

# Q4 2019

## TALLINK GRUPP AS





Beginning of the financial year	1 January 2019
End of the financial year	31 December 2019
Interim reporting period	1 October 2019 – 31 December 2019

## CONTENTS

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MANAGEMENT REPORT.....	3
MANAGEMENT BOARD'S CONFIRMATION.....	18
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....	19
Consolidated statement of profit or loss and other comprehensive income.....	19
Consolidated statement of financial position.....	20
Consolidated statement of cash flows.....	21
Consolidated statement of changes in equity.....	22
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....	23
Note 1 Corporate information.....	23
Note 2 Basis of preparation.....	23
Note 3 Segment information.....	24
Note 4 Financial items.....	26
Note 5 Earnings per share.....	26
Note 6 Property, plant and equipment.....	27
Note 7 Intangible assets.....	28
Note 8 Interest-bearing loans and borrowings.....	28
Note 9 Share capital.....	29
Note 10 Dividends.....	29
Note 11 Related party disclosures.....	30
STATEMENT BY THE MANAGEMENT BOARD.....	31
ALTERNATIVE PERFORMANCE MEASURES.....	32
CONTACT INFORMATION.....	35

## MANAGEMENT REPORT

In the 2019 financial year (1 January – 31 December), Tallink Grupp AS and its subsidiaries (the Group) carried a record number, a total of 9 763 210 passengers, which is 6 599 passengers more compared to the 2018 financial year. The number of cargo units transported decreased by 1.4% compared to the previous financial year. The Group's unaudited consolidated revenue amounted to EUR 949.1 million (EUR 949.7 million in 2018). Unaudited EBITDA was EUR 171.1 million (EUR 142.8 million, 2018) and unaudited net profit for the financial year was EUR 49.7 million or EUR 0.07 per share (EUR 40.0 million or EUR 0.06 per share, 2018).

In the 2019 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, Finland-Sweden and Latvia-Sweden).
- Planned dockings of seven ships. Among other ships, the maintenance and repair of cruise ferry Baltic Queen lasted for 42 days, which affected the Estonia-Sweden segment's first quarter carriage volumes and financial result.
- The competition on the maritime traffic between Estonia and Finland puts pressure on ticket and cargo prices.
- Lowered alcohol excise tax in Estonia effective from 01 July 2019.
- Lower bunkering prices from lower global prices and fuel price agreements.
- Tight cost control, investments to vessels' energy efficiency and automation projects.

### Sales and segments

In 2019, the Group's total revenue decreased by EUR 0.6 million and amounted to EUR 949.1 million. The total revenue in 2018 amounted to EUR 949.7 million and in 2017 EUR 967.0 million. The total revenue from the route operations (core business) decreased by EUR 0.6 million to EUR 883.2 million.

The core business was heavily affected by the weaker than expected cargo market, being mainly influenced by the uncertainty surrounding the UK's withdrawal from the EU, the labour strikes in Finland in the fourth quarter of 2019 and increased competition through added capacity.

Number of passengers carried by the Group's ships in 2019

**9.8** million

The Group's unaudited consolidated 2019 revenue

**EUR 949.1** million



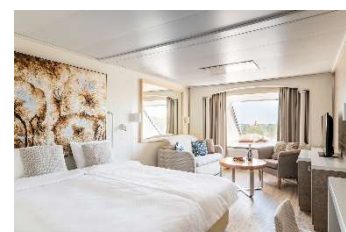
In 2019, The Group's ships carried a total of 5.1 million passengers on the **Estonia-Finland** routes, which is 0.7% increase compared to last year and the number of transported cargo units on the routes decreased by 1.5%. Due to pressure on ticket and cargo prices resulting from increased competition, Estonia-Finland routes' revenue decreased by EUR 2.0 million and amounted to EUR 354.0 million. However, the segment result was supported by strong cost control, improved operational efficiency and lower fuel cost. The segment result increased by EUR 0.1 million and amounted to EUR 80.4 million.

The **Finland-Sweden** routes' revenue increased by EUR 6.9 million and amounted to EUR 344.4 million. The segment's result increased by EUR 10.6 million, compared to the previous year, and amounted to EUR 26.8 million. The positive developments were affected by the absence of lengthy maintenance and repair works cruise ferry Baltic Princess had in the first quarter of 2018 as well as supported by lower fuel cost and tight cost control.

The **Estonia-Sweden** routes' revenue decreased by EUR 6.7 million, compared to the previous year, and amounted to EUR 112.3 million. The routes' carriage volumes and financial result were affected by the maintenance and repair works of cruise ferry Baltic Queen in the first quarter of 2019 financial year.

The **Latvia-Sweden** route's revenue increased by EUR 1.2 million, compared to the previous year. The growth was supported by a 0.5% higher passenger number and a 3.4% increase in the number of transported cargo units. Supported by lower fuel cost and tight cost control, the segment's result increased by EUR 1.6 million, which exceeded the route's revenue growth.

The revenue from the **other** segment decreased by a total of EUR 1.1 million and amounted to EUR 73.7 million. The main reason for the decrease in other segment revenue was lower revenue from hotels, as Tallink Pirita Spa Hotel in Tallinn ceased operations from November 2018 due to sale of the hotel property by its owner. Unlike the accommodation sales, there was an increase in onshore shop sales, being supported by the lower excise tax in Estonia effective from 01 July 2019 as well as the new brand shops on land.



## Earnings

In 2019, the Group's gross profit increased by EUR 13.1 million compared to last year, amounting to EUR 196.9 million. The Group's EBITDA increased by EUR 28.3 million and amounted to EUR 171.1 million, 2019 financial year comparable EBITDA, i.e. without IFRS 16 adoption effect, increased by EUR 11.0 million compared to last year and was EUR 153.7 million. The Group's profitability was impacted mainly by the following factors:

- Total EUR 12.9 million lower fuel cost. The fuel cost saving resulted from agreements with the fuel suppliers to fix the price for 41% of total fuel purchasing volume for the 2019 financial year and from savings on total fuel consumption, through various energy efficiency initiatives. In addition to that, the fuel cost was also positively affected by lower global bunkering prices.
- Higher income tax due to increase in dividends compared to last year.
- Positive impact to EBITDA from increase of revenue from shops on land (in port area) due to lowered alcohol excise tax in Estonia effective from 01 July 2019.
- Negative impact to EBITDA from nonrecurring costs in the amount of EUR 2.4 million including tax related to the Managerial Personnel termination benefits.

Amortisation and depreciation expense increased by EUR 17.0 million to EUR 96.2 million compared to last year. The increase was a result of the IFRS 16 adoption effect in the amount of EUR 15.0 million.

Net finance costs decreased by EUR 1.2 million compared to last year. The change includes a decrease of EUR 4.5 million in interest costs compared to same period the previous year and EUR 0.9 million less profit from foreign exchange differences and the revaluation of cross currency and interest rate derivatives. In addition, in 2019 there was EUR 2.3 million interest expense from right-of-use assets liabilities (IFRS 16 adoption effect).

The Group's unaudited net profit for 2019 financial year was EUR 49.7 million or EUR 0.074 per share compared to a net profit of EUR 40.0 million or EUR 0.060 per share in 2018 and net profit of EUR 46.5 million or EUR 0.069 per share in 2017.

