

# VIKING SUPPLY SHIPS AB (PUBL)

INTERIM REPORT JANUARY - JUNE

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# Q2

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# 2015



VIKING SUPPLY SHIPS

**MORE**  
THAN A SHIPOWNER

THE **COOLEST**  
PLACE TO WORK

ALWAYS AHEAD OF  
**COMPETITION**

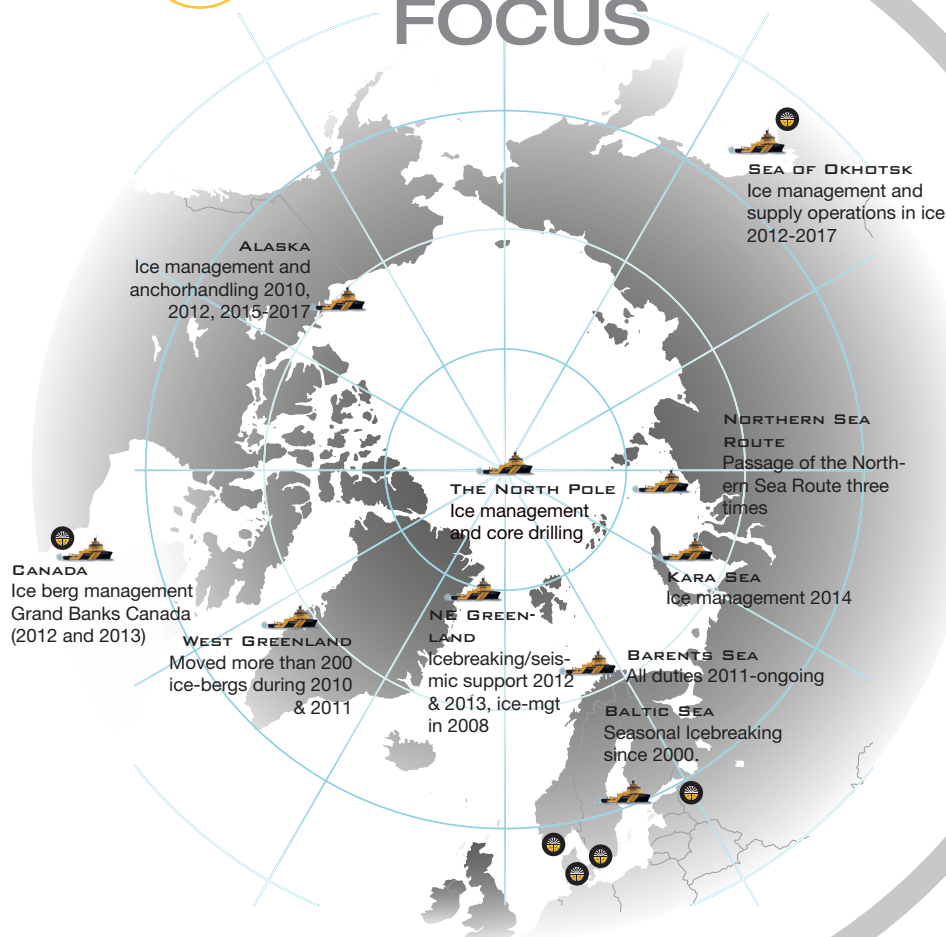
Q2

**REVENUE MSEK 553 (737)**

H1: MSEK 1,062 (1,466)

Q2

# ARCTIC FOCUS



Q2

**EBITDA  
MSEK 86 (123)**

H1: MSEK 144 (133)

Q2

**RESULT AFTER  
TAX MSEK 36 (34)**

H1: MSEK -35 (-78)

Q2

**EARNINGS PER SHARE AFTER TAX SEK 0.2 (0.2)**

H1: SEK -0.2 (-0.5)

Viking Supply Ships AB (publ) is a Swedish company with headquarter in Gothenburg, Sweden. Viking Supply Ships AB (publ) is organised into five segments: Anchor Handling Tug Supply vessels (AHTS), Platform Supply Vessels (PSV), Services, Ship Management as well as the subsidiary TransAtlantic AB. The operations are focused on offshore and icebreaking primarily in Arctic and subarctic areas as well as on RoRo and container feeder services mainly between the Baltic Sea and the Continent. The company has in total about 800 employees and the turnover in 2014 was MSEK 3,190. The company's B-shares are listed on the NASDAQ Stockholm, Small Cap segment.

