

MARCH 2019

# TALLINK GRUPP COMPANY PRESENTATION



# TALLINK GRUPP

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

## OPERATIONS

- Fleet of 14 vessels
- Operating four hotels

## KEY FACTS

- Revenue of EUR 950 million in 2018
- Operating EUR 1.5 billion asset base
- Over 7 000 employees
- Serving 9.8 million passengers annually
- Transporting 385 thousand cargo units annually
- Listed on Nasdaq Tallinn – TAL1T  
and Nasdaq Helsinki – TALLINK



## STRONG BRANDS



# BUSINESS MODEL

## PRODUCT OFFERING

OVERNIGHT CRUISES &  
PASSENGER TRANSPORTATION



SHUTTLE SERVICE



ON-BOARD TAX-FREE SHOPPING



ON-BOARD CATERING



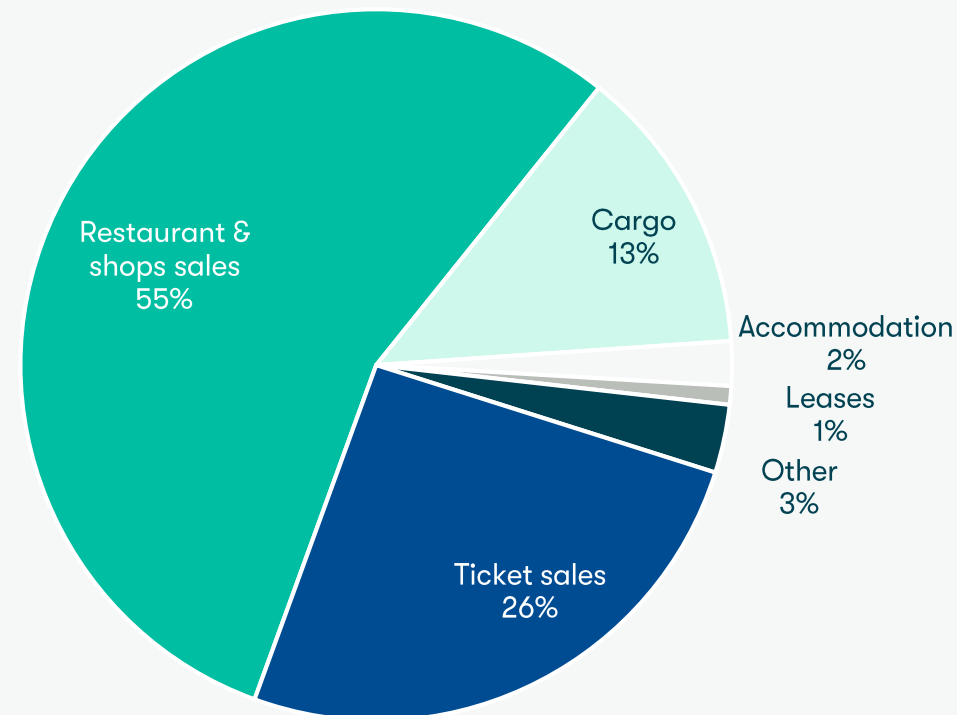
HOTEL & TRAVEL PACKAGES



CARGO TRANSPORTATION

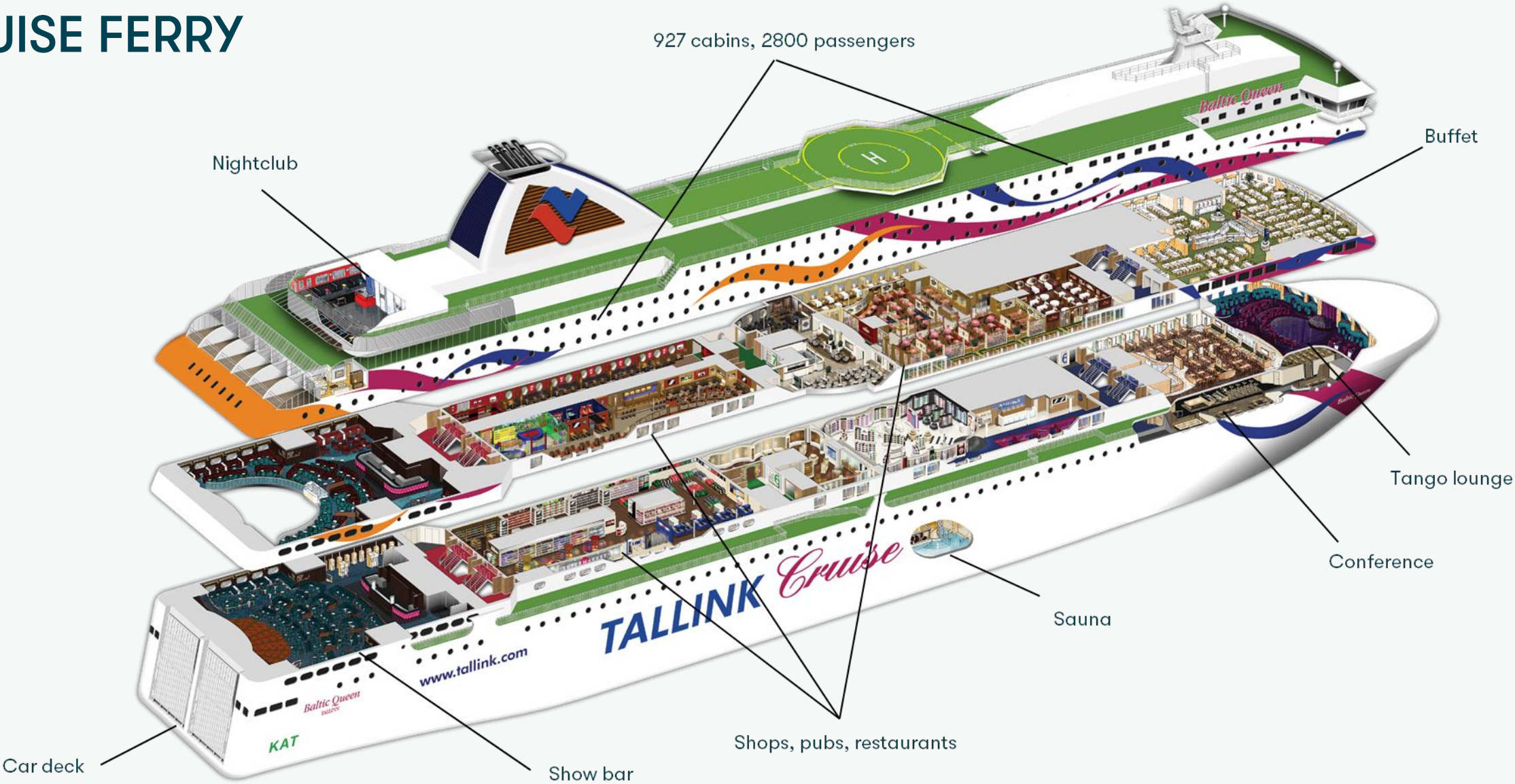


## REVENUE STRUCTURE IN 2018





# CRUISE FERRY



# POSITION IN THE GLOBAL FERRY MARKET

## THE WORLD'S TOP DUTY FREE & TRAVEL RETAIL SHOPS

Ranking by actual and estimated retail sales in 2017

Rank	Location	Country	Channel
Sales > US\$ 1 700 million			
1	SEOUL - Incheon Int'l Airport	South Korea	Airport Shops
2	DUBAI - Dubai International Airport	UAE	Airport Shops
3	SINGAPORE - Changi Airport	Singapore	Airport Shops
Sales > US\$ 1 000 million			
4	LONDON - Heathrow Airport	UK	Airport Shops
5	BANGKOK - Suvarnabhumi Airport	Thailand	Airport Shops
6	SHANGHAI - Pudong Airport	China	Airport Shops
Sales > US\$ 900 million			
7	HONG KONG - International Airport	Hong Kong	Airport Shops
Sales > US\$ 800 million			
