

Q3 2018

TALLINK GRUPP AS



Beginning of the financial year	1 January 2018
End of the financial year	31 December 2018
Interim reporting period	1 July 2018 – 30 September 2018

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MANAGEMENT REPORT

In the third quarter (1 July – 30 September) of the 2018 financial year Tallink Grupp AS and its subsidiaries (the Group) carried 2.9 million passengers, which is 1.2% more than in the third quarter last year. The Group's unaudited revenue for the third quarter increased by 0.3% to a total of EUR 283.6 million. Unaudited EBITDA for the third quarter was EUR 71.1 million (EUR 75.4 million in Q3 2017) and unaudited net profit was EUR 46.1 million (net profit of EUR 47.8 million in Q3 2017).

In the third quarter, the Group's revenue and operating result were impacted by the following operational factors:

- The number of passengers travelling on the Group's ships increased in all geographical segments.
- The number of cargo units transported on the Group's ships increased in all geographical segments.
- Higher fuel cost due to increase in bunker prices.
- Charter revenue decrease compared to the same period last year as fewer ships are chartered out.

Sales and segments

In the third quarter, the revenue from route operations increased in almost all geographical segments (Estonia-Finland, Estonia-Sweden and Latvia-Sweden), total by EUR 4.2 million.

The number of passengers travelling on the Group's ships on the Estonia-Finland route's increased by 1.2% or more than 18 thousand to a total of 1 503 thousand passengers. The segment revenue increased by 4.1% to EUR 100.8 million in third quarter. The Estonia-Finland segment result increased by 8.8% and was EUR 31.3 million.

The Finland-Sweden route's passenger number increased by 0.5% compared to third quarter last year. Number of cargo units increased by 7.9% compared to the same period last year. Routes' revenue was EUR 103.9 million that is a similar level compared to the same period last year (EUR 104.4 million in Q3 2017). The segment result decreased by EUR 2.1 million to a total of EUR 15.8 million mainly due to higher fuel cost.

Number of passengers
travelled with the
Group's ships in Q3

2.9 million
passengers

The Group's unaudited
consolidated Q3
revenue

EUR **283.6**
million



The Estonia-Sweden route's third-quarter revenue increased by 0.6% compared to the same period last year. The growth was supported by a 1.1% increase in the number of passengers and 6.8% increase in transported cargo units. The segment result decreased by EUR 1.6 million to a total of EUR 6.3 million mainly due to higher fuel cost.

The Latvia-Sweden route's third-quarter revenue increased by 2.4% compared to same period last year. The growth was supported by a 3.6% rise in the number of passengers and a 16.5% increase in transported cargo units. The segment result was EUR 4.4 million that is on the same level compared to the same period last year. The revenue increase did not translate into a higher segment result mainly due to higher fuel cost.

Earnings

In the third quarter of 2018, the Group's gross profit decreased by EUR 3.5 million compared to the same period last year, amounting to EUR 78.5 million. Third-quarter EBITDA decreased by EUR 4.3 million to EUR 71.1 million. The Group's third-quarter result from operations was impacted mainly by:

- EUR 2.9 million lower charter revenue compared to last year as fewer ships were chartered out.
- Higher fuel cost due to increase in bunker prices globally, which had negative effect on the results of all geographical segments.

Amortisation and depreciation expense decreased by EUR 2.4 million to EUR 19.8 million compared to the third quarter of 2017. The decline is mainly a result of less depreciation cost from two sold Superfast ferries compared to the third quarter last year.

Net finance costs decreased by EUR 0.2 million compared to the third quarter last year. The change includes a decline of EUR 0.6 million in interest costs compared to same period in the previous year and a decrease of EUR 0.5 million in profits from the revaluation of cross currency and interest rate derivatives and foreign exchange differences.

The Group's unaudited net profit for the third quarter of 2018 was EUR 46.1 million or EUR 0.069 per share compared to a net profit of EUR 47.8 million or EUR 0.071 per share in the same period last year.

The Group's gross profit
for the Q3

EUR **78.5**
million

The Group's EBITDA
for the Q3

EUR **71.1**
million



Results of the first 9 months of 2018

In the first 9 months (1 January – 30 September) of the 2018 financial year the Group carried 7.5 million passengers which is almost 70 thousand passengers more compared to the same period last year. The Group's unaudited revenue for the period decreased by 1.5% and was EUR 723.2 million. Unaudited EBITDA for the first 9 months was EUR 118.8 million (EUR 129.5 million, 9M 2017) and unaudited net profit was EUR 41.8 million (EUR 45.4 million, 9M 2017 net profit).

The financial result of the first 9 months of 2018 was impacted by following factors:

- The maintenance and repair of the cruise ferry Baltic Princess that lasted for 68 days.
- Lower charter revenue compared to last year.
- Higher fuel cost due to increase in bunker prices.
- Pressure on ticket prices from competition.

Investments

In the third quarter, the Group's investments amounted to EUR 5.6 million. Most of the investments were made to upgrades of the ships cabins and public areas and to the development of online booking and sales systems.

Dividends

In June 2018 the shareholders' annual general meeting decided to pay a dividend of EUR 0.03 per share from net profit for 2017. The total dividend amount of EUR 20.1 million was paid out on 05 July 2018.

Financial position

In the third quarter, the Group's net debt decreased by EUR 24.8 million to EUR 422.3 million and the net debt to EBITDA ratio was 2.9 at the reporting date.

At the end of the third quarter, total liquidity (cash, cash equivalents and unused credit facilities) amounted to EUR 168.0 million (EUR 87.5 million at 30 September 2017) providing a strong financial position for sustainable operations.

The Group had EUR 93.0 million (EUR 80.2 million at 30 September 2017) in cash and cash equivalents and EUR 75.0 million (EUR 7.3 million at 30 September 2017) in unused credit lines.

