

Q1 2019

TALLINK GRUPP AS



TALLINK GRUPP

The leading European provider of leisure and business travel and sea transportation services in the Baltic Sea region.

OPERATIONS

- Fleet of 14 vessels
- Seven ferry routes
- Operating four hotels

KEY FACTS

- Revenue of EUR 950 million in 2018
- Operating EUR 1.6 billion asset base
- Over 7 000 employees
- Serving 9.8 million passengers annually
- 2.5 million loyalty program members
- Transporting 385 thousand cargo units annually



STRONG BRANDS



STRATEGIC PLAN

TALLINK'S VISION

To be the market pioneer in Europe by offering excellence in leisure and business travel and sea transportation services

LONG TERM OBJECTIVES TOWARD INCREASING THE COMPANY VALUE AND PROFITABILITY

- Strive for the highest level of customer satisfaction
- Increase volumes and strengthen the leading position on our home markets
- Develop a wide range of quality services directed at different customers and pursue new growth opportunities
- Ensure cost efficient operations
- Manage the optimal debt level that will allow sustainable dividends

CURRENT STRATEGIC CORNERSTONES AND COMPETITIVE ADVANTAGES

MOST MODERN
FLEET

STRONG MARKET SHARE
& BRAND AWARENESS

WIDE ROUTE
NETWORK

HIGH SAFETY LEVEL &
ENVIRONMENTAL
STANDARDS

Q1 2019 OVERVIEW – THE LOW SEASON PERIOD

Q1 Selected Key Figures (financials in million euros)	2019	2018	Change
Number of passengers	1 855 772	1 930 449	-3.9%
Number of cargo units	93 114	90 687	2.7%
Number of passenger cars	214 087	222 370	-3.7%
Revenue	178.9	184.2	-2.9%
Gross profit	10.5	13.7	-23.4%
EBITDA	3.8 ⁽¹⁾	4.2	-9.5%
EBIT	-20.9	-15.2	-37.5%
Net result for the period	-25.3	-19.6	-29.1%
Capital expenditures	25.3	8.4	201.2%
As at:	31.03.19	31.12.18	Change
Total assets	1 572.3	1 500.9	4.8%
Total equity	828.3	856.9	-3.3%
Interest-bearing liabilities	604.6	510.1	18.5%
Net debt	556.8	428.0	30.1%

(1) First quarter comparable EBITDA, i.e. without IFRS 16 adoption effect, decreased by EUR 4.6 million compared to the same period last year and was EUR -0.4 million.

- Revenue EUR 178.9m (-EUR 5.3m or -2.9%)
 - Lower sales in the shops in the Tallinn Old Harbour area
 - One less hotel operated in Q1 2019
 - 1.5% less trips compared to Q1 2018 (planned dockings of seven vessels)
 - In 2019 Easter in Q2 (in 2018 in Q1)
- Revenue from shipping operations in the Baltic Sea EUR 169.5m (-EUR 3.1m or -1.8%)
- Positive development of the cargo business continued with transported cargo units +2.7%
- Non-recurring costs from compensations paid to resigned management board members
- IFRS 16 adoption effects on financial statements

