BEIERHOLM
VI SKABER BALANCE

Viking Supply Ships A/S

Axeltorv 2, 1609 København V

CVR no. 33 36 97 94

Annual report for 2019

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 12.06.20

Trond Myklebust
Dirigent

STATSAUTORISERET
REVISIONSPARTNERSELSKAB

Vi er et uafhængigt medlem af
det globale rådgivnings- og revisionsnetværk

København
Knud Højgaards Vej 9
2860 Søborg

Tel. 39 16 76 00
www.beierholm.dk
CVR-nr. 32 89 54 68

Table of contents

Company information etc.

The company

Viking Supply Ships A/S
c/o Gorrissen Federspiel
Axeltorv 2
1609 København V
Registered office: Danmark
CVR no.: 33 36 97 94
Financial year: 01.01 - 31.12

Executive Board

CEO Trond Myklebust

Board of Directors

Bengt Arve Rem
Erik Borgen
Anders Folke Patriksson
Per Magnus Sonnorp
Lars Håkan Larsson

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.19 - 31.12.19 for Viking Supply Ships A/S.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.19 and of the results of the company's activities for the financial year 01.01.19 - 31.12.19.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, June 12, 2020

Executive Board

Trond Myklebust
CEO

Board of Directors

Bengt Arve Rem Chairman	Erik Borgen	Anders Folke Patriksson
Per Magnus Sonnorp	Lars Håkan Larsson	

Independent auditor's report

To the Shareholder of Viking Supply Ships A/S

Opinion

We have audited the financial statements of Viking Supply Ships A/S for the financial year 01.01.19 - 31.12.19, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.19 and of the results of the company's operations for the financial year 01.01.19 - 31.12.19 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

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 financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing 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 in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether 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 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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 company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the 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 required to draw attention in our auditor's report to the related disclosures in 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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Soeborg, Copenhagen, June 12, 2020

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jan Stender
State Authorized Public Accountant
MNE-no. mne34090

FINANCIAL HIGHLIGHTS

Key figures

Figures in USD '000	2019	2018	2017	2016	2015
Profit/loss					
Gross result	6,290	-7,333	-11,524	3,814	-445
Operating loss	-1,169	-17,179	-23,924	-8,464	-13,992
Total net financials	5,423	219,944	-16,296	-35,530	-28,094
Profit/loss for the year	-19,435	202,765	-40,220	-43,994	-41,964
Balance					
Total assets	217,245	521,488	267,663	312,291	354,229
Investments in property, plant and equipment	0	366	844	3,014	6,600
Equity	214,175	347,212	129,143	155,533	178,183

Ratios

	2019	2018	2017	2016	2015
Equity ratio					
Equity interest	99%	67%	48%	50%	50%
Others					
Number of employees (average)	2	7	20	21	29

With effect by January 1st 2019, the company merged with the subsidiaries Viking Supply Ships 5 ApS and Viking Supply Ships Crewing Aps. No changes in the comparative figures have been made.

Ratios definitions

Equity interest: $\dfrac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

During the year, the company's activities has comprised of offshore and icebreaking services to major oil companies primarily in the North Sea, Arctic and Subarctic waters. In 2020, the company has sold it's last remaining vessel and herafter the company solely functions as a holding company.

Exceptional conditions

In the financial year the company has merged with the subsidiaries Viking Supply Ships Crewing ApS and Viking Supply Ships 5 ApS. The pooling of interests is deemed to be completed at the date of acquisition without restatement of comparative figures.

Development in activities and financial affairs

The income statement for the period 01.01.19 - 31.12.19 shows a profit/loss of USD'000 -19,435 against USD'000 202,765 for the period 01.01.18 - 31.12.18. The balance sheet shows equity of USD'000 214,175.

This years loss of USD'000 19,435 is in level with the expectations.

Outlook

After the divestment of vessels, the company functions solely as a holding company. The company's management is in the process of considering the future activity, including whether the company should be closed down.

Knowledge resources

The group, of which the company is a part, provides a high and competitive service quality on its fleet of vessels. This requires a high level of competence and the group invests a substantial amount of resources in improving the competences of the group's employees.
The group, of which the company is a part, offers internal and external training programs tailor made to each individual employee.

