VIKING LINE

Annual Report
2019

Contents

The Group's sustainability report is published separately.

This is Viking Line

Viking Line provides services on the vessels Amorella, Gabriella, Mariella, Rosella, Viking Cinderella, Viking Grace and Viking XPRS. Our vessels depart from Åland, Stockholm, Kapellskär, Turku, Tallinn and Helsinki. Shares of the parent company, Viking Line Abp, are traded on Nasdaq Helsinki. The company is domiciled in Mariehamn.

Mission

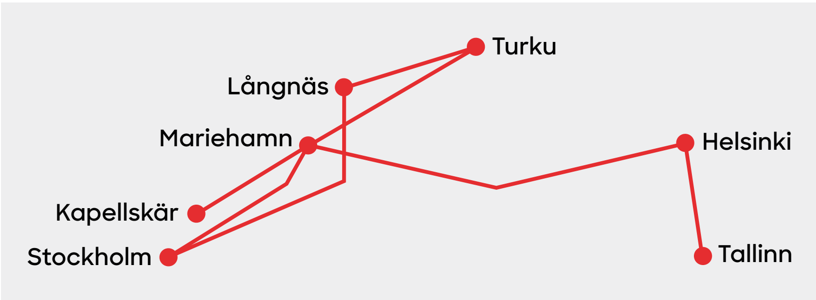
We link together the countries around the northern Baltic Sea by providing sustainable and regular ferry service for everyone. Our three basic services are cruises, passenger transport and cargo transport. Our unique expertise in combining these services generates customer and business benefits.

Vision

We are the leading brand in our service area and the preferred choice of all those seeking sea transport services and experiences. We shall preserve and enhance our position as a profitable company.

Service area

Viking Line provides services on the Baltic Sea, with Finland, Sweden and the Baltic countries as its main markets. Our sales offices are located in Finland, Sweden, Estonia and Germany. In addition, the subsidiary Viking Line Buss Ab provides bus transport based in the Åland Islands.



Finland's biggest maritime employer

Viking Line is Finland's biggest maritime employer. In all, more than 40 different occupational categories are employed on a vessel in areas such as operation, maintenance, shops, kitchens, hotels, entertainment, conference facilities, security and healthcare.

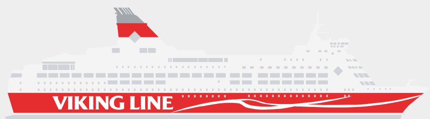
Fundamental values

- Viking Line is for everyone. Our customers are our foremost priority and we aim to exceed their expectations, especially with regard to good service.
- We respect our co-workers and value initiative, innovation, teamwork, openness, honesty, loyalty and acceptance of responsibility. We stand for humility and costconsciousness.
- We take advantage of all good business opportunities.
- Our vessels are safe and well-maintained. We conduct our operations in compliance with applicable environmental standards and legislation.
- We strive to continuously improve our environmental and sustainability work.

Our vessels

M/S Amorella

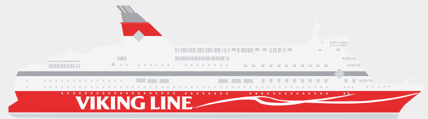
Turku–Åland Islands–Stockholm



Built in 1988
34,384 gross registered tonnes
Length 169.4 m
2,480 passengers
450 cars
900 lane meters
1,946 berths
Finnish flag

M/S Gabriella

Helsinki–Mariehamn–Stockholm



Built in 1992
35,492 gross registered tonnes
Length 171.2 m
2,400 passengers
400 cars
900 lane meters
2,382 berths
Finnish flag

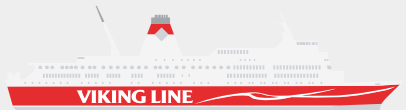
M/S Mariella

Helsinki–Mariehamn–Stockholm

Built in 1985
37,860 gross registered tonnes
Length 177.0 m
2,500 passengers
430 cars
980 lane meters
2,500 berths
Finnish flag

M/S Rosella

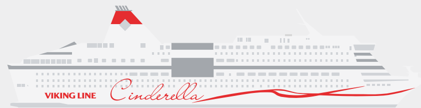
Mariehamn–Kapellskär



Built in 1980
16,879 gross registered tonnes
Length 136.1 m
1,530 passengers
340 cars
720 lane meters
422 berths
Finnish flag

M/S Viking Cinderella

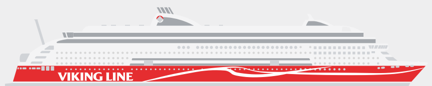
Stockholm–Mariehamn



Built in 1989
46,398 gross registered tonnes
Length 191.0 m
2,560 passengers
306 cars
760 lane meters
2,500 berths
Swedish flag

M/S Viking Grace

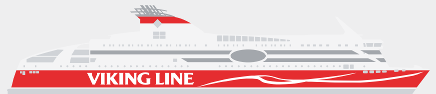
Turku–Åland Islands–Stockholm



Built in 2013
57,565 gross registered tonnes
Length 218.0 m
2,800 passengers
556 cars
1,275 lane meters
2,980 berths
Finnish flag

M/S Viking XPRS

Helsinki–Tallinn

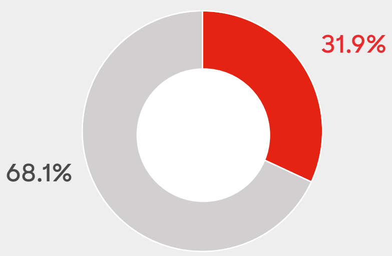


Built in 2008
35,918 gross registered tonnes
Length 185.0 m
2,500 passengers
220 cars
995 lane meters
736 berths
Estonian flag

The year in brief

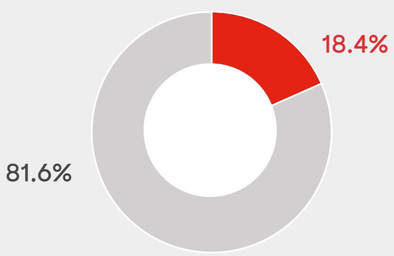
Sales	Income before taxes	Investments	Equity/assets ratio
EUR 496.4 M	EUR 13.6 M	EUR 29.9 M	50.7%

Market share, passengers



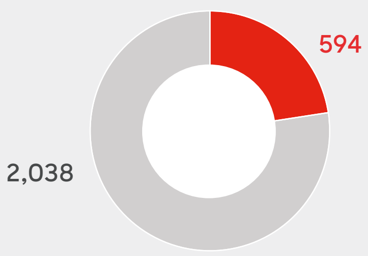
Viking Line
Others

Market share, cargo



Viking Line
Others

Average number of employees

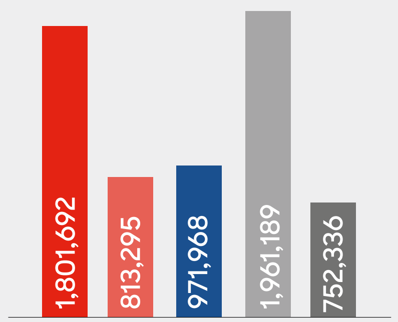


Land-based
Shipboard

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

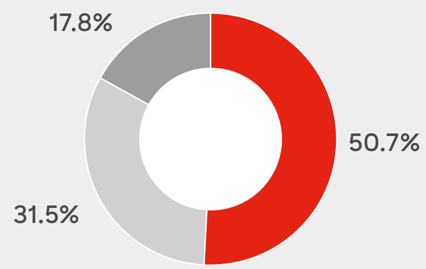
Passengers	6,300,480	Cargo units	133,940
Cars	714,006	Buses	14,747

Passenger volume



Turku–Åland Islands–Stockholm
Stockholm–Mariehamn
Helsinki–Mariehamn–Stockholm
Finland/Sweden–Baltic countries
Mariehamn–Kapellskär

Viking Line's passengers in 2019 came from:



Finland
Sweden
Other countries

Viking Glory

Passengers submitted 22,486 name suggestions
In April 2019, Viking Line announced a competition to name its future vessel which was open to the general public. A total of 22,486 suggested names were submitted from Sweden, Finland, Åland and the rest of the world. After intense jury work, the shipping company selected ten final submissions, after which the general public were invited to vote for their favourite among the finalists. More than 30,000 people voted on the ten final names, and on May 27 the winning vessel name was announced: Viking Glory.

Keel laying on June 3
The keel laying ceremony is an old shipbuilders' tradition during which coins are placed under the keel of the vessel for good luck during construction.

During the ceremony, the first section of the vessel is hoisted into place in the shipyard's building dock, where coins are placed atop the keel block. The laying of the keel symbolizes the birth of the ship; the first section of the hull has been completed, and work now begins to attach the different sections to it. When the vessel is ready to be launched, the lucky coins placed under the keel are collected and later welded together as part of the mast.

Viking Line's new climate-smart cruising vessel will provide passengers with a unique opportunity to enjoy views of the Baltic archipelagos, and the vessel has already generated great interest in both Finland and Sweden.

Viking Line's app

The work to renew and develop Viking Line's app is always ongoing, and the new App 3.0 was launched in two phases during the year.

Viking Line's app includes the digital membership card for the Viking Line Club. Using the app, members can take advantage of all the club's special offers and benefits. It is also easy via the app to check in using the automated check-in machines in the terminals, check a booking confirmation, browse the assortment available in the shops, get quick access to WiFi on board and pre-order goods online.

New features in the app
App 3.0 includes boarding cards, check-in, a vendor control system and – for trips with Viking XPRS –a digital cabin key.

New organization

In 2018, a restructuring of Viking Line's organization was launched in order to better meet operational environment challenges and customer expectations. The restructuring began on board the vessels, and responsibility for results in the new organization was moved closer to the customer. With these changes, the vessels were given more opportunities to influence their operations. 2019 was the first full fiscal year in which the vessels worked under the new organizational model, and the positive results trend shows that these measures were successful.

In 2019, the restructuring continued in the land-based organization in the form of measures to modernize and streamline operations.

Statement of the President and CEO

Improved results confirm that we are on the right path

Results for the year

The results trend for the financial year was better than in 2018. I am especially pleased with the improved sales revenue per passenger, but also with the lower operating expenses. It is also gratifying that our customer satisfaction numbers during the year improved compared to the preceding year.

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 was to create clearer ownership of results and sharpen our commercial focus.

I am particularly pleased that our employees, both on board the vessels and on land, have worked together to create experiences for our customers. It is important that, together, we do everything to promote and support business operations and that we provide good, cheerful service to our guests on board in true Viking spirit. We must not forget that the Company's results are a reflection of our employees' engagement and the confidence that customers show in us.

Many positive events and activities took place during the year, but we were also affected by external factors that have had an unfavourable impact on our operations. I have in mind primarily the Finnish Seafarers' Union's solidarity strike in November. I hope we never again need to experience something like that. The strike affected many of our employees financially and at the same time had a negative impact on the Company – although we were not a party to the dispute. If there is something positive to be seen in this strike action, it showed that we are a united organization. I would like to thank in particular all the employees who contacted the Group management team and me during the strike. We appreciated that.

Maritime transport's role in society

Maritime transport is unbeatable when it comes to long-haul transport. Functioning sea links are an essential condition for the competitiveness of trade and industry. Finnish maritime transport today is characterized by high-quality, innovative skills, and Viking Line has been a pioneer here in new technological solutions. In terms of securing a country's emergency supplies, shipping companies that sail with their country's flag flying from the stern are an important cog in the wheel. Maritime transport is also extremely important for trade, industry and the hotel and restaurant sector. According to a recent survey conducted by the University of Turku, foreign visitors who travelled to Helsinki with passenger shipping companies brought 695 million euros into Finland. That amount is significantly larger if other ports are included.

Our sustainability engagement

In a time of active social discussion and rapid change, we want to meet our customers' growing needs for sustainable services and greater demands for travel options in our region and also create customer-friendly, responsible solutions. Viking Line has chosen to play an active role in developing sustainable travel – a field that we have been at the forefront of for a number of years, including in terms of technological innovations.

During the year, we put greater focus on our sustainability engagement. The work is strategic and is aimed at 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.

Through different fuel optimization measures, over the past decade, we have managed to achieve total fuel savings of more than 20%. The International Maritime Organization's goal is to reduce carbon dioxide emissions from maritime transport by at least 50% by 2050 compared to 2008. We are the first shipping company in our service area to report the fleet's CO_2 emissions in its sustainability report. In order to give a fair, reliable picture of emissions levels, cargo transport should also be taken into consideration. Our new vessel, now under construction, will further improve our environmental performance and ensure our position as a pioneer in sustainability work in maritime transport.

One interesting project during the year involved reducing food waste on board Mariella. In four months, we managed to reduce waste from the restaurants on board the vessel by 40 per cent. Overall, this corresponds to 70,000 portions of food. The results are impressive, and similar projects are planned for a number of our other vessels.

Construction on our new passenger vessel is progressing

Last spring, a competition was held to determine the name of our new vessel. During the two stages of the competition, we received nearly fifty thousand suggestions from Finland, Sweden, the Åland Islands and the rest of the world. In May, we announced the name of the new vessel: Viking Glory. Participation in the competition exceeded all our expectations.

In early June, a traditional laying of the keel ceremony was held in the XSI shipyard in China, when about ten euro and yuan coins in different denominations were ceremoniously placed under Viking Glory's keel. The vessel is really taking shape now. We have the great fortune of having a talented, engaged team on site in Xiamen, China.

Thanks to advanced, innovative technological solutions, Viking Glory will be one of the world's most climate-smart passenger vessels. It is expected to use up to 10% less fuel than Viking Grace, which previously was awarded the honour of being the world's most environmentally-friendly passenger vessel in its size class. We look forward with great anticipation to including Viking Glory in our fleet.

I would like to give my warm thanks to all our employees for their good work during the past year. I would also like to thank our customers and partners for the confidence they showed in us in 2019.

Jan Hanses
President and CEO

Business Review

Maritime shipping's importance for trade

About 90% of the country's exports and about 80% of it imports are transported by sea.

Maritime shipping is the backbone of global trade. It enables the import and export of goods on a scale not possible with any other transport mode.

About 80% of global trade is carried out by the international maritime shipping industry, and EU shipping companies account for about 40% of the world's merchant fleet. Finland's international trade and economic development depend on functioning maritime shipping year-round. About 90% of the country's exports and about 80% of its imports are transported by sea.

First-rate skills

Maritime transport is unbeatable when it comes to long-haul transport, and its infrastructure – water – is already in place along our countries' lengthy coasts. Functioning sea links are vital to the competitiveness of Finnish businesses. Finnish maritime transport today is characterized by first-rate and innovative skills, and Viking Line has been a pioneer in promoting new technical solutions. These skills have also been exported to other parts of the world. The maritime cluster in Finland comprises many different industries, which include some 3,000 companies. Today they constitute a significant industrial sector, with total revenue of 13 billion euros. Maintaining the competitiveness of this cluster and expanding into new markets are key factors for this cluster's growth.

In Sweden, the maritime sector generates revenue of 160 billion kronor each year and accounts for roughly 2.2% of the total net revenue of Sweden's businesses. About 80% of all goods to and from Sweden are transported by sea. In many ways, shipping companies are also the driver of this maritime cluster.

Best service on the Baltic Sea

Since 2012, Service Score has measured customer satisfaction with Swedish companies, government agencies and other organizations.

On June 4, 2019, it was official – the Swedish population believes Viking Line is the shipping company that provides the best service on the Baltic Sea. Viking Line thus won the honour for the fourth straight year – and for the sixth time overall. In 2019, Viking Line was nominated together with three other shipping companies in the category Sea Transport/Cruises and won by a wide margin.

Service Score measures the customer experience for nearly 200 Swedish companies, government agencies and other organizations in some 20 different industries. A nationally representative sample of Swedish consumers answers questions about service and their customer experience. Viking Line has won the award in its category in 2013, 2014, 2016, 2017, 2018 and 2019.

Customer experience in 2019

Viking Line was ranked 5th in a top-ten list of customer experiences based on the Data & Marketing Association of Finland (DMA Finland)'s 2019 customer index survey in Finland.

The customer index survey, conducted annually by DMA Finland and Avaus, examines the customer experience and loyalty with companies operating in the Finnish market. This year's survey included 55 companies from eight different industries. A good customer experience and customer loyalty are crucial competitive advantages, and we are pleased that we have succeeded in providing this to our customers.

Turku–Åland Islands–Stockholm

Eight million passengers on Viking Grace
In late October 2019, a milestone was celebrated on Viking Grace, when the vessel transported its eight millionth passenger since being placed in service in 2013.

Job training for young musicians
During the period September–November, young Finnish music students had a chance to improve their skills in an actual work environment as Viking Line continued its collaboration with the Turku Conservatory of Music. Students got on-the-job training as part of their studies in restaurants on Amorella and Viking Grace, where they played both dance and background music. This was the third time the job training programme was arranged, and Viking Line was really pleased to welcome the students on board. More than 14,000 live performances are held each year on Viking Line's vessels; there can be as many as 117 musicians performing on a single day.

Popular themes and special cruises
Various kinds of special cruises have become increasingly popular. On Viking Grace, among the special cruises arranged during the year were Stand Up Comedy cruises, a Provinssi Rock cruise and Finland's first whisky cruise. In September, the Finland's Best Beer cruise was held, during which awards were given for the best beers and breweries.

