

Company AS Tallink Grupp  
Type Company Release  
Category Management interim statement or quaterly financial report  
Disclosure time 09 Nov 2017 09:50:00 +0200

Attachments:

- Tallink Grupp 2017-Q3 ENG.pdf (<http://oam.fi.ee/en/download?id=3196>)
- Tallink Grupp 2017-Q3 EST.pdf (<http://oam.fi.ee/en/download?id=3197>)

Currency

Title AS Tallink Grupp Unaudited Consolidated Interim Report Q3 2017

Tallinn, 2017-11-09 08:50 CET (GLOBE NEWSWIRE) --  
AS Tallink Grupp Unaudited Consolidated Interim Report Q3 2017

In the third quarter (1 July - 30 September) of 2017, Tallink Grupp AS and its subsidiaries (the Group) carried 2.9 million passengers, 2% more than in the third quarter of 2016. The Group's unaudited third-quarter revenue grew by 3.3% to EUR 282.7 million (EUR 273.6 million, Q3 2016). Unaudited EBITDA for the third quarter improved by 12.3% to EUR 75.4 million (EUR 67.1 million, Q3 2016) and unaudited net profit increased by 11.7% to EUR 47.8 million (EUR 42.8 million, Q3 2016).

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

- after the rerouting of ships in December 2016, carriage capacity increased on a number of operated routes;
- in the third quarter of 2017, during June and August, one cruise ferry operated the Tallinn - Helsinki route in contrast to two cruise ferries in last year;
- increased competition on Tallinn - Helsinki route.

Sales and segments

In the third-quarter, the revenues from all core operational segments increased compared to third quarter last year. The shops and restaurant revenue increased by EUR 3 million and ticket revenue by EUR 1.2 million, the growth was supported by the 2% increase of passenger number. The third-quarter cargo revenue increased by EUR 3.5 million compared to same period last year, the growth was supported by the increase of number of transported cargo units in all geographical segments.



The third-quarter revenue of the Estonia - Finland routes decreased by 6% compared to same period last year. The decrease was driven by decline in passenger numbers that was attributable to smaller total carriage capacity on the routes and increased competition from added capacity by competitors during the summer high season. Despite lower revenue, the Estonia - Finland routes segment result improved as more optimal operating costs resulting from three vessels on the Tallinn - Helsinki route. On the Tallinn - Helsinki route the new Shuttle ferry Megastar started operating in January 2017, next to Shuttle ferry Star. On the Tallinn - Helsinki route cruise service only one cruise ferry is operating in 2017, compared to two cruise ferries in the period of March to August in 2016.

The third-quarter revenue of the Finland-Sweden routes increased by 4% compared to same period last year. Growth was supported by a 1.8% higher passenger number and by a 13.7% increase of number of transported cargo units. The segment's third quarter result increased by EUR 1.9 million, compared to same period last year, amounting to EUR 17.9 million.

The Estonia-Sweden routes third-quarter revenue grew by 8.6% compared to same period last year. Growth was supported by an 8.1% higher passenger number. The number of transported cargo units increased by 2.9%. The segment's result increased by 4.9% to EUR 7.8 million compared to same period last year.

The Latvia-Sweden route third-quarter revenue increased by 66.4% compared to same period last year and the number of transported cargo units increased by 120%. The segment's third-quarter result increased by 4.2% to EUR 4.4 million. Since December 2016, two ships have been operating on the route compared to one ship in the third quarter last year.

#### Earnings

In the third quarter of 2017, the Group's gross profit grew by EUR 5.2 million compared to the same period last year, amounting to EUR 81.9 million. Third-quarter EBITDA increased by EUR 8.3 million to EUR 75.4 million. Third quarter growth was driven by a higher number of passengers and transported cargo units, attributable to the higher capacity, and more optimal operating costs resulting from three vessels on the Tallinn - Helsinki route. On the other hand, the result was also impacted by a year-on-year rise in fuel costs.

