

Q3 2019

TALLINK GRUPP AS



Beginning of the financial year	1 January 2019
End of the financial year	31 December 2019
Interim reporting period	1 July 2019 – 30 September 2019

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MANAGEMENT REPORT

In the third quarter (1 July - 30 September) of the 2019 financial year Tallink Grupp AS and its subsidiaries (the Group) carried 3.0 million passengers, which is 0.9% more than in the third quarter last year. The Group's unaudited revenue for the third quarter increased by 1.5% to a total of EUR 287.8 million. Unaudited EBITDA for the third quarter was EUR 83.2 million (EUR 71.1 million in Q3 2018) and unaudited net profit was EUR 54.6 million (net profit of EUR 46.1 million in Q3 2018), being the all-time high third quarter net profit of the Group.

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

- A record number of passengers travelling on Group's ships in July and August;
- 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 1 July 2019;
- Lower bunkering prices.

Sales and segments

In the third quarter of 2019, the Group's total revenue increased by EUR 4.2 million and amounted to EUR 287.8 million. The revenue in the third quarter of 2018 and 2017 was EUR 283.6 and EUR 282.7 million, respectively.

- The total revenue from the shipping operations in the Baltic Sea (core business) increased by 1.4% or EUR 3.8 million to 268.4 million.
- The revenue from the other segment, including intra-group eliminations, increased by a total of EUR 0.4 million and amounted to EUR 19.4 million. The increase was driven by higher on-shore shop sales.

In the third quarter of 2019, The Group's ships carried a total of 1.5 million passengers on the **Estonia–Finland** routes, which is a 2.0% increase compared to last year. The number of transported cargo units on the routes decreased by 2.3%, while the total market volume decreased by 4.4%. On the Tallinn – Helsinki route, added capacity by competitors further increased pressure on ticket and cargo prices. The Estonia–Finland segment revenue increased by EUR 1.4 million and amounted to EUR 102.2 million. The segment result increased by EUR 1.7 million and amounted to EUR 33.0 million.

Number of passengers
carried by the Group's
ships in Q3

3.0 million

The Group's unaudited
consolidated Q3
revenue

EUR **287.8**
million



The **Finland-Sweden** routes' revenue increased by EUR 2.5 million and amounted to EUR 106.4 million. The segment result of Finland-Sweden routes increased by 30.3% or EUR 4.8 million and amounted to EUR 20.6 million. The increase in the segment result was supported by higher revenue per passenger, lower fuel cost and overall strong cost control.

While the number of passengers carried on the **Estonia-Sweden** routes decreased by 1.3% and the number of transported cargo units decreased by 7.3%, the routes' revenue decreased only by 0.3% and amounted to EUR 36.0 million. At the same time, the segment result of Estonia-Sweden routes increased by 13.3% or EUR 0.8 million and amounted to EUR 7.1 million. The increase in the segment result was supported by higher revenue per passenger and lower fuel cost as well as strong cost control.

The **Latvia-Sweden** route's third quarter revenue was on level with the last year revenue, while the segment result increased by EUR 0.9 million, which is a 19.9% increase. The increase in the segment result was supported by lower fuel cost and strong cost control.

Earnings

In the third quarter of 2019, which is also the high season, the Group earned an all-time high third quarter net profit of EUR 54.6 million, the net profit increased by EUR 8.5 million or 18.5% compared to the same period last year.

The Group's gross profit increased by EUR 8.2 million compared to the same period last year, amounting to EUR 86.7 million. Third quarter EBITDA increased by EUR 12.1 million and amounted to EUR 83.2 million, third quarter comparable EBITDA, i.e. without IFRS 16 adoption effect, increased by EUR 7.6 million compared to the same period last year and was EUR 78.7 million.

The Group's third quarter result was impacted positively by lower fuel cost, port charges and overall strong cost control. 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 bunkering prices.

Amortisation and depreciation expense increased by EUR 3.9 million to EUR 23.8 million compared to the third quarter of 2018. The increase was a result of the IFRS 16 adoption effect in the amount of EUR 3.9 million.

Net finance costs decreased by EUR 0.4 million compared to the third quarter last year. The change includes a decrease of EUR 1.4 million in interest costs compared to same period the previous year and EUR 0.4 million less profit from foreign exchange differences and the revaluation of cross currency and interest rate

The Group's gross profit
for Q3

EUR **86.7**
million

The Group's EBITDA
for Q3

EUR **83.2**
million



derivatives. In addition, in Q3 there is EUR 0.6 million interest expense from right-of-use assets liabilities (IFRS 16 adoption effect).

The Group's unaudited net profit for the third quarter of 2019 was EUR 54.6 million or EUR 0.082 per share compared to a net profit of EUR 46.1 million or EUR 0.069 per share in the third quarter of 2018 and compared to a net profit of EUR 47.8 million or EUR 0.071 per share in the third quarter of 2017.

Results of the first 9 months of 2019

In the first 9 months (1 January – 30 September) of the 2019 financial year the Group carried 7.5 million passengers which is 0.4% less compared to the same period last year. The Group's unaudited revenue for the period decreased by 0.1% and was EUR 722.7 million. Unaudited EBITDA for the first 9 months was EUR 137.7 million (EUR 118.8 million, 9M 2018) and unaudited net profit was EUR 44.2 million (EUR 41.8 million, 9M 2018 net profit).

The financial result of the first 9 months of 2019 was impacted by following factors:

- Planned dockings of seven ships in the first quarter resulted in 50 trips less compared to last year. Among other ships, the maintenance and repair of the cruise ferry Baltic Queen lasted for 42 days, which affected the Estonia-Sweden segment's carriage volumes and financial result.
- High competition on the maritime traffic between Estonia and Finland, which puts pressure on ticket prices.
- Higher income tax due to increase in dividends compared to last year.
- The first instalment of the prepayment for the new ship in the amount of EUR 12.4 million paid in April 2019.