During the period October–December, three cruises with the theme Beauty & Lifestyle were held on Amorella. On these special cruises, passengers got tips about trends, enjoyed product demonstrations and samples, and took part in a competition with prizes related to the cruise theme.

Wider selection with pop-up shops
During the year, more active upselling was introduced in pop-up shops temporarily set up in Viking Grace's different public areas. The shops offered products from a number of well-known brands and also showcased product collaborations such as Makia & Moomin and Tretorn & Makia. Clothes from the Swedish top designer Ida Sjöstedt and Danish companies MOSS Copenhagen and Y.A.S. were also on offer.

Dry Ager® for tender meat
Early in the summer, the Dry Ager® was introduced in Amorella's restaurant Ella's. Dry Ager® is a tempered fridge for hanging meat, and the whole ageing process takes 2–8 weeks. During this process, moisture from the meat evaporates, providing a more intense flavour and more tender meat. This dry-aged meat has become very popular with passengers.

Collaboration with Bottega
During the autumn and winter, Italian weeks were arranged on board Amorella. In conjunction with the theme weeks, a partnership was also launched with Bottega, which showcased its brand during the theme period in the café Coffee & Wine and in the restaurant Ella's. The collaboration was based on a concept previously launched on board Viking Cinderella and Gabriella. Thanks to the collaboration, Amorella's product assortment included Bottega's wines as well as Italian gourmet foods.

Helsinki–Tallinn

Viking XPRS set a new passenger record
Viking XPRS set a new milestone during the summer when the number of passengers passed the 600,000 mark. In August, XPRS had 209,934 passengers, thus setting an all-time record for the vessel. On Saturday, September 1, the vessel celebrated its 20 millionth passenger on board.

Increased sailings to Tallinn
Scheduled service on the Helsinki–Tallinn route increased in popularity during 2019. In response to the increased demand, Viking XPRS added extra sailings on Fridays and Sundays starting April 5, 2019. The adjusted timetable is in response to requests from customers.

During the period June 14–August 11, Gabriella and Mariella also made extra sailings between Helsinki and Tallinn. Gabriella made a total of 29 and Mariella a total of 30 sailings – for total passenger volume of 175,693 passengers. That was the highest figure in five years.

Loading, unloading and land-based power supply
Starting in 2019, it is easier to load and unload in Helsinki thanks to a new side ramp. Preparatory work is also under way to provide a land-based power supply in Tallinn during 2020.

Expanded facilities for families with children
During the year, Viking XPRS got a new play area, which offers more activities for children and provides a more pleasant café experience for parents. A new Ville Viking lunchbox for children was also developed.

Restaurant and environment
As for restaurants, Viking XPRS has invested in its offering to regular passengers on its route through an updated buffet with a Grill & Steak menu. A new After Work concept with buffet was also launched during the year. As part of the company's environmental work, plastic sandwich packages have been eliminated. Sandwiches are served on plates, which means a reduction of about 60,000 plastic packages.

20,000,000
passengers

Helsinki–Mariehamn–Stockholm

Reduced food waste on Mariella

The project to reduce food waste was launched on Mariella in March 2019, with the idea being essentially to identify the areas where food waste is generated in order to take concrete measures to reduce this. The goal of the project was to achieve a 30% reduction in waste on an annual basis in the areas and products identified as generating a high level of waste. Within four months, Mariella succeeded in reducing its restaurants' food waste by 40%, which corresponds to about 27 tonnes of food or nearly 70,000 portions served.

During the course of the project, employees became even more aware of how important it is to monitor the quantity of food ordered, prepared and served up on trays. All waste is recorded and reviewed. Among other measurements taken, a measurement is made of how much food is left on passengers' plates. With this measurement, we can draw passengers' attention to waste and the importance of trying to avoid throwing away food as much as possible.

Cabin upgrade

Our passengers have often asked for a TV in their cabin. In late April, the upgrade of more than 60 cabins with TVs was completed on Mariella. In May, an upgrade of Gabriella's cabins was carried out, with nearly 70 cabins updated with brand-new materials and also equipped with TVs. Eleven family cabins were converted into concept cabins featuring a Ville Viking theme.

The cabin projects on Mariella and Gabriella were a success. The response from customers has been positive and the cabins now have higher occupancy than previously.

Employees on board Gabriella have managed to achieve one success after another in customer surveys, with customers giving high ratings for the key measurement "Happy, helpful staff" all through the year.

40%
reduced food waste

Rosella's passenger record
+6.3%
compared to the summer of 2018

Stockholm–Mariehamn

Special cruises and charter departures

After a dry-docking in Landskrona of about two weeks early in the year, the annual Dance Band Week was held January 20–26. The world's largest whisky fair on water took place February 14–16. During the whisky fair, an auction of different whisky-related items was also held, generating a total of 138,150 Swedish kronor – which was donated in full to Östersjöfonden (The Baltic Sea Fund). The Champagne & Wine Fair was held during the autumn, September 20–21. A number of charter cruises were also arranged with external partners during the year.

During the summer, Viking Cinderella made three special cruises to Visby under its own auspices for Sweden's annual gathering of political and business leaders, Almedalen Week. Passengers had the opportunity to pre-book excursions and experiences in Gotland as well as meals and spa experiences on board.

No smoking on decks

On July 1, Sweden banned smoking in all outdoor eating venues. Although the ban does not apply to vessels in international traffic, Viking Line wanted to make it possible for passengers to visit outdoor decks without being subjected to tobacco smoke. New non-smoking areas on the decks were thus established in late summer 2019.

During the summer Viking Cinderella made three special cruises to Visby.

Mariehamn–Kapellskär

Passenger record during the summer

Trends in the tourism industry have indicated that more travellers than ever are interested in travelling locally. This trend can also be seen in Rosella's increased passenger figures for the summer of 2019.

In the summer of 2019, Rosella set a passenger record on the Mariehamn–Kapellskär route, with a 6.3% increase in passenger volume compared to the summer of 2018. During the period June–August, a total of 334,783 passengers were transported.

Increased number of cruise tours

In 2019, Rosella started making six trips on Saturdays year-round, with two cruise tours from Kapellskär. The early cruise is aimed at families. On Fridays, we also introduced an After Work cruise for passengers who live nearby. We reviewed our bus links and made some changes, such as providing non-stop bus service from Stockholm and Uppsala on Fridays and Saturdays.

Local ingredients on board

During the period May 1–June 19, Rosella served up specially composed dishes on board with the theme "Rosella is Going Green". Local ingredients were purchased from a number of producers in the Åland Islands. For the Autumn Harvest theme month, Rosella offered tasty Åland specialities throughout the month of September.

Viking Line Cargo

Viking Line Cargo meets the needs of international transport companies. Capacity on Viking Line's car decks is divided between passenger and cargo units so that the needs of both cargo customers and passengers travelling with cars are satisfied in the best possible way.

We listen to customers

High quality and good service are Viking Line's strengths. We develop our operations through continuous dialogue with our customers. We are well aware that stability and reliability in both cargo capacity and timetables are the service that our customers value most highly.

Improved efficiency in the cargo organization

Viking Line Cargo has 13 employees in Helsinki, Turku and Tallinn. Our employees deal with all cargo-related sales and marketing and also manage our customers' bookings. We develop our operations on a continuous basis in order to satisfy our customers' needs and ensure that capacity on our car decks is fully utilized year-round.

In the spring of 2019, we closed our booking office in Tallinn and centralized the booking function in our Turku office. Personal service continues to play an important role and supplements our digital booking platform, which is also developed on an ongoing basis.

The cargo market in 2019

In 2019, Viking Line transported 133,940 (128,549) cargo units, and our share of the cargo market was 18.4 (17.8) per cent. The cargo market was characterized by uncertainty throughout the year, which is reflected in cargo volume. In traffic between Finland and Sweden, our cargo volume increased by 2.5 per cent, and total cargo volume decreased by 0.2 per cent. Our share of the cargo market was 28.8 (28.0) per cent.

Early in the year, the Port of Helsinki introduced a unit fee for cargo units during peak traffic, with the goal being to direct more cargo traffic to Vuosaari Harbour. This additional unit fee affected virtually all of Viking Line's cargo customers during the summer season on the Helsinki–Stockholm and Helsinki–Tallinn routes.

Competition on the Helsinki–Tallinn route increased since total capacity on the route has grown. Nonetheless, our share of the cargo market was 13.7 (13.2) per cent and cargo volume increased by 7.0 per cent.

In 2019, Viking Line transported 133,940 cargo units.

Viking Line Buss

Viking Line Buss offers a wide assortment of travel services. This includes local traffic in the Åland Islands as well as group trips, day trips to Sweden and long-haul trips to different Nordic countries and other countries in Europe which depart from Åland.

Three city buses operate scheduled routes in Mariehamn, and nine rural buses operate scheduled routes across Åland. In 2019, we introduced card payment on board the buses. This means that customers can now purchase bus cards and tickets with a credit or debit card, a feature requested by many passengers.

More environmentally-friendly fuel

All of the company's buses now run on Neste MY diesel, a more environmentally-friendly fuel made of 100% renewable materials such as waste and residue fats. This reduces greenhouse gas emissions during the fuel's life cycle by an average of 90% compared to regular diesel.

Popular trips and guided tours

International cruises to Mariehamn are increasingly popular, and during the summer of 2019 Viking Line Buss provided guided tours to passengers from all 24 cruise ships calling at Mariehamn. The bus company's travel offering for the Åland market includes trips to the theatre and other cultural events, to trade fairs, for shopping and for families.

By switching from regular diesel to Neste MY diesel, Viking Line Buss has reduced carbon dioxide emissions by 639 tonnes on an annual basis.

Viking Line Buss Ab is a wholly owned subsidiary of Viking Line Abp. The company owns 12 buses. Viking Line Buss is certified in compliance with ISO 14001. In 2019, there was an average of 23 employees.

Corporate governance statement

This corporate governance statement was approved by the Board of Directors of Viking Line Abp on February 12, 2020.

The parent company, Viking Line Abp, is listed on Nasdaq Helsinki. The wholly owned subsidiaries Viking Line Skandinavien AB and its subsidiary, Viking Rederi AB, OÜ Viking Line Eesti, Viking Line Finnlandverkehr GmbH and Viking Line Buss Ab belong to the Viking Line Group.

Viking Line applies the Finnish Corporate Governance Code, which was approved by the Securities Market Association and is available on the Securities Market Association's website, Cgfinland.fi. Viking Line complies with the Code in full. Viking Line's corporate governance statement and other information about Viking Line's corporate governance are also available on Vikingline.com.

Annual General Meeting

Viking Line Abp is a public limited company domiciled in Finland which is governed by the Finnish Companies Act and the Company's Articles of Association. In compliance with the Companies Act, the Annual General Meeting (AGM) is the highest decision-making body of the Company, where the owners exercise their influence.

All Viking Line Abp shares constitute one series, in which all shares are of equal value. Each share is represented by one vote when voting on motions and candidates at shareholder meetings. However, no shareholder may vote on behalf of more than 1/4 of the shares represented at a shareholder meeting. On December 31, 2019, Viking Line Abp had 3,407 registered shareholders.

The AGM decides on such matters as the adoption of the financial statements for the preceding financial year, the distribution of the Company's profit or loss and discharge of the Board of Directors as well as the President and Chief Executive Officer from liability for that year. The meeting also elects the Chairman of the Board, the other Board members and auditors, as well as deciding on their fees.

The AGM also makes decisions concerning the Company's shares and share capital as well as changes in the Articles of Association. The minimum share capital of Viking Line Abp is EUR 720,000.00 and the maximum share capital is EUR 2,880,000.00. Within these limits, share capital may be increased or decreased without amending the Articles of Association.

An extraordinary general meeting (EGM) shall be held if the Board of Directors or the AGM has so decided, or if an auditor or owners of at least 1/10 of all shares require this in writing to address a given matter.

In accordance with the Articles of Association, the AGM is held in Mariehamn before the end of June. The latest such meeting took place on April 25, 2019. The next AGM will be held on April 23, 2020.

The invitation to the AGM occurs through an announcement that appears in a newspaper published in the Company's place of domicile. This invitation is also published on Vikingline.com. The invitation shall be issued no earlier than three months before the AGM record date and no later than three weeks before the AGM.

In addition to disclosing the items of business that will be discussed at the meeting, the invitation shall include candidates proposed for the Board and their compensation as well as candidates proposed for the position of auditor. The invitation shall also include proposals as above submitted by shareholders representing at least 1/10 of shares, provided that any candidates have agreed to serve on the Board and the proposal has been delivered to the Company in such a way that it can be included in the invitation. Similar proposals submitted after the invitation has been published shall be published separately.

At the AGM, each shareholder is entitled to ask questions and submit proposals for a decision on matters included in the AGM's agenda. A shareholder is entitled to have a matter considered at the AGM if that person requests it in writing no later than the date indicated by the Company on Vikingline.com.

The President and CEO, the Chairman of the Board, the other Board members and any individuals who are first-time candidates for service as members of the Board shall be present at the AGM. The auditor shall be present at the regular AGM.

The Board of Directors

The Company is headed by the Board of Directors and by the President and Chief Executive Officer. In his absence, the Deputy CEO substitutes for the President and CEO. The President and CEO works with a Group Management team appointed by the Board of Directors.

The Board of Directors consists of the Chairman and six members as well as three deputy members. The Chairman, members and deputy members are elected by the AGM for the period until the end of the next AGM. In case the Chairman or a Board member will be absent, he or she has the primary responsibility for nominating the deputy who will be summoned in his/her place. The Articles of Association have not established any special system for the appointment of Board members. The Board has not appointed any committees.

The Board has not appointed any audit committee. Instead, all information related to audits is dealt with directly by the Board.

A person who is elected to the Board must be sufficiently competent for the task and have sufficient time to handle it. A Board member or candidate must provide the Board with enough information to assess his or her competency and independence as well as any changes in this information and present his or her own assessment of his or her independence.

Board members represent all shareholders, not only those shareholders who have nominated them. The number of members and the composition of the Board shall enable the effective management of the Board's duties.

The diversity of the Board of Directors' composition supports the Company in achieving strategic goals and ensuring that the Board fulfils its duties. The objective is for the Board to include members with experience from different industries and with different assignments and

knowledge. It is important that both genders are represented on the Board.

The Board assesses the members' independence annually. The majority of Board members shall be independent of the Company, with at least two of them also independent of significant shareholders. All members of the sitting Board are independent of the Company, and the majority are also independent of the Company's significant shareholders.

The Board has not appointed any nomination committee but instead proposes a candidate to the Board itself, taking into consideration the above principles.

The Board of Directors is in charge of the administration of the Company's affairs. It leads and oversees the Company's operational management, appoints and dismisses the President and CEO and the other members of Group Management, approves the Company's strategic goals and risk management principles and ensures that the management system is functioning. The Board establishes the Company's vision and values, which are observed in its operations.

The Chairman of the Board is appointed at the regular AGM. The Chairman is responsible for organizing the Board's work and ensures that the Board meets as required. The Group's Senior Vice President of Finance serves as secretary of the Board.

At its statutory meeting after the AGM, the Board of Directors adopts rules of procedure for the financial year. These rules of procedure shall contain information about and indicative dates for:

- discussion of vision and strategy,
- discussion of financial statements, Half-Year Financial Report and Business Reviews for the first and third quarter,
- discussion of audit reports,
- discussion of the Group's budget and plan of operations,
- appointment of any Board committees and
- evaluation of the work of the Board.

In addition, as appropriate, the Board deals with:

- other items of business which are incumbent on the Board according to the Companies Act, the Articles of Association and other rules and regulations,
- significant investments and divestments and
- other items of business submitted by the operational management or by individual Board members.

The Company shall ensure that all Board members receive sufficient information about the Company's operations, operating environment and financial position and that new Board members are familiar with the Company's operations. At each Board meeting, the President and CEO provides information about the Company's operations. In addition, the Board continuously receives information in the form of regular reports and the minutes of Group Management meetings.

The Annual General Meeting on April 25, 2019, elected the following Board of Directors: Chairman Ben Lundqvist and members Nils-Erik Eklund, Erik Grönberg, Agneta Karlsson, Dick Lundqvist, Lars G Nordström and Peter Wiklöf. The deputy members of the Board are Ulrica Danielsson, Stefan Lundqvist and Johnny Rosenholm.

During the financial year 2019, the Board held 12 meetings. Board members' average attendance at meetings was 96.4 per cent.

Board members

BEN LUNDQVIST

Born in 1943. Chairman of the Board since 1995. Board member since 1978. Independent of the Company. Dependent on a significant shareholder.

EDUCATION AND MAIN OCCUPATION
Master of Business Administration. Master of Laws. Managing Director, Ångfartygs Ab Alfa, Rederi Ab Hildegaard and Lundqvist Rederierna Ab. Honorary Maritime Counsellor.

SHAREHOLDINGS DEC 31, 2019*
403,741 shares

NILS-ERIK EKLUND

Born in 1946. Board member since 1997. Independent of the Company. Independent of significant shareholders.

EDUCATION AND MAIN OCCUPATION
University studies in economics. Managing Director, Viking Line Abp 1990-2010.

SHAREHOLDINGS DEC 31, 2019*
383,707 shares

ERIK GRÖNBERG

Born in 1943. Board member since 2004. Independent of the Company. Independent of significant shareholders.

EDUCATION AND MAIN OCCUPATION
Master of Business Administration. Engineer. Chairman of the Board, Ge-Te Media AB.

