

HALF-YEAR FINANCIAL REPORT FOR THE PERIOD JANUARY – JUNE 2017

VIKING LINE IMPROVED SECOND QUARTER SALES AND INCOME

Consolidated sales of the Viking Line Group for the period January 1 – June 30, 2017 increased by 0.5 per cent to 239.2 million euros (EUR 238.0 M for the period January 1 – June 30, 2016). Operating income totalled EUR -15.0 M (-10.5).

Passenger-related revenue increased by 0.5 per cent to EUR 215.0 M (214.0), while cargo revenue increased by 1.4 per cent to EUR 22.8 M (22.5).

Sales for the period increased as a result of higher passenger volume. Consolidated income deteriorated mainly as a result of higher operating expenses. Consolidated operating expenses increased by 3.1 per cent to EUR 171.3 M (166.1). Bunker expenses increased by 23.3 per cent to EUR 23.2 M (18.8).

During the second quarter, April 1 – June 30, 2017, consolidated sales increased by 4.6 per cent to EUR 137.1 M compared to the year-earlier quarter (EUR 131.1 M for the period April 1 – June 30, 2016). Second quarter operating income amounted to EUR 2.7 M (1.1). The launch of the vessel Viking FSTR, which has served the Helsinki (Finland)–Tallinn (Estonia) route since April 10, 2017, increased consolidated sales, but the vessel did not quite generate the income expected.

PASSENGER NUMBER AND CARGO VOLUME

The number of passengers on Viking Line's vessels during the report period increased by 178,103 passengers to 3,078,899 (2,900,796). The Group had a total market share in its service area of approximately 33.8 per cent (32.8).

Viking Line's cargo volume was 64,912 cargo units (67,035). Viking Line achieved a cargo market share of 19.3 per cent (21.2). Meanwhile the number of cars transported increased by 29,925 units to 314,409 (284,484).

SHIPBUILDING CONTRACT

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. The agreement also includes an option for another vessel.

INCREASED TRAFFIC

Viking Line increased its number of departures on the popular Helsinki–Tallinn route. Viking Line has met the great demand by adding a new vessel, Viking FSTR, which is serving the route during the period April 10 – October 22. The new vessel is a catamaran that sails between Helsinki and Tallinn in less than two hours. As in previous summers, during the period July 1 – August 6 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 between Helsinki and 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 2016 sales were about EUR 520 M. The number of passengers totalled 6.5 million. The average number of employees was 2,742.

VIKING LINE ABP

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

www.vikingline.com www.vikingline.fi www.vikingline.se

SALES AND EARNINGS

Consolidated sales of the Viking Line Group for the period January 1 – June 30, 2017 increased by 0.5 per cent to 239.2 million euros (EUR 238.0 M for the period January 1 – June 30, 2016). Other operating revenue amounted to EUR 0.1 M (1.7). Operating income totalled EUR -15.0 M (-10.5). Net financial items totalled EUR -0.6 M (-1.1). Consolidated income before taxes amounted to EUR -15.6 M (-11.6). Income after taxes totalled EUR -12.3 M (-8.9).

Passenger-related revenue increased by 0.5 per cent to EUR 215.0 M (214.0), while cargo revenue increased by 1.4 per cent to EUR 22.8 M (22.5).

Sales for the period increased as a result of higher passenger volume. Consolidated income deteriorated mainly as a result of higher operating expenses. Consolidated operating expenses increased by 3.1 per cent to EUR 171.3 M (166.1). Bunker (vessel fuel) expenses increased by 23.3 per cent to EUR 23.2 M (18.8).

During the second quarter, April 1 – June 30, 2017, consolidated sales increased by 4.6 per cent to EUR 137.1 M compared to the year-earlier quarter (EUR 131.1 M for the period April 1 – June 30, 2016). Second quarter operating income amounted to EUR 2.7 M (1.1). The launch of the vessel Viking FSTR, which has served the Helsinki (Finland)–Tallinn (Estonia) route since April 10, 2017, increased consolidated sales, but the vessel did not quite generate the income expected.

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 2016. As of April 10, capacity on the Helsinki–Tallinn route increased with the vessel Viking FSTR.

