VIKING
SUPPLY SHIPS A/S

GROUP ANNUAL REPORT

2016

Islands Brygge 57, DK-2300 Copenhagen,
Registration no. 33 36 97 94

VIKING SUPPLY SHIPS
SHIPOWNERS

MORE THAN A SHIPOWNER | THE COOLEST PLACE TO WORK | ALWAYS AHEAD OF COMPETITION

FY 2016

FY **REVENUE**
MUSD 89.0 (132.6)

ARCTIC FOCUS

FY **EBITDA**
MUSD 18.8 (34.7)

FY **NET RESULT**
MUSD -44.0 (-40.0)

FY **FIXTURE RATE AHTS**
USD 50,500 (55,300)

FY **CONTRACT BACKLOG**
AHTS contract coverage 2017: 3%, 2018: 0%, 2019: 0%
(Including firm periods and options)

CONTENT

MANAGEMENT REVIEW

Viking Supply Ships A/S (VSS) core business is offshore and icebreaking services to major oil companies primarily in the North Sea, Arctic and Subarctic waters. VSS is a leading player in the Arctic and Subarctic offshore segment, with extensive expertise in performing operations in harsh environments. Customer adaptation and creativity, combined with a leading position in safe and environmental friendly operations, are some of the key success factors. The fleet comprises a total of 13 vessels. Three are combined icebreakers/AHTS vessels, four are ice-class AHTS vessels, one is a conventional AHTS vessel and five are modern PSV vessels. Additionally VSS, on behalf of the Swedish Maritime Administration (SMA), has commercial management of five state-owned icebreakers. The dedicated crews have extensive experience with icebreaking and offshore work in harsh weather conditions. The AHTS fleet, combined with crew and ice management competence, is tailor-made to operate in ice conditions. VSS is committed to have a substantial part of the fleet on longer term contracts, and has a focus on increasing the contract coverage and the contract backlog. VSS has delivered offshore services in Arctic waters for oil majors like Shell, ENI, Husky, Cairn Energy, Rosneft and Exxon Mobil.

VSS' head office is located in Copenhagen, Denmark with local presence in Norway and Sweden. During 2016, VSS decided to close down the offices in Canada and Russia. To explore future commercial opportunities in Russia and strengthen its footprint in the region, VSS has entered into a strategic cooperation with Sevnor Ltd., a shipping and offshore company with extensive presence in the Russian offshore market.

The deteriorated market conditions, including downward pressure on rates and utilization, decreasing vessel values and contract backlog, have negatively impacted the liquidity, earnings and financial position of VSS. As a consequence, VSS in Q4 2015 initiated a dialogue with its lenders to secure a long-term stable financing solution. VSS has during the majority of 2016 been in an ongoing dialogue with its lenders and has during most of the year since February 2016 been in a standstill position, during which VSS has not paid instalments to its lenders. In May 2016, VSS agreed the main principles for a restructuring agreement with the bank lenders. The term sheet with these main principles was signed on 12 July 2016. In August VSS reached an agreement with the bondholders' committee regarding a revised proposal for restructuring of the bond issue and a bondholders' meeting was summoned. On 15 September 2016 a bondholders meeting was held. The proposed resolution obtained 98.26% of the votes, and the proposal was adopted according to the voting requirements of the Bond Agreement. On 21 November 2016, Odin Viking SPV AS and VSS entered into an agreement to amend the terms in the bareboat charter party. This finalized the financial restructuring of VSS, subject to an equity issue at an agreed level in Viking Supply Ships AB (VSS AB) and a subsequent equity injection by the parent company into VSS. During Q4 2016, all of the share issues in VSS AB that form part of VSS' financial restructuring have been completed.

The restructuring secures VSS with a stable financial platform until 2020, subject certain vessel income levels. The primary uncertainties and risks in relation to the going concern considerations include a prolonged weakening of the market conditions.

It remains the core focus of VSS to increase the contract coverage going forward. The downturn within the offshore industry has inevitably reduced the activity level both in the North Sea as well as in harsh environment regions, but VSS still sees contract opportunities within the core market. In 2015, VSS decided to lay-up three of its five PSVs as well as the AHTS Odin Viking. Early in 2016 it was decided to lay up the remaining two PSVs as a consequence of the challenging market conditions.

As expected, the result for 2016 decreased compared to 2015. 2016 was characterized by volatile activity in the spot market giving a soft market for longer periods of the year. The AHTS vessels obtained an utilisation of 54% (70) and average fixture rates of USD 50,500 (55,300) in the year. The PSV vessels obtained an utilisation of 10% (42) and average fixture rates of USD 6,200 (6,200) in the year. All figures are excluding laid-up vessels.

Total revenue for the year amounted to MUSD 89.0 (MUSD 132.6) and operating profit before depreciation (EBITDA) was MUSD 18.8 (MUSD 34.7). The result is not satisfactory, but in line with expectations given the poor market developments.

FY 2016

SIGNIFICANT EVENTS

Q1

- In February 2016 Magne Viking was certified according to the IMO Polar Code. The vessel, which was the first vessel globally to comply with the code, was approved by DNV GL.
- Due to a continued weak PSV market VSS, in March 2016, decided to lay up the PSVs Sol and Freyja Viking with immediate effect. The decision was to reduce the company's operational costs going forward and to give a positive impact on the results from the second quarter of 2016.
- Based on the significant changes occurring during 2015 in the market in which the company operates and the increased volatility in exchange rates, the Management evaluated the functional currency for the company. Having considered the aggregate effect of all relevant factors, the Management concluded that the functional currency of the company was USD. In accordance with IAS 21 changes of functional currencies was accounted for prospectively from 1 January 2016.
- In the fourth quarter of 2015 VSS had initiated a dialogue with its lenders to secure a long-term stable financing solution. In February 2016 VSS entered into a standstill agreement with its lenders, during which VSS did not pay instalments to its lenders. This agreement expired on 26 April 2016, but VSS continued to not fully service its debt obligations as they fell due.

Q2

- In May 2016, VSS agreed the main principles for a restructuring agreement with the bank lenders. The term sheet with these main principles was signed on 12 July 2016. In August 2016, VSS reached an agreement with the bondholders' committee, representing a majority of the outstanding bonds, regarding a revised proposal for restructuring of the bond issue, and a bondholders' meeting was summoned. The senior lenders were all positive to the agreement with the bondholders.
- As an effect of the deteriorated market conditions within the oil & gas industry and as a measure to further strengthen the focus on cost efficiency within VSS, the Management decided to close down the office in St. John's, Newfoundland with effect as of 28 April 2016. VSS still considers Newfoundland and Eastern-Canada to be of strategic importance going forward and in the future, commercial activities towards the region will be followed up closely by dedicated personnel from the headquarter in Copenhagen and the chartering office in Kristiansand.
- On 9 June 2016, VSS was informed that Norseman Offshore AS had filed an application for bankruptcy against VSS with the Maritime and Commercial High Court in Copenhagen. However, on the 16 June 2016 the petition for bankruptcy against VSS was withdrawn.
- Due to the challenging market conditions, VSS recognized an impairment loss during the quarter of MUSD 17.1 related to the PSV fleet.
- After a short temporary leave Christian W. Berg returned to his position as CEO of VSS.

Q3

- In July 2016, the term sheet which had been agreed with the banks was signed. This marked a significant step towards the completion of the financial restructuring of VSS.
- On 15 September 2016 a bondholders meeting was held. The proposed resolution obtained 98.26% of the votes, and the proposal was adopted according to the voting requirements of the Bond Agreement. According to the proposal, 50% of the outstanding par value of bonds was to be converted to quoted class B shares in Viking Supply Ships A/S' parent company, Viking Supply Ships AB, at SEK 1.5 per share, the bonds being valued at 55% of par. The remaining 50% of the outstanding bonds was to be redeemed in cash at a price corresponding to 35% of par.
- On 9 November 2016, Odin Viking SPV AS and VSS concluded on an agreement to amend the terms in the bareboat charter party.
- In July 2016, VSS received an early termination notice of the contract for the Ice-class 1A AHTS vessel Njord Viking. The vessel has been working for Eni Norge in the Barents Sea and has also been part of the extended towing-preparedness in the area on behalf of the Norwegian Coastal Administration. The vessel was according to the contract with Eni Norge firm until the end of 2016, with optional periods of 2 x 6 months thereafter. According to the contract VSS was entitled to a termination fee of approximately USD 13.300/day for the remainder of the firm period. The termination represented a loss of income during the remaining firm period of the contract of MUSD 3.3 in 2016.
- During the quarter, Vidar Viking and Brage Viking completed their term contracts and returned to the spot market in the North Sea.
- Due to the challenging market conditions, VSS recognized an impairment loss during the quarter of MUSD 6.5 related to the PSV fleet.
- In September 2016, Christian W. Berg stepped down as CEO of Viking Supply Ships A/S. He took on various projects within Viking Supply Ships A/S and acts as an advisor to the Board of Directors. At the same time, Chairman of the Board Bengt A. Rem, was appointed as interim CEO of Viking Supply Ships A/S. Further, Folke Patriksson was appointed Chairman of the Board for as long as Bengt A. Rem was interim CEO. Bengt A. Rem continued on the Board as a board member.

Q4

- On 21 November 2016, Odin Viking SPV AS and VSS entered into an agreement to amend the terms in the bareboat charter party.
- During the quarter, all of the share issues that form part of the company's financial restructuring were completed. VSS received new capital in the amount of MUSD 17.6 by way of an equity issue in Viking Supply Ships AB. MUSD 4.6 out of the MUSD 17.6 was received after the end of the quarter.
- According to the restructuring agreement made with the owners in FRN Viking Supply Ships A/S Senior Unsecured Open Bond Issue 2012/2017, 50% of the outstanding par value of bonds was to be converted to quoted class B shares in VSS A/S' parent company, Viking Supply Ships AB, at SEK 1.5 per share, the bonds being valued at 55% of par. The remaining 50% of the outstanding bonds was to be redeemed in cash at a price corresponding to 35% of par. The settlement by way of cash redemption and the set-off equity issue in Viking Supply Ships AB was completed on 12 January 2017, with the bond being delisted from Nordic ABM as of the same date.
- As a part of the restructuring agreement, all loans previously denominated in NOK and GBP were converted to USD during the quarter.
- VSS decided to re-flag its DIS-flagged vessels to Norway under NOR-flag. This is assumed to reduce operational expenses and improve VSS' commercial and operational platform going forward, by giving the company increased access to the important Norwegian market. VSS has during January 2017 been in dialogue with unions and crew representatives, after which new contracts and terms have been presented to the crew. The flag-change process was completed within the first quarter of 2017.
- To explore future commercial opportunities in Russia and strengthen its footprint in the region, VSS has entered into a strategic cooperation with Sevnor Ltd., a shipping and offshore company with extensive presence in the Russian offshore market. As a consequence, VSS has decided to close down its own offices in Moscow and Sakhalin. Future operations will be run in cooperation between the company and Sevnor Ltd.
- During the quarter an impairment charge of MUSD 5 was recognized related to the PSV fleet.
- The Board of Directors of Viking Supply Ships AB appointed Mr. Trond Myklebust as Chief Executive Officer (CEO) of Viking Supply Ships AB. Mr. Myklebust will also act as CEO of Viking Supply Ships A/S, and has since late January been functioning as CEO in both companies. At the same time, interim CEO Bengt A. Rem stepped down as CEO and was reappointed Chairman of the Board. Former Chairman of the Board Folke Patriksson continued as board member.

LIQUIDITY AND GOING CONCERN

The deteriorated market conditions, including downward pressure on rates and utilization, decreasing vessel values and contract backlog, have negatively impacted the liquidity, earnings and financial position of VSS during 2015. As a consequence, VSS in Q4 2015 initiated a dialogue with its lenders to secure a long-term stable financing solution.

As at 31 December 2015 VSS did not have sufficient liquidity to service its debt obligations as they fell due, including the requirements to deposit additional cash or security as required under contract coverage- and loan-to-value clauses in Q1 2016. Further in 2016, VSS was not able to comply with events of default provisions in loan agreements, which rendered all borrowings short-term and payable on demand by the lenders, including loans amounting to MNOK 922, which as at 31 December 2015 had been classified as long-term debt in the balance sheet.

VSS has during the majority of 2016 been in an ongoing dialogue with its lenders and has during most of the year since February 2016 been in a standstill position, during which VSS has not paid installments to its lenders.

In May 2016, VSS agreed the main principles for a restructuring agreement with the bank lenders. The term sheet with these main principles was signed on 12 July 2016. In August VSS reached an agreement with the bondholders' committee regarding a revised proposal for restructuring of the bond issue and a bondholders' meeting was summoned. On 15 September 2016 a bondholders meeting was held. The proposed resolution obtained 98.26% of the votes, and the proposal was adopted according to the voting requirements of the Bond Agreement.

On 18 October 2016, a bankruptcy petition was approved towards the owner of Odin Viking, Norseman Offshore AS. On 11 November, Odin Viking SPV AS, a company owned by Kistefos AS, entered into an agreement with the bankruptcy trustee, where after Odin Viking SPV AS purchased Odin Viking and acquired the bareboat charter party. On 21 November 2016, Odin Viking SPV AS and VSS entered into an agreement to amend the terms in the bareboat charter party.

This finalized the financial restructuring of VSS, subject to an equity issue at an agreed level in VSS AB and a subsequent equity injection by the parent company into VSS. During Q4 2016, all of the share issues in VSS AB that form part of VSS ' financial restructuring have been completed.

Based on the above and a continued belief in securing contracts within the core market segment, Management has concluded that both the company and VSS Group will be able to continue as going concern at least until 31 December 2017. This conclusion is based on Management's assessment of the current outlook for 2017 and the uncertainties and risks described above.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Other events occurring after 31 December 2016 in addition to the financial restructuring are described in note 20 Events occurring after the reporting period.

RISKS

VSS is characterised by a high degree of international operations and VSS is thus exposed to a number of both operational and financial risks. These risks include fluctuations in spot rates and utilisation in the offshore segment and development in exchange rates of mainly NOK and GBP.

VSS works actively to identify, assess and manage these risks (see note 18 Financial instruments and risk).

KNOWLEDGE RESOURCES

It is essential for VSS' continued growth to attract and retain highly skilled employees, including seafarers with expertise within offshore and icebreaking services who can perform in harsh environments.

The company provides a high and competitive service quality on its fleet of vessels. This requires a high level of competence and the company invests a substantial amount of resources in improving the competences of the company's employees.

The company offers internal and external training programs tailor made to each individual employee.

SAFETY AND ENVIRONMENT

VSS and all subsidiaries are operated under the same HSEQ umbrella and utilize the same principles and governing documents in order to maintain focus on HSEQ

VSS' vision is an incident and injury free workplace, with no harm to people and no damage to the environment.

