Viking Supply Ships A/S
Financial Report
Q4 2013

Registration no. 33 36 97 94

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Viking Supply Ships (VSS) conducts operations in the North Sea, Arctic and in the global offshore sector. The fleet comprises of 14 offshore vessels that are equipped for and have the capacity to operate in areas with harsh environment, further 7 of the 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 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: Balder Viking performing seismic support near Greenland in 2013.

SUMMARY OF EVENTS

Total revenue for Q4 2013 was MNOK 259 (MNOK 207), with EBITDA of MNOK 74 (MNOK 35).

Total revenue for the full year 2013 was MNOK 1,007 (MNOK 898), with EBITDA of MNOK 299 (MNOK 196).

The operating result (EBIT) for Q4 was negative MNOK 55 (MNOK 23) and positive MNOK 44 (MNOK 6) for the full year. The operating result was impacted by impairment loss of MNOK 80 related to the PSV fleet primarily caused by currency fluctuations.

The average fixture rate for the AHTS fleet for the full year 2013 was NOK 324,000 (NOK 307,000) and GBP 11,000 (GBP 11,200) for the PSV fleet. The average utilization for the AHTS fleet for the full year 2013 was 73 % (65 %) and 76 % (75 %) for the PSV fleet.

During the quarter VSS opened an office in St. John’s, Newfoundland, Canada which will strengthen the strategic position in the Canadian market.

In December VSS was awarded a contract for consulting services with an entity owned by major oil companies. The contract includes general advice, logistical support and equipment supply for offshore work in harsh environments.

OPERATIONAL HIGHLIGHTS FOR Q4

Anchor Handling Tug Supply Vessels (AHTS)

The North Sea spot market has been volatile through the fourth quarter. During the first part of the quarter the market was weak, but with a positive development towards the end of the quarter.

During the fourth quarter three vessels were on term charters, while five traded the North Sea spot market. The vessels on term charters obtained an average fixture rate of NOK 395,000 (NOK 382,000). The vessels in the spot market obtained an average fixture rate of NOK 267,000 (NOK 260,000) and a utilization of 63 % (37 %). For the fourth quarter the entire AHTS fleet obtained an average fixture rate of NOK 330,000 (NOK 336,000) and a utilization of 77 % (60 %). For the full year 2013 the AHTS fleet obtained an average fixture rate of NOK 324,000 (NOK 307,000) and a utilization of 73 % (65 %).

Magne Viking returned from its charter with Chevron Canada at the end of the fourth quarter, and is now trading the North Sea spot market.

Platform Supply Vessels (PSV)

Several newbuilds have entered the market during the fourth quarter, at the same time as vessels have returned to the spot market due to low project activity during the winter season. Combined with seasonal low activity in the North Sea this has caused the PSV market to soften through the fourth quarter.

Three vessels were on term contracts in the fourth quarter, while three vessels were operating in the North Sea spot market. The vessels on term contracts obtained an average fixture rate of GBP 10,600 (GBP 11,700). The vessels in the spot market obtained an average fixture rate of GBP 7,300 (GBP 7,200) and a utilization of 45 % (39 %). For the fourth quarter the entire PSV fleet obtained an average fixture rate of GBP 9,400 (GBP 10,900) and a utilization of 65 % (69 %). For the full year the PSV fleet obtained an average fixture rate of GBP 11,000 (GBP 11,200) and a utilization of 76 % (75 %).

FINANCIAL HIGHLIGHTS

Results for Q4 2013

Total revenue for Q4 2013 was MNOK 259 (MNOK 207). The total operating costs were MNOK 184 (MNOK 173) and EBITDA was MNOK 74 (MNOK 35). The operating result (EBIT) was negative MNOK 55 (MNOK 23). The operating result was impacted by impairment loss of MNOK 80 related to the PSV fleet primarily caused by the depreciated NOK versus GBP during 2013.

Net financials were negative MNOK 19 (negative MNOK 29). Financial costs include unrealized currency gain of MNOK 17 (gain of MNOK 14), value adjustment on interest rate swaps of negative MNOK 3 (negative MNOK 9) and value adjustment on foreign exchange contracts of MNOK 0 (negative MNOK 1).

The result for the quarter was negative MNOK 76 (negative MNOK 6), mainly due to the impairment loss related to currency fluctuations.

Results full year 2013

Total revenue year to date 2013 was MNOK 1,007 (MNOK 898). The total operating costs were MNOK 708 (MNOK 701) and EBITDA was MNOK 299 (MNOK 196). The operating result (EBIT) was MNOK 44 (MNOK 6). The operating result was impacted by impairment loss of MNOK 80 related to the PSV fleet primarily caused by the depreciated NOK versus GBP during 2013.

