

Business Review

VIKING LINE

for the period January–March 2021

Continued service despite current world situation

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

- Sales amounted to EUR 24.6 M (EUR 75.0 M).
- Other operating revenue was EUR 10.3 M (EUR 1.2 M).
- Operating income totalled EUR -7.7 M (EUR -21.5 M).
- Net financial items were EUR -1.3 M (EUR -1.9 M).
- Income before taxes amounted to EUR -8.9 M (EUR -23.4 M).
- Income after taxes totalled EUR -7.2 M (EUR -18.7 M).
- 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.

The COVID-19 pandemic continues to dominate the company's operations and results, where the focus has been on the company's public service obligations and the monitoring of costs. Salary and other employment benefit expenses together with other operating expenses were reduced by more than 50% compared to the same period last year. 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 quarter of 2021 continued to be dominated by the effects of the COVID-19 pandemic. Service has been maintained on four vessels on the routes between Åland and Sweden and between Turku and Stockholm, calling at Åland, and on the Helsinki–Tallinn route. Service has been maintained thanks to the public service obligations that the Group has an agreement on with the Finnish Transport and Communication Agency (Traficom). The first quarter is normally the weakest of the Group's financial year due to normal variation in demand. The Finnish Government introduced stricter travel restrictions on January 22, 2021, along with a lockdown on various operations, including restaurants. This naturally had a negative impact on the demand for travel, and as a result the Group was forced to cut back on the range of services and staffing on board. Meanwhile, the passenger shipping companies in Finland reached an agreement in Finland with Traficom and the Finnish Institute for Health and Welfare that that the companies would require a negative COVID test from passengers to enter Finland. Viking Line took part in this agreement.

'Operations during the first quarter were therefore dominated by low passenger volumes and thus continued cost-cutting and adjustments to the restrictions in effect. Furloughs continued to the same extent as during the autumn of 2020. Given the circumstances, these measures

have been relatively effective, and results for the first quarter of 2021 showed a far smaller loss than during the first quarter of 2020.

“There continued to be a focus during the quarter 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 of 2020, 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. Our work continues to be quality-assured.”

Sales and earnings

Consolidated sales decreased 67.2% to EUR 24.6 M during the period January 1–March 31, 2021 (EUR 75.0 M January 1–March 31, 2020). Operating income totalled EUR -7.7 M (EUR -21.5 M).

Passenger-related revenue decreased 77.1% to EUR 14.5 M (EUR 63.2 M), while cargo revenue amounted to EUR 9.6 M (EUR 11.3 M). The sales contribution was 19.6 M (EUR 54.9 M).

Operating costs decreased 54.6% to EUR 32.4 M (EUR 71.5 M).

Results for the first quarter were characterized by low market demand in the passenger segment, with revenue from Viking Line’s public service obligations and cargo constituting the most important sources of income.

Salary and other employment benefit expenses decreased sharply during the period. A large percentage of the staff in Finland were furloughed. In Sweden and Estonia, short-term furloughs were used. In addition to the furloughs, redundancies in the land-based organization and on Viking Cinderella contributed to the decrease in expenses.

On March 12, 2021, negotiations were begun on further redundancies affecting staff on Viking Cinderella. The negotiations involve 84 people.

Costs of goods and services as well as other operating costs decreased as a result of reduced operations.

During the period, the Group received aid for its public service obligations from Traficom as well as aid for re-employment from the Development and Management Centre of Finland’s Centres for Economic Development, Transport and the Environment (known as ELY centres) and of 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 seven vessels on the northern Baltic Sea and in the Gulf of Finland. The vessels served the same routes as in 2020, although the vessels that normally sail between Helsinki and Stockholm have been taken out of service due to the COVID-19 pandemic.

The total number of passengers on Viking Line's vessels during the report period was 170,362 (842,229). The Group had a total market share in its service area of approximately 28.1% (28.1%).

Viking Line's cargo volume was 31,755 cargo units (31,538). Viking Line's share of the cargo market was approximately 17.0% (17.1%). The market share for passenger cars was approximately 29.6% (23.9%).