VSS strives to achieve the best possible solutions that exceed customer expectations and provide customers with greater value. VSS performs its operations and services in such a way that the impact on the environment is as low as reasonably practicable and so that international and national environmental laws are adhered to. The objective is to create a work environment without accidents, and customer relations with highest level of quality, by adhering to the following principles:

- Zero accidents, environmental or material damage
- Compliance with all applicable Health, Safety and Environmental (HSE) legislation
- Healthy working conditions
- Clear tangible targets
- Require every employee to take personal responsibility for HSE by focusing on own behaviour
- Innovation and development alongside customers
- To reduce impact on the environment through energy efficiency

VSS' offshore fleet has a track record of more than three years since last Lost Time Incident (LTI) meaning that the company has been operating without significant accidents as a result of focusing on the above mentioned principles. During 2016 VSS had no incidents with oil spill into the sea. The safety work is continuously improved and during the last two years VSS has focused on increasing safety observation reporting and improving reporting quality. This has even further minimized the number of accidents. For the HSE reporting and risk assessment VSS utilizes a common group reporting and assessment tool. The tool has a potential for further integrating and simplifying the workload and the goal is to implement further improvements during 2017.

VSS is certified according to ISMA and the ISPS code and for the standards ISO 14001:2004, ISO 9001:2008 and OHSAS18001:2007. This means that the company has a combined ISO certificate for the environment, quality and work environment for both the vessels and the offices.

Through our external vessel management VSS has been deeply involved in technical solutions for limiting NOx and fuel consumption on existing engines - a research project pioneering rebuilding existing engines to common rail technique.

The VSS AHTS fleet has NOx reduction plants - catalysts fitted on the engines on vessels build from 2000 and onwards.

Further we refer to the Safety and Environment section of the VSS website. www.vikingsupply.com/hseq

THE POLAR CODE

In 2016 Magne Viking became the first vessel in the world to get a statement of compliance with the Polar Code. As Arctic waters are the focus area of VSS, the company has put in extra efforts in order to have vessels certified in accordance with the Code. As a result, work with the Code has had high priority since it was adapted by IMO's Maritime Safety Committee.

The Polar Code is a new mandatory regulative framework for vessels operating in arctic waters. The Polar Code entered into force on 1 January 2017. The Polar Code is intended to cover the full range of shipping-related matters relevant to navigation in waters surrounding the two poles – ship design, construction and equipment, operational and training concerns, search and rescue and equally important, the protection of the unique environment and eco-systems of the polar regions.

The Polar Code and SOLAS amendments were adopted during the 94th session of IMO's Maritime Safety Committee (MSC) in November 2014. As VSS aims to be the leading provider within harsh environment and Arctic offshore operations, implementing the Polar Code was considered to be of significant importance for the company.

During 2015, large efforts were put into work with the Polar Code work. Although the fleet of VSS is designed to fulfil most technical requirements in the code, the project was still a large undertaking for the company. The result was a Polar Water Operation Manual, which is one of the requirements to obtain a Polar Code certification. The Operation Manual is also considered to give the crew and personnel further knowledge and guidance on how to operate in the harsh Polar Regions.

As soon as the Code entered into force on 1 January 2017 the work of certifying the rest of the fleet began. By early April 2017 all four Loke-class vessels were fully compliant and certified in accordance with the Code. The work on certifying the Tor-class has started and the aim is to have Tor Viking and Balder Viking certified during Q2 2017.

Not only did VSS obtain the first compliance statement with the Polar Code but the company was also the first company to offer a Polar Code course. In the beginning of March 2016 the first test course, named Polar Code Course, Basic and advanced was completed in cooperation with the Linnæus University in Kalmar. The course covers all requirements of the IMO Polar Code. The course has been developed in close cooperation with Kalmar Maritime Academy as part of a cooperation agreement named Ice Academy. Both the Swedish and Danish Maritime Administrations were present during the course in order to review the implementation and contents of the course.

VSS is proud to be the first company to have a Polar Code compliance certificate and to have completed the first Polar Code course within the industry. This once more underlines that VSS is ahead of the competition in terms of focus on safe operations. It is VSS' opinion that the efforts on compliance with the Polar Code will benefit all work being carried out in the arctic regions both in terms of safe operation and environmental protection.

HUMAN RIGHTS

Though VSS does not have a specific policy for human rights, VSS strives to set a positive footprint on the world, and has actively contributed during 2016 by donations to organisations working with improving children's opportunities and humanitarian assistance.

CODE OF CONDUCT

VSS created a new and extensive Code of Conduct in 2014 in cooperation with expert legal advisors, which were presented and approved by the Board of Directors in September 2014. The Code of Conduct is based on the VSS values Safety, Teamwork, Trust, Respect and Flexibility, and is constructed to be the cornerstone of the VSS Corporate Social Responsibility (CSR) programme. The main points in the Code of Conduct are zero tolerance for corruption, prohibition against facilitation payments and guidelines for gifts and business hospitality.

Throughout 2016 there has been a focus on good governance and the company is constantly looking for improvements and updates to its current policies. This has been followed up with presentations and Q&A sessions. The company will continue to evaluate its CSR programme, and will hold annual presentations with Q&A sessions in all its offices and for all offshore staff.

VSS will perform a full policy review during 2017 and the company is working to implement its own Corporate Social Responsibility guidelines.

DIVERSITY

VSS is actively striving to achieve a diverse team throughout the board of directors, the management group and the rest of the organisation. All employees in VSS should experience equal opportunities for developing their careers, regardless of gender, religion, age and nationality. Diversity will always be considered when promoting and recruiting employees. VSS currently employs 4 different nationalities onshore and 11 different nationalities at sea.

To support equal opportunities, VSS has implemented the following initiatives:

- Corporate policies to allow equal opportunities
- Standardised recruitment policies to ensure equal treatment
- Support to develop individual career plans

The management group in VSS consists of 5 men and 1 woman. The aim is to increase the underrepresented gender in the management group to at least 40%. To achieve this, VSS strives to make sure that each gender is represented by at least one when promoting or hiring for management group positions. During 2016 no changes have been made to the management group. The Board of Directors in VSS consists of 5 men and 0 women. In order to increase diversity in the Board of Directors, a goal has been set that the underrepresented gender should constitute at least 20% by 2018. During 2016 no changes have been made to the Board of Directors.

MARKET EVENTS 2016 AND MARKET EXPECTATIONS 2017

The oil market, which is the fundamental driver for the market in which VSS operates, stabilized during the second half of 2016. Since 2015, the reduced oil price has caused oil companies to reduce their investments towards exploration and production, causing the production to gradually decline. Increased global demand and a decision by OPEC to limit their production further improved the market balance in the second half of 2016.

The challenging situation related to sanctions in Russia was upheld through 2016 and combined with the overall challenging market conditions within the offshore industry this has resulted in reduced exploration activity in the Russian Arctic. The remaining activity is focused on the Sakhalin region in the Far East and the producing field Prirazlomnoye in the Pechora Sea. VSS still considers Russia to be a significant region within the Arctic offshore. To explore future commercial opportunities in Russia and strengthen its footprint in the region, VSS has entered into a strategic cooperation with Sevnor Ltd., a shipping and offshore company with extensive presence in the Russian offshore market. VSS anticipates that there will be a modest increase in activity in the Russian market in 2017, but a full recovery is likely to be dependent on easing of the US/EU imposed sanction regime.

VSS maintains a positive long term outlook for the offshore industry. Due to the reduced exploration levels, VSS does however anticipate that also 2017 will be challenging for the industry. With the oil market in balance there is however early signs of recovery, including increased focus on seismic exploration. Over the last two years, the oil industry has focussed on reducing the escalating cost level. Statoil has, as an example, since the original development plan for the Johan Castberg project managed to reduce the break-even price from USD 90 per barrel to a current forecast of USD

35. Arctic oil and gas is still anticipated to be vital to cover the future energy demand, and efficiency gains seen across the industry will positively impact the fundamentals also for other Arctic projects.

AHTS MARKET
Due to reduced rig activity in the North Sea, VSS expected that the soft market development seen in 2015 would continue in 2016. Despite increased volatility and softer periods, the average rate levels improved considerably going into the third quarter. However, as more vessels were added to the North Sea spot fleet during the summer, the market balance were significantly deteriorated during the last quarter of 2016.

More than 50 AHTS vessels are currently laid up in the North Sea. Although many of these vessels have not traded in the region historically, VSS anticipates that laid up vessels will have a negative effect on the market recovery even after the rig activity starts to increase. However, the most influential factor for the spot market is currently the drilling activity in the region. The reduced rig-fleet operating in the region has reduced the amount of work and most significantly, the number of periods where high demand tightens the market. Rate levels have as a consequence been soft also when the supply of vessels is reduced.

VSS expects that the rig activity will remain relatively unchanged in 2017, with certain signs of increased demand during the summer period. With several vessels in the spot market committed to various summer projects outside the spot market during the summer season, VSS anticipates that the market balance will improve for periods of the year. Despite the challenging market conditions, it remains a core focus within VSS to increase the contract backlog going forward. The activity in VSS' core regions has been reduced over the last two years, but the company does see attractive contract opportunities in 2017 and has a clear ambition to secure term contracts for parts of the AHTS fleet.

PSV MARKET
Due to significant newbuilding programs worldwide over the last few years, the PSV segment is the vessel segment which has deteriorated most during the industry downturn. The number of laid-up vessels has increased during 2016, with few signs of improvement to the market.

As a consequence of the poor market conditions and limited contract opportunities, VSS in 2015 decided to lay up three PSVs, while the remaining two vessels were laid up in early 2016. For the remainder of the year, all PSVs in VSS' fleet have remained in lay-up, and the company will continue to monitor the market for long term contract opportunities for the vessels. Due to the market development in 2016, impairment charges related to the PSV vessels have been recognised during the year in the total amount of MUSD 28.6.

SERVICES AND SHIP MANAGEMENT MARKETS
Viking Ice Consultancy was established as a subsidiary of VSS 1 January 2015, as a result of the increased activity related to ice-management and logistical operations in conjunction with Arctic offshore activity. The company is based in Kristiansand.

Viking Ice Consultancy has obtained several consultancy contracts during 2016 and has among others worked with clients such as Total, Karmorneftegaz and Alcatel. Towards the end of the year the company signed a contract with Statoil for project management and ice management services for a research project in the Baltic to take place during the first quarter of 2017.

Viking Ice Consultancy has also developed an IMO Polar Code training course for internal and external clients and has signed contracts for the provision of Polar Code training and certification for several clients during 2017.

VSS' primary activity within Ship Management is the management agreement with SMA. This agreement was renewed for seven years during 2015 and has progressed as planned during 2016.

RESULT EXPECTATIONS 2017

As communicated in the 2015 Group Annual Report it was expected that the 2016 revenue and profitability would decrease compared to 2015. The market conditions in 2016 have been challenging and as a result lower revenue and profitability were realized for 2016.

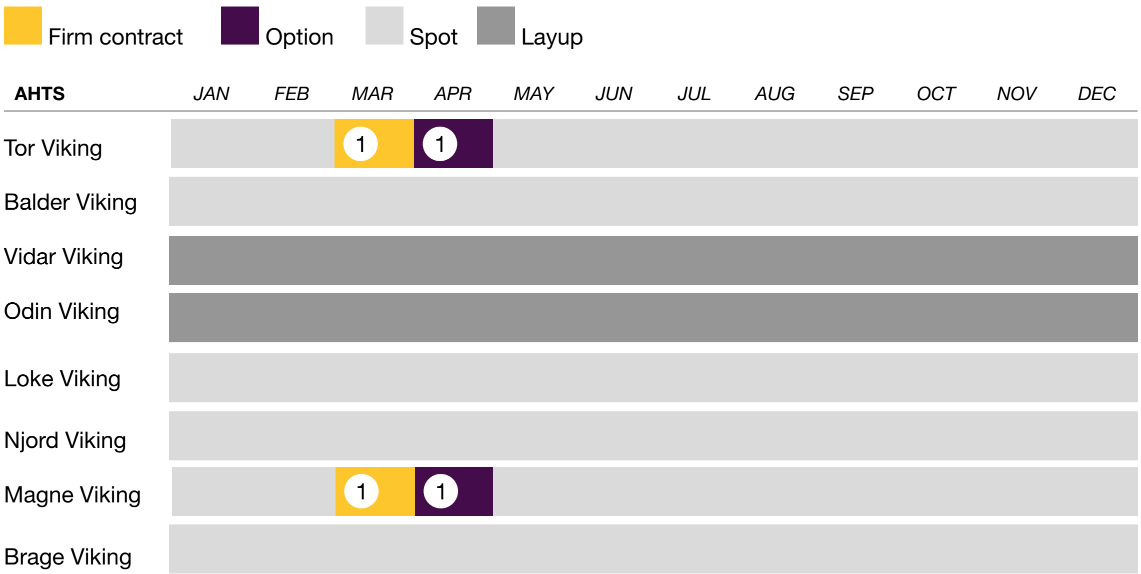
The most important external factors affecting VSS results for 2017 are:

- Global development in oil companies exploration and production
- Development in oil price
- Sanctions against Russia
- Rig activity compared to number of vessels in the North Sea

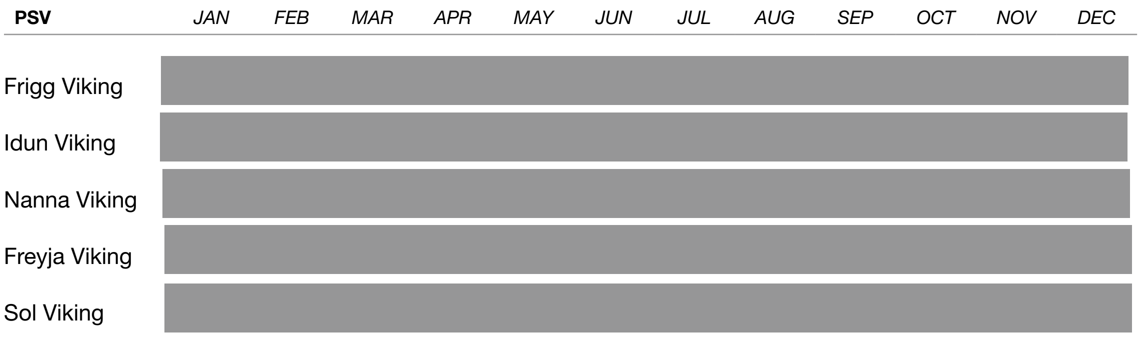
VSS expects the overall business environment in 2017 to be challenging. At the entrance to 2017 VSS had total contract coverage of 3% for the year (33%). VSS still sees contract opportunities within its core areas such as the Barents Sea, Canada and Russia, primarily from 2018, but also for the coming 2017 summer season.

