

Press release

INTERIM REPORT FOR THE PERIOD NOVEMBER 2009–JULY 2010

VIKING LINE IMPROVED SALES AND NET SALES REVENUE

Consolidated sales of the Viking Line Group during the first nine months of the 2009/2010 fiscal year, November 2009 – July 2010, rose by +3.3 per cent to EUR 360.0 M (348.6) thanks to higher passenger and cargo revenue, among other things due to the strengthening of the Swedish krona. Net sales revenue increased by EUR 10.8 M. Earnings were not as high as during the same period one year earlier, mainly because of higher fuel expenses (EUR 10.6 M) and higher employee expenses (EUR 4.9 M). In addition, repayment of incorrectly levied fairway dues in Finland, which amounted to EUR 3.1 M, improved earnings during the year-earlier period. Income after taxes thus totalled EUR 3.0 M, compared to EUR 10.2 M during the same period 2008/2009. The assessment of the Board of Directors is that consolidated earnings for the entire fiscal year will not fully reach the earnings level of the preceding fiscal year.

Viking Line's passenger volume decreased by 50,200 (-1.1 per cent) to 4,694,486. On the Helsinki (Finland)–Tallinn (Estonia) route, however, Viking Line achieved a volume increase of 69,842 passengers to 1,223,311 (+6.1 per cent). In cruise services between Stockholm (Sweden) and Mariehamn (Åland Islands, Finland), Viking Line also achieved a passenger volume increase by 21,364 to 736,395 (+3.0 per cent), while volume on the Mariehamn–Kapellskär (Sweden) route fell by 25,272 passengers to 485,876 (-4.9 per cent). Volume on the Helsinki–Mariehamn–Stockholm route fell by 15,274 passengers to 865,003 (-1.7 per cent) and on the Turku (Finland)–Mariehamn/Långnäs (Åland Islands, Finland)–Stockholm route by 86,869 passengers to 1,371,517 (-6.0 per cent).

Cargo volume grew by 5,024 (+6.6 per cent) cargo units to 81,444. The largest increase in cargo volume was achieved on the Helsinki–Tallinn route, up 2,602 cargo units (+8.0 per cent) to 35,126. Viking Line thus achieved a cargo market share of 21.5 per cent.

Any questions concerning the Interim Report will be answered by Mikael Backman, President and Chief Executive Officer.

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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 OMX Nordic Exchange Helsinki since 1995. Viking Line serves Finland, Sweden and the Baltic countries with seven vessels. During fiscal 2008/2009 sales were about EUR 471 M. The number of passengers totalled 6.4 million. The average number of employees was 3,091.

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SALES AND EARNINGS

Consolidated sales of the Viking Line Group during the period November 1, 2009 – July 31, 2010 amounted to 360.0 million euros (same period of fiscal 2008/2009: EUR 348.6 M). Operating income was EUR 5.6 M (16.4). Net financial items were EUR -1.4 M (-2.4). Consolidated income before taxes amounted to EUR 4.2 M (13.9). Income after taxes was EUR 3.0 M (10.2).

Passenger-related revenue increased by 3.3 per cent to EUR 334.4 M (323.9) while cargo revenue rose by 4.1 per cent to EUR 22.9 M (22.0), among other things due to the stronger Swedish krona exchange rate. Net sales revenue increased by 4.3 per cent to EUR 259.9 M (249.1).

The Group's operating expenses, excluding nonrecurring items affecting comparability, increased by 7.9 per cent to EUR 254.7 M (233.0). The fiscal 2009/2010 item affecting comparability are capitalized project expenses for the Viking ADCC newbuilding totalling EUR 3.8 M, and accrued interest compensation of 3.9 M for advance payments made which were recognized as revenue. The fiscal 2008/2009 item affecting comparability was a repayment of fairway dues for 2005 totalling EUR 3.1 M. Fuel expenses increased by 42.3 per cent to EUR 35.8 M, due to higher bunker prices (vessel fuel) as well as higher fuel consumption caused by the exceptional ice situation on the northern Baltic Sea. Employee expenses increased by 5.9 per cent to EUR 87.9 M (83.1). The strengthening of the Swedish krona, which is fundamentally favourable to Viking Line, also contributed to higher costs.

SERVICES AND MARKET TRENDS

The Viking Line Group provides passenger and cargo carrier services, using seven vessels on the northern Baltic Sea. The Group served the same routes as during fiscal 2008/2009.

