

Q2 2018

TALLINK GRUPP AS



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

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MANAGEMENT REPORT

In the second quarter (1 April – 30 June) of the 2018 financial year Tallink Grupp AS and its subsidiaries (the Group) carried 2.6 million passengers, which is 1.7% more than in the second quarter last year. The Group's unaudited revenue for the second quarter decreased by 1.7% to a total of EUR 255.4 million. Unaudited EBITDA for the second quarter was EUR 43.5 million (EUR 48.9 million in Q2 2017) and unaudited net profit was EUR 15.3 million (net profit of EUR 17.9 million in Q2 2017).

In the second 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 almost all geographical segments (Estonia-Finland, Estonia-Sweden and Latvia-Sweden).
- The competition on the maritime traffic between Estonia and Finland puts pressure on ticket prices.
- Strong growth of cargo volumes.
- 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 second quarter, the revenue from route operations increased in almost all geographical segments (Estonia-Finland, Estonia-Sweden and Latvia-Sweden), total by EUR 1.8 million.

The number of passengers travelling on the Group's ships on the Estonia-Finland routes increased by 2.2% or more than 30 thousand to a total of 1 379 thousand passengers. Due to higher competition, there was pressure on ticket prices that resulted in a decline in average ticket prices and lower ticket revenue. However, the cargo revenue showed strong growth also in second quarter and the total segment revenue increased by 0.7% to EUR 96.2 million. The Estonia-Finland segment result increased by 6.3% and was EUR 21.0 million.

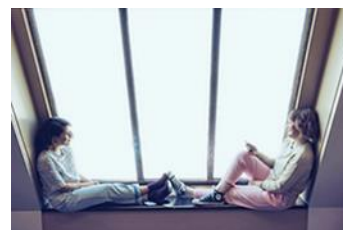
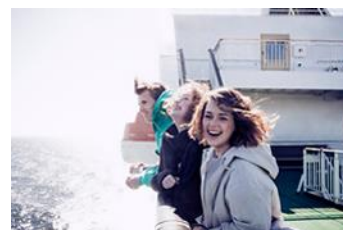
The Finland-Sweden routes passenger number and revenue were almost on the same level compared to second quarter last year, being respectively 761 thousand passengers and EUR 88.6 million segment revenue. The segment result decreased by EUR 2.2 million to a total of EUR 7.2 million mainly due to higher fuel cost.

Number of passengers
travelled with the
Group's ships in Q2

2.6 million
passengers

The Group's unaudited
consolidated Q2
revenue

EUR 255.4
million



The Estonia-Sweden route's second-quarter revenue increased by 2.3% compared to the same period last year. The growth was supported by a 1.3% rise in the number of passengers and 17.2% increase in transported cargo units. The segment result decreased by EUR 1.2 million to a total of EUR 2.5 million mainly due to higher fuel cost.

The Latvia-Sweden route's second-quarter revenue increased by 4.6% compared to same period last year. The growth was supported by a 7.7% rise in the number of passengers and a 32.3% increase in transported cargo units. The segment result decreased by EUR 0.3 million to a total of EUR -0.9 million mainly due to higher fuel cost.

Earnings

In the second quarter of 2018, the Group's gross profit decreased by EUR 2.2 million compared to the same period last year, amounting to EUR 57.1 million. Second-quarter EBITDA decreased by EUR 5.3 million to EUR 43.5 million. The Group's second quarter result from operations was impacted mainly by:

- EUR 2.8 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 1.9 million to EUR 19.7 million compared to the second quarter of 2017. The decline is a result of less depreciation cost from two sold Superfast ferries and addition of depreciation cost of Shuttle ferry Megastar, compared to the second quarter last year.

Net finance costs decreased by EUR 0.3 million compared to the first quarter last year. The change includes decline of EUR 0.9 million in interest costs compared to same period the previous year and increase of EUR 0.6 million in losses from foreign exchange differences and the revaluation of cross currency and interest rate derivatives.

The Group's unaudited net profit for the second quarter of 2018 was EUR 15.3 million or EUR 0.023 per share compared to a net profit of EUR 17.9 million or EUR 0.027 per share in the same period last year.

