

## **YEAR-END REPORT JANUARY – DECEMBER 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 during the financial year, January 1 – December 31, 2016 was 519.6 million euros (EUR 530.5 M during January 1 – December 31, 2015). Operating income totalled EUR 13.7 M (26.4).

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.

Consolidated sales of the Viking Line Group during the fourth quarter, October 1 – December 31, 2016, was EUR 122.3 M (EUR 127.4 M during October 1 – December 31, 2015). Operating income during the quarter amounted to EUR -1.1 M (3.9).

### **PASSENGER NUMBER AND CARGO VOLUME**

The number of passengers on Viking Line's vessels during the financial year was 6,502,191 (6,568,684). The Group had a total market share in its service area of 33.5 per cent (34.6).

Viking Line's cargo volume was 131,918 cargo units (133,163). Viking Line achieved a cargo market share of 20.7 per cent (21.9). Meanwhile the number of cars transported increased by 32,867 units to 682,194 (649,327).

### **LETTER OF INTENT**

On November 23, 2016, Viking Line Abp signed a letter of intent with the Chinese company Xiamen Shipbuilding Industry Co. Ltd. concerning an order for a passenger vessel to be delivered in 2020. The contract price is about 190 million euros. The letter of intent also includes an option for an additional vessel. This newbuild project was preceded by many years of planning work in connection with the European Union project Motorways of the Seas, under the scope of the Connecting Europe Facility. The aim is to sign a final agreement during the spring of 2017.

The project is intended to be a collaborative project in which a number of Finnish and other European suppliers will be hired. The new vessel, which will be powered by liquefied natural gas (LNG), will serve the Turku (Finland)–Åland Islands (Finland)–Stockholm (Sweden) route and has a planned capacity of 2,800 passengers and 1,500 lane-metres of cargo. Along with other environmental technology, great emphasis has been placed on a high level of passenger comfort and new customer experiences on board.

Any questions concerning this Year-End 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 2016 sales were about EUR 520 M. The number of passengers totalled 6.5 million. The average number of employees was 2,742.

### **VIKING LINE ABP**

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

[Vikingline.com](http://Vikingline.com) [Vikingline.fi](http://Vikingline.fi) [Vikingline.se](http://Vikingline.se)

## SALES AND EARNINGS

### FULL CALENDER YEAR

Consolidated sales of the Viking Line Group during the financial year, January 1 – December 31, 2016 was 519.6 million euros (EUR 530.5 M during January 1 – December 31, 2015). Other operating revenue amounted to EUR 2.0 M (0.5). Operating income totalled EUR 13.7 M (26.4). Net financial items totalled EUR -4.1 M (-3.2). Consolidated income before taxes amounted to EUR 9.6 M (23.2). Income after taxes totalled EUR 8.0 M (18.7).

Passenger-related revenue decreased by 1.5 per cent to EUR 472.6 M (480.0) as a result of lower passenger volume, while cargo revenue decreased by 4.8 per cent to EUR 44.3 M (46.5). Net sales revenue decreased by 2.5 per cent to EUR 367.9 M (377.2).

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. Consolidated operating expenses increased by 1.4 per cent to EUR 328.2 M (323.7). The exchange rate trend for the Swedish krona during the year had a negative effect on consolidated income.

Consolidated bunker expenses decreased by 18.9 per cent to EUR 39.5 M (48.7) as a result of lower average bunker prices combined with the Group's continued efforts to optimize the bunker consumption of its vessels.

### FOURTH QUARTER

Consolidated sales of the Viking Line Group during the fourth quarter, October 1 – December 31, 2016, was EUR 122.3 M (EUR 127.4 M during October 1 – December 31, 2015). Operating income during the quarter amounted to EUR -1.1 M (3.9). Consolidated net financial items during the fourth quarter of 2016 were EUR -1.0 M (-0.4). Income before taxes during the fourth quarter totalled EUR -2.0 M (3.5).

During the fourth quarter of 2016, cargo revenue was on a par with last year, at EUR 11.4 M (11.4), while passenger-related revenue decreased by 4.1 per cent to EUR 110.3 M (115.1).

