

# Q1 2018

## TALLINK GRUPP AS





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

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## MANAGEMENT REPORT

In the first quarter (1 January - 31 March) of the 2018 financial year Tallink Grupp AS and its subsidiaries (the Group) carried 1.9 million passengers, which is 0.5% less than in the first quarter last year. The Group's unaudited revenue for the first quarter decreased by 3.9 % to a total of EUR 184.2 million. Unaudited EBITDA for the first quarter was EUR 4.2 million (EUR 5.3 million in Q1 2017) and unaudited net loss was EUR 19.6 million (net loss of EUR 20.3 million in Q1 2017).

In the first quarter, which is also the low season, 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 maintenance and repair of the cruise ferry Baltic Princess lasted for 68 days affected the Finland-Sweden segment's first quarter carriage volumes and financial result.
- Charter and charter related revenue decreased compared to the same period last year due to fewer ships in charter.

### Sales and segments

In the first quarter, the number of passengers travelling on the Group's ships on the Estonia-Finland routes increased by 1.3% or 13.3 thousand to a total of 1 025 thousand. Due to the higher competition, there was pressure on ticket prices that resulted in a decline in average ticket prices and lower ticket revenue. The segment revenue decreased by 0.9% to EUR 72.3 million. The Estonia-Finland segment result increased by 7.0% and was EUR 8.6 million. The better segment result was achieved mainly due to lower marketing costs as in the first quarter last year there were marketing costs related to the launch of the Shuttle ferry Megastar.

The maintenance and repair of the cruise ferry Baltic Princess, which is one of the four ships operating on the Finland-Sweden routes, affected the routes' first-quarter carriage volumes and financial results. The number of passengers on the Finland-Sweden routes decreased by 9.9% to 523 thousand. The segment revenue decreased by 9.2% to EUR 62.7 million. The segment result improved by EUR 0.5 million as fewer trips resulted in lower ship operating and marketing costs.

Number of passengers travelled with the Group's ships in Q1

**1.9** million

The Group's unaudited consolidated Q1 revenue

**EUR 184.2** million



The Estonia-Sweden route's first-quarter revenue increased by 6.2% compared to the same period last year. The growth was supported by a 5.7% rise in the number of passengers and 15.9% increase in transported cargo units.

The Latvia-Sweden route's first-quarter revenue increased by 24.0% compared to same period last year. The growth was supported by a 16.8% rise in the number of passengers and a 62.6% increase in transported cargo units.

The charter and charter related revenue decreased by EUR 2.8 million as fewer ships were chartered out compared to the first quarter in the previous year. Two Superfast ferries were sold in December 2017, and one Superfast ferry remains chartered out.

## Earnings

In the first quarter of 2018, the Group's gross profit decreased by EUR 1.2 million compared to the same period last year, amounting to EUR 13.7 million. First-quarter EBITDA decreased by EUR 1.1 million to EUR 4.2 million. The Group's first quarter result from operations was impacted by charter and charter related revenue, which was EUR 2.8 million lower than in the same period last year because fewer ships were chartered out.

Amortisation and depreciation expense decreased by EUR 1.4 million to EUR 19.4 million compared to the first 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 first quarter last year.

Net finance costs decreased by EUR 0.5 million compared to the first quarter last year. The change includes decline of EUR 1.0 million in interest costs compared to same period the previous year and increase of EUR 0.5 million in losses from foreign exchange differences and the revaluation of cross currency and interest rate derivatives.

The Group's unaudited net loss for the first quarter of 2018 was EUR 19.6 million or EUR 0.029 per share compared to a net loss of EUR 20.3 million or EUR 0.030 per share in the same period last year.



## Investments

In the first quarter, the Group's investments amounted to EUR 8.4 million. Most of the investments were made in the fleet's technical dockings and upgrades of the ships public areas. Investments were also made in the development of online booking and sales systems.

## Dividends

To the shareholders' annual general meeting in 2018, the Management Board will propose a dividend of EUR 0.03 per share from net profit for 2017.

## Financial position

In the last twelve months the Group has reduced its interest bearing liabilities by EUR 212.2 million to EUR 551.0 million (EUR 763.2 million at 31 March 2017). Total bank debt at the end of the first quarter of 2018 is comparable to the level at the end of 2016, before the drawdown of a EUR 184 million loan in January 2017, which was used to finance the purchase of the Shuttle ferry Megastar. The repayment of bank debt (scheduled and early repayment of loans and repayment of an overdraft) was supported by positive cash flow from operations and the sale of two Superfast ferries in December 2017.

