

# VIKING LINE

## Business review

for the period January–March 2019



### First quarter for Viking Line unchanged

#### January–March 2019 (compared to January–March 2018)

- Sales amounted to EUR 95.8 M (100.3).
- Other operating revenue was EUR 0.1 M (0.1).
- Operating income totalled EUR -14.2 M (-13.5).
- Net financial items were EUR -1.2 M (-2.6).
- Income before taxes amounted to EUR -15.4 M (-16.1).
- Income after taxes totalled EUR -12.3 M (-12.9).
- Future prospects unchanged: Operating income for 2019 will remain on a par with operating income for 2018 or improve.

#### Comments from President and CEO Jan Hanses

“Results for the first quarter of the financial year were on a par with results last year. However, results for the first quarter were negatively affected by the fact that all Easter traffic took place in April 2019.

During the quarter, a number of strategic initiatives were launched in order to raise net sales revenue per passenger. The first results could be seen in March, and the trend continued in early April. This trend is positive, and I look forward with great confidence to our peak season, when most of our income is generated. It is also gratifying that our customer satisfaction figures increased during the quarter compared to last year.”

#### Sales and earnings

Passenger-related revenue was EUR 83.0 M (88.2), while cargo revenue amounted to EUR 12.3 M (11.5). Net sales revenue was EUR 70.1 M (72.4).

Consolidated operating expenses decreased by 2.4 per cent to EUR 78.1 M (80.0). Bunker (vessel fuel) expenses decreased by 4.5 per cent to EUR 11.4 M (11.9). The weak Swedish krona had a negative impact on consolidated income.

### **Service and market trends**

The Viking Line Group provides passenger and cargo carrier services using seven vessels on the northern Baltic Sea. The vessels served the same routes as in 2018.

The number of passengers on Viking Line's vessels during the report period amounted to 1,120,368 (1,215,378). The Group had a total market share in its service area of approximately 31.3 per cent (32.0).

Viking Line's cargo volume was 34,982 cargo units (32,159). The Group achieved a cargo market share of approximately 19.9 per cent (18.4). The number of cars transported was 109,790 units (114,387).

### **Investments and financing**

The Group's investments amounted to EUR 23.2 M (4.8), of which EUR 20.7 M (0.8) was related to capitalized costs for vessels under construction. The Group's total investments represent 24.2 per cent of sales (4.8).

On March 31, 2019, the Group's non-current interest-bearing liabilities totalled EUR 116.0 M (119.6). The equity/assets ratio was 46.8 per cent, compared to 45.2 per cent a year earlier.

At the end of March 2019, the Group's cash and cash equivalents amounted to EUR 36.2 M (43.4). Unutilized credit lines in the Group totalled EUR 15.1 M on March 31, 2019 (15.1). Net cash flow from operating activities amounted to EUR -14.5 M (-12.3). Net cash flow from investing activities was EUR -23.2 M (-4.8) and net cash flow from financing activities amounted to EUR 12.0 M (-7.5).

## Financial reporting

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

IFRS 16 “Leases” is effective starting from the financial year 2019. The Group previously recognized all leases as operating leases. As of January 1, 2019, the Group reports a lease liability recognized at the present value of the remaining lease payments, discounted by the rate implicit in the lease or 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. Comparative figures will not be adjusted. The table below illustrates the effects of the application of IFRS 16 on the opening balance for the Group.

<b>CONSOLIDATED BALANCE SHEET (EUR M)</b>	<b>Dec 31, 2018</b>	<b>Impact of IFRS 16</b>	<b>Jan 1, 2019</b>
<b>ASSETS</b>			
Non-current assets	358.0	7.2	365.2
Current assets	109.2		109.2
<b>TOTAL ASSETS</b>	<b>467.2</b>	<b>7.2</b>	<b>474.4</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	230.7		230.7
Non-current liabilities	141.0	5.3	146.3
Current liabilities	95.5	1.9	97.4
Total liabilities	236.5	7.2	243.7
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>467.2</b>	<b>7.2</b>	<b>474.4</b>

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. During the first quarter of 2019, the application of IFRS 16 had an effect on consolidated income of EUR -0.02 M.

There is a more detailed account of the application of IFRS 16 in the notes to the consolidated financial statements 2018.

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 2,502 (2,534), of whom 1,882 (1,892) worked for the parent company. Land-based personnel totalled 591 (622) and shipboard personnel totalled 1,911 (1,912).

In addition to the Group's own employees, Viking XPRS was crewed by an average of 224 (229) people employed by a staffing company.

