

# VIKING LINE

## Business Review

for the period January–September 2019



### Improved results during third quarter

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

- Sales amounted to EUR 380.8 M (378.1).
- Other operating revenue was EUR 0.2 M (0.2).
- Operating income totalled EUR 17.5 M (7.7).
- Net financial items were EUR -3.6 M (-2.1).
- Income before taxes amounted to EUR 13.9 M (5.6).
- Income after taxes totalled EUR 11.1 M (4.8).
- Future prospects unchanged: Operating income for 2019 will be better than operating income for 2018.

#### Third quarter 2019 (compared to third quarter 2018)

- Sales amounted to EUR 153.8 M (152.3).
- Operating income totalled EUR 26.2 M (21.3).

#### Comments from President and CEO Jan Hanses

“Results for the first three quarters of the financial year were better than the same period last year. I am especially pleased with the increased sales and improved sales contribution per passenger as well as the lower operating expenses. The favourable trend from the second quarter continued during our peak season, which is the year’s most important period economically. The positive trend for sales and the sales contribution per passenger continued.

“During the year, we have maintained a sharp focus on our commitment to sustainability. This sustainability work is aimed at customers, employees and the environment. The International Maritime Organization’s goal is to reduce CO<sub>2</sub> emissions by at least 50% by 2050 compared to 2008. Through various fuel optimization measures and new technological innovations, over the past ten years we have managed to achieve total fuel savings of 20%.

“We are the first shipping company in our service area to publish our CO<sub>2</sub> figures in the Group’s sustainability report. Our new vessel, now under construction, will further improve our environmental performance and reinforce our position as a pioneer in sustainability work in our service area.”

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**Sales and earnings**

Consolidated sales of the Viking Line Group for the period January 1 – September 30, 2019 were 380.8 million euros (EUR 378.1 M for the period January 1 – September 30, 2018). Operating income totalled EUR 17.5 M (7.7).

Passenger-related revenue was EUR 344.7 M (343.0), while cargo revenue amounted to EUR 34.3 M (33.4). Net sales revenue was EUR 279.6 M (275.5).

Consolidated operating expenses decreased by 2.5 per cent to EUR 243.8 M (250.0). Bunker (vessel fuel) expenses decreased by 5.1 per cent to EUR 35.9 M (37.8). The weak Swedish krona had a negative impact on consolidated income.

During the third quarter, July 1–September 30, our passenger volumes were on the same level as for the same period last year, but thanks to better sales per passenger, we achieved increased sales and higher net sales revenue. At the same time, operating expenses decreased, which resulted in operating income of EUR 26.2 M (21.3).

**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 4,897,632 (4,967,745). The Group had a total market share in its service area of approximately 32.2 per cent (32.6).

Viking Line's cargo volume was 100,026 cargo units (95,081). The Group achieved a cargo market share of approximately 18.3 per cent (17.6). The market share for passenger cars was approximately 32.6 per cent (32.2).

**Investments and financing**

The Group's investments amounted to EUR 26.8 M (11.6), of which EUR 22.1 M (2.9) primarily pertains to an advance payment for vessels under construction. The Group's total investments represent 7.0 per cent of sales (3.1).

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On September 30, 2019, the Group's non-current interest-bearing liabilities totalled EUR 104.3 M (107.8). The equity/assets ratio was 50.6 per cent, compared to 48.1 per cent a year earlier.

At the end of September 2019, the Group's cash and cash equivalents amounted to EUR 57.6 M (57.0). Unutilized credit lines in the Group totalled EUR 15.1 M on September 30, 2019 (15.1). Net cash flow from operating activities amounted to EUR 25.0 M (19.5). Net cash flow from investing activities was EUR -26.3 M (-9.2) and net cash flow from financing activities amounted to EUR -2.8 M (-21.4).

### **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. During the first nine months of 2019, the application of IFRS 16 had an effect on consolidated income of EUR -0.04 M.

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 2,674 (2,712), of whom 2,025 (2,039) worked for the parent company. Land-based personnel totalled 603 (643) and shipboard personnel totalled 2,071 (2,069).

In addition to the Group's own employees, Viking XPRS was crewed by an average of 244 (241) people employed by a staffing company.

**Outlook for the full financial year 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. 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 be better than operating income for 2018.

The Year-end Report for the financial year 2019 will be published on February 13, 2020.