VSS expects the revenue to decrease in 2017 compared to 2016. EBITDA is expected to be positive and the result for 2017 is expected to be a loss of MUSD 20-25 before any potential further impairment charges on vessels. Due to the challenging market conditions the indicated result range is subject to uncertainty.

EMPLOYMENT OVERVIEW



1. Oil major, firm 20 days firm + 30 daily options



Tables are as of 31 December 2016

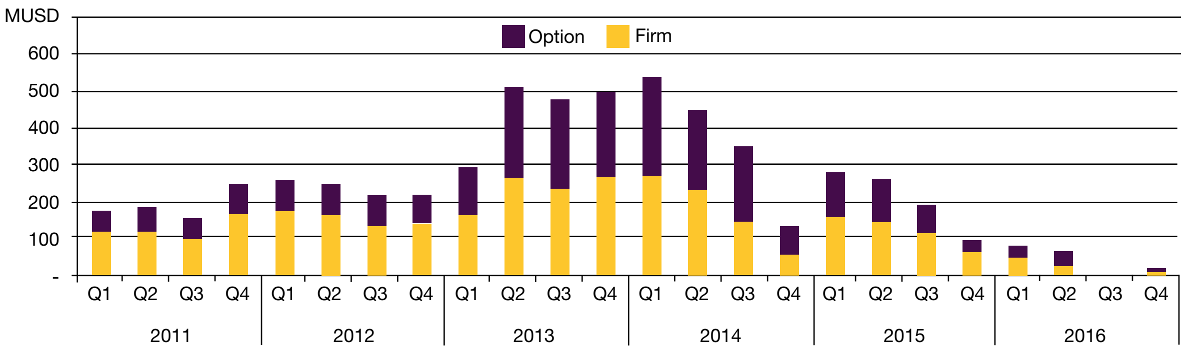
CONTRACT BACKLOG

AHTS	2017	2018	2019
Firm Contract Backlog (MUSD)	2	0	0
Optional Contract Backlog (MUSD)	2	0	0
Total Contract Backlog (MUSD)	**4**	**0**	**0**
Firm Contract Coverage	1%	0%	0%
Optional Contract Coverage	2%	0%	0%
Total Contract Coverage	**3%**	**0%**	**0%**

PSV	2017	2018	2019
Firm Contract Backlog (MUSD)	0	0	0
Optional Contract Backlog (MUSD)	0	0	0
Total Contract Backlog (MUSD)	**0**	**0**	**0**
Firm Contract Coverage	0%	0%	0%
Optional Contract Coverage	0%	0%	0%
Total Contract Coverage	**0%**	**0%**	**0%**

Figures in the tables are as of 31 December 2016.

HISTORIC DEVELOPMENT



Figures in the table are as of 31 December 2016. The amounts show the total remaining contract backlog as of balance date.

KEY FIGURES

(MUSD)	2016	2015	2014	2013	2012
Total revenue	89.0	132.6	276.7	171.5	153.6
Operating profit before depreciation (EBITDA)	18.8	34.7	114.1	51.0	33.6
Operating profit (EBIT)	-29.9	-19.2	86.2	7.5	0.9
Net financials	-14.6	-20.5	-37.4	-17.5	-27.8
Result for the period	-44.0	-40.0	46.4	-8.8	-26.9
Total assets	405.2	474.9	627.6	688.7	762.7
Equity	155.5	178.2	270.5	281.7	310.1
Net interest-bearing debt	210.4	263.0	319.7	376.1	412.2
Investments in tangible fixed assets	-0.8	-8.6	41.9	8.1	5.6
Profit margin	-33.6%	-14.5%	31.2%	4.3%	0.6%
Equity ratio	38.4%	37.5%	43.1%	40.9%	40.7%
Return on shareholders' equity	-26.4%	-17.8%	15.6%	-3.0%	-9.6%
Total contract backlog	3.8	88.8	127.8	499.1	210.6
Total contract coverage	3%	25%	25%	42%	0%
Average number of employees	463	484	468	457	405

Financial ratios are calculated in accordance with the Danish Finance Society' guidelines on the calculation of financial ratios, “Recommendations and Financial Ratios 2016”.

FY 2016

FINANCIAL HIGHLIGHTS

RESULT FOR THE PERIOD

Total revenue was MUSD 89.0 (MUSD 132.6). Total operating costs were MUSD 70.2 (MUSD 97.9) and operating profit before depreciation (EBITDA) was MUSD 18.8 (MUSD 34.7). Operating profit (EBIT) was MUSD -29.9 (MUSD -19.2).

Depreciation was MUSD 20.1 (MUSD 22.9) and impairment charges related to the PSV fleet amounted to MUSD 28.6 (MUSD 31.1). The impairment charge in 2016 corresponds to 37% of the carrying amount of the PSV fleet at 1 January 2016 (30%, 1 January 2015). Note 9 Tangible assets contains a description of the impairment tests.

Net financials were negative MUSD 14.6 (negative MUSD 20.5). Financial costs include realised currency gain of MUSD 6.3 (unrealised loss of MUSD 8.4) and realised value adjustment gain on interest rate swaps of MUSD 0.1 (loss MUSD 0.2), Odin Viking restructuring costs of MUSD 7.2 and financial services fee of MUSD 1.4.

The result for the year was a loss of MUSD 44.0 (loss MUSD 40).

TAX

The companies in VSS are taxed according to location and activity. Almost all activities are taxed under the tonnage tax scheme where the taxable income is calculated based on the tonnage of the fleet. An exception is the activities in the Services segment. In 2016 there was a tax gain of MUSD 0.4 (loss MUSD 0.3).

BALANCE SHEET

Total assets as of 31 December 2016 were MUSD 405.2 (MUSD 474.9).

Vessels and equipment were MUSD 366.6 (MUSD 415.1) after depreciation and impairment charges for the year of MUSD 48.7 (MUSD 54.0) in total. Due to the challenging market conditions, the valuation of vessels, especially the PSV fleet, is uncertain as further described in note 1 Significant estimations and assessments and note 9 Tangible assets.

The equity of MUSD 155.5 (MUSD 178.2) was impacted by the loss for the year of MUSD 44.0 (loss MUSD 40.0), equity issue of MUSD 13.0 (MUSD 0.0), conversion of intercompany debt to VSS AB of MUSD 6.9 and exchange rate adjustments with a gain of MUSD 1.5 (gain MUSD 0.5).

Total short- and long-term interest-bearing loans were MUSD 210.4 (MUSD 263.0).

CASH FLOW

Cash flow from operating activities was positive MUSD 7.2 (positive MUSD 44.1).

Cash flow from investing activities was positive MUSD 2.5 (negative MUSD 20.7).

Cash flow from financing activities was negative MUSD 0.1 (negative MUSD 49.9).

LEGAL CASES

VSS has no significant pending legal disputes.

FINANCIAL STATEMENT OF THE PARENT

The result for the year was a loss of MUSD 44.0 (loss of MUSD 40.0). The result for the year decreased due to the weak North Sea spot market but was partly off-set by large cost cutting initiatives.

Total assets as of 31 December 2016 were MUSD 312.3 (MUSD 354.2) and equity was MUSD 155.5 (MUSD 178.2).

RELATED PARTIES

VSS AB has controlling influence. For information on ownership and related party transactions see note 16 Transactions with related parties.

STATEMENT OF THE BOARD OF DIRECTORS AND MANAGEMENT

Today, the Board of Directors and the management have discussed and approved the annual report of Viking Supply Ships A/S for the financial year 1 January - 31 December 2016.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act. The parent company financial statements have been prepared in accordance with Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and company's financial position at 31 December 2016 and of the results of the group and company's operations and consolidated cash flows for the financial year 1 January - 31 December 2016.

In our opinion, the management's review includes a fair review of the of the development in the Group's and the Parent Company's operations and financial conditions, of the results for the year and of the financial position of the Group and Parent as well as a review of the more significant risks and uncertainty facing the Group and the Parent Company.

We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 31 May 2017

BOARD OF DIRECTORS:

BENGT A. REM
Chairman

FOLKE PATRIKSSON
Board member

ERIK BORGEN
Board member

HÅKAN LARSSON
Board member

MAGNUS SONNORP
Board member

MANAGING DIRECTOR:

TROND MYKLEBUST

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INDEPENDENT AUDITORS' REPORT

To the shareholder of Viking Supply Ships A/S

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

OPINION
We have audited the consolidated financial statements and the financial statements of Viking Supply Ships A/S for the financial year 1 January 2016 - 31 December 2016, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the consolidated financial statements and the financial statements, including a summary of significant accounting policies for the group and the company. The consolidated financial statements and the financial statements have been prepared in accordance with the International Financial Reporting Standards as approved by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the accompanying consolidated financial statements and the financial statements present fairly, in all material respects, the group's and the company's assets, equity and liabilities and financial position as at 31 December 2016 and the group's and the company's financial performance and cash flows for the financial year 1 January 2016 - 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the con-solidated financial statements and the financial statements' section of the auditor's report. We are independent of the group and the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

STATEMENT REGARDING THE MANAGEMENT'S REVIEW
The management is responsible for the management's review.

Our opinion on the consolidated financial statements and the financial statements does not include the management's review, and we do not express any form of opinion on the management's review.

In connection with our audit of the consolidated financial statements and the financial statements, it is our responsibility to read the management's review and in this connection consider whether the management's review is materially inconsistent with the consolidated financial statements or the financial statements or the knowledge we have obtained during our audit, or in any other way appears to be materially misstated.

Furthermore, it is our responsibility to consider whether the management's review contains the information required under the Danish Financial Statements Act.

Based on the work performed, we believe that the management's review is in accordance with the consolidated financial statements and the financial statements and has been prepared in accordance with the provisions of the Danish Financial Statements Act. We have not detected any material misstatement in the management's review.

MANAGEMENT'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE FINANCIAL STATEMENTS
The management is responsible for the preparation and fair presentation of the consolidated financial statements and the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the financial statements, the management is responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting in its preparation of the consolidated financial statements and financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are re-quired to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 31 May 2017
Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jan Stender
State Authorized Public Accountant

FY 2016

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(MUSD)	*Note*	*2016*	*2015*
Total revenue	**3,4**	**89.0**	**132.6**
Direct voyage costs		-4.2	-6.5
Operating costs	3,5	-51.3	-75.5
General and administrative expenses	5,6	-14.7	-15.9
Total operating costs		**-70.2**	**-97.9**
Operating profit before depreciation (EBITDA)		**18.8**	**34.7**
Net gain on sale of fixed assets	9	-	-
Depreciation	9	-20.1	-22.9
Impairment of vessels	9	-28.6	-31.1
Operating profit (EBIT)		**-29.9**	**-19.2**
Financial income	7	0.1	0.7
Financial costs	7	-14.6	-21.2
Net financials		**-14.6**	**-20.5**
Pre-tax result		**-44.5**	**-39.7**
Taxes	8	0.4	-0.3
Result for the year		**-44.0**	**-40.0**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(MUSD)	*Note*	*2016*	*2015*
Result for the year		**-44.0**	**-40.0**
Comprehensive income to be reclassified to profit and loss in later periods			
Translation effect foreign operations		1.5	0.5
Tax on other comprehensive income	8	-	-
Other comprehensive income net of tax		**1.5**	**0.5**
Total comprehensive income for the year		-42.5	-39.5

CONSOLIDATED BALANCE SHEET

(MUSD)	Note	2016	2015
ASSETS			
Vessels and equipment		366.6	415.1
Tangible assets	**9**	**366.6**	**415.1**
Restricted cash		-	12.4
Other non-current receivables		-	4.8
Financial assets	**12**	**-**	**17.2**
Total non-current assets		**366.6**	**432.3**
Inventories	10	2.4	2.0
Accounts receivables	11	1.7	11.2
Other current receivables	12	7.1	11.8
Cash and cash equivalents	12	27.3	17.6
Total current assets		**38.6**	**42.6**
Total assets		**405.2**	**474.9**

(MUSD)	Note	2016	2015
EQUITY AND LIABILITIES			
Share capital		0.1	0.1
Retained earnings and reserves		155.5	178.1
Proposed dividend		-	-
Total equity	**19**	**155.5**	**178.2**
Long-term bond loan	13	-	22.3
Long-term interest-bearing loans	13	204.0	84.0
Other non-current liabilities	14	1.2	2.5
Total non-current liabilities		**205.2**	**108.8**
Short-term bond loan		-	-
Short-term interest-bearing loans	13	6.4	156.7
Accounts payable		2.3	5.7
Other current liabilities	15	35.7	25.5
Total current liabilities		**44.4**	**187.9**
Total liabilities		**249.7**	**296.7**
Total equity and liabilities		**405.2**	**474.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(MUSD)	Share capital	Share Premium	Translation reserve	FX from change in accounting policies	Retained earnings	Total equity
Shareholders' equity 31 December 2015	**0.1**	**-**	**0.5**	**-34.4**	**212.1**	**178.2**
Result for the period	-	-	-	-	-44.0	-44.0
Equity issue [1)]	-	-	-	-	19.9	19.9
Other comprehensive income	-	-	1.5	-	-	1.5
Shareholders' equity 31 December 2016	**0.1**	**-**	**2.0**	**-34.4**	**187.9**	**155.5**

1) Consists of MUSD 13.0 by way of an equity issue in VSS AB and MUSD 6.9 by way of VSS AB debt conversion (see note 16).

For further additional information see note 19 Share capital.

CONSOLIDATED CASH FLOW STATEMENT

(MUSD)	*Note*	*2016*	*2015*
Operating activities			
Profit / loss for the year		-44.0	-40.0
Adjustments for:			
Net gain on sale of fixed assets		-	-
Depreciation, amortisation and impairment	9	20.1	54.0
Impairment loss		28.6	
Financial expenses, net	7	14.6	20.5
Income taxes		-0.4	0.3
Working capital adjustments:			
Change in receivables and other current assets		30.2	29.2
Change in payables, accrued liabilities and deferred tax		-32.4	-7.1
Taxes paid	8	-0.4	-0.8
Interest paid		-9.1	-12.6
Interest received		0.1	0.7
Net cash flows from operating activities		**7.2**	**44.1**
Investing activities			
Purchase/Sale of marketable securities / other financial assets		3.3	-
Change in cash collateral		-	-12.1
Purchase of vessels and equipment		-	-0.1
Drydocking		-0.8	-8.5
Net cash flows used in investing activities		**2.5**	**-20.7**
Financing activities			
Dividends paid	19	-	-9.2
Equity Issue		13.0	-
Change in cash collateral		14.2	-
Repayment of loans	13	-23.7	-39.1
Change in loans from related parties	16	-3.6	-1.6
Net cash flows from financing activities		**-0.1**	**-49.9**
Currency translation effect on cash and cash equivalents		0.1	6.0
FX from change in accounting policies		-	-4.2
Cash and cash equivalents, beginning of year	12	17.6	42.3
Cash and cash equivalents, end of year	**12**	**27.3**	**17.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

SIGNIFICANT ESTIMATIONS AND ASSESSMENTS

In preparing the financial statements Management is required to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

Management bases its estimates on historical experience and various other assumptions that are held to be reasonable under the circumstances. These estimates form the basis for making judgments about the reported financial position and result of operations and cash flow that are not readily apparent from other sources. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and if necessary, changes are recognised in the period in which the estimate is revised.