The Group's gross profit
for the Q2

EUR **57.1**
million

The Group's EBITDA
for the Q2

EUR **43.5**
million



Results of the first 6 months of 2018

In the first 6 months (1 January – 30 June) of the 2018 financial year the Group carried 4.6 million passengers which is almost 35 thousand passengers more compared to the same period last year. The Group's unaudited revenue for the period decreased by 2.6% and was EUR 439.6 million. Unaudited EBITDA for the first 6 months was EUR 47.7 million (EUR 54.1 million, 6M 2017) and unaudited net loss was EUR 4.3 million (EUR 2.4 million, 6M 2017 net loss).

The financial result of the first 6 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.
- Competition on the maritime traffic between Estonia and Finland, which puts pressure on ticket prices.

Investments

In the second quarter, the Group's investments amounted to EUR 6.4 million. Most of the investments were made to upgrades of the ships cabins, 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 (third quarter).

Financial position

In the second quarter, the Group's net debt decreased by EUR 33.9 million to EUR 447.0 million and the net debt to EBITDA ratio was 2.9 at the reporting date.

At the end of the second quarter, total liquidity (cash, cash equivalents and unused credit facilities) amounted to EUR 165.4 million (EUR 92.2 million at 30 June 2017) providing a strong financial position for sustainable operations.

The Group had EUR 90.4 million (EUR 82.0 million at 30 June 2017) in cash and cash equivalents and EUR 75.0 million (EUR 10.2 million at 30 June 2017) in unused credit lines.

The Group's investments
in the Q2 amounted to

EUR 6.4
million

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

EUR 20.1
million



Key figures

For the period	Q2 2018	Q2 2017	Change %
Revenue (million euros)	255.4	259.9	-1.7%
Gross profit (million euros)	57.1	59.3	-3.8%
Net profit for the period (million euros)	15.3	17.9	-14.7%
EBITDA (million euros)	43.5	48.9	-10.9%
Depreciation and amortisation (million euros)	19.7	21.5	-8.6%
Capital expenditures (million euros)	6.4	5.3	
Weighted average number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Earnings per share	0.023	0.027	-14.7%
Number of passengers	2 631 326	2 587 033	1.7%
Number of cargo units	101 072	91 819	10.1%
Average number of employees	7 611	7 582	0.4%
As at	30/06/2018	31/03/2018	Change %
Total assets (million euros)	1 554.5	1 531.6	1.5%
Total liabilities (million euros)	741.8	714.6	3.8%
Interest-bearing liabilities (million euros)	537.4	551.0	-2.5%
Net debt (million euros)	447.0	480.9	-7.0%
Net debt to EBITDA	2.94	3.06	-3.9%
Total equity (million euros)	812.7	817.1	-0.5%
Equity ratio (%)	52.3%	53.3%	
Number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Equity per share	1.21	1.22	-0.5%
Ratios	Q2 2018	Q2 2017	
Gross margin (%)	22.3%	22.8%	
EBITDA margin (%)	17.0%	18.8%	
Net profit margin (%)	6.0%	6.9%	

EBITDA: Earnings before net financial items, share of profit of equity accounted investees, taxes, depreciation and amortisation