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Front picture: Icy waters in the Arctic (Stockphoto.com)





Q2 2015	2
CEO COMMENTS	3
SUMMARY OF EVENTS IN Q2	4
SUBSEQUENT EVENTS	4
RESULTS AND FINANCE	5
OPERATIONAL HIGHLIGHTS FOR Q2	5
FINANCING AND CAPITAL STRUCTURE	7
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT	9
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	9
CONDENSED CONSOLIDATED BALANCE SHEET	10
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	10
CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY	11
DATA PER SHARE	11
PARENT COMPANY	12
PARENT COMPANY INCOME STATEMENT	12
PARENT COMPANY BALANCE SHEET	12
CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY	12
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	13
DEFINITIONS	17

## CEO COMMENTS

**The second quarter brought a positive result for the group. Within the offshore part of the company, Viking Supply Ships A/S shows a positive development despite overall challenging market conditions. After the end of the quarter, Viking Supply Ships A/S signed an extension with Eni Norge for the charter of Njord Viking. The restructuring process of TransAtlantic AB is continuing, but despite this, the company contributed with a loss in the second quarter. At an Extraordinary General Meeting on 12 June, a subsequent dividend of SEK 0.55 per share was resolved and paid to the shareholders totaling MSEK 98. For the second quarter, profit after tax for the Group was MSEK 36 (MSEK 34).**

Despite reduced revenues, Viking Supply Ships A/S saw increased profit compared to same quarter in 2014. Revenue was negatively impacted by the services segment, as the consultancy contract for Viking Ice Consultancy in the Kara Sea was cancelled. Both rate levels and utilization for the AHTS fleet increased compared to corresponding period in 2014. 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. After the end of the quarter; VSS extended the contract for Njord Viking. The vessel is now firm till December 31, 2016, with options to extend the contract with 2 x 6 months. The total value of the extended period is about MSEK 270 when including the optional periods.

The PSV market was continuously weak during the second quarter. Despite more vessels being laid up, the market balance is still negative. As a result, both rates and utilization were reduced compared to second quarter in 2014.

The Services and Ship Management segments progressed as planned during the period, with a new seven year contract being signed with the Swedish Maritime Administration (SMA). TransAtlantic AB has still been exposed to a challenging market during the second quarter, and further the result in the second quarter was impacted by costs related to the restructuring.

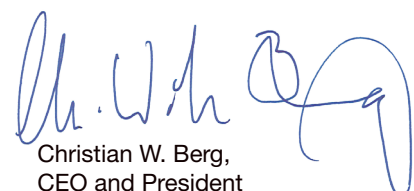
### OUTLOOK

The offshore market in general is expected 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 see a reduction through the remainder of 2015, which is expected to give 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. The estimated value of these new contracts is MSEK 900, or MSEK 1,500 when including the optional periods. The company has also identified additional contract opportunities, and the focus remains to increase the contract coverage.

The market for TransAtlantic AB is expected to remain challenging, but the continued restructuring of this subsidiary is expected to contribute to improved results going forward.

Gothenburg August 7, 2015.

  
Christian W. Berg,  
CEO and President



Q2

## SECOND QUARTER

- Total revenue was MSEK 553 (737)
- EBITDA was MSEK 86 (123)
- Result after tax was MSEK 36 (34)
- Result after tax per share was SEK 0.2 (0.2)

## YEAR TO DATE

- Total revenue was MSEK 1,062 (1,466)
- EBITDA was MSEK 144 (133)
- Result after tax was MSEK -35 (-78)
- Result after tax per share was SEK -0.2 (-0.5)

