

INTERIM REPORT FOR THE PERIOD JANUARY – SEPTEMBER 2016

DECLINE IN VIKING LINE'S RESULTS DUE TO A COMBINATION OF EXTENSIVE VESSEL MODERNIZATIONS AND LOWER DEMAND

Consolidated sales of the Viking Line Group for the period January 1 – September 30, 2016 was 397.3 million euros (EUR 403.1 M during January 1 – September 30, 2015). Operating income totalled EUR 14.8 M (22.5).

Consolidated operating income declined mainly due to lost revenue in connection with planned and completed vessel dry-dockings for modernization and maintenance of vessels as well as lower demand during the latter part of the reporting. Salary and other employment benefit expenses increased due to the limiting of restitution in conjunction with a change in the Seamen's Pensions Act in Finland. However, the cost effect of this is expected to decrease during the financial year. Consolidated operating expenses increased by 1.4 per cent to EUR 247.8 M (244.3).

During the third quarter, July 1 – September 30, 2016, consolidated sales decreased by 2.9 per cent to EUR 159.3 M compared to the year-earlier quarter (EUR 164.1 M for July 1 – September 30, 2015). Third quarter operating income amounted to EUR 25.3 M (30.1).

PASSENGER NUMBER AND CARGO VOLUME

The number of passengers on Viking Line's vessels during the report period was 5,015,177 (5,066,883). The Group had a total market share in its service area of 33.7 per cent (34.8).

Viking Line's cargo volume was 98,327 cargo units (99,371). Viking Line achieved a cargo market share of 20.7 per cent (21.9). Meanwhile the number of cars transported increased by 28,510 units (+5.5 per cent) to 545,708 (517,198).

STABLE SUMMER TRAFFIC

Viking Line's passenger figures were stable during this year's summer season, and approximately 2.3 million passengers travelled on the Company's red- and white-painted vessels. During the period June 18 – August 14, Viking Line increased its number of departures on the popular Helsinki (Finland)–Tallinn (Estonia) route. As in previous summers, the vessels Gabriella and Mariella took turns making a day cruise to Tallinn instead of remaining in the port of Helsinki for the day. The extra sailings boosted passenger volume on the route. The number of passengers on the Tallinn route during June–August increased by 14,401 to 748,608 (734,207).

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 Helsinki since 1995. Viking Line serves Finland, Sweden and the Baltic countries with seven vessels. During the financial year 2015 sales were about EUR 530 M. The number of passengers totalled 6.6 million. The average number of employees was 2,735.

VIKING LINE ABP

Norrågatan 4/PB 166, AX-22101 Mariehamn, Åland, Finland
Tel +358 18 270 00

Vikingline.com Vikingline.fi Vikingline.se

SALES AND EARNINGS

Consolidated sales of the Viking Line Group for the period January 1 – September 30, 2016 were 397.3 million euros (EUR 403.1 M for January 1 – September 30, 2015). Other operating revenue amounted to EUR 2.0 M (0.3). Operating income totalled EUR 14.8 M (22.5). Net financial items totalled EUR -3.2 M (-2.9). Consolidated income before taxes amounted to EUR 11.6 M (19.7). Income after taxes totalled EUR 9.7 M (16.2).

Passenger-related revenue decreased by 0.7 per cent to EUR 362.3 M (364.9) as a result of lower passenger volume, while cargo revenue decreased by 6.4 per cent to EUR 32.9 M (35.1). Net sales revenue decreased by 1.9 per cent to EUR 281.5 M (286.9).

Consolidated operating income declined mainly due to lost revenue in connection with planned and completed vessel dry-dockings for modernization and maintenance of vessels as well as lower demand during the latter part of the reporting period. Salary and other employment benefit expenses increased due to the limiting of restitution in conjunction with a change in the Seamen's Pensions Act in Finland. However, the cost effect of this is expected to decrease during the financial year. Consolidated operating expenses increased by 1.4 per cent to EUR 247.8 M (244.3). The weaker Swedish krona had a negative effect on consolidated income.

Consolidated bunker expenses decreased by 22.0 per cent to EUR 29.2 M (37.5) as a result of lower average bunker prices combined with the Group's continued efforts to optimize the bunker consumption of its vessels.

During the third quarter, July 1 – September 30, 2016, consolidated sales decreased by 2.9 per cent to EUR 159.3 M compared to the year-earlier quarter (EUR 164.1 M for the period July 1 – September 30, 2015). Third quarter operating income amounted to EUR 25.3 M (30.1).

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 in 2015. The extensive vessel modernizations that were carried out during the spring caused longer service interruptions than normal, which adversely affected the Group's market share.