Net financials were negative MNOK 103 (negative MNOK 163). Financial costs include unrealized currency gain of MNOK 34 (gain of MNOK 24), value adjustment on interest rate swaps of negative MNOK 4 (negative MNOK 19) and value adjustment on foreign exchange contracts of MNOK 0 (negative MNOK 28).

The result for the year was negative MNOK 52 (negative MNOK 157), mainly due to the impairment loss related to currency fluctuations.

FINANCING AND CAPITAL STRUCTURE

VSS is a 100 % owned subsidiary of Rederi AB Transatlantic (RABT). RABT is a limited liability company registered in Sweden, with its domicile in Gothenburg, and corporate registration number 556161-0113. RABT is listed on the Small Cap list of the NASDAQ OMX Nordic Exchange in Stockholm.

VSS book equity amounted to MNOK 1,719 (MNOK 1,723) as at 31 December, 2013 and was impacted by the result for the period of negative MNOK 52 (negative MNOK 157), currency translation effects of MNOK 48 (negative MNOK 59) and group contributions of MNOK 0 (MNOK 381). The value adjusted equity ratio was 46 % (45 %).

SUBSEQUENT EVENTS

After the quarter end VSS refinanced the secured bank loan financing Magne Viking and Brage Viking, by signing a new secured bank loan agreement of MNOK 630 maturing in 2018. The refinancing generated free liquidity of MNOK 57.

VSS is evaluating a possible sale of the PSV fleet with an aim to maximize values, independently of the impairment loss related to currency fluctuations.

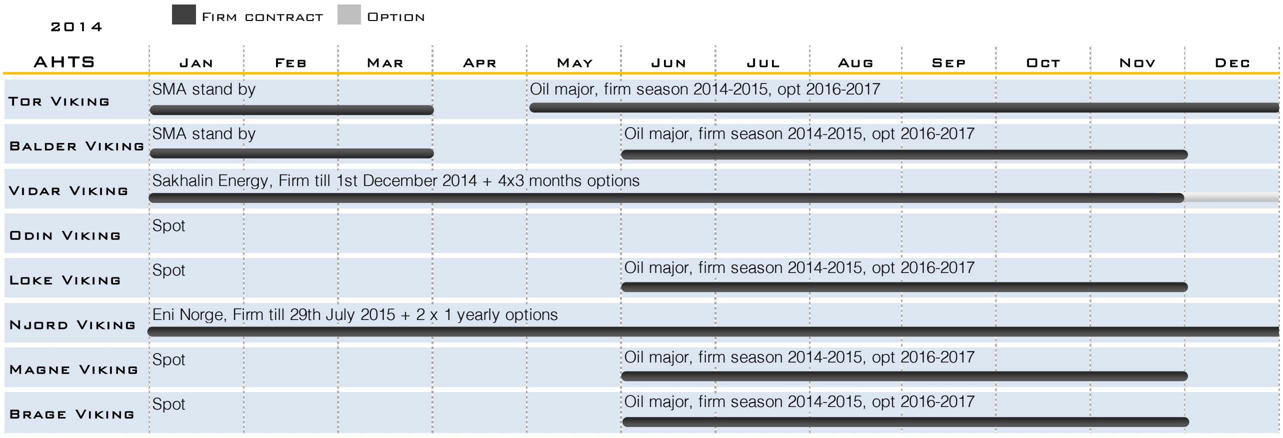
As a result of having entered into the long term contract with an oil major for four of our AHTS vessels, VSS has limited tonnage available in the North Sea for the peak drilling seasons for the next years. Consequently, VSS has entered into a principle agreement with certain subjects, for a 5 year bareboat agreement for two large, high specification AHTS newbuild vessels to be delivered mid-2014 and mid-2015 respectively.

