

HALF-YEAR FINANCIAL REPORT FOR THE PERIOD JANUARY – JUNE 2018

IMPROVED INCOME DESPITE LOWER SALES

Consolidated sales of the Viking Line Group for the period January 1 – June 30, 2018 were 225.7 million euros (EUR 235.5 M for the period January 1 – June 30, 2017). Operating income totalled EUR -13.5 M (-15.0).

Passenger-related revenue was EUR 201.7 M (211.5), while cargo revenue amounted to EUR 22.9 M (22.8). Thanks to lower operating expenses compared to the previous year, consolidated income for the first six months of 2018 improved despite lower sales. The weak Swedish krona had a negative impact on consolidated income.

During the second quarter, April 1 – June 30, 2018, consolidated sales were EUR 125.5 M (EUR 134.4 M for the period April 1 – June 30, 2017). Second quarter operating income amounted to EUR 0.0 M (2.7). In April 2018, capacity was reduced due to a longer dry-docking for Gabriella, which had a negative impact on quarterly income. The placing in service of the vessel Viking FSTR, which operated on the Helsinki–Tallinn route starting on April 10, 2017, increased consolidated sales and capacity but did not contribute to income during the second quarter of 2017.

“Income for the first half of 2018 was better than income for the corresponding period last year. During the first six months of the year, the cost trend remained at a satisfactory level, while we continue to see challenges in terms of sales revenue. Thanks to lower operating expenses compared to the previous year, consolidated income for the first quarter improved despite lower sales. During the second quarter, Gabriella was dry-docked, which affected income. The critical factor for our full-year results is results for the Group’s peak season, which is July and August.

“A new organization model has been introduced. It will bring about faster decision-making and clearer ownership of results as well as strengthen the commercial focus at an organizational level close to our customers.

“During the first six months of 2018, more than 2.8 million passengers chose to travel on our seven vessels. We are extremely pleased and grateful for the faith our customers show in us and hope we can exceed their expectations,” says Jan Hanses, President and Chief Executive Officer of Viking Line.

PASSENGER NUMBER AND CARGO VOLUME

The number of passengers on Viking Line’s vessels during the report period amounted to 2,844,433 (3,078,899). The Group had a total market share in its service area of 31.6 per cent (33.8).

Viking Line’s cargo volume was 64,544 cargo units (64,912). Viking Line achieved a cargo market share of 17.9 per cent (19.3). The number of cars transported was 295,246 units (314,409).

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 2017 sales were about EUR 523 M. The number of passengers totalled 6.9 million. The average number of employees was 2,746.

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, 2018 were 225.7 million euros (EUR 235.5 M for the period January 1 – June 30, 2017). Other operating revenue amounted to EUR 0.2 M (0.1). Operating income totalled EUR -13.5 M (-15.0). Net financial items totalled EUR -1.7 M (-0.6). Consolidated income before taxes amounted to EUR -15.2 M (-15.6). Income after taxes totalled EUR -11.8 M (-12.3).

Passenger-related revenue was EUR 201.7 M (211.5), while cargo revenue amounted to EUR 22.9 M (22.8). Net sales revenue was EUR 163.3 M (169.3).

Due to lower operating expenses compared to the previous year, consolidated income for the first six months of 2018 improved despite lower sales. Consolidated operating expenses decreased by 3.9 per cent to EUR 164.7 M (171.3). Bunker (vessel fuel) expenses increased by 3.6 per cent to EUR 24.1 M (23.2). The weak Swedish krona had a negative impact on consolidated income.

During the second quarter, April 1 – June 30, 2018, consolidated sales totalled EUR 125.5 M (EUR 134.4 M for the period April 1 – June 30, 2017). Second quarter operating income amounted to EUR 0.0 M (2.7). In April 2018, capacity was reduced due to a longer dry-docking for Gabriella, which had a negative impact on quarterly income. The placing in service of the vessel Viking FSTR, which operated on the Helsinki–Tallinn route starting on April 10, 2017, increased consolidated sales and capacity but did not contribute to income during the second quarter of 2017.