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

Equity ratio: total equity / total assets

Equity per share: shareholder's equity / number of shares outstanding

Gross margin: gross profit / revenue

EBITDA margin: EBITDA / revenue

Net profit margin: net profit or loss / revenue

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

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

Sales & results by segments

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

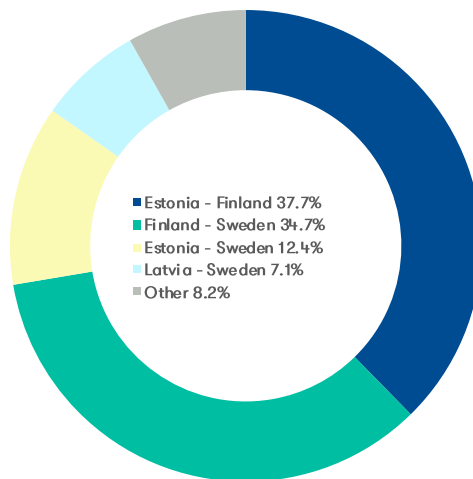
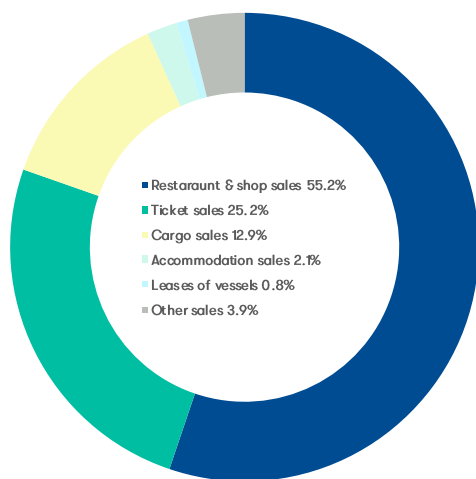
		Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q2 Change
Estonia - Finland	Passengers (thousands)	1 349	1 485	1 217	1 025	1 379	2.2%
	Cargo units (thousands)	60	60	62	58	65	8.3%
	Revenue (million euros)	95.5	96.9	89.1	72.3	96.2	0.7%
	Segment result ¹ (million euros)	19.8	28.8	21.2	8.6	21.0	6.3%
Finland - Sweden	Passengers (thousands)	765	878	695	523	761	-0.6%
	Cargo units (thousands)	18	17	20	16	20	8.1%
	Revenue (million euros)	88.9	104.4	82.4	62.7	88.6	-0.4%
	Segment result ¹ (million euros)	9.4	17.9	-2.9	-5.5	7.2	-23.6%
Estonia - Sweden	Passengers (thousands)	276	303	237	227	280	1.3%
	Cargo units (thousands)	11	11	11	12	13	17.2%
	Revenue (million euros)	30.8	35.9	27.5	24.5	31.5	2.3%
	Segment result ¹ (million euros)	3.7	7.8	0.6	-1.8	2.5	-32.7%
Latvia - Sweden	Passengers (thousands)	197	247	167	155	212	7.7%
	Cargo units (thousands)	3	3	4	4	4	32.3%
	Revenue (million euros)	17.4	23.2	15.3	13.1	18.2	4.6%
	Segment result ¹ (million euros)	-0.6	4.4	-0.3	-4.1	-0.9	-47.5%
Other	Revenue (million euros)	30.0	25.6	20.8	13.1	23.3	-22.3%
	Segment result ¹ (million euros)	7.7	5.9	2.6	0.2	6.9	-9.7%
	Intersegment revenue (million euros)	-2.9	-3.3	-2.2	-1.6	-2.5	14.1%
Total revenue (million euros)		259.9	282.7	232.9	184.2	255.4	-1.7%
EBITDA (million euros)		48.9	75.4	28.8	4.2	43.5	-10.9%
Total segment result ¹ (million euros)		39.9	64.9	21.4	-2.6	36.7	-8.1%
Net profit/loss		17.9	47.8	1.1	-19.6	15.3	-14.7%

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)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q2 Change
Restaurant and shop sales on-board and onshore	145.6	149.8	133.5	105.1	141.0	-3.2%
Ticket sales	65.2	83.8	51.7	40.2	64.3	-1.4%
Sales of cargo transportation	29.7	28.9	30.9	29.2	32.8	10.4%
Accommodation sales	5.8	7.1	4.6	3.3	5.3	-8.2%
Income from charter of vessels	4.8	4.9	4.3	2.0	2.0	-58.5%
Other sales	8.6	8.3	7.9	4.4	10.0	15.5%
Total revenue	259.9	282.7	232.9	184.2	255.4	-1.7%

The following charts provide an overview of the Group's second 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 second quarter and first half year of 2018 and 2017.