Net finance costs decreased by EUR 0.3 million compared to the third quarter last year mainly from lower interest expenses. The total exchange rate differences and the revaluation of cross currency and interest rate derivatives were on the same level.

The Group's unaudited net profit for the third quarter of 2017 was EUR 47.8 million or EUR 0.071 per share compared to a net profit of EUR 42.8 million or EUR 0.064 per share in the same period last year.



## Results of the first 9 months of 2017

In the first 9 months (1 January – 30 September) of 2017, the Group carried 7.4 million passengers which is 2.9% more compared to the same period last year. The Group's unaudited revenue for the period increased by 3.2% to EUR 734.1 million. Unaudited EBITDA increased almost by EUR 10 million and amounted to EUR 129.5 million (EUR 119.6 million, 9M 2016), unaudited net profit for the period was EUR 45.4 million (EUR 40.6 million, 9M 2016 net profit).

The financial result for the first 9 months 2017 was influenced by the scheduled maintenance of five cruise ferries in the first quarter of 2017 and a rise in carriage capacity on several routes after the rerouting of vessels in December 2016. In the first nine months the competition in the maritime traffic between Estonia and Finland has increased, which has put pressure on ticket prices.

### Financial position

In the third quarter, the Group's net debt decreased by EUR 18.6 million to EUR 635.2 million. The net debt to EBITDA ratio was 4.0 at the reporting date.

At the end of the third quarter, total liquidity (cash, cash equivalents and unused credit facilities) amounted to EUR 87.5 million (EUR 116.3 million, 30 September 2016) providing a strong financial position for sustainable operations. The Group had EUR 80.2 million (EUR 88.8 million, 30 September 2016) in cash and cash equivalents and EUR 7.3 million (EUR 27.5 million, 30 September 2016) in unused credit lines.

### KEY FIGURES

For the period	Q3 2017	Q3 2016	Change %
Revenue (million euros)	282.7	273.6	3.3%
Gross profit (million euros)	81.9	76.8	6.7%
Net profit for the period (million euros)	47.8	42.8	11.7%
EBITDA (million euros)	75.4	67.1	12.3%
Depreciation and amortisation (million euros)	22.2	19.3	15.3%
Capital expenditures (million euros)	2.4	15.1	-84.1%
Weighted average number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Earnings per share	0.071	0.064	11.7%
Number of passengers	2 912 759	2 855 112	2.0%
Number of cargo units	91 335	81 170	12.5%
Average number of employees	7 566	7 366	2.7%



As at	30.09.17	30.06.17	Change %
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Total assets (million euros)	1 714.5	1 739.0	-1.4%
Total liabilities (million euros)	875.6	948.0	-7.6%
Interest-bearing liabilities (million euros)	715.3	735.7	-2.8%
Net debt (million euros)	635.2	653.7	-2.8%
Net debt to EBITDA	4.0	4.3	-7.9%
Total equity (million euros)	838.9	791.1	6.0%
Equity ratio (%)	48.9%	45.5%	
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Number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Equity per share	1.25	1.18	6.0%
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Ratios	Q3 2017	Q3 2016	
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Gross margin (%)	29.0%	28.1%	
EBITDA margin (%)	26.7%	24.5%	
Net profit margin (%)	16.9%	15.7%	

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 / revenue  
Net debt: interest-bearing liabilities less cash and cash equivalents  
Net debt to EBITDA: net debt / 12-months trailing EBITDA

#### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Unaudited, in thousands of EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
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Revenue (Note 3)	282 715	273 615	734 121	711 670
Cost of sales	-200 769	-196 839	-578 026	-560 154
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Gross profit	81 946	76 776	156 095	151 516
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Sales and marketing expenses	-17 068	-16 571	-54 182	-53 166
Administrative expenses	-11 780	-12 548	-37 234	-38 825
Other operating income	108	180	444	1 753
Other operating expenses	-38	22	-182	-6
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Result from operating activities	53 168	47 859	64 941	61 272