SHAREHOLDINGS DEC 31, 2019*
81,593 shares

Name	Position	Board meetings	Attendance
Ben Lundqvist	Chairman	12/12	100.0%
Nils-Erik Eklund	Member	12/12	100.0%
Erik Grönberg	Member	12/12	100.0%
Agneta Karlsson	Member	11/12	91.7%
Dick Lundqvist	Member	12/12	100.0%
Lars G Nordström	Member	11/12	91.7%
Peter Wiklöf	Member	11/12	91.7%
Average attendance			**96.4%**

AGNETA KARLSSON

Born in 1954. Board member since 2006. Independent of the Company. Independent of significant shareholders.

EDUCATION AND MAIN OCCUPATION
Doctor of Economics. Associate Professor. Advisor and consultant/lecturer.

SHAREHOLDINGS DEC 31, 2019*
0 shares

DICK LUNDQVIST

Born in 1946. Board member since 2000. Independent of the Company. Dependent on a significant shareholder.

EDUCATION AND MAIN OCCUPATION
Master of Business Administration. Authorized Public Accountant (GRM). Chairman of the Board, Lundqvist Rederierna Ab and Rederi Ab Hildegaard.

SHAREHOLDINGS DEC 31, 2019*
144,400 shares

LARS G NORDSTRÖM

Born in 1943. Board member since 2006. Independent of the Company. Independent of significant shareholders.

EDUCATION AND MAIN OCCUPATION
University studies in law. Chairman of the Board, Vattenfall AB.

SHAREHOLDINGS DEC 31, 2019*
0 shares

PETER WIKLÖF

Born in 1966. Board member since 2017. Independent of the Company. Independent of significant shareholders.

EDUCATION AND MAIN OCCUPATION
Master of Laws. Managing Director, Ålandsbanken Abp.

SHAREHOLDINGS DEC 31, 2019*
0 shares

Deputy Board members

ULRICA DANIELSSON

Born in 1965. Deputy Board member since 2013. Independent of the Company. Independent of significant shareholders.

EDUCATION AND MAIN OCCUPATION
Master of Business Administration. Entrepreneur.

SHAREHOLDINGS DEC 31, 2019*
0 shares

STEFAN LUNDQVIST

Born in 1971. Deputy Board member since 2000. Independent of the Company. Dependent on a significant shareholder.

EDUCATION AND MAIN OCCUPATION
Master of Business Administration. Manager, Operations, Ångfartygs Ab Alfa, Rederi Ab Hildegaard and Lundqvist Rederierna Ab.

SHAREHOLDINGS DEC 31, 2019*
113,450 shares

JOHNNY ROSENHOLM

Born in 1971. Deputy Board member since 2012. Independent of the Company. Independent of significant shareholders.

EDUCATION AND MAIN OCCUPATION
Master of Business Administration. Manager, Corporate Service Department, Åland Business Area, Ålandsbanken Abp.

SHAREHOLDINGS DEC 31, 2019*
0 shares

* Shares in Viking Line Abp as of December 31, 2019, held by the Board member and/or by companies that person has a controlling interest in.

President and CEO

The President and CEO handles the Company's day-to-day management in accordance with the Board's instructions and rules and is responsible for ensuring that the Board's decisions are executed. Under the Companies Act, the President and CEO is also responsible for ensuring that the Company's accounting is in compliance with the law and that the management of finances is carried out in a satisfactory manner.

The President and CEO is appointed and dismissed by the Board of Directors. The terms of his employment relationship including compensation and other benefits are established in a written contract that is approved by the Board. The President and CEO may be elected to the Board, but not as its Chairman.

The President and CEO of the Company is Jan Hanses. The Deputy CEO of the Company is Peter Hellgren.

Group Management

In addition to the President and CEO, the Board also appoints the Deputy CEO and the other members of Group Management. Under the leadership of the President and CEO, Group Management is responsible for directing the Company's operating activities as well as strategic and financial planning. Group Management meets regularly.

Group Management consists of Jan Hanses, Peter Hellgren, Johanna Boijer-Svahnström, Mats Engblom, Henrik Grönvik, Ulf Hagström and Wilhelm Hård af Segerstad.

Auditors

The Company has two Auditors and one Deputy Auditor. They are elected at the Annual General Meeting for a term expiring at the end of the next Annual General Meeting. The Auditors examine the Company's accounts and financial statements. After completion of this examination, the Board receives a review report, and an Auditors' Report is submitted to the Annual General Meeting.

The Company's Auditors are:

Ylva Eriksson, Authorized Public Accountant (CGR)
PricewaterhouseCoopers Oy
The Company's Auditor since 2015

Petter Lindeman, Authorized Public Accountant (CGR)
PricewaterhouseCoopers Oy
The Company's Auditor since 2016

The auditing firm PricewaterhouseCoopers Oy serves as the Company's Deputy Auditor.

Auditors' fees are adopted by the Annual General Meeting. According to the decision in force, fees are paid according to regular invoices. The Group's auditing expenses amounted to EUR 107,856.41 during 2019 (2018: 108,539.81), of which EUR 73,400.00 (2018: 79,600.00) was related to the parent company. The expenses of other services provided by the Group's Auditors as well as their auditing firms were EUR 55,103.18 during 2019 (2018: 56,931.94). The Board performs the duties of an audit committee.

CORPORATE GOVERNANCE

Members of Group Management

JAN HANSES

Born in 1961. Joined the Company in 1988. Master of Laws. LL.M.

AREAS OF RESPONSIBILITY
President and CEO since 2014.

SHAREHOLDINGS DEC 31, 2019*
4,050 shares

PETER HELLGREN

Born in 1967. Joined the Company in 1994. University studies in Communication.

AREAS OF RESPONSIBILITY
Executive Vice President since 2014. Deputy CEO since 2018. Sales and marketing.

SHAREHOLDINGS DEC 31, 2019*
1,000 shares

JOHANNA BOIJER-SVAHNSTRÖM

Born in 1965. Joined the Company in 1990. Master of Business Administration. Studies in Communication.

AREAS OF RESPONSIBILITY
Senior Vice President since 2018. Corporate Communications and Public Affairs, land-based staff and sustainability.

SHAREHOLDINGS DEC 31, 2019*
510 shares

MATS ENGBLOM

Born in 1977. Joined the Company in 2011. Master of Business Administration.

AREAS OF RESPONSIBILITY
Senior Vice President since 2018. Finance.

SHAREHOLDINGS DEC 31, 2019*
584 shares

HENRIK GRÖNVIK

Born in 1963. Joined the Company in 1997. Sea Captain.

AREAS OF RESPONSIBILITY
Vessel Manager since 2018. Master.

SHAREHOLDINGS DEC 31, 2019*
0 shares

ULF HAGSTRÖM

Born in 1969. Joined the Company in 2015, earlier employment 1996–2012. B.Sc. (Mechanical and Energy Engineering).

AREAS OF RESPONSIBILITY
Senior Vice President since 2015. Marine Operations & Newbuildings.

SHAREHOLDINGS DEC 31, 2019*
1,500 shares

WILHELM HÅRD AF SEGERSTAD

Born in 1964. Joined the Company in 1984.

AREAS OF RESPONSIBILITY
Senior Vice President since 2014. Shipboard Commercial Operations and Shipboard Staff.

SHAREHOLDINGS DEC 31, 2019*
0 shares

* Shares in Viking Line Abp as of December 31, 2019, held by that person and/or by companies that person has a controlling interest in.

Internal control and risk management

The objective of the internal oversight for which the Board of Directors and the operative management are responsible is to ensure efficient, profitable operations, reliable information and compliance with regulations and business principles. Risk management is an integral element of the Group's controls and oversight of operations.

The Board of Directors continuously monitors the Group's trend of earnings and its financial position by means of the internal reporting system. The internal control system consists of detailed internal accounts, which are reconciled with the business accounts. The Group's Finance Department is responsible for external reporting and works in close cooperation with the Business Control Department, which handles internal reporting, including financial monitoring, analysis and business planning.

The Group has a Treasury Policy, which was adopted by the Board. The policy concerns, among other matters, principles for the Group's liquidity and funding as well as management of financial risks. Operational responsibility for this lies with the Group's Treasury Department. The Group Treasurer compiles a Treasury report for the Board, the President and CEO and the Group's Senior Vice President of Finance on a regular basis. The scope and frequency of the report are specified in the policy document and include monitoring of the Group's liquidity, financing and risk exposure.

A report on financial risk management is provided in the information contained in the notes to the Group's financial statements. A section on business risks can be found in the Report of the Directors.

The outside Auditors continuously evaluate the internal control system in their review reports to the Board.

Insider management

Viking Line manages insider information and insiders in accordance with the requirements under the EU's Market Abuse Regulation (MAR), the Finnish Securities Market Act, the Nasdaq Helsinki's insider regulations, the regulations and instructions of the European Securities and Markets Authority and the Finnish Financial Supervisory Authority, and Viking Line's insider instructions.

Viking Line's insider management includes

- internal distribution of information about insider issues,
- internal training on insider issues,
- processing of insider notifications,
- establishment and maintenance of insider lists,
- monitoring of insider issues and
- updating of information published on the Internet.

The information received based on the management's notification requirements and the transactions involving the Company's financial instruments carried out by management is examined on a continuous basis. In addition, a comprehensive review is conducted once a year, and a personal print-out of the list of notifications is sent annually to be examined by each member of management.

The Group's President and CEO is responsible for insider issues at the Company. The practical tasks concerning insider management are handled by people designated by that person.

Insider information is published as soon as possible, via a stock exchange release. For someone who has access to insider information, carrying out transactions involving the Company's financial instruments is always prohibited. In addition to this general restriction on trading, management and the people who belong to the Company's financial reporting group are prohibited from trading the Company's financial instruments during a silent period of thirty days before the publication of the Group's financial reports and on the day they are published.

In compliance with MAR requirements, Viking Line publishes information about transactions involving the Company's financial instruments carried out by the management and their related parties. This is done in stock exchange releases and a notification submitted to the Finnish Financial Supervisory Authority within three business days of the transaction date at the latest. In this respect, Viking Line's management is considered to be members and deputy members of the Board as well as the President and CEO.

In preparing for substantial projects, a list of insiders for the project in question is drawn up. The people listed there are to be informed of this and receive information about the obligations that arise from this.

CORPORATE GOVERNANCE

Compensation statement

Compensation to the Board

Fees adopted by the Annual General Meeting are paid as compensation for the work of the Board. Reasonable travel expenses are paid as invoiced. The following fees were paid in compliance with the decision of the Annual General Meeting:

EUR	2019	2018
Annual fee, Chairman of the Board	28,000	28,000
Annual fee, other regular Board members	22,000	22,000
Annual fee, deputy Board members	5,000	5,000
Fee per meeting attended, Board and deputy members	1,000	1,000

For the financial year 2019, a total of EUR 259,000 in Board fees (2018: 245,000) was disbursed. This was allocated as follows:

EUR	2019	2018
Ben Lundqvist	40,000	38,000
Nils-Erik Eklund	34,000	32,000
Erik Grönberg	34,000	32,000
Agneta Karlsson	33,000	32,000
Dick Lundqvist	34,000	31,000
Lars G Nordström	33,000	32,000
Peter Wiklöf	33,000	30,000
Ulrica Danielsson	6,000	7,000
Stefan Lundqvist	7,000	5,000
Johnny Rosenholm	5,000	6,000
Total	**259,000**	**245,000**

Compensation to the President and CEO and to Group Management

The Board determines compensation and other benefits for the President and CEO and for the other members of Group Management. The President and CEO as well as the other members of Group Management are paid a monthly salary that is reviewed by the Board yearly. As compensation for his work, Jan Hanses receives a monthly salary of EUR 24,432 and the following additional benefits in kind: telephone benefits and group life insurance coverage, including insurance for medical expenses.

The Group has only defined-contribution pension plans. The President and CEO as well as the other members of Group Management are subject to public pension terms and the lowest legal retirement age in effect at each point in time.

The President and CEO has a termination notice period of 8 months. The Company's Board is entitled to terminate his contract, but the President and CEO will receive 8 months of salary after the termination date. In case of termination by the Company, the other members of Group Management will receive 6 months of salary. Otherwise the Group has made no individual agreements on termination-related benefits.

The Group has no incentive scheme or bonus systems.

Compensation to Group Management 2019, EUR	Fixed salary	Total compensation in 2019
President and CEO	310,391	310,391
Group Management	905,777	905,777
Total	**1,216,168**	**1,216,168**

Further information about compensation to the Group's key individuals in leading positions can be found in the consolidated financial statements, Note 6.1.3.

FINANCIAL REVIEW

Report of the Directors

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

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).

The section "Five-year financial review" presents information about the Group's financial position and earnings over a five-year period.

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 capitalized costs and advance payments 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).

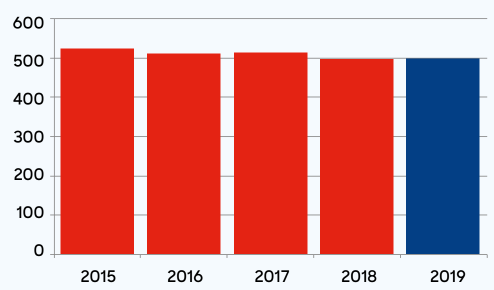
Risk factors

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.

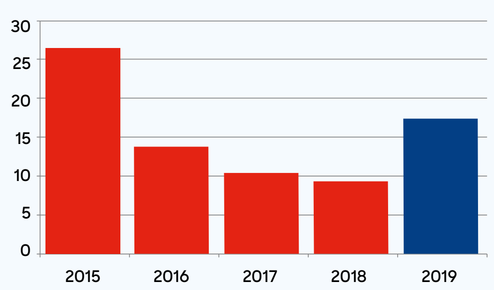
The Group's business operations are dependent on functioning logistics and computer systems. Disruptions in traffic or data communications may have an adverse impact on the Group's earnings. Viking Line endeavours to minimize the risk of lengthy unplanned service interruptions by means of continuous 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).

Sales (EUR M)



Operating income (EUR M)



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.

Further information about financial risk management can be found in Note 5.6 to the consolidated financial statements.

Sustainability report

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

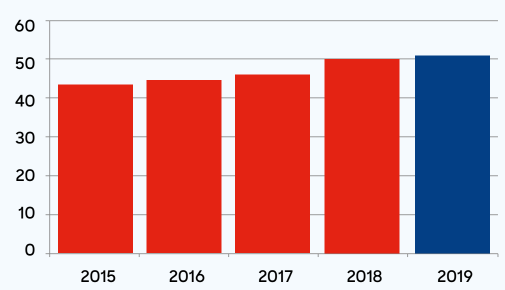
The environment, safety and security

Viking Line endeavours to provide safe and secure seagoing passenger services in an environmentally sound way. National legislation and international agreements are the basis for the Company's environmental work. Through a long-term, active commitment to the environment, the Company has developed environmental activities that extend beyond what is stipulated by the rules in force for passenger services on the Baltic Sea. Viking Line's environmental work focuses on its vessel operations, where the largest positive environmental effect can be achieved.

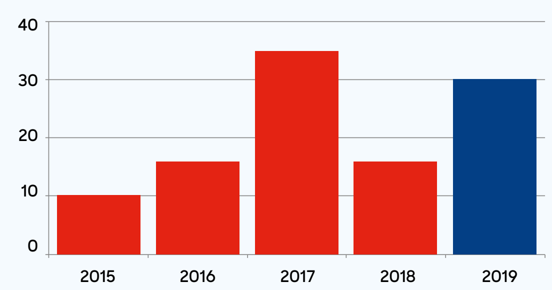
The Group's Head Office, the subsidiary Viking Line Buss Ab and all of Viking Line's vessels are certified in compliance with ISO 14001 environmental management standards. In addition, the Viking Line organization and all vessels are certified according to the International Safety Management (ISM) Code, which stipulates organizational rules for safe vessel operation and for preventing pollution.

The Company is responsible for ensuring that its vessels, their crews and the land-based organization fulfil all the provisions of the rules that apply to passenger and cargo services. National maritime authorities oversee the safety and security equipment, fire protection systems, communications equipment, stability and safety organization of Viking Line's vessels. Emergency preparedness on board is maintained by a safety organization that carries out continuous training and drills related to its duties. Viking Line also has a special safety and crisis management plan, which is constantly being updated and redeveloped. The plan is continuously tested by means of realistic drills, both on board and on land.

Equity/assets ratio (%)



Gross capital spending (EUR M)



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 and 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.

Board of Directors, Group Management and Auditors

The Board of Directors consists of Chairman Ben Lundqvist, Nils-Erik Eklund, Erik Grönberg, Agneta Karlsson, Dick Lundqvist, Lars G Nordström and Peter Wiklöf. The deputy members are Ulrica Danielsson, Stefan Lundqvist and Johnny Rosenholm.

The President and CEO of the Company is Jan Hanses. Peter Hellgren is the Deputy CEO. Group Management consists of Jan Hanses, Peter Hellgren, Johanna Boijer-Svahnström, Mats Engblom, Henrik Grönvik, Ulf Hagström and Wilhelm Hård af Segerstad.

Ylva Eriksson, Authorized Public Accountant (CGR), and Petter Lindeman, Authorized Public Accountant (CGR), are regular Auditors. The auditing firm PricewaterhouseCoopers Oy serves as the Company's Deputy Auditor.

