

# Q4 2018

## TALLINK GRUPP AS





Beginning of the financial year	1 January 2018
End of the financial year	31 December 2018
Interim reporting period	1 October 2018 – 31 December 2018

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## MANAGEMENT REPORT

In the 2018 financial year (1 January – 31 December), Tallink Grupp AS and its subsidiaries (the Group) carried a record number, a total of 9 756 611 passengers, which is 891 passengers more compared to the 2017 financial year. The number of cargo units transported increased by 5.7% compared to the previous financial year. The Group's unaudited consolidated revenue amounted to EUR 949.7 million (EUR 967.0 million, 2017). Unaudited EBITDA was EUR 142.8 million (EUR 158.3 million, 2017) and unaudited net profit for the financial year was EUR 40.0 million or EUR 0.06 per share (EUR 46.5 million or EUR 0.07 per share, 2017).

In the 2018 financial year, 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 number of cargo units transported on the Group's ships increased in all geographical segments.
- The maintenance and repair of the cruise ferry Baltic Princess in the first quarter affected the Finland-Sweden segment's carriage volumes and financial result.
- Charter revenue decreased compared to the same period last year as fewer ships are chartered out.
- Higher fuel cost due to increase in bunker prices.

### Sales and segments

In 2018, the Group's total revenue decreased by EUR 17.3 million and amounted to EUR 949.7 million.

- The total revenue from the route operations (core business) increased by EUR 0.7 million to EUR 883.7 million, despite the EUR 7.4 million decrease of the Finland-Sweden segment revenue mainly from cruise ferry Baltic Princess 68 days maintenance.
- The revenue from the other segment decreased by total of EUR 19.4 million and amounted to EUR 74.8 million. The largest decrease in the other segment was from charter revenue in amount of EUR 10.8 million, as fewer ships are chartered out. There was also lower revenue from shops on land (in Tallinn Old Harbour area) as the price level of products sold in land shops in Estonia is less competitive after excise increases over recent years. In addition, there is lower revenue from hotels, Tallink Pirita Spa Hotel in Tallinn ceased operations from November 2018 due to sale of the hotel property by its owner.

Number of passengers  
travelled with the  
Group's ships in 2018

**9.8** million  
passengers

The Group's unaudited  
consolidated 2018  
revenue

**EUR 949.7**  
million



The positive development of the cargo business continued in 2018 financial year, the transported cargo volumes increased in total by 5.7%, the cargo revenues increased by 6.1% or EUR 7.1 million and amounted to EUR 124.9 million in 2018. The growth was driven by the increase of number of transported cargo units in all geographical segments following positive economic developments in the Group's main markets.

In 2018, The Group's ships carried a total of 5.1 million passengers on the Estonia – Finland routes, which is 0.3% increase compared to last year and the number of transported cargo units on the routes increased by 5.4%. On the Tallinn – Helsinki route there was increased competition from added capacity by competitors, which put pressure on ticket prices. The new Shuttle vessel Megastar improved the efficiency of the Shuttle operations and the Group was able to increase the segment result in continuously challenging competitive environment. The segment revenue increased by EUR 1.5 million and amounted to EUR 356.0 million, the segment result increased by EUR 2.4 million and amounted to EUR 80.3 million.

The Finland-Sweden routes' revenue decreased by EUR 7.4 million and amounted to EUR 337.5 million, the segment's result decreased by EUR 2.3 million, compared to the previous year and amounted to EUR 16.2 million. The maintenance and repair of the cruise ferry Baltic Princess in the first quarter (lasted for 68 days) affected the Finland-Sweden segment's carriage volumes and financial result, the segment's result was also impacted by the higher fuel cost due to increase in bunker prices.

The Estonia-Sweden routes' revenue increased by EUR 1.7 million, compared to the previous year. Growth was supported by a 0.4% higher passenger number and by a 10.9% increase in the number of transported cargo units. The segment's result decreased compared to the previous year due to higher fuel cost from increase in bunker prices.

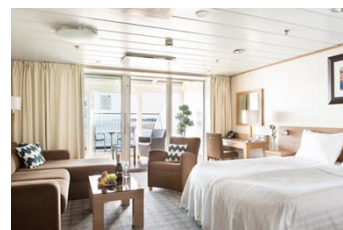
The Latvia-Sweden route's revenue increased by EUR 4.8 million, compared to the previous year. Growth was supported by a 7.0% higher passenger number and by a 24.5% increase in the number of transported cargo units. The positive development of the route's carriage volumes and revenue continued in 2018 financial year, however due to higher fuel cost from increase in bunker prices, the segment result improved EUR 0.2 million and amounted to EUR -1.0 million.

The Group's gross profit  
for the 2018

EUR **183.8**  
million

The Group's EBITDA  
for the 2018

EUR **142.8**  
million



## Earnings

In 2018, the Group's EBITDA decreased by EUR 15.5 million and amounted to EUR 142.8 million. The Group's profitability was impacted mainly by the following factors:

- Total EUR 16.6 million higher fuel cost due to the increase in bunker prices. At the same time, the Group achieved savings on total fuel consumption, through various energy efficiency initiatives the ships average fuel consumption per nautical mile has decreased by 3.2% in 2018 financial year.
- Negative impact to EBITDA from decrease of charter revenue, as fewer ships are chartered out compared to the same period last year.
- Negative impact to EBITDA from decrease of revenue from shops on land (in port area) as the price level of products sold on land shops is less competitive after excise increases over recent years in Estonia.
- Impact to EBITDA from nonrecurring costs and proceeds in 2018 are as follows:
  - Costs EUR 1.5 million related to the listing of shares in Nasdaq Helsinki stock exchange.
  - Cost EUR 0.9 million accrued according to the old fuel tank rental agreement termination.
  - Other proceeds EUR 1.0 million received from the compensation agreement with former Superfast vessels owner.