## SERVICES AND MARKET TRENDS

During 2016, 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 financial year was 6,502,191 (6,568,684). Viking Line decreased its market share on the Turku (Finland)–Mariehamn/Långnäs (Åland Islands, Finland)–Stockholm (Sweden) route by 1.5 percentage points to 54.8 per cent. On the Helsinki (Finland)–Mariehamn–Stockholm route, market share decreased by 0.8 percentage points to 42.8 per cent. In cruise services between Stockholm and Mariehamn, market share increased by 0.2 percentage points to 57.3 per cent. On the Helsinki–Tallinn (Estonia) route, market share decreased by 0.6 percentage points to 23.2 per cent. On the short route over the Sea of Åland, market share increased by 0.1 percentage points to 41.9 per cent. The Group thus had a total market share in its service area of 33.5 per cent (34.6).

Viking Line's cargo volume was 131,918 cargo units (133,163). Viking Line achieved a cargo market share of 20.7 per cent (21.9). Meanwhile the number of cars transported increased by 32,867 units to 682,194 (649,327).

## INVESTMENTS AND FINANCING

On November 23, 2016, Viking Line Abp signed a letter of intent with the Chinese company Xiamen Shipbuilding Industry Co. Ltd. concerning an order for a passenger vessel to be delivered in 2020. The aim is to sign a final agreement during the spring of 2017. The contract price is about 190 million euros. The letter of intent also includes an option for an additional vessel.

The Group's investments amounted to EUR 15.8 M (10.0), of which EUR 11.1 M was related to investments in vessels.

On December 31, 2016 the Group's non-current interest-bearing liabilities amounted to EUR 150.6 M (174.0). The equity/assets ratio was 44.1 per cent, compared to 42.8 per cent a year earlier.

At the end of December 2016, the Group's cash and cash equivalents amounted to EUR 94.9 M (110.7). Net cash flow from operating activities amounted to EUR 28.6 M (48.7).

## RISK FACTORS

Fluctuations in bunker (vessel fuel) 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 bunker consumption during 2016 and 2017.

The Group is also exposed to various financial risks, among them fluctuations in currency exchange rates. Revenue is generated in euros and Swedish kronor. Most operational influx of cash and cash equivalents consists of euros. Purchase prices of goods for sale and bunker are affected by other currencies, especially the US dollar. The Group endeavours to maintain good liquidity in order to be prepared to deal with adverse changes in operational cash flow.

## 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.

## ORGANIZATION AND PERSONNEL

The average number of Group employees was 2,742 (2,735), of whom 2,046 (2,040) worked for the parent company. Shipboard personnel totalled 2,084 (2,066) and land-based personnel totalled 658 (669).

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.

## OUTLOOK FOR 2017

Competition in Viking Line's service area remains tough and implies continued pressure on prices. The Finnish economy is showing signs of recovery, but whether Finnish consumers' purchasing power will improve to the same degree is an uncertainty factor. Bunker prices are expected to be higher than in 2016, which should have an adverse effect on consolidated income. However, there will be fewer planned dry-docking and servicing days, which is expected to have positive effect on earnings. The Board of Directors' assessment is that operating income will be higher overall in 2017 than in 2016.

## THE BOARD'S PROPOSAL ON DISTRIBUTION OF EARNINGS

According to the balance sheet of Viking Line Abp on December 31, 2016 unrestricted equity totalled EUR 78,701,777.56.

The Board of Directors proposes to the Annual General Meeting that:

A dividend of EUR 0.40 per share be paid, totalling	EUR 4,320,000.00
Remaining unrestricted equity	EUR 74,381,777.56

No material changes in the Company's financial position have occurred after the end of the financial year. In the assessment of the Board of Directors, the dividend is justifiable in light of the demands with respect to the size of the equity capital which are imposed by the nature, scope, financing and risks associated with the business.

## SHAREHOLDERS' MEETING

The annual shareholders' meeting of Viking Line Abp will be held at 12 noon on Thursday, April 20, 2017 at the Alandica Kultur och Kongress auditorium, Strandgatan 33, Mariehamn, Åland, Finland.