During the report period, the number of passengers on the Group's vessels decreased by 1.1 per cent to 4,694,486. The number of passengers increased on the Viking XPRS on the Helsinki (Finland)–Tallinn (Estonia) route and in the cruise services between Stockholm (Sweden) and Mariehamn (Åland Islands, Finland). On other routes, volume fell somewhat. Viking Line's cargo volume rose by 6.6 per cent to 81,444 cargo units. Its cargo market share was 21.5 per cent.

During the first nine months of fiscal 2009/2010, Viking Line strengthened its market share on the cruise services between Stockholm and Mariehamn by 2.5 percentage points to 51.2 per cent. On the Helsinki–Tallinn route, market share decreased by 0.1 percentage points to 24.8 per cent. On the Turku (Finland)–Mariehamn/Långnäs (Åland Islands, Finland)–Stockholm route, market share decreased by 0.5 percentage points to 50.5 per cent and on the Helsinki–Mariehamn–Stockholm route by 0.7 percentage points to 47.1 per cent. In service on the short route over the Sea of Åland between Sweden and the Åland Islands, market share decreased by 1.2 percentage points to 42.5 per cent. The Group thus had a total market share in its service area of 35.4 per cent.

INVESTMENTS AND FINANCING

Viking Line cancelled its newbuilding contract with Astilleros de Sevilla on February 8, 2010 and has demanded the return of its advance payments totalling EUR 39 M plus interest. At present, it is deemed unlikely that the newbuilding contract will be renegotiated. Viking Line has recognized its capitalized project expenses of EUR 3.8 M among "Other operating expenses". Accrued interest of EUR 3.9 M has been recognized as revenue among "Other operating revenue". In accordance with the terms of the contractual repayment guarantees, Viking Line has applied for confirmation of its claims for repayment of the advance payments it provided to Astilleros de Sevilla plus interest. Viking Line's claims, which are deemed particularly well-founded, are currently being dealt with by arbitrators in London.

On July 31 2010 the Group's investments totalled EUR 7.0 M (26.2). The Group's non-current interest-bearing liabilities amounted to EUR 94.2 M (116.7). The equity/assets ratio was 40.9 per cent, compared to 41.1 per cent a year earlier.

At the end of July 2010, the Group's cash and cash equivalents amounted to EUR 53.7 M (44.1). Net cash flow from operating activities amounted to EUR 29.4 M (42.8).

FINANCIAL REPORTING

This Interim 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 judgments 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. This Interim Report is unaudited.

ORGANIZATION OCH PERSONNEL

The average number of Group employees was 3,099 (3,080), of whom 1,910 (1,915) worked for the parent company. Land-based personnel totalled 772 (774) and shipboard personnel totalled 2,327 (2,306).

RISK FACTORS

Since the financial statements for fiscal 2008/2009 were published, no changes have occurred that affect the Board's assessment of the risks in Viking Line's business operations. Special risks during the immediate future mainly concern bunker prices.

OUTLOOK FOR THE FULL 2009/2010 FISCAL YEAR

Competition in Viking Line's service area remains tough and implies continued pressure on ticket prices.

The deterioration in earnings during the first three quarters of fiscal 2009/2010 was largely due to higher bunker prices. During the same period of fiscal 2008/2009, bunker prices were initially substantially lower and then approached this year's level towards the end of the report period. Fuel prices during the remaining five months of the fiscal year are expected to be only somewhat higher than during the year-earlier period. The loss of earnings due to planned vessel dry-dockings and breaks in service will be less than one year earlier. The Swedish krona has gradually appreciated in value, which is positive for the Group's earnings. The earnings trend during the remainder of the fiscal year is expected to be substantially better than the year-earlier period. The current fiscal year has been extended to 14 months, which will nevertheless have a relatively small impact on the Group's earnings. The overall assessment of the Board of Directors is that fiscal 2009/2010 earnings will not fully achieve the level of 2008/2009 earnings.

The next Interim Report (November 2009–October 2010) will be published on December 14, 2010.

