

VIKING LINE

Annual Report 2018



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Information to shareholders

Annual General Meeting

The Annual General Meeting of Viking Line Abp will be held at 12 noon on Thursday, April 25, 2019 at the Alandica Kultur and Kongress auditorium, Strandgatan 33, Mariehamn, Åland, Finland.

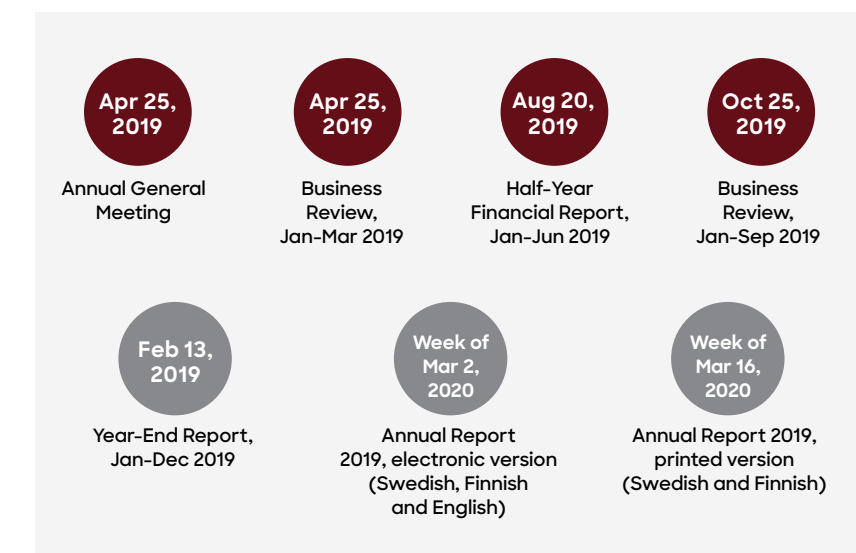
Shareholders who wish to participate in the meeting must notify the Company's Head Office in Mariehamn to this effect no later than 12 noon on Tuesday, April 23, 2019. Notification may be provided

- by e-mail to 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.

Investor calendar



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 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.

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.



Nasdaq

The parent company, Viking Line Abp, has been listed on NASDAQ Helsinki since July 5, 1995. The share capital is EUR 1,816,429.61 divided among 10,800,000 shares of equal value that constitute one series.



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.

Operating areas

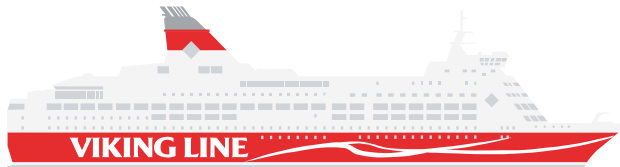
Viking Line's operations include both passenger and cargo transport. The subsidiary Viking Line Buss Ab also provides bus transport based in the Åland Islands.

Environmental certification

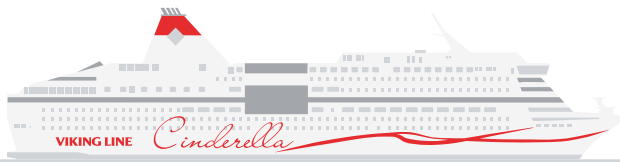
The Group's Head Office, all vessels and the subsidiary Viking Line Buss Ab are certified in compliance with ISO 14001:2015 environmental management standards.

Viking Line provides services on the Baltic Sea, with Finland, Sweden and the Baltic countries as its main markets.

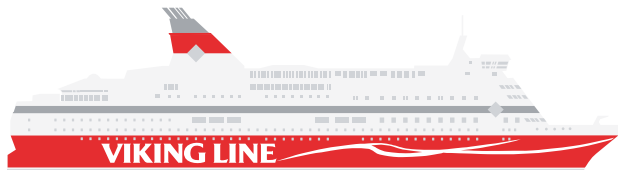
Our vessels



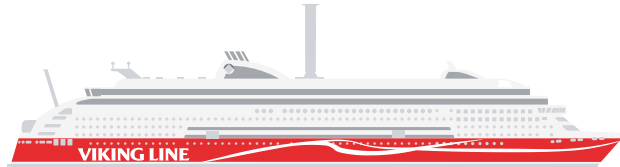
M/S Amorella
Finnish flag
Turku-Åland Islands-Stockholm



M/S Viking Cinderella
Swedish flag
Stockholm-Mariehamn



M/S Gabriella
Finnish flag
Helsinki-Mariehamn-Stockholm



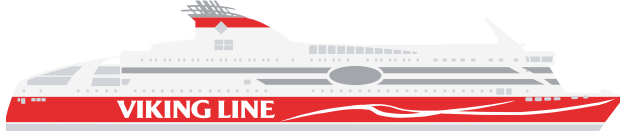
M/S Viking Grace
Finnish flag
Turku-Åland Islands-Stockholm



M/S Mariella
Finnish flag
Helsinki-Mariehamn-Stockholm

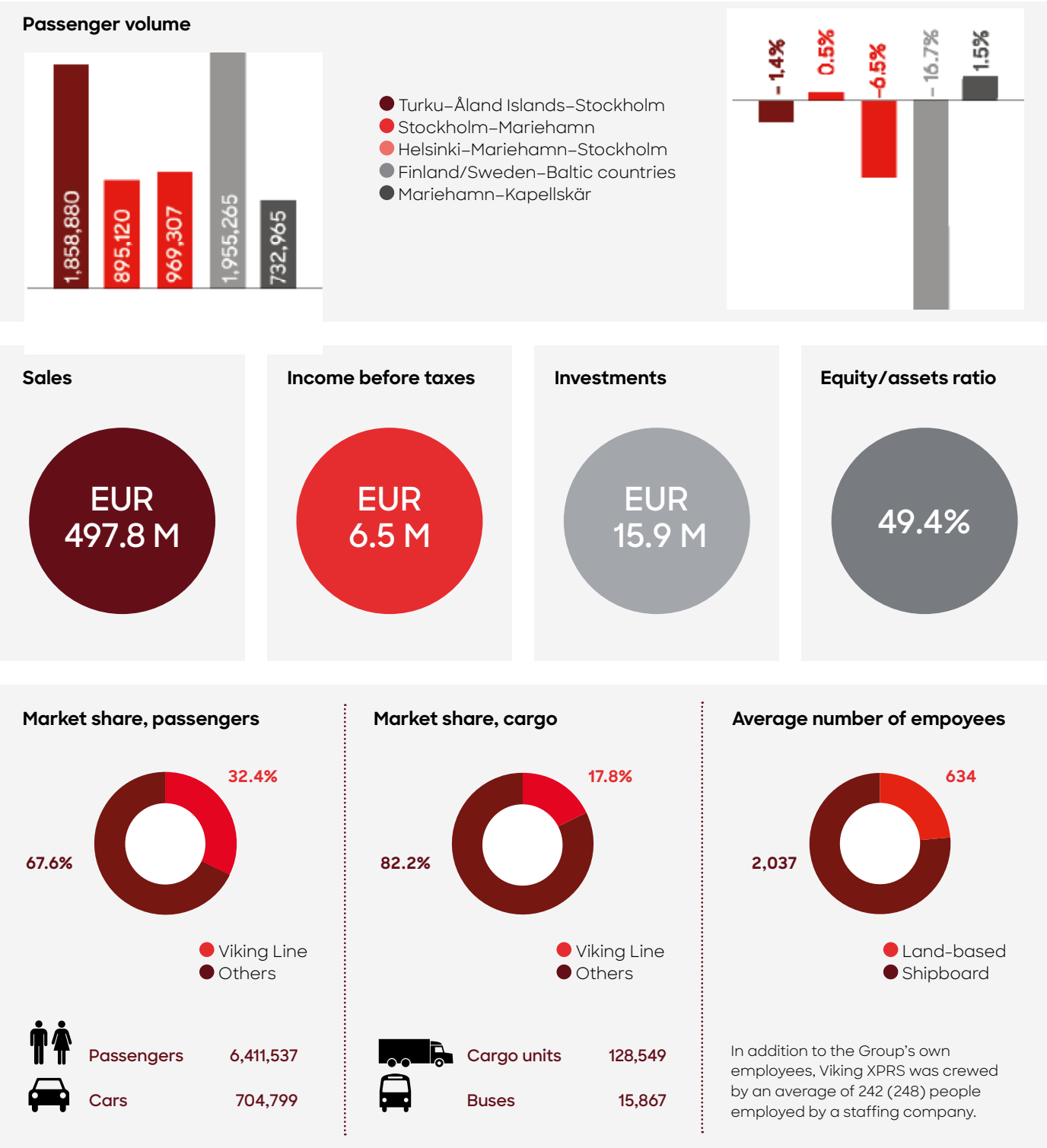


M/S Rosella
Finnish flag
Mariehamn-Kapellskär

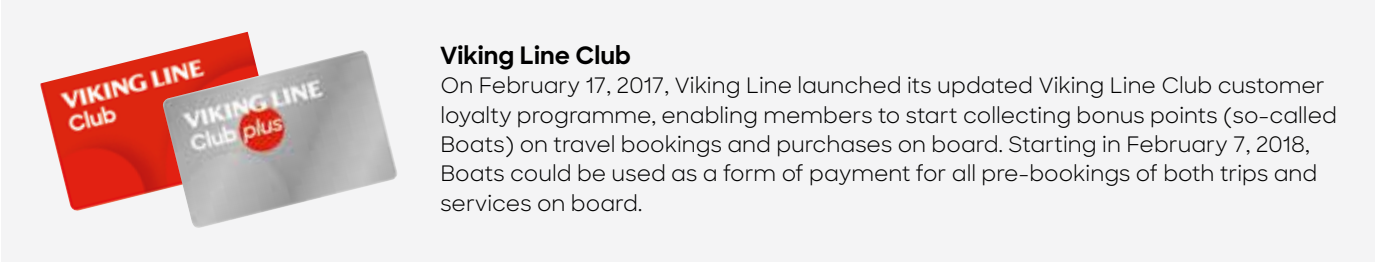


M/S Viking XPRS
Estonian flag
Helsinki-Tallinn

The year in brief



NB 488 A
63,000 gross tonnes
218 metres
2,800 passengers
1,500 cargo lane metres
922 cabins
Ice class 1 A Super



Statement of the President and CEO



We develop operations to meet passenger expectations

Since we began service, 227 million passengers have chosen to travel on our vessels, 22 million cars have driven over our car deck ramps and more than 4 million cargo units have contributed to maintaining the infrastructure between the three countries we serve.

Through our continued efforts in operations, we shall maintain our strong position in our service area. With a stronger digital presence and accelerated work to meet customer expectations, we shall develop our operations. We also play an important role in developing sustainable travel – a field where we have been a pioneer in adopting technological innovations for many years.

As an Åland Islands-based shipping company, we live off the sea and it is important to us to promote its well-being. We want to be role models when it comes to utilizing new solutions that reduce our environmental impact.

Organization change with a focus on results

This development work also concerns our organization. In April, a new organization model was introduced. The goal is to create clearer ownership of results and sharpen our commercial focus.

The focus in this process is on all our vessels, and seven vessel managers have been appointed. Together with me, the Group Management team determines the Group's overall objectives, which the vessel managers then execute together with their vessel management teams, with the assistance of our land-based functions. It is crucial that together we do everything to promote and support business operations while we in true Viking spirit

provide cheerful, good service to our customers.

We are spread out geographically, with operations in Finland, the Åland Islands, Sweden, Estonia and Germany. We have shipboard and land-based employees. In 2018, we had nearly 3,000 full-time employees including the Viking XPRS crew. Working in different places and on different vessels is a challenge but it also presents opportunities. We have a strong corporate culture and believe that people with different experiences and perspectives are vital to our long-term business success. It is people who are the key to success, and everyone's efforts count. Our targets for sales, profitability and growth can only be achieved if capable people are motivated to achieve them.

Results for the year

Full-year results for 2018 were on a par with results for the financial year 2017. During the year, the cost trend remained at a satisfactory level despite an increase in bunker (vessel fuel) expenses. In early autumn, the price of bunker rose to a level at which operating profit deteriorated for the full year compared to 2017. Toward the end of the year, prices changed for the better, which allowed a large portion of bunker costs for 2019 to be hedged through fixed-price agreements.

We continue to see challenges in terms of sales income. During the year, we were weighed down by a weaker Swedish krona, but also by weaker passenger volume than planned. In the year ahead, our focus will be on increasing sales income and improving the contribution margin. To meet the continued great challenges we face, we have chosen specific focus areas that we will provide additional resources for to improve results.

During the year, 6.4 million passengers travelled with us. Peak season volumes are absolutely critical to our results, and July is traditionally the month when traffic is most intense. Viking Line's passenger volume on all routes in July was 951,005 passengers. That number was better than for 2015, our record year, with the equivalent capacity. Mariella and Gabriella, which sail between Helsinki and Stockholm, also made summer day cruises to Tallinn. Capacity utilization for both vessels increased significantly because of these additional sailings.

During the year, our digital change work was strengthened when our Viking Line Club customer loyalty programme reached a new level. For a year, members had been able to collect bonus points, what we call Boats. Starting in February, the Boats could then be used as a form

of payment for all pre-bookings of trips, car space, restaurants and spa treatments. We are pleased that we can offer our loyal customers this opportunity.

On the cutting edge of innovation

In April 2018, Viking Grace got an added boost when a new rotor sail was installed. It is the first hybrid vessel to use both wind for propulsion with the help of a sail and liquefied natural gas (LNG) as fuel. Using the rotor sail enables a reduction in carbon dioxide emissions and fuel consumption, and the media have shown great interest in it, especially internationally. The effects of the sail will be assessed after one year in service. The intention is to install two sails on our new vessel.

Construction work on the new vessel has begun

On September 3, construction work began on Viking Line's new passenger vessel at the Chinese shipyard XSI. In a traditional steel-cutting ceremony, the first components were cut from a sheet of steel. The new vessel is larger in size than the environmental pioneer Viking Grace but is expected to consume about ten per cent less fuel. Throughout the project, the focus has been on optimization of energy and environmentally-adapted solutions, and the vessel will be one of the world's most energy-efficient vessels.

The newbuild project has entailed extensive planning and development work in order to create a vessel that represents a brand-new and unique generation of vessels. A number of Finnish and other European suppliers have been hired in this work. The vessel will be placed in service on the Turku–Mariehamn–Stockholm route in 2021. In August, the first group of Viking Line employees relocated to China to take part in the construction work. It is both exciting and stimulating to follow the work of building the new vessel.

I would like to give a warm thanks to all our personnel for their good work over the past year. I would also like to thank our customers and partners for showing their faith in us in 2018.

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.

Closer to the customer with the new organization model

In April 2018, a new results-driven organization model was introduced to optimize operations and make them more efficient. Viking Line is working actively to develop a flatter organization with a sharp focus on responsibility for results, resources and mandates to manage operations close to the customer. So now our seven vessel managers and their shipboard teams have commercial responsibility for their own vessels.

The aim of the new organization is to enable faster decision-making and to use the knowledge of employees who work closest to the customer to a greater extent. Their task is to optimize economic results for every departure together with the vessel management team. They are supported by the market and sales functions in each market and by the operational management team.

Meanwhile the market departments in both Sweden and Finland were reorganized with greater focus on customer relations, loyalty programmes and web development. Active communication between the vessels and the land-based organizations is crucial, with product managers serving as a link between them and reporting to both sides.

Innovative leadership closer to the customer

With this organization change, Viking Line will be better able to take advantage of the unique strengths and opportunities of each vessel and route. In the new, flatter organization, the focus is on costs and efficiency improvements as well as on employee engagement and teamwork. By making use of the front line's knowledge and ability to work independently, we can look forward to new ideas from everyone who has direct contact with the customer. The aim is for everyone, at every level, to feel that they are participating and inspired to be creative and generate new ideas.

Focus on customer satisfaction in shipboard training

Viking Line is also investing in extensive leadership training for people who work close to the customer. In 2018, leadership training was provided to 150 foremen on board Amorella and Viking Grace. Similar training programmes are planned for the other vessels. In spring 2019, it will be Gabriella's and Mariella's turn.



Viking Line has the best service again!

In April 2018, for the fifth time in seven years, Viking Line was ranked number one in the Swedish consumer survey *Service Score in the Sea Transport/Cruises category*. That means Viking Line is the shipping company with by far the best service on the Baltic Sea. The trend shows growing customer satisfaction with Viking Line year after year. Our Net Promoter Score (NPS), which measures the tendency of customers who have travelled with us to recommend Viking Line, indicates that customer satisfaction continues to rise.

Healthy passenger figures for Viking Line in July

Viking Line operated seven vessels during the summer of 2018. The nice weather tempted many people to take to the sea, and the tough price competition benefited customers. In July, the total number of passengers on all vessels was 951,005, which is better than the record set in 2015 and an increase of more than 4% compared to July 2017 with similar capacity. In July 2017, passenger volume passed the million mark thanks to increased capacity on the Helsinki-Tallinn route with the catamaran Viking FSTR.

Cutting of steel

Viking Line has long been at the forefront of environmental development on the Baltic Sea. In 2013, the flagship Viking Grace was launched as the world's first passenger vessel of its size class to run on liquefied natural gas (LNG). Now a new climate-smart vessel is being built which will further reduce our impact on the Baltic Sea and is expected to be placed in service in 2021. The shipping industry's equivalent of a ground-breaking ceremony, the cutting of steel, took place at the shipyard in Xiamen, China, on September 3, 2018.

Viking Grace testing rotor sail

As part of Viking Line's long-term environmental work, Viking Grace is the first passenger vessel in the world to test wind power using a rotor sail. The objective is to test whether it is possible to further reduce the vessel's energy consumption and exhaust emissions. The technology was developed by the Finnish clean tech company Norsepower.

Exclusive gastronomic partnerships in Sweden and Finland

Since 2017, Viking Line has had a long-term partnership with the Swedish National Culinary Team and the Swedish National Junior Culinary Team. In September, an exclusive tasting menu on Viking Cinderella was nominated for the *Wilhelmina Skogh Prize*, awarded by the Swedish trade publication Travel News.

In September 2018, a new partnership was launched with the Finnish *Chef of the Year* and *Waiter of the Year* championships, which Viking Line will be a main sponsor of for the next three years. Among the contributions from the Finnish winners will be specially developed menus and drink recommendations for Viking Line's passengers.

Bonus programme with the Viking Line Club

In 2017, the Viking Line Club was launched, enabling members to collect bonus points on all their purchases with Viking Line. In 2018, members could begin using the points they earned, which we call Boats. Boats can be used to pay for a new trip with Viking Line. Members have access to a unique range of travel offers and other special offers on board our vessels.

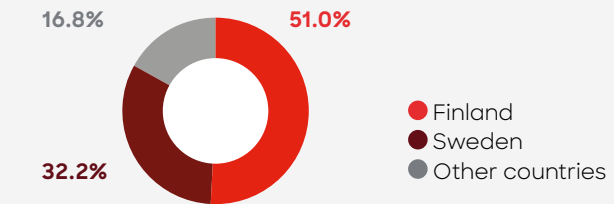


New healthy children's buffet

On June 14, a new healthy children's buffet was laid out, featuring classic children's favourites with a twist, which was developed in partnership with the Swedish National Junior Culinary Team. The array of plant-based dishes was expanded to include different kinds of salads, sweet potatoes and honey-roasted root vegetables. Other tasty dishes were daikon spirals and coleslaw, beef brisket bolognese and potato mash with vegetables. The junior chefs also developed a brand-new 2018 Christmas buffet for Viking Line's youngest passengers.

Number of passengers	2018	2017
Turku-Åland Islands-Stockholm	1,858,880	1,885,643
Stockholm-Mariehamn	895,120	890,689
Helsinki-Mariehamn-Stockholm	969,307	1,036,559
Finland/Sweden-Baltic countries	1,955,265	2,345,989
Mariehamn-Kapellskär	732,965	722,269
TOTAL	6,411,537	6,881,149

Viking Line's passengers in 2018 came from:



Did you know that...

... in February 2018, the reality show *Stil i sikte* ('Focus on style') was filmed on Viking Cinderella with Hollywood stylist Jonas Hallberg and Malin Gramer as presenter. The programme was broadcast on the Swedish channel TV3 during the spring and summer.



... Viking Line, together with the French champagne house Piper-Heidsieck and the Finnish champagne expert Essi Avellan, has developed the champagne *Essentiel by Essi for Viking Line*, which is available for sale only on board Viking Line's vessels starting in October 2018.



Upgrades and leadership training

Amorella and Viking Grace, which serve the Turku-Mariehamn-Stockholm route, were upgraded during their dry-dockings in January and February. The challenge on this route is the great variations in the customer base and spending habits both seasonally and for different days of the week.

It was a good year for Viking Grace although the competition was much tougher. In February 2018, it passed the 6 million passenger mark and in December the number of passengers who travelled with Viking Grace since its 2013 launch exceeded 7 million.

Upgrades on Viking Grace

Some concepts are adjusted on a regular basis to satisfy customer wishes. On January 21, 2018, Viking Grace returned to service after its dry-docking, with refurbished shopping venues and more space for fashion items, wine and champagne. The champagne and wine assortment was also upgraded, and the shop on board is delighted to now offer some 300 different kinds of whisky.

The Fashion department underwent the greatest change, having been transformed from a limited area into a spacious, modern venue with a clearly defined store setting. Meanwhile minor updates were made in the restaurants, including Oscar à la Carte and The Buffet's children's table.

