

## **HALF-YEAR FINANCIAL REPORT FOR THE PERIOD JANUARY – JUNE 2016**

### **DETERIORATION IN VIKING LINE'S RESULTS DUE TO EXTENSIVE VESSEL MODERNIZATIONS**

Consolidated sales of the Viking Line Group for the period January 1 – June 30, 2016 was 238.0 million euros (EUR 239.0 M for the period January 1 – June 30, 2015). Operating income totalled EUR -10.5 M (-7.6).

Passenger-related revenue increased by 0.6 per cent to EUR 214.0 M (212.8), while cargo revenue decreased by 7.2 per cent to EUR 22.5 M (24.3).

Consolidated operating income declined mainly due to higher operating expenses and lost revenue in connection with planned and completed vessel dry-dockings for modernization and maintenance of vessels. Consolidated expenses for salaries and other employment benefits increased due to a limit on restitution in conjunction with a change in the Seamen's Pensions Act in Finland. However, the cost effect of this is expected to decrease during the financial year. Operating expenses increased by 1.9 per cent to EUR 166.6 M (163.1).

During the second quarter, April 1 – June 30, 2016, consolidated sales decreased by 2.2 per cent to EUR 131.1 M compared to the year-earlier quarter (EUR 134.1 M during April 1 – June 30, 2015). Second quarter operating income amounted to EUR 1.1 M (2.3).

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

The number of passengers on Viking Line's vessels during the report period was 2,900,796 (2,939,696). The Group had a total market share in its service area of 32.8 per cent (34.2).

Viking Line's cargo volume was 67,035 cargo units (67,639). Viking Line achieved a cargo market share of 21.2 per cent (22.5).

### **INCREASED SUMMER TRAFFIC**

During the period June 18 – August 14, Viking Line increased its number of departures on the popular Helsinki–Tallinn (Estonia) route. As in previous summers, the vessels Gabriella and Mariella took turns making a day cruise to Tallinn instead of remaining in the port of Helsinki for the day. The expanded number of departures also meant more space for cars, for which there is great demand in scheduled service to Tallinn.

Any questions concerning this Half-year Financial Report will be answered by Jan Hanses, President and Chief Executive Officer. Tel: +358 18 270 00

Viking Line is a public limited company and the market leading brand in passenger traffic on the northern Baltic Sea, with a mission to provide large-scale, affordable, safe passenger and cargo carrier services including first-class recreation, good food and attractive shopping. Its shares have been listed on the NASDAQ Helsinki since 1995. Viking Line serves Finland, Sweden and the Baltic countries with seven vessels. During the financial year 2015 sales were about EUR 530 M. The number of passengers totalled 6.6 million. The average number of employees was 2,735.

### **VIKING LINE ABP**

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## SALES AND EARNINGS

Consolidated sales of the Viking Line Group for the period January 1 – June 30, 2016 was 238.0 million euros (EUR 239.0 M for the period January 1 – June 30, 2015). Operating income totalled EUR -10.5 M (-7.6). Net financial items totalled EUR -1.1 M (-0.2). Consolidated income before taxes totalled EUR -11.6 M (-7.7). Income after taxes totalled EUR -8.9 M (-5.7).

Passenger-related revenue increased by 0.6 per cent to EUR 214.0 M (212.8), while cargo revenue decreased by 7.2 per cent to EUR 22.5 M (24.3).

Consolidated operating income declined mainly due to higher operating expenses and lost revenue in connection with planned and completed vessel dry-dockings for modernization and maintenance of vessels. Consolidated expenses for salaries and other employment benefits increased due to the limiting of restitution in conjunction with a change in the Seamen's Pensions Act in Finland. However, the cost effect of this is expected to decrease during the financial year. Operating expenses increased by 1.9 per cent to EUR 166.6 M (163.1).

During the second quarter, April 1 – June 30, 2016, consolidated sales decreased by 2.2 per cent to EUR 131.1 M compared to the year-earlier quarter (EUR 134.1 M for the period April 1 – June 30, 2015). Second quarter operating income amounted to EUR 1.1 M (2.3).

## SERVICES AND MARKET TRENDS

The Viking Line Group provides passenger and cargo carrier services using seven vessels on the northern Baltic Sea. The Group's vessels served the same routes as during 2015. The extensive vessel modernizations that were carried out during the spring caused longer service interruptions than normal, which adversely affected the Group's market share.

