

VIKING LINE

Year-End Report

for the period January–December 2019



Viking Line doubles its earnings

January–December 2019 (compared to January–December 2018)

- Sales amounted to EUR 496.4 M (497.8).
- Other operating revenue was EUR 0.4 M (0.3).
- Operating income totalled EUR 17.4 M (9.3).
- Net financial items were EUR -3.8 M (-2.8).
- Income before taxes amounted to EUR 13.6 M (6.5).
- Income after taxes totalled EUR 10.8 M (5.5).

Fourth quarter 2019 (compared to fourth quarter 2018)

- Sales amounted to EUR 115.6 M (119.8).
- Operating income totalled EUR -0.1 M (1.6).

Outlook for the full financial year 2020

We expect that the passenger volume trend will be stable and that net sales per passenger will increase somewhat. Fixed-price agreements for a portion of the Group's bunker (vessel fuel) costs for 2020 mitigate the risk of increased bunker costs. The trend for salary expenses is considered to be moderate. Income during the third quarter will be crucial to the Group's earnings for the full financial year.

Competition is still tough in Viking Line's markets, where operating conditions are affected by squeezed prices and volumes. There is a risk that economic growth in the Asian market will come to a standstill due to the coronavirus.

The Board of Directors' assessment is that operating income for 2020 will remain on a par with operating income for 2019

Comments from President and CEO Jan Hanses

“Results for 2019 show that we are on the right path. We have had considerable success in reversing a downward trend. The work to develop our organization, which we began in 2018, has been successful. The goal has been to sharpen our commercial focus. Performance in the first three quarters of the year was better than for the previous year. I am particularly pleased about the improved net sales contribution per passenger and about the lower operating costs. The favourable trend from the second quarter continued during our peak season, which is the most important period of the year economically. The end of the financial year was adversely affected when the Finnish Seafarers’ Union decided to go on a solidarity strike.

“With ever increasing clarity, Viking Line has chosen to play an active role in developing sustainable maritime travel – an area that we have been a pioneer in for many years. In a time of active social discussion and rapid change, we want to meet our customers’ growing demand for sustainable services and greater demands for travel options in our region. During the year, a sustainability strategy was approved. The work is strategic and targets customers, employees and the environment. As an Åland-based shipping company, we live off the sea and it is important to us to promote its well-being. We want to be a pioneer when it comes to implementing solutions that reduce our environmental impact.”

Sales and earnings

Consolidated sales of the Viking Line Group for the period January 1 – December 31, 2019 were 496.4 million euros (EUR 497.8 M for the period January 1 – December 31, 2018). Operating income totalled EUR 17.4 M (9.3).

Passenger-related revenue was EUR 448.4 M (450.3), while cargo revenue amounted to EUR 45.6 M (45.3). Net sales revenue was EUR 363.3 M (362.0).

Consolidated operating expenses decreased by 2.3 per cent to EUR 321.7 M (329.2). Bunker (vessel fuel) expenses decreased by 7.4 per cent to EUR 47.0 M (50.8).

During the fourth quarter, July 1–December 31, passenger volume fell compared to the same period in the previous year, with the result being lower sales and lower net sales revenue. The main reason for the lower net sales revenue was the Finnish Seafarers' Union's solidarity strike in November. As a result, operating income was EUR -0.1 M (1.6M).

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 6,300,480 (6,411,537). The Group had a total market share in its service area of approximately 31.9 per cent (32.4).

Viking Line's cargo volume was 133,940 cargo units (128,549). The Group achieved a cargo market share of approximately 18.4 per cent (17.8). The market share for passenger cars was approximately 31.9 per cent (31.7).

Investments and financing

The Group's investments amounted to EUR 29.9 M (15.9), of which EUR 23.6 M (4.3) primarily pertains to an advance payment for vessels under construction. The Group's total investments represent 6.0 per cent of sales (3.2).

The construction of our new vessel, Viking Glory, is progressing in China. The vessel is expected to be placed in service in 2021.

On December 31, 2019, the Group's non-current interest-bearing liabilities totalled EUR 100.0 M (103.5). The equity/assets ratio was 50.7 per cent, compared to 49.4 per cent a year earlier.