Q1 2019 SALES & RESULTS BY GEOGRAPHICAL SEGMENTS

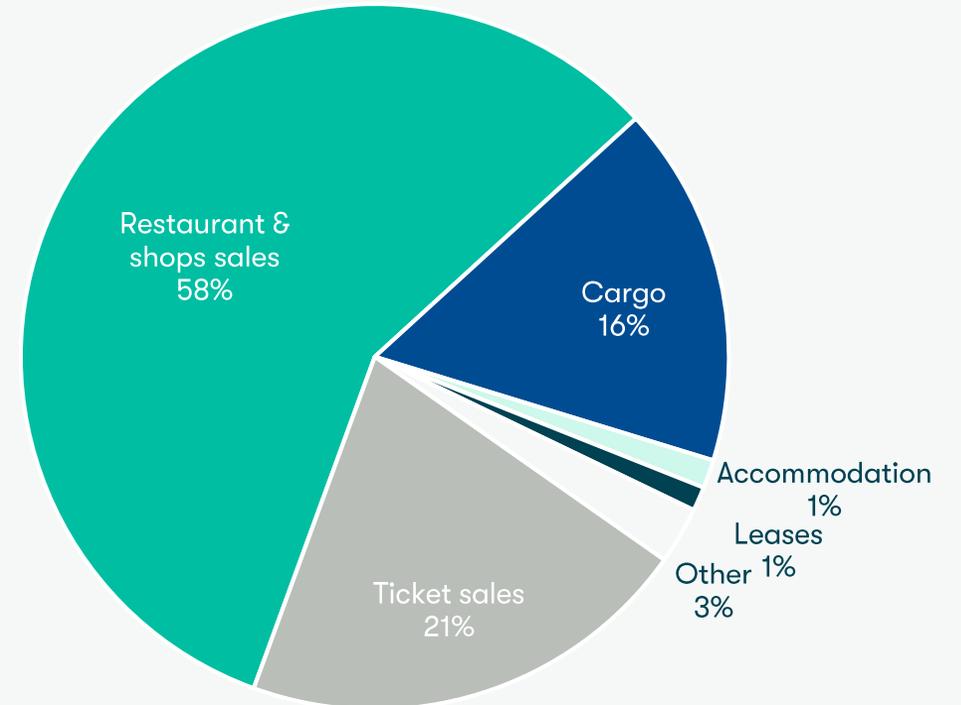
Route	Key Figures (financial in EUR million)	2019	2018	Change	
Estonia- Finland	Passengers (thousands)	997	1 025	-2.7%	On the Tallinn – Helsinki route, added capacity by competitors resulted in increased pressure on ticket prices; The total passenger volume on the Estonia-Finland routes decreased by 4%
	Cargo units (thousands)	60	58	2.4%	
	Revenue	70.4	72.3	-2.6%	
	Segment result	6.9	8.6	-19.8%	
Finland- Sweden	Passengers (thousands)	565	523	8.0%	The developments were largely affected by the lengthy maintenance and repair works of the cruise ferry Baltic Princess in the first quarter of 2018
	Cargo units (thousands)	20	16	21.8%	
	Revenue	67.9	62.7	8.3%	
	Segment result	-5.1	-5.5	7.8%	
Estonia- Sweden	Passengers (thousands)	156	227	-31.6%	The maintenance and repair of the cruise ferry Baltic Queen in the first quarter affected the segment's carriage volumes and financial result
	Cargo units (thousands)	10	12	-21.4%	
	Revenue	18.6	24,5	-24.0%	
	Segment result	-4.6	-1.8	-160.6%	
Latvia- Sweden	Passengers (thousands)	138	155	-10.9%	The maintenance and repair of the cruise ferry Isabelle in the first quarter affected the segment's results. While the number of passengers decreased by 10.9%, the revenue decreased by only 3.8% or EUR 0.5 million
	Cargo units (thousands)	4	4	3.6%	
	Revenue	12.6	13.1	-3.8%	
	Segment result	-4.0	-4.1	3.3%	
Other	Revenue	10.7	13.1	-18.9%	
	Segment result	0.2	0.2	30.1%	
	Intersegment revenue	-1.3	-1.6	19.4%	

Q1 2019 SALES & RESULTS BY OPERATIONAL SEGMENTS

Revenue (EUR million)	2019	2018	Change
Restaurant and shop sales on-board and onshore	103.1	105.1	-1.9%
Ticket sales	37.2	40.2	-7.5%
Sales of cargo transportation	29.6	29.2	1.5%
Accommodation sales	2.3	3.3	-29.8%
Income from charter of vessels	2.0	2.0	0.0%
Other sales	4.7	4.4	5.9%
Total revenue	178.9	184.2	-2.9%

- Restaurant and shop sales on-board and onshore largely affected by lower sales in the shops in the Tallinn Old Harbour area
- Ticket sales development affected mostly by numerous docking days in Q1 but also by price competition on certain routes
- Accommodation sales largely affected by one less hotel operated in Q1 2019
(Tallink Pirita Spa Hotel operations ceased from November 2018)