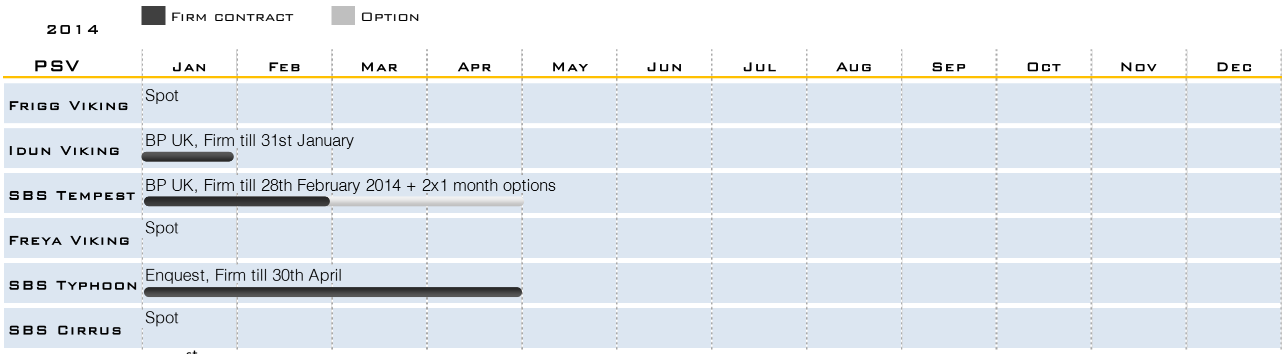
CONTRACT BACKLOG

	2014	2015	2016
Total contract backlog (MNOK)	3,046.4	1,971.3	1,121.8
AHTS contract backlog (MNOK)	3,014.5	1,971.3	1,121.8
PSV contract backlog (MNOK)	31.9	0.0	0.0
Total contract coverage (%)	42%	34%	26%
AHTS contract coverage (%)	63%	59%	45%
PSV contract coverage (%)	14%	0%	0%

Table is basis 31st December 2013.
Contracts include options.

EMPLOYMENT OVERVIEW





Tables are basis 31st December 2013.

OUTLOOK

For the AHTS segment, the North Sea winter season will be dependent on weather conditions. Activity is expected to be seasonal weak, but tight periods will most likely occur due to weather causing delays in the scheduled activity. Due to improved market fundamentals and a limited order book we expect the market to tighten in the second quarter.

For the PSV segment, we expect the market to remain volatile during the winter season. With a limited delivery of newbuilds and several new rigs scheduled to commence contracts in the North Sea during first half of 2014 the market is expected to improve in the second quarter.

Copenhagen, 27 February, 2014

Board of Directors:

Christen Sveaas
Chairman

Anders Folke Patriksson
Vice chairman

Henning Eskild Jensen

Lars Håkan Larsson

Per Magnus Sonnorp

Managing Director:

Christian W. Berg

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MNOK)	Note	Q4 2013	FY 2013	Q4 2012	FY 2012
Total Revenue	2	**258.6**	**1,006.9**	**207.4**	**897.6**
Direct voyage costs		-11.6	-43.6	-11.8	-69.9
Operating costs *		-172.6	-663.9	-160.9	-631.4
Total operating costs		**-184.2**	**-707.5**	**-172.6**	**-701.3**
Operating profit before depreciation (EBITDA)	2	**74.4**	**299.4**	**34.8**	**196.3**
Net gain on sale of fixed assets		-	-	-13.6	-13.6
Depreciation	1	-48.9	-175.6	1.5	-177.2
Impairment	6	-80.0	-80.0	-	-
Operating profit (EBIT)		**-54.5**	**43.8**	**22.8**	**5.5**
Financial income		1.4	2.8	0.7	0.9
Financial costs		-20.6	-105.6	-29.8	-163.5
Net financials		**-19.2**	**-102.8**	**-29.1**	**-162.7**
Pre-tax result		**-73.7**	**-59.0**	**-6.3**	**-157.2**
Taxes **		-2.6	7.4	-	-
Result for the period		**-76.3**	**-51.6**	**-6.3**	**-157.2**

* Operating costs in 2013 include bareboat charter of Odin Viking.

** Tax of positive MNOK 7 for FY 2013, mainly due to reversal of accrual for Norwegian tax. The accrual was made prior to move to tonnage tax system and is now redundant.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MNOK)	Q4 2013	FY 2013	Q4 2012	FY 2012
Result for the period	**-76.3**	**-51.6**	**-6.3**	**-157.2**
Translation effect foreign operations	11.8	48.0	-34.4	-58.6
Other comprehensive income net of tax	**11.8**	**48.0**	**-34.4**	**-58.6**
Total comprehensive income for the period	**-64.5**	**-3.6**	**-40.7**	**-215.8**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(MNOK)	Q4 2013	FY 2013	Q4 2012	FY 2012
Cash flow from operating activities	85.3	125.5	-3.9	40.5
Cash flow from investing activities	-15.7	-54.9	291.7	277.3
Cash flow from financing activities	-45.9	-29.6	-253.8	-231.5
Net changes in cash and cash equivalents	**23.7**	**41.0**	**33.9**	**86.3**
Cash and cash equivalents at the start of period	214.5	197.1	163.1	114.8
Exchange gains/loss on cash and cash equivalents	-	-	-	-3.9
Cash and cash equivalents at the end of the period	**238.2**	**238.2**	**197.1**	**197.1**

