

Press release

INTERIM REPORT FOR THE PERIOD JANUARY – MARCH 2014

IMPROVED OPERATING INCOME DESPITE LOWER SALES

Consolidated sales of the Viking Line Group during the first quarter, January 1 – March 31, 2014, decreased by 10.0 per cent to 103.4 million euros compared to the same quarter of 2013 (EUR 115.0 M). Operating income amounted to EUR -17.1 M (-18.9). Income after taxes totalled EUR -15.6 M (-15.7).

Passenger-related revenue decreased by 11.8 per cent to EUR 92.7 M (105.0), while cargo revenue increased by 9.8 per cent to EUR 9.9 M (9.1). Net sales revenue decreased by 9.7 per cent to EUR 75.0 M (83.1). The Group's operating expenses decreased by 9.8 per cent to EUR 83.6 M (92.8).

NUMBER OF PASSENGERS AND MARKET SHARE

The number of passengers on Viking Line's vessels during the report period decreased by 112,706 to 1,234,044 (1,346,750). The Group had a total market share in its service area of 33.0 per cent (35.1 per cent).

Viking Line's cargo volume was 31,200 cargo units (28,747). Viking Line achieved a cargo market share of 21.6 per cent (21.1).

REFLAGGINGS AND VESSEL UPGRADES

In January 2014 the M/S Rosella was recorded in the Finnish ship register and the M/S Viking XPRS in the Estonian ship register. At present, Viking Line has five vessels in the Finnish ship register, one in the Estonian register and one in the Swedish register.

At the time of its reflagging, the Viking XPRS was out of service for maintenance. The Viking Cinderella, which had provided cruise service between Stockholm (Sweden) and Mariehamn (Åland Islands, Finland) for ten years, was dry-docked for 18 days in Landskrona, Sweden in January. This adversely affected sales. While dry-docked the Viking Cinderella underwent extensive remodelling of its entertainment areas and some of the vessel's cabins were upgraded. This face-lift has been highly appreciated among our customers.

Any questions concerning this interim report will be answered by Jan Hanses, President and Chief Executive Officer. Tel: +358 18 270 00

Viking Line is a public limited company and the market leading brand in passenger traffic on the northern Baltic Sea, with a mission to provide large-scale, affordable, safe passenger and cargo carrier services including first-class recreation, good food and attractive shopping. Its shares have been listed on the NASDAQ OMX Nordic Exchange Helsinki since 1995. Viking Line serves Finland, Sweden and the Baltic countries with seven vessels. During the financial year 2013 sales were about EUR 549 M. The number of passengers totalled 6.5 million. The average number of employees was 3,104.

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SALES AND EARNINGS

Consolidated sales of the Viking Line Group during the first quarter, January 1 – March 31, 2014, decreased by 10.0 per cent to 103.4 million euros compared to the same quarter of 2013 (EUR 115.0 M). Operating income amounted to EUR -17.1 M (-18.9). Net financial items totalled EUR -2.1 M (-1.9). Consolidated income before taxes amounted to EUR -19.1 M (-20.7). Income after taxes totalled EUR -15.6 M (-15.7).

Passenger-related revenue decreased by 11.8 per cent to EUR 92.7 M (105.0), while cargo revenue increased by 9.8 per cent to EUR 9.9 M (9.1). Net sales revenue decreased by 9.7 per cent to EUR 75.0 M (83.1). The Group's operating expenses decreased by 9.8 per cent to EUR 83.6 M (92.8).

The decrease in consolidated sales was mainly due to a smaller number of service days compared to the corresponding period of last year. In January 2014 the Viking Cinderella spent 18 days and the Viking XPRS 12 days out of service because of dry-docking.

The Group's bunker (vessel fuel) expenses decreased during the period by EUR 2.2 M, equivalent to 13.0 per cent. The decrease is explained by lower bunker consumption because of vessel dry-dockings, a winter with mild ice conditions and successful optimization work.

The Board of Directors also sees that the Group's action programme aimed at improving operational efficiency is continuing to have a positive impact on operating expenses.

SERVICES AND MARKET TRENDS

The Viking Line Group provides passenger and cargo carrier services using seven vessels on the northern Baltic Sea. The Group's vessels served the same routes as during 2013.

The number of passengers on Viking Line's vessels during the report period decreased by 112,706 to 1,234,044 (1,346,750). During the report period, Viking Line reduced its market share on the Turku (Finland)–Mariehamn/Långnäs (Åland Islands, Finland)–Stockholm (Sweden) route by 4.7 percentage points to 53.8 per cent. On the Helsinki (Finland)–Mariehamn–Stockholm route, market share increased by 2.0 percentage points to 48.6 per cent. In cruise services between Stockholm and Mariehamn, market share decreased by 6.4 percentage points to 49.6 per cent. On the Helsinki–Tallinn (Estonia) route, market share decreased by 1.3 percentage points to 22.2 per cent due to a reduced number of departures. On the short route over the Sea of Åland, market share increased by 8.8 percentage points to 39.6 per cent due to an increased number of departures. The Group thus had a total market share in its service area of 33.0 per cent (35.1).