Due to the ongoing pandemic, all travel has been sharply limited. However, the European Commission has now decided to implement Digital Green Certificates (DGCs) for people travelling between EU countries for the summer of 2021. DGCs provide countries in this service area with a framework for the controlled easing of national travel restrictions currently in effect. As national COVID vaccination programmes are carried out, expectations are that demand for local tourism in particular could grow going forward.

Investments and financing

The Group's investments amounted to EUR 2.5 M (EUR 7.0 M), of which EUR 2.1 M (EUR 2.7 M) pertains to the capitalization of costs and advance payments for vessels under construction. The Group's total investments constitute 10.0% of revenue (9.4%).

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

On March 31, 2021, the Group's non-current interest-bearing liabilities totalled EUR 39.9 M (EUR 92.6 M). The equity/assets ratio was 45.1% compared to 48.4% a year earlier.

At the end of March, the Group's cash and cash equivalents amounted to EUR 24.9 M (EUR 34.2 M). Unutilized credit lines in the Group totalled EUR 4.7 M on March 31, 2021 (EUR 15.1 M). Net cash flow from operating activities amounted to EUR -10.6 M (EUR -28.0 M). Net cash flow from investing activities was EUR -2.5 M (EUR -6.9 M) and net cash flow from financing activities amounted to EUR 8.3 M (EUR 6.4 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 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 39 M of the liquidity loans on March 31, 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.

Most of the Group's loan agreements include loan covenants according to market terms. Covenant terms entail minimum requirements for liquidity and solvency and 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 during the first quarter of 2021 for those loans already drawn.

For one of the loans of EUR 74.6 M, the company has been granted a waiver from one of the financial covenants until December 31, 2021. Negotiations are now being carried out in a positive spirit on an extension of the exemption from the covenant terms. The formal decision is expected to be received in May 2021. Since the waiver was not approved for the coming 12 months at the end of the reporting period, that loan is classified in the balance sheet in this report as short-term. The loan will be re-classified to long-term liabilities after the company has received the decision on the extension.

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

Organization and personnel

The average number of full-time employees in the Group was 1,224 (2,451), of whom 776 (1,846) worked for the parent company. Land-based personnel totalled 324 (567) and shipboard personnel totalled 900 (1,884).

In addition to the Group's own employees, Viking XPRS was crewed by an average of 135 (216) 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 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
SALES	24.6	34.6	56.6	22.6	75.0
Other operating revenue	10.3	10.2	0.7	14.9	1.2
Expenses					
Goods and services	5.0	11.6	15.3	4.0	20.0
Salary and other employment benefit expenses	13.5	16.3	15.5	13.8	27.3
Depreciation, amortization and impairment losses	5.1	6.6	6.0	6.0	6.1
Other operating expenses	19.0	24.4	28.3	19.6	44.2
	42.5	58.9	65.1	43.4	97.7
OPERATING INCOME	-7.7	-14.1	-7.8	-5.9	-21.5
Financial income	0.0	0.4	0.0	0.0	0.0
Financial expenses	-1.3	-0.8	-1.0	-0.2	-1.9
INCOME BEFORE TAXES	-8.9	-14.5	-8.8	-6.1	-23.4
Income taxes	1.8	2.9	1.7	1.2	4.7
INCOME FOR THE PERIOD	-7.2	-11.6	-7.1	-4.9	-18.7
<i>Income attributable to:</i>					
Parent company shareholders	-7.2	-11.6	-7.1	-4.9	-18.7
Earnings per share before and after dilution, EUR	-0.66	-1.07	-0.66	-0.46	-1.74

Quarterly consolidated statement of comprehensive income

EUR M	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
INCOME FOR THE PERIOD	-7.2	-11.6	-7.1	-4.9	-18.7
<i>Items that may be reclassified to the income statement</i>					
Translation differences	-0.5	1.1	-0.1	0.9	-1.1
<i>Items that will not be reclassified to the income statement</i>					
Changes in the fair value of financial assets recognized at fair value through other comprehensive income	-	0.6	0.0	-	-
Other comprehensive income	-0.5	1.7	-0.1	0.9	-1.1
COMPREHENSIVE INCOME FOR THE PERIOD	-7.6	-9.9	-7.2	-4.0	-19.8
<i>Comprehensive income attributable to:</i>					
Parent company shareholders	-7.6	-9.9	-7.2	-4.0	-19.8

