

## BUSINESS REVIEW FOR THE PERIOD JANUARY–MARCH 2018

### SALES AND EARNINGS

Consolidated sales for the first quarter of the year improved compared to the corresponding period for the previous year.

Consolidated sales of the Viking Line Group for the period January 1–March 31, 2018 were 100.3 million euros (EUR 101.1 M for January 1–March 31, 2017). Other operating revenue amounted to EUR 0.1 M (0.1). Operating income totalled EUR -13.5 M (-17.7). Net financial items totalled EUR -2.6 M (-1.1). Consolidated income before taxes amounted to EUR -16.1 M (-18.8). Income after taxes totalled EUR -12.9 M (-15.1).

Passenger-related revenue was EUR 88.2 M (88.9), while cargo revenue amounted to EUR 11.5 M (11.7). Net sales revenue was EUR 72.4 M (72.5).

The first quarter, as a rule, is the weakest quarter of the entire financial year. Thanks to lower operating expenses compared to the year before, consolidated income for the first quarter improved despite somewhat lower sales. Consolidated operating expenses decreased by 3.8 per cent to EUR 80.0 M (83.2). Bunker expenses increased by 6.3 per cent to EUR 11.9 M (11.2) as a result of higher bunker prices.

### 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 1,215,378 (1,252,406). The Group had a total market share in its service area of 32.0 per cent (33.0).

Viking Line's cargo volume was 32,159 cargo units (32,237). The Group had a cargo market share of 18.4 per cent (19.9). Meanwhile the number of cars transported increased by 4,339 units to 114,387 (110,048).

### INVESTMENTS AND FINANCING

The Group's investments amounted to EUR 4.8 M (6.7), of which EUR 0.8 M was related to advance payments for vessels under construction. The Group's total investments represent 4.8 per cent of sales (6.6).

On March 31, 2018, the Group's non-current interest-bearing liabilities amounted to EUR 119.6 M (143.1). The equity/assets ratio was 45.2 per cent, compared to 42.6 per cent a year earlier.

At the end of March 2018, the Group's cash and cash equivalents amounted to EUR 43.4 M (62.0). Unutilized credit lines in the Group totalled EUR 15.1 M on March 31, 2018 (EUR 0.1 M). Net cash flow from operating activities amounted to EUR -12.3 M (-18.7). Net cash flow from investing activities was EUR -4.8 M (-6.7) and net cash flow from financing activities amounted to EUR -7.5 M (-7.5).

## **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.

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 1.0 M for the first quarter 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.

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 2,534 (2,614), of whom 1,892 (1,954) worked for the parent company. Land-based personnel totalled 622 (627) and shipboard personnel totalled 1,912 (1,987).

In addition to the Group’s own employees, the Viking XPRS was staffed by an average of 229 (231) people employed by a staffing company.

## **NEW ORGANIZATION AND STRENGTHENED GROUP MANAGEMENT**

During 2018, a change in Viking Line’s organizational structure is being implemented, with the objective of focusing on results and commercial matters while simplifying the Group’s way of working. A vessel manager with responsibility for commercial operations has been appointed for every vessel and will report directly to the CEO.

Group Management has been strengthened and consists of the President and CEO, the CFO, the directors for Marketing, Marine Operations, Shipboard Commercial Operations, Information and Social Relations, and a vessel manager. These changes have been disclosed in a separate stock exchange release.

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

Competition in Viking Line's service area remains tough and implies continued pressure on prices and volumes. Volume and price developments during the remainder of the financial year will be crucial to the Group's earnings. Bunker prices are expected to be higher than in 2017. The exchange rate trend for the Swedish krona constitutes a risk factor during the year. The organizational change implemented is expected to have a positive effect on the Group's results. The Board of Directors' assessment is that operating income will be higher overall in 2018 than in 2017.

The Group's Half-Year Financial Report for the period January 1–June 30, 2018 will be published on August 16, 2018.