REVENUE STRUCTURE IN Q1 2019



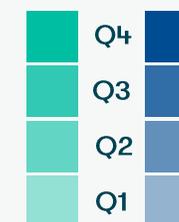
RESULTS

QUARTERLY SEASONALITY BREAKDOWN

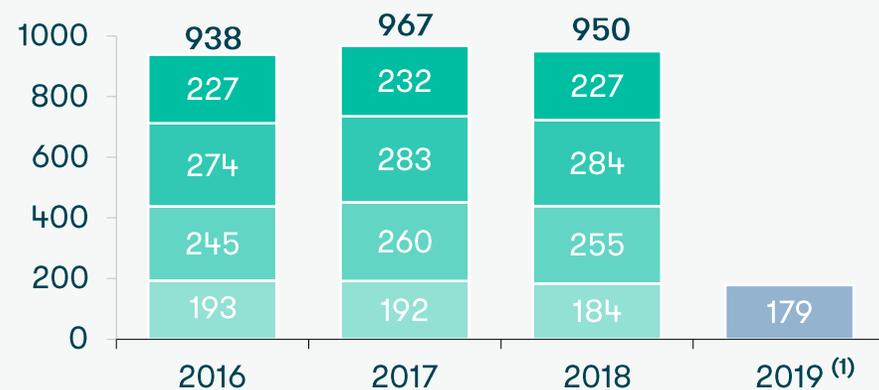
PASSENGERS (MILLIONS)



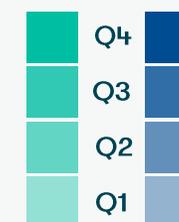
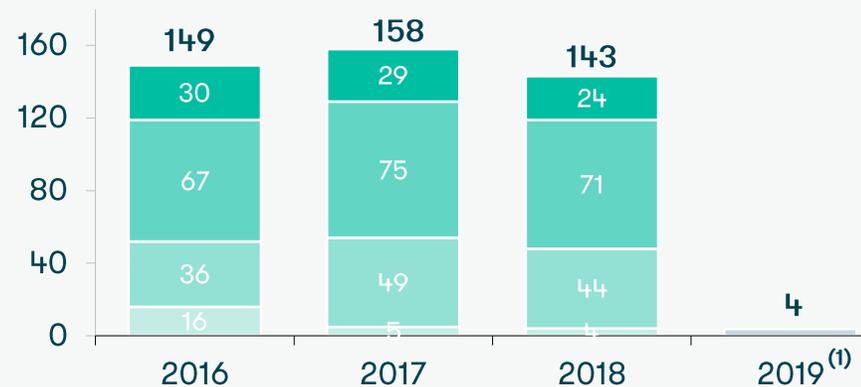
CARGO (TH. UNITS)



REVENUE (EUR MILLION)