Upgrades on Amorella

In conjunction with Amorella's dry-docking, a number of inside cabins suitable for families with children were renovated. Previously, the cabins had four Pullman (upper and lower) beds. Now they instead have a double bed, TV and a bed for children under 12.

Amorella's Tapas & Wine was converted into the café Coffee & Wine with fantastic views of the archipelago. During the day, top-notch coffee products such as special coffees and pastries baked on board are served. In the afternoon, passengers can enjoy afternoon tea, and in the evening the café is transformed into a wine bar. In conjunction with the dry-docking, Amorella's conference facilities were also spruced up and the walls and ceilings redone. The buffet restaurant was likewise refurbished, with a new floor and entrance layout.

Leadership and service training

In 2018, leadership training was carried out for 150 foremen on board Amorella and Viking Grace with the aim of

providing even better service, enhancing employee motivation and boosting sales. All new employees on Viking Grace and Amorella also undergo service training on how to treat guests and create comfort and well-being in their work.

Great demand for picnic cruises

The different customer segments on this route require great sensitivity to customer needs. The challenge is to have things work for everybody – for regular passengers in all directions, weekly commuters and, not least, cruise passengers.

Along with the traditionally important customers families with children and regular passengers, conference groups are an increasingly important segment. Capacity utilization is good, and there are plans to further develop the conference concept. A product group that includes representatives from both vessels and the different marketing departments is discussing issues relevant to this route.

Our popular day cruises, so-called picnic cruises, are also an important concept, and Viking Grace and Amorella are market leaders, despite tough competition. The picnic cruises depart in the morning from the Ports of Turku and Stockholm, with a change of vessel in Mariehamn prior to returning to the port the passengers departed from.

Viking Grace equipped with rotor sail

As of April 12, Viking Grace is the first passenger vessel in the world to test wind power with the help of a mechanical rotor sail. The test can be seen as part of Viking Line's long-term environmental work, and the aim is to study whether using this method will further reduce energy consumption and thus also emissions. The technology was developed by the Finnish clean tech company Norsepower and the test results are assessed on a regular basis.



Family contest on Amorella

In a contest held on Amorella, families were given free rein to plan the new vessel together and submit new ideas in writing or pictures along with their suggestions. The contest was very popular, and Viking Line received many fine drawings, innovative ideas and interesting suggestions for names. All the families that took part received a prize, and several were also given special honourable mention.

Amorella turns 30

Amorella replaced Rosella on the Turku-Åland Islands-Stockholm route on October 14, 1988, and has faithfully served the route since then. The vessel was built at Brodosplit Shipbuilding Industry's shipyard in Split in what is now Croatia. The vessel's godmother is Kirsti Lundqvist, the wife of the Chairman of the Board, Ben Lundqvist. Some 26 million passengers have travelled with Amorella since it was placed in service.

Cutting of Steel

On September 3, construction work began on our new passenger vessel at the XSI shipyard in Xiamen, China. During the traditional steel-cutting ceremony, the first steel components were cut from a sheet of steel. The ceremony was impressive and well-organized and featured a number of cultural activities. The vessel will enter into service in 2021 on the Turku-Mariehamn-Stockholm route.

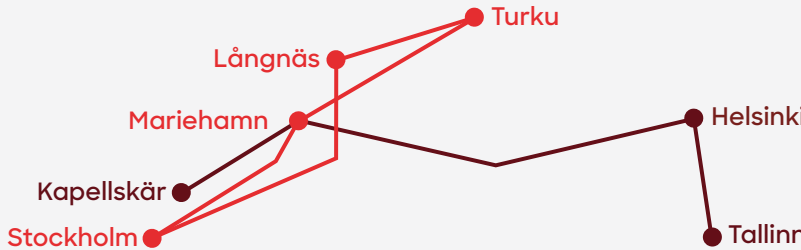


Viking Grace

Delivered in 2013
57,565 gross registered tonnes
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 gross registered tonnes
Length 169.4 m
Ice class 1 A Super
2,480 passengers
450 cars
1,946 berths
Finnish flag



Traffic divergences, 2018

Viking Grace dry-docking
Jan 7-21, 2018
Amorella dry-docking
Jan 22-Feb 4, 2018
Gabriella as a replacement on the
Turku-Åland Islands-Stockholm route
Jan 8-Feb 3, 2018
Viking Grace servicing days
Apr 9-12, 2018, Sep 17-20, 2018
Amorella servicing days
Sep 17-20, 2018

Scheduled bus service from a number of cities in Finland

Viking XPRS operates between Helsinki and Tallinn every day of the year except one day at Christmas. The route is the most competitive in the industry. The number of regular passengers travelling both with and without a car increases year after year. Day cruises continued to be popular in 2018.

Many passengers travel between Helsinki and Tallinn to work, study, visit their hairdresser or dentist, shop for clothing or furniture, or drop off their car for servicing. A number of passengers also travel to see a special artist on board. The biggest customer group on this route are Finns. Many start their spa visits to Estonia on board Viking XPRS. A large number of Estonians travel to work in Finland, while others take Viking XPRS in order to go shopping or visit the Linnanmaki Amusement Park in Helsinki with their family. Foreign tourists visiting Helsinki or Tallinn also take day cruises across the Gulf of Finland to see another city.

Increased volumes for Gabriella and Mariella

During peak season, Gabriella and Mariella, as in the previous year, made an extra day cruise between Helsinki and Tallinn instead of remaining in Helsinki for the day. Passenger volume on Gabriella and Mariella increased significantly compared to the year before. In July 2018, the route had a total of 317,910 passengers. During the period April 10–October 16, 2017, capacity on the route was enhanced with the addition of Viking FSTR. Total passenger volume on the route in 2018 was thus lower than in 2017.

Timetable change

On February 12, 2018, the basic schedule for Viking XPRS was changed to satisfy customer wishes, so departure times were moved to one hour earlier and the same timetable is now in effect every day of the week. As a result, people making a day cruise to Tallinn arrive back in Helsinki one hour earlier but still have plenty of time in Tallinn. The adjusted timetable also means it was possible to make complete day cruises on Sundays as well.

Further measures to improve service

During the spring of 2018, internal service training was provided to staff, and scheduled service on transfer buses for Viking XPRS departures were added, with six different routes to Helsinki and the harbour. Viking Line also offers passengers scheduled non-stop bus service from different cities to the Port of Helsinki and back.

Destination bookings on the rise

Destination activities are attracting more and more people and are increasingly important with every passing year. A good example in 2018 was when Guns N' Roses played in

Tallinn on July 16. Thousands of Finns travelled with Viking Line to Tallinn to see the band.

Viking Line offers accommodation at 25 hotels in Tallinn and 13 hotels elsewhere in Estonia. We have increased the number of destination activities sold directly via our booking system. New additions during the year included the Monet2Klimt multimedia exhibition and the restaurant Finlandia Caviar, where customized culinary classes on oysters and caviar can be arranged to satisfy the interests of different groups.

Variety of entertainment acts

Theme cruises and special cruises, especially on weekends, were very popular. Finnish star artists, dance bands, bingo, and beauty and wellness events attracted many people in 2018.

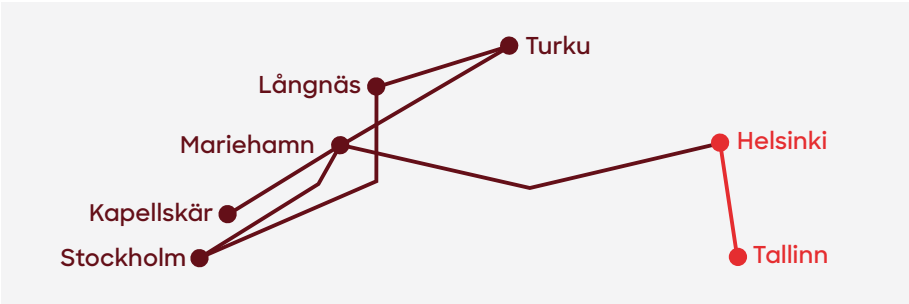


Viking XPRS
Built in 2008
35,918 gross registered tonnes
Length 185.0 m
Ice class 1 A Super
2,500 passengers
220 cars
736 berths
Estonian flag



Finnish star artists at Viking XPRS:

*Paula Koivuniemi
(Viking XPRS's godmother)
Eino Grön
Muska
Marion Rung
Virve Vicky Rosti
Jonne Aaron*



Traffic divergences, 2018

Gabriella and Mariella extra sailings
Helsinki-Tallinn Jun 16–Aug 12, 2018

Shared focus on development and growth

Gabriella and Mariella work in tandem on the Helsinki–Mariehamn–Stockholm route and offer passengers a cruise with two nights on board. What is unique about the route is that the vessels sail between two capitals, from one city centre to the other. As in past years, during the summer both vessels made day cruises between Helsinki and Tallinn instead of remaining in Helsinki for the day.

Viking Line invests continuously in modernizing the vessels, and that usually gets positive feedback in our customer surveys. Major work is often carried out in conjunction with the vessels' dry-dockings. In April 2018, Gabriella was dry-docked for two weeks and returned to service on April 29. This time, the focus was on its restaurant concept, Travel Spa facilities and some cabins.

Seafood and a pop-up restaurant

Gabriella's Food Garden was turned into the new restaurant À La Carte & Seafood Bar, with delicious seafood dishes and a dessert cart from which guests select their own desserts and cheeses. The restaurant Bistrotek in the arcade was made into a pop-up restaurant with a variety of themes. The first theme was Mexican. It was a popular lunch option on both the scheduled route and the Tallinn route.

Modernized sauna facilities and upgraded cabins

On Gabriella, the sauna and pool facilities were modernized. In the Travel Spa, the sauna, changing rooms and pools were refurbished and another treatment room was added, which means a doubling in the availability of popular treatments. One new addition that was appreciated was the scented experience showers.

A number of cabins on Gabriella were also upgraded and given new interiors. A total of 64 standard cabins were given

an updated look and equipped with a TV. As a result, they had very high occupancy. The public lavatories were refurbished and the conference auditorium got a facelift.

Reduced fuel and energy consumption

During Gabriella's dry-docking, the vessel's sponson, a structure extending from the hull of the stern, was rebuilt in order to reduce sea swells, which cut fuel consumption for propulsion by 11.5% compared to the corresponding period in 2017.

Extra day cruises to Tallinn

Instead of remaining in Helsinki for the day, in 2018 Gabriella and Mariella also enhanced service on the Helsinki–Tallinn route during the summer with an extra day cruise. The trip takes just two and a half hours in each direction. In July, Gabriella and Mariella had a total of 100,967 passengers on these day cruises, an increase of nearly 25,000 passengers for the same vessels compared to the corresponding period in 2017. With the nice summer weather, Mariella's summer kiosk on deck set a new record.

Increased online booking of experiences

The biggest customer group are cruise guests from Finland. One objective is to expand the customer base and attract customers from other parts of the world. At present, an

increase in customers from Asia can be seen. There is also growth potential in Sweden.

What is unique about this route is that traffic is between two capitals, from one city centre to another. Through its partners, Viking Line offers experiences, for example, involving transport, theatres, museums and excursions both in Helsinki and Stockholm. Online bookings of trips and meals increased in 2018.

Development and participation

During the year, the vessels focused on practical implementation of the new organization, with participation being a keyword. The focus was also on commercial operations. The assortment in the tax- and duty-free shop was tested and changed on a continuous basis, with new displays on the shelves to better attract customers of different nationalities. For example, the assortment of souvenirs was expanded to meet the demand from our Asian customers.

On Mariella, development work in the tax- and duty-free shop was carried out in collaboration with both staff and outside experts. Flexibility is the keyword for achieving new

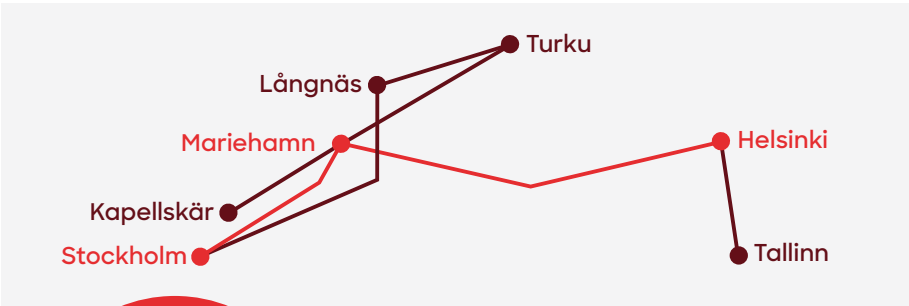
successes, and every employee was engaged the entire time in this development work.

Job rotation on Mariella

Mariella also began to use job rotation in order to be where customers are at different times. People help out where it is needed, which has had a positive effect on efficiency. This started with the restaurant staff and will gradually be developed. For many employees who have worked for a long time on Mariella, it has been a positive development that motivates them.

Retro hit and Euroboat

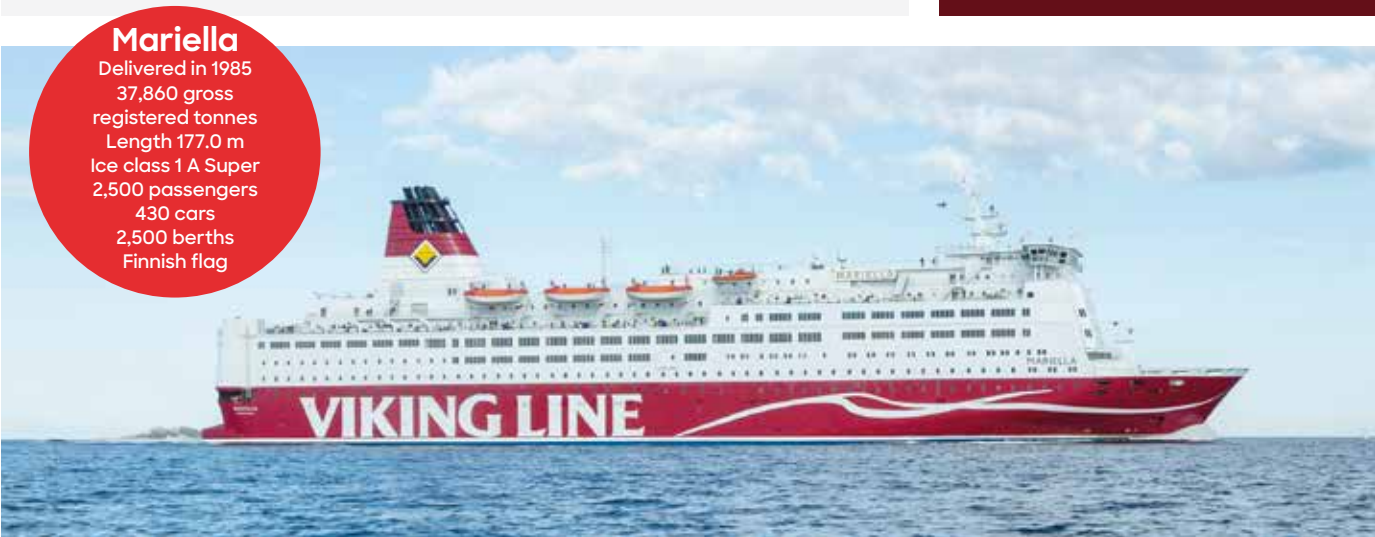
One highlight on the route in 2018 was Mariella's Retro Cruise, with its 90s vibe. People mostly in their 30s and 40s signed up and the cruise was quickly sold out. During the autumn both vessels offered a brand-new show – Euroboat, a popular evening of singing in the style of Sweden's Melodifestivalen (the annual music competition that determines the country's representative at the Eurovision Song Contest), with an enthusiastic audience voting on the different acts.



Traffic divergences, 2018
Gabriella as a replacement on the Turku–Åland Islands–Stockholm route Jan 8–Feb 3, 2018
Gabriella dry-docking Apr 15–29, 2018
Gabriella and Mariella extra sailings Helsinki–Tallinn Jun 16–Aug 12, 2018



Gabriella
Built in 1992
35,492 gross registered tonnes
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 gross registered tonnes
Length 177.0 m
Ice class 1 A Super
2,500 passengers
430 cars
2,500 berths
Finnish flag

Cruise offering with popular events

Viking Cinderella is a dedicated vessel, where the focus of our customers' experience is on personal service, food, entertainment and shopping. In 2018, we set a record in customer satisfaction. Never before have we had such high numbers in our customer surveys when it comes to staff, food and entertainment.

Project engages all employees

In September a project was launched on Viking Cinderella aimed at developing the products on board and producing even more satisfied customers. Key people in the project were our frontline employees. Systematic use is now being made of their knowledge. They are the ones who know what customers are lacking, what they ask for and how they think we should develop our range of products. Everyone on board Viking Cinderella is actively participating in the project and submitting good ideas that are then assessed and implemented. A project manager has been appointed to develop products that interest customers based on this new knowledge.

Exclusive events a success

For a long time, Viking Cinderella has developed its own exclusive theme cruises and special cruises to attract discerning guests. The popular Champagne & Wine Fair in September attracts ever more customers who are interested in

exclusive quality wines. In 2018, records were set for both visitors and sales, confirmation that we are knowledgeable about drinks events on Viking Cinderella.

The interest in high-quality whisky has also increased dramatically. The reputation of the Cinderella Whisky Fair in January has spread far beyond Scandinavia's borders. It is ranked as one of the world's top fairs on water. As proof of this, Viking Cinderella was named Ferry/Cruise Line Drinks Retailer of the Year in 2018 at the Drinks International Travel Retail Awards 2018 in Cannes for its Cinderella Whisky Fair.

Cabins with popular options

Guests appreciated the cabins on Viking Cinderella that were upgraded in 2017. In 2018, we began to offer different options for some categories of cabins. Better sleep comfort with thicker mattresses, cabins near the lift, cabins in higher decks and adjoining cabins for larger parties were some of the new options available.

Swedish National Culinary Team created new tasting menu

Good food is a defining feature on Viking Cinderella. In partnership with the Swedish National Culinary Team, a new, exclusive tasting menu with personal service was served on Fridays and Saturdays during the autumn. The menu is a niche product that boosts our image, enhancing our entire food concept while giving our own chefs the chance to perform at higher levels. The feedback from our dinner guests was fantastic.

In tune with the times – vegetarian buffet

In partnership with the Swedish National Culinary Team, we also developed a new range of buffet dishes that are vegetarian or vegan. These are served in The Buffet restaurant. Other dishes served here were also created in collaboration with the National Culinary Team.

Dance Band Week

Viking Cinderella's recurring events are generally top-quality, and we continuously strive to raise these standards. One of the most popular events is Dance Band Week, which is

carried out in partnership with Swedish Dance Band Week in Malung. The best Scandinavian dance bands gather here, and guests have a number of dance floors to choose from.

Cinderella's entertainment week

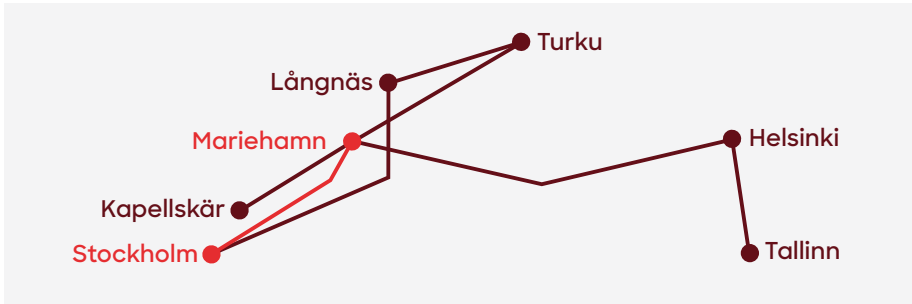
Another project continuously undergoing development is Cinderella's entertainment week, with different theme departures each night of the week to suit different tastes. Among other activities during the spring, a number of disc jockeys entertained guests, and during the autumn new artists were tested.

Zero vision

In 2018, we continued our safety and security work on Viking Cinderella through the project Zero Vision, which is focused on the social safety and security we want guests to feel on board. We have zero tolerance of drugs or any kind of crime – from theft and disorderly conduct to assault and sexual harassment. This zero vision is supported by a brochure of the same name which is now available in all cabins on board the vessel.



Viking Cinderella
Delivered in 1989
46,398 gross registered tonnes
Length 191.0 m
Ice class 1 A Super
2,560 passengers
306 cars
2,500 berths
Swedish flag



Traffic divergences, 2018
Viking Cinderella not in scheduled service Jun 11–19, 2018

Volume record in July and extra focus on regular passengers

On January 22, 2018, a revitalized Rosella returned to regular service after its dry-docking in Tallinn. During the dry-docking, among the facilities upgraded were the bar, the tax- and duty-free shop and the restaurants. In July, 138,237 passengers travelled on Rosella. That is an all-time high, with 1,126 more passengers than in 2017, the previous record year.

Those travelling on Rosella are cruise passengers who want a pleasant day at sea and regular passengers sailing with or without a car between the Åland Islands and Sweden.

More open atmosphere in new Bar Voyage

During the dry-docking, the bar was given a makeover and a new name, Bar Voyage. The new bar counter made the atmosphere more open and pleasant, and it was easier to provide faster service to guests. The ceiling was made brighter and more airy, and the lights were switched to energy-saving LED bulbs.