Net finance costs decreased by EUR 2.3 million compared to the previous year mainly from EUR 3.9 million lower interest expenses. Total gains from exchange rate differences and the revaluation of cross currency and interest rate derivatives decreased by EUR 1.6 million.

The Group's unaudited net profit for the financial year 2018 was EUR 40.0 million or EUR 0.06 per share compared to a net profit of EUR 46.5 million or EUR 0.07 per share last year.

## Investments

In the 2018 financial year the Group's investments amounted to EUR 36.4 million. A number of investments were made to upgrade the ships restaurants, shops and other public areas. On cruise ferry Silja Serenade there was restaurant Bon Vivant renewed, nightclub Starlight, restaurant Grill House and Sea Pub built. On cruise ferry Baltic Queen there was Grande Buffet renewed, new Fastlane restaurant and new Silja Land built. On cruise ferry Silja Europa there was Theatre Europa with 528 seats fully renewed.

Investments were also made to ship's technical maintenance to keep the ships in good technical working condition and innovative energy efficiency solutions like upgrade of HVAC systems, fuel monitoring systems, preparations for high voltage shore power connections and hybrid battery solutions.

Investments were made also to the development of the 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 the net profit for 2017. The announced dividends in the total amount of EUR 20.1 million were paid out on 5 July 2018.

To the shareholders' annual general meeting in 2019 the management board will propose a dividend of EUR 0.05 per share from the financial year 2018 net profit. In addition, 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 shareholders' annual general meeting to reduce the company's share capital by 7 cents per share.

## Results of the Q4 of 2018

In the fourth quarter (1 October – 31 December) of 2018, the Group's revenue decreased by EUR 6.3 million compared to same period last year and amounted to EUR 226.6 million. The decrease was driven by 3.0% lower passenger number in the fourth quarter, decrease in hotel revenues and chartering revenues.

The fourth quarter EBITDA decreased by EUR 4.9 million to EUR 24.0 million and net result for the period was EUR -1.8 million. The lower profitability resulted from decrease in revenue and nonrecurring cost recorded in fourth quarter from the cost accrual related to termination of fuel tank rental agreement and costs related to the listing of Group's shares in Nasdaq Helsinki stock exchange.

## Financial position

In the fourth quarter, the Group's net debt increased by EUR 5.7 million to EUR 428.0 million (EUR 472.0 million at 31 December 2017) and the net debt to EBITDA ratio was 3.0 at the reporting date (3.0 at 31 December 2017).

At the end of the fourth quarter, total liquidity (cash, cash equivalents and unused credit facilities) amounted to EUR 157.2 million (EUR 163.9 million at 31 December 2017) providing a strong financial position for sustainable operations.

The Group had EUR 82.2 million (EUR 88.9 million at 31 December 2017) in cash and cash equivalents and EUR 75.0 million (EUR 75.0 million at 31 December 2017) in unused credit lines.

The Group's investments  
in 2018 amounted to

**EUR 36.4**  
million

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

**EUR 20.1**  
million



## Key figures

For the period	Q4 2018	Q4 2017	Change %
Revenue (million euros)	226.6	232.9	-2.7%
Gross profit (million euros)	34.6	38.5	-10.1%
EBITDA <sup>1</sup> (million euros)	24.0	28.8	-16.8%
EBIT <sup>1</sup> (million euros)	3.7	7.0	-47.7%
Net profit for the period (million euros)	-1.8	1.1	-264.6%
Depreciation and amortisation (million euros)	20.3	21.8	-6.9%
Capital expenditures <sup>1</sup> (million euros)	16.0	7.2	
Weighted average number of ordinary shares outstanding	669 791 219	669 882 040	0.0%
Earnings per share <sup>1</sup>	-0.003	0.002	-264.6%
Number of passengers <sup>1</sup>	2 247 226	2 316 144	-3.0%
Number of cargo units <sup>1</sup>	98 286	97 345	1.0%
Average number of employees <sup>1</sup>	7 228	7 287	-0.8%
As at	31/12/2018	30/09/2018	Change %
Total assets (million euros)	1 500.9	1 534.8	-2.2%
Total liabilities (million euros)	644.0	676.1	-4.7%
Interest-bearing liabilities (million euros)	510.1	515.2	-1.0%
Net debt <sup>1</sup> (million euros)	428.0	422.3	1.4%
Net debt to EBITDA <sup>1</sup>	3.00	2.86	4.8%
Total equity (million euros)	856.9	858.7	-0.2%
Equity ratio <sup>1</sup> (%)	57.1%	55.9%	
Number of ordinary shares outstanding	669 865 540	669 882 040	0.0%
Equity per share <sup>1</sup>	1.28	1.28	-0.2%
Ratios	Q4 2018	Q4 2017	
Gross margin <sup>1</sup> (%)	15.3%	16.5%	
EBITDA margin <sup>1</sup> (%)	10.6%	12.4%	
EBIT margin <sup>1</sup> (%)	1.6%	3.0%	
Net profit margin <sup>1</sup> (%)	-0.8%	0.5%	
ROA <sup>1</sup> (%)	4.1%	4.3%	
ROE <sup>1</sup> (%)	4.8%	5.7%	
ROCE <sup>1</sup> (%)	5.2%	5.3%	

<sup>1</sup> 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.

		Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q4 Change
Estonia - Finland	Passengers (thousands)	1 217	1 025	1 379	1 503	1 173	-3.6%
	Cargo units (thousands)	62	58	65	61	62	-0.1%
	Revenue (million euros)	89.1	72.3	96.2	100.8	86.6	-2.8%
	Segment result <sup>1</sup> (million euros)	21.2	8.6	21.0	31.3	19.3	-9.0%
Finland - Sweden	Passengers (thousands)	695	523	761	883	679	-2.3%
	Cargo units (thousands)	20	16	20	18	21	2.0%
	Revenue (million euros)	82.4	62.7	88.6	103.9	82.3	-0.1%
	Segment result <sup>1</sup> (million euros)	-2.9	-5.5	7.2	15.8	-1.3	54.3%
Estonia - Sweden	Passengers (thousands)	237	227	280	306	222	-6.2%
	Cargo units (thousands)	11	12	13	11	12	4.2%
	Revenue (million euros)	27.5	24.5	31.5	36.1	26.9	-2.2%
	Segment result <sup>1</sup> (million euros)	0.6	-1.8	2.5	6.3	-1.1	-277.5%
Latvia - Sweden	Passengers (thousands)	167	155	212	255	173	3.5%
	Cargo units (thousands)	4	4	4	4	4	3.3%
	Revenue (million euros)	15.3	13.1	18.2	23.8	16.2	6.1%
	Segment result <sup>1</sup> (million euros)	-0.3	-4.1	-0.9	4.4	-0.3	-11.3%
Other	Revenue (million euros)	20.8	13.1	23.3	22.0	16.4	-21.2%
	Segment result <sup>1</sup> (million euros)	2.6	0.2	6.9	4.7	1.4	-49.0%
	Intersegment revenue (million euros)	-2.2	-1.6	-2.5	-2.9	-1.8	17.2%
	Total revenue (million euros)	232.9	184.2	255.4	283.6	226.6	-2.7%
	EBITDA (million euros)	28.8	4.2	43.5	71.1	24.0	-16.8%
	Total segment result <sup>1</sup> (million euros)	21.4	-2.6	36.7	62.5	17.9	-16.1%
	Net profit/loss	1.1	-19.6	15.3	46.1	-1.8	-264.6%

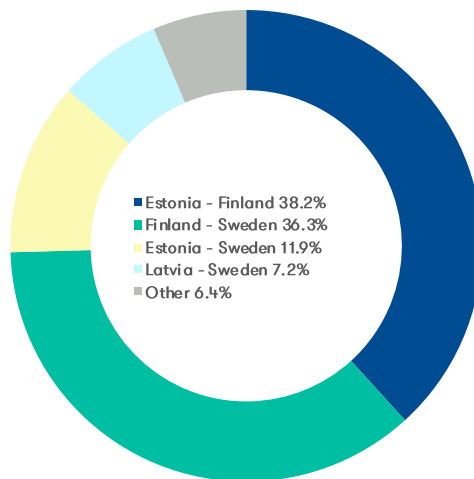
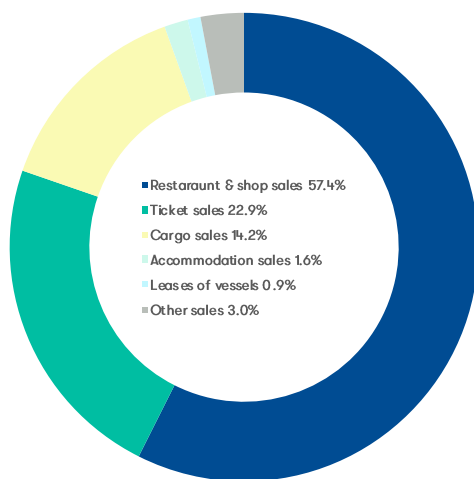
<sup>1</sup> Segment result is the result before administrative expenses, finance costs and taxes.



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

Revenue (million euros)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q4 Change
Restaurant and shop sales on-board and onshore	133.5	105.1	141.0	148.3	130.1	-2.6%
Ticket sales	51.7	40.2	64.3	87.5	51.8	0.3%
Sales of cargo transportation	30.9	29.2	32.8	30.7	32.2	4.3%
Accommodation sales	4.6	3.3	5.3	6.8	3.7	-19.0%
Income from charter of vessels	4.3	2.0	2.0	2.0	2.0	-53.3%
Other sales	7.9	4.4	10.0	8.3	6.7	-14.7%
Total revenue	232.9	184.2	255.4	283.6	226.6	-2.7%

The following charts provide an overview of the Group's fourth 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 fourth quarter and 12 months of 2018 and 2017.