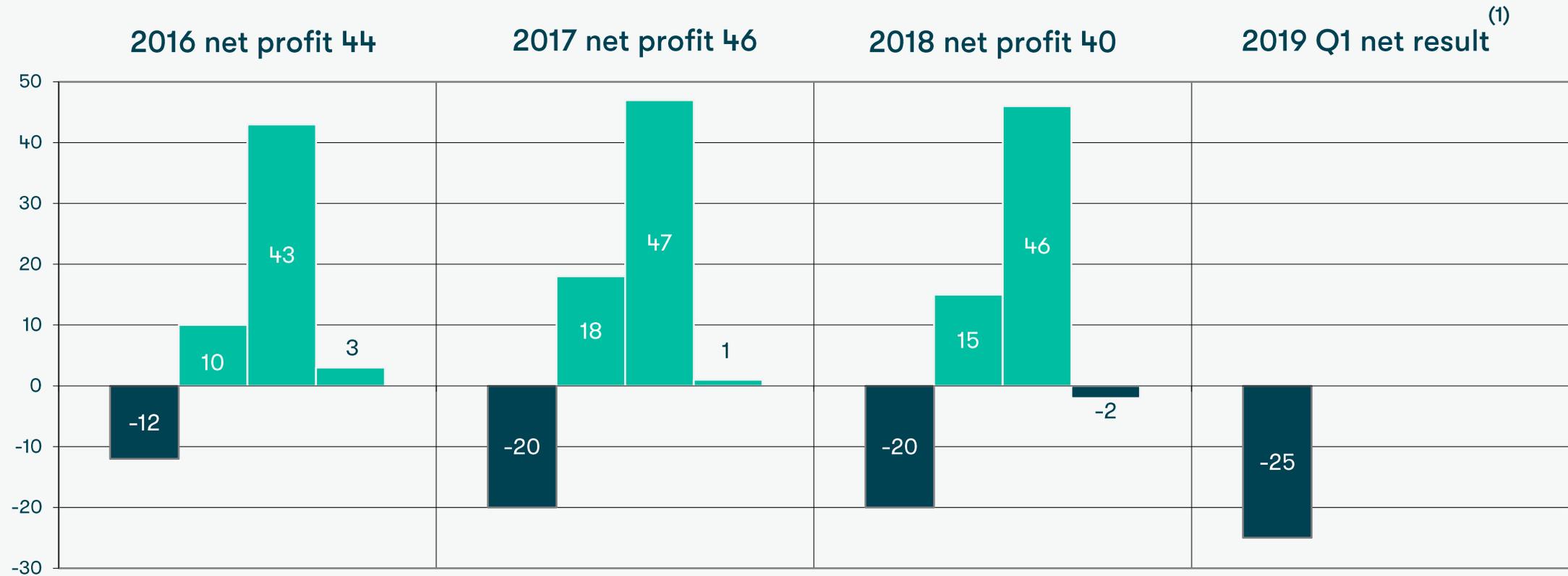


EBITDA (EUR MILLION)



THE DYNAMICS OF HIGH SEASONALITY ON THE PROFIT LEVEL

NET PROFIT BY QUARTERS (EUR MILLION)



MOST OF THE PROFITS ARE EARNED IN THE SUMMER, THE HIGH SEASON

2019 Q1 HIGHLIGHTS AND KEY FACTS

- Planned dockings of seven vessels in Q1 2019
 - Reduced number of departures
 - Increased level of investments
- Shipbuilding contract for the construction of a new LNG powered shuttle ferry for the Tallinn-Helsinki route with Rauma Marine Constructions signed
 - First EUR 12.4 million instalment of the prepayment made in April 2019
- Changes in the Management Board
- Fuel prices fixed with fuel suppliers for 41% of the total 2019 fuel volume as of the end of Q1
- Adoption of IFRS 16 and its impact on the financial statements



EUR 25.3 MILLION INVESTMENTS IN Q1 2019

TECHNICAL DOCKINGS OF SEVEN VESSELS:

- Baltic Queen
- Galaxy
- Regal Star
- Star
- Silja Symphony
- Victoria I
- Isabelle

TECHNICAL MAINTENANCE & INNOVATIVE ENERGY EFFICIENCY SOLUTIONS

- Upgrade to HVAC systems
- Upgrade to fuel monitoring systems
- Preparations for high voltage shore power connections
- Preparations for Hybrid battery Solutions

UPGRADE OF PUBLIC AREAS – NEW AREAS BUILT AND RENEWED

- **Baltic Queen:** Fast Lane restaurant, Grand Buffet & show bar Starlight
- **Galaxy:** Fast Lane restaurant, Grand Buffet and show bar Starlight, SuperDry shop in shop, kids area Silja Land
- **Silja Symphony:** new concept Starlight show bar, restaurant Grill House, Bon Vivant and Sea Pub, Tommy Hilfiger shop, cabin renovation project concluded



NEW LNG SHUTTLE FERRY

FURTHER DEVELOPMENT OF THE TALLINN–HELSINKI SHUTTLE SERVICE

CONSTRUCTION CONTRACT SIGNED FOR NEW LNG POWERED SHUTTLE FERRY

- Shipyard: Rauma Marine Constructions
- The vessel cost is approximately EUR 250 million
- 30% paid during construction, 70% at delivery (financing terms concluded in the near future)
- Expected delivery in January 2022
- Specifications similar to Megastar