The Group's investments
in the Q3 amounted to

EUR 5.6
million

Tallink Grupp AS paid
dividend EUR 0.03 per
share, in total amount of

EUR 20.1
million



Key figures

For the period	Q3 2018	Q3 2017	Change %
Revenue (million euros)	283.6	282.7	0.3%
Gross profit (million euros)	78.4	81.9	-4.3%
EBITDA ¹ (million euros)	71.1	75.4	-5.7%
EBIT ¹ (million euros)	51.3	53.2	-3.6%
Net profit for the period (million euros)	46.1	47.8	-3.6%
Depreciation and amortisation (million euros)	19.8	22.2	-10.8%
Capital expenditures ¹ (million euros)	5.6	2.6	
Weighted average number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Earnings per share ¹	0.069	0.071	-3.6%
Number of passengers ¹	2 947 610	2 912 759	1.2%
Number of cargo units ¹	94 913	91 335	3.9%
Average number of employees ¹	7 637	7 566	0.9%
As at	30.09.2018	30.09.2017	Change %
Total assets (million euros)	1 534.8	1 714.5	-10.5%
Total liabilities (million euros)	676.1	879.3	-23.1%
Interest-bearing liabilities (million euros)	515.2	715.3	-28.0%
Net debt ¹ (million euros)	422.3	635.2	-33.5%
Net debt to EBITDA ¹	2.86	4.00	-28.5%
Total equity (million euros)	858.7	835.2	2.8%
Equity ratio ¹ (%)	55.9%	48.7%	
Number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Equity per share ¹	1.28	1.25	2.8%
Ratios	Q3 2018	Q3 2017	
Gross margin ¹ (%)	27.7%	29.0%	
EBITDA margin ¹ (%)	25.1%	26.7%	
EBIT margin ¹ (%)	18.1%	18.8%	
Net profit margin ¹ (%)	16.3%	16.9%	
ROA ¹ (%)	4.2%	4.5%	
ROE ¹ (%)	5.2%	6.1%	
ROCE ¹ (%)	5.3%	5.5%	

¹ Alternative performance measures based on ESMA guidelines are disclosed in the Alternative Performance Measures section of this Interim Report.

Sales & results by segments

The following tables provide an overview of the quarterly sales and result development by geographical segments.

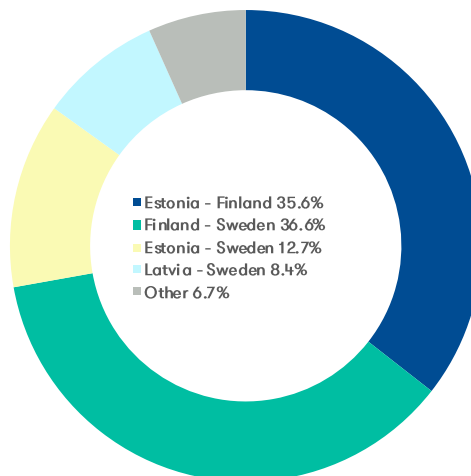
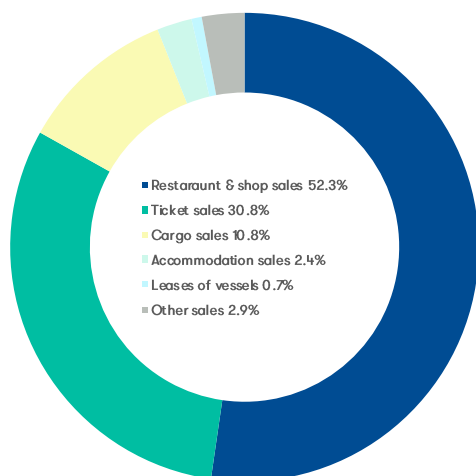
		Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q3 Change
Estonia - Finland	Passengers (thousands)	1 485	1 217	1 025	1 379	1 503	1.2%
	Cargo units (thousands)	60	62	58	65	61	1.6%
	Revenue (million euros)	96.9	89.1	72.3	96.2	100.8	4.1%
	Segment result ¹ (million euros)	28.8	21.2	8.6	21.0	31.3	8.8%
Finland - Sweden	Passengers (thousands)	878	695	523	761	883	0.5%
	Cargo units (thousands)	17	20	16	20	18	7.9%
	Revenue (million euros)	104.4	82.4	62.7	88.6	103.9	-0.5%
	Segment result ¹ (million euros)	17.9	-2.9	-5.5	7.2	15.8	-11.9%
Estonia - Sweden	Passengers (thousands)	303	237	227	280	306	1.1%
	Cargo units (thousands)	11	11	12	13	11	6.8%
	Revenue (million euros)	35.9	27.5	24.5	31.5	36.1	0.6%
	Segment result ¹ (million euros)	7.8	0.6	-1.8	2.5	6.3	-19.9%
Latvia - Sweden	Passengers (thousands)	247	167	155	212	255	3.6%
	Cargo units (thousands)	3	4	4	4	4	16.5%
	Revenue (million euros)	23.2	15.3	13.1	18.2	23.8	2.4%
	Segment result ¹ (million euros)	4.4	-0.3	-4.1	-0.9	4.4	-0.6%
Other	Revenue (million euros)	25.6	20.8	13.1	23.3	22.0	-14.1%
	Segment result ¹ (million euros)	5.9	2.6	0.2	6.9	4.7	-20.2%
	Intersegment revenue (million euros)	-3.3	-2.2	-1.6	-2.5	-2.9	9.3%
	Total revenue (million euros)	282.7	232.9	184.2	255.4	283.6	0.3%
	EBITDA (million euros)	75.4	28.8	4.2	43.5	71.1	-5.7%
	Total segment result ¹ (million euros)	64.9	21.4	-2.6	36.7	62.5	-3.7%
	Net profit/loss	47.8	1.1	-19.6	15.3	46.1	-3.6%

¹ Segment result is the result before administrative expenses, finance costs and taxes.

The following tables provide an overview of the quarterly sales development by operating segments:

Revenue (million euros)	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q3 Change
Restaurant and shop sales on-board and onshore	149.8	133.5	105.1	141.0	148.3	-1.0%
Ticket sales	83.8	51.7	40.2	64.3	87.5	4.4%
Sales of cargo transportation	28.9	30.9	29.2	32.8	30.7	6.2%
Accommodation sales	7.1	4.6	3.3	5.3	6.8	-3.8%
Income from charter of vessels	4.9	4.3	2.0	2.0	2.0	-58.5%
Other sales	8.3	7.9	4.4	10.0	8.3	0.7%
Total revenue	282.7	232.9	184.2	255.4	283.6	0.3%

The following charts provide an overview of the Group's third quarter sales by operational and geographical segments.