The estimations and assessments with the greatest impact for VSS are liquidity and going concern, identifying impairment indicators/performing impairment tests of vessel values, useful lives of tangible fixed assets and their residual values, and determining taxation in different countries.

LIQUIDITY AND GOING CONCERN

The deteriorated market conditions, including downward pressure on rates and utilization, decreasing vessel values and contract backlog, have negatively impacted the liquidity, earnings and financial position of VSS during 2015. As a consequence, VSS in Q4 2015 initiated a dialogue with its lenders to secure a long-term stable financing solution. As at 31 December 2015 VSS did not have sufficient liquidity to service its debt obligations as they fell due, including the requirements to deposit additional cash or security as required under contract coverage- and loan-to-value clauses in Q1 2016. Further in 2016, VSS was not able to comply with events of default provisions in loan agreements, which rendered all borrowings short-term and payable on demand by the lenders, including loans amounting to MUSD 106.4, which as at 31 December 2015 had been classified as long-term debt in the balance sheet.

VSS has during the majority of 2016 been in an ongoing dialogue with its lenders and has during most of the year since February 2016 been in a standstill position, during which VSS has not paid installments to its lenders. These events created uncertainty as to the VSS Group's and the company's ability to continue as going concern, including the application of the going concern assumption as basis for preparation of the financial statements as opposed to liquidation principles, which typically will require significant impairments of vessels to their net selling price in a distressed sale situation and further require recognition of liabilities that arise on account of the inability to continue as a going concern.

In May 2016, VSS agreed the main principles for a restructuring agreement with the bank lenders. The term sheet with these main principles was signed on 12 July 2016. In August VSS reached an agreement with the bondholders' committee regarding a revised proposal for restructuring of the bond issue and a bondholders' meeting was summoned. On 15 September 2016 a bondholders meeting was held. The proposed resolution obtained 98.26% of the votes, and the proposal was adopted according to the voting requirements of the Bond Agreement.

On 18 October 2016, a bankruptcy petition was approved towards the owner of Odin Viking, Norseman Offshore AS. On 11 November, Odin Viking SPV AS, a company owned by Kistefos AS, entered into an agreement with the bankruptcy trustee, where after Odin Viking SPV AS purchased Odin Viking and acquired the bareboat charter party. On 21 November 2016, Odin Viking SPV AS and VSS entered into an agreement to amend the terms in the bareboat charter party.

This finalized the financial restructuring of VSS, subject to an equity issue at an agreed level in VSS AB and a subsequent equity injection by the parent company into VSS. During Q4 2016, all of the share issues in VSS AB that form part of VSS ' financial restructuring have been completed and comprises of the following:

- A MUSD 22.2 rights issue, where the final outcome was announced through a press release on 22 December 2016.
- Two share issues with payment against set-off to Viking Invest AS and Odin Viking SPV AS, respectively, where the outcome was announced through a press release on 20 December 2016.
- A MUSD 4.6 directed share issue to Odin Viking SPV AS, in which subscription was made on 19 December 2016.
- A share issue with payment against set-off to Viking Invest AS for the guarantee fee for the guarantee undertaking in the rights issue in which subscription was made on 21 December 2016.
- A share issue with payment against set-off to the holders of debt certificates in VSS bond loan 2012/2017.
- Following these equity issues, the share capital of VSS AB increased with MUSD 25.1 and the equity increased with MUSD 37.7.

The final agreement includes the following key terms:

- VSS' bank facilities are extended until 31 March 2020.
- Contribution from the banks of approximately MUSD 215, including deferral of maturities and amortization schedules.
- Deferred amortization structure under bank facilities, with fixed quarterly repayment in the amount of USD 750,000 from 2018.
- In addition to the fixed amortizations under the bank facilities payable from 31 March 2018, there will be a cash sweep mechanism, whereby cash on hand exceeding certain levels shall be distributed as repayment of the bank facilities from 2018. During 2017, the cash sweep amounts have been pre-agreed.
- Financial covenants on the bank facilities are amended to provide VSS with ample room to operate under the present challenging market conditions.
- Restructuring of the arrangements in respect of the vessel Odin Viking to reflect a reduced payment of maximum USD 10,000 per day for a period until 2 August 2024.
- Removal of put options related to Odin Viking.
- VSS is given an option to purchase Odin Viking from Odin Viking SPV AS at the agreed price of USD 1 at the end of the charter party.
- Odin Viking SPV AS is entitled to a payment of MUSD 2.4, which has been settled by the issuance of new shares in VSS AB (publ) at the value of SEK 1.50 per share.
- 50% of the bonds have been converted to new class B shares in VSS' parent company, VSS AB, at a subscription price of SEK 1.50, the bonds being valued at 55% of par.
- The remaining 50% of the bonds have been redeemed in cash at a price corresponding to 35% of the current face value of the bonds. The final settlement of the bonds was completed 12 January 2017.
- Extraordinary repayments in an aggregate amount of approximately MUSD 23.7 by application of funds standing to the credit of accounts and proceeds from the equity issue in VSS AB.
- VSS has received new capital in the amount of MUSD 17.6.

The restructuring secures VSS with a stable financial platform until 2020, subject certain vessel income levels. The primary uncertainties and risks in relation to the going concern considerations include a prolonged weakening of the market conditions.

Based on the above and a continued belief in securing contracts within the core market segment, Management has concluded that both the company and VSS Group will be able to continue as going concern at least until 31 December 2017. This conclusion is based on Management's assessment of the current outlook for 2017 and the uncertainties and risks described above.

IMPAIRMENT OF VESSEL VALUES

Impairment indicators exist due to deteriorating market conditions within the oil & gas industry and volatile earnings. The fleet consists of two cash generating units (AHTS & PSV). These units are evaluated and reviewed individually including each vessels own cash streams. These reviews are made whenever events or changes in circumstances indicate that the carrying amount for owned vessels may not be fully recoverable. In such instances, an impairment loss will be recognised based on the difference between the highest of value in use and the net selling price compared to the carrying amount.

In developing estimates of recoverable amounts, VSS makes an assessment of the vessels' future earnings from the continued use in its own operations as well as an assessment of the net selling price at the balance sheet date. In developing estimates of value in use, VSS makes assumptions about future freight rates, ship operating expenses, dry dock costs and the remaining useful lives of the vessels. In developing estimates of the net selling prices, VSS reviews reported sales and purchase prices and prices for new buildings for similar vessels, market demand and general market conditions. In order to support Management's own assumptions, valuations for the owned vessels are obtained from two independent internationally acknowledged shipbrokers on a quarterly basis as indications of net selling prices.

Although Management believes that the assumptions used to evaluate impairments are reasonable and appropriate, such assumptions are by nature subject to uncertainty especially in the current environment.

In 2016 an impairment loss amounting to MUSD 28.6 was recognised related to the PSV fleet. Due to the challenging market conditions, the determination of key assumptions used in the value in use calculations are more uncertain than normal. Similarly, the valuations obtained from internationally acknowledged shipbrokers are also subject to more uncertainty than normal due to lack of sales and purchase transactions for comparable vessels. The impairment tests are described in note 9 Tangible assets in a separate impairment section including sensitivities for the key assumptions applied.

USEFUL LIVES OF TANGIBLE FIXED ASSETS AND THEIR RESIDUAL VALUES

Determining the useful life of tangible fixed assets and their residual values is subject to significant judgment. The residual values and useful lives are assessed annually. In 2014 Management assessed the residual value of VSS vessels to 30% of the purchase price based on peer group analysis and vessel price history. For 2016 Management reviewed and reconfirmed this assessment.

TAXATION

VSS operates in different countries with different tax systems. Significant judgement is required in determining the taxation in the different countries, especially whether the conditions for use of tonnage taxation is fulfilled.

NOTE 2
ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated Financial Statements of VSS have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, as well as additional Danish requirements applying to presentation of annual reports of large enterprises of reporting class C.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of VSS and its subsidiaries as at 31 December 2016. Subsidiaries are classified as companies in which VSS has a control. Control is achieved when VSS is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

BUSINESS COMBINATIONS

VSS uses the acquisition method for accounting of business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by VSS. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Costs related to acquisitions are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. VSS recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. The portion of the purchase price that exceeds the acquisition's net assets, valued at fair value, is recognised as goodwill and is subject to annual impairment testing. If the purchase price is lower than the net assets, the difference is recognised directly in profit and loss.

VSS-internal transactions and balance sheet items and unrealised gains on transactions between VSS companies are eliminated. Unrealised losses are also eliminated, unless the transaction represents evidence for the need to recognise impairment.

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TRANSLATION OF FOREIGN CURRENCIES

All transactions included in the financial reports for each VSS company are valued and recognised in the currency of the primary economic environment in which the respective VSS company operates, its “functional currency.” Goodwill and adjustments in fair value arising from the acquisition of foreign operations are treated as assets and liabilities in these operations and are translated at closing-date rates.

Change of functional currency

Based on the significant changes occurring during 2015 in the market in which the parent company, VSS Supply Ships A/S, operates and the increased volatility in exchange rates, Management has evaluated the functional currency for the company. Having considered the aggregate effect of all relevant factors, Management has concluded that the functional currency of the company is USD. The evaluation included all factors of the primary economic environment in which VSS operates including vessel values, financing, income and expenses. The change in functional currency reflects the accumulation over time of changes in those factors. It was determined that the functional currency had changed at the beginning of 2016. Similar analysis has been performed for Viking Supply Ships 5 ApS (owner of three AHTS vessels) and Viking Supply Ships PSV AS (owner of the PSV fleet). The outcome of this analysis meant that the functional currency of these companies has changed to USD at the same time as for Viking Supply Ships A/S. In accordance with IAS 21 changes of functional currencies has been accounted for prospectively from 1 January 2016.

Change of presentation currency

From 1 January 2016 VSS has changed its presentation currency to USD. Comparative information has been restated in USD in accordance with the guidance defined in IAS 21. The financial statements for full year 2015 and associated notes have been retranslated from NOK to USD using the procedures outlined below:

- Assets and liabilities were translated into USD at closing rates of exchange. Income and expenditure were translated into USD at average rates for the relevant period. If the use of average exchange rate was not a reasonable approximation of using spot exchange rate, the spot exchange rate for the date of the transaction was used. Differences resulting from the retranslation on the opening net assets and the results for the period have been added to translation reserve;
- The cumulative translation reserve was set to zero at 1 January 2012 (i.e. the transition date to IFRS). Share capital, share premiums and other reserves were translated at historic rates prevailing at the dates of transactions; and
- All exchange rates used were extracted from the group’s underlying financial records.

The change in presentation currency of the Group has been applied retrospectively in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, and the comparative figures as at 31 December 2015 have been restated to USD accordingly.

The changes in functional and presentation currencies have no significant impact on the financial positions of VSS as at 31 December 2015 or for the results and cash flows for the period ended 31 December 2015.

The currency exchange rate between USD/DKK was 7.1127 as at 31 December 2016 (6.7947). The average exchange rate for 2016 was 6.7306 (6.7243).

For VSS companies that have a functional currency that is different to VSS reporting currency, the balance sheets are translated at the closing date rate and income statements are translated at the average exchange rate for the year, whereby the translation difference is recognised in other comprehensive income. If the use of average exchange rate is not a reasonable approximation of using spot exchange rate, the spot exchange rate for the date of the transaction is used. In the case of divestment or liquidation of such companies, the accumulated translation difference is recognised under capital gains/losses.

Income statement items are translated at the transaction-date rate and any exchange-rate differences are entered in the profit/loss for the year.

REVENUES

Revenues and expenses related to voyages are recognised successively in relation to the voyage degree of completion on the balance sheet date. The voyage degree of completion is calculated on the basis of the number of travel days on the balance sheet date in relation to the total number of travel days for the voyage. Other revenues, such as those for Services and external Ship Management assignments, are recognised only after agreement is reached with the customer and the service has been delivered. Direct overhead costs that are invoiced to the customer are recognised as gross amounts in profit and loss. Costs for personnel employed in VSS are recognised as gross amounts including crews on external vessels.

Interest revenues are recognised in profit and loss distributed across the period of maturity, applying the effective interest method.

DIRECT VOYAGE COSTS

Expenses directly attributable to voyages, such as bunkers and harbour expenses are recognised in profit and loss under the heading Direct voyage costs.

OPERATING COST

Other expenses attributable to the operation of vessels, such as repairs, maintenance, lubricants and crew cost are recognised in profit and loss under the heading Operating cost.

GENERAL AND ADMINISTRATIVE EXPENSES

Administrative cost such as personnel cost for shore based staff and other office related cost is recognised under the heading General and administrative expenses.

OPERATIONAL LEASING AGREEMENTS

Operational leasing agreements are recognised straight-line over the lease period in profit and loss as revenue where VSS is the lessor and as operating costs where VSS is the lessee.

INCOME TAXES

Tax comprises the amount estimated to be paid for the period including income subject to Danish and foreign tonnage tax and changes in deferred tax.

VSS recognises deferred tax on temporary differences between the carrying amount and tax value of assets and liabilities. Deferred tax assets are only recognised if it is probable that the temporary differences can be utilised against future taxable surpluses. The current nominal tax rate in each country is used in calculating deferred tax. Deferred tax liabilities for temporary differences pertaining to investments in subsidiaries and associated companies are not recognised in the consolidated accounts as long as no decision on profit taking has been made. In all cases, the parent company can steer the timing for the reversal of the temporary differences, and it is not considered probable that a reversal will occur in the foreseeable future. The tax effect of items recognised in profit and loss is recognised in profit and loss. The tax effect of items recognised directly against other comprehensive income is recognised against other comprehensive income.

TANGIBLE FIXED ASSETS

Tangible fixed assets as described below are recognised at cost or after deductions for accumulated depreciation according to plan and possible impairment.

Expenses that raise the value or return of the asset through, for example, capacity enhancements or cost rationalisation, increase the carrying amount of the asset. Expenses incurred by the re-flagging of vessels are capitalised in accordance with this principle.

Expenses for major inspection measures are capitalised as fixed assets, since they are considered to increase the vessel's fair value and are depreciated on a straight-line basis over the vessel's useful life. Other outlay for repairs and maintenance is classed as expenses. Dry-dock expenses within VSS are also capitalised in accordance with this principle and are depreciated over a period of 2.5–5 years, which is the normal time between dry-dockings. Expenses, including interest, pertaining to vessels under construction are capitalised as fixed assets.