Mariehamn, Åland, September 14, 2010

VIKING LINE ABP
The Board of Directors

CONSOLIDATED INCOME STATEMENT

EUR M	May 1, 2010– Jul 31, 2010	May 1, 2009– Jul 31, 2009	Nov 1, 2009– Jul 31, 2010	Nov 1, 2008– Jul 31, 2009	Nov 1, 2008– Oct 31, 2009
SALES	150.47	142.15	360.03	348.60	470.74
Other operating revenue	0.42	0.09	4.19	0.32	0.41
Expenses					
Goods and services	40.72	39.58	100.17	99.55	135.15
Employee expenses	30.07	28.49	87.95	83.06	111.26
Depreciation and impairment losses	7.21	7.24	21.55	21.56	29.33
Other operating expenses	50.38	45.76	148.97	128.37	178.07
	128.38	121.08	358.63	332.55	453.82
OPERATING INCOME	22.51	21.17	5.58	16.38	17.34
Financial income	0.23	1.13	1.08	3.54	3.96
Financial expenses	-0.68	-1.23	-2.45	-5.99	-6.87
INCOME BEFORE TAXES	22.06	21.07	4.22	13.94	14.43
Income taxes	-5.77	-5.51	-1.19	-3.70	-3.87
INCOME FOR THE PERIOD	16.30	15.56	3.02	10.24	10.56
Translation differences	0.09	0.10	0.34	0.00	0.01
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16.39	15.66	3.37	10.23	10.57
<i>Total comprehensive income attributable to:</i>					
Parent company shareholders	16.39	15.66	3.37	10.23	10.57
Earnings per share, EUR	1.51	1.44	0.28	0.95	0.98

CONSOLIDATED BALANCE SHEET

EUR M	Jul 31, 2010	Jul 31, 2009	Oct 31, 2009
ASSETS			
Non-current assets			
Intangible assets	1.21	0.85	1.06
Land	1.10	1.10	1.10
Buildings and structures	5.66	5.16	5.08
Renovation costs for rented properties	0.53	0.65	0.66
Vessels	225.26	244.49	240.69
Machinery and equipment	5.71	5.97	5.73
Advance payments	-	42.22	42.71
Financial assets	0.02	0.07	0.07
Receivables	0.03	0.02	0.02
Total non-current assets	239.52	300.54	297.12
Current assets			
Inventories	11.42	11.05	11.23
Income tax assets	0.03	0.01	1.81
Refund claim on advance payments	39.23	-	-
Trade and other receivables	43.22	39.00	33.17
Cash and cash equivalents	53.72	44.09	46.96
Total current assets	147.62	94.15	93.18
TOTAL ASSETS	387.14	394.68	390.30
EQUITY AND LIABILITIES			
Equity			
Share capital	1.82	1.82	1.82
Reserves	0.02	0.02	0.02
Translation differences	0.09	-0.11	-0.10
Retained earnings	156.25	160.31	160.63
Equity attributable to parent company shareholders	158.18	162.04	162.37
Total equity	158.18	162.04	162.37
Non-current liabilities			
Deferred tax liabilities	34.79	32.51	34.80
Interest-bearing liabilities	94.24	116.68	114.41
Total non-current liabilities	129.03	149.19	149.21
Current liabilities			
Interest-bearing liabilities	22.74	10.66	10.74
Income tax liabilities	1.09	0.03	-
Trade and other payables	76.10	72.77	67.98
Total current liabilities	99.93	83.46	78.72
Total liabilities	228.96	232.65	227.93
TOTAL EQUITY AND LIABILITIES	387.14	394.68	390.30

CONSOLIDATED CASH FLOW STATEMENT

EUR M	Nov 1, 2009– Jul 31, 2010	Nov 1, 2008– Jul 31, 2009	Nov 1, 2008– Oct 31, 2009
OPERATING ACTIVITIES			
Income for the period	3.02	10.24	10.56
Adjustments			
Depreciation and impairment losses	21.55	21.56	29.33
Other items not included in cash flow	4.10	-0.03	-0.02
Interest expenses and other financial expenses	1.44	3.00	3.55
Interest income and other financial income	-0.28	-0.37	-0.43
Dividend income	-0.01	0.00	0.00
Income taxes	1.19	3.70	3.87
Change in working capital			
Change in trade and other receivables	-10.04	-1.14	4.68
Change in inventories	-0.19	-0.27	-0.45
Change in trade and other payables	8.18	6.90	2.19
Interest paid	-1.47	-2.51	-3.14
Financial expenses paid	-0.02	-0.03	-0.02
Interest received	0.16	0.33	0.35
Financial income received	0.11	0.05	0.08
Taxes paid	1.67	1.37	1.66
NET CASH FLOW FROM OPERATING ACTIVITIES	29.43	42.79	52.21
INVESTING ACTIVITIES			
Investments in vessels	-4.49	-10.21	-13.52
Investments in other property, plant and equipment	-2.23	-2.40	-2.95
Advance payments	-0.30	-13.62	-14.10
Divestments of other property, plant and equipment	0.04	0.17	0.17
Divestments of financial assets	0.06	-	-
Change in non-current receivables	-0.01	0.01	0.01
Dividends received	0.01	0.00	0.00
NET CASH FLOW FROM INVESTING ACTIVITIES	-6.92	-26.05	-30.40
FINANCING ACTIVITIES			
Increase in non-current liabilities	0.43	12.00	12.00
Amortization of non-current liabilities	-8.63	-4.47	-6.67
Dividends paid	-7.56	-10.80	-10.80
NET CASH FLOW FROM FINANCING ACTIVITIES	-15.76	-3.27	-5.47
CHANGE IN CASH AND CASH EQUIVALENTS	6.75	13.47	16.34
Cash and cash equivalents at beginning of period	46.96	30.62	30.62
CASH AND CASH EQUIVALENTS AT END OF PERIOD	53.72	44.09	46.96

