# Viking Supply Ships Financial Report Q3 2012

VIKING SUPPLY SHIPS AS
SHIPOWNERS

Registration no. 33 36 97 94

## SUMMARY OF EVENTS FOR THE PERIOD JANUARY – SEPTEMBER 2012

Total revenue for Q3 2012 amounted to 279 MNOK, with an EBITDA of 109 MNOK. Total revenue for Q3 year to date 2012 amounted to 690 MNOK, with an EBITDA of 161 MNOK.

As expected the Q3 results have improved compared to the Q2 results. The results are still disappointing, reflecting a soft spot market for the AHTS fleet and a lack of fresh term activity and seasonal projects.

Viking Supply Ships has a clear focus on increasing the number of vessels on term contracts in order to improve the earnings stability. As a result of this 3 AHTS vessels were on term contracts in Q3 compared to 1 AHTS vessel at the beginning of 2012.

The average utilization for the AHTS fleet in Q3 was 72 % and 79 % for the PSV fleet.

6.8 MNOK has been included in Q3 revenue in relation to salvage of the vessel Golden Seas following the ruling from Arbitration in London.

*The AHTS fleet, combined with crew and ice management competence, is tailor-made to operate in harsh environments and ice conditions. There has been an increased contract activity in this niche, which is reflected in the two ice management contracts entered into by the vessels Brage Viking and Magne Viking for operations in Canadian waters. VSS is committed to have a substantial part of the fleet on longer term contracts, and have a focus on increasing the contract backlog.*

*Viking Supply Ships (VSS) conducts operations in the North Sea, Arctic and in the global offshore sector. The fleet comprises 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.*

*For further information, please contact CEO Viking Supply Ships A/S, Christian W. Berg, ph: +45 41 77 83 80.*

*The interim financial statements have not been subject to audit or review.*

## OPERATIONAL HIGHLIGHTS FOR Q3

The Q3 results were unsatisfactory, as the North Sea spot market remained weak due to oversupply of vessels and lower project activity than normally seen in this period of the year. The loss is MNOK 19 for the third quarter and MNOK 151 for the first three quarters of the year. The spot market started out weak at the beginning of the quarter, but rates and utilization improved towards the end of the quarter.

### Anchor Handling Tug Supply vessels (AHTS)

During the third quarter of 2012 three vessels were on term charters through the entire period, while five were traded in the spot market. The vessels on term charters obtained an average daily income of NOK 364.000. The vessels on the spot market obtained an average daily income of NOK 159.000 against a utilization of 56.5%.

Tor Viking ll was fixed to Shell US for their 2012 Alaska drilling campaign. The vessel is currently performing anchor-handling and ice-management in the Chukchi Sea and the Beaufort Sea. The charter period is 210 days plus a 60 days option, and the vessel will most likely be back in the North Sea in late November.

Vidar Viking commenced a 2.5 years charter for SEIC in the beginning of the period. The vessel will operate at Sakhalin throughout the charter period.

TGS Nopec fixed Balder Viking for Seismic support to their operations at North East Greenland. The vessel commenced the charter on 8th August, and returned to the North Sea in the middle of October.

Magne Viking was fixed to Chevron Canada for an ice management assignment. The contract covers 150 days firm plus a 30 days option. Commencement was originally scheduled for September, but is now delayed till November.

In December 2010 the bulk carrier Golden Seas experienced engine problems at the coast of Alaska. After communication with US Coastguard Tor Viking II was contracted on Lloyds Open Form, and safely towed Golden Seas to safety in Dutch Harbour. The question regarding the reward was taken to Arbitration in London, where the hearing was held in April 2012. Since the Arbitrator found that Golden Seas could have saved herself by own steam, and hence there were no danger, the reward was set to 7.4 MNOK. VSS appealed, and there was a new hearing in September. The reasoning from last hearing was upheld, but the reward was increased to 9.2 MNOK plus interests. Of the 9.2 MNOK approximately 6.8 MNOK is directly for the account of VSS and has been included as revenue in Q3. The remaining reward is to be shared by the crew on Tor Viking II.

### Platform Supply Vessels (PSV)

The PSV market was dominated by several new builds entering the market; hence rates and utilization continued the downturn seen in Q2.