The number of passengers on Viking Line's vessels during the report period increased by 178,103 passengers to 3,078,899 (2,900,796). During the report period, Viking Line had a market share on the Turku (Finland)–Mariehamn/Långnäs (Åland Islands, Finland)–Stockholm (Sweden) route of 55.1 per cent, which is a decrease by 0.3 percentage points. On the Helsinki–Mariehamn–Stockholm route, market share increased by 2.8 percentage points to 44.6 per cent. In cruise services between Stockholm and Mariehamn, market share increased by 0.4 percentage points to 57.7 per cent. On the Helsinki–Tallinn route, market share increased by approximately 2.4 percentage points to 24.6 per cent. On the short route over the Sea of Åland between Mariehamn and Kapellskär (Sweden), market share increased by 2.5 percentage points to 43.3 per cent. The Group thus had a total market share in its service area of approximately 33.8 per cent (32.8).

Viking Line's cargo volume was 64,912 cargo units (67,035). Viking Line achieved a cargo market share of 19.3 per cent (21.2). Meanwhile the number of cars transported increased by 29,925 units to 314,409 (284,484).

INVESTMENTS AND FINANCING

The Group's investments amounted to EUR 8.9 M (11.9).

On June 30, 2017 the Group's non-current interest-bearing liabilities totalled EUR 138.8 M (162.3). The equity/assets ratio was 41.4 per cent, compared to 40.3 per cent a year earlier.

At the end of June 2017, the Group's cash and cash equivalents amounted to EUR 80.0 M (84.3). Net cash flow from operating activities amounted to EUR 8.0 M (6.7). Net cash flow from investing activities was EUR -6.8 M (-6.9) and net cash flow from financing activities amounted to EUR -16.1 M (-26.1).

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. The agreement also includes an option for another vessel.

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 2,688 (2,650), of whom 2,004 (1,985) worked for the parent company. Land-based personnel totalled 644 (645) and shipboard personnel totalled 2,044 (2,005).

In addition to the Group's own employees, Viking XPRS was staffed by an average of 243 (247) 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 bunker consumption during 2017.

OUTLOOK FOR THE FULL FINANCIAL YEAR 2017

Competition in Viking Line's service area remains tough and implies continued pressure on prices and volumes. Bunker prices are expected to be higher than in 2016, which should have an adverse effect on consolidated income. A revision in Finland's restitution law for 2017 is expected to have a positive effect on earnings. Operating income is expected to be higher overall in 2017 than in 2016.

The Interim Management Statement for January – September 2017 will be published on November 17, 2017.

Mariehamn, Åland, August 16, 2017

VIKING LINE ABP
The Board of Directors

CONSOLIDATED INCOME STATEMENT

EUR M	Apr 1, 2017– Jun 30, 2017	Apr 1, 2016– Jun 30, 2016	Jan 1, 2017– Jun 30, 2017	Jan 1, 2016– Jun 30, 2016	Jan 1, 2016– Dec 31, 2016
SALES	137.1	131.1	239.2	238.0	519.6
Other operating revenue	0.1	0.2	0.1	1.7	2.0
Expenses					
Goods and services	40.3	38.4	69.8	70.1	151.7
Salary and other employment benefit expenses	29.8	31.0	59.1	61.4	122.3
Depreciation and impairment losses	6.0	7.2	13.1	13.9	28.0
Other operating expenses	58.3	53.6	112.2	104.7	206.0
	134.4	130.2	254.3	250.2	507.9
OPERATING INCOME	2.7	1.1	-15.0	-10.5	13.7
Financial income	2.6	2.8	3.2	3.3	5.4
Financial expenses	-2.2	-2.4	-3.8	-4.5	-9.5
INCOME BEFORE TAXES	3.2	1.4	-15.6	-11.6	9.6
Income taxes	-0.3	0.2	3.4	2.8	-1.5
INCOME FOR THE PERIOD	2.9	1.6	-12.3	-8.9	8.0
<i>Income attributable to:</i>					
Parent company shareholders	2.9	1.6	-12.3	-8.9	8.0
Earnings per share before and after dilution, EUR	0.27	0.15	-1.13	-0.82	0.74

