

Viking Line: Gradual normalization despite a challenging environment

January–March 2022 (compared to January–March 2021)

- Sales amounted to EUR 58.8 M (EUR 24.6 M).
- Other operating revenue was EUR 6.0 M (EUR 10.3 M).
- Operating income totalled EUR -18.1 M (EUR -7.7 M).
- Net financial items were EUR -2.2 M (EUR -1.3 M).
- Income before taxes amounted to EUR -20.3 M (EUR -8.9 M).
- Income after taxes totalled EUR -16.2 M (EUR -7.2 M).

Viking Line is not providing any outlook, above all, in view of the geopolitical situation, it is still too soon to quantify the impact on operating income for 2022, which is the same conclusion at the time the previous earnings report was published.

Comments from President and CEO Jan Hanses

The year got off to an eventful start. The first quarter was dominated by the new Omicron variant, which had a very negative effect on demand. Passenger volumes again fell, and we were forced to increase the share of staff furloughed. That had an impact beginning in early February. During the latter part of the month, demand recovered in conjunction with the start of the winter school break. Demand was subsequently relatively good in March. Viking Glory was launched in service between Turku, Åland and Stockholm on March 1. The vessel has been well received by the market and has set a brand-new standard for service between Finland and Sweden. The start of service always entails temporarily higher operating costs since vessels are broken in.

Russia's war of aggression in Ukraine has led to a sharp rise in bunker (vessel fuel) prices.

Gabriella's running aground outside Helsinki resulted in the vessel being taken out of service for a while, but it was replaced on the Helsinki–Stockholm route by Viking Cinderella during its service interruption. Amorella was out of service in March for minor upgrades prior to taking over the Helsinki–Stockholm route on April 1. As a result, we once again offer daily scheduled service between the two capitals.

Overall, income was weak due to a combination of external factors during the period and which our measures could only partly offset. We look forward with confidence to our peak season, when demand for travel in nearby regions this year is expected to increase again.

Sales and earnings

Consolidated sales increased 138.9 % to EUR 58.8 M during the period January 1–March 31, 2022 (EUR 24.6 M January 1–March 31, 2021). Operating income totalled EUR -18.1 M (EUR -7.7 M).

Passenger-related revenue increased 226.3 % to EUR 47.2 M (EUR 14.5 M), while cargo revenue was EUR 10.9 M (EUR 9.6 M). The sales contribution was EUR 45.3 M (EUR 19.6 M). Operating costs increased 96.1 % to EUR 63.6 M (EUR 32.4 M).

Initially, results for the first quarter continued to be affected by the pandemic and related restrictions. Starting in mid-February, demand increased in the passenger segment while demand for cargo transport was stable. In late February, Russian started a war with Ukraine and energy prices were severely affected.

In January and February, the Group received aid for public service obligations from Traficom, the Finnish Transport and Communications Agency, for the Group's vessels on the Turku–Mariehamn/Långnäs–Stockholm and Mariehamn–Kapellskär routes. During the same period last year, aid was also received for the Helsinki–Tallinn route. The aid is recognized as State aid under other operating revenue.

EUR M	Jan 1, 2022– Mar 31, 2022	Jan 1, 2021– Mar 31, 2021
State aid	5.6	10.2
Rents received on properties	0.0	0.0
Capital gains	0.0	0.0
Miscellaneous other operating revenue	0.4	-
Total	6.0	10.3

Service and market

During the first quarter, the Viking Line Group provided passenger and cargo carrier services using six vessels in the northern Baltic Sea and the Gulf of Finland.

Viking Glory was launched in service on the Stockholm–Åland–Turku route on March 1. Amorella ceased operating on the same route on February 28 and was placed in service on the Helsinki–Mariehamn–Stockholm route on April 1.

During the quarter, the vessels Viking XPRS, Rosella, Viking Cinderella and Gabriella were dry-docked. During the same period last year, no vessels were dry-docked.