SERVICES AND MARKET TRENDS

The Viking Line Group provides passenger and cargo carrier services using seven vessels on the northern Baltic Sea. The Group's vessels served the same routes as in 2017. 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 report period amounted to 2,844,433 (3,078,899). The Group had a total market share in its service area of 31.6 per cent (33.8).

Viking Line's cargo volume was 64,544 cargo units (64,912). Viking Line achieved a cargo market share of 17.9 per cent (19.3). The number of cars transported was 295,246 units (314,409).

INVESTMENTS AND FINANCING

The Group's investments amounted to EUR 9.5 M (8.9), of which EUR 1.7 M was related to capitalized costs for vessels under construction. The Group's total investments represent 4.2 per cent of sales (3.8).

On June 30, 2018, the Group's non-current interest-bearing liabilities totalled EUR 115.3 M (138.8). The equity/assets ratio was 43.8 per cent, compared to 41.4 per cent a year earlier.

At the end of June 2018, the Group's cash and cash equivalents amounted to EUR 56.7 M (80.0). Unutilized credit lines in the Group totalled EUR 15.1 M on June 30, 2018 (EUR 0.1 M). Net cash flow from operating activities amounted to EUR 9.7 M (8.0). Net cash flow from investing activities was EUR -7.1 M (-6.8) and net cash flow from financing activities amounted to EUR -13.9 M (-16.1).

FINANCIAL REPORTING AND CHANGES IN ACCOUNTING PRINCIPLES

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.

IFRS 9, "Financial instruments", is applied beginning with the financial year 2018, from which time the Group's financial instruments have been classified in accordance with the new standard. Items that were previously recognized as investments available for sale are now classified as financial assets at fair value through other comprehensive income. The change has no effect on the Group's comparable figures; only the terminology has changed.

IFRS 15, "Revenue from contracts with customers", is applied beginning with the financial year 2018. The standard is applied retroactively for each previous reporting period. For 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. Comparable figures for 2017 have been adjusted for these items. This entails a reduction in consolidated sales and in goods and services of EUR 3.6 M for the first six month of the financial year 2017 and EUR 9.2 M for the full financial year. The adjustment has no effect on consolidated income or equity.

The internal reporting of the vessels' direct revenue and expenses has changed, and segment reporting has been adjusted accordingly. Comparable figures for 2017 have been adjusted in line with these changes. The vessels continue to meet all aggregation criteria. The changes in question thus do not give rise to any changes in the operating segments themselves.

Deferred taxes are calculated for temporary differences between carrying amount and tax base according to the tax rates that were established before the balance sheet date. When estimating deferred taxes on June 30, 2018, the 2021 tax rate of 20.6 per cent has been used in the Group's Swedish subsidiaries since the temporary differences are not expected to be reversed for taxation before the new tax rate goes into effect.

This Half-year Financial Report is otherwise prepared in accordance with the same accounting principles, estimates and judgements as in the latest annual financial statements. The Half-year Financial Report is unaudited.

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

ORGANIZATION AND PERSONNEL

The average number of Group employees was 2,603 (2,688), of whom 1,951 (2,004) worked for the parent company. Land-based personnel totalled 630 (644) and shipboard personnel totalled 1,973 (2,044).

In addition to the Group's own employees, Viking XPRS was staffed by an average of 238 (243) 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 2018.

The Swedish krona has been much weaker in 2018, which has a negative impact on the Group's results. The exchange rate trend thus constitutes a significant risk factor during the year.

OUTLOOK FOR THE FULL FINANCIAL YEAR 2018

Competition in Viking Line's service area remains tough and implies continued pressure on prices and volumes. Volume and price developments during the remainder of the financial year will be crucial to the Group's earnings. The organizational change implemented during the spring 2018 is expected to have a positive effect on the Group's results. The Board of Directors believes that, overall, operating income for 2018 will be better or on a par with operating income for 2017. The Board's previous assessment was that operating income for 2018 would improve compared to operating income for 2017.