Special risks

Price risks

The company and it's subsidiaries is characterised by a high degree of international operations and the company and it's subsidiaries are thus exposed to fluctuations in spot rates and utilisation in the offshore segment.

Currency risks

A significant share of the company and it's subsidiaries earnings are generated in foreign currenties and the company and it's subsidiaries are thus exprosed to development in exchange rates of mainly NOK and GBP.

External environment

The company and it's subsidiaries performs its operations and services in such a way that the impact on the environment is as low as reasonable practicable and so that international and national environmental laws are adhered to.

Subsequent events

After the balance sheet date, the company has sold it's last remaining vessel. No other important events have accured after the end of the financial year.

Income statement

Note		2019 USD '000	2018 USD '000
	Gross result	**6,290**	**-7,333**
4	Staff costs	-928	-1,874
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**5,362**	**-9,207**
	Depreciation and impairments losses of property, plant and equipment	-6,531	-7,972
	Other operating expenses	-23,689	0
	Loss before net financials	**-24,858**	**-17,179**
1	Income from equity investments in group enterprises	982	228,040
5	Financial income	5,210	450
6	Financial expenses	-769	-8,546
	Profit/loss for the year	**-19,435**	**202,765**

8 Distribution of net profit

Balance sheet

ASSETS

Note		31.12.19 USD '000	31.12.18 USD '000
	Vessels	0	193,402
	Other fixtures and fittings, tools and equipment	0	1,447
	Property, plant and equipment under construction	0	366
9	**Total property, plant and equipment**	**0**	**195,215**
11	Equity investments in group enterprises	131,131	277,506
12	Receivables from group enterprises	8,274	9,686
	Total investments	**139,405**	**287,192**
	Total non-current assets	**139,405**	**482,407**
	Raw materials and consumables	71	1,371
	Total inventories	**71**	**1,371**
	Trade receivables	1,024	478
	Receivables from group enterprises	8,591	929
	Other receivables	1,478	20,781
10	Prepayments	134	183
	Total receivables	**11,227**	**22,371**
	Cash	**20,202**	**15,339**
2	**Discontinuing operations**	**46,340**	**0**
	Total current assets	**77,840**	**39,081**
	Total assets	**217,245**	**521,488**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.19 USD '000	31.12.18 USD '000
13	Share capital	61	61
	Reserve for net revaluation according to the equity method	0	15,512
	Retained earnings	214,114	218,171
	Proposed dividend for the financial year	0	113,468
	Total equity	**214,175**	**347,212**
14	Short-term part of long-term payables	0	102,868
	Trade payables	231	5,883
	Payables to group enterprises	1,444	63,219
	Other payables	1,395	2,306
	Total short-term payables	**3,070**	**174,276**
	Total payables	**3,070**	**174,276**
	Total equity and liabilities	**217,245**	**521,488**

15 Contingent liabilities
16 Related parties

Statement of changes in equity

Figures in USD '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.19 - 31.12.19					
Balance as at 01.01.19	61	15,512	218,171	113,468	347,212
Net effect of mergers and acquisition of enterprises	0	-15,512	15,554	0	42
Adjusted balance as at 01.01.19	61	0	233,725	113,468	347,254
Foreign currency translation adjustment of foreign enterprises	0	0	-176	0	-176
Dividend paid	0	0	0	-113,468	-113,468
Net profit/loss for the year	0	0	-19,435	0	-19,435
Balance as at 31.12.19	61	0	214,114	0	214,175

	2019 USD '000	2018 USD '000

1. Income from equity investments in group enterprises

	2019 USD '000	2018 USD '000
Income from equity investments in group enterprises	0	228,040
Share of profit or loss of group enterprises	982	0
Total	982	228,040

2. Discontinuing operations

Offshore and icebreaking service is being discontinued. The activity is recognised in the company's balance sheet with the following amounts:

Assets relating to discontinuing operations:

	2019 USD '000	2018 USD '000
Vessels	46,251	0
Other fixtures and fittings, tools and equipment	89	0
Total assets relating to discontinuing operations	46,340	0

3. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items:	Recognised in the income statement in:	2019 USD '000	2018 USD '000
Loss on sale of vessels	Other operating expenses	-23,689	0
Total		-23,689	0

	2019 USD '000	2018 USD '000

4. Staff costs

Wages and salaries	776	1,596
Pensions	49	126
Other social security costs	95	19
Other staff costs	8	133
Total	928	1,874
Average number of employees during the year	2	7

Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	622	461

5. Financial income

Interest, group enterprises	2,089	434
Other financial income	3,121	16
Total	5,210	450

6. Financial expenses

Interest, group enterprises	118	314
Other financial expenses	651	8,232
Total	769	8,546

7. Tax on profit or loss for the year

Tax on profit or loss for the year	0	0
Total	0	0

The company'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.