Viking Line's cargo volume was 31,200 cargo units (28,747). Viking Line achieved a cargo market share of 21.6 per cent (21.1).

INVESTMENTS AND FINANCING

The Group's investments amounted to EUR 5.1 M (165.7).

On March 31, 2014 the Group's non-current interest-bearing liabilities amounted to EUR 213.7 M (237.2). The equity/assets ratio was 34.3 per cent, compared to 28.2 per cent a year earlier.

At the end of March 2014, the Group's cash and cash equivalents amounted to EUR 60.4 M (41.7). Net cash flow from operating activities amounted to EUR -23.1 M (-16.9).

FINANCIAL REPORTING

This Interim Report was prepared in compliance with International Financial Reporting Standards (IFRSs) and was drawn up as a summary of the financial statements for the period in compliance with IAS 34. Estimates and judgments as well as accounting principles and calculation methods are the same as in the latest annual financial statements. Recognized income taxes are based on an estimated average tax rate, which is expected to apply throughout the fiscal year. This Interim Report is unaudited.

ORGANIZATION AND PERSONNEL

On January 16, 2014, the M/S Rosella was recorded in the Finnish ship register and on January 22, 2014 the M/S Viking XPRS was recorded in the Estonian ship register.

The average number of Group employees was 2,728 (2,984), of whom 1,950 (1,921) worked for the parent company. Land-based personnel totalled 648 (679) and shipboard personnel totalled 2,080 (2,305).

In addition to the Group's own employees, the Viking XPRS was staffed by an average of 184 people employed by a staffing company. The expenses for them are recognized among "Other operating expenses".

On March 20, 2014, Mikael Backman's employment as President and CEO was terminated. Deputy CEO Jan Hanses was selected as the new President and CEO. At the same time, Andreas Remmer, Chief Financial Officer, was appointed Executive Vice President and Deputy CEO. On April 17, 2014, Peter Hellgren, Head of Sales and Marketing for Viking Line's Swedish market area, was appointed Executive Vice President with overall responsibility for the Group's sales and marketing.

ANNUAL GENERAL MEETING

The Annual General Meeting of Viking Line Abp on April 16, 2014 adopted the parent company and consolidated financial statements and approved the proposal of the Board of Directors that a dividend of EUR 0.50 per share be paid for the financial year 2013. The Annual General Meeting discharged the Board of Directors and the President and Chief Executive Officer from liability for the financial year.

The Company's current Board of Directors was re-elected, and until the end of the next Annual General Meeting it thus has the following composition: Ben Lundqvist (Chairman), Nils-Erik Eklund, Trygve Eriksson, Erik Grönberg, Agneta Karlsson, Dick Lundqvist and Lars G Nordström plus deputy members Ulrica Danielsson, Stefan Lundqvist and Johnny Rosenholm.

Johan Kronberg, Authorized Public Accountant (CGR), and Martin Grandell, Authorized Public Accountant (CGR) were re-elected as auditors, and PricewaterhouseCoopers Oy, Authorized Public Accountants, was re-elected as deputy auditor.

RISK FACTORS

Since the Year-end Report was published, no changes have occurred that affect the Group's short-term assessment of the risks in its business operations. Special risks during the immediate future are primarily related to bunker prices.

Viking Line is continuing its efforts to adapt to the European Union's sulphur directive, which goes into effect on January 1, 2015.

OUTLOOK FOR THE FULL FINANCIAL YEAR 2014

Competition in Viking Line's service area remains tough and implies continued pressure on prices. Volume and price developments during the remainder of the financial year will be crucial to the Group's earnings. During the summer 2014 high season – in addition to serving their regular Helsinki–Mariehamn–Stockholm routes – the Mariella and Gabriella will also temporarily serve the Helsinki–Tallinn route. The Board of Directors believes that operating income will improve in 2014 compared to operating income in 2013, excluding the capital gain from the sale of the Isabella (EUR 11.9 M).

The next Interim Report (January – June 2014) will be published on August 27, 2014 instead of August 28 as previously announced.