## Investments

In the 2019 financial year the Group's investments amounted to EUR 60.9 million. Majority of the investments were made to technical dockings of seven vessels: Baltic Queen, Galaxy, Regal Star, Star, Silja Symphony, Victoria I, Isabelle. During the dockings, a number of investments were made to upgrade the ships restaurants, shops and other public areas. On cruise ferry Baltic Queen the Fast Lane restaurant was built, Grande Buffet and show bar Starlight were renewed. On cruise ferry Galaxy the Fast Lane restaurant was built, Grande Buffet and show bar Starlight were renewed, on the Fashion Street the SuperDry shop in shop was added and kids area Silja Land was renewed. On cruise ferry Silja Symphony the Starlight show bar was refurbished according to a new concept, restaurant Grill House, Bon Vivant and Sea Pub were renewed, the new Tommy Hilfiger shop was added and cabin renovation project was concluded.

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

The Group's investments also included a prepayment for new LNG shuttle vessel MyStar in the amount of EUR 12.4 million paid in the second quarter of the 2019 financial year.

Investments were also made to the development of the online booking and sales systems.

## Dividends

In May 2019 the shareholders' annual general meeting decided to pay a dividend of EUR 0.05 per share from net profit for 2018. The total dividend amount of EUR 33.5 million was paid out on 03 July 2019. In addition, to improve the Company's capital structure, the shareholders' annual general meeting decided to reduce the Company's share capital by EUR 0.07 per share or by EUR 46.9 million, which was paid out on 03 December 2019.

To the shareholders' annual general meeting in 2020 the management board will propose a dividend of EUR 0.06 per share from the financial year 2019 net profit.

## Results of the Q4 of 2019

In the fourth quarter (1 October – 31 December) of 2019, the Group's revenue decreased by EUR 0.2 million compared to same period last year and amounted to EUR 226.4 million. Restaurant and shop sales on-board and onshore increased by EUR 3.7 million, ticket revenue decreased by EUR 0.9 million and, as a result of 4.7% less transported cargo units, cargo revenue decreased by EUR 3.1 million.

The fourth quarter EBITDA increased by EUR 9.4 million to EUR 33.4 million and net profit for the period was EUR 5.5 million. The positive development was affected by lower fuel cost and tight cost control as well as the absence of nonrecurring costs made in the fourth quarter of 2018.

In the fourth quarter of 2019, the Group's revenue and operating result were also impacted by the support strike in Finland, which resulted in 6 cancelled departures on Finland-Sweden routes. Due to the Postal and Logistics Union strike, the Christmas Gift cards on the Finnish market were received with a delay, shifting a portion of the expected revenue from December to January.

## Financial position

In the fourth quarter, the Group's net debt increased by EUR 12.4 million to EUR 539.0 million (EUR 428.0 at 31 December 2018) and the net debt to EBITDA ratio was 3.1 at the reporting date (3.0 at 31 December 2018).

At the end of the fourth quarter, total liquidity (cash, cash equivalents and unused credit facilities) amounted to EUR 128.9 million (EUR 157.2 million at 31 December 2018) providing a strong financial position for sustainable operations.

At 31 December 2019, the Group's cash and cash equivalents amounted to EUR 38.9 million (EUR 82.2 million at 31 December 2018) and the Group had EUR 90.0 million in unused credit lines (EUR 75.0 million at 31 December 2018).



## Key figures

<b>For the period</b>	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>Change %</b>
Revenue (million euros)	226.4	226.6	-0.1%
Gross profit (million euros)	39.1	34.6	12.8%
EBITDA <sup>1 2</sup> (million euros)	33.4	24.0	39.3%
EBIT <sup>1</sup> (million euros)	9.0	3.7	144.3%
Net profit/loss for the period (million euros)	5.5	-1.8	411.0%
Depreciation and amortisation <sup>3</sup> (million euros)	24.5	20.3	20.4%
Capital expenditures <sup>1 5</sup> (million euros)	10.0	16.0	
Weighted average number of ordinary shares outstanding	669 882 040	669 791 219	0.0%
Earnings/loss per share <sup>1</sup>	0.008	-0.003	411.0%
Number of passengers <sup>1</sup>	2 280 805	2 247 226	1.5%
Number of cargo units <sup>1</sup>	93 645	98 286	-4.7%
Average number of employees <sup>1</sup>	7 197	7 228	-0.4%
<b>As at</b>	<b>31.12.2019</b>	<b>30.09.2019</b>	<b>Change %</b>
Total assets <sup>3</sup> (million euros)	1 533.0	1 564.2	-2.0%
Total liabilities (million euros)	710.1	746.5	-4.9%
Interest-bearing liabilities <sup>4</sup> (million euros)	577.9	564.8	2.3%
Net debt <sup>1</sup> (million euros)	539.0	526.6	2.4%
Net debt to EBITDA <sup>1</sup>	3.1	3.3	-3.3%
Total equity (million euros)	822.8	817.7	0.6%
Equity ratio <sup>1</sup> (%)	54%	52%	
Number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Equity per share <sup>1</sup>	1.23	1.22	0.6%
<b>Ratios<sup>1</sup></b>	<b>Q4 2019</b>	<b>Q4 2018</b>	
Gross margin (%)	17.3%	15.3%	
EBITDA margin (%)	14.8%	10.6%	
EBIT margin (%)	4.0%	1.6%	
Net profit/loss margin (%)	2.4%	-0.8%	
ROA (%)	4.8%	4.1%	
ROE (%)	6.0%	4.8%	
ROCE (%)	5.7%	5.2%	

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

<sup>2</sup> EBITDA adjusted for Q4 2019 without IFRS 16 adoption effect was EUR 28.9 million.

<sup>3</sup> Please see note 6 for IFRS 16 adoption effect on assets.

<sup>4</sup> Please see note 8 for IFRS 16 adoption effect on interest-bearing liabilities.

<sup>5</sup> Does not include additions to right-of-use assets.

## Sales & results by segments

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

		Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q4 Change
Estonia - Finland	Passengers (thousands)	1 173	997	1 385	1 534	1 200	2.3%
	Cargo units (thousands)	62	60	64	60	58	-5.1%
	Revenue (million euros)	86.6	70.4	94.9	102.2	86.5	-0.2%
	Segment result <sup>1</sup> (million euros)	19.3	6.9	21.5	33.0	18.9	-1.9%
Finland - Sweden	Passengers (thousands)	679	565	772	882	676	-0.5%
	Cargo units (thousands)	21	20	20	19	20	-2.8%
	Revenue (million euros)	82.3	67.9	89.6	106.4	80.5	-2.2%
	Segment result <sup>1</sup> (million euros)	-1.3	-5.0	9.3	20.6	2.0	251.3%
Estonia - Sweden	Passengers (thousands)	222	156	271	302	224	0.9%
	Cargo units (thousands)	12	10	12	11	11	-6.6%
	Revenue (million euros)	26.9	18.6	31.3	36.0	26.4	-1.7%
	Segment result <sup>1</sup> (million euros)	-1.1	-4.6	2.3	7.1	-0.1	93.1%
Latvia - Sweden	Passengers (thousands)	173	138	223	257	181	4.7%
	Cargo units (thousands)	4	4	4	4	4	-3.0%
	Revenue (million euros)	16.2	12.6	20.0	23.8	16.1	-0.4%
	Segment result <sup>1</sup> (million euros)	-0.3	-4.0	0.3	5.3	-0.9	-189.6%
Other	Revenue (million euros)	16.4	10.7	22.2	22.4	18.5	12.8%
	Segment result <sup>1</sup> (million euros)	1.4	0.2	8.0	5.6	2.8	107.4%
	Intersegment revenue (million euros)	-1.8	-1.3	-1.9	-3.0	-1.6	14.0%
	Total revenue (million euros)	226.6	178.9	256.1	287.8	226.4	-0.1%
	EBITDA (million euros)	24.0	3.8	50.7	83.2	33.4	39.3%
	Total segment result <sup>1</sup> (million euros)	17.9	-6.5	41.4	71.6	22.7	26.8%
	Net profit/loss	-1.8	-25.3	14.9	54.6	5.5	411.0%