Passengers	Q4 2018	Q4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Estonia - Finland	1 173 165	1 217 468	-3.6%	5 079 861	5 062 635	0.3%
Finland - Sweden	679 136	694 884	-2.3%	2 845 616	2 918 850	-2.5%
Estonia - Sweden	221 979	236 739	-6.2%	1 035 093	1 030 490	0.4%
Latvia - Sweden	172 946	167 053	3.5%	796 041	743 745	7.0%
Total	2 247 226	2 316 144	-3.0%	9 756 611	9 755 720	0.0%

Cargo units	Q4 2018	Q4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Estonia - Finland	61 585	61 674	-0.1%	245 867	233 381	5.4%
Finland - Sweden	20 510	20 098	2.0%	74 654	74 409	0.3%
Estonia - Sweden	11 941	11 457	4.2%	48 427	43 648	10.9%
Latvia - Sweden	4 250	4 116	3.3%	16 010	12 858	24.5%
Total	98 286	97 345	1.0%	384 958	364 296	5.7%

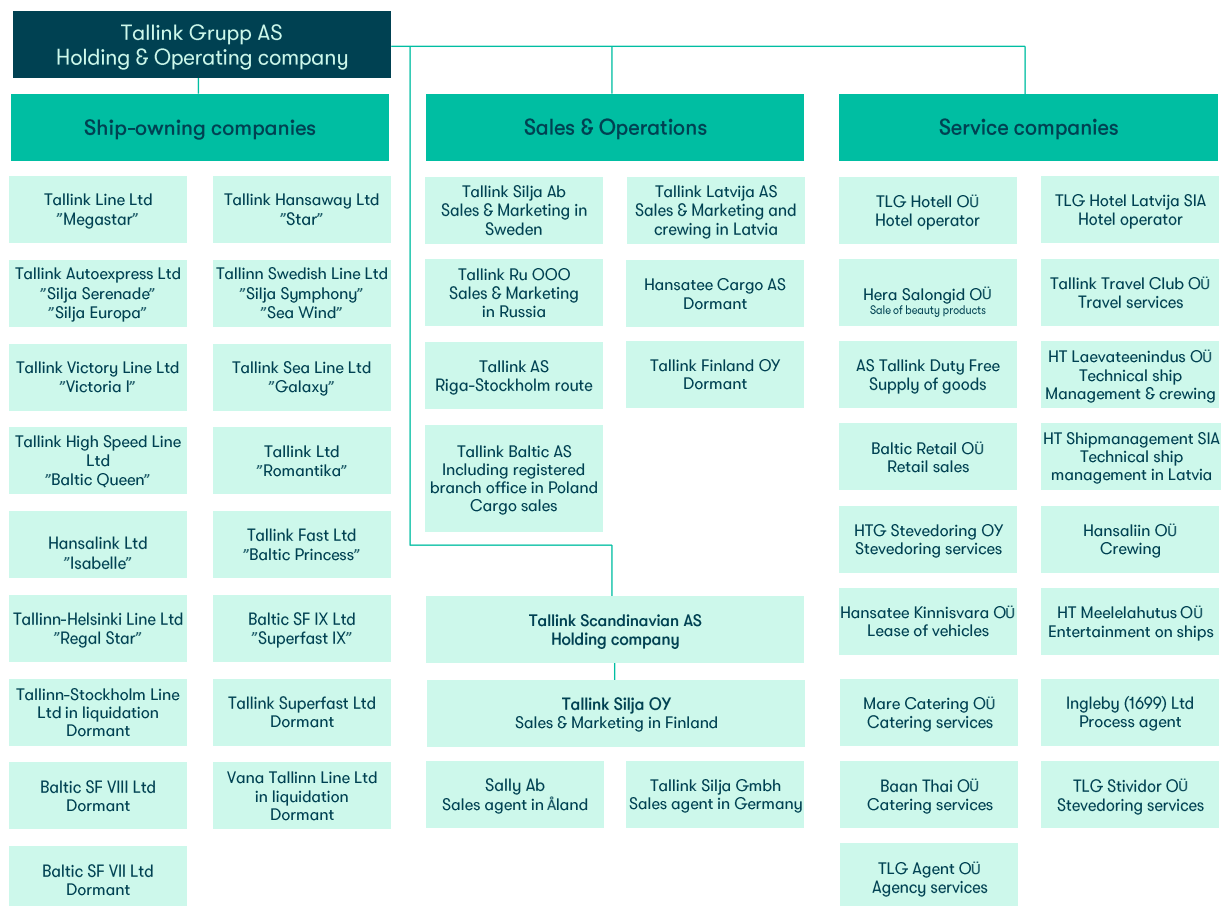
Passenger vehicles	Q4 2018	Q4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Estonia - Finland	185 096	195 931	-5.5%	827 998	827 576	0.1%
Finland - Sweden	25 586	26 980	-5.2%	155 907	161 909	-3.7%
Estonia - Sweden	13 307	14 909	-10.7%	69 072	72 239	-4.4%
Latvia - Sweden	14 687	16 076	-8.6%	71 716	72 599	-1.2%
Total	238 676	253 896	-6.0%	1 124 693	1 134 323	-0.8%

The Group's market shares on the routes operated during the 12-month period ended 31 December 2018 were as follows:

- the Group carried approximately 57% of the passengers and 64% 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

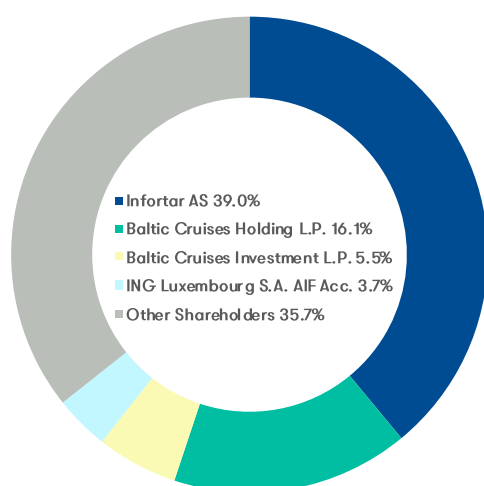
At 31 December 2018, the Group employed 7 242 employees (7 311 at 31 December 2017). The following table provides a more detailed overview of the Group's personnel.

