

# VIKING LINE

## Business Review

for the period January-March 2020



### Coronavirus pandemic drags down Viking Line's results

The ongoing COVID-19 coronavirus pandemic has caused a serious deterioration in the Group's operating conditions. Passenger volumes were negatively affected in February and fell sharply in March 2020. As a result of the Finnish authorities' decision on March 16, 2020 to close the country's borders and restrict passenger traffic, the Company's passenger-related revenue has basically halted. Passenger traffic is marginal at present, since only the transport of people between the Finnish mainland and Åland is allowed. Given the circumstances, quick measures to cut costs have been necessary. Basically the entire staff has been furloughed. The Group management has also taken salary cuts, and the Board of Directors will take no fees.

Backed by Finland's National Emergency Supply Agency's decision to aid cargo traffic to ensure the security of supply, four of the Group's vessels are serving the Turku – Långnäs (Åland) – Stockholm, Mariehamn – Kapellskär and Helsinki – Tallinn routes. Viking Line's three other vessels are not in service. We are at the disposal of our country and its security of supply and will continue to play an important role in providing goods transport to and from Finland. While current cargo traffic generates revenue for each vessel to cover variable costs and a small portion of fixed costs, it does not generate positive operating income for the vessels in service.

Viking Line has a strong balance sheet and low leverage, but the Group's liquidity must be secured given present circumstances. Available credit lines have been utilized. To strengthen liquidity and safeguard the future of the Company if the coronavirus pandemic is long-lasting, Viking Line has begun negotiations for additional funding. The intention is to use State guarantees proposed in a supplementary budget submitted to the Finnish parliament. If this negative trend continues, it could mean that the terms of the Group's financing agreements are no longer met. For that reason, the Company has begun negotiations with its current financiers.

We have made a comprehensive assessment of the Company's funding situation. Since consideration has been given to ongoing negotiations to boost working capital and ensure sufficient liquidity and funding, the financial accounts have been prepared according to the going concern principle.

**Comments from President and CEO Jan Hanses**

“We look forward to being able to resume service, with the hope that this can happen in time for our peak season in July and August. As always, our peak season is critical to results. Taking a holiday locally is something we expect to be very attractive given the spread of coronavirus across the world. The pandemic will most likely affect travel patterns in the future. We shall be prepared for this and believe trips to our destinations and primarily to and through the Baltic archipelagos will experience a renaissance.”

**Sales and earnings**

Consolidated sales of the Viking Line Group for the period January 1 – March 31, 2020 were 75.0 million euros (EUR 95.8 M for the period January 1 – March 31, 2019). Operating income totalled EUR - 21.5 M (-14.2).

Passenger-related revenue was EUR 63.2 M (83.0), while cargo revenue amounted to EUR 11.3 M (12.3). Net sales revenue was EUR 54.9 M (70.1).

**Investments and financing**

The Group's investments amounted to EUR 7.0 M (23.2), of which EUR 2.7 M (20.7) primarily pertains to vessels under construction. The Group's total investments represent 9.4 per cent of sales (24.2).

The construction of our new vessel, Viking Glory, is progressing in China. Management's assessment is still that it expects the vessel to be placed in service in 2021.

Advance payments are related to vessels under construction and totalled EUR 52.1 M on March 31, 2020. 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.

On March 31, 2020, the Group's non-current interest-bearing liabilities totalled EUR 92.6 M (116.0). The equity/assets ratio was 48.4 per cent, compared to 46.8 per cent a year earlier. Current interest-bearing liabilities increased EUR 14,4 M in the form of utilized credit lines.

At the end of March 2020, the Group's cash and cash equivalents amounted to EUR 34.2 M (36.2). Net cash flow from operating activities amounted to EUR -28.0 M (-14.5). Net cash flow from investing activities was EUR -6.9 M (-23.2) and net cash flow from financing activities amounted to EUR 6.4 M (12.0).

### **Financial reporting**

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

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.

**Revised outlook for the full financial year 2020**

As a result of the COVID-19 coronavirus, operating conditions in our markets have deteriorated significantly. Performance forecasts for the financial year 2020 have therefore been revised. We believe it is unlikely that we will achieve positive results for the financial year 2020.

The previously published earnings forecast was that it was too soon to quantify the impact on results since there is great uncertainty regarding developments.

The Group's Half-Year Financial Report for the period January 1–June 30, 2020 will be published on August 20, 2020.