Mariehamn, Åland, May 14, 2014

VIKING LINE ABP
The Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR M	Jan 1, 2014– Mar 31, 2014	Jan 1, 2013– Mar 31, 2013	Jan 1, 2013– Dec 31, 2013
SALES	103.4	115.0	549.4
Other operating revenue	0.1	0.1	23.5
Expenses			
Goods and services	28.4	31.9	150.6
Salary and other employment benefit expenses	31.6	32.9	130.1
Depreciation and impairment losses	8.5	9.3	35.7
Other operating expenses	52.1	59.9	221.9
	120.6	133.9	538.2
OPERATING INCOME	-17.1	-18.9	34.7
Financial income	0.1	0.2	1.2
Financial expenses	-2.2	-2.0	-8.3
INCOME BEFORE TAXES	-19.1	-20.7	27.7
Income taxes	3.5	5.0	-0.2
INCOME FOR THE PERIOD	-15.6	-15.7	27.5
Other comprehensive income			
<i>Items that may be transferred to the income statement</i>			
Translation differences	-0.1	0.0	-0.4
Investments available for sale	-	-	0.0
	-0.1	0.0	-0.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-15.8	-15.8	27.1
Income attributable to:			
Parent company shareholders	-15.6	-15.7	27.5
Total comprehensive income attributable to:			
Parent company shareholders	-15.8	-15.8	27.1
Earnings per share before and after dilution, EUR	-1.45	-1.45	2.54

CONSOLIDATED BALANCE SHEET

EUR M	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
ASSETS			
Non-current assets			
Intangible assets	0.8	1.1	0.8
Land	1.1	1.1	1.1
Buildings and structures	11.5	12.2	11.7
Renovation costs for rented properties	0.7	0.5	0.7
Vessels	361.8	384.6	365.2
Machinery and equipment	7.8	8.1	8.0
Investments available for sale	0.0	0.0	0.0
Receivables	0.5	0.7	0.5
Total non-current assets	384.1	408.2	388.1
Current assets			
Inventories	15.6	16.8	15.0
Income tax assets	4.3	5.2	0.2
Trade and other receivables	41.3	39.7	31.0
Cash and cash equivalents	60.4	41.7	96.1
Total current assets	121.7	103.4	142.2
Vessels available for sale	-	7.1	-
TOTAL ASSETS	505.9	518.7	530.3
EQUITY AND LIABILITIES			
Equity			
Share capital	1.8	1.8	1.8
Reserves	0.0	0.0	0.0
Translation differences	-0.1	0.0	-0.3
Retained earnings	171.5	144.4	187.5
Equity attributable to parent company shareholders	173.3	146.2	189.0
Total equity	173.3	146.2	189.0
Non-current liabilities			
Deferred tax liabilities	29.7	29.7	29.7
Non-current interest-bearing liabilities	213.7	237.2	221.2
Total non-current liabilities	243.3	266.9	250.8
Current liabilities			
Current interest-bearing liabilities	15.1	23.6	15.1
Trade and other payables	74.2	82.1	75.4
Total current liabilities	89.3	105.6	90.4
Total liabilities	332.6	372.5	341.3
TOTAL EQUITY AND LIABILITIES	505.9	518.7	530.3

CONSOLIDATED CASH FLOW STATEMENT

EUR M	Jan 1, 2014– Mar 31, 2014	Jan 1, 2013– Mar 31, 2013	Jan 1, 2013– Dec 31, 2013
OPERATING ACTIVITIES			
Income for the period	-15.6	-15.7	27.5
Adjustments			
Depreciation and impairment losses	8.5	9.3	35.7
Capital gains from non-current assets	0.0	0.0	-22.8
Other items not included in cash flow	0.4	-0.1	-0.4
Interest expenses and other financial expenses	1.7	1.7	7.1
Interest income and other financial income	0.0	0.0	-0.1
Dividend income	-	-	0.0
Income taxes	-3.5	-5.0	0.2
Change in working capital			
Change in trade and other receivables	-10.4	-10.6	-1.9
Change in inventories	-0.7	-1.6	0.3
Change in trade and other payables	0.3	3.9	-4.1
Interest paid	-2.9	-0.2	-3.7
Financial expenses paid	-0.2	-0.2	-0.8
Interest received	0.0	0.0	0.1
Financial income received	0.0	0.0	0.1
Taxes paid	-0.6	1.7	1.4
NET CASH FLOW FROM OPERATING ACTIVITIES	-23.1	-16.9	38.4
INVESTING ACTIVITIES			
Investments in vessels	-4.7	-164.8	-168.6
Investments in other tangible and intangible assets	-0.4	-0.9	-3.7
Divestments of vessels	-	-	29.9
Divestments of other tangible and intangible assets	0.0	0.0	0.2
Payments received for non-current receivables	-	0.0	0.2
Dividends received	-	-	0.0
NET CASH FLOW FROM INVESTING ACTIVITIES	-5.1	-165.7	-142.0
FINANCING ACTIVITIES			
Increase in non-current liabilities	-	179.0	179.1
Amortization of non-current liabilities	-7.5	0.0	-24.6
NET CASH FLOW FROM FINANCING ACTIVITIES	-7.5	179.0	154.4
CHANGE IN CASH AND CASH EQUIVALENTS	-35.7	-3.6	50.8
Cash and cash equivalents at beginning of period	96.1	45.3	45.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	60.4	41.7	96.1