The latter part of September showed some increased activity, with utilization and rates turning to more healthy levels. Average spot rates were GBP 9.000 on UK side of the North Sea. The spot fleet have had a modest utilization and the spot rates have ranged between GBP 4.000 and GBP 15.000.

Three of the vessels have been on medium term contracts. Average daily income for the term vessels were GBP 12.400, against average utilization of 100%.

Freyja Viking is currently on a time charter to Centrica. The contract has now been extended, and the firm period is now lasting till 1st October 2013, with a 1 year option.

## FINANCIAL HIGHLIGHTS

The company was incorporated 13.12.2010. The 2011 accounting year includes the period 13.12.2010-31.12.2011. The 2012 accounting year includes the period 1.1.2012-31.12.2012.

### Results for the 3rd quarter 2012

Total revenue was 279 MNOK for Q3. The operating costs were 171 MNOK and EBITDA 109 MNOK. The operating profit (EBIT) was 44 MNOK.

Net financials was negative 63 MNOK. Financial costs include realized value adjustment on foreign exchange forward contracts of negative 8 MNOK which is a one-off adjustment related to refinanced loans. Further net financials include unrealized currency loss of 10 MNOK and realized value adjustment on interest rate swaps of negative 4 MNOK.

The result for the period was negative 19 MNOK.

### Results year to date 2012

Total revenue was 690 MNOK. The operating costs were 529 MNOK and EBITDA 161 MNOK. The operating profit (EBIT) was negative 17 MNOK.

One-off costs were 10 MNOK during H1. 6 MNOK is related to set-up cost in Copenhagen, Denmark and 4 MNOK is related to the relocation of two PSV vessels from India to the North Sea.

Net financials was negative 134 MNOK. Financial costs include realized value adjustment on foreign exchange forward contracts of negative 27 MNOK which is a one-off adjustment related to refinanced loans. Further net financials include unrealized currency gain of 10 MNOK and realized value adjustment on interest rate swaps of negative 10 MNOK.

The result for the period was negative 151 MNOK.

## FINANCING AND CAPITAL STRUCTURE

The incorporation of Viking Supply Ships A/S Copenhagen, Denmark started in Q4 2011 and was completed during Q1 2012. Viking Supply Ships A/S now directly and through subsidiaries hold title to all offshore vessels and employ crew, as well as the land based organization.

Viking Supply Ships A/S is a 100 % owned subsidiary of 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.

In March VSS issued a 5 year senior unsecured bond loan in the Norwegian capital market, with maturity in March 2017, totalling 300 MNOK. The bond agreement has a limit of 750 MNOK. 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 Oslo ABM on June 28th.

VSS equity amounted to 1 763 MNOK as at 30 September 2012 and was impacted by the result for the period of negative 151 MNOK and group contributions of 381 MNOK. The value adjusted equity ratio was 44 %.

## OPERATIONAL AND FINANCIAL RISKS

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 a major impact on VSS's earnings and cash flow. To reduce this risk the Group aims to actively manage the interest exposure through various types of hedging instruments.

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

## EMPLOYMENT OVERVIEW

**Viking Supply Ships**

**AHTS**

Firm contract | Option

| | 2012 | | | | | | 2013 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
| Tor Viking | Shell US | | | | | | SMA st-by | | | | | |
| Balder Viking | | TGS Nopec | | | | | SMA st-by | | | | | |
| Vidar Viking | SEIC 2.5 years + 3x4 months options | | | | | | | | | | | |
| Odin Viking | SPOT | | | | | | | | | | | |
| Loke Viking | SPOT | | | | | | | | | | | |
| Njord Viking | ENI Norge 4 years until 29.07.2015 + 1 + 1 years | | | | | | | | | | | |
| Magne Viking | | | | | | Chevron 1 well firm (Estimated 150-180 days) | | | | | | |
| Brage Viking | SPOT | | | | | | | | | | | |

**Viking Supply Ships**
**PSV**

Firm contract | Option

| | 2012 Jul | Aug | Sep | Oct | Nov | Dec | 2013 Jan | Feb | Mar | Apr | May | Jun |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Frigg Viking | SPOT | | | | | | | | | | | |
| Idun Viking | SPOT | | | | | | | | | | | |
| SBS Tempest | Talisman firm till 24.12.2012 | | | | | | | | | | | |
| Freya Viking | Centrica, firm till 01.10.2013 + 1 year option | | | | | | | | | | | |
| SBS Typhoon | RWE 3 Wells firm until mid December + 3 x 1 Well options (Each well estimated 90D) | | | | | | | | | | | |
| SBS Cirrus | SPOT | | | | | | | | | | | |