The Business Review for January – September 2018 will be published on November 15, 2018.

Mariehamn, Åland, August 15, 2018

VIKING LINE ABP
The Board of Directors

CONSOLIDATED INCOME STATEMENT

EUR M	Apr 1, 2018– Jun 30, 2018	Apr 1, 2017– Jun 30, 2017	Jan 1, 2018– Jun 30, 2018	Jan 1, 2017– Jun 30, 2017	Jan 1, 2017– Dec 31, 2017
SALES	125.5	134.4	225.7	235.5	513.6
Other operating revenue	0.1	0.1	0.2	0.1	1.7
Expenses					
Goods and services	34.5	37.6	62.5	66.2	140.9
Salary and other employment benefit expenses	30.2	29.8	58.7	59.1	120.6
Depreciation and impairment losses	6.3	6.0	12.3	13.1	25.2
Other operating expenses	54.5	58.3	106.0	112.2	218.5
	125.6	131.7	239.5	250.7	505.2
OPERATING INCOME	0.0	2.7	-13.5	-15.0	10.0
Financial income	2.3	2.0	2.3	2.1	2.2
Financial expenses	-1.4	-1.6	-4.0	-2.7	-5.6
INCOME BEFORE TAXES	0.9	3.2	-15.2	-15.6	6.6
Income taxes	0.2	-0.3	3.4	3.4	-1.3
INCOME FOR THE PERIOD	1.1	2.9	-11.8	-12.3	5.3
<i>Income attributable to:</i>					
Parent company shareholders	1.1	2.9	-11.8	-12.3	5.3
Earnings per share before and after dilution, EUR	0.11	0.27	-1.09	-1.13	0.49

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

EUR M	Apr 1, 2018– Jun 30, 2018	Apr 1, 2017– Jun 30, 2017	Jan 1, 2018– Jun 30, 2018	Jan 1, 2017– Jun 30, 2017	Jan 1, 2017– Dec 31, 2017
INCOME FOR THE PERIOD	1.1	2.9	-11.8	-12.3	5.3
<i>Items that may be reclassified to the income statement</i>					
Translation differences	-0.3	-0.2	-1.1	-0.2	-0.6
<i>Items that will not be reclassified to the income statement</i>					
Financial assets at fair value through other comprehensive income	0.0	-	0.0	-	-
Investments available for sale	-	-	-	-	0.7
Other comprehensive income	-0.3	-0.2	-1.1	-0.2	0.1
COMPREHENSIVE INCOME FOR THE PERIOD	0.8	2.6	-12.9	-12.4	5.4
<i>Comprehensive income attributable to:</i>					
Parent company shareholders	0.8	2.6	-12.9	-12.4	5.4

CONSOLIDATED BALANCE SHEET

EUR M	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
ASSETS			
Non-current assets			
Intangible assets	3.0	2.2	2.5
Land	0.6	0.6	0.6
Buildings and structures	8.0	8.9	8.6
Renovation costs for rented properties	2.7	2.9	2.7
Vessels	287.9	303.5	294.6
Machinery and equipment	5.1	5.1	5.2
Advance payments	23.3	0.2	21.6
Financial assets at fair value through other comprehensive income	27.9	-	-
Investments available for sale	-	27.1	27.9
Total non-current assets	358.3	350.5	363.5
Current assets			
Inventories	17.9	18.8	17.3
Income tax assets	3.6	4.3	1.6
Trade and other receivables	40.3	44.4	34.3
Cash and cash equivalents	56.7	80.0	68.0
Total current assets	118.5	147.4	121.1
TOTAL ASSETS	476.8	497.9	484.6
EQUITY AND LIABILITIES			
Equity			
Share capital	1.8	1.8	1.8
Reserves	1.7	1.0	1.7
Translation differences	-2.5	-1.3	-1.7
Retained earnings	208.0	204.7	222.2
Equity attributable to parent company shareholders	209.0	206.2	224.1
Total equity	209.0	206.2	224.1
Non-current liabilities			
Deferred tax liabilities	37.0	35.9	37.0
Non-current interest-bearing liabilities	115.3	138.8	127.0
Total non-current liabilities	152.3	174.7	164.1
Current liabilities			
Current interest-bearing liabilities	23.5	23.5	23.5
Income tax liabilities	0.0	0.0	-
Trade and other payables	92.1	93.5	73.0
Total current liabilities	115.6	117.0	96.5
Total liabilities	267.8	291.8	260.6
TOTAL EQUITY AND LIABILITIES	476.8	497.9	484.6

