

# VIKING LINE

## Annual Report 2017



# Contents

Information to shareholders.....	1
----------------------------------	---

## Annual review

This is Viking Line.....	2
The year in brief.....	4
Statement of the President and CEO.....	6
Mission statement.....	8
Business review.....	10

## Sustainability

Viking Line and sustainability.....	26
Viking Line is for everyone.....	28
Cargo important for trade in the Baltic Sea region.....	30
Economic value.....	32
Restitution to sustain domestic competitiveness.....	34
Personnel.....	36
Safety and security.....	44
The environment.....	46
Technical solutions and environmental measures.....	58

## Corporate governance

Corporate governance statement.....	60
Compensation statement.....	67

## Financial statements

Report of the Directors.....	68
Consolidated financial statements.....	76
Parent company financial statements.....	99
Signatures.....	107
Auditors' Report.....	108

Contact information.....	112
--------------------------	-----





# Information to shareholders

## Annual General Meeting

The Annual General Meeting of Viking Line Abp will be held at 12 noon on Wednesday, April 18, 2018 at the Alandica Kultur and Kongress auditorium, Strandgatan 33, Mariehamn, Åland, Finland.

Shareholders who wish to participate in the meeting must notify the Company's Head Office in Mariehamn to this effect no later than 12 noon on Monday, April 16, 2018. Notification may be provided

- by e-mail to [bolagsstamma@vikingline.com](mailto:bolagsstamma@vikingline.com),
- by telephone to the Company's Secretariat at +358 18 270 00,
- or by letter to Viking Line Abp, Pb 166, AX-22101 Mariehamn, Åland, Finland.

Shareholders whose shares have not been transferred to the Finnish book-entry securities account system are also entitled to participate in the Annual General Meeting provided that the shareholder was recorded in the Company's share register before March 12, 1999. In this case, at the meeting shareholders must present their share certificates or another explanation as to why the ownership right to the shares has not been reported as a book-entry securities account.

Further information about the Annual General Meeting and relevant documents pertaining to the meeting are published at [Vikingline.com](http://Vikingline.com).

## Investor calendar

<b>Apr 18, 2018</b>	<b>May 17, 2018</b>	<b>Aug 16, 2018</b>	<b>Nov 15, 2018</b>
Annual General Meeting	Business Review, Jan-Mar 2018	Half-Year Financial Report, Jan-Jun 2018	Business Review, Jan-Sep 2018
<b>Feb 14, 2019</b>	<b>Week of Mar 4, 2019</b>	<b>Week of Mar 18, 2019</b>	
Year-End Report, Jan-Dec 2018	Annual Report 2018, electronic version (Swedish, Finnish and English)	Annual Report 2018, printed version (Swedish and Finnish)	

The above financial reports are published in Swedish and translated into Finnish and English.

The Year-End Report, the Half-Year Financial Report and the Business Reviews will be available on [Vikingline.com](http://Vikingline.com) at approximately 9 a.m. on each date.

The Annual Report will also be available at the Head Office of Viking Line Abp and can be ordered by telephone at +358 18 277 67 or by e-mail at [inv.info@vikingline.com](mailto:inv.info@vikingline.com).

# This is Viking Line

## Mission

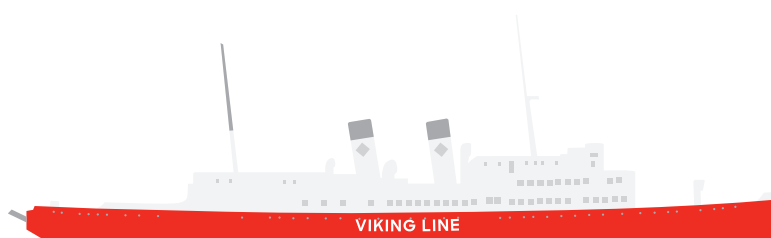
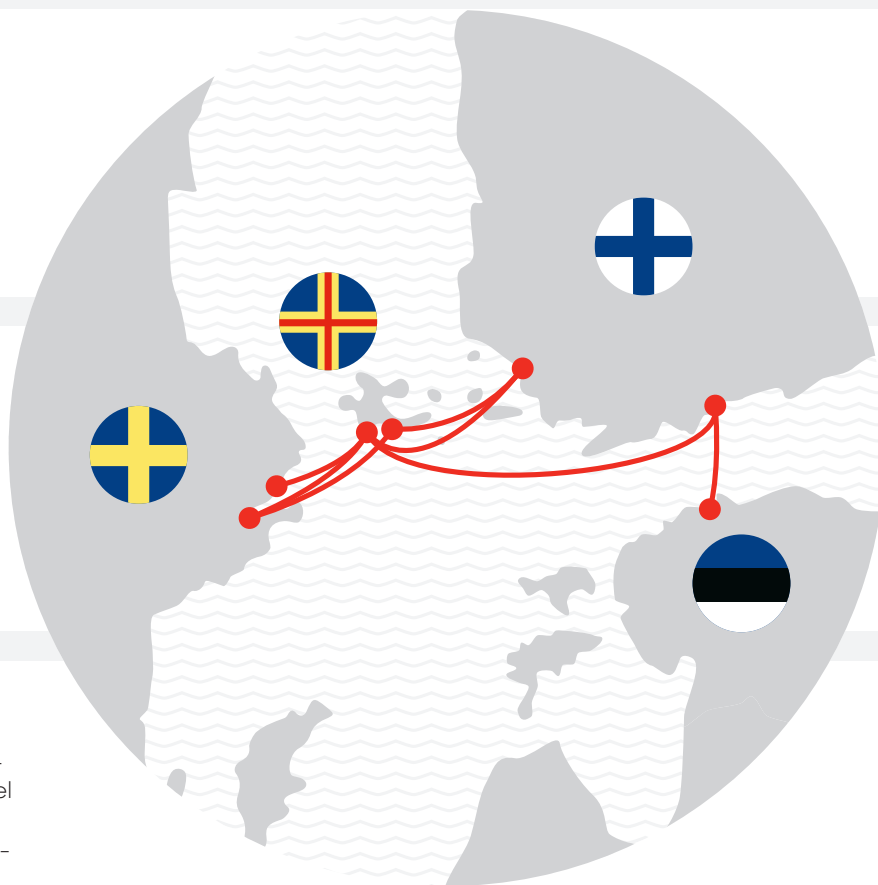
We link together the countries around the northern Baltic Sea by providing sustainable and regular ferry service for everyone. Our three basic services are cruises, passenger transport and cargo transport. Our unique expertise in combining these services generates customer and business benefits.

## Service area

Viking Line provides services on the Baltic Sea, with Finland, Sweden and the Baltic countries as its main markets. Our sales offices are located in Finland, Sweden, Estonia and Germany. The Group's Head Office is located in Mariehamn, Åland, Finland.

## Finland's biggest maritime employer

Viking Line is Finland's biggest maritime employer. In all, more than 40 different occupational categories are employed on a vessel in areas such as operation, maintenance, shops, kitchens, hotels, entertainment, conference facilities, security and healthcare.



Late in the spring of 1959, the first genuine Baltic Sea ferry, S/S Viking, was placed in service between the Finnish mainland, the Åland Islands and Sweden by a new company called Vikinglinjen Ab, which had been established at the initiative of an Åland sea captain, Gunnar Eklund.

S/S VIKING  
1959

## Environmental certification

The Group's Head Office, all vessels and the subsidiary Viking Line Buss Ab are certified in compliance with ISO 14001 environmental management standards.

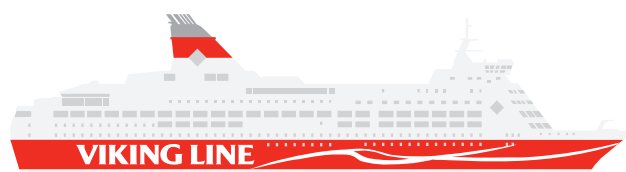


## Operating areas

Viking Line's operations include both passenger and cargo transport. The subsidiary Viking Line Buss Ab also provides bus transport based in the Åland islands.



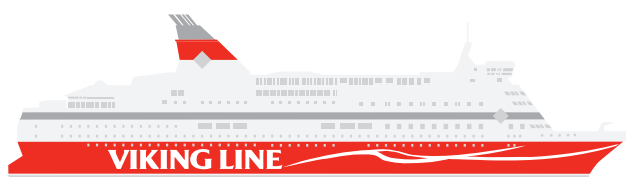
## Our vessels

**M/S Amorella**

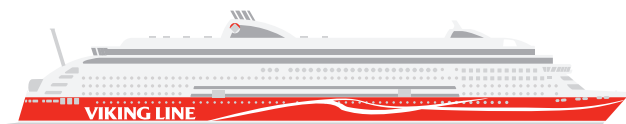
Finnish flag  
Turku–Åland Islands–Stockholm

**M/S Viking Cinderella**

Swedish flag  
Stockholm–Mariehamn

**M/S Gabriella**

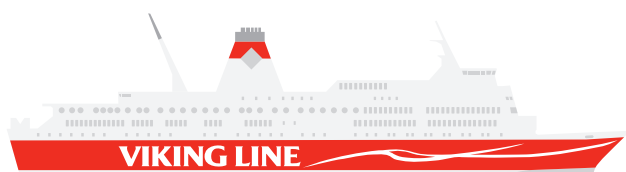
Finnish flag  
Helsinki–Mariehamn–Stockholm

**M/S Viking Grace**

Finnish flag  
Turku–Åland Islands–Stockholm

**M/S Mariella**

Finnish flag  
Helsinki–Mariehamn–Stockholm

**M/S Rosella**

Finnish flag  
Mariehamn–Kapellskär

**M/S Viking XPRS**

Estonian flag  
Helsinki–Tallinn

# The year in brief

## Passenger volume



## Sales



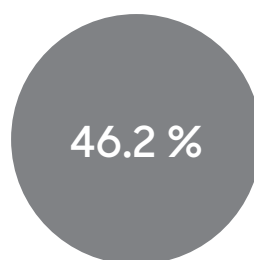
## Income before taxes



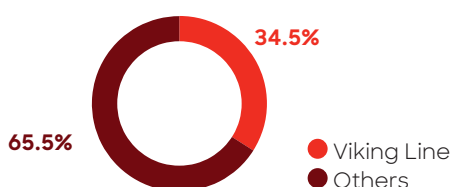
## Investments



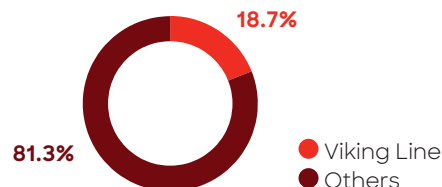
## Equity/assets ratio



## Market share, passengers



## Market share, cargo



Passengers  
Cargo units

6,881,149  
127,668

Cars  
Buses

762,253  
16,597

### Tallinn service

The Helsinki–Tallinn route is increasingly popular. In response to the great demand, Viking Line placed the catamaran Viking FSTR in service on this route during the period April 10–October 16. As in previous years, Gabriella and Mariella each made a day cruise between Helsinki and Tallinn instead of remaining in Helsinki for the day during the period July 1–August 6.



### New vessel

On July 3, 2017, the shipbuilding contract with the Xiamen Shipbuilding Industry Co. Ltd. shipyard for a new passenger vessel on the Turku–Åland Islands–Stockholm route entered into force. The contract amount is about EUR 194 M and the planned delivery for the vessel is in 2020.

63,000 gross tonnes, 218 metres, 2,800 passengers, 1,500 cargo lane metres



### Average number of employees



In addition to the Group's own employees, Viking XPRS was crewed by an average of 248 (250) people employed by a staffing company.

### Viking Line Club

On February 17, Viking Line launched its updated Viking Line Club customer loyalty programme. Viking Line Club members will earn bonus points, or Boats, on bookings and purchases on board, which can be used starting in 2018 to pay for travel bookings. The most loyal customers will be rewarded with Plus membership, which provides further benefits.



### Finland 100

In 2017, Viking Line took part in the centenary celebration of Finland's independence, in part by raising funds for Baltic Sea research. The anniversary theme was Finland's 100 years of independence, and the focus of the Company's involvement was the well-being of the Baltic Sea. During the year, this Baltic Sea theme was visible in the Company's operations in many ways.





# Statement of the President and CEO

**When I look back on 2017, I see an eventful year with causes to rejoice but also challenges. There are a number of reasons to be pleased, but also some storm clouds that I hope are fleeting.**

## **New vessel order – representative of a brand-new generation**

What I am most pleased about is the fact that we succeeded in ordering a new vessel during the year. On April 5, we signed a contract with the Chinese company Xiamen Shipbuilding Industry Co., Ltd. to build an energy-efficient passenger vessel with delivery planned for 2020. The contract entered into force on July 3, 2017. The contract price is about 194 million euros. The vessel is intended to be a collaborative project, in which we will hire a number of Nordic and other European suppliers. The newbuild vessel will be a pioneer in maritime transport with a number of new technical solutions. NB 488A, which is the name of the vessel so far, will serve the Stockholm–Åland–Turku route. I look forward with great hope to how it will influence maritime transport and leave its mark both internationally and in our own service area on the Baltic Sea.

## **Traffic during the financial year**

Passenger volume on the Company's vessels during the financial year totalled 6,881,149 passengers (6,502,191). The Group thus had a total market share in the service area of 34.5% (33.5%). Viking Line's cargo volume totalled 127,668 cargo units (131,918).

During the June–August summer season, 2.5 million passengers or 9.2 per cent more compared to the same period in 2016 sailed on Viking Line's vessels. An all-time record was set in July, when Viking Line's passenger volume on all routes was a record 1,021,889 passengers. The Helsinki–Tallinn route accounts for the greatest growth, with Viking Line offering 12 daily departures last summer. We chose to meet this great demand by adding the high-speed catamaran Viking FSTR, which served the route during the period April 10–October 16. Viking Line transported a total of 933,358 passengers between Helsinki and Tallinn from June to August, almost 25 per cent more than in 2016.

## **Finland centenary and Viking Line**

Viking Line has actively participated in celebrating the centenary of Finland's independence. The slogan for the centenary celebration was "together", and this was evident in many ways in our operations. During the year, we raised 50,000 euros to support research at the Tvärminne Zoological Station, which is Finland's largest centre for Baltic Sea research and education. Employees also contributed to these efforts through a variety of activities. During the big Spring & Green campaign last spring, a percentage of ticket revenue was donated to the cause. The drive ended with a successful lottery

held on a cruise on Viking Grace celebrating the centenary of Finland's independence.

It has been gratifying to follow the engagement of employees both on board and on land. In March, we also launched an employee contest. We had hoped to collect 100 environmental ideas about how we can further develop Viking Line's environmental work. We received as many as 150 ideas. Among the ten ideas that continued to the next round were suggestions to increase the number of vegetarian dishes served on board, improve recycling opportunities, reduce the number of documents printed out unnecessarily and reduce electricity consumption as well as ideas about how food waste can be reduced.

## **Viking Line stands for sustainable maritime transport**

We are a major employer today, with almost 3,000 employees in a number of countries. Many of our employees live in the Baltic archipelagos, which strengthens us as a company operating in the Baltic Sea region. Our definition of sustainable social building is that everything we plan and implement shall comply with our ethical guidelines and reflect corporate responsibility as well as be designed for the long term. As a result, we shall take into account environmental, economic and social aspects. Our aim is for this sustainability perspective to be integral to everything we do, from how we treat customers and each other to how we minimize our environmental impact in our processes. It should not be forgotten that maritime transport is the most environmentally-efficient mode for transporting goods, measured in emissions per tonne-kilometre.

## **Maritime policy issues on the agenda**

During the year, restitution was a topic in government policy discussions. It seems that no one has really succeeded in explaining how the system works everywhere. The net salary system is not a corporate subsidy but entails shipping companies being repaid taxes on wages and employee benefits that were paid for seamen employed by them. In Finland, the money repaid is recognized as a subsidy in the government year-end accounts. In Sweden and a number of other countries, these matters are administered differently. The net wage system is used to maintain a trade fleet under the country's own flag and thus retain maritime jobs and preparedness capacity. If Finland did not have this system, there would not be any ferries sailing under the Finnish flag. In that case, no restitution would be paid out, but nor would taxes or employee benefits be paid in. Consequently, there would be no savings in the government year-end accounts, but vessels would probably sail under other countries' flags. We explained this situation during the year.

**Improved market outlook**

The Finnish economy strengthened during the year. We expect that better economic growth will also be reflected in our operations in 2018. The competition in our service area has been tough and pushed down our ticket prices. Customers have benefited from more frequent sailings as well as lower ticket prices. Bunker (oil) prices, which constitute a big cost in our operations, have also begun to rise. Hopefully, this trend will not continue, but unfortunately we have no control over external circumstances around the world that affect oil prices. We will continue to look at alternative ways to develop operations. The new financial year 2018 will be demanding and inspiring. We are closely following the general economic trend and making adjustments to meet the challenges we face. Meanwhile, we are optimistic about the future. It will be both exciting and stimulating to follow the work of building the new vessel.

I would like to give a warm thanks to all our employees for their good work during the past year. I would also like to thank our customers for showing faith in us in 2017. My gratitude also goes to our partners for the good collaboration.



Jan Hanses  
President and CEO



# Mission statement

## **Mission - our fundamental task**

We link together the countries around the northern Baltic Sea by providing sustainable and regular ferry service for everyone. Our three basic services are cruises, passenger transport and cargo transport. Our unique expertise in combining these services generates customer and business benefits.

## **Vision - our ambition and what we want to achieve**

We are the leading brand in our service area and the preferred choice of all those seeking sea transport services and experiences. We shall preserve and enhance our position as a profitable company.

## **Fundamental values**

- » Viking Line is for everyone. Our customers are our foremost priority and we aim to exceed their expectations, especially with regard to good service.
- » We respect our co-workers and value initiative, innovation, teamwork, openness, honesty, loyalty and acceptance of responsibility.
- » We stand for humility and cost-consciousness.
- » We take advantage of all good business opportunities.
- » Our vessels are safe and well-maintained. We conduct our operations in compliance with applicable environmental standards and legislation. We strive to continuously improve our environmental and sustainability work.

## **Strategies**

- » We offer the market's best value for money by providing good quality at affordable prices.
- » Our selective quality factors are friendly service, fully functional and clean facilities, good food, enjoyable entertainment and attractive shopping.
- » We aim at large travel volume and high capacity utilization.
- » We shall have modern distribution and sales systems.
- » Our sources of income are ticket, cargo and on-board sales – we optimize their total outcome.
- » We motivate and train our employees in order to achieve improved quality, service and productivity.
- » We continuously optimize our energy consumption in all our operations.





# Best service on the Baltic Sea – again!

Viking Line has been named the shipping company with the best service on the Baltic Sea for the fourth time, according to the Swedish customer survey Service Score 2017. The Company also won the Swedish security industry's Security Award 2017, which was given to Viking Line for its work to enhance the security of all passengers, with a particular focus on preventing the harassment of women on board.

Since 2012, Service Score has measured how satisfied Swedes are with the service they get in a number of different service industries. Three shipping companies were nominated in the category of Sea Transport. Viking Line again took home first prize for Best Service. We have previously won numerous international environmental awards for our innovative environmental work.

“

**Best service on the Baltic Sea – for the fourth time**

**Centenary of Finland's independence celebrated, with the Baltic Sea as Viking Line's theme**

In 2017, the Company celebrated the centenary of Finland's independence with a special Baltic Sea theme. Reducing its environmental impact on the sensitive Baltic Sea environment is one of the issues that Viking Line gives top priority.

During the autumn, 40,000 euros was donated to the Finnish environmental organizations the Baltic Sea Action Group (BSAG), the Keep the Archipelago Tidy Association, the John Nurminen Foundation and the Baltic Sea Fund.

## **150 ideas in an in-house environmental competition**

In March, we also launched an in-house competition on how we can further develop Viking Line's environmental work to protect the Baltic Sea. We received 150 new ideas. Among the ten best were suggestions for how to reduce food waste in the buffet restaurants, improve recycling opportunities, minimize print-outs and reduce electricity consumption by switching to LED lights.

The winning idea was Adam Palm's suggestion for a change in procedures that reduces the environmental impact of the cards required for visitors to go through security screening when the vessel is moored in port. His suggestion, not to print cards in advance but only when the person shows up, means less waste is generated.

## **New milestone – another more environmentally efficient vessel**

We continue to be at the forefront of environmental advances to protect the Baltic Sea. In 2013, our flagship, Viking Grace, the world's first passenger vessel of its size class that runs on liquefied natural gas (LNG), was added to our fleet. In July 2017, another milestone was reached with the order of a new vessel, which is expected to be placed in service in 2020.

The new vessel will be built in China and developed in close collaboration with Nordic suppliers. The aim is to further reduce our environmental impact on the Baltic Sea through technical innovations. This includes plans for two so-called rotor sails, which combined with LNG power are expected to further reduce carbon dioxide emissions. The technology is being developed in partnership with the Finnish engineering company Norsepower.

## **Expanded security work and zero vision**

Viking Line works in the long term to enhance the security of all passengers on

our vessels. In October 2017, Viking Line received the Swedish security industry's Security Award for our on-board security. We are truly proud to win this important prize.

During the year, our security work was reinforced, in part through more extensive ID checks, expanded camera surveillance and updated training for the responsible service of alcohol.

On Viking Cinderella, we have adopted a zero vision of crime on board. In conjunction, we also appointed an advisory board, an external group of specialists with expertise in different fields, who work in particular with issues concerning the prevention of sexual and other forms of harassment on board Viking Line's vessels.



## **Gastronomic collaboration with the Swedish National Culinary Team**

Culinary delicacies and high-quality food are an important part of the travel experience at Viking Line. With our changing theme weeks and collaboration with different celebrity chefs, the food on board has been given an extra kick.

In March 2017, Viking Line launched a long-term partnership with the Swedish National Culinary Team and the Swedish National Junior Culinary Team. The aim is to develop taste experiences on board all seven of our vessels. The National Culinary Team is tasked with working together with Viking Line to create brand-new food concepts and provide con-



tinuing training for our skilled restaurant and kitchen staff. The Swedish National Culinary Team's chefs also make guest appearances on different occasions on board our vessels.

Their first task was to renew and rework the vessels' buffet concept. The result was a brand-new Nordic Buffet, which was introduced in September. Later in the autumn, these elite chefs also launched their own version of a Christmas buffet.

#### Debut for green à la carte menu

During the Spring & Green theme weeks in April and May 2017, for the first time an entirely plant-based menu was offered in all of the Company's à la carte restaurants. The menu uses natural Nordic ingredients to create a fine dining experience for everyone, no matter whether people follow a strict vegan diet, eat fish but not meat, or consider themselves flexitarian.

Among the dishes created by the Company's own chefs are tofu tataki with lemon and sesame wasabi and rhubarb sorbet with almond milk foam.

#### New customer loyalty programme with Viking Line Club

In 2017, we moved from being a customer club to launching a loyalty programme in our Viking Line Club, which

gives customers a bonus on all their trips and purchases on board our vessels. The idea is for travelling with Viking Line to be even more advantageous.

In 2017, the first step was taken, enabling customers to start collecting bonus points, or Boats. The next step will be taken in 2018, when they can start using the Boats they earned to travel and consume. There are two membership levels: Viking Line Club and Viking Line Club Plus, which provides double points/Boats.

“

In July 2017, for the first time we passed the one-million mark for the total number of passengers in a single month.

#### More departures to Tallinn

During the period April–October, the high-speed catamaran Viking FSTR was placed in service on the Helsinki–Tallinn route. As a result, Viking Line was able to increase capacity and offer more departures on this popular route. This

investment benefited customers and resulted in a significant increase in market share.

#### New family concept for Ville Viking

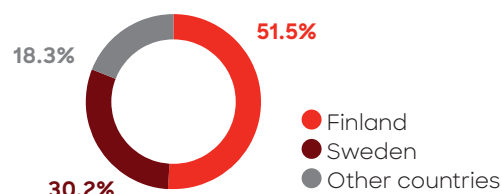
In 2017, a comprehensive approach was taken to our family products, which were completely overhauled. The vision is for Viking Line to offer the best family experience on the Baltic Sea and be the preferred choice for families travelling with children – a trip that the youngest people in the family will want to make again. Viking Line's new concept, “Adventure at sea,” features Ville Viking as a child's best friend and role model. Manuals were developed in order to track targets locally and coordinate them on all of Viking Line's vessels. As a result, we can ensure high quality and provide all guests with a consistent experience.

During the summer break and other holidays in 2017, the on-board conference facilities were converted into Adventure Island in line with the new concept.

#### Number of passengers

	2017	2016
Turku–Åland Islands–Stockholm	1,885,643	1,884,441
Stockholm–Mariehamn	890,689	892,253
Helsinki–Mariehamn–Stockholm	1,036,559	994,046
Finland/Sweden–Baltic countries	2,345,989	2,031,224
Mariehamn–Kapellskär	722,269	700,227
<b>TOTAL</b>	<b>6,881,149</b>	<b>6,502,191</b>

#### Viking Line's passengers in 2017 came from:





# Contract for new vessel modelled on Viking Grace

On March 23, Viking Grace celebrated passing the five-million passenger mark. On July 3, a contract was approved between Viking Line and the Chinese company Xiamen Shipbuilding Industry Co., Ltd. for the construction of a new, energy-efficient passenger vessel to serve the Turku-Åland Islands-Stockholm route, with capacity for 2,800 passengers.

Viking Grace, which was placed in service in January 2013, is the first cruise vessel of its size class to run on natural gas. When Viking Grace turned four, this was celebrated with Sparkling Weeks, focused on champagne and sparkling wines, a revue performed by the Finnish musical theatre group Uusi Iloinen Teatteri, and Dance Week, featuring twice as many dance artists as usual all week long, and dance in the terminal before departure. A Flame Jazz Cruise and an appearance by FORK further brightened January.

Climate-smart Viking Grace and Amorella sail daily between Turku, Mariehamn and Stockholm. People also greatly appreciate the so-called picnic cruises, day cruises from Turku or Stockholm with a change of vessels in Mariehamn. Picnic cruise bookings were up significantly in 2017, especially for conference operations. The sale of car packages saw a steady rise throughout the year.

## Musical revue biggest hit of the year

The Finnish musical theatre group Uusi Iloinen Teatteri (The Happy New Theatre), which performed its *Soitellen soteen* show on Viking Grace January 10–20, was the biggest event of the year, both in terms of sales and feedback. The group will return in January 2018.

The best new entertainment during the autumn was stand-up comedy in Viking Grace's Retro Bar. There were five Thursday departures with stand-up performances during the autumn, including Heikki Vilja, Ali Jahangiri and Heli Sutela, which were a big hit.

## Increased demand for picnic cruises

In 2017, the picnic cruises from Turku celebrated their 20th anniversary, and the trend has been steadily rising. One major new feature during the year that saw high demand was Lavis-lavatanssijump-pa, or dance band workout, a form of exercise that is growing in popularity in Finland. Workouts with Lavis, also called "the new zumba," were offered several times a month during the spring and autumn and raised the pulse of happy participants with waltzes, Finnish hump-pa, salsa, tango and Swedish bugg.

Popular day cruises during the year were the Handicraft Cruise on Amorella and Viking Grace and the Champagne Cruise on Viking Grace, featuring Master of Wine Essi Avellan. The Voice of Finland was held on Viking Grace in partnership with the TV programme *The Voice of Finland*, and on the I Love Me Cruise, passengers were offered activities such as yoga, lectures and music.

## Amorella – children's favourite

Amorella is Viking Line's most decidedly child-friendly vessel. In 2017, its kid cruises continued to focus on children. During the summer, conference facilities on board both Viking Grace and Amorella were converted into Adventure Island, something that families with children appreciated and which generated positive feedback. On Sundays and Mondays, magicians performed in the Magic Restaurant, and some of the latest movies were shown, dubbed in Finnish and Swedish. Ville Viking Days were held two Sundays a month and featured artists performing for children.

## Popular Hamburger Weeks

Other new features on Amorella: Ella's Restaurant became Ella's Steakhouse, which was positively received by guests. This was especially true of the popular Hamburger Weeks in September–October, which were created by the vessel's talented kitchen staff. The vessel's Quality Outlet, featuring designer apparel and accessories at attractive prices, opened in September.

## New energy-efficient vessel

As early as March 2015, planning began for a new vessel in conjunction with the EU project Motorways of the Sea. It will be modelled on Viking Grace, but the aim is to build an even more energy-efficient vessel. The new vessel will be both longer and wider than Viking Grace but 10 per cent more energy-efficient. It will be equipped with rotor sails and have a number of innovative solutions to save energy. It will be 218 metres in length, with a gross registered tonnage of 63,000 tonnes and capacity for 2,800 passengers. The length of its cargo lanes will be 1,500 metres.

## Koncept Stockholm to design interiors

The job of designing the interiors of the new vessel was awarded to the Swedish architecture firm Koncept Stockholm, where a working group of ten people is already moving at full speed to create the cruise experience of the future. This work is being led by Niclas Makowsky and Ann Marie Ekroth, who were also responsible for such assignments as the interiors of the Stockholm hotels Haymarket by Scandic and Grand Central by Scandic as well as Copperhill Mountain Lodge in the Swedish resort of Åre.

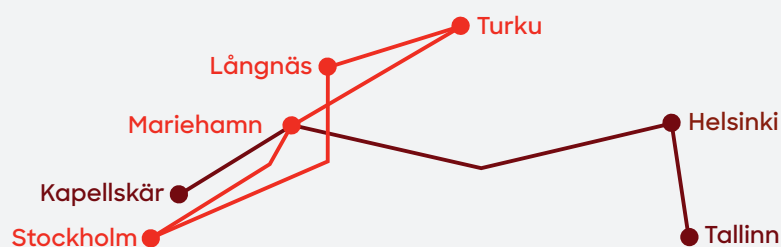
For Viking Line, it is important that the design and interiors of our vessels contribute to an attractive travel experience for all our target groups – cruise passengers, passengers in scheduled service and everyone who works with the extensive cargo traffic between the countries in our service area. The choice was between a number of highly respected architect firms, and Koncept Stockholm stood out with its attractive combination of Scandinavian simplicity and playfulness.

"We want to enhance the experience of sailing through some of the world's most beautiful archipelagos by offering a range of rich and varied possibilities on board the vessel inspired by marine life and the Nordic world," says Niclas Makowsky.

The new vessel is intended to be a collaborative project, which will involve a number of Finnish and other European suppliers, including Deltamarin, Wärtsilä and ABB Marine. Expected delivery is 2020.