	Average of Q4			Average of Jan-Dec			End of Q4		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
Onshore total	1 629	1 594	2.2%	1 658	1 627	1.9%	1 630	1 602	1.7%
Estonia	920	870	5.7%	921	876	5.1%	934	869	7.5%
Finland	455	475	-4.2%	481	498	-3.4%	444	472	-5.9%
Sweden	165	160	3.1%	166	164	1.2%	165	173	-4.6%
Latvia	71	72	-1.4%	72	71	1.4%	69	71	-2.8%
Russia	12	11	9.1%	12	12	0.0%	12	11	9.1%
Germany	6	6	0.0%	6	6	0.0%	6	6	0.0%
On-board	5 059	5 074	-0.3%	5 163	5 175	-0.2%	5 108	5 093	0.3%
Hotel <sup>1</sup>	540	619	-12.8%	609	604	0.8%	504	616	-18.2%
Total	7 228	7 287	-0.8%	7 430	7 406	0.3%	7 242	7 311	-0.9%

<sup>1</sup> 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 31 December 2018.



The shares of Tallink Grupp AS have been listed on the Nasdaq Tallinn stock exchange since 9 December 2005, where the shares are traded under the ticker symbol TAL1T. Starting from 3 December 2018, the shares of Tallink Grupp AS are listed as Finnish Depository Receipts (FDRs) also on Nasdaq Helsinki stock exchange, where the FDRs are traded under the ticker symbol TALLINK. At the reporting date the closing share price on Nasdaq Baltic was EUR 1.015 and the closing price of the FDR on Nasdaq Helsinki was EUR 1.04. The following charts give an overview of the share and FDR price and turnover developments in the past twelve months.



## Events in Q4

### 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

On 15 November 2018, the Group's subsidiary OÜ TLG Hotell ceased to operate the Pirita Spa Hotel due to the sale of the property by the Group's major shareholder Infortar AS. The transaction has no significant impact on the consolidated financial results of Tallink Grupp AS.

### Preparations for new ship order

In October 2018, Tallink Grupp AS 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.

### Capital reduction and dividend policy

In October 2018, 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 2018, 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.

### Secondary listing on Nasdaq Helsinki stock exchange

On 23 November 2018 Nasdaq Helsinki approved the listing application of Tallink Grupp AS and trading in the Finnish share depositary receipts "FDRs" of the Tallink Grupp AS on Nasdaq Helsinki commenced on 3 December 2018.

## Events after the reporting period and outlook

### Changes in the Management Board

On 4 February 2019, it was announced that the Tallink Grupp AS Supervisory Board has appointed Mrs Kadri Land and Mr Harri Hanschmidt as Members of the Management Board and has recalled from the Management Board Mr Janek Stalmeister following his resignation. The mandate of Mr Janek Stalmeister ended on 2 February 2019. The mandate of Mrs Kadri Land and Mr Harri Hanschmidt started on 4 February 2019 and lasts for a period of three years.

On 22 February 2019, it was announced that the Supervisory Board has appointed Mrs Piret Mürk-Dubout as a Member of the Management Board and has recalled from the Management Board Mr Andres Hunt following his resignation. The mandate of Mr Andres Hunt ended on 26 February 2019, the mandate of Mrs Mürk-Dubout begins on 15 April 2019 and lasts for a period of three years.

From 15 April, the Management Board of Tallink Grupp will operate with five members under the leadership of Mr Paavo Nõgene and will include Mr Lembit Kitter, Mrs Kadri Land, Mr Harri Hanschmidt and Mrs Piret Mürk-Dubout.



## Fuel price risk management

In December 2018, it was agreed with the main fuel supplier to fix the price of approximately 40% of the total fuel purchasing volume for the period from February to December 2019.

## Ship dockings

The modernisation of the Group's fleet continues in 2019 and in the first half there are planned dockings of seven vessels: Regal Star, Baltic Queen, Star, Silja Symphony, Galaxy, Victoria I and Isabelle.

The investments will be made to ship's technical maintenance, upgrades to public areas and number of energy efficiency projects: electrical high voltage shore connections, HVAC systems, heat recovery systems and battery packs for hybrid solution. The planned service breaks of seven vessels will total to 126 days in 2019.

## 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.

We are looking for innovative ways to upgrade our ships and passenger area technology to improve the overall performance of our company through modern solutions. A collaboration with the Tallinn University of Technology (TalTech) was started to develop so-called „Smart Car Deck“ solutions for the Group's vessels over the next two years.

## 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

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We confirm that to the best of our knowledge, the management report of Tallink Grupp AS for the fourth quarter and 12 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



**Lembit Kitter**  
Member of the Management Board



**Kadri Land**  
Member of the Management Board



**Harri Hanschmidt**  
Member of the Management Board



Tallinn, 2019-02-28

# UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## Consolidated statement of profit or loss and other comprehensive income

Unaudited, in thousands of EUR	Q4 2018	Q4 2017	Jan-Dec 2018	Jan-Dec 2017
Revenue (Note 3)	226 550	232 856	949 723	966 977
Cost of sales	-191 928	-194 346	-765 892	-772 372
Gross profit	34 622	38 510	183 831	194 605
Sales and marketing expenses	-16 714	-17 157	-69 315	-71 339
Administrative expenses	-16 371	-16 438	-55 495	-53 672
Other operating income	2 134	2 429	4 633	2 873
Other operating expenses	0	-327	-153	-509
Result from operating activities	3 671	7 017	63 501	71 958
Finance income (Note 4)	864	4 932	8 631	12 738
Finance costs (Note 4)	-5 376	-10 804	-27 552	-33 987
Share of profit of equity-accounted investees	4	40	4	40
Profit before income tax	-837	1 185	44 584	50 749
Income tax	-923	-115	-4 535	-4 253
Net profit for the period	-1 760	1 070	40 049	46 496
Other comprehensive income	0	0	411	0
Exchange differences on translating foreign operations	-35	35	267	13
Other comprehensive income/expense for the period	-35	35	678	13
Total comprehensive income for the period	-1 795	1 105	40 727	46 509
Earnings per share (in EUR per share, Note 5)	-0.003	0.002	0.060	0.069