In the first quarter, the Group's net debt increased by EUR 8.9 million to EUR 480.9 million and the net debt to EBITDA ratio was 3.1 at the reporting date.

At the end of the first quarter, total liquidity (cash, cash equivalents and unused credit facilities) amounted to EUR 142.8 million (EUR 74.7 million at 31 March 2017) providing a strong financial position for sustainable operations.

The Group had EUR 70.1 million (EUR 72.2 million at 31 March 2017) in cash and cash equivalents and EUR 72.7 million (EUR 2.5 million at 31 March 2017) in unused credit lines.

The Group's investments  
in the Q1 amounted to

**EUR 8.4**  
million

Management  
will propose dividend  
EUR 0.03 per share, in  
total amount of

**EUR 20.1**  
million



## Key figures

For the period	Q1 2018	Q1 2017	Change %
Revenue (million euros)	184.2	191.5	-3.9%
Gross profit (million euros)	13.7	14.9	-7.8%
Net loss for the period (million euros)	-19.6	-20.3	3.7%
EBITDA (million euros)	4.2	5.3	-20.3%
Depreciation and amortisation (million euros)	19.4	20.8	-6.6%
Capital expenditures (million euros)	8.4	204.2	
Weighted average number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Earnings per share	-0.029	-0.030	3.7%
Number of passengers	1 930 449	1 939 784	-0.5%
Number of cargo units	90 687	83 797	8.2%
Average number of employees	7 242	7 209	0.5%
<b>As at</b>	<b>31.03.18</b>	<b>31.12.17</b>	<b>Change %</b>
Total assets (million euros)	1 531.6	1 558.6	-1.7%
Total liabilities (million euros)	714.6	722.3	-1.1%
Interest-bearing liabilities (million euros)	551.0	560.9	-1.8%
Net debt (million euros)	480.9	472.0	1.9%
Net debt to EBITDA	3.06	2.98	2.7%
Total equity (million euros)	817.1	836.3	-2.3%
Equity ratio (%)	53.3%	53.7%	
Number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Equity per share	1.22	1.25	-2.3%
<b>Ratios</b>	<b>Q1 2018</b>	<b>Q1 2017</b>	
Gross margin (%)	7.4%	7.8%	
EBITDA margin (%)	2.3%	2.7%	
Net profit margin (%)	-10.6%	-10.6%	

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.