## SUMMARY OF EVENTS IN SECOND QUARTER

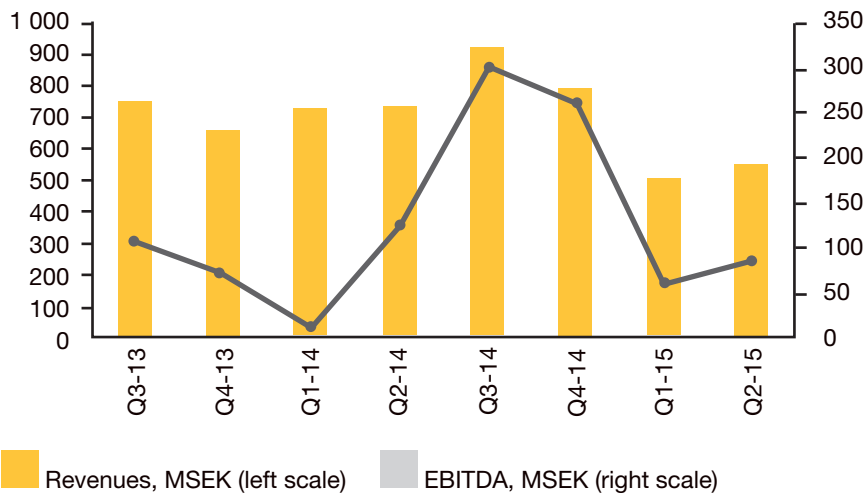
- EBITDA for the second quarter was MSEK 86 (123).
- The average fixture rate for the AHTS fleet in Q2 was NOK 463,500 (413,000) and GBP 2,650 (10,360) for the PSV fleet. The average utilization for the AHTS fleet for Q2 was 75% (72) and 22% (82) for the PSV fleet.
- A new contract with an oil and gas company for Vidar Viking has been entered into and the vessel is now firm until August 2016, with options to extension until February 2017. The contract value including options is estimated to MUSD 45.
- A renewed seven year management contract of the state-owned icebreaker fleet has been entered into with the Swedish Maritime Administration.
- A subsequent dividend of SEK 0.55 per share was concluded in June according to resolutions on the Extraordinary General Meeting, totaling MSEK 98.
- The company name has been changed from Rederi AB Transatlantic to Viking Supply Ships AB.
- Christian W. Berg was appointed as the Group's CEO in April and continues as CEO of VSS A/S.
- Niels J. Kindberg was appointed as interim CFO.
- TransAtlantic AB introduced a new container service to the northern parts of Sweden by adding port calls in Härnösand to the TransFeeder North service which connects the Bay of Bothnia and the Continent.

## SUBSEQUENT EVENTS

- In July VSS extended the contract for Njord Viking. The vessel is now firm till 31st December 2016, with options to extend the contract with 2 x 6 months. The total value of the extended period is about MSEK 270 when including the optional periods.

KEY FINANCIALS	Q2 2015	Q2 2014
Net sales, MSEK	553	737
EBITDA, MSEK	86	123
Result after tax, MSEK	36	34
Earnings per share after tax, SEK	0.2	0.2
Shareholder's equity per share, SEK	11.0	10.5
Return on equity, %	8.1	7.8
Equity ratio, %	39.1	35.8
Market adjusted equity ratio, %	45.3	42.9





## RESULTS AND FINANCE

### RESULTS YEAR TO DATE 2015

Total revenue for the Group in the first half year 2015 was MSEK 1,062 (1,466), of which Viking Supply Ships A/S contributed with MSEK 604 (761) and TransAtlantic AB contributed with MSEK 458 (705).

The Group's EBITDA for the first six months was MSEK 144 (133), of which Viking Supply Ships A/S contributed with MSEK 177 (206) and TransAtlantic AB contributed with MSEK -33 (-73).

Net financial items were MSEK -73 (-99). Financial items include unrealized currency loss of MSEK -20 (-8) and realized value-adjustments on interest rate swaps of MSEK 2 (-4).

The Group's result after tax for the half year was MSEK -35 (-78), of which Viking Supply Ships A/S contributed with MSEK 16 (26) and TransAtlantic AB contributed with MSEK -51 (-104).

## OPERATIONAL HIGHLIGHTS FOR THE SECOND QUARTER

### ANCHOR HANDLING TUG SUPPLY VESSELS (AHTS)

Total AHTS revenue was MSEK 279 (237) in Q2. Total EBITDA was MSEK 144 (106).

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 total AHTS contract backlog at the end of the quarter was MSEK 2,127 and represents 50% of the 2015 vessel capacity, 47% of the 2016 vessel capacity and 35% of the 2017 vessel capacity. The calculations include firm periods and options (corrected for the extension of Njord Viking).



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

■ 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
5. Oil major, 2 year 8 months firm + 1 x 6 months + 1 x 12 months options

Figures in above tables are basis June 30, 2015 (corrected for the extension of Njord Viking)

#### PLATFORM SUPPLY VESSELS (PSV)

Total PSV revenue was MSEK 5 (50) in Q2. Total EBITDA was MSEK -43 (5).