Key figures and statistics

	Jan 1, 2021- Mar 31, 2021	Jan 1, 2020- Mar 31, 2020	Jan 1, 2020- Dec 31, 2020
Equity per share, EUR	17.28	19.94	17.98
Equity/assets ratio	45.1 %	48.4 %	46.4 %
Investments, EUR M	2.5	7.0	15.0
– as % of sales	10.0 %	9.4 %	7.9 %
Passengers	170,362	842,229	1,927,302
Cargo units	31,755	31,538	125,693
Average number of employees, full-time equivalent	1,224	2,451	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 ma

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

Outlook for the full financial year 2021

There is still uncertainty about regulatory decisions and requirements and about what impact vaccination programmes will have, but with the right exit strategies from both the Finnish and Swedish States there is potential for increased market demand. This will affect Viking Line's operations, results and financial position. However, we believe it is too soon to quantify the impact on earnings since there is great uncertainty about the trend. As a result, the management has provided no earnings forecast for 2021.

As COVID vaccination programmes have accelerated and given the European Commission's decision to introduce Green Digital Certificates (DGCs) for people travelling within the EU for the summer of 2021, the conditions improve for increased travel going forward.

The Group's six-month report for the financial year 2021 will be published on August 26, 2021.

Mariehamn, April, 29, 2021

VIKING LINE ABP

Jan Hanses

President and CEO

Consolidated income statement

EUR M	Note	Jan 1, 2021- Mar 31, 2021	Jan 1, 2020- Mar 31, 2020	Jan 1, 2020- Dec 31, 2020
SALES	4	24.6	75.0	188.8
Other operating revenue	5	10.3	1.2	26.9
Expenses				
Goods and services		5.0	20.0	50.8
Salary and other employment benefit expenses	6	13.5	27.3	72.9
Depreciation, amortization and impairment losses	7	5.1	6.1	24.8
Other operating expenses	8	19.0	44.2	116.5
		42.5	97.7	265.0
OPERATING INCOME		-7.7	-21.5	-49.3
Financial income		0.0	0.0	0.4
Financial expenses	9	-1.3	-1.9	-3.9
INCOME BEFORE TAXES		-8.9	-23.4	-52.9
Income taxes		1.8	4.7	10.5
INCOME FOR THE PERIOD		-7.2	-18.7	-42.3
<i>Income attributable to:</i>				
Parent company shareholders		-7.2	-18.7	-42.3
Earnings per share before and after dilution, EUR		-0.66	-1.74	-3.92

Consolidated statement of comprehensive income

EUR M	Jan 1, 2021- Mar 31, 2021	Jan 1, 2020- Mar 31, 2020	Jan 1, 2020- Dec 31, 2020
INCOME FOR THE PERIOD	-7.2	-18.7	-42.3
<i>Items that may be reclassified to the income statement</i>			
Translation differences	-0.5	-1.1	0.8
<i>Items that will not be reclassified to the income statement</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	0.6
Other comprehensive income	-0.5	-1.1	1.4
COMPREHENSIVE INCOME FOR THE PERIOD	-7.6	-19.8	-40.9
<i>Comprehensive income attributable to:</i>			
Parent company shareholders	-7.6	-19.8	-40.9