## Viking Grace

Delivered in 2013,  
57,565 GRT, Length 218.0 m,  
Ice class 1 A Super,  
2,800 passengers,  
556 cars, 2,980 berths,  
Finnish flag



## Amorella

Delivered in 1988,  
34,384 GRT, Length 169.4 m,  
Ice class 1 A Super,  
2,480 passengers,  
450 cars, 1,946 berths,  
Finnish flag



## Traffic divergences, 2017

Viking Grace servicing days April  
2-5, 2017, September 10-13, 2017

Amorella servicing days April  
3-6, 2017, September 11-14, 2017

**NB 488A**  
Delivery 2020





# Additional vessels bolstered popular Tallinn traffic

**Tallinn continues to gain in popularity as a summer destination for Finns. Viking Line responded to this demand by offering a record number of sailings on the Helsinki–Tallinn route, with Viking XPRS, the new high-speed catamaran Viking FSTR, plus Mariella and Gabriella, which were added for day cruises. In July, Viking Line's passenger volume increased 24 per cent on the Tallinn route compared to the previous year.**

More and more people discovered Viking Line's short sailings to and from Tallinn. At its peak, the Company offered twelve daily departures during the summer. Scheduled service and car sailings between Finland and Estonia were especially of interest. A large percentage of passengers book their sailings late, just a few days before departure or even the same day. Many people travel for practical reasons – to study, drop off their car for servicing or go to the dentist.

During the year, we took a step forward in many areas. Customer service was developed, the crew completed training programmes, and the products on board were further fine-tuned, including with new buffet dishes and new products in the shop. Demand for wine, champagne and sparkling wine continues to grow, as does the interest in organic cosmetics. Conference products were given a boost, with new technology and furnishings as well as resources invested in customer service, which generated very positive customer feedback.

## **Viking FSTR – to Tallinn in less than two hours**

The big news in 2017 was the addition of the high-speed Viking FSTR, which quickly became very popular. During the period April 10–October 16, the catamaran made four to six daily sailings in addition to Viking XPRS's four departures.

With Viking FSTR, the travel time from Helsinki to Tallinn is one hour and 45 minutes. The vessel had space for about 850 passengers and 120 cars. During the short journey, passengers had the opportunity to shop on board or relax in the vessel's restaurant, pub or Club Lounge.

## **Wider customer base**

The number of passengers increased, especially from the Baltic counties but also from Poland, Russia and China. Many international tourists who visited Helsinki or Tallinn also chose this speedy way to get to the other side of the Gulf of Finland. More families with children from Estonia took day cruises to Helsinki, for instance, to visit Linnanmäki Amusement Park. Among other options, Viking Line's online booking provided wristbands to Linnanmäki and entrance tickets to the Tallinn TV Tower.

## **Viking XPRS equipped with new fuel-efficient propellers**

Viking XPRS was dry-docked in January. The vessel was equipped with new, more fuel-efficient propellers which are more environmentally sustainable. Before, Viking XPRS ran on three of its four main engines under normal weather conditions. After the dry-docking, two engines are sufficient.

The areas for socializing were upgraded during the dry-docking. The dance restaurant was expanded, and the name was changed to Club X. The sun-deck at the stern was moved from Deck 7 to Deck 8 above the dance restaurant. Robert's Coffee was refurbished and expanded, and the buffet restaurant was equipped with new, larger buffet tables. Shopping World was modernized, fitted with new shelving and given a new colour. More space was created for fragrances and cosmetics.

## **More vessels in Tallinn traffic in 2017**

During Viking XPRS's dry-docking, Rosella served as a replacement vessel on the route, which worked really well.

Rosella's restaurants and shops are large relative to its passenger capacity. The on-board staff got good feedback for their friendly service and congenial attitude. During the period July 1–August 6, Mariella and Gabriella, which sail between Helsinki and Stockholm, also made additional sailings on the Tallinn route for the fourth summer in a row instead of remaining in Helsinki during the daytime.

## **Entertainment on board Viking XPRS**

The entertainment provided on Viking XPRS in 2017 was greatly appreciated, including DJs, Finnish dance artists, Eurovision cruises, a 90s Party, Black Metal Rock cruises and much more. A number of special day cruises were also arranged, with lectures on different themes. Paula Koivuniemi, one of Finland's most beloved performing artists and ship godmother of Viking XPRS, performed on board during the spring and autumn, as she usually does. Those departures were usually sold out.

Mini-cruises were also a greatly appreciated alternative to a Saturday night out in a Helsinki restaurant, with good food, entertainment, an attractive range of shopping options and overnight accommodations.

## **High percentage of hotel bookings**

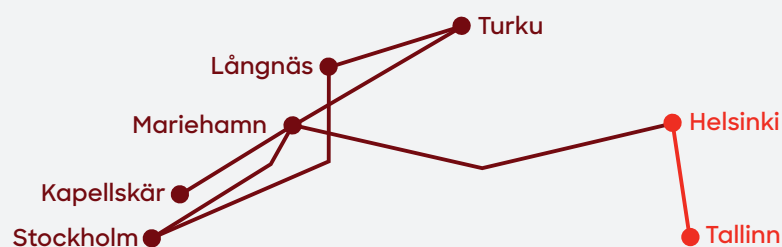
Destination bookings are also important for Tallinn traffic. We sell a number of different destination activities in both cities and book hotels across Estonia and Finland. In 2017, 50 per cent of the hotels booked via Viking Line were in Estonia. The other 50 per cent were in Finland, Åland and Sweden. Several thousand beds were booked in Estonia.





## Viking XPRS

Built in 2008,  
35,918 GRT, Length 185.0 m,  
Ice class 1 A Super,  
2,500 passengers,  
220 cars, 736 berths,  
Estonian flag



## Viking FSTR

Built in 1998,  
5,902 GRT, Length 91.3 m,  
836 passengers,  
120 cars,  
Swedish flag



## Traffic divergences, 2017

Viking XPRS dry-docking  
January 16–February 1, 2017

Rosella as a replacement on the route  
January 16–February 1, 2017

Viking FSTR chartered for Helsinki–Tallinn  
route April 10–October 16, 2017

Mariella and Gabriella extra sailings  
Helsinki–Tallinn July 1–August 6, 2017



# More international passengers increased volume

On the Helsinki–Mariehamn–Stockholm route, a continued increase in international passengers was also seen in 2017, mainly from Russia and China. Both vessels on this route nowadays provide service in Chinese during the summer season.

The extensive renovations on Gabriella and Mariella carried out in 2015 and 2016 continued with Mariella's dry-docking in the autumn of 2017, which has resulted in a steady increase in customer satisfaction. This is especially true of passengers' restaurant experiences. The newly refurbished Comfort and Premium cabins also received a positive response.

Gabriella celebrated 20 years with Viking Line in 2017. Gabriella was built in 1992 in Split and was delivered to Viking Line on April 17, 1997, which had a great impact on the mood at the Company. Market share increased slowly but surely. Since its launch, Gabriella has transported 11,338,478 passengers under the auspices of Viking Line.

On Mariella, cabins and restaurants were modernized two years ago, and in 2017 the vessel was given a new, appealing entrance to the buffet restaurant, the café was refurbished and the play area was renovated. The tax- and duty-free shop was also reorganized. In future product development, additional consideration will be given to international guests.

## Cafés with their own bakery

New trends and customer desires drive the development on board. Fashion is one product group that is constantly growing. In 2017, more space in the tax- and duty-free shops was designated for this in order to attract what is for Viking Line the important target group of women 35 and older.

The café culture has also been catered to. In 2017, Mariella got a café similar to Gabriella's, Coffee & Joy. Both have their own pastry chef and bakery. Everything is baked on site. The new children's play area is located right next to the café.

## Seven- and nine-course menus

Restaurant operations are especially important on the Helsinki route since cruise guests, the largest customer segment on this route, spend two nights on the vessel. Both Gabriella and Mariella have a wide range of food options in several new restaurants. No Name, one of the special restaurants on Gabriella, does not have a traditional menu but instead offers a seven- or nine-course tasting menu, with a focus on natural flavours and top-quality ingredients. Plate–Social Dining offers the same concept on Mariella, where guests are served a six-course menu.

## Popular spa treatments

Customer interest in spa treatments is constantly growing, both among men and women, and the product is being further developed. In early 2017, it became possible to book spa treatments online. In Gabriella's and Mariella's Travel Spa, both short and long treatments for the face and body are available. The most popular treatments in 2017 were the Sublime Skin Facial and Bright Eyes.

## Success for Retro cruises

The special cruise with the greatest success on the Helsinki–Stockholm route is Mariella's 90s Retro Cruise. It has attracted primarily people in their 30s and 40s and is greatly appreciated by guests. The Retro Cruise in May 2017 will be followed up with another in early 2018.

## Traffic divergences, 2017

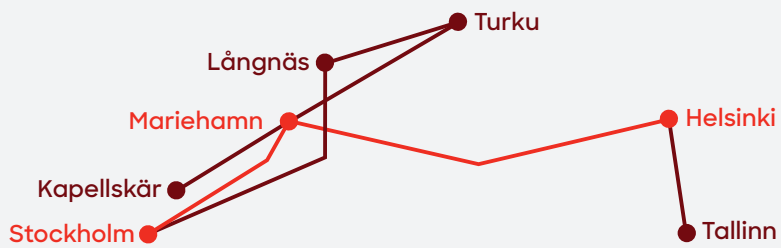
Mariella dry-docking  
September 10–22, 2017

Mariella and Gabriella extra  
sailings Helsinki–Tallinn  
July 1–August 6, 2017



## Gabriella

Built in 1992,  
35,492 GRT, Length 171.2 m,  
Ice class 1 A Super,  
2,400 passengers,  
400 cars, 2,382 berths,  
Finnish flag



## Mariella

Delivered in 1985,  
37,860 GRT, Length 177.0 m,  
Ice class 1 A Super,  
2,500 passengers  
430 cars, 2,500 berths,  
Finnish flag





# Major investment and clarity yielded results

On January 19, Viking Cinderella returned to service on the Baltic Sea after an extensive upgrade at a shipyard in Landskrona, Sweden. The 2017 cruise year began with a number of attractive new features on board, including an expanded and refurbished tax- and duty-free shop, many upgraded cabins and a new stage in the Melody Coffee Bar Lounge. All this was done to strengthen the brand, meet passenger expectations and provide pleasant surprises.

2017 was a good year for Viking Cinderella, which saw a positive market trend. The basis for this, along with the upgrades on the vessel, are its Entertainment Week with theme days and clarity in reaching the market.

The aim is to have 6 out of 10 people who sail between Stockholm and Mariehamn choose Viking Cinderella. We are rapidly approaching that target thanks to the high quality of everything from entertainment, food and accommodation to service and shopping.

## **New feature – Melody Coffee Bar Lounge**

The entertainment café on Deck 7 was reconfigured and given a new name, Melody, as well as a new concept that includes the café as well as a bar and lounge. Melody also got a new stage with upgraded technology and a larger dance floor to complement the Étage nightclub. Because of this, Viking Cinderella can now simultaneously offer activities of different sorts on the two stages, for instance classical music in Étage and a dance band in Melody.

## **Additional Comfort cabins**

The suites and all 45 luxury cabins were given a handsome new design and interior. All cabins on Deck 9 are now Comfort cabins. As a result, Viking Cinderella

can offer some 100 appealing, popular Comfort cabins with high-quality double beds.

## **Larger, updated tax- and duty-free shop**

The tax- and duty-free shop underwent a complete renovation and today offers more than 1,000 square metres of space, which is an expansion of 25 per cent. Shopping reached a new level, with an even better range of items and greater focus on fashion and apparel. We want to attract even more women with this new approach.

## **Highest marks for the on-board food experience**

Viking Cinderella is consistently given high marks from customers for its food experience and restaurant operations, from Seaview to its buffet and special restaurants. On a scale from 1 to 10 in our customer surveys, the customer experience is always rated more than 9.

## **Debut for Cinderella Jazz Festival**

The demand for themed and special cruises is steadily on the rise. Among the most attractive options in 2017 were the Whisky Fair, which celebrates its 10th anniversary in 2018, and the Champagne & Wine Fair.

For many years, Viking Cinderella has also offered jazz cruises. On November 5, 2017 the Cinderella Jazz Festival made its debut, featuring many well-known jazz artists. Other popular cruise packages include The Cinderella Romantic Escape and spa cruises with a slightly more luxurious cabin, seafood platter and a little extra indulgence.

## **Cinderella Classical Music Cruise**

Last year's big hit was repeated on September 3, this time with two evening concerts. The Étage nightclub was the concert venue, and guests could book their seats. Loa Falkman, a popular singer and actor, hosted the event, with star performers including the violinist

Christian Svarfvar, Patrik and Petra Jablonski, and the St Matteus Symphony Orchestra under the direction of Sonny Jansson. Throughout the cruise, classical music was played in the pub and piano bar, and a daytime concert of light classical music was given on the homeward journey.

## **Feel Good Fridays – a little more heart**

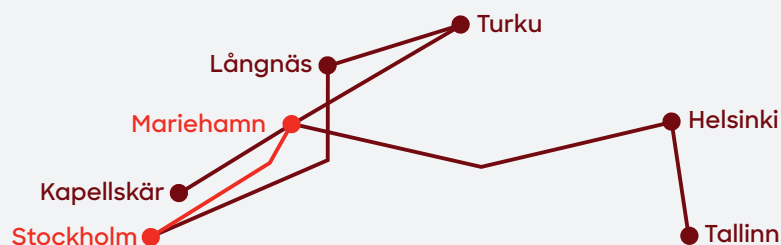
Feel Good Fridays is a new Friday concept on Viking Cinderella launched in October 2017 that is intended to appeal to two categories of Friday guests – those who celebrate by taking it easy after the workweek, eating well and going to the spa, and those who are a little more party-oriented. By highlighting all the options available on Viking Cinderella, we want to give everyone a Feel Good Friday.

## **Zero vision on Viking Cinderella – we help each other**

Our Zero Vision project is focused on the security and safety we want our guests to feel when socializing on board Viking Cinderella. There are rigorous security measures in place, and our greatly appreciated security guards continuously make their rounds. We help each other on board and work together towards the same clear goals. We have zero tolerance of narcotics and any kind of crime – from thefts and fights to sexual and other kinds of harassment.

## **Traffic divergences, 2017**

Viking Cinderella dry-docking January 1–19, 2017



## Viking Cinderella

Delivered in 1989,  
46,398 GRT, Length 191.0 m,  
Ice class 1 A Super,  
2,560 passengers,  
306 cars, 2,500 berths,  
Swedish flag



## Viking Cinderella's security measures

Among Viking Line's measures to enhance security on Viking Cinderella are the appointment of an external advisory board, 100 per cent ID checks, no alcohol sales in the tax- and duty-free shop on weekend evenings, training in responsible service of alcohol for bar and restaurant staff, and increased camera surveillance.





# All-time record for Rosella

“Åland’s bridge to Sweden” is an obvious choice for people who want to travel quickly between the Åland Islands and Sweden. In July, a total of 137,111 passengers sailed on Rosella, which was an all-time record. The single-day record was broken on Thursday, July 27, with 5,975 passengers on six departures.

It was a good year for Rosella, which took market share from its competitors. The Forza Rosella project, with more summer departures, a new bus route and even better theme programmes, set the foundation for this positive trend. From January 9 to February 2, Rosella was taken out of scheduled service. During the last two weeks of January, the vessel sailed the Helsinki–Tallinn route as a replacement for Viking XPRS during its dry-docking.

## The Forza Rosella project

The Forza Rosella project was launched in February and will run through 2019. The aim is to expand its market and increase passenger volume. As part of the project, a new Swedish bus route, “Stockholm west,” was established in January, from Bromma via Kungsängen to Kapellskär. Rosella’s peak summer schedule was also extended by three weeks during the summer.

Rosella has four daily departures between Mariehamn and Kapellskär and six departures during the peak summer season. Passengers are both regular travellers and travellers on day cruises who want to eat well, shop and be entertained. In 2017, passenger volume increased 3.1 per cent compared to 2016.

## Top Ten – the Living Jukebox a great success

Rosella has a jam-packed programme throughout the cruise week with popular departures. The new Thursday theme, Top Ten – The Living Jukebox, was a big hit, featuring musical requests from the 50s, 60s and 70s.

## Great interest in writer sailings and Café Rosella

The writer sailings that run on the first Tuesday of the month have been incredibly popular. Guests in 2017 included Kjell-Olof Feldt and Birgitta von Otter, Elsie Johansson, Arne Dahl and PC Jersild. The demand to hear Herman Lindqvist was so great that he held his lecture twice.

Café Rosella, a big hit, continued on Mondays. The hosts were the popular TV and radio personalities Ulf Elfving and Ragnar Dahlberg, who invited interesting guests such as Lasse Berghagen, Mark Levengood and Lasse Holm.

## More room for fashion

Demand for fashion is growing steadily, above all, from passengers who sail regularly, and Rosella invested additional resources in fashion apparel and accessories. During the interruption in scheduled service in January, space in the tax- and duty-free shop was freed up to make more room for apparel and accessories. The Outlet Shop was renovated, with additional shelving and a new floor. Products for children were moved out of the tax- and duty-free shop into the Outlet Shop, which now includes a section called Kids’ Corner.

## Traffic divergences, 2017

Traffic interruption on Mariehamn–Kapellskär route January 9–February 2, 2017

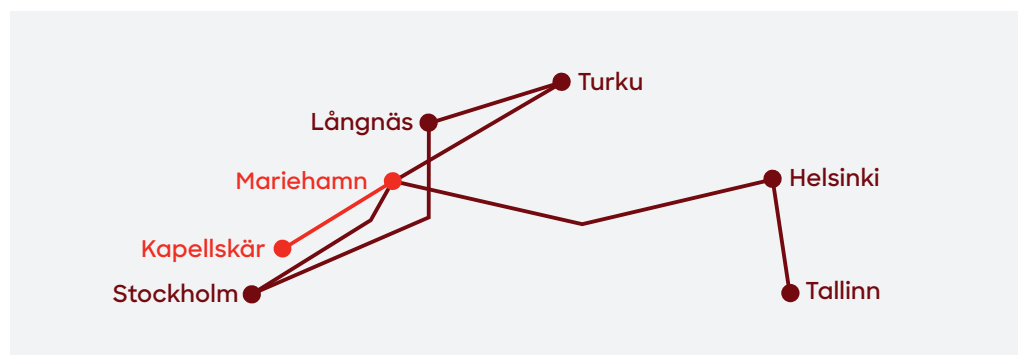
Rosella served as replacement on Helsinki–Tallinn route January 16–February 1, 2017

## New musical option:

Wednesday’s Sing-Along was replaced in 2017 by Live Karaoke, where guests request songs and sing them on stage along with the band playing.

## New sport feature:

Sport Sundays with Premier League games in Street Café on Deck 5.



## Rosella

Delivered in 1980,  
16,879 GRT, Length 136.1 m,  
Ice class 1 A,  
1,530 passengers,  
340 cars, 422 berths,  
Finnish flag



# New digital solutions to benefit customers

**With high quality, good service and active dialogue with its customers, Viking Line Cargo competes in the highly competitive Baltic Sea cargo market.**

The core of cargo operations is meeting the needs of industry and commerce for safe, secure, quick and regular transport of cargo and for freight forwarding services. Viking Line Cargo wants to provide its customers with reliable, high-quality logistical solutions. We must also react to the rapidly changing operating environment, where digitization and sustainable development are also valuable competitive factors.

Our customers are located mainly in Finland, Sweden and Estonia, but also in other Baltic countries as well as Poland, Denmark, Norway and Russia. The need for cargo transport varies during the year. It is lowest during the summer holiday period, which is actually an advantage for Viking Line, since demand is high in passenger operations, which in turn fills car deck capacity during the summer season.

## Two service areas with tough competition

Viking Line Cargo has two service areas, Finland–Sweden and Finland–Estonia. The Finland–Estonia market has had steady growth for many years in a row, but there is excess capacity in the ferry market, which means tough price competition among market players.

Finland–Sweden cargo traffic has remained at a very stable level for many years. Starting in 2016, we have seen signs of a slight increase in demand, an increase that has been sustained. Viking Line Cargo's volume growth was positive,

but because of limited cargo capacity and increased demand for car deck capacity from passenger operations, we have not been fully able to take advantage of this market growth.

## Dialogue is most important – internally and externally

For two years in a row, we have conducted a market survey, first in the Baltic countries and then in Finland, in order to improve our knowledge so we can act appropriately. These market surveys have provided us with good information about customer needs and market trends.

We also invest a great deal in in-house communication. The cargo organization has about 20 employees, in Helsinki, Turku and Tallinn. They handle sales, marketing, cargo booking and to some extent customs clearance. It is vital that information flows smoothly between these departments, but many more people at Viking Line are involved in the cargo process. Without their efforts, Viking Line Cargo would not be able to achieve such good results and have the market position that we have today.

## Digitization is the word of the day

Viking Line Cargo's strengths in the competition for customers are high quality and good service. Through close, frequent dialogue with our customers, we have been able to make concrete advances for them. One example is the e-booking portal that was launched in 2017.

Personal service is important to Viking Line Cargo, and we combine digitized communication with our contacts in booking operations with personal service. In order to provide this, booking

operations for Nordic customers are located in Turku and for the Baltic and Russian markets in Tallinn.

Employees at Viking Line Cargo are in continuous contact with their customers. The space available on car decks in the days prior to departure must also be filled as efficiently as possible – every day, on every departure. It is a matter of active sales.

## Facts about Viking Line Cargo in 2017

Traffic operates on established routes throughout the year, without major changes in timetables or capacity. Alongside this, the key factor is smooth loading on board and unloading at every destination. Viking Line's deck staff, with the chief officer bearing ultimate responsibility, have the knowledge and experience required to manage this in the best possible way.

During the year, Viking Line transported 127,668 cargo units (131,918), thereby achieving a market share of 18.7 per cent (20.7).

In services between Finland and Sweden, Viking Line's cargo volume increased only 0.6 per cent despite an increase in total volume of 2.8 per cent. As a result, market share was 29.0 per cent (29.7). On the route between Helsinki and Tallinn, Viking Line's cargo volume decreased 8.4 per cent, and its market share was 13.6 per cent (16.3).





# Tailwinds for Viking Line Buss

Last year's addition to the bus fleet, the Victoria conference bus, was well received by the market. In late 2017, the bus fleet was upgraded with another bus. International cruise traffic to Mariehamn ran smoothly during the summer, and all vessels chose Viking Line Buss for their guided tours in the Åland Islands.

There has been great demand for the Victoria conference bus, mostly in the local market. Victoria has seats for 40 people and an oval table at the back of the bus for 14 people. The new bus, with three tables and 49 seats, was delivered in December. The name of the bus is Vilja ('will'), which was chosen by Åland residents in a vote via [Vikinglinebuss.ax](http://Vikinglinebuss.ax).

In 2017, Viking Line Buss's three city buses also operated their scheduled routes in Mariehamn, and the nine rural buses operated scheduled routes across Åland as usual. Wi-Fi is available in all buses, and electrical outlets are installed at each seat in most long-distance buses so passengers can charge mobile phones and tablets during their journey.

## Great interest in group travel

In 2017, Viking Line Buss continued its success in organizing and carrying out group travel for the Swedish, Åland and Finnish markets. Charter trips generated some 10,000 passengers for Viking Line's vessels. These are mostly for day trips, visits to trade fairs, and concert and theatre trips as well as longer trips to countries such as Denmark, Norway and Russia.

The summer's popular bus trips were to Legoland in Denmark and Kolmården Wildlife Park in Sweden as well as to Stockholm concerts by Robbie Williams and Guns N' Roses. The Guns N' Roses

concert was an audience favourite and sold out in a flash. During the year, many groups also chose to see the musical Phantom of the Opera at the Cirkus performance venue in Stockholm.

As for school trips, demand nowadays is mainly for short, intensive trips. Popular destinations in 2017 were the Cosmonova IMAX theatre in Stockholm; the Skolmusik school music festival in Vaasa, Finland; the Forsmark Nuclear Power Plant in Sweden; Laserdome in Stockholm; the Relay Race Carnival in Vantaa, Finland; Gröna Lund Amusement Park in Stockholm; Vaxholm Fortress in the Stockholm archipelago and the Alborgen Adventure House in Gävle, Sweden.

Viking Line Buss also organizes tours in the Åland Islands for groups of visitors such as schools, pensioners, companies, private groups and sport teams. Peak season each year is in May and early June as well as August/September, culminating in the Åland Harvest Festival in September, which generates great demand for both buses and guides.

## Many international cruise ships called in 2017

During the summer of 2017, Mariehamn received 20 international cruise ships. They all chose Viking Line Buss for guided tours of the Åland Islands. A similar number of cruise ships plan to call at Mariehamn in 2018.





Viking Line Buss Ab is a wholly owned subsidiary of Viking Line Abp.

The Company owns 12 buses.

In 2017, there was an average of 25 employees.







# Viking Line and sustainability

Viking Line launched its service between the Finnish mainland, the Åland Islands and Sweden almost 60 years ago, and since then the world has changed. Within the scope of our operations, some fifty vessels have set course since service was launched, and over the years the size of the vessels, their energy efficiency and the range of services available have undergone a dramatic transformation.

The people involved in the start-up of operations all grew up in the Åland archipelago and understood the importance of protecting this sensitive environment. Today we are shaping the society that we, our children and grandchildren will live in for the next 20, 50 or perhaps 100 years. So those of us who work with transport on the Baltic Sea must ask ourselves what we want the health of the sea and the archipelago to be tomorrow and how we can help improve conditions. By playing an active part in research and testing energy-saving innovations, we can obtain knowledge to help us create environmentally-efficient alternatives for the future. In our sustainability work, we strive to raise our level of ambition by being active on important issues concerning the environment, quality, health, ethical conduct and social engagement.

Today Viking Line is a major employer with almost 3,000 employees. Many of our employees live in the Baltic archipelagos, which strengthens us as a player in the Baltic Sea region. Our definition of building a sustainable society is that everything we plan and carry out shall comply with our ethical guidelines and be designed in a way that is responsible and takes a long-term perspective. As a result, we shall take environmental, economic and social aspects into consideration. Our aim is to include this sustainability perspective in everything we do, from how we treat our customers and each other to how we minimize the environmental impact in our processes.

## Global goals and Viking Line

On September 25, 2015, the United Nations General Assembly adopted seventeen global goals for sustainable development, which were drafted and adopted by the 193 Member States. In our operations, we strive to make decisions that are economically, socially and environmentally sustainable and have chosen to focus on the four global goals below:

Goal 3 – Good health and well-being

Goal 7 – Affordable and clean energy

Goal 12 – Responsible consumption and production

Goal 14 – Life below water



### Affordable and clean energy

We are and will continue to be a pioneer in applying new environmentally-sensitive technology that reduces emissions. We want to continue to support and collaborate with innovative companies and researchers in energy technology.



### Life below water

We do not discharge any wastewater into the sea, we do not use environmentally hazardous paint on the bottoms of our vessels, and we work to continuously reduce the use of water and chemicals in our operations.



### Good health and well-being

Well-being at work and a healthy lifestyle are the basis of success on the job. Through good leadership, an open, stimulating, secure and pleasant atmosphere is created in which employees' efforts are appreciated and recognized and where everyone is treated equally. Viking Line promotes good health, wellness activities and employee well-being by encouraging and promoting meaningful leisure activities.



### Responsible consumption and production

Waste management on the vessels has developed in the direction of preventing the generation of waste and promoting recycling and reuse of waste generated. There are waste management plans and schedules on board the vessels. Glass, cardboard, paper, metal, aluminium cans, plastic, cooking oil and electronic materials as well as organic, hazardous, energy and wood waste are recycled. All waste oil is brought ashore for recycling. Concrete measures have been taken to reduce waste quantities.

### Procurement principles under review

In 2017, Viking Line began work to review the principles governing the Group's procurement and tender processes. The new procurement principles shall more accurately reflect our values, such as our commitment to the environment and equality. At the same time, our Code of Conduct for suppliers and our programme for supplier audits are also being reviewed. The intention is for us to better monitor how our suppliers run their operations from a sustainability perspective. These efforts shall provide us with better skills in giving priority, for instance, to environmentally-adapted products and solutions in our tender processes.



# Viking Line is for everyone

At Viking Line, we have a shared approach to service, in which the customer always comes first. The objective is for us to produce even more satisfied customers who will choose to travel again with Viking Line through consistent, friendly and engaging service, internally and externally, across country borders and professional roles.

The Group's new One Service platform, which was introduced in 2016, was the kick-off for concerted in-house efforts to take the good customer experience one step further. For Viking Line, it is important that all employees feel engaged in the Company's "Good Hospitality", which is the shared foundation of values for how we should treat each other, our customers and our partners. Together, we become even stronger.

## These are Viking Line's fundamental values

Our fundamental task is to link together the countries around the northern Baltic Sea by providing sustainable and regular ferry service. Our three basic services are cruises, passenger transport and cargo transport.

Our unique expertise in combining these three basic services generates customer and business benefits. We are the leading brand in our area of traffic, the northern Baltic Sea, and we offer the market's best value for money by providing good quality at affordable prices.

Three of our fundamental values:

- Customers are our top priority. We aim to exceed their expectations, especially with regard to good service. Our selective quality factors are friendly service, fully functional and clean facilities, good food, enjoyable entertainment and attractive shopping.

- We respect our co-workers and value initiative, innovation, teamwork, openness, honesty, loyalty and acceptance of responsibility. We motivate and train our employees to achieve improved quality, service and productivity.

- Our vessels are safe and well-maintained. We strive to continuously improve our environmental and sustainability work and conduct our operations in compliance with applicable environmental standards and legislation.

## The goal is always satisfied customers

Since 2016, we have focused to an even greater extent on the value experienced by customers, on activities and good hospitality on board. The Group's fleet of vessels is continuously updated and improved. Viking Grace, Amorella, Gabriella and Rosella underwent extensive upgrades in 2016, with a focus on the



### Viking Line's quality strategy entails:

- Friendly service
- Good food
- Enjoyable entertainment
- Fully functional and clean facilities on board
- Attractive shopping
- Motivated personnel
- Skills development



on-board experience, including better spa options and a modern range of restaurants.

In 2017, a number of upgrades were also carried out. On Viking Cinderella, they include an expanded, renovated tax- and duty-free shop, many upgraded cabins and a new bar and stage, Melody Coffee Bar Lounge. With tougher competition and greater transparency in the market, it has become even more important to be clear about why people should choose to travel with Viking Line and what added value we provide.

#### **We developed the Viking Line Club**

In 2017, we also developed our customer club and launched a loyalty programme. Every investment the customer makes as a member of our Viking Line Club yields a bonus, which means their trip as well as all purchases on board our vessels. The idea is that it should be even more rewarding to travel with Viking Line.

In 2017, we took the first step, which meant that all our customers could start collecting bonus points, or Boats, as we call them. In 2018, they will get their reward – they will now be able to start travelling and consuming by redeeming the Boats they earned. There are two membership levels: Viking Line Club and Viking Line Club Plus, which gives double points/Boats.