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 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.

The total PSV contract backlog at the end of the quarter was MSEK 0.

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

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

Figures in above tables are basis June 30, 2015.

## SERVICES AND SHIP MANAGEMENT

Total Services and Ship Management revenue was MSEK 30 (114) in Q2. Total EBITDA was MSEK -2 (15).

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 ice-breakers and offshore vessels designed for arctic and harsh environments.

## TRANSATLANTIC AB

The previous business area Industrial Shipping, now referred to as a subsidiary, changed name to TransAtlantic AB in 2014.

The subsidiary TransAtlantic AB recorded revenues of MSEK 239 (336) in Q2. EBITDA was MSEK -13 (-3).

TransAtlantic AB has during the second quarter 2015 been exposed to continued weak market conditions within the geographic area where the main operations are conducted. The reduction in revenues is mainly related to the reduced RoRo business. EBITDA was below the second quarter last year, mainly related to the ongoing restructuring of two RoRo vessels where full impact of cost reductions will be achieved at year end. The result of the container business improved during the second quarter compared to last year, where the main contributor is the closure of TransPal Line. Cost savings related to the adjustment of the land organization is still positively contributing to the profitability.

## FINANCING AND CAPITAL STRUCTURE

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.

At the end of the period, the Group's equity amounted to MSEK 1,945 (equivalent to 11.0 SEK/share). Equity declined during the quarter by net MSEK 97 due to the declared dividend of MSEK 98 and the loss for the half year period of MSEK -35 and a positive change in the translation reserve of MSEK 36 attributable to currency differences on net investments in subsidiaries.



Gross investments during the quarter amounted to MSEK 132 (189) mainly related to dockings and the increase in financial assets related to cash which during the quarter has been deposited as additional pledge for ship loans (for further information see note 3). The sale of the small bulk vessel TransForte was concluded in February 2015. The transaction brought positive cash effects of net MSEK 3 in first quarter after repayment of related ship loans.

For information of financing and cash situation, see note 3 and 4.

This information is such that Viking Supply Ships AB is obligated to publish in accordance with the Swedish Securities Act and/or the Swedish Financial Instruments Trading Act. This report has been prepared in both Swedish and English versions. In case of variations in the content between the two versions, the Swedish version shall govern. This report was submitted for publication at 8:30 am (CET) on August 7, 2015.

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, August 7, 2015

Viking Supply Ships AB

Christen Sveaas  
Chairman

Folke Patriksson  
Deputy chairman

Bengt A. Rem  
Board member

Håkan Larsson  
Board member

Magnus Sonnorp  
Board member

Christer Lindgren  
Employee representative

Christian W. Berg  
CEO

## PRESS AND ANALYST CONFERENCE

In conjunction with the publication of this interim report, an earnings call will take place on August 7, 2015 at 10.00 am (CET) with Viking Supply Ships AB's CEO, Christian W. Berg and CFO Niels J. Kindberg. In connection with the conference, a presentation will be available on the company's website, [www.vikingsupply.com](http://www.vikingsupply.com). Please see Investor Relations/reporting center.

## FINANCIAL CALENDAR 2015

November 12

Interim report January-September

## INVESTOR RELATIONS

Please contact CEO, Christian W. Berg, ph. +45 41 77 83 80 or IR & Treasury Director, Morten G. Aggvin, ph. +47 41 04 71 25.

The interim report is available on the company's website: [www.vikingsupply.com](http://www.vikingsupply.com)



## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

MSEK	NOTE	Q2 2015	Q2 2014	H1 2015	H1 2014	FY 2014
Net sales		553	737	1,062	1,466	3,190
Other operating revenue		-	-	-	-	1
Direct voyage cost		-117	-165	-224	-381	-651
Personnel costs		-169	-181	-348	-368	-743
Other costs		-181	-269	-346	-585	-1,118
Depreciation/impairment	1	-53	-53	-105	-106	-195
<b>Operating result</b>		<b>33</b>	<b>69</b>	<b>39</b>	<b>26</b>	<b>484</b>
Net financial items		3	-34	-73	-99	-267
<b>Result before tax</b>		<b>36</b>	<b>35</b>	<b>-34</b>	<b>-73</b>	<b>217</b>
Tax	6	0	-1	-1	-5	-17
<b>RESULT FOR THE PERIOD</b>	2	<b>36</b>	<b>34</b>	<b>-35</b>	<b>-78</b>	<b>200</b>
Attributable to:						
Parent Company's shareholders		36	34	-35	-78	200
Non-controlling interests		-	-	-	-	-
<b>RESULT FOR THE PERIOD</b>		<b>36</b>	<b>34</b>	<b>-35</b>	<b>-78</b>	<b>200</b>
Earnings attributable to Parent Company's shareholders, per share in SEK (before and after dilution)		0.2	0.2	-0.2	-0.5	1.2