The number of passengers on Viking Line's vessels during the report period amounted to 5,015,177 (5,066,883). During the report period, Viking Line decreased its market share on the Turku (Finland)–Mariehamn/Långnäs (Åland Islands, Finland)–Stockholm (Sweden) route by 1.5 percentage points to 55.4 per cent. On the Helsinki (Finland)–Mariehamn–Stockholm route, market share decreased by 0.7 percentage points to 42.2 per cent. In cruise services between Stockholm and Mariehamn, market share increased by 0.5 percentage points to 57.6 per cent. On the Helsinki–Tallinn (Estonia) route, market share decreased by 0.8 percentage points to 23.3 per cent. On the short route over the Sea of Åland, market share decreased by 0.3 percentage points to 42.0 per cent. The Group thus had a total market share in its service area of 33.7 per cent (34.8).

Viking Line's cargo volume was 98,327 cargo units (99,371). Viking Line achieved a cargo market share of 20.7 per cent (21.9). Meanwhile the number of cars transported increased by 28,510 units (+5.5 per cent) to 545,708 (517,198).

INVESTMENTS AND FINANCING

The Group's investments amounted to EUR 13.4 M (8.0).

In March 2016 Viking Line Abp sold Park Alandia Hotell, which resulted in a slight increase in consolidated other operating revenue. The hotel served as a support unit for vessel operations and did not have a material effect on the Group's sales, operating income or assets.

On September 30, 2016, the Group's non-current interest-bearing liabilities amounted to EUR 154.8 M (178.2). The equity/assets ratio was 44.1 per cent, compared to 42.2 per cent a year earlier.

At the end of September 2016, the Group's cash and cash equivalents amounted to EUR 86.1 M (93.5). Net cash flow from operating activities amounted to EUR 17.5 M (29.7).

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 judgements 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 financial year. This Interim Report is unaudited.

ORGANIZATION AND PERSONNEL

The average number of Group employees was 2,772 (2,765), of whom 2,078 (2,068) worked for the parent company. Land-based personnel totalled 666 (676) and shipboard personnel totalled 2,106 (2,089).

In addition to the Group's own employees, the Viking XPRS was staffed by an average of 250 (241) people employed by a staffing company.

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 in the immediate future are primarily related to bunker (vessel fuel) prices. Fluctuations in bunker prices have a direct impact on the Group's earnings. In order to partly offset the risk of higher bunker prices, the Group has entered into fixed-price agreements related to a portion of its estimated bunker consumption during 2016.

ONGOING LEGAL ACTIONS

On February 27, 2015, the Helsinki District Court announced its ruling in a case between Viking Line and the Finnish State regarding fairway charges levied during the years 2001–2004. According to the judgement, the Finnish State was required to pay approximately EUR 12.4 M in accordance with Viking Line's claim as well as legal expenses plus interest. Following the appeal by the Finnish State, on August 8, 2016, the Helsinki Court of Appeal reversed the Helsinki District Court's decision and rejected Viking Line's claim due to the statute of limitations. Viking Line has filed a leave to appeal with the Supreme Court of Finland.

OUTLOOK FOR THE FULL FINANCIAL YEAR 2016

Competition in Viking Line's service area means there is greater pressure on prices as well as volumes. The economic trend in Finland is still an uncertainty factor. However, the bunker price has so far had a favourable effect on earnings. The Board of Directors' assessment is that operating income will be lower in 2016 than in 2015.

The Year-end Report for the financial year 2016 will be published on February 16, 2017.

Mariehamn, Åland, November 15, 2016

VIKING LINE ABP
The Board of Directors

CONSOLIDATED INCOME STATEMENT

EUR M	Jul 1, 2016– Sep 30, 2016	Jul 1, 2015– Sep 30, 2015	Jan 1, 2016– Sep 30, 2016	Jan 1, 2015– Sep 30, 2015	Jan 1, 2015– Dec 31, 2015
SALES	159.3	164.1	397.3	403.1	530.5
Other operating revenue	0.2	0.1	2.0	0.3	0.5
Expenses					
Goods and services	45.6	46.0	115.7	116.2	153.2
Salary and other employment benefit expenses	31.0	29.6	92.5	88.5	118.1
Depreciation and impairment losses	7.0	6.7	20.9	20.3	27.7
Other operating expenses	50.6	51.7	155.3	155.8	205.5
	134.2	134.0	384.4	380.8	504.6
OPERATING INCOME	25.3	30.1	14.8	22.5	26.4
Financial income	0.5	0.5	3.8	3.8	5.0
Financial expenses	-2.5	-3.2	-7.0	-6.7	-8.2
INCOME BEFORE TAXES	23.2	27.4	11.6	19.7	23.2
Income taxes	-4.7	-5.4	-1.9	-3.4	-4.4
INCOME FOR THE PERIOD	18.6	22.0	9.7	16.2	18.7
<i>Income attributable to:</i>					
Parent company shareholders	18.6	22.0	9.7	16.2	18.7
Earnings per share before and after dilution, EUR	1.72	2.03	0.90	1.50	1.73