## Consolidated statement of financial position

Unaudited, in thousands of EUR	31.12.2018	31.12.2017
<b>ASSETS</b>		
Cash and cash equivalents	82 175	88 911
Trade and other receivables	43 805	46 466
Prepayments	6 084	5 395
Prepaid income tax	46	40
Inventories	35 741	40 675
<b>Current assets</b>	<b>167 851</b>	<b>181 487</b>
Investments in equity-accounted investees	407	403
Other financial assets	320	344
Deferred income tax assets	17 934	18 722
Investment property	300	300
Property, plant and equipment (Note 7)	1 267 928	1 308 441
Intangible assets (Note 8)	46 164	48 900
<b>Non-current assets</b>	<b>1 333 053</b>	<b>1 377 110</b>
<b>TOTAL ASSETS</b>	<b>1 500 904</b>	<b>1 558 597</b>
<b>LIABILITIES AND EQUITY</b>		
Interest-bearing loans and borrowings (Note 9)	78 658	159 938
Trade and other payables	100 682	95 548
Derivatives (Note 6)	918	29 710
Payables to owners	2	3
Income tax liability	116	34
Deferred income	32 113	31 429
<b>Current liabilities</b>	<b>212 489</b>	<b>316 662</b>
Interest-bearing loans and borrowings (Note 9)	431 477	400 968
Derivatives (Note 6)	0	4 688
Other liabilities	22	0
<b>Non-current liabilities</b>	<b>431 499</b>	<b>405 656</b>
<b>Total liabilities</b>	<b>643 988</b>	<b>722 318</b>
Share capital (Note 10)	361 736	361 736
Share premium	662	639
Reserves	69 474	68 946
Retained earnings	425 044	404 958
<b>Equity attributable to equity holders of the Parent</b>	<b>856 916</b>	<b>836 279</b>
<b>Total equity</b>	<b>856 916</b>	<b>836 279</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 500 904</b>	<b>1 558 597</b>

## Consolidated statement of cash flows

Unaudited, in thousands of EUR	Jan-Dec 2018	Jan-Dec 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the period	40 049	46 496
Adjustments	103 169	110 492
Changes in:		
Receivables and prepayments related to operating activities	1 996	-6 707
Inventories	4 934	-1 956
Liabilities related to operating activities	6 723	-12 140
Changes in assets and liabilities	13 653	-20 803
Cash generated from operating activities	156 871	136 185
Income tax paid	-87	-7
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>156 784</b>	<b>136 178</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant, equipment and intangible assets (Notes 7, 8, 9)	-36 037	-219 207
Proceeds from disposals of property, plant, equipment	368	132 448
Interest received	7	1
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-35 662</b>	<b>-86 758</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans received (Note 9)	110 000	184 000
Repayment of loans received (Note 9)	-69 666	-134 321
Repayment of bonds (Note 9)	-120 303	0
Change in overdraft (Note 9)	0	-40 110
Payments for settlement of derivatives	-3 569	-3 592
Payment of finance lease liabilities (Note 9)	-108	-102
Interest paid	-19 440	-20 744
Payment of transaction costs related to loans	-1 113	-216
Dividends paid (Note 11)	-20 096	-20 096
Reduction of share capital	-1	-1
Income tax on dividends paid	-3 562	-4 100
<b>NET CASH USED IN/FROM FINANCING ACTIVITIES</b>	<b>-127 858</b>	<b>-39 282</b>
<b>TOTAL NET CASH FLOW</b>	<b>-6 736</b>	<b>10 138</b>
Cash and cash equivalents at the beginning of period	88 911	78 773
Increase in cash and cash equivalents	-6 736	10 138
Cash and cash equivalents at the end of period	82 175	88 911

## Consolidated statement of changes in equity

Unaudited, in thousands of EUR	Share capital	Share premium	Translation reserve	Ships re-valuation reserve	Mandatory legal reserve	Reserve for treasury shares	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	0	404 958	836 279	836 279
Net profit for the period (Note 5)	0	0	0	0	0	0	40 049	40 049	40 049
Other comprehensive income	0	0	267	0	0	0	411	678	678
Total comprehensive income for the period	0	0	267	0	0	0	40 460	40 727	40 727
Transactions with owners of the Company recognised directly in equity									
Transfer from profit for 2017	0	0	0	0	2 325	0	-2 325	0	0
Transfer from revaluation reserve	0	0	0	-2 047	0	0	2 047	0	0
Dividends (Note 11)	0	0	0	0	0	0	-20 096	-20 096	-20 096
Share-based payment transactions	0	23	0	0	0	-17	0	6	6
Transactions with owners of the Company, recognised directly in equity	0	23	0	-2 047	2 325	-17	-20 374	-20 090	-20 090
As at 31 December 2018	361 736	662	269	41 552	27 670	-17	425 044	856 916	856 916
As at 31 December 2016	361 736	639	-11	45 646	23 139	0	378 717	809 866	809 866
Net profit for the period (Note 5)	0	0	0	0	0	0	46 496	46 496	46 496
Total other comprehensive income	0	0	13	0	0	0	0	13	13
Total comprehensive income for the period	0	0	13	0	0	0	46 496	46 509	46 509
Transactions with owners of the Company recognised directly in equity									
Transfer from profit for 2016	0	0	0	0	2 206	0	-2 206	0	0
Transfer from revaluation reserve	0	0	0	-2 047	0	0	2 047	0	0
Dividends	0	0	0	0	0	0	-20 096	-20 096	-20 096
Transactions with owners of the Company, recognised directly in equity	0	0	0	-2 047	2 206	0	-20 255	-20 096	-20 096
As at 31 December 2017	361 736	639	2	43 599	25 345	0	404 958	836 279	836 279