At the end of December 2019, the Group's cash and cash equivalents amounted to EUR 62.8 M (61.8). Unutilized credit lines in the Group totalled EUR 15.1 M on December 31, 2019 (15.1). Net cash flow from operating activities amounted to EUR 38.0 M (33.0). Net cash flow from investing activities was EUR -29.5 M (-13.5) and net cash flow from financing activities amounted to EUR -7.6 M (-25.7).

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 266.0 M (281.2). 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 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 2018, 2019 and 2020.

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 of the operating inflow 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.

Advance payments are related to vessels under construction and totalled EUR 49.5 M on December 31, 2019. These consist of advance payments in compliance with vessel construction (newbuilding) contracts, planning and monitoring expenses and capitalized borrowing expenses. In the event the vessel construction contract should be terminated, the Company has a bank guarantee of EUR 38.8 M plus interest as security for the advance payment made.

Sustainability report

The Sustainability Report for 2019 will be published. Information about Viking Line's sustainability work is also available on Vikingline.com.

Organization and personnel

The average number of Group employees was 2,632 (2,671), of whom 1,986 (2,005) worked for the parent company. Land-based personnel totalled 594 (634) and shipboard personnel totalled 2,038 (2,037).

In addition to the Group's own employees, Viking XPRS was crewed by an average of 245 (242) people employed by a staffing company.

At the end of 2019, the total number of Group employees was 2,810 (2,874), of which 2,198 (2,299) resided in Finland. The number residing in Sweden was 507 (453). There were 91 (111) employees residing in Estonia and 14 (11) in other countries.

Corporate governance statement

Viking Line applies the Finnish Corporate Governance Code, which was approved by the Securities Market Association. The Code is available on the Securities Market Association's website, Cgfinland.fi. Viking Line complies with the Code in full. The Corporate Governance Statement for 2019 is published as part of Viking Line's Annual Report. Information about Viking Line's corporate governance is available on Vikingline.com.

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.

The board's proposal on distribution of earnings

According to the balance sheet of Viking Line Abp on December 31, 2019, unrestricted equity totalled EUR 83,901,141.11.

The Board of Directors proposes to the Annual General Meeting that:

A dividend of EUR 0.45 per share be paid, totalling	EUR	4,860,000.00
Remaining unrestricted equity	EUR	79,041,141.11

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.

Annual general meeting

The Annual General Meeting of Viking Line Abp will be held at 12 noon on Thursday, April 23, 2020 at the Alandica Kultur och Kongress auditorium, Strandgatan 33, Mariehamn, Åland, Finland.

An electronic version of the Annual Report for the financial year 2019 will be published during the week of March 2, 2020 on the Company's website, Vikingline.com. The printed Annual Report will be published in Swedish and Finnish during the week of March 16, 2020.

Financial information for 2020

During the financial year 2020, Viking Line Abp's financial reports will be published for the periods January 1 to March 31, 2020; January 1 to June 30, 2020; and January 1 to September 30, 2020. The Business Review for January–March will be published on April 23, the Half-Year Financial Report for January–June on August 20 and the Business Review for January–September on October 21. The Year-End Report for the financial year 2020 will be published on February 18, 2021.

Mariehamn, Åland, February 12, 2020

VIKING LINE ABP

The Board of Directors

Consolidated income statement

EUR M	Oct 1, 2019– Dec 31, 2019	Oct 1, 2018– Dec 31, 2018	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
SALES	115.6	119.8	496.4	497.8
Other operating revenue	0.2	0.1	0.4	0.3
Expenses				
Goods and services	31.9	33.2	133.1	135.8
Salary and other employment benefit expenses	28.7	28.5	117.1	117.3
Depreciation, amortization and impairment losses	6.1	5.9	24.6	23.8
Other operating expenses	49.2	50.6	204.6	211.8
	115.9	118.2	479.4	488.8
OPERATING INCOME	-0.1	1.6	17.4	9.3
Financial income	0.1	0.1	0.5	2.4
Financial expenses	-0.3	-0.8	-4.3	-5.2
INCOME BEFORE TAXES	-0.3	0.9	13.6	6.5
Income taxes	0.0	-0.2	-2.7	-1.0
INCOME FOR THE PERIOD	-0.3	0.7	10.8	5.5
<i>Income attributable to:</i>				
Parent company shareholders	-0.3	0.7	10.8	5.5
Earnings per share before and after dilution, EUR	-0.03	0.06	1.00	0.51