Market developments

The following table provides an overview of the passengers, cargo units and passenger vehicles transported during the third quarter and first 9 months of 2018 and 2017.

Passengers	Q3 2018	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change
Estonia - Finland	1 503 066	1 484 915	1.2%	3 906 696	3 845 167	1.6%
Finland - Sweden	882 951	878 492	0.5%	2 166 480	2 223 966	-2.6%
Estonia - Sweden	306 136	302 757	1.1%	813 114	793 751	2.4%
Latvia - Sweden	255 457	246 595	3.6%	623 095	576 692	8.0%
Total	2 947 610	2 912 759	1.2%	7 509 385	7 439 576	0.9%

Cargo units	Q3 2018	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change
Estonia - Finland	61 368	60 409	1.6%	184 282	171 707	7.3%
Finland - Sweden	18 255	16 919	7.9%	54 144	54 311	-0.3%
Estonia - Sweden	11 362	10 635	6.8%	36 486	32 191	13.3%
Latvia - Sweden	3 928	3 372	16.5%	11 760	8 742	34.5%
Total	94 913	91 335	3.9%	286 672	266 951	7.4%

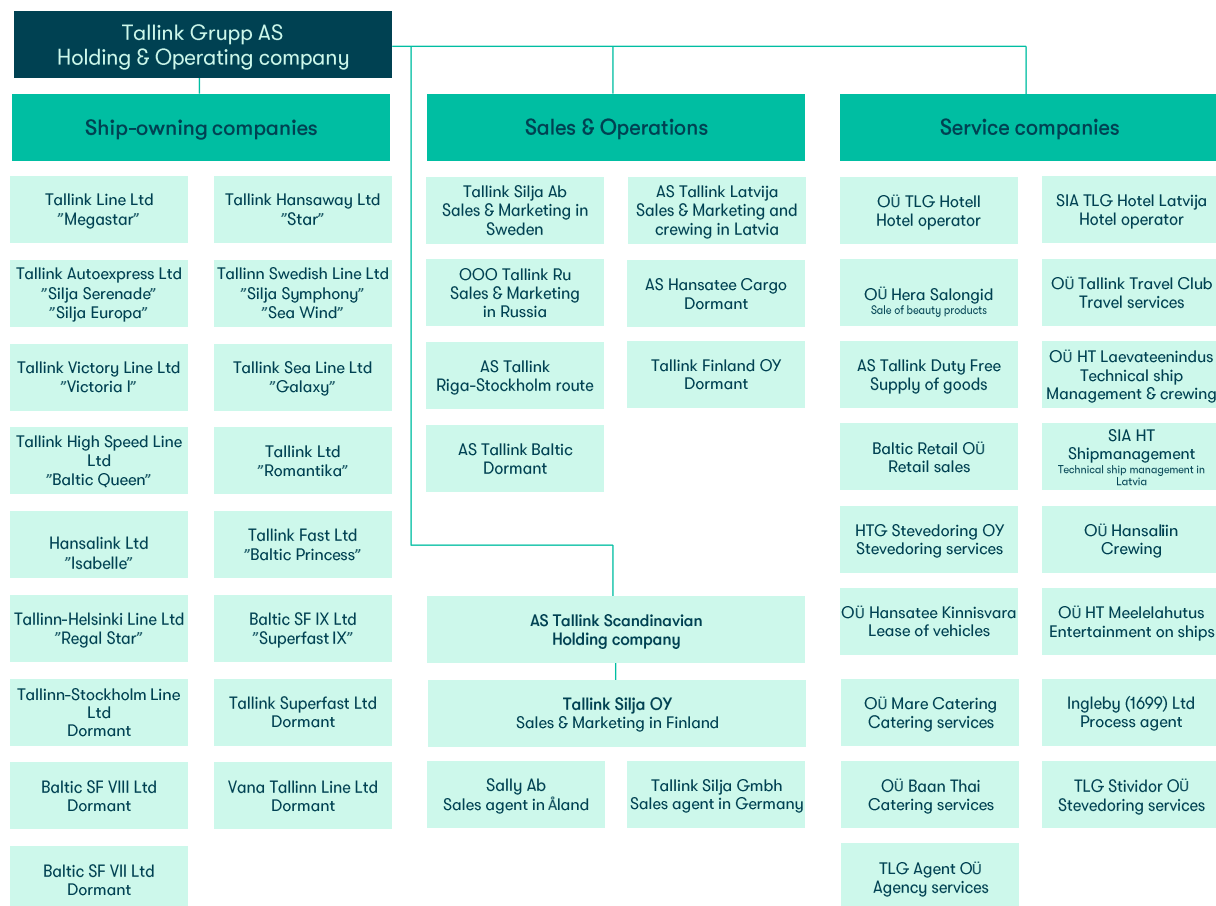
Passenger vehicles	Q3 2018	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change
Estonia - Finland	237 073	235 472	0.7%	642 902	631 645	1.8%
Finland - Sweden	69 554	69 782	-0.3%	130 321	134 929	-3.4%
Estonia - Sweden	23 280	24 422	-4.7%	55 765	57 330	-2.7%
Latvia - Sweden	22 400	23 633	-5.2%	57 029	56 523	0.9%
Total	352 307	353 309	-0.3%	886 017	880 427	0.6%

The Group's market shares on the routes operated during the 12-month period ended 30 September 2018 were as follows:

- the Group carried approximately 58% of the passengers and 65% of the ro-ro cargo on the route between Tallinn and Helsinki;
- the Group carried approximately 54% of the passengers and 27% of the ro-ro cargo on the routes between Finland and Sweden;
- the Group was the only provider of daily passenger transportation between Estonia and Sweden;
- the Group was the only provider of daily passenger and ro-ro cargo transportation between Riga and Stockholm.

Group structure

At the reporting date, the Group consisted of 46 companies. All subsidiaries are wholly owned by Tallink Grupp AS. The following diagram represents the Group's structure at the reporting date:



The Group also owns 34% of Tallink Takso AS.