The number of passengers on Viking Line's vessels during the report period amounted to 2,900,796 passengers (2,939,696). During the report period, Viking Line decreased its market share on the Turku (Finland)–Mariehamn/Långnäs (Åland Islands, Finland)–Stockholm (Sweden) route by 1.1 percentage points to 55.4 per cent. On the Helsinki (Finland)–Mariehamn–Stockholm route, market share decreased by 1.1 percentage points to 41.7 per cent. In cruise services between Stockholm and Mariehamn, market share increased by 2.5 percentage points to 57.3 per cent. On the Helsinki–Tallinn (Estonia) route, market share decreased by 1.3 percentage points to 22.2 per cent. On the short route over the Sea of Åland between Mariehamn and Kapellskär (Sweden), market share decreased by 0.7 percentage points to 40.8 per cent. The Group thus had a total market share in its service area of 32.8 per cent (34.2).

Viking Line's cargo volume was 67,035 cargo units (67,639). Viking Line achieved a cargo market share of 21.2 per cent (22.5).

## INVESTMENTS AND FINANCING

The Group's investments amounted to EUR 11.9 M (7.5).

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

On June 30, 2016 the Group's non-current interest-bearing liabilities totalled EUR 162.3 M (185.7). The equity/assets ratio was 40.3 per cent, compared to 38.0 per cent a year earlier.

At the end of June 2016, the Group's cash and cash equivalents amounted to EUR 84.3 M (75.9). Net cash flow from operating activities amounted to EUR 6.7 M (4.2).

## FINANCIAL REPORTING

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

## ORGANIZATION AND PERSONNEL

The average number of Group employees was 2,650 (2,653), of whom 1,985 (1,977) worked for the parent company. Land-based personnel totalled 645 (649) and shipboard personnel totalled 2,005 (2,004).

In addition to the Group's own employees, the Viking XPRS was staffed by an average of 247 (237) people employed by a staffing company.

## RISK FACTORS

Since the Year-end Report was published, no changes have occurred that affect the Group's short-term assessment of the risks in its business operations.

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

## ONGOING LEGAL ACTIONS

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

## OUTLOOK FOR THE FULL FINANCIAL YEAR 2016

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

The next Interim Report (January – September 2016) will be published on November 16, 2016.

Mariehamn, Åland, August 17, 2016

VIKING LINE ABP  
The Board of Directors

**CONSOLIDATED INCOME STATEMENT**

EUR M	Apr 1, 2016– Jun 30, 2016	Apr 1, 2015– Jun 30, 2015	Jan 1, 2016– Jun 30, 2016	Jan 1, 2015– Jun 30, 2015	Jan 1, 2015– Dec 31, 2015
<b>SALES</b>	<b>131.1</b>	<b>134.1</b>	<b>238.0</b>	<b>239.0</b>	<b>530.5</b>
Other operating revenue	0.2	0.1	1.7	0.2	0.5
<b>Expenses</b>					
Goods and services	38.4	39.5	70.1	70.2	153.2
Salary and other employment benefit expenses	31.0	30.2	61.4	58.9	118.1
Depreciation and impairment losses	7.2	7.0	13.9	13.6	27.7
Other operating expenses	53.6	55.2	104.7	104.1	205.5
	130.2	131.9	250.2	246.8	504.6
<b>OPERATING INCOME</b>	<b>1.1</b>	<b>2.3</b>	<b>-10.5</b>	<b>-7.6</b>	<b>26.4</b>
Financial income	2.8	2.2	3.3	3.2	5.0
Financial expenses	-2.4	-1.9	-4.5	-3.4	-8.2
<b>INCOME BEFORE TAXES</b>	<b>1.4</b>	<b>2.6</b>	<b>-11.6</b>	<b>-7.7</b>	<b>23.2</b>
Income taxes	0.2	-0.1	2.8	2.0	-4.4
<b>INCOME FOR THE PERIOD</b>	<b>1.6</b>	<b>2.5</b>	<b>-8.9</b>	<b>-5.7</b>	<b>18.7</b>
<i>Income attributable to:</i>					
Parent company shareholders	1.6	2.5	-8.9	-5.7	18.7
Earnings per share before and after dilution, EUR	0.15	0.23	-0.82	-0.53	1.73

**CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

EUR M	Apr 1, 2016– Jun 30, 2016	Apr 1, 2015– Jun 30, 2015	Jan 1, 2016– Jun 30, 2016	Jan 1, 2015– Jun 30, 2015	Jan 1, 2015– Dec 31, 2015
<b>INCOME FOR THE PERIOD</b>	<b>1.6</b>	<b>2.5</b>	<b>-8.9</b>	<b>-5.7</b>	<b>18.7</b>
<b>Other comprehensive income</b>					
<i>Items that may be transferred to the income statement:</i>					
Translation differences	-0.4	0.1	-0.5	0.3	0.5
Investments available for sale	-	-2.1	-	-0.8	0.7
	-0.4	-1.9	-0.5	-0.5	1.2
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1.2</b>	<b>0.6</b>	<b>-9.3</b>	<b>-6.3</b>	<b>19.9</b>
<i>Comprehensive income attributable to:</i>					
Parent company shareholders	1.2	0.6	-9.3	-6.3	19.9

