Short-term debt to credit institutions	717.1	250.9	268.7
Total interest bearing liabilities	**2,349.7**	**2,266.3**	**2,393.3**

3.2. DEBT MATURITY



4. CASH AND CASH EQUIVALENTS

(MNOK)	Q3 2015	Q3 2014	FY 2014
Restricted cash *	78.8	-	-
Free cash and cash equivalents	135.4	272.7	316.9
Cash and cash equivalents	**214.2**	**272.7**	**316.9**

** 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' liquidity is due to the challenging OSV market strained and there is a risk that VSS A/S will not be able to fulfill covenant undertakings in loan agreements. Accordingly, VSS A/S has defined and initiated tangible measures to strengthen the profitability and liquidity in order to assure compliance with covenant requirements in loan agreements going forward. VSS A/S is after the end of the quarter, according to contract coverage clauses and loan-to-value clauses, requested to deposit additional security. VSS A/S has asked its lenders to waive such requests and VSS A/S is in dialogue with its lenders in order to secure a long-term stable financing situation.

The recent refinancing of loans that have been completed within VSS A/S has for the main part of the loan portfolio ensured a long term financing structure. A part of VSS A/S' loan portfolio falls due within the next 12 months and is subject to refinancing.

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. COMPANY INFORMATION

VSS 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 (previously RABT).

7. BASIS OF PREPARATION

These condensed interim financial statements for the nine months ending 30th September 2015 have been prepared in accordance with the accounting principles as described in the VSS A/S Annual report for 2014.


QUARTERLY
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