VIKING LINE

Business Review

January–September 2020

Deterioration in Viking Line's results due to the impact of COVID-19

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

- Sales amounted to EUR 154.2 M (380.8).
- Other operating revenue was EUR 16.7 M (0.2).
- Operating income totalled EUR -35.2 M (17.5).
- Net financial items were EUR -3.1 M (-3.6).
- Income before taxes amounted to EUR -38.3 M (13.9).
- Income after taxes totalled EUR -30.8 M (11.1).
- Future prospects unchanged: Income for the full financial year will be negative.

Third quarter 2020 (compared to third quarter 2019)

- Sales amounted to EUR 56.6 M (153.8).
- Operating income totalled EUR -7.8 M (26.2).

The ongoing COVID-19 pandemic has caused a serious deterioration in the Group's operating conditions. Results for the third quarter, during which most of the Group's income is usually generated, were negative and thus significantly worse in 2020 than previously due to the COVID-19 pandemic. Salary and other employment benefit expenses decreased during the period. A large percentage of the staff in Finland was furloughed. Furloughs were also made use of in Sweden and Estonia. Expenses for goods and services as well as other operating expenses also decreased.

Comments from President and CEO Jan Hanses

"Interim results were strongly affected by unforeseen external factors in the form of the global COVID-19 pandemic. During the third quarter of the year, the pandemic continued to affect individuals, companies and markets. The third quarter began in July with a broad relaxation of travel restrictions in our service area. The only entry restriction still in effect applied to people entering from Sweden into Finland, which unfortunately entailed significant negative consequences for the Group. Nevertheless, all of the Group's vessels were in service in July and August. Traffic was still closed on the Helsinki–Stockholm route, and the vessels on this route were employed in service between Helsinki and Tallinn as well as on a new cruise route launched this year, between Helsinki, Mariehamn and Tallinn.

Traffic deteriorated significantly early in the second week of August, when the Finnish authorities announced plans for stricter quarantine rules for people entering the country, mainly from Sweden. These rules varied in August and were then relaxed in September so that entry from Sweden was allowed. However, this only lasted two weeks, after which time the restrictions were reintroduced. All of this to some extent unclear and inconsistent communication from the authorities affected travel and sales starting in mid-August. There was a small uptick in bookings in late September, but this was countered by the reintroduction of travel restrictions. Despite the constraints on our operations, we have maintained uninterrupted passenger and cargo service between our countries and have thus secured a traffic pattern that has continued for more than half a century and will remain in place.

During the third quarter, we continued to implement cost adjustment measures. In August and September, negotiations in accordance with the Swedish Co-Determination in the Workplace Act were conducted in Sweden and cooperation negotiations were conducted in Finland with the aim of making land-based staff and shipboard staff on the Group's Swedish vessel Viking Cinderella more efficient. Our staff have shouldered a heavy burden, with furloughs and cuts being implemented in all the countries the Group operates in. The furloughs have been both on a part-time basis and largely on a full-time basis. The engagement of staff in taking on additional work has been admirable. I greatly appreciate their vigorous efforts in these difficult times.

Our liquidity at the end of the third quarter was stretched. Negotiations with our financiers were conducted during the third quarter, and on October 15, the Finnish Government issued State guarantees for additional loans totalling EUR 38.7 M, which will be drawn in part next month and will secure our liquidity.

The Finnish Transport and Communication Agency (Traficom) has launched a tender process for a public transport service provider on our Turku–Mariehamn–Stockholm, Mariehamn–Kapellskär and Helsinki–Tallinn routes. Viking Line intends to take part in the tender process.

To ensure safe procedures in these exceptional times and to bolster our passengers' faith in our service during the COVID-19 pandemic as well, Viking Line was the first shipping company in the world to be verified by the accredited classification society Det Norske Veritas Germanischer Lloyd. DNV GL's verification, which covers all seven of Viking Line's vessels and operations in six terminals, validates our ability to manage and mitigate infection risks, including for COVID-19.

These steps to prevent infection have worked effectively, and our measurements show that customers view them positively. However, it will still take time before demand in our markets gradually builds. Viking Line and our employees are prepared to shoulder the responsibility required in order to re-establish our customers' faith. In this respect too, our employees' engagement has built an enormous amount of trust.