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

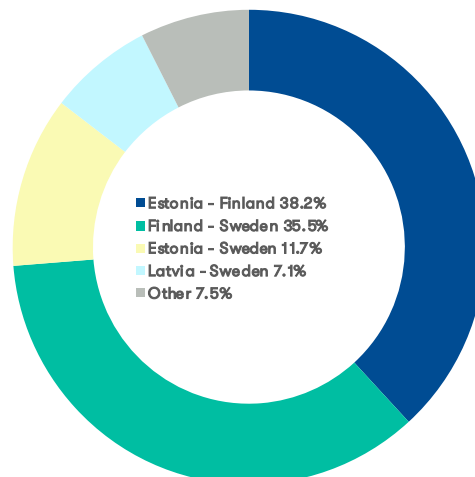
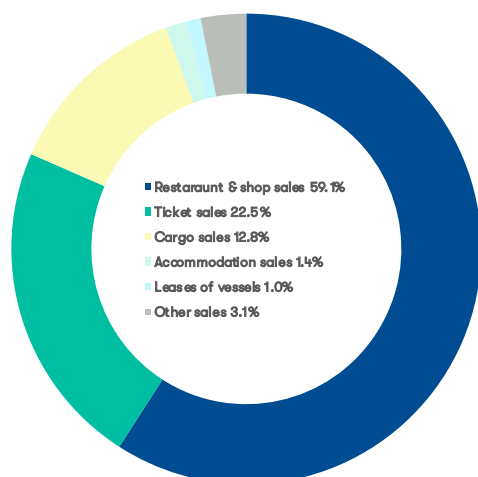


The following tables provide an overview of the quarterly sales development by operating segments:

Revenue (million euros)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q4 Change
Restaurant and shop sales on-board and onshore	130.1	103.1	142.3	157.4	133.8	2.8%
Ticket sales	51.8	37.2	66.2	86.3	51.0	-1.7%
Sales of cargo transportation	32.2	29.6	31.7	28.7	29.1	-9.6%
Accommodation sales <sup>1</sup>	3.7	2.3	4.8	5.7	3.2	-12.6%
Income from charter of vessels	2.0	2.0	2.0	2.0	2.3	12.8%
Other sales	6.7	4.7	9.0	7.8	7.0	4.4%
<b>Total revenue</b>	<b>226.6</b>	<b>178.9</b>	<b>256.1</b>	<b>287.8</b>	<b>226.4</b>	<b>-0.1%</b>

<sup>1</sup> The operations of Tallink Pirita Spa Hotel were ceased in November 2018.

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



## Costs breakdown

The following table provides a detailed overview of the cost items during the 12-month period ended 31 December.

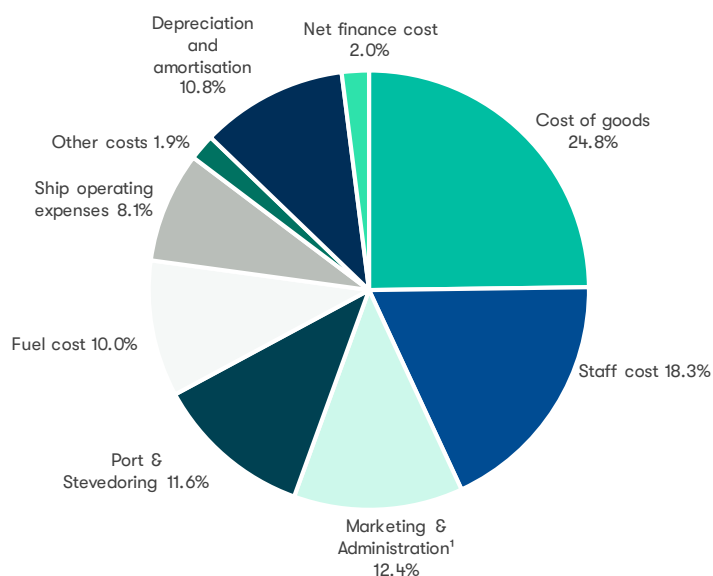
Costs (million euros)	Jan-Dec 2019	Jan-Dec 2018	Change
Cost of goods	221 139	217 429	1.7%
Staff cost	163 148	160 608	1.6%
Marketing & Administration <sup>1 2</sup>	110 974	116 448	-4.7%
Port & Stevedoring	103 446	104 748	-1.2%
Fuel cost	89 614	102 473	-12.5%
Ship operating expenses	72 594	75 518	-3.9%
Other costs <sup>2</sup>	17 090	29 718	-42.5%
Total costs from operations	778 005	806 943	-3.6%
Depreciation and amortisation <sup>2</sup>	96 246	79 279	21.4%
Net finance cost <sup>2 3</sup>	17 683	18 918	-6.5%
<b>Total costs</b>	<b>891 934</b>	<b>905 140</b>	<b>-1.5%</b>

<sup>1</sup> Depreciation and amortisation excluded.

<sup>2</sup> In 2019, depreciation and amortisation include cost in the amount of EUR 15.0 million and net finance cost includes EUR 2.3 million interest cost arising from IFRS 16 adoption. Previously, rental cost was included in Marketing & Administration and Other costs.

<sup>3</sup> Includes share of profit/loss of equity-accounted investees.

The following chart provides an overview of the proportions of the cost items in the 2019 financial year.



## Market developments

The following table provides an overview of the passengers, cargo units and passenger vehicles transported during the fourth quarter of 2019 and 2018.

<b>Passengers</b>	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>Change</b>	<b>Jan-Dec 2019</b>	<b>Jan-Dec 2018</b>	<b>Change</b>
Estonia - Finland	1 199 939	1 173 165	2.3%	5 115 602	5 079 861	0.7%
Finland - Sweden	675 650	679 136	-0.5%	2 894 494	2 845 616	1.7%
Estonia - Sweden	224 083	221 979	0.9%	953 153	1 035 093	-7.9%
Latvia - Sweden	181 133	172 946	4.7%	799 961	796 041	0.5%
<b>Total</b>	<b>2 280 805</b>	<b>2 247 226</b>	<b>1.5%</b>	<b>9 763 210</b>	<b>9 756 611</b>	<b>0.1%</b>

<b>Cargo units</b>	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>Change</b>	<b>Jan-Dec 2019</b>	<b>Jan-Dec 2018</b>	<b>Change</b>
Estonia - Finland	58 423	61 585	-5.1%	242 142	245 867	-1.5%
Finland - Sweden	19 941	20 510	-2.8%	78 095	74 654	4.6%
Estonia - Sweden	11 158	11 941	-6.6%	42 845	48 427	-11.5%
Latvia - Sweden	4 123	4 250	-3.0%	16 552	16 010	3.4%
<b>Total</b>	<b>93 645</b>	<b>98 286</b>	<b>-4.7%</b>	<b>379 634</b>	<b>384 958</b>	<b>-1.4%</b>