Investments

In the third quarter of 2019 financial year the Group's investments amounted to EUR 7.1 million. Most of the investments were made to the ships' technical maintenance and innovative energy efficiency solutions as well as to the development of the 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 will be paid out in December 2019. The list of entitled shareholders was fixed on 20 June 2019.

The Group's
investments in Q3

EUR 7.1
million

Tallink Grupp AS paid
dividend EUR 0.05 per
share, in total amount of

EUR 33.5
million



Financial position

In the third quarter, the Group's net debt decreased by EUR 10.5 million to EUR 526.6 million and the net debt to EBITDA ratio was 3.3 at the reporting date.

At the end of the third quarter, total liquidity (cash, cash equivalents and unused credit facilities) amounted to EUR 108.1 million (EUR 168.0 million at 30 September 2018) providing a strong financial position for sustainable operations.

At 30 September 2019, the Group's cash and cash equivalents amounted to EUR 38.2 million (EUR 93.0 million at 30 September 2018) and the Group had EUR 69.8 million in unused credit lines (EUR 75.0 million at 30 September 2018).

Key figures

For the period	Q3 2019	Q3 2018	Change %
Revenue (million euros)	287.8	283.6	1.5%
Gross profit (million euros)	86.7	78.4	10.5%
EBITDA ^{1 2} (million euros)	83.2	71.1	17.0%
EBIT ¹ (million euros)	59.4	51.3	15.9%
Net profit for the period (million euros)	54.6	46.1	18.5%
Depreciation and amortisation ³ (million euros)	23.8	19.8	19.9%
Capital expenditures ^{1 5} (million euros)	7.1	5.6	
Weighted average number of ordinary shares outstanding	669 882 040.0	669 882 040.0	0.0%
Earnings per share ¹	0.082	0.069	18.5%
Number of passengers ¹	2 974 790	2 947 610	0.9%
Number of cargo units ¹	93 329	94 913	-1.7%
Average number of employees ¹	7 425	7 637	-2.8%
As at	30.09.19	30.06.19	Change %
Total assets ³ (million euros)	1 564.2	1 609.9	-2.8%
Total liabilities (million euros)	746.5	800.0	-6.7%
Interest-bearing liabilities ⁴ (million euros)	564.8	604.2	-6.5%
Net debt ¹ (million euros)	526.6	537.1	-2.0%
Net debt to EBITDA ¹	3.3	3.6	-9.3%
Total equity (million euros)	817.7	809.9	1.0%
Equity ratio ¹ (%)	52%	50%	
Number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Equity per share ¹	1.22	1.21	1.0%
Ratios ¹	Q3 2019	Q3 2018	
Gross margin (%)	30.1%	27.7%	
EBITDA margin (%)	28.9%	25.1%	
EBIT margin (%)	20.6%	18.1%	
Net profit margin (%)	19.0%	16.3%	
ROA (%)	4.5%	4.2%	
ROE (%)	5.1%	5.2%	
ROCE (%)	5.4%	5.3%	

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

² EBITDA adjusted for Q3 2019 without IFRS 16 adoption effect was EUR 78.7 million.

³ Please see note 6 for IFRS 16 adoption effect on assets.

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

⁵ 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.

		Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q3 Change
Estonia - Finland	Passengers (thousands)	1 503	1 173	997	1 385	1 534	2.0%
	Cargo units (thousands)	61	62	60	64	60	-2.3%
	Revenue (million euros)	100.8	86.6	70.4	94.9	102.2	1.4%
	Segment result ¹ (million euros)	31.3	19.3	6.9	21.5	33.0	5.4%
Finland - Sweden	Passengers (thousands)	883	679	565	772	882	-0.1%
	Cargo units (thousands)	18	21	20	20	19	2.3%
	Revenue (million euros)	103.9	82.3	67.9	89.6	106.4	2.4%
	Segment result ¹ (million euros)	15.8	-1.3	-5.0	9.3	20.6	30.3%
Estonia - Sweden	Passengers (thousands)	306	222	156	271	302	-1.3%
	Cargo units (thousands)	11	12	10	12	11	-7.3%
	Revenue (million euros)	36.1	26.9	18.6	31.3	36.0	-0.3%
	Segment result ¹ (million euros)	6.3	-1.1	-4.6	2.3	7.1	13.3%
Latvia - Sweden	Passengers (thousands)	255	173	138	223	257	0.7%
	Cargo units (thousands)	4	4	4	4	4	6.0%
	Revenue (million euros)	23.8	16.2	12.6	20.0	23.8	0.1%
	Segment result ¹ (million euros)	4.4	-0.3	-4.0	0.3	5.3	19.9%
Other	Revenue (million euros)	22.0	16.4	10.7	22.2	22.4	2.0%
	Segment result ¹ (million euros)	4.7	1.4	0.2	8.0	5.6	19.1%
	Intersegment revenue (million euros)	-2.9	-1.8	-1.3	-1.9	-3.0	-3.2%
	Total revenue (million euros)	283.6	226.6	178.9	256.1	287.8	1.5%
	EBITDA (million euros)	71.1	24.0	3.8	50.7	83.2	17.0%
	Total segment result ¹ (million euros)	62.5	17.9	-6.5	41.4	71.6	14.5%
	Net profit/loss	46.1	-1.8	-25.3	14.9	54.6	18.5%

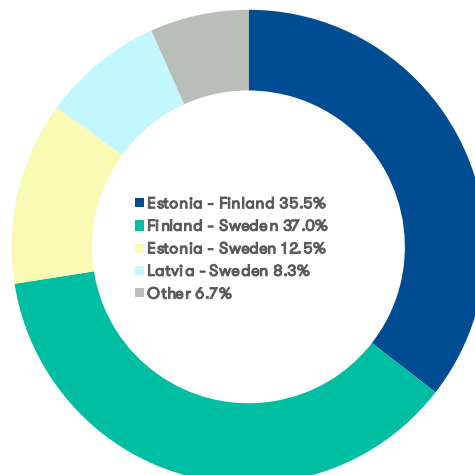
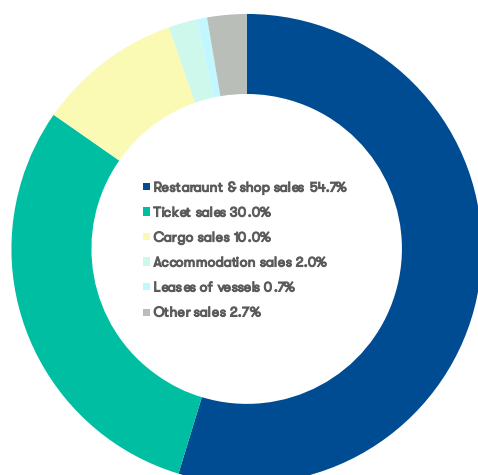
¹ Segment result is the result before administrative expenses, finance costs and taxes.