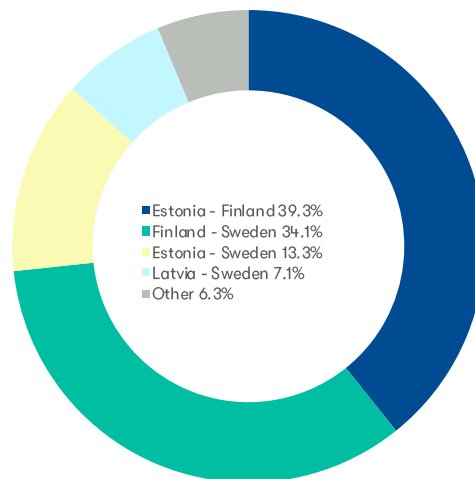
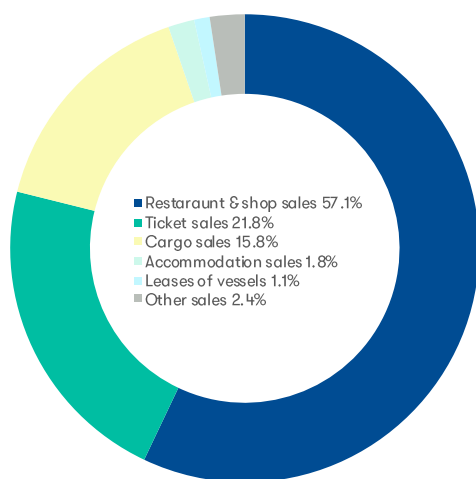
		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q1 Change
Estonia - Finland	Passengers (thousands)	1 012	1 349	1 485	1 217	1 025	1.3%
	Cargo units (thousands)	52	60	60	62	58	12.9%
	Revenue (million euros)	73.0	95.5	96.9	89.1	72.3	-0.9%
	Segment result <sup>1</sup> (million euros)	8.1	19.8	28.8	21.2	8.6	7.0%
Finland - Sweden	Passengers (thousands)	580	765	878	695	523	-9.9%
	Cargo units (thousands)	19	18	17	20	16	-15.6%
	Revenue (million euros)	69.1	88.9	104.4	82.4	62.7	-9.2%
	Segment result <sup>1</sup> (million euros)	-6.0	9.4	17.9	-2.9	-5.5	8.5%
Estonia - Sweden	Passengers (thousands)	215	276	303	237	227	5.7%
	Cargo units (thousands)	11	11	11	11	12	15.9%
	Revenue (million euros)	23.0	30.8	35.9	27.5	24.5	6.2%
	Segment result <sup>1</sup> (million euros)	-1.6	3.7	7.8	0.6	-1.8	-12.5%
Latvia - Sweden	Passengers (thousands)	133	197	247	167	155	16.8%
	Cargo units (thousands)	2	3	3	4	4	62.6%
	Revenue (million euros)	10.6	17.4	23.2	15.3	13.1	24.0%
	Segment result <sup>1</sup> (million euros)	-4.7	-0.6	4.4	-0.3	-4.1	12.1%
Other	Revenue (million euros)	17.8	30.0	25.6	20.8	13.1	-26.1%
	Segment result <sup>1</sup> (million euros)	1.3	7.7	5.9	2.6	0.2	-87.2%
	Intersegment revenue (million euros)	-1.9	-2.9	-3.3	-2.2	-1.6	15.4%
Total revenue (million euros)		191.5	259.9	282.7	232.9	184.2	-3.9%
EBITDA (million euros)		5.3	48.9	75.4	28.8	4.2	-20.3%
Total segment result <sup>1</sup> (million euros)		-2.9	39.9	64.9	21.4	-2.6	10.4%
Net profit/loss		-20.3	17.9	47.8	1.1	-19.6	3.7%

<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)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q1 Change
Restaurant and shop sales on-board and onshore	107.8	145.6	149.8	133.5	105.1	-2.5%
Ticket sales	42.1	65.2	83.8	51.7	40.2	-4.4%
Sales of cargo transportation	28.2	29.7	28.9	30.9	29.2	3.3%
Accommodation sales	3.3	5.8	7.1	4.6	3.3	-0.3%
Income from charter of vessels	4.8	4.8	4.9	4.3	2.0	-58.5%
Other sales	5.4	8.6	8.3	7.9	4.4	-17.8%
<b>Total revenue</b>	<b>191.5</b>	<b>259.9</b>	<b>282.7</b>	<b>232.9</b>	<b>184.2</b>	<b>-3.9%</b>

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

<b>Passengers</b>	<b>Q1 2018</b>	<b>Q1 2017</b>	<b>Change</b>
Estonia - Finland	1 025 036	1 011 706	1.3%
Finland - Sweden	522 945	580 234	-9.9%
Estonia - Sweden	227 279	214 948	5.7%
Latvia - Sweden	155 189	132 896	16.8%
Total	1 930 449	1 939 784	-0.5%

<b>Cargo units</b>	<b>Q1 2018</b>	<b>Q1 2017</b>	<b>Change</b>
Estonia - Finland	58 376	51 688	12.9%
Finland - Sweden	16 145	19 128	-15.6%
Estonia - Sweden	12 258	10 577	15.9%
Latvia - Sweden	3 908	2 404	62.6%
Total	90 687	83 797	8.2%