Mariehamn, Åland, October 24, 2019

**VIKING LINE ABP**

Jan Hanses

President and Chief Executive Officer

## Consolidated income statement

EUR M	Jul 1, 2019– Sep 30, 2019	Jul 1, 2018– Sep 30, 2018	Jan 1, 2019– Sep 30, 2019	Jan 1, 2018– Sep 30, 2018	Jan 1, 2018– Dec 31, 2018
<b>SALES</b>	<b>153.8</b>	<b>152.3</b>	<b>380.8</b>	<b>378.1</b>	<b>497.8</b>
Other operating revenue	0.0	0.1	0.2	0.2	0.3
<b>Expenses</b>					
Goods and services	40.0	40.1	101.2	102.6	135.8
Salary and other employment benefit expenses	29.5	30.1	88.4	88.8	117.3
Depreciation and impairment losses	6.0	5.7	18.4	18.0	23.8
Other operating expenses	52.1	55.2	155.5	161.2	211.8
	127.6	131.1	363.5	370.6	488.8
<b>OPERATING INCOME</b>	<b>26.2</b>	<b>21.3</b>	<b>17.5</b>	<b>7.7</b>	<b>9.3</b>
Financial income	0.0	0.0	0.4	2.4	2.4
Financial expenses	-1.3	-0.4	-4.0	-4.5	-5.2
<b>INCOME BEFORE TAXES</b>	<b>24.9</b>	<b>20.9</b>	<b>13.9</b>	<b>5.6</b>	<b>6.5</b>
Income taxes	-5.0	-4.2	-2.8	-0.8	-1.0
<b>INCOME FOR THE PERIOD</b>	<b>19.9</b>	<b>16.6</b>	<b>11.1</b>	<b>4.8</b>	<b>5.5</b>
<i>Income attributable to:</i>					
Parent company shareholders	19.9	16.6	11.1	4.8	5.5
Earnings per share before and after dilution, EUR	1.84	1.54	1.03	0.45	0.51

## Consolidated statement of comprehensive income

EUR M	Jul 1, 2019– Sep 30, 2019	Jul 1, 2018– Sep 30, 2018	Jan 1, 2019– Sep 30, 2019	Jan 1, 2018– Sep 30, 2018	Jan 1, 2018– Dec 31, 2018
<b>INCOME FOR THE PERIOD</b>	<b>19.9</b>	<b>16.6</b>	<b>11.1</b>	<b>4.8</b>	<b>5.5</b>
<i>Items that may be reclassified to the income statement</i>					
Translation differences	-0.3	0.2	-0.8	-0.9	-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	-	-	-	0.0	4.1
<b>Other comprehensive income</b>	<b>-0.3</b>	<b>0.2</b>	<b>-0.8</b>	<b>-0.9</b>	<b>3.3</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>19.6</b>	<b>16.8</b>	<b>10.3</b>	<b>3.9</b>	<b>8.8</b>
<i>Comprehensive income attributable to:</i>					
Parent company shareholders	19.6	16.8	10.3	3.9	8.8

## Consolidated balance sheet

EUR M	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3.3	3.0	3.2
Land	0.6	0.6	0.6
Buildings and structures	7.4	7.9	7.7
Renovation costs for rented properties	2.2	2.6	2.5
Vessels	268.7	283.9	281.2
Machinery and equipment	4.2	5.0	4.9
Right-of-use assets	5.6	-	-
Advance payments	48.0	24.5	25.9
Financial assets at fair value through other comprehensive income	32.0	27.9	32.0
<b>Total non-current assets</b>	<b>371.9</b>	<b>355.2</b>	<b>358.0</b>
<b>Current assets</b>			
Inventories	16.9	16.4	16.3
Income tax assets	-	-	0.4
Trade and other receivables	39.8	40.8	30.7
Cash and cash equivalents	57.6	57.0	61.8
<b>Total current assets</b>	<b>114.4</b>	<b>114.1</b>	<b>109.2</b>
<b>TOTAL ASSETS</b>	<b>486.3</b>	<b>469.4</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	-2.9	-2.4	-2.3
Retained earnings	234.1	224.7	225.3
Equity attributable to parent company shareholders	238.8	225.8	230.7
<b>Total equity</b>	<b>238.8</b>	<b>225.8</b>	<b>230.7</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	37.4	37.0	37.5
Interest-bearing liabilities	104.3	107.8	103.5
Lease liabilities	3.9	-	-
<b>Total non-current liabilities</b>	<b>145.6</b>	<b>144.8</b>	<b>141.0</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	23.5	23.5	23.5
Lease liabilities	1.7	-	-
Income tax liabilities	2.2	0.3	0.3
Trade and other payables	74.3	75.0	71.6
<b>Total current liabilities</b>	<b>101.8</b>	<b>98.8</b>	<b>95.5</b>
<b>Total liabilities</b>	<b>247.4</b>	<b>243.6</b>	<b>236.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>486.3</b>	<b>469.4</b>	<b>467.2</b>
Equity per share, EUR	22.12	20.91	21.36