#### **Customer surveys on a continuous basis**

Satisfied, repeat customers are important to Viking Line. So we work not just to meet customer expectations but also to exceed them. During the year, a detailed customer satisfaction survey of passengers is carried out, with a “Dear Viking Customer” form sent out by email a few days after their trip. The answers are compiled and analyzed and provide valuable input in developing the range of products and services available on

board as well as data prior to vessel renovations and refurbishments.

Going forward, our success will also depend on how well we succeed in maintaining and developing our service. In our 2017 customer survey, we were rated 8.99 (8.98 in 2016), on a scale from 4 to 10, for our service on all our vessels. Our target is to be rated over 9.0.



# Cargo important for trade in the Baltic Sea region

Viking Line Cargo operates in a highly competitive and tightly regulated freight market which is dominated by big international transport companies. Our most important competitive strengths are a high level of quality, good service, reliability and continuity. We take pride in maintaining a close dialogue with our customers.

Maritime transport plays an important role for the flow of goods between Finland, Sweden and Estonia. Viking Line Cargo is a key player in the transport of Nordic imports and exports. Our service enables large flows of goods between the Nordic and Baltic countries. With cargo transport, Viking Line can maximize use of the vessels' car decks so that we always utilize as much of our capacity as possible. It is a matter of allocating space between passenger and cargo units so that we satisfy our customers in the best way.

Our employees have extensive experience and great knowledge about the industry. We work actively to maintain a good dialogue with our customers. Our regular customer surveys provide us with concrete information about the quality of our work and the need to develop this.

## A link in the European logistics chain

Since the 1980s, the European Union has made major investments to develop a sustainable transport infrastructure that links together its Member States. In 2014, the EU revised its policies for transport infrastructure, with the aim of closing the gaps between the Member States' transport networks.

Finland, Sweden and Estonia are all included in the EU's so-called transport corridors, which are considered essential in the trans-European transport network. Shipping is crucial in linking together the transport infrastructure of the Nordic countries, the Baltic countries and Central Europe.

The EU advocates an environmentally sustainable future for shipping as part of European transport infrastructure. The realization of this future requires sound political judgement at the national level.

National political decisions affect the operations not only of Viking Line but of the entire Finnish shipping industry. It is important that Finland does not deviate from its current application of European Commission guidelines. After all, maintaining its own fleet helps ensure Finland's national security of supply.

## Did you know that...

91% of Finland's exports and 78% of its imports are transported by ship

## High capacity utilization = more sustainable maritime transport

Maritime transport is an important link in the large flows of goods between the Nordic and Baltic countries. Viking Line Cargo provides reliable international service to customers with daily scheduled maritime transport. Our aim is to achieve high capacity utilization on our car decks on every departure.





# Economic value

Viking Line's operations generate economic value for the Group's stakeholders in the countries and market areas in which we operate. The most important cash flows consist of revenue from our customers, purchases from suppliers of goods and services, salaries to employees, payments to and from the public sector, dividends to shareholders, and funding costs to financiers.

In 2017, consolidated sales and other revenue totalled 526.6 million euros.

The Group's purchases from suppliers totalled 328.4 million euros, and investments totalled 34.7 million euros, with 22.4 million euros of this advance payments for the vessel under construction.

Viking Line employed an average of 2,746 people. Net salaries and pension expenses totalling 115.8 million euros were paid to employees. Viking Line paid a total of 82.8 million euros to the public sector in the form of port expenses and vessel charges, taxes on salaries, social

security contributions and income taxes. The Group received restitution from the Finnish and Swedish states totalling 35.9 million euros for shipboard employees' taxes and social security contributions. Shareholders were paid a total of 2.2 million euros in dividends.

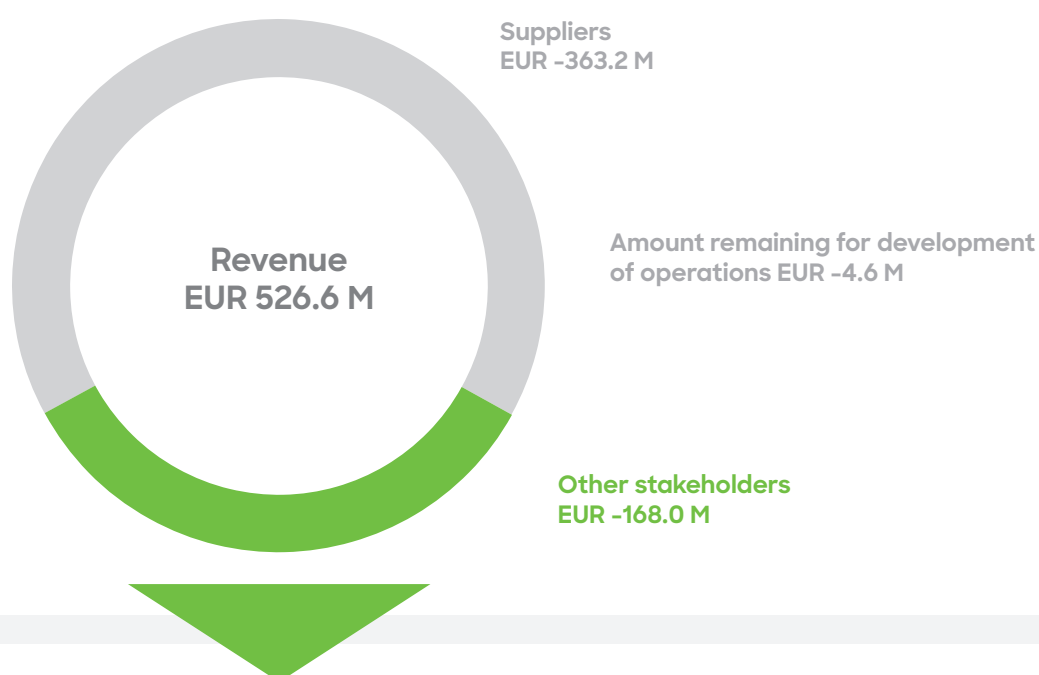
The Group's income statement, balance sheet and cash flow statement are presented in their entirety in Viking Line's financial statements.

<b>Generation of economic value, EUR M</b>	<b>2017</b>	<b>2016</b>
Customers		
- Sales, other operating revenue, financial income	526.6	524.2
Suppliers		
- Procurement	-328.4	-319.7
- Investments	-34.7	-15.8
<b>Economic value generated by Viking Line</b>	<b>163.4</b>	<b>188.6</b>
Employees		
- Net salary and pension expenses	-115.8	-117.4
Shareholders		
- Dividends*	-2.2	-4.3
Financiers		
- Interest expenses	-3.9	-4.5
Public sector		
- Income taxes	-0.2	-0.1
- Port expenses and vessel charges	-41.8	-40.2
- Taxes on salaries and social security contributions	-40.8	-42.8
Paid to public sector	-82.8	-83.0
- Restitution from public sector and EU funding	36.7	38.0
Public sector, net	-46.1	-45.1
<b>Economic value distributed</b>	<b>-168.0</b>	<b>-171.3</b>
<b>Amount remaining for development of operations</b>	<b>-4.6</b>	<b>17.3</b>

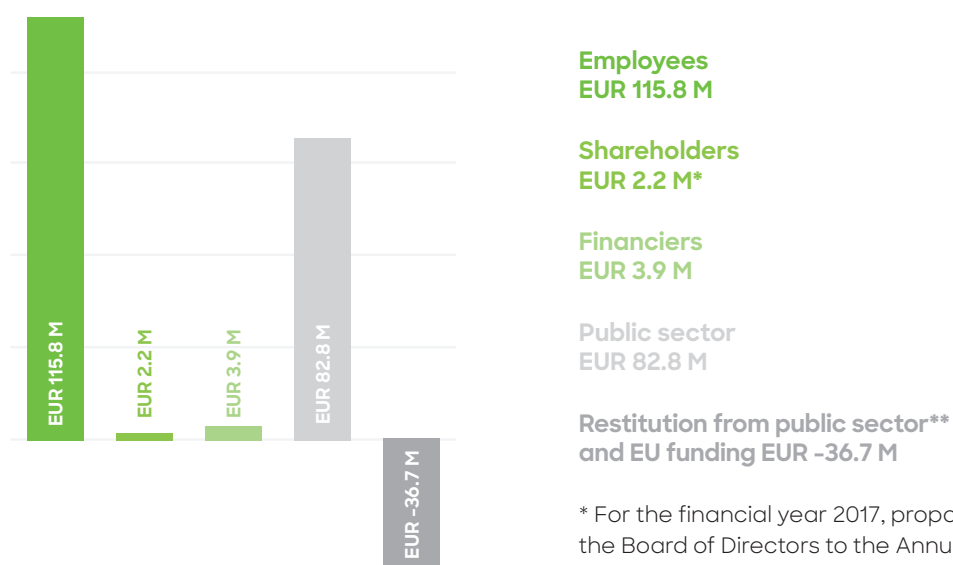
\* For the financial year 2017, proposed by the Board of Directors to the Annual General Meeting.



## Distribution of economic value, breakdown



## Other stakeholders, distribution of economic value



\* For the financial year 2017, proposed by the Board of Directors to the Annual General Meeting.  
 \*\* Read more on the next page.

# Restitution to sustain domestic competitiveness

To sustain the competitiveness of European sea transport, a restitution system was implemented in a number of EU countries, including Finland, Sweden and Denmark. In accordance with EU State Aid Guidelines, shipping companies may be reimbursed for taxes and social security contributions paid to maintain service under their countries' own flags. This restitution system, which is often called maritime financial aid, is mainly financial aid for seafarers – not shipping companies. Without the system, no passenger vessels would sail with a Finnish or Swedish flag and crew.

For Viking Line, this restitution applies to some 1,600 Finnish seafarers. Since we are Finland's largest maritime employer, we have the highest amount of taxes and fees borne by the maritime population. All shipping companies receive this maritime financial aid, and the size is determined by the number of seafarers employed by the company. This aid really benefits seafarers, who get a tax exemption, but since Finland has chosen to follow the model of exception in the guidelines, the taxes are borne by the seafarers and refunded to the shipping company. In Sweden and Denmark, this restitution is not recognized as aid to enterprises. For Viking Line, this restitution applies to some 450 Swedish seafarers.

## Passenger traffic important for trade on shore

Like a number of other shipping companies, Viking Line markets Finland and Sweden as tourist destinations in the Nordic countries, the Baltic countries, elsewhere in Europe and in Asia. The Company has done so for decades. Passenger traffic is incredibly important for domestic trade. Tourists contribute a great deal of revenue to hotel and res-

taurant operations as well as to trade.

According to a report produced by the Finnish market research company Taloustutkimus Oy, international ferry passengers brought in a total of 684 million euros to Finland in 2016. This figure does not include the big international cruise vessels that call at the country's ports. Tourists often travel with their family in their own car and visit different parts of the country. The positive economic effects are thus spread across Finland. Regionally, the breakdown is as follows:

- Metropolitan region: 327 million euros
- Archipelago/coastal region: 96 million euros
- Finnish lakeland: 220 million euros
- Lapland: 44 million euros
- Total: 684 million euros

## Ferry passengers important to Stockholm – spend 5 billion kronor

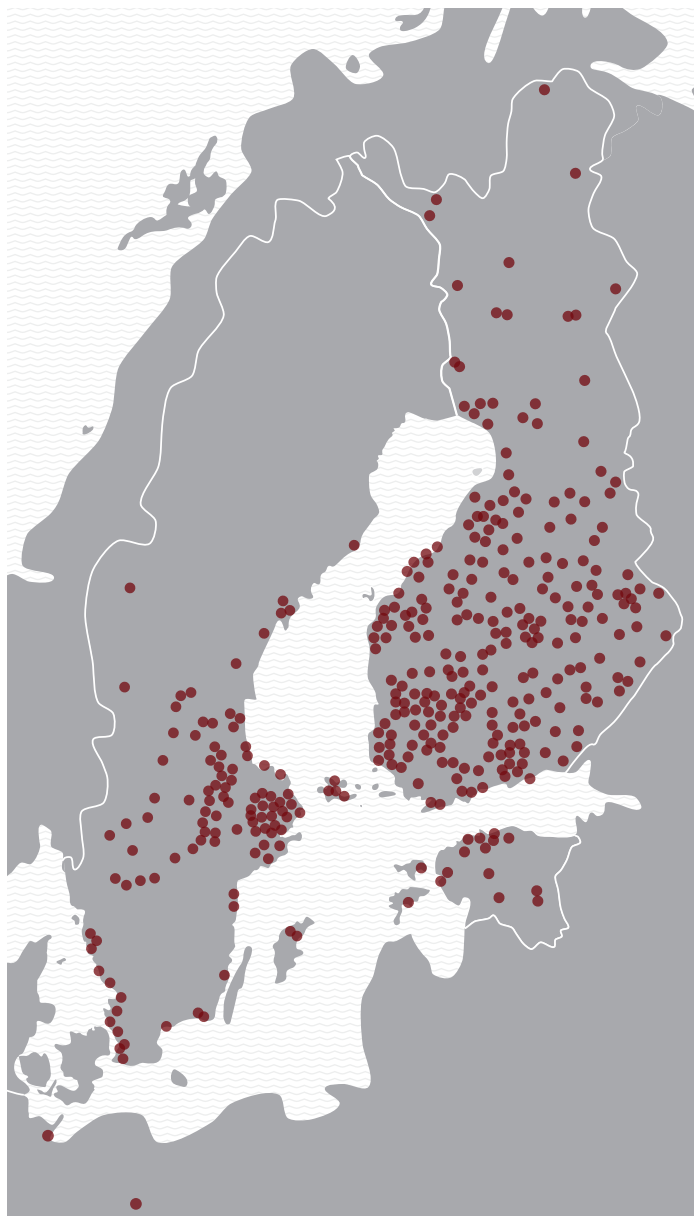
Several years ago, Ports of Stockholm conducted a survey of some 1,600 ferry passengers who visited Stockholm in conjunction with their journey. All the terminals that handle passenger traffic at Ports of Stockholm were included in the survey. Among the survey findings, ferry passengers who visit Stockholm contribute 5 billion Swedish kronor through direct consumption in the County of Stockholm. A total of about 1.7 million ferry passengers visit Stockholm in one year, and every visitor consumes an average of about 3,000 kronor per visit. Ferry passengers visiting Stockholm use about 360,000 hotel rooms a year. That is equivalent to 1,000 hotel rooms a day, or 7 fully occupied hotels every day of the year. Some 95 per cent of visitors are satisfied with their visit to Stockholm.

## Shipping boosts prosperity in smaller communities

For natural reasons, the majority of our land-based employees reside close to our market units and terminals. However, among shipboard personnel, the geographic spread is much wider. We have employees who live in Lapland north of the polar circle, in the archipelago communities of Åland and Turku, in eastern Finland close to the Russian border, in the Estonian countryside and in Sweden near the Norwegian border.

The personnel on our vessels work in shifts, with one week on/one week off or ten days on/ten days off. These extended periods of time off enable them to live away from densely populated areas. With such labour arrangements, shipping companies help to preserve the population structure in smaller communities and ensure that tax revenue goes to other regions besides densely populated areas. The hiring by shipping companies of some of these residents may be crucial to sparsely populated communities, including in archipelagos, located far from urban areas.

## Where our employees live



**Viking Line is Finland's biggest maritime employer.**

**We safeguard domestic nautical skills.**

**We ensure the security of supply for logistics transport in Finland.**

**We ensure that employees working in our territorial waters are skilled and have experience with winter weather conditions and archipelago traffic.**



# Our personnel – a valuable resource

**At Viking Line, we believe that people with different experiences and perspectives are crucial in order to create the innovative climate required for long-term business success. We have operations in Finland, Sweden and Estonia, an office in Germany and employees both on shore and on board our vessels. Our seven vessels sail between the three countries Finland, Sweden and Estonia.**

Viking Line's human resource strategy is to give employees the opportunity to develop so that they are satisfied with their job, are committed and feel like they take part in the Company's development and results. We want to promote skills development among our employees. We respect our colleagues and value their initiative, honesty, loyalty and openness. Our continued success is based on taking advantage of the full potential of our employees through staff development and engagement.



**We respect our colleagues and value their initiative, honesty, loyalty and openness**

We strive to act responsibly in the countries and contexts we operate in. Among other things, this means that the Group is always associated with respect for human rights, equality, good labour conditions, social consideration and sustained environmental work. In our strategy, customers are always the basis of operations. They shall feel that they get the experience they expect. We would preferably exceed their expectations. Naturally, we greet our guests with a smile and humility. The aim is to get a satisfied smile in return – every time!

## **Viking Line's equality policy**

We have customers of different nationalities, and we know that our success depends on the diversity and competence of our employees. By diversity, we mean the differences that make us all unique – age, gender, sexual orientation, ethnic identity and religion as well as differences in physical conditions and ways of thinking and acting.

At Viking Line, we shall treat all people with respect, compassion and dignity, in accordance with our business principles. We therefore work to:

- establish workplaces, adopt working methods, organize the work and create working conditions so that they are suitable for all employees,
- make it easier for all employees to combine work and parenthood,
- prevent discrimination and harassment. We do not accept inappropriate behaviour that may violate the integrity of employees,
- investigate all cases of discrimination and harassment in the workplace and take appropriate measures to curtail and prevent such cases,
- give all employees opportunities for development and training. All employees, regardless of their age, gender, sexual orientation, ethnic identity, religion or physical conditions shall be offered the same opportunities for development, and
- work for a more even gender balance and provide all employees with equal pay and conditions on equal terms.

Managers with responsibility for personnel at all levels are responsible for the gender work outlined in laws, agreements and Viking Line's equality policy.

## **Code of Conduct – Ethical rules and guidelines for Viking Line**

Viking Line's Code of Conduct is an important document for all employees in their everyday work. Everyone must study and comply with the ethical rules and guidelines in the Code of Conduct, which includes rules for how we shall treat each other internally and how we shall treat suppliers and customers.

There are clear rules here for how to act responsibly in society. We work against trafficking, prostitution, smuggling and other criminal acts in close collaboration with government authorities. If an employee or customer is suspected of breaking the law, employees shall report this at once to their immediate supervisor.

The Code of Conduct also includes rules concerning the environment, safety and security. Viking Line cares about the environment and provides maritime passenger transport in an environmentally-sensitive way. Everyone shall feel safe and secure on board Viking Line's vessels. Maritime safety and security are governed by our safety and security policy and have top priority in our operations.

## **Extensive management training for the land-based organization**

In April 2017, our land-based managers in Finland, Tallinn and Lübeck completed extensive leadership training for which there has been great demand. The training programme is linked to the One Viking/One Service project carried out earlier, which mostly involved shipboard personnel. Both projects have focused on the role of leadership in everything we do, externally and internally. The training programmes were conducted by the Finnish consulting firm Palmu.

With the modules Show Direction, Strengthen the Group Feeling, Active Communication, Organize the Work and Appreciate Employees, we covered the principles that apply to manager work at Viking Line in an effective way. Managers were divided into three groups – two in Helsinki, where the training was conducted in Finnish, and one in Åland, held in Swedish – a total of 55 managers with responsibility for personnel. Planning is under way for similar training for shipboard managers.

Through leadership, we want to create an open, stimulating, safe and pleasant atmosphere in which employee efforts are appreciated and recognized and where everyone is treated equally. Job rotation gives people an opportunity for change in their work. Viking Line also promotes wellness and satisfaction by encouraging and supporting meaningful leisure activities.

### Number of employees

During 2017, the average number of employees in the Viking Line Group was 2,746 (2,742). Shipboard personnel totaled 2,086 (2,082) and land-based personnel 660 (660). In addition to the Group's own employees, Viking XPRS was crewed by an average of 248 (250) people employed by a staffing company.

At the end of 2017, the Group had a total of 2,889 (2,982) employees, of whom 2,238 (2,317) resided in Finland. The number residing in Sweden was 527 (528). There were 116 (132) employees residing in Estonia and 8 (5) in other countries.

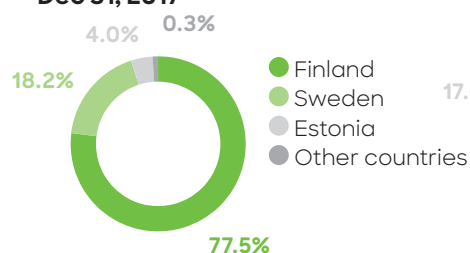
#### The Group, Dec 31, 2017

	Women	Men	Total
Board of Directors	1	6	7
Group Management team	0	5	5
Finnish flag	702	963	1,665
Swedish flag	153	284	437
Shipboard personnel	855	1,247	2,102
Finland	309	218	527
Sweden	111	58	169
Estonia	70	18	88
Germany	2	1	3
Land-based personnel	492	295	787
Group total	1,347	1,542	2,889

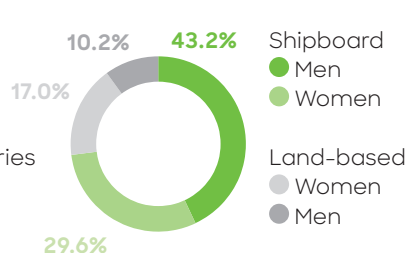
	Permanent staff	Temporary staff	Total
The Group, Dec 31, 2017			
Shipboard personnel	1,670	432	2,102
Land-based personnel	651	136	787
Total	2,321	568	2,889



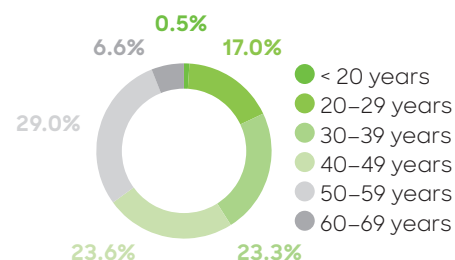
#### Employees' place of residence, Dec 31, 2017



#### Gender breakdown, Dec 31, 2017



#### Age distribution, Dec 31, 2017



# 42 professions

## Deck department

- 1. Master** vessel's senior officer and manager of the deck department
- 2. Chief officer** master's replacement, responsible for the vessel's loading and maintenance
- 3. Officer** officer of the watch on own watch
- 4. Route pilot** responsible for navigation when the vessel is in archipelagos or harbour areas
- 5. Boatswain** supervises deck crew
- 6. Deck repairman** performs work on the vessel's interiors
- 7. Able seaman** performs maintenance for the deck department and works with the vessel's mooring, loading and unloading
- 8. Watchman** keeps a lookout on board the vessel and conducts fire safety rounds
- 9. Nurse** provides health care service to employees (in an emergency, also to passengers)
- 10. Security manager** supervises the watchmen
- 11. Guard** maintains public order on board

## Engine department

- 12. Chief engineer** manages the vessel's engine department
- 13. Watchfree engineer** runs maintenance work in the engine department
- 14. Watch engineer** oversees the vessel's engines to ensure that they are working as they should together with the watchman
- 15. E/e officer** runs the work repairing and maintaining electrical installations
- 16. Electrician** performs maintenance on lifts and other electrical equipment on board
- 17. Communications technician** responsible for ensuring that communication equipment works
- 18. Motor repairman** performs engine maintenance together with the motorman
- 19. Motorman** performs engine maintenance together with the motor repairman
- 8. Watchman** performs machinery watch work together with the watch engineer, conducts fire safety and inspection rounds

## Service department

- 20. Intendant** manages the vessel's service department, responsible for commercial operations on board
- 21. Purser** responsible for administration on board, vessel's personnel officer
- 22. Catering supervisor** (staff planner) plans staffing and timetables
- 23. Catering specialist** (receptionist) manages information, cabin sales and foreign exchange operations

## Hotel operations

- 24. Hotel manager** responsible for the vessel's hotel operations
- 25. Chief steward** responsible for cleaning on the vessel
- 26. Catering steward** (cleaning) attends to our cabin passengers, takes part in cleaning cabins
- 27. Catering assistant** (cleaning) takes part in cleaning public areas



Along with traditional maritime jobs in operation and maintenance, Viking Line also provides jobs in other areas on board its vessels: in restaurants, shops, kitchens, hotels, entertainment, conference facilities, security and health care, to name a few. In all, more than 40 different occupational categories are employed on a vessel.





## Restaurant operations

- 28. Restaurant manager** manages the vessel's restaurant operations
- 29. Catering supervisor** (head waiter/ bartender) supervises restaurant/bar operations
- 26. Catering steward** (restaurant) serves our guests food and drinks
- 27. Catering assistant** (restaurant) assists in restaurant operations

## Entertainment operations

- 30. Cruise director** responsible for entertainment on board
- 31. AV technician** takes care of audiovisual facilities on board
- 32. Croupier** runs the vessel's gaming operations (casino and slot machines)
- 33. Compere** handles entertainment on board

## Kitchen operations

- 34. Chef** executive chef in the vessel's kitchen operations
- 35. Catering supervisor** (head cook/ head cold server) supervises hot/cold food operations
- 36. Catering specialist** (sous chef) leads team in hot/cold food operations
- 37. Cook** prepares food
- 38. Catering supervisor** (inventory manager) orders and takes delivery of food on board
- 27. Catering assistant** (kitchen) looks after the employee restaurant and does dishes

## Shopping operations

- 39. Shop manager** manages the vessel's shopping operations
- 40. Catering supervisor** (storekeeper) orders and takes delivery of goods on board
- 41. Catering specialist** (shopping host) makes proactive sales efforts among guests
- 26. Catering steward** (shop assistant) serves our shopping customers
- 42. Catering steward** (spa) provides spa treatments
- 27. Catering assistant** (assistant storekeeper) distributes goods on board and stocks shelves

The names of the professional categories above are used on vessels sailing under the Finnish flag.







# Comprehensive assessment of occupational health

**Under our Viking Health concept, we are investing in linking together our occupational health services, employee wellness programme, employee survey and workplace investigations in order to get a better overall assessment of employee health. Early preventive measures for good occupational health are emphasized in the guidelines for good occupational health of both the Finnish Institute of Occupational Health and the Social Insurance Institution of Finland.**

Through this link, all employees are given a health check-up that is adapted to their needs, and the Company gets a better overview of health, both by department and for the entire Company. It also gives us an opportunity to implement measures at an earlier stage to stimulate and encourage good occupational health.

## How it works

Employees are called in, one department at a time, for a check-up through our occupational health services provider, where they are interviewed about the state of their health and go through a question form that was filled in prior to their visit. Their blood pressure is taken and their height, weight, and waist are measured. An assessment is made as to whether a new, more in-depth check-up is needed. If necessary, they are referred to a doctor, physiotherapist and/or cognitive behaviour therapist. A workplace visit and risk assessment are carried out every three years.

This arrangement makes it easier to identify poor health in the group and find solutions. The objective is to ensure healthy and safe jobs, work environments and working relations as well as prevent health risks and injuries in conjunction with work.

This Viking Health concept was launched in Åland during the autumn of 2016, and in the autumn of 2017 the same concept was introduced in Helsinki, Turku and Tampere. Viking Line also has an in-house team with ten health coaches in Åland who encourage employees to be active through a variety of activities.

## Estonia and Finland – the KIVA team

In Helsinki, there is also a so-called KIVA (“Happiness together in our Vikings’ everyday work”) team that works with the Viking Health concept, organizing lectures and health- and sport-related activities for personnel. On one Feel Good Day with KIVA, an occupational psychologist lectured on the theme “Recovery and the importance of sleep for well-being and maintaining energy”. After the lecture, participants were invited to take part in Sleep School and a mindfulness workshop. KIVA has also arranged summer evenings with bocce ball, food and drinks as well as handed out a number of free tickets to an outdoor concert. During the autumn, yoga classes and gym breaks were also offered with an external instructor.

In Estonia, health check-ups are carried out every three years, as required by law. Various sport activities for employees are also subsidized. In addition, enjoyable events are arranged, with sport activities and refreshments afterwards.

## Pilot project in Sweden

The year started off with a pilot project launched in partnership with Worklife Barometer, together with a proactive tool, Howdy, that helps both individual employees and management to easily detect signs of imbalance and stress at an early stage. Employees can also receive individual help while their employer gets a monthly report on what well-being looks like in the department.

During the spring, a seminar was held for all employees with a focus on stress and a high workload. During the autumn,

an eight-week team competition was held in conjunction with the Motions Race, with employees competing individually and in teams to collect points for workouts and healthy choices, in their private life and at work. Random prizes were awarded during the course of the competition.

For Swedish land-based personnel, discussions to check up on employees are held on a continuing basis if they missed work three times within six months. “Feel good emails” are sent out with different themes in health and well-being. During the year, we continued to develop our Health Portal on our intranet.

## Employee survey

Based on the results from the 2017 employee survey, Group Management identified the following focus areas:

1. Monitoring of employee survey results for the Group’s different departments, with any measures taken reported back to Group Management on a quarterly basis.
2. Leadership, where the focus for land-based operations is the follow-up on efforts carried out in 2016 and 2017 and the focus on shipboard operations is the development and launch of similar management training in 2017–2018.
3. Well-being at work, with the content being “Jobs are meaningful and are carried out smoothly in a safe, secure workplace, where people’s health and opportunities to increase skills are promoted”. The underlying idea is that factors such as leadership, the physical and psychological work environment, occupational health services and wellness activities promote well-being at work.



# A safe and healthy work environment

**Viking Line strives to continuously improve the work environment in order to create a pleasant, stimulating setting for employees. Our occupational health and safety activities shall ensure a safe and healthy work environment that promotes good physical and mental health for all of the Group's employees.**

We want to prevent occupational injuries, reduce work-related absences due to illness and work actively with rehabilitation at as early a stage as possible. Occupational health and safety activities are regulated by the Group's occupational safety policy as well as by laws and other regulations in effect.

## **The work environment on board our vessels**

Anne Aller has worked as a nurse on board Amorella since 1997. Her duties include staffing the sickroom, providing occupational health services for the staff on board and helping the vessel's passengers in a medical emergency. Anne is also a member of the vessel's occupational safety organization and supports the vessel's supervisors in rehabilitation matters.

## **Workplace accidents**

The nurse on board is almost always involved when there has been a workplace accident on board. What kind of workplace accidents do you come across most often?

- Most workplace accidents that occur on board are in the category of minor accidents. They mostly involve wounds caused by sharp objects, minor strains (to arms, shoulders, legs) and accidents from slipping. There are, on average, only a couple of more serious accidents every year.

Are there any underlying reasons for the accidents that occur more often than others?

- Rushing is frequently a cause. There is also an increased risk of accidents in rough seas.

## **Reporting workplace accidents**

How do you report workplace accidents?

- Workplace accidents are reported to our insurance company and, if necessary, an incident report is filed using the Company's electronic reporting system.

Are the workplace accidents that occur on board discussed in any way?

- Usually, the nurse discusses the accident with the supervisor right after it occurs. Workplace accidents are also handled in the occupational health and safety organization. Incident reports are examined by the vessel's management team during meetings that are regularly held on board.

What do you do on board if you notice that the same kind of accident occurs on a more regular basis?