The Buffet restaurant got new tables in the bow, and the carpeting was changed. Children got their own buffet table, which offered both hot and cold dishes. The entrance to the La Rose à la carte restaurant also got a facelift.

Updated cabins and new fashion department

In the cabin sections on Deck 4, the carpeting, ceilings and lighting in the corridors were replaced. The outside cabins

got new lighting and their furniture was reupholstered. The updating of the cabins also continued after the dry-docking. In addition, Rosella got a brand-new fashion department in the tax- and duty-free shop, with clearer displays of men's and women's apparel.

Land-based power supply – renewable electricity from Åland at night

As of early 2018, Rosella is connected at night to the power grid on land in Mariehamn. The project to supply Rosella with land-based power is in line with Viking Line's and the City of Mariehamn's long-term sustainability work, with one of the focus areas being to reduce climate-changing emissions. With a land-based power supply, exhaust emissions and noise are reduced when the vessel is moored. Gabriella and Mariella already have a land-based power supply when they dock for the day in Helsinki and Stockholm.

Rosella

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



On Café Rosella's guest list

Mark Levensgood
Jan Carlzon
Bosse "Bildoktorn" Andersson
Jan Eliasson
Ernst Kirchsteiger

Cruise Week on Rosella

Rosella makes two or three daily sailings between Mariehamn and Kapellskär. Each day of the week has its own entertainment theme on board. On Mondays in 2018, the popular Café Rosella with Ragnar Dahlberg and Ulf Elfving was held, featuring exciting guests in conversation on the sofa. Tuesdays were devoted to bingo and Wednesdays to karaoke. On Thursdays, audience members could request their favourite songs from the 50s, 60s and 70s on the Top Ten Living Jukebox cruise. On Fridays and Saturdays, there were appearances by some of Sweden's most popular dance bands, interspersed with various theme cruises. The writer cruises were greatly appreciated. Popular speakers included Herman Lindqvist and Arne Dahl as autumn got under way.



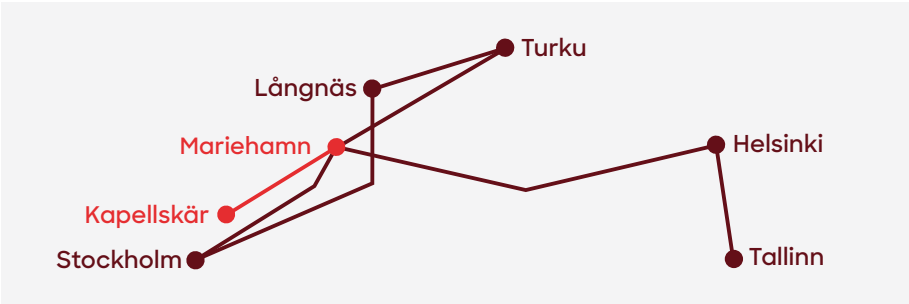
Harvest Month in September

In September 2018, in conjunction with the Åland Harvest Festival, our own chefs created a harvest menu with Åland flavours in the La Rose restaurant. The dishes prepared to order in the Seaside Café were also based on Åland ingredients.



Buffet with added flair in collaboration with the Swedish National Culinary Team

The Swedish National Culinary Team has created a buffet on board with many plant-based dishes that taste especially good accompanied by sparkling sea views. Among the dishes on offer are kale salad with apple and hazelnuts, beetroot and oat balls, and roasted beetroot with honey and goat cheese.



Traffic divergences, 2018

Rosella dry-docking Jan 8–21, 2018

Regular, reliable maritime transport year-round

Maritime transport is of great importance to goods flows between Finland, Sweden and Estonia. The core of Viking Line Cargo’s operations is meeting the needs of trade and industry for safe, rapid and regular cargo shipments and freight forwarding. Our customers come primarily from Finland, Sweden and Estonia but also from the other Baltic countries as well as Poland, Denmark, Norway and Russia.

With its cargo transport, Viking Line can maximize the use of the vessels’ car decks throughout the year, so that we always utilize as much of our capacity as possible. Demand for cargo transport varies during the year and is lowest during the summer holiday period. The space on car decks is divided into passenger and cargo sections to best meet the needs of both cargo customers and passengers travelling by car.

Finland–Sweden cargo traffic has remained at a very stable level for many years. Our customers want regular, reliable maritime transport year-round, on established routes and without major changes in timetables or capacity. In 2018, a change was made in the Helsinki–Tallinn timetable by customer request, which had a favourable outcome. The volume trend in the cargo market has been positive, but because of limited cargo capacity and increased demand from passengers for car deck capacity, Viking Line Cargo has not been fully able to take advantage of this market growth. Transport volume is affected by the vessels’ dry-dockings and servicing days but also by demand in those industries that use maritime transport for their cargo.

Personal service and digital services are the key to success

High quality, good service, reliability and continuity are our most important competitive advantages in the very competitive Baltic Sea cargo market. It is also important for Viking Line Cargo to be able to react in an operational setting that is quickly changing, one in which digitization and sustainable development are valuable competitive advantages.

We work actively to maintain a good dialogue with our customers. Regular customer surveys provide us with tools to take appropriate actions. As a result, we obtain concrete information about the quality of what we do and the need for development. In 2018, a survey was carried out in Scandinavia, while the year before it was in the Baltic countries and Finland.

One result of our close dialogue with customers is our e-booking portal, launched in 2017. It was well received and met customer expectations. We combine the digitized booking system with operational booking contacts – for Viking Line Cargo, personal service is still important.



Yammer – our in-house information channel

The shared objective at Viking Line Cargo is to offer our cargo customers the most affordable products in the market through high quality. Another objective is to achieve the highest possible capacity utilization on our car decks for every departure.

The cargo organization has some 20 employees in Helsinki, Turku and Tallinn, who handle sales, marketing and cargo booking. Many more people, whose contributions are vital, are involved in the cargo process, both on land and on board the vessels. One example is the short and demanding times for loading and unloading in every port. Viking Line’s experienced deck crew, under the management of the chief officer, have the know-how that enables vessel loading and unloading to be handled flexibly and efficiently, in the best possible way.

A well-functioning in-house communication channel is of vital importance to

our success. It is extremely important that information flows smoothly between departments. In 2017, Yammer, a more informal communication channel was launched, through which everyone can learn about new developments and events that concern the team, the cargo market and their own work situation.

The cargo market in 2018

During the year, Viking Line transported 128,549 cargo units (127,668), thereby achieving a market share of approximately 17.8% (18.7%).

In services between Finland and Sweden, Viking Line’s cargo volume decreased by 0.7% despite an increase in total volume of 0.7%. As a result, market share was approximately 28.0% (29.0%). On the route between Helsinki and Tallinn, Viking Line increased its cargo volume by 3.9%, and its market share was 13.2% (13.6%).



New partnership for smart energy systems

In 2018, the bus fleet was updated with the new slightly smaller Vivi luxury bus. We switched from regular diesel to renewable MY diesel and made it easier for customers to top up their bus cards. Viking Line Buss also became part owner of a company that will develop smart energy systems.

As usual, our three city buses operated their scheduled routes in Mariehamn, and our nine rural buses operated scheduled routes across Åland. Demand for the Victoria conference bus remained strong, and in 2018 the fleet was updated with the addition of the Vivi bus, just as elegant as Victoria but slightly smaller, with 29 seats. Vivi also has the feel of luxury, with its red carpet and curtains designed by Korpi & Gordon. Both buses are popular, with people asking for them when they first book a trip.

In 2018, we also made it easier for passengers to top up their bus cards for transport in Mariehamn. People can now top up their 30-day card or 20-trip card online, at Vikinglinebuss.ax.

Popular group trips and long-distance trips

International cruise ships continued to call at Mariehamn in 2018, and during the summer the city welcomed 15 vessels. All of them chose Viking Line Buss for their tours of the Åland Islands, with passengers consisting of Europeans, Americans and Asians. The number of cruise ships that plan to call at Mariehamn in 2019 is expected to increase to 24.

Group trips continue to be popular, and among the attractions during the autumn was the musical Chess in Helsinki. Viking Line Buss also continues to develop its long-distance trips to other countries. In April, a popular trip was to Tallinn, Riga and the island of Saaremaa, which attracted some 40 participants. Another trip went to Italy in September with about 30 participants.

Promoting environmentally-friendly energy alternatives

In October, Viking Line Buss switched from diesel to MY diesel, a more environmentally-friendly alternative based on fossil-free fuel. It reduces carbon dioxide emissions by about 90%.

Viking Line Buss also became part-owner of a start-up company that will develop smart energy systems. The company's mission is to commercialize the flexible energy system solutions of the future in the international market. These solutions will initially be demonstrated in the Åland Islands and at the same time help pave the way towards a fossil-free energy system in the Åland Islands.



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

The Company owns 13 buses.

In 2018, there was an average of 24 employees.



Sustainability report

This Sustainability Report was approved by the Board of Directors Viking Line Abp on February 13, 2019. 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 revise the principles governing the Group's procurement and tender processes. In 2018, Viking Line completed this work.

Our objective is to include a sustainability perspective in everything we do and we need to make economically, socially and environmentally sustainable decisions. In the procurement of products for sale or use, it is therefore important to take into consideration, alongside economic profitability, human rights and the environmental impact that products have in conjunction with their manufacture, use and disposal.

In 2019, the new procurement principles will be systematically implemented in our operations. These principles more clearly reflect our values, such as our commitment to the environment and to equality. This effort will provide us with better skills in giving priority, for instance, to environmentally-adapted products and solutions in our tender processes.

Fight against corruption

In 2018, we supplemented our operational principles with a policy against corruption and bribery. The policy is being implemented in every company in the Viking Line Group and thus provides support for the entire organization, including in tender processes, procurement and our cooperation with government authorities. We want to oppose all forms of corruption and promote transparency in all dealings with our stakeholders.

With the help of this new policy, our employees can be sure that they act appropriately in every context. In 2018, we had no confirmed incidents involving corruption or human rights.



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.

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.

In 2018, the spaces in Rosella's duty- and tax-free shop, cabins and restaurants were refurbished, which was seen as a positive development in our customer surveys. A positive change in customer satisfaction can also be seen in Amorella's cabins and Gabriella's restaurants after their upgrades in 2018.

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

Viking Line Club's bonus programme

The opportunity to earn bonus points on all purchases with Viking Line was launched in 2017. In 2018, we took a significant step forward in developing our Viking Line Club for customers. Members could now start using the bonus points they earned. We call these bonus points Boats.

The Boats are registered by customer number when members book their trip and when their Club card is debited in shops, bars and restaurants on board. The Boats can then be used to pay for a new trip with Viking Line.

The bonus programme has two levels: Viking Line Club and Viking Line Club Plus. The Plus level includes additional benefits for our most loyal customers. Membership is free, and members also have access to unique travel offers and special offers on board our vessels.

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 2018 customer survey, we were rated 9.05 (8.99 in 2017), on a scale from 4 to 10, for our service on all our vessels, which means that we reached our target of a rating above 9.0.

Viking Line's data protection

The EU's new General Data Protection Regulation (GDPR) entered into force on May 25, 2018. The regulations enhance integrity protection for all EU members, in part by setting more stringent requirements for the handling of personal data.

As early as 2016, Viking Line launched a data protection project to ensure that operations meet GDPR requirements. Data protection has also been added as a standing item to be considered in the organization's continued development.



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...

92% 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.

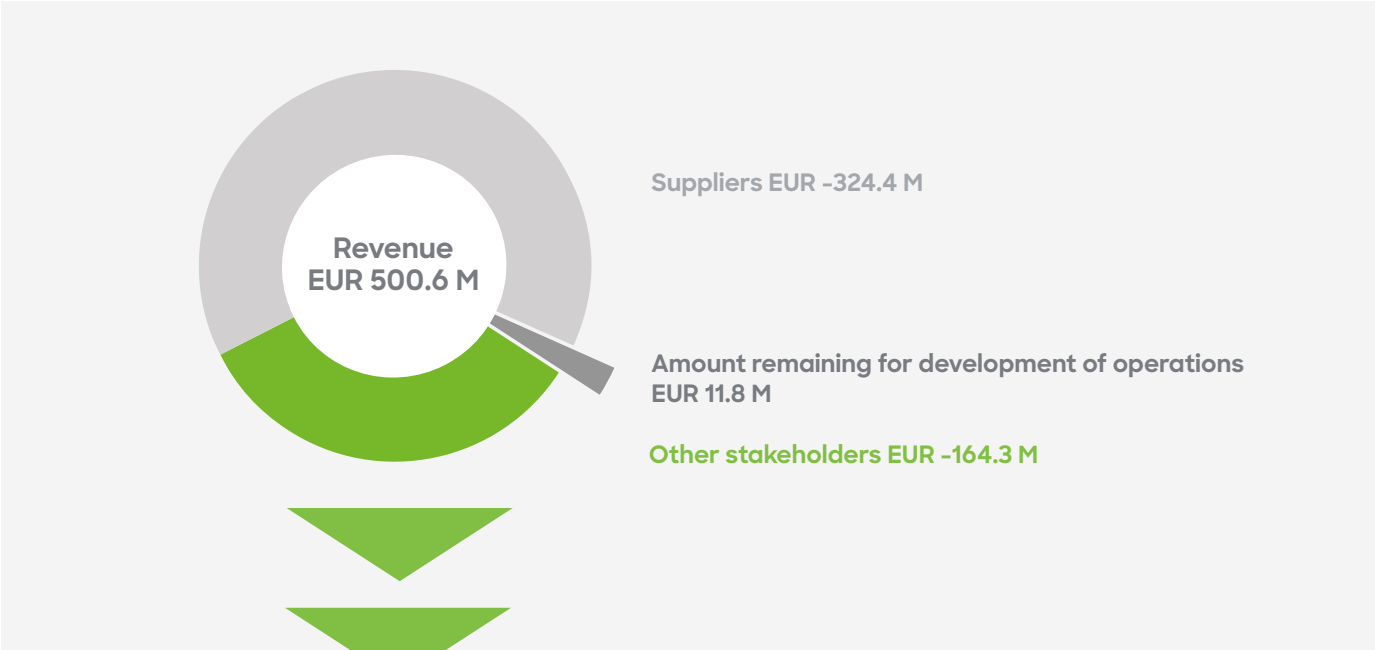
In 2018, consolidated sales and other revenue totalled 500.6 million euros. The Group’s purchases from suppliers totalled 308.5 million euros, and investments totalled 15.9 million euros, with 4.3 million euros of this advance payments for the vessel under construction.

Viking Line employed an average of 2,671 people. Net salaries and pension expenses totalling 112.9 million euros were paid to employees. Viking Line paid a total of 40.9 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 34.4 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.

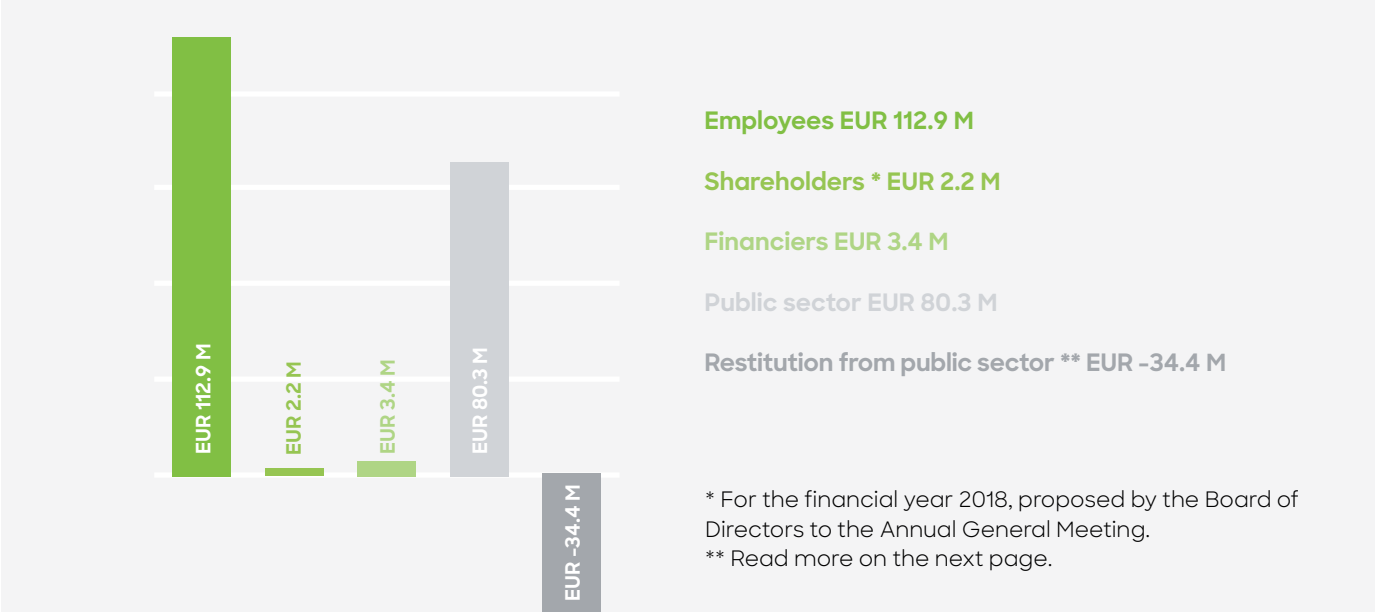
Generation of economic value, EUR M	2018	2017
Customers		
- Sales, other operating revenue, financial income	500.6	517.4
Suppliers		
- Procurement	-308.5	-319.3
- Investments	-15.9	-34.7
Economic value generated by Viking Line	176.1	163.4
Employees		
- Net salary and pension expenses	-112.9	-115.8
Shareholders		
- Dividends*	-2.2	-2.2
Financiers		
- Interest expenses	-3.4	-3.9
Public sector		
- Income taxes	-0.5	-0.2
- Port expenses and vessel charges	-40.9	-41.8
- Taxes on salaries and social security contributions	-38.9	-40.8
Paid to public sector	-80.3	-82.8
- Restitution from public sector and EU funding	34.4	36.7
Public sector, net	-45.9	-46.1
Economic value distributed	-164.3	-168.0
Amount remaining for development of operations	11.8	-4.6

* For the financial year 2018, 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 2018, 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 400 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. Passen-

ger traffic is incredibly important for domestic trade. Tourists contribute a great deal of revenue to hotel and restaurant 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

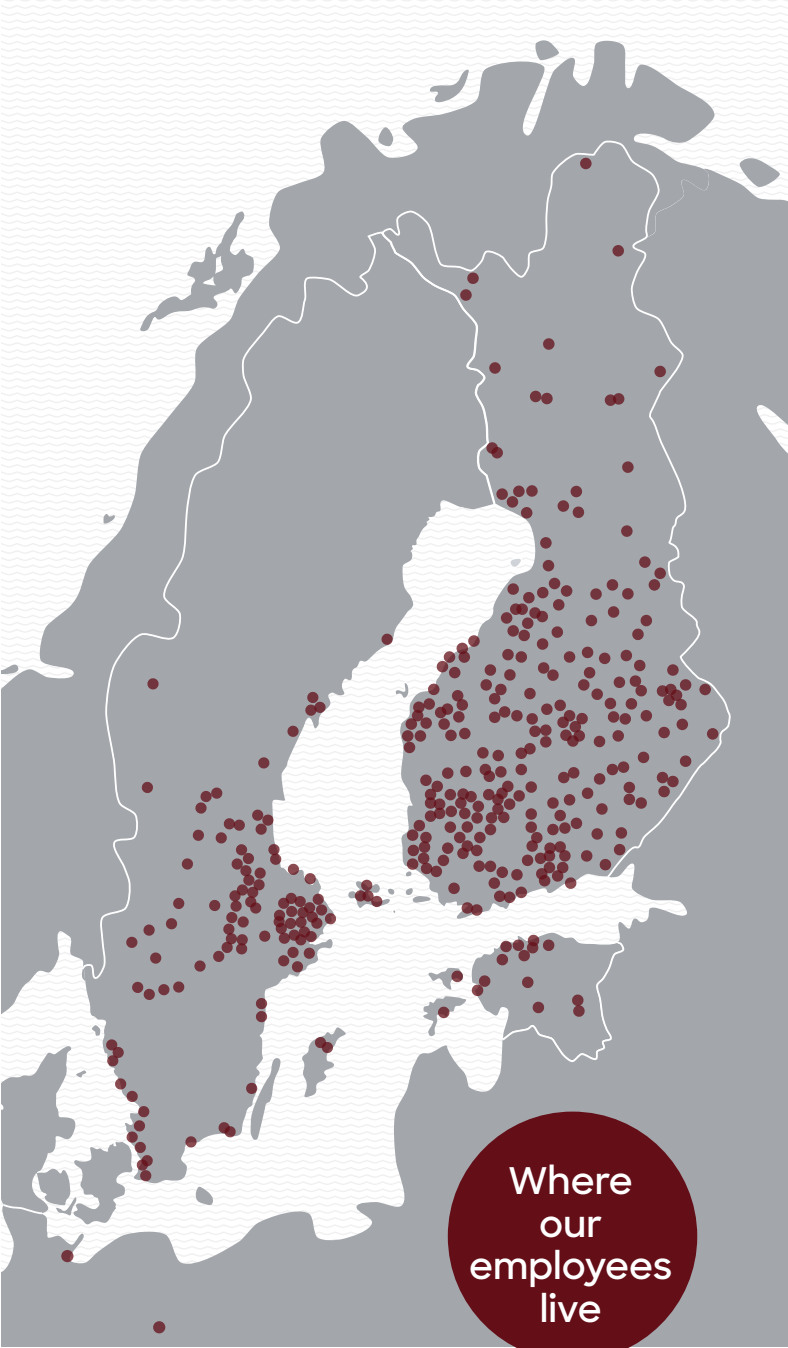
Several years ago, Ports of Stockholm conducted a survey of some 1,600 ferry passengers who visited Stockholm in conjunction with their journey. All the terminals that handle passenger traffic at Ports of Stockholm were included in the survey. Among the survey findings, ferry passengers who visit Stockholm 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.