Mariehamn, Åland, April 22, 2020

**VIKING LINE ABP**

Jan Hanses

President and Chief Executive Officer

## Consolidated income statement

EUR M	Jan 1, 2020– Mar 31, 2020	Jan 1, 2019– Mar 31, 2019	Jan 1, 2019– Dec 31, 2019
<b>SALES</b>	<b>75.0</b>	<b>95.8</b>	<b>496.4</b>
Other operating revenue	1.2	0.1	0.4
<b>Expenses</b>			
Goods and services	20.0	25.7	133.1
Salary and other employment benefit expenses	27.3	28.2	117.1
Depreciation and impairment losses	6.1	6.3	24.6
Other operating expenses	44.2	49.9	204.6
	97.7	110.1	479.4
<b>OPERATING INCOME</b>	<b>-21.5</b>	<b>-14.2</b>	<b>17.4</b>
Financial income	0.0	0.0	0.5
Financial expenses	-1.9	-1.2	-4.3
<b>INCOME BEFORE TAXES</b>	<b>-23.4</b>	<b>-15.4</b>	<b>13.6</b>
Income taxes	4.7	3.1	-2.7
<b>INCOME FOR THE PERIOD</b>	<b>-18.7</b>	<b>-12.3</b>	<b>10.8</b>
<i>Income attributable to:</i>			
Parent company shareholders	-18.7	-12.3	10.8
Earnings per share before and after dilution, EUR	-1.74	-1.14	1.00

## Consolidated statement of comprehensive income

EUR M	Jan 1, 2020– Mar 31, 2020	Jan 1, 2019– Mar 31, 2019	Jan 1, 2019– Dec 31, 2019
<b>INCOME FOR THE PERIOD</b>	<b>-18.7</b>	<b>-12.3</b>	<b>10.8</b>
<i>Items that may be reclassified to the income statement</i>			
Translation differences	-1.1	-0.3	-0.3
<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
<b>Other comprehensive income</b>	<b>-1.1</b>	<b>-0.3</b>	<b>-4.2</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-19.8</b>	<b>-12.6</b>	<b>6.6</b>
<i>Comprehensive income attributable to:</i>			
Parent company shareholders	-19.8	-12.6	6.6

## Consolidated balance sheet

EUR M	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3.3	3.2	3.3
Land	0.6	0.6	0.6
Buildings and structures	7.1	7.6	7.3
Renovation costs for rented properties	2.1	2.4	2.2
Vessels	262.9	277.9	266.0
Machinery and equipment	4.0	4.7	3.9
Right-of-use assets	5.5	6.7	5.2
Advance payments, vessels under construction	52.1	46.6	49.5
Financial assets at fair value through other comprehensive income	28.0	32.0	28.1
<b>Total non-current assets</b>	<b>365.6</b>	<b>381.5</b>	<b>366.0</b>
<b>Current assets</b>			
Inventories	17.8	17.4	16.9
Income tax assets	4.8	3.2	0.4
Trade and other receivables	33.3	40.1	28.0
Cash and cash equivalents	34.2	36.2	62.8
<b>Total current assets</b>	<b>90.2</b>	<b>96.8</b>	<b>108.1</b>
<b>TOTAL ASSETS</b>	<b>455.8</b>	<b>478.4</b>	<b>474.0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1.8	1.8	1.8
Reserves	1.9	5.8	1.9
Translation differences	-3.2	-2.4	-2.5
Retained earnings	214.9	212.9	233.9
Equity attributable to parent company shareholders	215.3	218.1	235.1
<b>Total equity</b>	<b>215.3</b>	<b>218.1</b>	<b>235.1</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	37.6	37.5	37.7
Interest-bearing liabilities	92.6	116.0	100.0
Lease liabilities	3.8	4.8	3.6
<b>Total non-current liabilities</b>	<b>133.9</b>	<b>158.3</b>	<b>141.3</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	37.9	23.5	23.5
Lease liabilities	1.7	1.9	1.7
Income tax liabilities	0.0	0.0	2.1
Trade and other payables	66.9	76.5	70.3
<b>Total current liabilities</b>	<b>106.5</b>	<b>102.0</b>	<b>97.6</b>
<b>Total liabilities</b>	<b>240.4</b>	<b>260.3</b>	<b>238.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>455.8</b>	<b>478.4</b>	<b>474.0</b>
Equity per share, EUR	19.94	20.19	21.77