- The nurse usually brings up the issue, especially if staff in different departments happen to have accidents in a place that is not directly part of their own workplace. The supervisor of the department in question and the employees affected take part in the investigation. If the department supervisor cannot address the problem him- or herself, there is a documented process at the Company with people in charge either in the shipboard or land-based organization who should be contacted.

## **Safety-conscious employees**

What is the attitude of employees to occupational safety at present?

- Employee awareness on these matters has increased significantly in the past five years. As a result, employees themselves take initiative to improve safety in the workplace.

What do you think is important in the work to prevent workplace accidents?

- That new employees get a good introduction,

- that people use appropriate and fully functioning protective equipment,  
- that up-to-date safety information is readily available in the different departments,  
- that facilities are properly maintained,

- that safety-mindedness is clearly seen in the everyday work, and

- that people file incident reports in order to learn from what occurred and as a result can prevent similar accidents from recurring. One of the benefits of the Company's electronic incident reporting system is that people on the Group's different vessels can learn from each other's reports.

## **Viking Line trains suppliers in occupational safety**

Viking Line has created an online occupational safety training programme for suppliers that carry out work on board the Group's vessels. Through this training, suppliers are provided with information about rules that must be followed in order to ensure occupational safety for everyone affected in the shared workplace. Viking Line requires the supervisor who will manage the work on board to complete this training but also wants all employees involved to carry out the training. Most suppliers have chosen to have all their employees involved complete the training. Viking Line's employees also complete the training when they take part in the work being carried out by the supplier. The training programme was launched in the autumn of 2016 and through December 2017, a total of 387 training certificates were issued as proof of satisfactory completion.



#### Accidents and absence from work, vessels with Finnish flag

	2017	2016	2015
Average number of employees	1,621	1,628	1,620
Accidents reported for shipboard employees			
On the job	254	304	258
During their time off	140	134	147
Total	394	438	405

#### Causing an absence from work (% of accidents)

0 days	76%	73%	71%
1-6 days	7%	8%	7%
7-30 days	12%	13%	18%
> 30 days	5%	6%	4%

#### Causing an absence from work (% of accidents during their time off)\*

0 days	62%	36%	47%
1-6 days	4%	9%	7%
7-30 days	25%	42%	32%
> 30 days	9%	13%	14%

\* Accidents during an employee's time off while on board the vessel are included.





# Safety and security on board always have top priority

Viking Line is responsible for the safety and security of both passengers and employees, and the Company's top priority is to create a safe, secure journey for each passenger. Through international regulations such as SOLAS, STCW, ISMC, MARPOL and ISPS and through its cooperation with various authorities, the Company carries out systematic work to identify potential risk situations and thus prevent accidents. The staff's knowledge and efforts are crucial to safety and security work. Continuous training of the vessel crews is carried out on board in order to maintain and improve their skills in safety and security.

Viking Line's objective is to have all passengers and employees feel safe and secure on board its vessels and in its terminals. Safety and security efforts are based on operating vessels in compliance with the prevailing regulations and standards, both national and international, as well as internal monitoring and regulatory oversight. Processes and procedures are all developed on a continuous basis through the Company's safety and security management system.

## 3,895 exercises in safety and security

In 2017, a total of 3,895 exercises in safety and security were carried out on board our seven vessels. Every week, fire safety, evacuation, rescue and security exercises are conducted on board all the vessels. In addition, special exercises are carried out with varying frequency, as are large-scale exercises on each vessel four times a year. The entire crew takes part on these occasions.

Viking Line maintains continuous cooperation with maritime rescue organizations, fire brigades, police, customs, border control authorities and national emergency response forces, in order to quickly and efficiently obtain adequate

information during any emergency situations. Other activities, including training with the border control authorities' maritime vessel and helicopter units, are carried out in conjunction with the exercises.

## The safety organization on board

The master of the vessel has the main responsibility for safety on board, and all crew members have been well trained in their safety organization duties. The crew is divided into groups with different areas of responsibility, such as evacuation, first aid, fire-fighting and information. It is mandatory for all employees to take part in safety exercises. The vessels' sick rooms have trained nurses and are outfitted with special equipment to provide care in a medical emergency.

The land-based organization is also prepared for emergency situations and can assist the vessels in taking care of passengers and crew members.

## Thorough vessel inspections

On-board safety equipment is checked daily. Maritime authorities inspect the vessels and check their safety procedures at least once a year. Before every departure, the ship's officers go through a checklist to verify that the vessel is seaworthy. Among other things, they make sure that hatches, doors and ramps are securely shut and that all navigation instruments are operational.

The loading of motor vehicles on board the car deck is strictly controlled and both the car deck and public areas are continuously monitored by the camera surveillance system, while guards make regular rounds during the voyage.

## Nordic cooperation

Viking Line collaborates with community groups, government authorities and other shipping companies in our maritime safety work to ensure broad agreement on maritime safety issues. One such effort is NORDKOMPASS, a Nordic forum for passenger ship owners. The forum's objective is to collaborate on various maritime safety issues in Nor-

dic passenger ship operations. In case of emergency, Viking Line also works in collaboration with the Red Cross in Finland and Sweden.

## Mutual Trust project

Mutual Trust is a project to improve collaboration between organizations for people with disabilities, rescue authorities, and transport operators. On April 26 and May 18, Mutual Trust arranged a day of exercises with Meriturva, a training centre for maritime safety in Lohja, Finland. Viking Line and two other shipping companies took part, together with people with various disabilities. On October 31, Mutual Trust took part in Mariella's large-scale exercise in Stockholm, and personnel took part in the exercise along with the project's partners.

The aim is to improve shipping companies' knowledge about how to deal with and rescue passengers with disabilities but also to prepare people with disabilities themselves for different emergency situations. Mutual Trust is administered by the Federation of Swedish-Speaking Disabled in Finland and is funded by the Finnish gaming company Veikkaus. President Sauli Niinistö serves as the project's patron.

## Advisory board for security issues

Viking Line has a zero vision for crime on board and works continuously to increase the security of all passengers on our vessels. As in society in general, the vulnerability of women and the risk of sexual assault are priority issues. As part of this work, in 2017 Viking Line received help from a group of independent experts from different fields who formed an advisory board. They will contribute to Viking Line's continued work with security issues in conjunction with the Group's own security council.

## Award for security work

Viking Line received the Swedish security industry's major Security Award 2017 for its work to increase security on board, especially for women. The measures introduced applied mainly to Viking



Cinderella and include the appointment of a security council, expanded ID checks, the closing of alcohol sales in the tax- and duty-free shop on weekend

“

## Viking Line received the Security Award 2017

nights, training from STAD, the Stockholm centre for prevention of alcohol and drug abuse, and increased camera surveillance. The award is in recognition of the fact that the long-term work we carry out has produced results.

### Responsible alcohol sales

During the spring, 90 people from Viking Cinderella completed training with STAD, which provided basic knowledge about alcohol laws, the effects of alcohol,

drugs, intoxication assessment and conflict management. The training makes it easier for them to assess how a person acts at different levels of intoxication, and the staff have taken the initiative to maintain a closer and more frequent dialogue on these issues. Incidents that may be problematic are reported for preventive purposes. The security of guests always takes precedence over sales.

<b>ISMC</b>	International Safety Management Code
<b>ISPS</b>	International Ship and Port Facility Security Code
<b>MARPOL</b>	International Convention for the Prevention of Pollution from Ships
<b>SOLAS</b>	Safety Of Life At Sea
<b>STCW</b>	Standards of Training, Certification and Watchkeeping for Seafarers



Safety inspector Juri Jalava, press manager Eleonora Hansi and security manager Jonas Wallenberg receive the Security Award 2017.

# Our environmental work

**In 2017, Viking Line worked intensively with concrete environmental issues to reduce our impact on the Baltic Sea and its valuable archipelagos. During the summer, we signed a contract for another environmentally efficient vessel, modelled on Viking Grace. We were successful in carrying out our own sorting of waste on Mariella during the dry-docking work. On board as well, the focus was on our green approach, including a plant-based menu and the Sea Lab concept.**

Viking Line is working to ensure that the Baltic Sea and its valuable archipelagos are conserved for future generations.

For many years, we have set stringent requirements for more environmentally sound technology, implemented fuel-saving programmes and introduced new environmentally sound concepts on board.

National legislation and international agreements are the basis for the Group's environmental work. The most extensive set of environmental protection regulations is the International Convention for the Prevention of Pollution from Ships (MARPOL 73/78), which was devised by the International Maritime Organization (IMO), a United Nations agency.

At Viking Line, we have pro-actively developed our environmental work for many years so that today we do more than international agreements and national laws require of us. We work in-

tensely with an in-house programme to reduce exhaust gas emissions through energy efficiency measures. In this programme, vessel operating staff and the Group's technical department are working to introduce new fuel-efficient operating methods, install new and more energy-efficient technology, reduce the vessels' hydrodynamic resistance and recover energy.

All of Viking Line's own vessels, the Group's Head Office, and the subsidiary Viking Line Buss Ab are certified in compliance with ISO 14001 environmental management standards. In addition, the Viking Line organization and all vessels are certified according to the International Safety Management (ISM) Code, which stipulates organizational rules for safe vessel operation and for preventing pollution.



## Regular environmental audits

The independent certification body DNV GL performs yearly external audits of the environmental management system in order to verify compliance with the established objectives. In addition, the Finnish, Swedish and Estonian regulatory authorities perform continuous ISM Code-related audits connected to both safety and environmental work.

All of Viking Line's own vessels, the Group's Head Office, and the subsidiary Viking Line Buss Ab are certified in compliance with ISO 14001 environmental management standards.

# Viking Line's environmental pioneers

Viking Line is at the forefront of environmental advances on the Baltic Sea. In 2013 came Viking Grace, which has attracted global attention as the first large LNG-powered passenger vessel. Since then, the Company has been planning for the next LNG-powered vessel, with the objective being to further reduce our environmental impact on this sensitive archipelago environment.

## The new energy-efficient vessel

As early as March 2015, planning began on a new vessel in conjunction with the EU project Motorways of the Sea. It will be modelled on Viking Grace, but the objective is to build an even more energy-efficient vessel. The new vessel will be longer and wider than Viking Grace but 10 per cent more energy-efficient. The newbuilding will be 20 per cent more energy-efficient per load unit than Viking Grace. The vessel will be equipped with rotor sails and have a

number of different innovative solutions to save energy. It will have a length of 218 metres, gross registered tonnage of 63,000 tonnes and capacity for 2,800 passengers. The length of the cargo lanes is 1,500 metres. The contract entered into force in July, and delivery of the new vessel is planned for 2020.

## Newbuilding with Finnish-Swedish EU project

A special priority of the Connecting Europe Facility (CEF), which strives to promote green, robust, attractive and efficient maritime traffic links integrated throughout the transport chain, is Motorways of the Sea (MoS). MoS are the maritime pillar of the Trans-European Transport Network (TEN-T).

Viking Line, together with the Port of Turku, Ports of Stockholm and the Port of Mariehamn, has been granted EU funding from CEF for their collaborative NextGen Link project. The project

entails an upgrade of maritime transport links between Turku, Mariehamn and Stockholm with a new vessel that runs on liquefied natural gas (LNG) as well as infrastructure improvements in the ports. The project is in line with the EU's TEN-T priorities since it contributes to increased use of more sustainable vessel fuel and thus reduced emissions while also improving logistics in the link between Turku and Stockholm and making them more efficient.

The Turku-Mariehamn-Stockholm link is located in the so-called Scandinavian-Mediterranean Core Network Corridor, a transport corridor identified by the EU as being a special priority under the framework for TEN-T. The EU project, which is led by the Port of Turku, will run from 2017 to 2020. Funding for the collaborative NextGen Link project will be a maximum of 12.7 million euros.



**Co-financed by the European Union**  
Connecting Europe Facility





# Environmental measures in 2017

## EU system for monitoring, reporting and verification (MRV) of carbon dioxide emissions

The EU has introduced requirements for the monitoring, reporting and verification of carbon dioxide emissions from large vessels (more than 5,000 gross tonnes) that serve EU ports. Vessel owners must report the amount of carbon dioxide emitted on sailings to, from and between ports within the EU. The first reporting period will begin on January 1, 2018.

In 2017, Viking Line, in partnership with the company Blueflow, installed Blueflow's Energy Management System on all vessels. The system is adapted to meet the requirements the EU sets for reporting carbon dioxide emissions, but it also serves as a tool in the everyday work to save fuel.

## Viking Grace's energy recovery

Viking Grace is the first vessel to use Climeon's Ocean Marine energy recovery system. Through a unique vacuum process, heat is converted into electricity. In 2017, waste heat from the vessel's engines was converted into 483,700 kWh of clean, emission-free electricity. This electricity is used mostly in our on-board hotel operations, including for lighting.

## Ballast Water Management Convention

On September 8, 2017, the international Ballast Water Management Convention entered into force. The aim of the convention is to prevent the spread of harmful aquatic organisms in ballast water from vessels. When a vessel is not fully loaded, ballast water is pumped on board into special tanks to stabilize the vessel and get it to lie deep enough in the water. In 2017, all of Viking Line's vessels received ballast water certificates as proof that the vessels comply with convention requirements.

## Viking XPRS's fuel saving

During its dry-docking in early 2017, Viking XPRS's rudder and propeller system was upgraded with a Rolls-Royce Promas Lite propulsion system and installation of propeller blades with a new design. The aim of the upgrade is to reduce fuel consumption by integrating the construction of the rudder and propeller system. In 2017, fuel consumption for propulsion was cut by about 13 per cent compared to 2016 and by about 11 per cent compared to 2015.

## Land-based power supply

By using a land-based power supply, in 2017 we saved 646 tonnes of fuel on Gabriella and 411 tonnes on Mariella. The amount of fuel consumed in operations corresponds to 3,400 tonnes of CO<sub>2</sub> emissions.

## Clean Shipping Index

In late 2017, the environmental performance of four of the Company's vessels – Viking Grace (CSI 5), Mariella (CSI 4), Viking Cinderella (CSI 4) and Gabriella (CSI 3) – was verified in accordance with the Clean Shipping Index verification guidelines, with CSI 5 being the highest level. In the Clean Shipping Index, points are awarded for the vessel's environmental performance in five categories (nitrogen oxides, sulphur oxides, carbon dioxide, chemicals, and water and waste). The index is designed so that vessels receive more points if they do more than regulations require.



## Recycled from vessels in 2017

### 20 tonnes of plastic

– equivalent to a 34 tonne reduction in CO<sub>2</sub> emissions – comparable to driving a car 180,880 km on a motorway

### 1,500 tonnes of used oils

– equivalent to a 2,600 tonne reduction in CO<sub>2</sub> emissions – comparable to driving a car 13,832,000 km on a motorway

### 423 tonnes of glass packaging

When recycled glass is melted down to make new glass, the process consumes 20 per cent less energy than starting from sand, soda ash and limestone as raw materials. Glass packaging can be recycled any number of times without deteriorating in quality.

### Recycling of materials is very beneficial to the environment

Greater recycling reduces our climate impact. It requires much less energy to recycle materials than to extract new ones from nature. Eco-cycles benefit the climate.

During 2017, Viking Line brought ashore a total of 1,141 tonnes of food waste from Viking XPRS, Viking Grace and Mariella for biogas production. This yielded 86,000 cubic metres of biogas, equivalent to 97,000 litres of petrol. Biogas production neither increases atmospheric carbon dioxide levels nor contributes to the greenhouse effect. Biogas is thus usually described as carbon dioxide-neutral.

During 2017, Viking Line served 6,170,571 cups of organically grown coffee on board its vessels. Organic cultivation means that the beans are grown amid rich biological diversity and without artificial fertilizers, chemical pesticides or genetic manipulation.



### 87 tonnes of scrap metal

Recycling of steel, for example from food tins, consumes 75 per cent less energy than production from iron ore.

### 633 tonnes of paper and cardboard

Because of recycling, we do not need to cut down as many new trees. A tonne of recycled paper is equivalent to about 14 trees. Paper can be recycled around seven times.

# Environmental figures

## VIKING LINE'S VESSELS

	2017	2016	2015
<b>Volumes</b>			
Passengers	6,881,149	6,502,191	6,568,684
Cars	762,253	682,194	649,327
Cargo units	127,668	131,918	133,163
Total distance (000 km)	1,135	1,130	1,138
<b>Resource consumption</b>			
Fuel oil (tonnes)	77,676	79,709	80,701
Lubricating oil (m <sup>3</sup> )	747	648	620
Urea (m <sup>3</sup> )	289	446	284
Fresh water (m <sup>3</sup> )	324,874	327,059	331,736
LNG (tonnes)	15,172	14,960	15,480
<b>Emissions (tonnes)</b>			
Nitrogen oxides (NO <sub>x</sub> )	3,175	3,230	3,218
Sulphur oxides (SO <sub>x</sub> )	73	75	76
Carbon dioxide (CO <sub>2</sub> )	287,204	289,508	286,797
<b>Residual products (tonnes)</b>			
Solid waste for combustion	3,025	2,959	3,138
Waste sent to landfills	165	143	158
Waste for recycling	1,434	1,491	1,565
Biowaste	1,141	1,022	1,042
Hazardous waste	55	55	67
<b>Wastewater pumped ashore (m<sup>3</sup>)</b>			
Grey and black water	293,576	292,528	294,364
Bilge water	8,349	7,795	8,423
<b>Waste oil (m<sup>3</sup>)</b>			
	1,775	1,943	2,506

Viking FSTR, which was chartered during the period April 10–October 16, 2017, is not included in the above figures.

## VIKING LINE BUSS AB

	2017	2016	2015
Number of kilometres driven	787,475	781,892	790,737
Amount of diesel consumed (litres)	247,441	247,152	244,815
Water use (m <sup>3</sup> )	351	377	350
Garage's electrical consumption (kWh)	60,038	61,756	47,015

## Nitrogen oxides (NO<sub>x</sub>)

Nitrogen oxides is an umbrella term for nitric oxide and nitrogen dioxide, which form when oxygen in the air and nitrogen react at high temperatures. Nitrogen oxide emissions are thus closely linked to combustion processes. Nitrogen oxides are toxic and also damage the ozone layer together with organic pollutants (Swedish Environmental Protection Agency).

## Sulphur oxides (SO<sub>x</sub>)

Sulphur dioxide is a colourless gas that causes coughing. It is produced in the burning of fossil fuels and other materials containing sulphur but also through natural processes, such as volcanic eruptions. Sulphur dioxide is oxidized in the atmosphere and forms sulphuric acid, which contributes to acidification (Swedish Environmental Protection Agency).

## Carbon dioxide (CO<sub>2</sub>)

The main cause of global warming is the change in the chemical composition of the atmosphere caused by humans through the emission of greenhouse gases, primarily carbon dioxide. Greenhouse gases enhance the ability of the atmosphere to capture and recycle energy emitted by the Earth's surface, thereby reinforcing the so-called greenhouse effect (Swedish Environmental Protection Agency).

A vessel generates three main kinds of wastewater – grey water from showers and other washing activity, black water from toilets, and bilge water that is separated from water in engine rooms and contains traces of oil.







# Mariella – own waste sorting during dry-docking

During Mariella's dry-docking in September 2017, waste sorting was handled by Viking Line's own staff. There was already a sorting team set up for previous vessel dry-dockings consisting of staff from our vessels who showed a keen interest in this work. It is important that team members are motivated, since sorting is demanding work.

Prior to Mariella's dry-docking, we entered into a direct agreement with a waste management company (Lassila & Tikanoja) for the first time, which gave us an opportunity to sort waste even more carefully than previously.

## Logistics puzzle

The people sorting waste worked on the car deck, and logistics groups brought their waste here from different parts of

the vessel. It was brought to the sorting facilities in two ways: large-scale waste was hoisted by crane via the gangway openings, while smaller items were transported to the car deck by elevator. On the gangway, hoisting was coordinated by a person in charge of the crane with the help of assistants.

The logistics groups and sub-contractors sorted as much of the waste as possible in advance before it was transported to the car deck for final sorting. The waste was then sorted so that waste from a cabinet, for instance, was separated into five different kinds of waste: wood, plastic, glass, electronic and metal. There were a total of 15 types of waste. Metal could be divided into precious metal, stainless steel, clean metal and dirty metal with remnants

of some other type of material such as wool, plastic or wood.

## Viking Line first to do its own sorting

The collaboration between Lassila & Tikanoja and the sorting staff ran smoothly. Without this, all the waste would have been classified as mixed waste. Lassila & Tikanoja were so impressed with the sorting team's work that they asked if they could come visit to see how the sorting process was handled on board. According to staff at the Turku Repair Yard in Naantali, Finland, Viking Line is the first customer to sort its waste in this way.



## Loads of waste transported from the shipyard:

Metal 10,920 kg  
Energy waste 5,560 kg  
Wood 13,100 kg  
Concrete 12,880 kg  
Construction waste 3,480 kg  
Bulk waste (unsorted) 4,480 kg  
Stainless steel 1,520 kg  
Cardboard 1,400 kg

## Hazardous waste:

Electric and electronic waste 679 kg  
Paint 1,080 kg  
Copper cable 258 kg  
Solid oil 87 kg  
Fluorescent tubes 22 kg  
Swimming pool sand, about 1,100 kg

Another 10,000 kg of energy waste and 2,000 kg of unsorted waste in connection with the dry-docking were transported from the vessel in Helsinki.

# Better comfort and great energy savings

**Viking Line works continuously with different projects to achieve the greatest energy savings possible. One example is the upgrade of the heating control system on board Viking Cinderella and Rosella.**

By introducing new systems that regulate heating and cooling, the two vessels together save about 1,665 tonnes of fuel a year. To get a sense of how much this is, one could say it is equivalent to about 45 trailer trucks loaded with oil. A normal-size house consumes about 2 tonnes of oil a year. So all technological advances used on the vessels entail major environmental improvements.

## A brilliant example

The projects on Viking Cinderella are a good example of how dramatically we have reduced energy consumption and emissions through a mix of measures and investments.

The basic project for a new ventilation control system on board was carried out in 2015–2017. Now the ventilation on board is controlled so that heating and

cooling are used where they are needed. That means:

- an energy saving of about 30 per cent for ventilation,
- better comfort and a better indoor environment for both passengers and crew in public areas and cabins, and
- a more even flow of air and thus a more even temperature.

Other projects under way on board Viking Cinderella include the replacement of fluorescent tubes with LED spotlights, especially in cabin corridors, which are lit around the clock. The timetable has also been adjusted to reduce fuel consumption.

“We are continually looking at new projects to save energy”, says chief engineer Benny Karlström.

## Better air on Rosella

Since the project on board Viking Cinderella has been so successful, a similar project is being carried out on Rosella.

“The customer experience will be much better”, says chief engineer John Lundqvist. “Now that we can monitor and regulate the ventilation, there will be better air quality on board and since

the temperature will be more even, we will minimize the experience of draughts and also warm stuffy air.”

The energy saving for the ventilation facilities on Rosella is estimated to be about 45 per cent, which corresponds to about 550 tonnes of fuel a year. On Rosella, there are naturally also more projects under way. Here too, work is being carried out to switch to LED lighting.

## Land-based power at night

Beginning in 2018, Rosella will be able to get its electricity from a land-based power supply at night. Preparations have been made on board, with new cables and breakers.

“We are ready on board and are now just waiting for everything to be ready in port so that we can connect to land”, notes John Lundqvist. “The advantages of land-based power are the saving of fuel and operating hours as well as no exhaust emissions being produced by the vessel. It will also be quieter in the machine room and in the harbour area.”





# Sea Laboratory – for the youngest family members

What is the health of the Baltic Sea like? As part of Viking Line's involvement in the centenary celebration of Finland's independence, during the summer, we arranged a children's programme on board our vessels connected to the health of the Baltic Sea. The programme was enormously popular.

The University of Helsinki assisted in developing a sea laboratory in which children could learn more about the Baltic Sea and its condition. Åsa Hägg, a biologist and curator at the Åland Hunting and Fishing Museum in Eckerö, was Viking Line's contact person in this partnership.

"The Sea Lab was adapted for school-age children on board the vessels,

where both children and their parents had a chance to learn more about our sea", Åsa Hägg notes. It offered a number of experiments and studies. This past summer, the children's quiz also had questions about the Baltic Sea connected with the Sea Lab. We also had a fishing net hanging on the wall with different things so that people could think about it and discuss what does not belong in the Baltic Sea", Åsa Hägg adds.

What were the most interesting aspects?

"I think the best things were them seeing, doing and learning and getting to experience and think for themselves. The important thing for all ages is to

learn and understand how things are interconnected and to take a closer look at mussels, jellyfish and small animals, respect them and learn about the environment that they and we want to live in. What do they need to be healthy? How do we achieve this? I think we should stimulate people's curiosity and wonder of nature, not just talk about environmental problems."



# Spring & Green – our plant-based menu

Environmental issues are integral to almost everything at Viking Line, including the restaurants and the menus served on board. Taking advantage of nature's bounty and using local ingredients are increasingly the obvious approach to take. The Spring & Green menu this past spring was entirely plant-based, in order to show that it is possible to create a tasty green menu that everyone can enjoy – even people who otherwise eat fish and meat.

The Spring & Green menu was served in the à la carte restaurants in April and May. The menu mixed lacto-ovo vegetarian, vegetarian and vegan dishes, which were developed by our own chefs in an in-house competition. Their

assignment was to be creative with the fine ingredients found in our Nordic nature.

## Chefs' competition

Of the 67 recipes submitted, the jury selected 19 vegetarian and vegan starters, main courses and desserts for the final round. The jury was impressed by the entries submitted by Viking Line's chefs. It was not an easy job to choose six dishes from the 19 masterpieces that were served, but they were successful in the end. The Company's executive chef, Bengt Mattsson, was pleased that so many people were involved in enhancing the quality of food at Viking Line.



## Winning Spring & Green menu

### Starters

Roasted asparagus, pickled asparagus, nettle pesto, lemon foam and roasted hazelnuts (Vegan)

Lemon-sesame-wasabi tofu tataki with cellophane noodles and cucumber salad (Vegan)

### Main courses

Rye polenta, Västerbotten cheese, stuffed spring cabbage and dark caraway sauce (Vegetarian)

Crispy seitan, homemade vegan fresh cheese, smoked aubergine, walnut and red chilli pepper purée, pomegranate and roasted onion gravy (Vegan)

### Desserts

Apple parfait with white chocolate and camomile (Vegetarian)

Almond milk foam, rhubarb sorbet, sugared rhubarb, almond caramel and roasted almond (Vegan)

## Did you know that...

- On the whole, only reusable containers made of porcelain, glass or melamine are used for serving on board.
- The non-reusable dishes used, for instance, in the buffet restaurants are made from either corn or cellulose.
- Takeaway cups in the vessels' cafeterias are either paper cups with the Nordic Swan ecolabel or PEFC-certified\* hot beverage cups.
- The conference facilities on board the vessels serve organically grown coffee and different teas provided by tea suppliers or plantations certified under Social Accountability or Rainforest Alliance standards. Sugar cubes are served with coffee and tea and not sugar in individual packets.

\* PEFC = Programme for the Endorsement of Forest Certification

\*\* MSC = Marine Stewardship Council

- Volume products such as cream, butter, yoghurt and eggs that are served on board our vessels are all locally sourced from Finland. Milk and potatoes are sourced from Finland and Sweden.
- For a decade, all herring served on board has been MSC-certified\*\*.
- Food waste is controlled on board in part by offering single-portion servings in the buffet restaurants. In the cafeterias, sandwiches are made on the spot to better meet actual demand.





# Finland centenary – Company's efforts focused on a cleaner Baltic Sea

In 2017, Viking Line took part in the centenary celebration of Finland's independence, in part by raising funds for Baltic Sea research. The anniversary theme was Finland's 100 years of independence, and the focus of the Company's involvement was the well-being of the Baltic Sea. During the year, this Baltic Sea theme was visible in the Group's operations in many ways.



## Donation to four environmental organizations

Since 2014, Viking Line has run a campaign in which it donates some of the revenue generated from the sale of plastic carrier bags in the shops on board to environmental work in the Baltic Sea. The bags, which are made of renewable plastic, were given a brand-new design during the year, and in 2017, we chose to donate 40,000 euros to four environmental organizations: the Baltic Sea Action Group (BSAG), the Keep the Archipelago Tidy Foundation in Finland, the John Nurminen Foundation and the Baltic Sea Fund. We want to emphasize the importance of benefits of working directly with these environmental organizations, since they work with great focus to achieve visible and concrete results in the local environment. This donation is used, among other things, for information campaigns, environmental

work and the maintenance of recycling centres and lavatories in the Baltic archipelagos.

## 150 ideas for the Baltic Sea

In conjunction with the centenary of Finland's independence and our Baltic Sea theme, in March, Viking Line launched an environmental competition for all employees. Among the 150 different ideas we received for how we can further develop Viking Line's environmental work were ideas to improve recycling opportunities, minimize print-outs and reduce electricity consumption by switching to LED lights.

Adam Palm won with his suggestion for more sensible passport control for day visitors on our vessels. Instead of printing out visitor cards for all potential visitors in advance, we print them out when the visitor shows up, so there is less waste and less of an environmental impact as a result. Second place went to Jaakko Halsinaho and his idea to replace plastic straws with spaghetti, that is, straws made of pasta. Third place went to Gun Eskills, Karoliina Saxman and Tarja Lilja and their suggestions for how to reduce food waste in the buffet restaurants.

## Centenary cruise for the benefit of the Baltic Sea

The centenary celebration reached its climax with a cruise on Viking Grace August 26–27 – one hundred days before the centenary of Finland's independence. Our partners, customers, government authorities and the press took part. The main theme of the jam-packed programme was conservation of the Baltic Sea. The key speaker was Bruce Oreck, former US ambassador to Finland, who has worked with concrete measures to help the environment and spurred Finnish companies to use renewable and alternative energy sources.

Other speakers included Alf Norkko, professor at the Tvärminne Zoological Station. Representatives of the environmental organizations the Baltic Sea Action Group, the Keep the Archipelago Tidy Association in Finland, the John Nurminen Foundation and the Baltic Sea fund also attended.





### 50,000 euros to the University of Helsinki

In 2017, the Group raised 50,000 euros through various activities for the Tvärminne Zoological Station, which is the largest centre for Baltic Sea research and education in Finland. The long-term work to improve the condition of the Baltic Sea has begun to yield results, but a great deal of basic research is still needed.

The University of Helsinki conducts important research on the Baltic Sea. This donation supports maritime research at the Tvärminne Zoological Station, which is run by the university. The station conducts research on topics such as biodiversity and the ecosystem as well as the effects of human activity on the Baltic Sea. In 2016, Viking Line donated 100,000 euros to the station. Combined with its 50,000 euro contribution in 2017, Viking Line's donations have enabled the university to hire another researcher for three years in this important work for the Baltic Sea.



