

Report of the Directors

Sales and earnings

Consolidated sales of the Viking Line Group totalled EUR 188.8 M during the period January 1–December 31, 2020 (496.4 January 1–December 31, 2019). Other operating revenue was EUR 26.9 M (0.4). Operating income totalled EUR –49.3 M (17.4). Net financial items were EUR –3.6 M (–3.8). Consolidated income before taxes amounted to EUR –52.9 M (13.6). Income after taxes was EUR –42.3 M (10.8).

Passenger-related revenue totalled EUR 148.2 M (448.4), while cargo revenue amounted to EUR 38.8 M (45.6). Net sales revenue was EUR 137.9 M (363.3).

Consolidated operating expenses decreased by 41.1% to EUR 189.4 M (321.7). Bunker (vessel fuel) costs decreased by 30.3% to EUR 32.8 M (47.0).

The Group's operating conditions have deteriorated significantly due to the ongoing COVID-19 pandemic. Income for the third quarter, when the bulk of income for the year is generated, was negative and thus substantially worse in 2020 than in previous years because of the COVID-19 pandemic. The pandemic has affected individuals, companies and markets. Viking Line reacted quickly to the crisis, adapting operations to a changed market situation.

Salary and other employment benefit expenses decreased during the period. A large percentage of the staff in Finland was furloughed. In Sweden and Estonia, short-term furloughs were used. In October, cooperation negotiations were concluded concerning the Group's land-based organization and shipboard employees on Viking Cinderella. The negotiations resulted in a shift to part-time work, furloughs or redundancies, which affected some 120 land-based employees and some 80 shipboard employees.

Costs of goods and services as well as other operating costs decreased.

During the financial year, the Group obtained liquidity aid and cargo traffic aid for security of supply purposes and for its public service obligations. The Swedish subsidiaries obtained restructuring aid. The aid is recognized as State aid under other operating revenue. To secure Viking Line's liquidity, the company was granted State guarantees for liquidity loans of up to EUR 38.7 M. In addition to the State guarantees, commercial banks have guaranteed EUR 4.3 M.

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

Quarterly consolidated income statement

EUR M	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4
SALES	34.6	56.6	22.6	75.0	115.6
Other operating revenue	10.2	0.7	14.9	1.2	0.2
Expenses					
Goods and services	11.6	15.3	4.0	20.0	31.9
Salary and other employment benefit expenses	16.3	15.5	13.8	27.3	28.7
Depreciation, amortization and impairment losses	6.6	6.0	6.0	6.1	6.1
Other operating expenses	24.4	28.3	19.6	44.2	49.2
	58.9	65.1	43.4	97.7	115.9
OPERATING INCOME	-14.1	-7.8	-5.9	-21.5	-0.1
Financial income	0.4	0.0	0.0	0.0	0.1
Financial expenses	-0.8	-1.0	-0.2	-1.9	-0.3
INCOME BEFORE TAXES	-14.5	-8.8	-6.1	-23.4	-0.3
Income taxes	2.9	1.7	1.2	4.7	0.0
INCOME FOR THE PERIOD	-11.6	-7.1	-4.9	-18.7	-0.3
<i>Income attributable to:</i>					
Parent company shareholders	-11.6	-7.1	-4.9	-18.7	-0.3
Earnings per share before and after dilution, EUR	-1.07	-0.66	-0.46	-1.74	-0.03

Quarterly consolidated statement of comprehensive income

EUR M	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4
INCOME FOR THE PERIOD	-11.6	-7.1	-4.9	-18.7	-0.3
<i>Items that may be reclassified to the income statement</i>					
Translation differences	1.1	-0.1	0.9	-1.1	0.5
<i>Items that will not be reclassified to the income statement</i>					
Changes in the fair value of financial assets recognized at fair value through other comprehensive income	0.6	0.0	-	-	-3.9
Other comprehensive income	1.7	-0.1	0.9	-1.1	-3.4
COMPREHENSIVE INCOME FOR THE PERIOD	-9.9	-7.2	-4.0	-19.8	-3.7
<i>Comprehensive income attributable to:</i>					
Parent company shareholders	-9.9	-7.2	-4.0	-19.8	-3.7

Service and market

The Viking Line Group provides passenger and cargo carrier services using seven vessels on the northern Baltic Sea and in the Gulf of Finland. The vessels served the same routes as in 2019, although the vessels that normally sail between Helsinki and Stockholm operated on partly new routes with limited sailings. During the period, a number of the vessels were taken out of service in full or in part due to the COVID-19 pandemic.

On September 20, Amorella ran aground in the Åland archipelago and was out of service until November 3. The grounding resulted in no injuries. Gabriella replaced the vessel on the Turku-Mariehamn/Långnäs-Stockholm route during the period September 21–November 3. On November 21, 2020, Viking Grace hit ground near the port of Mariehamn and was out of service until November 29. The grounding resulted in no injuries. Gabriella served as its replacement on the Turku-Mariehamn/Långnäs-Stockholm route during the period November 23–November 29.

The total number of passengers on Viking Line's vessels during the financial year was 1,927,302 (6,300,480). The Group had a total market share in its service area of approximately 26.6% (31.9).

Viking Line's cargo volume was 125,693 cargo units (133,940). The Group achieved a cargo market share of approximately 17.1% (18.4). The market share for passenger cars was approximately 27.0% (31.9).

Financing and cash flow

The Group's liquidity was stretched during the year. On December 31, 2020, the Group's non-current interest-bearing liabilities totalled EUR 108.2 M (100.0). The equity/assets ratio was 46.4% compared to 50.7% a year earlier.

At the end of December, the Group's cash and cash equivalents amounted to EUR 29.7 M (62.8). Unutilized credit lines in the Group totalled EUR 7.1 M on December 31, 2020 (15.1). Net cash flow from operating activities amounted to EUR -42.3 M (38.0). Net cash flow from investing activities was EUR -12.3 M (-29.5) and net cash flow from financing activities amounted to EUR 21.5 M (-7.6).

On July 14, 2020 and December 23, 2020, Viking Line Abp reached an agreement with Finnvera Abp and Finlands Exportkredit Ab on a loan payment deferral for payments during the period July 1, 2020 – July 31, 2021 totalling EUR 22.4 M. Payments fall due by January 10, 2025 at the latest – in other words, at the time final payment is due. The deferred loan payments may be paid in advance, and the interest rate and maturity of the loan remain unchanged. The payment of dividends during the term of the loan is conditional upon payment of the loan payments for which a deferral has been granted.

On October 15, the Finnish Government approved the Finnish State's guarantees on Viking Line's liquidity loans up to EUR 38.7 M. Using the liquidity loans, Viking Line planned to improve the company's liquidity position and thus ensure continued financially stable operations in the situation that has arisen as a result of the coronavirus crisis. In addition to the Finnish State guarantees, commercial banks have guaranteed EUR 4.3 M. The Group had drawn EUR 31.5 M of the liquidity loans on December 31, 2020. Viking Line undertakes not to pay a dividend or pay out any funds until its obligations related to the guarantees and loans have been met in full.

Most of the Group's loan agreements include loan covenants according to market terms. Covenant terms entail minimum requirements for liquidity and solvency (equity/assets ratio) as well as a maximum net debt-to-EBITDA ratio. The Group has been granted a time-limited exemption from the covenant terms and conditions that were breached in 2020 for those loans already drawn.

Liquidity can also be strengthened through a shareholder contribution or through the sale of assets.

Investments

The Group's investments amounted to EUR 15.0 M (29.9), of which EUR 7.4 M (23.6) pertains to the capitalization of costs and advance payments for vessels under construction. The Group's total investments constitute 7.9% of revenue (6.0%).

Construction of the vessel Viking Glory is progressing in China. The vessel is expected to be delivered in late 2021. Delivery will thus be later than the agreed delivery time.

Board of Directors, Group Management and Auditors

The Board of Directors consists of Chairman Ben Lundqvist, Nils-Erik Eklund, Jakob Johansson, Stefan Lundqvist, Lars G Nordström, Laura Tarkka and Peter Wiklöf. The deputy members are Ulrica Danielsson, Erik Grönberg and Casper Lundqvist.

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.

PricewaterhouseCoopers Oy serves as the company's auditing firm, with Ylva Eriksson, Authorized Public Accountant (CGR) serving as Principal 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.

Corporate Governance Statement

Viking Line applies the Finnish Corporate Governance Code, which was approved by the Securities Market Association. The Code is available on the Securities Market Association's website, Cgfinland.fi. Viking Line complies with the Code in full. The Corporate Governance Statement for 2020 is published separately. Information about Viking Line's corporate governance is available on Vikingline.com.

Non-financial report

Organization and personnel

The average number of full-time employees in the Group was 1,640 (2,632), of whom 1,113 (1,986) worked for the parent company. Land-based personnel totalled 397 (594) and shipboard personnel totalled 1,243 (2,038).

In addition to the Group's own employees, Viking XPRS was crewed by an average of 157 (245) people employed by a staffing company.

At the end of 2020, the total number of Group employees was 2,156 (2,810), of which 1,693 (2,198) resided in Finland. The number residing in Sweden was 354 (507). There were 100 (91) employees residing in Estonia and 9 (14) in other countries.

Men constituted 55.9% (55.2) of employees and women 44.1% (44.8). Women held 28.3% (27.1) of foreman positions. The average age of staff was 46.5 (45).

The number of employees for 2020 is substantially lower than for 2019 since a large percentage of staff in Finland were furloughed during the financial year. In Sweden and Estonia, State-subsidized short-term furloughs were utilized. The furloughs were carried out in the form of part-time furloughs and on board the vessels largely in the form of full-time furloughs.

In September, cooperation negotiations concerning the Group's land-based organization and shipboard employees on Viking Cinderella were launched. The negotiations led to a shift to part-time work, furloughs or redundancies and affected some 120 land-based employees and some 80 shipboard employees

Social issues

Viking Line strives to act responsibly in the countries and contexts the company operates in. Viking Line shall always be associated with respect for human rights, equal treatment, good labour conditions, social consideration and sustainable environmental work. The Group has established ethical business principles to promote equality in the workplace.

Viking Line strives to offer employees and suppliers a healthy, safe work environment. Viking Line carries out extensive work to prevent the occurrence of workplace accidents through formal risk assessments and deviation management programmes. Suppliers complete the Group's work safety training programme prior to carrying out work on board the Group's vessels. All of the companies in the Group have occupational health and safety programmes in place in compliance with local laws.

In 2020, Viking Line was verified by the certified classification society DNV GL in accordance with that company's My Care methodology. The verification affirms Viking Line's capability to manage and mitigate infection risks, including for COVID-19.