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.

Customer-focused leadership

At Viking Line, we believe that people with different experiences and perspectives are crucial in creating the innovative climate that is needed for long-term business success. We have operations in Finland, Sweden and Estonia, an office in Germany and both land-based and shipboard employees. Our seven vessels sail between the three countries Finland, Sweden and Estonia.

Viking Line's human resources strategy is to give employees the opportunity to develop so that they are satisfied with their job, are engaged and feel like they take part in the Company's development and results. We want to promote employees' skills development. 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 strive to act responsibly in the countries and contexts we operate in. Among other things, this means 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 should feel they get the service they expect. We would like to exceed their expectations. Naturally, we greet our guests with a smile and treat them with 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 could violate the integrity of employees,
- investigate all cases of discrimination and harassment in the workplace and take appropriate measures to eliminate 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 equality 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.

Focus on customer satisfaction in shipboard training

The foreman's leadership on board the vessel differs from the same work ashore. For instance, people on board work 10 days on and 10 days off, which means two managers share the same leadership. The new organization structure for the Company introduced in the spring of 2018 changes requirements for leadership and expands overall responsibility for operations.

In 2018, leadership training for 150 foremen was conducted on Amorella and Viking Grace. The training was a modified version of the leadership programme carried out in 2016–2017 for the land-based organization in Finland and Estonia which was greatly appreciated. The four theme days in the programme had a practical focus, and theory was interwoven with practical exercises. Homework was assigned each day of training.

Viking Line's selective quality factors are friendly service, fully functional and clean facilities, good food, enjoyable entertainment and attractive shopping. The focus is on the customer in everything we do on board. All employees contribute with their efforts, and the overall objective is for customers to go ashore with smiles on their faces after their trip is over – "Disembarking smiling" is our internal slogan.

In 2018, we saw a positive customer satisfaction trend, especially on the vessels where this training was carried out. With even more focused foremanship, we were able to further enhance the customer experience. We also want to be a modern workplace where people are satisfied with their job and feel their work is meaningful. By creating a reputation as a company that is nice to work for, we also want to attract the best personnel from occupational groups that are harder to recruit.

Similar training programmes are planned for the other vessels. In the spring of 2019, it will be Gabriella's and Mariella's turn.



"Disembarking smiling"

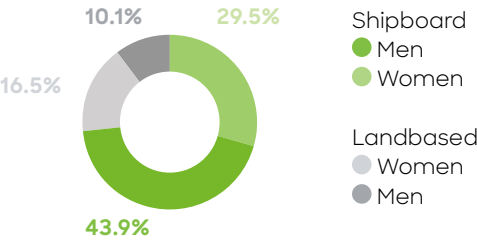
Number of employees

During 2018, the average number of employees in the Viking Line Group was 2,671 (2,746). Shipboard personnel totalled 2,037 (2,086) and land-based personnel 634 (660). In addition to the Group's own employees, Viking XPRS was crewed by an average of 242 (248) people employed by a staffing company.

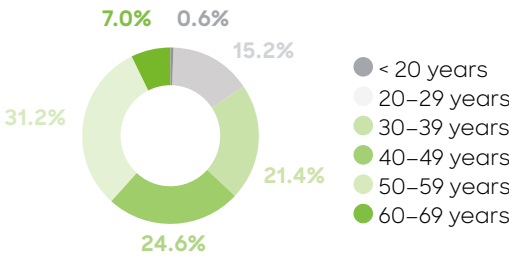
At the end of 2018, the Group had a total of 2,874 (2,889) employees, of whom 2,299 (2,238) resided in Finland. The number residing in Sweden was 453 (527). There were 111 (116) employees residing in Estonia and 11 (8) in other countries.



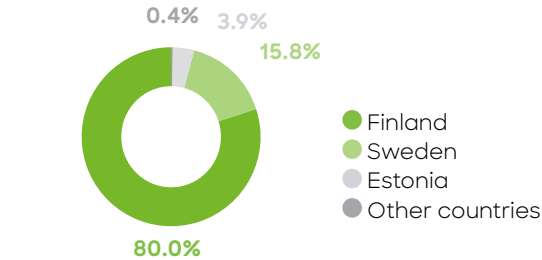
Gender breakdown, Dec 31, 2018



Age distribution, Dec 31, 2018



Employees' place of residence, Dec 31, 2018



The Group, Dec 31, 2018	Women	Men	Total
Board of Directors	1	6	7
Group Management team	1	6	7
Finnish flag	709	979	1,688
Swedish flag	140	284	424
Shipboard personnel	849	1,263	2,112
Finland	299	216	515
Sweden	108	57	165
Estonia	64	15	79
Germany	2	1	3
Land-based personnel	473	289	762
Group total	1,322	1,552	2,874

The Group, Dec 31, 2018	Permanent staff	Temporary staff	Total
Shipboard personnel	1,681	431	2,112
Land-based personnel	646	116	762
Total	2,327	547	2,874

Closer to the customer with new organization model

In April, Viking Line implemented a new results-driven organization model to sharpen our commercial focus, make better use of our capacity and simplify, improve efficiency and eliminate unnecessary activities in our operations. Responsibility for results from commercial operations was shifted to the vessels. Viking Line's overall corporate strategy is enhanced with this new organization structure, which is set up closer to the customer.

The aim of the new structure is a flatter shipboard organization with responsibilities for results, resources and the mandate to lead operations more strongly concentrated close to the customer. The land-based organization is to support the decisions made and the work carried out on board. The vessel manager has ultimate responsibility for commercial shipboard operations, over all other decision-makers on board the vessel. Together with the team, the vessel manager works to optimize results.

The vessel management team has shared responsibility The process for the vessel management teams has been revamped. The CEO and the Group Management team

adopt the overall goals for operations on board. The vessel manager carries them out together with the vessel management team and with the assistance of the land-based support functions.

All members of the vessel management team are engaged in this new, more inclusive leadership, and they share responsibility in ensuring that operations are results-oriented. The team's most important task is to plan, coordinate and monitor operations in accordance with the guidelines based on Viking Line's strategy. The vessel management team works together with the vessel's personnel at all levels with rapid decision-making processes to achieve the best possible results.



"I look forward to brave new initiatives and an open, positive climate for discussion"

Kaj Takolander
Marketing Director
Finland unit



"We will continue to develop Viking Line's customer offering both on land and on board the vessels. We will be responsive to customer needs, committed to change and business-minded, while continuing to deliver the best customer service in the market"

Kenneth Gustavsson
Marketing Director
Viking Line Scandinavien

"It is important that every employee is engaged and makes use of all their knowledge and individual capacity for the benefit of Viking Line's success in the highly competitive operating environment we work in. To manage this, we no doubt face some tough decisions and change processes in the future, but only by having a positive, constructive and results-oriented attitude will we achieve results."

Henrik Grönvik
Vessel Manager
Viking Grace



Viking Health for occupational health care and well-being at work

In the autumn of 2016, the Viking Health concept was launched in the Åland Islands. A pilot project was carried out in Stockholm in 2017, and in 2018 similar activities took place in Helsinki, Turku and Tampere. Viking Health serves as a platform for the Company's occupational health care programme while providing management with a better overview of employee health and increasing the sense of "we" by involving personnel in the project.

The Viking Health concept links together our occupational health services, employee wellness programme, employee surveys and workplace investigations in order to get a better overall assessment of employee health and provide resources for preventive measures. The aim is for all employees at Viking Line to get a check-up that suits their needs. Screening appointments with our occupational health services are now scheduled by department every three years instead of five.

Our shared goal is to ensure healthy, safe jobs, mitigate risks and promote the health of employees and their ability to work in compliance with the guidelines for good occupational health issued by the Finnish Institute of Occupational Health and the Social Insurance Institute of Finland.

Health coaches in Åland

In Mariehamn, there are a number of in-house health coaches who contribute ideas for better occupational health and plan inspiring activities for colleagues. Each coach is committed to being active for six months and arranging at least two activities.

The coaches' efforts are aimed at increasing the sense of "we" and employee well-being. In 2018, a large number of activities, including jogging, circuit training, hiking and canoeing, attracted many participants. Other activities that were also appreciated included a gingerbread house decorating contest, lectures on healthy eating, running coaching and an evening on styling.

KIVA team on the Finnish mainland

The KIVA ("Happiness together in our Vikings' everyday work") team in Helsinki is Finland's equivalent of health coaches, with employee volunteers arranging lectures and health- and sport-related activities for staff. In 2018, among



the activities arranged were training in the Fustra method, massage days, Viking Yoga, theatre visits, subsidized swimming and Future Food Tasting on Gabriella. One popular event was a day out in Nuksio National Park for Finnish Nature Day, with canoeing in Haukkalampi Lake and mixed-terrain cycling.

In 2018, Turku's KIVA team activities included trial massages, theatre visits, lectures on mindfulness and wellness, which dealt with healthy eating and sleep, and a lecture on cycle training and maintenance.

Occupational health in Estonia

In Estonia too, a great deal of attention was devoted to occupational health. Statutory check-ups are conducted every three years. Occupational health is a high priority, in particular ergonomic conditions. In early 2018, an office renovation was completed which included less nuisance noise and improved lighting and ventilation.

Some sport activities are subsidized for employees, and enjoyable events involving sport and communal dining were arranged in conjunction with them.

Sweden – inventory of health factors

In early 2018, an inventory was made of sixteen different health factors aimed at promoting employee health and stimulating satisfaction, development and results.

Five especially important health factors were distinguished:

- a positive, open work climate,
- balance between work and leisure,
- a satisfying workload,
- supportive and encouraging management and
- good financial compensation.

The areas that most employees think characterize Viking Line are indeed the positive, open work climate and the

good balance between work and leisure, but also opportunities in the employee wellness programme, a sense of meaningfulness in their work and good ergonomic conditions.

As a result of increased knowledge about these health factors, management and employees in Sweden can now work to keep what is good and develop what is needed. The goal is to promote even better satisfaction, development and results.

Discussions are held on a continuous basis with employees who have been away from work three times within six months. "Feel good emails" are sent out with different themes involving health and wellness. Inspirational lectures and social activities are also held on a regular basis. In 2018, this included a step count challenge between Stockholm and Helsinki, with ten teams taking part.

Shipboard employee survey

Every two years, a major employee survey is conducted on board the vessels, and in alternate years a smaller-scale one is carried out to assess the workplace environment, employee satisfaction and health. This is done in partnership with the consultancy firm Corporate Spirit. The survey results are usually ready around the end of the year, when action plans are drawn up. The next spring, follow-up actions are taken in response to the results at all levels on a department by department basis.

Land-based employee survey

In October the annual employee survey for all land-based organizations was conducted in partnership with the consultancy firm Corporate Spirit. This is done to assess employees' views of their work, their immediate work team, leadership and how well the organization works.

Once the results are ready, the teams in each department review them, prepare a written action plan, take follow-up actions and make sure that ideas and suggestions are implemented. By comparing responses with a range of benchmarks for similar organizations, we also get an honest picture of the strengths and weaknesses in the organization.



Personnel Pulse

In 2018, a new survey method was introduced on Amorella and Viking Grace to measure employee motivation and performance, called Personnel Pulse. The aim is to see whether the new leadership is making a difference in employees' everyday lives. Five brief questions are asked each week. Personnel Pulse is in addition to the big annual survey, and after being assessed, the new method will be introduced on all the vessels.

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.

Regular safety rounds on board the vessels

One way to inspect the workplace environment is to conduct safety rounds. Safety rounds are carried out on the Company's vessels on a regular basis by members of the occupational safety and health commission together with the foremen of the different departments. On a safety round, operations in a workplace are reviewed in order to detect any current deficiencies in the workplace environment and to remedy and prevent them.

The focus in safety rounds is often on the physical workplace environment, but safety rounds can also be conducted

on the psychosocial workplace environment. Rosella's master and occupational safety manager, Tobias Chronéer, explains how a more extensive psychosocial safety round is carried out each year using an employee survey. The survey used on Rosella has been developed expressly for this purpose and includes questions about people's workload, the organization of work, scope of action, leadership, support, knowledge and development, and recovery from job stress.

The survey is sent out to the vessel's regular and long-term replacement staff. Filling out the survey is voluntary, and people can do this anonymously. The only information required is the department that the employee works in, so that any measures to be implemented target the right department. After the completed surveys are collected, the occupational safety manager compiles and analyzes the employee responses. A summary is presented to the foremen and the occupational safety and health commission and, if necessary, action plans are drawn up to remedy any

deficiencies identified. For example, work was carried out with the inventory department's workload after it was found in the employee survey that some tasks had been mentally but above all physically very strenuous.

By conducting these psychosocial safety rounds on a regular basis, the vessel's foremen can monitor developments in the vessel's organizational and social workplace environment in an effective manner.

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 2018, a total of 528 training certificates were issued as proof of satisfactory completion.



Rosella's master and occupational safety manager, Tobias Chronéer.

Accidents and absence from work, vessels with Finnish flag

	2018	2017	2016
Average number of employees	1,594	1,621	1,628
Accidents reported for shipboard employees			
On the job	250	257	304
During their time off	109	146	134
Total	359	403	438
Causing an absence from work (% of accidents)			
0 days	81%	71%	73%
1-6 days	3%	7%	8%
7-30 days	14%	15%	13%
> 30 days	2%	7%	6%
Causing an absence from work (% of accidents during their time off)*			
0 days	67%	52%	36%
1-6 days	1%	6%	9%
7-30 days	20%	28%	42%
> 30 days	12%	14%	13%

* 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 careful internal monitoring and regulatory oversight. Processes and procedures are all developed on a continuous basis through the Company's safety and security management system.

Exercises in safety and security

Each year, thousands of exercises in safety and security are 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. The organization holds annual exercises to improve its ability to handle different emergencies that can arise in operations.

Thorough vessel inspections

On-board safety equipment is checked daily. Maritime authorities have delegated oversight of vessels to classification societies, which 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.

Preventive safety and security work

Preventive work to mitigate risks of fire on the vessels' car decks has been strengthened through changes in procedures and processes as well as training on car deck risk factors, for example, electric cars. The deck department managers completed training on a vessel bridge simulator to deal with emergency responses. Train the Trainer courses were also arranged for selected shipboard staff who then train other shipboard personnel.

At Viking Line's initiative, two projects were launched

in 2018 with a focus on finding more efficient solutions for security screening of both passengers and vehicles. In the first project, Viking Line was the first shipping company in the world to test a new type of walk-through metal detector early in the year. The positive results prompted further expansion of the development work. As a result, a new project was launched in which different kinds of new security screening technologies were studied, tested and assessed. EU funding has been applied for to finance the project, which also means the results of the work can then be used throughout the EU. The project will run from 2019 to 2021, with Viking Line working in partnership with the Port of Turku, Tallink Silja and the relevant authorities.

Collaboration on maritime safety

Viking Line collaborates with community groups, classification societies, 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 Nordic passenger ship operations. In case of emergency, Viking Line also works in collaboration with the Red Cross in Finland and Sweden.

Safety and security on board

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 appointed a group of independent experts from different fields who formed an advisory board. They contribute to Viking Line's continued work with security issues in conjunction with the Group's own security council.

Viking Line continues its long-term work to increase safety and security on board. These efforts were honoured with the Swedish security industry's major Security Awards 2017.

Responsible alcohol sales

Viking Line works continuously to train employees according to the standards set by the Stockholm Centre for Prevention of Alcohol and Drug Abuse. The goal is to train everyone who works in the Company's restaurant and bar operations as well as at the manager level. This training provides basic knowledge for employees and more in-depth knowledge for managers 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.

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



Our environmental work

In 2018, Viking Line worked with concrete environmental issues to reduce our impact on the Baltic Sea and its valuable archipelagos. We were certified under the new ISO 14001:2015 environmental management standard, and during the spring Viking Grace was equipped with a rotor sail. On board as well, the focus was on our range of 'green' foods, including the Future Food theme menu, which offered delicacies from the world of insects.

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 Interna-

tional 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 intensely with an in-house programme to reduce exhaust 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' hydro-dynamic 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 14001:2015 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.

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 14001:2015 environmental management standards



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.



Fresh winds with the new rotor sail

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.

In April 2018, Viking Grace got an added boost with its new rotor sail. Viking Grace is the first passenger ship in the world equipped with a rotor sail to harness wind power. The Finnish clean tech company Norsepower Oy Ltd developed its rotor sail solution over five years. The initial idea of a rotor sail emerged a century ago, but the idea has become more relevant and promising in recent years given increasingly stringent environmental requirements and advanced material and technological solutions.

The rotor sail is 24 metres in height and 4 metres in diameter and uses the Magnus effect for propulsion. As the rotor spins, the passing air flows with lower pressure on one side than the other. The propulsion force created by this pressure difference drives the vessel forward. Using the rotor sail, fuel consumption and thus carbon dioxide emissions can be reduced. The effects of the sail will be assessed after one year in service. The idea is to install two such sails on the Company's new vessel under construction, which will enter into service in 2021.

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, the 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

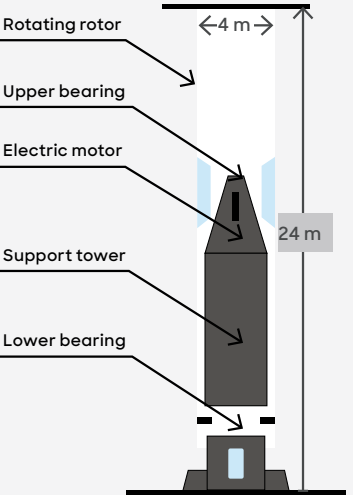
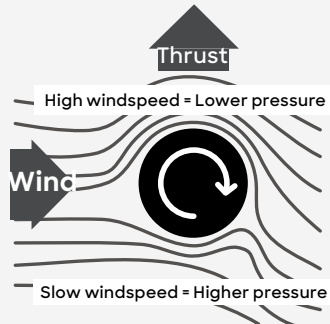


Norsepower Rotor Sail

Reduces fuel consumption and emissions by producing thrust from wind.

First efficient and easy-to-use mechanical sail on the market. The spinning rotor creates a thrust force with the Magnus effect, reducing the power requirement from the main propellers.

The Magnus effect explained
View from above



Sustainable energy and reduced fuel consumption

One of the United Nations’ global sustainability development goals that the Company has chosen to work with is Goal 7, Affordable and Clean Energy. The greatest energy consumption in the Company takes place on the vessels so the decision was made to focus on major energy-saving projects for vessel operations. One of the Company’s environmental targets in 2017 and 2018 was to reduce overall fuel consumption on its own vessels by 2.5% over a two-year period. During the period in question, the total fuel savings achieved was 4.5%.

Modification of Gabriella’s sponson

One of the big projects carried out during the year was the modification of Gabriella’s sponson* during the vessel’s dry-docking in April. The company Deltamarin was hired to make hydrodynamic calculations for the modification of the sponson in order to reduce the propulsion system’s fuel consumption by about 10% compared to 2017. During the dry-docking, the shipyard’s subcontractor installed a modified section for the existing sponson. The propulsion system’s fuel consumption in 2018 was reduced by 11.5% compared to the same period in 2017.

Rosella uses Åland-based renewable electricity at night

Since the start of 2018, Rosella has been connected at night to the land-based power grid in Mariehamn. The project to supply Rosella with land-based power was carried out in partnership with the City of Mariehamn, the Port of Mariehamn and Allwinds. During its approximately seven-hour mooring, Rosella uses locally produced renewable electricity from Allwinds instead of producing its own electricity from the vessel’s diesel-fuelled generators.

Rosella is connected to the port’s electrical grid via a land-based transformer station, which converts high-voltage current to 400 V, which is used on board the vessel. The power on land is delivered via nine large cables to the

vessel’s main switchboard and then distributed to the different consumption sites. The environmental benefits of using land-based power include reduced fuel consumption, which in turn means reduced exhaust emissions. Since the vessel’s diesel generators are not in service, the noise level is lower both in the harbour and in the vessel’s machine room.

By using land-based power, Rosella saved 319 tonnes of fuel in 2018. That amount of fuel consumed in operations is equivalent to about 1,020 tonnes of CO₂ emissions.

Energy efficiency improvement work for Viking XPRS continued in 2018

In early 2017, Viking XPRS was upgraded with Rolls-Royce Promas Lite’s integrated construction of a rudder and propeller system in order to reduce the propulsion system’s consumption. As a result, consumption was reduced by about 10% in 2018 compared to 2017. In 2018, the vessel’s ventilation control system was upgraded so ventilation can be monitored and regulated more efficiently. That means more even air flow and temperatures on board the vessel. This efficiency measure is expected to produce energy savings for the ventilation system of about 20%, which corresponds to about 570 tonnes of fuel.

* Sponsons have the function of making the vessel wider at the waterline to increase the vessel’s stability.