<b>Passenger vehicles</b>	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>Change</b>	<b>Jan-Dec 2019</b>	<b>Jan-Dec 2018</b>	<b>Change</b>
Estonia - Finland	188 834	185 096	2.0%	827 106	827 998	-0.1%
Finland - Sweden	27 919	25 586	9.1%	158 699	155 907	1.8%
Estonia - Sweden	12 149	13 307	-8.7%	61 981	69 072	-10.3%
Latvia - Sweden	14 123	14 687	-3.8%	62 528	71 716	-12.8%
<b>Total</b>	<b>243 025</b>	<b>238 676</b>	<b>1.8%</b>	<b>1 110 314</b>	<b>1 124 693</b>	<b>-1.3%</b>

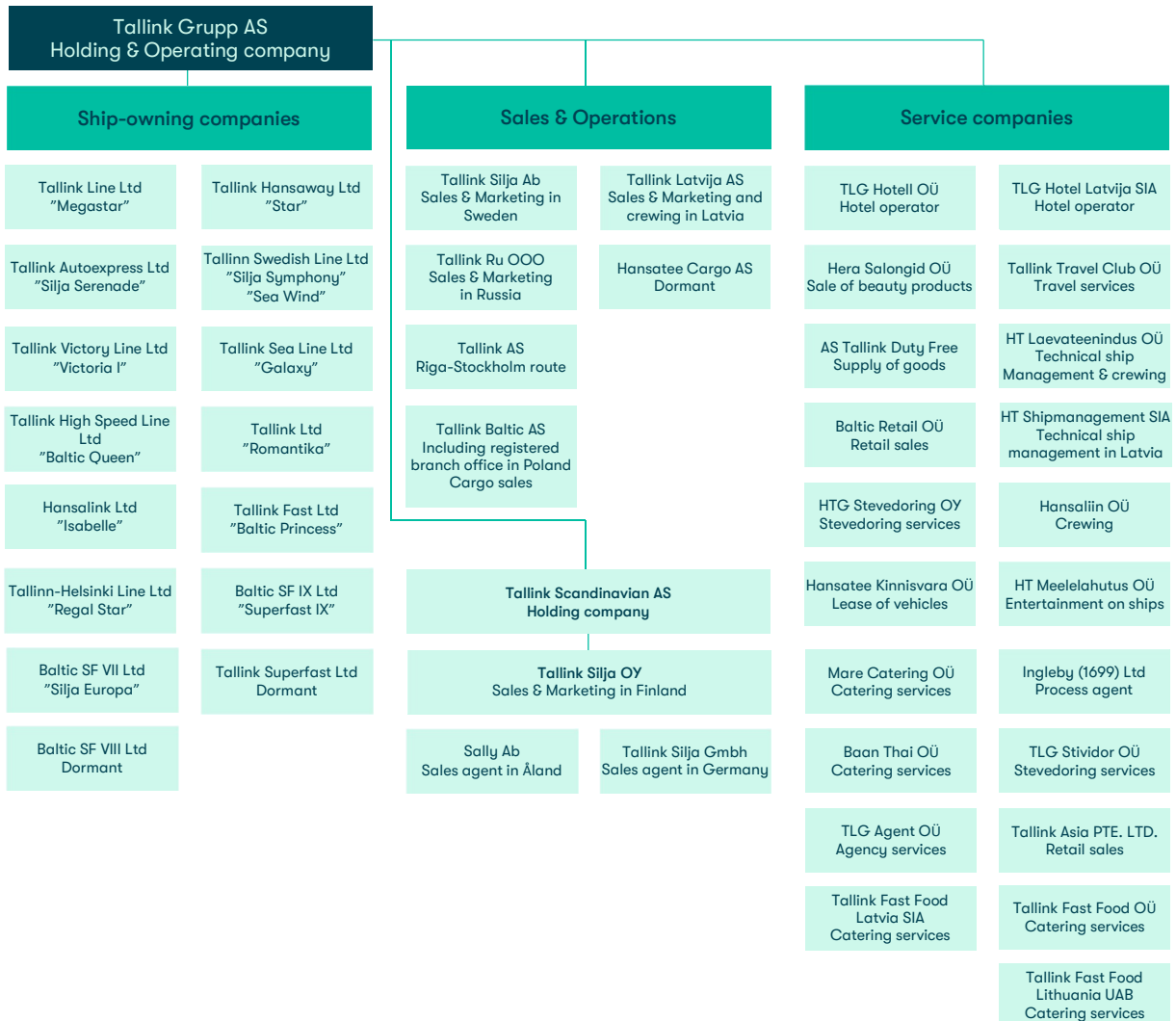
The Group's market shares on the routes operated during the 12-month period ended 31 December 2019 were as follows:

- the Group carried approximately 57% of the passengers and 62% of the ro-ro cargo on the route between Tallinn and Helsinki;
- the Group carried approximately 55% 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 47 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

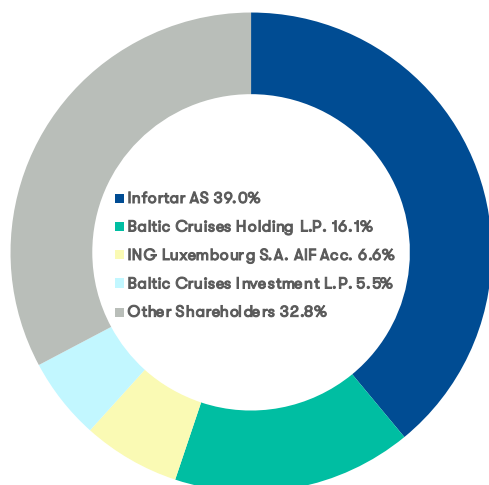
At 31 December 2019, the Group had 7 240 employees (7 242 at 31 December 2018). The following table provides a more detailed overview of the Group's personnel.

	Average of Q4			Average of Jan-Dec			End of Q4		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
Onshore total	1 616	1 629	-0.8%	1 646	1 658	-0.7%	1 623	1 630	-0.4%
Estonia	976	920	6.1%	973	921	5.6%	976	934	4.5%
Finland	411	455	-9.7%	438	481	-8.9%	414	444	-6.8%
Sweden	142	165	-13.9%	149	166	-10.2%	147	165	-10.9%
Latvia	68	71	-4.2%	68	72	-5.6%	67	69	-2.9%
Russia	13	12	8.3%	12	12	0.0%	13	12	8.3%
Germany	6	6	0.0%	6	6	0.0%	6	6	0.0%
Onboard	5 077	5 059	0.4%	5 109	5 163	-1.0%	5 109	5 108	0.0%
Hotel <sup>1</sup>	504	540	-6.7%	515	609	-15.4%	508	504	0.8%
Total	7 197	7 228	-0.4%	7 270	7 430	-2.2%	7 240	7 242	0.0%