Respect for human rights

Viking Line supports and respects fundamental human values in accordance with the UN's Universal Declaration of Human Rights. Viking Line does not accept forced or child labour in any form. Viking Line respects the right of employees to join associations and organizations and to participate in trade unions. The basic assumption in all of the Group's recruitment, skills development, promotions and other collaborations is that people are of equal value. Viking Line's values with respect to human rights and labour rights are reflected in the Group's business principles for suppliers, which all suppliers agree to.

Anti-corruption and bribery

Viking Line's policy against bribes prohibits the Group's employees from offering or receiving any kind of benefit whatsoever that can be considered to influence behaviour and from acting in a way that can lead to a conflict of interest. Viking Line shall observe the anti-corruption laws in effect in all business environments, and any cases of corruption and bribery shall be reported. The Group's employees are encouraged to report any irregularities to their immediate supervisor and/or the legal department.

Environment, safety and security

Viking Line's goal is to reduce the environmentally-related consequences of its business activities. The Group strives to reduce its environmental impact by continuously improving the energy efficiency of its vessels and reducing the generation of emissions and waste. Viking Line strives to increase the share of circular material flows, in which third parties can utilize waste from operations as raw materials for their own production. All of the Group's vessels, its headquarters and the subsidiary Viking Line Buss Ab are certified in compliance with the ISO 14001 environmental management system. Viking Line's organization and all of its vessels are also certified in compliance with the International Safety Management (ISM) Code, which stipulates organizational rules for the safe operation of vessels and pollution prevention.

Viking Line's environmental policy expressly prohibits any discharge of wastewater into the sea. All wastewater generated on board the vessels is pumped ashore to municipal water treatment facilities. The Group's environmental policy emphasizes the sorting, recycling and reuse of solid waste, such as glass, metal, paper and biowaste, to the greatest extent possible. In 2020, 470 (1,199) tonnes of biowaste were collected for biogas production.

Viking Line's greenhouse gas emissions decreased significantly in 2020 due to the extended suspension of service and irregular sailings given the drastic fall in demand caused by the COVID-19 pandemic. In 2020, the vessels' greenhouse gas emissions were 203,074 (281,562) tonnes of carbon dioxide, 93 (137) tonnes of sulphur oxides and 2,603 (3,413) tonnes of nitrogen oxides. Emissions are generated mainly as a result of the combustion of fossil fuels for the vessels' propulsion and energy supply.

The use of fuels and fresh water on Viking Line's vessels also decreased in 2020 as a result of vessels being taken out of service and irregular sailings. In 2020, Viking Line's vessels used 51,698 (76,210) tonnes of oil, 14,609 (15,058) tonnes of LNG and 125,663 (309,922) tonnes of fresh water.

The company is responsible for ensuring that the vessels, their crew and all parts of the land-based organization comply with the regulations in effect for passenger and cargo transport. Maritime authorities have overview of the vessels' safety equipment, fire safety equipment, communication equipment, stability and safety organization. Safety

preparedness on board is maintained by a safety organization that undergoes continuous training and participates in exercises to perform their duties. Viking Line also has a safety and crisis management plan that is continuously updated and further developed. The plan is tested on a continuous basis through realistic exercises both on board and on land.

Risks and risk management

Viking Line's operations are exposed to different kinds of risks, which vary in their scope and impact on operations, financial results and the company's ability to meet certain social and environmental objectives. The relevant risks have been classified into four categories: strategic, operational, damage and financial risks.

Strategic risks

Changes in the general economic situation, maritime policy, regulations and other laws, and climate change as well as the competition situation and market trend could have a negative and significant impact on demand for the Group's products and services and on the Group's earnings, cash flow and financial position.

Seasonal fluctuations during the year affect Viking Line's business operations. Third quarter earnings usually account for the largest share of earnings for the year. The market for cruises and ferry service on the Baltic Sea in 2021 will be affected by the travel restrictions imposed by authorities due to the COVID-19 pandemic and by uncertainties about consumer buying behaviour.

Political decisions could change Viking Line's operating conditions with potentially negative consequences for business operations. However, Åland's tax exemption, which enables duty-free sales on board vessels in service to and from the Åland Islands, is permanent. The EU Commission's guidelines to promote maritime transport, which enable the net salary system for seafarers, are in effect until further notice.

Finnish maritime transport is governed by environmental regulations in the International Maritime Organization (IMO)'s rules, EU directives, HELCOM recommendations and national laws. We actively monitor the drafting of environmental regulations, advances in environmental technology and the solutions that research provides to meet ever more stringent environmental regulations.

The EU Sulphur Directive entered into force on January 1, 2015, for the Baltic Sea and stipulates a switch to fuel with a 0.1% maximum sulphur content. The IMO also decided to designate the Baltic Sea as a so-called nitrogen oxide emission control area (NECA) with more stringent emissions requirements for newbuild vessels beginning January 1, 2021. Furthermore, the EU has introduced requirements for the monitoring, reporting and verification (MRV) of carbon dioxide emissions from large vessels (more than 5,000 gross tonnes) that serve EU ports.

Operational risks

The Group's business operations are dependent on functioning logistics and IT systems both for external communication and for the day-to-day management of operations. Cyber intrusions, malfunctions and disruptions could cause interruptions in operations and lead to potential consequences. Cyberattacks are a growing and ever-changing global problem. Disruptions in service or IT communication could have a negative 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 exercises. 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.

Hiring, retaining and developing a skilled labour force are critical to success. During the Covid-19 pandemic, Viking Line has furloughed and laid off employees, and the increased risk of a loss of key employees and inability to attract new employees could harm the Group's operations.

Damage risks

Maritime safety and security is guided by our safety and security policy, which has top priority in Viking Line's operations. Through our International Safety Management (ISM) Code and International Ship & Port Facility Security (ISPS) Code management systems, we work systematically to identify potential risk situations and consequently prevent accidents. Our goal is to continuously improve safety and security.

Viking Line has a zero vision when it comes to different kinds of crime, harassment and disorderly conduct on board. We work on a continuous basis to realize this vision. A group that has worked with these issues meets regularly, while a team of external experts has also been hired.

Viking Line maintains a crisis preparedness plan to prevent and mitigate the consequences of adverse events and crises with serious consequences for passengers, staff, traffic, property, the environment, operations and trust in the company. The crisis preparedness plan is characterized by an effective alert system that quickly establishes the central crisis management organization in the company. In crisis situations, this central crisis management organization works in close cooperation with the relevant government agencies.

Various organizations, companies and specialists are hired as needed to provide support and assistance in the crisis work. Communication, information and crisis support are key aspects of the crisis management organization's work. In order to be effective and maintain people's stamina despite the physical and mental pressure, the organization undergoes training on a continuous basis. The work of the crisis management organization is aimed at saving lives, avoiding injuries and damage to the environment and property, and ensuring that rescue measures are so effective that operations can return to a normal situation as soon as possible without damaging the company's brand.

The Group's vessels are recognized in the balance sheet at a carrying amount of EUR 254.1 M (266.0). 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.

Financial risks

The Group is also exposed to various financial risks, among them fluctuations in currency exchange rates. The COVID-19 pandemic has had a significant impact on Viking Line's earnings and liquidity.

Sales 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.

Fluctuations in bunker prices have a direct effect on consolidated earnings.

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 Abp 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 54.2 M as of December 31, 2020 after a deduction of EUR 4.9 M related to EU aid. 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. Other capitalized planning, monitoring and borrowing expenses of EUR 20.4 M would in that case be charged to income.

Further information about the management of financial risks can be found in Note 5.5 to the consolidated financial statements.

Five-year financial review

The Group	2016	2017	2018	2019	2020
Sales, EUR M	510.5	513.6	497.8	496.4	188.8
Operating income, EUR M	13.7	10.0	9.3	17.4	-49.3
– as % of sales	2.7%	2.0%	1.9%	3.5%	-26.1%
Income before taxes, EUR M	9.6	6.6	6.5	13.6	-52.9
– as % of sales	1.9%	1.3%	1.3%	2.7%	-28.0%
Return on equity (ROE)	3.6%	2.4%	2.4%	4.7%	-19.7%
Return on investment (ROI)	3.6%	2.9%	2.9%	4.8%	-13.8%
Equity/assets ratio	44.1%	46.2%	49.4%	50.7%	46.4%
Debt/equity ratio (gearing)	35.5%	36.9%	28.3%	28.1%	62.7%
Gross capital spending, EUR M	15.8	34.7	15.9	29.9	15.0
– as % of sales	3.1%	6.8%	3.2%	6.0%	7.9%
Average number of employees	2,742	2,746	2,671	2,632	1,640
– of whom shipboard employees	2,082	2,086	2,037	2,038	1,243
– of whom land-based employees	660	660	634	594	397
Salaries etc, EUR M	123.6	123.5	121.9	122.2	79.6

Share-related financial ratios

	2016	2017	2018	2019	2020
Earnings per share, EUR	0.74	0.49	0.51	1.00	-3.92
Equity per share, EUR	20.64	20.75	21.36	21.77	17.98
Dividend per share, EUR*	0.40	0.20	0.20	0.00	0.00
Dividend/earnings	53.8%	40.8%	39.3%	0.0%	0.0%
Dividend/share price	2.0%	1.2%	1.4%	0.0%	0.0%
Price/earnings (P/E) ratio	27	33	27	19	-4
Share price on December 31, EUR	20.24	16.25	13.90	19.00	15.90
Highest share price, EUR	26.01	22.29	18.00	19.80	20.00
Lowest share price, EUR	19.75	15.90	12.50	13.90	13.90
Average share price, EUR	21.74	18.65	14.83	17.95	16.39
Market capitalization, EUR M	218.59	175.50	150.12	205.20	171.72
Number of shares traded	455,846	222,546	232,371	2,206,985	344,598
Percentage of shares traded	4.2%	2.1%	2.2%	20.4%	3.2%
Dividend paid for financial year, EUR M*	4.32	2.16	2.16	0.00	0.00
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 2020, proposed by the Board of Directors for approval by the Annual General Meeting.

