VIKING LINE

Year-End Report

for the period January–December 2020

2020 – a difficult, challenging year

January–December 2020 (compared to January–December 2019)

- Sales amounted to EUR 188.8 M (496.4).
- 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).
- Income before taxes amounted to EUR -52.9 M (13.6).
- Income after taxes totalled EUR -42.3 M (10.8).

Fourth quarter 2020 (compared to fourth quarter 2019)

- Sales amounted to EUR 34.6 M (115.6).
- Operating income totalled EUR -14.1 M (-0.1).

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 programs 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.

Comments from President and CEO Jan Hanses

"Because of the global COVID-19 pandemic, the Group was forced to report a loss in 2020.

Since the end of the first quarter, the operating environment has been extremely unfavourable to passenger shipping companies and as a result the economic consequences have been drastic. The challenge in 2020 was to run operations when demand evaporated due to various restrictions. Passenger volume collapsed in March 2020, and at year-end we recorded a loss of four million passengers. In a short period of time, we noted that essentially all sales revenue had disappeared while a large share of costs was still incurred. Of our four operating areas – cargo, passenger cars, cruise passengers and passengers in scheduled service – only cargo functioned normally.

Consequently, our efforts during the year were focused on cutting costs to the greatest extent possible. Furlough measures were carried out in early April and had a quick impact in Finland since shorter periods for announcing and negotiating furloughs could be applied. In Sweden and Estonia, the impact was slower and more limited. Cost control generally also dominated our operations.

State aid measures, primarily Finnish measures carried out through Finland's National Emergency Supply Agency and the Finnish Transport and Communication Agency (Traficom), have helped to limit losses. State aid measures from Sweden, in the form of aid for short-term furloughs, and from Estonia in various forms have also provided support.

Liquidity during the winter of 2020–2021 was secured through liquidity loans totalling EUR 38.7 M, which are backed by State guarantees. A deferral of loan repayments was also obtained from Finnvera and Finlands Exportkredit Ab.

In the autumn of 2020, the Group experienced two accidents, when Amorella ran aground in the Åland archipelago in September and Viking Grace ran aground close to Mariehamn in November. The groundings only caused damage to the vessels, mainly Amorella. While undergoing repair, the vessels were replaced by Gabriella, so the impact on earnings was limited. It was possible to carry out planned annual dry-dockings at the same time. The crew's handling of the incidents was exemplary.

During the year, the focus was on passenger safety issues. The safety of passengers and staff is Viking Line's top priority, and that has also been the case during the ongoing pandemic. We have long worked at the company with infection prevention measures. During the spring, we decided to have the company assessed by a third party to quality-assure our infection prevention work. The accredited classification society Det Norske Veritas Germanischer Lloyd (DNV GL) was contacted, and we became the first shipping company in the world to be verified in accordance with DNV GL's My Care methodology."

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 33.7% to EUR 31.2 M (47.0).

During the fourth quarter, October 1–December 31, 2020, consolidated revenue totalled EUR 34.6 M (115.6 for October 1–December 31, 2019). Operating income was EUR -14.1 M (-0.1).

Passenger-related revenue during the fourth quarter decreased by 75.9% to EUR 25.0 M (103.8), while cargo revenue amounted to EUR 9.1 M (11.3). Net sales revenue was EUR 23.1 M (83.7). Consolidated operating expenses decreased by 47.7% to EUR 40.7 M (77.8).

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.

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 maturity 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 prepayments 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.

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 intrusion, 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 Code (ISMC) and International Ship & Port Facility Security Code (ISPS) management systems, we work systematically to identify potential risk situations and consequently prevent accidents. Our goals 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 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.

Sustainability report

The Sustainability Report for 2020 will be published separately. Information about Viking Line's sustainability work is also available on Vikingline.com.

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 were 55.9% (55.2) of employees and women 44.1% (44.8). Women held 28.3% (27.1) of foremen 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

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.

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 Year-End Report.

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 will be paid for the financial year 2020, and there remains a total of 32,656,664.46 euros in unrestricted equity.