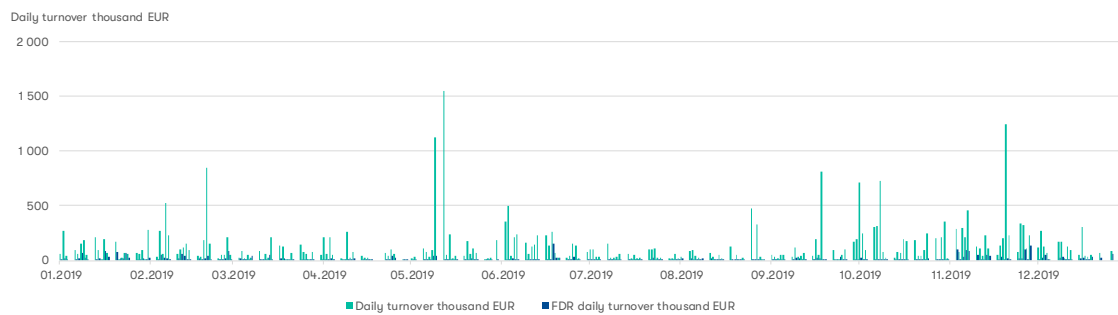
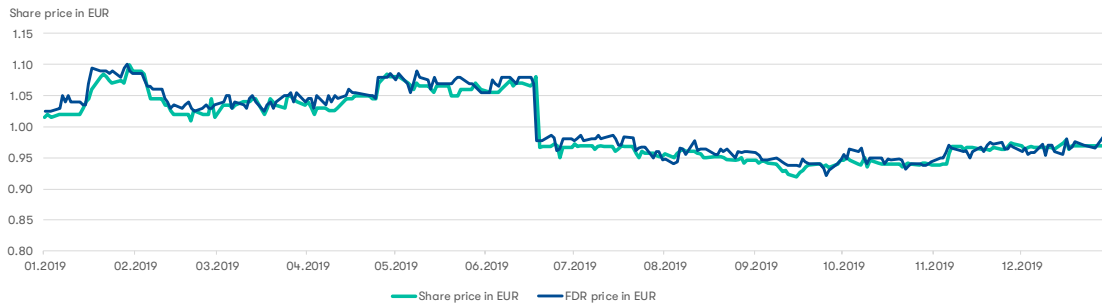
<sup>1</sup> The number of hotel personnel is not included in the total number of onshore personnel.

## Shareholders & share price development

The following chart displays the shareholder structure of Tallink Grupp AS as at 31 December 2019.



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 0.97 and the closing price of the FDR on Nasdaq Helsinki was EUR 0.99. The following charts give an overview of the share and FDR price and turnover developments in the past twelve months.





## Key Management Personnel

### Supervisory Board

The Supervisory Board of Tallink Grupp AS consists of seven members and includes:

- Mr Enn Pant, Chairman
- Mr Toivo Ninnas
- Ms Eve Pant
- Mr Ain Hanschmidt
- Mr Colin Douglas Clark
- Mr Kalev Järvelill
- Mr Raino Paron

### Management Board

The Management Board of Tallink Grupp AS operates with five members and includes:

- Mr Paavo Nõgene, Chairman
- Mr Lembit Kitter
- Mrs Kadri Land
- Mr Harri Hanschmidt
- Mrs Piret Mürk-Dubout

## Economic Environment

The group operates shipping routes to and from Finland, Sweden, Estonia and Latvia and therefore considers these countries its home markets. As nearly half of the passengers are Finns the Group is exposed the most to economic developments in Finland. Exposure is also high to economic developments in Estonia (19% of total passengers in 2019) and Sweden (11%). The number of passengers from Latvia accounted for 4% of the total passengers in 2019 with the remaining 21% from the rest of the world, mainly Europe.

The business confidence (OECD measure) slipped throughout the year, including fourth quarter of 2019, across all the home markets, and remains currently clearly below the long-term averages. This dynamic of high uncertainty reflects also in the development of the number of transported cargo units. In addition, our cargo operations were adversely affected also by increased competition, specific issues within certain industries and strikes in Finland. Despite the average confidence remaining lower than a quarter ago, the monthly developments in the fourth quarter 2019 looked more encouraging, particularly in Latvia and Estonia but also in Finland.

The confidence of Estonian and Latvian consumers continued to increase in the fourth quarter of 2019, both over the previous quarter and over last year's level. The confidence of Finnish and Swedish consumers remained on par with the recent results (third quarter of 2019) which is a good development given the consistent erosion seen over the past years. On the Estonia-Finland route, the on-board sales were further supported by the lowering of Estonian excises taxes in July 2019. The strengthening of Swedish Krona from mid-October onwards was another supportive factor to our passenger operations.

As was the case throughout the year the labour market situation continued to be challenging also in the fourth quarter of 2019, particularly in Estonia - low unemployment and high expectations on salaries. Seasonally lower staff need in the last quarter of the year eased the situation somewhat compared to the summer.

On a more positive side, the pace of inflation slowed in the fourth quarter of 2019 to the lowest quarterly level seen in 2019 on all the home markets, except Sweden. In the fourth quarter of 2019 inflation, according to Eurostat, remained fairly close to the ECB long-term target rate of 2% in Estonia, Latvia and Sweden. Inflation continued to be the lowest in Finland falling as low as 0.9% in the last quarter of 2019.

The effective market prices of the relevant fuels (in euros) remained more than 4% lower relative to the fourth quarter of 2018. However, in December the prices were higher than a year ago. As we continue to have exposure to market prices the fuel price hikes remain one of the characteristic risks of our operations.

Other key risks to the home markets' environment continue to be related to global uncertainties (including trade tensions between China and the US and in particular to the UK's withdrawal from the EU) and deferral of investments leading to decreasing trade for all of the open economies around the Baltic Sea. The persisting global uncertainties appear to already drive declining business confidence and lower investments leading to the most relevant markets in Europe flirting with recession as well as weakening of our cargo operations. Also, subject to the persistence and extent, the coronavirus outbreak could lead to lower demand for passengers from Asia.

## Events in Q4

### Capital reduction

In May 2019, the shareholders' general meeting decided to reduce the Company's share capital by EUR 0.07 per share or by EUR 46.9 million, in order to improve the Company's capital structure. The share capital reduction was paid out on 03 December 2019.

### Changes in the Group structure

In November 2019, Tallink Fast Food OÜ, a wholly-owned subsidiary of Tallink Grupp AS, registered a wholly-owned subsidiary in Lithuania – Tallink Fast Food Lithuania UAB– which is the Group's first subsidiary in Lithuania, and a wholly-owned subsidiary in Latvia – Tallink Fast Food Latvia SIA. The purpose of founding the subsidiaries is operation of Burger King restaurants in Lithuania and Latvia.

### Change in Tallink Grupp AS loan obligations

In November 2019, Tallink Grupp AS signed a revolving credit facility agreement in the amount of EUR 60 million. The financing provided by Swedbank AS carries Euribor based floating interest rate and has a final maturity of four years.

The loan can be drawn on demand and proceeds could be used for general corporate purposes. As a result of the transaction, the Group's liquidity buffers are strengthened.

The new loan is guaranteed by Baltic SF VII Ltd., a subsidiary of Tallink Grupp AS and is secured by the mortgage on vessel Silja Europa belonging to the same subsidiary.

## Events after the reporting period and outlook

### Fuel price risk management

The Group has agreed with its fuel suppliers to fix prices for a substantial portion of its total fuel purchasing volume for the 2020 financial year.

### Ship dockings

The modernisation of the Group's fleet continues in 2020 and in the first quarter there are planned dockings of five vessels: Seawind, Megastar, Romantika, Silja Europa and Silja Symphony.

The investments will be made to ship's technical maintenance, upgrades to public areas and a number of energy efficiency projects as well as projects to reduce emissions such as the trial of the

wind-assisted ship propulsion unit for Regal Star, the installation of the Ballast Water Treatment System and replacement of the vessel's provision cooling system on Silja Europa. The planned service breaks of five vessels will total to 69 days in the first months of 2020.

### Prepayments for new shuttle vessel MyStar

In the first quarter of 2020, another prepayment in the amount of EUR 12.4 million will be made for new shuttle vessel MyStar. During the 2020 financial year, two additional prepayments will be made in the second and the third quarter, each in the amount of EUR 24.7 million.

### Changes in the Group structure

In February 2020, Hansatee Cargo AS, a wholly-owned subsidiary of Tallink Grupp AS, was merged with the Group company Tallink AS and thereafter deleted from the Commercial Registry.