We quickly reacted to the crisis and adjusted operations to a changed market situation. It is still difficult to determine the market trend and it will take a long time before we see a recovery. We intend to continue focusing on what we can affect in these challenging times: selling travel experiences and cargo services, serving our customers, safeguarding our employees' health, running our operations as efficiently as possible, ensuring our financial sustainability and moving forward with our newbuild."

Sales and earnings

Consolidated sales of the Viking Line Group decreased by 59.5 per cent for the period January 1–September 30, 2020 to 154.2 million euros (EUR 380.8 M for the period January–September 30, 2019). Operating income totalled EUR -35.2 M (17.5).

Passenger-related revenue decreased by 64.3 per cent to EUR 123.2 M (344.7), while cargo revenue amounted to EUR 29.7 M (34.3). Net sales revenue was EUR 114.9 M (279.6). Consolidated operating expenses decreased by 39.0 per cent to EUR 148.7 M (243.8).

During the third quarter, July 1–September 30, consolidated sales of the Viking Line Group were EUR 56.6 M (EUR 153.8 M for the period July 1–September 30, 2019). Operating income totalled EUR -7.8 M (26.2).

Passenger-related revenue decreased by 67.0 per cent during the third quarter to EUR 47.2 M (142.9), while cargo revenue amounted to EUR 9.0 M (10.3). Net sales revenue was EUR 41.3 M (113.8). Consolidated operating expenses decreased by 46.3 per cent to EUR 43.8 M (81.6).

Service and market

The Viking Line Group provides passenger and cargo carrier services using seven vessels on the northern Baltic Sea. The vessels served the same routes as in 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 Group's vessels were taken out of service in full or in part due to the COVID-19 pandemic. Because of decisions made by authorities, in general only cargo traffic operated during the period March 19–June 18. Passenger traffic has had limited capacity since it resumed. On September 20, Amorella ran aground in the Åland archipelago. The grounding did not involve any injuries. Gabriella replaced the vessel on the Turku–Mariehamn/Långnäs–Stockholm route.

The number of passengers on Viking Line's vessels during the report period amounted to 1,642,179 (4,897,632). The Group had a total market share in its service area of approximately 26.5 per cent (32.2).

Viking Line's cargo volume was 93,040 cargo units (100,026). The Group achieved a cargo market share of approximately 17.0 per cent (18.3). The market share for passenger cars was approximately 26.4 per cent (32.6).

Investments and financing

The Group's investments amounted to EUR 11.7 M (26.8), of which EUR 5.3 M (22.1) pertains to investments for vessels under construction. The Group's total investments represent 7.6 per cent of sales (7.0).

On September 30, 2020, the Group's non-current interest-bearing liabilities totalled EUR 75.7 M (104.3). The equity/assets ratio was 48.9 per cent, compared to 50.6 per cent a year earlier.

At the end of September 2020, the Group's cash and cash equivalents amounted to EUR 28.6 M (57.6). Unutilized credit lines in the Group totalled EUR 0.8 M on September 30, 2020 (15.1). Net cash flow from operating activities amounted to EUR -24.1 M (25.0).

Net cash flow from investing activities was EUR -11.2 M (-26.3) and net cash flow from financing activities amounted to EUR 1.1 M (-2.8).

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 these liquidity loans, Viking Line plans to secure the company's liquidity and thus ensure the continued financial stability of operations during the situation caused by the coronavirus crisis. In addition to the Finnish State guarantees, commercial banks are guaranteeing EUR 4.3 M.

Viking Line undertakes not to pay any dividends or disburse any other funds until the obligations in connection with the guarantees and loans have been discharged in full.

Liquidity could also be strengthened by a capital contribution from shareholders or through a sale of assets.

On July 14, Viking Line Abp reached an agreement with Finnvera Abp and Finlands Exportkredit Ab on a loan payment deferral for the period July 1, 2020–February 1, 2021 totalling EUR 14.9 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.

Some of the Group's loan agreements include loan covenants according to market terms. The Group has been granted a time-limited exemption from the covenant terms and conditions that were breached during the third quarter for those loans already drawn.

Viking Line has a binding loan commitment of EUR 152.0 M to fund its vessel order, for which the time when the loan will be drawn has been postponed. Negotiations are under way on the application of the covenant terms and conditions in the loan agreement. 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.