Annual General Meeting

The Annual General Meeting of Viking Line Abp will be held at 12 noon on Thursday, May 27, 2021 at the Alandica Culture and Congress auditorium, Strandgatan 33, Mariehamn, Åland, Finland.

Due to the COVID-19 pandemic, no annual report will be published for 2020. An electronic version of the official Year-End Report for 2020 and Viking Line's Corporate Governance and Compensation Statement will be published during the week of March 29 on the company's website, Vikingline.com.

Financial information for 2021

During the financial year 2021, Viking Line Abp's financial reports will be published for the periods January 1 to March 31, 2021; January 1 to June 30, 2021; and January 1 to September 30, 2021. The Business Review for January–March will be published on April 30, the Half-Year Financial Report for January–June on August 26 and the Business Review for January–September on October 29. The Year-End Report for the financial year 2021 will be published on February 18, 2022.

Mariehamn, Åland, February 17, 2021

VIKING LINE ABP

The Board of Directors

Consolidated income statement

EUR M	Note	Oct 1, 2020– Dec 31, 2020	Oct 1, 2019– Dec 31, 2019	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
SALES	4	**34.6**	**115.6**	**188.8**	**496.4**
Other operating revenue	5	10.2	0.2	26.9	0.4
Expenses					
Goods and services		11.6	31.9	50.8	133.1
Salary and other employment benefit expenses	6	16.3	28.7	72.9	117.1
Depreciation, amortization and impairment losses		6.6	6.1	24.8	24.6
Other operating expenses	7	24.4	49.2	116.5	204.6
		58.9	115.9	265.0	479.4
OPERATING INCOME		**-14.1**	**-0.1**	**-49.3**	**17.4**
Financial income		0.4	0.1	0.4	0.5
Financial expenses		-0.8	-0.3	-3.9	-4.3
INCOME BEFORE TAXES		**-14.5**	**-0.3**	**-52.9**	**13.6**
Income taxes	8	2.9	0.0	10.5	-2.7
INCOME FOR THE PERIOD		**-11.6**	**-0.3**	**-42.3**	**10.8**
Income attributable to:					
Parent company shareholders		-11.6	-0.3	-42.3	10.8
Earnings per share before and after dilution, EUR		-1.07	-0.03	-3.92	1.00

Consolidated statement of comprehensive income

EUR M	Oct 1, 2020– Dec 31, 2020	Oct 1, 2019– Dec 31, 2019	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
INCOME FOR THE PERIOD	**-11.6**	**-0.3**	**-42.3**	**10.8**
Items that may be reclassified to the income statement				
Translation differences	1.1	0.5	0.8	-0.3
Items that will not be reclassified to the income statement				
Changes in the fair value of financial assets at fair value through other comprehensive income	0.6	-3.9	0.6	-3.9
Other comprehensive income	1.7	-3.4	1.4	-4.2
COMPREHENSIVE INCOME FOR THE PERIOD	**-9.9**	**-3.7**	**-40.9**	**6.6**
Comprehensive income attributable to:				
Parent company shareholders	-9.9	-3.7	-40.9	6.6