Rosella’s land-based power supply was nominated for the Åland Islands’ Bärkraft Award 2018

The reasoning given:
“A land-based power supply for Rosella at night shows how one measure can make a major difference and at the same time affect many sustainability aspects.
...
Through broad collaboration with other stakeholders, such as the Port of Mariehamn and Allwinds, the initiative to supply Rosella with land-based power shows how, with productive dialogue, local authorities and companies can carry out measures that affect us all. Other notable benefits are better employee health and reduced noise for residents.”

Minimizing emissions

The core of Viking Line’s business operations is maximizing capacity utilization in cargo transports, scheduled service and cruises. Each year, we transport 130,000 cargo units, more than 600,000 cars and around 6.6 million passengers on our vessels. In calculating emissions per passenger from our vessels, cargo transports should also be taken into account to give an accurate and reliable picture. The numbers should be broken down and reported based on the different aspects of transport work carried out.

The EU has introduced requirements for the monitoring, reporting and verification (MRV) 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.

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. The new system enables the improved monitoring of fuel consumption and vessel emissions. The first reporting period began on January 1, 2018.

Variations in capacity utilization and fuel consumption during the year mean that a longer monitoring period is required so that the figures can be analyzed with greater reliability. In addition, consideration should be given to the breakdown in transport work, given the variation in capacity utilization of the different transport modes.

Choice of energy sources and water management

Six of Viking Line’s vessels use low sulphur fuel with a maximum sulphur content of 0.1 per cent by weight. The seventh

vessel, Viking Grace, runs on liquefied natural gas (LNG) and is the first vessel on the Baltic Sea and the first passenger vessel of its size class in the world to run on LNG. With LNG, sulphur emissions are reduced by 85% and greenhouse gas emissions are reduced by 15%. Sulphur and particulate emissions are virtually zero.

Viking Line has a sharp focus on fuel optimization in order to reduce emissions. Various kinds of measures have been implemented and the work has been fruitful. For example, fuel consumption on Viking Cinderella has been reduced by more than 34% since 2007 as a result of different solutions.

A number of measures to reduce nitrogen oxide (NOx) emissions have been carried out. Catalytic converters are used on Viking Cinderella and humid air motor (HAM) technology is installed on Mariella. Viking Line’s vessels do not discharge any wastewater or bilge water into the sea. All wastewater is pumped ashore to municipal water treatment facilities. Three vessels that are moored for an extended period (in Stockholm, Helsinki, Mariehamn) have a land-based power supply to reduce emissions.



Environmental measures in 2018

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 2018, waste heat from the vessel’s engines was converted into 280,000 kWh of clean, emission-free electricity. This electricity is used mostly in our on-board hotel operations, including for lighting.

Land-based power supply

By using a land-based power supply, in 2018 we saved 460 tonnes of fuel on Gabriella and 380 tonnes on Mariella. The amount of fuel consumed in operations corresponds to about 2,700 tonnes of CO₂ emissions.

Switch in fuel for Viking Line Buss

Viking Line Buss Ab provides scheduled service on the Åland Islands and charter service departing from the Åland Islands. Since the autumn, the Company’s buses run on Neste MY Renewable Diesel™, a 100% renewable fuel. The fuel consists of 100% hydro-treated vegetable oil (HVO) and has been developed to reduce the environmental impact of transport with up to a 90% cut in greenhouse gas emissions.

Recycled from vessels in 2018



451 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.



104 tonnes of scrap metal.

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



596 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.



Viking Line brought ashore a total of 1,314 tonnes of food waste from Viking XPRS, Viking Grace and Mariella for biogas production.

This yielded 98,550 cubic metres of biogas, equivalent to 111,300 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.



Viking Line wins Sustainable Achievement of the Year award for Viking Grace’s rotor sail

At the Finnish Travel Gala 2018, Viking Line was honoured in the category Sustainable Tourism Achievement of the Year for Viking Grace’s rotor sail.

In giving the award, the jury noted,
“Over the years, Viking Line has strived to reduce its emissions in its operations. The most recent concrete example is the pioneering rotor sail developed in Finland and placed in service on Viking Grace in April 2018. Like the LNG fuel used on Viking Grace, the rotor sail is an innovation that helps to save on fuel and reduce emissions.”



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.

Since 2014, nearly 85,000 kg of wall-to-wall carpeting from the Company’s vessels have been returned to the carpet supplier Desso. The Dutch manufacturer has launched a pioneering project to recycle its corporate customers’ used carpeting, which is collected at the end of its economic life and processed into material for new carpets. As a result of this recycling and new production methods, progress is being made to complete the life cycle of this product in operations.

Since the summer of 2016, the vessels have collected 24,000 kg of plastic packaging, which is reused in the production of plastic carrier bags for the shops on board.



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.

● Eco-friendly biodegradable drinking straws are now used in the bars on board.

● 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.

● During 2018, Viking Line served 6,401,735 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.

* PEFC = Programme for the Endorsement of Forest Certification

** MSC = Marine Stewardship Council



Environmental figures

VIKING LINE'S VESSELS	2018	2017	2016	
Volumes				
Passengers	6,411,537	6,881,149	6,502,191	
Cars	704,799	762,253	682,194	
Cargo units	128,549	127,668	131,918	
Total distance (000 km)	1,140	1,135	1,130	
Resource consumption				
Fuel oil (tonnes)	76,460	77,676	79,709	
Lubricating oil (m³)	737	747	648	
Urea (m³)	291	289	446	
Fresh water (m³)	318,629	324,874	327,059	
LNG (tonnes)	14,776	15,172	14,960	
Emissions (tonnes)				
Nitrogen oxides (NOx)	3,100	3,175	3,230	
Sulphur oxides (SOx)	72	73	75	
Carbon dioxide (CO ₂)	284,400	287,204	289,508	
Residual products (tonnes)				
Solid waste for combustion	2,956	3,025	2,959	
Waste sent to landfills	98	165	143	
Waste for recycling	1,317	1,434	1,491	
Biowaste	1,314	1,141	1,022	
Hazardous waste	77	55	55	
Wastewater pumped ashore (m³)				
Grey and black water	286,836	293,576	292,528	
Bilge water	8,520	8,349	7,795	
Waste oil (m³)	1,402	1,775	1,943	
Viking FSTR, which was chartered during the period April 10–October 16, 2017, is not included in the above figures.				
VIKING LINE BUSS AB	2018	2017	2016	
Number of kilometres driven	793,385	787,475	781,892	
Amount of diesel consumed (litres)	250,759	247,441	247,152	
Water use (m³)	345	351	377	
Garage's electrical consumption (kWh)	63,712	60,038	61,756	
Nitrogen oxides (NOx) 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 (Source: Swedish Environmental Protection Agency).				
Sulphur oxides (SOx) 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 (Source: Swedish Environmental Protection Agency).				
Carbon dioxide (CO₂) 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 (Source: 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.				



Carbon dioxide emissions

In our business operations, we want to maximize capacity utilization for cargo transport, scheduled service and cruises. Each year, 130,000 cargo units, more than 600,000 cars and around 6.6 million passengers are transported on our vessels.

In order to provide an accurate and reliable picture of emission levels per passenger, cargo transport should also be taken into consideration. These figures should be allocated to and reported for the different types of transport work carried out.

New requirements for reporting carbon dioxide

The EU has introduced requirements for the monitoring, reporting and verification (MRV) of carbon dioxide emissions from large vessels (more than 5,000 gross tonnes) that serve the EU's ports. Vessel owners must report the amount of carbon dioxide emitted on travel to, from and between ports within the EU.

During 2017, Viking Line in partnership with the company Blueflow installed an energy management system on all of its vessels. The system is adapted to the requirements for reporting carbon dioxide emissions set by the EU, but it also serves as a tool in the day-to-day work to achieve fuel savings. As a result of the new system, there is greater potential to monitor fuel consumption as well as vessel emissions. The first reporting period began on January 1, 2018. Variations in capacity utilization and fuel consumption during the year require a lengthy monitoring period in order for the figures to be analyzed with greater reliability. Add to that the allocation of these figures taking into account the different types of transport work given their different capacity utilization levels.

In accordance with the requirements in the EU's MRV regulation, all of the Company's vessels have their own

monitoring plan, which has been checked and verified by an independent auditor. The monitoring plan specifies, for example, how fuel consumption is monitored/measured, how any deviations are dealt with and how carbon dioxide emissions produced are allocated between passengers and cargo units. The vessels' energy management system includes all the information required for MRV reporting. The system provides, for instance, factors for each vessel such as total fuel consumption divided by the amount of transport work carried out for each sailing. These factors have been used in the calculations presented in the tables below. In the portion of emissions allocated to passengers, their cars are also included. The surface area in the vessels' car decks is divided between cargo units and passengers' cars based on the weight of the vehicles.

It is important to note that the vessels' carbon dioxide emissions per passenger include, along with vessel propulsion, heating and cooling of the vessel, hot water supply and all electricity used in passenger operations such as the restaurant and hotel functions. In most cases, our ports are located close to the city centre. That means less of a need for connecting traffic and thus lower carbon dioxide emissions than if the ports were located farther away.

The figures in the tables below are averages in kilograms per passenger and kilograms per cargo tonne for all vessels that regularly serve their route.

It is important to note that the vessels' carbon dioxide emissions per passenger include, along with vessel propulsion, heating and cooling of the vessel, hot water supply and all electricity used in passenger operations such as the restaurant and hotel functions.

Carbon dioxide emissions, average 2018	Kg per passenger	Kg per tonne of cargo
Turku-Långnäs	24	4
Stockholm-Långnäs	33	6
Turku-Mariehamn	32	5
Stockholm-Mariehamn	27	5
Helsinki-Mariehamn	59	10
Helsinki-Tallinn	18	2
Mariehamn-Kapellskär	27	13

Plant-based culinary delicacies and insect menu

The children's buffet was updated in 2018 and served on all of Viking Line's vessels starting on June 14. The new buffet menu was planned by Victor Magdeburg, a member of the Swedish National Junior Culinary Team.

New children's buffet with healthy tasty treats

Nutrition is also an increasingly important aspect when it comes to the selection available in the children's buffets, and this can be addressed without compromising on tastiness. Fresh ingredients and nutritiousness constitute the basis of the new menu.

In this change work, Victor Magdeburg was assisted by the Swedish National Culinary Team's own children, who served as taste advisors. The dishes on the menu were changed to fully reflect the children's ideas and advice. With small adjustments, traditional favourites were both tastier and more nutritious.

Among the changes, the mince-meat sauce was made with bigger pieces of meat for more flavour and structure, the potato mash was enhanced with vegetables, and french fries were replaced by fried sweet potatoes. Daikon spirals, chicken thigh with a roasted topping and honey-roasted root vegetables were other new delicacies. Old favourites such as meatballs were served in the adults' buffet.

Vegetarian and vegan options in the Christmas buffet

Viking Line's 2018 Christmas buffet offered a large array of vegetarian and vegan alternatives alongside the traditional dishes. The Christmas buffet was planned by the Swedish National Culinary Team together with Viking Line's own executive chefs. For the first time, the youngest members of the family had a Christmas buffet of their own, with colourful vegetarian alternatives

presented in a fun way to make them appealing. The Swedish National Junior Culinary Team was in charge of planning the children's Christmas buffet.

Innovative insect menu

During the spring of 2018, Viking Line's Future Food menu gave passengers an opportunity to try the flavours of tomorrow with delicacies from the world of insects. Since edible insects are a good environmentally-friendly protein source, the menu is a natural fit with the Company's environmental values.

Finland is one of the first countries in Europe to approve the sale of insects as food. Viking Line picked up on this ecological trend with a three-course menu. Anders Karlsson from the Swedish National Culinary Team planned the insect menu, which was served in April and May.

By offering the insect menu, Viking Line wanted to test a new idea without any preconceived notions. Of course, opinions are still divided on the use of insects as food, but insects as an ingredient are something new to Viking Line's executive chefs. It was both a challenge and an opportunity for creativity. The traditional menus were available alongside the insect theme.

The insect menu consisted of a starter, main course and dessert. The starter included lightly smoked algae-salted cod filet with pickled fennel and fried grasshoppers. The main course was lamb featuring mealworms with roasted spices and other ingredients. For dessert, there was almond pastry with strawberries and crickets served alongside cardamom granola made with beetle larvae.



INSECT MENU

Lightly smoked algae-salted cod filet
cabbage, pickled fennel, fried grasshoppers, brown butter, sour cream and horseradish

Lamb filet
pea and goat cheese cream, crispy Jerusalem artichokes, ragout of cultivated mushrooms, mealworms roasted with spices and cress

Almond pastry and vanilla bavaois
caramel sauce, strawberries, herbal sorbet and granola made of roasted chocolate, crickets, beetle larvae and cardamom



The vessels' environmental teams – a vital tool in the Company's environmental work

Since the early 2000s, Viking Line's vessels have been certified in compliance with ISO 14001 environmental management standards. One of the tools in the environmental work on board is the vessels' own environmental teams. The fundamental principle is that there should be representatives from all of the vessel departments on each environmental team.

The environmental team's work

Mikael Lönnström, chief officer on board Viking Grace, explains how the vessel's environmental team has representatives from all departments. The goal is for the same people to take part in meetings as long as possible in order to have continuity in the work. The team meets at least four times a year, and its main task is to identify development needs in the vessel's environmental work and look for solutions to meet them. Many of the solutions are developed internally on board, but if necessary the team also get support from the Company's land-based organization.

Alongside dealing with development needs, team members also communicate important information to all the vessel's departments. Minutes are kept for all meetings, and the minutes are available on the Company's intranet for the vessel's staff, the Company's other vessels and the land-based organization. Minutes are also dealt with in the vessel's service management team meetings and vessel management team meetings.

Waste sorting and safe chemical use

Viking Grace has had a very active environmental team since the vessel was placed in service in 2013. Many of their suggestions have dealt with developing waste sorting by using better sorting bins and procedures as well as better marking of bins. The storage and use of chemicals have been reviewed in order to optimize consumption and safety.

Reduced use of plastic and paper

In 2018, Viking Grace's environmental team developed different solutions to replace or reduce the use of plastic goods on board as well as various methods to optimise paper use. Our ambition is to use more paper made of recycled material and reduce total paper use, both on board and on land.



Main sponsor for Turku’s city bikes

Viking Line has entered a partnership for Turku’s programme for sharing city bikes, known as Föli bikes, which was launched on May 1, 2018. It means that, as the main advertiser for the city bikes, we will have a continued presence on the streets of Turku.

Viking Line’s green values entail, among other things, that we minimize carbon dioxide emissions and work in collaboration for the benefit of the Baltic Sea. Turku’s objective is to be a carbon dioxide-neutral city by 2040, and its city bikes are an important component in achieving this objective. The city bikes are in addition to the green services offered by Föli, which provides transport in the Turku region. The Turku project is a good fit with Viking Line’s long-term environmental work.

300 city bikes
Turku has 34 bike stations and 300 city bikes available year-round, which makes it easy for people to get from one place

to another in an environmentally-friendly way. The bikes are intended for short distances in the city centre, and are picked up and dropped off at one of the bike stations. Bikes can be hired for 5 euros a day, for instance, or 40 euros for the whole year.
Turku is known as a biking city undergoing development, and the city bike project increases the chances of Turku developing into a biking city similar to Copenhagen. Through the partnership, Viking Line gains long-term and effective exposure in the everyday lives of residents in a positive and environmentally-friendly way. Nine out of 10 people who live in Turku have a bike ride of less than 30 minutes to the city centre from their home.



Collaboration with Tvärminne Zoological Station

The Company’s collaboration with Tvärminne Zoological Station continued during the year. In June, a group of environmental editors were invited to the station, where they heard different marine biologists talk about their research work. Professor Alf Norkko and research coordinator Joanna Norkko served as hosts.

Tvärminne Zoological Station serves as a centre for top-quality biological research and provides facilities for fieldwork courses and seminars. Both national and international research are conducted at the station.
During the summer, for the second straight year, a number of children’s programmes about the well-being of the Baltic Sea were arranged on board Viking Line’s vessels. The Tvärminne Zoological Station helped us to develop a sea laboratory, Sea Laboratory 2.0, in which children got to learn more about the Baltic Sea and its health. Amorella’s Team Sea Lab and biologist Åsa Hägg developed a few new experiments dur-

ing the spring and recycled some from the previous summer.
Asked whether she thinks it is important for people to learn from an early age about environmental work and the Baltic Sea, Åsa responded:
“The important thing for all ages is to learn and understand how things are interconnected and 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.”



Donations to environmental work in the Baltic Sea

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 are made of renewable plastic, and in 2018, we chose to donate 50,000 euros to two environmental organizations: **the Keep the Archipelago Tidy Association in Finland** and **the Baltic Sea Fund at the University of Helsinki**. We want to emphasize the importance of the benefits from 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.

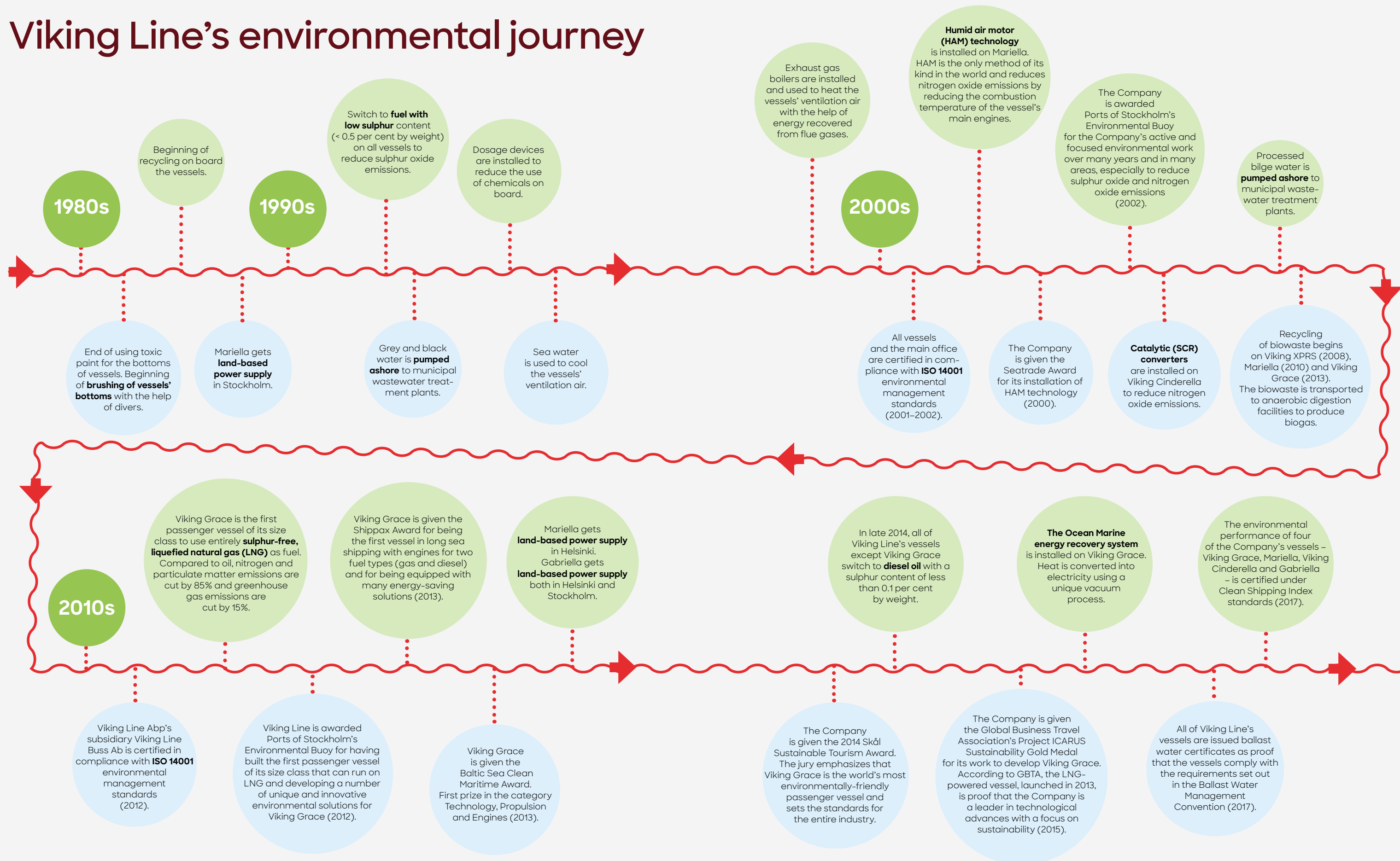


Cinderella Whisky Fair auction proceeds donated to the Baltic Sea Fund

In 2018, in conjunction with Viking Line’s Whisky Fair, held annually on board Viking Cinderella, an auction raised a total of SEK 115,000, which was donated in full to **the Baltic Sea Fund**.



Viking Line's environmental journey





Risks and opportunities

Our operations are subject to different kinds of risks to varying degrees and with a varying effect on operations. There are risks and uncertainty factors that we are well aware of, but also those that we are not aware of or consider to be unlikely or small.

- The following risk areas have been identified:
- Accidents and disasters
 - Security threats in the form of terrorism/crime
 - Changes in regulations and laws
 - Maritime policy
 - Fuel price trend
 - Foreign exchange rate fluctuations
 - Competitive situation and market trends
 - General economic trends
 - IT threats
 - Climate change

Maritime safety and security are governed by our safety policy and are a top priority in Viking Line’s operations. Under the International Safety Management (ISM) Code and the International Ship & Port Facility Security Code (ISPS), we work systematically to identify potential risk situations and thereby prevent accidents. Our objective is continuous improvement in safety and security.