Personnel

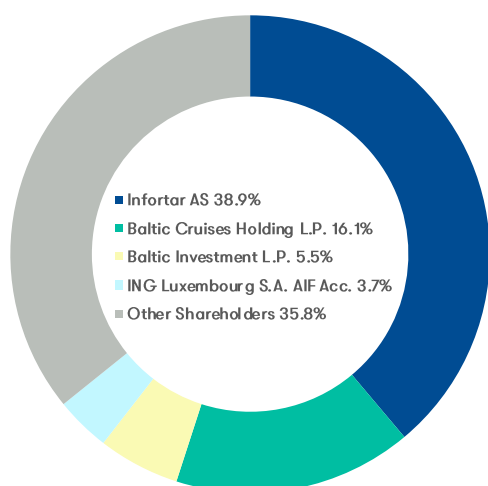
At 30 September 2018, the Group employed 7 380 employees (7 306 at 30 September 2017). The following table provides a more detailed overview of the Group's personnel.

	Average of Q3			Average of Jan-Sep			End of Q3		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
Onshore total	1 678	1 634	2.7%	1 666	1 638	1.7%	1 648	1 579	4.4%
Estonia	925	865	6.9%	920	878	4.8%	919	862	6.6%
Finland	497	520	-4.4%	489	506	-3.4%	473	478	-1.0%
Sweden	165	159	3.8%	166	165	0.6%	167	150	11.3%
Latvia	73	72	1.4%	73	71	2.8%	71	72	-1.4%
Russia	12	12	0.0%	12	12	0.0%	12	11	9.1%
Germany	6	6	0.0%	6	6	0.0%	6	6	0.0%
On-board	5 306	5 303	0.1%	5 198	5 209	-0.2%	5 132	5 133	0.0%
Hotel ¹	653	629	3.8%	632	598	5.7%	600	594	1.0%
Total	7 637	7 566	0.9%	7 496	7 445	0.7%	7 380	7 306	1.0%

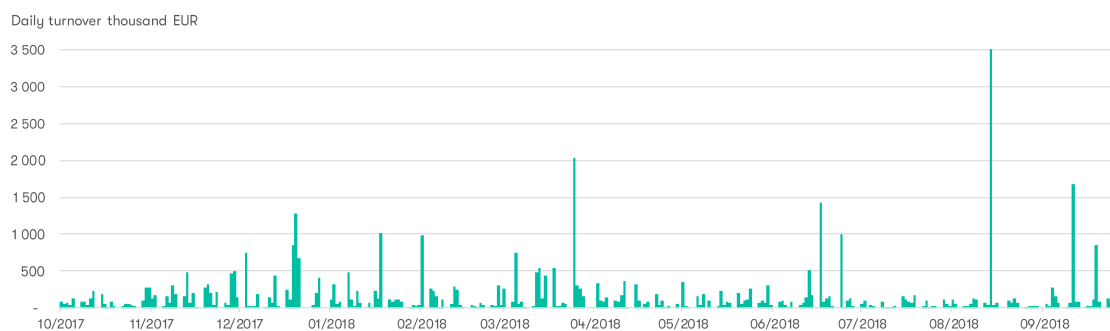
¹ The number of hotel personnel is not included in the total number of onshore personnel.

Shareholders & share price development

The following chart displays the shareholder structure of Tallink Grupp AS as at 30 September 2018.



Since 9 December 2005 the shares of Tallink Grupp AS have been listed on the Tallinn Stock Exchange, where the shares are traded under the ticker symbol TAL1T. The closing share price at the reporting date was EUR 0.97 per share. The following charts give an overview of the share price development in the past twelve months.



Events in Q3

Dividends

In June 2018, the shareholders' annual general meeting decided to pay a dividend of EUR 0.03 per share. The total dividend amount of EUR 20.1 million was paid out on 05 July 2018. The income tax on dividends in amount of EUR 3.6 million was recorded in the second quarter costs.

Change in loan obligations

In July 2018, Tallink Grupp AS signed a loan agreement in the amount of EUR 110 million. The final maturity of the floating interest rate Euribor based loan is six years. The financing was arranged by Nordea Bank AB (publ), Finnish Branch, Danske Bank A/S, Finland Branch and HSH Nordbank AG.

The loan was drawn in October 2018 and was used to repay the NOK 900 million bonds issued in June 2013 and to terminate the related hedge transactions. The new loan is guaranteed by Tallink Fast Ltd., a subsidiary of Tallink Grupp AS and is secured by the mortgage on the vessel Baltic Princess belonging to the same subsidiary.

Termination of operation of Pirita Spa Hotel

In August 2018, it was announced that the Group's subsidiary OÜ TLG Hotell will cease to operate the Pirita Spa Hotel from 15 November 2018 due to the sale of the property by the Group's major shareholder AS Infotar. The transaction has no significant impact on the consolidated financial results of AS Tallink Grupp.

Contingent risk

In 1996 and 1997 1321 rescued victims or alleged successors of the victims of M/S Estonia's shipwreck commenced proceedings against S.A. Bureau Veritas (company who conducted the classification operations of the vessel), Jos L. Meyer Werft GmbH (builder of the vessel) and Swedish Maritime Administration before French courts. Bureau Veritas commenced indemnity proceedings against Silja Finance Oy (now Tallink Silja Oy) and various companies of the Estline group (Estline Marine Co Limited, E-Line Limited, Estonian Shipping Co LTD, Nordstrom & Thulin AB, Estonian Ferry Services LTD, Estline AB, Nordthulin Luxembourg). All proceedings were joined in 1997.

For significant time questions of jurisdiction of French courts were discussed and proceedings were even terminated in November 2010 and case remained dormant.

During a procedural hearing in September 2018 the courts fixed a time-table and set a further date for procedural hearing on 3 December 2018.

Tallink Grupp AS is unable to assess if at all and to what extent the case could lead to the liability of subsidiary of the group Tallink Silja Oy.

Events after the reporting period and outlook

Capital reduction and dividend policy

In October the supervisory board of Tallink Grupp AS proposed to the management board for the purpose of improving the company's capital structure to prepare a proposal for the 2019 general shareholders' meeting to reduce the company's share capital by at least 7 cents per share.

In October the management board of Tallink Grupp AS decided to supplement the company's dividend policy, according to which if the economic performance enables it, dividends would be paid in the minimum amount of 5 cents per share.