Definitions of financial ratios

Return on equity (ROE), % =	$(\text{Income before taxes} - \text{income taxes}) / \text{Equity including minority interest (average for the year)}$
Return on investment (ROI), % =	$(\text{Income before taxes} + \text{interest and other financial expenses}) / (\text{Total assets} - \text{interest-free liabilities [average for the year]})$
Equity/assets ratio, % =	$\text{Equity including minority interest} / (\text{Total assets} - \text{advances received})$
Debt/equity ratio (gearing), % =	$(\text{Interest-bearing liabilities} - \text{cash and cash equivalents}) / \text{Equity including minority interest}$
Earnings per share =	$(\text{Income before taxes} - \text{income taxes} \pm \text{minority interest}) / \text{Average number of shares}$
Equity per share =	$\text{Equity attributable to parent company shareholders} / \text{Number of shares on December 31}$
Dividend/earnings, % =	$\text{Dividend per share} / \text{Earnings per share}$
Dividend/share price, % =	$\text{Dividend per share} / \text{Share price on December 31}$
Price/earnings (P/E) ratio =	$\text{Share price on December 31} / \text{Earnings per share}$

Shares and shareholders

Shares

Since July 5, 1995, the shares of Viking Line Abp have been listed on 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 a single 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 3,961 registered shareholders.

Largest shareholders, December 31, 2020	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 Säälytys Oy (nominee-registered shares)	1,029,095	9.5%
4. Skandinaviska Enskilda Banken AB (Publ) Helsingin Sivukonttori (nominee-registered shares)	588,784	5.5%
5. Nordnet Bank AB (nominee-registered shares)	442,871	4.1%
6. Lundqvist Ben	403,717	3.7%
7. Eklund Nils-Erik	383,707	3.6%
8. Sviberg Marie-Louise	367,258	3.4%
9. Sundman Ann	160,057	1.5%
10. Alandia Försäkring Abp	150,540	1.4%

Viking Line Abp's shareholders, by sector	Number of shareholders	Percentage of total	Number of shares	Percentage of total
Companies	145	3.7%	3,165,389	29.3%
Credit institutions and insurance companies	6	0.2%	287,011	2.7%
Public sector entities	1	0.0%	70,210	0.6%
Households	3,657	92.3%	4,762,921	44.1%
Non-profit entities	16	0.4%	39,838	0.4%
Foreign shareholders	126	3.2%	327,487	3.0%
Nominee-registered shares	10	0.2%	2,146,948	19.9%
Not transferred to book-entry securities account system			196	0.0%
Total	3,961	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	2,160	54.5%	54,360	0.5%
100-999	1,053	26.6%	249,720	2.3%
1,000-9,999	645	16.3%	1,449,164	13.4%
10,000-99,999	90	2.3%	2,346,650	21.7%
100,000-999,999	10	0.2%	2,903,512	26.9%
1,000,000-	3	0.1%	3,796,398	35.2%

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, 3,023,776 shares in the company, equivalent to a voting power of 28.0 per cent. Viking Line applies the provisions of Finland's Securities Market Act on insider information, 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 NASDAQ Helsinki totalled 344,598 shares. This meant that 3.2 per cent of all shares changed hands. The year's highest share price was EUR 20.00, the lowest EUR 13.90. On December 31, 2020, the quoted share price was EUR 15.90. The company's market capitalization on that date was EUR 171.7 M.

Events after the balance sheet date

The authorities in our service area reintroduced stringent travel restrictions after the balance sheet date. The furloughs begun in 2020 will be extended into 2021. Otherwise the Board knows of no other important events after the balance sheet date that could affect the financial statement.

Outlook for the full financial year 2021

The COVID-19 pandemic had a significant impact on Viking Line's earnings and liquidity in 2020 and will continue to have a negative impact. Uncertainty about regulatory requirements, State aid, the impact of vaccination programmes and related restrictions on passenger traffic as well as market demand will affect Viking Line's operations, earnings and financial position.

It is too soon to quantify the impact on earnings since there is great uncertainty about the trend. As a result, no earnings forecast is provided for 2021.

The Board's proposal on distribution of earnings

According to the balance sheet of Viking Line Abp on December 31, 2020, unrestricted equity totalled EUR 32,656,664.46.

The Board of Directors proposes to the Annual General Meeting that:

No dividend is to be paid for the financial year 2020, and there remains a total of 32,656,664.46 euros in unrestricted equity.

Consolidated financial statements

Consolidated income statement

EUR M	Note	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
SALES	2.2	188.8	496.4
Other operating revenue	2.3	26.9	0.4
Expenses			
Goods and services	2.4	50.8	133.1
Salary and other employment benefit expenses	2.5	72.9	117.1
Depreciation, amortization and impairment losses	2.6	24.8	24.6
Other operating expenses	2.7	116.5	204.6
		265.0	479.4
OPERATING INCOME		-49.3	17.4
Financial income	5.1	0.4	0.5
Financial expenses	5.1	-3.9	-4.3
INCOME BEFORE TAXES		-52.9	13.6
Income taxes	3.1	10.5	-2.7
INCOME FOR THE PERIOD		-42.3	10.8
<i>Income attributable to:</i>			
Parent company shareholders		-42.3	10.8
Earnings per share before and after dilution, EUR	5.4	-3.92	1.00

Consolidated statement of comprehensive income

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
INCOME FOR THE PERIOD	-42.3	10.8
<i>Items that may be reclassified to the income statement</i>		
Translation differences	0.8	-0.3
<i>Items that will not be reclassified to the income statement</i>		
Changes in the fair value of financial assets at fair value through other comprehensive income	0.6	-3.9
Other comprehensive income	1.4	-4.2
COMPREHENSIVE INCOME FOR THE PERIOD	-40.9	6.6
<i>Comprehensive income attributable to:</i>		
Parent company shareholders	-40.9	6.6

Consolidated balance sheet

EUR M	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets	4.1	3.3	3.3
Land	4.2	0.6	0.6
Buildings and structures	4.2	6.8	7.3
Renovation costs for rented properties	4.2	1.8	2.2
Vessels	4.2	254.1	266.0
Machinery and equipment	4.2	2.7	3.9
Right-of-use assets	4.4	4.7	5.2
Advance payments, vessels under construction	4.2	54.2	49.5
Financial assets at fair value through other comprehensive income	5.2	28.6	28.1
Total non-current assets		356.8	366.0
Current assets			
Inventories	5.3	10.9	16.9
Income tax assets		0.1	0.4
Trade and other receivables	5.2	28.2	28.0
Cash and cash equivalents	5.2	29.7	62.8
Total current assets		68.8	108.1
TOTAL ASSETS		425.6	474.0
EQUITY AND LIABILITIES			
Equity			
	5.4		
Share capital		1.8	1.8
Reserves		2.5	1.9
Translation differences		-1.8	-2.5
Retained earnings		191.8	233.9
Equity attributable to parent company shareholders		194.2	235.1
Total equity		194.2	235.1
Non-current liabilities			
Deferred tax liabilities	3.2	27.1	37.7
Interest-bearing liabilities	5.2	108.2	100.0
Lease liabilities	4.4, 5.2	3.0	3.6
Total non-current liabilities		138.3	141.3
Current liabilities			
	5.2		
Interest-bearing liabilities		38.6	23.5
Lease liabilities	4.4	1.8	1.7
Income tax liabilities		0.0	2.1
Trade and other payables		52.7	70.3
Total current liabilities		93.1	97.6
Total liabilities		231.4	238.9
TOTAL EQUITY AND LIABILITIES		425.6	474.0

Consolidated cash flow statement

EUR M	Note	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
OPERATING ACTIVITIES			
Income for the period		-42.3	10.8
Adjustments			
Depreciation, amortization and impairment losses		24.8	24.6
Capital gains/losses from non-current assets		0.0	0.0
Other items not included in cash flow		-0.4	0.4
Interest expenses and other financial expenses		3.9	3.8
Interest income and other financial income		0.0	-0.1
Dividend income		0.0	-0.4
Income taxes		-10.5	2.7
Change in working capital			
Change in trade and other receivables		-0.2	2.7
Change in inventories		6.0	-0.6
Change in trade and other payables		-17.5	-1.2
Interest paid		-3.1	-3.4
Financial expenses paid		-1.1	-0.5
Interest received		0.0	0.0
Financial income received		0.0	0.1
Taxes paid		-1.8	-0.8
NET CASH FLOW FROM OPERATING ACTIVITIES		-42.3	38.0
INVESTING ACTIVITIES			
Investments in vessels		-6.7	-5.4
Investments in other intangible and tangible assets		-0.9	-1.0
Advance payments, vessels under construction		-7.4	-23.6
EU funding		2.6	-
Investments in financial assets recognized at fair value through other comprehensive income		-	0.0
Divestments of other intangible and tangible assets		0.0	0.1
Divestments of financial assets recognized at fair value through other comprehensive income		0.0	-
Repayment of financial assets recognized at fair value through other comprehensive income		0.1	-
Dividends received		0.0	0.4
NET CASH FLOW FROM INVESTING ACTIVITIES		-12.3	-29.5
FINANCING ACTIVITIES			
Increase in non-current liabilities	5.2	31.5	20.0
Principal payments, non-current liabilities		-16.0	-23.5
Change in current interest-bearing liabilities		8.0	-
Depreciation of lease liabilities		-2.0	-1.9
Dividends paid		0.0	-2.2
NET CASH FLOW FROM FINANCING ACTIVITIES		21.5	-7.6
CHANGE IN CASH AND CASH EQUIVALENTS		-33.1	0.9
Cash and cash equivalents at the beginning of the period		62.8	61.8
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		29.7	62.8

Statement of changes in consolidated equity

EUR M	Equity attributable to parent company shareholders				Total equity
	Share capital	Reserves	Translation differences	Retained earnings	
EQUITY, JAN 1, 2020	1.8	1.9	-2.5	233.9	235.1
Income for the period				-42.3	-42.3
Translation differences		0.0	0.6	0.2	0.8
Divestments of financial assets recognized at fair value through other comprehensive income				0.0	0.0
Remeasurement of financial assets recognized at fair value through other comprehensive income		0.6			0.6
Comprehensive income for the period	-	0.6	0.6	-42.1	-40.9
Dividend to shareholders				-	-
Transactions with owners of the parent company	-	-	-	-	-
EQUITY, DEC 31, 2020	1.8	2.5	-1.8	191.8	194.2

EUR M	Equity attributable to parent company shareholders				Total equity
	Share capital	Reserves	Translation differences	Retained earnings	
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

Notes to the consolidated financial statements

1. Accounting principles	24
1.1 Company information.....	24
1.2. General principles.....	24
1.3 Estimates and judgements	25
1.4 Going concern, risks and liquidity	26
1.5 Principles of consolidation	27
1.6 Items in foreign currencies	28
1.7 Application of renewed or amended IFRS standards.....	28
2. Operating income	29
2.1 Operating segments.....	29
2.2 Sales.....	29
2.3 Other operating revenue	31
2.4 Goods and services.....	31
2.5 Employee compensation.....	31
2.6 Depreciation, amortization and impairment losses	33
2.7 Other operating expenses	33
2.7.1 Compensation to the auditors.....	33
3. Taxes	34
3.1 Income taxes	34
3.2 Deferred tax assets and liabilities.....	35
4. Intangible assets, fixed assets and leases.....	35
4.1 Intangible assets.....	35
4.2 Property, plant and equipment	36
4.3 Impairment losses of intangible assets and fixed assets	39
4.4 Leases.....	40
4.4.1 The Group as lessee	40
4.4.2 The Group as lessor	43
5. Capital structure	43
5.1 Financial income and expenses	43
5.2 Financial assets and liabilities.....	44
5.2.1 Classification and recognition of financial assets and liabilities.....	44
5.2.2 Financial assets recognized at fair value through other comprehensive income	45
5.2.3 Trade and other receivables.....	46

