Half-Year Financial Report

VIKING LINE

for the period January–June 2021

ANOTHER SIX MONTHS WITH THE PANDEMIC

January–June 2021 (compared to January–June 2020)

- Sales amounted to EUR 71.5 M (EUR 97.5 M).
- Other operating revenue was EUR 33.6 M (EUR 16.1 M).
- Operating income totalled EUR 4.5 M (EUR -27.4 M).
- Net financial items were EUR -2.4 M (EUR -2.1 M).
- Income before taxes amounted to EUR 2.2 M (EUR -29.5 M).
- Income after taxes totalled EUR 2.7 M (EUR -23.7 M).
- Changed earnings outlook. The outlook for the financial year 2021 is better than the outcome for 2020. Improved demand starting late in the second quarter of 2021 together with one-off items in the form of the sale of Mariella and the anticipated redemption of Viking Line's terminal buildings including fixtures and fittings with the City of Turku will boost income. There is still uncertainty about how authority 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, results and financial position for the full-year 2021, but on the whole the Board of Directors believes operating income will be positive.

  On the previous reporting date, the outlook was as follows:
  The outlook for the financial year 2021 is unchanged. Uncertainty about regulatory requirements, State aid, the impact of vaccination programmes and related restrictions for passenger traffic, and market demand will affect Viking Line's operations, results 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.

Second quarter 2021 (compared to second quarter 2020)

- Sales amounted to EUR 46.9 M (EUR 22.6 M).
- Operating income totalled EUR 12.2 M (EUR -5.9 M).

The COVID-19 pandemic continues to dominate the company's operations and results, but at the end of the quarter we nevertheless saw increased demand for our services between Åland, Finland and Sweden. Traffic between Finland and Estonia has been greatly affected by restrictions. The focus during the period was on the company's public service obligations and cost control. Since the end of the first quarter of 2020, the company's possibilities for running regular operations have been severely limited by the still ongoing COVID-19 pandemic.

Comments from President and CEO Jan Hanses

"The Group's operations during the first two quarters of 2021 continued to be dominated by the effects of the COVID-19 pandemic. Continued travel restrictions and travel advisories have affected half-year results, and hopes of less stringent travel restrictions during the second quarter were dashed by the third wave of the pandemic, which had its most severe effects in April. Service has been maintained on the routes between Åland and Sweden and between Turku, Åland and Stockholm as well as between Helsinki and Tallinn. In June, cruise traffic with Gabriella and Cinderella was launched, and the number of vessels in service rose to six. Service has been maintained in part as a result of Viking Line's public service obligations for which the company has an agreement with Traficom. At the end of the second quarter, in the middle of our peak season, the restrictions still in effect were on travel between Finland and Sweden/Estonia.

"Operations have thus been characterized by low passenger volumes and therefore continued cost cuts and adjustments to the restrictions in effect. This naturally had a negative impact on demand for travel, and as a result the Group was forced to cut back on its range of services and staffing on board. Despite these restrictions on operations, we have maintained uninterrupted passenger and cargo service between our countries and thus safeguarded regularly scheduled service. An increase in demand was noted towards the end of the period, and that trend was also sustained after the period in July and August.

"During the second quarter, Mariella was sold to Corsica Ferries. The sale had a EUR 13.1 M impact on income, and liquidity was strengthened by EUR 13.5 M.

"During the second quarter, Alandia Holding Ab's purchase of 24.9% of the shares in Alandia Försäkring Abp was completed. Viking Line Abp owns 18.3% of the shares in Alandia Holding Ab and accounts for the investment as an associate company. In conjunction with the transaction, Viking Line Abp reclassified its previous holding in Alandia Försäkring Abp as an associate company.

"The staff have continued to shoulder a heavy burden as a result of furloughs carried out in all of the Group's operating countries. The furloughs have been in the form of part-time furloughs and to a large extent full-time furloughs. The engagement of staff has been admirable as arrangements for these jobs were made. I really appreciate their great efforts in these difficult times.

"More stringent regulations from the EU and IMO will require maritime transport to reduce its emissions in the future. In July, the European Commission published a Fit for 55 climate package with a target to reduce CO_2 emissions by at least 55% before 2030 compared to 1990. Maritime transport will be included in the EU Emissions Trading System, and this will entail changes for the industry. As an Åland-based company, we are genuinely concerned about the state of the Baltic Sea. Significant investments have been made to increase energy efficiency, and an important focus area in our sustainability work has been optimizing fuel consumption. Through various fuel optimization measures, from 2008 to 2020 Viking Line managed to achieve a fuel saving of 30% per nautical mile. In the period 2015–2020, the company invested over EUR 4 M in different fuel optimization projects on our vessels. We made the choice early on to play an active role in developing sustainable travel – an area where we have long been at the cutting edge, in part through new technological innovations. Our new vessel, Viking Glory, is a good manifestation of this. The vessel will be one of the world's most climate-smart ships and represents a brand-new generation of vessels. We look forward to being able to introduce Viking Glory to our passengers in 2022."

Sales and earnings

Consolidated sales decreased 26.7% to EUR 71.5 M during the period January 1–June 30, 2021 (EUR 97.5 M January 1–June 30, 2020). Operating income totalled EUR 4.5 M (EUR -27.4 M).

Passenger-related revenue decreased 34.1% to EUR 50.1 M (EUR 76.0 M), while cargo revenue was EUR 20.4 M (EUR 20.7 M). The sales contribution was EUR 55.2 M (EUR 73.5 M). Operating costs decreased 29.3% to EUR 74.1 M (EUR 104.9 M).