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

Revenue (million euros)	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q3 Change
Restaurant and shop sales on-board and onshore	148.3	130.1	103.1	142.3	157.4	6.1%
Ticket sales	87.5	51.8	37.2	66.2	86.3	-1.4%
Sales of cargo transportation	30.7	32.2	29.6	31.7	28.7	-6.6%
Accommodation sales ¹	6.8	3.7	2.3	4.8	5.7	-16.8%
Income from charter of vessels	2.0	2.0	2.0	2.0	2.0	0.0%
Other sales	8.3	6.7	4.7	9.0	7.8	-6.5%
Total revenue	283.6	226.6	178.9	256.1	287.8	1.5%

¹ The operations of Tallink Pirita Spa Hotel were ceased in November 2018.

The following charts provide an overview of the Group's third 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 third quarter of 2019 and 2018.

Passengers	Q3 2019	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change
Estonia - Finland	1 533 573	1 503 066	2.0%	3 915 663	3 906 696	0.2%
Finland - Sweden	881 948	882 951	-0.1%	2 218 844	2 166 480	2.4%
Estonia - Sweden	302 147	306 136	-1.3%	729 070	813 114	-10.3%
Latvia - Sweden	257 122	255 457	0.7%	618 828	623 095	-0.7%
Total	2 974 790	2 947 610	0.9%	7 482 405	7 509 385	-0.4%

Cargo units	Q3 2019	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change
Estonia - Finland	59 958	61 368	-2.3%	183 719	184 282	-0.3%
Finland - Sweden	18 679	18 255	2.3%	58 154	54 144	7.4%
Estonia - Sweden	10 527	11 362	-7.3%	31 687	36 486	-13.2%
Latvia - Sweden	4 165	3 928	6.0%	12 429	11 760	5.7%
Total	93 329	94 913	-1.7%	285 989	286 672	-0.2%

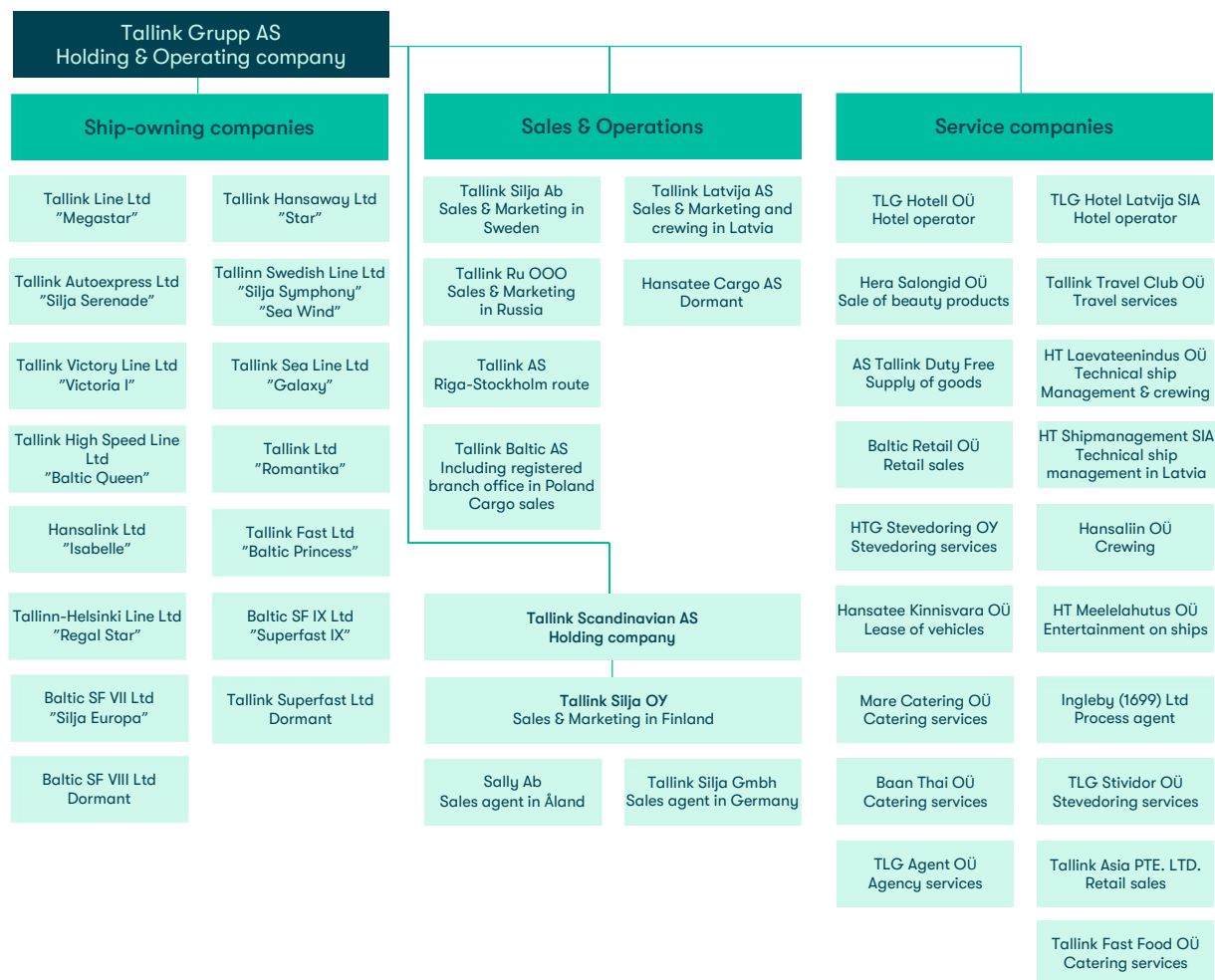
Passenger vehicles	Q3 2019	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change
Estonia - Finland	243 276	237 073	2.6%	638 272	642 902	-0.7%
Finland - Sweden	68 249	69 554	-1.9%	130 780	130 321	0.4%
Estonia - Sweden	22 564	23 280	-3.1%	49 832	55 765	-10.6%
Latvia - Sweden	19 636	22 400	-12.3%	48 405	57 029	-15.1%
Total	353 725	352 307	0.4%	867 289	886 017	-2.1%