PRELIMINARY SPECIFICATIONS

- Length 212 meters
- Capacity 2 800 passengers
- Lane meters around 3 000
- Dual fuel engines (LNG/MDO)
- Diesel-electrical propulsion
- Service speed 27 knots

MEGASTAR AND NEW LNG SHUTTLE FERRY WILL COMPLY WITH THE CURRENT AND KNOWN FUTURE EMISSION REGULATIONS FOR THE EMISSION CONTROL AREAS, INCLUDING THE BALTIC SEA

CORPORATE GOVERNANCE

MANAGEMENT BOARD	Paavo Nõgene – Chairman of the Management Board	
		<p>Born in 1980, with the company since 2018</p> <p>CEO since May, 2018</p> <p>Previously:</p> <ul style="list-style-type: none"> – Secretary-General at Ministry of Culture of the Republic of Estonia – General Manager at Vanemuine Theatre
	Lembit Kitter	
		<p>Born in 1953, with the company and Member of Management Board since 2006</p>
	Kadri Land	
		<p>Born in 1964, with the company since 2005.</p> <p>Member of Management Board since February, 2019</p>
Harri Hanschmidt		
	<p>Born in 1982, with the company since 2009.</p> <p>Member of Management Board since February, 2019</p>	
Piret Mürk-Dubout		
	<p>Born in 1970, with the company and Member of Management Board since April, 2019</p>	

SUPERVISORY BOARD	Enn Pant – Chairman of the Supervisory Board	
		<p>Born in 1965, with the company since 1996</p> <p>Chairman of the Supervisory Board since 2015</p> <p>CEO of AS Tallink Grupp in 1996-2015</p>
	Toivo Ninnas	
		<p>Born in 1940, with the Supervisory Board since 1997</p>
	Kalev Järvelill	
		<p>Born in 1965, with the Supervisory Board since 2007</p>
	Eve Pant	
		<p>Born in 1968, with the Supervisory Board since 1997</p>
	Ain Hanschmidt	
		<p>Born in 1961, with the Supervisory Board since 2005</p>
Lauri Kustaa Äimä		
	<p>Born in 1971, with the Supervisory Board since 2002</p>	
Colin Douglas Clark		
	<p>Born in 1974, with the Supervisory Board since 2013</p>	

IFRS 16 LEASES

IFRS 16 replaced IAS 17 Leases and related interpretations

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

AS THE RESULT OF IFRS 16 ADOPTION AS AT 1 JANUARY 2019 THE GROUP'S:

- Fixed assets increased by EUR 100.7 million
- Interest-bearing liabilities increased by EUR 104.3 million
- Adoption effect on retained earnings on 1 January 2019 was EUR -3.6 million

IFRS 16 EFFECT ON 2019 FIRST QUARTER FINANCIALS:

- Addition to EBITDA EUR 4.2 million (less rental cost)
- Addition to depreciation EUR 3.8 million
- Addition to interest cost EUR 0.4 million
- No effect on net result

DISTRIBUTIONS TO SHAREHOLDERS

Dividend policy: at least EUR 0.05 per share, if the economic performance enables it

Management is working to ensure that Tallink Grupp is a stable dividend payer and the dividends will increase over time