Consolidated balance sheet

EUR M	Note	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
ASSETS				
Non-current assets				
Intangible assets		3.3	3.3	3.3
Land		0.6	0.6	0.6
Buildings and structures		6.7	7.1	6.8
Renovation costs for rented properties		1.7	2.1	1.8
Vessels		249.6	262.9	254.1
Machinery and equipment		2.5	4.0	2.7
Right-of-use assets		5.2	5.5	4.7
Advance payments, vessels under construction		56.3	52.1	54.2
Financial assets at fair value through other comprehensive income		28.6	28.0	28.6
Total non-current assets		354.5	365.6	356.8
Current assets				
Inventories		9.9	17.8	10.9
Income tax assets		0.1	4.8	0.1
Trade and other receivables	12	31.0	33.3	28.2
Cash and cash equivalents		24.9	34.2	29.7
Total current assets		65.9	90.2	68.8
TOTAL ASSETS		420.3	455.8	425.6
EQUITY AND LIABILITIES				
Equity				
Share capital		1.8	1.8	1.8
Reserves		2.5	1.9	2.5
Translation differences		-2.2	-3.2	-1.8
Retained earnings		184.5	214.9	191.8
Equity attributable to parent company shareholders		186.6	215.3	194.2
Total equity		186.6	215.3	194.2
Non-current liabilities				
Deferred tax liabilities	10	25.2	37.6	27.1
Interest-bearing liabilities		39.9	92.6	108.2
Lease liabilities		3.6	3.8	3.0
Total non-current liabilities		68.7	133.9	138.3
Current liabilities				
Interest-bearing liabilities		115.6	37.9	38.6
Lease liabilities		1.7	1.7	1.8
Income tax liabilities		0.0	0.0	0.0
Trade and other payables		47.8	66.9	52.7
Total current liabilities		165.0	106.5	93.1
Total liabilities		233.7	240.4	231.4
TOTAL EQUITY AND LIABILITIES		420.3	455.8	425.6

Consolidated cash flow statement

EUR M	Jan 1, 2021- Mar 31, 2021	Jan 1, 2020- Mar 31, 2020	Jan 1, 2020- Dec 31, 2020
OPERATING ACTIVITIES			
Income for the period	-7.2	-18.7	-42.3
Adjustments			
Depreciation, amortization and impairment losses	5.1	6.1	24.8
Capital gains/losses from non-current assets	0.0	0.0	0.0
Other items not included in cash flow	0.2	0.8	-0.4
Interest expenses and other financial expenses	1.0	0.9	3.9
Interest income and other financial income	0.0	0.0	0.0
Dividend income	-	-	0.0
Income taxes	-1.8	-4.7	-10.5
Change in working capital			
Change in trade and other receivables	-2.8	-5.4	-0.2
Change in inventories	1.0	-0.9	6.0
Change in trade and other payables	-4.3	-2.6	-17.5
Interest paid	-1.4	-1.5	-3.1
Financial expenses paid	-0.4	-0.1	-1.1
Interest received	-	-	0.0
Financial income received	0.0	0.0	0.0
Taxes paid	-0.1	-1.7	-1.8
NET CASH FLOW FROM OPERATING ACTIVITIES	-10.6	-28.0	-42.3
INVESTING ACTIVITIES			
Investments in vessels	-0.2	-3.9	-6.7
Investments in other intangible and tangible assets	-0.1	-0.4	-0.9
Advance payments, vessels under construction	-2.1	-2.7	-7.4
EU funding	-	-	2.6
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	-	-	0.0
NET CASH FLOW FROM INVESTING ACTIVITIES	-2.5	-6.9	-12.3
FINANCING ACTIVITIES			
Increase in non-current liabilities	7.5	14.4	31.5
Principal payments, non-current liabilities	-1.0	-7.5	-16.0
Change in current interest-bearing liabilities	2.4	-	8.0
Depreciation of lease liabilities	-0.6	-0.5	-2.0
Dividends paid	-	-	-
NET CASH FLOW FROM FINANCING ACTIVITIES	8.3	6.4	21.5
CHANGE IN CASH AND CASH EQUIVALENTS			
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	24.9	34.2	29.7

Statement of changes in consolidated equity

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

EUR M	Equity attributable to parent company shareholders				Total equity
	Share capital	Reserves	Translation differences	Retained earnings	
EQUITY, JAN 1, 2020	1.8	1.9	-2.5	233.9	235.1
Income for the period				-18.7	-18.7
Translation differences		0.0	-0.8	-0.3	-1.1
Comprehensive income for the period	-	0.0	-0.8	-19.0	-19.8
Dividend to shareholders				-	-
Transactions with owners of the parent company	-	-	-	-	-
EQUITY, MAR 31, 2020	1.8	1.9	-3.2	214.9	215.3