5.2.4 Cash and cash equivalents	47
5.2.5 Interest-bearing liabilities	48
5.2.6 Trade and other payables	48
5.3 Inventories.....	49
5.4 Equity.....	49
5.4.1 Earnings per share.....	49
5.4.2 Share capital	50
5.4.3 Funds	50
5.4.4 Translation differences.....	50
5.4.5 Dividend	50
5.5 Management of financial risks	51
5.5.1 Foreign exchange risk.....	51
5.5.2 Liquidity risk	52
5.5.3 Interest rate risk	54
5.5.4 Credit and counterparty risk.....	54
5.5.5 Bunker price risk	55
5.5.6 Price risk	56
5.6 Asset management.....	56
5.7 Pledged assets and contingent liabilities	57
6. Other information in the notes	57
6.1. Related parties.....	57
6.1.1 Group companies.....	58
6.1.2 Transactions with companies that are controlled by the Group's key individuals in leading positions.....	58
6.1.3 Compensation to the Group's key individuals in leading positions	58
6.2 Litigation and disputes	60
6.3 Events after the balance sheet date	60

1. Accounting principles

1.1 Company information

The Viking Line Group provides passenger and cargo carrier operations in the northern Baltic Sea service area and in the Gulf of Finland, 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 March 3, 2021 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, 2020 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.

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 COVID-19 pandemic has caused a serious deterioration in the Group's operating conditions and affects both the income statement and balance sheet. An account of the greatest changes is given in the notes below. It is difficult to estimate at present how long the pandemic will last and what impact it will have on Viking Line's future results, financial position and cash flow. The actual outcome may deviate from estimates and judgements made.

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 Alandia Försäkring Abp 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 5.5.6.

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.

Group Management has made an assessment of obsolete assets in the sales inventory due to slower turnover and reduced demand; see Note 5.3.

1.4 Going concern, risks and liquidity

The COVID-19 pandemic had a significant impact on Viking Line's earnings and liquidity in 2020, and uncertainty about regulatory requirements, restrictions on passenger traffic, and market demand will also affect Viking Line's operations, earnings and financial position in 2021.

A number of measures to strengthen liquidity were carried out in 2020. On October 15, the Finnish Government approved the Finnish State's guarantees on Viking Line's liquidity loans up to EUR 38.7 M. Using the liquidity loans, Viking Line planned to improve the company's liquidity position and thus ensure continued financially stable operations in the situation that has arisen as a result of the COVID-19 pandemic. In addition to the Finnish State guarantees, commercial banks have guaranteed EUR 4.3 M. The Group had drawn EUR 31.5 M of the liquidity loans on December 31, 2020. Viking Line undertakes not to pay a dividend or pay out any other funds until its obligations related to the guarantees and loans have been met in full.

On July 14, 2020 and December 23, 2020, Viking Line Abp reached an agreement with Finnvera Abp and Finlands Exportkredit Ab on a loan payment deferral for payments during the period July 1, 2020–July 31, 2021 totalling EUR 22.4 M. Payments fall due by January 10, 2025 at the latest – in other words, at the time final payment is due. The deferred loan payments may be paid in advance, and the interest rate and maturity of the loan remain unchanged. The payment of dividends during the term of the loan is conditional upon payment of the loan payments for which a deferral has been granted.

Most of the Group's loan agreements include loan covenants according to market terms. Covenant terms entail minimum requirements for liquidity and solvency (equity/assets ratio) as well as a maximum net debt-to-EBITDA ratio. The Group has been granted a time-limited exemption from the covenant terms and conditions that were breached in 2020 for those loans already drawn.

The financial statements have been prepared in accordance with the going concern principle since in the view of Viking Line's Board of Directors the company can continue its operations and meet its obligations over the foreseeable future, at least 12 months from the date the financial statements were prepared. This view is based on business plans for the next few years that take into consideration different scenarios for the COVID-19 pandemic as well as ongoing negotiations on loan payment deferrals and other plans to strengthen liquidity. Liquidity can also be strengthened through a shareholder contribution or through the sale of assets. At the time the financial statements were prepared, these measures to strengthen liquidity had not yet been initiated. Should the pandemic continue longer than the Board of Directors has estimated, and should the strengthening measures mentioned not be realized, there is a material uncertainty that could cast significant doubt on the company's ability to continue as a going concern.

1.5 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, 2020.

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.

Depending on the nature of State aid received, it is recognized as other operating revenue, as employee compensation or as a decrease in advance payments, vessels under construction; see Notes 2.3, 2.5 and 4.2.

1.6 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.

1.7 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, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Sales		
Vessels	185.1	487.9
Unallocated	3.8	8.6
Total, operating segments	188.9	496.5
Eliminations	-0.1	-0.1
Total sales of the Group	188.8	496.4
Operating income		
Vessels	-23.2	60.8
Unallocated	-26.1	-43.4
Total operating income of the Group	-49.3	17.4

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 normally consists of sales of goods and services, where either cash or 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.

Consolidated revenue decreased by 62.0% and passenger-related revenue decreased by 66.9% due to travel restrictions imposed by authorities and to market demand in conjunction with the COVID-19 pandemic.

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Passenger-related revenue	148.2	448.4
Cargo revenue	38.8	45.6
Miscellaneous sales revenue	1.8	2.4
Total	188.8	496.4

2.3 Other operating revenue

During the financial year, the company received aid from Finland's National Emergency Supply Agency for cargo traffic for safety of supply purposes and from the Finnish Transport and Communication Agency (Traficom) for public service obligations for the Group's vessels on the Turku–Långnäs–Stockholm, Mariehamn–Kapellskär and Helsinki–Tallinn routes. The Group has also received aid from Estonian authorities for scheduled service between Helsinki and Tallinn as well as liquidity support from the Government of Åland. The Swedish subsidiaries have received restructuring aid from Swedish authorities. The aid is recognized as State aid under other operating revenue.

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
State aid	25.9	-
Rents received on properties	0.1	0.2
Capital gains	0.0	0.0
Insurance claim payments, accidents	0.9	-
Miscellaneous other operating revenue	0.1	0.2
Total	26.9	0.4

2.4 Goods and services

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Goods	48.1	121.5
Externally purchased services	2.7	11.7
Total	50.8	133.1

2.5 Employee compensation

Viking Line has various 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 taxes and social security contributions for shipboard employees in keeping with European Union guidelines. During the financial year, the Group received short-term furlough aid in Sweden and Estonia for furloughs utilized. Restitution received and short-term aid for furloughs have been recognized in the income statement under salary and other employment benefit expenses for the period in which the basis for the restitution and aid arose.

The number of employees for 2020 is substantially lower than for 2019 since a large percentage of staff in Finland were furloughed during the financial year. In Sweden and Estonia, State-subsidized short-term furloughs were utilized. The furloughs were carried out in the form of part-time furloughs and on board the vessels largely in the form of full-time furloughs.

In September, cooperation negotiations concerning the Group's land-based organization and shipboard employees on Viking Cinderella were launched. The negotiations led to a shift to part-time work, furloughs or redundancies and affected some 120 land-based employees and some 80 shipboard employees.

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Salaries	79.6	122.2
Expenses of defined-contribution pensions	8.6	15.2
Other payroll overhead	9.7	13.2
	97.9	150.6
Government restitution	-18.4	-33.5
Aid for furloughs	-6.6	-
Total	72.9	117.1
Average number of full-time employees	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Shipboard employees	1,243	2,038
Land-based employees	397	594
Total	1,640	2,632

In addition to the Group's own employees, Viking XPRS was crewed by an average of 157 (245) 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, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Depreciation and amortization		
Intangible assets	0.3	0.3
Buildings and structures	0.5	0.5
Renovation costs for rented properties	0.4	0.4
Vessels	19.8	19.9
Machinery and equipment	1.8	1.4
Right-of-use assets	2.0	2.0
Total	24.8	24.6
Total depreciation, amortization and impairment losses	24.8	24.6

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

2.7 Other operating expenses

Other operating expenses decreased by 43.1% since the Group's operations and expenses were adjusted to the changed market situation as a result of the COVID-19 pandemic.

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Sales and marketing expenses	9.7	28.6
Washing and cleaning expenses	7.2	20.5
Repairs and maintenance	9.8	14.2
Public port expenses and vessel charges	25.2	40.9
Fuel expenses	32.8	47.0
Miscellaneous expenses	31.7	53.3
Total	116.5	204.6

2.7.1 Compensation to the auditors

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Auditing	0.2	0.1
Audit-related services	0.0	0.0
Tax advice	-	0.0
Miscellaneous consulting	0.0	0.0
Total	0.2	0.2

PricewaterhouseCoopers Oy provided non-audit services to entities of the Viking Line Group for a total of EUR 0.0 M during the financial year 2020. 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.

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Tax for the financial year	0.0	2.6
Tax attributable to previous financial years	0.0	0.0
Change in deferred taxes and liabilities	-10.6	0.2
Total	-10.5	2.7
Reconciliation of tax expense in the income statement and taxes estimated according to tax rate in the Group's home country		
Income before taxes	-52.9	13.6
Taxes estimated according to Finnish tax rate (20.0%)	-10.6	2.7
Tax attributable to previous financial years	0.0	0.0
Tax effect of		
divergent tax rates in foreign subsidiaries	0.0	-0.1
tax-exempt revenue and non-deductible expenses	0.0	0.0
deferred tax, other changes	0.1	0.1
Taxes in the income statement	-10.5	2.7

3.2 Deferred tax assets and liabilities

As of December 31, 2020, the Group recognized net deferred tax liabilities of EUR 27.1 M, of which EUR 37.4 M is deferred tax liabilities and EUR 10.2 M is deferred tax assets. The Group had no recognized losses in its taxation at year-end 2019. A loss recognized in taxation for the financial year 2020 can be deducted from taxable income over 10 years. Based on the management's estimates and judgements, Viking Line expects that it will be possible to use the loss against future taxable income.