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	NOTE	Q2 2015	Q2 2014	H1 2015	H1 2014	FY 2014
<b>Result for the period</b>		<b>36</b>	<b>34</b>	<b>-35</b>	<b>-78</b>	<b>200</b>
Other comprehensive income for the period:						
<b>Items that will not be restored to the income statement</b>						
Revaluation of net pension obligations		-	-	-	-	-2
<b>Items that later can be restored to the income statement</b>						
Change in translation reserve, net		-29	46	36	60	-45
Other comprehensive income		-29	46	36	60	-47
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>7</b>	<b>80</b>	<b>1</b>	<b>-18</b>	<b>153</b>
Total comprehensive income attributable to:						
Parent Company's shareholders		7	80	1	-13	158
Non-controlling interests		-	-	-	-5	-5
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>7</b>	<b>80</b>	<b>1</b>	<b>-18</b>	<b>153</b>



## CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	NOTE	Q2 2015	Q2 2014	FY 2014
Vessels	1	4,019	4,153	3,982
Other tangible fixed assets		4	5	5
Intangible fixed assets		7	7	7
Financial assets		270	119	163
<b>Total fixed assets</b>		<b>4,300</b>	<b>4,284</b>	<b>4,157</b>
Current assets	4	676	947	1,103
<b>TOTAL ASSETS</b>	2	<b>4,976</b>	<b>5,231</b>	<b>5,260</b>
Shareholders' equity		1,945	1,871	2,042
Long-term liabilities	3	2,308	2,497	2,362
Current liabilities	3	723	863	856
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>4,976</b>	<b>5,231</b>	<b>5,260</b>

### VALUATION OF FINANCIAL ASSETS AND LIABILITIES

The valuation of financial assets and liabilities in the balance sheet is based on acquisition value or fair value. The valuation of FX derivatives and interest rate derivatives is based on fair value. The balance items "Long-term liabilities" includes derivatives of MSEK 19 (16) and "Current liabilities" of MSEK 0 (5). Valuation of other financial assets and liability items in the balance sheets are based on acquisition value.

### ASSESSMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The input used in the valuation of financial instruments base the three level classifications: Level 1, fair values based on market values, where the instruments are traded on an active market, are available. Level 2, no market values based on an active market are available, valuations are instead based on measurements of discounted cash flows. Level 3, at least one variable is based on own assessments. The fair value valuation of the Group's FX- and interest rate instruments are based on input according to level 2.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Q2 2015	Q2 2014	H1 2015	H1 2014	FY 2014
Cash flow from operations before changes in working capital	57	31	102	31	527
Changes in working capital	0	15	62	10	-97
<b>Cash flow from current operations</b>	<b>57</b>	<b>46</b>	<b>164</b>	<b>41</b>	<b>430</b>
Cash flow from investing activities	-18	-153	-91	-138	-132
Cash flow from financing activities	-174	234	-310	169	-251
<b>Changes in cash and cash equivalents</b>	<b>-135</b>	<b>127</b>	<b>-237</b>	<b>72</b>	<b>47</b>
Cash and cash equivalents at beginning of period	374	328	450	381	381
Exchange-rate difference in cash and cash equivalents	-6	6	20	8	22
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>233</b>	<b>461</b>	<b>233</b>	<b>461</b>	<b>450</b>

## CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY (MSEK)	Q2 2015	Q2 2014	H1 2015	H1 2014	FY 2014
Equity at beginning of period	2,036	1,646	2,042	1,749	1,749
New share issue less cost for issuance	-	145	-	145	145
Dividend	-98	-	-98	-	-
Sale of non-controlling interests	-	-	-	-5	-5
<b>Total comprehensive income for the period</b>	<b>7</b>	<b>80</b>	<b>1</b>	<b>-18</b>	<b>153</b>
<b>SHAREHOLDERS' EQUITY AT END OF PERIOD</b>	<b>1,945</b>	<b>1,871</b>	<b>1,945</b>	<b>1,871</b>	<b>2,042</b>