"The public takes an active interest in the condition of the Baltic Sea, and the long-term work to reduce nutrient discharges is starting to yield results. This is extremely good news and encourages us to continue our efforts. With climate change, the ecosystem

is changing all the time, and we must continuously carry out top-quality basic research in order to answer the questions of the future. So it is crucial to have funding for basic research", says Alf Norkko, a professor in Baltic Sea research.



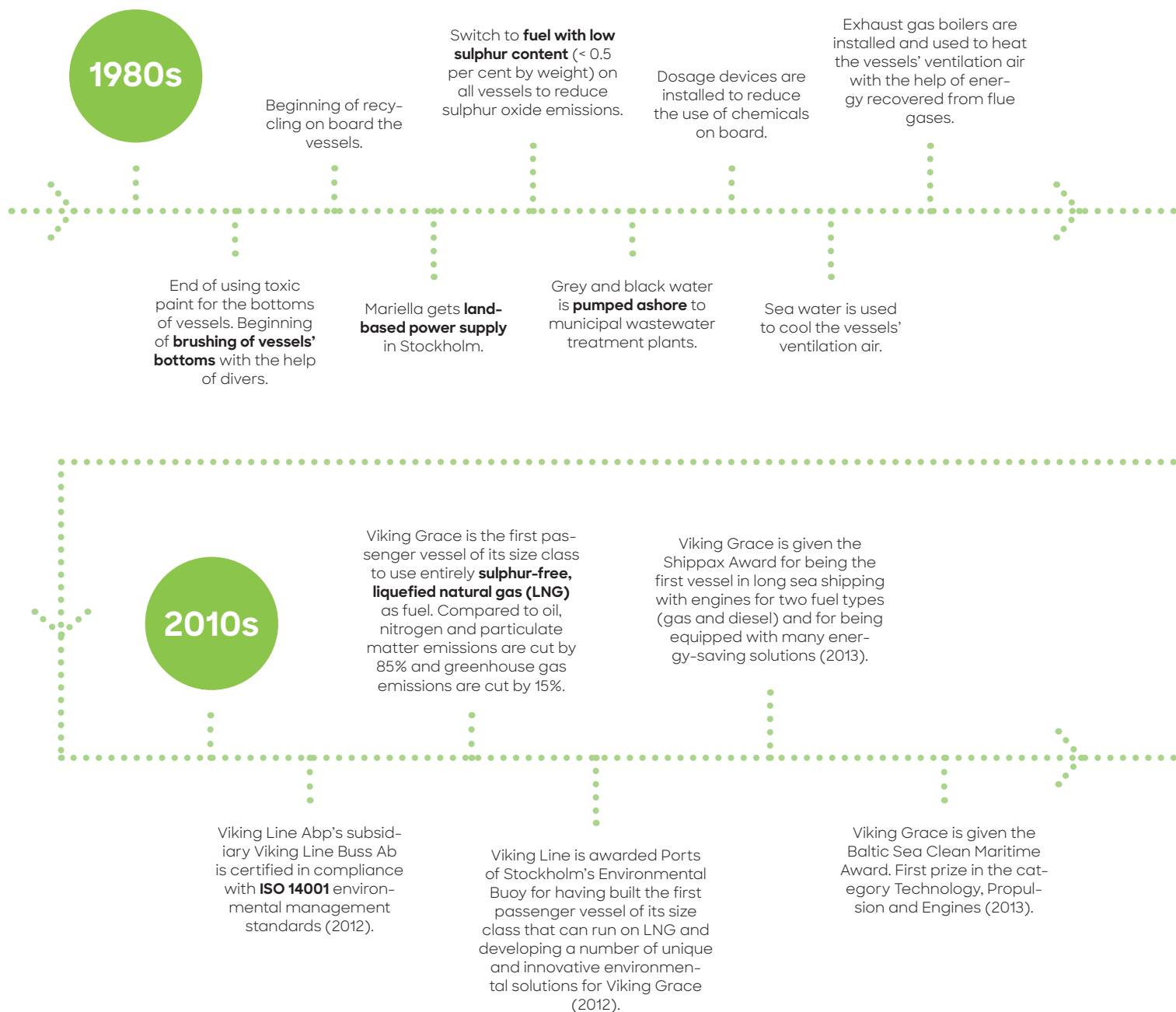
### Viking Line a Platinum partner for Pommern

The four-masted barque Pommern is an impressive sight where it lies moored in Mariehamn's Västerhamn port next to the Åland Maritime Museum. In September 2016, the vessel was closed to visitors and extensive renovation work began.

In May 2019, the newly renovated Pommern will be inaugurated under the theme "Pommern – 100 Days

under Sail". Viking Line is the project's largest sponsor and thus a Platinum partner. The exhibition will bring the vessel to life and highlight the crew's own stories. Changing weather conditions, from calm seas to a fresh breeze to full storm, will be staged using advanced light and sound technology, providing brand-new dimensions of the experiences on board.

# Technical solutions and environmental measures



2000s

**Humid air motor (HAM) technology** is installed on Mariella. HAM is the only method of its kind in the world and reduces nitrogen oxide emissions by reducing the combustion temperature of the vessel's main engines.

The Company is awarded Ports of Stockholm's Environmental Buoy for the Company's active and focused environmental work over many years and in many areas, especially to reduce sulphur oxide and nitrogen oxide emissions (2002).

Processed bilge water is **pumped ashore** to municipal wastewater treatment plants.

All vessels and the main office are certified in compliance with **ISO 14001** environmental management standards (2001–2002).

The Company is given the Seatrade Award for its installation of HAM technology (2000).

**Catalytic (SCR) converters** are installed on Viking Cinderella to reduce nitrogen oxide emissions.

Recycling of biowaste begins on Viking XPRS (2008), Mariella (2010) and Viking Grace (2013). The biowaste is transported to anaerobic digestion facilities to produce biogas.

Mariella gets **land-based power supply** in Helsinki. Gabriella gets **land-based power supply** both in Helsinki and Stockholm.

In late 2014, all of Viking Line's vessels except Viking Grace switch to **diesel oil** with a sulphur content of less than 0.1 per cent by weight.

The **Ocean Marine energy recovery system** is installed on Viking Grace. Heat is converted into electricity using a unique vacuum process.

The Company is given the 2014 Skål Sustainable Tourism Award. The jury emphasizes that Viking Grace is the world's most environmentally-friendly passenger vessel and sets the standards for the entire industry.

The Company is given the Global Business Travel Association's Project ICARUS Sustainability Gold Medal for its work to develop Viking Grace. According to GBTA, the LNG-powered vessel, launched in 2013, is proof that the Company is a leader in technological advances with a focus on sustainability (2015).



# Corporate governance statement

The corporate governance statement was approved by the Board of Directors of Viking Line Abp on February 14, 2018.

The parent company, Viking Line Abp, has been listed on NASDAQ Helsinki since July 5, 1995. The wholly owned subsidiaries Viking Line Skandinavien AB and its subsidiary, Viking Rederi AB, OÜ Viking Line Eesti, Viking Line Finnland-verkehr GmbH and Viking Line Buss Ab belong to the Viking Line Group.

Viking Line applies the Finnish Corporate Governance Code, which was approved by the Securities Market Association. The Code entered into force on January 1, 2016, and is available on the Securities Market Association's website, Cgfinland.fi. Viking Line complies with the Code in full. Viking Line's Corporate Governance Statement and other information about Viking Line's corporate governance are also available on Vikingline.com.

## Annual General Meeting

Viking Line Abp is a public limited company domiciled in Finland which is governed by the Finnish Companies Act and the Company's Articles of Association. In compliance with the Companies Act, the Annual General Meeting (AGM) is the highest decision-making body of the Company, where the owners exercise their influence.

All Viking Line Abp shares constitute one series, in which all shares are of equal value. Each share is represented by one vote when voting on motions and candidates at shareholder meetings. However, no shareholder may vote on behalf of more than 1/4 of the shares represented at a shareholder meeting. On December 31, 2017, Viking Line Abp had 3,515 registered shareholders.

The AGM decides on such matters as the adoption of the financial statements for the preceding financial year, the distribution of the Company's profit or loss and discharge of the Board of Directors as well as the President and Chief Executive Officer from liability for that year.

The meeting also elects the Chairman of the Board, the other Board members and auditors, as well as deciding on their fees.

The AGM also makes decisions concerning the Company's shares and share capital as well as changes in the Articles of Association. The minimum share capital of Viking Line Abp is EUR 720,000.00 and the maximum share capital is EUR 2,880,000.00. Within these limits, share capital may be increased or decreased without amending the Articles of Association.

An extraordinary general meeting (EGM) shall be held if the Board of Directors or the AGM has so decided, or if an auditor or owners of at least 1/10 of all shares require this in writing to address a given matter.

In accordance with the Articles of Association, the AGM is held in Mariehamn before the end of June. The latest such meeting took place on April 20, 2017. The next AGM will be held on April 18, 2018.

The invitation to the AGM occurs through an announcement that appears in a newspaper published in the Company's place of domicile. This invitation is also published on Vikingline.com. The invitation shall be issued no earlier than three months before the AGM record date and no later than three weeks before the AGM.

In addition to disclosing the items of business that will be discussed at the meeting, the invitation shall include candidates proposed for the Board and their compensation as well as candidates proposed for the position of auditor. The invitation shall also include proposals as above submitted by shareholders representing at least 1/10 of shares, provided that any candidates have agreed to serve on the Board and the proposal has been delivered to the Company in such a way that it can be included in the invitation. Similar proposals that have been submitted after the invitation has been published shall be published separately.

At the AGM, each shareholder is entitled to ask questions and submit proposals for a decision on matters included in the AGM's agenda. A shareholder is entitled to have a matter considered at the AGM if that person requests it in writing no later than the date indicated by the Company on Vikingline.com.

The President and CEO, the Chairman of the Board, the other Board members and any individuals who are first-time candidates for service as members of the Board shall be present at the AGM. The auditor shall be present at the regular AGM.

## The Board of Directors

The Company is headed by the Board of Directors and by the President and Chief Executive Officer. In his absence, the Deputy CEO substitutes for the President and CEO. The President and CEO works with a Group Management team appointed by the Board of Directors.

The Board of Directors consists of the Chairman and six members as well as three deputy members. The Chairman, members and deputy members are elected by the AGM for the period until the end of the next AGM. In case the Chairman or a Board member will be absent, he or she has the primary responsibility for nominating the deputy who will be summoned in his/her place. The Articles of Association have not established any special system for the appointment of Board members. The Board has not appointed any committees.

The Board has not appointed any audit committee. Instead, all information related to audits is dealt with directly by the Board.

A person who is elected to the Board must be sufficiently competent for the task and have sufficient time to handle it. A Board member or candidate must provide the Board with enough information to assess his or her competency and independence as well as any changes in this information and present

his or her own assessment of his or her independence.

Board members represent all shareholders, not only those shareholders who have nominated them. The number of members and the composition of the Board shall enable the effective management of the Board's duties.

The diversity of the Board of Directors' composition supports the Company in achieving strategic goals and ensuring that the Board fulfils its duties. The objective is for the Board to include members with experience from different industries and with different assignments and knowledge. It is important that both genders are represented on the Board.

The Board assesses the members' independence annually. The majority of Board members shall be independent of the Company, with at least two of them also independent of significant shareholders. All members of the sitting Board are independent of the Company, and the majority are also independent of the Company's significant shareholders.

The Board has not appointed any nomination committee but instead proposes a candidate to the Board itself, taking into consideration the above principles.

The Board of Directors is in charge of the administration of the Company's affairs. It leads and oversees the Com-

pany's operational management, appoints and dismisses the President and CEO and the other members of Group Management, approves the Company's strategic goals and risk management principles and ensures that the management system is functioning. The Board establishes the Company's vision and values, which are observed in its operations.

The Chairman of the Board is appointed at the regular AGM. The Chairman is responsible for organizing the Board's work and ensures that the Board meets as required. The Company's Deputy CEO serves as secretary of the Board.

At its statutory meeting after the AGM, the Board of Directors adopts rules of procedure for the financial year. These rules of procedure shall contain information about and indicative dates for:

- discussion of vision and strategy,
- discussion of financial statements, Half-Year Financial Report and Business Reviews for the first and third quarter,
- discussion of audit reports,
- discussion of the Group's budget and plan of operations,
- appointment of any Board committees and
- evaluation of the work of the Board.

In addition, as appropriate, the Board deals with:

- other items of business which are incumbent on the Board according to the

Companies Act, the Articles of Association and other rules and regulations,

- significant investments and divestments and
- other items of business submitted by the operational management or by individual Board members.

The Company shall ensure that all Board members receive sufficient information about the Company's operations, operating environment and financial position and that new Board members are familiar with the Company's operations. At each Board meeting, the President and CEO provides information about the Company's operations. In addition, the Board continuously receives information in the form of regular reports and the minutes of Group Management meetings.

The Annual General Meeting on April 20, 2017, elected the following Board of Directors: Chairman Ben Lundqvist and members Nils-Erik Eklund, Erik Grönberg, Agneta Karlsson, Dick Lundqvist, Lars G Nordström and Peter Wiklöf. The deputy members of the Board are Ulrica Danielsson, Stefan Lundqvist and Johnny Rosenholm.

During the financial year 2017, the Board held 15 meetings. Board members' average attendance at meetings was 91.4 per cent.



# Board Members



## Ben Lundqvist

Born in 1943. Chairman of the Board since 1995. Board member since 1978. Independent of the Company. Dependent on a significant shareholder.

### Education and main occupation

Master of Business Administration. Master of Laws. Managing Director, Ångfartygs Ab Alfa, Rederi Ab Hildegaard and Lundqvist Rederierna Ab. Honorary Maritime Counsellor.

### Shareholdings Dec 31, 2017\*

403,741 shares



## Nils-Erik Eklund

Born in 1946. Board member since 1997. Independent of the Company. Independent of significant shareholders.

### Education and main occupation

University studies in economics. Managing Director, Viking Line Abp 1990–2010.

### Shareholdings Dec 31, 2017\*

346,645 shares



## Erik Grönberg

Born in 1943. Board member since 2004. Independent of the Company. Independent of significant shareholders.

### Education and main occupation

Master of Business Administration. Engineer. Chairman of the Board, Ge-Te Media AB.

### Shareholdings Dec 31, 2017\*

81,593 shares



## Agneta Karlsson

Born in 1954. Board member since 2006. Independent of the Company. Independent of significant shareholders.

### Education and main occupation

Doctor of Economics. Associate Professor. Advisor and consultant/lecturer.

### Shareholdings Dec 31, 2017\*

0 shares



## Dick Lundqvist

Born in 1946. Board member since 2000. Independent of the Company. Dependent on a significant shareholder.

### Education and main occupation

Master of Business Administration. Authorized Public Accountant (GRM). Chairman of the Board, Lundqvist Rederierna Ab and Rederi Ab Hildegaard.

### Shareholdings Dec 31, 2017\*

143,400 shares



## Lars G Nordström

Born in 1943. Board member since 2006. Independent of the Company. Independent of significant shareholders.

### Education and main occupation

University studies in law. Chairman of the Board, Vattenfall AB. Deputy Chairman of the Board, Nordea Bank AB.

### Shareholdings Dec 31, 2017\*

0 shares



## Peter Wiklöf

Born in 1966. Board member since 2017. Independent of the Company. Independent of significant shareholders.

### Education and main occupation

Master of Laws. Managing Director, Ålandsbanken Abp.

### Shareholdings Dec 31, 2017\*

0 shares





### Ulrica Danielsson

Born in 1965. Deputy Board member since 2013. Independent of the Company. Independent of significant shareholders.

#### Education and main occupation

Master of Business Administration. Entrepreneur.

#### Shareholdings Dec 31, 2017\*

0 shares



### Stefan Lundqvist

Born in 1971. Deputy Board member since 2000. Independent of the Company. Dependent on a significant shareholder.

#### Education and main occupation

Master of Business Administration. Manager Operations, Ångfartygs Ab Alfa, Rederi Ab Hildegaard and Lundqvist Rederierna Ab.

#### Shareholdings Dec 31, 2017\*

113,450 shares



### Johnny Rosenholm

Born in 1971. Deputy Board member since 2012. Independent of the Company. Independent of significant shareholders.

#### Education and main occupation

Master of Business Administration. Manager, Corporate Service Department Åland Business Area, Ålandsbanken Abp.

#### Shareholdings Dec 31, 2017\*

0 shares

\* Shares in Viking Line Abp as of December 31, 2017, held by the Board member and/or by companies that person has a controlling interest in.

Name	Position	Board meetings	Attendance
Ben Lundqvist	Chairman	15/15	100.0%
Nils-Erik Eklund	Member	13/15	86.7%
Trygve Eriksson	Member until April 20, 2017	3/4	75.0%
Erik Grönberg	Member	15/15	100.0%
Agneta Karlsson	Member	14/15	93.3%
Dick Lundqvist	Member	14/15	93.3%
Lars G Nordström	Member	12/15	80.0%
Peter Wiklöf	Member from April 20, 2017	10/11	90.9%
<b>Average attendance</b>			<b>91.4%</b>

# Members of Group Management



## Jan Hanses

Born in 1961. Joined the Company in 1988.  
Master of Laws, LL.M.

### Areas of responsibility

President and CEO since 2014.

### Shareholdings Dec 31, 2017\*

50 shares



## Andreas Remmer

Born in 1974. Joined the Company in 2013.  
Master of Laws.

### Areas of responsibility

Executive Vice President since 2014. Deputy  
CEO since 2014. CFO. Accounting, Finance, IT,  
Legal Affairs and Land-Based Staff.

### Shareholdings Dec 31, 2017\*

0 shares



## Peter Hellgren

Born in 1967. Joined the Company in 1994.  
University studies in Communication.

### Areas of responsibility

Executive Vice President since 2014.  
Sales and marketing.

### Shareholdings Dec 31, 2017\*

0 shares



## Ulf Hagström

Born in 1969. Joined the Company in 2015, ear-  
lier employment 1996-2012. B.Sc. (Mechanical  
and Energy Engineering).

### Areas of responsibility

Senior Vice President since 2015.  
Marine Operations & Newbuildings.

### Shareholdings Dec 31, 2017\*

0 shares



## Wilhelm Hård af Segerstad

Born in 1964. Joined the Company in 1984.

### Areas of responsibility

Senior Vice President since 2014. Shipboard  
Commercial Operations and Shipboard Staff.

### Shareholdings Dec 31, 2017\*

0 shares

\* Shares in Viking Line Abp as of December 31, 2017, held by that person and/or by companies that person has a controlling interest in.

## President and CEO

The President and CEO handles the Company's day-to-day management in accordance with the Board's instructions and rules and is responsible for ensuring that the Board's decisions are executed. Under the Companies Act, the President and CEO is also responsible for ensuring that the Company's accounting is in compliance with the law and that the management of finances is carried out in a satisfactory manner.

The President and CEO is appointed and dismissed by the Board of Directors. The terms of his employment relationship including compensation and other benefits are established in a written contract that is approved by the Board. The President and CEO may be elected to the Board, but not as its Chairman.

The President and CEO of the Company is Jan Hanses. The Deputy CEO of the Company is Andreas Remmer.

## Group Management

In addition to the President and CEO, the Board also appoints the Deputy CEO and the other members of Group Management. Under the leadership of the President and CEO, Group Management is responsible for directing the Company's operating activities as well as strategic and financial planning. Group Management meets regularly.

Group Management consists of Jan Hanses, Andreas Remmer, Peter Hellgren, Ulf Hagström and Wilhelm Hård af Segerstad.

## Auditors

The Company has two Auditors and one Deputy Auditor. They are elected at the Annual General Meeting for a term expiring at the end of the next Annual General Meeting. The Auditors examine the Company's accounts and financial statements. After completion of this examination, the Board receives a review report, and an Auditors' Report is submitted to the Annual General Meeting.

The Company's Auditors are:

Ylva Eriksson, Authorized Public Accountant (CGR)  
PricewaterhouseCoopers Oy  
The Company's Auditor since 2015

Petter Lindeman, Authorized Public Accountant (CGR)  
PricewaterhouseCoopers Oy  
The Company's Auditor since 2016

The auditing firm PricewaterhouseCoopers Oy serves as the Company's Deputy Auditor.

Auditors' fees are adopted by the Annual General Meeting. According to the decision in force, fees are paid according to regular invoices. The Group's auditing expenses amounted to EUR 122,660.38 during 2017 (2016: 120,827.37), of which EUR 86,000.00 (2016: 92,640.00) was related to the parent company. The expenses of other services provided by the Group's Auditors as well as their auditing firms were EUR 57,122.15 during 2017 (2016: 40,424.98).

The Board performs the duties of an audit committee.

## Internal control and risk management

The objective of the internal oversight for which the Board of Directors and the operative management are responsible is to ensure efficient, profitable operations, reliable information and compliance with regulations and business principles. Risk management is an integral element of the Group's controls and oversight of operations.

The Board of Directors continuously monitors the Group's trend of earnings and its financial position by means of the internal reporting system. The internal control system consists of detailed internal accounts, which are reconciled with the business accounts. The Group's Finance Department is responsible for external reporting and works in close cooperation with the Business Control Department, which handles internal

reporting, including financial monitoring, analysis and business planning.

The Group has a Treasury Policy, which was adopted by the Board. The policy concerns, among other matters, principles for the Group's liquidity and funding as well as management of financial risks. Operational responsibility for this lies with the Group's Treasury Department. The Group Treasurer compiles a Treasury report for the Board, the President and CEO and the Group's CFO on a regular basis. The scope and frequency of the report are specified in the policy document and include monitoring of the Group's liquidity, financing and risk exposure.

A report on financial risk management is provided in the information contained in the notes to the Group's financial statements. A section on business risks can be found in the Report of the Directors.

The outside Auditors continuously evaluate the internal control system in their review reports to the Board.

## Insider management

Viking Line manages insider information and insiders in accordance with the requirements under the EU's Market Abuse Regulation (MAR), the Finnish Securities Market Act, the NASDAQ Helsinki's insider regulations, the Finnish Financial Supervisory Authority's regulations and instructions, and Viking Line's insider instructions. Viking Line's insider instructions have been approved by the Company's Board of Directors and entered into force on July 3, 2016.

Viking Line's insider management includes

- internal distribution of information about insider issues,
- internal training on insider issues,
- processing of insider notifications,
- establishment and maintenance of insider lists,
- monitoring of insider issues and
- updating of information published on the Internet.



The information received based on the management's notification requirements and the transactions involving the Company's financial instruments carried out by management is examined on a continuous basis. In addition, a comprehensive review is conducted once a year, and a personal print-out of the list of notifications is sent annually to be examined by each member of management.

Viking Line's CFO is responsible for insider issues at the Company. The practical tasks concerning insider management are handled by people designated by the CFO.

Insider information is published as soon as possible, via a stock exchange release. For someone who has access

to insider information, carrying out transactions involving the Company's financial instruments is always prohibited. In addition to this general restriction on trading, management and the people who belong to the Company's financial reporting group are prohibited from trading the Company's financial instruments during a silent period of thirty days before the publication of the Group's financial reports and on the day they are published.

In compliance with MAR requirements, Viking Line publishes information about transactions involving the Company's financial instruments carried out by the management and their related parties. This is done in stock exchange releases and a notification submitted to the Finn-

ish Financial Supervisory Authority within three business days of the transaction date at the latest. In this respect, Viking Line's management is considered to be members and deputy members of the Board as well as the President and CEO.

In preparing for substantial projects, a list of insiders for the project in question is drawn up. The people listed there are to be informed of this and receive information about the obligations that arise from this.



# Compensation statement

## Compensation to the Board

Fees adopted by the Annual General Meeting are paid as compensation for the work of the Board. Reasonable travel expenses are paid as invoiced. The following fees were paid in compliance with the decision of the Annual General Meeting:

	2017	2016
Annual fee, Chairman of the Board	EUR 28,000	EUR 28,000
Annual fee, other regular Board members	EUR 22,000	EUR 22,000
Annual fee, deputy Board members	EUR 5,000	EUR 5,000
Fee per meeting attended, Board and deputy members	EUR 1,000	EUR 1,000

For the financial year 2017, a total of EUR 275,000 in Board fees (2016: 260,000) was disbursed. This was allocated as follows:

	2017	2016
Ben Lundqvist	EUR 43,000	EUR 40,000
Nils-Erik Eklund	EUR 35,000	EUR 32,000
Trygve Eriksson	EUR 3,000	EUR 32,000
Erik Grönberg	EUR 37,000	EUR 34,000
Agneta Karlsson	EUR 36,000	EUR 33,000
Dick Lundqvist	EUR 36,000	EUR 32,000
Lars G Nordström	EUR 34,000	EUR 32,000
Peter Wiklöf	EUR 32,000	EUR 0
Ulrica Danielsson	EUR 8,000	EUR 9,000
Stefan Lundqvist	EUR 6,000	EUR 8,000
Johnny Rosenholm	EUR 5,000	EUR 8,000
Total	EUR 275,000	EUR 260,000

## Compensation to the President and CEO and to Group Management

The Board determines compensation and other benefits for the President and CEO and for the other members of Group Management. The President and CEO as well as the other members of Group Management are paid a monthly salary that is reviewed by the Board yearly. As compensation for his work, Jan Hanses receives a monthly salary of EUR 22,000 and the following additional benefits in kind: telephone benefits and group life insurance coverage, including insurance for medical expenses.

The Group has only defined-contribution pension plans. The President and CEO as well as the other members of Group

Management are subject to public pension terms and the lowest legal retirement age in effect at each point in time.

The President and CEO has a termination notice period of 8 months. The Company's Board is entitled to terminate his contract, but the President and CEO will receive 8 months of salary after the termination date. In case of termination by the Company, the other members of Group Management will receive 6 months of salary. Otherwise the Group has made no individual agreements on termination-related benefits.

The Group has no incentive scheme or bonus systems.

Compensation to Group Management 2017, EUR	Fixed salary	Total compensation in 2017
President and CEO	280,571	280,571
Group Management	684,293	684,293
Total	964,863	964,863

Further information about compensation to the Group's key individuals in leading positions can be found in the consolidated financial statements, Note 24.







# Report of the Directors

## Sales and earnings

Consolidated sales of the Viking Line Group during the financial year January 1–December 31, 2017 increased to 522.7 million euros (EUR 519.6 M for January 1–December 31, 2016). Other operating revenue amounted to EUR 1.7 M (2.0). Operating income totalled EUR 10.0 M (13.7). Net financial items totalled EUR -3.4 M (-4.1). Consolidated income before taxes amounted to EUR 6.6 M (9.6). Income after taxes totalled EUR 5.3 M (8.0).

During the report period, passenger-related revenue increased by 0.8 per cent to EUR 476.4 M (472.6), while cargo revenue decreased by 1.1 per cent to EUR 43.8 M (44.3). Net sales revenue increased by 1.3 per cent to EUR 372.6 M (367.9).

Consolidated income for the period fell due to lower net sales revenue per passenger and higher operating expenses. Consolidated operating expenses increased by 3.3 per cent to EUR 339.1 M (328.2). Bunker expenses increased by 18.3 per cent to EUR 46.7 M (39.5). The higher operating expenses are mainly attributable to Viking FSTR, which served the Helsinki (Finland)–Tallinn (Estonia) route during the period April 10–October 16, 2017.

The section “Five-year financial review” presents information about the Group’s financial position and earnings over a five-year period.

## Services and market trends

During 2017, the Viking Line Group provided passenger and cargo carrier services using seven vessels on the northern Baltic Sea. The Group’s vessels served the same routes as in 2016. During the period April 10–October 16, 2017, capacity on the Helsinki–Tallinn route increased with the leased vessel Viking FSTR.

The number of passengers on Viking Line’s vessels during the financial year was 6,881,149 (6,502,191). Viking Line decreased its market share on the Turku (Finland)–Mariehamn/Långnäs (Åland Islands, Finland)–Stockholm (Sweden) route by 0.3 percentage points to 54.5 per cent. On the Helsinki–Mariehamn–Stockholm route, market share increased by 0.8 percentage points to 43.6 per cent. In cruise services between Stockholm and Mariehamn, market share increased by 0.9 percentage points to 58.2 per cent. On the Helsinki–Tallinn route, market share increased by 2.9 percentage points to 26.1 per cent. On the short route over the Sea of Åland, market share increased by 1.6 percentage points to 43.5 per cent. The Group thus had a total market share in its service area of 34.5 per cent (33.5).

Viking Line’s cargo volume was 127,668 cargo units (131,918). Viking Line achieved a cargo market share of 18.7 per cent (20.7). Meanwhile the number of cars transported increased by 80,059 units to 762,253 (682,194).

## Investments and financing

On July 3, 2017, a shipbuilding contract with the Xiamen Shipbuilding Industry Co., Ltd. shipyard for a passenger ship went into effect. The contract amount is about EUR 194 million, and the planned delivery for the vessel is in 2020. Planning for the construction of the vessel in partnership with the shipyard is progressing according to plan. The agreement also included an option for a sister ship. The option was not exercised and expired on January 31, 2018.

The Group’s investments amounted to EUR 34.7 M (15.8), of which EUR 22.4 M was related to advance payments for the construction of the above vessel.

On December 31, 2017, the Group’s non-current interest-bearing liabilities amounted to EUR 127.0 M (150.6). The equity/assets ratio was 46.2 per cent, compared to 44.1 per cent a year earlier.

At the end of December 2017, the Group’s cash and cash equivalents amounted to EUR 68.0 M (94.9). Net cash flow from operating activities amounted to EUR 31.8 M (28.6).

## Risk factors

The market for cruises and ferry services in the Baltic Sea is stable but subject to tough competition. Political decisions may change Viking Line’s operating conditions, with potentially adverse consequences to its business operations. Åland’s special tax status, which makes duty- and tax-free sales possible on services to and from Åland, is nevertheless permanent. The European Commission’s guidelines for the promotion of seafaring, which makes the net salary system for shipboard employees possible, are in effect until further notice.

The Group’s business operations are dependent on functioning logistics and computer systems. Disruptions in traffic or data communications may have an adverse impact on the Group’s earnings. Viking Line endeavours to minimize the risk of lengthy unplanned service interruptions by means of continuous vessel maintenance, a well-developed safety and security system, training and regular drills. Risks in information management are minimized by developing appropriate security systems and alternative working methods as well as efforts to ensure the reliability of computer systems.

The Group's vessels are recognized in the balance sheet at a carrying amount of EUR 294.6 M (308.5). The vessels have hull and machinery insurance plus increased value insurance totalling EUR 598.0 M (598.0). In addition, all vessels have strike/delay insurance, protection and indemnity (P&I) and Passenger Liability Regulation (PLR) insurance.

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 entered into fixed-price agreements related to a portion of its bunker consumption during 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 inflow 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.