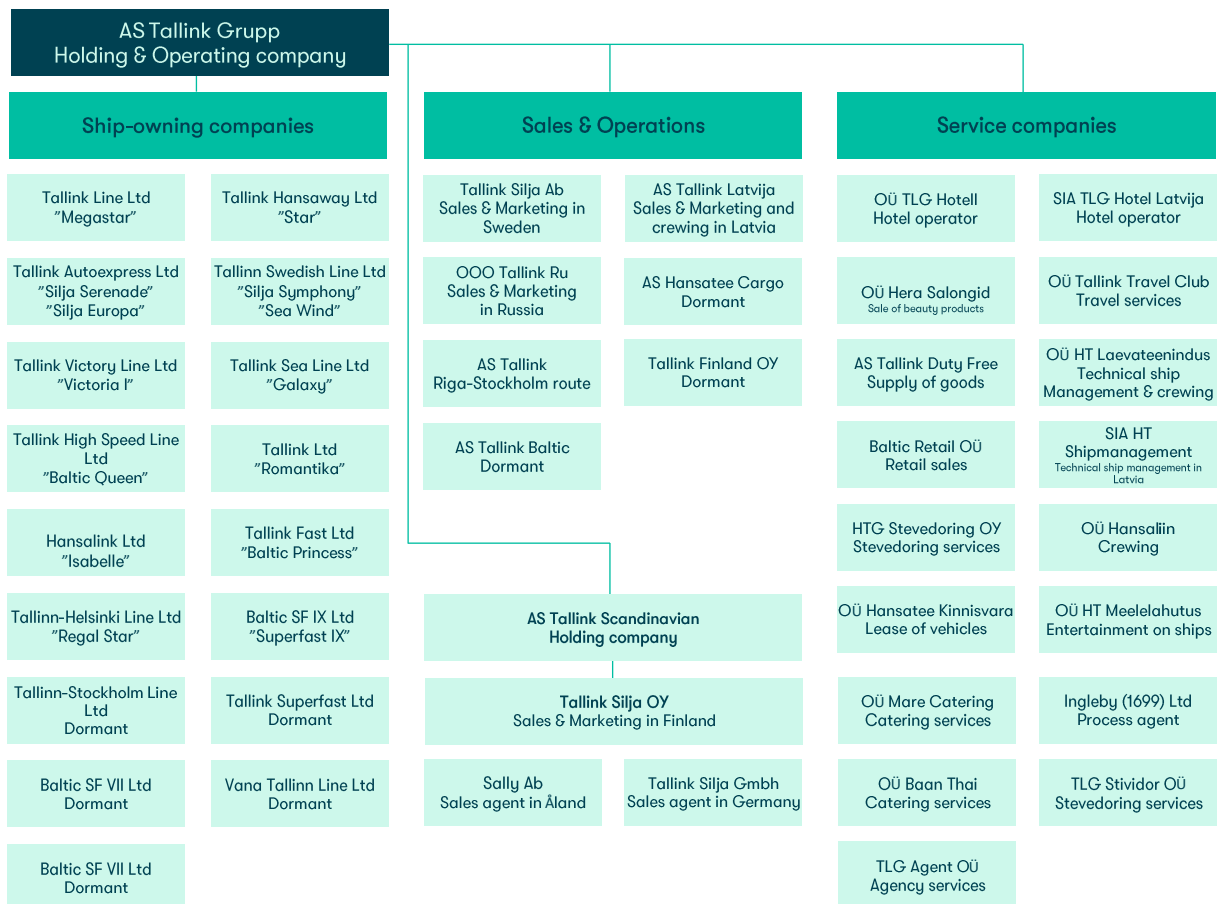
<b>Passenger vehicles</b>	<b>Q1 2018</b>	<b>Q1 2017</b>	<b>Change</b>
Estonia - Finland	174 110	168 906	3.1%
Finland - Sweden	18 219	21 763	-16.3%
Estonia - Sweden	14 496	13 915	4.2%
Latvia - Sweden	15 545	12 861	20.9%
Total	222 370	217 445	2.3%

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

- the Group carried approximately 56% 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 28% 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

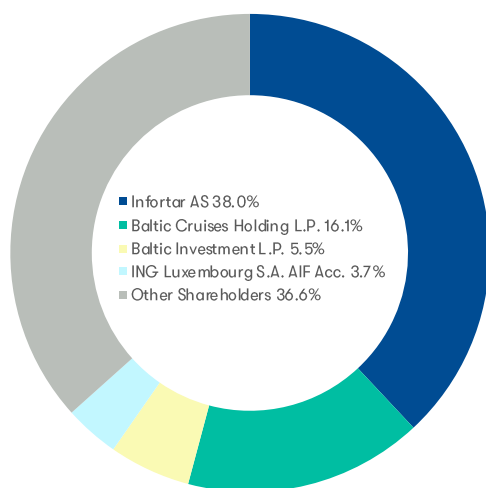
At 31 March 2018, the Group employed 7 379 employees (7 291 at 31 March 2017). The following table provides a more detailed overview of the Group's personnel.