Finance income (Note 4)	-102	4 398	7 806	8 760
Finance costs (Note 4)	-5 214	-9 999	-23 183	-29 685
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Profit/loss before income tax	47 852	42 258	49 564	40 347
Income tax	-12	580	-4 138	245
Net profit/loss for the period	47 840	42 838	45 426	40 592
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Other comprehensive income/expense				
Exchange differences on translating foreign operations	-40	-99	-22	-264
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Other comprehensive income/expense for the period	-40	-99	-22	-264
Total comprehensive income/expense for the period	47 800	42 739	45 404	40 328
Basic and diluted earnings per share (in EUR per share, note 5)	0.071	0.064	0.068	0.061
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#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited, in thousands of EUR	30.09.2017	31.12.2016
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ASSETS		
Cash and cash equivalents	80 161	78 773
Trade and other receivables	51 951	38 674
Prepayments	13 921	7 926
Prepaid income tax	34	91
Inventories	46 314	38 719
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Current assets	192 381	164 183
Investments in equity-accounted investees	363	363
Other financial assets	353	348
Deferred income tax assets	18 797	18 791
Investment property	300	300
Property, plant and equipment (Note 7)	1 452 732	1 304 897
Intangible assets (Note 8)	49 579	50 127
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Non-current assets	1 522 124	1 374 826
TOTAL ASSETS	1 714 505	1 539 009

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#### LIABILITIES AND EQUITY

Interest-bearing loans and borrowings (Note 9)	154 855	106 112
Trade and other payables	96 505	103 280
Payables to owners <sup>1</sup>	3	4
Income tax liability	4	10
Deferred income	33 010	30 895

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Current liabilities	284 377	240 301
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Interest-bearing loans and borrowings (Note 9)	560 466	452 793
Derivatives (Note 6)	30 798	32 359

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Non-current liabilities	591 264	485 152
Total liabilities	875 641	725 453

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Share capital (Note 10)	361 736	361 736
Share premium	639	639
Reserves	70 958	68 774
Retained earnings	405 531	382 407

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Equity attributable to equity holders of the Parent	838 864	813 556
Total equity	838 864	813 556

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TOTAL LIABILITIES AND EQUITY	1 714 505	1 539 009
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<sup>1</sup> Payments related to reduction of share capital.

#### CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited, in thousands of EUR	9M 2017	9M 2016
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#### CASH FLOWS FROM OPERATING ACTIVITIES

Net profit/loss for the period	45 426	40 592
Adjustments	84 328	79 014
Changes in:		
Receivables and prepayments related to operating activities	-20 727	-9 914



Inventories	-7 595	-8 427
Liabilities related to operating activities	-5 238	-326
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Changes in assets and liabilities	-33 560	-18 667
Cash generated from operating activities	96 194	100 939
Income tax paid received/ paid	9	-1 621
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NET CASH FROM OPERATING ACTIVITIES	96 203	99 318
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, equipment and intangible assets (Notes 7, 8, 9)	-212 031	-46 197
Proceeds from disposals of property, plant, equipment	224	144
Interest received	1	51
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NET CASH USED IN INVESTING ACTIVITIES	-211 806	-46 002
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans received (Note 9)	184 000	0
Repayment of loans received (Note 9)	-51 241	-55 039
Change in overdraft (Note 9)	27 580	44 096
Payments for settlement of derivatives	-2 698	-3 341
Payment of finance lease liabilities (Note 9)	-78	-74
Interest paid	-16 159	-18 434
Payment of transaction costs related to loans	-216	0
Dividends paid (Note 11)	-20 096	-13 398
Reduction of share capital	-1	0
Income tax on dividends paid	-4 100	-330
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NET CASH FROM/USED IN FINANCING ACTIVITIES	116 991	-46 520
TOTAL NET CASH FLOW	1 388	6 796
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Cash and cash equivalents at the beginning of period	78 773	81 976
Increase/decrease in cash and cash equivalents	1 388	6 796
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Cash and cash equivalents at the end of period	80 161	88 772
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