**CONSOLIDATED BALANCE SHEET**

EUR M	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	1.1	0.7	0.8
Land	0.6	1.1	1.1
Buildings and structures	9.5	10.5	10.0
Renovation costs for rented properties	1.6	0.7	1.2
Vessels	320.3	335.4	324.5
Machinery and equipment	5.7	6.3	5.5
Investments available for sale	26.8	25.3	26.8
Receivables	0.2	0.3	0.2
<b>Total non-current assets</b>	<b>365.7</b>	<b>380.3</b>	<b>370.0</b>
<b>Current assets</b>			
Inventories	18.8	18.3	17.2
Income tax assets	3.0	2.9	0.5
Trade and other receivables	39.5	47.0	29.4
Cash and cash equivalents	84.3	75.9	110.7
<b>Total current assets</b>	<b>145.6</b>	<b>144.1</b>	<b>157.8</b>
<b>TOTAL ASSETS</b>	<b>511.3</b>	<b>524.3</b>	<b>527.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1.8	1.8	1.8
Reserves	0.7	-0.8	0.7
Translation differences	-1.0	-0.6	-0.4
Retained earnings	204.5	199.1	223.6
Equity attributable to parent company shareholders	206.1	199.5	225.7
<b>Total equity</b>	<b>206.1</b>	<b>199.5</b>	<b>225.7</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	34.5	31.4	34.5
Non-current interest-bearing liabilities	162.3	185.7	174.0
<b>Total non-current liabilities</b>	<b>196.8</b>	<b>217.1</b>	<b>208.4</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	19.3	19.3	23.5
Income tax liabilities	0.0	0.0	1.3
Trade and other payables	89.2	88.5	68.9
<b>Total current liabilities</b>	<b>108.5</b>	<b>107.7</b>	<b>93.7</b>
<b>Total liabilities</b>	<b>305.3</b>	<b>324.8</b>	<b>302.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>511.3</b>	<b>524.3</b>	<b>527.8</b>

**CONSOLIDATED CASH FLOW STATEMENT**

EUR M	Jan 1, 2016– Jun 30, 2016	Jan 1, 2015– Jun 30, 2015	Jan 1, 2015– Dec 31, 2015
<b>OPERATING ACTIVITIES</b>			
Income for the period	-8.9	-5.7	18.7
Adjustments			
Depreciation and impairment losses	13.9	13.6	27.7
Capital gains from non-current assets	-1.5	0.0	0.0
Other items not included in cash flow	0.7	-0.6	-0.5
Interest expenses and other financial expenses	2.6	3.0	5.9
Interest income and other financial income	-0.1	0.0	-0.1
Dividend income	-2.4	-1.6	-1.6
Income taxes	-2.8	-2.0	4.4
Change in working capital			
Change in trade and other receivables	-10.1	-17.7	-0.1
Change in inventories	-1.6	-2.2	-1.1
Change in trade and other payables	20.5	21.2	1.7
Interest paid	-2.5	-2.7	-5.4
Financial expenses paid	-0.3	-0.5	-0.7
Interest received	0.0	0.0	0.1
Financial income received	0.1	0.0	0.0
Taxes paid	-1.0	-0.5	-0.3
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>6.7</b>	<b>4.2</b>	<b>48.7</b>
<b>INVESTING ACTIVITIES</b>			
Investments in vessels	-9.6	-6.5	-7.6
Investments in other intangible and tangible assets	-2.2	-1.0	-2.4
Divestments of other intangible and tangible assets	2.6	0.1	0.1
Payments received for non-current receivables	-	-	0.2
Dividends received	2.4	1.6	1.6
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-6.9</b>	<b>-5.8</b>	<b>-8.1</b>
<b>FINANCING ACTIVITIES</b>			
Increase in non-current liabilities	0.2	-	-
Amortization of non-current liabilities	-16.0	-16.0	-23.5
Dividends paid	-10.3	-7.6	-7.6
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-26.1</b>	<b>-23.6</b>	<b>-31.1</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-26.3</b>	<b>-25.2</b>	<b>9.5</b>
Cash and cash equivalents at beginning of period	110.7	101.1	101.1
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>84.3</b>	<b>75.9</b>	<b>110.7</b>