### 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 period (June-August).

### Research and development projects

Tallink Grupp AS does not have any substantial ongoing research and development projects. The Group is continuously seeking opportunities for expanding its operations in order to improve the results.

The Group is looking for innovative ways to upgrade our ships and passenger area technology to improve the overall performance of our company through modern solutions. The most recent project, in collaboration with ports in the Baltic Sea area, involves making the preparations for the use of high-voltage shore connection during the vessels' port stays. Another ongoing collaboration with the Tallinn University of Technology (TalTech) involves the development of „Smart Car Deck“ solutions.

In addition, the Group is participating in a programme, funded by the European Space Agency, with a goal to develop techniques for autonomous navigation for ships, using a combination of different sensors, machine learning and artificial intelligence.

### 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 2019 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



**Piret Mürk-Dubout**  
Member of the Management Board



Tallinn, 27 February 2020

# UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Unaudited, in thousands of EUR	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Revenue (Note 3)	226 375	226 550	949 119	949 723
Cost of sales	-187 305	-191 928	-752 234	-765 892
Gross profit	39 070	34 622	196 885	183 831
Sales and marketing expenses	-16 365	-16 714	-67 727	-69 315
Administrative expenses	-14 375	-16 371	-56 783	-55 495
Other operating income	723	2 134	2 599	4 633
Other operating expenses	-83	0	-106	-153
Result from operating activities	8 970	3 671	74 868	63 501
Finance income (Note 4)	4	864	995	8 631
Finance costs (Note 4)	-4 228	-5 376	-18 674	-27 552
Share of profit/loss of equity-accounted investees	-4	4	-4	4
Profit/loss before income tax	4 742	-837	57 185	44 584
Income tax	732	-923	-7 467	-4 535
Net profit/loss for the period	5 474	-1 760	49 718	40 049
Net profit/loss for the period attributable to equity holders of the Parent	5 474	-1 760	49 718	40 049
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Exchange differences on translating foreign operations	-295	-35	161	267
Other comprehensive income for the period	-295	-35	161	267
Total comprehensive income for the period	5 179	-1 795	49 879	40 316
Total comprehensive income for the period attributable to equity holders of the Parent	5 179	-1 795	49 879	40 316
Earnings/loss per share (in EUR, Note 5)	0.008	-0.003	0.074	0.060

## Consolidated statement of financial position

Unaudited, in thousands of EUR	31.12.2019	31.12.2018
<b>ASSETS</b>		
Cash and cash equivalents	38 877	82 175
Trade and other receivables	37 606	43 805
Prepayments	6 805	6 084
Prepaid income tax	67	46
Inventories	37 255	35 741
<b>Current assets</b>	<b>120 610</b>	<b>167 851</b>
Investments in equity-accounted investees	403	407
Other financial assets and prepayments	1 619	320
Deferred income tax assets	18 674	17 934
Investment property	300	300
Property, plant and equipment (Note 6)	1 347 093	1 267 928
Intangible assets (Note 7)	44 264	46 164
<b>Non-current assets</b>	<b>1 412 353</b>	<b>1 333 053</b>
<b>TOTAL ASSETS</b>	<b>1 532 963</b>	<b>1 500 904</b>
<b>LIABILITIES AND EQUITY</b>		
Interest-bearing loans and borrowings (Note 8)	89 198	78 658
Trade and other payables	98 926	100 682
Derivatives	0	918
Payables to owners	6	2
Income tax liability	0	116
Deferred income	33 314	32 113
<b>Current liabilities</b>	<b>221 444</b>	<b>212 489</b>
Interest-bearing loans and borrowings (Note 8)	488 682	431 477
Other liabilities	0	22
<b>Non-current liabilities</b>	<b>488 682</b>	<b>431 499</b>
<b>Total liabilities</b>	<b>710 126</b>	<b>643 988</b>
Share capital (Note 9)	314 844	361 736
Share premium	663	662
Reserves	69 608	69 474
Retained earnings	437 722	425 044
<b>Equity attributable to equity holders of the Parent</b>	<b>822 837</b>	<b>856 916</b>
<b>Total equity</b>	<b>822 837</b>	<b>856 916</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 532 963</b>	<b>1 500 904</b>



## Consolidated statement of cash flows

Unaudited, in thousands of EUR	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net profit/loss for the period	5 474	-1 760	49 718	40 049
Adjustments	28 428	25 523	122 260	102 758
Changes in:				
Receivables and prepayments related to operating activities	15 108	16 298	4 740	2 407
Inventories	3 185	1 833	-1 514	4 934
Liabilities related to operating activities	-3 480	-1 400	-311	6 723
Changes in assets and liabilities	14 813	16 731	2 915	14 064
Cash generated from operating activities	48 715	40 494	174 893	156 871
Income tax paid	-29	-14	-317	-87
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>48 686</b>	<b>40 480</b>	<b>174 576</b>	<b>156 784</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant, equipment and intangible assets (Notes 6, 7)	-10 031	-15 918	-60 887	-36 037
Proceeds from disposals of property, plant, equipment	-20	300	192	368
Interest received	0	5	1	7
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-10 051</b>	<b>-15 613</b>	<b>-60 694</b>	<b>-35 662</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from loans received (Note 8)	45 000	110 000	45 000	110 000
Repayment of loans received (Note 8)	-23 375	-20 333	-79 750	-69 666
Repayment of bonds (Note 8)	0	-120 303	0	-120 303
Change in overdraft (Note 8)	-5 157	0	0	0
Payments for settlement of derivatives	0	-947	-1 029	-3 569
Payment of lease liabilities (Note 8)	-3 888	-29	-14 822	-108
Interest paid	-3 069	-3 992	-16 717	-19 440
Payment of transaction costs related to loans	-636	-66	-1 431	-1 113
Dividends paid (Note 10)	15	0	-33 443	-20 096
Reduction of share capital	-46 888	0	-46 888	-1
Income tax on dividends paid	3	0	-8 100	-3 562
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>-37 995</b>	<b>-35 670</b>	<b>-157 180</b>	<b>-127 858</b>
<b>TOTAL NET CASH FLOW</b>	<b>640</b>	<b>-10 803</b>	<b>-43 298</b>	<b>-6 736</b>
Cash and cash equivalents at the beginning of period	38 237	92 978	82 175	88 911
Change in cash and cash equivalents	640	-10 803	-43 298	-6 736
Cash and cash equivalents at the end of period	38 877	82 175	38 877	82 175

## 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 2018	361 736	662	269	41 552	27 670	-17	425 044	856 916	856 916
Initial application of IFRS 16	0	0	0	0	0	0	-3 590	-3 590	-3 590
Adjusted balance as at 1 January 2019	361 736	662	269	41 552	27 670	-17	421 454	853 326	853 326
Net profit for the period	0	0	0	0	0	0	49 718	49 718	49 718
Other comprehensive income for the period	0	0	161	0	0	0	0	161	161
Total comprehensive income for the period	0	0	161	0	0	0	49 718	49 879	49 879
Transfer from profit for 2018	0	0	0	0	2 003	0	-2 003	0	0
Transfer from revaluation reserve	0	0	0	-2 047	0	0	2 047	0	0
Dividends (Note 10)	0	0	0	0	0	0	-33 494	-33 494	-33 494
Share-based payment transactions	0	1	0	0	0	17	0	18	18
Reduction of share capital	-46 892	0	0	0	0	0	0	-46 892	-46 892
Transactions with owners of the Company recognised directly in equity	-46 892	1	0	-2 047	2 003	17	-33 450	-80 368	-80 368
As at 31 December 2019	314 844	663	430	39 505	29 673	0	437 722	822 837	822 837
As at 31 December 2017	361 736	639	2	43 599	25 345	0	404 958	836 279	836 279
Initial application of IFRS 9 and IFRS 15	0	0	0	0	0	0	411	411	411
Adjusted balance as at 1 January 2018	361 736	639	2	43 599	25 345	0	405 369	836 690	836 690
Net profit for the period	0	0	0	0	0	0	40 049	40 049	40 049
Other comprehensive income for the period	0	0	267	0	0	0	0	267	267
Total comprehensive income for the period	0	0	267	0	0	0	40 049	40 316	40 316
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	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

# 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 and 12 months of 2019 were authorised for issue by the Management Board on 27 February 2020.