Passengers	Q2 2018	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change
Estonia - Finland	1 378 594	1 348 546	2.2%	2 403 630	2 360 252	1.8%
Finland - Sweden	760 584	765 240	-0.6%	1 283 529	1 345 474	-4.6%
Estonia - Sweden	279 699	276 046	1.3%	506 978	490 994	3.3%
Latvia - Sweden	212 449	197 201	7.7%	367 638	330 097	11.4%
Total	2 631 326	2 587 033	1.7%	4 561 775	4 526 817	0.8%

Cargo units	Q2 2018	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change
Estonia - Finland	64 538	59 610	8.3%	122 914	111 298	10.4%
Finland - Sweden	19 744	18 264	8.1%	35 889	37 392	-4.0%
Estonia - Sweden	12 866	10 979	17.2%	25 124	21 556	16.6%
Latvia - Sweden	3 924	2 966	32.3%	7 832	5 370	45.8%
Total	101 072	91 819	10.1%	191 759	175 616	9.2%

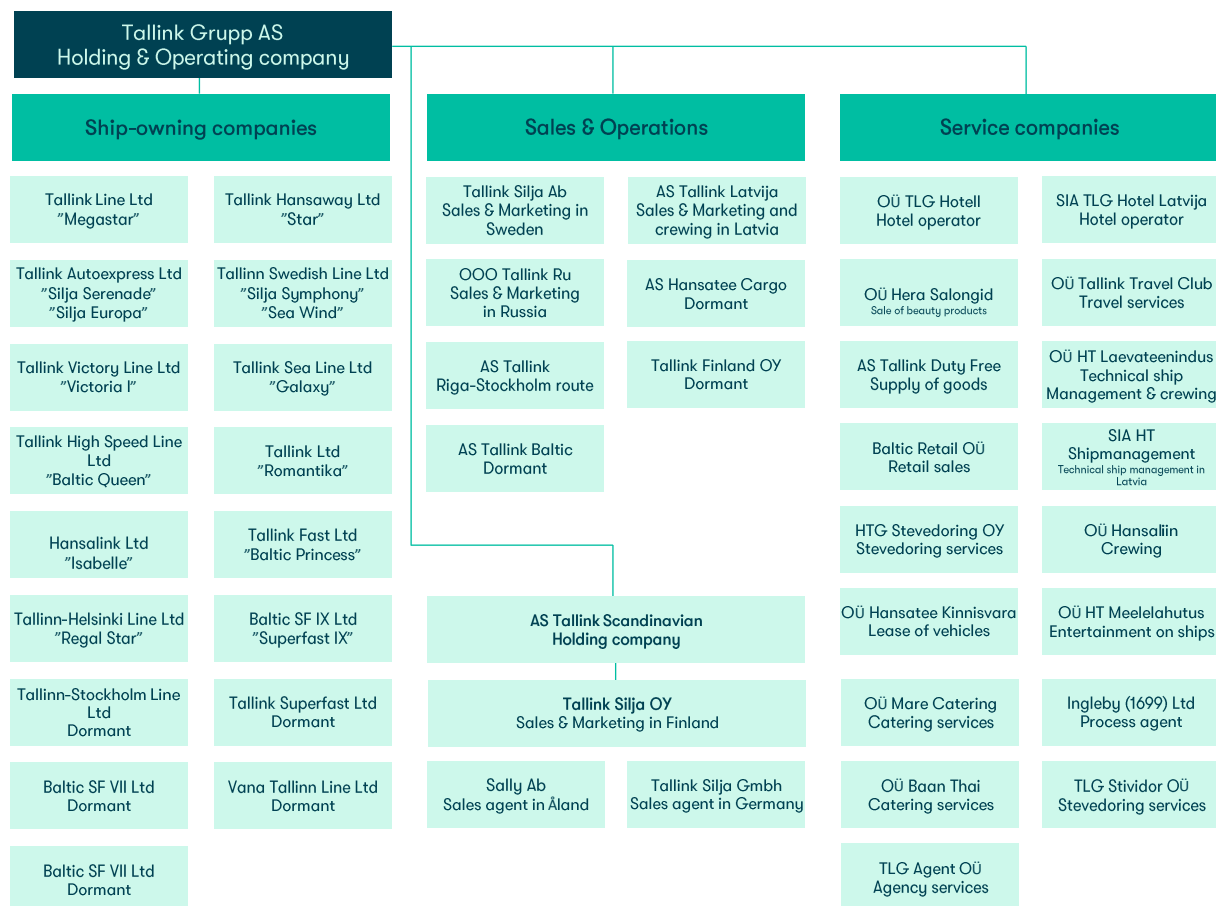
Passenger vehicles	Q2 2018	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change
Estonia - Finland	231 719	227 267	2.0%	405 829	396 173	2.4%
Finland - Sweden	42 548	43 384	-1.9%	60 767	65 147	-6.7%
Estonia - Sweden	17 989	18 993	-5.3%	32 485	32 908	-1.3%
Latvia - Sweden	19 084	20 029	-4.7%	34 629	32 890	5.3%
Total	311 340	309 673	0.5%	533 710	527 118	1.3%