Consolidated statement of comprehensive income

EUR M	Oct 1, 2019– Dec 31, 2019	Oct 1, 2018– Dec 31, 2018	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
INCOME FOR THE PERIOD	-0.3	0.7	10.8	5.5
<i>Items that may be reclassified to the income statement</i>				
Translation differences	0.5	0.2	-0.3	-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	-3.9	4.1	-3.9	4.1
Other comprehensive income	-3.4	4.2	-4.2	3.3
COMPREHENSIVE INCOME FOR THE PERIOD	-3.7	4.9	6.6	8.8
<i>Comprehensive income attributable to:</i>				
Parent company shareholders	-3.7	4.9	6.6	8.8

Consolidated balance sheet

EUR M	Dec 31, 2019	Dec 31, 2018
ASSETS		
Non-current assets		
Intangible assets	3.3	3.2
Land	0.6	0.6
Buildings and structures	7.3	7.7
Renovation costs for rented properties	2.2	2.5
Vessels	266.0	281.2
Machinery and equipment	3.9	4.9
Right-of-use assets	5.2	-
Advance payments	49.5	25.9
Financial assets at fair value through other comprehensive income	28.1	32.0
Total non-current assets	366.0	358.0
Current assets		
Inventories	16.9	16.3
Income tax assets	0.4	0.4
Trade and other receivables	28.0	30.7
Cash and cash equivalents	62.8	61.8
Total current assets	108.1	109.2
TOTAL ASSETS	474.0	467.2
EQUITY AND LIABILITIES		
Equity		
Share capital	1.8	1.8
Reserves	1.9	5.8
Translation differences	-2.5	-2.3
Retained earnings	233.9	225.3
Equity attributable to parent company shareholders	235.1	230.7
Total equity	235.1	230.7
Non-current liabilities		
Deferred tax liabilities	37.7	37.5
Interest-bearing liabilities	100.0	103.5
Lease liabilities	3.6	-
Total non-current liabilities	141.3	141.0
Current liabilities		
Interest-bearing liabilities	23.5	23.5
Lease liabilities	1.7	-
Income tax liabilities	2.1	0.3
Trade and other payables	70.3	71.6
Total current liabilities	97.6	95.5
Total liabilities	238.9	236.5
TOTAL EQUITY AND LIABILITIES	474.0	467.2

Consolidated cash flow statement

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
OPERATING ACTIVITIES		
Income for the period	10.8	5.5
Adjustments		
Depreciation, amortization and impairment losses	24.6	23.8
Capital gains/losses from non-current assets	0.0	-0.1
Other items not included in cash flow	0.4	0.9
Interest expenses and other financial expenses	3.8	4.0
Interest income and other financial income	-0.1	-0.1
Dividend income	-0.4	-2.3
Income taxes	2.7	1.0
Change in working capital		
Change in trade and other receivables	2.7	3.6
Change in inventories	-0.6	1.0
Change in trade and other payables	-1.2	-1.1
Interest paid	-3.4	-3.6
Financial expenses paid	-0.5	-0.6
Interest received	0.0	0.0
Financial income received	0.1	0.1
Taxes paid	-0.8	1.0
NET CASH FLOW FROM OPERATING ACTIVITIES	38.0	33.0
INVESTING ACTIVITIES		
Investments in vessels	-5.4	-9.2
Investments in other intangible and tangible assets	-1.0	-2.3
Advance payments	-23.6	-4.3
Investments in financial assets recognized at fair value through other comprehensive income	0.0	0.0
Divestments of other intangible and tangible assets	0.1	0.1
Divestments of financial assets recognized at fair value through other comprehensive income	-	0.0
Dividends received	0.4	2.3
NET CASH FLOW FROM INVESTING ACTIVITIES	-29.5	-13.5
FINANCING ACTIVITIES		
Increase in non-current liabilities	20.0	-
Principal payments, non-current liabilities	-23.5	-23.5
Depreciation of lease liabilities	-1.9	-
Dividends paid	-2.2	-2.2
NET CASH FLOW FROM FINANCING ACTIVITIES	-7.6	-25.7
CHANGE IN CASH AND CASH EQUIVALENTS	0.9	-6.2
Cash and cash equivalents at the beginning of the period	61.8	68.0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	62.8	61.8