An electronic version of the Annual Report for the financial year 2016 will be published during the week of March 13, 2017 on the Company's website, [Vikingline.com](http://Vikingline.com). The printed Annual Report will be published in Swedish and Finnish during the week of March 27, 2017.

## FINANCIAL INFORMATION FOR 2017

During the financial year 2017, Viking Line Abp's Financial Reports and Statements will be published for the periods January 1 to March 31, 2017; January 1 to June 30, 2017; and January 1 to September 30, 2017. The Interim Management Statement for January–March will be published on May 18, the Half-Year Financial Report for January–June on August 17 and the Interim Management Statement for January–September on November 17. The Year-End Report for the financial year 2017 will be published on February 15, 2018. An electronic version of the Annual Report will be published on [Vikingline.com](http://Vikingline.com) during the week of March 5, 2018. The printed Annual Report will be published in Swedish and Finnish during the week of March 19, 2018.

Mariehamn, Åland, February 15, 2017

VIKING LINE ABP  
The Board of Directors

**CONSOLIDATED INCOME STATEMENT**

EUR M	Oct 1, 2016– Dec 31, 2016	Oct 1, 2015– Dec 31, 2015	Jan 1, 2016– Dec 31, 2016	Jan 1, 2015– Dec 31, 2015
<b>SALES</b>	<b>122.3</b>	<b>127.4</b>	<b>519.6</b>	<b>530.5</b>
Other operating revenue	0.1	0.2	2.0	0.5
<b>Expenses</b>				
Goods and services	36.0	37.0	151.7	153.2
Salary and other employment benefit expenses	29.8	29.6	122.3	118.1
Depreciation and impairment losses	7.0	7.3	28.0	27.7
Other operating expenses	50.7	49.7	206.0	205.5
	123.5	123.7	507.9	504.6
<b>OPERATING INCOME</b>	<b>-1.1</b>	<b>3.9</b>	<b>13.7</b>	<b>26.4</b>
Financial income	1.6	1.2	5.4	5.0
Financial expenses	-2.5	-1.6	-9.5	-8.2
<b>INCOME BEFORE TAXES</b>	<b>-2.0</b>	<b>3.5</b>	<b>9.6</b>	<b>23.2</b>
Income taxes	0.4	-1.0	-1.5	-4.4
<b>INCOME FOR THE PERIOD</b>	<b>-1.7</b>	<b>2.5</b>	<b>8.0</b>	<b>18.7</b>
<i>Income attributable to:</i>				
Parent company shareholders	-1.7	2.5	8.0	18.7
Earnings per share before and after dilution, EUR	-0.16	0.23	0.74	1.73

**CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

EUR M	Oct 1, 2016– Dec 31, 2016	Oct 1, 2015– Dec 31, 2015	Jan 1, 2016– Dec 31, 2016	Jan 1, 2015– Dec 31, 2015
<b>INCOME FOR THE PERIOD</b>	<b>-1.7</b>	<b>2.5</b>	<b>8.0</b>	<b>18.7</b>
<b>Other comprehensive income</b>				
<i>Items that may be transferred to the income statement</i>				
Translation differences	0.1	0.5	-0.8	0.5
Investments available for sale	0.3	0.8	0.3	0.7
	0.4	1.4	-0.5	1.2
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-1.3</b>	<b>3.9</b>	<b>7.5</b>	<b>19.9</b>
<i>Comprehensive income attributable to:</i>				
Parent company shareholders	-1.3	3.9	7.5	19.9