Preparations for new ship order

In October AS Tallink Grupp and Rauma Marine Constructions signed a Letter of Intent for the construction of a new LNG powered shuttle ferry for the Tallinn-Helsinki route. The estimated cost of the project is approximately 250 million euros and the new vessel will be built at the Rauma shipyard in Finland. The construction of the new ship is expected to be completed by the end of 2021.

The new ferry will be dual fuel operated, using LNG as its main fuel and will have a capacity for 2800 passengers. It will start operating on the Tallinn-Helsinki route.

Earnings

The Group's earnings are not generated evenly throughout the year. The summer period is the high season in the Group's operations. In management's opinion and based on prior experience most of the Group's earnings are generated during the summer (June-August).

Research and development projects

Tallink Grupp AS does not have any substantial on-going research and development projects. The Group is engaged continuously to find various opportunities for expanding the Group's operations, in order to improve the results.

Risks

The Group's business, financial position and operating results could be materially affected by various risks. These risks are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial or unlikely, could also impair our business. The order of presentation of the risk factors below is not intended to be an indication of the probability of their occurrence or of their potential effect on our business.

- Accidents, disasters
- Macroeconomic developments
- Changes in laws and regulations
- Relations with trade unions
- Increase in the fuel prices and interest rates
- Market and customer behaviour



MANAGEMENT BOARD'S CONFIRMATION

We confirm that to the best of our knowledge, the management report of Tallink Grupp AS for the third quarter and first 9 months of 2018 presents a true and fair view of the Group's development, results and financial position and includes an overview of the main risks and uncertainties.




Paavo Nõgene
Chairman of the Management Board



Andres Hunt
Member of the Management Board



Lembit Kitter
Member of the Management Board



Janek Stalmeister
Member of the Management Board



Tallinn, 2018-11-01

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income

Unaudited, in thousands of EUR	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017
Revenue (Note 3)	283 609	282 715	723 173	734 121
Cost of sales	-205 160	-200 769	-573 964	-578 026
Gross profit	78 449	81 946	149 209	156 095
Sales and marketing expenses	-15 959	-17 068	-52 601	-54 182
Administrative expenses	-12 591	-11 780	-39 124	-37 234
Other operating income	1 432	108	2 499	444
Other operating expenses	-72	-38	-153	-182
Result from operating activities	51 259	53 168	59 830	64 941
Finance income (Note 4)	1 809	-102	7 767	7 806
Finance costs (Note 4)	-6 959	-5 214	-22 176	-23 183
Profit before income tax	46 109	47 852	45 421	49 564
Income tax	-13	-12	-3 612	-4 138
Net profit for the period	46 096	47 840	41 809	45 426
Other comprehensive income	-1	0	411	0
Exchange differences on translating foreign operations	-91	-40	302	-22
Other comprehensive income/expense for the period	-92	-40	713	-22
Total comprehensive income for the period	46 004	47 800	42 522	45 404
Earnings per share (in EUR per share, Note 5)	0.069	0.071	0.062	0.068

Consolidated statement of financial position

Unaudited, in thousands of EUR	30.09.2018	31.12.2017
ASSETS		
Cash and cash equivalents	92 978	88 911
Trade and other receivables	50 341	46 466
Prepayments	15 417	5 395
Prepaid income tax	49	40
Inventories	37 574	40 675
Current assets	196 359	181 487
Investments in equity-accounted investees	403	403
Other financial assets	338	344
Deferred income tax assets	18 718	18 722
Investment property	300	300
Property, plant and equipment (Note 7)	1 272 234	1 308 441
Intangible assets (Note 8)	46 435	48 900
Non-current assets	1 338 428	1 377 110
TOTAL ASSETS	1 534 787	1 558 597
LIABILITIES AND EQUITY		
Interest-bearing loans and borrowings (Note 9)	161 951	159 938
Trade and other payables (Note 13)	100 081	95 548
Derivatives (Note 6)	26 633	29 710
Payables to owners	2	3
Income tax liability	34	34
Deferred income	34 084	31 429
Current liabilities	322 785	316 662
Interest-bearing loans and borrowings (Note 9)	353 281	400 968
Derivatives (Note 6)	0	4 688
Other liabilities	16	0
Non-current liabilities	353 297	405 656
Total liabilities	676 082	722 318
Share capital (Note 10)	361 736	361 736
Share premium	639	639
Reserves	70 038	68 946
Retained earnings	426 292	404 958
Equity attributable to equity holders of the Parent	858 705	836 279
Total equity	858 705	836 279
TOTAL LIABILITIES AND EQUITY	1 534 787	1 558 597

Consolidated statement of cash flows

Unaudited, in thousands of EUR	Jan-Sep 2018	Jan-Sep 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	41 809	45 426
Adjustments	77 235	84 328
Changes in:		
Receivables and prepayments related to operating activities	-13 891	-20 727
Inventories	3 101	-7 595
Liabilities related to operating activities	8 123	-5 238
Changes in assets and liabilities	-2 667	-33 560
Cash generated from operating activities	116 377	96 194
Income tax paid	-73	9
NET CASH FROM OPERATING ACTIVITIES	116 304	96 203
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, equipment and intangible assets (Notes 7, 8, 9)	-20 119	-212 031
Proceeds from disposals of property, plant, equipment	68	224
Interest received	2	1
NET CASH USED IN INVESTING ACTIVITIES	-20 049	-211 806
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans received (Note 9)	0	184 000
Repayment of loans received (Note 9)	-49 333	-51 241
Change in overdraft (Note 9)	0	27 580
Payments for settlement of derivatives	-2 622	-2 698
Payment of finance lease liabilities (Note 9)	-79	-78
Interest paid	-15 448	-16 159
Payment of transaction costs related to loans	-1 047	-216
Dividends paid (Note 11)	-20 096	-20 096
Reduction of share capital	-1	-1
Income tax on dividends paid	-3 562	-4 100
NET CASH USED IN/FROM FINANCING ACTIVITIES	-92 188	116 991
TOTAL NET CASH FLOW	4 067	1 388
Cash and cash equivalents at the beginning of period	88 911	78 773
Increase in cash and cash equivalents	4 067	1 388
Cash and cash equivalents at the end of period	92 978	80 161