SHARE CAPITAL (MSEK)	Q2 2015	Q2 2014	H1 2015	H1 2014	FY 2014
Share capital at beginning of period	177	148	177	148	148
New share issue	-	29	-	29	29
<b>Share capital at end of period</b>	<b>177</b>	<b>177</b>	<b>177</b>	<b>177</b>	<b>177</b>

NUMBER OF SHARES ('000)	Q2 2015	Q2 2014	H1 2015	H1 2014	FY 2014
Number of outstanding shares at beginning of period	177,444	147,870	177,444	147,870	147,870
New issued shares	-	29,574	-	29,574	29,574
<b>Total number of shares at end of period</b>	<b>177,444</b>	<b>177,444</b>	<b>177,444</b>	<b>177,444</b>	<b>177,444</b>
Average number of shares outstanding	177,444	155,995	177,444	151,955	164,804

## DATA PER SHARE

SEK	Q2 2015	Q2 2014	H1 2015	H1 2014	FY 2014
EBITDA	0.5	0.8	0.8	0.9	4.2
Result after tax (EPS)	0.2	0.2	-0.2	-0.5	1.2
Equity	11.0	10.5	11.0	10.5	11.5
Operating cash flow	0.5	0.6	0.4	0.3	2.5
Total cash flow	-0.8	0.8	-1.3	0.5	0.3

## PARENT COMPANY

The Parent Company's result before and after tax for the six month period was MSEK 157 (5). During the second quarter a dividend was obtained from Viking Supply Ships A/S of MSEK 157.

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

During June a dividend was carried out to the shareholders at the amount of MSEK 98. At the end of the quarter the Parent Company's equity was MSEK 2,476 (2,417 on Dec 31, 2014), and the total assets was MSEK 2,780 (2,723 on Dec 31, 2014). The equity ratio on the balance day was 89 % (89 on Dec 31, 2014). Cash and cash equivalents at the end of the period was MSEK 38 (97 on Dec 31, 2014), which includes client funds of MSEK 30.



## PARENT COMPANY INCOME STATEMENT

MSEK	Q2 2015	Q2 2014	H1 2015	H1 2014	FY 2014
Net sales	91	74	175	153	325
Other operating revenue	-	-	-	-	-
Direct voyage costs	-	-	-	-	-2
Personnel costs	-1	-24	-1	-64	-66
Other costs	-90	-21	-173	-91	-261
Depreciation/impairment	-	-	-	-	-
<b>Operating result</b>	<b>0</b>	<b>29</b>	<b>1</b>	<b>-2</b>	<b>-4</b>
Net financial items	156	4	156	7	-110
<b>Result before tax</b>	<b>156</b>	<b>33</b>	<b>157</b>	<b>5</b>	<b>-114</b>
Tax on result for the year	-	-	-	-	-
<b>RESULT FOR THE PERIOD</b>	<b>156</b>	<b>33</b>	<b>157</b>	<b>5</b>	<b>-114</b>
Other comprehensive income for the period:					
<b>Items that will not be restored to the income statement</b>					
Revaluation of net pension obligations	-	-	-	-	-2
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>156</b>	<b>33</b>	<b>157</b>	<b>5</b>	<b>-116</b>

## PARENT COMPANY BALANCE SHEET

MSEK	Q2 2015	Q2 2014	FY 2014
Financial fixed assets	2,688	2,736	2,612
Current assets	92	35	111
<b>TOTAL ASSETS</b>	<b>2,780</b>	<b>2,771</b>	<b>2,723</b>
Shareholders' equity	2,476	2,538	2,417
Provisions	8	6	8
Long term liabilities	185	175	220
Current liabilities	111	52	78
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>2,780</b>	<b>2,771</b>	<b>2,723</b>

## CHANGES IN PARENT COMPANY SHAREHOLDERS' EQUITY

MSEK	Q2 2015	Q2 2014	H1 2015	H1 2014	FY 2014
Equity at beginning of period	2,418	2,360	2,417	2,388	2,388
New share issue less cost for issuance	-	145	-	145	145
Dividend	-98	-	-98	-	-
Total comprehensive income for the period	156	33	157	5	-116
<b>SHAREHOLDERS' EQUITY AT END OF PERIOD</b>	<b>2,476</b>	<b>2,538</b>	<b>2,476</b>	<b>2,538</b>	<b>2,417</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 applied.