Depreciation of vessels according to plan is based on an individual assessment of each vessel's useful life and subsequent remaining residual value. Impairment is recognised if the asset's estimated recoverable amount is lower than its carrying amount. The residual value and useful life of assets are tested on each balance-sheet date and adjusted if necessary. The type of fixed asset with the greatest residual value comprises vessels for which the residual value comprises the estimated scrap value at the end of the vessels' useful life.

Straight-line amortisation 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 3–10 years

The residual value and useful lives of the assets are assessed annually and adjusted if necessary at the balance sheet date.

IMPAIRMENT

For assets subject to amortisation or depreciation according to plan, an assessment is made regarding whether the value of the asset should be impaired whenever there are indications that its carrying amount is higher than its recoverable value.

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The recoverable amount is the higher of an assets net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction, whereas value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased, though the carrying amount of the asset may not exceed the carrying amount that would have been determined had the impairment loss not been recognised in prior years.

FINANCIAL ASSETS

Financial assets are classified according to the following categories: Loans and receivables and Fair value through profit and loss. The classification is determined for the purpose of the investment at the time of acquisition. The classification is reviewed annually.

LOAN AND ACCOUNTS RECEIVABLE

Loans and accounts receivable are initially recognised at fair value and subsequently at amortised cost using the effective interest method less any provision for reduction in value. A provision for value reduction of accounts receivable is made when it is clear that VSS will not receive the full amount.

BORROWING

Borrowing is initially recognised at fair value, net after transaction costs. Borrowing is subsequently recognised at amortised cost. Any difference between the amount received and the repayment amount is recognised in profit and loss, distributed over the loan period using the effective interest method.

INVENTORIES

Inventories have been valued at the lower of cost and net realisable value. Inventories mainly comprise bunker and lubricating oils. Valuation has been made in accordance with the FIFO principle.

EQUITY

Equity consists of share capital, share premium, translation reserve and retained earnings.

The translation reserve comprises VSS' share of currency translation adjustments arising on the translation of net investments with a functional currency other than USD. The reserve is dissolved upon disposal of the entity.

The share premium reserve represents positive differences between the nominal share capital and the amount paid by shareholders for newly issued shares. The reserve is a distributable reserve.

Only the share capital is restricted from dividend distribution; however see note 17 regarding other restrictions.

CASH-FLOW STATEMENTS

The cash-flow statements are prepared in accordance with the indirect method. The recognised cash-flow comprises only transactions entailing payments received or paid out.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, maturing within three months. Restricted cash and cash equivalents are recognised as financial fixed assets.

KEY FIGURES

Financial ratios are calculated in accordance with the Danish Finance Society' guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2015".

Profit margin is calculated as operating profit before net financials divided by total revenue.
Equity ratio is calculated as equity divided by total assets.
Return on shareholders' equity is calculated as result for the period divided by average equity.

NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the financial year 2016, VSS implemented all new IFRSs, revised standards and IFRIC interpretations, as adopted by the EU, becoming effective in the financial year. Although these new standards and amendments were applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements. VSS has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The following new standards and amendments became effective in 2016:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual Improvements Cycle - 2012-2014 (Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34)
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial report are disclosed below. Only standards and interpretations that are considered relevant for VSS are included in the list. VSS intends to adopt these standards, if applicable, when they become effective:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

IASB has in January 2016 issued a new standard, IFRS 16: “Leases” with effective date 1 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs. In 2017, VSS plans to assess the potential effect of IFRS 16 on its consolidated financial statements. The implication of the new standard is expected to be related mainly to the recognition of vessels leased by VSS.

No other new standards or interpretations are expected to have any significant impact on future consolidated financial statements.

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NOTE 3
SEGMENT INFORMATION

The segment information is presented in accordance with the internal reporting structure and includes four segments – AHTS, PSV, Services and Ship Management.

Profit and loss as well as tangible fixed assets and interest-bearing debt are distributed as follows for 2016:

			2016		
(MUSD)	*AHTS*	*PSV*	*Services*	*Ship. Mgmt*	*Total*
Total Revenue	**71.6**	**0.4**	**0.9**	**16.0**	**89.0**
Direct voyage costs	-4.0	-0.2	-	-	-4.2
Operating costs	-44.3	-4.1	-1.4	-16.2	-66.0
Total operating costs	**-48.3**	**-4.3**	**-1.4**	**-16.2**	**-70.2**
Operating profit before depreciation (EBITDA)	**23.3**	**-3.8**	**-0.5**	**-0.2**	**18.8**
Net gain on sale of fixed assets	-	-	-	-	-
Depreciation	-17.0	-3.1	-	-	-20.1
Impairment	-	-28.6	-	-	-28.6
Operating profit (EBIT)	**6.3**	**-35.6**	**-0.5**	**-0.2**	**-29.9**
Financial income	-0.1	-	-	0.1	0.1
Financial costs	-21.0	6.0	-	0.3	-14.6
Net financials	**-21.0**	**6.1**	**-**	**0.4**	**-14.6**
Pre-tax result	**-14.7**	**-29.5**	**-0.5**	**0.2**	**-44.5**
Taxes	0.4	-	-	-	0.4
Result for the period	**-14.2**	**-29.5**	**-0.5**	**0.2**	**-44.0**
(MUSD)					
Total tangible fixed assets	321.8	44.7	0.1	-	366.6
Total interest-bearing debt	164.6	45.8	-	-	210.4

Profit and loss as well as tangible fixed assets and interest-bearing debt are distributed as follows for 2015:

			2015		
(MUSD)	*AHTS*	*PSV*	*Services*	*Ship. Mgmt*	*Total*
Total Revenue	**113.3**	**3.5**	**-0.1**	**15.9**	**132.6**
Direct voyage costs	-5.4	-1.1	-	-	-6.5
Operating costs	-60.0	-15.1	-0.4	-15.9	-91.4
Total operating costs	**-65.4**	**-16.2**	**-0.4**	**-15.9**	**-97.9**
Operating profit before depreciation (EBITDA)	**48.0**	**-12.7**	**-0.5**	**-**	**34.7**
Net gain on sale of fixed assets	-	-	-	-	-
Depreciation	-16.8	-6.0	-	-	-22.9
Impairment	-	-31.1	-	-	-31,1
Operating profit (EBIT)	**31.1**	**-49.9**	**-0.5**	**-**	**-19.2**
Financial income	0.7	-	-	-	0.7
Financial costs	-16.7	-4.5	-0.1	-	-21.2
Net financials	**-16.0**	**-4.4**	**-0.1**	**-**	**-20.5**
Pre-tax result	**15.2**	**-54.3**	**-0.6**	**-**	**-39.7**
Taxes	-0.3	-	-	-	-0.3
Result for the period	**14.9**	**-54.3**	**-0.6**	**-**	**-40.0**
(MUSD)					
Total tangible fixed assets	338.7	76.4	-	-	415.1
Total interest-bearing debt	209.6	53.4	-	-	263.0

There are no significant revenue transactions between the segments.

GEOGRAPHIC DISTRIBUTION OF TANGIBLE FIXED ASSETS

(MUSD)	2016	2015
Denmark	321.8	338.7
Norway	44.8	76.4
Total tangible fixed assets	**366.6**	**415.1**

The distribution is based on the country of domicile of the legal entities.

NOTE 4
REVENUES

SECONDARY SEGMENTS (SPLIT BY GEOGRAPHY)

(MUSD)	2016	2015
Denmark	0.7	-
Rest of Scandinavia	33.4	36.5
Rest of Europe	11.4	12.5
Rest of the world	43.6	83.6
Total revenue	**89.0**	**132.6**

For 2016 four customers (2015: five) make up more than 10% of the total revenue for VSS. The four customers account for total revenue of MUSD 70.6 (2015: five customers, MUSD 110) and are related to the AHTS- and Ship Management segments (2015: AHTS- and Ship Management segments).

In the rest of the world revenue of MUSD 43.6 is related to Russia (2015: MUSD 60.7) and MUSD 0.0 is related to the United States (2015: MUSD 22.9).

OPERATIONAL LEASING INCOME

(MUSD)	2016	2015
0-1 year	1.6	45.7
1-5 years	-	-
5 years and beyond	-	-
Minimum operating lease revenue	**1.6**	**45.7**

Part of the AHTS fleet is leased out on time charter contracts with crew included. The table shows the minimum future income under these agreements.

NOTE 5
PERSONNEL EXPENSES

CREW AND OFFICE PERSONNEL

(MUSD)	2016	2015
Salaries	35.0	47.9
Social costs	2.6	3.2
Pension costs	5.0	5.8
Other personel costs	2.3	5.8
Total	**44.9**	**62.8**

Of the MUSD 44.9 (2015: MUSD 62.8), MUSD 6.9 (2015: MUSD 9.9) relates to G&A and MUSD 38.0 (2015: MUSD 52.9) relates to Operating costs. During 2016 VSS had in average 463 (484) employees.

Crew on VSS vessels are employed by VSS and external management companies. Personnel expenses for crew on VSS vessels employed by external management companies amount to MUSD 1.5 (MUSD 8.9) which is included in total salaries. The average number of employees from external management companies has not been included in the average number of employees calculated for the group.

G&A costs include remuneration paid to key management personnel as follows:

(MUSD)	2016	2015
Salaries	1.3	1.4
Social costs	-	-
Pension costs	0.1	0.2
Other personel costs	-	0.1
Severance costs	-	-
Share-based payments	-	-
Total	**1.5**	**1.6**

Key management personnel consist of the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer and the Chief Operating Officer. Remuneration to the Chief Executive Officer has not been disclosed separately as there is just one director.

The Board of Directors fee amounted to MUSD 0.1 (MUSD 0.1).

PENSIONS

Certain VSS companies have contributory employee pension plans. These plans are defined contribution plans and, accordingly, the employer's pension contributions are expensed as incurred.

NOTE 6
AUDIT FEES

Fees to the auditors appointed by the Annual General Meeting are specified as follows:

(MUSD)	2016	2015
Auditor	RSM	EY
Audit assignments	0.1	0.1
Other non-audit assignments	0.1	0.1
Total fee	**0.2**	**0.3**

NOTE 7
NET FINANCIALS

FINANCIAL INCOME

(MUSD)	2016	2015
Interest income on short-term deposits	0.1	0.7
Total financial income	**0.1**	**0.7**

FINANCIAL COSTS

(MUSD)	2016	2015
Interest cost, bank borrowings	-8.6	-9.1
Interest cost, bond borrowings	-0.5	-2.4
Amortization of borrowing costs	-2.2	-0.8
Net foreign exchange gains	6.3	-8.4
Interest cost, related parties	-9.7	-0.3
Interest rate swaps	0.1	-0.2
Total financial costs	**-14.6**	**-21.2**

NOTE 8
TAXES

The major components of income tax expense are:

(MUSD)	*2016*	*2015*
Current income tax	-	-
Change in deferred tax	-0.3	0.4
Correction provision previous years	-0.1	-0.1
Income tax expense reported in the statement of profit and loss	**-0.4**	**0.3**
Deferred tax recognised in OCI	**-**	**-**

Reconciliation of tax expense and the accounting loss multiplied by Danish tax rate:

(MUSD)	*2016*	*2015*
Accounting profit before income tax	-44.5	-39.7
At Danish statutory income tax rate of 22.0% (2015: 23.5%)	-9.8	-9.8
Adjustment of non-capitalised tax losses	-0.6	0.7
Correction provision previous years	-0.1	-0.1
Effect of tonnage tax schemes	10.0	9.5
At the effective income tax rate of 1% (2015: -1%)	**-0.4**	**0.3**

The companies in VSS are taxed according to location and activity. All of VSS vessels are taxed under tonnage tax schemes in either Denmark or Norway where the taxable income is calculated based on the tonnage of the fleet. Companies not taxed under the tonnage tax scheme are taxed according to local income tax legislation. The taxable income of a company for a given period is calculated as the sum of the taxable income under the tonnage tax scheme and the taxable income from the activities that are not covered by the tonnage tax scheme computed in accordance with the ordinary corporate tax rules.

Deferred tax relates to the following:

(MUSD)	*2016*	*2015*
Losses available for offsetting against future taxable income	-	-
Accelerated depreciation for tax purposes	-	-0.3
Net deferred tax assets	**-**	**-0.3**

Deferred tax asset amounts to MUSD 0 (Deferred tax liability MUSD 0.3). Deferred tax assets and liabilities are recognised for temporary differences between the carrying amount of assets and liabilities and the corresponding tax base used in the computation of taxable income or as applicable under the tonnage tax schemes under which VSS vessels operate. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available to utilise the temporary deductible differences, including any tax loss carry forwards.

VSS has no deferred tax assets recognised due to uncertainty related to the future utilisation. As the income in general is subject to tonnage tax, the utilisation is considered to be unlikely and thus not considered as contingency assets. Tax losses not recognised in the balance sheet amounts to MUSD 20.3 (MUSD 21.9) with a tax value of MUSD 4.5 (MUSD 5.1).

(MUSD)	*2016*	*2015*
Tax liability at 1 January	0.1	1.0
Current tax for the year	-	-
Adjustment previous years	0.1	-0.1
Paid/refunded tax	-0.4	-0.8
Net tax liability 31 December	**-0.2**	**0.1**

Tax receivable amounting to MUSD 0.2 (MUSD 0.1) is recognized as other current receivables. Tax liability amounting to MUSD 0 (MUSD 0.2) is recognized in other current liabilities.

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NOTE 9
TANGIBLE ASSETS

COST (MUSD)	*Vessels*	*Equipment*	*Total*
Balance 31 December 2015	**542.3**	**0.3**	**542.6**
Additions	0.7	0.1	0.9
Disposals	-0.7	-0.1	-0.9
Currency translation adjustment	0.1	0.0	0.1
Balance 31 December 2016	**542.4**	**0.4**	**542.8**

Accumulated depreciation and impairment (MUSD)	*Vessels*	*Equipment*	*Total*
Balance 31 December 2015	**176.0**	**0.1**	**127.5**
Impairment loss	28.6	-	28.6
Depreciation	20.0	0.1	20.1
Disposals	-	-	-
Currency translation adjustment	-	-	-
Balance 31 December 2016	**176.0**	**0.3**	**176.2**

Carrying amount (MUSD)	*Vessels*	*Equipment*	*Total*
31 December 2015	**414.9**	**0.2**	**415.1**
31 December 2016	**366.4**	**0.1**	**366.6**

Vessels with a net book value of MUSD 366.4 (MUSD 414.9) have been pledged as security for interest-bearing loans. Further assignments of insurance payments and earnings have been given as security.

IMPAIRMENT TEST

At each reporting date the accounts are assessed whether there is an indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, estimates of the asset's recoverable amount are done. The recoverable amount is the highest of the fair market value of the asset, less cost to sell, and the net present value (NPV) of future estimated cash flow from the employment of the asset ("value in use").