Consolidated statement of changes in equity

Unaudited, in thousands of EUR	Share capital	Share premium	Translation reserve	Ships re-valuation reserve	Mandatory legal reserve	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
As at 31 December 2017	361 736	639	2	43 599	25 345	404 958	836 279	836 279
Net profit for the period (Note 5)	0	0	0	0	0	41 809	41 809	41 809
Other comprehensive income	0	0	302	0	0	411	713	713
Total comprehensive expense for the period	0	0	302	0	0	42 220	42 522	42 522
Transactions with owners of the Company recognised directly in equity								
Transfer from profit for 2017	0	0	0	0	2 325	-2 325	0	0
Transfer from revaluation reserve	0	0	0	-1 535	0	1 535	0	0
Dividends (Note 11)	0	0	0	0	0	-20 096	-20 096	-20 096
Transactions with owners of the Company, recognised directly in equity	0	0	0	-1 535	2 325	-20 886	-20 096	-20 096
As at 30 September 2018	361 736	639	304	42 064	27 670	426 292	858 705	858 705
As at 31 December 2016	361 736	639	-11	45 646	23 139	378 717	809 866	809 866
Net profit for the period (Note 5)	0	0	0	0	0	45 426	45 426	45 426
Total other comprehensive income	0	0	-22	0	0	0	-22	-22
Total comprehensive expense for the period	0	0	-22	0	0	45 426	45 404	45 404
Transactions with owners of the Company recognised directly in equity								
Transfer from profit for 2016	0	0	0	0	2 206	-2 206	0	0
Dividends	0	0	0	0	0	-20 096	-20 096	-20 096
Transactions with owners of the Company, recognised directly in equity	0	0	0	0	2 206	-22 302	-20 096	-20 096
As at 30 September 2017	361 736	639	-33	45 646	25 345	401 841	835 174	835 174

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1 Corporate information

The consolidated interim financial statements of Tallink Grupp AS (the “Parent”) and its subsidiaries (together referred to as the “Group”) for the third quarter of 2018 and for the first 9 months were authorised for issue by the Management Board on 1 November 2018.

Tallink Grupp AS is a public limited company incorporated and domiciled in Estonia, with a registered office at Sadama 5/7, Tallinn. Tallink Grupp AS shares have been publicly traded on the Tallinn Stock Exchange since 9 December 2005.

The principal activities of the Group are related to marine transportation in the Baltic Sea (passenger and cargo transportation). As at 30 September 2018, the Group employed 7 380 people (7 306 as at 30 September 2017).

Note 2 Basis of preparation

These interim consolidated financial statements of Tallink Grupp AS have been prepared in a condensed form in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

These interim consolidated financial statements have been prepared using the same accounting policies and measurement bases that were applied in the preparation of the consolidated financial statements of Tallink Grupp AS for the financial year ended on 31 December 2017. The Group prepares its consolidated annual financial statements in accordance with IFRS as adopted by the EU. The Group adopted IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” from 1 January 2018.

The interim consolidated financial statements are presented in thousand euros (EUR).

Note 3 Segment information

The Group’s operations are organized and managed separately according to the nature of the different markets. Different routes represent different business segments.

The following tables present the Group’s revenue and profit by reportable segments for the reporting and the comparative period.

Geographical segments – by the location of assets

For the period 1 January – 30 September, in thousands of EUR	Estonia–Finland route	Estonia–Sweden route	Latvia–Sweden route	Finland–Sweden route	Other	Intersegment elimination	Total
2018							
Sales to external customers	269 346	92 115	55 088	255 198	51 426	0	723 173
Intersegment sales	0	0	0	0	7 031	-7 031	0
Revenue	269 346	92 115	55 088	255 198	58 457	-7 031	723 173
Segment result	60 993	6 975	-655	17 491	11 804	0	96 608
Unallocated expenses							-36 778
Net financial items (Note 4)							-14 409
Profit before income tax							45 421

For the period 1 January – 30 September, in thousands of EUR	Estonia–Finland route	Estonia–Sweden route	Latvia–Sweden route	Finland–Sweden route	Other	Intersegment elimination	Total
2017							
Sales to external customers	265 352	89 774	51 182	262 442	65 371	0	734 121
Intersegment sales	0	0	0	0	8 033	-8 033	0
Revenue	265 352	89 774	51 182	262 442	73 404	-8 033	734 121
Segment result	56 651	9 941	-906	21 340	14 887	0	101 913
Unallocated expenses							-36 972
Net financial items (Note 4)							-15 377
Profit before income tax							49 564

Revenue by service

In thousands of EUR	Jan-Sep 2018	Jan-Sep 2017
Restaurant and shop sales on-board and onshore	394 336	403 235
Ticket sales	191 988	191 074
Sales of cargo transport	92 672	86 852
Sales of accommodation	15 482	16 242
Income from charter of vessels	6 006	14 469
Other	22 689	22 249
Total revenue of the Group	723 173	734 121

Note 4 Financial items

In thousands of EUR	Jan-Sep 2018	Jan-Sep 2017
Net foreign exchange gain	0	3 736
Income on foreign exchange derivatives	4 854	0
Interest income on financial assets not measured at fair value through profit or loss	0	1
Income on interest rate swaps	2 911	4 069
Income from other financial assets	2	0
Total finance income	7 767	7 806
Net foreign exchange loss	-4 051	0
Expenses on foreign exchange derivatives	0	-2 508
Interest expense on financial liabilities measured at amortised cost	-15 503	-17 977
Expenses on interest rate swaps	-2 622	-2 698
Total finance costs	-22 176	-23 183
Net finance costs	-14 409	-15 377

Note 5 Earnings per share

Earnings per share (EPS) are calculated by dividing the net profit/loss for the period attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period.