Results for the second quarter were dominated by Viking Line's public service obligations and cargo transports, but an increase in demand in the passenger sector was also discernible at the end of the period.

Sales increased 107.7% to EUR 46.9 M during the period (EUR 22.6 M April 1–June 30, 2020). Operating income totalled EUR 12.2 M (EUR -5.9 M).

During the first two quarters of the year, the Group received aid for its public service obligations from Traficom for the Group's vessels on the Turku–Mariehamn/Långnäs–Stockholm, Mariehamn-Kapellskär and Helsinki–Tallinn routes. We also received aid from the Development and Management Centre of Finland's Centres for Economic Development, Transport and the Environment (known as ELY centres) and from Finland's Local Employment and Economic Development Offices. The aid is recognized as State aid under other operating revenue.

Service and market

The Viking Line Group provides passenger and cargo carrier services using six vessels on the northern Baltic Sea and in the Gulf of Finland. During the second quarter, a bareboat hire/purchase agreement was entered into for M/S Mariella. The Group's remaining vessels served the same routes as in 2020, although the vessels that normally sail between Helsinki and Stockholm and between Stockholm and Mariehamn have been taken out of service to some extent due to the COVID-19 pandemic. On June 12, Gabriella resumed service on the Helsinki–Stockholm route and was also used for special cruises.

The total number of passengers on Viking Line's vessels during the report period was 538,348 (998,483). The Group had a total market share in its service area of approximately 32.1% (27.0%).

Viking Line's cargo volume was 65,214 cargo units (62,409). Viking Line's share of the cargo market was approximately 16.8% (17.1%). The market share for passenger cars was approximately 31.4% (24.1%).

Due to the ongoing pandemic, travel has been limited. In late June, digital Covid certificates adopted by the European Commission began to be made available to the general public. Their implementation in every EU country is now under way. The Covid certificates provide countries in Viking Line's service area with a framework for phasing out the national regulations established during the pandemic. As vaccination programmes against Covid-19 progress, it is expected that demand for travel, especially local travel, could increase compared to earlier.

Investments and financing

The Group's investments amounted to EUR 8.3 M (EUR 9.3 M), of which EUR 3.8 M (EUR 3.9 M) is related to the capitalization of costs and advance payments for vessels under construction. The Group's total investments constitute 11.6% of revenue (9.5%).

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

On June 30, 2021, the Group's non-current interest-bearing liabilities totalled EUR 99.3 M (EUR 88.3 M). The equity/assets ratio was 46.3% compared to 49.3% a year earlier.

At the end of June, the Group's cash and cash equivalents amounted to EUR 41.8 M (EUR 30.7 M). Unutilized credit lines in the Group totalled EUR 15.1 M on June 30, 2021 (EUR 10.4 M). Net cash flow from operating activities amounted to EUR 5.1 M (EUR -20.2 M). Net cash flow from investing activities was EUR 9.8 M (EUR -8.8 M) and net cash flow from financing activities amounted to EUR -2.9 M (EUR -3.0 M).

In 2020, the Finnish Government approved State guarantees on Viking Line's liquidity loans of up to EUR 38.7 M. With the liquidity loans, the company's liquidity position improved and thus ensured continued financially stable operations in the situation that had arisen as a result of the Covid crisis. In addition to the Finnish State guarantees, commercial banks have guaranteed EUR 4.3 M. The Group had drawn EUR 43.0 M of the liquidity loans on June 30,

2021. Viking Line undertakes not to pay a dividend or pay out any funds until its obligations related to the guarantees and loans have been repaid in full.
Most of the Group's loan agreements include loan covenants according to market terms. The covenant terms entail minimum requirements for liquidity and solvency and a maximum net financial debt-to-EBITDA ratio. The Group has been granted a time-limited exemption from the covenant terms that were breached during the first two quarters of 2021 for those loans already drawn.

For loans of EUR 15.0 M, the company has been granted a waiver from one of the financial covenants until December 31, 2021. The company has conducted negotiations to extend the waiver in a positive spirit. A decision is expected in September 2021. Since the waiver was not in effect for the next 12 months at the end of the report period, the loan is classified in this financial report as a current liability in the balance sheet. The loan will be reclassified as a non-current liability once the company has received a waiver decision.

Viking Line Abp entered an agreement to sell Mariella to Corsica Ferries SAS, and the vessel was delivered in May 2021. The sale of Mariella is a move to strengthen the company's financial position but is also justified by the age of the vessel. The sale is being carried out as a bareboat hire/purchase arrangement. The total sale price is EUR 19.6 M. The vessel's book value was EUR 5.6 M. The sale had a EUR 13.1 M effect on income, and liquidity was strengthened by EUR 13.5 M. The remainder of the purchase price is to be paid on a monthly basis over four years beginning June 1, 2022. The present value is calculated by discounting future payments at a 3% interest rate.

Viking Line Abp has entered into a preliminary agreement with the City of Turku on the redemption of Viking Line's terminal buildings including fixtures and fittings at the Port of Turku for about EUR 17.8 M. The reason for the redemption is that the land lease will expire in 2025. A final purchase agreement is expected to be entered into on August 31, and at the same time a lease on Viking Line's terminal facilities at the Port of Turku will be entered into.

Liquidity can also be strengthened by a shareholder contribution.