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

- the Group carried approximately 57% 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

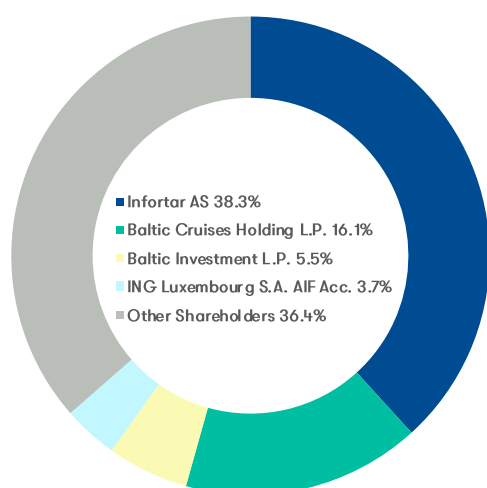
At 30 June 2018, the Group employed 7 893 employees (7 872 at 30 June 2017). The following table provides a more detailed overview of the Group's personnel.

	Average of Q2			Average of Jan-Jun			End of Q2		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
Onshore total	1 690	1 637	3.2%	1 661	1 624	2.3%	1 709	1 665	2.6%
Estonia	928	866	7.2%	919	868	5.9%	931	868	7.3%
Finland	502	519	-3.3%	485	499	-2.8%	519	544	-4.6%
Sweden	168	163	3.1%	167	168	-0.6%	165	164	0.6%
Latvia	74	71	4.2%	72	71	1.4%	76	72	5.6%
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	5 279	5 296	-0.3%	5 146	5 160	-0.3%	5 486	5 514	-0.5%
Hotel ¹	642	649	-1.1%	622	601	3.5%	698	693	0.7%
Total	7 611	7 582	0.4%	7 429	7 385	0.6%	7 893	7 872	0.3%

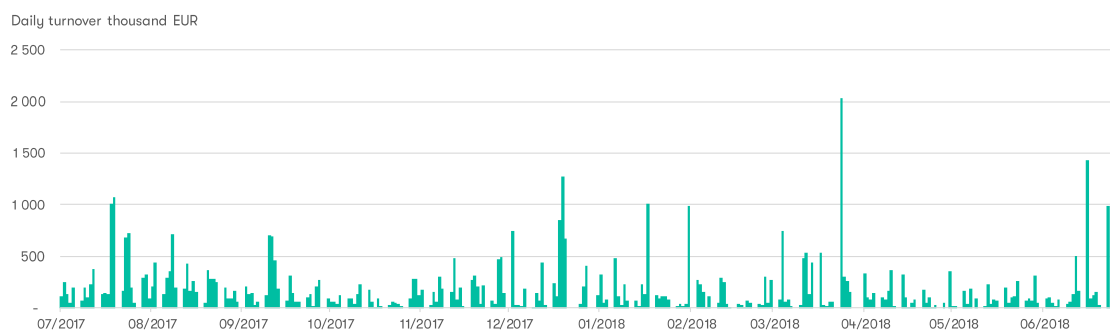
¹ The number of hotel personnel is not included in the total number of onshore personnel.

Shareholders & share price development

The following chart displays the shareholder structure of Tallink Grupp AS as at 30 June 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 1.06 per share. The following charts give an overview of the share price development in the past twelve months.



Events in Q2

Preparations for secondary listing of shares on the Nasdaq Helsinki stock exchange

In May 2018 the Supervisory Board has resolved to approve the secondary listing of Tallink Grupp AS shares on Nasdaq Helsinki stock exchange and has given the Management Board the task to initiate the relevant preparations. Tallink Grupp AS shares will continue to be listed also on Nasdaq Tallinn stock exchange.

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 (third quarter). The income tax on dividends in amount of EUR 3.6 million was recorded in the second quarter costs.