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

EUR M	Apr 1, 2017– Jun 30, 2017	Apr 1, 2016– Jun 30, 2016	Jan 1, 2017– Jun 30, 2017	Jan 1, 2016– Jun 30, 2016	Jan 1, 2016– Dec 31, 2016
INCOME FOR THE PERIOD	2.9	1.6	-12.3	-8.9	8.0
Other comprehensive income					
<i>Items that may be transferred to the income statement</i>					
Translation differences	-0.2	-0.4	-0.2	-0.5	-0.8
Investments available for sale	-	-	-	-	0.3
	-0.2	-0.4	-0.2	-0.5	-0.5
COMPREHENSIVE INCOME FOR THE PERIOD	2.6	1.2	-12.4	-9.3	7.5
<i>Comprehensive income attributable to:</i>					
Parent company shareholders	2.6	1.2	-12.4	-9.3	7.5

CONSOLIDATED BALANCE SHEET

EUR M	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
ASSETS			
Non-current assets			
Intangible assets	2.2	1.1	1.9
Land	0.6	0.6	0.6
Buildings and structures	8.9	9.5	9.2
Renovation costs for rented properties	2.9	1.6	2.3
Vessels	303.5	320.3	308.5
Machinery and equipment	5.1	5.7	5.6
Advance payments	0.2	-	-
Investments available for sale	27.1	26.8	27.1
Receivables	-	0.2	-
Total non-current assets	350.5	365.7	355.2
Current assets			
Inventories	18.8	18.8	18.1
Income tax assets	4.3	3.0	1.7
Trade and other receivables	44.4	39.5	36.1
Cash and cash equivalents	80.0	84.3	94.9
Total current assets	147.4	145.6	150.8
TOTAL ASSETS	497.9	511.3	506.0
EQUITY AND LIABILITIES			
Equity			
Share capital	1.8	1.8	1.8
Reserves	1.0	0.7	1.0
Translation differences	-1.3	-1.0	-1.3
Retained earnings	204.7	204.5	221.4
Equity attributable to parent company shareholders	206.2	206.1	222.9
Total equity	206.2	206.1	222.9
Non-current liabilities			
Deferred tax liabilities	35.9	34.5	35.9
Non-current interest-bearing liabilities	138.8	162.3	150.6
Total non-current liabilities	174.7	196.8	186.5
Current liabilities			
Current interest-bearing liabilities	23.5	19.3	23.6
Income tax liabilities	0.0	0.0	0.0
Trade and other payables	93.5	89.2	73.0
Total current liabilities	117.0	108.5	96.6
Total liabilities	291.8	305.3	283.0
TOTAL EQUITY AND LIABILITIES	497.9	511.3	506.0

CONSOLIDATED CASH FLOW STATEMENT

EUR M	Jan 1, 2017– Jun 30, 2017	Jan 1, 2016– Jun 30, 2016	Jan 1, 2016– Dec 31, 2016
OPERATING ACTIVITIES			
Income for the period	-12.3	-8.9	8.0
Adjustments			
Depreciation and impairment losses	13.1	13.9	28.0
Capital gains/losses from non-current assets	0.0	-1.5	-1.5
Other items not included in cash flow	0.2	0.7	0.9
Interest expenses and other financial expenses	2.4	2.6	5.1
Interest income and other financial income	0.0	-0.1	-0.2
Dividend income	-2.0	-2.4	-2.4
Income taxes	-3.4	-2.8	1.5
Change in working capital			
Change in trade and other receivables	-8.3	-10.1	-6.7
Change in inventories	-0.7	-1.6	-0.9
Change in trade and other payables	20.7	20.5	4.3
Interest paid	-2.2	-2.5	-4.8
Financial expenses paid	-0.4	-0.3	-0.6
Interest received	0.0	0.0	0.0
Financial income received	0.0	0.1	0.2
Taxes paid	0.8	-1.0	-2.5
NET CASH FLOW FROM OPERATING ACTIVITIES	8.0	6.7	28.6
INVESTING ACTIVITIES			
Investments in vessels	-7.2	-9.6	-11.1
Investments in other intangible and tangible assets	-1.5	-2.2	-4.7
Advance payments	-0.2	-	-
Investments in investments available for sale	-0.1	-	-
Divestments of other intangible and tangible assets	0.0	2.6	2.6
Divestments of investments available for sale	0.0	-	-
Payments received for non-current receivables	-	-	0.2
Dividends received	2.0	2.4	2.4
NET CASH FLOW FROM INVESTING ACTIVITIES	-6.8	-6.9	-10.7
FINANCING ACTIVITIES			
Increase in non-current liabilities	-	0.2	0.2
Amortization of non-current liabilities	-11.8	-16.0	-23.5
Dividends paid	-4.3	-10.3	-10.3
NET CASH FLOW FROM FINANCING ACTIVITIES	-16.1	-26.1	-33.6
CHANGE IN CASH AND CASH EQUIVALENTS	-14.9	-26.3	-15.8
Cash and cash equivalents at beginning of period	94.9	110.7	110.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	80.0	84.3	94.9