Organization and personnel

The average number of full-time employees in the Group was 1,265 (1,802), of whom 830 (1,249) worked for the parent company. Land-based personnel totalled 344 (444) and shipboard personnel totalled 921 (1,358).

In addition to the Group's own employees, Viking XPRS was crewed by an average of 140 (158) people employed by a staffing company.

The number of employees in 2021 is far lower than in 2020, since a large percentage of staff were furloughed during the period. Along with the furloughs, redundancies in the land-based organization and on Viking Cinderella affected the number of employees.

Risk factors

The COVID-19 pandemic has had a significant impact on Viking Line's earnings and liquidity and will continue to have a negative impact.

Uncertainty about regulatory requirements and related restrictions to passenger traffic and about market demand will affect Viking Line's operations, results and financial position.

The Group's loans are tied to loan covenants that include profitability, liquidity and solvency requirements. If the terms in these covenants are not met, financiers can demand early repayment or cancellation of the loans.

Quarterly consolidated income statement

EUR M	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2
SALES	**46.9**	**24.6**	**34.6**	**56.6**	**22.6**
Other operating revenue	23.3	10.3	10.2	0.7	14.9
Expenses					
Goods and services	11.3	5.0	11.6	15.3	4.0
Salary and other employment benefit expenses	15.2	13.5	16.3	15.5	13.8
Depreciation, amortization and impairment losses	5.0	5.1	6.6	6.0	6.0
Other operating expenses	26.4	19.0	24.4	28.3	19.6
	58.0	42.5	58.9	65.1	43.4
OPERATING INCOME	**12.2**	**-7.7**	**-14.1**	**-7.8**	**-5.9**
Financial income	0.0	0.0	0.4	0.0	0.0
Financial expenses	-1.1	-1.3	-0.8	-1.0	-0.2
INCOME BEFORE TAXES	**11.1**	**-8.9**	**-14.5**	**-8.8**	**-6.1**
Income taxes	-1.2	1.8	2.9	1.7	1.2
INCOME FOR THE PERIOD	**9.8**	**-7.2**	**-11.6**	**-7.1**	**-4.9**
Income attributable to:					
Parent company shareholders	9.8	-7.2	-11.6	-7.1	-4.9
Earnings per share before and after dilution, EUR	0.91	-0.66	-1.07	-0.66	-0.46

Quarterly consolidated statement of comprehensive income

EUR M	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2
INCOME FOR THE PERIOD	**9.8**	**-7.2**	**-11.6**	**-7.1**	**-4.9**
Items that may be reclassified to the income statement					
Translation differences	0.3	-0.5	1.1	-0.1	0.9
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	1.6	-	0.6	0.0	-
Other comprehensive income	**1.9**	**-0.5**	**1.7**	**-0.1**	**0.9**
COMPREHENSIVE INCOME FOR THE PERIOD	**11.8**	**-7.6**	**-9.9**	**-7.2**	**-4.0**
Comprehensive income attributable to:					
Parent company shareholders	11.8	-7.6	-9.9	-7.2	-4.0

Financial ratios and statistics

	Jan 1, 2021- Jun 30, 2021	Jan 1, 2020- Jun 30, 2020	Jan 1, 2020- Dec 31, 2020
Equity per share, EUR	18.37	19.57	17.98
Equity/assets ratio	46.3 %	49.3 %	46.4 %
Investments, EUR M	8.3	9.3	15.0
– as % of sales	11.6 %	9.5 %	7.9 %
Passengers	538,348	998,483	1,927,302
Cargo units	65,214	62,409	125,693
Average number of employees, full-time equivalent	1,265	1,802	1,640

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.

Outlook for the full financial year 2021

Changed earnings outlook. The outlook for the financial year 2021 is better than the outcome for 2020. Improved demand since late in the second quarter of 2021 together with one-off items in the form of the anticipated sale of Mariella and the redemption of Viking Line's terminal buildings including fixtures and fittings in Turku will boost income. There is still uncertainty about how authority 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, results and financial position for the full-year 2021, but on the whole the Board of Directors believes operating income will be positive.

In late June, digital Covid certificates adopted by the European Commission began to be made available to the general public. Their implementation in every EU country is now under way. The Covid certificates provide countries in Viking Line's service area with a framework for phasing out the national regulations established during the pandemic. As vaccination programmes against Covid-19 progress, it is expected that demand for travel, especially local travel, could increase compared to earlier.

The Group's Financial Report for January-September 2021 will be published on October 29, 2021.

Mariehamn, August 25, 2021

VIKING LINE ABP

The Board of Directors

Jan Hanses

President and CEO

Consolidated income statement

EUR M	Note	Apr 1, 2021- Jun 30, 2021	Apr 1, 2020- Jun 30, 2020	Jan 1, 2021- Jun 30, 2021	Jan 1, 2020- Jun 30, 2020	Jan 1, 2020- Dec 31, 2020
SALES	4	**46.9**	**22.6**	**71.5**	**97.5**	**188.8**
Other operating revenue	5	23.3	14.9	33.6	16.1	26.9
Expenses						
Goods and services		11.3	4.0	16.3	24.0	50.8
Salary and other employment benefit expenses	6	15.2	13.8	28.7	41.0	72.9
Depreciation, amortization and impairment losses	7	5.0	6.0	10.1	12.2	24.8
Other operating expenses	8	26.4	19.6	45.4	63.8	116.5
		58.0	43.4	100.5	141.1	265.0
OPERATING INCOME		**12.2**	**-5.9**	**4.5**	**-27.4**	**-49.3**
Financial income		0.0	0.0	0.0	0.0	0.4
Financial expenses	9	-1.1	-0.2	-2.4	-2.1	-3.9
INCOME BEFORE TAXES		**11.1**	**-6.1**	**2.2**	**-29.5**	**-52.9**
Income taxes		-1.2	1.2	0.5	5.9	10.5
INCOME FOR THE PERIOD		**9.8**	**-4.9**	**2.7**	**-23.7**	**-42.3**
Income attributable to:						
Parent company shareholders		9.8	-4.9	2.7	-23.7	-42.3
Earnings per share before and after dilution, EUR		0.91	-0.46	0.25	-2.19	-3.92