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR M	Equity attributable to parent company shareholders				Total equity
	Share capital	Reserves	Translation differences	Retained earnings	
Equity, Jan 1, 2014	1.8	0.0	-0.3	187.5	189.0
<i>Income for the period</i>				-15.6	-15.6
<i>Translation differences</i>		0.0	0.2	-0.3	-0.1
Total comprehensive income for the period	-	0.0	0.2	-15.9	-15.8
Equity, Mar 31, 2014	1.8	0.0	-0.1	171.5	173.3
Equity, Jan 1, 2013	1.8	0.0	0.1	160.0	162.0
<i>Income for the period</i>				-15.7	-15.7
<i>Translation differences</i>		0.0	-0.1	0.0	0.0
Total comprehensive income for the period	-	0.0	-0.1	-15.7	-15.8
Equity, Mar 31, 2013	1.8	0.0	0.0	144.4	146.2

QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR M	2014 Q1	2013 Q4	2013 Q3	2013 Q2
SALES	103.4	129.7	164.4	140.3
Other operating revenue	0.1	0.3	0.2	22.9
Expenses				
Goods and services	28.4	35.7	43.4	39.6
Salary and other employment benefit expenses	31.6	31.5	31.9	33.7
Depreciation and impairment losses	8.5	8.3	8.8	9.3
Other operating expenses	52.1	52.5	53.8	55.6
	120.6	128.1	137.9	138.3
OPERATING INCOME	-17.1	2.0	26.6	25.0
Financial income	0.1	0.3	0.3	0.4
Financial expenses	-2.2	-2.2	-2.0	-2.0
INCOME BEFORE TAXES	-19.1	0.1	25.0	23.3
Income taxes	3.5	6.7	-6.1	-5.8
INCOME FOR THE PERIOD	-15.6	6.7	18.9	17.6
Other comprehensive income				
<i>Items that may be transferred to the income statement</i>				
Translation differences	-0.1	0.0	-0.1	-0.2
Investments available for sale	-	0.0	-	-
	-0.1	0.0	-0.1	-0.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-15.8	6.7	18.8	17.4
Income attributable to:				
Parent company shareholders	-15.6	6.7	18.9	17.6
Total comprehensive income attributable to:				
Parent company shareholders	-15.8	6.7	18.8	17.4
Earnings per share before and after dilution, EUR	-1.45	0.62	1.75	1.63

SEGMENT INFORMATION, VIKING LINE GROUP

OPERATING SEGMENTS, EUR M	Jan 1, 2014– Mar 31, 2014	Jan 1, 2013– Mar 31, 2013	Jan 1, 2013– Dec 31, 2013
Sales			
Vessels	102.5	113.8	544.7
Unallocated	1.0	1.2	4.9
Total, operating segments	103.5	115.0	549.6
Eliminations	0.0	0.0	-0.2
Total sales of the Group	103.4	115.0	549.4
Operating income			
Vessels	-5.1	-7.4	81.2
Unallocated	-11.9	-11.5	-46.4
Total operating income of the Group	-17.1	-18.9	34.7

PLEGDED ASSETS AND CONTINGENT LIABILITIES

EUR M	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
Contingent liabilities	229.3	262.3	236.9
Assets pledged for own debt	315.7	316.2	315.7

FINANCIAL RATIOS AND STATISTICS

	Jan 1, 2014– Mar 31, 2014	Jan 1, 2013– Mar 31, 2013	Jan 1, 2013– Dec 31, 2013
Equity per share, EUR	16.04	13.54	17.50
Equity/assets ratio	34.3 %	28.2 %	35.6 %
Investments, EUR M	5.1	165.7	172.3
– as % of sales	4.9 %	144.1 %	31.4 %
Passengers	1,234,044	1,346,750	6,533,650
Cargo units	31,200	28,747	119,704
Average number of employees, full time equivalent	2,728	2,984	3,104

Earnings per share = (Income before taxes – income taxes +/- non-controlling interests) / Average number of shares

Equity per share = Equity attributable to parent company shareholders / Number of shares on balance sheet date

Equity/assets ratio, % = (Equity including non-controlling interests) / (Total assets – advances received)

When rounding off items to the nearest EUR 1,000,000, rounding-off differences of EUR +/- 0.1 M may occur.