Organization and personnel

The average number of Group employees was 1,767 (2,674), of whom 1,228 (2,025) worked for the parent company. Land-based personnel totalled 418 (603) and shipboard personnel totalled 1,349 (2,071).

In addition to the Group's own employees, Viking XPRS was crewed by an average of 161 (244) people employed by a staffing company.

The number of employees for 2020 is considerably lower than in 2019 since a large number of staff were furloughed during the period. In September, cooperation negotiations were started concerning the Group's land-based organization and Viking Cinderella's shipboard staff. The planned measures could lead to a shift to part-time employment, furloughs or layoffs and affect about 120 land-based staff and about 80 shipboard staff.

Risk factors

The COVID-19 pandemic affected Viking Line's results and liquidity significantly during the period, and its negative impact will continue for a considerable time.

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

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

The Group has previously signed fixed price agreements for parts of the Group's bunker (vessel fuel) consumption for 2020, which means that Viking Line is obliged to buy a given quantity even if the quantity contracted is not used.

Outlook for the full financial year 2020

The impact of the COVID-19 pandemic has continued to cause a deterioration in the Group's results and financial position during the peak season as well. Income for the full financial year will be negative.

The Year-end Report for the financial year 2020 will be published on February 18, 2021.

Mariehamn, Åland, October 20, 2020

VIKING LINE ABP
Jan Hanses
President and Chief Executive Officer

Consolidated income statement

EUR M	Note	Jul 1, 2020– Sep 30, 2020	Jul 1, 2019– Sep 30, 2019	Jan 1, 2020– Sep 30, 2020	Jan 1, 2019– Sep 30, 2019	Jan 1, 2019– Dec 31, 2019
SALES	4	**56.6**	**153.8**	**154.2**	**380.8**	**496.4**
Other operating revenue	5	0.7	0.0	16.7	0.2	0.4
Expenses						
Goods and services		15.3	40.0	39.3	101.2	133.1
Salary and other employment benefit expenses	6	15.5	29.5	56.6	88.4	117.1
Depreciation, amortization and impairment losses		6.0	6.0	18.1	18.4	24.6
Other operating expenses		28.3	52.1	92.1	155.5	204.6
		65.1	127.6	206.1	363.5	479.4
OPERATING INCOME		**-7.8**	**26.2**	**-35.2**	**17.5**	**17.4**
Financial income		0.0	0.0	0.0	0.4	0.5
Financial expenses		-1.0	-1.3	-3.1	-4.0	-4.3
INCOME BEFORE TAXES		**-8.8**	**24.9**	**-38.3**	**13.9**	**13.6**
Income taxes	7	1.7	-5.0	7.6	-2.8	-2.7
INCOME FOR THE PERIOD		**-7.1**	**19.9**	**-30.8**	**11.1**	**10.8**
Income attributable to:						
Parent company shareholders		-7.1	19.9	-30.8	11.1	10.8
Earnings per share before and after dilution, EUR		-0.66	1.84	-2.85	1.03	1.00

Consolidated statement of comprehensive income

EUR M	Jul 1, 2020– Sep 30, 2020	Jul 1, 2019– Sep 30, 2019	Jan 1, 2020– Sep 30, 2020	Jan 1, 2019– Sep 30, 2019	Jan 1, 2019– Dec 31, 2019
INCOME FOR THE PERIOD	**-7.1**	**19.9**	**-30.8**	**11.1**	**10.8**
Items that may be reclassified to the income statement					
Translation differences	-0.1	-0.3	-0.2	-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	0.0	-	0.0	-	-3.9
Other comprehensive income	**-0.1**	**-0.3**	**-0.2**	**-0.8**	**-4.2**
COMPREHENSIVE INCOME FOR THE PERIOD	**-7.2**	**19.6**	**-31.0**	**10.3**	**6.6**
Comprehensive income attributable to:					
Parent company shareholders	-7.2	19.6	-31.0	10.3	6.6