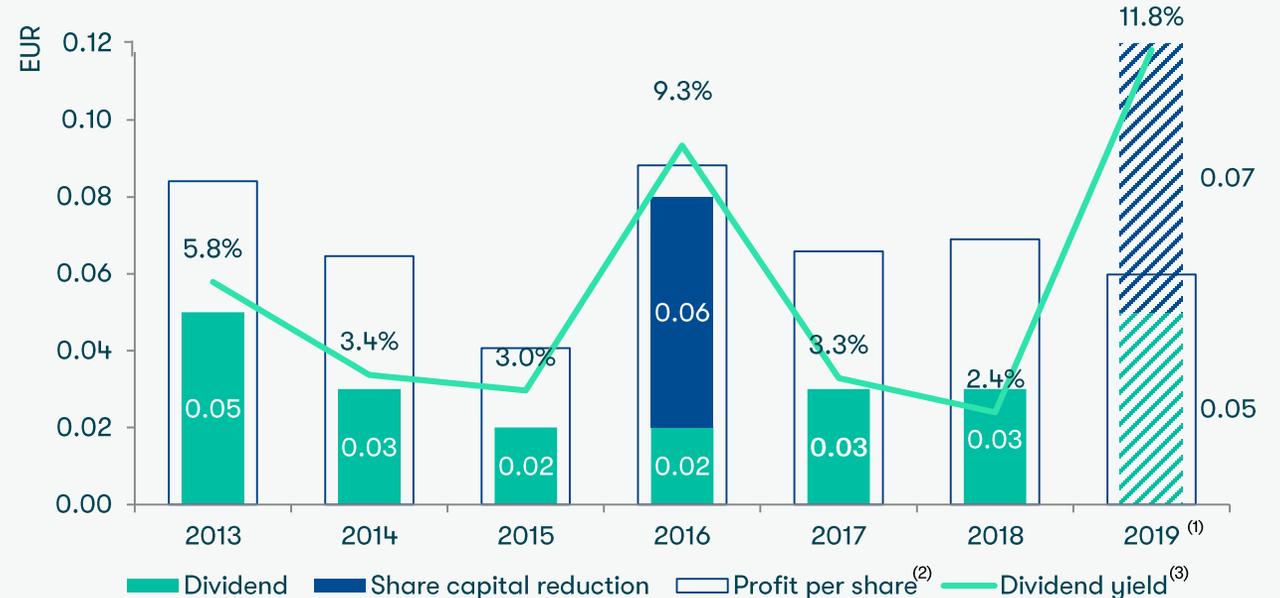
Proposal to the AGM convening on 23 May 2019:

Dividend

- To distribute dividend of EUR 0.05 per share

Capital reduction

- to reduce the company's share capital by at least EUR 0.07 per share for the purpose of improving the company's capital structure



TALLINK GRUPP HAS MADE TOTAL OF EUR 161 MILLION DIVIDEND PAYMENTS TO SHAREHOLDERS IN PERIOD 2013 – 2018

Notes:

- (1) To be proposed to the shareholders' annual general meeting in 2019
- (2) Profit per share of previous financial year for which the dividends are being distributed, unaudited for 2018
- (3) As at 31/12

CONSOLIDATED INCOME STATEMENT

(EUR million)	2017	2018	Q1 2018	Q1 2019 ⁽²⁾
Sales	967	950	184	179
Cost of sales ⁽¹⁾	(772)	(766)	(170)	(168)
Marketing, general & admin ⁽¹⁾	(125)	(125)	(29)	(32)
EBITDA	158	143	4	4
<i>Margin (%)</i>	16.4%	15.0%	2.3%	2.1%
Net Profit	46	40	(20)	(25)
EPS	0.069	0.060	(0.029)	(0.038)

CONSOLIDATED CASH FLOW STATEMENT

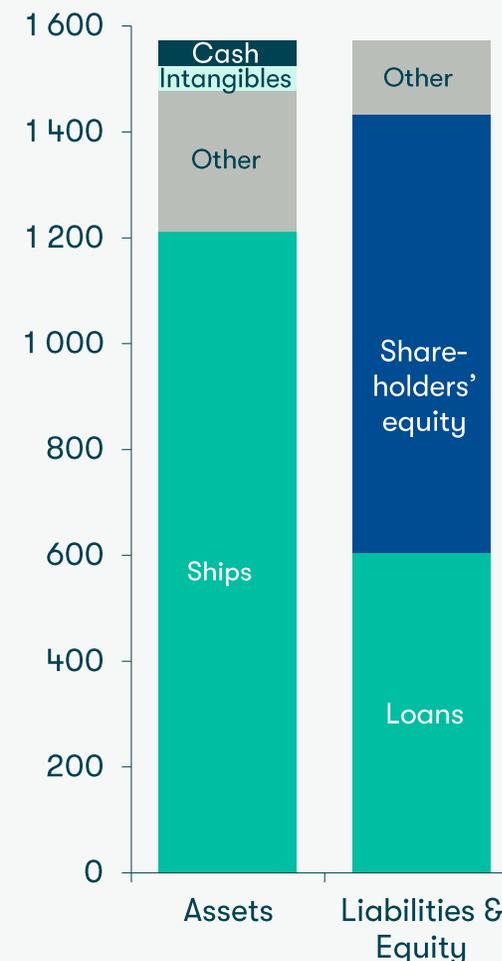
(EUR million)	2017	2018	Q1 2018	Q1 2019 ⁽¹⁾
Operating cash flow	136	157	8	7
Capital expenditure	(219)	(36)	(8)	(25)
Asset disposal	132	0	0	0
Free cash flow	49	121	0	(18)
Debt financing (net effect)	6	(85)	(13)	(11)
Interests & other financial items	(21)	(19)	(6)	(5)
Dividend paid	(20)	(20)	0	0
Income tax on dividends paid	(4)	(4)	0	0
Change in cash	10	(7)	(19)	(34)