	Average of Q1			End of Q1		
	2018	2017	Change	2018	2017	Change
Onshore total	1 631	1 631	0.0%	1 638	1 625	0.8%
Estonia	910	894	1.8%	919	892	3.0%
Finland	468	478	-2.1%	464	477	-2.7%
Sweden	166	174	-4.6%	166	169	-1.8%
Latvia	70	68	2.9%	72	70	2.9%
Russia	11	12	-8.3%	11	12	-8.3%
Germany	6	5	20.0%	6	5	20.0%
On-board	5 009	5 025	-0.3%	5 135	5 114	0.4%
Hotel <sup>1</sup>	602	553	8.9%	606	552	9.8%
Total	7 242	7 209	0.5%	7 379	7 291	1.2%

<sup>1</sup> The number of hotel personnel is not included in the total number of onshore personnel.

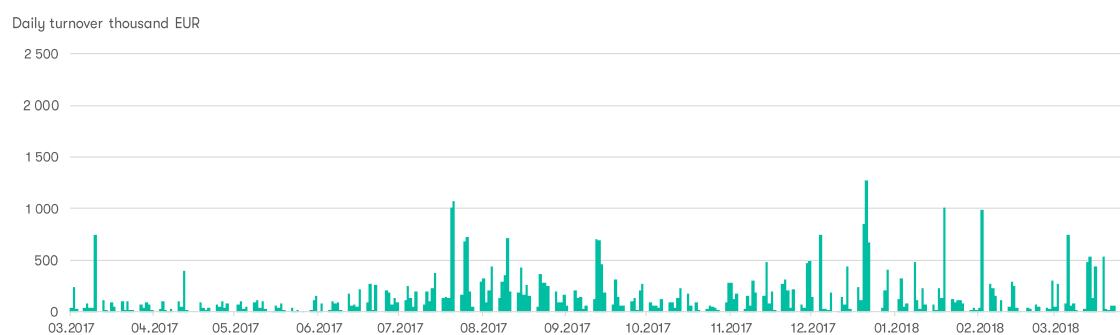
## Shareholders & share price development

The following chart displays the shareholder structure of Tallink Grupp AS as at 31 March 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 TALIT. The closing share price at the reporting date was EUR 1.085 per share. The following charts give an overview of the share price development in the past twelve months.



## Events in Q1

### Changes on the Management Board

In March 2018, the Supervisory Board of Tallink Grupp AS appointed Mr Paavo Nõgene as the Chairman of the Management Board from 1 May 2018 for a period of 3 years.

The Supervisory Board extended the term of office of the Member of the Management Board Mr. Lembit Kitter for the next term of office of a member of the Management Board as from 2 May 2018.

Since 1 May 2018, Tallink Grupp AS has had a four-member Management Board, consisting of Mr Paavo Nõgene, Mr Janek Stalmeister, Mr Andres Hunt and Mr Lembit Kitter.

### Termination of the exploratory process of potential strategic options

In March 2018, the Supervisory Board of Tallink Grupp AS decided to end the exploratory process relating to potential strategic options for the Group that was started in July of 2017. In the course of the process various strategic options were considered with the purpose of supporting the long-term strategy and development of the Group. The Group will take the proposals and feedback received during the process into account in further planning and development of its business.

### Changes in the Group structure

In January 2018, Baltic Retail OÜ a new subsidiary of Tallink Grupp AS was registered in the Commercial Registry. The main activity of the subsidiary is retail sales.

In January 2018, TLG Agent OÜ and TLG Stividor OÜ, new subsidiaries of Tallink Grupp AS were registered in the Commercial Registry. The subsidiaries were established on the division of the Group company HTG Invest AS, which was deleted from the Commercial Registry.

### Baltic Princess upgrade

The cruise ferry Baltic Princess, operating on the Turku-Stockholm route, was out of service from 10 January to 8 March 2018. During this period technical maintenance works and a retrofit of the ship's dining, shopping and children's areas were carried out. The upgrade of public areas is part of our ongoing ship renovation programme and follows our recent brand renewal in August 2017.

## Events after the reporting period and outlook

### Outlook for 2018 high season (June-August)

The Group's management estimates the financial result for 2018 high season (June-August) to be higher compared to the same period previous year. The estimation is based on the positive pick-up of bookings for the coming high season and changed competition landscape on the busiest Tallinn-Helsinki passenger market.