The total number of passengers on the Group's vessels during the report period was 521,537 (170,362). The Group had a total market share in its service area of approximately 32.0% (28.1%).

The Group's cargo volume was 29,033 cargo units (31,755). The Group's share of the cargo market was approximately 14.5% (17.0%). The market share for passenger cars was approximately 25.2% (29.6%).

Market demand for travel was initially greatly limited due to restrictions related to the COVID-19 pandemic. In February and March, the Finnish and Swedish governments announced that the majority of restrictions would be lifted. That had a positive effect on demand in March and since then.

Investments and financing

The Group's investments amounted to EUR 9.8 M (EUR 2.5 M). The Group's total investments represent 16.7% of sales (10.0%). Most of them are attributable to Viking Glory and the dry-dockings.

On March 31, 2022, the Group's long-term interest-bearing liabilities totalled EUR 225.4 M (EUR 39.9 M).

The debt/equity ratio was 40.7%, compared to 45.1% last year.

The Group's cash and cash equivalents at the end of March totalled EUR 80.7 M (EUR 24.9 M). Unutilized credit lines in the Group totalled EUR 15.1 M (EUR 4.7 M). Net cash flow from operating activities was EUR -22.4 M (EUR -10.6 M). Net cash flow from investing activities was EUR -9.8 M (EUR -2.5 M) and net cash flow from financing activities was EUR -1.7 M (EUR 8.3 M).

Most of the Group's loan agreements include loan covenants according to market terms. The financial covenants in the loan agreements consist of minimum requirements for liquidity and solvency and a maximum net financial debt-to-EBITDA ratio. The company has an agreement with its financiers on a waiver for the full-year 2022 of the covenant term concerning the maximum total net financial debt-to-EBITDA ratio.

In accordance with i) the terms in the State guarantees obtained as collateral for liquidity loans drawn in the autumn of 2020, ii) the requirements from Finnish Export Credit/Finnvera when they granted loan payment deferrals, and iii) the terms for drawing the loan to finance Viking Glory, Viking Line Abp has undertaken not to pay a dividend or pay out any funds until its obligations related to the guarantees and loans have been repaid in full. The dividend restriction on the financing of Viking Glory only applies in 2022 but also subsequently if the Group's debt-to-EBITDA ratio exceeds 5.0.

The carrying amounts of intangible and tangible assets are tested regularly in order to identify any external or internal indications of an impairment loss. If such indications are observed for any asset item, the recoverable amount of the asset is recognized. One of the most important areas that entail judgements is valuation of the Group's vessels.

The management has made the assessment that there is currently no need for impairment, since the fair value of vessels is substantially higher than the book value.

Future cash flows related to financial liabilities on March 31, 2022:

EUR M

Future cash flows related to financial liabilities (incl. financial expenses)	Lease liabilities	Trade payables	Interest-bearing liabilities	Total
Apr 1, 2022 - Sep 30, 2022	1.4	20.5	33.0	54.9
Oct 1, 2022 - Mar 31, 2023	1.4		18.6	20.0
Apr 1, 2023 - Mar 31, 2024	2.2		40.2	42.5
Apr 1, 2024 - Mar 31, 2025	2.0		75.5	77.5
Apr 1, 2025 - Mar 31, 2026	1.4		15.4	16.8
Apr 1, 2026 - Mar 31, 2027	0.1		22.1	22.2
Apr 1, 2027 -	0.2		85.2	85.4
Total	8.8	20.5	290.0	319.2

Organization and personnel

The average number of employees in the Group was 1,746 (1,246), 1,296 (798) of whom worked for the parent company. Land-based personnel totalled 412 (346) and shipboard personnel totalled 1,334 (900). In addition to the Group's own employees, Viking XPRS was crewed by an average of 147 (135) people employed by a staffing company. During the first quarter, furloughs of both land-based and shipboard personnel were reduced compared to the same period last year. The short-term furloughs subsidized by the Swedish State that were utilized last year were discontinued on September 30, 2021.