Notes:

(1) Unaudited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR million)	31.12.2017	31.03.2018	31.12.2018	31.03.2019 ⁽²⁾
Total assets	1 559	1 532	1 501	1 572
Non-current assets	1 377	1 366	1 333	1 434
Current assets	182	166	168	138
- of which cash	89	70	82	48
Total liabilities	722	715	644	744
Interest bearing liabilities	561	551	510	605
Other liabilities	161	164	134	139
Shareholders' equity	836	817	857	828
Net debt/EBITDA	3.0x	3.1x	3.0x	3.9x
Net debt	472	481	428	557
Equity/assets ratio	54%	53%	57%	53%
BVPS ⁽¹⁾ (in EUR)	1.25	1.22	1.28	1.24



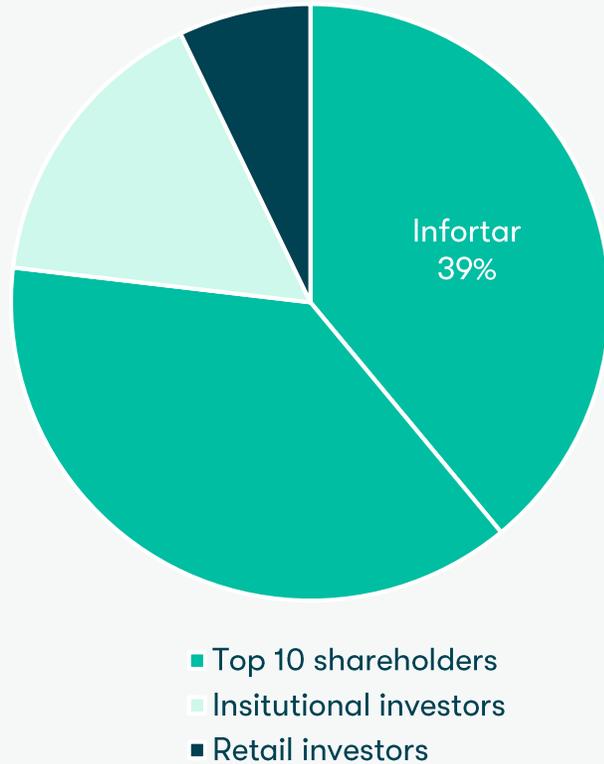
Notes:

(1) Shareholders' equity / number of shares outstanding; Restated

(2) Unaudited

SHAREHOLDERS AND SHARE PERFORMANCE

SHAREHOLDERS OF AS TALLINK GRUPP



TEN LARGEST SHAREHOLDERS AS OF 31.03.2019

Infortar AS	39%
Baltic Cruises Holding, L.P.	16%
Baltic Cruises Investment L.P.	6%
ING Luxembourg S.A. AIF Account	4%
Nordea Bank Abp/Non Treaty Clients	3%
ING Luxembourg Client ACC	3%
Citigroup Venture Capital International G.P	2%
State Street Bank And Trust Omnibus Account A Fund No OM01	2%
Clearstream Banking Luxembourg S.A. Clients	1%
Nordea Bank Abp / Clients FDR	1%