## OUTLOOK

With the winter-season closing in, the spot market will inevitably be influenced by the weather. The offshore activity is believed to be solid through the first part of the next quarter, with several new rigs commencing work in Q4. Due to unstable weather conditions during the winter the North Sea PSV-market will likely see some strong periods. However, as 8 new PSVs are scheduled for delivery for the last quarter of the year, we expect the overall market for PSVs to be soft during the last quarter of 2012.

The AHTS-supply has been relatively unchanged through 2012, and many expected the North Sea spot market to be tight throughout the year. However, due to the current oversupply of PSVs, literally no AHTS's are picking up supply duties, and the market has been soft for much of the year. The last quarter of the year is often characterized by shorter weather windows and operational delays. Additionally 3-4 new semisubmersibles will commence work in the North Sea in the period, and due to this a periodically tighter market is to be expected through Q4.

Copenhagen, 1 November 2012

**Managing Director:**

Christian W. Berg

**Board of Directors:**

Christen Sveaas
*Chairman*

Henning Eskild Jensen

Lars Håkan Larsson

Anders Folke Patriksson

Per Magnus Sonnorp

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

| (NOK '000) | Note | Q3 2012 | Q2 2012 | Q1 2012 | Q3 YTD 2012 |
|---|---|---|---|---|---|
| **Total Revenue** | **2** | **279.335** | **253.140** | **157.705** | **690.180** |
| Direct voyage costs | | -10.246 | -30.158 | -17.730 | -58.134 |
| Operating costs | | -160.403 | -180.136 | -130.033 | -470.572 |
| **Total operating costs** | | **-170.649** | **-210.294** | **-147.763** | **-528.706** |
| **Operating profit before depreciation (EBITDA)** | **2** | **108.686** | **42.846** | **9.942** | **161.474** |
| Depreciation | 1 | -64.528 | -59.366 | -54.877 | -178.771 |
| Impairment | | - | - | - | - |
| **Operating profit (EBIT)** | **2** | **44.158** | **-16.520** | **-44.935** | **-17.297** |
| Financial income | | 1 | 192 | 19 | 212 |
| Financial costs | | -63.308 | -36.766 | -33.711 | -133.785 |
| **Net financials** | | **-63.307** | **-36.574** | **-33.692** | **-133.573** |
| **Pre-tax result** | | **-19.149** | **-53.094** | **-78.627** | **-150.870** |
| Taxes | | 0 | 3.651 | -3.651 | 0 |
| **Result for the period** | | **-19.149** | **-49.443** | **-82.278** | **-150.870** |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (NOK '000) | Q3 2012 | Q2 2012 | Q1 2012 | Q3 YTD 2012 |
|---|---|---|---|---|
| **Result for the period** | **-19.149** | **-49.443** | **-82.278** | **-150.870** |
| Translation effect foreign operations | -18.893 | -5.545 | 172 | -24.266 |
| Actuarial gains / losses on defined benefit plans | - | - | - | - |
| Tax on other comprehensive income | - | - | - | - |
| **Other comprehensive income net of tax** | **-18.893** | **-5.545** | **172** | **-24.266** |
| **Total comprehensive income for the period** | **-38.042** | **-54.988** | **-82.106** | **-175.136** |

## CONDENSED CONSOLIDATED CASHFLOW STATEMENT

| (NOK '000) | Q3 YTD 2012 |
|---|---|
| Cash flow from operating activities | -95.353 |
| Cash flow from investing activities | -19.962 |
| Cash flow from finance activities | 167.654 |
| **Net changes in cash and cash equivalents** | **52.339** |
| Cash and cash equivalents at the start of the period | 114.738 |
| Exchange gains/loss on cash and cash equivalents | -3.933 |
| **Cash and cash equivalents at the end of the period** | **163.144** |