At Viking Line, we have a zero vision when it comes to different kinds of crime, harassment and public order problems on board. We work continuously to achieve this vision. A team that works with these issues meets regularly, and external expertise has also been engaged.

Viking Line maintains a crisis preparedness plan to prevent and mitigate the consequences of adverse events and crises with serious consequences for passengers, staff, traffic, property, the environment, operations and trust in the Company. The crisis preparedness plan is characterized by an effective alert system that quickly establishes the central crisis management organization in the Company. In crisis situations, this central crisis management organization works in close cooperation with the relevant government agencies.

Various organizations, companies and specialists are hired as needed to provide support and assistance in the crisis work. Communication, information and crisis support are key aspects of the crisis management organization’s work. In order to be effective and maintain stamina despite the physical and mental pressure, the organization undergoes training on a continuous basis. The work of the crisis management organization is aimed at saving lives, avoiding injuries and damage to the environment and property and ensuring that rescue measures are so effective that operations can return to a normal situation as soon as possible without damaging the Company’s brand.

Finnish maritime transport is governed by environmental regulations in the International Maritime Organization (IMO)’s rules, EU directives, HELCOM recommendations and national laws. Maritime transport is the most environmentally-friendly transport mode, and there is no form of traffic that can replace it. We actively monitor the drafting of environmental regulations, developments in environmental technology and the solutions that research provides to comply with ever more stringent environmental regulations.

The EU Sulphur Directive entered into force on January 1, 2015, for the Baltic Sea and stipulates a switch to fuel with a 0.1% maximum sulphur content. The IMO also decided to designate the Baltic Sea as a so-called nitrogen oxide emission control area (NECA) with more stringent emissions requirements for newbuild vessels beginning January 1, 2021.

Furthermore, the EU has introduced requirements for the monitoring, reporting and verification (MRV) of carbon dioxide emissions from large vessels (more than 5,000 gross tonnes) that serve EU ports. In order to provide an accurate and reliable picture of emission levels per passenger, cargo transport should also be taken into consideration. During 2017, Viking Line in partnership with the company Blueflow installed an energy management system on all of its vessels. The system is adapted to the requirements for reporting carbon dioxide emissions set by the EU, but it also serves as a tool in the day-to-day work to achieve fuel savings.

The financial risks are described in more detail in the consolidated financial statements.

Opportunities

Alongside the risks faced by our operations, there are also many opportunities and scope for development in the years ahead:

- A newbuild project in China
- A strong economy in our main markets
- A growing segment: the international market
- Digital advances
- Viking Line as a pioneer in innovative environmental technology
- Fuel optimization programmes that reduce fuel consumption and emissions
- Our customer loyalty programme
- Engaged employees with a strong record of providing good service.

Corporate governance statement

This corporate governance statement was approved by the Board of Directors of Viking Line Abp on February 13, 2019.

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, 2018, Viking Line Abp had 3,555 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 18, 2018. The next AGM will be held on April 25, 2019.

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 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 Chair-

man 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 Company'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 Group's Senior Vice President of Finance 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 18, 2018, 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 2018, the Board held 10 meetings. Board members' average attendance at meetings was 95.7 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, 2018*
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, 2018*
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, 2018*
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, 2018*
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, 2018*
144,400 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, 2018*
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, 2018*
0 shares

Name	Position	Board meetings	Attendance
Ben Lundqvist	Chairman	10/10	100.0%
Nils-Erik Eklund	Member	10/10	100.0%
Erik Grönberg	Member	10/10	100.0%
Agneta Karlsson	Member	10/10	100.0%
Dick Lundqvist	Member	9/10	90.0%
Lars G Nordström	Member	10/10	100.0%
Peter Wiklöf	Member	8/10	80.0%
Average attendance			95.7%

* Shares in Viking Line Abp as of December 31, 2018, held by the Board member and/or by companies that person has a controlling interest in.

Deputy Board members



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, 2018*
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, 2018*
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, 2018*
0 shares

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, 2018*
4,050 shares



Peter Hellgren
Born in 1967. Joined the Company in 1994. University studies in Communication.
Areas of responsibility
Executive Vice President since 2014. Deputy CEO since 2018. Sales and marketing.
Shareholdings Dec 31, 2018*
1,000 shares



Johanna Boijer-Svahnström
Born in 1965. Joined the Company in 1990. Master of Business Administration. Studies in Communication.
Areas of responsibility
Senior Vice President since 2018. Corporate Communications and Public Affairs.
Shareholdings Dec 31, 2018*
510 shares



Mats Engblom
Born in 1977. Joined the Company in 2011. Master of Business Administration.
Areas of responsibility
Senior Vice President since 2018. Finance.
Shareholdings Dec 31, 2018*
0 shares



Henrik Grönvik
Born in 1963. Joined the Company in 1997. Sea Captain.
Areas of responsibility
Vessel Manager since 2018. Master.
Shareholdings Dec 31, 2018*
0 shares



Ulf Hagström
Born in 1969. Joined the Company in 2015, earlier employment 1996–2012. B.Sc. (Mechanical and Energy Engineering).
Areas of responsibility
Senior Vice President since 2015. Marine Operations & New-buildings.
Shareholdings Dec 31, 2018*
1,500 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, 2018*
0 shares

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. Peter Hellgren has been the Deputy CEO of the Company since November 16, 2018, when he replaced Andreas Remmer in that position.

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, Peter Hellgren, Johanna Boijer-Svahnström, Mats Engblom, Henrik Grönvik, 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 108,539.81 during 2018 (2017: 122,660.38), of which EUR 79,600.00 (2017: 86,000.00) 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 56,931.94 during 2018 (2017: 57,122.15).

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 Senior Vice President of Finance 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.

* Shares in Viking Line Abp as of December 31, 2018, held by that person and/or by companies that person has a controlling interest in.

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 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.

The Group’s Senior Vice President of Finance is responsible for insider issues at the Company. The practical tasks concerning insider management are handled by people designated by that person.

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 Finnish 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:

	2018	2017
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 2018, a total of EUR 245,000 in Board fees (2017: 275,000) was disbursed. This was allocated as follows:

	2018	2017
Ben Lundqvist	EUR 38,000	EUR 43,000
Nils-Erik Eklund	EUR 32,000	EUR 35,000
Trygve Eriksson	EUR 0	EUR 3,000
Erik Grönberg	EUR 32,000	EUR 37,000
Agneta Karlsson	EUR 32,000	EUR 36,000
Dick Lundqvist	EUR 31,000	EUR 36,000
Lars G Nordström	EUR 32,000	EUR 34,000
Peter Wiklöf	EUR 30,000	EUR 32,000
Ulrica Danielsson	EUR 7,000	EUR 8,000
Stefan Lundqvist	EUR 5,000	EUR 6,000
Johnny Rosenholm	EUR 6,000	EUR 5,000
Total	EUR 245,000	EUR 275,000

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 24,000 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 2018, EUR	Fixed salary	Total compensation in 2018
President and CEO	300,014	300,014
Group Management	853,963	853,963
Total	1,153,977	1,153,977

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, 2018 were 497.8 million euros (EUR 513.6 M for January 1–December 31, 2017). Other operating revenue amounted to EUR 0.3 M (1.7). Operating income totalled EUR 9.3 M (10.0). Net financial items totalled EUR -2.8 M (-3.4). Consolidated income before taxes amounted to EUR 6.5 M (6.6). Income after taxes totalled EUR 5.5 M (5.3).

During the report period, passenger-related revenue was EUR 450.3 M (467.5), while cargo revenue amounted to EUR 45.3 M (43.8). Net sales revenue was EUR 362.0 M (372.6).

Due to lower operating expenses compared to the previous year, consolidated income for 2018 improved somewhat despite lower sales. Consolidated operating expenses decreased by 2.9 per cent to EUR 329.2 M (339.1). Bunker expenses increased by 8.6 per cent to EUR 50.8 M (46.7). The weak Swedish krona had a negative impact on consolidated income.

The placing in service of the vessel Viking FSTR, which operated on the Helsinki–Tallinn route during the period April 10–October 16, 2017, increased consolidated sales and capacity during 2017 but did not contribute materially to income.

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

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. Viking FSTR was not in service during 2018.

The number of passengers on Viking Line’s vessels during the financial year was 6,411,537 (6,881,149). The Group had a total market share in its service area of approximately 32.4 per cent (34.5).

Viking Line’s cargo volume was 128,549 cargo units (127,668). Viking Line achieved a cargo market share of approximately 17.8 per cent (18.7). The number of cars transported was 704,799 units (762,253).

Investments and financing

The Group’s investments amounted to EUR 15.9 M (34.7), of which EUR 4.3 M was related to capitalized costs for vessels

under construction. The Group’s total investments represent 3.2 per cent of sales (6.8).

On December 31, 2018, the Group’s non-current interest-bearing liabilities amounted to EUR 103.5 M (127.0). The equity/assets ratio was 49.4 per cent, compared to 46.2 per cent a year earlier.

At the end of December 2018, the Group’s cash and cash equivalents amounted to EUR 61.8 M (68.0). Unutilized credit lines in the Group totalled EUR 15.1 M on December 31, 2018 (EUR 0.1 M). Net cash flow from operating activities amounted to EUR 33.0 M (31.8). Net cash flow from investing activities was EUR -13.5 M (-30.8) and net cash flow from financing activities amounted to EUR -25.7 M (-27.9).

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 281.2 M (294.6). 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 offset the risk of higher bunker prices, the Group entered into fixed-price agreements related to a portion of its bunker consumption during 2017, 2018 and 2019.

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 influx 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 financial assets recognized at fair value through other comprehensive income. 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 2018 is published as part of Viking Line’s Annual Report. Information about Viking Line’s sustainability work is also available on Vikingline.com.

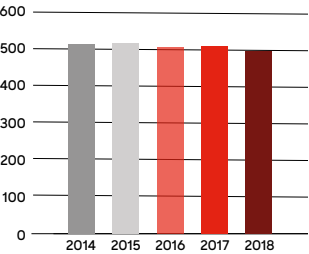
The environment, safety and security

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.

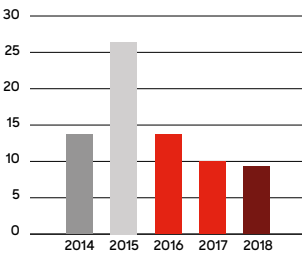
The Group’s Head Office, the subsidiary Viking Line Buss Ab and all of Viking Line’s vessels are certified in compliance with ISO 14001:2015 environmental management standards. In addition, the Viking Line organization and all vessels are certified according to the International Safety Management (ISM) 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

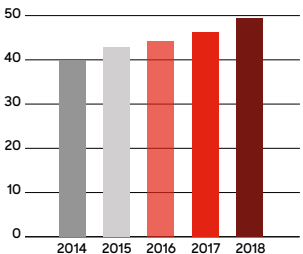
Sales (EUR M)



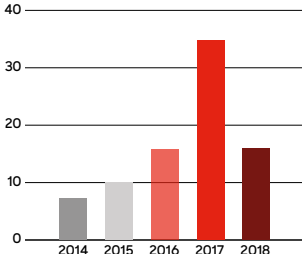
Operating income (EUR M)



Equity/assets ratio (%)



Gross capital spending (EUR M)



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 2018 the average number of Group employees was 2,671 (2,746), of whom 2,005 (2,048) worked for the parent company. Shipboard personnel totalled 2,037 (2,086) and land-based personnel totalled 634 (660).
In addition to the Group's own employees, Viking XPRS was crewed by an average of 242 (248) people employed by a staffing company.
At the end of 2018, the total number of Group employees was 2,874 (2,889), of which 2,299 (2,238) resided in Finland. The number residing in Sweden was 453 (527). There were 111 (116) employees residing in Estonia and 11 (8) 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. Viking Line complies with the Code in full. The corporate governance statement for 2018 is published as part of Viking Line's Annual Report. Information about Viking Line's corporate governance is available on 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

The President and CEO of the Company is Jan Hanses. Peter Hellgren has been the Deputy CEO since November 16, 2018, when he replaced Andreas Remmer in that position. Group Management consists of Jan Hanses, Peter Hellgren, Johanna Boijer-Svahnström, Mats Engblom, Henrik Grönvik, 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

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.

Outlook for 2019

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. Income during the third quarter will be crucial to the Group's earnings for the full financial year. The currency trend for the Swedish krona affects the Group's results. Fixed-price agreements related to a portion of the Group's bunker consumption for 2019 mitigate the risk of higher bunker costs. The Board of Directors' assessment is that operating income for 2019 will remain on a par with operating income for 2018 or improve. At this stage, however, this forecast is subject to the uncertainty factors mentioned above.

The Board's proposal on distribution of earnings

According to the balance sheet of Viking Line Abp on December 31, 2018, unrestricted equity totalled EUR 76,137,466.51.

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 73,977,466.51

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.

Five-year financial review

THE GROUP	2014	2015	2016	2017	2018
Sales, EUR M	518.3	521.6	510.5	513.6	497.8
Operating income, EUR M	13.7	26.4	13.7	10.0	9.3
– as % of sales	2.6%	5.1%	2.7%	2.0%	1.9%
Income before taxes, EUR M	32.3	23.2	9.6	6.6	6.5
– as % of sales	6.2%	4.4%	1.9%	1.3%	1.3%
Return on equity (ROE)	15.2%	8.5%	3.6%	2.4%	2.4%
Return on investment (ROI)	9.1%	6.8%	3.6%	2.9%	2.9%
Equity/assets ratio	40.0%	42.8%	44.1%	46.2%	49.4%
Debt/equity ratio (gearing)	56.2%	38.5%	35.5%	36.9%	28.3%
Gross capital spending, EUR M	7.2	10.0	15.8	34.7	15.9
– as % of sales	1.4%	1.9%	3.1%	6.8%	3.2%
Average number of employees	2,797	2,735	2,742	2,746	2,671
– of whom shipboard employees	2,133	2,066	2,082	2,086	2,037
– of whom land-based employees	664	669	660	660	634
Salaries etc, EUR M	125.6	122.7	123.6	123.5	121.9

Share-related financial ratios

	2014	2015	2016	2017	2018
Earnings per share, EUR	2.83	1.73	0.74	0.49	0.51
Equity per share, EUR	19.75	20.89	20.64	20.75	21.36
Dividend per share, EUR*	0.70	0.95	0.40	0.20	0.20
Dividend/earnings	24.7%	54.8%	53.8%	40.8%	39.3%
Dividend/share price	4.4%	4.6%	2.0%	1.2%	1.4%
Price/earnings (P/E) ratio	6	12	27	33	27
Share price on December 31, EUR	15.82	20.70	20.24	16.25	13.90
Highest share price, EUR	18.88	20.70	26.01	22.29	18.00
Lowest share price, EUR	13.50	15.82	19.75	15.90	12.50
Average share price, EUR	16.15	17.78	21.74	18.65	14.83
Market capitalization, EUR M	170.86	223.56	218.59	175.50	150.12
Number of shares traded	240,667	416,594	455,846	222,546	232,371
Percentage of shares traded	2.2%	3.9%	4.2%	2.1%	2.2%
Dividend paid for financial year, EUR M*	7.56	10.26	4.32	2.16	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 2018, 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

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 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 3,555 registered shareholders.

	Number of shares	Percentage of total
Largest shareholders, December 31, 2018		
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%

Viking Line Abp's shareholders, by sector	Number of shareholders	Percentage of total	Number of shares	Percentage of total
Companies	149	4.2%	4,840,228	44.8%
Credit institutions and insurance companies	12	0.3%	470,683	4.4%
Public sector entities	1	0.0%	28,400	0.3%
Households	3,232	90.9%	4,921,009	45.6%
Non-profit entities	18	0.5%	69,024	0.6%
Foreign shareholders	134	3.8%	348,319	3.2%
Nominee-registered shares	9	0.3%	122,141	1.1%
Not transferred to book-entry securities account system			196	0.0%
Total	3,555	100.0%	10,800,000	100.0%

Distribution of share capital	Number of shareholders	Percentage of total	Number of shares	Percentage of total
1–99	1,664	46.8%	47,085	0.4%
100–999	1,091	30.7%	261,888	2.4%
1,000–9,999	683	19.2%	1,612,758	14.9%
10,000–99,999	103	2.9%	2,488,437	23.0%
100,000–999,999	11	0.3%	2,542,233	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, 1,094,879 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 232,371 shares. This meant that 2.2 per cent of all shares changed hands. The year's highest share price was EUR 18.00, the lowest EUR 12.50. On December 31, 2018, the quoted share price was EUR 13.90. The Company's market capitalization on that date was EUR 150.12 M.

Quarterly consolidated income statement

EUR M	2018 Q4	2018 Q3	2018 Q2	2018 Q1
SALES				
	119.8	152.3	125.5	100.3
Other operating revenue	0.1	0.1	0.1	0.1
Expenses				
Goods and services	33.2	40.1	34.5	27.9
Salary and other employment benefit expenses	28.5	30.1	30.2	28.5
Depreciation, amortization and impairment losses	5.9	5.7	6.3	6.0
Other operating expenses	50.6	55.2	54.5	51.5
	118.2	131.1	125.6	113.9
OPERATING INCOME				
	1.6	21.3	0.0	-13.5
Financial income	0.1	0.0	2.3	0.0
Financial expenses	-0.8	-0.4	-1.4	-2.6
INCOME BEFORE TAXES				
	0.9	20.9	0.9	-16.1
Income taxes	-0.2	-4.2	0.2	3.2
INCOME FOR THE PERIOD				
	0.7	16.6	1.1	-12.9
Income attributable to:				
Parent company shareholders	0.7	16.6	1.1	-12.9
Earnings per share before and after dilution, EUR	0.06	1.54	0.11	-1.20

Quarterly consolidated statement of comprehensive income

EUR M	2018 Q4	2018 Q3	2018 Q2	2018 Q1
INCOME FOR THE PERIOD				
	0.7	16.6	1.1	-12.9
Items that may be reclassified to the income statement				
Translation differences	0.2	0.2	-0.3	-0.8
Items that will not be reclassified to the income statement				
Changes in the fair value of financial assets recognized at fair value through other comprehensive income	4.1	-	0.0	-
Other comprehensive income				
	4.2	0.2	-0.3	-0.8
COMPREHENSIVE INCOME FOR THE PERIOD				
	4.9	16.8	0.8	-13.7
Comprehensive income attributable to:				
Parent company shareholders	4.9	16.8	0.8	-13.7

Definitions of financial ratios

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

Consolidated financial statements

Consolidated income statement

EUR M	Note	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
SALES	2	497.8	513.6
Other operating revenue	3	0.3	1.7
Expenses			
Goods and services	4	135.8	140.9
Salary and other employment benefit expenses	5	117.3	120.6
Depreciation, amortization and impairment losses	6	23.8	25.2
Other operating expenses	7	211.8	218.5
		488.8	505.2
OPERATING INCOME		9.3	10.0
Financial income	8	2.4	2.2
Financial expenses	8	-5.2	-5.6
INCOME BEFORE TAXES		6.5	6.6
Income taxes	9	-1.0	-1.3
INCOME FOR THE PERIOD		5.5	5.3
Income attributable to:			
Parent company shareholders		5.5	5.3
Earnings per share before and after dilution, EUR	10	0.51	0.49

Consolidated statement of comprehensive income

EUR M	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
INCOME FOR THE PERIOD	5.5	5.3
Items that may be reclassified to the income statement		
Translation differences	-0.8	-0.6
Changes in the fair value of investments available for sale	-	0.7
Items that will not be reclassified to the income statement		
Changes in the fair value of financial assets recognized at fair value through other comprehensive income	4.1	-
Other comprehensive income	3.3	0.1
COMPREHENSIVE INCOME FOR THE PERIOD	8.8	5.4
Comprehensive income attributable to:		
Parent company shareholders	8.8	5.4

Consolidated balance sheet

EUR M	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets			
Intangible assets	11	3.2	2.5
Land	12	0.6	0.6
Buildings and structures	12	7.7	8.6
Renovation costs for rented properties	12	2.5	2.7
Vessels	12	281.2	294.6
Machinery and equipment	12	4.9	5.2
Advance payments	12	25.9	21.6
Financial assets recognized at fair value through other comprehensive income	13	32.0	-
Investments available for sale	13, 20	-	27.9
Total non-current assets		358.0	363.5
Current assets			
Inventories	14	16.3	17.3
Income tax assets		0.4	1.6
Trade and other receivables	15, 20	30.7	34.3
Cash and cash equivalents	16, 20	61.8	68.0
Total current assets		109.2	121.1
TOTAL ASSETS		467.2	484.6
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1.8	1.8
Reserves		5.8	1.7
Translation differences		-2.3	-1.7
Retained earnings		225.3	222.2
Equity attributable to parent company shareholders		230.7	224.1
Total equity		230.7	224.1
Non-current liabilities			
Deferred tax liabilities	18	37.5	37.0
Non-current interest-bearing liabilities	19, 20	103.5	127.0
Total non-current liabilities		141.0	164.1
Current liabilities			
Current interest-bearing liabilities	19, 20	23.5	23.5
Income tax liabilities		0.3	-
Trade and other payables	19, 20	71.6	73.0
Total current liabilities		95.5	96.5
Total liabilities		236.5	260.6
TOTAL EQUITY AND LIABILITIES		467.2	484.6

Consolidated cash flow statement

EUR M	Note	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
OPERATING ACTIVITIES			
Income for the period		5.5	5.3
Adjustments			
Depreciation, amortization and impairment losses		23.8	25.2
Capital gains/losses from non-current assets		-0.1	-1.1
Other items not included in cash flow		0.9	0.6
Interest expenses and other financial expenses		4.0	4.7
Interest income and other financial income		-0.1	-0.2
Dividend income		-2.3	-2.0
Income taxes		1.0	1.3
Change in working capital			
Change in trade and other receivables		3.6	1.8
Change in inventories		1.0	0.8
Change in trade and other payables		-1.1	0.3
Interest paid		-3.6	-4.2
Financial expenses paid		-0.6	-0.8
Interest received		0.0	0.0
Financial income received		0.1	0.1
Taxes paid		1.0	-0.1
NET CASH FLOW FROM OPERATING ACTIVITIES		33.0	31.8
INVESTING ACTIVITIES			
Investments in vessels		-9.2	-9.5
Investments in other intangible and tangible assets		-2.3	-2.8
Advance payments		-4.3	-22.4
EU funding		-	0.8
Investments in financial assets recognized at fair value through other comprehensive income		0.0	-
Investments in investments available for sale		-	-0.1
Divestments of other intangible and tangible assets		0.1	1.1
Divestments of financial assets recognized at fair value through other comprehensive income		0.0	-
Divestments of investments available for sale		-	0.0
Dividends received		2.3	2.0
NET CASH FLOW FROM INVESTING ACTIVITIES		-13.5	-30.8
FINANCING ACTIVITIES			
Principal payments, non-current liabilities	21	-23.5	-23.6
Dividends paid		-2.2	-4.3
NET CASH FLOW FROM FINANCING ACTIVITIES		-25.7	-27.9
CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		68.0	94.9
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		61.8	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
Income for the period				5.5	5.5
Translation differences		0.0	-0.6	-0.2	-0.8
Divestments of financial assets recognized at fair value through other comprehensive income		0.0		0.0	0.0
Remeasurement of financial assets recognized at fair value through other comprehensive income		4.1			4.1
Comprehensive income for the period	-	4.1	-0.6	5.3	8.8
Dividend to shareholders				-2.2	-2.2
Transactions with owners of the parent company	-	-	-	-2.2	-2.2
EQUITY, DEC 31, 2018	1.8	5.8	-2.3	225.3	230.7

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
Income for the period				5.3	5.3
Translation differences		0.0	-0.4	-0.2	-0.6
Remeasurement of investments available for sale		0.7			0.7
Comprehensive income for the period	-	0.7	-0.4	5.1	5.4
Dividend to shareholders				-4.3	-4.3
Transactions with owners of the parent company	-	-	-	-4.3	-4.3
EQUITY, DEC 31, 2017	1.8	1.7	-1.7	222.2	224.1

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. 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 and at the Group’s Head Office.