VSS is operating two groups of similar vessel types which in reality can all be used for the same kind of tasks, and are thus interchangeable. Each vessel generates its own cash streams, but the company's customers could, just as easily, have used another vessel from the relevant fleet type. Based on this VSS has deemed it appropriate to consider each group of vessels as a separate cash generating unit. As a result, VSS is performing impairment tests on a portfolio level rather than per vessel.

The key assumptions used in the value in use calculation and in the assessment of owned vessels, for 2016 are as follows:

- The cash flows are based on current tonnage.
- Estimates of fixture rates, utilization and contract coverage as well as estimated residual values are based on Management's extensive experience and knowledge of the market.
- Operating expenses and dry dock costs are estimated based on Management's experience and knowledge of the market as well as plans and initiatives outlined in the operating budgets.
- The weighted average cost of capital (WACC) used to discount the forecasted cash flows was 9% (2015: 9%). The pre- and post-tax discount factor is the same due to tonnage taxation.

As indication of fair market value valuations of owned vessels are obtained from internationally acknowledged shipbrokers on a quarterly basis.

Impairment test PSV fleet in 2016
The impairment charge is based on a calculated value in use based on discounted cash flows using the principles set out above.

Based on fixtures rates, utilization, contract coverage, cost levels and currency exchange levels VSS has prepared discounted cash flow calculations covering the remaining useful lives of the vessels. All significant assumptions have been estimated using Management's best estimate in a challenging market and considering the fact that the last two PSV vessels have also been laid up in Q1 2016. The cash flow projection shows negative cash flows for 2017-19 due to all PSV vessels in warm lay-up in 2017 and poor market conditions expected in 2018 with step-wise improving rates and utilization in 2019 and going forward. The value in use calculation based on discounted cash flows is very sensitive to changes in the underlying assumptions including the pace and timing of assumed market recovery and redeployment of vessels, which is uncertain due to the current challenging market conditions. The calculated value in use was MUSD 50.5.

An increase of the applied discount factor of 1 percentage point would result in a decrease in the net present value of the PSV fleet of 5.5 MUSD (increase in the impairment charge). A decrease of 10% on the daily income rates applied would result in a decrease in the net present value of the PSV fleet of 8.5 MUSD (increase in the impairment charge).

The impairment test also consists of an assessment of average external vessel valuations, less cost to sell, from two internationally acknowledged shipbrokers showing a total PSV fleet value of MUSD 41.4 (ranging from MUSD 49.8 to MUSD 33.0). The valuations obtained from these shipbrokers are subject to more uncertainty than normal due to lack of sales and purchase transactions for comparable vessels.

Since the recoverable amount of MUSD 50.5 was higher than the original carrying amount of the owned PSV fleet (MUSD 49.7) at year-end, no impairment charge should have been recognized. Due to the sensitivity in the underlying assumptions in the value in use calculation an additional impairment charge of MUSD 5 was recognized at year-end.

In total VSS recognised an impairment of the PSV fleet of MUSD 28.6 for 2016 (MUSD 17.1 in Q2, MUSD 6.5 in Q3 and MUSD 5 in Q4), which approximately corresponded to 37% of the carrying amount of the PSV fleet at 1 January 2016.

VSS will continue to closely monitor the market development and impairment exposure of the PSV fleet's carrying amount.

Impairment test AHTS fleet in 2016
In 2016 Management evaluated the AHTS fleet and concluded that the AHTS vessels are not impaired. Value in use calculations prepared for the AHTS fleet showed no indications that the carrying amount may not be fully recoverable. This was further supported by the external vessel valuations from two independent internationally acknowledged shipbrokers showing a total AHTS fleet value in excess of the carrying amount of the owned AHTS fleet (MUSD 321.8) by 10% on average.

Impairment test PSV fleet in 2015
In 2015 Management evaluated the PSV fleet and concluded that the PSV vessels were impaired.

The impairment charge was based on a calculated value in use based on discounted cash flows using the principles set out above. Based on fixtures rates, utilisation, contract coverage, cost levels and currency exchange levels VSS prepared discounted cash flow calculations covering a period of 15 years. All significant assumptions were estimated using Management's best estimate in a challenging market and considering the fact that the last two PSV vessels had been laid up in Q1 2016. The cash flow projection showed negative cash flows for 2016-17 due to all PSV vessels in warm lay-up in 2016 and poor market conditions expected in 2017 with gradually improving rates and utilisation until 2019 with no additional increases thereafter.

The impairment charge recognised in 2015 was further supported by average external vessel valuations from two independent internationally acknowledged shipbrokers showing a total PSV fleet value of MUSD 76.6 (ranging from MUSD 79.4 to MUSD 73.8). A decrease of 10 percentage points in the average annual utilisation would result in a decrease in the net present value of the PSV fleet of MUSD 8.9 (increase in the impairment charge).

The value in use calculation was very sensitive to changes in the underlying assumptions including the pace and timing of assumed market recovery and redeployment of vessels, which was uncertain due to the current challenging market conditions. An increase of the applied discount factor of 1 percentage point would result in a decrease in the net present value of the PSV fleet of MUSD 6.3 (increase in the impairment charge). A decrease of 10% on the rates applied would result in a decrease in the net present value of the PSV fleet of MUSD 5.3 (increase in the impairment charge).

Since the carrying amount of the PSV fleet exceeded the calculated value in use of MUSD 76.4 at year-end, VSS recognised an impairment of the PSV fleet totalling MUSD 31.1 for 2015 (MUSD 9.2 in Q4 and MUSD 21.9 in Q3), which approximately corresponded to 30% of the carrying amount of the PSV fleet at 1 January 2015.

Impairment test AHTS fleet in 2015
In 2015 Management evaluated the AHTS fleet and concluded that there were no indications of impairment of the AHTS fleet. Value in use calculations prepared for the AHTS fleet showed no indications that the carrying amount may not be fully recoverable. This was further supported by the external vessel valuations from two independent internationally acknowledged shipbrokers showing a total AHTS fleet value in excess of the carrying amount of the owned AHTS fleet (MUSD 338.7) by 17% on average.

NOTE 10

INVENTORIES

Inventories comprise bunkers and lubricating oil. No write-downs or reversals have been recognised on inventories.

NOTE 11

ACCOUNTS RECEIVABLES

Trade receivables, net of allowances for doubtful receivables, are specified as follows:

(MUSD)	2016	2015
Not due	1.4	11.2
1-30 days overdue	0.2	-
31-90 days overdue	0.1	-
Over 90 days overdue	-	-
Allowance for doubtful receivables	-	-
Accounts receivables	**1.7**	**11.2**

Trade receivables are subject to an individual assessment of potential loss. Considerations of credit risk are explained in note 18.

NOTE 12

FINANCIAL ASSETS

Development in financial assets is specified as follows:

(MUSD)	Restricted Cash	Sellers Credit	External Bonds	Total
Balance 31 December 2015	**12.4**	**4.8**	**-**	**17.2**
Additions	-	-	-	-
Disposals	-12.1	-4.8	-	-16.9
Depreciation	-	-	-	-
Market value adjustment	-	-	-	-
Reclassified to Other current receivables	-	-	-	-
Currency translation adjustment	-0.3	-	-	-0.3
Balance 31 December 2016	**-**	**-**	**-**	**-**

Restricted cash primarily consisted of deposits with reputable banks. Restricted cash is not assessed to be subject to a particular credit risk. Sellers credit is related to the sale of Odin Viking in 2012.

The restricted cash provided to the lenders was released on 23 December 2016 and used for extraordinary repayment of loans.

The sellers credit was disposed as part of the restructuring of the arrangements in respect of the vessel Odin Viking.

Total restricted and available cash is as follows:

(MUSD)	2016	2015
Restricted cash	-	12.4
Free cash and cash equivalents	27.3	17.6
Cash and cash equivalents	**27.3**	**30.0**

NOTE 13

INTEREST-BEARING LOANS

The vessels owned by VSS are 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 as at 31 December 2016 is MUSD 210.4 (MUSD 263.0).

The interest bearing liabilities are associated with financial covenants, according to which VSS must fulfill certain key ratios. At 31 December 2015, all such financial covenants were in compliance (see note 1, Significant estimations and assessments).

In addition hereto, the interest bearing liabilities were also associated with loan clauses, such as contract coverage clauses and loan-to-value clauses, according to which VSS had to fulfill certain ratios of contract coverage and loan-to-value ratios, pursuant to the individual loan agreements. If these ratios were not met, VSS had to deposit cash or provide additional security in accordance with the terms in the relevant loan agreements. Any such amount in deposit would vary up or down and the variation was dependent upon currency exchange rates, amortizations under the loan and development in vessel valuations obtained from external shipbrokers. If the ratios of contract coverage and loan-to-value, pursuant to the terms in the individual loan agreements, yet again were met then the obligation of providing additional security would cease. Until 23 December 2016, VSS had provided the lenders with a total of MUSD 9.0 in additional security.

Calculations of contract coverage and loan-to-value ratios as at 31 December 2015 showed a requirement for VSS to deposit cash or provide additional security during Q1 2016, partly to be remedied before the end of January 2016. Further in 2016, VSS was not able to comply with events of default provisions in loan agreements, which rendered all borrowings short-term and payable on demand by the lenders.

As part of the financial restructuring the following has taken place in terms of the interest bearing liabilities:

- VSS' bank facilities are extended until 31 March 2020.
- Financial covenants on the bank facilities are amended to provide VSS with ample room to operate under the present challenging market conditions.
- Contribution from the banks of approximately MUSD 215, including deferral of maturities and amortization schedules.
- Deferred amortization structure under bank facilities, with fixed quarterly repayment in the amount of USD 750,000 from 2018.
- In addition to the fixed amortizations under the bank facilities payable from 31 March 2018, there will be a cash sweep mechanism, whereby cash on hand exceeding certain levels shall be distributed as repayment of the bank facilities from 2018. During 2017, the cash sweep amounts have been pre-agreed.
- Extraordinary repayments in an aggregate amount of approximately MUSD 23.7. The extraordinary repayments were done partly from the provided additional security.
- All loans previously denominated in NOK and GBP have been converted to USD during Q4 2016.
- The bond loan has been delisted on 12 January 2017 (see below).
- The cash redemption of the bond is partly funded by a loan of MNOK 20 provided by one of VSS' existing lenders.

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 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. As at 31 December 2015, VSS was holding nominal MNOK 189 of this bond, implying MNOK 196 was outstanding. As a result of an agreement that has been resolved by the bondholders in conjunction with the key terms of the debt restructuring plan, the bond agreement has been changed in 2016 and the bond has been delisted from Nordic ABM on 12 January 2017 (see note 1, Significant estimations and assessments).

VSS has 100% (42%) of its interest-bearing debt in USD, 0% (20%) in GBP and 0% in NOK (38%). VSS has 13% (10%) of the total loan portfolio swapped into fixed interest rate.

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Interest-bearing loans consist of the following, all measured at amortized cost:

(MUSD)	2016	2015
Bond loan	-	22.3
Current part of bond loan	-	-
Long-term debt to credit institutions	204.0	84.0
Short-term debt to credit institutions	6.4	156.7
Total interest-bearing liabilities	**210.4**	**263.0**

The development in loans was as follows:

(MUSD)	2016	2015
Balance at 1 January	263.0	319.7
New loans drawn	0.3	-
Repayment of loans	-23.7	-39.1
Loans acquired	-	-
Repaid loans	-22.9	-
Effects of exchange rate changes	-8.6	-18.4
Amortized loan costs	2.2	0.8
Total	**210.4**	**263.0**

The instalments excluding future interest payments are as follows:

(MUSD)	2016	2015
0-1 year	6.4	156.7
1-2 years	3.0	34.0
2-3 years	3.0	27.5
3-4 years	198.0	44.8
4-5 years	-	-
5 years and beyond	-	-
Total	**210.4**	**263.0**

NOTE 14
OTHER NON-CURRENT LIABILITIES

(MUSD)	2016	2015
Financial instruments	1.2	2.1
Deferred tax liability	-	0.3
Other non-current liabilities	**1.2**	**2.5**

Regarding financial instruments see note 18 Financial instruments and risk.

NOTE 15
OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

(MUSD)	2016	2015
Other liabilities	6.2	7.7
Related parties	9.5	10.6
Tax payable	-	0.2
Accruals	20.1	6.9
Other current liabilities	**35.7**	**25.5**

NOTE 16
TRANSACTIONS WITH RELATED PARTIES

VSS is a 100% owned subsidiary of 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. The postal address for VSS AB is Box 11397, SE-40428 Gothenburg, Sweden and the street address is Lilla Bommen 6.

VSS AB Group is organized in two separate business areas (ring-fenced legal entities) – Viking Supply Ships A/S and TransAtlantic AB.

VSS AB is majority-owned by the Norwegian investment company Kistefos AS. Kistefos AS has 73.6% of the share capital and 66.0% of the votes as of 31 December 2016. As the bond settlement was first completed during January 2017 Kistefos' shareholding changed to 75.3% and 71.2% of the share capital and the votes respectively. Kistefos AS is registered in Norway, with its domicile in Oslo. VSS is included by full consolidation in the Kistefos AS annual report.

The consolidated financial reports for VSS AB can be downloaded at www.vikingsupplyships.com. The consolidated financial report for Kistefos will be published at www.kistefos.no.

Transactions with related parties are specified as follows:

(MUSD)	*2016*	*2015*
Revenue	-	-
General and administrative expenses [1)]	0.6	0.5
Financial costs [2)]	4.2	0.3
Capital increases [3)]	13.0	-
Related party payable, net [4)]	9.5	10.6

1) Allocated costs from VSS AB amounted to MUSD 0.6.

2) As part of the restructuring process in VSS, a subsidiary to the majority shareholder Kistefos AS, Viking Invest AS, has entered into an agreement with some of the Group's financing counterparts. As a consequence, VSS has entered into agreements on market terms with Viking Invest AS. The compensation in these agreements has been agreed to an annualized fee of 12% covering the associated risk and exposure. The compensation for the year amounted to MUSD 0.3.

Kistefos AS has, through consultancy agreements, made transaction related services available during the restructuring process for which a compensation of MUSD 1.1 has been set off as a part of the share issues in VSS AB.

VSS has entered into a long-term bareboat charter agreement with a subsidiary to Kistefos AS, Odin Viking SPV AS, in relation to hire of the AHTS vessel Odin Viking. The nominal minimum lease hire payments amount to MUSD 27.6 until expiry on 2 August 2024. Also Odin Viking SPV AS has been compensated for renegotiated terms of the bareboat charter agreement. The compensation amounts to MUSD 2.4 and has been set off as part of the share issues in VSS AB.

Interest on the VSS AB related party payable, net amounted to MUSD 0.4.