**CONSOLIDATED BALANCE SHEET**

EUR M	Dec 31, 2016	Dec 31, 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	1.9	0.8
Land	0.6	1.1
Buildings and structures	9.2	10.0
Renovation costs for rented properties	2.3	1.2
Vessels	308.5	324.5
Machinery and equipment	5.6	5.5
Investments available for sale	27.1	26.8
Receivables	-	0.2
<b>Total non-current assets</b>	<b>355.2</b>	<b>370.0</b>
<b>Current assets</b>		
Inventories	18.1	17.2
Income tax assets	1.7	0.5
Trade and other receivables	36.1	29.4
Cash and cash equivalents	94.9	110.7
<b>Total current assets</b>	<b>150.8</b>	<b>157.8</b>
<b>TOTAL ASSETS</b>	<b>506.0</b>	<b>527.8</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1.8	1.8
Reserves	1.0	0.7
Translation differences	-1.3	-0.4
Retained earnings	221.4	223.6
Equity attributable to parent company shareholders	222.9	225.7
<b>Total equity</b>	<b>222.9</b>	<b>225.7</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	35.9	34.5
Non-current interest-bearing liabilities	150.6	174.0
<b>Total non-current liabilities</b>	<b>186.5</b>	<b>208.4</b>
<b>Current liabilities</b>		
Current interest-bearing liabilities	23.6	23.5
Income tax liabilities	0.0	1.3
Trade and other payables	73.0	68.9
<b>Total current liabilities</b>	<b>96.6</b>	<b>93.7</b>
<b>Total liabilities</b>	<b>283.0</b>	<b>302.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>506.0</b>	<b>527.8</b>

**CONSOLIDATED CASH FLOW STATEMENT**

EUR M	Jan 1, 2016– Dec 31, 2016	Jan 1, 2015– Dec 31, 2015
<b>OPERATING ACTIVITIES</b>		
Income for the period	8.0	18.7
Adjustments		
Depreciation and impairment losses	28.0	27.7
Capital gains from non-current assets	-1.5	0.0
Other items not included in cash flow	0.9	-0.5
Interest expenses and other financial expenses	5.1	5.9
Interest income and other financial income	-0.2	-0.1
Dividend income	-2.4	-1.6
Income taxes	1.5	4.4
Change in working capital		
Change in trade and other receivables	-6.7	-0.1
Change in inventories	-0.9	-1.1
Change in trade and other payables	4.3	1.7
Interest paid	-4.8	-5.4
Financial expenses paid	-0.6	-0.7
Interest received	0.0	0.1
Financial income received	0.2	0.0
Taxes paid	-2.5	-0.3
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>28.6</b>	<b>48.7</b>
<b>INVESTING ACTIVITIES</b>		
Investments in vessels	-11.1	-7.6
Investments in other intangible and tangible assets	-4.7	-2.4
Divestments of other intangible and tangible assets	2.6	0.1
Payments received for non-current receivables	0.2	0.2
Dividends received	2.4	1.6
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-10.7</b>	<b>-8.1</b>
<b>FINANCING ACTIVITIES</b>		
Increase in non-current liabilities	0.2	-
Repayment of non-current liabilities	-23.5	-23.5
Dividends paid	-10.3	-7.6
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-33.6</b>	<b>-31.1</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-15.8</b>	<b>9.5</b>
Cash and cash equivalents at beginning of period	110.7	101.1
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>94.9</b>	<b>110.7</b>

**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY**

EUR M	Equity attributable to parent company shareholders				Total equity
	Share capital	Reserves	Translation differences	Retained earnings	
<b>Equity, Jan 1, 2015</b>	<b>1.8</b>	<b>0.0</b>	<b>-0.8</b>	<b>212.3</b>	<b>213.3</b>
<i>Income for the period</i>				18.7	18.7
<i>Translation differences</i>		0.0	0.4	0.1	0.5
<i>Remeasurement of investments available for sale</i>		0.7			0.7
Comprehensive income for the period	-	0.7	0.4	18.8	19.9
Dividend to shareholders				-7.6	-7.6
<b>Equity, Dec 31, 2015</b>	<b>1.8</b>	<b>0.7</b>	<b>-0.4</b>	<b>223.6</b>	<b>225.7</b>
<i>Income for the period</i>				8.0	8.0
<i>Translation differences</i>		0.0	-0.8	0.0	-0.8
<i>Remeasurement of investments available for sale</i>		0.3			0.3
Comprehensive income for the period	-	0.3	-0.8	8.1	7.5
Dividend to shareholders				-10.3	-10.3
<b>Equity, Dec 31, 2016</b>	<b>1.8</b>	<b>1.0</b>	<b>-1.3</b>	<b>221.4</b>	<b>222.9</b>