EUR M	Differences between recognized value of fixed assets and their value for tax purposes	Losses recognized in taxation	Other temporary differences	Total
Deferred tax liabilities				
Jan 1, 2020	37.3	-	0.4	37.7
Translation differences	0.0	-	-	0.0
Recognized in income statement	-0.4	-10.2	0.1	-10.6
Recognized directly in equity	-	-	0.0	0.0
Dec 31, 2020	36.9	-10.2	0.5	27.1
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

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	2020	2019
Cost, Jan 1	6.4	5.9
Translation differences	0.0	0.0
Increases	0.3	0.5
Decreases	-0.1	0.0
Cost, Dec 31	6.6	6.4
Accumulated amortization, Jan 1	-3.1	-2.8
Translation differences	0.0	0.0
Accumulated amortization on decreases	0.1	0.0
Amortization for the financial year	-0.3	-0.3
Accumulated amortization, Dec 31	-3.3	-3.1
Carrying amount, Jan 1	3.3	3.2
Carrying amount, Dec 31	3.3	3.3

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.

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
Buildings	4–7% of remaining expenditure
Structures	10 years, straight-line
Renovation costs for rented properties	5–10 years, straight-line
Machinery and equipment	5–15 years, straight-line
Cars	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. Advanced payments are not depreciated.

EUR M	2020	2019
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	2020	2019
Buildings and structures		
Cost, Jan 1	21.3	22.1
Translation differences	0.0	0.0
Increases	0.0	0.1
Decreases	-	-0.9
Cost, Dec 31	21.3	21.3
Accumulated depreciation, Jan 1	-14.0	-14.4
Translation differences	0.0	0.0
Accumulated depreciation on decreases	-	0.9
Depreciation for the financial year	-0.5	-0.5
Accumulated depreciation, Dec 31	-14.5	-14.0
Carrying amount, Jan 1	7.3	7.7
Carrying amount, Dec 31	6.8	7.3

EUR M	2020	2019
Renovation costs for rented properties		
Cost, Jan 1	11.8	11.7
Increases	-	0.0
Cost, Dec 31	11.8	11.8
Accumulated depreciation, Jan 1	-9.6	-9.2
Depreciation for the financial year	-0.4	-0.4
Accumulated depreciation, Dec 31	-10.0	-9.6
Carrying amount, Jan 1	2.2	2.5
Carrying amount, Dec 31	1.8	2.2

EUR M	2020	2019
Vessels		
Cost, Jan 1	787.8	787.0
Translation differences	2.5	-1.1
Increases	6.7	5.4
Decreases	-6.9	-3.4
Cost, Dec 31	790.1	787.8
Accumulated depreciation, Jan 1	-521.9	-505.7
Translation differences	-1.2	0.4
Accumulated depreciation on decreases	6.9	3.4
Depreciation for the financial year	-19.8	-19.9
Accumulated depreciation, Dec 31	-536.0	-521.9
Carrying amount, Jan 1	266.0	281.2
Carrying amount, Dec 31	254.1	266.0

EUR M	2020	2019
Machinery and equipment		
Cost, Jan 1	15.0	15.3
Translation differences	0.0	0.0
Increases	0.6	0.4
Decreases	-1.5	-0.8
Cost, Dec 31	14.1	15.0
Accumulated depreciation, Jan 1	-11.0	-10.4
Translation differences	0.0	0.0
Accumulated depreciation on decreases	1.5	0.8
Depreciation for the financial year	-1.8	-1.4
Accumulated depreciation, Dec 31	-11.3	-11.0
Carrying amount, Jan 1	3.9	4.9
Carrying amount, Dec 31	2.7	3.9

EUR M	2020	2019
Advance payments, vessels under construction		
Cost, Jan 1	49.5	25.9
Increases	7.4	23.6
EU funding	-2.6	0.0
Cost, Dec 31	54.2	49.5
Carrying amount, Jan 1	49.5	25.9
Carrying amount, Dec 31	54.2	49.5

EUR M	2020	2019
Total property, plant and equipment		
Carrying amount, Jan 1	329.4	322.8
Carrying amount, Dec 31	320.3	329.4

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 2020, no impairment losses on intangible assets or fixed assets were recognized.

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

The COVID-19 pandemic has had a serious impact on the Group's operating conditions and financial position. As a result, independent valuations of the Group's vessels were made. In the view of Viking Line's Management, based on these independent valuations, there is currently no need for impairment, since the fair value of vessels is substantially higher than the book value. Management has also made the assessment that there is no need for impairment for the Group's other non-current assets.

4.4 Leases

4.4.1 The Group as lessee

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.

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'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	2020	2019
Right-of-use assets, land		
Cost, Jan 1	0.6	0.6
Translation differences	0.0	0.0
Increases	0.4	0.0
Decreases	-0.1	0.0
Cost, Dec 31	0.9	0.6
Accumulated depreciation, Jan 1	-0.1	-
Translation differences	0.0	0.0
Accumulated depreciation on decreases	0.0	0.0
Depreciation for the financial year	-0.2	-0.1
Accumulated depreciation, Dec 31	-0.3	-0.1
Carrying amount, Jan 1	0.4	0.6
Carrying amount, Dec 31	0.6	0.4

EUR M	2020	2019
Right-of-use assets, buildings and structures		
Cost, Jan 1	5.1	5.5
Translation differences	0.0	0.0
Increases	0.3	0.4
Decreases	-0.2	-0.7
Cost, Dec 31	5.2	5.1
Accumulated depreciation, Jan 1	-1.2	-
Translation differences	0.0	0.0
Accumulated depreciation on decreases	0.1	0.2
Depreciation for the financial year	-1.2	-1.3
Accumulated depreciation, Dec 31	-2.3	-1.2
Carrying amount, Jan 1	4.0	5.5
Carrying amount, Dec 31	2.9	4.0

EUR M	2020	2019
Right-of-use assets, vessels (machinery and equipment)		
Cost, Jan 1	0.3	0.2
Increases	0.5	0.1
Decreases	-0.1	-
Cost, Dec 31	0.7	0.3
Accumulated depreciation, Jan 1	-0.2	-
Translation differences	0.0	-
Accumulated depreciation on decreases	0.1	-
Depreciation for the financial year	-0.2	-0.2
Accumulated depreciation, Dec 31	-0.2	-0.2
Carrying amount, Jan 1	0.2	0.2
Carrying amount, Dec 31	0.4	0.2

EUR M	2020	2019
Right-of-use assets, machinery and equipment (land)		
Cost, Jan 1	1.0	0.9
Translation differences	0.0	0.0
Increases	0.5	0.2
Decreases	-0.2	-0.1
Cost, Dec 31	1.3	1.0
Accumulated depreciation, Jan 1	-0.3	-
Translation differences	0.0	0.0
Accumulated depreciation on decreases	0.2	0.1
Depreciation for the financial year	-0.4	-0.4
Accumulated depreciation, Dec 31	-0.6	-0.3
Carrying amount, Jan 1	0.7	0.9
Carrying amount, Dec 31	0.7	0.7

EUR M	2020	2019
Total right-of-use assets		
Carrying amount, Jan 1	5.2	7.2
Carrying amount, Dec 31	4.7	5.2

EUR M		
Lease liabilities	Dec 31, 2020	Dec 31, 2019
Current lease liabilities	1.8	1.7
Non-current lease liabilities	3.0	3.6
Total	4.8	5.3
	2020	2019
Interest expenses on lease liabilities	0.2	0.2
Depreciation of lease liabilities	2.0	1.9
Cash outflow for leases, total	2.2	2.1

EUR M	
Future cash flows for lease liabilities	Total
2021	1.9
2022	1.5
2023	1.1
2024	0.4
2025	0.0
2026 -	-
Total	4.9

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	2020	2019
Lease revenue, operational leases	0.1	0.2
- of which variable lease charges that do not depend on indexing or interest rates	0.0	0.0
EUR M		
Future cash flows for lease revenue		Total
2021		0.0
2022		0.0
2023		0.0
2024		-
2025		-
2026 -		-
Total		0.0

5. Capital structure

5.1 Financial income and expenses

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Dividend income from financial assets recognized at fair value through other comprehensive income	0.0	0.4
Interest income from cash and cash equivalents	-	0.0
Exchange gains	0.4	-
Other financial income	0.0	0.1
Total financial income	0.4	0.5
Interest expenses on financial liabilities recognized at amortized cost	2.7	3.1
Interest expenses on lease liabilities	0.2	0.2
Exchange losses	0.0	0.5
Other financial expenses	1.1	0.5
Total financial expenses	3.9	4.3
Total financial income and expenses	-3.6	-3.8

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, 2020	Dec 31, 2019
Level 1	-	-
Level 2	-	-
Level 3	28.6	28.1
Financial assets and liabilities by category		
	Recognized at amortized cost	Recognized at fair value through other comprehensive income
Financial assets Dec 31, 2020		
Financial assets at fair value through other comprehensive income	-	28.6
Trade receivables	3.7	-
Cash and cash equivalents	29.7	-
Total	33.4	28.6
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
		Recognized at amortized cost
Financial liabilities Dec 31, 2020		
Non-current interest-bearing liabilities		108.2
Current interest-bearing liabilities		38.6
Trade payables		11.0
Total		157.8
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

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 Alandia Försäkring Abp 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 5.5.6.

EUR M

	Dec 31, 2020	Dec 31, 2019
Unlisted shares and participations		
Alandia Försäkring Abp	28.6	28.0
Maresan Oy	-	0.1
Other unlisted shares and participations	0.0	0.0
Total	28.6	28.1
	2020	2019
Financial assets recognized at fair value through other comprehensive income, Jan 1	28.1	32.0
Increases	-	0.0
Decreases	-0.1	-
Change in fair value	0.6	-3.9
Financial assets recognized at fair value through other comprehensive income, Dec 31	28.6	28.1
Income from unlisted shares and participations recognized in the income statement		
Dividend income from shares and participations disposed of during the year	-	-
Dividend income from shares and participations held as of Dec 31	0.0	0.4

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 5.5.4.