CONSOLIDATED CASH FLOW STATEMENT

EUR M	Jan 1, 2018– Jun 30, 2018	Jan 1, 2017– Jun 30, 2017	Jan 1, 2017– Dec 31, 2017
OPERATING ACTIVITIES			
Income for the period	-11.8	-12.3	5.3
Adjustments			
Depreciation and impairment losses	12.3	13.1	25.2
Capital gains/losses from non-current assets	-0.1	0.0	-1.1
Other items not included in cash flow	1.2	0.2	0.6
Interest expenses and other financial expenses	2.1	2.4	4.7
Interest income and other financial income	0.0	0.0	-0.2
Dividend income	-2.3	-2.0	-2.0
Income taxes	-3.4	-3.4	1.3
Change in working capital			
Change in trade and other receivables	-6.0	-8.3	1.8
Change in inventories	-0.6	-0.7	0.8
Change in trade and other payables	19.2	20.7	0.3
Interest paid	-1.9	-2.2	-4.2
Financial expenses paid	-0.3	-0.4	-0.8
Interest received	-	0.0	0.0
Financial income received	0.0	0.0	0.1
Taxes paid	1.4	0.8	-0.1
NET CASH FLOW FROM OPERATING ACTIVITIES	9.7	8.0	31.8
INVESTING ACTIVITIES			
Investments in vessels	-6.4	-7.2	-9.5
Investments in other intangible and tangible assets	-1.4	-1.5	-2.8
Advance payments	-1.7	-0.2	-22.4
EU funding	-	-	0.8
Investments in investments available for sale	-	-0.1	-0.1
Divestments of other intangible and tangible assets	0.1	0.0	1.1
Divestments of financial assets at fair value through other comprehensive income	0.0	-	-
Divestments of investments available for sale	-	0.0	0.0
Dividends received	2.3	2.0	2.0
NET CASH FLOW FROM INVESTING ACTIVITIES	-7.1	-6.8	-30.8
FINANCING ACTIVITIES			
Amortization of non-current liabilities	-11.7	-11.8	-23.6
Dividends paid	-2.2	-4.3	-4.3
NET CASH FLOW FROM FINANCING ACTIVITIES	-13.9	-16.1	-27.9
CHANGE IN CASH AND CASH EQUIVALENTS	-11.3	-14.9	-26.9
Cash and cash equivalents at beginning of period	68.0	94.9	94.9
CASH AND CASH EQUIVALENTS AT END OF PERIOD	56.7	80.0	68.0

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, 2018	1.8	1.7	-1.7	222.2	224.1
<i>Income for the period</i>				-11.8	-11.8
<i>Translation differences</i>		0.0	-0.9	-0.2	-1.1
<i>Divestments of financial assets at fair value through other comprehensive income</i>		0.0		0.0	0.0
Comprehensive income for the period	-	0.0	-0.9	-12.0	-12.9
Dividend to shareholders				-2.2	-2.2
Equity, Jun 30, 2018	1.8	1.7	-2.5	208.0	209.0
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