These financial statements were approved for publication and signed by the Board of Directors on February 13, 2019 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, 2018 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.

The Group applies the following new standards as of January 1, 2018:

- IFRS 9 “Financial instruments”. Application of the new standard has entailed new terms in the Group’s financial reports and increased disclosures in the notes to the consolidated financial statements.
- IFRS 15 “Revenue from contracts with customers”. Application of the new standard has not had any effect on consolidated income or equity.

Other 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. As of January 1, 2018, the shareholding is reported under financial assets recognized at fair value through other comprehensive income. The shareholding was previously reported under investments available for sale; see Note 13. A description of the valuation of the shareholding 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, 2018.

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 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.

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

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, salary and travel expenses plus other attributable costs for planning and technical monitoring of vessel construction. 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 of intangible and fixed assets

The recognized values of intangible and fixed assets 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 intangible and fixed 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 intangible and fixed 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 2018, no impairment losses of intangible and fixed assets were recognized.

Financial assets and liabilities

Classification and valuation of financial assets and liabilities

As of January 1, 2018, financial assets are classified according to IFRS 9 in the following categories:

- 1) recognized at amortized cost,
- 2) recognized at fair value through other comprehensive income and
- 3) recognized at fair value through profit or loss. The classification is based on the Company’s business model for financial asset management and the characteristics of the contractual cash flows from the financial asset. Financial assets were previously classified according to IAS 39 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.

As of January 1, 2018, financial liabilities are classified according to IFRS 9 as recognized at amortized cost, with a number of exceptions specified in the standard. Financial liabilities were previously classified according to IAS 39 either as 1) financial liabilities recognized at fair value through profit or loss or as 2) other financial liabilities.

The table below illustrates the change in classification of the Group’s financial assets and liabilities. Application

Amounts in euros	Classification according to IAS 39	Classification according to IFRS 9	Dec 31, 2017/ Jan 1, 2018
Financial assets			
Investments in shares and participations	Financial assets available for sale	Recognized at fair value through other comprehensive income	27,851,206.93
Trade receivables	Loan and trade receivables	Recognized at amortized cost	11,758,958.80
Cash and cash equivalents	Loan and trade receivables	Recognized at amortized cost	67,975,789.27

Financial liabilities

Non-current interest-bearing liabilities	Other financial liabilities	Recognized at amortized cost	127,047,980.73
Current interest-bearing liabilities	Other financial liabilities	Recognized at amortized cost	23,504,570.18
Trade payables	Other financial liabilities	Recognized at amortized cost	26,079,167.32

of IFRS 9 has not entailed any adjustments in the Group's reported amounts.

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 judgements by Group Management.

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

Financial assets recognized at fair value through other comprehensive income

The classification of financial assets recognized at fair value through other comprehensive income is based on a business model whose objectives can be achieved by collecting contractual cash flows and selling financial assets.

The Group's holdings of unlisted shares and participations are classified as financial assets recognized at fair value through other comprehensive income. These holdings were previously recognized as investments available for sale. The items in question are long-term strategic investments that are not intended to be sold in the short term. A breakdown of the holdings is found in Note 13.

The Group holds 19.6 per cent of the shares in Försäkringsaktiebolaget 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 expected future cash flows. The fair value of other unlisted shares and participations is determined via disclosures about recently completed transactions, prices of similar instruments, outside appraisals or estimates of expected cash flows. A description of the risks associated with the valuation of these investments is found in Note 25.

Changes in fair value are recognized in other comprehensive income and in the fair value reserve under equity. When sold, these changes are transferred from the fair value reserve to retained earnings.

Dividend income from the investments is recognized in the consolidated income statement.

Trade and other receivables

Trade receivables are recognized at amortized cost according to IFRS 9. The carrying amount of trade and

other receivables is considered equal to fair value based on the short-term nature of the items.

For expected credit losses on trade receivables, a loss provision is recognized. Adjustments in the loss provision are recognized in the consolidated income statement. Additional information about the Group's handling of credit losses is found in Note 25.

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 amortized cost according to the effective interest method. The carrying amount of interest-bearing liabilities is equivalent to fair value.

Trade and other payables

Trade payables are recognized at amortized cost according to IFRS 9. The carrying amount of trade and other payables is considered equal to fair value based on the short-term nature of the items.

Inventories

Inventories are recognized at the lower of cost or a likely net realizable amount. A project is under way in the Group to replace the vessels' cash and inventory management system. The project will be completed in the spring of 2019. In the new system, inventories are valued using the first in, first out (FIFO) method, whereas inventories in the old system are valued at a weighted average purchase price.

Segment reporting

Group Management has established operating segments based on the information that is dealt with by the Management. In Viking Line's organization, the vessels are the primary profit centres and the land-based units constitute support functions for the vessels. Both passenger and cargo operations are conducted on the

vessels. 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 subsidiary Viking Line Buss Ab, which has constituted a support function 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.

The internal reporting of the vessels' direct revenue and costs has changed, and segment reporting has been modified based on this. Comparative figures for 2017 have been adjusted in accordance with these changes. The vessels continue to fulfil all aggregation criteria. The changes in question thus do not give rise to any changes in the operating segments themselves.

Revenue and sales recognition principles

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 has been applied retroactively to each previous report period starting 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.

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. The bulk of the Group's sales revenue consists of sales of goods and services, where either cash or credit card is used as the form of payment. 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 provisions for future estimated credit losses and other decreases in the value of receivables are recognized as expenses in the income statement.

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. Comparative figures have been 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.

During 2017, 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 contracts

The Group's leases and rental contracts 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 lease term; 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 between 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. When estimating deferred taxes on December 31, 2018, the 2021 tax rate of 20.6 per cent has been used in the Group's Swedish subsidiaries since the temporary tax differences are not expected to be reversed before the new tax rate takes effect. The Group has not recognized any deferred tax assets.

Application of renewed or amended IFRS standards

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 initial date of application is a date other than the first day of the accounting period.

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 lease liability is also recognized, which gives rise to interest expenses. For lessors, reporting follows previous principles.

A contract is classified as a lease if it transfers the right to decide the use of an identified asset for a given term in exchange for payment. The lease term is determined to be the non-cancellable period including when an entity is reasonably certain to exercise any option to terminate or extend the contract in question. Lease payments are discounted at the implicit rate in the contract or at the lessee's incremental borrowing rate. When contractual payments also include components that are not classified as lease components, the payments for each lease component are allocated based on the expected independent price.

The Group previously recognized all leases as operating leases. As of 2019, the Group reports a lease liability recognized at the present value of the remaining lease payments, discounted by the Group's incremental borrowing rate on the date of initial application. At the same time, a right of use asset is recognized at an amount equal to the lease liability. This means that an adjustment will be made in the opening balance for 2019 and comparative figures will not be adjusted.

For Viking Line, application of IFRS 16 will entail a larger consolidated balance sheet and a reallocation of items in the consolidated income statement and cash flow statement. Financial ratios will also be affected. The effect on consolidated income is not considered to be material. Prior to its application, all the Group's leases were examined.

In valuing outstanding lease liabilities according to IAS 17, only the non-cancellable term has been taken into consideration, in contrast to valuation according to IFRS 16, where likely lease extensions are also taken into consideration.

As of January 1, 2019, the Group will recognize lease liabilities and assets of about EUR 7–8 M.

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, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
2. OPERATING SEGMENTS		
Sales		
Vessels	489.5	505.3
Unallocated	8.5	8.4
Total, operating segments	498.0	513.7
Eliminations	-0.1	-0.1
Total sales of the Group	497.8	513.6
Operating income		
Vessels	55.2	56.8
Unallocated	-45.9	-46.8
Total operating income of the Group	9.3	10.0
SALES		
Passenger-related revenue	450.3	467.5
Cargo revenue	45.3	43.8
Miscellaneous sales revenue	2.3	2.3
Total	497.8	513.6
3. OTHER OPERATING REVENUE		
Rents received on properties	0.2	0.2
Capital gains	0.1	1.1
Miscellaneous other operating revenue	0.1	0.4
Total	0.3	1.7
4. GOODS AND SERVICES		
Goods	123.6	128.4
Externally purchased services	12.2	12.6
Total	135.8	140.9
5. SALARY AND OTHER EMPLOYMENT BENEFIT EXPENSES		
Salaries	121.9	123.5
Expenses of defined-contribution pensions	16.0	17.7
Other payroll overhead	13.9	15.4
	151.8	156.6
Government restitution	-34.4	-35.9
Total	117.3	120.6
AVERAGE NUMBER OF EMPLOYEES		
Shipboard employees	2,037	2,086
Land-based employees	634	660
Total	2,671	2,746

In addition to the Group's own employees, Viking XPRS was crewed by an average of 242 (248) 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, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES		
Depreciation		
Intangible assets	0.2	0.2
Buildings and structures	0.9	0.7
Renovation costs for rented properties	0.4	0.3
Vessels	20.9	22.3
Machinery and equipment	1.4	1.7
Total	23.8	25.2
Total depreciation, amortization and impairment losses	23.8	25.2
7. OTHER OPERATING EXPENSES		
Sales and marketing expenses	30.1	31.1
Washing and cleaning expenses	20.7	21.4
Repairs and maintenance	14.4	17.1
Public port expenses and vessel charges	40.9	41.8
Fuel expenses	50.8	46.7
Miscellaneous expenses	54.9	60.3
Total	211.8	218.5
Auditors' fees		
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 2018. These services included audit-related services (EUR 0.0 M), tax advice (EUR 0.0 M) and miscellaneous consulting (EUR 0.0 M).		
8. FINANCIAL INCOME AND EXPENSES		
Dividend income from financial assets recognized at fair value through other comprehensive income	2.3	-
Dividend income from investments available for sale	-	2.0
Interest income from cash and cash equivalents	0.0	0.0
Other financial income	0.1	0.1
Total financial income	2.4	2.2
Interest expenses on financial liabilities recognized at amortized cost	3.4	3.9
Exchange losses	1.2	0.9
Other financial expenses	0.6	0.8
Total financial expenses	5.2	5.6
Total financial income and expenses	-2.8	-3.4

EUR M	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
9. INCOME TAXES		
Tax for the financial year	0.5	0.2
Tax attributable to previous financial years	0.0	0.0
Deferred tax, change in temporary differences	0.5	1.1
Deferred tax, change in tax rate	0.0	-
Total	1.0	1.3
Reconciliation of tax expense in the income statement and taxes estimated according to tax rate in the Group's home country		
Income before taxes	6.5	6.6
Taxes estimated according to Finnish tax rate (20.0%)	1.3	1.3
Tax attributable to previous financial years	0.0	0.0
Tax effect of		
divergent tax rates in foreign subsidiaries	-0.1	0.0
tax-exempt revenue and non-deductible expenses	-0.2	0.0
deferred tax, change in tax rate	0.0	-
deferred tax, other changes	0.1	0.1
Taxes in the income statement	1.0	1.3
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	2018	2017
Cost, Jan 1	5.8	5.1
Translation differences	0.0	0.0
Increases	0.9	0.7
Decreases	-0.8	0.0
Cost, Dec 31	5.9	5.8
Accumulated amortization, Jan 1	-3.3	-3.2
Translation differences	0.0	0.0
Accumulated amortization on decreases	0.8	0.0
Amortization for the financial year	-0.2	-0.2
Accumulated amortization, Dec 31	-2.8	-3.3
Carrying amount, Jan 1	2.5	1.9
Carrying amount, Dec 31	3.2	2.5

Intangible assets consist mainly of computer software programmes.

EUR M

12. PROPERTY, PLANT AND EQUIPMENT	Land	Buildings and structures	Renovation costs for rented properties	Vessels	Machinery and equipment	Advance payments	Total
Cost, Jan 1, 2018	0.6	23.9	11.7	786.7	15.5	21.6	859.9
Translation differences	-	0.0	-	-2.6	0.0	-	-2.6
Increases	-	0.0	0.2	9.2	1.2	4.3	15.0
Decreases	-	-1.7	-0.1	-6.4	-1.3	-	-9.6
Cost, Dec 31, 2018	0.6	22.1	11.7	787.0	15.3	25.9	862.6
Accumulated depreciation, Jan 1, 2018	-	-15.3	-9.0	-492.2	-10.3	-	-526.7
Translation differences	-	0.0	-	0.9	0.0	-	0.9
Accumulated depreciation on decreases	-	1.7	0.1	6.4	1.3	-	9.6
Depreciation for the financial year	-	-0.9	-0.4	-20.9	-1.4	-	-23.6
Accumulated depreciation, Dec 31, 2018	-	-14.4	-9.2	-505.7	-10.4	-	-539.8
Carrying amount, Jan 1, 2018	0.6	8.6	2.7	294.6	5.2	21.6	333.2
Carrying amount, Dec 31, 2018	0.6	7.7	2.5	281.2	4.9	25.9	322.8
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

Advance payments are related to vessels under construction.

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

EUR M

13. FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Unlisted shares and participations	Dec 31, 2018	
Försäkrings Ab Alandia	31.9	
Maresan Oy	0.1	
Other unlisted shares and participations	0.0	
Total	32.0	
Financial assets recognized at fair value through other comprehensive income, Jan 1	27.9	
Increases	0.0	
Decreases	0.0	
Change in fair value	4.1	
Financial assets recognized at fair value through other comprehensive income, Dec 31	32.0	
Income from unlisted shares and participations recognized in the income statement		
Dividend income from shares and participations disposed of during the year	0.0	
Dividend income from shares and participations held as of December 31	2.3	
For a description of the valuation of financial assets recognized at fair value through other comprehensive income and the accompanying sensitivity analysis, see Note 25.		
INVESTMENTS AVAILABLE FOR SALE	Dec 31, 2017	
Unlisted shares and participations	27.9	
Investments available for sale	27.9	
	2017	
Investments available for sale, Jan 1	27.1	
Increases	0.1	
Decreases	0.0	
Change in fair value	0.7	
Investments available for sale, Dec 31	27.9	
INVENTORIES	Dec 31, 2018	Dec 31, 2017
Inventories of goods for sale	15.0	16.0
Supplies	0.2	0.2
Stocks of vessel fuel	1.1	1.1
Total	16.3	17.3

EUR M

15. TRADE AND OTHER RECEIVABLES	Dec 31, 2018	Dec 31, 2017
Trade receivables	11.2	11.8
Accrued income and prepaid expenses	17.1	21.5
Other receivables	2.3	1.1
Total	30.7	34.3
Accrued income and prepaid expenses		
Employee-related items	15.6	19.3
Other accrued income and prepaid expenses	1.5	2.2
Total	17.1	21.5
Trade receivables		
Trade receivables	11.3	11.8
Provision for expected credit losses	-0.1	-0.1
Total	11.2	11.7
Provision for expected credit losses, Jan 1	-0.1	
Change for the year recognized in the consolidated income statement	-	
Write-off of trade receivables	-	
Provision for expected credit losses, Dec 31	-0.1	
Trade receivables written off during the year and subject to enforcement activity	0.0	
Age analysis, trade receivables		
Not overdue	8.5	9.2
Overdue 1-30 days	2.3	2.1
Overdue more than 30 days	0.4	0.5
Total	11.2	11.8
Trade and other receivables by currency		
EUR	23.9	28.3
SEK	6.5	5.6
CHF	0.2	0.1
DKK	0.0	0.0
GBP	0.1	0.3
USD	0.0	0.0
Total	30.7	34.3
16. CASH AND CASH EQUIVALENTS	Dec 31, 2018	Dec 31, 2017
Cash and bank accounts	61.8	68.0
Short-term investments	-	-
Total	61.8	68.0

EUR M

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.

Reserves	Dec 31, 2018	Dec 31, 2017
Legal reserve	0.0	0.0
Share premium reserve	0.0	0.0
Fair value reserve	5.8	1.7
Total	5.8	1.7

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 0.20 per share, totalling EUR 2.2 M, was distributed for the financial year 2017 (a dividend of EUR 0.40 per share, totalling EUR 4.3 M, was distributed for the financial year 2016). 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 2018. 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

	Differences between recognized value of fixed assets and their value for tax purposes	Other temporary differences	Total
Deferred tax liabilities			
Jan 1, 2018	36.8	0.2	37.0
Translation differences	0.0	-	0.0
Recognized in income statement	0.4	0.1	0.5
Recognized directly in equity	-	0.0	0.0
Dec 31, 2018	37.2	0.3	37.5
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
Dec 31, 2017	36.8	0.2	37.0

EUR M

19. INTEREST-BEARING LIABILITIES, TRADE AND OTHER PAYABLES

Interest-bearing liabilities	Dec 31, 2018	Dec 31, 2017
Non-current interest-bearing liabilities		
Loans from credit institutions	103.5	127.0
Current interest-bearing liabilities		
Loans from credit institutions, principal payments	23.5	23.5
	2018	2017
Interest-bearing liabilities, Jan 1	150.6	174.1
Increases	-	-
Decreases	-23.5	-23.6
Interest-bearing liabilities, Dec 31	127.0	150.6
Trade and other payables	Dec 31, 2018	Dec 31, 2017
Trade payables	23.9	26.1
Accrued expenses and prepaid income	37.8	36.8
Other payables	9.9	10.2
Total	71.6	73.0
Accrued expenses and prepaid income		
Employee-related expenses	25.7	26.1
Contract liabilities	9.5	8.5
Other accrued expenses and prepaid income	2.6	2.2
Total	37.8	36.8
	2018	2017
Contract liabilities, Jan 1	8.5	6.1
Increases	9.5	8.5
Decreases	-8.5	-6.1
Contract liabilities, Dec 31	9.5	8.5
Trade and other payables by currency	Dec 31, 2018	Dec 31, 2017
EUR	55.9	56.4
SEK	15.7	16.4
DKK	0.0	0.1
GBP	0.0	0.0
NOK	0.0	-
RUB	0.0	-
USD	0.0	0.1
Total	71.6	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
2019	23.9	27.0	51.0
2020	-	26.5	26.5
2021	-	25.8	25.8
2022	-	21.0	21.0
2023	-	16.1	16.1
2024 -	-	23.2	23.2
Total	23.9	139.6	163.5

EUR M

20. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Classification of fair value, financial assets recognized at fair value through other comprehensive income	Dec 31, 2018	
Level 1	-	
Level 2	-	
Level 3	32.0	
Classification of fair value, investments available for sale		Dec 31, 2017
Level 1		-
Level 2		-
Level 3		27.9
Financial assets and liabilities by category (according to IFRS 9)		Recognized at fair value through other comprehensive income
	Recognized at amortized cost	
Financial assets Dec 31, 2018		
Financial assets at fair value through other comprehensive income	-	32.0
Trade receivables	11.2	-
Cash and cash equivalents	61.8	-
Total	73.1	32.0
Financial liabilities Dec 31, 2018		Recognized at amortized cost
Non-current interest-bearing liabilities		103.5
Current interest-bearing liabilities		23.5
Trade payables		23.9
Total		151.0
Financial assets and liabilities by category (according to IAS 39)	Loan receivables and trade receivables	Financial assets available for sale
Financial assets Dec 31, 2017		
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		Other financial liabilities
Non-current interest-bearing liabilities		127.0
Current interest-bearing liabilities		23.5
Trade payables		26.1
Total		176.6

21. RECONCILIATION OF LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES	2018	2017
Loans from credit institutions, Jan 1	150.6	174.1
Cash flows		
Borrowing	-	-
Principal payments	-23.5	-23.6
Total	-23.5	-23.6
Changes that do not affect cash flow		
Valuation at amortized cost, change	0.0	0.0
Loans from credit institutions, December 31	127.0	150.6

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.