CONDENSED CONSOLIDATED BALANCE SHEET

(MNOK)	Note	FY 2013	FY 2012
ASSETS			
Vessels and equipment		3,669.8	3,773.8
Tangible fixed assets	1,2,6	**3,669.8**	**3,773.8**
Financial fixed assets	4	**68.8**	**91.3**
Total fixed assets		**3,738.6**	**3,865.1**
Inventories		24.2	12.1
Accounts receivables		118.7	111.8
Other current receivables		83.8	51.2
Cash and cash equivalents	4	238.2	197.1
Total current assets		**464.9**	**372.2**
Total assets		**4,203.5**	**4,237.3**

(MNOK)	Note	FY 2013	FY 2012
EQUITY AND LIABILITIES			
Total equity		**1,719.2**	**1,722.9**
Deferred taxes		-	11.7
Long-term bond loan	3	359.9	295.6
Long-term debt to credit institutions	3	1,647.4	1,807.4
Other non-current liabilities		33.1	58.4
Non-current liabilities		**2,040.4**	**2,173.0**
Short-term bond loan	3	98.8	-
Short-term debt to credit institutions	3	189.6	187.1
Accounts payable		38.4	27.9
Other current liabilities		117.1	126.4
Current liabilities		**443.9**	**341.4**
Total liabilities		**2,484.3**	**2,514.4**
Total equity and liabilities		**4,203.5**	**4,237.3**

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

In 2012 management assessed the residual value based on peer group analysis and sales history and a residual value of 30% of cost price was implemented. The 2012 impact was a reduction in depreciation of 63 MNOK for the total fleet. The reduction was implemented in Q4 2012.

2. Segment information

The segment information is presented in accordance with the internal reporting structure and includes two segments – AHTS and PSV.

(MNOK)	Q4 2013	FY 2013	Q4 2012	FY 2012
Revenue (external revenue)				
AHTS *	222.8	836.3	168.5	724.1
PSV	35.8	170.6	38.9	173.6
Total revenue	**258.6**	**1,006.9**	**207.4**	**897.6**
EBITDA				
AHTS	74.9	277.5	31.0	170.1
PSV	-0.5	21.9	3.8	26.2
Total EBITDA	**74.4**	**299.4**	**34.8**	**196.3**
EBIT				
AHTS	36.7	132.3	19.2	5.3
PSV	-11.2	-8.5	3.6	0.2
Total EBIT	**25.5**	**123.8**	**22.8**	**5.5**

* VSS performs external ship management assignments for 5 icebreakers owned by the Swedish Maritime Administration. External ship management is not considered a segment of its own. Revenues and costs for the AHTS include MNOK 33 (MNOK 29) for Q1, MNOK 29 (MNOK 24) for Q2, MNOK 20 (MNOK 23) for Q3 and MNOK 25 (MNOK 23) for Q4 related to ship management. The Ship management agreement with SMA is EBITDA and EBIT neutral.

Tangible fixed assets are distributed as follows:

(MNOK)	FY 2013	FY 2012
AHTS	3,102.4	3,209.7
PSV	567.4	564.2
Total tangible fixed assets	**3,669.8**	**3,773.8**

There are no significant revenue transactions between the segments.

3. Interest bearing liabilities

The vessels owned by VSS 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 per Q4 2013 is MNOK 2,296 (MNOK 2,290).

In connection with on-going refinancing of two secured bank loans maturing in December 2014 the maturity date has been extended to 2015 on unchanged terms. As described under subsequent events, refinancing of one of these loans was completed after the end of the quarter, by signing a new secured bank loan agreement of MNOK 630 maturing in 2018.

Parts of the interest bearing liabilities are associated with loan covenants, according to which VSS must fulfill certain key data. VSS has secured waivers from the appropriate banks for the fourth quarter of 2013 in conjunction with the RABT group, as a guarantor, failing to fulfil one of its covenants in the loan agreements, hence at the balance date all covenants were in compliance.