**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY**

EUR M	Equity attributable to parent company shareholders				Total equity
	Share capital	Reserves	Translation differences	Retained earnings	
<b>Equity, Jan 1, 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>				-8.9	-8.9
<i>Translation differences</i>		0.0	-0.5	0.1	-0.5
Comprehensive income for the period	-	0.0	-0.5	-8.8	-9.3
Dividend to shareholders				-10.3	-10.3
<b>Equity, Jun 30, 2016</b>	<b>1.8</b>	<b>0.7</b>	<b>-1.0</b>	<b>204.5</b>	<b>206.1</b>
<b>Equity, Jan 1, 2015</b>	<b>1.8</b>	<b>0.0</b>	<b>-0.8</b>	<b>212.3</b>	<b>213.3</b>
<i>Income for the period</i>				-5.7	-5.7
<i>Translation differences</i>		0.0	0.2	0.1	0.3
<i>Remeasurement of investments available for sale</i>		-0.8			-0.8
Comprehensive income for the period	-	-0.8	0.2	-5.6	-6.3
Dividend to shareholders				-7.6	-7.6
<b>Equity, Jun 30, 2015</b>	<b>1.8</b>	<b>-0.8</b>	<b>-0.6</b>	<b>199.1</b>	<b>199.5</b>



**QUARTERLY CONSOLIDATED INCOME STATEMENT**

EUR M	2016 Q2	2016 Q1	2015 Q4	2015 Q3
<b>SALES</b>	<b>131.1</b>	<b>106.9</b>	<b>127.4</b>	<b>164.1</b>
Other operating revenue	0.2	1.5	0.2	0.1
<b>Expenses</b>				
Goods and services	38.4	31.7	37.0	46.0
Salary and other employment benefit expenses	31.0	30.5	29.6	29.6
Depreciation and impairment losses	7.2	6.7	7.3	6.7
Other operating expenses	53.6	51.1	49.7	51.7
	130.2	120.0	123.7	134.0
<b>OPERATING INCOME</b>	<b>1.1</b>	<b>-11.6</b>	<b>3.9</b>	<b>30.1</b>
Financial income	2.8	0.5	1.2	0.5
Financial expenses	-2.4	-2.0	-1.6	-3.2
<b>INCOME BEFORE TAXES</b>	<b>1.4</b>	<b>-13.1</b>	<b>3.5</b>	<b>27.4</b>
Income taxes	0.2	2.6	-1.0	-5.4
<b>INCOME FOR THE PERIOD</b>	<b>1.6</b>	<b>-10.5</b>	<b>2.5</b>	<b>22.0</b>
<i>Income attributable to:</i>				
Parent company shareholders	1.6	-10.5	2.5	22.0
Earnings per share before and after dilution, EUR	0.15	-0.97	0.23	2.03

**QUARTERLY CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

EUR M	2016 Q2	2016 Q1	2015 Q4	2015 Q3
<b>INCOME FOR THE PERIOD</b>	<b>1.6</b>	<b>-10.5</b>	<b>2.5</b>	<b>22.0</b>
<b>Other comprehensive income</b>				
<i>Items that may be transferred to the income statement</i>				
Translation differences	-0.4	-0.1	0.5	-0.3
Investments available for sale	-	-	0.8	0.6
	-0.4	-0.1	1.4	0.3
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1.2</b>	<b>-10.6</b>	<b>3.9</b>	<b>22.3</b>
<i>Comprehensive income attributable to:</i>				
Parent company shareholders	1.2	-10.6	3.9	22.3

**SEGMENT INFORMATION, VIKING LINE GROUP**

<b>OPERATING SEGMENTS, EUR M</b>	<b>Jan 1, 2016– Jun 30, 2016</b>	<b>Jan 1, 2015– Jun 30, 2015</b>	<b>Jan 1, 2015– Dec 31, 2015</b>
<b>Sales</b>			
Vessels	236.4	236.7	525.1
Unallocated	1.7	2.5	5.6
<b>Total, operating segments</b>	<b>238.1</b>	<b>239.1</b>	<b>530.7</b>
Eliminations	-0.1	-0.1	-0.2
<b>Total sales of the Group</b>	<b>238.0</b>	<b>239.0</b>	<b>530.5</b>
<b>Operating income</b>			
Vessels	13.8	16.8	71.2
Unallocated	-24.3	-24.3	-44.7
<b>Total operating income of the Group</b>	<b>-10.5</b>	<b>-7.6</b>	<b>26.4</b>

## PLEGDED ASSETS AND CONTINGENT LIABILITIES

EUR M	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Contingent liabilities	181.6	205.0	197.5
Assets pledged for own debt	313.6	313.6	313.6

## FINANCIAL RATIOS AND STATISTICS

	Jan 1, 2016– Jun 30, 2016	Jan 1, 2015– Jun 30, 2015	Jan 1, 2015– Dec 31, 2015
Equity per share, EUR	19.08	18.47	20.89
Equity/assets ratio	40.3 %	38.0 %	42.8 %
Investments, EUR M	11.9	7.5	10.0
– as % of sales	5.0 %	3.2 %	1.9 %
Passengers	2,900,796	2,939,696	6,568,684
Cargo units	67,035	67,639	133,163
Average number of employees, full-time equivalent	2,650	2,653	2,735

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

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

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

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