EUR M	Dec 31, 2020	Dec 31, 2019
Trade receivables	3.7	10.6
Accrued income and prepaid expenses	23.0	15.4
Other receivables	1.5	2.0
Total	28.2	28.0
Accrued income and prepaid expenses		
Employee-related items	12.2	14.5
Other accrued income and prepaid expenses	10.8	0.9
Total	23.0	15.4
Trade receivables		
Trade receivables	3.9	10.6
Provision for expected credit losses	-0.2	-0.1
Total	3.7	10.6
Provision for expected credit losses, Jan 1	-0.1	-0.1
Change for the year recognized in the consolidated income statement	-0.1	-
Write-off of trade receivables	-	-
Provision for expected credit losses, Dec 31	-0.2	-0.1
Trade receivables written off during the year and subject to enforcement activity	0.0	0.0
Age analysis, trade receivables		
Not overdue	2.9	7.4
Overdue 1-30 days	0.5	2.7
Overdue more than 30 days	0.3	0.5
Total	3.7	10.6
Trade and other receivables by currency		
EUR	22.8	22.6
SEK	5.3	5.2
CHF	0.0	0.0
DKK	0.0	0.0
GBP	0.0	0.1
USD	0.1	0.0
Total	28.2	28.0

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, 2020	Dec 31, 2019
Cash and bank accounts	29.7	62.8
Total	29.7	62.8

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, 2020	Dec 31, 2019
Non-current interest-bearing liabilities		
Loans from credit institutions	90.2	100.0
Liabilities to pension companies	18.0	-
Total	108.2	100.0
Current interest-bearing liabilities		
Loans from credit institutions, principal payments	36.6	23.5
Liabilities to pension companies, repayment	2.0	-
Total	38.6	23.5
	2020	2019
Interest-bearing liabilities, Jan 1	123.5	127.0
Cash flow		
Borrowing	31.5	20.0
Change in bank overdraft facility	8.0	-
Principal payments	-16.0	-23.5
Total	23.5	-3.5
Changes that do not affect cash flow		
Valuation at amortized cost, change	-0.2	0.0
Interest-bearing liabilities, Dec 31	146.8	123.5
Lease liabilities, Jan 1	5.3	7.2
Cash flow		
Depreciation	-2.0	-1.9
Changes that do not affect cash flow		
Translation differences	0.0	0.0
Increase in lease liabilities	1.4	0.1
Lease liabilities, Dec 31	4.7	5.3

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, 2020	Dec 31, 2019
Trade payables	11.0	21.0
Accrued expenses and prepaid income	36.5	39.5
Other payables	5.2	9.8
Total	52.7	70.3
Accrued expenses and prepaid income		
Employee-related expenses	26.3	27.1
Contract liabilities	6.8	10.1
Other accrued expenses and prepaid income	3.4	2.4
Total	36.5	39.5
	2020	2019
Contract liabilities, Jan 1	10.1	9.5
Increases	6.8	10.1
Decreases	-10.1	-9.5
Contract liabilities, Dec 31	6.8	10.1
Trade and other payables by currency	Dec 31, 2020	Dec 31, 2019
EUR	42.2	55.4
SEK	10.4	15.0
CHF	0.0	-
DKK	0.0	0.0
GBP	0.0	0.0
NOK	0.0	0.0
USD	0.1	0.0
Total	52.7	70.3

Most other payables consist of employee-related items.

5.3 Inventories

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

The Group's management has made an assessment of obsolete assets in the sales inventory due to slower turnover and reduced demand as a direct result of COVID-19. The value of the sales inventory has been decreased by EUR 3.7 M (0.3).

EUR M	Dec 31, 2020	Dec 31, 2019
Inventories of goods for sale	9.8	15.5
Supplies	0.2	0.2
Stocks of vessel fuel	1.0	1.3
Total	10.9	16.9

5.4 Equity

5.4.1 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.

5.4.2 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 a single 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.

5.4.3 Funds

EUR M	Dec 31, 2020	Dec 31, 2019
Reserves		
Legal reserve	0.0	0.0
Share premium reserve	0.0	0.0
Fair value reserve	2.5	1.9
Total	2.5	1.9

5.4.4 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.

5.4.5 Dividend

No dividend was paid for the financial year 2019 (for the financial year 2018, a dividend of 0.20 euros per share, totalling EUR 2.2 M, was paid).

Viking Line has been granted State guarantees on liquidity loans for a maximum of EUR 38.7 M. Viking Line planned to use these liquidity loans to improve the company's liquidity position and thus ensure continued financially stable operations in the situation that has arisen as a result of the COVID-19 pandemic. Viking Line undertakes not to pay a dividend or pay out any other funds until its obligations related to the guarantees and loans have been met in full.

Viking Line was granted a loan payment deferral for payments during the period July 1, 2020–July 31, 2021. Any payment of dividends during the term of the loan is conditional upon payment of the loan payments for which the deferral was granted.

5.5 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 2019 or 2020.

5.5.1 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 2020 SEK-denominated sales accounted for about 23 per cent of total consolidated sales. Salary and other employment benefit expenses and purchases denominated in SEK accounted for about 19 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, 2020 would have an estimated effect of EUR ±0.0 M (EUR ±0.0 M on December 31, 2019) on consolidated income after taxes and equity.

5.5.2 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.

The Group's non-current interest-bearing liabilities amounted to EUR 108.2 M on December 31, 2020 (EUR 100.0 M on December 31, 2019). The Group's cash and cash equivalents amounted to EUR 29.7 M on December 31, 2020 (EUR 62.8 M on December 31, 2019). Unutilized credit lines in the Group totalled EUR 7.1 M on December 31, 2020 (EUR 15.1 M). Information on the dates when interest-bearing liabilities fall due for payment is found in Note 5.2.7.

Most of the Group's loan agreements include financial loan covenants according to market terms. Among the financial covenant terms are minimum requirements for liquidity and solvency (equity/assets ratio), a maximum net debt-to-EBITDA ratio, and the value of assets pledged relative to outstanding debt. The net debt-to-EBITDA ratio covenant was breached in 2020 for long-term loans of EUR 74.6 M; the Group has been granted an exemption from this covenant term until December 31, 2021. The net debt-to-EBITDA ratio covenant was breached in 2020 for short-term loans of EUR 20.0 M; the Group has been granted an exemption from this covenant term until June 30, 2021.

EUR M

Future cash flows related to financial liabilities (incl. financial expenses)	Trade payables	Interest-bearing liabilities	Total
2020	11.0	42.4	53.4
2021		24.8	24.8
2022		21.7	21.7
2023		28.8	28.8
2024		32.6	32.6
2025 -		9.9	9.9
Total	11.0	160.2	171.2

The financial year 2020 has had an especially adverse effect on the Group's liquidity position. The market for cruises and ferry service on the Baltic Sea has been affected by travel restrictions issued by authorities and consumer travel behaviour due to the COVID-19 pandemic. The parent company has therefore entered into four new financing agreements totalling EUR 43.0 M to secure the Group's liquidity position. EUR 31.5 M of these loans were drawn as of December 31, 2020. The Finnish State has guaranteed 90% of the principal of these loans. Viking Line has pledged assets in the form of vessel mortgages.

Viking Line has reached an agreement with some financiers on a loan payment deferral totalling EUR 22.4 M. The loan payments fall due by 2025 at the latest.

Liquidity can also be strengthened by a contribution from shareholders or through the sale of assets.

Viking Line Abp and the Xiamen Shipbuilding Industry Co. Ltd. shipyard have signed a contract on the construction of a passenger vessel, Viking Glory. The contract amount is EUR 194 M, and delivery of the vessel is currently planned for late 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. The loan covenant terms specify a minimum requirement for liquid funds and a maximum net debt-to-EBITDA ratio. The covenant for net debt-to-EBITDA ratio was breached in 2020. The group has been granted a limited-duration exemption until June 30, 2021.

Advance payments are related to vessels under construction and totalled EUR 54.2 M as of December 31, 2020 after a deduction of EUR 4.9 M related to EU aid. 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. Other capitalized planning, monitoring and borrowing expenses of EUR 20.4 M would in that case be charged to income.

5.5.3 Interest rate risk

Fluctuations in interest rates affect the Group's interest expenses and interest income. Of the Group's interest-bearing liabilities, 67 per cent have fixed interest rates and 33 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, 2020.

A one percentage point change in the market interest rates on the Group's interest-bearing liabilities with floating interest rates on December 31, 2020 would have an estimated effect of EUR +0.1 M / -0.3 M (EUR +0.1 M / -0.3 M on December 31, 2019) on consolidated income after taxes and equity.

5.5.4 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.

5.5.5 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 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. No fixed-price agreements have been entered into for 2021.

Vessel bunker costs amounted to EUR 31.0 M during the financial year 2020 (EUR 46.7 M during 2019), which is equivalent to 16.4 per cent (9.4) of Group sales. Bunker consumption totalled about 51,700 tonnes of oil and about 14,600 tonnes of LNG during 2020 (about 76,200 tonnes of oil and 15,000 tonnes of LNG during 2019).

A 10 per cent change in the bunker price of LNG on December 31, 2020 and the bunker oil quality that is used, based on projected bunker consumption in 2020, would have an estimated effect of EUR ±2.0 M on consolidated income after taxes and equity. The Group's existing fixed-price agreements have been taken into account in these calculations.

5.5.6 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 Alandia Försäkring Abp comprises 99.98 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 17.3 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	Effect on
EUR M	present value
Decrease by 10% of forecasted cash flows from insurance activities	-2.9
Increase by 10% of forecasted cash flows from insurance activities	+2.9
Discount rate 18.3%	-1.3
Discount rate 16.3%	+2.7

5.6 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, 2020, the equity/assets ratio amounted to 46.4 per cent, compared to 50.7 per cent on December 31, 2019.

5.7 Pledged assets and contingent liabilities

EUR M	Dec 31, 2020	Dec 31, 2019
Contingent liabilities		
Loans and credit lines for which vessel, vehicle and chattel mortgages were provided as collateral	153.9	138.7
Other contingent liabilities not included in the balance sheet		
Covered by site leasehold and chattel mortgages	0.1	0.0
Total	154.1	138.7
Assets pledged for own debt		
Vessel mortgages	353.1	231.6
Vehicle mortgages	-	0.1
Chattel mortgages	0.5	0.5
Site leasehold mortgages	23.3	23.3
Total	376.9	255.5
Investment commitments not included in the accounts		
Commitments, vessel orders	158.7	158.1
- Contractual amount	200.7	198.2

Viking Line has a binding credit commitment of EUR 152.0 M for financing vessel orders; the time period under which the loan can be drawn has been extended. Negotiations are currently under way on the application of the agreed covenant terms. 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. Other capitalized planning, monitoring and borrowing expenses of EUR 20.4 M would in that case be charged to income.