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR M	Equity attributable to parent company shareholders				Total equity
	Share capital	Reserves	Translation differences	Retained earnings	
Equity, Jan 1, 2017	1.8	1.0	-1.3	221.4	222.9
<i>Income for the period</i>				-12.3	-12.3
<i>Translation differences</i>		0.0	0.0	-0.1	-0.2
Comprehensive income for the period	-	0.0	0.0	-12.4	-12.4
Dividend to shareholders				-4.3	-4.3
Equity, Jun 30, 2017	1.8	1.0	-1.3	204.7	206.2
Equity, Jan 1, 2016	1.8	0.7	-0.4	223.6	225.7
<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
Equity, Jun 30, 2016	1.8	0.7	-1.0	204.5	206.1

QUARTERLY CONSOLIDATED INCOME STATEMENT

EUR M	2017 Q2	2017 Q1	2016 Q4	2016 Q3
SALES	137.1	102.1	122.3	159.3
Other operating revenue	0.1	0.1	0.1	0.2
Expenses				
Goods and services	40.3	29.6	36.0	45.6
Salary and other employment benefit expenses	29.8	29.3	29.8	31.0
Depreciation and impairment losses	6.0	7.1	7.0	7.0
Other operating expenses	58.3	53.9	50.7	50.6
	134.4	119.9	123.5	134.2
OPERATING INCOME	2.7	-17.7	-1.1	25.3
Financial income	2.6	0.5	1.6	0.5
Financial expenses	-2.2	-1.6	-2.5	-2.5
INCOME BEFORE TAXES	3.2	-18.8	-2.0	23.2
Income taxes	-0.3	3.7	0.4	-4.7
INCOME FOR THE PERIOD	2.9	-15.1	-1.7	18.6
<i>Income attributable to:</i>				
Parent company shareholders	2.9	-15.1	-1.7	18.6
Earnings per share before and after dilution, EUR	0.27	-1.40	-0.16	1.72

QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR M	2017 Q2	2017 Q1	2016 Q4	2016 Q3
INCOME FOR THE PERIOD	2.9	-15.1	-1.7	18.6
Other comprehensive income				
<i>Items that may be transferred to the income statement</i>				
Translation differences	-0.2	0.1	0.1	-0.4
Investments available for sale	-	-	0.3	-
	-0.2	0.1	0.4	-0.4
COMPREHENSIVE INCOME FOR THE PERIOD	2.6	-15.1	-1.3	18.2
<i>Comprehensive income attributable to:</i>				
Parent company shareholders	2.6	-15.1	-1.3	18.2

SEGMENT INFORMATION, VIKING LINE GROUP

OPERATING SEGMENTS, EUR M	Jan 1, 2017– Jun 30, 2017	Jan 1, 2016– Jun 30, 2016	Jan 1, 2016– Dec 31, 2016
Sales			
Vessels	238.4	236.4	516.8
Unallocated	0.8	1.7	3.0
Total, operating segments	239.3	238.1	519.8
Eliminations	-0.1	-0.1	-0.2
Total sales of the Group	239.2	238.0	519.6
Operating income			
Vessels	11.7	13.8	60.9
Unallocated	-26.7	-24.3	-47.2
Total operating income of the Group	-15.0	-10.5	13.7

PLEGGED ASSETS AND CONTINGENT LIABILITIES

EUR M	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Contingent liabilities	162.3	181.6	174.1
Assets pledged for own debt	283.0	313.6	313.6

FINANCIAL RATIOS AND STATISTICS

	Jan 1, 2017– Jun 30, 2017	Jan 1, 2016– Jun 30, 2016	Jan 1, 2016– Dec 31, 2016
Equity per share, EUR	19.09	19.08	20.64
Equity/assets ratio	41.4 %	40.3 %	44.1 %
Investments, EUR M	8.9	11.9	15.8
– as % of sales	3.7 %	5.0 %	3.0 %
Passengers	3,078,899	2,900,796	6,502,191
Cargo units	64,912	67,035	131,918
Average number of employees, full-time equivalent	2,688	2,650	2,742

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.