Consolidated statement of comprehensive income

EUR M	Apr 1, 2021- Jun 30, 2021	Apr 1, 2020- Jun 30, 2020	Jan 1, 2021- Jun 30, 2021	Jan 1, 2020- Jun 30, 2020	Jan 1, 2020- Dec 31, 2020
INCOME FOR THE PERIOD	**9.8**	**-4.9**	**2.7**	**-23.7**	**-42.3**
Items that may be reclassified to the income statement					
Translation differences	0.3	0.9	-0.2	-0.2	0.8
Items that will not be reclassified to the income statement					
Changes in the fair value of financial assets at fair value through other comprehensive income	1.6	-	1.6	-	0.6
Other comprehensive income	**1.9**	**0.9**	**1.4**	**-0.2**	**1.4**
COMPREHENSIVE INCOME FOR THE PERIOD	**11.8**	**-4.0**	**4.1**	**-23.8**	**-40.9**
Comprehensive income attributable to:					
Parent company shareholders	11.8	-4.0	4.1	-23.8	-40.9

Consolidated balance sheet

EUR M	Note	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
ASSETS				
Non-current assets				
Intangible assets		3.0	3.2	3.3
Land		0.5	0.6	0.6
Buildings and structures		1.7	7.0	6.8
Renovation costs for rented properties		1.7	2.0	1.8
Vessels		242.7	260.7	254.1
Machinery and equipment		2.3	3.7	2.7
Right-of-use assets		4.9	5.4	4.7
Advance payments, vessels under construction		58.1	52.9	54.2
Financial assets at fair value through other comprehensive income		0.0	28.0	28.6
Investments accounted for using th equity method	12	32.2	-	-
Receivables		5.4	-	-
Total non-current assets		**352.5**	**363.6**	**356.8**
Current assets				
Inventories		9.4	17.8	10.9
Income tax assets		0.1	0.0	0.1
Trade and other receivables	13	36.0	25.7	28.2
Cash and cash equivalents		41.8	30.7	29.7
Total current assets		**87.3**	**74.2**	**68.8**
Non-current assets held for sale	14	**5.0**	**-**	**-**
TOTAL ASSETS		**444.7**	**437.8**	**425.6**
EQUITY AND LIABILITIES				
Equity				
Share capital		1.8	1.8	1.8
Reserves		0.0	1.9	2.5
Translation differences		-1.9	-2.6	-1.8
Retained earnings		198.5	210.2	191.8
Equity attributable to parent company shareholders		198.4	211.3	194.2
Total equity		**198.4**	**211.3**	**194.2**
Non-current liabilities				
Deferred tax liabilities	10	26.5	31.7	27.1
Interest-bearing liabilities		99.3	88.3	108.2
Lease liabilities		3.4	3.6	3.0
Total non-current liabilities		**129.2**	**123.6**	**138.3**
Current liabilities				
Interest-bearing liabilities		45.6	33.2	38.6
Lease liabilities		1.6	1.9	1.8
Income tax liabilities		0.0	0.0	0.0
Trade and other payables		69.9	67.7	52.7
Total current liabilities		**117.1**	**102.8**	**93.1**
Total liabilities		**246.4**	**226.5**	**231.4**
TOTAL EQUITY AND LIABILITIES		**444.7**	**437.8**	**425.6**

Consolidated cash flow statement

EUR M	Jan 1, 2021-Jun 30, 2021	Jan 1, 2020-Jun 30, 2020	Jan 1, 2020-Dec 31, 2020
OPERATING ACTIVITIES			
Income for the period	2.7	-23.7	-42.3
Adjustments			
Depreciation, amortization and impairment losses	10.1	12.2	24.8
Capital gains/losses from non-current assets	-13.1	0.0	0.0
Other items not included in cash flow	0.1	0.0	-0.4
Interest expenses and other financial expenses	2.3	1.8	3.9
Interest income and other financial income	0.0	0.0	0.0
Dividend income	-4.9	-	0.0
Income taxes	-0.5	-5.9	-10.5
Change in working capital			
Change in trade and other receivables	-7.9	2.3	-0.2
Change in inventories	1.5	-0.9	6.0
Change in trade and other payables	17.1	-2.5	-17.5
Interest paid	-1.6	-1.6	-3.1
Financial expenses paid	-0.7	-0.3	-1.1
Financial income received	0.0	0.0	0.0
Taxes paid	-0.1	-1.7	-1.8
NET CASH FLOW FROM OPERATING ACTIVITIES	**5.1**	**-20.2**	**-42.3**
INVESTING ACTIVITIES			
Investments in vessels	-2.2	-4.9	-6.7
Investments in other intangible and tangible assets	-0.2	-0.5	-0.9
Advance payments, vessels under construction	-3.8	-3.9	-7.4
EU funding	-	0.4	2.6
Investments accounted for using th equity method	-2.0	-	-
Divestments of vessels	13.2	-	-
Divestments of other intangible and tangible assets	0.0	0.0	0.0
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	0.1
Dividends received	4.9	-	0.0
NET CASH FLOW FROM INVESTING ACTIVITIES	**9.8**	**-8.8**	**-12.3**
FINANCING ACTIVITIES			
Increase in non-current liabilities	11.5	-	31.5
Principal payments, non-current liabilities	-5.3	-11.7	-16.0
Change in current interest-bearing liabilities	-8.0	9.7	8.0
Depreciation of lease liabilities	-1.0	-1.0	-2.0
Dividends paid	-	-	-
NET CASH FLOW FROM FINANCING ACTIVITIES	**-2.9**	**-3.0**	**21.5**
CHANGE IN CASH AND CASH EQUIVALENTS	**12.1**	**-32.0**	**-33.1**
Cash and cash equivalents at the beginning of the period	29.7	62.8	62.8
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**41.8**	**30.7**	**29.7**