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, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Sales of services	-	-
Purchases of services	0.2	0.6
EUR M	Dec 31, 2020	Dec 31, 2019
Receivables outstanding	-	-
Liabilities outstanding	-	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, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Salaries and other short-term compensation to Group Management			1,163,416	1,216,168
Total			1,163,416	1,216,168
	Base salary/ Board fee	Other benefits	Statutory pension expenses	Total
Compensation and other benefits, 2020, EUR				
Ben Lundqvist, Chairman of the Board	45,000.00			45,000.00
Nils-Erik Eklund, Board member	39,000.00			39,000.00
Erik Grönberg, Board member until May 13, 2020, deputy Board member from May 13, 2020	10,000.00			10,000.00
Jakob Johansson, Board member from May 13, 2020	36,000.00			36,000.00
Agnetta Karlsson, Board member until May 13, 2020	3,000.00			3,000.00
Dick Lundqvist, Board member until May 13, 2020	3,000.00			3,000.00
Stefan Lundqvist, Board member from May 13, 2020, deputy Board member until May 13, 2020	36,000.00			36,000.00
Lars G Nordström, Board member	37,000.00			37,000.00
Laura Tarkka, Board member from May 13, 2020	36,000.00			36,000.00
Peter Wiklöf, Board member	39,000.00			39,000.00
Ulrica Danielsson, deputy Board member	5,000.00			5,000.00
Casper Lundqvist, deputy Board member from May 13, 2020	5,000.00			5,000.00
	294,000.00	0.00	0.00	294,000.00
President and CEO	286,864.00	736.19	36,366.50	323,966.69
Deputy CEO	151,155.64	9,535.69	19,631.89	180,323.22
Other key individuals in leading positions	713,073.78	2,050.80	96,714.19	811,838.77
	1,151,093.42	12,322.68	152,712.58	1,316,128.68
Total	1,445,093.42	12,322.68	152,712.58	1,610,128.68

Compensation and other benefits, 2019, EUR	Base salary/ Board fee	Other benefits	Statutory pension expenses	Total
Ben Lundqvist, Chairman of the Board	40,000.00			40,000.00
Nils-Erik Eklund, Board member	34,000.00			34,000.00
Erik Grönberg, Board member	34,000.00			34,000.00
Agnetta Karlsson, Board member	33,000.00			33,000.00
Dick Lundqvist, Board member	34,000.00			34,000.00
Lars G Nordström, Board member	33,000.00			33,000.00
Peter Wiklöf, Board member	33,000.00			33,000.00
Ulrica Danielsson, deputy Board member	6,000.00			6,000.00
Stefan Lundqvist, deputy Board member	7,000.00			7,000.00
Johnny Rosenholm, deputy Board member	5,000.00			5,000.00
	259,000.00	0.00	0.00	259,000.00
President and CEO	309,911.04	480.00	46,403.46	356,794.50
Deputy CEO	159,840.56	10,169.04	40,137.35	210,146.95
Other key individuals in leading positions	733,650.57	2,117.00	111,820.11	847,587.68
	1,203,402.17	12,766.04	198,360.92	1,414,529.13
Total	1,462,402.17	12,766.04	198,360.92	1,673,529.13

Fees adopted by the Annual General Meeting are paid as compensation for the work of the Board. Reasonable travel expenses are paid as invoiced. Due to the impact of the COVID-19 pandemic on the Group's strained financial situation, the Board of Directors took no Board fees during the period March 10-May 13, 2020.

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 President and CEO and other Group Management members lowered their salaries during the period April-June due to the impact of the COVID-19 pandemic on the Group's strained financial situation.

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 is the Deputy CEO.

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 authorities in our service area reintroduced stringent travel restrictions after the balance sheet date. The furloughs begun in 2020 will be extended into 2021.

Otherwise the Board knows of no other important events after the balance sheet date that could affect the financial statements.

Parent company financial statements

Parent company income statement

EUR M	Note	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
SALES		195.3	503.1
Other operating revenue	2	26.8	0.4
Operating expenses			
Goods and services	3	50.9	133.2
Employee expenses	4	55.4	91.2
Depreciation and amortization	5	19.5	19.8
Other operating expenses	6	147.8	245.4
		273.5	489.6
OPERATING INCOME		-51.5	13.9
Financial income and expenses	7	-3.6	-2.9
INCOME BEFORE APPROPRIATIONS AND TAXES		-55.1	11.0
Appropriations	8	3.7	1.4
Group contribution		0.1	-
Income taxes	9	-	-2.5
INCOME FOR THE FINANCIAL YEAR		-51.2	9.9

Parent company balance sheet

EUR M	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
FIXED ASSETS			
Intangible assets	10	5.1	5.4
Tangible assets	11		
Land		1.0	1.0
Buildings and structures		6.6	7.0
Vessels		219.4	231.1
Machinery and equipment		1.7	2.7
Advance payments, vessels under construction		54.2	49.5
		283.0	291.3
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		26.1	26.2
		44.8	44.9
TOTAL FIXED ASSETS		332.9	341.6
CURRENT AND FINANCIAL ASSETS			
Inventories	13	10.9	16.9
Non-current receivables			
Group receivables		2.2	6.5
Current receivables			
Trade receivables		3.6	10.2
Group receivables		8.2	6.9
Other current receivables		1.2	1.4
Accrued income and prepaid expenses	14	18.0	12.9
		30.9	31.4
Cash and cash equivalents		26.8	59.5
TOTAL CURRENT AND FINANCIAL ASSETS		70.8	114.4
TOTAL ASSETS		403.6	456.0

EUR M	Note	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
EQUITY	15		
Share capital		1.8	1.8
Retained earnings		83.9	74.0
Income for the financial year		-51.2	9.9
TOTAL EQUITY		34.5	85.7
ACCUMULATED APPROPRIATIONS			
Accumulated depreciation differences		177.0	180.8
LIABILITIES			
Non-current liabilities	16		
Liabilities to credit institutions		90.4	99.9
Liabilities to pension companies		18.0	0.0
		108.4	99.9
Current liabilities			
Principal payments to credit institutions		36.5	23.4
Principal payments to pension companies		2.0	0.0
Accounts payable		10.6	20.4
Group liabilities		0.9	1.4
Other current liabilities		4.1	8.3
Accrued expenses and prepaid income	17	29.6	36.1
		83.8	89.6
TOTAL LIABILITIES		192.1	189.5
TOTAL EQUITY AND LIABILITIES		403.6	456.0

Parent company cash flow statement

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
OPERATING ACTIVITIES		
Income for the financial year	-51.2	9.9
Adjustments		
Depreciation and amortization	19.5	19.8
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	-3.7	-1.4
Interest expenses and other financial expenses	3.9	3.6
Interest income and other financial income	-0.2	-0.4
Dividend income	0.0	-0.4
Group contribution received	-0.1	-
Income taxes	0.0	2.5
Change in working capital		
Change in current receivables	0.5	2.1
Change in inventories	6.0	-0.8
Change in non-interest-bearing liabilities	-18.8	-1.1
Interest paid	-3.0	-3.2
Financial expenses paid	-1.1	-0.5
Interest received	0.2	0.3
Financial income received	0.0	0.1
Taxes paid	-2.0	-0.8
NET CASH FLOW FROM OPERATING ACTIVITIES	-50.0	29.7
INVESTING ACTIVITIES		
Investments in vessels	-5.5	-4.6
Investments in other intangible and tangible assets	-0.6	-1.0
Advance payments, vessels under construction	-7.4	-23.6
EU funding	2.6	-
Investments in shares and participations	-	0.0
Divestments of other intangible and tangible assets	0.0	0.0
Divestments of shares and participations	0.0	-
Repayments of investments	0.1	-
Change in non-current receivables	4.3	4.3
Dividends received	0.0	0.4
NET CASH FLOW FROM INVESTING ACTIVITIES	-6.4	-24.4
FINANCING ACTIVITIES		
Increase in long-term liabilities	31.5	20.0
Principal payments, non-current liabilities	-16.0	-23.4
Change in current interest-bearing liabilities	8.0	-
Dividends paid	0.0	-2.2
Group contribution received	0.1	-
NET CASH FLOW FROM FINANCING ACTIVITIES	23.6	-5.6
CHANGE IN CASH AND CASH EQUIVALENTS	-32.8	-0.2
Cash and cash equivalents at the beginning of the year	59.5	59.8
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26.8	59.5

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, 2020.

1.3 Going concern, risks and liquidity

The COVID-19 pandemic had a significant impact on Viking Line's earnings and liquidity in 2020, and uncertainty about regulatory requirements, restrictions on passenger traffic, and market demand will also affect Viking Line's operations, earnings and financial position in 2021.

A number of measures to strengthen liquidity were carried out in 2020. On October 15, the Finnish Government approved the Finnish State's guarantees on Viking Line's liquidity loans up to EUR 38.7 M. Using the liquidity loans, Viking Line planned to improve the company's liquidity position and thus ensure continued financially stable operations in the situation that has arisen as a result of the COVID-19 pandemic. In addition to the Finnish State guarantees, commercial banks have guaranteed EUR 4.3 M. The Group had drawn EUR 31.5 M of the liquidity loans on December 31, 2020. Viking Line undertakes not to pay a dividend or pay out any other funds until its obligations related to the guarantees and loans have been met in full.

On July 14, 2020 and December 23, 2020, Viking Line Abp reached an agreement with Finnvera Abp and Finlands Exportkredit Ab on a loan payment deferral for payments during the period July 1, 2020–July 31, 2021 totalling EUR 22.4 M. Payments fall due by January 10, 2025 at the latest – in other words, at the time final payment is due. The deferred loan payments may be paid in advance, and the interest rate and maturity of the loan remain unchanged. The payment of dividends during the term of the loan is conditional upon payment of the loan payments for which a deferral has been granted.

Most of the Group's loan agreements include loan covenants according to market terms. Covenant terms entail minimum requirements for liquidity and solvency (equity/assets ratio) as well as a maximum net debt to EBITDA ratio. The Group has been granted a time-limited exemption from the covenant terms and conditions that were breached in 2020 for those loans already drawn.

The financial statements have been prepared in accordance with the going concern principle since in the view of Viking Line's Board of Directors the company can continue its operations and meet its obligations over the foreseeable future, at least 12 months from the date the financial statements were prepared. This view is based on business plans for the next few years that take into consideration different scenarios for the COVID-19 pandemic as well as ongoing negotiations on loan payment deferrals and other plans to strengthen liquidity. Liquidity can also be strengthened through a shareholder contribution or through the sale of assets. At the time the financial statements were prepared, these measures to strengthen liquidity had not yet been initiated. Should the pandemic continue longer than the Board of Directors has estimated, and should the strengthening measures mentioned not be realized, there is a material uncertainty that could cast significant doubt on the company's ability to continue as a going concern.

1.4 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.

1.5 Revenue

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

1.6 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.

1.7 Income taxes

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

1.8 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.

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
Buildings	4–7% of remaining expenditure
Structures	10 years, straight-line
Machinery and equipment	5–15 years, straight-line
Intangible assets (amortization)	5–10 years, straight-line
Cars	25% of remaining expenditure

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.