Pledged assets and contingent liabilities

EUR M	Mar 31, 2021	Dec 31, 2020
Contingent liabilities	160.3	153.9
Assets pledged for own debt	376.9	376.9
Investment commitments regarding vessels under construction not included in the accounts	158.4	158.7
– contractual amount	200.9	200.7

Viking Line has a binding credit commitment of EUR 152.0 M for financing vessel orders; the time period under which the loan can be drawn has been extended. Negotiations are currently under way on the application of the agreed covenant terms. In the event the vessel construction contract should be terminated, the company has a bank guarantee of EUR 38.8 M plus interest as security for the advance payment made. Other capitalized planning, monitoring and borrowing expenses of EUR 22.4 M would in that case be charged to income.

Notes to the Business Review for the period January-March 2021

1. Accounting principles

This Business Review has been prepared in accordance with IFRS and consists of a summary of the financial statements for the period in accordance with IAS 34. This has been done as a result of the financial situation stemming from the COVID-19 pandemic.

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

The Business Review has otherwise 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 a decrease in advance payments related to vessels under construction.

Historically, the 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.

This Business Review 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 of the financial statements.

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 Note 7.

The Group's management has made a judgement on obsolete assets in the sales inventory due to slower turnover and reduced demand as a direct result of COVID-19. During the first quarter, no material impairment losses were recognized in the consolidated income statement.

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 Business Review 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 in 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 39 M of the liquidity loans on March 31, 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 holdings at the end of March totalled EUR 24.9 M (EUR 34.2 M). Unutilized credit lines in the Group totalled EUR 4.7 M on March 31, 2021 (EUR 15.1 M). The net cash flow from operating activities was EUR -10.6 M (EUR -280 M). Net cash flow from investing activities was EUR -2.5 M (EUR -6.9 M) and net cash flow from financing activities amounted to EUR 8.3 M (EUR 6.4 M).

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

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–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. 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.

For one of the loans of EUR 74.6 M, the company has been granted a waiver from one of the financial covenants until December 31, 2021. Negotiations are now being carried out in a positive spirit on an extension of the exemption from the covenant terms. The formal decision is expected to be received in May 2021. Since the waiver was not approved for the coming 12 months at the end of the reporting period, that loan is classified in the balance sheet in this report as short-term. The loan will be re-classified to long-term liabilities after the company has received the decision on the extension.

In the event the pandemic persists longer than the Board expects and should the strengthening measures noted above not succeed, there is significant doubt about the company's ability to continue operations.

Future cash flows pertaining to financial liabilities on March 31, 2021:

EUR M

Future cash flows related to financial liabilities (incl. financial expenses)	Trade payables	Interest-bearing liabilities	Total
2021	8.3	116.9	125.2
2022		7.6	7.6
2023		7.0	7.0
2024		18.1	18.1
2025		2.3	2.3
2026-		9.7	9.7
Total	8.3	161.5	169.9

2021 covers a nine-month period. The other years are calendar years.

Financing of vessel construction

Advance payments are related to vessels under construction and totalled EUR 56.3 M on March 31, 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 22.4 M would in that case be charged to income. Part of the EU aid would in that case also need to 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 terms of the covenant 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 has been granted a time-limited exemption until June 30, 2021. Negotiations are under way to extend the exemption from the covenant terms agreed.

4. Segment information

Consolidated revenue decreased by 67.2% and passenger-related revenue decreased by 77.1% due to travel restrictions imposed by authorities and to market demand in conjunction with the COVID-19 pandemic.