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

EUR M	Jul 1, 2016– Sep 30, 2016	Jul 1, 2015– Sep 30, 2015	Jan 1, 2016– Sep 30, 2016	Jan 1, 2015– Sep 30, 2015	Jan 1, 2015– Dec 31, 2015
INCOME FOR THE PERIOD	18.6	22.0	9.7	16.2	18.7
Other comprehensive income					
<i>Items that may be transferred to the income statement</i>					
Translation differences	-0.4	-0.3	-0.9	0.0	0.5
Investments available for sale	-	0.6	-	-0.2	0.7
	-0.4	0.3	-0.9	-0.2	1.2
COMPREHENSIVE INCOME FOR THE PERIOD	18.2	22.3	8.8	16.0	19.9
<i>Comprehensive income attributable to:</i>					
Parent company shareholders	18.2	22.3	8.8	16.0	19.9

CONSOLIDATED BALANCE SHEET

EUR M	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
ASSETS			
Non-current assets			
Intangible assets	1.7	0.7	0.8
Land	0.6	1.1	1.1
Buildings and structures	9.4	10.3	10.0
Renovation costs for rented properties	2.1	0.8	1.2
Vessels	313.3	328.6	324.5
Machinery and equipment	5.4	6.1	5.5
Investments available for sale	26.8	25.9	26.8
Receivables	0.2	0.3	0.2
Total non-current assets	359.4	373.7	370.0
Current assets			
Inventories	17.8	17.5	17.2
Income tax assets	0.4	0.1	0.5
Trade and other receivables	44.3	41.0	29.4
Cash and cash equivalents	86.1	93.5	110.7
Total current assets	148.6	152.0	157.8
TOTAL ASSETS	508.0	525.7	527.8
EQUITY AND LIABILITIES			
Equity			
Share capital	1.8	1.8	1.8
Reserves	0.7	-0.2	0.7
Translation differences	-1.3	-0.9	-0.4
Retained earnings	223.1	221.0	223.6
Equity attributable to parent company shareholders	224.2	221.8	225.7
Total equity	224.2	221.8	225.7
Non-current liabilities			
Deferred tax liabilities	34.5	31.4	34.5
Non-current interest-bearing liabilities	154.8	178.2	174.0
Total non-current liabilities	189.3	209.6	208.4
Current liabilities			
Current interest-bearing liabilities	19.3	19.3	23.5
Income tax liabilities	1.9	3.1	1.3
Trade and other payables	73.3	71.9	68.9
Total current liabilities	94.5	94.3	93.7
Total liabilities	283.8	303.9	302.1
TOTAL EQUITY AND LIABILITIES	508.0	525.7	527.8

CONSOLIDATED CASH FLOW STATEMENT

EUR M	Jan 1, 2016– Sep 30, 2016	Jan 1, 2015– Sep 30, 2015	Jan 1, 2015– Dec 31, 2015
OPERATING ACTIVITIES			
Income for the period	9.7	16.2	18.7
Adjustments			
Depreciation and impairment losses	20.9	20.3	27.7
Capital gains from non-current assets	-1.5	0.0	0.0
Other items not included in cash flow	1.1	0.0	-0.5
Interest expenses and other financial expenses	3.9	4.4	5.9
Interest income and other financial income	-0.1	-0.1	-0.1
Dividend income	-2.4	-1.6	-1.6
Income taxes	1.9	3.4	4.4
Change in working capital			
Change in trade and other receivables	-14.9	-11.7	-0.1
Change in inventories	-0.6	-1.4	-1.1
Change in trade and other payables	5.7	5.9	1.7
Interest paid	-4.7	-5.3	-5.4
Financial expenses paid	-0.5	-0.5	-0.7
Interest received	0.0	0.0	0.1
Financial income received	0.1	0.0	0.0
Taxes paid	-1.1	-0.1	-0.3
NET CASH FLOW FROM OPERATING ACTIVITIES	17.5	29.7	48.7
INVESTING ACTIVITIES			
Investments in vessels	-9.9	-6.7	-7.6
Investments in other intangible and tangible assets	-3.6	-1.3	-2.4
Divestments of other intangible and tangible assets	2.6	0.1	0.1
Payments received for non-current receivables	-	-	0.2
Dividends received	2.4	1.6	1.6
NET CASH FLOW FROM INVESTING ACTIVITIES	-8.5	-6.3	-8.1
FINANCING ACTIVITIES			
Increase in non-current liabilities	0.2	-	-
Amortization of non-current liabilities	-23.5	-23.5	-23.5
Dividends paid	-10.3	-7.6	-7.6
NET CASH FLOW FROM FINANCING ACTIVITIES	-33.6	-31.1	-31.1
CHANGE IN CASH AND CASH EQUIVALENTS	-24.5	-7.6	9.5
Cash and cash equivalents at beginning of period	110.7	101.1	101.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	86.1	93.5	110.7