### 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

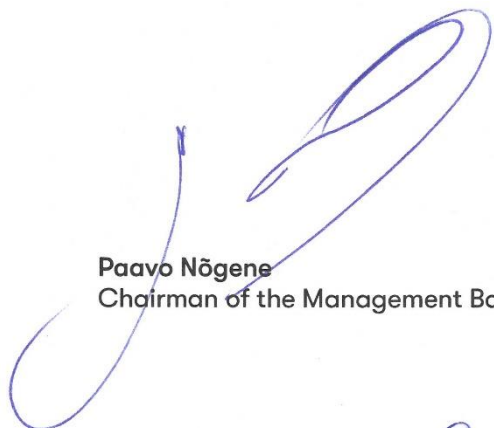




## MANAGEMENT BOARD'S CONFIRMATION

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



**Janek Stalmeister**  
Member of the Management Board



**Lembit Kitter**  
Member of the Management Board

Tallinn, 2018-05-18

# UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Unaudited, in thousands of EUR	Q1 2018	Q1 2017
Revenue (Note 3)	184 155	191 548
Cost of sales	-170 448	-176 678
Gross profit	13 707	14 870
Sales and marketing expenses	-16 313	-17 780
Administrative expenses	-12 728	-12 610
Other operating income	113	123
Other operating expenses	-27	-135
Result from operating activities	-15 248	-15 532
Finance income (Note 4)	3 078	2 491
Finance costs (Note 4)	-7 373	-7 273
Loss before income tax	-19 543	-20 314
Income tax	-23	-14
Net loss for the period	-19 566	-20 328
Other comprehensive income	411	0
Exchange differences on translating foreign operations	-68	-142
Other comprehensive income/expense for the period	343	-142
Total comprehensive expense for the period	-19 223	-20 470
Earnings per share (in EUR per share, Note 5)	-0.029	-0.030

## Consolidated statement of financial position

Unaudited, in thousands of EUR	31.03.2018	31.12.2017
<b>ASSETS</b>		
Cash and cash equivalents	70 129	88 911
Trade and other receivables	42 630	46 466
Prepayments	15 261	5 395
Prepaid income tax	44	40
Inventories	37 499	40 675
<b>Current assets</b>	<b>165 563</b>	<b>181 487</b>
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)	1 298 412	1 308 441
Intangible assets (Note 8)	47 885	48 900
<b>Non-current assets</b>	<b>1 366 056</b>	<b>1 377 110</b>
<b>TOTAL ASSETS</b>	<b>1 531 619</b>	<b>1 558 597</b>
<b>LIABILITIES AND EQUITY</b>		
Interest-bearing loans and borrowings (Note 9)	164 282	159 938
Trade and other payables (Note 13)	93 472	95 548
Derivatives (Note 6)	31 321	29 710
Payables to owners <sup>1</sup>	3	3
Income tax liability	0	34
Deferred income	38 727	31 429
<b>Current liabilities</b>	<b>327 805</b>	<b>316 662</b>
Interest-bearing loans and borrowings (Note 9)	386 742	400 968
Derivatives (Note 6)	0	4 688
Other liabilities	16	0
<b>Non-current liabilities</b>	<b>386 758</b>	<b>405 656</b>
<b>Total liabilities</b>	<b>714 563</b>	<b>722 318</b>
Share capital (Note 10)	361 736	361 736
Share premium	639	639
Reserves	68 367	68 946
Retained earnings	386 314	404 958
<b>Equity attributable to equity holders of the Parent</b>	<b>817 056</b>	<b>836 279</b>
<b>Total equity</b>	<b>817 056</b>	<b>836 279</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 531 619</b>	<b>1 558 597</b>

<sup>1</sup> Payments related to reduction of share capital.



## Consolidated statement of cash flows

Unaudited, in thousands of EUR	Q1 2018	Q1 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	-19 566	-20 328
Adjustments	24 403	25 624
Changes in:		
Receivables and prepayments related to operating activities	-6 025	-9 831
Inventories	3 177	-6 003
Liabilities related to operating activities	6 356	7 671
Changes in assets and liabilities	3 508	-8 163
Cash generated from operating activities	8 345	-2 867
Income tax paid	-52	-18
<b>NET CASH FROM/USED IN OPERATING ACTIVITIES</b>	<b>8 293</b>	<b>-2 885</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant, equipment and intangible assets (Notes 7, 8, 9)	-8 365	-204 212
Proceeds from disposals of property, plant, equipment	26	25
Interest received	1	1
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-8 338</b>	<b>-204 186</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans received (Note 9)	0	184 000
Repayment of loans received (Note 9)	-14 500	-10 024
Change in overdraft (Note 9)	2 331	32 371
Payments for settlement of derivatives	-837	-905
Payment of finance lease liabilities (Note 9)	-25	-26
Interest paid	-5 706	-4 728
Payment of transaction costs related to loans	0	-164
<b>NET CASH USED IN/FROM FINANCING ACTIVITIES</b>	<b>-18 737</b>	<b>200 524</b>
<b>TOTAL NET CASH FLOW</b>	<b>-18 782</b>	<b>-6 547</b>
Cash and cash equivalents at the beginning of period	88 911	78 773
Decrease in cash and cash equivalents	-18 782	-6 547
Cash and cash equivalents at the end of period	70 129	72 226