Risk factors

Viking Line's operations are exposed to different kinds of risks, which vary in their scope and impact on operations, financial results and the company's ability to meet certain social and environmental objectives. The relevant risks have been classified into four categories: strategic, operational, damage and financial risks. The risks continue to be the same since Viking Line's financial statements for the financial year 2021 were published. However, bunker (vessel fuel) prices have increased significantly as a result of Russia's war against Ukraine, which has a direct

impact on the Group's results. On March 31, 2022, the Group had no fixed-price agreements for bunker purchases or equivalent derivative contracts.

A ruling was issued by the Land Court in late March 2022 on Finnline's appeal in the Land Court concerning the aid Viking Line has received from Traficom. In its decision, the Land Court dismissed all plaintiff claims and stated that the negotiations were conducted in compliance with the law in the situation created by the pandemic.

Consolidated income statement by quarter

EUR M	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
SALES	58.8	89.3	97.5	46.9	24.6
Other operating revenue	6.0	2.2	11.0	23.3	10.3
Expenses					
Goods and services	13.5	22.2	24.1	11.3	5.0
Salary and other employment benefit expenses	20.7	22.1	18.0	15.2	13.5
Depreciation, amortization and impairment losses	5.8	4.9	4.7	5.0	5.1
Other operating expenses	42.9	40.8	35.8	26.4	19.0
	82.9	89.9	82.5	58.0	42.5
OPERATING INCOME	-18.1	1.6	26.0	12.2	-7.7
Financial income	0.2	0.0	0.0	0.0	0.0
Financial expenses	-2.6	-1.6	-1.5	-1.1	-1.3
Share of net profit of associates accounted for using the equity method	0.2	1.2	0.5	-	-
INCOME BEFORE TAXES	-20.3	1.2	24.9	11.1	-8.9
Income taxes	4.1	0.5	-4.9	-1.2	1.8
INCOME FOR THE PERIOD	-16.2	1.7	20.0	9.8	-7.2
<i>Income attributable to:</i>					
Parent company shareholders	-16.2	1.7	20.0	9.8	-7.2
Earnings per share before and after dilution, EUR	-0.93	0.14	1.61	0.79	-0.58

Consolidated statement of comprehensive income by quarter

EUR M	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
INCOME FOR THE PERIOD	-16.2	1.7	20.0	9.8	-7.2
<i>Items that may be reclassified to the income statement</i>					
Translation differences	-0.2	-0.2	-0.1	0.3	-0.5
<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	-	0.0	-	1.6	-
Other comprehensive income	-0.2	-0.2	-0.1	1.9	-0.5
COMPREHENSIVE INCOME FOR THE PERIOD	-16.4	1.5	19.9	11.8	-7.6
<i>Comprehensive income attributable to:</i>					
Parent company shareholders	-16.4	1.5	19.9	11.8	-7.6

Financial ratios and statistics

	Jan 1, 2022- Mar 31, 2022	Jan 1, 2021- Mar 31, 2021	Jan 1, 2021- Dec 31, 2021
Equity per share, EUR	14.64	15.01	21.67
Equity/assets ratio	40.7 %	45.1 %	42.0 %
Investments, EUR M	9.8	2.5	168.7
– as % of sales	16.7 %	10.0 %	65.3 %
Passengers	521,537	170,362	2,315,137
Cargo units	29,033	31,755	129,278
Average number of employees, full-time equivalent	1,746	1,246	1,536

Equity per share = Equity attributable to parent company shareholders/Weighted average number of shares

In accordance with IFRS, the number of shares for 2021 was adjusted retroactively due to the fact that the price of the shares issued in 2021 was lower than the fair value of the shares.

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.

Outlook for the financial year 2022

Viking Line is still not providing any outlook for the financial year 2022 since there continues to be considerable uncertainty related to the development of the COVID-19 pandemic and the geopolitical situation, which have a major impact on the number of trips, energy prices, interest rates and currencies. This is the same conclusion at the time the previous earnings report was published.