Future rental income related to non-cancellable rental agreements	Dec 31, 2018	Dec 31, 2017
Due within one year	0.1	0.1
Due in later than one year but within five years	0.1	0.1
Due in later than five years	-	0.0
Total	0.1	0.2

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 7 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	Dec 31, 2018	Dec 31, 2017
Due within one year	1.5	1.7
Due in later than one year but within five years	2.3	3.2
Due in later than five years	0.0	0.2
Total	3.9	5.1

The new standard IFRS 16 “Leases”, which replaces IAS 17 “Leases”, will be applied starting with the financial year 2019; see the section “Application of renewed or amended IFRS standards” in Note 1.

23. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities

	Dec 31, 2018	Dec 31, 2017
Loans and credit lines for which vessel, vehicle and chattel mortgages were provided as collateral	142.2	150.6
Other contingent liabilities not included in the balance sheet		
Covered by site leasehold and chattel mortgages	0.0	0.0
Total	142.2	150.6

Assets pledged for own debt

	Dec 31, 2018	Dec 31, 2017
Vessel mortgages	300.0	282.0
Vehicle mortgages	0.1	0.1
Chattel mortgages	0.5	0.5
Site leasehold mortgages	0.4	0.4
Total	301.0	283.0

Investment commitments not included in the accounts

	Dec 31, 2018	Dec 31, 2017
Commitments, vessel orders	175.3	175.1
– Contractual amount	195.8	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 consist of 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
<i>Owned by the parent company, Viking Line Abp</i>			
Viking Rederi AB	Mariehamn, Finland		
	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%
<i>Owned by subsidiaries</i>			
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, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
Sales of services	-	0.0
Purchases of services	0.7	0.7

	Dec 31, 2018	Dec 31, 2017
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, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
Salaries and other short-term compensation	1,153,977	964,863
Total	1,153,977	964,863

Compensation and other benefits, 2018, EUR	Base salary/ Board fee	Other benefits	Pension expenses	Total
Ben Lundqvist, Chairman of the Board	38,000			38,000
Nils-Erik Eklund, Board member	32,000			32,000
Erik Grönberg, Board member	32,000			32,000
Agneta Karlsson, Board member	32,000			32,000
Dick Lundqvist, Board member	31,000			31,000
Lars G Nordström, Board member	32,000			32,000
Peter Wiklöf, Board member	30,000			30,000
Ulrica Danielsson, deputy Board member	7,000			7,000
Stefan Lundqvist, deputy Board member	5,000			5,000
Johnny Rosenholm, deputy Board member	6,000			6,000
	245,000	-	-	245,000
President and CEO	299,280	734	47,192	347,206
Deputy CEO	203,742	1,643	36,697	242,081
Other key individuals in leading positions	639,429	9,150	139,822	788,402
	1,142,451	11,526	223,712	1,377,689
Total	1,387,451	11,526	223,712	1,622,689

Compensation and other benefits, 2017, EUR	Base salary/ Board fee	Other benefits	Pension expenses	Total
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

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. Peter Hellgren has been the Deputy CEO since November 16, 2018, when he replaced Andreas Remmer in that position.

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 2017 and 2018.

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 2018 SEK-denominated sales accounted for about 30 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, 2018 would have an estimated effect of EUR ±0.2 M (EUR ±0.5 M on December 31, 2017) 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 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 103.5 M on December 31, 2018 (EUR 127.0 M on December 31, 2017). The Group's cash and cash equivalents amounted to EUR 61.8 M on December 31, 2018 (EUR 68.0 M on December 31, 2017). Unutilized credit lines in the Group totalled EUR 15.1 M on December 31, 2018 (EUR 0.1 M). 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, 76 per cent have fixed interest rates and 24 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, 2018.

A one percentage point change in the market interest rates on the Group's interest-bearing liabilities with floating interest rates on December 31, 2018 would have an estimated effect of EUR ±0.2 M (EUR ±0.3 M on December 31, 2017) on consolidated income after taxes and equity.

Credit and counterparty risk

Credit risk in operational activities is continuously monitored.

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.

For expected credit losses on the Group's trade receivables, a loss provision is recognized. Adjustments in the provision for credit losses are recognized in the consolidated income statement.

The Group applies the simplified method for recognizing provisions for credit losses in accordance with IFRS 9 so that the Group's provision is recognized at an amount corresponding to its expected credit losses

for the remaining maturity of the assets in question. Recognition shall be an objective, probability-weighted estimation, reflect the time value of money and be based on reasonable and supported information about previous events, current conditions and forecasts for future economic conditions.

A write-off of the book value of a financial asset is made when there are no reasonable expectations of repayment. Trade receivables are assessed individually based on overdue payments. Write-offs are recognized in the consolidated income statement.

The balance sheet carrying amount of the Group's trade and other receivables plus financial assets at fair value through other comprehensive income is equivalent to its maximum credit exposure. 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 changes in the Group's expected credit loss provision for trade receivables are presented in Note 15.

An age analysis of trade receivables can be found in Note 15.

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 of Platt's CIF NWE/Basis ARA Gas oil for the three previous days according to the European Central Bank's USD/EUR reference exchange rates for the same period. The liquefied natural gas (LNG) price is determined based on the market listing for NBP ICIS Heren's average price for the month before delivery. NBP is converted into EUR/MWh using a fixed factor based on the European Central Bank's EUR/GBP rate for the first trading date in the delivery month. In order to 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, 2018 and 2019.

Vessel bunker costs amounted to EUR 50.5 M during the financial year 2018 (EUR 46.5 M during 2017), which is equivalent to 10.1 per cent (9.0) of Group sales. Bunker consumption totalled about 76,500 tonnes of oil and about 14,800 tonnes of LNG during 2018 (about 83,200

tonnes of oil and 15,200 tonnes of LNG during 2017). A 10 per cent change in the bunker price of LNG on December 31, 2018 and the bunker oil quality that is used, based on projected bunker consumption in 2019, would have an estimated effect of EUR ±1.5 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 financial assets at fair value through other comprehensive income, of which the Group's shareholding in the insurance company Försäkringsaktiebolaget Alandia comprises 99.69 per cent.

A forecast has been made of the insurance company's cash flows during the period 2019–2023. For subsequent periods, annual growth in cash flows from insurance activities of 2.49 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 10.6 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, 2018, the equity/assets ratio amounted to 49.4 per cent, compared to 46.2 per cent on December 31, 2017.

26. LITIGATION AND DISPUTES

Viking Line is involved in a few 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

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.

Parent company financial statements

Parent company income statement

EUR M	Note	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
SALES		504.3	520.0
Other operating revenue	2	0.3	1.6
Operating expenses			
Goods and services	3	135.8	140.9
Employee expenses	4	90.4	91.9
Depreciation and amortization	5	20.9	22.0
Other operating expenses	6	251.4	259.8
		498.4	514.6
OPERATING INCOME		6.2	7.1
Financial income and expenses	7	–1.1	–1.9
INCOME BEFORE APPROPRIATIONS AND TAXES		5.1	5.2
Appropriations	8	–1.5	–4.2
Income taxes	9	–0.5	–0.1
INCOME FOR THE FINANCIAL YEAR		3.1	0.8

Sensitivity analysis, shareholding in Försäkrings Ab Alandia	Effect on present value, EUR M
Decrease by 10% of forecasted cash flows from insurance activities	– 7.4
Increase by 10% of forecasted cash flows from insurance activities	+ 7.4
Discount rate 12.6%	– 1.7
Discount rate 8.6%	+ 2.0

Parent company balance sheet

EUR M	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
FIXED ASSETS			
Intangible assets	10	5.6	5.2
Tangible assets	11		
Land		1.0	1.0
Buildings and structures		7.5	8.3
Vessels		244.0	253.4
Machinery and equipment		3.4	3.8
Advance payments		25.9	21.6
		281.9	288.1
Shares and participations	12		
Shares in Group companies		1.1	1.1
Capital contribution to Group companies		17.6	17.6
Other shares and participations		26.2	26.2
		44.9	44.8
TOTAL FIXED ASSETS		332.3	338.1
CURRENT AND FINANCIAL ASSETS			
Inventories	13	16.2	17.2
Non-current receivables			
Group receivables		10.9	15.2
Current receivables			
Trade receivables		10.8	11.4
Group receivables		6.6	6.0
Other current receivables		1.5	0.3
Accrued income and prepaid expenses	14	14.6	20.0
		33.5	37.8
Cash and cash equivalents		59.8	66.1
TOTAL CURRENT AND FINANCIAL ASSETS		120.3	136.4
TOTAL ASSETS		452.6	474.4

EUR M	Note	Dec 31, 2018	Dec 31, 2017
EQUITY AND LIABILITIES			
EQUITY	15		
Share capital		1.8	1.8
Retained earnings		73.0	74.4
Income for the financial year		3.1	0.8
TOTAL EQUITY		78.0	77.0
ACCUMULATED APPROPRIATIONS			
Accumulated depreciation differences		182.2	180.6
LIABILITIES			
Non-current liabilities	16		
Liabilities to credit institutions		103.3	126.8
Current liabilities			
Principal payments to credit institutions		23.4	23.4
Accounts payable		22.7	24.7
Group liabilities		1.9	2.0
Other current liabilities		8.5	8.7
Accrued expenses and prepaid income	17	32.6	31.2
		89.2	90.0
TOTAL LIABILITIES		192.5	216.8
TOTAL EQUITY AND LIABILITIES		452.6	474.4

Parent company cash flow statement

EUR M	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
OPERATING ACTIVITIES		
Income for the financial year	3.1	0.8
Adjustments		
Depreciation and amortization	20.9	22.0
Capital gains from tangible assets	0.0	-1.1
Capital gains/losses from investments	0.0	0.0
Other items not included in cash flow	1.5	4.4
Interest expenses and other financial expenses	4.0	4.7
Interest income and other financial income	-0.8	-1.1
Dividend income	-2.3	-2.0
Group contribution received	-	-0.2
Income taxes	0.5	0.1
Change in working capital		
Change in current receivables	3.0	-0.1
Change in inventories	1.1	0.8
Change in non-interest-bearing liabilities	-0.9	-0.8
Interest paid	-3.6	-4.2
Financial expenses paid	-0.6	-0.8
Interest received	0.9	0.9
Financial income received	0.1	0.1
Taxes paid	1.0	0.0
NET CASH FLOW FROM OPERATING ACTIVITIES	27.7	23.9
INVESTING ACTIVITIES		
Investments in vessels	-9.0	-7.5
Investments in other intangible and tangible assets	-1.8	-2.3
Advance payments	-4.3	-22.4
EU funding	-	0.8
Investments in shares and participations	0.0	-0.1
Divestments of other intangible and tangible assets	0.0	1.1
Divestments of shares and participations	0.0	0.0
Change in non-current receivables	4.3	4.3
Dividends received	2.3	2.0
NET CASH FLOW FROM INVESTING ACTIVITIES	-8.5	-23.9
FINANCING ACTIVITIES		
Principal payments, non-current liabilities	-23.4	-23.4
Dividends paid	-2.2	-4.3
Group contribution received	-	0.2
NET CASH FLOW FROM FINANCING ACTIVITIES	-25.6	-27.6
CHANGE IN CASH AND CASH EQUIVALENTS	-6.3	-27.6
Cash and cash equivalents at the beginning of the year	66.1	93.7
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	59.8	66.1

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, 2018.

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, 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. 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**
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, salary and travel expenses plus other attributable costs 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 are recognized at cost or at a probable lower net selling price. A project is under way in the Company to replace the vessels' cash and inventory management system. The project will be completed in the spring of 2019. In the new system, inventories are recognized under the FIFO (first-in first-out) principle, while inventories in the old system are recognized at a weighted average purchase price.

EUR M	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
2. OTHER OPERATING REVENUE		
Rents received on properties	0.2	0.2
Capital gains	0.0	1.1
Miscellaneous operating revenue	0.0	0.3
Total	0.3	1.6
3. GOODS AND SERVICES		
Purchases during the financial year	122.5	127.5
Change in inventories	1.1	0.6
Externally purchased services	12.2	12.7
Total	135.8	140.9
4. EMPLOYEE EXPENSES		
Salaries etc	96.5	96.1
Pension expenses	13.6	15.6
Other employee expenses	5.0	5.7
	115.2	117.4
Government restitution	-24.8	-25.4
Total	90.4	91.9
AVERAGE NUMBER OF EMPLOYEES		
Shipboard employees	1,594	1,621
Land-based employees	411	427
Total	2,005	2,048
5. DEPRECIATION AND AMORTIZATION		
Intangible assets	0.6	0.5
Buildings and structures	0.8	0.6
Vessels	18.3	19.6
Machinery and equipment	1.1	1.3
Total	20.9	22.0
6. AUDITORS' FEES		
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
7. FINANCIAL INCOME AND EXPENSES		
Dividend income from others	2.3	2.0
Interest income from Group companies	0.7	0.9
Interest income from others	0.0	0.0
Exchange gains	0.1	0.0
Other financial income	0.1	0.1
Total financial income	3.3	3.1
Interest expenses to others	3.4	3.9
Exchange losses	0.4	0.3
Other financial expenses	0.6	0.8
Total financial expenses	4.4	5.0
Total financial income and expenses	-1.1	-1.9

EUR M

	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
8. APPROPRIATIONS		
Difference between scheduled depreciation and depreciation for tax purposes	-1.5	-4.4
Group contribution	-	0.2
Total	-1.5	-4.2

	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
9. INCOME TAXES		
Income tax on actual operations	-0.5	-0.1

	Intangible rights	Other long-term assets	Total
10. INTANGIBLE ASSETS			
Acquisition cost, Jan 1, 2018	5.7	11.7	17.4
Increases	0.9	0.2	1.1
Decreases	-0.8	-0.1	-0.9
Acquisition cost, Dec 31, 2018	5.8	11.7	17.6
Accumulated amortization, Jan 1, 2018	-3.2	-9.0	-12.2
Accumulated amortization on decreases	0.8	0.1	0.9
Amortization for the period	-0.2	-0.4	-0.6
Accumulated amortization, Dec 31, 2018	-2.7	-9.2	-11.9
Book value, Dec 31, 2018	3.2	2.5	5.6

	Land	Buildings and structures	Vessels	Machinery and equipment	Advance payments	Total
11. TANGIBLE ASSETS						
Acquisition cost, Jan 1, 2018	0.6	23.2	722.3	12.5	21.6	780.1
Increases	-	0.0	9.0	0.7	4.3	14.1
Decreases	-	-1.7	-6.3	-1.1	-	-9.2
Acquisition cost, Dec 31, 2018	0.6	21.5	724.9	12.2	25.9	785.1
Accumulated depreciation, Jan 1, 2018	-	-14.9	-468.9	-8.7	-	-492.6
Accumulated depreciation on decreases	-	1.7	6.3	1.1	-	9.2
Depreciation for the period	-	-0.8	-18.3	-1.1	-	-20.3
Accumulated depreciation, Dec 31, 2018	-	-14.0	-480.9	-8.8	-	-503.7
Revaluations, Jan 1, 2018	0.5	-	-	-	-	0.5
Revaluations, Dec 31, 2018	0.5	-	-	-	-	0.5
Book value, Dec 31, 2018	1.0	7.5	244.0	3.4	25.9	281.9

	Shares in Group companies	Capital contribution to Group Companies	Other shares and participations	Total
12. SHARES AND PARTICIPATIONS				
Acquisition cost, Jan 1, 2018	1.1	17.6	26.2	44.8
Increases	-	-	0.0	0.0
Decreases	-	-	0.0	0.0
Acquisition cost, Dec 31, 2018	1.1	17.6	26.2	44.9

EUR M

	Dec 31, 2018	Dec 31, 2017
13. INVENTORIES		
Stocks of goods for sale	14.9	16.0
Supplies	0.2	0.2
Stocks of vessel fuel	1.1	1.1
Total	16.2	17.2

	Dec 31, 2018	Dec 31, 2017
14. ACCRUED INCOME AND PREPAID EXPENSES		
Employee-related items	13.3	17.0
Other accrued income and prepaid expenses	1.3	3.0
Total	14.6	20.0

	2018	2017
15. EQUITY		
Share capital, Jan 1	1.8	1.8
Share capital, Dec 31	1.8	1.8
Retained earnings, Jan 1	74.4	77.1
Income for the previous financial year	0.8	1.6
Dividend paid to shareholders	-2.2	-4.3
Retained earnings, Dec 31	73.0	74.4
Income for the financial year	3.1	0.8
Total equity	78.0	77.0

	Dec 31, 2018	Dec 31, 2017
16. LOANS THAT FALL DUE LATER THAN AFTER 5 YEARS		
Liabilities to credit institutions	22.4	37.3

	Dec 31, 2018	Dec 31, 2017
17. ACCRUED EXPENSES AND PREPAID INCOME		
Employee-related items	20.4	20.6
Other accrued expenses and prepaid income	12.3	10.6
Total	32.6	31.2

	Dec 31, 2018	Dec 31, 2017
18. PLEDGED ASSETS AND OTHER CONTINGENT LIABILITIES		
Contingent liabilities		
Loans and credit lines for which vessel mortgages were provided as collateral	141.8	150.2
Total	141.8	150.2

Assets pledged for own debt

Vessel mortgages	300.0	282.0
Total	300.0	282.0

Leasing liabilities

Amounts that fall due during the following accounting period	0.6	0.7
Amounts that fall due later	0.5	0.9
Total	1.2	1.6

Investment commitments not included in the accounts

Commitments, vessel orders	175.3	175.1
– Contractual amount	195.8	195.0

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

Signatures

Signatures of the Board of Directors and the President and CEO

Mariehamn, February 13, 2019

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 13, 2019	
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 Board of Directors.

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 2018. 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.

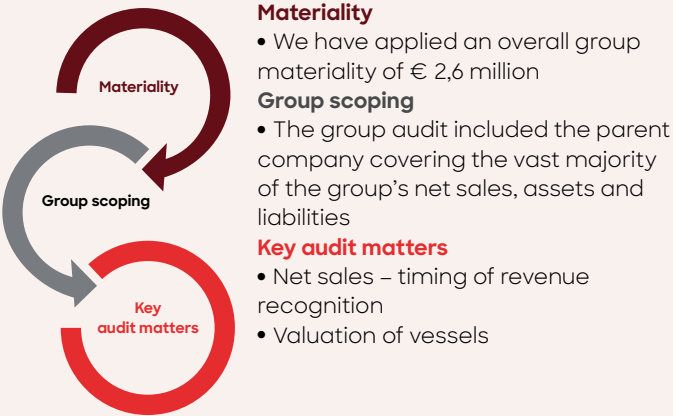
Basis for Opinion
We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

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



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
€ 2,6 million

How we determined it
0,5 % of average consolidated net sales during the past five years

Rationale for the materiality benchmark applied
We chose net sales as the benchmark because, in our view, it reflects the volume of the group’s operations and it is a benchmark against which the performance of the group is commonly measured by users.

Net sales is a generally accepted benchmark. We chose 0,5 % of net sales, which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group and the size, complexity and risks of individual subsidiaries. Based on these criteria we assessed that the audit of the parent company covers the vast majority of the group's net sales, assets and liabilities.

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 adressed 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.

Sales consist of a 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.

The group has a customer loyalty program, where passengers collect bonus points that can be used as payment for tickets or services on board. A short-term liability and reduction of net sales is recorded for the amount of bonus points that management estimates that is likely to be utilized.

We focused on the risk, that revenue 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 2018 against the point-of-sales systems on board.

We assessed the reasonableness of management's estimate of the likelihood that collected bonus points will be utilized before they expire.

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.

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 reviewed capitalized costs for vessels under construction to validate that they fulfill the criteria for capitalization.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or 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.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

Other Reporting Requirements

Appointment

Authorised public accountants from PricewaterhouseCoopers Oy have been acting, without interruption, as the auditors for Viking Line Abp since the Annual General Meeting 11 February 2010.

Authorised public accountant (KHT) Ylva Eriksson been the auditor for four years since the Annual General Meeting 22 April 2015 and (KHT) Petter Lindeman for three years since the Annual General Meeting 20 April 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 13 February 2019

Ylva Eriksson
Authorised Public
Accountant (KHT)

Petter Lindeman
Authorised Public
Accountant (KHT)

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