

Tallink Grupp
Quarterly report

AS Tallink Grupp Unaudited Consolidated Interim Report Q3 2015

Tallinn, 2015-11-12 08:50 CET (GLOBE NEWSWIRE) -- AS Tallink Grupp Unaudited Consolidated Interim Report Q3 2015

In the third quarter (1 July – 30 September) of the 2015 financial year AS Tallink Grupp and its subsidiaries' (the Group) carried 2.7 million passengers which is 5.5% more compared to the third quarter last year. The Group's unaudited revenue for the third quarter of 2015 increased by EUR 10.9 million or 4.2% year on year to the total of EUR 273.6 million, EBITDA increased by EUR 12.8 million or 20.1% to the total of EUR 76.8 million, compared to the same period last year. Net profit increased by EUR 9 million or 25.1% to the total of EUR 45.2 million, compared to the same period last year.

The Group's revenue for the first nine months of 2015 was EUR 717.6 million and increased by EUR 20.3 million or 2.9% year on year comparison. EBITDA increased by EUR 41.9 million to the total of EUR 151.5 million and net profit increased by EUR 41.5 million to the total of EUR 60.4 million, compared to the same period last year.

The Estonia-Finland route third quarter revenue increased by 5.6% compared to same period last year. The increase is driven mainly by an 8.9% growth in the passenger number. The passenger number peaked in July when Group served a record number of 600 thousand passengers, which is an all-time high monthly passenger number on that route. The growth of 15.3% in cargo units transported is supported mainly by added capacity.

The Finland-Sweden routes third quarter revenue increased by 6.5% compared to the same period last year, driven by 8.4% growth in the passenger number. The number of cargo units transported decreased by 28.8% due to reduced capacity.

The Estonia-Sweden route passenger number increased by 1.5% and cargo volumes decreased by 8.3%. The Latvia-Sweden route, operating with only one vessel compared to two vessels last year, showed a 25.6% decline in the passenger number and cargo units transported decreased by 35.2%.

The Group's restaurants and shop sales increased by EUR 9 million or 6.8% in the third quarter, compared to the same period last year, the sales growth is supported mainly by the growth in the passenger number. The upgrades to restaurant and shop concept throughout the fleet in past year, combined with the operational changes, have resulted in higher average on-board revenue per passenger.

The revenue from the chartered out vessels has reduced in the third quarter compared to the same period last year due to fewer ships in charter. Two ships previously in charter were sold in the second quarter of 2015.

In the third quarter, the summer period high season, the Group experienced strong price competition. The proactive marketing activities, improved visibility of sales campaigns and earlier investments into increasingly important online sales solutions has enabled the Group to reclaim the market share on its main routes and increase the total revenue.

In February 2015 AS Tallink Grupp signed a contract for the construction of the new generation LNG

powered fast ferry. The new fast ferry is being built by Meyer Turku Oy and will cost around 230 million euros. The start of production of the new LNG fast ferry was celebrated on the 4th of August 2015 at Meyer Turku shipyard and the delivery of the vessel is planned in the beginning of 2017. The new LNG fast ferry is going to operate on the Tallinn-Helsinki route shuttle service.

In order to be ready for the delivery of the new generation LNG fast ferry to the Tallinn-Helsinki route early 2017, the Group has decided to sell the fast ferry Superstar, at present operating on the route shuttle service. The fast ferry Superstar will be sold to Corsica Ferries Group, concurrently the parties have entered into bareboat charter agreement and the Group will continue to operate the fast ferry Superstar on its Tallinn-Helsinki route shuttle service until the beginning of 2017, when the new LNG fast ferry will start to operate on the route. Change of the ownership of the fast ferry Superstar and start of the charter period is planned in December 2015.

In the third quarter of the 2015 financial year the Group's gross profit amounted to EUR 84.8 million and EBITDA to EUR 76.8 million being respectively EUR 15.2 million and EUR 12.9 million more compared to the same period last year. The increase in the Group's results is mainly attributed to the growth in passenger number, higher on-board revenue per passenger and decreased costs related to operations.

The Group's net debt decreased by EUR 30.8 million to a total of EUR 583.6 million and the net debt to EBITDA ratio was 3.0 at the end of third quarter. The Group's interest cost reduced by EUR 2.9 million, combined with less gain from foreign exchange revaluations, the total finance costs increased by EUR 1.3 million compared to the third quarter last year.

The unaudited net profit for the third quarter of the 2015 financial year was EUR 45.2 million or EUR 0.07 per share compared to the net profit of EUR 36.2 million or EUR 0.05 per share in the same period last year. The Group's net profit for the nine months of the 2015 financial year was EUR 60.4 million or EUR 0.09 per share compared to the EUR 18.9 million or EUR 0.03 per share in the same period last year.

The total dividend of EUR 13.4 million (0.02 euros per share) was paid out in the beginning of July 2015 according to the decision of Annual General Meeting from June 2015.

Cash flow from operations increased by EUR 4.5 million in third quarter compared to the same period last year. The total liquidity, cash and unused credit facilities, at the end of the third quarter was EUR 100.4 million providing a strong financial position. At the end of the third quarter of 2015 the Group had EUR 79.1 million in cash and equivalents and the total of unused credit lines were at EUR 21.3 million.