Mariehamn, Åland, May 16, 2018

### **VIKING LINE ABP**

Jan Hanses  
President and Chief Executive Officer

## CONSOLIDATED INCOME STATEMENT

EUR M	Jan 1, 2018– Mar 31, 2018	Jan 1, 2017– Mar 31, 2017	Jan 1, 2017– Dec 31, 2017
<b>SALES</b>	<b>100.3</b>	<b>101.1</b>	<b>513.6</b>
Other operating revenue	0.1	0.1	1.7
<b>Expenses</b>			
Goods and services	27.9	28.6	140.9
Salary and other employment benefit expenses	28.5	29.3	120.6
Depreciation and impairment losses	6.0	7.1	25.2
Other operating expenses	51.5	53.9	218.5
	113.9	118.9	505.2
<b>OPERATING INCOME</b>	<b>-13.5</b>	<b>-17.7</b>	<b>10.0</b>
Financial income	0.0	0.1	2.2
Financial expenses	-2.6	-1.2	-5.6
<b>INCOME BEFORE TAXES</b>	<b>-16.1</b>	<b>-18.8</b>	<b>6.6</b>
Income taxes	3.2	3.7	-1.3
<b>INCOME FOR THE PERIOD</b>	<b>-12.9</b>	<b>-15.1</b>	<b>5.3</b>
<i>Income attributable to:</i>			
Parent company shareholders	-12.9	-15.1	5.3
Earnings per share before and after dilution, EUR	-1.20	-1.40	0.49

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR M	Jan 1, 2018– Mar 31, 2018	Jan 1, 2017– Mar 31, 2017	Jan 1, 2017– Dec 31, 2017
<b>INCOME FOR THE PERIOD</b>	<b>-12.9</b>	<b>-15.1</b>	<b>5.3</b>
<i>Items that may be reclassified to the income statement</i>			
Translation differences	-0.8	0.1	-0.6
<i>Items that will not be reclassified to the income statement</i>			
Investments available for sale	-	-	0.7
<b>Other comprehensive income</b>	<b>-0.8</b>	<b>0.1</b>	<b>0.1</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-13.7</b>	<b>-15.1</b>	<b>5.4</b>
<i>Comprehensive income attributable to:</i>			
Parent company shareholders	-13.7	-15.1	5.4

**CONSOLIDATED BALANCE SHEET**

EUR M	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	2.7	2.0	2.5
Land	0.6	0.6	0.6
Buildings and structures	8.4	9.0	8.6
Renovation costs for rented properties	2.7	2.8	2.7
Vessels	290.9	308.0	294.6
Machinery and equipment	5.1	5.3	5.2
Advance payments	22.4	-	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>360.6</b>	<b>354.8</b>	<b>363.5</b>
<b>Current assets</b>			
Inventories	17.4	18.1	17.3
Income tax assets	3.8	4.7	1.6
Trade and other receivables	40.4	48.7	34.3
Cash and cash equivalents	43.4	62.0	68.0
<b>Total current assets</b>	<b>104.9</b>	<b>133.5</b>	<b>121.1</b>
<b>TOTAL ASSETS</b>	<b>465.5</b>	<b>488.2</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	-2.3	-1.1	-1.7
Retained earnings	209.1	206.1	222.2
Equity attributable to parent company shareholders	210.3	207.9	224.1
<b>Total equity</b>	<b>210.3</b>	<b>207.9</b>	<b>224.1</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	37.0	35.9	37.0
Non-current interest-bearing liabilities	119.6	143.1	127.0
<b>Total non-current liabilities</b>	<b>156.6</b>	<b>179.0</b>	<b>164.1</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	23.5	23.5	23.5
Income tax liabilities	0.0	0.0	-
Trade and other payables	75.1	77.8	73.0
<b>Total current liabilities</b>	<b>98.6</b>	<b>101.4</b>	<b>96.5</b>
<b>Total liabilities</b>	<b>255.2</b>	<b>280.4</b>	<b>260.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>465.5</b>	<b>488.2</b>	<b>484.6</b>
Equity per share, EUR	19.47	19.25	20.75