Change in dividend policy

Since the year 2016, the Management Board's long-term goal has been to distribute at least 50% of net profit as dividends or capital repayments, taking into account the Group's financial position. The management has estimated that in the coming years the distribution per share will be at least EUR 0.02.

In May 2018, the Management Board of Tallink Grupp AS decided to raise the minimum dividend rate by 50% to EUR 0.03 per share. The management board of Tallink Grupp AS states that the company is working to ensure that Tallink Grupp AS is a stable dividend payer and that the dividend paid to investors will increase over time.

Preparations for new ship order

At the Annual General Meeting of Shareholders, the Chairman of the Supervisory Board, Enn Pant, informed the shareholders that the company is undertaking preparations for ordering a new ship similar to the LNG powered Shuttle ferry Megastar. A further decision is to be made with regards to the ship order.

Events after the reporting period and outlook

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 will be drawn in October 2018 and proceeds are 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.

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 second quarter and first 6 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, 2018-08-09

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income

Unaudited, in thousands of EUR	Q2 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017
Revenue (Note 3)	255 409	259 858	439 564	451 406
Cost of sales	-198 356	-200 579	-368 804	-377 257
Gross profit	57 053	59 279	70 760	74 149
Sales and marketing expenses	-20 329	-19 334	-36 642	-37 114
Administrative expenses	-13 805	-12 844	-26 533	-25 454
Other operating income	954	213	1 067	336
Other operating expenses	-54	-9	-81	-144
Result from operating activities	23 819	27 305	8 571	11 773
Finance income (Note 4)	2 880	5 417	5 958	7 908
Finance costs (Note 4)	-7 844	-10 696	-15 217	-17 969
Profit/loss before income tax	18 855	22 026	-688	1 712
Income tax	-3 576	-4 112	-3 599	-4 126
Net profit/loss for the period	15 279	17 914	-4 287	-2 414
Other comprehensive income	1	0	412	0
Exchange differences on translating foreign operations	461	629	393	18
Other comprehensive income for the period	462	629	805	18
Total comprehensive income/expense for the period	15 741	18 543	-3 482	-2 396
Earnings per share (in EUR per share, Note 5)	0.023	0.027	-0.006	-0.004

Consolidated statement of financial position

Unaudited, in thousands of EUR	30.06.2018	31.12.2017
ASSETS		
Cash and cash equivalents	90 402	88 911
Trade and other receivables	56 052	46 466
Prepayments	14 367	5 395
Prepaid income tax	49	40
Inventories	40 953	40 675
Current assets	201 823	181 487
Investments in equity-accounted investees	403	403
Other financial assets	324	344
Deferred income tax assets	18 718	18 722
Investment property	300	300
Property, plant and equipment (Note 7)	1 285 775	1 308 441
Intangible assets (Note 8)	47 199	48 900
Non-current assets	1 352 719	1 377 110
TOTAL ASSETS	1 554 542	1 558 597
LIABILITIES AND EQUITY		
Interest-bearing loans and borrowings (Note 9)	163 235	159 938
Trade and other payables (Note 13)	107 003	95 548
Derivatives (Note 6)	28 441	29 710
Payables to owners	20 099	3
Income tax liability	3 562	34
Deferred income	45 284	31 429
Current liabilities	367 624	316 662
Interest-bearing loans and borrowings (Note 9)	374 201	400 968
Derivatives (Note 6)	0	4 688
Other liabilities	16	0
Non-current liabilities	374 217	405 656
Total liabilities	741 841	722 318
Share capital (Note 10)	361 736	361 736
Share premium	639	639
Reserves	70 641	68 946
Retained earnings	379 685	404 958
Equity attributable to equity holders of the Parent	812 701	836 279
Total equity	812 701	836 279
TOTAL LIABILITIES AND EQUITY	1 554 542	1 558 597