Events after the balance sheet date

The Board knows of no important events after the balance sheet date that could affect the Year-End Report.

Mariehamn, Åland, April 26, 2022

VIKING LINE ABP

Jan Hanses

President and CEO

Financial information

The management's Business Review has been compiled in accordance with IFRS standards for accounting and valuation, but not all of the interim report requirements in accordance with IAS 34 standards have been complied with. The accounting and valuation principles applied are the same as those in the financial statements for the financial year 2021. The figures above have not been audited.

Consolidated income statement

EUR M	Jan 1, 2022- Mar 31, 2022	Jan 1, 2021- Mar 31, 2021	Jan 1, 2021- Dec 31, 2021
SALES	58.8	24.6	258.2
Other operating revenue	6.0	10.3	46.8
Expenses			
Goods and services	13.5	5.0	62.6
Salary and other employment benefit expenses	20.7	13.5	68.7
Depreciation, amortization and impairment losses	5.8	5.1	19.6
Other operating expenses	42.9	19.0	122.0
	82.9	42.5	273.0
OPERATING INCOME	-18.1	-7.7	32.1
Financial income	0.2	0.0	0.0
Financial expenses	-2.6	-1.3	-5.5
Share of net profit of associates accounted for using the equity method	0.2	-	1.7
INCOME BEFORE TAXES	-20.3	-8.9	28.3
Income taxes	4.1	1.8	-3.8
INCOME FOR THE PERIOD	-16.2	-7.2	24.4
<i>Income attributable to:</i>			
Parent company shareholders	-16.2	-7.2	24.4
Earnings per share before and after dilution, EUR	-0.93	-0.58	1.97

Consolidated statement of comprehensive income

EUR M	Jan 1, 2022- Mar 31, 2022	Jan 1, 2021- Mar 31, 2021	Jan 1, 2021- Dec 31, 2021
INCOME FOR THE PERIOD	-16.2	-7.2	24.4
<i>Items that may be reclassified to the income statement</i>			
Translation differences	-0.2	-0.5	-0.5
<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	-	-	1.6
Other comprehensive income	-0.2	-0.5	1.1
COMPREHENSIVE INCOME FOR THE PERIOD	-16.4	-7.6	25.5
<i>Comprehensive income attributable to:</i>			
Parent company shareholders	-16.4	-7.6	25.5

Consolidated balance sheet

EUR M	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
ASSETS			
Non-current assets			
Intangible assets	3.1	3.3	3.1
Land	0.5	0.6	0.5
Buildings and structures	1.6	6.7	1.7
Renovation costs for rented properties	1.4	1.7	1.5
Vessels	450.0	249.6	445.2
Machinery and equipment	2.5	2.5	2.6
Right-of-use assets	5.3	5.2	5.7
Advance payments, vessels under construction	-	56.3	-
Financial assets at fair value through other comprehensive income	0.0	28.6	0.0
Investments accounted for using the equity method	34.1	-	33.9
Receivables	4.4	-	4.7
Total non-current assets	502.9	354.5	498.8
Current assets			
Inventories	12.9	9.9	10.0
Income tax assets	0.1	0.1	0.1
Trade and other receivables	42.0	31.0	26.6
Cash and cash equivalents	80.7	24.9	114.6
Total current assets	135.6	65.9	151.3
TOTAL ASSETS	638.6	420.3	650.1
EQUITY AND LIABILITIES			
Equity			
Share capital	1.8	1.8	1.8
Reserves	49.7	2.5	49.7
Translation differences	-2.3	-2.2	-2.2
Retained earnings	203.8	184.5	220.1
Equity attributable to parent company shareholders	253.0	186.6	269.4
Total equity	253.0	186.6	269.4
Non-current liabilities			
Deferred tax liabilities	26.7	25.2	30.9
Interest-bearing liabilities	225.4	39.9	235.1
Lease liabilities	5.7	3.6	6.2
Total non-current liabilities	257.8	68.7	272.2
Current liabilities			
Interest-bearing liabilities	47.3	115.6	38.3
Lease liabilities	2.5	1.7	2.6
Income tax liabilities	0.0	0.0	0.0
Trade and other payables	77.9	47.8	67.5
Total current liabilities	127.8	165.0	108.5
Total liabilities	385.6	233.7	380.7
TOTAL EQUITY AND LIABILITIES	638.6	420.3	650.1