Consolidated balance sheet

EUR M	Note	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
ASSETS				
Non-current assets				
Intangible assets		3.1	3.3	3.3
Land		0.6	0.6	0.6
Buildings and structures		6.9	7.4	7.3
Renovation costs for rented properties		1.9	2.2	2.2
Vessels		256.5	268.7	266.0
Machinery and equipment		3.5	4.2	3.9
Right-of-use assets		5.1	5.6	5.2
Advance payments, vessels under construction		54.4	48.0	49.5
Financial assets at fair value through other comprehensive income		28.0	32.0	28.1
Total non-current assets		**359.9**	**371.9**	**366.0**
Current assets				
Inventories		15.7	16.9	16.9
Income tax assets		-	-	0.4
Trade and other receivables	9	21.9	39.8	28.0
Cash and cash equivalents		28.6	57.6	62.8
Total current assets		**66.1**	**114.4**	**108.1**
TOTAL ASSETS		**426.0**	**486.3**	**474.0**
EQUITY AND LIABILITIES				
Equity				
Share capital		1.8	1.8	1.8
Reserves		1.9	5.8	1.9
Translation differences		-2.6	-2.9	-2.5
Retained earnings		203.1	234.1	233.9
Equity attributable to parent company shareholders		204.2	238.8	235.1
Total equity		**204.2**	**238.8**	**235.1**
Non-current liabilities				
Deferred tax liabilities	7	29.4	37.4	37.7
Interest-bearing liabilities		75.7	104.3	100.0
Lease liabilities		3.3	3.9	3.6
Total non-current liabilities		**108.4**	**145.6**	**141.3**
Current liabilities				
Interest-bearing liabilities		50.4	23.5	23.5
Lease liabilities		1.8	1.7	1.7
Income tax liabilities		0.0	2.2	2.1
Trade and other payables		61.2	74.3	70.3
Total current liabilities		**113.5**	**101.8**	**97.6**
Total liabilities		**221.8**	**247.4**	**238.9**
TOTAL EQUITY AND LIABILITIES		**426.0**	**486.3**	**474.0**

Consolidated cash flow statement

EUR M	Jan 1, 2020–Sep 30, 2020	Jan 1, 2019–Sep 30, 2019	Jan 1, 2019–Dec 31, 2019
OPERATING ACTIVITIES			
Income for the period	-30.8	11.1	10.8
Adjustments			
Depreciation, amortization and impairment losses	18.1	18.4	24.6
Capital gains/losses from non-current assets	0.0	0.0	0.0
Other items not included in cash flow	0.1	0.6	0.4
Interest expenses and other financial expenses	2.6	2.8	3.8
Interest income and other financial income	0.0	0.0	-0.1
Dividend income	-	-0.4	-0.4
Income taxes	-7.6	2.8	2.7
Change in working capital			
Change in trade and other receivables	6.1	-9.1	2.7
Change in inventories	1.3	-0.6	-0.6
Change in trade and other payables	-8.4	3.6	-1.2
Interest paid	-3.1	-3.4	-3.4
Financial expenses paid	-0.4	-0.4	-0.5
Interest received	-	0.0	0.0
Financial income received	0.0	0.0	0.1
Taxes paid	-2.3	-0.5	-0.8
NET CASH FLOW FROM OPERATING ACTIVITIES	**-24.1**	**25.0**	**38.0**
INVESTING ACTIVITIES			
Investments in vessels	-5.9	-3.9	-5.4
Investments in other intangible and tangible assets	-0.5	-0.7	-1.0
Advance payments	-5.3	-22.1	-23.6
EU funding	0.4	-	-
Investments in financial assets recognized at fair value through other comprehensive income	-	0.0	0.0
Divestments of other intangible and tangible assets	0.0	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	-	0.4	0.4
NET CASH FLOW FROM INVESTING ACTIVITIES	**-11.2**	**-26.3**	**-29.5**
FINANCING ACTIVITIES			
Increase in non-current liabilities	-	20.0	20.0
Principal payments, non-current liabilities	-11.8	-19.2	-23.5
Change in current interest-bearing liabilities	14.4	-	-
Depreciation of lease liabilities	-1.5	-1.5	-1.9
Dividends paid	-	-2.2	-2.2
NET CASH FLOW FROM FINANCING ACTIVITIES	**1.1**	**-2.8**	**-7.6**
CHANGE IN CASH AND CASH EQUIVALENTS	**-34.2**	**-4.2**	**0.9**
Cash and cash equivalents at the beginning of the period	62.8	61.8	61.8
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**28.6**	**57.6**	**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				-30.8	-30.8
Translation differences		0.0	-0.2	-0.1	-0.2
Divestments of financial assets recognized at fair value through other comprehensive income				0.0	0.0
Comprehensive income for the period	**-**	**0.0**	**-0.2**	**-30.8**	**-31.0**
Dividend to shareholders				-	-
Transactions with owners of the parent company	**-**	**-**	**-**	**-**	**-**
EQUITY, SEP 30, 2020	**1.8**	**1.9**	**-2.6**	**203.1**	**204.2**