The Group has no loan arrangements, guarantees, contingent liabilities provided/received or other liabilities associated with related parties. Additional information about related party transactions can be found in Note 6.1 to the consolidated financial statements.

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.

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.

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.

FINANCIAL REVIEW

Five-year financial review

THE GROUP	2015	2016	2017	2018	2019
Sales, EUR M	521.6	510.5	513.6	497.8	496.4
Operating income, EUR M	26.4	13.7	10.0	9.3	17.4
– as % of sales	5.1%	2.7%	2.0%	1.9%	3.5%
Income before taxes, EUR M	23.2	9.6	6.6	6.5	13.6
– as % of sales	4.4%	1.9%	1.3%	1.3%	2.7%
Return on equity (ROE)	8.5%	3.6%	2.4%	2.4%	4.7%
Return on investment (ROI)	6.8%	3.6%	2.9%	2.9%	4.8%
Equity/assets ratio	42.8%	44.1%	46.2%	49.4%	50.7%
Debt/equity ratio (gearing)	38.5%	35.5%	36.9%	28.3%	28.1%
Gross capital spending, EUR M	10.0	15.8	34.7	15.9	29.9
– as % of sales	1.9%	3.1%	6.8%	3.2%	6.0%
Average number of employees	2,735	2,742	2,746	2,671	2,632
– of whom shipboard employees	2,066	2,082	2,086	2,037	2,038
– of whom land-based employees	669	660	660	634	594
Salaries etc, EUR M	122.7	123.6	123.5	121.9	122.2

Share-related financial ratios

	2015	2016	2017	2018	2019
Earnings per share, EUR	1.73	0.74	0.49	0.51	1.00
Equity per share, EUR	20.89	20.64	20.75	21.36	21.77
Dividend per share, EUR*	0.95	0.40	0.20	0.20	0.45
Dividend/earnings	54.8%	53.8%	40.8%	39.3%	44.8%
Dividend/share price	4.6%	2.0%	1.2%	1.4%	2.4%
Price/earnings (P/E) ratio	12	27	33	27	19
Share price on December 31, EUR	20.70	20.24	16.25	13.90	19.00
Highest share price, EUR	20.70	26.01	22.29	18.00	19.80
Lowest share price, EUR	15.82	19.75	15.90	12.50	13.90
Average share price, EUR	17.78	21.74	18.65	14.83	17.95
Market capitalization, EUR M	223.56	218.59	175.50	150.12	205.20
Number of shares traded	416,594	455,846	222,546	232,371	2,206,985
Percentage of shares traded	3.9%	4.2%	2.1%	2.2%	20.4%
Dividend paid for financial year, EUR M*	10.26	4.32	2.16	2.16	4.86
Average number of shares	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000
Number of shares on December 31	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000

* For the financial year 2019, proposed by the Board of Directors for approval by the Annual General Meeting.

Shares and shareholders

Shares

Since July 5, 1995, the shares of Viking Line Abp have been listed on the Nasdaq Helsinki. The share capital is EUR 1,816,429.61. The minimum share capital of the Company is EUR 720,000.00 and the maximum share capital is EUR 2,880,000.00. Within these limits, share capital may be increased or decreased without amending the Articles of Association. The minimum number of shares is 3,600,000 and the maximum number is 14,400,000.

All 10,800,000 shares constitute one series, in which all shares are of equal value. Each share is equivalent to one vote when voting on motions and candidates at shareholder meetings. However, no shareholder may vote on behalf of more than 1/4 of the shares represented at a shareholder meeting. The Company has not issued warrants or bonds. The Board of Directors has not requested authorization from a shareholder meeting to change the share capital, to issue warrants or bonds, or to acquire or sell the Company's own shares. The Company and its subsidiaries do not own any of their own shares.

Shareholders

At the end of the financial year, the Company had 3,407 registered shareholders.

Largest shareholders, December 31, 2019	Number of shares	Percentage of total
1. Ångfartygs Ab Alfa	1,656,500	15.3%
2. Rederi Ab Hildegaard	1,110,803	10.3%
3. OP Yrityspankki Oyj (Nominee-registered shares)	602,405	5.6%
4. Skandinaviska Enskilda Banken AB (Publ) Helsingin Sivukonttori (Nominee-registered shares)	574,400	5.3%
5. Nordnet Bank AB (Nominee-registered shares)	508,338	4.7%
6. Lundqvist Ben	403,717	3.7%
7. Eklund Nils-Erik	383,707	3.6%
8. Sviberg Marie-Louise	363,908	3.4%
9. Danske Bank A/S Helsinki Branch (Nominee-registered shares)	312,244	2.9%
10. Sundman Ann	160,057	1.5%

Viking Line Abp's shareholders, by sector	Number of shareholders	Percentage of total	Number of shares	Percentage of total
Companies	134	4.0%	3,142,014	29.1%
Credit institutions and insurance companies	11	0.3%	310,393	2.9%
Public sector entities	1	0.0%	70,210	0.6%
Households	3,109	91.3%	4,802,520	44.5%
Non-profit entities	17	0.5%	50,700	0.5%
Foreign shareholders	126	3.7%	347,663	3.2%
Nominee-registered shares	9	0.2%	2,076,304	19.2%
Not transferred to book-entry securities account system			196	0.0%
Total	3,407	100.0%	10,800,000	100.0%

Distribution of share capital	Number of shareholders	Percentage of total	Number of shares	Percentage of total
1–99	1,633	47.9%	44,233	0.4%
100–999	1,005	29.5%	240,012	2.2%
1,000–9,999	662	19.4%	1,540,646	14.3%
10,000–99,999	93	2.7%	2,341,716	21.7%
100,000–999,999	12	0.4%	3,865,894	35.8%
1,000,000–	2	0.1 %	2,767,303	25.6%

Board and top management shareholdings

The members and deputy members of the Board of Directors, the President and Chief Executive Officer, and the Deputy Chief Executive Officer own or control, in the manner described in Chapter 2, Section 4 of the Finnish Securities Market Act, 1,131,941 shares in the Company, equivalent to a voting power of 10.5 per cent. Viking Line applies the provisions of Finland's Securities Market Act on insider information, the Nasdaq Helsinki's insider regulations and insider rules under the EU Market Abuse Regulation (MAR).

Trading volume and share price

During the financial year, trading in Viking Line on the Nasdaq Helsinki totalled 2,206,985 shares. This meant that 20.4 per cent of all shares changed hands. The year's highest share price was EUR 19.80, the lowest EUR 13.90. On December 31, 2019, the quoted share price was EUR 19.00. The Company's market capitalization on that date was EUR 205.2 M.

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**
Income attributable to:				
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 income 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**
Items that may be reclassified to the income statement				
Translation differences	0.5	-0.3	-0.3	-0.3
Items that will not be reclassified to the income statement				
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**
Comprehensive income attributable to:				
Parent company shareholders	-3.7	19.6	3.3	-12.6

Definitions of financial ratios

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)
Debt/equity ratio (gearing), % =	(Interest-bearing liabilities – cash and cash equivalents) / Equity including minority interest
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 December 31
Dividend/earnings, % =	Dividend per share / Earnings per share
Dividend/share price, % =	Dividend per share / Share price on December 31
Price/earnings (P/E) ratio =	Share price on December 31 / Earnings per share

Consolidated financial statements

Consolidated income statement

EUR M	Note	Jan 1, 2019–Dec 31, 2019	Jan 1, 2018–Dec 31, 2018
SALES	2.2	**496.4**	**497.8**
Other operating revenue	2.3	0.4	0.3
Expenses			
Goods and services	2.4	133.1	135.8
Salary and other employment benefit expenses	2.5	117.1	117.3
Depreciation, amortization and impairment losses	2.6	24.6	23.8
Other operating expenses	2.7	204.6	211.8
		479.4	488.8
OPERATING INCOME		**17.4**	**9.3**
Financial income	5.1	0.5	2.4
Financial expenses	5.1	-4.3	-5.2
INCOME BEFORE TAXES		**13.6**	**6.5**
Income taxes	3.1	-2.7	-1.0
INCOME FOR THE PERIOD		**10.8**	**5.5**
Income attributable to:			
Parent company shareholders		10.8	5.5
Earnings per share before and after dilution, EUR	5.5	1.00	0.51

Consolidated statement of comprehensive income

EUR M	Jan 1, 2019–Dec 31, 2019	Jan 1, 2018–Dec 31, 2018
INCOME FOR THE PERIOD	**10.8**	**5.5**
Items that may be reclassified to the income statement		
Translation differences	-0.3	-0.8
Items that will not be reclassified to the income statement		
Changes in the fair value of financial assets at fair value through other comprehensive income	-3.9	4.1
Other comprehensive income	**-4.2**	**3.3**
COMPREHENSIVE INCOME FOR THE PERIOD	**6.6**	**8.8**
Comprehensive income attributable to:		
Parent company shareholders	6.6	8.8

Consolidated balance sheet

EUR M	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Non-current assets			
Intangible assets	4.1	3.3	3.2
Land	4.2	0.6	0.6
Buildings and structures	4.2	7.3	7.7
Renovation costs for rented properties	4.2	2.2	2.5
Vessels	4.2	266.0	281.2
Machinery and equipment	4.2	3.9	4.9
Right-of-use assets	4.4	5.2	–
Advance payments	4.2	49.5	25.9
Financial assets at fair value through other comprehensive income	5.2	28.1	32.0
Total non-current assets		**366.0**	**358.0**
Current assets			
Inventories	5.4	16.9	16.3
Income tax assets		0.4	0.4
Trade and other receivables	5.2	28.0	30.7
Cash and cash equivalents	5.2	62.8	61.8
Total current assets		**108.1**	**109.2**
TOTAL ASSETS		**474.0**	**467.2**
EQUITY AND LIABILITIES			
Equity	5.5		
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	3.2	37.7	37.5
Interest-bearing liabilities	5.2	100.0	103.5
Lease liabilities		3.6	–
Total non-current liabilities		**141.3**	**141.0**
Current liabilities	5.2		
Interest-bearing liabilities		23.5	23.5
Lease liabilities	4.4, 5.2	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	Note	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	5.3		
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	Share capital	Reserves	Translation differences	Retained earnings	Total equity
	Equity attributable to parent company shareholders				
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	Share capital	Reserves	Translation differences	Retained earnings	Total equity
	Equity attributable to parent company shareholders				
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**

Notes to the consolidated financial statements

FINANCIAL REVIEW

1. Accounting principles

1.1 Company information

The Viking Line Group provides passenger and cargo carrier operations in the northern Baltic Sea service area, with the Finnish mainland, Sweden, the Åland Islands (a Swedish-speaking province of Finland) and the three Baltic countries as its main markets. The Group includes the subsidiary Viking Line Buss Ab as well. The parent company of the Group is Viking Line Abp, domiciled in Mariehamn, Åland. The shares of the parent company are listed on Nasdaq Helsinki. The registered address of the Head Office is Norragatan 4, AX-22100 Mariehamn, Åland, Finland. The financial statements are available on Vikingline.com and at the Group's Head Office.

These financial statements were approved for publication and signed by the Board of Directors on February 12, 2020 and will be submitted to the Annual General Meeting for adoption.

1.2. General principles

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs). In drafting them, the International Accounting Standards (IASs) and IFRSs as well as the interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) that were in force on December 31, 2019 have been applied. In the Finnish Accounting Act and in the regulations issued on the basis of this Act, "IFRSs" refers to standards that have been adopted for application in the Community in compliance with the acts of the European Parliament and the European Council.

The Group applies IFRS 16 "Leases" as of January 1, 2019. Application of the new standard has entailed a larger consolidated balance sheet and a reallocation of items in the consolidated income statement and cash flow statement. Financial ratios are also affected. Application of IFRS 16 did not have any material effect on the Group's results.

Other changes in IAS and IFRS standards as well as IFRIC interpretations that went into effect during the financial year did not have any material effect on the Group's financial statements.

The consolidated financial statements have been prepared on the basis of original costs unless otherwise stated in the accounting principles or notes below.

1.3 Estimates and judgements

In preparing the consolidated financial statements in compliance with IFRSs, the Management of the Company must make judgements and estimates about the future that affect the reported amounts for assets and liabilities, revenue and expenses as well as other information. The judgements and estimates contained in the financial statements are based on the best assessment of Management on the date of the financial statements. The actual outcome may deviate from the estimates and judgements that have been made. Future events may change the basis for estimates and judgements.

The most important area involving judgements is the valuation of the Group's vessels; see Note 4.2. The residual values and estimated useful life of the vessels are reviewed annually and adjusted if they deviate significantly from previous figures. Any adjustments affect the size of depreciation, which in turn affects earnings.

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. The shareholding is reported under financial assets recognized at fair value through other comprehensive income; see Note 5.2.2. A description of the valuation of the shareholding and an accompanying sensitivity analysis are found in Note 5.6.6.

In determining the value of the Group's leases, assessments are made concerning whether the Group will exercise any option to extend the lease term or cancel the lease. Assessments are also made of what discount rates are to be used to calculate the present value of the Group's lease liability. The size of the Group's lease liabilities and right-of-use assets as well as repayments of its lease liabilities and depreciation of right-of use assets are affected by the above assessments. A description of the valuation of the Group's leases is found in Note 4.4.

1.4 Principles of consolidation

The consolidated financial statements encompass the parent company, Viking Line Abp, and those subsidiaries which the parent company controls. For subsidiaries controlled by the parent company, the Group has direct or indirect rights to variable returns and can affect returns by exercising its control. Group companies are reported in the consolidated accounts from the time the Group gains control until the time it ceases to have control. All subsidiaries are wholly owned; see Note 6.1.1. The financial statements of Group companies encompass the period January 1–December 31, 2019.

Subsidiaries are reported according to the acquisition method. This means that all assets that have been acquired, liabilities that have been taken over and contingent liabilities are recognized at fair values on the date the business was acquired. All subsidiaries were acquired before the transition to IFRS reporting. These acquisitions have been reported as previously in compliance with Finnish generally accepted accounting principles (GAAP).

Internal business transactions as well as receivables and liabilities are eliminated in the consolidated accounts. The accounting principles of the subsidiaries are adjusted if necessary so that they correspond to the accounting principles of the Group.

1.5 Items in foreign currencies

The consolidated financial statements have been prepared in euros, which is the parent company's functional currency and financial reporting currency. Business transactions in foreign currencies are recognized in the functional currency of each company according to the exchange rate on the transaction date.

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

Monetary items in foreign currencies have been translated into euros according to the exchange rates prevailing on the balance sheet date, while non-monetary items have been translated according to the exchange rate on the transaction date. Exchange rate differences that have arisen from translation are recognized in the income statement.

The income statements of foreign subsidiaries have been translated into euros according to monthly average rates, while their balance sheets have been translated at the exchange rates on the balance sheet date. Exchange rate differences that have arisen from translation are recognized in equity and in other comprehensive income. Translation differences that have arisen since the transition to IFRS are recognized as a separate balance sheet item under equity.

1.6 Application of renewed or amended IFRS standards

The Group begins to apply each standard and interpretation from the date when it enters into force or from the beginning of the following accounting period, if the initial date of application is a date other than the first day of the accounting period.

Future changes in IASs, IFRSs and IFRIC interpretations that the EU has approved are not expected to have any material effect on the consolidated financial statements.

2. Operating income

2.1 Operating segments

Group Management has established operating segments based on the information that is dealt with by the Management. In Viking Line's organization, the vessels are the primary profit centres and the land-based units constitute support functions for the vessels. Both passenger and cargo operations are conducted on the vessels. Operations, financial earnings forecasts and plans are followed up in these areas for all vessels and are assessed from a comprehensive perspective. The vessels also fulfil all aggregation criteria. The Group's operations have thus been divided into two operating segments:

- **Vessels:** comprises direct revenue and expenses including depreciation that is attributable to vessel operations.
- **Unallocated:** mainly comprises unallocated marketing and administrative expenses. Unallocated also includes the subsidiary Viking Line Buss Ab, which has constituted a support function for vessel operations and accounted for less than 10 per cent of consolidated sales, operating income and assets.

Information on revenue from external customers allocated by geographic area is not available. Assets and liabilities by operating segment are not reported to Group Management.

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

2.2 Sales

Sales revenue is recognized in accordance with IFRS 15. The standard provides a five-step model, with the critical point in time for revenue recognition being when the customer is passed control of the good or service sold. Based on specific criteria, revenue is recognized either at one point in time or over time.

Consolidated sales consist of passenger-related revenue, cargo revenue and other sales revenue. Passenger-related revenue consists mostly of sales on board and ticket sales. The bulk of ticket sales is paid in advance before the trip. Most sales on board are paid during the trip. Charter operators and cargo customers are invoiced afterwards.

Sales are calculated on the basis of sales revenue minus discounts and indirect taxes, adjusted for exchange rate differences. The bulk of the Group's sales revenue consists of sales of goods and services, where either cash or credit card is used as the form of payment. Sales are recognized after goods or services have been received by the customer and benefits associated with ownership of goods or performance of services have been transferred to the purchaser and the Group has thus performed what the customer has paid for.

Advance payments are carried in the balance sheet as contract liabilities under other current liabilities; see Note 5.2.6. These consist mostly of prepaid passenger-related sales revenue. Any credit losses or provisions for future estimated credit losses and other decreases in the value of receivables are recognized as expenses in the income statement.