Consolidated cash flow statement

EUR M	Jan 1, 2022- Mar 31, 2022	Jan 1, 2021- Mar 31, 2021	Jan 1, 2021- Dec 31, 2021
OPERATING ACTIVITIES			
Income for the period	-16.2	-7.2	24.4
Adjustments			
Depreciation, amortization and impairment losses	5.8	5.1	19.6
Capital gains/losses from non-current assets	-	0.0	-25.6
Other items not included in cash flow	-0.4	0.2	-1.4
Interest expenses and other financial expenses	2.5	1.0	5.1
Interest income and other financial income	-0.1	0.0	0.0
Dividend income	0.0	-	-4.9
Income taxes	-4.1	-1.8	3.8
Change in working capital			
Change in trade and other receivables	-15.0	-2.8	2.5
Change in inventories	-2.9	1.0	0.9
Change in trade and other payables	10.2	-4.3	14.7
Interest paid	-1.5	-1.4	-3.4
Financial expenses paid	-0.5	-0.4	-1.5
Financial income received	0.0	0.0	0.0
Taxes paid	-0.1	-0.1	-0.1
NET CASH FLOW FROM OPERATING ACTIVITIES	-22.4	-10.6	34.3
INVESTING ACTIVITIES			
Investments in vessels	-9.7	-0.2	-165.5
Investments in other intangible and tangible assets	-0.1	-0.1	-1.2
Advance payments, vessels under construction	-	-2.1	-
Investments accounted for using the equity method	-	-	-2.0
Divestments of vessels	-	-	13.2
Divestments of other intangible and tangible assets	0.0	0.0	20.2
Dividends received	0.0	-	4.9
NET CASH FLOW FROM INVESTING ACTIVITIES	-9.8	-2.5	-130.4
FINANCING ACTIVITIES			
Increased in paid-in capital	-	-	49.6
Increase in loans	-	7.5	172.2
Principal payments	-1.0	-1.0	-30.6
Change in current interest-bearing liabilities	-	2.4	-8.0
Depreciation of lease liabilities	-0.7	-0.6	-2.2
Dividends paid	-	-	-
NET CASH FLOW FROM FINANCING ACTIVITIES	-1.7	8.3	181.0
CHANGE IN CASH AND CASH EQUIVALENTS	-33.9	-4.8	84.9
Cash and cash equivalents at the beginning of the period	114.6	29.7	29.7
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	80.7	24.9	114.6

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, 2022	1.8	49.7	-2.2	220.1	269.4
Income for the period				-16.2	-16.2
Translation differences		0.0	-0.1	-0.1	-0.2
Comprehensive income for the period	-	0.0	-0.1	-16.3	-16.4
Dividend to shareholders				-	-
Transactions with owners of the parent company	-	-	-	-	-
EQUITY, MAR 31, 2022	1.8	49.7	-2.3	203.8	253.0

EUR M	Equity attributable to parent company shareholders				Total equity
	Share capital	Reserves	Translation differences	Retained earnings	
EQUITY, JAN 1, 2021	1.8	2.5	-1.8	191.8	194.2
Income for the period				-7.2	-7.2
Translation differences		0.0	-0.3	-0.1	-0.5
Comprehensive income for the period	-	0.0	-0.3	-7.3	-7.6
Dividend to shareholders				-	-
Transactions with owners of the parent company	-	-	-	-	-
EQUITY, MAR 31, 2021	1.8	2.5	-2.2	184.5	186.6