The Group's market shares on the routes operated during the 12-month period ended 30 September 2019 were as follows:

- the Group carried approximately 57% of the passengers and 65% of the ro-ro cargo on the route between Tallinn and Helsinki;
- the Group carried approximately 54% of the passengers and 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 45 companies. All subsidiaries are wholly owned by Tallink Grupp AS. The following diagram represents the Group's structure at the reporting date:



The Group also owns 34% of Tallink Takso AS.

Personnel

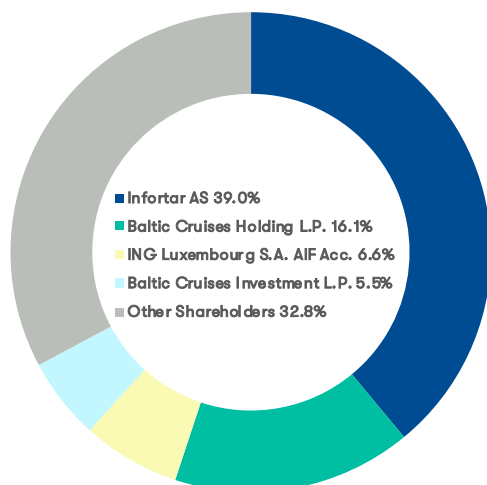
At 30 September 2019, the Group had 7 146 employees (7 380 at 30 September 2018). The following table provides a more detailed overview of the Group's personnel.

	Average of Q3			Average of Jan-Sep			End of Q3		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
Onshore total	1 655	1 678	-1.4%	1 657	1 666	-0.5%	1 613	1 648	-2.1%
Estonia	974	925	5.3%	972	920	5.7%	968	919	5.3%
Finland	448	497	-9.9%	447	489	-8.6%	416	473	-12.1%
Sweden	146	165	-11.5%	152	166	-8.4%	143	167	-14.4%
Latvia	70	73	-4.1%	68	73	-6.8%	69	71	-2.8%
Russia	11	12	-8.3%	12	12	0.0%	11	12	-8.3%
Germany	6	6	0.0%	6	6	0.0%	6	6	0.0%
Onboard	5 239	5 306	-1.3%	5 120	5 198	-1.5%	5 032	5 132	-1.9%
Hotel ¹	531	653	-18.7%	519	632	-17.9%	501	600	-16.5%
Total	7 425	7 637	-2.8%	7 296	7 496	-2.7%	7 146	7 380	-3.2%

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

Shareholders & share price development

The following chart displays the shareholder structure of Tallink Grupp AS as at 30 September 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 0.94 and the closing price of the FDR on Nasdaq Helsinki was EUR 0.94. 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 considers Finland, Sweden, Estonia and Latvia its home markets as these are the countries to and from the shipping routes are operated. In terms of exposure to economic conditions, the Group is exposed the most to developments in Finland as nearly half of the passenger originate from that country. Exposure is also high to economic developments in Estonia (19% of total passengers in 2018) and Sweden (11%). The number of passengers from Latvia accounted for 5% of the total passengers in 2018 while the remaining 19% came from the rest of the world, mainly Europe.

The common theme for the economic environment across all home markets in the third quarter of 2019 was slowing economic growth combined with a still robust labour market. The continued streak of weakening of Swedish Krona (SEK) continued to hurt our sales to the Swedish market. The developments in the economic environment reflected in the contraction of the cargo market while passenger operations, despite clearly lower demand from Swedish customers, remained more robust with the help of customers from outside home markets.

In contrast to the abovementioned headwinds, the decrease in global energy prices supported our third quarter results among with the lower alcohol excises in Estonia, effective from July. Given the economic environment and tight competition we consider the third quarter's 1.5% revenue growth achieved on a mature market a good result. We are even happier about the fact that the improvement in the net result was not driven by lower fuel cost alone.

There is no data yet available for the GDP for the third quarter of 2019, however, the apparent census of various sources for the full-year of 2019 has projected slowing real GDP growth rates for all the home markets. The first half-year's GDP developments and nine month business confidence developments across all home markets corroborate such expectations.

Further, the GDP growth rates of the first half of 2019 were in-line with the annual expectations in Latvia. The growth pace in Finland and Sweden was slower relative to the full-year consensus estimates. In Estonia, however, the first half-year GDP growth rate still ahead of the expected pace for the full-year.

According to the OECD data, the business confidence continued to decline across all of the home markets also throughout the third quarter of 2019. The trend of particularly steep decline continued in Estonia and the business confidence remained the highest in Latvia. The Estonian and Swedish business confidence reached as low levels as last seen in 2010 and 2013, respectively.

While the confidence of Swedish consumers had remained low, but unchanged, throughout 2019 so far, the confidence took a hit in the third quarter of 2019. This follows both the continuously weakening SEK but also the poor economic performance seen in the second quarter of 2019.

The consumer confidence was the weakest in Finland, also weakest in the year-over-year comparison. However, while the confidence had been in a distinct slide for the past 12 months the slippage stopped and plateaued in the third quarter of 2019.