## 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	-19 566	-19 566	-19 566
Other comprehensive income	0	0	-68	0	0	411	343	343
Total comprehensive expense for the period	0	0	-68	0	0	-19 155	-19 223	-19 223
Transactions with owners of the Company								
Transfer from revaluation reserve	0	0	0	-511	0	511	0	0
Transactions with owners of the Company, recognised directly in equity	0	0	0	-511	0	511	0	0
As at 31 March 2018	361 736	639	-66	43 088	25 345	386 314	817 056	817 056
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	-20 328	-20 328	-20 328
Total other comprehensive expense	0	0	-142	0	0	0	-142	-142
Total comprehensive expense for the period	0	0	-142	0	0	-20 328	-20 470	-20 470
As at 31 March 2017	361 736	639	-153	45 646	23 139	358 389	789 396	789 396

# 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 first quarter of 2018 were authorised for issue by the Management Board on 18 May 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 31 March 2018, the Group employed 7 379 people (7 291 as at 31 March 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 March, 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	72 289	24 465	13 114	62 734	11 553	0	184 155
Intersegment sales	0	0	0	0	1 593	-1 593	0
Revenue	72 289	24 465	13 114	62 734	13 146	-1 593	184 155
Segment result	8 628	-1 776	-4 141	-5 485	168	0	-2 606
Unallocated expenses							-12 642
Net financial items (Note 4)							-4 295
Loss before income tax							-19 543

For the period 1 January - 31 March, 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	72 971	23 037	10 571	69 071	15 898	0	191 548
Intersegment sales	0	0	0	0	1 882	-1 882	0
Revenue	72 971	23 037	10 571	69 071	17 780	-1 882	191 548
Segment result	8 061	-1 578	-4 709	-5 994	1 310	0	-2 910
Unallocated expenses							-12 622
Net financial items (Note 4)							-4 782
Loss before income tax							-20 314

## Revenue by service

In thousands of EUR	Q1 2018	Q1 2017
Restaurant and shop sales on-board and onshore	105 064	107 808
Ticket sales	40 222	42 054
Sales of cargo transport	29 161	28 225
Sales of accommodation	3 321	3 330
Income from charter of vessels	1 980	4 770
Other	4 407	5 360
<b>Total revenue of the Group</b>	<b>184 155</b>	<b>191 548</b>

## Note 4 Financial items

In thousands of EUR	Q1 2018	Q1 2017
Net foreign exchange gain	0	1 029
Income on foreign exchange derivatives	2 092	0
Interest income on financial assets not measured at fair value through profit or loss	0	1
Income on interest rate swaps	985	1 461
Income from other financial assets	1	0
<b>Total finance income</b>	<b>3 078</b>	<b>2 491</b>
Net foreign exchange loss	-1 646	0
Expenses on foreign exchange derivatives	0	-905
Interest expense on financial liabilities measured at amortised cost	-4 890	-5 862
Expenses on interest rate swaps	-837	-506
<b>Total finance costs</b>	<b>-7 373</b>	<b>-7 273</b>
<b>Net finance costs</b>	<b>-4 295</b>	<b>-4 782</b>

## Note 5 Earnings per share

Earnings per share (EPS) are calculated by dividing the net 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	Q1 2018	Q1 2017
Shares issued	669 882	669 882
Shares outstanding	669 882	669 882

In thousands of EUR	Q1 2018	Q1 2017
Weighted average number of ordinary shares outstanding (in thousands)	669 882	669 882
Net loss attributable to equity holders of the Parent	-19 566	-20 328
EPS (EUR per share)	-0.029	-0.030