Statement of changes in consolidated equity

EUR M	Equity attributable to parent company shareholders				
	Share capital	**Reserves**	**Translation differences**	**Retained earnings**	**Total equity**
EQUITY, JAN 1, 2021	**1.8**	**2.5**	**-1.8**	**191.8**	**194.2**
Income for the period				2.7	2.7
Translation differences		0.0	-0.1	0.0	-0.2
Remeasurement of financial assets recognized at fair value through other comprehensive income		-2.5		4.1	1.6
Comprehensive income for the period	**-**	**-2.5**	**-0.1**	**6.7**	**4.1**
Dividend to shareholders				-	-
Transactions with owners of the parent company	**-**	**-**	**-**	**-**	**-**
EQUITY, JUN 30, 2021	**1.8**	**0.0**	**-1.9**	**198.5**	**198.4**

EUR M	Equity attributable to parent company shareholders				
	Share capital	**Reserves**	**Translation differences**	**Retained earnings**	**Total equity**
EQUITY, JAN 1, 2020	**1.8**	**1.9**	**-2.5**	**233.9**	**235.1**
Income for the period				-23.7	-23.7
Translation differences		0.0	-0.1	0.0	-0.2
Comprehensive income for the period	**-**	**0.0**	**-0.1**	**-23.7**	**-23.8**
Dividend to shareholders				-	-
Transactions with owners of the parent company	**-**	**-**	**-**	**-**	**-**
EQUITY, JUN 30, 2020	**1.8**	**1.9**	**-2.6**	**210.2**	**211.3**

Notes to the Half-Year Financial Report for the period January-June 2021

1. Accounting principles

This Half-Year Financial 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 Half-Year Financial Report has been prepared in accordance with the same accounting principles, estimates and valuations as in the most recent annual accounts, unless otherwise indicated below.

Depending on its nature, public aid received is recognized as other operating revenue, compensation to employees or as a decrease in advance payments for vessels under construction.

An associate company is a company over which the investor can exert a significant influence. An investment in an associate company shall be accounted for using the equity method in the balance sheet as an investment accounted for using the equity method. The equity method is an accounting method that entails accounting for the investment in a company initially at cost and subsequently adjusting it by the investor company's proportional share of the change in the investee's net assets. The investor company's income subsequently includes the investor company's proportional share of the investee's income, and the investor company's other comprehensive income includes its share of the investee's other comprehensive income. Viking Line owns 18.3% of the shares in Alandia Holding Ab, a company formed during the second quarter of 2021 for the acquisition of shares in Alandia Försäkring Abp. The Group accounts for the investment as an associate company. In conjunction with the transaction, the Group reclassified its previous holding of 19.5% in Alandia Försäkring Abp as an associate company. The reclassification had no effect on income. See Note 12.

The Group's non-current receivables consist of a receivable related to Mariella's sale to Corsica Ferries SAS. The receivable is to be paid on a monthly basis over four years beginning June 1, 2022. The present value is calculated by discounting future payments by an interest rate of 3%.

For cash and cash equivalents with a short maturity, the carrying amount is considered equal to fair value. The carrying amount of trade receivables and other receivables as well as of trade payables and other liabilities is considered equal to fair value based on the short-term nature of the items. The carrying amount of interest-bearing liabilities is equal to fair value.

A non-current asset shall be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. To meet this requirement, the asset must be available for immediate sale in its present condition and subject only to terms that are usual and customary for sales of such assets, and its sale must be highly probable. Depreciation of an asset ceases from the time it is classified as an asset held for sale. The asset is to be measured at the lower of carrying amount and fair value less costs to sell. See Note 14.

Historically, Viking Line's most important season is during the third quarter, but because of COVID-19 the seasonal fluctuations have not been normal. Uncertainty about regulatory requirements, restrictions to passenger traffic and market demand will affect seasonal fluctuations going forward.

The Half-Year Financial Report has not been subject to an audit.

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 company's management 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 the Half-Year Financial Report was published.

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

The most important area that entails judgements is the valuation of the Group's vessels. The vessels' residual values and estimated periods of use are examined yearly and adjusted if they deviate significantly from earlier values. The depreciation period for the vessels' hull, machinery and other long-term components has been extended from 25 years to 30 years as of January 1, 2021, since the period of use for the vessels is considered to be longer than 25 years. Residual values have remained unchanged; see Notes 7 and 11.