The Group has a customer loyalty programme, in which passengers collect bonus points that can be used to pay for bookings or services on board. Bonus points are recognized as contract liabilities when they are earned, and sales are reduced by the corresponding amount. When points are used or when it is no longer considered likely that they will be used, the liability for these points is reduced and the corresponding amount is recognized as revenue. Contract liabilities are recognized under other current liabilities; see Note 5.2.6.

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
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

2.3 Other operating revenue

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Rents received on properties	0.2	0.2
Capital gains	0.0	0.1
Miscellaneous other operating revenue	0.2	0.1
Total	0.4	0.3

2.4 Goods and services

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Goods	121.5	123.6
Externally purchased services	11.7	12.2
Total	133.1	135.8

2.5 Employee compensation

Viking Line has different pension arrangements in the countries where the Group operates. Outside pension companies are responsible for the legally mandated pension liability in Group companies. All of the Group's pension plans are classified as defined-contribution. Pension premiums are recognized as expenses in the income statement for the accounting period to which they are attributable.

Compensation related to dismissals is recognized among salary and other employment benefit expenses, and outstanding compensation is accounted for among current liabilities in the balance sheet. The President and CEO receives 8 months of salary and other members of the Group Management team 6 months of salary in case of termination by the Company. Otherwise the Group has no defined-benefit pension arrangements or other benefits after employment has ceased. The Group has no incentive or bonus systems. No specific pension agreement has been made for Group Management.

The Group receives government restitution from Finland and Sweden related to the taxes and social security contributions for shipboard employees, in keeping with European Union guidelines. The restitution received is recognized in the income statement among salary and other employment benefit expenses for the period when the basis for restitution has arisen.

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Salaries	122.2	121.9
Expenses of defined-contribution pensions	15.2	16.0
Other payroll overhead	13.2	13.9
	150.6	151.8
Government restitution	-33.5	-34.4
Total	117.1	117.3

Average number of employees	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Shipboard employees	2.038	2.037
Land-based employees	594	634
Total	2.632	2.671

In addition to the Group's own employees, Viking XPRS was crewed by an average of 245 (242) people employed by a staffing company. The expenses for them are recognized among other operating expenses.

Disclosures on compensation to the Group's key individuals in leading positions are found in Note 6.1.3.

2.6 Depreciation, amortization and impairment losses

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Depreciation and amortization		
Intangible assets	0.3	0.2
Buildings and structures	0.5	0.9
Renovation costs for rented properties	0.4	0.4
Vessels	19.9	20.9
Machinery and equipment	1.4	1.4
Right-of-use assets	2.0	–
Total	24.6	23.8
Total depreciation, amortization and impairment losses	24.6	23.8

A description of the Group's depreciation principles is found in Note 4.

2.7 Other operating expenses

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Sales and marketing expenses	28.6	30.1
Washing and cleaning expenses	20.5	20.7
Repairs and maintenance	14.2	14.4
Public port expenses and vessel charges	40.9	40.9
Fuel expenses	47.0	50.8
Miscellaneous expenses	53.3	54.9
Total	204.6	211.8

2.7.1 Compensation to the auditors

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Auditing	0.1	0.1
Audit-related services	0.0	0.0
Tax advice	0.0	0.0
Miscellaneous consulting	0.0	0.0
Total	0.2	0.2

PricewaterhouseCoopers Oy has provided non-audit services to entities of the Viking Line Group for a total of EUR 0.1 M during the financial year 2019. These services included audit-related services (EUR 0.0 M), tax advice (EUR 0.0 M) and miscellaneous consulting (EUR 0.0 M).

3. Taxes

3.1 Income taxes

Income taxes in the income statement consist of taxes based on the taxable income for the period, adjustment of taxes for previous periods and deferred taxes.

Taxes based on the taxable income for the period are calculated according to the applicable tax rate in each country. Income taxes are recognized in the income statement except when underlying transactions have been recognized directly in equity and in other comprehensive income, in which case the related tax effects are recognized in equity and in other comprehensive income.

Deferred taxes are calculated for all temporary differences between carrying amount and tax base. The largest temporary differences are attributable to differences between the recognized value of fixed assets and their value for tax purposes. Deferred taxes are estimated according to the tax rates that were established before the balance sheet date. When estimating deferred taxes, the 2021 tax rate of 20.6 per cent has been used in the Group's Swedish subsidiaries since the temporary tax differences are not expected to be reversed before the new tax rate takes effect. The Group has not recognized any deferred tax assets.

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Tax for the financial year	2.6	0.5
Tax attributable to previous financial years	0.0	0.0
Deferred tax, change in temporary differences	0.2	0.5
Deferred tax, change in tax rate	–	0.0
Total	2.7	1.0
Reconciliation of tax expense in the income statement and taxes estimated according to tax rate in the Group's home country		
Income before taxes	13.6	6.5
Taxes estimated according to Finnish tax rate (20.0%)	2.7	1.3
Tax attributable to previous financial years	0.0	0.0
Tax effect of		
divergent tax rates in foreign subsidiaries	-0.1	-0.1
tax-exempt revenue and non-deductible expenses	0.0	-0.2
deferred tax, change in tax rate	–	0.0
deferred tax, other changes	0.1	0.1
Taxes in the income statement	2.7	1.0

3.2 Deferred tax assets and liabilities

EUR M

Deferred tax liabilities	Differences between recognized value of fixed assets and their value for tax purposes	Other temporary differences	Total
Jan 1, 2019	37.2	0.3	37.5
Translation differences	0.0	–	0.0
Recognized in income statement	0.1	0.1	0.2
Recognized directly in equity	–	0.0	0.0
Dec 31, 2019	37.3	0.4	37.7
Jan 1, 2018	36.8	0.2	37.0
Translation differences	0.0	–	0.0
Recognized in income statement	0.4	0.1	0.5
Recognized directly in equity	–	0.0	0.0
Dec 31, 2018	37.2	0.3	37.5

4. Intangible assets, fixed assets and leases

4.1 Intangible assets

Intangible assets mainly comprise computer software programmes. These are recognized at their original cost and are amortized on a straight-line basis during their estimated useful life of 5-10 years.

The Group has no recognized goodwill as of the balance sheet date. Research and development concerning vessel technology are mainly carried out by manufacturers. The Group has no actual research and development expenditures.

EUR M	2019	2018
Cost, Jan 1	5.9	5.8
Translation differences	0.0	0.0
Increases	0.5	0.9
Decreases	0.0	-0.8
Cost, Dec 31	6.4	5.9
Accumulated amortization, Jan 1	-2.8	-3.3
Translation differences	0.0	0.0
Accumulated amortization on decreases	0.0	0.8
Amortization for the financial year	-0.3	-0.2
Accumulated amortization, Dec 31	-3.1	-2.8
Carrying amount, Jan 1	3.2	2.5
Carrying amount, Dec 31	3.3	3.2

Intangible assets consist mainly of computer software programmes.

4.2 Property, plant and equipment

Property, plant and equipment are recognized at historical cost less accumulated depreciation and any impairment loss. Cost includes purchase price as well as expenses directly attributable to the asset. The cost of vessels also includes financial expenses during construction. The residual values and estimated useful life of the assets are examined yearly and are adjusted if they deviate substantially from previous values.

The Group's vessels comprise most of its property, plant and equipment. For vessels, an estimated residual value at the end of their useful life is taken into account in calculating depreciation. The vessels are divided into component parts. Depreciation occurs mainly on a straight-line basis over the expected useful life of the parts. For vessels the hull, machinery and other long-term component parts are depreciated on a straight-line basis over 25 years, while short-term component parts are depreciated on a straight-line basis over 15 years

Viking Line's vessels are dry-docked at 2–3 year intervals. Dry-docking expenses are capitalized for each vessel and depreciated until the next planned dry-docking.

Normal expenditures for repairs and maintenance are expensed on a current basis. Expenditures for large-scale renovation projects are capitalized in the balance sheet if it is likely that the future economic benefits associated with the project will flow to the Group. These renovation projects are depreciated together with the asset to which the work is attributable, over its remaining useful life. Renovation projects for vessels whose remaining useful life is less than five years are depreciated over five years.

Capitalized renovation costs for rented properties are depreciated on a straight-line basis. Land is not depreciated. Buildings and motor vehicles are depreciated on a declining balance basis. Other property, plant and equipment are depreciated on a straight-line basis for purchases made in 2016 or later, whereas previous purchases are depreciated on a declining balance basis.

Depreciation for property, plant and equipment is calculated according to the following principles:

Vessels	25 years, straight-line
Vessels, short-term component parts	15 years, straight-line
Vessel dry-docking	2–3 years, straight-line
Vessels, machinery and equipment	5–10 years, straight-line or 25% of remaining expenditure
Buildings	4–7% of remaining expenditure
Structures	10 years, straight-line or 20–25% of remaining expenditure
Renovation costs for rented properties	5–10 years, straight-line
Machinery and equipment	5-15 years, straight-line or 25% of remaining expenditure

Gains or losses on the sale or transfer of property, plant and equipment are recognized in the income statement.

Advance payments are related to vessels under construction. These consist of advance payments in compliance with vessel construction (newbuilding) contracts, planning and monitoring expenses and capitalized borrowing expenses. Planning and monitoring expenses consist of architect fees, salary and travel expenses plus other attributable costs for planning and technical monitoring of vessel construction. Expenses for loans related to advance payments attributable to vessels that have not yet been delivered are capitalized. EU funding received is recognized under advance payments.

EUR M	2019	2018
Land		
Cost, Jan 1	0.6	0.6
Cost, Dec 31	0.6	0.6
Carrying amount, Jan 1	0.6	0.6
Carrying amount, Dec 31	0.6	0.6

EUR M	2019	2018
Buildings and structures		
Cost, Jan 1	22.1	23.9
Translation differences	0.0	0.0
Increases	0.1	0.0
Decreases	-0.9	-1.7
Cost, Dec 31	21.3	22.1
Accumulated depreciation, Jan 1	-14.4	-15.3
Translation differences	0.0	0.0
Accumulated depreciation on decreases	0.9	1.7
Depreciation for the financial year	-0.5	-0.9
Accumulated depreciation, Dec 31	-14.0	-14.4
Carrying amount, Jan 1	7.7	8.6
Carrying amount, Dec 31	7.3	7.7

EUR M	2019	2018
Renovation costs for rented properties		
Cost, Jan 1	11.7	11.7
Increases	0.0	0.2
Decreases	-	-0.1
Cost, Dec 31	11.8	11.7
Accumulated depreciation, Jan 1	-9.2	-9.0
Accumulated depreciation on decreases	-	0.1
Depreciation for the financial year	-0.4	-0.4
Accumulated depreciation, Dec 31	-9.6	-9.2
Carrying amount, Jan 1	2.5	2.7
Carrying amount, Dec 31	2.2	2.5

EUR M	2019	2018
Vessels		
Cost, Jan 1	787.0	786.7
Translation differences	-1.1	-2.6
Increases	5.4	9.2
Decreases	-3.4	-6.4
Cost, Dec 31	787.8	787.0
Accumulated depreciation, Jan 1	-505.7	-492.2
Translation differences	0.4	0.9
Accumulated depreciation on decreases	3.4	6.4
Depreciation for the financial year	-19.9	-20.9
Accumulated depreciation, Dec 31	-521.9	-505.7
Carrying amount, Jan 1	281.2	294.6
Carrying amount, Dec 31	266.0	281.2

EUR M	2019	2018
Machinery and equipment		
Cost, Jan 1	15.3	15.5
Translation differences	0.0	0.0
Increases	0.4	1.2
Decreases	-0.8	-1.3
Cost, Dec 31	15.0	15.3
Accumulated depreciation, Jan 1	-10.4	-10.3
Translation differences	0.0	0.0
Accumulated depreciation on decreases	0.8	1.3
Depreciation for the financial year	-1.4	-1.4
Accumulated depreciation, Dec 31	-11.0	-10.4
Carrying amount, Jan 1	4.9	5.2
Carrying amount, Dec 31	3.9	4.9

EUR M	2019	2018
Advance payments		
Cost, Jan 1	25.9	21.6
Increases	23.6	4.3
Cost, Dec 31	49.5	25.9
Carrying amount, Jan 1	25.9	21.6
Carrying amount, Dec 31	49.5	25.9

EUR M	2019	2018
Total property, plant and equipment		
Carrying amount, Jan 1	322.8	333.2
Carrying amount, Dec 31	329.4	322.8

4.3 Impairment losses of intangible assets and fixed assets

The recognized values of intangible assets and fixed assets are tested regularly to discover any external or internal indications of impairment. If such indications are observed for any asset item, its recoverable amount is estimated.

The recoverable amount of intangible assets and fixed assets refers to their fair value minus costs to sell or value in use, whichever is higher. When estimating value in use, future cash flows are discounted to their present value on the basis of the discount rates that describe the average pre-tax capital costs of the asset in question. Discount rates shall reflect the time value of money and the risks that the specific asset is subjected to and that have not been taken into account in future cash flows.

An impairment loss is recognized in the income statement if the carrying amount of the asset item exceeds its recoverable amount.

An impairment loss attributable to intangible assets and fixed assets, except for goodwill, is reversed if a change has occurred in the values used in determining the recoverable amount of the asset item. The impairment loss is reversed to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that the asset would have had if no impairment loss had been recognized, taking into account the depreciation that would then have been carried out.

During the financial year 2019, no impairment losses on intangible assets or fixed assets were recognized.

4.4 Leases

Beginning January 1, 2019, the Group's leases are recognized in accordance with IFRS 16.

4.4.1 The Group as lessee

Beginning January 1, 2019, the Group's leases are recognized in accordance with IFRS 16. Under this standard, all leases are recognized in the lessee's balance sheet apart from a few exceptions and simplification rules. For leases entered into in 2018 or earlier, January 1, 2019 has been used as the lease commencement date.

The Group recognizes a lease liability measured at the present value of the remaining lease charges, discounted by the rate implicit in the lease or the Group's incremental borrowing rate at the lease commencement date. At the same time, a right-of-use asset is recognized at an amount that corresponds to the lease liability. Right-of-use assets are depreciated on a straight-line basis during the lease term. The interest on the lease liability is recognized as a financial expense.

After the lease commencement date, the lease liability is reassessed if there is any change in the lease conditions or in the reassessment of other assumptions. The right-of-use asset is recognized after a deduction for accumulated depreciation, taking into account adjustments for any reassessments of the lease liability.

A contract is classified as a lease if it transfers the right to determine the use of an identified asset during a given period in exchange for payment. The lease term is established as the non-cancellable period, including an assessment of the reasonable certainty of any cancellation or extension of the contract in question. Lease charges are discounted using the rate implicit in the contracts or else the lessee's incremental borrowing rate. When contracts include both a lease and non-lease components, these are distinguished. The relationship between the components is determined based on an estimated stand-alone price. The lease components are included in leases.

Short-term leases and leases for which the underlying asset has a low value have been taken into account in calculating the Group's lease liability.

The Group previously recognized all leases as operational leases in accordance with IAS 17 since the economic risks and benefits associated with ownership of the underlying asset had not been transferred to the Group. Rental costs have been recognized in the income statement on a straight-line basis over the lease term. In assessing outstanding lease liabilities in accordance with IAS 17, only the non-cancellable term has been taken into account, unlike with the assessment in accordance with IFRS 16, where probable lease extensions are also taken into consideration.

Application of IFRS 16 entails a larger consolidated balance sheet and a reallocation of items in the consolidated income statement and cash flow statement. Financial ratios are also affected. Comparative figures have not been recalculated. Application of IFRS 16 has no material effect on the Group's results. The table below illustrates the effects of applying IFRS 16 to the Group's opening balance.

CONSOLIDATED BALANCE SHEET (EUR M)	Dec 31, 2018	Impact of IFRS 16	Jan 1, 2019
ASSETS			
Non-current assets	358.0	7.2	365.2
Current assets	109.2		109.2
TOTAL ASSETS	**467.2**	**7.2**	**474.4**
EQUITY AND LIABILITIES			
Equity	230.7		230.7
Non-current liabilities	141.0	5.3	146.3
Current liabilities	95.5	1.9	97.4
Total liabilities	236.5	7.2	243.7
TOTAL EQUITY AND LIABILITIES	**467.2**	**7.2**	**474.4**

The Group's leases include the leasing of land and parking spaces, premises for sales and other administrative purposes, and machinery and equipment on land and on board the Group's vessels. The leases vary in their lease terms, indexing, renewal and other conditions. The Group has no leases that include residual value guarantees, sale-and-leaseback transactions or stipulated compensation to be paid if the lease is cancelled. The Group did not have any sub-leasing of right-of-use assets during the financial year.

Some of the Group's leases include index adjustments of lease charges. In a lease adjustment, a reassessment is made of the Group's lease liabilities from the date the adjustment takes effect.