Helped by the labour market situation the confidence of both Estonian and Latvian consumers, the highest of our home markets, remained steadily buoyant in the third quarter as well.

Helped by a decrease in global energy prices inflation in the third quarter of 2019 slowed across all home markets relative to the inflation in the second quarter of 2019, according to Eurostat's harmonised indices of consumer prices. The annual inflation remained most substantial in Latvia at 2.8% while the increase in both Finland and Sweden was more subdued at 1.1% and 1.4%, respectively. The inflation fell close to the ECB target rate of 2% in Estonia. The slowing in inflation was highest in Estonia, supported also by reduces levels of alcohol excises mid-quarter.

The labour market situation has remained challenging in the first nine months of the year reflecting the recent low unemployment rates in the home markets, particularly in Estonia. The situation of the Estonian labour market has also contributed to the growing divergence between business and consumer confidence developments, which has steepened well during 2019.

Following a steady long-term decline in Swedish unemployment, the trend was broken with the reversal to a somewhat higher level in the third quarter of 2019. The unfavourable developments of unemployment and SEK likely impacted the demand of Swedish passengers as we have seen a decrease in the number of Swedish passengers.

Measured in euros the effective market prices of relevant fuels remained, on average, nearly 9% lower relative to the third quarter of 2018.

Key risks to the economic environment in all of the home markets have to do with uncertainties from increasing protectionist tendencies (including trade tensions between China and the US, 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 early signs of economic recession in the most relevant markets in Europe, as well as our cargo markets.

While in Finland and Sweden the GDP growth in the first half of 2019 was slower relative to the full-year consensus estimates, it is worth noting that the forecast issued by European Commission and OECD are more optimistic compared to the more modest expectations of local experts' forecast. For the above reasons, the economic environment is not likely to improve markedly soon, rather the opposite.

Also, global fuel prices are expected to remain volatile due to uncertainties in the global economy and politics.

Events in Q3

Changes in the Supervisory Board

On 23 May 2019, the shareholder's general meeting decided to elect Raino Paron as the new member of the supervisory board of Tallink Grupp AS. The 3-year term of office of Mr Paron started on 18 September 2019. The term of office of the supervisory board member Lauri Kustaa Äimä was not extended and was terminated on 17 September 2019.

Signing of the loan agreement

Tallink Superfast Ltd., a subsidiary of Tallink Grupp AS, and KfW IPEX-Bank GmbH signed a loan agreement in the amount of EUR 197.6 million to finance the new EUR 247 million LNG powered fast ferry currently under construction in Rauma Marine Constructions Oy.

The loan is arranged and long-term financing is provided by KfW IPEX-Bank GmbH. Finnish Export Credit Agency "Finnvera" guarantees 95% of this post-delivery buyer credit.

The loan is secured by the mortgage on the new vessel and the corporate guarantee of Tallink Grupp AS. This OECD-term export credit loan will be drawn on the delivery of the vessel, presumably in the beginning of 2022 and has the final maturity of twelve years from the drawdown.

Dividends and capital reduction

In May 2019 the shareholders' general meeting decided to pay a dividend of EUR 0.05 per share from net profit for 2018. The total dividend in amount of EUR 33.5 million was paid out on 03 July 2019. The dividend related income tax in amount of EUR 8.0 million was recorded in the second quarter. 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 will be paid out from 3 December 2019 until 5 December 2019.

Acquisition of development and franchise rights of Burger King restaurant in the Baltics

Tallink Grupp AS acquired exclusive development rights for global fast food chain Burger King in Estonia, Latvia and Lithuania. The first Burger King restaurants are planned to be opened in Tallinn this winter and the first restaurants in Latvia and Lithuania in the first half of 2020. The Group plans to open and operate restaurants across Estonia, Latvia and Lithuania and expects the expansion to create a total of nearly 800 new jobs in the Baltic states. The Group will hold the licence to operate each restaurant for 20 years from opening.

Changes in the Group structure

In August 2019, OÜ Tallink Fast Food, a wholly-owned subsidiary of Tallink Grupp AS, was established. The main activity of the subsidiary is to operate the Burger King restaurants in Estonia, Latvia and Lithuania.

In September 2019, Tallink Asia Pte Ltd, a wholly-owned subsidiary of Tallink Grupp AS, was established, being the Group's first subsidiary in Asia. The purpose of founding a subsidiary in Singapore is to simplify the development and expansion of the Group's activities in Asia.

Tallink Finland OY, a wholly-owned subsidiary of Tallink Grupp AS, was dissolved and deleted from the Commercial Registry.

Events after the reporting period and outlook

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 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. A collaboration with the Tallinn University of Technology (TalTech) was started in the first quarter of 2019 to develop so-called „Smart Car Deck“ solutions for the Group’s vessels over the next two years.

In addition to that, 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

We confirm that to the best of our knowledge, the management report of Tallink Grupp AS for the third quarter 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, 7 November 2019

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income

Unaudited, in thousands of EUR	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018
Revenue (Note 3)	287 771	283 609	722 744	723 173
Cost of sales	-201 089	-205 160	-564 929	-573 964
Gross profit	86 682	78 449	157 815	149 209
Sales and marketing expenses	-15 108	-15 959	-51 362	-52 601
Administrative expenses	-12 897	-12 591	-42 408	-39 124
Other operating income	713	1 432	1 876	2 499
Other operating expenses	2	-72	-23	-153
Result from operating activities	59 392	51 259	65 898	59 830
Finance income (Note 4)	-104	1 809	991	7 767
Finance costs (Note 4)	-4 609	-6 959	-14 446	-22 176
Profit before income tax	54 679	46 109	52 443	45 421
Income tax	-70	-13	-8 199	-3 612
Net profit for the period	54 609	46 096	44 244	41 809
Net profit for the period attributable to equity holders of the Parent	54 609	46 096	44 244	41 809
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Exchange differences on translating foreign operations	34	-91	456	302
Other comprehensive income for the period	34	-91	456	302
Total comprehensive income for the period	54 643	46 005	44 700	42 111
Total comprehensive income for the period attributable to equity holders of the Parent	54 643	46 005	44 700	42 111
Earnings per share (in EUR, Note 5)	0.082	0.069	0.066	0.062