## CONDENSED CONSOLIDATED BALANCE SHEET

| (NOK '000) | Note | 30/9 2012 | 30/6 2012 | 31/3 2012 | 31/12 2011 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Vessels and equipment | | 4.093.862 | 4.174.671 | 4.172.553 | 2.895.663 |
| **Tangible fixed assets** | 1,2 | **4.093.862** | **4.174.671** | **4.172.553** | **2.895.663** |
| **Financial fixed assets** | 4 | **78.416** | **29.513** | **28.591** | **24.262** |
| **Total fixed assets** | | **4.172.278** | **4.204.184** | **4.201.144** | **2.919.925** |
| Inventories | | 13.602 | 7.546 | 19.547 | 11.946 |
| Accounts receivables | | 173.900 | 133.325 | 92.775 | 99.751 |
| Other current receivables | | 60.870 | 68.654 | 58.101 | 173.727 |
| Cash and cash equivalents | 4 | 163.144 | 210.047 | 359.886 | 114.738 |
| **Total current assets** | | **411.516** | **419.572** | **530.309** | **400.162** |
| **Total assets** | | **4.583.794** | **4.623.756** | **4.731.453** | **3.320.087** |

| (NOK '000) | Note | 30/9 2012 | 30/6 2012 | 31/3 2012 | 31/12 2011 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| Share capital | | 525 | 525 | 525 | 525 |
| Retained Earnings and reserves | | 1.763.008 | 1.801.050 | 1.819.275 | 1.557.494 |
| **Total equity** | | **1.763.533** | **1.801.575** | **1.819.800** | **1.558.019** |
| Deferred taxes | | 33.415 | 28.353 | 28.353 | 34.868 |
| Bond loan | 3 | 295.303 | 294.750 | 294.750 | - |
| Long-term debt to credit institutions | 3 | 1.987.898 | 1.453.905 | 1.507.215 | 875.120 |
| Other non-current liabilities | | 43.334 | 30.403 | 43.519 | 37.795 |
| **Non-current liabilities** | | **2.359.950** | **1.807.411** | **1.873.837** | **947.783** |
| Short-term debt to credit institutions | 3 | 199.869 | 781.067 | 748.863 | 662.124 |
| Accounts payable | | 52.796 | 53.298 | 50.715 | 24.802 |
| Other current liabilities | | 207.647 | 180.405 | 238.238 | 127.359 |
| **Current liabilities** | | **460.312** | **1.014.770** | **1.037.816** | **814.285** |
| **Total liabilities** | | **2.820.261** | **2.822.181** | **2.911.653** | **1.762.068** |
| **Total Equity and liabilities** | | **4.583.794** | **4.623.756** | **4.731.453** | **3.320.087** |

## 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
– Docking and major overhaul measures 2.5–5 years
– Other equipment 5–10 years

Impairment test as at 30 September shows no need for impairment.

## 2. Segment information

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

| | Q3 2012 | Q2 2012 | Q1 2012 | Q3 YTD 2012 |
|---|---|---|---|---|
| **Total revenue (external revenue)** | | | | |
| AHTS 1) | 232.367 | 210.487 | 112.671 | 555.525 |
| PSV | 46.968 | 42.653 | 45.034 | 134.655 |
| **Total** | **279.335** | **253.140** | **157.705** | **690.180** |
| | | | | |
| **EBITDA** | | | | |
| AHTS | 98.163 | 36.497 | 4.457 | 139.117 |
| PSV | 10.523 | 6.349 | 5.485 | 22.357 |
| **Total** | **108.686** | **42.846** | **9.942** | **161.474** |
| | | | | |
| **EBIT** | | | | |
| AHTS | 42.409 | -13.693 | -42.653 | -13.937 |
| PSV | 1.754 | -2.827 | -2.282 | -3.355 |
| **Total** | **44.163** | **-16.520** | **-44.935** | **-17.292** |

1) VSS performs external ship management assignments for 5 icebreakers owned by the Swedish Maritime Authorities. External ship management is not considered a segment of its own. Revenues and costs for the AHTS include 29 MNOK for Q1, 24 MNOK for Q2 and 23 MNOK for Q3 for external ship management.