Consolidated statement of cash flows

Unaudited, in thousands of EUR	Jan-Jun 2018	Jan-Jun 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	-4 287	-2 414
Adjustments	52 543	56 637
Changes in:		
Receivables and prepayments related to operating activities	-18 538	-18 542
Inventories	-278	-12 904
Liabilities related to operating activities	25 420	18 511
Changes in assets and liabilities	6 604	-12 935
Cash generated from operating activities	54 860	41 288
Income tax paid	-71	40
NET CASH FROM OPERATING ACTIVITIES	54 789	41 328
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, equipment and intangible assets (Notes 7, 8, 9)	-14 649	-209 411
Proceeds from disposals of property, plant, equipment	42	189
Interest received	1	1
NET CASH USED IN INVESTING ACTIVITIES	-14 606	-209 221
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans received (Note 9)	0	184 000
Repayment of loans received (Note 9)	-27 334	-26 050
Change in overdraft (Note 9)	0	24 682
Payments for settlement of derivatives	-1 746	-1 819
Payment of finance lease liabilities (Note 9)	-52	-52
Interest paid	-9 560	-9 466
Payment of transaction costs related to loans	0	-216
NET CASH USED IN/FROM FINANCING ACTIVITIES	-38 692	171 079
TOTAL NET CASH FLOW	1 491	3 186
Cash and cash equivalents at the beginning of period	88 911	78 773
Increase in cash and cash equivalents	1 491	3 186
Cash and cash equivalents at the end of period	90 402	81 959

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 loss for the period (Note 5)	0	0	0	0	0	-4 287	-4 287	-4 287
Other comprehensive income	0	0	393	0	0	412	805	805
Total comprehensive expense for the period	0	0	393	0	0	-3 875	-3 482	-3 482
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	-1 023	0	1 023	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	-1 023	2 325	-21 398	-20 096	-20 096
As at 30 June 2018	361 736	639	395	42 576	27 670	379 685	812 701	812 701
As at 31 December 2016	361 736	639	-11	45 646	23 139	378 717	809 866	809 866
Net loss for the period (Note 5)	0	0	0	0	0	-2 414	-2 414	-2 414
Total other comprehensive income	0	0	18	0	0	0	18	18
Total comprehensive expense for the period	0	0	18	0	0	-2 414	-2 396	-2 396
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 June 2017	361 736	639	7	45 646	25 345	354 001	787 374	787 374

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 second quarter of 2018 and for the first 6 months were authorised for issue by the Management Board on 9 August 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 June 2018, the Group employed 7 893 people (7 872 as at 30 June 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 June, 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	168 496	56 015	31 325	151 326	32 402	0	439 564
Intersegment sales	0	0	0	0	4 083	-4 083	0
Revenue	168 496	56 015	31 325	151 326	36 485	-4 083	439 564
Segment result	29 665	710	-5 042	1 695	7 090	0	34 118
Unallocated expenses							-25 547
Net financial items (Note 4)							-9 259
Loss before income tax							-688

For the period 1 January - 30 June, 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	168 488	53 882	27 982	158 015	43 039	0	451 406
Intersegment sales	0	0	0	0	4 781	-4 781	0
Revenue	168 488	53 882	27 982	158 015	47 820	-4 781	451 406
Segment result	27 857	2 116	-5 320	3 405	8 977	0	37 035
Unallocated expenses							-25 262
Net financial items (Note 4)							-10 061
Profit before income tax							1 712

Revenue by service

In thousands of EUR	Jan-Jun 2018	Jan-Jun 2017
Restaurant and shop sales on-board and onshore	246 035	253 452
Ticket sales	104 524	107 273
Sales of cargo transport	61 993	57 953
Sales of accommodation	8 649	9 136
Income from charter of vessels	3 982	9 593
Other	14 382	13 999
Total revenue of the Group	439 564	451 406

Note 4 Financial items

In thousands of EUR	Jan-Jun 2018	Jan-Jun 2017
Net foreign exchange gain	0	5 101
Income on foreign exchange derivatives	3 966	0
Interest income on financial assets not measured at fair value through profit or loss	0	1
Income on interest rate swaps	1 991	2 806
Income from other financial assets	1	0
Total finance income	5 958	7 908
Net foreign exchange loss	-3 374	0
Expenses on foreign exchange derivatives	0	-4 196
Interest expense on financial liabilities measured at amortised cost	-10 097	-11 954
Expenses on interest rate swaps	-1 746	-1 819
Total finance costs	-15 217	-17 969
Net finance costs	-9 259	-10 061