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				11.1	11.1
Translation differences		0.0	-0.6	-0.2	-0.8
Comprehensive income for the period	**-**	**0.0**	**-0.6**	**10.9**	**10.3**
Dividend to shareholders				-2.2	-2.2
Transactions with owners of the parent company	**-**	**-**	**-**	**-2.2**	**-2.2**
EQUITY, SEP 30, 2019	**1.8**	**5.8**	**-2.9**	**234.1**	**238.8**

Quarterly consolidated income statement

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

Quarterly consolidated statement of comprehensive income

EUR M	2020 Q3	2020 Q2	2020 Q1	2019 Q4
INCOME FOR THE PERIOD	**-7.1**	**-4.9**	**-18.7**	**-0.3**
Items that may be reclassified to the income statement				
Translation differences	-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	0.0	-	-	-3.9
Other comprehensive income	**-0.1**	**0.9**	**-1.1**	**-3.4**
COMPREHENSIVE INCOME FOR THE PERIOD	**-7.2**	**-4.0**	**-19.8**	**-3.7**
Comprehensive income attributable to:				
Parent company shareholders	-7.2	-4.0	-19.8	-3.7

Pledged assets and contingent liabilities

EUR M	Sep 30, 2020	Dec 31, 2019
Contingent liabilities	126.9	138.7
Assets pledged for own debt	255.4	255.5
Investment commitments not included in the accounts	159.1	158.1
– contractual amount	200.0	198.2

Viking Line has a binding loan commitment of EUR 152.0 M to fund its vessel order, for which the time when the loan will be drawn has been postponed. Negotiations are under way concerning the application of covenant terms and conditions under the loan agreement. 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.

Financial ratios and statistics

	Jan 1, 2020– Sep 30, 2020	Jan 1, 2019– Sep 30, 2019	Jan 1, 2019– Dec 31, 2019
Equity per share, EUR	18.90	22.12	21.77
Equity/assets ratio	48.9 %	50.6 %	50.7 %
Investments, EUR M	11.7	26.8	29.9
– as % of sales	7.6 %	7.0 %	6.0 %
Passengers	1,642,179	4,897,632	6,300,480
Cargo units	93,040	100,026	133,940
Average number of employees, full-time equivalent	1,767	2,674	2,632

Earnings per share = (Income before taxes – income taxes +/– non-controlling interests) / Average number of shares
Equity per share = Equity attributable to parent company shareholders / Number of shares on balance sheet date
Equity/assets ratio, % = (Equity including non-controlling interests) / (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.

Notes to the Business Review for the period January-September 2020

1. Financial reporting and changes in accounting principles

This Business Review is not an Interim Report prepared in compliance with IAS 34.

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

This Business Review is otherwise prepared in accordance with the same accounting principles, estimates and judgements as in the latest annual financial statements, unless otherwise indicated below. The Business Review is unaudited.

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 the Business Review is published.

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 is a major uncertainty factor. If risks associated with the virus were to materialize in full, this could lead to uncertainty about the company's ability to continue operations.

This Business Review has been prepared using the going concern basis of accounting. Viking Line's Board of Directors is of the opinion that the company can continue its operations and meet its obligations for at least 12 months after the preparation of this report. This assessment is based on the business plan that the Board has approved and which takes into account COVID-19 as well as additional funding.

On October 15, the Finnish Government approved the State of Finland's guarantees on Viking Line´s liquidity loans up to EUR 38.7 M. Using the liquidity loans, Viking Line plans to secure the company's liquidity and thus ensure the continued financial stability of operations during the situation caused by the coronavirus crisis. In addition to the Finnish State guarantees, commercial banks are guaranteeing EUR 4.3 M..

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Some of the Group's loan agreements include loan covenants according to market terms. The Group has been granted a time-limited exemption from the covenant terms and conditions that were breached during the third quarter for those loans already drawn.