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, 2019	1.8	5.8	-2.3	225.3	230.7
Income for the period				10.8	10.8
Translation differences		0.0	-0.2	-0.1	-0.3
Remeasurement of financial assets recognized at fair value through other comprehensive income		-3.9			-3.9
Comprehensive income for the period	-	-3.9	-0.2	10.7	6.6
Dividend to shareholders				-2.2	-2.2
Transactions with owners of the parent company	-	-	-	-2.2	-2.2
EQUITY, DEC 31, 2019	1.8	1.9	-2.5	233.9	235.1

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 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

Quarterly consolidated income statement

EUR M	2019 Q4	2019 Q3	2019 Q2	2019 Q1
SALES	115.6	153.8	131.1	95.8
Other operating revenue	0.2	0.0	0.1	0.1
Expenses				
Goods and services	31.9	40.0	35.5	25.7
Salary and other employment benefit expenses	28.7	29.5	30.7	28.2
Depreciation, amortization and impairment losses	6.1	6.0	6.1	6.3
Other operating expenses	49.2	52.1	53.5	49.9
	115.9	127.6	125.7	110.1
OPERATING INCOME	-0.1	26.2	5.4	-14.2
Financial income	0.1	0.0	0.4	0.0
Financial expenses	-0.3	-1.3	-1.4	-1.2
INCOME BEFORE TAXES	-0.3	24.9	4.4	-15.4
Income taxes	0.0	-5.0	-0.8	3.1
INCOME FOR THE PERIOD	-0.3	19.9	3.6	-12.3
<i>Income attributable to:</i>				
Parent company shareholders	-0.3	19.9	3.6	-12.3
Earnings per share before and after dilution, EUR	-0.03	1.84	0.33	-1.14

Quarterly consolidated statement of comprehensive income

EUR M	2019 Q4	2019 Q3	2019 Q2	2019 Q1
INCOME FOR THE PERIOD	-0.3	19.9	3.6	-12.3
<i>Items that may be reclassified to the income statement</i>				
Translation differences	0.5	-0.3	-0.3	-0.3
<i>Items that will not be reclassified to the income statement</i>				
Changes in the fair value of financial assets recognized at fair value through other comprehensive income	-3.9	-	-	-
Other comprehensive income	-3.4	-0.3	-0.3	-0.3
COMPREHENSIVE INCOME FOR THE PERIOD	-3.7	19.6	3.3	-12.6
<i>Comprehensive income attributable to:</i>				
Parent company shareholders	-3.7	19.6	3.3	-12.6

Segment information, Viking Line Group

EUR M	Jan 1, 2019- Dec 31, 2019	Jan 1, 2018- Dec 31, 2018
Sales		
Vessels	487.9	489.5
Unallocated	8.6	8.5
Total, operating segments	496.5	498.0
Eliminations	-0.1	-0.1
Total sales of the Group	496.4	497.8
Operating income		
Vessels	60.8	55.2
Unallocated	-43.4	-45.9
Total operating income of the Group	17.4	9.3
SALES		
Passenger-related revenue	448.4	450.3
Cargo revenue	45.6	45.3
Miscellaneous sales revenue	2.4	2.3
Total	496.4	497.8

Pledged assets and contingent liabilities

EUR M	Dec 31, 2019	Dec 31, 2018
Contingent liabilities	138.7	142.2
Assets pledged for own debt	255.5	301.0
Investment commitments not included in the accounts	158.1	175.3
– contractual amount	198.2	195.8

Financial ratios and statistics

	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Equity per share, EUR	21.77	21.36
Dividend per share, EUR	0.45	0.20
Number of shares on balance sheet date	10,800,000	10,800,000
Return on equity (ROE)	4.7 %	2.4 %
Return on investment (ROI)	4.8 %	2.9 %
Equity/assets ratio	50.7 %	49.4 %
Investments, EUR M	29.9	15.9
– as % of sales	6.0 %	3.2 %
Passengers	6,300,480	6,411,537
Cargo units	133,940	128,549
Average number of employees, full-time equivalent	2,632	2,671

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

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

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)

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

The above figures from the financial statements have been audited.