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	Q2 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 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	Q2 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017
Weighted average number of ordinary shares outstanding (in thousands)	669 882	669 882	669 882	669 882
Net profit/loss attributable to equity holders of the Parent	15 279	17 914	-4 287	-2 414
EPS (EUR per share)	0.023	0.027	-0.006	-0.004

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 June 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 June 2018, the fair value of the interest rate derivatives was EUR -2 697 thousand and the fair value of the cross-currency derivatives was EUR -25 744 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	8 071	7 250	13 689
Reclassification	792	6 771	1 321	-8 884	0
Disposals	0	0	-90	0	-90
Depreciation for the period	-266	-31 054	-4 945	0	-36 265
Book value as at 30 June 2018	2 834	1 242 689	37 315	2 937	1 285 775
As at 30 June 2018					
Gross carrying amount	8 421	1 633 018	66 773	2 937	1 711 149
Accumulated depreciation	-5 587	-390 329	-29 458	0	-425 374
Book value as at 31 December 2016	2 525	1 230 437	23 063	48 872	1 304 897
Additions	0	189 233	11 443	5 676	206 352
Reclassification	0	46 341	0	-46 341	0
Disposals	0	0	-231	0	-231
Depreciation for the period	-265	-35 212	-3 829	0	-39 306
Book value as at 30 June 2017	2 260	1 430 799	30 446	8 207	1 471 712
As at 30 June 2017					
Gross carrying amount	5 607	1 812 905	60 884	8 207	1 887 603
Accumulated depreciation	-3 347	-382 106	-30 438	0	-415 891

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	142	1 011	1 153
Reclassification	0	0	3 417	-3 417	0
Amortisation for the period	0	-1 458	-1 396	0	-2 854
Book value as at 30 June 2018	11 066	23 296	11 329	1 508	47 199
As at 30 June 2018					
Cost	11 066	58 288	29 737	1 508	100 599
Accumulated amortisation	0	-34 992	-18 408	0	-53 400
Book value as at 31 December 2016	11 066	27 670	9 358	2 033	50 127
Additions	0	0	544	2 594	3 138
Amortisation for the period	0	-1 458	-1 571	0	-3 029
Book value as at 30 June 2017	11 066	26 212	8 331	4 627	50 236
As at 30 June 2017					
Cost	11 066	58 288	30 901	4 627	104 882
Accumulated amortisation	0	-32 076	-22 570	0	-54 646

Note 9 Interest-bearing loans and borrowings

In thousands of EUR	31/12/2017	Addition	Repayments	Exchange differences	Other changes ¹	30/06/2018
Finance leases	287	193	-52	-18	-77	333
Unsecured bonds	91 288	0	0	3 157	111	94 556
Overdrafts	0	0	0	0	0	0
Long-term bank loans	469 331	0	-27 334	0	550	442 547
Total borrowings	560 906	193	-27 386	3 139	584	537 436
Current portion	159 938					163 235
Non-current portion	400 968					374 201
Total borrowings	560 906					537 436

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 209 847 thousand granted to its ship-owning subsidiaries. Ship-owning subsidiaries have given guarantees to Nordea Bank Finland Plc for a loan of EUR 232 700 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

Since the year 2016, the Management Board's long-term goal has been to distribute at least 50% of net profit as dividends or capital repayments, taking into account the Group's financial position. The management has estimated that in the coming years the distribution per share will be at least EUR 0.02. 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.

In May 2018, the Management Board of Tallink Grupp AS decided to raise the minimum dividend rate by 50% to EUR 0.03 per share. The management board of Tallink Grupp AS states that the company is working to ensure that Tallink Grupp AS is a stable dividend payer and that the dividend paid to investors will increase over time.

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 June 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	646	12 647	45	1 358
Associated companies	1	112	1	22
Total	647	12 759	46	1 380

For the period ended 30 June 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	134	11 703	25	876
Associated companies	0	72	0	11
Total	134	11 775	25	887

STATEMENT BY THE MANAGEMENT BOARD

Hereby we acknowledge our responsibility for the Tallink Grupp AS Unaudited Condensed Consolidated Interim Financial Statements for the second quarter and first 6 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, 2018-08-09

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