EUR M	Jan 1, 2021- Mar 31, 2021	Jan 1, 2020- Mar 31, 2020	Jan 1, 2020- Dec 31, 2020
Sales			
Vessels	23.7	73.5	185.1
Unallocated	0.9	1.5	3.8
Total, operating segments	24.6	75.0	188.9
Eliminations	0.0	0.0	-0.1
Total sales of the Group	24.6	75.0	188.8
Operating income			
Vessels	-0.8	-11.4	-23.2
Unallocated	-6.9	-10.1	-26.1
Total operating income of the Group	-7.7	-21.5	-49.3
SALES			
Passenger-related revenue	14.5	63.2	148.2
Cargo revenue	9.6	11.3	38.8
Miscellaneous sales revenue	0.5	0.5	1.8
Total	24.6	75.0	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 routes Turku–Långnäs–Stockholm, Mariehamn–Kapellskär and Helsinki–Tallinn as well as aid for re-employment from the Development and Management Centre of Finland's Centres for Economic Development, Transport and the Environment (known as ELY centres) and of Finland's Local Employment and Economic Development Offices. The aid is recognized as public aid under other operating revenue.

EUR M	Jan 1, 2021- Mar 31, 2021	Jan 1, 2020- Mar 31, 2020
State aid	10.2	1.1
Rents received on properties	0.0	0.0
Capital gains	0.0	0.0
Miscellaneous other operating revenue	0.0	0.0
Total	10.3	1.2

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 in the form of part-time furloughs and on the vessels to a large extent in the form of 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– Mar 31, 2021	Jan 1, 2020– Mar 31, 2020
Salaries	14.5	28.3
Expenses of defined-contribution pensions	1.7	3.1
Other payroll overhead	1.9	3.1
	18.1	34.5
Government restitution	-3.2	-6.9
Aid for furloughs	-1.5	-0.3
Total	13.5	27.3

7. Depreciation

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. 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– Mar 31, 2021	Jan 1, 2020– Mar 31, 2020
Depreciation and amortization		
Intangible assets	0.1	0.1
Building and structures	0.1	0.1
Renovation costs for rented properties	0.1	0.1
Vessels	4.1	5.1
Machinery and equipment	0.2	0.3
Right-of-use assets	0.6	0.5
Total	5.1	6.1
Total depreciation, amortization and impairment losses	5.1	6.1

8. Other operating expenses

Other operating expenses decreased by 57.1% 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, 2021– Mar 31, 2021	Jan 1, 2020– Mar 31, 2020
Sales and marketing expenses	0.3	5.6
Washing and cleaning expenses	0.8	3.9
Repairs and maintenance	1.5	4.0
Public port expenses and vessel charges	3.8	7.9
Fuel expenses	6.9	10.2
Miscellaneous expenses	5.7	12.7
Total	19.0	44.2

9. Financial expenses

EUR M	Jan 1, 2021– Mar 31, 2021	Jan 1, 2020– Mar 31, 2020
Interest expenses on financial liabilities recognized at amortized cost	0.6	0.7
Interest expenses on lease liabilities	0.1	0.0
Exchange losses	0.2	1.0
Guarantee commissions and other financial expenses	0.4	0.1
Total financial expenses	1.3	1.9

10. Income taxes

On March 31, 2021, the Group recognized net deferred tax liabilities of EUR 25.2 M, of which EUR 37.4 M pertains to deferred tax liabilities and EUR 12.3 M pertains 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			
	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	-	-2.1	0.1	-1.9
Recognized directly in equity	-	-	-	-
Mar 31, 2021	36.9	-12.3	0.6	25.2

11. 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. 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.

The Group's management has made a judgement on obsolete assets in the sales inventory due to slower turnover and reduced demand as a direct result of COVID-19. During the first quarter, no material impairment losses were recognized in the consolidated income statement.

12. 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 equivalent 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.

13. Events after the balance sheet date

Viking Line Abp received a EUR 4.9 M dividend from Alandia Försäkring Abp.

Viking Line Abp is one of the founders of the company Alandia Holding, which signed an agreement on April 1, 2021, to acquire Investeringsbolaget Rettig's shares in Alandia Försäkring Abp. The purchase must be approved by the Finnish Financial Supervisory Authority.

The company has extended one of its overdraft facilities.

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