

## **BUSINESS REVIEW FOR THE PERIOD JANUARY–SEPTEMBER 2018**

### **SALES AND EARNINGS**

Consolidated sales of the Viking Line Group for the period January 1–September 30, 2018 were 378.1 million euros (EUR 392.1 M for the period January 1–September 30, 2017). Other operating revenue amounted to EUR 0.2 M (1.3). Operating income totalled EUR 7.7 M (6.3). Net financial items totalled EUR -2.1 M (-1.7). Consolidated income before taxes amounted to EUR 5.6 M (4.6). Income after taxes totalled EUR 4.8 M (3.8).

Passenger-related revenue was EUR 343.0 M (357.8), while cargo revenue amounted to EUR 33.4 M (32.6). Net sales revenue was EUR 275.5 M (284.8).

Due to lower operating expenses compared to the previous year, consolidated income for 2018 improved despite lower sales. Consolidated operating expenses decreased by 4.1 per cent to EUR 250.0 M (260.6). Bunker (vessel fuel) expenses increased by 5.9 per cent to EUR 37.8 M (35.7). The weak Swedish krona had a negative impact on consolidated income.

During the third quarter, July 1–September 30, 2018, consolidated sales totalled EUR 152.3 M (EUR 156.6 M for the period July 1–September 30, 2017). Third quarter operating income amounted to EUR 21.3 M (21.3).

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 but did not contribute to income during 2017. However, the vessel's earnings for the third quarter of 2017 improved compared to the second quarter.

### **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.

The number of passengers on Viking Line's vessels during the report period amounted to 4,967,745 (5,370,581). The Group had a total market share in its service area of approximately 32.6 per cent (35.0).

Viking Line's cargo volume was 95,081 cargo units (94,568). Viking Line achieved a cargo market share of approximately 17.6 per cent (18.7). The number of cars transported was 562,038 units (612,258).

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.

## INVESTMENTS AND FINANCING

The Group's investments amounted to EUR 11.6 M (31.3), of which EUR 2.9 M (20.8) was related to capitalized costs for vessels under construction. The Group's total investments represent 3.1 per cent of sales (8.0).

On September 30, 2018, the Group's non-current interest-bearing liabilities totalled EUR 107.8 M (131.3). The equity/assets ratio was 48.1 per cent, compared to 45.2 per cent a year earlier.

At the end of September 2018, the Group's cash and cash equivalents amounted to EUR 57.0 M (63.9). Unutilized credit lines in the Group totalled EUR 15.1 M on September 30, 2018 (EUR 0.1 M). Net cash flow from operating activities amounted to EUR 19.5 M (20.7). Net cash flow from investing activities was EUR -9.2 M (-28.2) and net cash flow from financing activities amounted to EUR -21.4 M (-23.6).

## FINANCIAL REPORTING

This Business Review is not an Interim Report prepared in compliance with IAS 34.

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

IFRS 15, "Revenue from contracts with customers", is applied beginning with the financial year 2018. The standard is applied retroactively for each previous reporting period. For the financial year 2018, some of the Group's sales and purchases of external services will be recognized on a net basis. Previously, these purchases were recognized under goods and services. Comparable figures for 2017 have been adjusted for these items. This entails a reduction in consolidated sales and in goods and services of EUR 7.5 M for the first nine months of the financial year 2017 and EUR 9.2 M for the full financial year. The adjustment has no effect on consolidated income or equity.

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

This Business Review is otherwise prepared in accordance with the same accounting principles, estimates and judgements as in the latest annual financial statements. The Business Review is unaudited.

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

## ORGANIZATION AND PERSONNEL

The average number of Group employees was 2,712 (2,791), of whom 2,039 (2,086) worked for the parent company. Land-based personnel totalled 643 (667) and shipboard personnel totalled 2,069 (2,124).

In addition to the Group's own employees, Viking XPRS was crewed by an average of 241 (249) people employed by a staffing company.

## **OUTLOOK FOR THE FULL FINANCIAL YEAR 2018**

Competition in Viking Line's service area remains tough and implies continued pressure on prices and volumes. The organizational change implemented during the spring 2018 is expected to have a positive effect on the Group's results. Bunker (vessel fuel) prices for the remainder of the financial year will affect the Group's earnings trend. Overall, operating income for 2018 is expected to improve or remain on a par with operating income for 2017.

The Year-end Report for the financial year 2018 will be published on February 14, 2019.