The value of the Group's shareholding in Alandia Försäkring Abp has been determined based on the present value of future cash flows. The shareholding is recognized under financial assets at fair value through other comprehensive income until June 30, 2021, when Alandia Försäkring Abp's ownership structure changed. As a result, Viking Line exercises a significant influence in the company, and the investment is accounted for as an associate company using the equity method.

In valuing the Group's leases, judgements are made as to how the Group will capitalize on any opportunity to extend the lease period or terminate the lease. Judgements are also made as to what discount rate is to be used in calculating 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 payments on its lease liabilities and depreciation of right-of-use assets, is affected by those judgements.

In 2020, the Group's management made a judgement on obsolete assets in the sales inventory due to slower turnover and reduced demand as a direct result of COVID-19. Based on the management's judgements in 2021, no significant impairment losses were recognized in the income statement during the first two quarters of the year.

3. Going concern, risks and liquidity

The COVID-19 pandemic is an uncertainty factor that, should related risks be realized in full, could lead to uncertainty about the company's ability to continue operations.

This Half-Year Financial 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 report. This view is based on the business plan approved by the Board of Directors, which takes COVID-19 into account, and on additional financing.

In 2020, the Finnish Government approved the State's guarantees on Viking Line's liquidity loans up to EUR 38.7 M. With the liquidity loans, the company's liquidity position improved, thus ensuring 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 43.0 M of the liquidity loans on June 30, 2021. 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.

The Group's cash and cash equivalents at the end of June totalled EUR 41.8 M (EUR 30.7 M). Unutilized credit lines in the Group totalled EUR 15.1 M on June 30, 2021 (EUR 10.4 M). The net cash flow from operating activities was EUR 5.1 M (EUR -20.2 M). Net cash flow from investing activities was EUR 9.8 M (EUR -8.8 M) and net cash flow from financing activities amounted to EUR -2.9 M (EUR -3.0 M).

Viking Line Abp entered into an agreement to sell Mariella to Corsica Ferries SAS, and the vessel was delivered in May 2021. The sale of Mariella is a move to strengthen the company's financial position but is also justified by the age of the vessel. The sale is being carried out as a

bareboat hire/purchase arrangement. The total sale price is EUR 19.6 M. The vessel's book value was EUR 5.6 M. The sale had a EUR 13.1 M effect on income, and liquidity was strengthened by EUR 13.5 M. The remainder of the purchase price is to be paid on a monthly basis over four years beginning June 1, 2022. The present value is calculated by discounting future payments by an interest rate of 3%. The vessel has been provided as collateral for the receivable.
Viking Line Abp has entered into a preliminary agreement with the City of Turku on the redemption of Viking Line's terminal buildings including fixtures and fittings at the Port of Turku for about EUR 17.8 M. The reason for the redemption is that the land lease will expire in 2025. A final purchase agreement is expected to be entered into on August 31, and at the same time a lease on Viking Line's terminal buildings at the Port of Turku will be entered into. This building is classified as non-current assets held for sale. See Note 14.

Liquidity can also be strengthened by a shareholder contribution.

In 2020, Viking Line Abp signed an agreement with Finnvera Abp and Finlands Exportkredit Ab on a loan payment deferral for payments during the period July 1, 2020–January 31, 2022 totalling EUR 29.8 M. Three of the four loan payments fall due by January 10, 2025 at the latest – in other words, at the time final payment is due, while the fourth loan payment is divided up so that it falls due in conjunction with the other payments. This is shown in the table below for future cash flows related to financial liabilities on June 30, 2021. 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. The financial covenants in the loan agreement consist of a minimum liquidity requirement and a maximum total net debt-to-EBITDA ratio for the Group. The Group has been granted a time-limited exemption from the covenant terms that were breached during the first quarter of 2021 for those loans already drawn.

During the second quarter, Viking Line was granted an exemption in writing from applying the covenant terms for a loan of EUR 74.6 M until December 31, 2022. The credit was thus reclassified as of June 30, 2021, as a long-term credit.

For Viking Line's loan of EUR 15.0 M, there is an exemption from some covenant terms until December 31, 2021. The company has conducted negotiations to extend the exemption in a positive spirit. A decision is expected in September 2021. Since the waiver was not in effect for the next 12 months at the end of the report period, the loan is classified in this financial report as a current liability in the balance sheet. The loan will be classified as a non-current liability again once the company has received a waiver decision.

In the event the pandemic continues for longer than the Board of Directors has anticipated and should the measures to strengthen the company's finances noted above not have a positive outcome, there is considerable uncertainty that could lead to significant doubt about the company's ability to continue operations.

Future cash flows related to financial liabilities on June 30, 2021:

EUR M

Future cash flows related to financial liabilities (incl. financial expenses)	Lease liabilities	Trade payables	Interest-bearing liabilities	Total
Jul 1, 2021 - Dec 31, 2021	0.9	18.0	42.7	61.7
Jan 1, 2022 - Jun 30, 2022	0.9		7.1	8.0
Jul 1, 2022 - Jun 30, 2023	1.3		23.3	24.7
Jul 1, 2023 - Jun 30, 2024	1.0		22.6	23.6
Jul 1, 2024 - Jun 30, 2025	0.8		50.5	51.3
Jul 1, 2025 - Jun 30, 2026	0.4		2.3	2.7
Jul 1, 2026 -			8.8	8.8
Total	5.3	18.0	157.5	180.8

Financing of vessel construction

Advance payments are related to vessels under construction and totalled EUR 58.1 M on June 30, 2021, 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 as security for advance payments made of EUR 38.8 M plus interest. Other capitalized planning, monitoring and borrowing expenses of EUR 24.2 M would in that case be charged to income. Liquidity could be affected if some of the EU aid must be repaid.