QUARTERLY CONSOLIDATED INCOME STATEMENT

EUR M	2018 Q2	2018 Q1	2017 Q4	2017 Q3
SALES	125.5	100.3	121.5	156.6
Other operating revenue	0.1	0.1	0.4	1.1
Expenses				
Goods and services	34.5	27.9	33.6	41.1
Salary and other employment benefit expenses	30.2	28.5	29.5	32.0
Depreciation and impairment losses	6.3	6.0	6.0	6.0
Other operating expenses	54.5	51.5	49.0	57.2
	125.6	113.9	118.1	136.4
OPERATING INCOME	0.0	-13.5	3.7	21.3
Financial income	2.3	0.0	0.1	0.2
Financial expenses	-1.4	-2.6	-1.9	-1.2
INCOME BEFORE TAXES	0.9	-16.1	1.9	20.3
Income taxes	0.2	3.2	-0.5	-4.2
INCOME FOR THE PERIOD	1.1	-12.9	1.5	16.1
<i>Income attributable to:</i>				
Parent company shareholders	1.1	-12.9	1.5	16.1
Earnings per share before and after dilution, EUR	0.11	-1.20	0.14	1.49

QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR M	2018 Q2	2018 Q1	2017 Q4	2017 Q3
INCOME FOR THE PERIOD	1.1	-12.9	1.5	16.1
<i>Items that may be reclassified to the income statement</i>				
Translation differences	-0.3	-0.8	-0.5	0.1
<i>Items that will not be reclassified to the income statement</i>				
Financial assets at fair value through other comprehensive income	0.0	-	-	-
Investments available for sale	-	-	0.7	-
Other comprehensive income	-0.3	-0.8	0.3	0.1
COMPREHENSIVE INCOME FOR THE PERIOD	0.8	-13.7	1.8	16.1
<i>Comprehensive income attributable to:</i>				
Parent company shareholders	0.8	-13.7	1.8	16.1

SEGMENT INFORMATION, VIKING LINE GROUP

OPERATING SEGMENTS, EUR M	Jan 1, 2018– Jun 30, 2018	Jan 1, 2017– Jun 30, 2017	Jan 1, 2017– Dec 31, 2017
Sales			
Vessels	221.9	231.7	505.3
Unallocated	3.9	3.9	8.4
Total, operating segments	225.8	235.6	513.7
Eliminations	-0.1	-0.1	-0.1
Total sales of the Group	225.7	235.5	513.6
Operating income			
Vessels	10.2	11.0	56.8
Unallocated	-23.8	-26.0	-46.8
Total operating income of the Group	-13.5	-15.0	10.0
SALES			
Passenger-related revenue	201.7	211.5	467.5
Cargo revenue	22.9	22.8	43.8
Miscellaneous sales revenue	1.2	1.2	2.3
Total	225.7	235.5	513.6

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Classification under IAS 39	Classification under IFRS 9
Financial assets		
Investments in shares and participations	Financial assets available for sale	Recognized at fair value through other comprehensive income
Trade receivables	Loan receivables and trade receivables	Recognized at amortized cost
Cash and cash equivalents	Loan receivables and trade receivables	Recognized at amortized cost
Financial liabilities		
Non-current interest-bearing liabilities	Other financial liabilities	Recognized at amortized cost
Current interest-bearing liabilities	Other financial liabilities	Recognized at amortized cost
Trade payables	Other financial liabilities	Recognized at amortized cost

The change in classification has no effect on the Group's comparable figures; only the terminology has changed.

PLEGGED ASSETS AND CONTINGENT LIABILITIES

EUR M	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Contingent liabilities	138.8	162.3	150.6
Assets pledged for own debt	301.0	283.0	283.0
Investment commitments not included in the accounts	174.3	-	175.1
– contractual amount	194.6	-	195.0

FINANCIAL RATIOS AND STATISTICS

	Jan 1, 2018– Jun 30, 2018	Jan 1, 2017– Jun 30, 2017	Jan 1, 2017– Dec 31, 2017
Equity per share, EUR	19.35	19.09	20.75
Equity/assets ratio	43.8 %	41.4 %	46.2 %
Investments, EUR M	9.5	8.9	34.7
– as % of sales	4.2 %	3.8 %	6.8 %
Passengers	2,844,433	3,078,899	6,881,149
Cargo units	64,544	64,912	127,668
Average number of employees, full-time equivalent	2,603	2,688	2,746

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.