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

## 2. SEGMENT INFORMATION

The segment information is presented in five segments:

-The segments AHTS and PSV comprise 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 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.

-The segment TransAtlantic AB offers shipping liner services in the Baltic Sea and Northern Europe as its primary markets. The operation is primarily based on system traffic with RoRo and container vessels, as well as chartering of bulk vessels.

Q2 MSEK	AHTS	PSV	SERVICES	SHIP MGT.	TRANS- ATLANTIC AB	TOTAL
Net sales	279	5	0	30	239	553
EBITDA	144	-43	-2	0	-13	86
Result before tax	120	-64	-2	-1	-17	36
Total assets	3,443	1,062	0	0	471	4,976

H1 MSEK	AHTS	PSV	SERVICES	SHIP MGT.	TRANS- ATLANTIC AB	TOTAL
Net sales	511	14	7	72	458	1,062
EBITDA	247	-69	0	-1	-33	144
Result before tax	133	-112	-1	-2	-52	-34
Total assets	3,443	1,062	0	0	471	4,976

There are no significant revenue transactions between the segments.

## 3. INTEREST BEARING LIABILITIES

The vessels owned by the Group 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 total interest-bearing debt at the end of the quarter was MSEK 2,612 (2,771).

The interest bearing liabilities are associated with financial covenants, according to which the Group 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 the Group must fulfil certain levels of contract coverage and loan-to-value, pursuant to the individual loan agreements. If these levels are not met, then the Group 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 the Group had provided the lenders with in total MUSD 12.6 in additional security.

After the balance date, the Group 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.

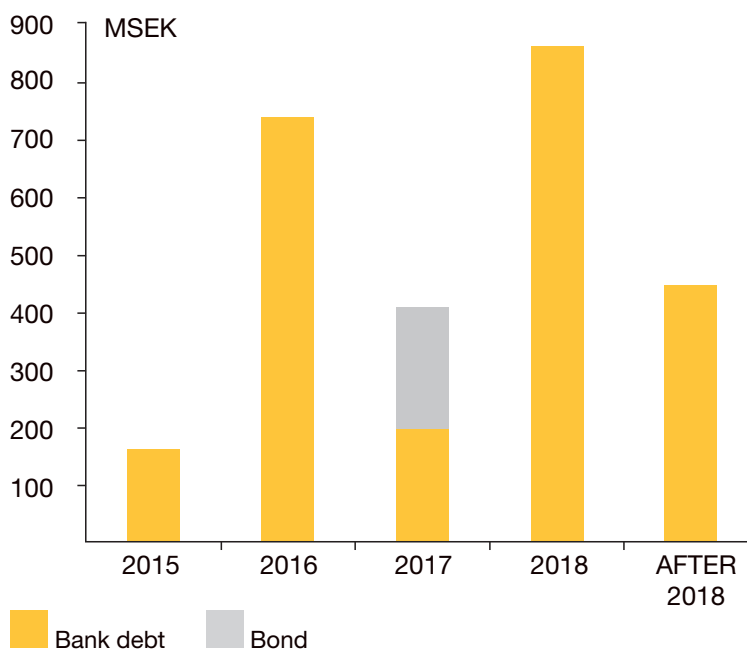
In March 2012 the Group issued a 5 year senior unsecured bond loan in the Norwegian capital market, with maturity in March 2017, totaling MNOK 300. The bond agreement has a limit of MNOK 750. The net proceeds from the bond shall be employed for investments, capital expenditures related to fleet expansion 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 the Group is holding nominal MNOK 189 of this bond, consequently MNOK 196 is outstanding.

The Group has 43% (28) of its interest bearing debt in USD, 19% (14) in GBP, 1% (3) in EUR and 37% (55) in NOK. The Group has 86% (90) of the total loan portfolio swapped into fixed interest rates within the interval of 90 days up to three years and 10% (10) of the total loan portfolio swapped into fixed interest rates for more than 3 years. The remaining part is fully exposed to floating market rates.