A total of 78.4% of the contract price is financed by a consortium of commercial banks; 90.0% of the credit amount is guaranteed by China Export & Credit Insurance Corporation. The binding loan commitment of EUR 152.0 M shall be used when final payment is made upon delivery of the vessel. The loan commitment includes financial covenants according to market terms.

The covenant terms include (i) a minimum requirement for cash and cash holdings, whereby the company shall ensure that minimum liquidity is always greater than the higher of EUR 20 M or 5% of total net debt and (ii) a maximum net debt/EBITDA ratio for the Group. The net debt/EBITDA ratio covenant was breached during the first quarter of 2021. The Group was granted a time-limited exemption until June 30, 2021. Negotiations are under way to extend the exemption from the covenant terms agreed. These negotiations could result in amendments in covenant and loan terms.

4. Segment information

Consolidated revenue decreased by 26.7% and passenger-related revenue decreased by 34.1% due to travel restrictions imposed by authorities and to market demand in conjunction with the COVID-19 pandemic.

EUR M	Jan 1, 2021-Jun 30, 2021	Jan 1, 2020-Jun 30, 2020	Jan 1, 2020-Dec 31, 2020
Sales			
Vessels	69.8	95.7	185.1
Unallocated	1.7	1.9	3.8
Total, operating segments	**71.5**	**97.6**	**188.9**
Eliminations	0.0	0.0	-0.1
Total sales of the Group	**71.5**	**97.5**	**188.8**
Operating income			
Vessels	11.7	-13.2	-23.2
Unallocated	-7.2	-14.2	-26.1
Total operating income of the Group	**4.5**	**-27.4**	**-49.3**
SALES			
Passenger-related revenue	50.1	76.0	148.2
Cargo revenue	20.4	20.7	38.8
Miscellaneous sales revenue	1.0	0.9	1.8
Total	**71.5**	**97.5**	**188.8**

5. Other operating revenue

During the financial year, the Group received aid for public service obligations from Traficom for the Group's vessels on the Turku–Långnäs–Stockholm, Mariehamn-Kapellskär and Helsinki–Tallinn routes. We also received aid from the Development and Management Centre of Finland's Centres for Economic Development, Transport and the Environment (known as ELY centres) and from Finland's Local Employment and Economic Development Offices as well as aid for costs from the State Treasury of Finland. The aid is recognized as public aid under other operating revenue.

Viking Line Abp entered into an agreement to sell Mariella to Corsica Ferries SAS in May 2021. The sale is being carried out as a bareboat hire/purchase arrangement. The total sale price was EUR 19.6 M, and the vessel's book value was EUR 5.6 M. The sale had a EUR 13.1 M effect on income, and liquidity was strengthened by EUR 13.5 M. The remainder of the purchase price is to be paid on a monthly basis over four years beginning June 1, 2022. The present value is calculated by discounting future payments by an interest rate of 3%.

Viking Line Abp received a dividend from Alandia Försäkring Abp before it was reclassified as an associate company. The dividend was recognized under other operating revenue.

EUR M	Jan 1, 2021– Jun 30, 2021	Jan 1, 2020– Jun 30, 2020
State aid	15.5	16.0
Rents received on properties	0.0	0.1
Capital gains	13.1	0.0
Dividend income	4.9	-
Miscellaneous other operating revenue	0.0	0.0
Total	33.6	16.1

6. Compensation to employees

A large percentage of staff in Finland has been furloughed. In Sweden and Estonia, State-subsidized short-term furlough programmes have been used. Furloughs have been carried out as part-time furloughs and on the vessels to a large extent as full-time furloughs. In addition to the furloughs, redundancies in the land-based organization and on Viking Cinderella contributed to the decrease in expenses.

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. The Group has received short-term aid in Sweden and Estonia for short-term 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, 2021– Jun 30, 2021	Jan 1, 2020– Jun 30, 2020
Salaries	31.4	43.0
Expenses of defined-contribution pensions	3.6	4.7
Other payroll overhead	4.1	5.2
	39.0	52.9
Government restitution	-6.6	-9.2
Aid for furloughs	-3.7	-2.7
Total	28.7	41.0

7. Depreciation and amortization

The depreciation period for the vessels' hull, machinery and other long-term components was extended from 25 years to 30 years as of January 1, 2021, since the period of use for the vessels is considered to be longer than 25 years. The residual values have remained unchanged. The change compared to last year is mostly due to a change in depreciation periods.