**QUARTERLY CONSOLIDATED INCOME STATEMENT**

EUR M	2016 Q4	2016 Q3	2016 Q2	2016 Q1
<b>SALES</b>	<b>122.3</b>	<b>159.3</b>	<b>131.1</b>	<b>106.9</b>
Other operating revenue	0.1	0.2	0.2	1.5
<b>Expenses</b>				
Goods and services	36.0	45.6	38.4	31.7
Salary and other employment benefit expenses	29.8	31.0	31.0	30.5
Depreciation and impairment losses	7.0	7.0	7.2	6.7
Other operating expenses	50.7	50.6	53.6	51.1
	123.5	134.2	130.2	120.0
<b>OPERATING INCOME</b>	<b>-1.1</b>	<b>25.3</b>	<b>1.1</b>	<b>-11.6</b>
Financial income	1.6	0.5	2.8	0.5
Financial expenses	-2.5	-2.5	-2.4	-2.0
<b>INCOME BEFORE TAXES</b>	<b>-2.0</b>	<b>23.2</b>	<b>1.4</b>	<b>-13.1</b>
Income taxes	0.4	-4.7	0.2	2.6
<b>INCOME FOR THE PERIOD</b>	<b>-1.7</b>	<b>18.6</b>	<b>1.6</b>	<b>-10.5</b>
<i>Income attributable to:</i>				
Parent company shareholders	-1.7	18.6	1.6	-10.5
Earnings per share before and after dilution, EUR	-0.16	1.72	0.15	-0.97

**QUARTERLY CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

EUR M	2016 Q4	2016 Q3	2016 Q2	2016 Q1
<b>INCOME FOR THE PERIOD</b>	<b>-1.7</b>	<b>18.6</b>	<b>1.6</b>	<b>-10.5</b>
<b>Other comprehensive income</b>				
<i>Items that may be transferred to the income statement</i>				
Translation differences	0.1	-0.4	-0.4	-0.1
Investments available for sale	0.3	-	-	-
	0.4	-0.4	-0.4	-0.1
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-1.3</b>	<b>18.2</b>	<b>1.2</b>	<b>-10.6</b>
<i>Comprehensive income attributable to:</i>				
Parent company shareholders	-1.3	18.2	1.2	-10.6

**SEGMENT INFORMATION, VIKING LINE GROUP**

OPERATING SEGMENTS, EUR M	Jan 1, 2016– Dec 31, 2016	Jan 1, 2015– Dec 31, 2015
<b>Sales</b>		
Vessels	516.8	525.1
Unallocated	3.0	5.6
<b>Total, operating segments</b>	<b>519.8</b>	<b>530.7</b>
Eliminations	-0.2	-0.2
<b>Total sales of the Group</b>	<b>519.6</b>	<b>530.5</b>
<b>Operating income</b>		
Vessels	60.9	71.2
Unallocated	-47.2	-44.7
<b>Total operating income of the Group</b>	<b>13.7</b>	<b>26.4</b>

## PLEGDED ASSETS AND CONTINGENT LIABILITIES

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

## FINANCIAL RATIOS AND STATISTICS

	Jan 1, 2016– Dec 31, 2016	Jan 1, 2015– Dec 31, 2015
Equity per share, EUR	20.64	20.89
Dividend per share, EUR	0.40	0.95
Number of shares on balance sheet date	10,800,000	10,800,000
Return on equity (ROE)	3.6 %	8.5 %
Return on investment (ROI)	3.6 %	9.1 %
Equity/assets ratio	44.1 %	42.8 %
Investments, EUR M	15.8	10.0
– as % of sales	3.0 %	1.9 %
Passengers	6,502,191	6,568,684
Cargo units	131,918	133,163
Average number of employees, full time equivalent	2,742	2,735

Earnings per share = (Income before taxes – income taxes +/- minority interest) / Average number of shares

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

Return on equity (ROE), % = (Income before taxes - income taxes) / Equity including minority interest (average for the year)

Return on investment (ROI), % = (Income before taxes + interest and other financial expenses) / (Total assets - interest-free liabilities [average for the year])

Equity/assets ratio, % = (Equity including minority interest) / (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.

The above figures from the financial statements have been audited.