Mariehamn, Åland, November 14, 2018

### **VIKING LINE ABP**

Jan Hanses  
President and Chief Executive Officer

**CONSOLIDATED INCOME STATEMENT**

EUR M	Jul 1, 2018– Sep 30, 2018	Jul 1, 2017– Sep 30, 2017	Jan 1, 2018– Sep 30, 2018	Jan 1, 2017– Sep 30, 2017	Jan 1, 2017– Dec 31, 2017
<b>SALES</b>	<b>152.3</b>	<b>156.6</b>	<b>378.1</b>	<b>392.1</b>	<b>513.6</b>
Other operating revenue	0.1	1.1	0.2	1.3	1.7
<b>Expenses</b>					
Goods and services	40.1	41.1	102.6	107.3	140.9
Salary and other employment benefit expenses	30.1	32.0	88.8	91.1	120.6
Depreciation and impairment losses	5.7	6.0	18.0	19.1	25.2
Other operating expenses	55.2	57.2	161.2	169.4	218.5
	131.1	136.4	370.6	387.0	505.2
<b>OPERATING INCOME</b>	<b>21.3</b>	<b>21.3</b>	<b>7.7</b>	<b>6.3</b>	<b>10.0</b>
Financial income	0.0	0.0	2.4	2.2	2.2
Financial expenses	-0.4	-1.1	-4.5	-3.8	-5.6
<b>INCOME BEFORE TAXES</b>	<b>20.9</b>	<b>20.3</b>	<b>5.6</b>	<b>4.6</b>	<b>6.6</b>
Income taxes	-4.2	-4.2	-0.8	-0.8	-1.3
<b>INCOME FOR THE PERIOD</b>	<b>16.6</b>	<b>16.1</b>	<b>4.8</b>	<b>3.8</b>	<b>5.3</b>
<i>Income attributable to:</i>					
Parent company shareholders	16.6	16.1	4.8	3.8	5.3
Earnings per share before and after dilution, EUR	1.54	1.49	0.45	0.35	0.49

**CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

EUR M	Jul 1, 2018– Sep 30, 2018	Jul 1, 2017– Sep 30, 2017	Jan 1, 2018– Sep 30, 2018	Jan 1, 2017– Sep 30, 2017	Jan 1, 2017– Dec 31, 2017
<b>INCOME FOR THE PERIOD</b>	<b>16.6</b>	<b>16.1</b>	<b>4.8</b>	<b>3.8</b>	<b>5.3</b>
<i>Items that may be reclassified to the income statement</i>					
Translation differences	0.2	0.1	-0.9	-0.1	-0.6
Changes in the fair value of investments available for sale	-	-	-	-	0.7
<i>Items that will not be reclassified to the income statement</i>					
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	0.0	-	-
<b>Other comprehensive income</b>	<b>0.2</b>	<b>0.1</b>	<b>-0.9</b>	<b>-0.1</b>	<b>0.1</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>16.8</b>	<b>16.1</b>	<b>3.9</b>	<b>3.7</b>	<b>5.4</b>
<i>Comprehensive income attributable to:</i>					
Parent company shareholders	16.8	16.1	3.9	3.7	5.4

**CONSOLIDATED BALANCE SHEET**

EUR M	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3.0	2.4	2.5
Land	0.6	0.6	0.6
Buildings and structures	7.9	8.7	8.6
Renovation costs for rented properties	2.6	2.8	2.7
Vessels	283.9	299.6	294.6
Machinery and equipment	5.0	5.0	5.2
Advance payments	24.5	20.8	21.6
Financial assets at fair value through other comprehensive income	27.9	-	-
Investments available for sale	-	27.1	27.9
<b>Total non-current assets</b>	<b>355.2</b>	<b>366.9</b>	<b>363.5</b>
<b>Current assets</b>			
Inventories	16.4	18.3	17.3
Income tax assets	-	0.5	1.6
Trade and other receivables	40.8	42.3	34.3
Cash and cash equivalents	57.0	63.9	68.0
<b>Total current assets</b>	<b>114.1</b>	<b>125.0</b>	<b>121.1</b>
<b>TOTAL ASSETS</b>	<b>469.4</b>	<b>491.8</b>	<b>484.6</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1.8	1.8	1.8
Reserves	1.7	1.0	1.7
Translation differences	-2.4	-1.2	-1.7
Retained earnings	224.7	220.7	222.2
Equity attributable to parent company shareholders	225.8	222.3	224.1
<b>Total equity</b>	<b>225.8</b>	<b>222.3</b>	<b>224.1</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	37.0	35.9	37.0
Non-current interest-bearing liabilities	107.8	131.3	127.0
<b>Total non-current liabilities</b>	<b>144.8</b>	<b>167.3</b>	<b>164.1</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	23.5	23.5	23.5
Income tax liabilities	0.3	0.0	-
Trade and other payables	75.0	78.8	73.0
<b>Total current liabilities</b>	<b>98.8</b>	<b>102.3</b>	<b>96.5</b>
<b>Total liabilities</b>	<b>243.6</b>	<b>269.5</b>	<b>260.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>469.4</b>	<b>491.8</b>	<b>484.6</b>
Equity per share, EUR	20.91	20.58	20.75