Consolidated statement of financial position

Unaudited, in thousands of EUR	30.09.2019	30.09.2018	31.12.2018
ASSETS			
Cash and cash equivalents	38 237	92 978	82 175
Trade and other receivables	48 271	50 341	43 805
Prepayments	12 775	15 417	6 084
Prepaid income tax	44	49	46
Inventories	40 440	37 574	35 741
Current assets	139 767	196 359	167 851
Investments in equity-accounted investees	407	403	407
Other financial assets	326	338	320
Deferred income tax assets	17 934	18 718	17 934
Investment property	300	300	300
Property, plant and equipment (Note 6)	1 360 619	1 272 234	1 267 928
Intangible assets (Note 7)	44 844	46 435	46 164
Non-current assets	1 424 430	1 338 428	1 333 053
TOTAL ASSETS	1 564 197	1 534 787	1 500 904
LIABILITIES AND EQUITY			
Interest-bearing loans and borrowings (Note 8)	94 421	161 951	78 658
Trade and other payables	99 107	100 081	100 682
Derivatives	0	26 633	918
Payables to owners	46 876	2	2
Income tax liability	0	34	116
Deferred income	35 735	34 084	32 113
Current liabilities	276 139	322 785	212 489
Interest-bearing loans and borrowings (Note 8)	470 400	353 281	431 477
Other liabilities	0	16	22
Non-current liabilities	470 400	353 297	431 499
Total liabilities	746 539	676 082	643 988
Share capital (Note 9)	314 844	361 736	361 736
Share premium	663	639	662
Reserves	70 415	70 038	69 474
Retained earnings	431 736	426 292	425 044
Equity attributable to equity holders of the Parent	817 658	858 705	856 916
Total equity	817 658	858 705	856 916
TOTAL LIABILITIES AND EQUITY	1 564 197	1 534 787	1 500 904

Consolidated statement of cash flows

Unaudited, in thousands of EUR	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the period	54 609	46 096	44 244	41 809
Adjustments	28 455	24 692	93 832	77 235
Changes in:				
Receivables and prepayments related to operating activities	5 153	4 647	-10 368	-13 891
Inventories	-1 114	3 379	-4 699	3 101
Liabilities related to operating activities	-18 535	-17 297	3 169	8 123
Changes in assets and liabilities	-14 496	-9 271	-11 898	-2 667
Cash generated from operating activities	68 568	61 517	126 178	116 377
Income tax paid	-70	-2	-288	-73
NET CASH FROM OPERATING ACTIVITIES	68 498	61 515	125 890	116 304
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant, equipment and intangible assets (Notes 6, 7)	-7 138	-5 470	-50 856	-20 119
Proceeds from disposals of property, plant, equipment	70	26	212	68
Interest received	0	1	1	2
NET CASH USED IN INVESTING ACTIVITIES	-7 068	-5 443	-50 643	-20 049
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of loans received (Note 8)	-25 041	-21 999	-56 375	-49 333
Change in overdraft (Note 8)	-13 852	0	5 157	0
Payments for settlement of derivatives	0	-876	-1 029	-2 622
Payment of lease liabilities (Note 8)	-3 800	-27	-10 934	-79
Interest paid	-5 214	-5 888	-13 648	-15 448
Payment of transaction costs related to loans	-795	-1 047	-795	-1 047
Dividends paid (Note 10)	-33 458	-20 096	-33 458	-20 096
Reduction of share capital	0	-1	0	-1
Income tax on dividends paid	-8 103	-3 562	-8 103	-3 562
NET CASH USED IN FINANCING ACTIVITIES	-90 263	-53 496	-119 185	-92 188
TOTAL NET CASH FLOW	-28 833	2 576	-43 938	4 067
Cash and cash equivalents at the beginning of period	67 070	90 402	82 175	88 911
Increase in cash and cash equivalents	-28 833	2 576	-43 938	4 067
Cash and cash equivalents at the end of period	38 237	92 978	38 237	92 978

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	44 244	44 244	44 244
Other comprehensive income for the period	0	0	456	0	0	0	0	456	456
Total comprehensive income for the period	0	0	456	0	0	0	44 244	44 700	44 700
Transfer from profit for 2018	0	0	0	0	2 003	0	-2 003	0	0
Transfer from revaluation reserve	0	0	0	-1 535	0	0	1 535	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	-1 535	2 003	17	-33 962	-80 368	-80 368
As at 30 September 2019	314 844	663	725	40 017	29 673	0	431 736	817 658	817 658
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	41 809	41 809	41 809
Other comprehensive income for the period	0	0	302	0	0	0	0	302	302
Total comprehensive income for the period	0	0	302	0	0	0	41 809	42 111	42 111
Transfer from profit for 2017	0	0	0	0	2 325	0	-2 325	0	0
Transfer from revaluation reserve	0	0	0	-1 535	0	0	1 535	0	0
Dividends	0	0	0	0	0	0	-20 096	-20 096	-20 096
Transactions with owners of the Company recognised directly in equity	0	0	0	-1 535	2 325	0	-20 886	-20 096	-20 096
As at 30 September 2018	361 736	639	304	42 064	27 670	0	426 292	858 705	858 705

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1 Corporate information

The consolidated interim financial statements of Tallink Grupp AS (the “Parent”) and its subsidiaries (together referred to as the “Group”) for the third quarter and the first 9 months of 2019 were authorised for issue by the Management Board on 7 November 2019.