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## 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 fourth quarter of 2018 and for the 12 months were authorised for issue by the Management Board on 28 February 2019.

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. Starting from 3 December 2018, the shares of Tallink Grupp AS are listed as FDRs (Finnish Depository Receipts) also on Nasdaq Helsinki Stock Exchange.

The principal activities of the Group are related to marine transportation in the Baltic Sea (passenger and cargo transportation). As at 31 December 2018, the Group employed 7 242 people (7 311 as at 31 December 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 - 31 December, in thousands of EUR	Estonia-Finland route	Estonia-Sweden route	Latvia-Sweden route	Finland-Sweden route	Other	Intersegment elimination	Total
<b>2018</b>							
Sales to external customers	355 995	118 991	71 291	337 471	65 975	0	949 723
Intersegment sales	0	0	0	0	8 857	-8 857	0
Revenue	355 995	118 991	71 291	337 471	74 832	-8 857	949 723
Segment result	80 317	5 844	-982	16 182	13 155	0	114 516
Unallocated expenses							-51 015
Net financial items (Note 4)							-18 921
Share of profit of equity-accounted investees							4
Profit before income tax							44 584

For the period 1 January - 31 December, in thousands of EUR	Estonia-Finland route	Estonia-Sweden route	Latvia-Sweden route	Finland-Sweden route	Other	Intersegment elimination	Total
<b>2017</b>							
Sales to external customers	354 497	117 246	66 453	344 833	83 948	0	966 977
Intersegment sales	0	0	0	0	10 237	-10 237	0
Revenue	354 497	117 246	66 453	344 833	94 185	-10 237	966 977
Segment result	77 877	10 578	-1 200	18 475	17 536	0	123 266
Unallocated expenses							-51 308
Net financial items (Note 4)							-21 249
Share of profit of equity-accounted investees							40
Profit before income tax							50 749

## Revenue by service

In thousands of EUR	Jan-Dec 2018	Jan-Dec 2017
Restaurant and shop sales on-board and onshore	524 416	536 742
Ticket sales	243 807	242 748
Sales of cargo transport	124 852	117 718
Sales of accommodation	19 183	20 810
Income from charter of vessels	8 030	18 802
Other	29 435	30 157
Total revenue of the Group	949 723	966 977

## Note 4 Financial items

In thousands of EUR	Jan-Dec 2018	Jan-Dec 2017
Net foreign exchange gain	0	8 126
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	3 770	4 611
Income from other financial assets	7	0
Total finance income	8 631	12 738
Net foreign exchange loss	-4 170	0
Expenses on foreign exchange derivatives	0	-3 592
Interest expense on financial liabilities measured at amortised cost	-19 813	-23 745
Expenses on interest rate swaps	-3 569	-6 650
Total finance costs	-27 552	-33 987
Net finance costs	-18 921	-21 249

## 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	Q4 2018	Q4 2017	Jan-Dec 2018	Jan-Dec 2017
Shares issued	669 882	669 882	669 882	669 882
Treasury shares	17	0	17	0
Shares outstanding	669 865	669 882	669 865	669 882

In thousands of EUR	Q4 2018	Q4 2017	Jan-Dec 2018	Jan-Dec 2017
Weighted average number of ordinary shares outstanding (in thousands)	669 791	669 882	669 859	669 882
Net profit attributable to equity holders of the Parent	-1 760	1 070	40 049	46 496
EPS (EUR per share)	-0.003	0.002	0.060	0.069

## 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 31 December 2018, Tallink Grupp AS had one interest rate derivative contract with a notional amount of EUR 100 000 thousand with maturity in 2019. As at 31 December 2018, the fair value of the interest rate derivative was EUR -918 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	15 534	19 282	33 184
Reclassification	792	10 715	5 695	-17 202	0
Disposals	0	0	-368	0	-368
Depreciation for the period	-776	-62 392	-10 161	0	-73 329
Book value as at 31 December 2018	2 324	1 215 295	43 658	6 651	1 267 928
As at 31 December 2018					
Gross carrying amount	8 226	1 629 933	76 999	6 651	1 721 809
Accumulated depreciation	-5 902	-414 638	-33 341	0	-453 881
Book value as at 31 December 2016	2 525	1 230 437	23 063	48 872	1 304 897
Additions	223	193 645	18 426	2 040	214 334
Reclassification	101	46 341	-101	-46 341	0
Disposals	0	-130 289	-277	0	-130 566
Depreciation for the period	-541	-71 530	-8 153	0	-80 224
Book value as at 31 December 2017	2 308	1 268 604	32 958	4 571	1 308 441
As at 31 December 2017					
Gross carrying amount	5 927	1 633 053	67 060	4 571	1 710 611
Accumulated depreciation	-3 619	-364 449	-34 102	0	-402 170