In thousands	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017
Shares issued	669 882	669 882	669 882	669 882
Shares outstanding	669 882	669 882	669 882	669 882

In thousands of EUR	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017
Weighted average number of ordinary shares outstanding (in thousands)	669 882	669 882	669 882	669 882
Net profit attributable to equity holders of the Parent	46 096	47 840	41 809	45 426
EPS (EUR per share)	0.069	0.071	0.062	0.068

Note 6 Derivative instruments

The Group uses interest rate swaps to manage its exposure to movements in interest rates. Where the effectiveness of the hedge relationship in a cash flow hedge is demonstrated, changes in the fair value are included in the hedging reserve in equity and released to match actual payments on the hedged item. Changes in the fair value of derivatives which do not qualify for hedge accounting under IFRS 9 are recognised directly in profit or loss.

As at 30 September 2018, Tallink Grupp AS had one interest rate derivative contract with a notional amount of EUR 100 000 thousand with maturity in 2019 and two cross-currency derivative contracts with a total notional amount of EUR 120 000 thousand with maturities in 2018. As at 30 September 2018, the fair value of the interest rate derivatives was EUR -1 777 thousand and the fair value of the cross-currency derivatives was EUR -24 856 thousand.

Note 7 Property, plant and equipment

In thousands of EUR	Land and buildings	Ships	Plant and equipment	Assets under construction	Total
Book value as at 31 December 2017	2 308	1 268 604	32 958	4 571	1 308 441
Additions	0	-1 632	8 803	11 326	18 497
Reclassification	792	6 770	3 091	-10 653	0
Disposals	0	0	-141	0	-141
Depreciation for the period	-645	-46 586	-7 332	0	-54 563
Book value as at 30 September 2018	2 455	1 227 156	37 379	5 244	1 272 234
As at 30 September 2018					
Gross carrying amount	8 417	1 633 018	68 758	5 244	1 715 437
Accumulated depreciation	-5 962	-405 862	-31 379	0	-443 203
Book value as at 31 December 2016	2 525	1 230 437	23 063	48 872	1 304 897
Additions	0	192 249	12 090	3 775	208 114
Reclassification	0	46 341	0	-46 341	0
Disposals	0	0	-278	0	-278
Depreciation for the period	-396	-53 753	-5 852	0	-60 001
Book value as at 30 September 2017	2 129	1 415 274	29 023	6 306	1 452 732
As at 30 September 2017					
Gross carrying amount	5 607	1 815 922	61 055	6 306	1 888 890
Accumulated depreciation	-3 478	-400 648	-32 032	0	-436 158

Note 8 Intangible assets

In thousands of EUR	Goodwill	Trademark	Other	Assets under construction	Total
Book value as at 31 December 2017	11 066	24 754	9 166	3 914	48 900
Additions	0	0	317	1 615	1 932
Reclassification	0	0	4 547	-4 547	0
Amortisation for the period	0	-2 187	-2 210	0	-4 397
Book value as at 30 September 2018	11 066	22 567	11 820	982	46 435
As at 30 September 2018					
Cost	11 066	58 288	31 041	982	101 377
Accumulated amortisation	0	-35 721	-19 221	0	-54 942
Book value as at 31 December 2016	11 066	27 670	9 358	2 033	50 127
Additions	0	0	1 108	2 888	3 996
Amortisation for the period	0	-2 187	-2 357	0	-4 544
Book value as at 30 September 2017	11 066	25 483	8 403	4 627	49 579
As at 30 September 2017					
Cost	11 066	58 288	31 759	4 627	105 740
Accumulated amortisation	0	-32 805	-23 356	0	-56 161

Note 9 Interest-bearing loans and borrowings

In thousands of EUR	31/12/2017	Addition	Repayments	Exchange differences	Other changes ¹	30/09/2018
Finance leases	287	310	-79	-11	-112	395
Unsecured bonds	91 288	0	0	3 607	166	95 061
Overdrafts	0	0	0	0	0	0
Long-term bank loans	469 331	0	-49 333	0	-222	419 776
Total borrowings	560 906	310	-49 412	3 596	-168	515 232
Current portion	159 938					161 951
Non-current portion	400 968					353 281
Total borrowings	560 906					515 232

¹ Other changes in bonds and bank loans are related to the capitalisation and amortisation of transaction costs. Other changes in finance lease liabilities are related to the termination of lease agreements.

Bonds are nominated in NOK.

Bank overdrafts are secured with commercial pledges (in the total amount of EUR 20 204 thousand) and ship mortgages.

Tallink Grupp AS has given guarantees to Nordea Bank Plc and Danske Bank A/S for loans of EUR 200 486 thousand granted to its ship-owning subsidiaries. Ship-owning subsidiaries have given guarantees to Nordea Bank Finland Plc for a loan of EUR 219 290 thousand granted to Tallink Grupp AS. The primary securities for these loans are pledges of the shares in the ship-owning subsidiaries and mortgages on the ships belonging to the aforementioned subsidiaries.

Note 10 Share capital

According to the articles of association of the Parent effective as from 31 December 2016, the maximum number of common shares is 2 400 000 000. Each share grants one vote at the shareholders' general meeting. Shares acquired by the transfer of ownership are eligible for participating in and voting at a general meeting only if the ownership change has been recorded in the Estonian Central Registry of Securities by the time the list of shareholders entitled to participate in the general meeting is determined.

Tallink Grupp AS has 669 882 040 registered shares without nominal value and the notional value of each share is EUR 0.54.

Note 11 Dividends

Annual general meeting of 2018 decided to pay a dividend of EUR 0.03 per share from the net profit for 2017 in the total amount of EUR 20 096 thousand. The announced dividends were paid out on 5 July 2018.

In October 2018, the management board of Tallink Grupp AS has decided to supplement the company's dividend policy, according to which if the economic performance enables it, dividends would be paid in the minimum amount of 5 cents per share.

Note 12 Related party disclosures

The Group has entered into the following transactions with related parties and has the following balances with them.

For the period ended 30 September 2018, in thousands of EUR	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Companies controlled by the Key Management Personnel	777	18 716	64	1 455
Associated companies	1	174	2	12
Total	778	18 890	66	1 467

For the period ended 30 September 2017, in thousands of EUR	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Companies controlled by the Key Management Personnel	254	17 344	27	549
Associated companies	0	129	0	27
Total	254	17 473	27	576

STATEMENT BY THE MANAGEMENT BOARD

Hereby we acknowledge our responsibility for the Tallink Grupp AS Unaudited Condensed Consolidated Interim Financial Statements for the third quarter and first 9 months of 2018 and confirm that these financial statements have been prepared in accordance with IAS 34 and give a true and fair view of the Group's financial position, financial performance and cash flows.