EUR M	Jan 1, 2021–Jun 30, 2021	Jan 1, 2020–Jun 30, 2020
Depreciation and amortization		
Intangible assets	0.2	0.2
Building and structures	0.2	0.2
Renovation costs for rented properties	0.2	0.2
Vessels	8.1	10.0
Machinery and equipment	0.4	0.6
Right-of-use assets	1.1	1.0
Total	10.1	12.2
Total depreciation, amortization and impairment losses	10.1	12.2

8. Other operating expenses

Other operating expenses decreased by 28.9% 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, 2021–Jun 30, 2021	Jan 1, 2020-Jun 30, 2020
Sales and marketing expenses	2.2	6.3
Washing and cleaning expenses	2.1	4.6
Repairs and maintenance	3.8	5.2
Public port expenses and vessel charges	9.1	12.4
Fuel expenses	15.9	16.9
Miscellaneous expenses	12.3	18.4
Total	45.4	63.8

9. Financial expenses

EUR M	Jan 1, 2021–Jun 30, 2021	Jan 1, 2020–Jun 30, 2020
Interest expenses on financial liabilities recognized at amortized cost	1.5	1.4
Interest expenses on lease liabilities	0.1	0.1
Exchange losses	0.1	0.3
Guarantee commissions and other financial expenses	0.7	0.3
Total financial expenses	2.4	2.1

10. Income taxes

On June 30, 2021, the Group recognized net deferred tax liabilities of EUR 26.5 M, of which EUR 37.4 M is related to deferred tax liabilities and EUR 10.8 M is related to deferred tax assets. 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
Jan 1, 2021	36.9	-10.2	0.5	27.1
Translation differences	0.0	-	-	0.0
Recognized in income statement	-	-0.6	0.0	-0.6
Recognized directly in equity	-	-	-	-
Jun 30, 2021	36.9	-10.8	0.5	26.5

11. Impairment testing

Recognized values for intangible and tangible assets are tested regularly in order to identify any external or internal indications of a need for impairment. 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. In the management's view, there is currently no need for impairment, since the fair value of vessels is substantially higher than the carrying amount.

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

In 2020, the Group's management made a judgement on obsolete assets in the sales inventory due to slower turnover and reduced demand as a direct result of COVID-19. The management made the judgement that no material impairment losses were to be recognized in the income statement during the first two quarters of 2021 related to obsolete assets in the sales inventory.

12. Investments accounted for using the equity method

Viking Line Abp is one of the founders of the company Alandia Holding Ab, which signed an agreement on April 1, 2021, to purchase Investeringsbolag Rettig's shares in Alandia Försäkring Abp. Alandia Holding Ab completed the purchase of all of Rettig Group's shares (24.9 per cent) in Alandia Försäkring on June 30. Viking Line Abp recognizes Alandia Holding Ab as an associate company since Viking Line Abp exercises significant influence in the company. The shareholding is accounted for using the equity method. As a result of the transaction, Viking Line Abp's influence in Alandia Försäkring Abp has increased, and Alandia Försäkring Abp has therefore been reclassified as an associate company as of June 30, 2021, and the holding is accounted for using the equity method. The reclassification had no effect on income. Until June 30, 2021, the holding in Alandia Försäkring Abp was measured based on the present value of future cash flows under financial assets valued at fair value through other comprehensive income. The valuation of the holding in Alandia Försäkring Abp had a EUR 1.6 M effect on comprehensive income during the reporting period.

In addition to a capital injection, Alandia Holding Ab has taken out a loan to finance the purchase of shares in Alandia Försäkring Abp. The plan is to pay down the loan with future dividends received from Alandia Försäkring Abp. To the extent Alandia Holding is in need of cash and cash equivalents to make the loan payments, Viking Line Abp has undertaken to make a cash capital contribution to Alandia Holding Ab through a shareholder agreement.

13. Trade and other receivables

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

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

14. Non-current assets held for sale

Viking Line Abp has entered into a preliminary agreement with the City of Turku on the redemption of Viking Line's terminal buildings including fixtures and fittings at the Port of Turku for about EUR 17.8 M. A final purchase agreement is expected to be entered into on August 31, and at the same time a lease on Viking Line's terminal facilities at the Port of Turku will be entered into. Viking Line Abp has put its office property on Storagatan in Mariehamn up for sale, and it is highly probable that a sale will take place during the autumn.

15. Pledged assets and contingent liabilities

EUR M	Jun 30, 2021	Dec 31, 2020
Contingent liabilities 1)	159.9	153.9
Assets pledged for own debt 2)	376.9	376.9
Investment commitments regarding vessels under construction not included in the accounts 3)	159.3	158.7
– contractual amount	201.8	200.7
Other liabilities not shown in the balance sheet 4)	3.3	-

1) Concerning loans and credit lines for which vessel, vehicle and chattel mortgages were provided as collateral and other contingent liabilities not included in the balance sheet covered by site leasehold and chattel mortgages.
2) Concerning vessel mortgages, vehicle mortgages, chattel mortgages and site leasehold mortgages.
3) 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 currentlyg under way on the application of the agreed covenant terms. In the event the vessel construction contract should be terminated, the compny 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 24.2 M would in that case be charged to income.
4) In addition to a capital injection, Alandia Holding Ab has taken a loan to finance the purchase of shares in Alandia Försäkring Abp. The plan is to pay down the loan with future dividends received from Alandia Försäkring Abp. To the extent Alandia Holding Ab is in need of cash equivalents to make the payments, Viking Line Abp has undertaken to make a cash capital contribution to Alandia Holding Ab through a shareholder agreement.

16. Events after the balance sheet date

Viking Line Abp has entered into a preliminary agreement with the City of Turku on the redemption of Viking Line's terminal buildings including fixtures and fittings at the Port of Turku for about EUR 17.8 M. It is expected that the final purchase agreement will be entered into on August 31, and at the same time a lease will be entered into on the terminal facilities at the Port of Turku.
Otherwise the management knows of no other significant events after the balance sheet date that could affect the financial statements.