8. Distribution of net profit

Reserve for net revaluation according to the equity method	0	128,980
Proposed dividend for the financial year	0	113,468
Retained earnings	-19,435	-39,683
Total	-19,435	202,765

9. Property, plant and equipment

Figures in USD '000	Vessels	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment
Cost as at 01.01.19	242,963	6,407	366
Additions during the year	18,780	3,531	0
Disposals during the year	-201,310	-8,826	0
Transfers during the year to/from other items	-60,433	-1,112	-366
Cost as at 31.12.19	0	0	0
Depreciation and impairment losses as at 01.01.19	-49,562	-4,960	0
Depreciation during the year	-5,881	-650	0
Reversal of depreciation of and impairment losses on disposed assets	41,261	4,221	0
Transfers during the year to/from other items	14,182	1,389	0
Depreciation and impairment losses as at 31.12.19	0	0	0
Carrying amount as at 31.12.19	0	0	0

10. Prepayments

Prepaid insurance premiums	48	132
Other prepayments	86	51
Total	134	183

11. Equity investments in group enterprises

Figures in USD '000	Equity investments in group enterprises
Cost as at 01.01.19	148,527
Additions during the year	138,061
Disposals during the year	-24
Cost as at 31.12.19	286,564
Depreciation and impairment losses as at 01.01.19	128,979
Foreign currency translation adjustment of foreign enterprises	-176
Reversal of depreciation of and impairment losses on disposed assets	-317,145
Net profit/loss from equity investments	982
Other adjustments relating to equity investments	31,927
Depreciation and impairment losses as at 31.12.19	-155,433
Carrying amount as at 31.12.19	131,131

11. Equity investments in group enterprises - continued -

Name and registered office:	Ownership interest
Subsidiaries:	
Viking Supply Ships Management AB, Stenungsund, Sweden	100%
Viking Icebreaker Management AB, Stenungsund, Sweden	100%
Viking Supply Ships AS, Kristiansand, Norway	100%
Viking Supply Ships PSV AS, Kristiansand, Norway	100%
Viking Supply Ships Seafarers AS, Kristianssand, Norway	100%
Viking Ice Consultancy AS, Kristiansand, Norway	100%
Viking Supply Ships (Holdings) Ltd., Aberdeen, Scotland	100%
Viking Supply Ships Ltd., Aberdeen, Scotland	100%
Viking Supply Ships Ltd., Moscow, Russia	100%
VSS Holdings AS, Kristianssand, Norway	100%
Viking Supply Ships Holding AS, Kristiansand. Norway	100%

12. Other non-current financial assets

Figures in USD '000	Receivables from group enterprises
Cost as at 01.01.19	9,774
Foreign currency translation adjustment of foreign enterprises	-422
Additions during the year	515
Disposals during the year	-1,593
Cost as at 31.12.19	8,274

13. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	5,006	60,629
Total		60,629

The share capital consists of 5,006 authorised, issued and fully paid shares at a par value of DKK 100.

14. Long-term payables

Figures in USD '000	Total payables at 31.12.19	Total payables at 31.12.18
Payables to credit institutions	0	97,547
Payables to group enterprises	0	5,321
Total	0	102,868

15. Contingent liabilities

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

16. Related parties

Controlling influence	Basis of influence
Kistefos AS, Norway	Ultimate parent company
Viking Supply Ship AB, Sweden	Shareholder

Transactions	Relation	2019 USD '000
Intercompany crew costs	To subsidiaries	109
Intercompany crew costs	From subsidiaries	8,590
Intercompany operating expenses	From subsidiaries	417
Untercompany other owner costs	From subsidiaries	323
Management fee (commercial and tehnical management)	From subsidiaries	966
Management fee (administration cost)	From subsidiaries	137
Management fee (HQ services)	From parent company	805
Intercompany interest income	From group enterprises	2,089
Intercompany interest cost	To Group enterprises	118
Intercompany sale of vessels	To Group enterprises	141,100
Intercompany purchase of vessel	From Group enterprises	18,780

Remuneration for the management is specified in note 4. Staff costs.