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 30 September 2019, the Group employed 7 146 people (7 380 as at 30 September 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 - 30 September, in thousands of EUR	Estonia-Finland route	Estonia-Sweden route	Latvia-Sweden route	Finland-Sweden route	Other	Intersegment elimination	Total
2019							
Sales to external customers	267 526	85 855	56 401	263 932	49 030	0	722 744
Intersegment sales	0	0	0	0	6 225	-6 225	0
Revenue	267 526	85 855	56 401	263 932	55 255	-6 225	722 744
Segment result	61 487	4 802	1 554	24 791	13 819	0	106 453
Unallocated expenses							-40 555
Net financial items (Note 4)							-13 455
Profit before income tax							52 443

For the period 1 January - 30 September, in thousands of EUR	Estonia-Finland route	Estonia-Sweden route	Latvia-Sweden route	Finland-Sweden route	Other	Intersegment elimination	Total
2018							
Sales to external customers	269 346	92 115	55 088	255 198	51 426	0	723 173
Intersegment sales	0	0	0	0	7 031	-7 031	0
Revenue	269 346	92 115	55 088	255 198	58 457	-7 031	723 173
Segment result	60 993	6 975	-655	17 491	11 804	0	96 608
Unallocated expenses							-36 778
Net financial items (Note 4)							-14 409
Profit before income tax							45 421

Revenue by service

In thousands of EUR	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018
Restaurant and shop sales on-board and onshore	157 365	148 301	402 785	394 336
Ticket sales	86 266	87 465	189 702	191 988
Sales of cargo transport	28 659	30 679	89 997	92 672
Sales of accommodation	5 687	6 833	12 850	15 482
Income from charter of vessels	2 024	2 024	6 006	6 006
Other	7 770	8 307	21 404	22 689
Total revenue of the Group	287 771	283 609	722 744	723 173

Note 4 Financial items

In thousands of EUR	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018
Net foreign exchange gain	-104	0	72	0
Income on foreign exchange derivatives	0	888	0	4 854
Income on interest rate swaps	0	920	918	2 911
Income from other financial assets	0	1	1	2
Total finance income	-104	1 809	991	7 767
Net foreign exchange loss	0	-677	0	-4 051
Interest expense on financial liabilities measured at amortised cost	-4 011	-5 406	-11 662	-15 503
Expenses on interest rate swaps	0	-876	-1 029	-2 622
Interest expense on right-of-use assets liabilities	-598	0	-1 755	0
Total finance costs	-4 609	-6 959	-14 446	-22 176
Net finance costs	-4 713	-5 150	-13 455	-14 409

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	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018
Shares issued	669 882	669 882	669 882	669 882
Shares outstanding	669 882	669 882	669 882	669 882

For the period, in thousands of EUR	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018
Weighted average number of ordinary shares outstanding (in thousands)	669 882	669 882	669 881	669 882
Net profit attributable to equity holders of the Parent	54 609	46 096	44 244	41 809
EPS (EUR)	0.082	0.069	0.066	0.062

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	10 142	11 911	37 080	59 133
Reclassification	0	16 948	10 565	0	-27 513	0
Disposals	0	0	-191	-204	0	-395
Depreciation for the period	-390	-45 138	-10 170	-11 119	0	-66 817
Book value as at 30 September 2019	1 934	1 187 105	54 004	101 358	16 218	1 360 619
As at 30 September 2019						
Gross carrying amount	8 226	1 646 815	94 863	112 414	16 218	1 878 536
Accumulated depreciation	-6 292	-459 710	-40 859	-11 056	0	-517 917
Book value as at 31 December 2017	2 308	1 268 604	32 958	0	4 571	1 308 441
Additions	0	-1 632	8 803	0	11 326	18 497
Reclassification	792	6 770	3 091	0	-10 653	0
Disposals	0	0	-141	0	0	-141
Depreciation for the period	-645	-46 586	-7 332	0	0	-54 563
Book value as at 30 September 2018	2 455	1 227 156	37 379	0	5 244	1 272 234
As at 30 September 2018						
Gross carrying amount	8 417	1 633 018	68 758	0	5 244	1 715 437
Accumulated depreciation	-5 962	-405 862	-31 379	0	0	-443 203

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	11 867	44	11 911
Disposals	-204	0	-204
Depreciation for the period	-10 725	-394	-11 119
Book value as at 30 September 2019	100 639	719	101 358
As at 30 September 2019			
Gross carrying amount	111 325	1 089	112 414
Accumulated depreciation	-10 686	-370	-11 056

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	497	3 154	3 651
Reclassification	0	0	1 371	-1 371	0
Amortisation for the period	0	-2 187	-2 784	0	-4 971
Book value as at 30 September 2019	11 066	19 651	11 084	3 043	44 844
As at 30 September 2019					
Cost	11 066	58 288	33 856	3 043	106 253
Accumulated amortisation	0	-38 637	-22 772	0	-61 409
Book value as at 31 December 2017	11 066	24 754	9 166	3 914	48 900
Additions	0	0	317	1 615	1 932
Reclassification	0	0	4 547	-4 547	0
Amortisation for the period	0	-2 187	-2 210	0	-4 397
Book value as at 30 September 2018	11 066	22 567	11 820	982	46 435
As at 30 September 2018					
Cost	11 066	58 288	31 041	982	101 377
Accumulated amortisation	0	-35 721	-19 221	0	-54 942

Note 8 Interest-bearing loans and borrowings

In thousands of EUR	31/12/2018	Addition	Repayments	Exchange differences	Other changes ¹	30/09/2019
Lease liabilities	428	17	-78	-15	-31	321
Right-of-use assets liabilities ²	0	116 282	-10 856	-82	-224	105 120
Overdrafts	0	5 157	0	0	0	5 157
Long-term bank loans	509 707	0	-56 375	0	891	454 223
Total borrowings	510 135	121 456	-67 309	-97	636	564 821
Current portion	78 658					94 421
Non-current portion	431 477					470 400
Total borrowings	510 135					564 821

In thousands of EUR	31/12/2017	Addition	Repayments	Exchange differences	Other changes ¹	30/09/2018
Lease liabilities	287	310	-79	-11	-112	395
Unsecured bonds	91 288	0	0	3 607	166	95 061
Overdrafts	0	0	0	0	0	0
Long-term bank loans	469 331	0	-49 333	0	-222	419 776
Total borrowings	560 906	310	-49 412	3 596	-168	515 232
Current portion	159 938					161 951
Non-current portion	400 968					353 281
Total borrowings	560 906					515 232

¹ Capitalisation and amortisation of transaction costs and the termination of lease agreements.