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, 2016	1.8	0.7	-0.4	223.6	225.7
<i>Income for the period</i>				9.7	9.7
<i>Translation differences</i>		0.0	-0.9	0.0	-0.9
Comprehensive income for the period	-	0.0	-0.9	9.7	8.8
Dividend to shareholders				-10.3	-10.3
Equity, Sep 30, 2016	1.8	0.7	-1.3	223.1	224.2
Equity, Jan 1, 2015	1.8	0.0	-0.8	212.3	213.3
<i>Income for the period</i>				16.2	16.2
<i>Translation differences</i>		0.0	-0.1	0.1	0.0
<i>Remeasurement of investments available for sale</i>		-0.2			-0.2
Comprehensive income for the period	-	-0.2	-0.1	16.3	16.0
Dividend to shareholders				-7.6	-7.6
Equity, Sep 30, 2015	1.8	-0.2	-0.9	221.0	221.8

QUARTERLY CONSOLIDATED INCOME STATEMENT

EUR M	2016 Q3	2016 Q2	2016 Q1	2015 Q4
SALES	159.3	131.1	106.9	127.4
Other operating revenue	0.2	0.2	1.5	0.2
Expenses				
Goods and services	45.6	38.4	31.7	37.0
Salary and other employment benefit expenses	31.0	31.0	30.5	29.6
Depreciation and impairment losses	7.0	7.2	6.7	7.3
Other operating expenses	50.6	53.6	51.1	49.7
	134.2	130.2	120.0	123.7
OPERATING INCOME	25.3	1.1	-11.6	3.9
Financial income	0.5	2.8	0.5	1.2
Financial expenses	-2.5	-2.4	-2.0	-1.6
INCOME BEFORE TAXES	23.2	1.4	-13.1	3.5
Income taxes	-4.7	0.2	2.6	-1.0
INCOME FOR THE PERIOD	18.6	1.6	-10.5	2.5
<i>Income attributable to:</i>				
Parent company shareholders	18.6	1.6	-10.5	2.5
Earnings per share before and after dilution, EUR	1.72	0.15	-0.97	0.23

**QUARTERLY CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

EUR M	2016 Q3	2016 Q2	2016 Q1	2015 Q4
INCOME FOR THE PERIOD	18.6	1.6	-10.5	2.5
Other comprehensive income				
<i>Items that may be transferred to the income statement</i>				
Translation differences	-0.4	-0.4	-0.1	0.5
Investments available for sale	-	-	-	0.8
	-0.4	-0.4	-0.1	1.4
COMPREHENSIVE INCOME FOR THE PERIOD	18.2	1.2	-10.6	3.9
<i>Comprehensive income attributable to:</i>				
Parent company shareholders	18.2	1.2	-10.6	3.9

SEGMENT INFORMATION, VIKING LINE GROUP

OPERATING SEGMENTS, EUR M	Jan 1, 2016– Sep 30, 2016	Jan 1, 2015– Sep 30, 2015	Jan 1, 2015– Dec 31, 2015
Sales			
Vessels	395.1	399.2	525.1
Unallocated	2.3	4.1	5.6
Total, operating segments	397.4	403.3	530.7
Eliminations	-0.2	-0.2	-0.2
Total sales of the Group	397.3	403.1	530.5
Operating income			
Vessels	49.4	55.5	71.2
Unallocated	-34.6	-32.9	-44.7
Total operating income of the Group	14.8	22.5	26.4

PLEGGED ASSETS AND CONTINGENT LIABILITIES

EUR M	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Contingent liabilities	174.1	197.5	197.5
Assets pledged for own debt	313.6	313.6	313.6

FINANCIAL RATIOS AND STATISTICS

	Jan 1, 2016– Sep 30, 2016	Jan 1, 2015– Sep 30, 2015	Jan 1, 2015– Dec 31, 2015
Equity per share, EUR	20.76	20.54	20.89
Equity/assets ratio	44.1 %	42.2 %	42.8 %
Investments, EUR M	13.4	8.0	10.0
– as % of sales	3.4 %	2.0 %	1.9 %
Passengers	5,015,177	5,066,883	6,568,684
Cargo units	98,327	99,371	133,163
Average number of employees, full-time equivalent	2,772	2,765	2,735

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.