Tallink Grupp AS is a public limited company incorporated and domiciled in Estonia, with a registered office at Sadama 5, Tallinn. Tallink Grupp AS shares have been publicly traded on the Nasdaq Tallinn Stock Exchange since 9 December 2005. Starting from 3 December 2018 the shares of Tallink Grupp AS are also listed as Finnish Depository Receipts (FDRs) on the 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 2019, the Group employed 7 240 people (7 242 as at 31 December 2018).

## 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 2018, except as described below. The Group prepares its consolidated annual financial statements in accordance with IFRS as adopted by the EU. The Group adopted IFRS 16 “Leases” from 1 January 2019.

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

### IFRS 16 Leases

IFRS 16 replaced IAS 17 Leases and related interpretations. Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

Lessor accounting remained largely unaffected by the introduction of the new standard and the distinction between operating and finance leases is retained.

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period as permitted under the transition provisions in the standard.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always been applied.

As the result of IFRS 16 adoption as at 1 January 2019 the Group's assets increased by 100.8 million euros (Note 6) and liabilities by 104.4 million euros. The net impact on retained earnings on 1 January 2019 was a decrease of 3.6 million euros.

### 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>2019</b>							
Sales to external customers	353 977	112 271	72 535	344 404	65 932	0	949 119
Intersegment sales	0	0	0	0	7 795	-7 795	0
Revenue	353 977	112 271	72 535	344 404	73 727	-7 795	949 119
Segment result	80 435	4 724	606	26 771	16 622	0	129 158
Unallocated expenses							-54 290
Net financial items (Note 4)							-17 679
Share of profit/loss of equity-accounted investees							-4
<b>Profit before income tax</b>							<b>57 185</b>

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
<b>Profit before income tax</b>							<b>44 584</b>



## Revenue by service

In thousands of EUR	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Restaurant and shop sales on-board and onshore	133 783	130 080	536 568	524 416
Ticket sales	50 951	51 819	240 653	243 807
Sales of cargo transport	29 081	32 180	119 078	124 852
Sales of accommodation	3 234	3 701	16 084	19 183
Income from charter of vessels	2 283	2 024	8 289	8 030
Other	7 043	6 746	28 447	29 435
<b>Total revenue of the Group</b>	<b>226 375</b>	<b>226 550</b>	<b>949 119</b>	<b>949 723</b>

## Note 4 Financial items

In thousands of EUR	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Net foreign exchange gain	4	0	76	0
Income on foreign exchange derivatives	0	0	0	4 854
Income on interest rate swaps	0	859	918	3 770
Income from other financial assets	0	5	1	7
<b>Total finance income</b>	<b>4</b>	<b>864</b>	<b>995</b>	<b>8 631</b>
Net foreign exchange loss	0	-119	0	-4 170
Interest expense on financial liabilities measured at amortised cost	-3 646	-4 310	-15 308	-19 813
Expenses on interest rate swaps	0	-947	-1 029	-3 569
Interest expense on right-of-use assets liabilities	-582	0	-2 337	0
<b>Total finance costs</b>	<b>-4 228</b>	<b>-5 376</b>	<b>-18 674</b>	<b>-27 552</b>
<b>Net finance costs</b>	<b>-4 224</b>	<b>-4 512</b>	<b>-17 679</b>	<b>-18 921</b>

## 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.

At the end of the period, in thousands	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Shares issued	669 882	669 882	669 882	669 882
Shares outstanding	669 882	669 865	669 882	669 865

For the period, in thousands of EUR	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Weighted average number of ordinary shares outstanding (in thousands)	669 882	669 791	669 881	669 859
Net profit/loss attributable to equity holders of the Parent	5 474	-1 760	49 718	40 049
<b>Earnings/loss per share</b>	<b>0.008</b>	<b>-0.003</b>	<b>0.074</b>	<b>0.060</b>

## Note 6 Property, plant and equipment

In thousands of EUR	Land and buildings	Ships	Plant and equipment	Right-of-use assets	Assets under construction	Total
Book value as at 31 December 2018	2 324	1 215 295	43 658	0	6 651	1 267 928
Initial application of IFRS 16	0	0	0	100 770	0	100 770
Adjusted book value as at 1 January 2019	2 324	1 215 295	43 658	100 770	6 651	1 368 698
Additions	0	0	13 103	12 297	42 808	68 208
Reclassification	68	18 061	14 349	0	-32 478	0
Disposals	0	0	-154	-303	0	-457
Depreciation for the period	-522	-59 822	-13 971	-15 041	0	-89 356
Book value as at 31 December 2019	1 870	1 173 534	56 985	97 723	16 981	1 347 093
As at 31 December 2019						
Gross carrying amount	8 264	1 646 370	101 257	112 670	16 981	1 885 542
Accumulated depreciation	-6 394	-472 836	-44 272	-14 947	0	-538 449
Book value as at 31 December 2017	2 308	1 268 604	32 958	0	4 571	1 308 441
Additions	0	-1 632	15 534	0	19 282	33 184
Reclassification	792	10 715	5 695	0	-17 202	0
Disposals	0	0	-368	0	0	-368
Depreciation for the period	-776	-62 392	-10 161	0	0	-73 329
Book value as at 31 December 2018	2 324	1 215 295	43 658	0	6 651	1 267 928
As at 31 December 2018						
Gross carrying amount	8 226	1 629 933	76 999	0	6 651	1 721 809
Accumulated depreciation	-5 902	-414 638	-33 341	0	0	-453 881

### Right-of-use assets

In thousands of EUR	Buildings and premises	Plant and equipment	Total right-of-use assets
Book value as at 31 December 2018	0	0	0
Initial application of IFRS 16	99 701	1 069	100 770
Adjusted book value as at 1 January 2019	99 701	1 069	100 770
Additions	12 256	41	12 297
Disposals	-288	-15	-303
Depreciation for the period	-14 527	-514	-15 041
Book value as at 31 December 2019	97 142	581	97 723
As at 31 December 2019			
Gross carrying amount	111 608	1 062	112 670
Accumulated depreciation	-14 466	-481	-14 947

## Note 7 Intangible assets

In thousands of EUR	Goodwill	Trademark	Other	Assets under construction	Total
Book value as at 31 December 2018	11 066	21 838	12 000	1 260	46 164
Additions	0	0	712	4 281	4 993
Reclassification	0	0	4 320	-4 320	0
Amortisation for the period	0	-2 916	-3 977	0	-6 893
Book value as at 31 December 2019	11 066	18 922	13 055	1 221	44 264
As at 31 December 2019					
Cost	11 066	58 288	36 870	1 221	107 445
Accumulated amortisation	0	-39 366	-23 815	0	-63 181
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

## Note 8 Interest-bearing loans and borrowings

In thousands of EUR	31.12.2018	Addition	Repayments	Exchange differences	Other changes <sup>1</sup>	31.12.2019
Lease liabilities	428	17	-101	-9	-31	304
Right-of-use assets liabilities <sup>2</sup>	0	116 657	-14 721	-45	-314	101 577
Long-term bank loans	509 707	45 000	-79 750	0	1 042	475 999
Total borrowings	510 135	161 674	-94 572	-54	697	577 880
Current portion	78 658					89 198
Non-current portion	431 477					488 682
Total borrowings	510 135					577 880

In thousands of EUR	31.12.2017	Addition	Repayments	Exchange differences	Other changes <sup>1</sup>	31.12.2018
Lease liabilities	287	370	-108	-9	-112	428
Unsecured bonds	91 288	0	-120 303	28 838	177	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> Capitalisation and amortisation of transaction costs and the termination of lease agreements.