EUR M	2019
Right-of-use assets, land	
Cost, Jan 1	0.6
Translation differences	0.0
Increases	0.0
Decreases	0.0
Cost, Dec 31	0.6
Accumulated depreciation, Jan 1	–
Translation differences	0.0
Accumulated depreciation on decreases	0.0
Depreciation for the financial year	-0.1
Accumulated depreciation, Dec 31	-0.1
Carrying amount, Jan 1	0.6
Carrying amount, Dec 31	0.4

EUR M	2019
Right-of-use assets, buildings and structures	
Cost, Jan 1	5.5
Translation differences	0.0
Increases	0.4
Decreases	-0.7
Cost, Dec 31	5.1
Accumulated depreciation, Jan 1	–
Translation differences	0.0
Accumulated depreciation on decreases	0.2
Depreciation for the financial year	-1.3
Accumulated depreciation, Dec 31	-1.2
Carrying amount, Jan 1	5.5
Carrying amount, Dec 31	4.0

EUR M	2019
Right-of-use assets, vessels (machinery and equipment)	
Cost, Jan 1	0.2
Increases	0.1
Cost, Dec 31	0.3
Accumulated depreciation, Jan 1	–
Depreciation for the financial year	-0.2
Accumulated depreciation, Dec 31	-0.2
Carrying amount, Jan 1	0.2
Carrying amount, Dec 31	0.2

EUR M	2019
Right-of-use assets, machinery and equipment (land)	
Cost, Jan 1	0.9
Translation differences	0.0
Increases	0.2
Decreases	-0.1
Cost, Dec 31	1.0
Accumulated depreciation, Jan 1	–
Translation differences	0.0
Accumulated depreciation on decreases	0.1
Depreciation for the financial year	-0.4
Accumulated depreciation, Dec 31	-0.3
Carrying amount, Jan 1	0.9
Carrying amount, Dec 31	0.7

EUR M	2019
Total right-of-use assets	
Carrying amount, Jan 1	7.2
Carrying amount, Dec 31	5.2

EUR M	
Lease liabilities	**Dec 31, 2019**
Non-current lease liabilities	1.7
Current lease liabilities	3.6
Total	5.3
	2019
Interest expenses on lease liabilities	0.2
Depreciation of lease liabilities	1.9
Cash outflow for leases, total	2.1

EUR M	
Future cash flows for lease liabilities	**Total**
2020	1.8
2021	1.5
2022	1.2
2023	0.9
2024	0.1
2025 -	0.0
Total	5.6

4.4.2 The Group as lessor

All leases in which the Group is lessor are classified as operational leases since the economic risks and benefits associated with ownership of the underlying asset are not transferred to the lessee. Lease revenue is recognized in the income statement on a straight-line basis over the lease term.

The Group's leases are for the leasing of space in parts of the Group's properties to different businesses. Most leases on properties are in effect until further notice with a period of notice of less than one year. Leases for fixed periods run for between 1 and 4 years, and the leases normally include the option of extending after the end of the lease term. Some leases include index adjustments of rent.

EUR M	2019
Lease revenue, operational leases	0.2
- of which variable lease charges that do not depend on indexing or interest rates	0.0

EUR M	
Future cash flows for lease revenue	**Total**
2020	0.1
2021	0.0
2022	0.0
2023	0.0
2024	–
2025 -	–
Total	0.1

5. Capital structure

5.1 Financial income and expenses

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Dividend income from financial assets recognized at fair value through other comprehensive income	0.4	2.3
Interest income from cash and cash equivalents	0.0	0.0
Other financial income	0.1	0.1
Total financial income	0.5	2.4
Interest expenses on financial liabilities recognized at amortized cost	3.1	3.4
Interest expenses on lease liabilities	0.2	–
Exchange losses	0.5	1.2
Other financial expenses	0.5	0.6
Total financial expenses	4.3	5.2
Total financial income and expenses	-3.8	-2.8

5.2 Financial assets and liabilities

5.2.1 Classification and recognition of financial assets and liabilities

Financial assets are classified according to IFRS 9 in the following categories:

- recognized at amortized cost,
- recognized at fair value through other comprehensive income and
- recognized at fair value through profit or loss.

The classification is based on the Company's business model for financial asset management and the characteristics of the contractual cash flows from the financial asset.

Financial liabilities are classified according to IFRS 9 as recognized at amortized cost, with a number of exceptions specified in the standard.

Non-current assets and liabilities have an expected maturity longer than one year, while current assets and liabilities have a maturity less than one year.

The Group applies the following hierarchy to determine the fair value of financial assets and liabilities according to various measurement methods:

- Level 1: Listed (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: Other measurement methods in which all data that have a significant impact on fair value can be observed either directly or indirectly.
- Level 3: Those measurement methods that require judgements by Group Management.

Acquisitions and divestments of financial assets are reported on the settlement date.

EUR M

Classification of fair value, financial assets recognized at fair value through other comprehensive income	Dec 31, 2019	Dec 31, 2018
Level 1	–	–
Level 2	–	–
Level 3	28.1	32.0

Financial assets and liabilities by category	Recognized at amortized cost	Recognized at fair value through other comprehensive income
Financial assets Dec 31, 2019		
Financial assets at fair value through other comprehensive income	–	28.1
Trade receivables	10.6	–
Cash and cash equivalents	62.8	–
Total	73.3	28.1
Financial assets Dec 31, 2018		
Financial assets at fair value through other comprehensive income	–	32.0
Trade receivables	11.2	–
Cash and cash equivalents	61.8	–
Total	73.1	32.0

	Recognized at amortized cost
Financial liabilities Dec 31, 2019	
Non-current interest-bearing liabilities	100.0
Current interest-bearing liabilities	23.5
Trade payables	21.0
Total	144.5
Financial liabilities Dec 31, 2018	
Non-current interest-bearing liabilities	103.5
Current interest-bearing liabilities	23.5
Trade payables	23.9
Total	151.0

5.2.2 Financial assets recognized at fair value through other comprehensive income

The classification of financial assets recognized at fair value through other comprehensive income is based on a business model whose objectives can be achieved by collecting contractual cash flows and selling financial assets.

The Group's holdings of unlisted shares and participations are classified as financial assets recognized at fair value through other comprehensive income. The items in question are long-term strategic investments that are not intended to be sold in the short term.

The Group holds 19.5 per cent of the shares in Försäkringsaktiebolaget Alandia and does not have significant influence on the company. The value of the Group's shareholding is established on the basis of the present value of expected future cash flows. The fair value of other unlisted shares and participations is determined via disclosures about recently completed transactions, prices of similar instruments, outside appraisals or estimates of expected cash flows.

Changes in fair value are recognized in other comprehensive income and in the fair value reserve under equity. When sold, these changes are transferred from the fair value reserve to retained earnings.

Dividend income from the investments is recognized in the consolidated income statement.

For a further description of the valuation of financial assets recognized at fair value through other comprehensive income and the accompanying sensitivity analysis, see Note 5.6.6.

EUR M	Dec 31, 2019	Dec 31, 2018
Unlisted shares and participations		
Försäkrings Ab Alandia	28.0	31.9
Maresan Oy	0.1	0.1
Other unlisted shares and participations	0.0	0.0
Total	28.1	32.0
Financial assets recognized at fair value through other comprehensive income, Jan 1	32.0	27.9
Increases	0.0	0.0
Decreases	–	0.0
Change in fair value	-3.9	4.1
Financial assets recognized at fair value through other comprehensive income, Dec 31	28.1	32.0
Income from unlisted shares and participations recognized in the income statement		
Dividend income from shares and participations disposed of during the year	–	0.0
Dividend income from shares and participations held as of December 31	0.4	2.3

5.2.3 Trade and other receivables

Trade receivables are recognized at amortized cost according to IFRS 9. The carrying amount of trade and other receivables is considered equal to fair value based on the short-term nature of the items.

For expected credit losses on trade receivables, a loss provision is recognized. Adjustments in the loss provision are recognized in the consolidated income statement. Additional information about the Group's handling of credit losses is found in Note 5.6.4.

EUR M	Dec 31, 2019	Dec 31, 2018
Trade receivables	10.6	11.2
Accrued income and prepaid expenses	15.4	17.1
Other receivables	2.0	2.3
Total	28.0	30.7
Accrued income and prepaid expenses		
Employee-related items	14.5	15.6
Other accrued income and prepaid expenses	0.9	1.5
Total	15.4	17.1
Trade receivables		
Trade receivables	10.6	11.3
Provision for expected credit losses	-0.1	-0.1
Total	10.6	11.2
Provision for expected credit losses, Jan 1	-0.1	-0.1
Change for the year recognized in the consolidated income statement	–	–
Write-off of trade receivables	–	–
Provision for expected credit losses, Dec 31	-0.1	-0.1
Trade receivables written off during the year and subject to enforcement activity	0.0	0.0
Age analysis, trade receivables		
Not overdue	7.4	8.5
Overdue 1-30 days	2.7	2.3
Overdue more than 30 days	0.5	0.4
Total	10.6	11.2
Trade and other receivables by currency		
EUR	22.6	23.9
SEK	5.2	6.5
CHF	0.0	0.2
DKK	0.0	0.0
GBP	0.1	0.1
USD	0.0	0.0
Total	28.0	30.7

5.2.4 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank accounts and highly liquid short-term investments whose maturity from the acquisition date is no more than three months. For cash and cash equivalents with a short maturity, the carrying amount is regarded as being equivalent to fair value.

EUR M	Dec 31, 2019	Dec 31, 2018
Cash and bank accounts	62.8	61.8
Total	62.8	61.8

5.2.5 Interest-bearing liabilities

The Group has both current and non-current interest-bearing liabilities. All liabilities are denominated in euros. Some of these liabilities have fixed interest rates and some have floating interest rates. The total floating interest rate consists of the market interest rate and a company-specific margin.

Interest-bearing liabilities are initially recognized at fair value based on the amount received. Transaction costs are included in the original carrying amount of financial liabilities. After the acquisition date, the liabilities are carried at amortized cost according to the effective interest method. The carrying amount of interest-bearing liabilities is equivalent to fair value.

EUR M	Dec 31, 2019	Dec 31, 2018
Non-current interest-bearing liabilities		
Loans from credit institutions	100.0	103.5
Current interest-bearing liabilities		
Loans from credit institutions, principal payments	23.5	23.5
	2019	**2018**
Interest-bearing liabilities, Jan 1	127.0	150.6
Increases	20.0	-
Decreases	-23.5	-23.5
Interest-bearing liabilities, Dec 31	123.5	127.0

5.2.6 Trade and other payables

Trade payables are recognized at amortized cost in accordance with IFRS 9. The carrying amount of trade and other payables is considered equal to fair value based on the short-term nature of the items.

EUR M	Dec 31, 2019	Dec 31, 2018
Trade payables	21.0	23.9
Accrued expenses and prepaid income	39.5	37.8
Other payables	9.8	9.9
Total	70.3	71.6
Accrued expenses and prepaid income		
Employee-related expenses	27.1	25.7
Contract liabilities	10.1	9.5
Other accrued expenses and prepaid income	2.4	2.6
Total	39.5	37.8
	2019	**2018**
Contract liabilities, Jan 1	9.5	8.5
Increases	10.1	9.5
Decreases	-9.5	-8.5
Contract liabilities, Dec 31	10.1	9.5
Trade and other payables by currency	**Dec 31, 2019**	**Dec 31, 2018**
EUR	55.4	55.9
SEK	15.0	15.7
DKK	0.0	0.0
GBP	0.0	0.0
NOK	0.0	0.0
RUB	-	0.0
USD	0.0	0.0
Total	70.3	71.6

Most other payables consist of employee-related items.

5.2.7 Future cash flows

EUR M			
Future cash flows related to financial liabilities (incl. financial expenses)	**Trade payables**	**Interest-bearing liabilities**	**Total**
2020	21.0	26.7	47.7
2021		46.1	46.1
2022		20.9	20.9
2023		16.1	16.1
2024		15.6	15.6
2025 -		7.6	7.6
Total	21.0	133.0	154.0

5.3 Reconciliation of liabilities attributable to financing activities

EUR M	2019	2018
Interest-bearing liabilities, Jan 1	127.0	150.6
Cash flow		
Borrowing	20.0	-
Principal payments	-23.5	-23.5
Total	-3.5	-23.5
Changes that do not affect cash flow		
Valuation at amortized cost, change	0.0	0.0
Interest-bearing liabilities, Dec 31	123.5	127.0
Lease liabilities, Jan 1	7.2	-
Cash flow		
Depreciation	-1.9	-
Changes that do not affect cash flow		
Translation differences	0.0	-
Increase in lease liabilities	0.1	-
Lease liabilities, Dec 31	5.3	-

5.4 Inventories

Inventories are recognized at the lower of cost using the first in, first out (FIFO) method or a likely net realizable amount.

EUR M	Dec 31, 2019	Dec 31, 2018
Inventories of goods for sale	15.5	15.0
Supplies	0.2	0.2
Stocks of vessel fuel	1.3	1.1
Total	16.9	16.3

5.5 Equity

5.5.1 Earnings per share

Earnings per share are calculated on the basis of 10,800,000 shares of equal value. Viking Line has no share option, convertible debenture or share-based incentive programmes, so no dilution can occur.

5.5.2 Share capital

The minimum share capital of Viking Line Abp is EUR 720,000.00 and the maximum share capital is EUR 2,880,000.00. Within these limits, share capital may be increased or decreased without amending the Articles of Association. The minimum number of shares is 3,600,000 and the maximum number is 14,400,000. Since April 12, 1995, the share capital of Viking Line Abp has been EUR 1,816,429.61 and the number of shares 10,800,000. All shares constitute one series, in which all shares are of equal value. Each share is equivalent to one vote on motions and candidates at shareholder meetings. However, no shareholder may vote on behalf of more than 1/4 of the shares represented at a shareholder meeting.

The Company has not issued any warrants or bonds. The Board of Directors has not requested authorization from a shareholder meeting to change the share capital or to issue warrants or bonds or to acquire the Company's own shares. The Company and its subsidiaries do not own any of their own shares.

5.5.3 Funds

EUR M	Dec 31, 2019	Dec 31, 2018
Reserves		
Legal reserve	0.0	0.0
Share premium reserve	0.0	0.0
Fair value reserve	1.9	5.8
Total	1.9	5.8

5.5.4 Translation differences

Translation differences consist of differences that have arisen when consolidating the financial statements of foreign subsidiaries. These differences are recognized in other comprehensive income.

5.5.5 Dividend

A dividend of EUR 0.20 per share, totalling EUR 2.2 M, was distributed for the financial year 2018 (a dividend of EUR 0.20 per share, totalling EUR 2.2 M, was distributed for the financial year 2017). After the balance sheet date, the Board of Directors proposed that a dividend of EUR 0.45 per share be paid for the financial year 2019. The dividend distribution is recognized as a liability in the balance sheet when the Annual General Meeting has approved it.

5.6 Management of financial risks

In its normal business operations, the Group is exposed to various financial risks. The main financial risks are foreign exchange risk, liquidity risk, interest rate risk, credit and counterparty risk, and bunker price risk. The Board of Directors of the parent company has approved a policy document for the Group's financing and management of financial risks. The Group's financial position and risk exposure are reported regularly to the Board of Directors.

The Group had no derivative contracts during 2018 and 2019.

5.6.1 Foreign exchange risk

The Group's foreign exchange risk consists of sales and purchases as well as balance sheet items in foreign currencies and net investments in foreign subsidiaries. The impact of changes in currency exchange rates on net investments in foreign subsidiaries is reflected as translation differences in Group equity and in other comprehensive income.

The most important foreign currencies for the Group are Swedish kronor (SEK) and American dollars (USD). During 2019 SEK-denominated sales accounted for about 27 per cent of total consolidated sales. Salary and other employment benefit expenses and purchases denominated in SEK accounted for about 22 per cent of the Group's total salary and other employment benefit expenses and purchases. The USD exchange rate affects the Group's earnings mainly through bunker (vessel fuel) purchases.

The Group's trade and other receivables and its trade and other payables per currency are shown in Notes 5.2.3 and 5.2.6. In addition, the Group has cash and cash equivalents in various currencies. The Group's loans are entirely denominated in euros. The currency position is monitored continuously and the Group endeavours to achieve a matching of the currency flows. When an imbalance between the Group's inflows and outflows of SEK arises, this is managed primarily by a continuous sale of SEK. The Group has no form of currency hedging.

A 5 per cent change in the exchange rate of the euro against the Swedish krona on December 31, 2019 would have an estimated effect of EUR ±0.0 M (EUR ±0.2 M on December 31, 2018) on consolidated income after taxes and equity.

5.6.2 Liquidity risk

Viking Line evaluates and continuously monitors the financing that is required in its business operations in order to always have sufficient funds for day-to-day activities, principal payments and investments. Liquidity risk is also managed through efficient cash management, by ensuring market-priced financing sources and by dispersing a sufficient portion of financial investments among liquid financial instruments. Vessel investments are financed with long-term credit agreements.

Some of the Group's loan agreements include loan covenants according to market terms. The conditions and terms in the agreements were complied with during the financial year.

Viking Line Abp and the Xiamen Shipbuilding Industry Co. Ltd. shipyard have signed a contract on the construction of a passenger vessel. The contract amount is EUR 194 M, and the planned delivery for the vessel is in 2021.

78.4 per cent of the contract price is financed by a syndicate consisting of commercial banks. 90.0 per cent of the credit amount is guaranteed by China Export & Credit Insurance Corporation. The binding loan commitment of EUR 152.0 M will be used when the final payment is made upon delivery of the vessel. The loan commitment includes loan covenants according to market terms.

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.

The Group's non-current interest-bearing liabilities amounted to EUR 100.0 M on December 31, 2019 (EUR 103.5 M on December 31, 2018). The Group's cash and cash equivalents amounted to EUR 62.8 M on December 31, 2019 (EUR 61.8 M on December 31, 2018). Unutilized credit lines in the Group totalled EUR 15.1 M on December 31, 2019 (EUR 15.1 M). Information on the dates when interest-bearing liabilities fall due for payment is found in Note 5.2.7.