### **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. Overall, operating income for 2019 is expected to 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 Group's Half-Year Financial Report for the period January 1–June 30, 2019 will be published on August 20, 2019.

Mariehamn, Åland, April 24, 2019

**VIKING LINE ABP**

Jan Hanses

President and Chief Executive Officer

## Consolidated income statement

EUR M	Jan 1, 2019– Mar 31, 2019	Jan 1, 2018– Mar 31, 2018	Jan 1, 2018– Dec 31, 2018
<b>SALES</b>	<b>95.8</b>	<b>100.3</b>	<b>497.8</b>
Other operating revenue	0.1	0.1	0.3
<b>Expenses</b>			
Goods and services	25.7	27.9	135.8
Salary and other employment benefit expenses	28.2	28.5	117.3
Depreciation and impairment losses	6.3	6.0	23.8
Other operating expenses	49.9	51.5	211.8
	110.1	113.9	488.8
<b>OPERATING INCOME</b>	<b>-14.2</b>	<b>-13.5</b>	<b>9.3</b>
Financial income	0.0	0.0	2.4
Financial expenses	-1.2	-2.6	-5.2
<b>INCOME BEFORE TAXES</b>	<b>-15.4</b>	<b>-16.1</b>	<b>6.5</b>
Income taxes	3.1	3.2	-1.0
<b>INCOME FOR THE PERIOD</b>	<b>-12.3</b>	<b>-12.9</b>	<b>5.5</b>
<i>Income attributable to:</i>			
Parent company shareholders	-12.3	-12.9	5.5
Earnings per share before and after dilution, EUR	-1.14	-1.20	0.51

## Consolidated statement of comprehensive income

EUR M	Jan 1, 2019– Mar 31, 2019	Jan 1, 2018– Mar 31, 2018	Jan 1, 2018– Dec 31, 2018
<b>INCOME FOR THE PERIOD</b>	<b>-12.3</b>	<b>-12.9</b>	<b>5.5</b>
<i>Items that may be reclassified to the income statement</i>			
Translation differences	-0.3	-0.8	-0.8
<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	-	-	4.1
<b>Other comprehensive income</b>	<b>-0.3</b>	<b>-0.8</b>	<b>3.3</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-12.6</b>	<b>-13.7</b>	<b>8.8</b>
<i>Comprehensive income attributable to:</i>			
Parent company shareholders	-12.6	-13.7	8.8

## Consolidated balance sheet

EUR M	Mar 31, 2019	Mar 31, 2018	Dec 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3.2	2.7	3.2
Land	0.6	0.6	0.6
Buildings and structures	7.6	8.4	7.7
Renovation costs for rented properties	2.4	2.7	2.5
Vessels	277.9	290.9	281.2
Machinery and equipment	4.7	5.1	4.9
Right-of-use assets	6.7	-	-
Advance payments	46.6	22.4	25.9
Financial assets at fair value through other comprehensive income	32.0	27.9	32.0
<b>Total non-current assets</b>	<b>381.5</b>	<b>360.6</b>	<b>358.0</b>
<b>Current assets</b>			
Inventories	17.4	17.4	16.3
Income tax assets	3.2	3.8	0.4
Trade and other receivables	40.1	40.4	30.7
Cash and cash equivalents	36.2	43.4	61.8
<b>Total current assets</b>	<b>96.8</b>	<b>104.9</b>	<b>109.2</b>
<b>TOTAL ASSETS</b>	<b>478.4</b>	<b>465.5</b>	<b>467.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1.8	1.8	1.8
Reserves	5.8	1.7	5.8
Translation differences	-2.4	-2.3	-2.3
Retained earnings	212.9	209.1	225.3
Equity attributable to parent company shareholders	218.1	210.3	230.7
<b>Total equity</b>	<b>218.1</b>	<b>210.3</b>	<b>230.7</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	37.5	37.0	37.5
Interest-bearing liabilities	116.0	119.6	103.5
Lease liabilities	4.8	-	-
<b>Total non-current liabilities</b>	<b>158.3</b>	<b>156.6</b>	<b>141.0</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	23.5	23.5	23.5
Lease liabilities	1.9	-	-
Income tax liabilities	0.0	0.0	0.3
Trade and other payables	76.5	75.1	71.6
<b>Total current liabilities</b>	<b>102.0</b>	<b>98.6</b>	<b>95.5</b>
<b>Total liabilities</b>	<b>260.3</b>	<b>255.2</b>	<b>236.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>478.4</b>	<b>465.5</b>	<b>467.2</b>
Equity per share, EUR	20.19	19.47	21.36