3) VSS has received new capital in the amount of MUSD 17.6 including by way of an equity issue in VSS AB. MUSD 4.6 out of the MUSD 17.6 was received after the end of the year.

4) As communicated in the 2014 Group Annual Report, VSS received a loan of MNOK 73 from VSS AB in relation to the MNOK 145 dividend. As per 31 December 2015 the outstanding amount was 60 MNOK. The loan in unsecured, interest is NIBOR + 5%. The loan is given on an arm's length basis. The loan was part of Other current liabilities in the Balance Sheet. This loan was converted to equity in December 2016. As part of the finalized restructuring a new obligation towards VSS AB of MUSD 9.5 in relation to the bond settlement and share issues with payment against set-off was established. This obligation was converted to equity during Q1 2017.

For payments to key management personnel see note 5 Personnel expenses.

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NOTE 17
COMMITMENTS AND OTHER CONTINGENT LIABILITIES

LEASING
VSS leases vessels, buildings and equipment through operational leasing agreements.

VSS has contracts regarding the leasing of one AHTS vessel. This contract has a remaining duration on the lease of eight years. As a part of the financial restructuring this leasing contract has been amended.

The financial restructuring is described in note 1 Significant estimations and assessments.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(MUSD)	*2016*	*2015*
0-1 year	3.7	7.8
1-2 years	3.7	7.5
2-3 years	3.7	7.5
3-4 years	3.7	7.5
4-5 years	3.7	7.3
5 years and beyond	9.5	-
Total lease payments	**27.8**	**37.5**

Leasing payments in 2016 amounted to MUSD 2.4 (2015: 8.6 MUSD).

PLEDGES
Non-current tangible assets of MUSD 366.4 (MUSD 414.9) have been pledged against loans.

The restricted cash provided to the lenders was released on 23 December 2016 and used for extraordinary repayment of loans.

DIVIDEND RESTRICTIONS
No distribution of dividends is allowed until all bank facilities have been repaid in full.

NOTE 18
FINANCIAL INSTRUMENTS AND RISK

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

The Board of Directors has identified these risks and developed a plan to avoid or minimise the impact on the consolidated income statement and balance sheets through various measures. Through clear policies and reporting paths, it is stated how these risks shall be managed and how presentation is to be made. The VSS policy is to work with various types of insurance or financial instruments to minimise various types of risks.

INTEREST RATE RISKS
The VSS business is capital intensive. Long-term loans are the principal form of financing. Accordingly, interest rate fluctuations may have a major impact on VSS earnings and cash flow. To reduce this risk, interest levels are hedged using interest rate swaps. Such interest rate swaps have the economic effect of conversion from floating interest rates to fixed interest rates. VSS has chosen not to use hedge accounting and reflects the changes in fair value through the profit and loss.

At 31 December 2016, VSS had a total interest rate swap portfolio of MUSD 26.4 (MUSD 27.4) on a fixed basis with an average outstanding duration of 1.7 years (2.7 years). The average fixed rate was 3.9% (3.9%).

Market values as at 31 December:

(MUSD)	2016	2015
Long-term commitment	0.5	1.4
Short-term commitment	0.7	0.8
Commitment, net	**1.2**	**2.1**

(MUSD)	2016	2015
Market value	1.2	2.1
Recognized in profit and loss	0.9	0.6

VSS enters into derivative financial instruments with financial institutions. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps contracts. The most frequently applied valuation techniques include forward pricing models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot rates. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the company's own non-performance risk.

Interest contracts changing from variable to fixed loans are recognised in the consolidated profit and loss at the same time as the hedged interest costs. The market value to be recognised in future financial years is expected to be realised within 2 years (3 years).

For VSS an increase in the interest rate of 1% will have a negative impact of MUSD 1.8 (MUSD 2.4) on the result for the year.

Interest on external loans is distributed as follows:

(MUSD)	2016	2015
Borrowings by interest rate levels:		
0-3%	42.4	22.4
3-6%	168.0	218.2
6%-	-	22.3
Total	**210.4**	**263.0**
Of which inclusive interest rate swaps:		
Fixed	26.4	27.4
Floating	184.0	235.6
Total	**210.4**	**263.0**

At 31 December 2016, after taking the effect of interest rate swaps into account, 13% (10%) of the total interest-bearing debt is carrying a fixed rate of interest.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table provides an analysis of financial assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 Inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, VSS determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period. Interest rate swap liability (level 2) is calculated on the basis of observable market data at the end of the reporting period. The valuation has been performed by an external part.

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Financial assets and liabilities are categorised by levels as follows:

(MUSD)	Market value	Level 1	Level 2	Level 3
	2016			
Interest rate swap liability	1.2	-	1.2	-
Bond asset	-	-	-	-

(MUSD)	Market value	Level 1	Level 2	Level 3
	2015			
Interest rate swap liability	2.1	-	2.1	-
Bond asset	3.7	3.7	-	-

For all other financial assets and liabilities the carrying amounts are reasonable approximations of fair values.

CREDIT RISKS

Credit risks, or the risk of counterparties defaulting, are controlled by monitoring procedures and credit approval procedures. VSS has a policy that limits the amount of credit exposure to any single counterparty.

VSS only provides short credits. These credits are mainly provided to major customers, with whom VSS has a long-term relationship. New customers are subject to a credit check prior to credit being provided. When longer-term credit is provided, this is secured by collateral. VSS credit risk to clients is therefore considered as low.

Maximum credit risk amounts to carrying amount of accumulated receivables and free cash and cash equivalents, MUSD 36.1 (MUSD 40.6).

For credit days see note 11 Accounts receivables.

MARKET RISKS

The general economic trend in the countries where VSS is active is a crucial factor for financial development, since the economic trend has a major effect on the oil prices which in turn impact the demand for offshore shipping services. The trend in markets other than those where VSS is active can also affect demand for VSS services, since the maritime transport market is highly international. VSS endeavours to maintain close contact with its customers and to sign long-term contracts with them to restrict the impact of economic fluctuations. Earnings can be impacted by the loss of a vessel. These costs can be minimised through active service and damage-prevention work, resulting in lower risk of major individual cost increases.

CURRENCY RISKS

Offshore shipping is a highly international business, which means that only a portion of VSS cash flow is generated in NOK and this means that currency fluctuations may have a major impact on VSS earnings and cash flows. The foreign exchange risk is primarily restricted 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. As at 31 December 2016 no hedging instruments were used.

VSS exposure to changes in currency exchange levels primarily relate to GBP- and NOK-denominated earnings and DKK-, SEK- and NOK-denominated operating expenses. Other assets and liabilities are to a large degree denominated in USD.

As part of the financial restructuring all interest-bearing debt was converted to USD, hence, VSS currency exposure has been considerably reduced compared to previous years.

Everything else being equal, the result for the period will be positively impacted with MUSD 0.1 (positive MUSD 24.9) basis a 10% increase in USD against NOK, positively impacted with MUSD 0.1 (positive MUSD 0.1) basis a 10% increase in USD against SEK and will not be significantly impacted (positive MUSD 2.4) basis a 10% increase in USD against GBP.

Everything else being equal, comprehensive income for the period will be negatively impacted with MUSD 0.3 (negatively MUSD 0.3) basis a 10% increase in USD against the respective subsidiaries' local currency.

The result for the period is not expected to be materially impacted by other exchange rate fluctuations.

Assets and liabilities are categorised by currencies as follows:

VSS GROUP	2016					
	Assets			*Liabilities*		*Total*
(MUSD)	*Tangible assets*	*Cash*	*Accounts receivables*	*Interest-bearing debt*	*Accounts payable*	*Net liability position*
NOK	0.1	0.6	0.1	-	-	-0.7
USD	366.5	24.3	1.6	210.4	1.2	-180.8
GBP	-	0.3	-	-	-	-0.3
SEK	-	1.8	-	-	1.0	-0.8
EUR	-	-	-	-	-	-0.0
DKK	-	0.3	-	-	0.1	-0.2
CAD	-	-	-	-	-	-
Other currency	-	0.1	-	-	-	-0.1
Total	**366.6**	**27.3**	**1.7**	**210.4**	**2.3**	**-182.9**

VSS GROUP	2015					
	Assets			*Liabilities*		*Total*
(MUSD)	*Tangible assets*	*Cash*	*Accounts receivables*	*Interest-bearing debt*	*Accounts payable*	*Net liability position*
NOK	338.7	4.8	3.9	97.0	1.1	-249.3
USD	-	6.0	6.2	112.6	0.9	101.3
GBP	76.4	0.4	0.4	53.4	0.3	-23.6
SEK	-	2.5	-	-	1.4	-1.1
EUR	-	3.7	0.6	-	1.6	-2,7
DKK	-	0.1	-	-	0.3	0.2
CAD	-	-	-	-	-0.0	-0.0
Other currency	-	-	-	-	0.1	-
Total	**415.1**	**17.6**	**11.2**	**263.0**	**5.7**	**-175.2**

LIQUIDITY RISK

Regarding uncertainty related to liquidity and going concern see note 1 Liquidity and going concern.

VSS monitors the liquidity risk on an ongoing basis with the aim at all times to have adequate cash, overdraft facilities and committed bank loans to meet current and future obligations. VSS manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flow, and by matching the maturity profiles of financial assets and liabilities. VSS actively engages with financing providers to negotiate the necessary terms to ensure that adequate facilities will remain available during all periods.

Currently, main liquidity risk derives from volatility in the freight rates which impact cash flows from operations.

VSS expects to meet its cash flow obligations with operating cash flows, and financing facilities or disposal of vessels, if necessary.

Maturing loans are expected to be refinanced. Liquidity risk can be split in short and long term liquidity risk follows:

(MUSD)	*Carrying amount*	*Contractual cash flows beyond 2016*			
		0-1 year	*1-5 years*	*5- years*	*Total*
Total interest-bearing liabilities	210.4	15.3	212.7	-	227.9
Related parties	27.6	3.5	18.3	5.8	27.6
Accounts payable	2.3	2.3	-	-	2.3
Other current liabilities	35.7	35.7	-	-	35.7
Interest contract	1.2	0.7	0.5	-	1.2
Total	**277.2**	**57.5**	**231.4**	**5.8**	**294.7**

(MUSD)	Carrying amount	Contractual cash flows beyond 2015			
		0-1 year	1-5 years	5- years	Total
Total interest-bearing liabilities	263.0	165.0	112.6	-	277.5
Related parties	-	-	-	-	-
Accounts payable	5.7	5.7	-	-	5.7
Other current liabilities	25.5	25.5	-	-	25.5
Interest contract	2.1	0.8	1.4	-	2.1
Total	**296.4**	**197.0**	**114.0**	**-**	**310.8**

As a consequence of the restructuring agreement which was entered into after the end of the year, the contractual cash flows maturity profile has changed. See note 20 Events occurring after the reporting period.

Apart from the bond loan, as described in note 13, market value of all of the above liabilities equals book value.

BUNKER RISKS

Cost changes for bunker oil can have a significant impact on earnings. Time charters often include clauses that imply that the customer carries the risk of price changes.

CAPITAL MANAGEMENT

VSS capital structure shall secure the operation of current business and enable the desired future investments and performance. VSS manages its own capital structure and carries out all necessary amendments to the capital structure, based on continuous assessments of the economic conditions under which the operations take place. As part of this review, Management considers the cost of capital and the risks associated with each class of capital.

NOTE 19

SHARE CAPITAL

The share capital in the parent company, Viking Supply Ships A/S, consists of 5,002 (5,000) authorised, issued and fully paid shares at a par value of 100 DKK, each representing one class of ordinary shares which carry no right to fixed dividends.

Share premium reserve is related to group contributions at the time of formation of the VSS group in 2011 and 2012. The share premium is not restricted from being distributed as dividend. In 2015 the share premium reserve was transferred to retained earnings.

Dividends amounting to MUSD 0 were approved in 2016 (MUSD 0). In respect of 2016, Management recommends no distribution of dividends.

NOTE 20

EVENTS OCCURRING AFTER THE REPORTING PERIOD

FINANCIAL RESTRUCTURING

The bond settlement by way of cash redemption and the set-off equity issue in VSS AB was completed on 12 January 2017. Under the settlement, bondholders of record as of 30 December 2016 (the “Record Date”) have received 36,821,058 new class B-shares in VSS AB and NOK 34,419,682.96 in cash as payment of the total outstanding principal amount – NOK 199,341,169, and holders as of the date of the Record Date of the right to receive interest coupon due on the bonds on 21 June 2016 (“Eligible Couponholders”) (in total NOK 9,232,561.83) have received 870,650 new class B-shares and NOK 813,868.94 in cash. The cash redemption is partly funded by a loan of MNOK 20 provided by one of VSS’ existing lenders. The bond settlement generated a gain of MUSD 12.7 which has been recognized in January 2017.

OTHER EVENTS OCCURRING AFTER THE REPORTING PERIOD

During the fourth quarter VSS decided to re-flag its four DIS-flagged vessels to Norway under NOR-flag. The flag-change process was completed shortly after the end of the first quarter of 2017.

In 2016 Magne Viking was certified according to the IMO Polar Code. As soon as the Polar Code entered into force on 1 January 2017 the work of certifying the rest of the fleet began. By early April 2017 all four Loke-class vessels were fully compliant and certified in accordance with the Polar Code.

The market for PSV vessels has continued to deteriorate after the end of the reporting period. The current challenging market conditions are supported by a decline in observable broker values of the PSV fleet. VSS will continue to closely monitor the market development and impairment exposure of the PSV fleet's carrying amount.