Balances	31.12.19 USD '000
Receivables from group enterprises	16,865
Payables to group enterprises	-1,444

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.

The company is included in the consolidated financial statements for financial year 2018 of the parent company Viking Supply Ship AB, Sweden. This consolidated financial statement can be obtained on website www.cvr.dk under Viking Supply Ships A/S. Furthermore the company is included in the consolidated financial statements of the ultimative parent company Kistefos AS, Norge. This consolidated financial statement can be obtained on website www.kistefos.no.

17. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of Viking Supply Ship AB, Sweden, business registration number 556161-0113, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

BUSINESS COMBINATIONS

For combined enterprises subject to common control, the pooling of interests method is used. The pooling of interests is deemed to be completed at the date of acquisition without restatement of comparative figures. The difference between the agreed consideration and the equity value of the acquired enterprise is recognised in equity.

CURRENCY

The annual report is presented in USD. The exchange rate is 6,6759 as at 31.12.19 and 6,5569 as at 31.12.18.

17. Accounting policies - continued -

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

17. Accounting policies - continued -

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

INCOME STATEMENT

Gross result

Gross result comprises revenue and cost of sales and other external expenses.

Revenue

Revenues and expenses related to voyages are recognised successively in relation to the voyage degree of completion of 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 ships 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. .

Cost of sales

Cost of sales comprises of costs related to the operation and maintentance of ships, bunkers and habour costs, muster journeys, and crew member costs.

Other external expenses

Other external expenses comprise costs relating to the primary activity, which incurred during the year, including administration costs.

17. Accounting policies - continued -

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Vessels	25 - 30	30
Other plant, fixtures and fittings, tools and equipment	2,5 - 5	0

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the ‘Impairment losses on fixed assets’ section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise’s activities, including property, plant and equipment.

Income from equity investments in group entreprises

For equity investments in subsidiaries, measured using the equity method, the share of the enterprises’ profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

17. Accounting policies - continued -

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Property, plant and equipment

Vessels

On initial recognition, vessels are measured at cost. Cost comprises the purchase price and expenses resulting directly from the purchase, including expenses attributable to the preparation of the asset, until the asset is ready for use. Interest on loans arranged to the financing is not included in the cost.

On acquisition, cost is decomposed into the vessel and vessel components, which are depreciated separately. Vessels are depreciated using the straight-line method based on useful lives and residual values, which are stated in the ‘Depreciation and impairment losses’ section.

Proportionate depreciation is provided for vessel components, which are subject to periodic inspections and/or replacement, in line with the actual number of engine hours used until the next periodic inspection and/or replacement when the vessel is treated as being disposed of. Replacement or renovation costs are recognised in the balance sheet as separate assets when the vessel component is ready for use.

Vessels and vessel components are measured in the balance sheet at cost less accumulated

17. Accounting policies - continued -

depreciation and impairment losses.

Other property, plant and equipment

Other property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Other property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to the financing is not included in the cost.

Other property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Prepayments for property, plant and equipment

Prepayments for property, plant and equipment comprise prepayments to suppliers.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in

17. Accounting policies - continued -

question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value. Inventories primarily consist of bunker fuel on the company's vessels.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

17. Accounting policies - continued -

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

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

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

17. Accounting policies - continued -

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement for Viking Supply Ships AB, Sweden.

DISCONTINUING OPERATIONS

Discontinuing operations comprise significant business areas and activities that according to an overall plan must be disposed of, closed down or relinquished, and which may be separated from the continuing operations. Discontinuing operations comprise the actually discontinued operations for the year and operations that are discontinuing but still in existence at the balance sheet date. Assets and liabilities as well as income and expenses included in discontinuing operations are recognised and measured in accordance with the

17. Accounting policies - continued -

company's accounting policies.

The net profit or loss from discontinuing operations is presented separately in the income statement after continuing operations. Assets and liabilities relating to discontinuing operations are also presented separately in the balance sheet as current assets and short-term payables, respectively.