² 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 168 140 thousand granted to its ship-owning subsidiaries. Ship-owning subsidiaries have given guarantees to Nordea Bank Finland Plc for a loans of EUR 286 083 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 total dividend amount of EUR 33.5 million was paid out on 03 July 2019.

Note 11 Related party disclosures

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

For the period ended 30 September 2019, 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	728	17 902	234	2 390
Associated companies	1	127	0	9
Total	729	18 029	234	2 399

For the period ended 30 September 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	777	18 716	64	1 455
Associated companies	1	174	2	12
Total	778	18 890	66	1 467

STATEMENT BY THE MANAGEMENT BOARD

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



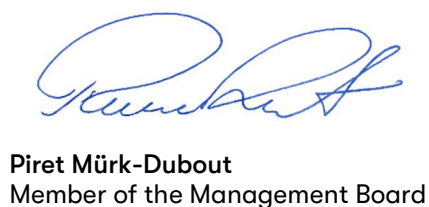
Lembit Kitter
Member of the Management Board



Kadri Land
Member of the Management Board



Harri Hanschmidt
Member of the Management Board



Piret Mürk-Dubout
Member of the Management Board



Tallinn, 7 November 2019

ALTERNATIVE PERFORMANCE MEASURES

Tallink Grupp AS presents certain performance measures as key figures, which in accordance with the “Alternative Performance Measures” guidance by the European Securities and Markets Authority (ESMA) are not accounting measures of historical financial performance, financial position and cash flows, defined or specified in IFRS, but which are instead non-financial measures and alternative performance measures (APMs).

The non-financial measures and APMs provide the management, investors, securities analysts and other parties significant additional information related to the Group’s results of operations, financial position or cash flows and are often used by analysts, investors and other parties.

The non-financial measures and APMs should not be considered in isolation or as substitute to the measures under IFRS. The APMs are unaudited.

Calculation formulas of alternative performance measures

EBITDA: result from operating activities before net financial items, share of profit of equity-accounted investees, taxes, depreciation and amortization

EBIT: result from operating activities

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

Equity ratio: total equity / total assets

Shareholder’s equity per share : shareholder’s equity / number of shares outstanding

Gross margin: gross profit / net sales

EBITDA margin: EBITDA / net sales

EBIT margin: EBIT / net sales

Net profit margin : net profit / net sales

Capital expenditure: additions to property, plant and equipment – additions to 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	Q3 2019	Q3 2018
Depreciation	22 060	18 298
Amortisation	1 728	1 543
Depreciation and amortisation	23 788	19 841
Result from operating activities	59 392	51 259
Depreciation and amortisation	23 788	19 841
EBITDA	83 180	71 100
EBITDA	83 180	71 100
IFRS 16 adoption effect	-4 466	0
EBITDA adjusted	78 714	71 100
Additions to property, plant and equipment	6 206	4 808
Additions to intangible assets	932	779
Capital expenditures	7 138	5 587
Net profit for the period	54 609	46 096
Weighted average number of shares outstanding	669 882 040	669 882 040
Earnings per share (EUR)	0.082	0.069
Lease liabilities	321	395
Unsecured bonds	0	95 061
Right-of-use assets liabilities	105 120	0
Overdraft	5 157	0
Long-term bank loans	454 223	419 776
Interest-bearing liabilities	564 821	515 232
Gross profit	86 682	78 449
Net sales	287 771	283 609
Gross margin	30.1%	27.7%
EBITDA	83 180	71 100
Net sales	287 771	283 609
EBITDA margin	28.9%	25.1%
EBITDA adjusted	78 714	71 100
Net sales	287 771	283 609
EBITDA margin adjusted	27.4%	25.1%
EBIT	59 392	51 259
Net sales	287 771	283 609
EBIT margin	20.6%	18.1%
Net profit	54 609	46 096
Net sales	287 771	283 609
Net profit margin	19.0%	16.3%
Result from operating activities 12-months trailing	69 569	66 847
Total assets 30 September (previous year)	1 534 786	1 714 505
Total assets 31 December	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
Average assets	1 556 404	1 578 810
ROA	4.5%	4.2%

In thousands of EUR	Q3 2019	Q3 2018
Net profit 12-months trailing	42 484	42 879
Total equity 30 September (previous year)	858 705	835 174
Total equity 31 December	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
Average equity	834 288	831 983
ROE	5.1%	5.2%
Result from operating activities 12-months trailing	69 569	66 847
Total assets 30 September (previous year)	1 534 786	1 714 505
Total assets 31 December	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
Current liabilities 30 September (previous year)	322 784	288 067
Current liabilities 31 December	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
Total assets - current liabilities 30 September (previous year)	1 212 002	1 426 438
Total assets - current liabilities 31 December	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
Average assets - current liabilities	1 285 307	1 254 221
ROCE	5.4%	5.3%
In thousands of EUR	30/09/2019	30/06/2019
Interest-bearing liabilities	564 821	604 160
Cash and cash equivalents	38 237	67 070
Net debt	526 584	537 090
Total equity	817 658	809 907
Total assets	1 564 197	1 609 873
Equity ratio	52.3%	50.3%
Equity attributable to equity holders of the Parent	817 658	809 907
Number of ordinary shares outstanding	669 882 040	669 882 040
Shareholders' equity per share (EUR per share)	1.22	1.21
Net debt	526 584	537 090
12-months trailing		
Depreciation	85 582	74 786
Amortisation	6 525	6 000
Depreciation and amortisation	92 107	80 786
EBITDA	161 676	147 633
Net debt to EBITDA	3.3	3.6

CONTACT INFORMATION

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