5.6.3 Interest rate risk

Fluctuations in interest rates affect the Group's interest expenses and interest income. Of the Group's interest-bearing liabilities, 66 per cent have fixed interest rates and 34 per cent have floating interest rates. The total floating interest rate consists of the market interest rate and a company-specific margin. There were no interest rate derivatives on December 31, 2019.

A one percentage point change in the market interest rates on the Group's interest-bearing liabilities with floating interest rates on December 31, 2019 would have an estimated effect of EUR +0.1 M / -0.3 M (EUR ±0.2 M on December 31, 2018) on consolidated income after taxes and equity.

5.6.4 Credit and counterparty risk

Credit risk in operational activities is continuously monitored.

Cash is invested in financial instruments that are liquid and exposed to low risk. Investments in financial instruments are made only with counterparties deemed to have good solvency and creditworthiness.

For expected credit losses on the Group's trade receivables, a loss provision is recognized. Adjustments in the provision for credit losses are recognized in the consolidated income statement.

The Group applies the simplified method for recognizing provisions for credit losses in accordance with IFRS 9 so that the Group's provision is recognized at an amount corresponding to its expected credit losses for the remaining maturity of the assets in question. Recognition shall be an objective, probability-weighted estimation, reflect the time value of money and be based on reasonable and supported information about previous events, current conditions and forecasts for future economic conditions.

A write-off of the book value of a financial asset is made when there are no reasonable expectations of repayment. Trade receivables are assessed individually based on overdue payments. Write-offs are recognized in the consolidated income statement.

The balance sheet carrying amount of the Group's trade and other receivables plus financial assets at fair value through other comprehensive income is equivalent to its maximum credit exposure. Credit risk in the Group's trade and other receivables is regarded as low, since these are dispersed among a large number of customers.

The Group had no substantial credit losses during the financial year.

The changes in the Group's expected credit loss provision for trade receivables are presented in Note 5.2.3.

An age analysis of trade receivables can be found in Note 5.2.3.

5.6.5 Bunker price risk

Bunker (vessel fuel) costs are a substantial risk for the Group. Most of the price of the Group's bunker purchases is determined by world market prices for bunker oil and natural gas. Bunker oil purchases are made in euros. The bunker oil price for a specific delivery date is determined based on an average of market price listings of Platts CIF NWE/Basis ARA Gas oil for the three previous days according to the European Central Bank's USD/EUR reference exchange rates for the same period. The liquefied natural gas (LNG) price is determined based on the market listing for NBP ICIS Heren's average price for the month before delivery. NBP is converted into EUR/MWh using a fixed factor based on the European Central Bank's EUR/GBP rate for the first trading date in the delivery month. In order to offset the risk of higher bunker prices, the Group has entered into fixed-price agreements related to a portion of its bunker consumption during 2018, 2019 and 2020.

Vessel bunker costs amounted to EUR 46.7 M during the financial year 2019 (EUR 50.5 M during 2018), which is equivalent to 9.5 per cent (10.1) of Group sales. Bunker consumption totalled about 76,200 tonnes of oil and about 15,000 tonnes of LNG during 2019 (about 76,500 tonnes of oil and 14,800 tonnes of LNG during 2018).

A 10 per cent change in the bunker price of LNG on December 31, 2019 and the bunker oil quality that is used, based on projected bunker consumption in 2020, would have an estimated effect of EUR ±2.7 M on consolidated income after taxes and equity. The Group's existing fixed-price agreements have been taken into account in these calculations.

5.6.6 Price risk

The Group is exposed to price risk related to shares that are classified as financial assets at fair value through other comprehensive income, of which the Group's shareholding in the insurance company Försäkringsaktiebolaget Alandia comprises 99.62 per cent.

A forecast has been made of the insurance company's cash flows during the period 2020-2024. For subsequent periods, annual growth in cash flows from insurance activities of 2.0 per cent has been forecasted. The value of Viking Line's shareholding is established on the basis of the present value of the forecasted cash flows. To calculate the present value, a discount rate of 10.1 per cent was used. The discount rate was determined based on a capital asset pricing model (CAPM), which takes into account components such as the risk-free interest rate, beta and the stock market risk premium.

Sensitivity analysis,shareholding in Försäkrings Ab Alandia EUR M	**Effect on present value**
Decrease by 10% of forecasted cash flows from insurance activities	-2.8
Increase by 10% of forecasted cash flows from insurance activities	+2.8
Discount rate 11.1%	-3.4
Discount rate 9.1%	+4.4

5.7 Asset management

The purpose of the Group's asset management is a capital structure that ensures normal operating conditions. The Company's Board of Directors assesses the capital structure of the Group regularly by monitoring the equity/assets ratio. On December 31, 2019, the equity/assets ratio amounted to 50.7 per cent, compared to 49.4 per cent on December 31, 2018.

5.8 Pledged assets and contingent liabilities

EUR M	**Dec 31, 2019**	**Dec 31, 2018**
Contingent liabilities		
Loans and credit lines for which vessel, vehicle and chattel mortgages were provided as collateral	138.7	142.2
Other contingent liabilities not included in the balance sheet		
Covered by site leasehold and chattel mortgages	0.0	0.0
Total	138.7	142.2
Assets pledged for own debt		
Vessel mortgages	231.6	300.0
Vehicle mortgages	0.1	0.1
Chattel mortgages	0.5	0.5
Site leasehold mortgages	23.3	0.4
Total	255.5	301.0
Investment commitments not included in the accounts		
Commitments, vessel orders	158.1	175.3
– Contractual amount	198.2	195.8

Viking Line has a binding credit commitment of EUR 152.0 M for financing vessel orders.

6. Other information in the notes

6.1. Related parties

The Group's related parties include all Group companies, the parent company's Board of Directors and the Group Management plus their close family members and companies controlled by all the above parties.

The members of the parent company's Board of Directors and of the Group Management consist of the Group's key individuals in leading positions.

The Group's internal business transactions that are eliminated in the consolidated accounts are not recognized as transactions with related parties.

6.1.1 Group companies

	Domicile	Holding	Share of voting power
Owned by the parent company, Viking Line Abp	***Mariehamn, Finland***		
Viking Rederi AB	Norrtälje, Sweden	100%	100%
OÜ Viking Line Eesti	Tallinn, Estonia	100%	100%
Viking Line Buss Ab	Mariehamn, Finland	100%	100%
Viking Line Skandinavien AB	Stockholm, Sweden	100%	100%
Viking Line Finnlandverkehr GmbH	Lübeck, Germany	100%	100%
Oy Viking Tours Ruotsinmatkat - Sverigecenter Ab *	Mariehamn, Finland	100%	100%
Oy Ruotsinsatama - Sverigehamnen Ab *	Naantali, Finland	100%	100%
Owned by subsidiaries			
Finlandshamnen Stuveri AB	Stockholm, Sweden	100%	100%

* Inactive company

6.1.2 Transactions with companies that are controlled by the Group's key individuals in leading positions

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Sales of services	-	-
Purchases of services	0.6	0.7

EUR M	Dec 31, 2019	Dec 31, 2018
Receivables outstanding	-	-
Liabilities outstanding	0.0	0.0

Transactions with related parties are carried out on market terms. The Group has no loan arrangements, guarantees, contingent liabilities provided/received or other liabilities associated with related parties.

6.1.3 Compensation to the Group's key individuals in leading positions

EUR	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Salaries and other short-term compensation to Group Management	1,216,168	1,153,977
Total	1,216,168	1,153,977

Compensation and other benefits, 2019, EUR	**Base salary/ Board fee**	**Other benefits**	**Pension expenses**	**Total**
Ben Lundqvist, Chairman of the Board	40,000			40,000
Nils-Erik Eklund, Board member	34,000			34,000
Erik Grönberg, Board member	34,000			34,000
Agneta Karlsson, Board member	33,000			33,000
Dick Lundqvist, Board member	34,000			34,000
Lars G Nordström, Board member	33,000			33,000
Peter Wiklöf, Board member	33,000			33,000
Ulrica Danielsson, deputy Board member	6,000			6,000
Stefan Lundqvist, deputy Board member	7,000			7,000
Johnny Rosenholm, deputy Board member	5,000			5,000
	259,000	0	0	259,000
President and CEO	309,911	480	46,403	356,795
Deputy CEO	159,841	10,169	40,137	210,147
Other key individuals in leading positions	733,651	2,117	111,820	847,588
	1,203,402	12,766	198,361	1,414,529
Total	1,462,402	12,766	198,361	1,673,529

Compensation and other benefits, 2018, EUR	**Base salary/ Board fee**	**Other benefits**	**Pension expenses**	**Total**
Ben Lundqvist, Chairman of the Board	38,000			38,000
Nils-Erik Eklund, Board member	32,000			32,000
Erik Grönberg, Board member	32,000			32,000
Agneta Karlsson, Board member	32,000			32,000
Dick Lundqvist, Board member	31,000			31,000
Lars G Nordström, Board member	32,000			32,000
Peter Wiklöf, Board member	30,000			30,000
Ulrica Danielsson, deputy Board member	7,000			7,000
Stefan Lundqvist, deputy Board member	5,000			5,000
Johnny Rosenholm, deputy Board member	6,000			6,000
	245,000	0	0	245,000
President and CEO	299,280	734	47,192	347,206
Deputy CEO	203,742	1,643	36,697	242,081
Other key individuals in leading positions	639,429	9,150	139,822	788,402
	1,142,451	11,526	223,712	1,377,689
Total	1,387,451	11,526	223,712	1,622,689

Fees adopted by the Annual General Meeting are paid as compensation for the work of the Board. Reasonable travel expenses are paid as invoiced.

The President and CEO and other Group Management members are paid monthly salaries that are reviewed by the Board yearly. The President and CEO also receives the following benefits in kind: telephone benefits and group life insurance coverage, including insurance for medical expenses.

The Group has no incentive or bonus systems.

The Group has only defined-contribution pension plans. Pension expenses refer to the expenses that have affected the year's income. For the President and CEO and other Group Management members, public pension terms and the lowest legal retirement age in effect at each point in time apply.

The President and CEO has a termination notice period of 8 months. The Company's Board is entitled to terminate the President and CEO's contract, but the President and CEO will receive 8 months of salary after the termination date. Other Group Management members receive 6 months of salary in case of termination by the Company. Otherwise the Group has made no individual agreements on termination-related benefits.

The President and CEO of the Company is Jan Hanses. Peter Hellgren has been the Deputy CEO since November 16, 2018.

No benefits other than salaries and short-term compensation were paid to key individuals in leading positions.

6.2 Litigation and disputes

Viking Line is involved in a few legal actions and cases whose outcome cannot be predicted, but taking into account the information that is available at present, their outcome is not expected to have any substantial impact on consolidated earnings.

6.3 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.

Parent company financial statements

Parent company income statement

EUR M	Note	Jan 1, 2019–Dec 31, 2019	Jan 1, 2018–Dec 31, 2018
SALES		**503.1**	**504.3**
Other operating revenue	2	0.4	0.3
Operating expenses			
Goods and services	3	133.2	135.8
Employee expenses	4	91.2	90.4
Depreciation and amortization	5	19.8	20.9
Other operating expenses	6	245.4	251.4
		489.6	498.4
OPERATING INCOME		**13.9**	**6.2**
Financial income and expenses	7	–2.9	–1.1
INCOME BEFORE APPROPRIATIONS AND TAXES		**11.0**	**5.1**
Appropriations	8	1.4	–1.5
Income taxes	9	–2.5	–0.5
INCOME FOR THE FINANCIAL YEAR		**9.9**	**3.1**

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Parent company balance sheet

EUR M	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
FIXED ASSETS			
Intangible assets	10	5.4	5.6
Tangible assets	11		
Land		1.0	1.0
Buildings and structures		7.0	7.5
Vessels		231.1	244.0
Machinery and equipment		2.7	3.4
Advance payments		49.5	25.9
		291.3	281.9
Shares and participations	12		
Shares in Group companies		1.1	1.1
Capital contribution to Group companies		17.6	17.6
Other shares and participations		26.2	26.2
		44.9	44.9
TOTAL FIXED ASSETS		**341.6**	**332.3**
CURRENT AND FINANCIAL ASSETS			
Inventories	13	16.9	16.2
Non-current receivables			
Group receivables		6.5	10.9
Current receivables			
Trade receivables		10.2	10.8
Group receivables		6.9	6.6
Other current receivables		1.4	1.5
Accrued income and prepaid expenses	14	12.9	14.6
		31.4	33.5
Cash and cash equivalents		59.5	59.8
TOTAL CURRENT AND FINANCIAL ASSETS		**114.4**	**120.3**
TOTAL ASSETS		**456.0**	**452.6**

EUR M	Note	Dec 31, 2019	Dec 31, 2018
EQUITY AND LIABILITIES			
EQUITY	15		
Share capital		1.8	1.8
Retained earnings		74.0	73.0
Income for the financial year		9.9	3.1
TOTAL EQUITY		**85.7**	**78.0**
ACCUMULATED APPROPRIATIONS			
Accumulated depreciation differences		**180.8**	**182.2**
LIABILITIES			
Non-current liabilities	16		
Liabilities to credit institutions		99.9	103.3
Current liabilities			
Principal payments to credit institutions		23.4	23.4
Accounts payable		20.4	22.7
Group liabilities		1.4	1.9
Other current liabilities		8.3	8.5
Accrued expenses and prepaid income	17	36.1	32.6
		89.6	89.2
TOTAL LIABILITIES		**189.5**	**192.5**
TOTAL EQUITY AND LIABILITIES		**456.0**	**452.6**

Parent company cash flow statement

EUR M	Jan 1, 2019–Dec 31, 2019	Jan 1, 2018–Dec 31, 2018
OPERATING ACTIVITIES		
Income for the financial year	9.9	3.1
Adjustments		
Depreciation and amortization	19.8	20.9
Capital gains from tangible assets	0.0	0.0
Capital gains/losses from shares and participations	0.0	0.0
Other items not included in cash flow	-1.4	1.5
Interest expenses and other financial expenses	3.6	4.0
Interest income and other financial income	-0.4	-0.8
Dividend income	-0.4	-2.3
Income taxes	2.5	0.5
Change in working capital		
Change in current receivables	2.1	3.0
Change in inventories	-0.8	1.1
Change in non-interest-bearing liabilities	-1.1	-0.9
Interest paid	-3.2	-3.6
Financial expenses paid	-0.5	-0.6
Interest received	0.3	0.9
Financial income received	0.1	0.1
Taxes paid	-0.8	1.0
NET CASH FLOW FROM OPERATING ACTIVITIES	**29.7**	**27.7**
INVESTING ACTIVITIES		
Investments in vessels	-4.6	-9.0
Investments in other intangible and tangible assets	-1.0	-1.8
Advance payments	-23.6	-4.3
Investments in shares and participations	0.0	0.0
Divestments of other intangible and tangible assets	0.0	0.0
Divestments of shares and participations	-	0.0
Change in non-current receivables	4.3	4.3
Dividends received	0.4	2.3
NET CASH FLOW FROM INVESTING ACTIVITIES	**-24.4**	**-8.5**
FINANCING ACTIVITIES		
Increase in long-term liabilities	20.0	-
Principal payments, non-current liabilities	-23.4	-23.4
Dividends paid	-2.2	-2.2
NET CASH FLOW FROM FINANCING ACTIVITIES	**-5.6**	**-25.6**
CHANGE IN CASH AND CASH EQUIVALENTS	**-0.2**	**-6.3**
Cash and cash equivalents at the beginning of the year	59.8	66.1
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**59.5**	**59.8**

Notes to the parent company's financial statements

1. Accounting principles

1.1 Company information

Viking Line Abp, domiciled in Mariehamn, Åland, is the parent company of the Viking Line Group. The Company's Business Identity Code is 0144983-8.

1.2. General principles

The financial statements of Viking Line Abp have been prepared in compliance with Finnish accounting legislation as well as other national rules and regulations concerning financial statements.

The financial statements of the Company encompass the period January 1–December 31, 2019.

1.3 Items in foreign currencies

Transactions in foreign currencies are translated according to the exchange rate on the transaction date. Receivables and liabilities in foreign currencies are recognized at the exchange rate prevailing on the balance sheet date.

1.4 Revenue

The Company's revenue is recognized minus discounts, indirect taxes and exchange rate differences.

1.5 Pension expenses

Outside pension companies are responsible for the legally mandated pension liability in the Company. Pension premiums are recognized as expenses in the income statement for the accounting period to which they are attributable.

1.6 Income taxes

Income taxes recognized in the income statement are attributable to income for the year as well as to earlier accounting periods.

1.7 Tangible and intangible assets and depreciation/amortization

Tangible and intangible assets are recognized at historical cost less accumulated scheduled depreciation/amortization, which has been calculated on the basis of the probable economic life of the assets. Acquisition cost includes the purchase price and expenses directly attributable to the asset. The acquisition cost of vessels includes financial expenses during their construction period as well. Carrying amounts in the balance sheet also include revaluations on parcels of land, based on appraisals made by outside appraisers.

Intangible assets mainly comprise computer software programmes and capitalized renovation expenses for leased properties and are amortized on a straight-line basis.