Q3 KEY FIGURES		2015	2014	Change
		July-Sep	July-Sep	
Revenue	EUR million	273.6	262.7	4.2%
Gross profit	EUR million	84.8	69.6	21.8%
Gross margin		31.0%	26.5%	
EBITDA	EUR million	76.8	64.0	20.1%
EBITDA margin		28.1%	24.4%	
Net profit for the period	EUR million	45.2	36.2	25.1%
Net profit margin		16.5%	13.8%	
Depreciation and amortization	EUR million	18.4	19.3	-4.7%
Investments	EUR million	11.3	10.6	6.6%
Weighted average number of ordinary shares outstanding		669,882,040	669,882,040	0.0%
Earnings per share	EUR	0.07	0.05	25.1%
Number of passengers		2,701,412	2,561,257	5.5%

Number of cargo units		76,062	76,830	-1.0%
Average number of employees		7,040	7,181	-2.0%
		30.09.2015	30.06.2015	
Total assets	EUR million	1,652.6	1,665.5	-0.8%
Interest-bearing liabilities	EUR million	662.7	695.5	-4.7%
Net debt	EUR million	583.6	614.5	-5.0%
Total equity	EUR million	825.3	780.2	5.8%
Equity ratio		49.9%	46.8%	
Net debt to EBITDA		3.0	3.4	
Number of ordinary shares outstanding ¹		669,882,040	669,882,040	0.0%
Shareholders' equity per share	EUR	1.23	1.16	5.8%

EBITDA: Earnings before net financial items, taxes, depreciation and amortization;
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;
Net profit margin: net profit / net sales;
Net debt: Interest bearing liabilities less cash and cash equivalents;
Net debt to EBITDA: Net debt / 12-months trailing EBITDA.
¹ Share numbers exclude own shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited, in thousands of euros)	01.07.2015- 30.09.2015	01.07.2014- 30.09.2014	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014
Revenue (Note 3)	273,557	262,656	717,572	697,325
Cost of sales	-188,803	-193,085	-544,341	-565,007
Gross profit	84,754	69,571	173,231	132,318
Marketing expenses	-15,085	-15,084	-46,801	-46,883
Administrative expenses	-10,992	-10,296	-34,310	-35,573
Other income	-125	462	1,360	987
Other expenses	-156	-18	-737	-358
Result from operating activities	58,396	44,635	92,743	50,491
Finance income (Note 4)	2,210	3,270	9,507	7,137
Finance costs (Note 4)	-12,039	-11,747	-32,647	-33,384
Profit/-loss before income tax	48,567	36,158	69,603	24,244
Income tax	-3,355	-8	-9,205	-5,367

Net profit/-loss for the period	45,212	36,150	60,398	18,877
Other comprehensive income/-expense				
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations	-202	36	-256	44
Other comprehensive income/-expense for the period	-202	36	-256	44
Total comprehensive income/-expense for the period	45,010	36,186	60,142	18,921
Earnings per share (in EUR per share)				
- basic (Note 5)	0.07	0.05	0.09	0.03
- diluted (Note 5)	0.07	0.05	0.09	0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited, in thousands of euros)

ASSETS	30.09.2015	31.12.2014
Current assets		
Cash and cash equivalents	79,107	65,311
Trade and other receivables	42,022	38,210
Prepayments	10,938	5,448
Inventories	28,676	31,315
Total current assets	160,743	140,284
Non-current assets		
Investments in equity-accounted investees	286	286
Other financial assets	315	252
Deferred income tax assets	21,349	21,338
Investment property	300	300
Property, plant and equipment (Note 7)	1,416,648	1,467,964
Intangible assets (Note 8)	52,941	55,174
Total non-current assets	1,491,839	1,545,314
TOTAL ASSETS	1,652,582	1,685,598
LIABILITIES AND EQUITY		
Current liabilities		
Interest bearing loans and borrowings (Note 9)	139,672	149,850

Trade and other payables	83,546	91,236
Income tax liability	6,800	1,300
Deferred income	30,254	29,408
Derivatives (Note 6)	43,985	41,982
Total current liabilities	304,257	313,776
Non-current liabilities		
Interest bearing loans and borrowings (Note 9)	523,062	593,532
Total non-current liabilities	523,062	593,532
TOTAL LIABILITIES	827,319	907,308
EQUITY		
Equity attributable to equity holders of the parent		
Share capital	404,290	404,290
Share premium	639	639
Reserves	71,465	70,129
Retained earnings	348,869	303,232
Total equity attributable to equity holders of the parent	825,263	778,290
TOTAL EQUITY	825,263	778,290
TOTAL LIABILITIES AND EQUITY	1,652,582	1,685,598

CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in thousands of euros)	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014
Cash flows from operating activities		
Net profit/-loss for the period	60,398	18,877
Adjustments	91,250	92,806
Changes in receivables and prepayments related to operating activities	-8,089	-6,165
Changes in inventories	2,639	5,077
Changes in liabilities related to operating activities	-7,103	-3,973
Income tax paid	-490	108
	138,605	106,730
Cash flow used in investing activities		
Purchase of property, plant and equipment and intangible assets (Notes 7, 8, 9)	-29,823	-30,919
Proceeds from disposals of property, plant and equipment	25,004	180
Interest received	57	78
	-4,762	-30,661
Cash flow used in financing activities		
Repayment of loans (Note 9)	-68,962	-59,946
Change in overdraft (Note 9)	-8,700	31,069
Pavment of finance lease liabilities (Note 9)	-60	-54

Interest paid	-21,485	-24,574
Payments for settlement of derivatives	-3,195	-3,033
Payment of transaction costs related to loans	-1,429	0
Dividends paid (Note 12)	-13,398	-20,096
Income tax on dividends paid	-2,818	-5,342
	-120,047	-81,976

TOTAL NET CASH FLOW	13,796	-5,907
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Cash and cash equivalents:

- at the beginning of period	65,311	72,012
- increase (+) / decrease (-)	13,796	-5,907
- at the end of period	79,107	66,105

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Attachments:

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