There are no significant revenue transactions between the segments. Tangible fixed assets are distributed as follows:

| | Q3 2012 | Q2 2012 | Q1 2012 | Q3 YTD 2012 |
|---|---|---|---|---|
| AHTS | 3.504.481 | 3.548.949 | 3.580.033 | 3.504.481 |
| PSV | 589.381 | 625.722 | 592.520 | 589.381 |
| **Total tangible fixed assets** | **4.093.862** | **4.174.671** | **4.172.553** | **4.093.862** |

***Seasonal effects***

Revenue and results are impacted by seasonal effects with lower activity and rates during the winter season.

## 3. Interest bearing liabilities

The vessels owned by the Company 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 Q3 2012 is 2 483 MNOK. In July debt of 644 MNOK was refinanced with a consortium of two banks.

Parts of the interest-bearing liabilities are associated with so-called covenants, according to which VSS must fulfil certain key data. At the reporting date all covenants were in compliance.

In March VSS issued a 5 year senior unsecured bond loan in the Norwegian capital market, with maturity in March 2017, totalling 300 MNOK. The bond agreement has a limit of 750 MNOK. 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 the Oslo ABM on June 28th.

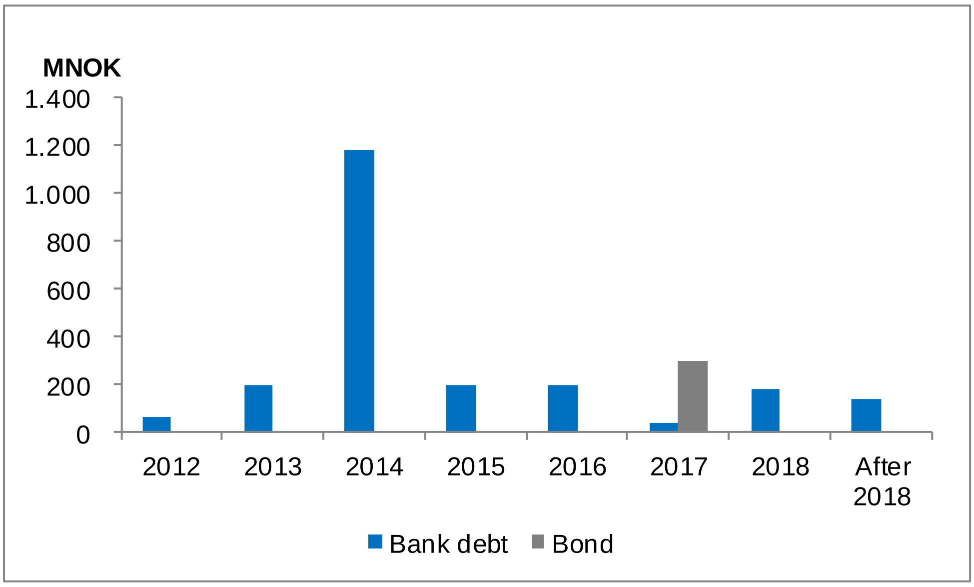
VSS has 11 % of its interest bearing debt in USD. The remaining loans are denominated in NOK. 37 % of the total loan portfolio has been swapped into fixed interest rate.

### 3.1. Classification by type of debt

| (NOK '000) | 30/9 2012 | 30/6 2012 | 30/3 2012 | 31/12 2011 |
|---|---|---|---|---|
| Bond loan | 295.303 | 294.750 | - | - |
| Long-term debt to credit institutions | 1.987.898 | 1.453.905 | 1.507.215 | 875.120 |
| Short-term debt to credit institutions 1) | 199.869 | 781.067 | 748.863 | 662.124 |
| **Total interest bearing liabilities** | **2.483.069** | **2.529.722** | **2.256.078** | **1.537.244** |

1) Due to refinancing of loan facilities in the AHTS segment, 634 MNOK was presented as short term debt in the Balance Sheet as at June 30, 2012. The facility was refinanced in July 2012.

### 3.2. Debt maturity




## 4. Cash and cash equivalents

| (NOK '000) | Q3 2012 |
|---|---|
| Restricted cash 1) | 73.022 |
| Free cash and cash equivalents | 163.144 |
| **Cash and cash equivalents** | **236.166** |

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

## 5. Basis of preparation

Viking Supply Ships A/S is a 100 % owned subsidiary of 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.

These condensed interim financial statements for the nine months ended 30 September 2012 have been prepared in accordance with the accounting principles as described in the RABT's Annual report for 2011.