## 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	657	2 566	3 223
Reclassification	0	0	5 220	-5 220	0
Disposals	0	0	-8	0	-8
Amortisation for the period	0	-2 916	-3 035	0	-5 951
Book value as at 31 December 2018	11 066	21 838	12 000	1 260	46 164
As at 31 December 2018					
Cost	11 066	58 288	31 996	1 260	102 610
Accumulated amortisation	0	-36 450	-19 996	0	-56 446
Book value as at 31 December 2016	11 066	27 670	9 358	2 033	50 127
Additions	0	0	200	4 720	4 920
Amortisation for the period	0	-2 916	-3 231	0	-6 147
Book value as at 31 December 2017	11 066	24 754	9 166	3 914	48 900
As at 31 December 2017					
Cost	11 066	58 288	26 329	3 914	99 597
Accumulated amortisation	0	-33 534	-17 163	0	-50 697

## Note 9 Interest-bearing loans and borrowings

In thousands of EUR	31.12.2017	Addition	Repayments	Exchange differences	Other changes <sup>1</sup>	31.12.2018
Finance leases	287	370	-108	-9	-112	428
Unsecured bonds	91 288	0	-120 303	28 838	177	0
Overdrafts	0	0	0	0	0	0
Long-term bank loans	469 331	110 000	-69 666	0	42	509 707
Total borrowings	560 906	110 370	-190 077	28 829	107	510 135
Current portion	159 938					78 658
Non-current portion	400 968					431 477
Total borrowings	560 906					510 135

<sup>1</sup> 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 were 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 192 792 thousand granted to its ship-owning subsidiaries. Ship-owning subsidiaries have given guarantees to Nordea Bank Finland Plc for a loans of EUR 316 915 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 EUR 0.05 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 31 December 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	949	25 029	33	1 942
Associated companies	6	241	0	24
<b>Total</b>	<b>955</b>	<b>25 270</b>	<b>33</b>	<b>1 966</b>

For the period ended 31 December 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	327	24 573	20	2 178
Associated companies	3	185	2	13
<b>Total</b>	<b>330</b>	<b>24 758</b>	<b>22</b>	<b>2 191</b>

## STATEMENT BY THE MANAGEMENT BOARD

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Hereby we acknowledge our responsibility for the Tallink Grupp AS Unaudited Condensed Consolidated Interim Financial Statements for the fourth quarter and 12 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



**Lembit Kitter**  
Member of the Management Board



**Kadri Land**  
Member of the Management Board



**Harri Hanschmidt**  
Member of the Management Board



Tallinn, 2019-02-28

## ALTERNATIVE PERFORMANCE MEASURES

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Tallink Grupp AS 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	Q4 2018	Q4 2017
Depreciation	18 765	20 223
Amortisation	1 554	1 603
Depreciation and amortisation	20 319	21 826
Result from operating activities	3 671	7 017
Depreciation and amortisation	20 319	21 826
EBITDA	23 990	28 843
Additions to property, plant and equipment	14 687	6 220
Additions to intangible assets	1 291	924
Capital Expenditures	15 978	7 144
Net profit	-1 760	1 070
Weighted average number of shares outstanding	669 882 040	669 882 040
Earnings per share (EUR per share)	-0.003	0.002
Liabilities under finance lease	428	287
Unsecured bonds	0	91 288
Overdraft	0	0
Long-term bank loans	509 707	469 331
Interest-bearing liabilities	510 135	560 906
Interest-bearing liabilities	510 135	560 906
Cash and cash equivalents	82 175	88 911
Net debt	427 960	471 995
Total equity	856 916	836 279
Total assets	1 500 904	1 558 597
Equity ratio	57.1%	53.7%
Equity attributable to equity holders of the Parent	856 916	836 279
Number of ordinary shares outstanding	669 882 040	669 882 040
Shareholders' equity per share (EUR per share)	1.28	1.25
Gross profit	34 622	38 510
Net sales	226 550	232 856
Gross margin (%)	15.3%	16.5%
EBITDA	23 990	28 843
Net sales	226 550	232 856
EBITDA margin	10.6%	12.4%
EBIT	3 671	7 017
Net sales	226 550	232 856
EBIT margin	1.6%	3.0%
Net profit	-1 760	1 070
Net sales	226 550	232 856
Net profit margin	-0.8%	0.5%

In thousands of EUR	Q4 2018	Q4 2017
Result from operating activities 12-months trailing	63 501	71 958
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
Total assets 31.12	1 500 904	1 558 597
Average assets	1 536 090	1 656 268
ROA	4.1%	4.3%
Net profit 12-months trailing	40 049	46 496
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
Total equity 31.12	856 916	836 278
Average equity	836 331	811 618
ROE	4.8%	5.7%
Result from operating activities 12-months trailing	63 501	71 958
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
Total assets 31.12	1 500 904	1 558 597
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
Current liabilities 31.12	212 489	316 663
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
Total assets - current liabilities 31.12	1 288 415	1 241 934
Average assets - current liabilities	1 226 617	1 359 539
ROCE	5.2%	5.3%
Net debt	427 960	471 995
For 12 months:		
Depreciation	73 329	80 224
Amortisation	5 951	6 147
Depreciation and amortisation	79 280	86 371
EBITDA	142 781	158 329
Net debt to EBITDA	3.0	3.0



## CONTACT INFORMATION

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Main activity	maritime transport (passenger & cargo transport)