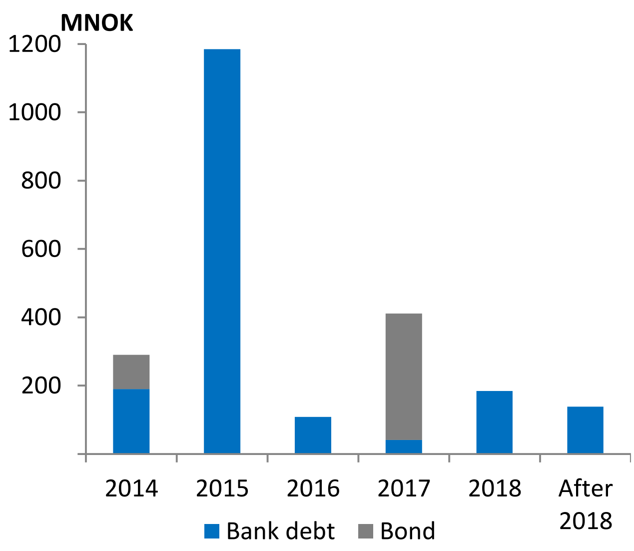
In March 2012 VSS issued a 5 year senior unsecured bond loan in the Norwegian capital market, with maturity in March 2017, totaling MNOK 300. The bond agreement has a limit of MNOK 750. The net proceeds from the bond shall be employed for investments, capital expenditures related to fleet expansion and general corporate purposes. The bond was listed on Nordic ABM in Oslo on 28 June, 2012. In March 2013 an additional MNOK 85 was drawn in a tap issue. In June 2013 VSS issued a 15 month senior unsecured bond loan in the Norwegian capital market, with maturity in September 2014, totaling MNOK 100. The bond was listed on Nordic ABM in Oslo on 25 June, 2013.

VSS has 11 % (11 %) of its interest bearing debt in USD. The remaining loans are denominated in NOK. VSS has swapped 33 % (40 %) of the total loan portfolio into fixed interest rate.

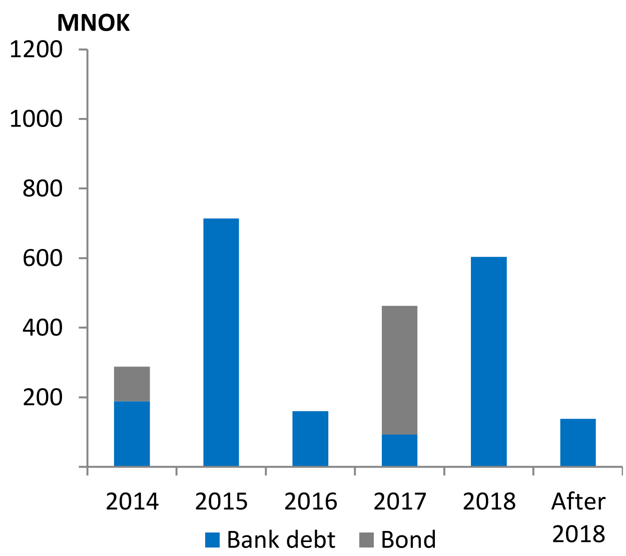
3.1. Classification by type of debt

(MNOK)	FY 2013	FY 2012
Long-term bond loan	359.9	295.6
Short-term bond loan	98.8	-
Long-term debt to credit institutions	1,647.4	1,807.4
Short-term debt to credit institutions	189.6	187.1
Total interest bearing liabilities	**2,295.7**	**2,290.0**

3.2. Debt maturity



Figures are basis 31st December 2013



Figures are basis 27th February 2014

4. Cash and cash equivalents

(MNOK)	FY 2013	FY 2012
Restricted cash *	37.2	61.1
Free cash and cash equivalents	238.2	197.1
Cash and cash equivalents	**275.4**	**258.2**

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

5. Operational and financial risk

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

VSS is exposed to changes in the freight rates. To mitigate this operational risk, VSS 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' earnings and cash flow. To reduce this risk VSS aims to actively manage the interest exposure through various types of hedging instruments.

Part of the VSS' cash flow is generated in currencies other than NOK which is VSS' functional currency. This means that currency fluctuations have an impact on VSS' 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 matched with liabilities in the same currency.

6. Impairment of assets

VSS performs reviews of the estimated market values and values in use from discounted cash flow calculations, for the AHTS and PSV fleet respectively. The reviews of estimated market values are based on prices provided by internationally acknowledged shipbrokers.

Impairment test as at 31 December, 2013 shows no need for impairment of the AHTS fleet.

Based on market values of the PSV fleet, VSS has concluded that the vessels of VSS (Holdings) Limited (UK) are impaired resulting in an impairment loss of MNOK 80. VSS (Holdings) Limited (UK) has functional currency GBP and the impairment is primarily caused by the depreciated NOK versus GBP during 2013.

7. Basis of preparation

These condensed interim financial statements for the twelve months ended 31 December, 2013 have been prepared in accordance with the accounting principles as described in the VSS Annual report for 2012.