The Group is exposed to price risk related to shares that are classified as investments available for sale. The value of the Group's shareholding in the insurance company Försäkringsaktiebolaget Alandia is established on the basis of the present value of future cash flows. The cash flow projection is based on a number of estimates and judgements that have a substantial impact on present value.

Further information about financial risk management can be found in Note 25 to the consolidated financial statements.

## Sustainability Report

The Sustainability Report for 2017 is published as part of Viking Line's Annual Report. Information about Viking Line's sustainability work is also available on [Vikingline.com](http://Vikingline.com).

## The environment, safety and security

Viking Line endeavours to provide safe and secure seagoing passenger services in an environmentally sound way. National legislation and international agreements are the basis for the Company's environmental work. Through a long-term, active commitment to the environment, the Company has developed environmental activities that extend beyond what is stipulated by the rules in force for passenger services on the Baltic Sea. Viking Line's environmental work focuses on its vessel operations, where the largest positive environmental effect can be achieved.

The Group's Head Office, the subsidiary Viking Line Buss Ab and all of Viking Line's vessels are certified in compliance with ISO 14001 environmental management standards. In addition, the Viking Line organization and all vessels are certified according to the International Safety Management (ISM) Code, which stipulates organizational rules for safe vessel operation and for preventing pollution.

The Company is responsible for ensuring that its vessels, their crews and the land-based organization fulfil all the provisions of the rules that apply to passenger and cargo services. National maritime authorities oversee the safety and security equipment, fire protection systems, communications equipment, stability and safety organization of Viking Line's vessels. Emergency preparedness on board is maintained by a safety organization that carries out continuous training and drills related to its duties. Viking Line also has a special safety and crisis management plan, which is constantly being updated and redeveloped. The plan is continuously tested by means of realistic drills, both on board and on land.

## Organization and personnel

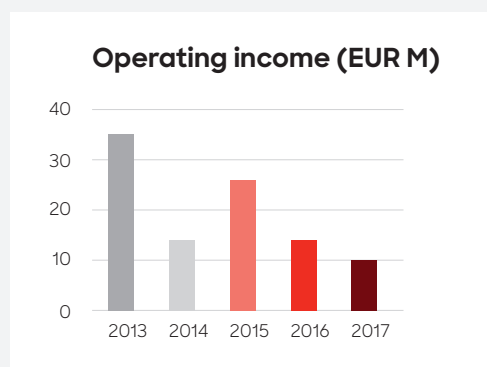
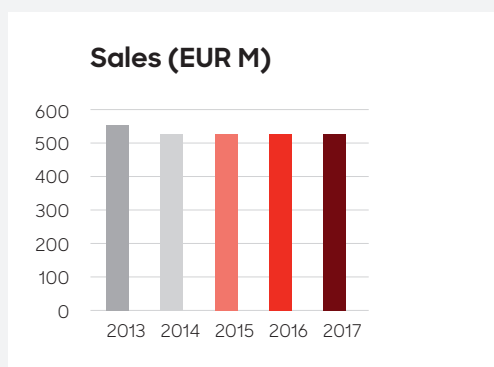
During 2017 the average number of Group employees was 2,746 (2,742), of whom 2,048 (2,046) worked for the parent company. Most of Viking Line's employees work on board its vessels. Shipboard personnel totalled 2,086 (2,082) and land-based personnel totalled 660 (660).

In addition to the Group's own employees, the Viking XPRS was crewed by an average of 248 (250) people employed by a staffing company.

At the end of 2017, the total number of Group employees was 2,889 (2,982), of which 2,238 (2,317) resided in Finland. The number residing in Sweden was 527 (528). There were 116 (132) employees residing in Estonia and 8 (5) in other countries.

## Corporate Governance Statement

Viking Line applies the Finnish Corporate Governance Code, which was approved by the Securities Market Association. The Code entered into force on January 1, 2016, and is available on the Securities Market Association's website, [Cgfinland.fi](http://Cgfinland.fi). Viking Line complies with the Code in full. The Corporate Governance Statement for 2017 is published as part of Viking Line's Annual Report. Information about Viking Line's corporate governance is available on [Vikingline.com](http://Vikingline.com).



### Board of Directors, Group Management and Auditors

The Board of Directors consists of Chairman Ben Lundqvist, Nils-Erik Eklund, Erik Grönberg, Agneta Karlsson, Dick Lundqvist, Lars G Nordström and Peter Wiklöf. The deputy members are Ulrica Danielsson, Stefan Lundqvist and Johnny Rosenholm.

Group Management is headed by the President and CEO, Jan Hanses, and the Deputy CEO, Andreas Remmer. Other members of Group Management are Peter Hellgren, Ulf Hagström and Wilhelm Hård af Segerstad.

Ylva Eriksson, Authorized Public Accountant (CGR), and Petter Lindeman, Authorized Public Accountant (CGR), are regular Auditors. The auditing firm PricewaterhouseCoopers Oy serves as the Company's Deputy Auditor.

The Group has no loan arrangements, guarantees, contingent liabilities provided/received or other liabilities associated with related parties. Additional information about related party transactions can be found in Note 24 to the consolidated financial statements.

### Events after the balance sheet date

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 filed a leave to appeal with the Supreme Court of Finland, which was not granted.

Viking Line has decided not to exercise the option to construct another vessel included in its shipbuilding contract with Xiamen Shipbuilding Industry Co., Ltd. The option expired on January 31, 2018.

### Outlook for 2018

Competition in Viking Line's service area entails continued pressure on prices and volumes, which will have an adverse effect on net sales revenue per passenger. Bunker prices are expected to be higher than in 2017. During the spring of 2018, a change in the organizational structure will be implemented, with the objective of focusing on results and commercial matters while simplifying both the Group's way of working and organization. This change is expected to have a positive effect on the Group's results. The Board of Directors' assessment is that operating income will be higher overall in 2018 than in 2017.

### The Board's proposal on distribution of earnings

According to the balance sheet of Viking Line Abp on December 31, 2017, unrestricted equity totalled EUR 75,189,898.28.

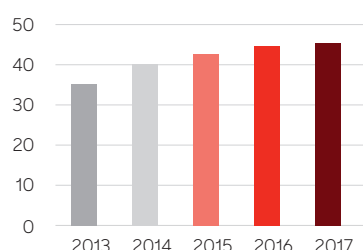
The Board of Directors proposes to the Annual General Meeting that:

A dividend of EUR 0.20 per share be paid, totalling EUR 2,160,000.00

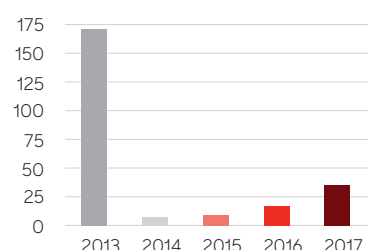
Remaining unrestricted equity  
EUR 73,029,898.28

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.

Equity/assets ratio (%)



Gross capital spending (EUR M)





## Five-year financial review

THE GROUP	2013	2014	2015	2016	2017
Sales, EUR M	549.4	527.4	530.5	519.6	522.7
Operating income, EUR M	34.7	13.7	26.4	13.7	10.0
– as % of sales	6.3%	2.6%	5.0%	2.6%	1.9%
Income before taxes, EUR M	27.7	32.3	23.2	9.6	6.6
– as % of sales	5.0%	6.1%	4.4%	1.8%	1.3%
Return on equity (ROE)	15.6%	15.2%	8.5%	3.6%	2.4%
Return on investment (ROI)	10.4%	9.1%	6.8%	3.6%	2.9%
Equity/assets ratio	35.6%	40.0%	42.8%	44.1%	46.2%
Debt/equity ratio (gearing)	74.1%	56.2%	38.5%	35.5%	36.9%
Gross capital spending, EUR M	172.3	7.2	10.0	15.8	34.7
– as % of sales	31.4%	1.4%	1.9%	3.0%	6.6%
Average number of employees	3,104	2,797	2,735	2,742	2,746
– of whom shipboard employees	2,407	2,133	2,066	2,082	2,086
– of whom land-based employees	697	664	669	660	660
Salaries etc, EUR M	135.5	125.6	122.7	123.6	123.5

## Share-related financial ratios

	2013	2014	2015	2016	2017
Earnings per share, EUR	2.54	2.83	1.73	0.74	0.49
Equity per share, EUR	17.50	19.75	20.89	20.64	20.75
Dividend per share, EUR*	0.50	0.70	0.95	0.40	0.20
Dividend/earnings	19.7%	24.7%	54.8%	53.8%	40.8%
Dividend/share price	2.8%	4.4%	4.6%	2.0%	1.2%
Price/earnings (P/E) ratio	7	6	12	27	33
Share price on December 31, EUR	17.82	15.82	20.70	20.24	16.25
Highest share price, EUR	22.04	18.88	20.70	26.01	22.29
Lowest share price, EUR	17.01	13.50	15.82	19.75	15.90
Average share price, EUR	18.39	16.15	17.78	21.74	18.65
Market capitalization, EUR M	192.46	170.86	223.56	218.59	175.50
Number of shares traded	209,006	240,667	416,594	455,846	222,546
Percentage of shares traded	1.9%	2.2%	3.9%	4.2%	2.1%
Dividend paid for financial year, EUR M*	5.40	7.56	10.26	4.32	2.16
Average number of shares	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000
Number of shares on December 31	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000

\* For the financial year 2017, proposed by the Board of Directors for approval by the Annual General Meeting.

## Shares and shareholders

### Shares

Since July 5, 1995, the shares of Viking Line Abp have been listed on the NASDAQ Helsinki. The share capital is EUR 1,816,429.61. The minimum share capital of the Company is EUR 720,000.00 and the maximum share capital is EUR 2,880,000.00. Within these limits, share capital may be increased or decreased without amending the Articles of Association. The minimum number of shares is 3,600,000 and the maximum number is 14,400,000.

All 10,800,000 shares constitute one series, in which all shares are of equal value. Each share is equivalent to one vote when voting on motions and candidates at shareholder meet-

ings. However, no shareholder may vote on behalf of more than 1/4 of the shares represented at a shareholder meeting. The Company has not issued warrants or bonds. The Board of Directors has not requested authorization from a shareholder meeting to change the share capital, to issue warrants or bonds, or to acquire or sell the Company's own shares. The Company and its subsidiaries do not own any of their own shares.

### Shareholders

At the end of the financial year, the Company had 3,515 registered shareholders.

<b>Largest shareholders, December 31, 2017</b>	<b>Number of shares</b>	<b>Percentage of total</b>
1. Ångfartygs Ab Alfa	1,656,500	15.3%
2. Rederi Ab Hildegaard	1,110,803	10.3%
3. Rafael Investering Ab	1,080,100	10.0%
4. Ab Rafael	527,723	4.9%
5. Lundqvist Ben	403,717	3.7%
6. Eklund Nils-Erik	346,645	3.2%
7. Sviberg Marie-Louise	315,745	2.9%
8. Sundman Ann	160,057	1.5%
9. Försäkringsaktiebolaget Alandia	150,540	1.4%
10. Sundman Alice	149,128	1.4%

<b>Viking Line Abp's shareholders, by sector</b>	<b>Number of shareholders</b>	<b>Percentage of total</b>	<b>Number of shares</b>	<b>Percentage of total</b>
Companies	141	4.0%	4,839,164	44.8%
Credit institutions and insurance companies	7	0.2%	317,133	2.9%
Public sector entities	3	0.1%	155,641	1.4%
Households	3,200	91.0%	4,973,423	46.1%
Non-profit entities	19	0.6%	65,224	0.6%
Foreign shareholders	137	3.9%	290,803	2.7%
Nominee-registered shares	8	0.2%	158,416	1.5%
Not transferred to book-entry securities account system			196	0.0%
<b>Total</b>	<b>3,515</b>	<b>100.0%</b>	<b>10,800,000</b>	<b>100.0%</b>

<b>Distribution of share capital</b>	<b>Number of shareholders</b>	<b>Percentage of total</b>	<b>Number of shares</b>	<b>Percentage of total</b>
1-99	1,629	46.3%	47,015	0.5%
100-999	1,110	31.6%	264,602	2.5%
1,000-9,999	659	18.8%	1,557,745	14.4%
10,000-99,999	103	2.9%	2,541,806	23.5%
100,000-999,999	11	0.3%	2,541,233	23.5%
1,000,000-	3	0.1%	3,847,403	35.6%

### Board and top management shareholdings

The members and deputy members of the Board of Directors, the President and Chief Executive Officer, and the Deputy Chief Executive Officer own or control, in the manner described in Chapter 2, Section 4 of the Finnish Securities Market Act, 1,088,879 shares in the Company, equivalent to a voting power of 10.1 per cent. Viking Line applies the provisions of Finland's Securities Market Act on insider information, the NASDAQ Helsinki's insider regulations and insider rules under the EU Market Abuse Regulation (MAR).

### Trading volume and share price

During the financial year, trading in Viking Line on the NASDAQ Helsinki totalled 222,546 shares. This meant that 2.1 per cent of all shares changed hands. The year's highest share price was EUR 22.29, the lowest EUR 15.90. On December 31, 2017, the quoted share price was EUR 16.25. The Company's market capitalization on that date was EUR 175.50 M.

## Quarterly consolidated income statement

EUR M	2017 Q4	2017 Q3	2017 Q2	2017 Q1
<b>SALES</b>	<b>123.2</b>	<b>160.4</b>	<b>137.1</b>	<b>102.1</b>
Other operating revenue	0.4	1.1	0.1	0.1
<b>Expenses</b>				
Goods and services	35.3	45.0	40.3	29.6
Salary and other employment benefit expenses	29.5	32.0	29.8	29.3
Depreciation, amortization and impairment losses	6.0	6.0	6.0	7.1
Other operating expenses	49.0	57.2	58.3	53.9
	119.8	140.2	134.4	119.9
<b>OPERATING INCOME</b>	<b>3.7</b>	<b>21.3</b>	<b>2.7</b>	<b>-17.7</b>
Financial income	0.1	0.2	2.0	0.1
Financial expenses	-1.9	-1.2	-1.6	-1.2
<b>INCOME BEFORE TAXES</b>	<b>1.9</b>	<b>20.3</b>	<b>3.2</b>	<b>-18.8</b>
Income taxes	-0.5	-4.2	-0.3	3.7
<b>INCOME FOR THE PERIOD</b>	<b>1.5</b>	<b>16.1</b>	<b>2.9</b>	<b>-15.1</b>
<i>Income attributable to:</i>				
Parent company shareholders	1.5	16.1	2.9	-15.1
Earnings per share before and after dilution, EUR	0.14	1.49	0.27	-1.40

## Quarterly consolidated statement of comprehensive income

EUR M	2017 Q4	2017 Q3	2017 Q2	2017 Q1
<b>INCOME FOR THE PERIOD</b>	<b>1.5</b>	<b>16.1</b>	<b>2.9</b>	<b>-15.1</b>
<b>Other comprehensive income</b>				
<i>Items that may be transferred to the income statement</i>				
Translation differences	-0.5	0.1	-0.2	0.1
Investments available for sale	0.7	-	-	-
	0.3	0.1	-0.2	0.1
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1.8</b>	<b>16.1</b>	<b>2.6</b>	<b>-15.1</b>
<i>Comprehensive income attributable to:</i>				
Parent company shareholders	1.8	16.1	2.6	-15.1



## Definitions of financial ratios

<b>Return on equity (ROE), % =</b>	(Income before taxes – income taxes) / Equity including minority interest (average for the year)
<b>Return on investment (ROI), % =</b>	(Income before taxes + interest and other financial expenses) / (Total assets – interest-free liabilities [average for the year])
<b>Equity/assets ratio, % =</b>	Equity including minority interest / (Total assets – advances received)
<b>Debt/equity ratio (gearing), % =</b>	(Interest-bearing liabilities – cash and cash equivalents) / Equity including minority interest
<b>Earnings per share =</b>	(Income before taxes – income taxes +/- minority interest) / Average number of shares
<b>Equity per share =</b>	Equity attributable to parent company shareholders / Number of shares on December 31
<b>Dividend/earnings, % =</b>	Dividend per share / Earnings per share
<b>Dividend/share price, % =</b>	Dividend per share / Share price on December 31
<b>Price/earnings (P/E) ratio =</b>	Share price on December 31 / Earnings per share



# Consolidated income statement

EUR M	Note	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
<b>SALES</b>	2	<b>522.7</b>	<b>519.6</b>
Other operating revenue	3	1.7	2.0
<b>Expenses</b>			
Goods and services	4	150.1	151.7
Salary and other employment benefit expenses	5	120.6	122.3
Depreciation, amortization and impairment losses	6	25.2	28.0
Other operating expenses	7	218.5	206.0
		514.3	507.9
<b>OPERATING INCOME</b>		<b>10.0</b>	<b>13.7</b>
Financial income	8	2.2	2.6
Financial expenses	8	-5.6	-6.7
<b>INCOME BEFORE TAXES</b>		<b>6.6</b>	<b>9.6</b>
Income taxes	9	-1.3	-1.5
<b>INCOME FOR THE PERIOD</b>		<b>5.3</b>	<b>8.0</b>
<i>Income attributable to:</i>			
Parent company shareholders		5.3	8.0
Earnings per share before and after dilution, EUR	10	0.49	0.74

# Consolidated statement of comprehensive income

EUR M	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
<b>INCOME FOR THE PERIOD</b>	<b>5.3</b>	<b>8.0</b>
<b>Other comprehensive income</b>		
<i>Items that may be transferred to the income statement</i>		
Translation differences	-0.6	-0.8
Investments available for sale	0.7	0.3
	0.1	-0.5
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>5.4</b>	<b>7.5</b>
<i>Comprehensive income attributable to:</i>		
Parent company shareholders	5.4	7.5



# Consolidated balance sheet

EUR M	Note	Dec 31, 2017	Dec 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11	2.5	1.9
Land	12	0.6	0.6
Buildings and structures	12	8.6	9.2
Renovation costs for rented properties	12	2.7	2.3
Vessels	12	294.6	308.5
Machinery and equipment	12	5.2	5.6
Advance payments	12	21.6	-
Investments available for sale	13, 20	27.9	27.1
<b>Total non-current assets</b>		<b>363.5</b>	<b>355.2</b>
<b>Current assets</b>			
Inventories	14	17.3	18.1
Income tax assets		1.6	1.7
Trade and other receivables	15, 20	34.3	36.1
Cash and cash equivalents	16, 20	68.0	94.9
<b>Total current assets</b>		<b>121.1</b>	<b>150.8</b>
<b>TOTAL ASSETS</b>		<b>484.6</b>	<b>506.0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	17	1.8	1.8
Reserves		1.7	1.0
Translation differences		-1.7	-1.3
Retained earnings		222.2	221.4
Equity attributable to parent company shareholders		224.1	222.9
<b>Total equity</b>		<b>224.1</b>	<b>222.9</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	18	37.0	35.9
Non-current interest-bearing liabilities	19, 20	127.0	150.6
<b>Total non-current liabilities</b>		<b>164.1</b>	<b>186.5</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	19, 20	23.5	23.6
Income tax liabilities		0.0	0.0
Trade and other payables	19, 20	73.0	73.0
<b>Total current liabilities</b>		<b>96.5</b>	<b>96.6</b>
<b>Total liabilities</b>		<b>260.6</b>	<b>283.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>484.6</b>	<b>506.0</b>

# Consolidated cash flow statement

EUR M	Note	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
<b>OPERATING ACTIVITIES</b>			
Income for the period		5.3	8.0
Adjustments			
Depreciation, amortization and impairment losses		25.2	28.0
Capital gains/losses from non-current assets		-1.1	-1.5
Other items not included in cash flow		0.6	0.9
Interest expenses and other financial expenses		4.7	5.1
Interest income and other financial income		-0.2	-0.2
Dividend income		-2.0	-2.4
Income taxes		1.3	1.5
Change in working capital			
Change in trade and other receivables		1.8	-6.7
Change in inventories		0.8	-0.9
Change in trade and other payables		0.3	4.3
Interest paid		-4.2	-4.8
Financial expenses paid		-0.8	-0.6
Interest received		0.0	0.0
Financial income received		0.1	0.2
Taxes paid		-0.1	-2.5
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>31.8</b>	<b>28.6</b>
<b>INVESTING ACTIVITIES</b>			
Investments in vessels		-9.5	-11.1
Investments in other intangible and tangible assets		-2.8	-4.7
Advance payments		-22.4	-
EU funding		0.8	-
Investments in investments available for sale		-0.1	-
Divestments of other intangible and tangible assets		1.1	2.6
Divestments of investments available for sale		0.0	-
Payments received for non-current receivables		-	0.2
Dividends received		2.0	2.4
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-30.8</b>	<b>-10.7</b>
<b>FINANCING ACTIVITIES</b>			
Increase in non-current liabilities	21	-	0.2
Repayment of non-current liabilities		-23.6	-23.5
Dividends paid		-4.3	-10.3
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-27.9</b>	<b>-33.6</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>-26.9</b>	<b>-15.8</b>
Cash and cash equivalents at the beginning of the period		94.9	110.7
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>68.0</b>	<b>94.9</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, 2016</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>
<i>Income for the period</i>				5.3	5.3
<i>Translation differences</i>		0.0	-0.4	-0.2	-0.6
<i>Remeasurement of investments available for sale</i>		0.7			0.7
Comprehensive income for the period	-	0.7	-0.4	5.1	5.4
Dividend to shareholders				-4.3	-4.3
<b>Equity, Dec 31, 2017</b>	<b>1.8</b>	<b>1.7</b>	<b>-1.7</b>	<b>222.2</b>	<b>224.1</b>



# Notes to the consolidated financial statements

## 1. ACCOUNTING PRINCIPLES

### Company information

The Viking Line Group provides passenger and cargo carrier operations in the northern Baltic Sea service area, with the Finnish mainland, Sweden, the Åland Islands (a Swedish-speaking province of Finland) and the three Baltic countries as its main markets. The Group includes the subsidiary Viking Line Buss Ab as well. Until March 2016, the Park Alandia Hotell profit centre was also included in the Group. The parent company of the Group is Viking Line Abp, domiciled in Mariehamn, Åland. The shares of the parent company are listed on the NASDAQ Helsinki. The registered address of the Head Office is Norragatan 4, AX-22100 Mariehamn, Åland, Finland. The financial statements are available on [Vikingline.com](http://Vikingline.com) and at the Group's Head Office.

These financial statements were approved for publication and signed by the Board of Directors on February 14, 2018 and will be submitted to the Annual General Meeting for adoption.

### General principles

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs). In drafting them, the International Accounting Standards (IASs) and IFRSs as well as the interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) that were in force on December 31, 2017 have been applied. In the Finnish Accounting Act and in the regulations issued on the basis of this Act, "IFRSs" refers to standards that have been adopted for application in the Community in compliance with the acts of the European Parliament and the European Council.

Changes in IAS and IFRS standards as well as IFRIC interpretations that went into effect during the financial year did not have any material effect on the Group's financial statements.

The consolidated financial statements have been prepared on the basis of original costs unless otherwise stated in the accounting principles or notes below.

### Estimates and judgements

In preparing the consolidated financial statements in compliance with IFRSs, the Management of the Company must make judgements and estimates about the future that affect the reported amounts for assets and liabilities, revenue and expenses as well as other information. The judgements and estimates contained in the financial statements are based on the best assessment of Management on the date of the financial statements. The actual outcome may deviate from the estimates and judgements that have been made. Future events may change the basis for estimates and judgements.

The most important area involving judgements is the valuation of the Group's vessels. See Note 12. The residual values and estimated useful life of the vessels are reviewed annually and adjusted if they deviate significantly from previous figures. Any adjustments affect the size of depreciation, which in turn affects earnings.

The value of the Group's shareholding in the insurance company Försäkringsaktiebolaget Alandia is established on the basis of the present value of future cash flows. The cash flow projection is based on a number of estimates and judgements that have a substantial impact on present value. The shareholding is reported under investments available for sale. See Note 13. A description of the valuation of investments available for sale and an accompanying sensitivity analysis are found in Note 25.

### Principles of consolidation

The consolidated financial statements encompass the parent company, Viking Line Abp, and those subsidiaries which the parent company controls. For subsidiaries controlled by the parent company, the Group has direct or indirect rights to variable returns and can affect returns by exercising its control. Group companies are reported in the consolidated accounts from the time the Group gains control until the time it ceases to have control. All subsidiaries are wholly owned. See Note 24. The financial statements of Group companies encompass the period January 1–December 31, 2017.

Subsidiaries are reported according to the acquisition method. This means that all assets that have been acquired, liabilities that have been taken over and contingent liabilities are recognized at fair values on the date the business was acquired. All subsidiaries were acquired before the transition to IFRS reporting. These acquisitions have been reported as previously in compliance with Finnish generally accepted accounting principles (GAAP).

Internal business transactions as well as receivables and liabilities are eliminated in the consolidated accounts. The accounting principles of the subsidiaries are adjusted if necessary so that they correspond to the accounting principles of the Group.

### Items in foreign currencies

The consolidated financial statements have been prepared in euros, which is the parent company's functional currency and financial reporting currency. Business transactions in foreign currencies are recognized in the functional currency of each company according to the exchange rate on the transaction date.

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

Monetary items in foreign currencies have been translated into euros according to the exchange rates prevailing on the balance sheet date, while non-monetary items

have been translated according to the exchange rate on the transaction date. Exchange rate differences that have arisen from translation are recognized in the income statement.

The income statements of foreign subsidiaries have been translated into euros according to monthly average rates, while their balance sheets have been translated at the exchange rates on the balance sheet date. Exchange rate differences that have arisen from translation are recognized in equity and in other comprehensive income. Translation differences that have arisen since the transition to IFRS are recognized as a separate balance sheet item under equity.

#### **Goodwill and other intangible assets**

The Group has no recognized goodwill as of the balance sheet date.

Other intangible assets mainly comprise computer software programmes. These are recognized at their original cost and are amortized on a straight-line basis during their estimated useful life of 5–10 years.

Research and development concerning vessel technology are mainly carried out by manufacturers. The Group has no actual research and development expenditures.

#### **Property, plant and equipment**

Property, plant and equipment are recognized at historical cost less accumulated depreciation and any impairment loss. Cost includes purchase price as well as expenses directly attributable to the asset. The cost of vessels also includes financial expenses during construction. The residual values and estimated useful life of the assets are examined yearly and are adjusted if they deviate substantially from previous values.

The Group's vessels comprise most of its property, plant and equipment. For vessels, an estimated residual value at the end of their useful life is taken into account in calculating depreciation. The vessels are divided into component parts. Depreciation occurs mainly on a straight-line basis over the expected useful life of the parts. For vessels acquired in 2008 or later the hull, engine and other long-term component parts are depreciated on a straight-line basis over 25 years, while short-term component parts are depreciated on a straight-line basis over 15 years. The above component parts related to vessels acquired prior to 2008 are depreciated on a straight-line basis over either 20 or 25 years.

Viking Line's vessels are dry-docked at 2–3 year intervals. Dry-docking expenses are capitalized for each vessel and depreciated until the next planned dry-docking.

Normal expenditures for repairs and maintenance are expensed on a current basis. Expenditures for large-scale renovation projects are capitalized in the balance sheet if it is likely that the future economic benefits associated

with the project will flow to the Group. These renovation projects are depreciated together with the asset to which the work is attributable, over its remaining useful life. Renovation projects for vessels whose remaining useful life is less than five years are depreciated over five years.

Capitalized renovation costs for rented properties are depreciated on a straight-line basis. Land is not depreciated. Buildings and motor vehicles are depreciated on a declining balance basis. The depreciation method for other property, plant and equipment has been changed so that purchases made in 2016 or later are depreciated on a straight-line basis, whereas previous purchases are depreciated on a declining balance basis. This change does not have any material effect on consolidated operating income or assets.

Depreciation for property, plant and equipment is calculated according to the following principles:

#### **Vessels**

20–25 years, straight-line

#### **Vessels, short-term component parts**

15 years, straight-line

#### **Vessel dry-docking**

2–3 years, straight-line

#### **Vessels, machinery and equipment**

5–10 years, straight-line or 25% of remaining expenditure

#### **Buildings**

4–7% of remaining expenditure

#### **Structures**

10 years, straight-line or 20–25% of remaining expenditure

#### **Renovation costs for rented properties**

5–10 years, straight-line

#### **Machinery and equipment**

5–15 years, straight-line or 25% of remaining expenditure

Gains or losses on the sale or transfer of property, plant and equipment are recognized in the income statement.

Advance payments are related to vessels under construction. These consist of advance payments in compliance with vessel construction (newbuilding) contracts, planning and monitoring expenses and capitalized borrowing expenses. Planning and monitoring expenses consist of architect fees plus salary and travel expenses for planning and technical monitoring of vessel construction. Interest expenses for loans related to advance payments attributable to vessels that have not yet been delivered are capitalized. EU funding received is recognized under advance payments.

#### **Impairment losses**

The recognized values of asset items are tested regularly to discover any external or internal indications of impairment. If such indications are observed for any asset item, its recoverable amount is estimated.

The recoverable amount of assets refers to their fair value minus costs to sell or value in use, whichever is higher. When estimating value in use, future cash flows are discounted to their present value on the basis of the discount rates that describe the average pre-tax capital costs of the asset in question. Discount rates shall reflect the time value of money and the risks that the specific asset is subjected to and that have not been taken into account in future cash flows.

An impairment loss is recognized in the income statement if the carrying amount of the asset item exceeds its recoverable amount.

An impairment loss attributable to assets, except for goodwill, is reversed if a change has occurred in the values used in determining the recoverable amount of the asset item. The impairment loss is reversed to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that the asset would have had if no impairment loss had been recognized, taking into account the depreciation that would then have been carried out.

During the financial year 2017, no impairment losses were recognized.

### Financial assets and liabilities

According to IAS 39, financial assets are classified in the following categories: 1) financial assets recognized at fair value through profit or loss, 2) held-to-maturity investments, 3) loan receivables and trade receivables and 4) financial assets available for sale. The Group's financial assets are categorized as loan receivables and trade receivables or as financial assets available for sale.

Acquisitions and divestments of financial assets are reported on the settlement date.

According to IAS 39, financial liabilities are classified either as 1) financial liabilities recognized at fair value through profit or loss or as 2) other financial liabilities. The Group's financial liabilities are classified as other financial liabilities.

Non-current assets and liabilities have an expected maturity longer than one year, while current assets and liabilities have a maturity less than one year.

The Group applies the following hierarchy to determine the fair value of financial assets and liabilities according to various measurement methods:

Level 1: Listed (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: Other measurement methods in which all data that have a significant impact on fair value can be observed either directly or indirectly.

Level 3: Those measurement methods that require judgments by Group Management.

### Investments available for sale

Investments available for sale consist of unlisted shares and participations.