Vessels, which comprise the largest asset item in the balance sheet, are depreciated on a straight-line basis. For vessels, an estimated residual value at the end of their economic life has been taken into account in calculating depreciation. For vessels, the hull, engine and other long-term component parts will be depreciated on a straight-line basis over 25 years, while short-term component parts will be depreciated on a straight-line basis over 15 years. Additional capital expenditures for vessels are depreciated over the remaining scheduled economic life of the vessels. Renovation projects for vessels whose remaining scheduled economic life is less than five years are depreciated over five years.

Viking Line's vessels are dry-docked at 2-3 year intervals. Dry-docking expenses are capitalized for each vessel and depreciated until the next planned dry-docking.

Normal expenditures for repairs and maintenance are expensed on a current basis. Land is not depreciated. Buildings and motor vehicles are depreciated on a declining balance basis. Other tangible assets are depreciated on a straight-line basis for acquisitions made starting in 2016, while earlier acquisitions are depreciated on a declining balance basis.

Depreciation for fixed assets is calculated according to the following principles:

Vessels	25 years, straight-line
Vessels, short-term component parts	15 years, straight-line
Vessels, dry-docking	2–3 years, straight-line
Vessels, machinery and equipment	5–10 years, straight-line or 25% of remaining expenditure
Buildings	4–7% of remaining expenditure
Structures	10 years, straight-line or 20–25% of remaining expenditure
Machinery and equipment	5–15 years, straight-line or 25% of remaining expenditure
Intangible assets (amortization)	5–10 years, straight-line

Advance payments are related to vessels under construction. These consist of advance payments in compliance with vessel construction (newbuilding) contracts, planning and monitoring expenses and capitalized borrowing expenses. Planning and monitoring expenses consist of architect fees, salary and travel expenses plus other attributable costs for planning and technical monitoring of vessel construction. Interest expenses for loans related to advance payments attributable to vessels that have not yet been delivered are capitalized. EU funding received is recognized under advance payments.

1.8 Financial assets and liabilities

Viking Line Abp's shareholding in Försäkringsaktiebolaget Alandia is 19.5 per cent of the total. The acquisition cost of the shares was established on the basis of the present value of future cash flows at initial recognition. The shareholding is recognized among shares and participations in the Company's balance sheet. If the value of the shares decreases substantially and in the long term, an impairment loss is recognized among financial expenses.

Other financial assets and liabilities are recognized at acquisition cost.

1.9 Inventories

Inventories are recognized at the lower of cost using the first in, first out (FIFO) method or a likely net realizable amount.

2. Other operating revenue

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Rents received on properties	0.2	0.2
Capital gains	0.0	0.0
Miscellaneous operating revenue	0.1	0.0
Total	0.4	0.3

3. Goods and services

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Purchases during the financial year	122.0	122.5
Change in inventories	-0.6	1.1
Externally purchased services	11.7	12.2
Total	133.2	135.8

4. Employee expenses

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Salaries etc	97.4	96.5
Pension expenses	13.3	13.6
Other employee expenses	4.5	5.0
	115.2	115.2
Government restitution	-24.0	-24.8
Total	91.2	90.4
Average numbers of employees		
Shipboard employees	1,600	1,594
Land-based employees	386	411
Total	1,986	2,005

5. Depreciation and amortization

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Intangible assets	0.7	0.6
Buildings and structures	0.5	0.8
Vessels	17.5	18.3
Machinery and equipment	1.1	1.1
Total	19.8	20.9

6. Auditors' fees

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Auditing	0.1	0.1
Audit related services	0.0	0.0
Tax advice	0.0	0.0
Miscellaneous consulting	0.0	0.0
Total	0.1	0.1

7. Financial income and expenses

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Dividend income from others	0.4	2.3
Interest income from Group companies	0.3	0.7
Interest income from others	0.0	0.0
Exchange gains	0.0	0.1
Other financial income	0.1	0.1
Total financial income	0.9	3.3
Interest expenses to others	3.1	3.4
Exchange losses	0.1	0.4
Other financial expenses	0.5	0.6
Total financial expenses	3.7	4.4
Total financial income and expenses	-2.9	-1.1

8. Appropriations

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Difference between scheduled depreciation and depreciation for tax purposes	1.4	-1.5
Total	1.4	-1.5

9. Income taxes

EUR M	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Income tax on actual operations	-2.5	-0.5

10. Intangible assets

EUR M	2019	2018
Intangible rights		
Acquisition cost, Jan 1	5.8	5.7
Increases	0.5	0.9
Decreases	0.0	-0.8
Acquisition cost, Dec 31	6.3	5.8
Accumulated amortization, Jan 1	-2.7	-3.2
Accumulated amortization on decreases	0.0	0.8
Amortization for the period	-0.3	-0.2
Accumulated amortization, Dec 31	-3.0	-2.7
Book value, Jan 1	3.2	2.5
Book value, Dec 31	3.3	3.2

EUR M	2019	2018
Other long-term assets		
Acquisition cost, Jan 1	11.7	11.7
Increases	0.0	0.2
Decreases	-	-0.1
Acquisition cost, Dec 31	11.8	11.7
Accumulated amortization, Jan 1	-9.2	-9.0
Accumulated amortization on decreases	-	0.1
Amortization for the period	-0.4	-0.4
Accumulated amortization, Dec 31	-9.6	-9.2
Book value, Jan 1	2.5	2.7
Book value, Dec 31	2.2	2.5
Total intangible assets	**5.4**	**5.6**

11. Tangible assets

EUR M	2019	2018
Land		
Acquisition cost, Jan 1	0.6	0.6
Acquisition cost, Dec 31	0.6	0.6
Revaluations, Jan 1	0.5	0.5
Revaluations, Dec 31	0.5	0.5
Book value, Jan 1	1.0	1.0
Book value, Dec 31	1.0	1.0

EUR M	2019	2018
Buildings and structures		
Acquisition cost, Jan 1	21.5	23.2
Increases	0.1	0.0
Decreases	-0.9	-1.7
Acquisition cost, Dec 31	20.6	21.5
Accumulated depreciation, Jan 1	-14.0	-14.9
Accumulated depreciation on decreases	0.9	1.7
Depreciation for the period	-0.5	-0.8
Accumulated depreciation, Dec 31	-13.6	-14.0
Book value, Jan 1	7.5	8.3
Book value, Dec 31	7.0	7.5

EUR M	2019	2018
Vessels		
Acquisition cost, Jan 1	724.9	722.3
Increases	4.6	9.0
Decreases	-3.2	-6.3
Acquisition cost, Dec 31	726.3	724.9
Accumulated depreciation, Jan 1	-480.9	-468.9
Accumulated depreciation on decreases	3.2	6.3
Depreciation for the period	-17.5	-18.3
Accumulated depreciation, Dec 31	-495.2	-480.9
Book value, Jan 1	244.0	253.4
Book value, Dec 31	231.1	244.0

EUR M	2019	2018
Machinery and equipment		
Acquisition cost, Jan 1	12.2	12.5
Increases	0.4	0.7
Decreases	-0.6	-1.1
Acquisition cost, Dec 31	11.9	12.2
Accumulated depreciation, Jan 1	-8.8	-8.7
Accumulated depreciation on decreases	0.6	1.1
Depreciation for the period	-1.1	-1.1
Accumulated depreciation, Dec 31	-9.2	-8.8
Book value, Jan 1	3.4	3.8
Book value, Dec 31	2.7	3.4

EUR M	2019	2018
Advance payments		
Acquisition cost, Jan 1	25.9	21.6
Increases	23.6	4.3
Acquisition cost, Dec 31	49.5	25.9
Book value, Jan 1	25.9	21.6
Book value, Dec 31	49.5	25.9
Total tangible assets	**291.3**	**281.9**

12. Shares and participations

EUR M	2019	2018
Shares in Group Companies		
Acquisition cost, Jan 1	1.1	1.1
Acquisition cost, Dec 31	1.1	1.1
Capital contribution to Group companies		
Acquisition cost, Jan 1	17.6	17.6
Acquisition cost, Dec 31	17.6	17.6
Other shares and participations		
Acquisition cost, Jan 1	26.2	26.2
Increases	0.0	0.0
Decreases	-	0.0
Acquisition cost, Dec 31	26.2	26.2
Total shares and participations	**44.9**	**44.9**

13. Inventories

EUR M	Dec 31, 2019	Dec 31, 2018
Stocks of goods for sale	15.5	14.9
Supplies	0.2	0.2
Stocks of vessel fuel	1.3	1.1
Total	16.9	16.2

14. Accrued income and prepaid expenses

EUR M	Dec 31, 2019	Dec 31, 2018
Employee-related items	12.2	13.3
Other accrued income and prepaid expenses	0.7	1.3
Total	12.9	14.6

15. Equity

EUR M	2019	2018
Share capital, Jan 1	1.8	1.8
Share capital, Dec 31	1.8	1.8
Retained earnings, Jan 1	73.0	74.4
Income for the previous financial year	3.1	0.8
Dividend paid to shareholders	-2.2	-2.2
Retained earnings, Dec 31	74.0	73.0
Income for the financial year	9.9	3.1
Total equity	85.7	78.0

16. Loans that fall due later than after 5 years

EUR M	Dec 31, 2019	Dec 31, 2018
Liabilities to credit institutions	7.5	22.4

17. Accrued expenses and prepaid income

EUR M	Dec 31, 2019	Dec 31, 2018
Employee-related items	21.8	20.4
Other accrued expenses and prepaid income	14.3	12.3
Total	36.1	32.6

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18. Pledged assets and other contingent liabilities

EUR M	Dec 31, 2019	Dec 31, 2018
Contingent liabilities		
Loans and credit lines for which vessel mortgages were provided as collateral	138.3	141.8
Total	138.3	141.8
Assets pledged for own debt		
Vessel mortgages	231.6	300.0
Site leasehold mortgages	22.9	–
Total	254.5	300.0
Leasing liabilities		
Amounts that fall due during the following accounting period	0.5	0.6
Amounts that fall due later	1.0	0.5
Total	1.5	1.2
Investment commitments not included in the accounts		
Commitments, vessel orders	158.1	175.3
– Contractual amount	198.2	195.8

Viking Line has a binding credit commitment of EUR 152.0 M for financing vessel orders.

Signatures

Signatures of the Board of Directors and the President and CEO

Mariehamn, February 12, 2020

Ben Lundqvist
Chairman of the Board

Nils-Erik Eklund

Erik Grönberg

Agneta Karlsson

Dick Lundqvist

Lars G Nordström

Peter Wiklöf

Jan Hanses
President and CEO

Auditors' note

Our auditors' report was issued today.

Mariehamn, February 12, 2020

Ylva Eriksson,
Authorized Public Accountant

Petter Lindeman,
Authorized Public Accountant

Auditors' Report

(Auditors' Translation of the Swedish Original)

To the Annual General Meeting of Viking Line Abp

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Board of Directors.

What we have audited

We have audited the financial statements of Viking Line Abp (business identity code 0144983-8) for the year ended 31 December 2019. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

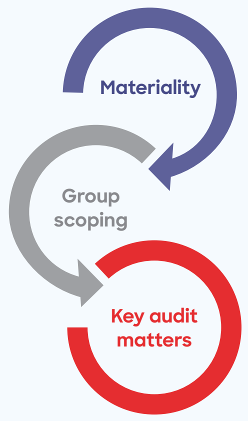
Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 2.7.1 to the Financial Statements.

Our Audit Approach

Overview



Materiality

- We have applied an overall group materiality of € 2,6 million

Group scoping

- The group audit included the parent company covering the vast majority of the group's net sales, assets and liabilities

Key audit matters

- Net sales – timing of revenue recognition
- Valuation of vessels

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality

€ 2,6 million

How we determined it

0,5 % of average consolidated net sales during the past five years

Rationale for the materiality benchmark applied

The group's net sales has varied over the years. We chose net sales as the benchmark because, in our view, it reflects the volume of the group's operations and it is the benchmark against which the performance of the group is most commonly measured by users.

We chose 0,5% of net sales, which is within the range of acceptable quantitative materiality thresholds in auditing standards. Net sales is a generally accepted benchmark.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of Viking Line group and the size, complexity and risks of individual subsidiaries. Based on these criteria we assessed that the audit of the parent company covers the vast majority of the group's net sales, assets and liabilities.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Net sales – timing of revenue recognition *See notes 1. and 2. to the financial statements* The consolidated net sales comprise three different revenue streams: passenger-related revenue, cargo revenue and miscellaneous sales revenue. Sales consist of a large number of small transactions; payment is usually received in advance (ticket income) or at the point of sale. The company has IT systems and manual controls in place to ensure that payments received, whether in cash or per card, match sales recorded in the accounting records. The group has a customer loyalty program, where passengers collect bonus points that can be used as payment for tickets or services on board. A short-term liability and reduction of net sales is recorded for the amount of bonus points that management estimates that is likely to be utilised. We focused on the risk, that revenue may not be recorded in the appropriate accounting period.	Our audit of revenue recognition included both testing of the company's controls and testing of individual sales transactions. Our testing of controls focused on controls covering the reconciliation of cash and card payments received against sales recorded in the point-of-sale system. As part of our substantive audit of revenue recognition for ticket sales we compared revenue against the period when the passengers had travelled. Our audit of sales on board focused on verifying that sales on board for vessels departing close to the financial year-end were recognised in revenue in the correct accounting period. We tested a sample of sales recorded close to the year-end 2019 against the point-of-sales systems on board. We assessed the reasonableness of management's estimate of the likelihood that collected bonus points will be utilised before they expire. Our audit of cargo income included a sample of cargo income recognised in the end of the accounting period, in order to verify that recognition was made in the accounting period when departure had taken place.
Valuation of vessels *Refer to notes 1. and 12. to the financial statements* The group has 7 vessels, with a total value of € 266 million as per balance sheet at 31 December 2019. The vessels constitute a significant part of the group's balance sheet. Vessels are valued in accordance with IFRS based on cost less accumulated depreciation. The magnitude of the depreciation expense depends on the expected economic useful lives and the estimated residual value of the vessels, and thereby reflects management judgement. Capitalised costs for vessels under constructions, worth a total of € 50 million, are reported under advance payments and are not depreciated. We focused our audit on the valuation of the vessels as their valuation is impacted by management judgement, and they account for a significant portion of the group's assets.	In order to ensure that the vessels were not recorded at a value exceeding their fair value, we compared their respective values per the group's accounting records to a valuation performed by an external expert engaged by the group. Our procedures covered all the group's vessels, i.e. Viking Cinderella, Viking Grace, Amorella, Viking XPRS, Gabriella, Mariella and Rosella. We have reviewed capitalised costs for vessels under construction to validate that they fulfill the criteria for capitalisation.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclo-

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sures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

Authorised public accountants from PricewaterhouseCoopers Oy have been acting, without interruption, as the auditors for Viking Line Abp since the Annual General Meeting 11 February 2010.

Authorised public accountant (KHT) Ylva Erikson has been the auditor for five years since the Annual General Meeting 22 April 2015 and (KHT) Petter Lindeman for four years since the Annual General Meeting 20 April 2016.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Mariehamn 12 February 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson	Petter Lindeman
Authorised	Authorised
Public Accountant (KHT)	Public Accountant (KHT)

Contact information

VIKING LINE ABP

Street address: Norragatan 4
Postal address: PB 166
AX-22101 Mariehamn
Åland, Finland
Tel: +358 18 270 00

Street address: Storagatan 3
Postal address: PB 166
AX-22101 Mariehamn
Åland, Finland

SUBSIDIARIES

Viking Line Skandinavien AB
Box 4154
SE-131 04 Nacka, Sweden
Tel: +46 8 452 41 00

Viking Rederi AB
c/o Viking Line Skandinavien AB
Box 4154
SE-131 04 Nacka, Sweden
Tel: +46 8 452 41 00

OÜ Viking Line Eesti
Hobujaama 4
EE-10151 Tallinn, Estonia
Tel: +372 666 3966

Viking Line Finnlandverkehr GmbH
Große Altefähre 20-22
DE-23552 Lübeck, Germany
Tel: +49 451 38 46 30

Viking Line Buss Ab
Storagatan 3
AX-22100 Mariehamn
Åland, Finland
Tel: +358 18 263 11

FINLAND UNIT

Street address: Mastokatu 1
Postal address: PB 119
FI-00161 Helsinki, Finland
Tel: +358 9 123 51

Street address: Linnansatama
Postal address: PB 265
FI-20101 Turku, Finland
Tel: +358 2 333 11

PASSENGER OFFICES

Turku
Info & Travel Shop
Street address: Linnansatama
Postal address: PB 265
FI-20101 Turku, Finland
Tel: +358 2 333 11

Tallinn
Hobujaama 4
EE-10151 Tallinn, Estonia
Tel: +372 666 3966

SWEDEN UNIT
Danvik Center
Hästholmsvägen 28
SE-131 30 Nacka, Sweden
Tel: +46 8 452 41 00

ÅLAND REGION
Storagatan 3
AX-22100 Mariehamn
Åland, Finland
Tel: +358 18 262 11

CARGO UNIT
Street address: Mastokatu 1
Postal address: PB 119
FI-00161 Helsinki, Finland
Tel: +358 9 123 51

CARGO BOOKING

Turku
Postal address: PB 265
FI-20101 Turku, Finland
Tel: +358 2 333 1446

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Photos: Viking Line Mediabank, Visit Åland Mediabank, Sami Pitkänen, Tiina Tahvanainen, Jani Koivuniemi.
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