NOTE 21

COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries owned by Parent Company [1]	*Corp. reg. no.*	*Registered office*	*Pct. of share capital*
Viking Supply Ships Management AB	556858-2463	Stenungsund	100
Viking Icebreaker Management AB	556679-1454	Stenungsund	100
Viking Supply Ships AS	981240030	Kristiansand	100
Viking Supply Ships PSV AS [3]	814837572	Kristiansand	100
Viking Ice Consultancy AS	913740998	Kristiansand	100
Viking Supply Ships Crewing ApS	33775199	Copenhagen	100
Viking Supply Ships 5 ApS	34471800	Copenhagen	100
Viking Supply Ships (Holdings) Limited	SC303430	Aberdeen	100
SBS Aberdeen Ltd [4]	SC250818	Aberdeen	100
Stoneywood Crewing Services Ltd [4]	SC351608	Aberdeen	100
SBSL (Holdings) Ltd [4]	SC180512	Aberdeen	100
Viking Supply Ships Ltd	SC202464	Aberdeen	100
Viking Supply Ships (Canada) Ltd [2]	71705	St. John's	0
Viking Supply Ships Ltd [5]	1107746094060	Moscow	100

1) *The Parent Company in VSS is Viking Supply Ships A/S, corp. reg. no. 33369794, with its registered office at Islands Brygge 57, 2300 Copenhagen S.*
2) *This company has been closed in 2016.*
3) *This company was incorporated in 2015.*
4) *These companies have been placed in voluntary liquidation*
5) *This company will be become dormant in 2017*

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PARENT COMPANY FINANCIAL STATEMENTS

CONTENTS

Company details

The company	Viking Supply Ships A/S Islands Brygge 57 DK-2300 Copenhagen S	
	CVR No.:	33 36 97 94
	Incorporated:	13 December 2010
	Domicile:	Copenhagen
	Financial year:	1 January - 31 December
Supervisory board	Bengt A. Rem	(chairman)
	Håkan Larsson	
	Folke Patriksson	
	Magnus Sonnorp	
	Erik Borgen	
Executive board	Trond Myklebust	
Auditors	Beierholm Statsautoriseret Revisionspartnerselskab CVR no. 32 89 54 68	

Income statement for the financial year 1 January - 31 December

	Note	2016 USDt	2015 USDt
Revenue	4	34,635	42,452
Operating costs		-23,675	-39,766
General and administrative expenses		-7,147	-3,131
Gross margin		**3,814**	**-445**
Staff costs	5	-3,347	-5,013
Depreciation and impairment of tangible assets	9	-8,930	-8,535
Operating profit (EBIT)		**-8,464**	**-13,992**
Share of profit from subsidiaries net of tax	10	-19,075	-9,651
Financial income	6	1,901	5,100
Financial costs	7	-18,356	-23,543
Pre-tax result		**-43,994**	**-42,085**
Taxes	8	0	121
Result for the year		**-43,994**	**-41,964**

Appropriation of profit		
Proposed dividend	0	0
Transfered to retained earnings	-43,994	-41,964
	-43,994	**-41,964**

Balance sheet at 31 December

Assets	Note	2016 USDt	2015 USDt
Vessels		207,513	214,568
Dockings		3,642	6,019
Other fixtures and fittings, tools and equipment		0	1,005
Tangible assets	9	**211,155**	**221,592**
Investments in subsidiaries	10	71,257	75,453
Receivables from group entities	11	8,633	10,773
Financial assets	11	0	0
Restricted cash	15	0	10,942
Other non-current receivables	11	0	4,752
Financial assets		**79,890**	**101,920**
Total non-current assets		**291,045**	**323,512**
Inventories		**1,175**	**813**
Trade receivables		1,501	3,896
Receivables from group entities		647	16,629
Other current receivables		120	783
Financial assets	11	0	3,658
Prepayments		468	784
Deferred income		107	968
Current assets		**2,844**	**26,718**
Cash		17,226	3,187
Total current assets		**21,245**	**30,717**
Total assets		**312,291**	**354,229**

Balance sheet at 31 December

Equity and liabilities	Note	2016 USDt	2015 USDt
Share capital	12	61	61
Retained earnings and reserves		134,127	178,122
Other contributions		21,345	0
Total equity		**155,533**	**178,183**
Long-term bond loan		0	22,344
Long-term interest-bearing loans		115,156	42,646
Total non-current liabilities	13	**115,156**	**64,990**
Short-term interest-bearing loans	13	3,842	91,736
Accounts payable		2,008	3,083
Payables to group entities		14,515	12,024
Company tax		0	222
Other current liabilities		21,236	3,992
Total current liabilities		**41,601**	**111,056**
Total liabilities		**156,757**	**176,046**
Total equity and liabilities		**312,291**	**354,229**

Collateral, security for loans and other contingent liabilities	15, 16
Related parties and ownership structure	17

Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend	Total equity
	USDt	USDt	USDt	USDt
Equity at 31 December 2014	70	251,023	19,372	270,465
Dividend	0	0	-19,372	-19,372
Result for the period	0	-41,964	0	-41,964
Translation effect foreign operations	-9	-30,938	0	-30,947
Equity at 31 December 2015	61	178,121	0	178,182

	Share capital	Retained earnings	Proposed dividend	Total equity
	USDt	USDt	USDt	USDt
Equity at 31 December 2015	61	178,121	0	178,182
Dividend	0	0	0	0
Result for the period	0	-43,994	0	-43,994
Translation effect foreign operations	0	1,458	0	1,458
Other contributions	0	19,887	0	19,887
Equity at 31 December 2016	61	155,472	0	155,533

Notes to the annual report

Note 1 Accounting principles for the parent company

The Parent Company's principal activities include offshore and icebreaking services to major oil companies primarily in the North Sea, Arctic and Subarctic waters as well as operation of corporate functions and the holding of shares in subsidiaries.

Basis of preparation

The separate financial statements of the Parent Company have been included in the Annual Report as required by the Danish Financial Statements Act.

The separate financial statements of the Parent Company for 2016 are presented in accordance with the Danish Financial Statement Act for reporting class C large companies.

The functional currency of the Parent Company is USD and the financial statements of the Parent Company are presented in USD thousand.

Cash flow statement

According to section 86(4) of the Danish Financial Statement Act, the company has not prepared a cash flow statement as this is part of the consolidated financial statements of Viking Supply Ships A/S Group.

Changes in accounting policies

The functional and presentation currency of the Parent Company has changed from NOK in 2015 to USD as per 1 January 2016. Comparative figures for 2015 have been converted to USD using average rates for the relevant period and the balance sheet has been translated at closing rates of exchange.

The changes in functional and presentation currencies have no significant impact on the financial positions of the company as at 31 December 2015 or for the result and cash flows for the period ended 31 December 2015.

Except for this, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Financial statements of the Parent Company

The accounting policies of the Parent Company are consistent with those applied in the consolidated financial statements (see note 2 in the consolidated financial statements of Viking Supply Ships A/S Group) with the following exceptions:

Investments in subsidiaries are measured under the equity method.
Investments in subsidiaries are measured at the proportionate share of the company's net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at USD 0 (nil), and any amounts owed by such companies are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Viking Supply Ships A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied (see consolidated financial statements of Viking Supply Ships A/S Group).

Note 2 Significant accounting estimates and judgments

In connection with the preparation of the parent company financial statements, management has made accounting estimates and judgements that affect the assets and liabilities reported at the balance sheet date as well as the income and expenses reported for the financial period. Management continuously reassesses these estimates and judgements based on a number of other factors in the given circumstances.

Management assesses that, in respect of the financial reporting for the Parent Company, no accounting estimates or judgements are made when applying the Parent Company's accounting policies which are significant to the financial reporting apart from those disclosed in note 1 in the consolidated financial statements of Viking Supply Ships A/S Group.

Notes to the annual report

Note 3 Material uncertainties regarding going concern

See notes 1 and 20 in the consolidated financial statements of Viking Supply Ships A/S Group.

Note 4 Revenue	2016 USDt	2015 USDt
Markets		
Denmark	0	0
Scandinavia	18,872	19,183
Great Britain	4,133	7,132
Holland	0	632
Russia	11,631	15,503
	34,635	**42,452**
Activities		
AHTS	34,635	41,053
Services	0	1,399
	34,635	**42,452**

Note 5 Staff costs	2016 USDt	2015 USDt
Salaries	2,565	4,153
Social costs	32	38
Pension costs	338	388
Other personnel costs	411	433
	3,347	**5,013**
Average number of employees	21	29

VSS does not disclose the total remuneration to management, cf. section 98b of the Danish Financial Statements Act.

Note 6 Financial income	2016 USDt	2015 USDt
Interest income	76	691
Foreign exchange gains	574	900
Interest income, related parties	1,251	3,509
	1,901	**5,100**

Note 7 Financial costs		
Interest costs	5,147	7,502
Foreign exchange losses	3,128	14,359
Interest costs, related parties	1,003	441
Value adjustment bonds	5,287	807
Other financial costs	3,791	435
	18,356	**23,543**

	2016 USDt	2015 USDt

Note 8 Taxes

	2016 USDt	2015 USDt
Current tax charge for the year	0	-121
	0	**-121**

VSS's vessel activities are subject to tonnage tax. The current tax charge for the year is related to activities outside the tonnage tax scheme in Denmark after utilisation of non-recognised tax assets.

Note 9 Tangible assets

	Vessels	Dockings	Other	Total
Cost USDt				
Balance 31 December 2015	246,320	7,683	3,035	257,039
Additions	1,895	1,119	0	3,014
Disposals	0	0	0	0
Balance 31 December 2016	248,215	8,802	3,035	260,052
Accumulated depreciation and impairment NOKt				
Balance 31 December 2015	31,753	1,664	2,030	35,447
Additions	0	0	0	0
Depreciation	7,055	3,495	1,005	11,555
Depreciation and impairment, disposals	1,895	0	0	1,895
Balance 31 December 2016	40,703	5,159	3,035	48,897
Carrying amount 31 December 2016	**207,513**	**3,642**	**0**	**211,155**

Vessels with a carrying amount of USD 211.2 million (USD 220.0 million) have been put up as security for debt to credit institutions.

Notes to the annual report

Note 10 Investments

For ownership in subsidiaries see note 21 in the consolidated financial statements of Viking Supply Ships A/S Group.

	2016 USDt	2015 USDt
Cost		
Balance 1 January	116,206	84,262
Addition	26,857	31,944
Balance 31 December	**143,063**	**116,206**
Value adjustments		
Balance 1 January	-56,272	-47,758
Effect of amended accounting policies	0	0
Translation effect foreign operations	1,458	456
Result for the year	-19,075	-8,970
Balance 31 December	**-73,889**	**-56,272**
Equity value 31 December	**69,174**	**59,934**
Recognised as follows in the financial statement:		
Equity value 31 December	69,174	59,934
Negative equity value offset in group receivables	2,083	15,519
	71,257	**75,453**

Notes to the annual report

Note 11 Non-current receivables

	Receivables from group entities	Seller's credit	Total
Carrying amount 31 December 2015 USDt	10,773	4,752	15,525
Additions	316	0	316
Disposals	-601	-4,752	-5,353
Value adjustment	0	0	0
Reclassified to current assets	0	0	0
Currency translation adjustment	-1,855	0	-1,855
Carrying amount at 31 December 2016	**8,633**	**0**	**8,633**

Note 12 Share capital

The share capital consists of 5,002 shares at DKK 100 each or multiples thereof.
The share capital has recently been increased twice. One time through capital injection and one time by conversion of debt.

Note 13 Interest-bearing loans

Current portion of long-term liabilities is recognised under short-term liabilities. Other liabilities are recognised under long-term liabilities.

Terms to maturity:	2016 USDt	2015 USDt
Within 1 year	3,842	91,736
Between 1 and 5 years	115,156	64,990
After more than 5 years	0	0
Total interest-bearing loans	**118,999**	**156,726**
Bond loan	0	22,344
Interest bearing debt to credit institutions	118,999	134,381
Total interest-bearing loans	**118,999**	**156,726**

The vessels owned by VSS are 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 liabilities are associated with financial covenants, according to which VSS must fulfil certain key ratios. At 31 December 2016, all such financial covenants were in compliance.

Notes to the annual report

In addition hereto, the interest bearing liabilities were also associated with loan clauses, such as contract coverage clauses and loan-to-value clauses, according to which VSS had to fulfil certain ratios of contract coverage and loanto-value ratios, pursuant to the individual loan agreements. If these ratios were not met, VSS had to deposit cash or provide additional security in accordance with the terms in the relevant loan agreements. Any such amount in deposit would vary up or down and the variation was dependent upon currency exchange rates, amortizations under the loan and development in vessel valuations obtained from external shipbrokers. If the ratios of contract coverage and loan-to-value, pursuant to the terms in the individual loan agreements, yet again were met then the obligation of providing additional security would cease. Until 23 December 2016, VSS had provided the lenders with a total of MUSD 9.0 in additional security.

Calculations of contract coverage and loan-to-value ratios as at 31 December 2015 showed a requirement for VSS to deposit cash or provide additional security during Q1 2016, partly to be remedied before the end of January 2016. Further in 2016, VSS was not able to comply with events of default provisions in loan agreements, which rendered all borrowings short-term and payable on demand by the lenders.

As part of the financial restructuring the following has taken place in terms of the interest bearing liabilities:

• VSS' bank facilities are extended until 31 March 2020.
• Financial covenants on the bank facilities are amended to provide VSS with ample room to operate under the present challenging market conditions.
• Contribution from the banks of approximately MUSD 215, including deferral of maturities and amortization schedules.
• Deferred amortization structure under bank facilities, with fixed quarterly repayment in the amount of USD 750,000 from 2018.
• In addition to the fixed amortizations under the bank facilities payable from 31 March 2018, there will be a cash sweep mechanism, whereby cash on hand exceeding certain levels shall be distributed as repayment of the bank facilities from 2018. During 2017, the cash sweep amounts have been pre-agreed.
• Extraordinary repayments in an aggregate amount of approximately MUSD 23.7. The extraordinary repayments were done partly from the provided additional security.
• All loans previously denominated in NOK and GBP have been converted to USD during Q4 2016.
• The bond loan has been delisted on 12 January 2017 (see below).
• The cash redemption of the bond is partly funded by a loan of MNOK 20 provided by one of VSS' existing lenders.

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 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. As at 31 December 2015, VSS was holding nominal MNOK 189 of this bond, implying MNOK 196 was outstanding. As a result of an agreement that has been resoved by the bondholders in conjunction with the key terms of the debt restructuring plan, the bond has been delisted from Nordic ABM on 12 January 2017.

Note 14 Events occuring after the reporting period
See note 20 in the consolidated financial statements of Viking Supply Ships A/S Group.

Note 15 Collateral and security for loans
VSS has put up vessels as security for debt to credit institutions, see note 9, and assigned earnings and insurance sums relating to the vessels.

VSS has put up security for other group companies's debt to credit institutions, totalling USD 91.4 million at 31 December 2016 (USD 108.5 million).

VSS has pledged bank deposits, totalling USD 0.0 million (USD 10.9 million) reported as restricted cash.

Notes to the annual report

Note 16 Commitments and other contingent liabilities

VSS leases vessels, buildings and equipment through operational leasing agreements. VSS has one contract regarding the leasing of one AHTS vessel. The contract for the AHTS vessel has a remaining duration on the lease of eight years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 USDt	2015 USDt
Within 1 year	3,623	7,733
Between 1 and 5 years	18,260	29,725
After more than 5 years	5,810	0
Total lease payments	**27,693**	**37,458**

Leasing payments in 2016 amounted to USD 2.4 million (USD 8.6 million).

Note 17 Related parties and ownership structure

Controlling interest

The company is wholly-owned by Viking Supply Ships AB, Sweden.
The company is included in the consolidated financial statements of Viking Supply Ships AB, Sweden, and Kistefos Holding AS, Norway.

Other related parties

All entities in the Kistefos Holding AS group are related parties.

Other related parties are members of the supervisory and executive boards, executive officers and their family members.
Related parties further include companies in which said persons hold significant interests.

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