## 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 March 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 31 March 2018, the fair value of the interest rate derivatives was EUR -3 703 thousand and the fair value of the cross-currency derivatives was EUR -27 618 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	2 979	6 680	8 027
Reclassification	0	5 949	1 952	-7 901	0
Disposals	0	0	-13	0	-13
Depreciation for the period	-131	-15 505	-2 407	0	-18 043
Book value as at 31 March 2018	2 177	1 257 416	35 469	3 350	1 298 412
As at 31 March 2018					
Gross carrying amount	8 161	1 632 196	63 488	3 350	1 707 195
Accumulated depreciation	-5 984	-374 780	-28 019	0	-408 783
Book value as at 31 December 2016	2 525	1 230 437	23 063	48 872	1 304 897
Additions	0	190 048	3 303	9 353	202 704
Reclassification	0	46 341	0	-46 341	0
Disposals	0	0	-58	0	-58
Depreciation for the period	-134	-17 420	-1 716	0	-19 270
Book value as at 31 March 2017	2 391	1 449 406	24 592	11 884	1 488 273
As at 31 March 2017					
Gross carrying amount	10 630	1 813 720	53 153	11 884	1 889 387
Accumulated depreciation	-8 239	-364 314	-28 561	0	-401 114



## 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	375	0	375
Reclassification	0	0	1 151	-1 151	0
Amortisation for the period	0	-729	-661	0	-1 390
Book value as at 31 March 2018	11 066	24 025	10 031	2 763	47 885
As at 31 March 2018					
Cost	11 066	58 288	27 830	2 763	99 947
Accumulated amortisation	0	-34 263	-17 799	0	-52 062
Book value as at 31 December 2016	11 066	27 670	9 358	2 033	50 127
Additions	0	0	1 508	0	1 508
Amortisation for the period	0	-729	-786	0	-1 515
Book value as at 31 March 2017	11 066	26 941	10 080	2 033	50 120
As at 31 March 2017					
Cost	11 066	58 288	32 015	2 033	103 402
Accumulated amortisation	0	-31 347	-21 935	0	-53 282

## Note 9 Interest-bearing loans and borrowings

In thousands of EUR	31.12.17	Addition	Repayments	Exchange differences	Other changes <sup>1</sup>	31.03.18
Finance leases	287	37	-25	-12	0	287
Unsecured bonds	91 288	0	0	1 957	55	93 300
Overdrafts	0	2 331	0	0	0	2 331
Long-term bank loans	469 331	0	-14 500	0	275	455 106
Total borrowings	560 906	2 368	-14 525	1 945	330	551 024
Current portion	159 938					164 282
Non-current portion	400 968					386 742
Total borrowings	560 906					551 024

<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 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 217 542 thousand granted to its ship-owning subsidiaries. Ship-owning subsidiaries have given guarantees to Nordea Bank Finland Plc for a loan of EUR 237 564 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. To the annual general meeting of 2018 the Management Board will propose a dividend of EUR 0.03 per share from the net profit for 2017.

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 31 March 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	176	6 164	39	1 502
Associated companies	0	51	2	16
<b>Total</b>	<b>176</b>	<b>6 215</b>	<b>41</b>	<b>1 518</b>

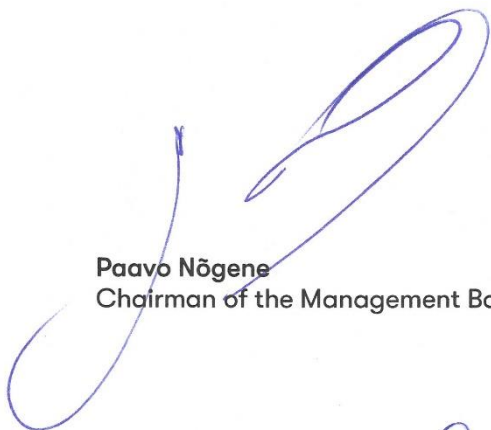
For the period ended 31 March 2017, in thousands of EUR	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Companies controlled by the Key Management Personnel	76	6 214	12	3 985
Associated companies	0	35	0	16
<b>Total</b>	<b>76</b>	<b>6 249</b>	<b>12</b>	<b>4 001</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 first quarter 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



**Janek Stalmeister**  
Member of the Management Board



**Lembit Kitter**  
Member of the Management Board

Tallinn, 18 May 2018

## CONTACT INFORMATION

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Main activity	maritime transport (passenger & cargo transport)