### 3.1. Classification by type of debt

MSEK	Q2 2015	Q2 2014	FY 2014
Long-term bond loan	207	344	205
Short-term bond loan	0	110	0
Long-term debt to credit institutions	1,995	2,074	2,059
Short-term debt to credit institutions	410	243	431
<b>TOTAL INTEREST BEARING LIABILITIES</b>	<b>2,612</b>	<b>2,771</b>	<b>2,695</b>

### 3.2. Debt maturity



#### 4. CASH AND CASH EQUIVALENTS

Consolidated cash and cash equivalents available at the end of the quarter amounted to MSEK 233 (461). Cash assets include client funds of MSEK 56.

MSEK	Q2 2015	Q2 2014	FY 2014
Restricted cash 1)	109	0	4
Free cash and cash equivalents	233	461	450
<b>TOTAL</b>	<b>342</b>	<b>461</b>	<b>454</b>

1) The amount is included in the item "Financial Assets" in the balance sheet.

#### 5. 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 main operational risk factors relates 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 market for Offshore operations is in 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 refinancing of the loans that have been completed in 2014 within the Group has ensured a long term financing structure. The political situation in Ukraine and the sanctions against Russia have indirectly affected the Group through the earlier published contract cancellations. It is difficult to assess the long term impact of these sanctions. The Group is carefully monitoring the development to protect its interests in the region. The business activities in the TransAtlantic AB segment operate in a market with negative growth and competitive profit margins.

The group is exposed to changes in the freight rates. To mitigate this operational risk, the Group has a clear focus on increasing the number of vessels on term contracts within the Offshore operations.

#### 6. OTHER INFORMATION

##### Corporate tax

The general situation for the Group is that taxes payable are limited to foreign entities. Accordingly, recognized corporate tax mainly comprises deferred tax. The tax losses carry forward amounted at end of the period, net for Swedish entities, to MSEK 1,062, of which MSEK 182 corresponding to a tax value of MSEK 40 have been capitalized and considered likely to be offset against future taxable profits. The recognized net deferred tax asset for the Swedish operations amounted by the end of the period to MSEK 40 (40 on Dec 31, 2014). The recognized deferred tax liability for the operations outside Sweden amounted to MSEK 14 (16 on Dec 31, 2014).

##### Transactions with closely related parties

Kistefos has, through a consultancy agreement, made management and financial services available to the Group, for which compensation has been paid to a total of MSEK 0.3 for the first half of 2015. Apart from this, there were no other significant transactions with closely related parties.

##### 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 FRF 2 Accounting for Legal Entities. Unless otherwise noted, the same accounting policies for both the Group and the Parent Company have been applied as those used in the most recent Annual Report.



A decorative graphic consisting of a vertical line with a yellow dot at the top, a horizontal line extending to the left, and a yellow circle containing the text 'Q2' at the end of the horizontal line.

Q2

VSS A/S publishes a separate report as a result of the issued debt certificates. Some values in that report are not comparable to the values in this report, as a result of different acquisition values and depreciation schedules between VSS A/S and the Group. VSS A/S has as of Q3 2011 been built through Group-internal transfers of vessels and operations at then current market prices, which is why differences in acquisition values have arisen.

**Number of employees**

The average number of full time employees in the Group for the half year was 744 (Jan-Dec 2014: 796).

**Number of shares**

Share distribution on June 30, 2015:

Number of Series A shares	11,634,946
Number of Series B shares, listed	165,809,372
<b>Total number of shares</b>	<b>177,444,318</b>



## 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 amortisation, corresponding to profit/loss before capital expenses and tax

**EQUITY RATIO**

Shareholders' equity divided by total assets.

**FY 20XX**

Full accounting year

**THE GROUP**

Viking Supply Ships AB - Limited Liability Company registered in Sweden

**Hx**

Half of the year

**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 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

**Qx**

Quarter of the year

**RETURN ON EQUITY**

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

**RETURN ON CAPITAL EMPLOYED**

Profit before interest and tax (EBIT) divided by average capital employed.

**RESTRUCTURING COSTS**

Includes revenues and expenses of a non-recurring nature, such as capital gains/losses from the sale of vessels, impairment of vessels and costs related to personnel cutbacks

**RORO**

Roll-on/roll-off ships are vessels designed to carry wheeled cargo, such as automobiles, trucks etc.

**TOTAL CASH FLOW**

Cash flow from operating activities, investing activities and financing activities





**QUARTERLY**