Tallink Grupp AS and its subsidiaries are able to continue as going concerns for a period of at least one year after the date of approval of these interim financial statements.



Paavo Nõgene
Chairman of the Management Board



Andres Hunt
Member of the Management Board



Lembit Kitter
Member of the Management Board



Janek Stalmeister
Member of the Management Board



Tallinn, 2018-11-01

ALTERNATIVE PERFORMANCE MEASURES

AS Tallink Grupp presents certain performance measures as key figures, which in accordance with the “Alternative Performance Measures” guidance by the European Securities and Markets Authority (ESMA) are not accounting measures of historical financial performance, financial position and cash flows, defined or specified in IFRS, but which are instead non-financial measures and alternative performance measures (APMs).

The non-financial measures and APMs provide the management, investors, securities analysts and other parties significant additional information related to the Group’s results of operations, financial position or cash flows and are often used by analysts, investors and other parties.

The non-financial measures and APMs should not be considered in isolation or as substitute to the measures under IFRS. The APMs are unaudited.

Calculation formulas of alternative performance measures

EBITDA: result from operating activities before net financial items, share of profit of equity-accounted investees, taxes, depreciation and amortization

EBIT: result from operating activities

Earnings per share: net profit / weighted average number of shares outstanding

Equity ratio: total equity / total assets

Shareholder’s equity per share: shareholder’s equity / number of shares outstanding

Gross margin: gross profit / net sales

EBITDA margin: EBITDA / net sales

EBIT margin: EBIT / net sales

Net profit margin: net profit / net sales

Capital expenditure: additions to property, plant and equipment + additions to intangible assets

ROA: earnings before net financial items, taxes 12-months trailing / average total assets

ROE: net profit 12-months trailing / average shareholders’ equity

ROCE: earnings before net financial items, taxes 12-months trailing / (total assets – current liabilities (average for the period))

Net debt: interest-bearing liabilities less cash and cash equivalents

Net debt to EBITDA: net debt / EBITDA 12-months trailing

Reconciliations of certain alternative performance measures

In thousands of EUR	Q3 2018	Q3 2017
Depreciation	18 298	20 695
Amortisation	1 543	1 515
Depreciation and amortisation	19 841	22 210
Result from operating activities	51 259	53 168
Depreciation and amortisation	19 841	22 210
EBITDA	71 100	75 378
Additions to property, plant and equipment	4 808	1 762
Additions to intangible assets	779	858
Capital Expenditures	5 587	2 620
Net profit	46 096	47 840
Weighted average number of shares outstanding	669 882 040	669 882 040
Earnings per share	0.07	0.07
Liabilities under finance lease	395	318
Unsecured bonds	95 061	95 379
Overdraft	0	67 690
Long-term bank loans	419 776	551 934
Interest-bearing liabilities	515 232	715 321
Interest-bearing liabilities	515 232	715 321
Cash and cash equivalents	92 978	80 161
Net debt	422 254	635 160
Total equity	858 705	835 174
Total assets	1 534 786	1 714 505
Equity ratio	55.9%	48.7%
Equity attributable to equity holders of the Parent	858 705	835 174
Number of ordinary shares outstanding	669 882 040	669 882 040
Shareholders' equity per share	1.28	1.25
Gross profit	78 449	81 946
Net sales	283 609	282 715
Gross margin (%)	27.7%	29.0%
EBITDA	71 100	75 378
Net sales	283 609	282 715
EBITDA margin	25.1%	26.7%
EBIT	51 259	53 168
Net sales	283 609	282 715
EBIT margin	18.1%	18.8%
Net profit	46 096	47 840
Net sales	283 609	282 715
Net profit margin	16.3%	16.9%

In thousands of EUR	Q3 2018	Q3 2017
Result from operating activities 12-months trailing	66 846	75 277
Total assets 30.09 previous year	1 714 505	1 552 007
Total assets 31.12 previous year	1 558 597	1 539 009
Total assets 31.03	1 531 619	1 730 199
Total assets 30.06	1 554 542	1 739 028
Total assets 30.09	1 534 786	1 714 505
Average assets	1 578 810	1 654 950
ROA	4.2%	4.5%
Net profit 12-months trailing	42 878	48 939
Total equity 30.09 previous year	835 174	807 469
Total equity 31.12 previous year	836 278	809 866
Total equity 31.03	817 056	789 396
Total equity 30.06	812 701	787 374
Total equity 30.09	858 705	835 174
Average equity	831 983	805 856
ROE	5.2%	6.1%
Result from operating activities 12-months trailing	66 846	75 277
Total assets 30.09 previous year	1 714 505	1 552 007
Total assets 31.12 previous year	1 558 597	1 539 009
Total assets 31.03	1 531 619	1 730 199
Total assets 30.06	1 554 542	1 739 028
Total assets 30.09	1 534 786	1 714 505
Current liabilities 30.09 previous year	288 067	289 621
Current liabilities 31.12 previous year	316 663	243 991
Current liabilities 31.03	327 805	299 899
Current liabilities 30.06	367 624	335 025
Current liabilities 30.09	322 784	288 067
Total assets - current liabilities 30.09 previous year	1 426 438	1 262 386
Total assets - current liabilities 31.12 previous year	1 241 934	1 295 018
Total assets - current liabilities 31.03	1 203 814	1 430 300
Total assets - current liabilities 30.06	1 186 919	1 404 003
Total assets - current liabilities 30.09	1 212 002	1 426 438
Average assets - current liabilities	1 254 222	1 363 629
ROCE	5.3%	5.5%
Net debt	422 254	635 160
EBITDA, 9 months	118 793	129 486
EBITDA, previous year Q4	28 842	29 907
EBITDA 12-months trailing	147 635	159 393
Net debt to EBITDA	2.9	4.0

CONTACT INFORMATION

Commercial Registry no.	10238429
Address	Sadama 5/7 10111, Tallinn Republic of Estonia
Phone	+372 6 409 800
Fax	+372 6 409 810
Website	www.tallink.com
Main activity	maritime transport (passenger & cargo transport)