*Shares in Försäkringsaktiebolaget Alandia*

The Group holds 19.6 per cent of the shares in Försäkrings-

saktiebolaget Alandia and does not have significant influence on the company. The value of the Group's shareholding is established on the basis of the present value of future cash flows and is reported under investments available for sale. Changes in the fair value of the shares are recognized in other comprehensive income and in the fair value reserve under equity. Changes in fair value will be transferred from equity to the income statement when the investment is sold or in case of any impairment loss.

### Other investments available for sale

The fair value of other investments available for sale is determined via disclosures about recently completed transactions, prices of similar instruments, outside appraisals or estimates of expected cash flows. When fair value cannot be reliably determined, the acquisition cost of the asset is used.

Changes in fair value are recognized in other comprehensive income and in the fair value reserve under equity. Changes in fair value are transferred from equity to the income statement when the investment is sold or in case of any impairment loss.

### Trade and other receivables

The carrying amount of trade and other receivables is recognized as fair value.

Credit risk in the Group's trade and other receivables is regarded as low, since these are dispersed among a large number of customers. The Group had no significant credit losses during the financial year. The balance sheet carrying amount of the Group's trade and other receivables is equivalent to its maximum credit exposure. Any credit losses or other reductions in the value of receivables are recognized as an expense in the income statement.

### Cash and cash equivalents

Cash and cash equivalents consist of cash and bank accounts and highly liquid short-term investments whose maturity from the acquisition date is no more than three months. For cash and cash equivalents with a short maturity, the carrying amount is regarded as being equivalent to fair value.

### Interest-bearing liabilities

The Group has both current and non-current interest-bearing liabilities. All liabilities are denominated in euros. Some of these liabilities have fixed interest rates and some have floating interest rates. The total floating interest rate consists of the market interest rate and a company-specific margin.

Interest-bearing liabilities are initially recognized at fair value based on the amount received. Transaction costs are included in the original carrying amount of financial liabilities. After the acquisition date, the liabilities are carried at accrued cost according to the effective interest method. The carrying amount of interest-bearing liabilities is equivalent to fair value.

### Trade and other payables

The carrying amount of trade and other payables is equivalent to fair value.



### Inventories

Inventories have been recognized at a weighted average purchase price or at a probable lower net selling price.

### Segment reporting

Group Management has established operating segments based on the information that is dealt with by the Management. Viking Line applies a matrix organization in which operational responsibility is divided into Passenger Services and Cargo Services. Operations, financial earnings forecasts and plans are followed up in these areas for all vessels and are assessed from a comprehensive perspective. The vessels also fulfil all aggregation criteria. The Group's operations have thus been divided into two operating segments: Vessels and Unallocated. The Vessels operating segment comprises direct revenue and expenses including depreciation and amortization that is attributable to vessel operations. The Unallocated operating segment mainly comprises unallocated marketing and administrative expenses. Unallocated also includes the Park Alandia Hotell profit centre through March 2016 and the subsidiary Viking Line Buss Ab, which constituted support units for vessel operations and accounted for less than 10 per cent of consolidated sales, operating income and assets. Information on revenue from external customers allocated by geographic area is not available. Assets and liabilities by operating segment are not reported to Group Management.

### Revenue and sales recognition principles

Consolidated sales consist of passenger-related revenue, cargo revenue and other sales revenue. Passenger-related revenue consists mostly of sales on board and ticket sales. Sales are calculated on the basis of sales revenue minus discounts and indirect taxes, adjusted for exchange rate differences. Sales are recognized after goods or services have been received by the customer and benefits associated with ownership of goods or performance of services have been transferred to the purchaser and the Group has thus performed what the customer has paid for. Advance payments are carried in the balance sheet under other current liabilities. Any credit losses or other decreases in the value of receivables are recognized as expenses in the income statement.

During the year, the Group implemented a customer loyalty programme, in which passengers collect bonus points that can be used to pay for bookings or services on board. Bonus points are recognized as current liabilities when they are earned, and sales are reduced by the corresponding amount. When points are used or when it is no longer considered likely that they will be used, the liability for these points is reduced and the corresponding amount is recognized as revenue.

### Employee compensation

Viking Line has different pension arrangements in the countries where the Group operates. Outside pension companies are responsible for the legally mandated pension liability in Group companies. All of the Group's pension plans are classified as defined-contribution. Pension premiums are recognized as expenses in the income statement for the accounting period to which they are attributable.

Compensation related to dismissals is recognized among salary and other employment benefit expenses and outstanding compensation is accounted for among current liabilities in the balance sheet. The President and CEO receives 8 months of salary and other members of the Group Management team 6 months of salary in case of termination by the Company. Otherwise the Group has no defined-benefit pension arrangements or other benefits after employment has ceased. The Group has no incentive or bonus systems. No specific pension agreement has been made for Group Management.

### Government restitution

The Group receives government restitution from Finland and Sweden related to the taxes and social security contributions for shipboard employees, in keeping with European Union guidelines. The restitution received is recognized in the income statement among salary and other employment benefit expenses for the period when the basis for restitution has arisen. See Note 5 to the consolidated financial statements.

### Rental agreements

The Group's leases and rental agreements are classified as operating leases, since the economic risks and benefits associated with ownership are not transferred to the Group. Rental income and expenses are recognized in the income statement on a straight-line basis over the period of the lease. See Note 22 to the consolidated financial statements.

### Income taxes

Income taxes in the income statement consist of taxes based on the taxable income for the period, adjustment of taxes for previous periods and deferred taxes.

Taxes based on the taxable income for the period are calculated according to the applicable tax rate in each country. Income taxes are recognized in the income statement except when underlying transactions have been recognized directly in equity and in other comprehensive income, in which case the related tax effects are recognized in equity and in other comprehensive income.

Deferred taxes are calculated for all temporary differences between carrying amount and tax base. The largest temporary differences are attributable to differences be-

tween the recognized value of fixed assets and their value for tax purposes. Deferred taxes are estimated according to the tax rates that were established before the balance sheet date. The Group has not recognized any deferred tax assets.

#### **Application of renewed or amended IFRSs**

The Group begins to apply each standard and interpretation from the date when it enters into force or from the beginning of the following accounting period, if the date when application begins is a date other than the first day of the accounting period.

The EU has approved the new standard IFRS 9, "Financial instruments", which will be applied beginning with the financial year 2018. IFRS 9 introduces new requirements for the valuation and classification of financial assets and liabilities. The new classification and valuation rules are not expected to have any material effect on the Group's financial reports. Fair value changes in as well as profits and losses from the Group's existing investments available for sale will be recognized in other comprehensive income and in the fair value reserve under equity. Application of IFRS 9 will entail additional disclosures in the notes to the consolidated financial statements.

IFRS 15, "Revenue from contracts with customers", which was approved by the EU, replaces IAS 11, "Construction contracts" as well as IAS 18, "Revenue" and related interpretations. The standard will be applied beginning with the financial year 2018. The new standard provides a five-step model for recognizing revenue, with the critical point in time for revenue recognition being when the customer is passed control of the good or service sold. Based on specific criteria, revenue is recognized either at one point in time or over time.

The Group does not have any long-term agreements with customers such that revenue recognition could be materially affected by the transition to IFRS 15. In 2017, a customer loyalty programme was implemented, in which passengers collect bonus points that can be used to pay for bookings or services on board. Bonus points are recognized as current liabilities when they are earned, and sales are reduced by the corresponding amount. When points are used or when it is no longer considered likely that they will be used, the liability for these points is reduced and the corresponding amount is recognized as revenue. The accounting principles of the customer loyalty programme are in compliance with IFRS 15. The principles now applied for the accrual of revenue do not differ significantly from the principles under the new standard. Beginning with the financial year 2018, some of the Group's sales and purchases of external services will be recognized on a net basis. Previously these purchases were recognized under goods and services. In the consolidated financial statements for 2018, comparable figures will be adjusted

for these items. For the financial year 2017, this entails a reduction in consolidated sales and in goods and services of 9.2 million euros. The adjustment has no effect on consolidated income or equity.

The EU has approved the new standard IFRS 16, "Leases", which will replace IAS 17, "Leases" and will be applied beginning with the financial year 2019. This standard requires that all leases be capitalized in the lessee's balance sheet, with some exemptions and reliefs. A leasing asset is recognized in the balance sheet, and depreciation of the asset is recognized in the income statement for the lease term in question. Similarly, a leasing liability is also recognized, which gives rise to interest expenses. For lessors, reporting follows previous principles.

For Viking Line, the application of IFRS 16 will entail a larger consolidated balance sheet and a reallocation of costs in the consolidated income statement. Financial ratios will also be affected. The Group will apply IFRS 16 retroactively by reporting the cumulative effect of the standard on consolidated equity at the start of the year the standard is applied. Prior to its application, all the Group's leases will be examined.

Other future changes in IASs, IFRSs and IFRIC interpretations that the EU has approved are not expected to have any material effect on the consolidated financial statements.

EUR M	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
<b>2. OPERATING SEGMENTS</b>		
<b>Sales</b>		
Vessels	520.1	516.6
Unallocated	2.9	3.1
Total, operating segments	522.9	519.8
Eliminations	-0.2	-0.2
Total sales of the Group	522.7	519.6
<b>Operating income</b>		
Vessels	56.9	60.9
Unallocated	-46.9	-47.2
Total operating income of the Group	10.0	13.7
<b>SALES</b>		
Passenger-related revenue	476.4	472.6
Cargo revenue	43.8	44.3
Miscellaneous sales revenue	2.6	2.6
Total	522.7	519.6
<b>3. OTHER OPERATING REVENUE</b>		
Rents received on properties	0.2	0.2
Capital gains	1.1	1.5
Miscellaneous other operating revenue	0.4	0.3
Total	1.7	2.0
<b>4. GOODS AND SERVICES</b>		
Goods	128.4	129.8
Externally purchased services	21.7	21.9
Total	150.1	151.7
<b>5. SALARY AND OTHER EMPLOYMENT BENEFIT EXPENSES</b>		
Salaries	123.5	123.6
Expenses of defined-contribution pensions	17.7	19.5
Other payroll overhead	15.4	17.1
	156.6	160.2
Government restitution	-35.9	-38.0
Total	120.6	122.3
<b>AVERAGE NUMBER OF EMPLOYEES</b>		
Shipboard employees	2,086	2,082
Land-based employees	660	660
Total	2,746	2,742

In addition to the Group's own employees, Viking XPRS was crewed by an average of 248 (250) people employed by a staffing company. The expenses for them are recognized among other operating expenses.

Disclosures on compensation to the Group's key individuals in leading positions are found in Note 24.



EUR M	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
<b>6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES</b>		
<b>Depreciation</b>		
Intangible assets	0.2	0.2
Buildings and structures	0.7	0.8
Renovation costs for rented properties	0.3	0.2
Vessels	22.3	25.3
Machinery and equipment	1.7	1.5
Total	25.2	28.0
Total depreciation, amortization and impairment losses	25.2	28.0
<b>7. OTHER OPERATING EXPENSES</b>		
Sales and marketing expenses	31.1	32.2
Washing and cleaning expenses	21.4	20.8
Repairs and maintenance	17.1	16.9
Public port expenses and vessel charges	41.8	40.2
Fuel expenses	46.7	39.5
Miscellaneous expenses	60.3	56.5
Total	218.5	206.0
<b>Auditors' fees</b>		
Auditing	0.1	0.1
Audit-related services	0.0	0.0
Tax advice	0.0	0.0
Miscellaneous consulting	0.0	0.0
Total	0.2	0.2
PricewaterhouseCoopers Oy has provided non-audit services to entities of the Viking Line Group for a total of EUR 0.0 M during the financial year 2017. These services included audit-related services (EUR 0.0 M), tax advice (EUR 0.0 M) and miscellaneous consulting (EUR 0.0 M).		
<b>8. FINANCIAL INCOME AND EXPENSES</b>		
Dividend income from investments available for sale	2.0	2.4
Interest income from cash and cash equivalents	0.0	0.0
Other financial income	0.1	0.2
Total financial income	2.2	2.6
Interest expenses on financial liabilities recognized at accrued cost	3.9	4.5
Exchange losses	0.9	1.6
Other financial expenses	0.8	0.6
Total financial expenses	5.6	6.7
Total financial income and expenses	-3.4	-4.1

EUR M	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
<b>9. INCOME TAXES</b>		
Tax for the financial year	0.2	0.1
Tax attributable to previous financial years	0.0	0.0
Deferred tax, change in temporary differences	1.1	1.5
Total	1.3	1.5
<b>Reconciliation of tax expense in the income statement and taxes estimated according to tax rate in the Group's home country</b>		
Income before taxes	6.6	9.6
Taxes estimated according to Finnish tax rate (20.0%)	1.3	1.9
Tax attributable to previous financial years	0.0	0.0
Tax effect of		
divergent tax rates in foreign subsidiaries	0.0	0.0
tax-exempt revenue and non-deductible expenses	0.0	-0.3
deferred tax, other changes	0.1	0.0
Taxes in the income statement	1.3	1.5

**10. EARNINGS PER SHARE**

Earnings per share are calculated on the basis of 10,800,000 shares of equal value. Viking Line has no share option, convertible debenture or share-based incentive programmes, so no dilution can occur.

11. INTANGIBLE ASSETS	2017	2016
Cost, Jan 1	5.1	3.8
Translation differences	0.0	0.0
Increases	0.7	1.3
Decreases	0.0	0.0
Cost, Dec 31	5.8	5.1
Accumulated amortization, Jan 1	-3.2	-3.0
Translation differences	0.0	0.0
Accumulated amortization on decreases	0.0	0.0
Amortization for the financial year	-0.2	-0.2
Accumulated amortization, Dec 31	-3.3	-3.2
Carrying amount, Jan 1	1.9	0.8
Carrying amount, Dec 31	2.5	1.9

Intangible assets consist mainly of computer software programmes.

EUR M

		Buildings and structures	Renovation costs for rented properties	Vessels	Machinery and equipment	Advance payments	Total
<b>12. PROPERTY, PLANT AND EQUIPMENT</b>	<b>Land</b>						
Cost, Jan 1, 2017	0.6	23.8	11.3	783.5	15.0	-	834.2
Translation differences	-	0.0	-	-1.9	0.0	-	-1.9
Increases	-	0.0	0.8	9.5	1.3	22.4	34.0
Decreases	-	-	-0.4	-4.4	-0.8	-	-5.6
EU funding	-	-	-	-	-	-0.8	-0.8
Cost, Dec 31, 2017	0.6	23.9	11.7	786.7	15.5	21.6	859.9
Accumulated depreciation, Jan 1, 2017	-	-14.6	-9.0	-475.0	-9.4	-	-508.1
Translation differences	-	0.0	-	0.7	0.0	-	0.7
Accumulated depreciation on decreases	-	-	0.4	4.4	0.8	-	5.6
Depreciation for the financial year	-	-0.7	-0.3	-22.3	-1.7	-	-25.0
Accumulated depreciation, Dec 31, 2017	-	-15.3	-9.0	-492.2	-10.3	-	-526.7
Carrying amount, Jan 1, 2017	0.6	9.2	2.3	308.5	5.6	-	326.2
Carrying amount, Dec 31, 2017	0.6	8.6	2.7	294.6	5.2	21.6	333.2
Cost, Jan 1, 2016	1.1	25.3	11.0	779.6	17.1	-	834.0
Translation differences	-	0.0	-	-2.5	0.0	-	-2.5
Increases	-	0.4	1.3	11.1	1.7	-	14.5
Decreases	-0.5	-1.8	-1.0	-4.6	-3.8	-	-11.7
Cost, Dec 31, 2016	0.6	23.8	11.3	783.5	15.0	-	834.2
Accumulated depreciation, Jan 1, 2016	-	-15.3	-9.8	-455.1	-11.6	-	-491.7
Translation differences	-	0.0	-	0.8	0.0	-	0.8
Accumulated depreciation on decreases	-	1.4	1.0	4.6	3.7	-	10.7
Depreciation for the financial year	-	-0.8	-0.2	-25.3	-1.5	-	-27.8
Accumulated depreciation, Dec 31, 2016	-	-14.6	-9.0	-475.0	-9.4	-	-508.1
Carrying amount, Jan 1, 2016	1.1	10.0	1.2	324.5	5.5	-	342.3
Carrying amount, Dec 31, 2016	0.6	9.2	2.3	308.5	5.6	-	326.2

Advance payments are related to vessels under construction.

Viking Line has no financial leases related to property, plant and equipment.



## EUR M

**13. INVESTMENTS AVAILABLE FOR SALE**

	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Unlisted shares and participations	27.9	27.1
Investments available for sale	27.9	27.1
	<b>2017</b>	<b>2016</b>
Investments available for sale, Jan 1	27.1	26.8
Increases	0.1	-
Decreases	0.0	-
Change in fair value	0.7	0.3
Investments available for sale, Dec 31	27.9	27.1

For a description of the appraisal of investments available for sale and the accompanying sensitivity analysis, see Note 25.

**14. INVENTORIES**

	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Inventories of goods for sale	16.0	16.6
Supplies	0.2	0.3
Stocks of vessel fuel	1.1	1.2
Total	17.3	18.1

**15. TRADE AND OTHER RECEIVABLES**

	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Trade receivables	11.8	10.4
Accrued income and prepaid expenses	21.5	24.4
Other receivables	1.1	1.3
Total	34.3	36.1

**Accrued income and prepaid expenses**

Employee-related items	19.3	19.0
Other accrued income and prepaid expenses	2.2	5.4
Total	21.5	24.4

**Age analysis, trade receivables**

Not overdue	9.2	8.3
Overdue 1-30 days	2.1	1.5
Overdue more than 30 days	0.5	0.6
Total	11.8	10.4

**Trade and other receivables by currency**

EUR	28.3	30.6
SEK	5.6	5.2
CHF	0.1	0.1
DKK	0.0	0.0
GBP	0.3	0.1
USD	0.0	0.0
Total	34.3	36.1

## EUR M

**16. CASH AND CASH EQUIVALENTS**

	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Cash and bank accounts	68.0	89.9
Short-term investments	–	5.0
<b>Total</b>	<b>68.0</b>	<b>94.9</b>

**17. EQUITY****Share capital**

The minimum share capital of Viking Line Abp is EUR 720,000.00 and the maximum share capital is EUR 2,880,000.00. Within these limits, share capital may be increased or decreased without amending the Articles of Association. The minimum number of shares is 3,600,000 and the maximum number is 14,400,000. Since April 12, 1995, the share capital of Viking Line Abp has been EUR 1,816,429.61 and the number of shares 10,800,000. All shares constitute one series, in which all shares are of equal value. Each share is equivalent to one vote on motions and candidates at shareholder meetings. However, no shareholder may vote on behalf of more than 1/4 of the shares represented at a shareholder meeting. The Company has not issued any warrants or bonds. The Board of Directors has not requested authorization from a shareholder meeting to change the share capital or to issue warrants or bonds or to acquire the Company's own shares. The Company and its subsidiaries do not own any of their own shares.

<b>Reserves</b>	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Legal reserve	0.0	0.0
Share premium reserve	0.0	0.0
Fair value reserve	1.7	1.0
<b>Total</b>	<b>1.7</b>	<b>1.0</b>

**Translation differences**

Translation differences consist of differences that have arisen when consolidating the financial statements of foreign subsidiaries. These differences are recognized in other comprehensive income.

**Dividend**

A dividend of EUR 0.40 per share, totalling EUR 4.3 M, was distributed for the financial year 2016 (a dividend of EUR 0.95 per share, totalling EUR 10.3 M, was distributed for the financial year 2015). After the balance sheet date, the Board of Directors proposed that a dividend of EUR 0.20 per share be paid for the financial year 2017. The dividend distribution is recognized as a liability in the balance sheet when the Annual General Meeting has approved it.

**18. DEFERRED TAX ASSETS AND LIABILITIES**

<b>Deferred tax liabilities</b>	<b>Differences between recognized value of fixed assets and their value for tax purposes</b>	<b>Other temporary differences</b>	<b>Total</b>
Jan 1, 2017	35.8	0.1	35.9
Translation differences	0.0	–	0.0
Recognized in income statement	1.0	0.1	1.1
Recognized directly in equity	–	0.0	0.0
<b>Dec 31, 2017</b>	<b>36.8</b>	<b>0.2</b>	<b>37.0</b>
Jan 1, 2016	34.4	0.0	34.5
Translation differences	0.0	–	0.0
Recognized in income statement	1.4	0.1	1.5
Recognized directly in equity	–	0.0	0.0
<b>Dec 31, 2016</b>	<b>35.8</b>	<b>0.1</b>	<b>35.9</b>

EUR M

## 19. INTEREST-BEARING LIABILITIES, TRADE AND OTHER PAYABLES

	Dec 31, 2017	Dec 31, 2016
<b>Interest-bearing liabilities</b>		
<b>Non-current interest-bearing liabilities</b>		
Loans from credit institutions	127.0	150.6
<b>Current interest-bearing liabilities</b>		
Loans from credit institutions, principal payments	23.5	23.6
	<b>2017</b>	<b>2016</b>
Interest-bearing liabilities, Jan 1	174.1	197.5
Increases	-	0.2
Decreases	-23.6	-23.5
Interest-bearing liabilities, Dec 31	150.6	174.1
<b>Trade and other payables</b>	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Trade payables	26.1	24.4
Accrued expenses and prepaid income	36.8	37.0
Other payables	10.2	11.6
Total	73.0	73.0
<b>Accrued expenses and prepaid income</b>		
Employee-related expenses	26.1	25.9
Other accrued expenses and prepaid income	10.7	11.1
Total	36.8	37.0
<b>Trade and other payables by currency</b>		
EUR	56.4	55.7
SEK	16.4	15.9
DKK	0.1	0.1
GBP	0.0	0.0
NOK	-	0.0
USD	0.1	1.3
Total	73.0	73.0

Most other payables consist of employee-related items.

Future cash flows related to financial liabilities (incl. financial expenses)	Trade payables	Interest-bearing liabilities	Total
2018	26.1	27.6	53.7
2019	-	27.0	27.0
2020	-	26.4	26.4
2021	-	25.8	25.8
2022	-	21.0	21.0
2023 -	-	39.3	39.3
Total	26.1	167.2	193.3



EUR M

**20. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES****Classification of fair value, investments available for sale**

	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Level 1	-	-
Level 2	-	-
Level 3	27.9	27.1

**Financial assets and liabilities by category****Financial assets Dec 31, 2017**

	<b>Loan receivables and trade receivables</b>	<b>Financial assets available for sale</b>
Investments available for sale	-	27.9
Trade receivables	11.8	-
Cash and cash equivalents	68.0	-
Total	79.7	27.9

**Financial liabilities Dec 31, 2017**

	<b>Other financial liabilities</b>
Non-current interest-bearing liabilities	127.0
Current interest-bearing liabilities	23.5
Trade payables	26.1
Total	176.6

**Financial assets and liabilities by category****Financial assets Dec 31, 2016**

	<b>Loan receivables and trade receivables</b>	<b>Financial assets available for sale</b>
Investments available for sale	-	27.1
Trade receivables	10.4	-
Cash and cash equivalents	94.9	-
Total	105.3	27.1

**Financial liabilities Dec 31, 2016**

	<b>Other financial liabilities</b>
Non-current interest-bearing liabilities	150.6
Current interest-bearing liabilities	23.6
Trade payables	24.4
Total	198.5

**21. RECONCILIATION OF LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES**

	<b>2017</b>	<b>2016</b>
Loans from credit institutions, Jan 1	174.1	197.5
<b>Cash flows</b>		
Borrowing	-	0.2
Principal payments	-23.6	-23.5
Total	-23.6	-23.4
<b>Changes that do not affect cash flow</b>		
Valuation at accrued cost, change	0.0	0.0
Loans from credit institutions, December 31	150.6	174.1

EUR M

**22. RENTAL AGREEMENTS****Rental income**

The Group rents out premises in portions of its properties to various business owners. Most of these agreements are cancellable.

<b>Future rental income related to non-cancellable rental agreements</b>	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Due within one year	0.1	0.1
Due in later than one year but within five years	0.1	0.2
Due in later than five years	0.0	-
<b>Total</b>	<b>0.2</b>	<b>0.2</b>

**Minimum lease payments and rent expenses**

The Group has no agreements that are classified as financial leases. The Group rents a number of premises for sales and administrative purposes. In addition, there are various operating leases related to machinery and equipment. The agreements vary in length between 1 and 7 years. The agreements normally include options for renewal after the expiration of the agreement. The agreements vary with regard to indexing, renewal and other terms and conditions.

In addition, the Group leases a harbour area whose remaining lease period totals 8 years. One condition for occupying the property is that it be used for passenger, cargo and car ferry services. In the lease, the Company has also undertaken to pay port fees for all its vessels that use the harbour in question. These port fees should total a certain minimum level. Minimum levels are also specified for volumes and net registered tonnage. Viking Line is entitled to transfer the agreement to a third party.

**Future minimum lease payments and rents related to non-cancellable operating leases**

	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Due within one year	1.7	1.8
Due in later than one year but within five years	3.2	4.0
Due in later than five years	0.2	0.4
<b>Total</b>	<b>5.1</b>	<b>6.2</b>

**23. PLEDGED ASSETS AND CONTINGENT LIABILITIES****Contingent liabilities**

Loans and credit lines for which vessel, vehicle and chattel mortgages were provided as collateral

Other contingent liabilities not included in the balance sheet

Covered by site leasehold and chattel mortgages

<b>Total</b>	<b>150.6</b>	<b>174.1</b>
--------------	--------------	--------------

**Assets pledged for own debt**

Vessel mortgages	282.0	312.6
Vehicle mortgages	0.1	0.1
Chattel mortgages	0.5	0.5
Site leasehold mortgages	0.4	0.4
<b>Total</b>	<b>283.0</b>	<b>313.6</b>

**Investment commitments not included in the accounts**

Commitments, vessel orders	175.1	-
- Contractual amount	195.0	-

Viking Line has a binding credit commitment of EUR 152.0 M for financing vessel orders.

EUR M

**24. RELATED PARTIES**

The Group's related parties include all Group companies, the parent company's Board of Directors and the Group Management plus their close family members and companies controlled by all the above parties.

The members of the parent company's Board of Directors and of the Group Management comprises the Group's key individuals in leading positions.

The Group's internal business transactions that are eliminated in the consolidated accounts are not recognized as transactions with related parties.

Group companies	Domicile	Holding	Share of voting power
<b>Owned by the parent company, Viking Line Abp</b>			
Viking Rederi AB	Norrtälje, Sweden	100%	100%
OÜ Viking Line Eesti	Tallinn, Estonia	100%	100%
Viking Line Buss Ab	Mariehamn, Finland	100%	100%
Viking Line Skandinavien AB	Stockholm, Sweden	100%	100%
Viking Line Finnlandverkehr GmbH	Lübeck, Germany	100%	100%
Oy Viking Tours Ruotsinmatkat - Sverigecenter Ab *	Mariehamn, Finland	100%	100%
Oy Ruotsinsatama - Sverigehamnen Ab *	Naantali, Finland	100%	100%
<b>Owned by subsidiaries</b>			
Finlandshamnen Stuveri AB	Stockholm, Sweden	100%	100%

\* Inactive company

**Transactions with companies that are controlled by the Group's key individuals in leading positions**

	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
Sales of services	0.0	0.0
Purchases of services	0.7	0.9
	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Receivables outstanding	-	-
Liabilities outstanding	-	0.0

Transactions with related parties are carried out on market terms. The Group has no loan arrangements, guarantees, contingent liabilities provided/received or other liabilities associated with related parties.

**Compensation to the Group's key individuals in leading positions, EUR**

	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
Salaries and other short-term compensation	964,863	929,116
Total	964,863	929,116



## EUR M

<b>Compensation and other benefits, 2017, EUR</b>	<b>Base salary/ Board fee</b>	<b>Other benefits</b>	<b>Pension expenses</b>	<b>Total</b>
Ben Lundqvist, Chairman of the Board	43,000			43,000
Nils-Erik Eklund, Board member	35,000			35,000
Trygve Eriksson, Board member until April 20, 2017	3,000			3,000
Erik Grönberg, Board member	37,000			37,000
Agneta Karlsson, Board member	36,000			36,000
Dick Lundqvist, Board member	36,000			36,000
Lars G Nordström, Board member	34,000			34,000
Peter Wiklöf, Board member from April 20, 2017	32,000			32,000
Ulrica Danielsson, deputy Board member	8,000			8,000
Stefan Lundqvist, deputy Board member	6,000			6,000
Johnny Rosenholm, deputy Board member	5,000			5,000
	275,000	-	-	275,000
President and CEO	279,840	731	42,983	323,554
Deputy CEO	207,900	572	35,065	243,537
Other key individuals in leading positions	466,483	9,337	76,758	552,578
	954,223	10,640	154,806	1,119,669
Total	1,229,223	10,640	154,806	1,394,669

<b>Compensation and other benefits, 2016, EUR</b>	<b>Base salary/ Board fee</b>	<b>Other benefits</b>	<b>Pension expenses</b>	<b>Total</b>
Ben Lundqvist, Chairman of the Board	40,000			40,000
Nils-Erik Eklund, Board member	32,000			32,000
Trygve Eriksson, Board member	32,000			32,000
Erik Grönberg, Board member	34,000			34,000
Agneta Karlsson, Board member	33,000			33,000
Dick Lundqvist, Board member	32,000			32,000
Lars G Nordström, Board member	32,000			32,000
Ulrica Danielsson, deputy Board member	9,000			9,000
Stefan Lundqvist, deputy Board member	8,000			8,000
Johnny Rosenholm, deputy Board member	8,000			8,000
	260,000	-	-	260,000
President and CEO	277,840	979	44,472	323,290
Deputy CEO	206,900	564	36,202	243,666
Other key individuals in leading positions	432,743	10,091	82,809	525,642
	917,483	11,633	163,483	1,092,599
Total	1,177,483	11,633	163,483	1,352,599

Fees adopted by the Annual General Meeting are paid as compensation for the work of the Board. Reasonable travel expenses are paid as invoiced.

The President and CEO and other Group Management members are paid monthly salaries that are reviewed by the Board yearly. The President and CEO also receives the following benefits in kind: telephone benefits and group life insurance coverage, including insurance for medical expenses.

The Group has no incentive or bonus systems.

The Group has only defined-contribution pension plans. Pension expenses refer to the expenses that have affected the year's income. For the President and CEO and other Group Management members, public

pension terms and the lowest legal retirement age in effect at each point in time apply.

The President and CEO has a termination notice period of 8 months. The Company's Board is entitled to terminate the President and CEO's contract, but the President and CEO will receive 8 months of salary after the termination date. Other Group Management members receive 6 months of salary in case of termination by the Company. Otherwise the Group has made no individual agreements on termination-related benefits.

The President and CEO of the Company is Jan Hanses, and the Deputy CEO is Andreas Remmer.

No benefits other than salaries and short-term compensation were paid to key individuals in leading positions.