<sup>2</sup> Lease liabilities related to IFRS 16 adoption.

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 162 239 thousand granted to its ship-owning subsidiaries. Ship-owning subsidiaries have given guarantees to Nordea Bank Finland Plc and Swedbank AS for loans of EUR 313 760 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 9 Share capital

According to the articles of association of the Parent the maximum number of ordinary 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 is recorded in the Estonian Central Registry of Securities at the time used to determine the list of shareholders for the given shareholders' general meeting.

Tallink Grupp AS has 669 882 040 registered shares without nominal value and the notional value of each share is EUR 0.47.

## Note 10 Dividends

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 EUR 0.05 per share.

Shareholders' annual general meeting of 2019 decided to pay a dividend of EUR 0.05 per share from net profit for 2018 and the reduction of the Company's share capital by EUR 0.07 per share. The dividend amount of EUR 33.5 million was paid out on 03 July 2019 and share capital reduction amount of EUR 46.9 million was paid out on 03 December 2019.

## Note 11 Related party disclosures

The Group has conducted transactions with related parties and has outstanding balances with related parties.

<b>For the period ended 31 December 2019, in thousands of EUR</b>	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
Companies controlled by the Key Management Personnel	950	24 093	211	1 833
Associated companies	1	187	0	20
<b>Total</b>	<b>951</b>	<b>24 280</b>	<b>211</b>	<b>1 853</b>

<b>For the period ended 31 December 2018, in thousands of EUR</b>	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
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>



## 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 2019, 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



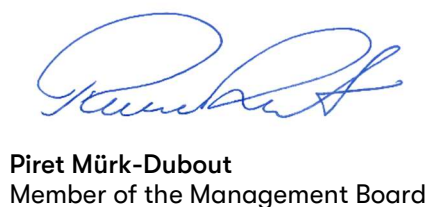
**Lembit Kitter**  
Member of the Management Board



**Kadri Land**  
Member of the Management Board



**Harri Hanschmidt**  
Member of the Management Board



**Piret Mürk-Dubout**  
Member of the Management Board



Tallinn, 27 February 2020

## 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 or loss / 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 or loss / net sales

**Capital expenditure:** additions to property, plant and equipment – additions to right-of-use assets + 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 2019	Q4 2018
Depreciation	22 539	18 766
Amortisation	1 922	1 554
Depreciation and amortisation	24 461	20 320
Result from operating activities	8 970	3 671
Depreciation and amortisation	24 461	20 320
EBITDA	33 431	23 991
EBITDA	33 431	23 991
IFRS 16 adoption effect	-4 504	0
EBITDA adjusted	28 927	23 991
Additions to property, plant and equipment	8 689	14 687
Additions to intangible assets	1 342	1 291
Capital expenditures	10 031	15 978
Net profit/loss for the period	5 474	-1 760
Weighted average number of shares outstanding	669 882 040	669 791 219
Earnings/loss per share (EUR)	0.008	-0.003
Lease liabilities	304	428
Right-of-use assets liabilities	101 577	0
Long-term bank loans	475 999	509 707
Interest-bearing liabilities	577 880	510 135
Gross profit	39 070	34 622
Net sales	226 375	226 550
Gross margin	17.3%	15.3%
EBITDA	33 431	23 991
Net sales	226 375	226 550
EBITDA margin	14.8%	10.6%
EBITDA adjusted	28 927	23 991
Net sales	226 375	226 550
EBITDA margin adjusted	12.8%	10.6%
EBIT	8 970	3 671
Net sales	226 375	226 550
EBIT margin	4.0%	1.6%
Net profit/loss	5 474	-1 760
Net sales	226 375	226 550
Net profit margin	2.4%	-0.8%
Result from operating activities 12-months trailing	74 868	63 501
Total assets 31 December (previous year)	1 500 904	1 558 597
Total assets 31 March	1 572 259	1 531 619
Total assets 30 June	1 609 873	1 554 542
Total assets 30 September	1 564 197	1 534 787
Total assets 31 December	1 532 963	1 500 904
Average assets	1 556 039	1 536 090
ROA	4.8%	4.1%

In thousands of EUR	Q4 2019	Q4 2018
Net profit 12-months trailing	49 718	40 049
Total equity 31 December (previous year)	856 916	836 279
Total equity 31 March	828 255	817 056
Total equity 30 June	809 907	812 701
Total equity 30 September	817 658	858 705
Total equity 31 December	822 837	856 916
Average equity	827 115	836 331
<b>ROE</b>	<b>6.0%</b>	<b>4.8%</b>
Result from operating activities 12-months trailing	74 868	63 501
Total assets 31 December (previous year)	1 500 904	1 558 597
Total assets 31 March	1 572 259	1 531 619
Total assets 30 June	1 609 873	1 554 542
Total assets 30 September	1 564 197	1 534 787
Total assets 31 December	1 532 963	1 500 904
Current liabilities 31 December (previous year)	212 489	316 662
Current liabilities 31 March	240 074	327 805
Current liabilities 30 June	303 996	367 624
Current liabilities 30 September	276 139	322 785
Current liabilities 31 December	221 444	212 489
Total assets - current liabilities 31 December (previous year)	1 288 415	1 241 935
Total assets - current liabilities 31 March	1 332 185	1 203 814
Total assets - current liabilities 30 June	1 305 877	1 186 918
Total assets - current liabilities 30 September	1 288 058	1 212 002
Total assets - current liabilities 31 December	1 311 519	1 288 415
Average assets - current liabilities	1 305 211	1 226 617
<b>ROCE</b>	<b>5.7%</b>	<b>5.2%</b>
<b>In thousands of EUR</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Interest-bearing liabilities	577 880	564 821
Cash and cash equivalents	38 877	38 237
<b>Net debt</b>	<b>539 003</b>	<b>526 584</b>
Total equity	822 837	817 658
Total assets	1 532 963	1 564 197
<b>Equity ratio</b>	<b>53.7%</b>	<b>52.3%</b>
Equity attributable to equity holders of the Parent	822 837	817 658
Number of ordinary shares outstanding	669 882 040	669 882 040
<b>Shareholders' equity per share (EUR per share)</b>	<b>1.23</b>	<b>1.22</b>
Net debt	539 003	526 584
12-months trailing		
Depreciation	89 356	85 582
Amortisation	6 893	6 525
Depreciation and amortisation	96 249	92 107
<b>EBITDA</b>	<b>171 117</b>	<b>161 676</b>
<b>Net debt to EBITDA</b>	<b>3.1</b>	<b>3.3</b>

## CONTACT INFORMATION

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