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR M	Equity attributable to parent company shareholders				Total Equity
	Share capital	Reserves	Translation differences	Retained earnings	
Equity, Nov 1, 2009	1.82	0.02	-0.10	160.63	162.37
Dividend to shareholders				-7.56	-7.56
Total comprehensive income for the period		0.00	0.18	3.18	3.37
Equity, Jul 31, 2010	1.82	0.02	0.09	156.25	158.18
Equity, Nov 1, 2008	1.82	0.02	-0.10	160.86	162.60
Dividend to shareholders				-10.80	-10.80
Total comprehensive income for the period		0.00	-0.01	10.25	10.23
Equity, Jul 31, 2009	1.82	0.02	-0.11	160.31	162.04

QUARTERLY CONSOLIDATED INCOME STATEMENT

EUR M	2009/2010 Q3	2009/2010 Q2	2009/2010 Q1	2008/2009 Q4
SALES	150.47	104.79	104.76	122.14
Other operating revenue	0.42	3.63	0.14	0.09
Expenses				
Goods and services	40.72	30.12	29.33	35.60
Employee expenses	30.07	28.97	28.90	28.20
Depreciation and impairment losses	7.21	7.21	7.13	7.76
Other operating expenses	50.38	53.10	45.49	49.70
	128.38	119.40	110.85	121.27
OPERATING INCOME	22.51	-10.97	-5.96	0.96
Financial income	0.23	0.33	0.52	0.42
Financial expenses	-0.68	-1.03	-0.74	-0.88
INCOME BEFORE TAXES	22.06	-11.67	-6.18	0.49
Income taxes	-5.77	2.98	1.59	-0.17
INCOME FOR THE PERIOD	16.30	-8.69	-4.59	0.33
Translation differences	0.09	0.21	0.04	0.01
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16.39	-8.47	-4.55	0.34
Total comprehensive income attributable to:				
Parent company shareholders	16.39	-8.47	-4.55	0.34
Earnings per share, EUR	1.51	-0.80	-0.42	0.03

SEGMENT INFORMATION, VIKING LINE GROUP

OPERATING SEGMENTS, EUR M	Nov 1, 2009– Jul 31, 2010	Nov 1, 2008– Jul 31, 2009	Nov 1, 2008– Oct 31, 2009
Sales			
Vessels	353.33	344.77	465.36
Unallocated	6.70	3.84	5.57
Total, operating segments	360.03	348.60	470.93
Eliminations	-0.13	-0.12	-0.20
Total sales of the Group	359.90	348.48	470.74
Operating income			
Vessels	43.27	45.11	57.15
Unallocated	-37.69	-28.73	-39.81
Total operating income of the Group	5.58	16.38	17.34
Assets			
Vessels	258.13	276.28	268.64
Unallocated	129.01	118.40	121.66
Total assets of the Group	387.14	394.68	390.30
Liabilities			
Vessels	149.92	158.18	152.11
Unallocated	79.04	74.47	75.82
Total liabilities of the Group	228.96	232.65	227.93

PLEGGED ASSETS AND CONTINGENT LIABILITIES

EUR M	Jul 31, 2010	Jul 31, 2009	Oct 31, 2009
Contingent liabilities	118.77	129.25	126.73
Assets pledged for own debt	126.03	168.72	168.43
Investment commitments not included in the accounts	-	21.36	21.36
– contractual amount	-	60.98	60.98

FINANCIAL RATIOS AND STATISTICS

	Nov 1, 2009– Jul 31, 2010	Nov 1, 2008– Jul 31, 2009	Nov 1, 2008– Oct 31, 2009
Equity per share, EUR	14.65	15.00	15.03
Equity/assets ratio	40.9 %	41.1 %	41.6 %
Investments, EUR M	7.02	26.23	30.58
– as % of sales	1.9 %	7.5 %	6.5 %
Passengers	4,694,486	4,744,686	6,390,213
Cargo units	81,444	76,420	102,670
Average number of employees, full time equivalent	3,099	3,080	3,091

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

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

Equity/assets ratio, % = (Equity including minority interest) / (Total assets – advances received)

When rounding off items to the nearest EUR 1,000,000, rounding-off differences of EUR +/- 0.01 M have occurred.