## 25. MANAGEMENT OF FINANCIAL RISKS

In its normal business operations, the Group is exposed to various financial risks. The main financial risks are foreign exchange risk, liquidity risk, interest rate risk, credit and counterparty risk, and bunker price risk. The Board of Directors of the parent company has approved a policy document for the Group's financing and management of financial risks. The Group's financial position and risk exposure are reported regularly to the Board of Directors.

The Group had no derivative contracts during 2016 and 2017.

### Foreign exchange risk

The Group's foreign exchange risk consists of sales and purchases as well as balance sheet items in foreign currencies and net investments in foreign subsidiaries. The impact of changes in currency exchange rates on net investments in foreign subsidiaries is reflected as translation differences in Group equity and in other comprehensive income.

The most important foreign currencies for the Group are Swedish kronor (SEK) and American dollars (USD). During 2017 SEK-denominated sales accounted for about 31 per cent of total consolidated sales. Salary and other employment benefit expenses and purchases denominated in SEK accounted for about 23 per cent of the Group's total salary and other employment benefit expenses and purchases. The USD exchange rate affects the Group's earnings mainly through bunker (vessel fuel) purchases.

The Group's trade and other receivables and its trade and other payables per currency are shown in Notes 15 and 19. In addition, the Group has cash and cash equivalents in various currencies. The Group's loans are entirely denominated in euros. The currency position is monitored continuously and the Group endeavours to achieve a matching of the currency flows. When an imbalance between the Group's inflows and outflows of SEK arises, this is managed primarily by a continuous sale of SEK. The Group has no form of currency hedging.

A 5 per cent change in the exchange rate of the euro against the Swedish krona on December 31, 2017 would have an estimated effect of EUR  $\pm 0.5$  M (EUR  $\pm 0.1$  M on December 31, 2016) on consolidated income after taxes and equity.

### Liquidity risk

Viking Line evaluates and continuously monitors the financing that is required in its business operations in order to always have sufficient funds for day-to-day activities, principal payments and investments. Liquidity risk is also managed through efficient cash management, by ensuring market-priced financing sources and by dispersing a sufficient portion of financial investments among liquid financial instruments. Vessel investments are financed with long-term credit agreements.

The loan agreement related to the financing of the M/S Viking Grace includes loan covenants according to market terms. The conditions and terms in the agreement were complied with during the financial year.

Viking Line Abp and the Xiamen Shipbuilding Industry

Co., Ltd. shipyard have signed a contract on the construction of a passenger vessel. The contract amount is EUR 194 M, and the planned delivery for the vessel is in 2020.

78.4 per cent of the contract price is financed by a syndicate consisting of commercial banks. 90.0 per cent of the credit amount is guaranteed by China Export & Credit Insurance Corporation. The binding loan commitment of EUR 152.0 M will be used when the final payment is made upon delivery of the vessel. The loan commitment includes loan covenants according to market terms.

Viking Line Abp has made an advance payment of EUR 19.4 M in accordance with the vessel building contract. In the event the contract should be terminated, the Company has a bank guarantee as security for the advance payment made.

The Group's non-current interest-bearing liabilities amounted to EUR 127.0 M on December 31, 2017 (EUR 150.6 M on December 31, 2016). The Group's cash and cash equivalents amounted to EUR 68.0 M on December 31, 2017 (EUR 94.9 M on December 31, 2016). Information on the dates when interest-bearing liabilities fall due for payment is found in Note 19.

### Interest rate risk

Fluctuations in interest rates affect the Group's interest expenses and interest income. Of the Group's interest-bearing liabilities, 74 per cent have fixed interest rates and 26 per cent have floating interest rates. The total floating interest rate consists of the market interest rate and a company-specific margin. There were no interest rate derivatives on December 31, 2017.

A one percentage point change in the market interest rates on the Group's interest-bearing liabilities with floating interest rates on December 31, 2017 would have an estimated effect of EUR  $\pm 0.3$  M (EUR  $\pm 0.4$  M on December 31, 2016) on consolidated income after taxes and equity.

### Credit and counterparty risk

Trade and other receivables are a credit risk for the Group. Credit risk in operational activities is continuously monitored. Credit risk in the Group's trade and other receivables is regarded as low, since these are dispersed among a large number of customers. The Group had no substantial credit losses during the financial year. The balance sheet carrying amount of the Group's trade and other receivables plus investments available for sale is equivalent to its maximum credit exposure. An age analysis of unimpaired trade receivables can be found in Note 15.

Cash is invested in financial instruments that are liquid and exposed to low risk. Investments in financial instruments are made only with counterparties deemed to have good solvency and creditworthiness.

### Bunker price risk

Bunker (vessel fuel) costs are a substantial risk for the Group. Most of the price of the Group's bunker purchases is determined by world market prices for bunker oil and natural gas. Bunker oil purchases are made in euros. The bunker oil price for a specific delivery date is determined based on an average of market price listings for the three

previous days according to Platts at the European Central Bank's USD/EUR reference exchange rates for the same period. The liquefied natural gas (LNG) price is determined by unit costs for the natural gas element, condensation and bunker vessel logistics. 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 2017.

Vessel bunker costs amounted to EUR 46.5 M during the financial year 2017 (EUR 39.3 M during 2016), which is equivalent to 8.9 per cent (7.6) of Group sales. Bunker consumption totalled about 83,200 tonnes of oil and about 15,200 tonnes of LNG during 2017 (about 79,700 tonnes of oil and 15,000 tonnes of LNG during 2016).

A 10 per cent change in the bunker price of LNG on December 31, 2017 and the bunker oil quality that is used, based on projected bunker consumption in 2018, would have an estimated effect of EUR ±3.7 M on consolidated income after taxes and equity. The Group's existing fixed-price agreements have been taken into account in these calculations.

#### Price risk

The Group is exposed to price risk related to shares that are classified as investments available for sale, of which the Group's shareholding in the insurance company Försäkringsaktiebolaget Alandia comprises 99.79 per cent.

A forecast has been made of the insurance company's cash flows during the period 2018–2022. For subsequent periods, annual growth of 2 per cent has been forecasted. The value of Viking Line's shareholding is established on the basis of the present value of the forecasted cash flows. To calculate the present value, a discount rate of 11.8 per cent was used. The discount rate was determined based on a capital asset pricing model (CAPM), which takes into account components such as the risk-free interest rate, beta and the stock market risk premium.

#### Asset management

The purpose of the Group's asset management is a capital structure that ensures normal operating conditions. The Company's Board of Directors assesses the capital structure of the Group regularly by monitoring the equity/assets ratio. On December 31, 2017, the equity/assets ratio amounted to 46.2 per cent, compared to 44.1 per cent on December 31, 2016.

#### 26. LITIGATION AND DISPUTES

Viking Line is involved in a few other legal actions and cases whose outcome cannot be predicted, but taking into account the information that is available at present, their outcome is not expected to have any substantial impact on consolidated earnings.

#### 27. EVENTS AFTER THE BALANCE SHEET DATE

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 filed a leave to appeal with the Supreme Court of Finland, which was not granted.

Viking Line has decided not to exercise the option to construct another vessel included in its shipbuilding contract with Xiamen Shipbuilding Industry Co., Ltd. The option expired on January 31, 2018.

The Board of Directors of the Company is not aware of any major events after the balance sheet date that might influence the financial statements.

<i>Sensitivity analysis, shareholding in Försäkrings Ab Alandia</i>	<i>Effect on present value, EUR M</i>
Decrease by 5% of forecasted cash flows	- 1.4
Increase by 5% of forecasted cash flows	+ 1.4
Discount rate 12.8%	- 2.4
Discount rate 10.8%	+ 3.0

# Parent company income statement

EUR M	Note	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
<b>SALES</b>		<b>529.0</b>	<b>525.8</b>
Other operating revenue	2	1.6	1.7
<b>Operating expenses</b>			
Goods and services	3	149.8	151.4
Employee expenses	4	91.9	93.4
Depreciation and amortization	5	22.0	25.0
Other operating expenses	6	259.8	247.5
		523.5	517.4
<b>OPERATING INCOME</b>		<b>7.1</b>	<b>10.1</b>
Financial income and expenses	7	-1.9	-1.9
<b>INCOME BEFORE APPROPRIATIONS AND TAXES</b>		<b>5.2</b>	<b>8.2</b>
<b>Appropriations</b>			
Change in depreciation differences	8	-4.4	-6.6
Group contribution		0.2	-
Income taxes	9	-0.1	-
<b>INCOME FOR THE FINANCIAL YEAR</b>		<b>0.8</b>	<b>1.6</b>



# Parent company balance sheet

EUR M	Note	Dec 31, 2017	Dec 31, 2016
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Intangible assets</b>	10	5.2	4.3
<b>Tangible assets</b>	11		
Land		1.0	1.0
Buildings and structures		8.3	8.9
Vessels		253.4	265.5
Machinery and equipment		3.8	4.3
Advance payments		21.6	-
		288.1	279.7
<b>Shares and participations</b>	12		
Shares in Group companies		1.1	1.1
Capital contribution to Group companies		17.6	17.6
Other shares and participations		26.2	26.1
		44.8	44.8
<b>TOTAL FIXED ASSETS</b>		<b>338.1</b>	<b>328.7</b>
<b>CURRENT AND FINANCIAL ASSETS</b>			
<b>Inventories</b>	13	17.2	18.0
<b>Non-current receivables</b>			
Group receivables		15.2	19.5
<b>Current receivables</b>			
Trade receivables		11.4	10.0
Group receivables		6.0	4.6
Other current receivables		0.3	0.5
Accrued income and prepaid expenses	14	20.0	22.8
		37.8	37.9
<b>Cash and cash equivalents</b>		66.1	93.7
<b>TOTAL CURRENT AND FINANCIAL ASSETS</b>		<b>136.4</b>	<b>169.2</b>
<b>TOTAL ASSETS</b>		<b>474.4</b>	<b>497.9</b>

EUR M	Note	Dec 31, 2017	Dec 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>	15		
Share capital		1.8	1.8
Retained earnings		74.4	77.1
Income for the financial year		0.8	1.6
<b>TOTAL EQUITY</b>		<b>77.0</b>	<b>80.5</b>
<b>ACCUMULATED APPROPRIATIONS</b>			
Accumulated depreciation differences		180.6	176.2
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>	16		
Liabilities to credit institutions		126.8	150.2
<b>Current liabilities</b>			
Principal payments to credit institutions		23.4	23.4
Accounts payable		24.7	23.4
Group liabilities		2.0	3.3
Other current liabilities		8.7	10.0
Accrued expenses and prepaid income	17	31.2	30.9
		90.0	91.0
<b>TOTAL LIABILITIES</b>		<b>216.8</b>	<b>241.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>474.4</b>	<b>497.9</b>

# Parent company cash flow statement

EUR M	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
<b>OPERATING ACTIVITIES</b>		
Income for the financial year	0.8	1.6
Adjustments		
Depreciation and amortization	22.0	25.0
Capital gains from tangible assets	-1.1	-1.1
Capital gains/losses from investments	0.0	-
Other items not included in cash flow	4.4	6.6
Interest expenses and other financial expenses	4.7	5.1
Interest income and other financial income	-1.1	-1.3
Dividend income	-2.0	-2.4
Group contribution received	-0.2	-
Income taxes	0.1	-
Change in working capital		
Change in current receivables	-0.1	-6.4
Change in inventories	0.8	-1.0
Change in non-interest-bearing liabilities	-0.8	3.7
Interest paid	-4.2	-4.7
Financial expenses paid	-0.8	-0.6
Interest received	0.9	1.1
Financial income received	0.1	0.2
Taxes paid	0.0	-2.5
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>23.9</b>	<b>23.3</b>
<b>INVESTING ACTIVITIES</b>		
Investments in vessels	-7.5	-10.8
Investments in other intangible and tangible assets	-2.3	-4.3
Advance payments	-22.4	-
EU funding	0.8	-
Investments in shares and participations	-0.1	-
Divestments of other intangible and tangible assets	1.1	2.5
Divestments of shares and participations	0.0	-
Change in non-current receivables	4.3	4.6
Dividends received	2.0	2.4
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-23.9</b>	<b>-5.6</b>
<b>FINANCING ACTIVITIES</b>		
Principal payments on non-current liabilities	-23.4	-23.4
Dividends paid	-4.3	-10.3
Group contribution received	0.2	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-27.6</b>	<b>-33.7</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-27.6</b>	<b>-16.0</b>
Cash and cash equivalents at the beginning of the year	93.7	109.7
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>66.1</b>	<b>93.7</b>

# Notes to the parent company's financial statements

## 1. ACCOUNTING PRINCIPLES

### General principles

Viking Line Abp, domiciled in Mariehamn, Åland, is the parent company of the Viking Line Group. The Company's Business Identity Code is 0144983-8.

The financial statements of Viking Line Abp have been prepared in compliance with Finnish accounting legislation as well as other national rules and regulations concerning financial statements.

The financial statements of the Company encompass the period January 1–December 31, 2017.

### Items in foreign currencies

Transactions in foreign currencies are translated according to the exchange rate on the transaction date. Receivables and liabilities in foreign currencies are recognized at the exchange rate prevailing on the balance sheet date.

### Revenue

The Company's revenue is recognized minus discounts, indirect taxes and exchange rate differences.

### Pension expenses

Outside pension companies are responsible for the legally mandated pension liability in the Company. Pension premiums are recognized as expenses in the income statement for the accounting period to which they are attributable.

### Income taxes

Income taxes recognized in the income statement are attributable to income for the year as well as to earlier accounting periods.

### Tangible and intangible assets and depreciation/amortization

Tangible and intangible assets are recognized at historical cost less accumulated scheduled depreciation/amortization, which has been calculated on the basis of the probable economic life of the assets. Acquisition cost includes the purchase price and expenses directly attributable to the asset. The acquisition cost of vessels includes financial expenses during their construction period as well. Carrying amounts in the balance sheet also include revaluations on parcels of land, based on appraisals made by outside appraisers.

Vessels, which comprise the largest asset item in the balance sheet, are depreciated on a straight-line basis. For vessels, an estimated residual value at the end of their economic life has been taken into account in calculating depreciation. For vessels acquired in 2008 or later, the hull, engine and other long-term component parts will be depreciated on a straight-line basis over 25 years, while short-term component parts will be depreciated on a straight-line basis over 15 years. The above component parts related to vessels acquired prior to 2008 are depreciated on a straight-line basis over either 20 or 25 years. Additional capital expenditures for vessels are depreciated over the remaining scheduled economic life of the vessels. Renovation projects for vessels whose remaining scheduled economic life is less than five years are depreciated over five years.

Viking Line's vessels are dry-docked at 2–3 year intervals. Dry-docking expenses are capitalized for each vessel and depreciated until the next planned dry-docking.

Normal expenditures for repairs and maintenance are expensed on a current basis. Land is not depreciated. Buildings and motor vehicles are depreciated on a declining balance basis. The depreciation method for other tangible assets has been changed so that acquisitions made in 2016 or later are depreciated on a straight-line basis whereas previous acquisitions are depreciated on a declining balance basis. This change does not have any material effect on the Company's operating income or tangible assets.

Intangible assets mainly comprise computer software programmes and capitalized renovation expenses for leased properties and are amortized on a straight-line basis.

Depreciation for fixed assets is calculated according to the following principles:

#### Vessels

20–25 years, straight-line

#### Vessels, short-term component parts

15 years, straight-line

#### Vessel dry-docking

2–3 years, straight-line

#### Vessels, machinery and equipment

5–10 years, straight line or 25% of remaining expenditure

#### Buildings

4–7% of remaining expenditure

#### Structures

10 years, straight line or 20–25% of remaining expenditure

#### Machinery and equipment

5–15 years, straight line or 25% of remaining expenditure

#### Intangible assets (amortization)

5–10 years, straight-line

Advance payments are related to vessels under construction. These consist of advance payments in compliance with vessel construction (newbuilding) contracts, planning and monitoring expenses and capitalized borrowing expenses. Planning and monitoring expenses consist of architect fees plus salary and travel expenses for planning and technical monitoring of vessel construction. Interest expenses for loans related to advance payments attributable to vessels that have not yet been delivered are capitalized. EU funding received is recognized under advance payments.

### Financial assets and liabilities

Viking Line Abp's shareholding in Försäkringsaktiebolaget Alandia is 19.6 per cent of the total. The acquisition cost of the shares was established on the basis of the present value of future cash flows as of December 31, 2014. The shareholding is recognized among shares and participations in the Company's balance sheet. If the value of the shares decreases substantially and in the long term, an impairment loss is recognized among financial expenses.

Other financial assets and liabilities are recognized at acquisition cost.

### Inventories

Inventories have been recognized at a weighted average purchase price or at a probable lower net selling price.



EUR M	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
<b>2. OTHER OPERATING REVENUE</b>		
Rents received on properties	0.2	0.3
Capital gains	1.1	1.1
Miscellaneous operating revenue	0.3	0.3
Total	1.6	1.7
<b>3. GOODS AND SERVICES</b>		
Purchases during the financial year	127.5	130.6
Change in inventories	0.6	-0.8
Externally purchased services	21.7	21.7
Total	149.8	151.4
<b>4. EMPLOYEE EXPENSES</b>		
Salaries etc	96.1	95.9
Pension expenses	15.6	17.4
Other employee expenses	5.7	7.6
	117.4	120.9
Government restitution	-25.4	-27.5
Total	91.9	93.4
<b>AVERAGE NUMBER OF EMPLOYEES</b>		
Shipboard employees	1,621	1,627
Land-based employees	427	419
Total	2,048	2,046
<b>5. DEPRECIATION AND AMORTIZATION</b>		
Intangible assets	0.5	0.4
Buildings and structures	0.6	0.7
Vessels	19.6	22.7
Machinery and equipment	1.3	1.2
Total	22.0	25.0
<b>6. AUDITORS' FEES</b>		
Auditing	0.1	0.1
Audit related services	0.0	0.0
Tax advice	0.0	0.0
Miscellaneous consulting	0.0	0.0
Total	0.1	0.1
<b>7. FINANCIAL INCOME AND EXPENSES</b>		
Dividend income from others	2.0	2.4
Interest income from Group companies	0.9	1.1
Interest income from others	0.0	0.0
Exchange gains	0.0	0.2
Other financial income	0.1	0.2
Total financial income	3.1	3.9
Interest expenses to others	3.9	4.5
Exchange losses	0.3	0.7
Other financial expenses	0.8	0.6
Total financial expenses	5.0	5.8
Total financial income and expenses	-1.9	-1.9

EUR M	Jan 1, 2017– Dec 31, 2017	Jan 1, 2016– Dec 31, 2016
<b>8. CHANGE IN DEPRECIATION DIFFERENCES</b>		
Difference between scheduled depreciation and depreciation for tax purposes	-4.4	-6.6
<b>9. INCOME TAXES</b>		
Income tax on actual operations	-0.1	-

	Intangible rights	Other long-term assets	Total
<b>10. INTANGIBLE ASSETS</b>			
Acquisition cost, Jan 1, 2017	5.0	11.3	16.4
Increases	0.7	0.8	1.4
Decreases	0.0	-0.4	-0.4
Acquisition cost, Dec 31, 2017	5.7	11.7	17.4
Accumulated amortization, Jan 1, 2017	-3.1	-9.0	-12.1
Accumulated amortization on decreases	0.0	0.4	0.4
Amortization for the period	-0.2	-0.3	-0.5
Accumulated amortization, Dec 31, 2017	-3.2	-9.0	-12.2
Book value, Dec 31, 2017	2.5	2.7	5.2

	Land	Build- ings and struc- tures	Vessels	Machin- ery and equip- ment	Ad- vance pay- ments	Total
<b>11. TANGIBLE ASSETS</b>						
Acquisition cost, Jan 1, 2017	0.6	23.2	718.9	12.2	-	754.8
Increases	-	0.0	7.5	0.8	22.4	30.6
Decreases	-	-	-4.1	-0.5	-	-4.6
EU funding	-	-	-	-	-0.8	-0.8
Acquisition cost, Dec 31, 2017	0.6	23.2	722.3	12.5	21.6	780.1
Accumulated depreciation, Jan 1, 2017	-	-14.3	-453.4	-7.9	-	-475.6
Accumulated depreciation on decreases	-	-	4.1	0.5	-	4.6
Depreciation for the period	-	-0.6	-19.6	-1.3	-	-21.5
Accumulated depreciation, Dec 31, 2017	-	-14.9	-468.9	-8.7	-	-492.6
Revaluations, Jan 1, 2017	0.5	-	-	-	-	0.5
Revaluations, Dec 31, 2017	0.5	-	-	-	-	0.5
Book value, Dec 31, 2017	1.0	8.3	253.4	3.8	21.6	288.1

EUR M

	Shares in Group companies	Capital contribution to Group companies	Other shares and participations	Total
<b>12. SHARES AND PARTICIPATIONS</b>				
Acquisition cost, Jan 1, 2017	1.1	17.6	26.1	44.8
Increases	-	-	0.1	0.1
Decreases	-	-	0.0	0.0
Acquisition cost, Dec 31, 2017	1.1	17.6	26.2	44.8
<b>13. INVENTORIES</b>			<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Stocks of goods for sale			16.0	16.6
Supplies			0.2	0.3
Stocks of vessel fuel			1.1	1.2
Total			17.2	18.0
<b>14. ACCRUED INCOME AND PREPAID EXPENSES</b>			<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Employee-related items			17.0	16.4
Other accrued income and prepaid expenses			3.0	6.4
Total			20.0	22.8
<b>15. EQUITY</b>			<b>2017</b>	<b>2016</b>
Share capital, Jan 1			1.8	1.8
Share capital, Dec 31			1.8	1.8
Retained earnings, Jan 1			77.1	81.2
Income for the previous financial year			1.6	6.2
Dividend paid to shareholders			-4.3	-10.3
Retained earnings, Dec 31			74.4	77.1
Income for the financial year			0.8	1.6
Total equity			77.0	80.5
<b>16. LOANS THAT FALL DUE LATER THAN AFTER 5 YEARS</b>			<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Liabilities to credit institutions			37.3	56.5
<b>17. ACCRUED EXPENSES AND PREPAID INCOME</b>			<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Employee-related items			20.6	20.0
Other accrued expenses and prepaid income			10.6	10.9
Total			31.2	30.9
<b>18. PLEDGED ASSETS AND OTHER CONTINGENT LIABILITIES</b>			<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
<b>Contingent liabilities</b>				
Loans and credit lines for which vessel mortgages were provided as collateral			150.2	173.6
Total			150.2	173.6
<b>Assets pledged for own debt</b>				
Vessel mortgages			282.0	312.6
Total			282.0	312.6
<b>Leasing liabilities</b>				
Amounts that fall due during the following accounting period			0.7	0.8
Amounts that fall due later			0.9	1.5
Total			1.6	2.3
<b>Investment commitments not included in the accounts</b>				
Commitments, vessel orders			175.1	-
- Contractual amount			195.0	-

Viking Line has a binding credit commitment of EUR 152.0 M for financing vessel orders.

# Signatures of the Board of Directors and the President and CEO

Mariehamn, February 14, 2018

Ben Lundqvist  
Chairman of the Board

Nils-Erik Eklund

Erik Grönberg

Agneta Karlsson

Dick Lundqvist

Lars G Nordström

Peter Wiklöf

Jan Hanses  
President and CEO

## Auditors' note

Our auditors' report was issued today.

Mariehamn, February 14, 2018

Ylva Eriksson  
Authorized Public Accountant

Petter Lindeman  
Authorized Public Accountant



# Auditors' Report

## (Auditors' Translation of the Swedish Original)

To the Annual General Meeting of Viking Line Abp

### Report on the Audit of the Financial Statements

#### Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

#### What we have audited

We have audited the financial statements of Viking Line Abp (business identity code 0144983-8) for the year ended 31 December 2017. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

#### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 7 to the Financial Statements.

### Our Audit Approach

#### Overview



#### Materiality

- We have applied an overall group materiality of € 2,5 million, which represents approximately 0,5 % of the consolidated net revenue

#### Audit scope

- The scope of the group audit included the parent company and the consolidation

#### Key audit matters

- Net sales – timing of revenue recognition
- Valuation of vessels

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

#### Overall group materiality

€ 2,5 million

#### How we determined it

Approximately 0,5 % of consolidated net revenue

#### Rationale for the materiality benchmark applied

Based on our professional judgement we selected certain quantitative benchmarks in order to determine the materiality that was applied to the group financial statements as a whole.

**How we tailored our group audit scope**

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements

as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

**Key audit matter in the audit of the group****How our audit addressed the key audit matter****Net sales – timing of revenue recognition**

*See notes 1. and 2. to the financial statements*

The consolidated net sales comprise three different revenue streams: passenger-related revenue, cargo revenue and miscellaneous sales revenue. Passenger-related revenue covers both ticket sales and sales on board, and accounts for the majority of the group's revenues.

Sales consist of a very large number of small transactions, payment is usually received in advance (ticket income) or at the point of sale. The company has IT systems and manual controls in place to ensure that payments received, whether in cash or per card, match sales recorded in the accounting records.

We focused on the risk, that revenue from the passenger-related and cargo revenue streams may not be recorded in the appropriate accounting period.

Our audit of revenue recognition included both testing of the company's controls and testing of individual sales transactions.

Our testing of controls focused on controls covering the reconciliation of cash and card payments received against sales recorded in the point-of-sale system.

As part of our substantive audit of revenue recognition for ticket sales we compared revenue against the period when the passengers had travelled.

Our audit of sales on board focused on verifying that sales on board for vessels departing close to the financial year-end were recognized in revenue in the correct accounting period. We tested a sample of sales recorded close to the year-end 2017 against the point-of-sales systems on board.

Our audit of cargo income included a sample of cargo income recognized in the end of the accounting period, in order to verify that recognition was made in the accounting period when departure had taken place.

**Valuation of vessels**

*Refer to notes 1. and 12. to the financial statements*

The group has 7 vessels, with a total value of € 295 million as per balance sheet at 31 December, 2017. The vessels constitute a significant part of the group's balance sheet. Vessels are valued in accordance with IFRS based on cost less accumulated depreciation. The magnitude of the depreciation expense depends on the expected economic useful lives and the estimated residual value of the vessels, and thereby reflects management judgement.

We focused our audit on the valuation of the vessels as their valuation is impacted by management judgement, and they account for a significant portion of the group's assets.

In order to ensure that the vessels were not recorded at a value exceeding their fair value, we compared their respective values per the group's accounting records to a valuation performed by an external expert engaged by the group.

Our procedures covered all the group's vessels, i.e. Viking Cinderella, Viking Grace, Amorella, Viking XPRS, Gabriella, Mariella and Rosella.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine 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, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is 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 good auditing practice 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 in accordance with good auditing practice, 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 parent company's or the group'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 the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group'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 parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### Appointment

Authorised public accountants from PricewaterhouseCoopers Oy have been acting as the auditors appointed by the annual general meeting, without interruption for 8 years, since 11 February 2010.

Authorised public accountant (KHT) Ylva Eriksson has been acting as the auditor for three years since the annual general meeting 22.4.2015 and authorised public accountant (KHT) Petter Lindeman for two years since the annual general meeting 20.4.2016.

### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 14 February 2018

### PricewaterhouseCoopers Oy

Authorised Public Accountants

Ylva Eriksson  
Authorised Public Accountant (KHT)

Petter Lindeman  
Authorised Public Accountant (KHT)



# Contact information

## Viking Line Abp

Street address: Norragatan 4  
Postal address: PB 166  
AX-22101 Mariehamn  
Åland, Finland  
Tel: +358 18 270 00

Street address: Störögatan 3  
Postal address: PB 166  
AX-22101 Mariehamn  
Åland, Finland

## Subsidiaries

Viking Line Skandinavien AB  
Box 4154  
SE-131 04 Nacka, Sweden  
Tel: +46 8 452 41 00

Viking Rederi AB  
c/o Viking Line Skandinavien AB  
Box 4154  
SE-131 04 Nacka, Sweden  
Tel: +46 8 452 41 00

OÜ Viking Line Eesti  
Hobujaama 4  
EE-10151 Tallinn, Estonia  
Tel: +372 666 3966

Viking Line Finnlandverkehr GmbH  
Große Altefähre 20-22  
DE-23552 Lübeck, Germany  
Tel: +49 451 38 46 30

Viking Line Buss Ab  
Störögatan 3  
AX-22100 Mariehamn  
Åland, Finland  
Tel: +358 18 263 11

## Follow us



## Finland unit

Street address: Mastokatu 1  
Postal address: PB 119  
FI-00161 Helsinki, Finland  
Tel: +358 9 123 51

Street address: Linnansatama  
Postal address: PB 265  
FI-20101 Turku, Finland  
Tel: +358 2 333 11

### Passenger offices

Turku  
Hansa-Thalia  
Aurakatu 10  
FI-20100 Turku, Finland  
Tel: +358 2 333 11

Tampere  
Hämeenkatu 1  
FI-33100 Tampere, Finland  
Tel: +358 2 333 11

Tallinn  
Hobujaama 4  
EE-10151 Tallinn, Estonia  
Tel: +372 666 3966

## Sweden unit

Danvik Center  
Hästholsvägen 28  
SE-131 30 Nacka, Sweden  
Tel: +46 8 452 41 00

### Passenger offices

Stockholm  
City Terminal  
Klarabergsviadukten 72  
SE-111 64 Stockholm, Sweden  
Tel: +46 8 452 40 00

Lübeck  
Große Altefähre 20-22  
DE-23552 Lübeck, Germany  
Tel: +49 451 38 46 30

## Cargo unit

Street address: Mastokatu 1  
Postal address: PB 119  
FI-00161 Helsinki, Finland  
Tel: +358 9 123 51

### Cargo booking

Turku  
Postal address: PB 265  
FI-20101 Turku, Finland  
Tel: +358 2 333 1446

Tallinn  
Sadama 25  
A-Terminal  
EE-15051 Tallinn, Estonia  
Tel: +372 666 3985

## Åland region

Störögatan 3  
AX-22100 Mariehamn  
Åland, Finland  
Tel: +358 18 262 11

Vikingline.com  
Vikingline.fi  
Vikingline.ax  
Vikingline.se  
Vikingline.ee  
Vikingline.ru  
Vikingline.de  
Vikingline.dk  
Vikingline.no





**Production:** Viking Line Abp, Central Marketing.

**Photos:** Daniel Eriksson, Tuukka Ervasti, Anders Lindén, Viking Line's image archive, Jan Tigerstrand, Sini Pennanen, Niclas Nordlund, Eva Wiktorsson, Kjell Söderlund, Liselotte van der Meijs, Matton.se, Rasmus Jaakonmäki, Ofer Amir, Timo Nieminen, Uwa Iduzee, Tuula Palaste, Sakari Saari, Jarmo Nieminen, Jacob Saurén, Peter Karlsson, Hannu Vallas.

**Translation:** Susan Long.

**VIKING** 170531B

**VIKING LINE**