1.9 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.

1.10 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, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
State aid	25.7	-
Rents received on properties	0.1	0.2
Capital gains	0.0	0.0
Insurance claim payments, accidents	0.9	-
Miscellaneous operating revenue	0.0	0.1
Total	26.8	0.4

3. Goods and services

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Purchases during the financial year	42.4	122.0
Change in inventories	5.7	-0.6
Externally purchased services	2.7	11.7
Total	50.9	133.2

4. Employee expenses

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Salaries etc	59.1	97.4
Pension expenses	6.9	13.3
Other employee expenses	2.9	4.5
	68.9	115.2
Government restitution	-13.5	-24.0
Total	55.4	91.2
Average numbers of employees		
Shipboard employees	887	1,600
Land-based employees	226	386
Total	1,113	1,986

5. Depreciation and amortization

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Intangible assets	0.7	0.7
Buildings and structures	0.4	0.5
Vessels	17.1	17.5
Machinery and equipment	1.3	1.1
Total	19.5	19.8

6. Auditors' fees

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Auditing	0.1	0.1
Audit related services	0.0	0.0
Tax advice	-	0.0
Miscellaneous consulting	0.0	0.0
Total	0.1	0.1

7. Financial income and expenses

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Dividend income from others	0.0	0.4
Interest income from Group companies	0.2	0.3
Interest income from others	-	0.0
Exchange gains	0.1	0.0
Other financial income	0.0	0.1
Total financial income	0.4	0.9
Interest expenses to others	2.9	3.1
Exchange losses	0.0	0.1
Other financial expenses	1.1	0.5
Total financial expenses	4.0	3.7
Total financial income and expenses	-3.6	-2.9

8. Appropriations

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Difference between scheduled depreciation and depreciation for tax purposes	3.7	1.4
Total	3.7	1.4

9. Income taxes

EUR M	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Income tax on actual operations	-	-2.5

10. Intangible assets

EUR M	2020	2019
Intangible rights		
Acquisition cost, Jan 1	6.3	5.8
Increases	0.3	0.5
Decreases	-0.1	0.0
Acquisition cost, Dec 31	6.5	6.3
Accumulated amortization, Jan 1	-3.0	-2.7
Accumulated amortization on decreases	0.1	0.0
Amortization for the period	-0.3	-0.3
Accumulated amortization, Dec 31	-3.2	-3.0
Book value, Jan 1	3.3	3.2
Book value, Dec 31	3.3	3.3
EUR M	2020	2019
Other long-term assets		
Acquisition cost, Jan 1	11.8	11.7
Increases	-	0.0
Acquisition cost, Dec 31	11.8	11.8
Accumulated amortization, Jan 1	-9.6	-9.2
Amortization for the period	-0.4	-0.4
Accumulated amortization, Dec 31	-10.0	-9.6
Book value, Jan 1	2.2	2.5
Book value, Dec 31	1.8	2.2
Total intangible assets	5.1	5.4

11. Tangible assets

EUR M	2020	2019
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	2020	2019
Buildings and structures		
Acquisition cost, Jan 1	20.6	21.5
Increases	-	0.1
Decreases	-	-0.9
Acquisition cost, Dec 31	20.6	20.6
Accumulated depreciation, Jan 1	-13.6	-14.0
Accumulated depreciation on decreases	-	0.9
Depreciation for the period	-0.4	-0.5
Accumulated depreciation, Dec 31	-14.1	-13.6
Book value, Jan 1	7.0	7.5
Book value, Dec 31	6.6	7.0

EUR M	2020	2019
Vessels		
Acquisition cost, Jan 1	726.3	724.9
Increases	5.5	4.6
Decreases	-6.4	-3.2
Acquisition cost, Dec 31	725.4	726.3
Accumulated depreciation, Jan 1	-495.2	-480.9
Accumulated depreciation on decreases	6.4	3.2
Depreciation for the period	-17.1	-17.5
Accumulated depreciation, Dec 31	-505.9	-495.2
Book value, Jan 1	231.1	244.0
Book value, Dec 31	219.4	231.1

EUR M	2020	2019
Machinery and equipment		
Acquisition cost, Jan 1	11.9	12.2
Increases	0.3	0.4
Decreases	-1.5	-0.6
Acquisition cost, Dec 31	10.7	11.9
Accumulated depreciation, Jan 1	-9.2	-8.8
Accumulated depreciation on decreases	1.5	0.6
Depreciation for the period	-1.3	-1.1
Accumulated depreciation, Dec 31	-9.0	-9.2
Book value, Jan 1	2.7	3.4
Book value, Dec 31	1.7	2.7

EUR M	2020	2019
Advance payments, vessels under construction		
Acquisition cost, Jan 1	49.5	25.9
Increases	7.4	23.6
EU funding	-2.6	-
Acquisition cost, Dec 31	54.2	49.5
Book value, Jan 1	49.5	25.9
Book value, Dec 31	54.2	49.5
Total tangible assets	283.0	291.3

12. Shares and participations

EUR M	2020	2019
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
Decreases	-0.1	-
Acquisition cost, Dec 31	26.1	26.2
Total shares and participations	44.8	44.9

13. Inventories

EUR M	Dec 31, 2020	Dec 31, 2019
Stocks of goods for sale	9.8	15.5
Supplies	0.2	0.2
Stocks of vessel fuel	1.0	1.3
Total	10.9	16.9

14. Accrued income and prepaid expenses

EUR M	Dec 31, 2020	Dec 31, 2019
Employee-related items	10.1	12.2
Other accrued income and prepaid expenses	7.8	0.7
Total	18.0	12.9

15. Equity

EUR M	2020	2019
Share capital, Jan 1	1.8	1.8
Share capital, Dec 31	1.8	1.8
Retained earnings, Jan 1	74.0	73.0
Income for the previous financial year	9.9	3.1
Dividend paid to shareholders	-	-2.2
Retained earnings, Dec 31	83.9	74.0
Income for the financial year	-51.2	9.9
Total equity	34.5	85.7

16. Loans that fall due later than after 5 years

EUR M	Dec 31, 2020	Dec 31, 2019
Liabilities to credit institutions	0.0	7.5
Liabilities to pension companies	10.0	0.0
Total	10.0	7.5

17. Accrued expenses and prepaid income

EUR M	Dec 31, 2020	Dec 31, 2019
Employee-related items	19.7	21.8
Other accrued expenses and prepaid income	10.0	14.3
Total	29.6	36.1

18. Pledged assets and other contingent liabilities

EUR M	Dec 31, 2020	Dec 31, 2019
Contingent liabilities		
Loans and credit lines for which vessel mortgages were provided as collateral	153.9	138.3
Total	153.9	138.3
Assets pledged for own debt		
Vessel mortgages	353.1	231.6
Site leasehold mortgages	22.9	22.9
Total	376.0	231.6
Leasing liabilities		
Amounts that fall due during the following accounting period	0.7	0.5
Amounts that fall due later	0.9	1.0
Total	1.6	1.5
Investment commitments not included in the accounts		
Commitments, vessel orders	158.7	158.1
- Contractual amount	200.7	198.2
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, March 3, 2021

Ben Lundqvist

Chairman of the Board

Nils-Erik Eklund

Jakob Johansson

Stefan Lundqvist

Lars G Nordström

Laura Tarkka

Peter Wiklöf

Jan Hanses

President and CEO

Auditors' note

Our auditors' report was issued today.

Mariehamn, March 3, 2021

Pricewaterhouse Coopers Oy

Authorized Public Accountants

Ylva Eriksson, Authorized Public Accountant (CGR)

Auditor's Report (Translation of the Finnish 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 Audit Committee.

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 2020. 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.

Material uncertainty related to going concern

We draw attention to note 1.4 of the consolidated financial statements and note 1.3 of the parent company financial statements and the information in the report of the Board of Directors that describe how the COVID-19 pandemic has significantly impacted Viking Line's earnings and liquidity. The company's assessment on the ability to continue as a going concern is based on business plans that take into consideration different scenarios for the COVID-10 pandemic, as well as ongoing negotiations on loan payment deferrals and other plans to strengthen the liquidity. These circumstances together with other matters presented in the notes and in the report of the Board of Directors indicate such material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not qualified in respect of this matter.

Our Audit Approach

Overview



- We have applied an overall group audit materiality of € 2,0 million
- The group audit included the parent company covering the vast majority of the group's net sales, assets and liabilities. In addition, we have conducted certain audit procedures and analytical procedures on group level to identify unexpected movements in the subsidiaries.
- Valuation of vessels
- Valuation of inventory

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	€ 2,0 million (previous year € 2,6 million)
How we determined it	Approximately 4% of the group's result before tax
Rationale for the materiality benchmark applied	We chose the result before tax as benchmark when calculating the materiality. In our view, it is the benchmark which users of the financial statements measure the groups performance. The result before tax is a generally accepted benchmark and 4% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

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. In addition, we have conducted certain audit procedures and analytical procedures on group level to identify unexpected movements in the subsidiaries.

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.

In addition to matter described in paragraph above "Material uncertainties related to going concern" we have concluded that the matters listed below are key audit matters.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of vessels <i>Refer to notes 1.3 and 4.2 to the financial statements</i> Vessels are valued based on cost less accumulated depreciation and possible write-off. Capitalised costs for vessels under constructions are reported under advance payments and are not depreciated.	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 separately for each vessel to a valuation performed by an external expert engaged

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.

COVID-19 pandemic has impacted the operations significantly and can lead to a risk of impairment of the value of the vessels.

We consider valuation of the vessels to be a key audit matter in the audit because it is based on management's judgements and because the vessels are a material part of the groups assets.

by the group and gained an understanding of their valuation methods.

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.

Valuation of inventory

Refer to notes 1.3 and 5.3 to the financial statements

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

Management has made a judgement of obsolete inventory as a result of the slow movement and declining demand following COVID-19.

We consider valuation of the inventory to be a key audit matter in the audit because it is based on management's judgements and estimates relating to obsolete items.

Our procedures relating to slow moving inventory included both test of controls and test of details.

Our test of controls focused on participation in physical stock taking on board the groups vessels where we evaluated the process of identifying obsolete items from the inventory listings.

In our test of details we evaluate management's judgements and considered the reasonableness of the assumptions made and judgements used by management.

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 disclosures 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 of the company since the Annual General Meeting 22 April 2015 and as the auditor in charge nominated by PricewaterhouseCoopers Oy since the Annual General Meeting 13 May 2020, in total six years.

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. We have obtained the report of the Board of Directors prior to the date of this auditor's report.

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.

Helsinki 3 March 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant (KHT)