Viking Line has a binding loan commitment of EUR 152.0 M to fund its vessel order, for which the time when the loan will be drawn has been postponed. Negotiations are under way concerning the application of covenant terms and conditions under the loan agreement. 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.

4. Segment information

Consolidated revenue decreased by 59.5% and passenger-related revenue decreased by 64.3% due to travel restrictions imposed by authorities and to market demand in conjunction with the COVID-19 pandemic.

OPERATING SEGMENTS, EUR M	Jan 1, 2020–Sep 30, 2020	Jan 1, 2019–Sep 30, 2019	Jan 1, 2019–Dec 31, 2019
Sales			
Vessels	151.6	374.3	487.9
Unallocated	2.7	6.6	8.6
Total, operating segments	**154.3**	**380.9**	**496.5**
Eliminations	-0.1	-0.1	-0.1
Total sales of the Group	**154.2**	**380.8**	**496.4**
Operating income			
Vessels	-32.0	49.4	60.8
Unallocated	-3.2	-31.9	-43.4
Total operating income of the Group	**-35.2**	**17.5**	**17.4**
SALES			
Passenger-related revenue	123.2	344.7	448.4
Cargo revenue	29.7	34.3	45.6
Miscellaneous sales revenue	1.3	1.8	2.4
Total	**154.2**	**380.8**	**496.4**

5. Other operating revenue

During the period March 19–June 18, the Group received aid from Finland's National Emergency Supply Agency for cargo traffic to ensure the security of supply for four of the Group's vessels serving the Turku–Långnäs–Stockholm, Mariehamn-Kapellskär and Helsinki–Tallinn routes. The payments covered variable costs and some fixed costs for traffic, and were reduced by income from cargo traffic and the contribution from passenger traffic. During the period, the Group also received liquidity aid from the Åland provincial government. The Swedish subsidiaries have received restructuring aid. This aid is recognized as state aid under other operating revenue.

EUR M	Jan 1, 2020– Sep 30, 2020	Jan 1, 2019– Sep 30, 2019
State aid	16.2	-
Rents received on properties	0.1	0.1
Capital gains	0.0	0.0
Miscellaneous other operating revenue	0.5	0.1
Total	16.7	0.2

6. Salary and other employment benefit expenses

A large percentage of the staff in Finland was furloughed. In Sweden and Estonia, government-funded furloughs were also made use of. The furloughs have been carried as part-time furloughs and on the vessels mostly as full-time furloughs.

The Group receives government restitution from Finland and Sweden related to the taxes and social security contributions for shipboard employees in keeping with European Union guidelines. The Group has received short-term aid in Sweden and Estonia for furloughs. Restitution received and short-term aid for furloughs have been recognized in the income statement under salary and employment benefit expenses for the period in which the basis for the restitution and aid arose.

EUR M	Jan 1, 2020– Sep 30, 2020	Jan 1, 2019– Sep 30, 2019
Salaries	62.0	92.1
Expenses of defined-contribution pensions	6.7	11.4
Other payroll overhead	7.6	9.9
	76.3	113.4
Government restitution	-14.7	-25.0
Aid for furloughs	-4.9	-
Total	56.6	88.4

7. Income taxes

As of September 30, 2020, the Group recognized net deferred tax liabilities of EUR 29.4 M, of which EUR 37.9 M is deferred tax liabilities and EUR 8.5 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.

8. 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. The management believes that there is no need for impairment at present, since the fair value of the vessels is significantly 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.

9. Trade and other receivables

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

10. Events after the balance sheet date

In September, cooperation negotiations were started concerning the Group's land-based organization and Viking Cinderella's shipboard staff. The planned measures could lead to a shift to part-time employment, furloughs or layoffs and affect about 120 land-based staff and about 80 shipboard staff. Cooperation negotiations ended in October

On October 15, the Finnish Government approved the State of Finland's guarantees on Viking Line´s liquidity loans up to 38.7 M. Using the liquidity loans, Viking Line plans to secure the company's liquidity and thus ensure the continued financial stability of operations during the situation caused by the coronavirus crisis. In addition to the Finnish State guarantees, commercial banks are guaranteeing EUR 4.3 M.

Viking Line undertakes not to pay any dividends or disburse any other funds until the obligations in connection with the guarantees and loans have been discharged in full.