Consolidated balance sheet

EUR M	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets		3.3	3.3
Land		0.6	0.6
Buildings and structures		6.8	7.3
Renovation costs for rented properties		1.8	2.2
Vessels		254.1	266.0
Machinery and equipment		2.7	3.9
Right-of-use assets		4.7	5.2
Advance payments, vessels under construction		54.2	49.5
Financial assets at fair value through other comprehensive income		28.6	28.1
Total non-current assets		**356.8**	**366.0**
Current assets			
Inventories		10.9	16.9
Income tax assets		0.1	0.4
Trade and other receivables	10	28.2	28.0
Cash and cash equivalents		29.7	62.8
Total current assets		**68.8**	**108.1**
TOTAL ASSETS		**425.6**	**474.0**
EQUITY AND LIABILITIES			
Equity			
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	8	27.1	37.7
Interest-bearing liabilities		108.2	100.0
Lease liabilities		3.0	3.6
Total non-current liabilities		**138.3**	**141.3**
Current liabilities			
Interest-bearing liabilities		38.6	23.5
Lease liabilities		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	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	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	-	-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	Share capital	Reserves	Translation differences	Retained earnings	Total equity
	Equity attributable to parent company shareholders				
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
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	Share capital	Reserves	Translation differences	Retained earnings	Total equity
	Equity attributable to parent company shareholders				
EQUITY, JAN 1, 2019	**1.8**	**5.8**	**-2.3**	**225.3**	**230.7**
Income for the period				10.8	10.8
Translation differences		0.0	-0.2	-0.1	-0.3
Remeasurement of financial assets recognized at fair value through other comprehensive income		-3.9			-3.9
Comprehensive income for the period	**-**	**-3.9**	**-0.2**	**10.7**	**6.6**
Dividend to shareholders				-2.2	-2.2
Transactions with owners of the parent company	**-**	**-**	**-**	**-2.2**	**-2.2**
EQUITY, DEC 31, 2019	**1.8**	**1.9**	**-2.5**	**233.9**	**235.1**

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**
Income attributable to:					
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**
Items that may be reclassified to the income statement					
Translation differences	1.1	-0.1	0.9	-1.1	0.5
Items that will not be reclassified to the income statement					
Changes in the fair value of financial assets recognized at fair value through other comprehensive income	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**
Comprehensive income attributable to:					
Parent company shareholders	-9.9	-7.2	-4.0	-19.8	-3.7

Pledged assets and contingent liabilities

EUR M	Dec 31, 2020	Dec 31, 2019
Contingent liabilities	153.9	138.7
Assets pledged for own debt	376.9	255.5
Investment commitments not included in the accounts	158.7	158.1
– contractual amount	200.7	198.2

Financial ratios and statistics

	Jan 1, 2020– Dec 31, 2020	Jan 1, 2019– Dec 31, 2019
Equity per share, EUR	17.98	21.77
Dividend per share, EUR	0.00	0.00
Number of shares on balance sheet date	10,800,000	10,800,000
Return on equity (ROE)	-19.7 %	4.7 %
Return on investment (ROI)	-13.8 %	4.8 %
Equity/assets ratio	46.4 %	50.7 %
Investments, EUR M	15.0	29.9
– as % of sales	7.9 %	6.0 %
Passengers	1,927,302	6,300,480
Cargo units	125,693	133,940
Average number of employees, full-time equivalent	1,640	2,632

Earnings per share = (Income before taxes – income taxes +/– minority interest) / Average number of shares

Equity per share = Equity attributable to parent company shareholders / Number of shares on balance sheet date

Return on equity (ROE), % = (Income before taxes – income taxes) / Equity including minority interest (average for the year)

Return on investment (ROI), % = (Income before taxes + interest and other financial expenses) / (Total assets– interest-free liabilities [average for the year])

Equity/assets ratio, % = (Equity including minority interest) / (Total assets – advances received)

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

The above figures from the financial statements have not been audited.

Notes to the Year-End Report for the period January-December 2020

1. Financial reporting and changes in accounting principles

This Year-End Report has been prepared in accordance with IFRS and consists of a summary of the financial statements for the period in accordance with IAS 34. The figures provided in the financial statements have not been audited.

The Year-End Report has otherwise been prepared on the basis of original costs unless otherwise stated in the accounting principles or notes below.

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

2. 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.

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 maturity 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 Year-End Report has 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 of approval of this Year-End Review. 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 of approval of the Year-End Review, 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, are such uncertainties that may cast significant doubt on the company's ability to continue as a going concern.

4. Segment information

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
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**
SALES		
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**

5. 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

6. Salary and other employment benefit expenses

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.

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.

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

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

8. Income taxes

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.

9. Impairment testing

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.

The management has also made the assessment that there is no need for impairment for the Group's other non-current assets.

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).

10. Trade and other receivables

The COVID-19 pandemic has not led to any change in expected credit losses in trade receivables.

11. 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 Year-End Report.