8	BEIJING - Capital Airport	China	Airport Shops
9	PARIS - Charles de Gaulle Airport	France	Airport Shops
Sales > US\$ 700 million			
10	TOKYO - Narita Airport	Japan	Airport Shops
Sales > US\$ 600 million			
11	FRANKFURT - Frankfurt-Main Airport	Germany	Airport Shops
12	TALLINK - All Routes	Estonia	Ferries
13	TAIPEI - Taoyuan International Airport	Taiwan	Airport Shops
Sales > US\$ 500 million			
14	ISTANBUL - Atatürk Airport	Turkey	Airport Shops
15	AMSTERDAM - Schiphol Airport	Netherlands	Airport Shops

Source: Generation Research 2018

TALLINK  
GRUPP



Megastar Traveller Superstore

## FERRY OPERATOR BY GROSS TONS

Rank	Company	Gross tons
1	Stena Line	935 898
2	Grimaldi Lines	732 232
3	Moby Lines	550 580
4	Tallink	525 724
5	Grand Navi Veloci	425 220

## FERRY OPERATOR BY BEDS

Rank	Company	Beds
1	Tallink	24 328
2	Moby Lines	19 066
3	Stena Line	17 225
4	Grand Navi Veloci	16 629
5	Grimaldi Lines	16 133

## FERRY OPERATOR BY REVENUES

(EUR million, 2017)

Rank	Company	Revenue
1	DFDS Group	1 925
2	Stena Line	1 322
3	Tallink	967
4	Finnlines	536
5	Viking Line	523

Data: Ro/pax / ferries above 1 000 GT  
Source: ShipPax MARKET:18; Company reports

# 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



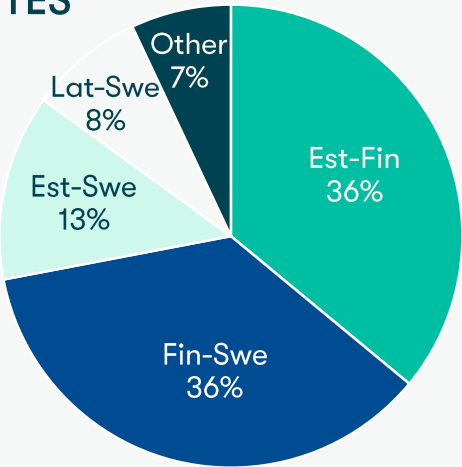
# PASSENGER MARKET SHARE IS 48% OF THE NORTHERN BALTIC SEA



NORTHERN BALTIC PASSENGER MARKET ~20 MILLION PASSENGERS

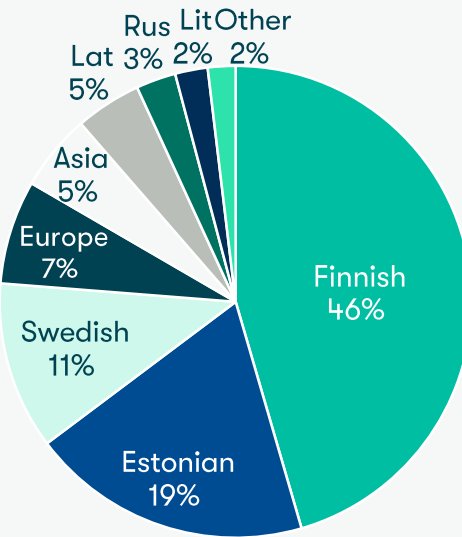
## REVENUE BY ROUTES

EUR 950 million, 2018



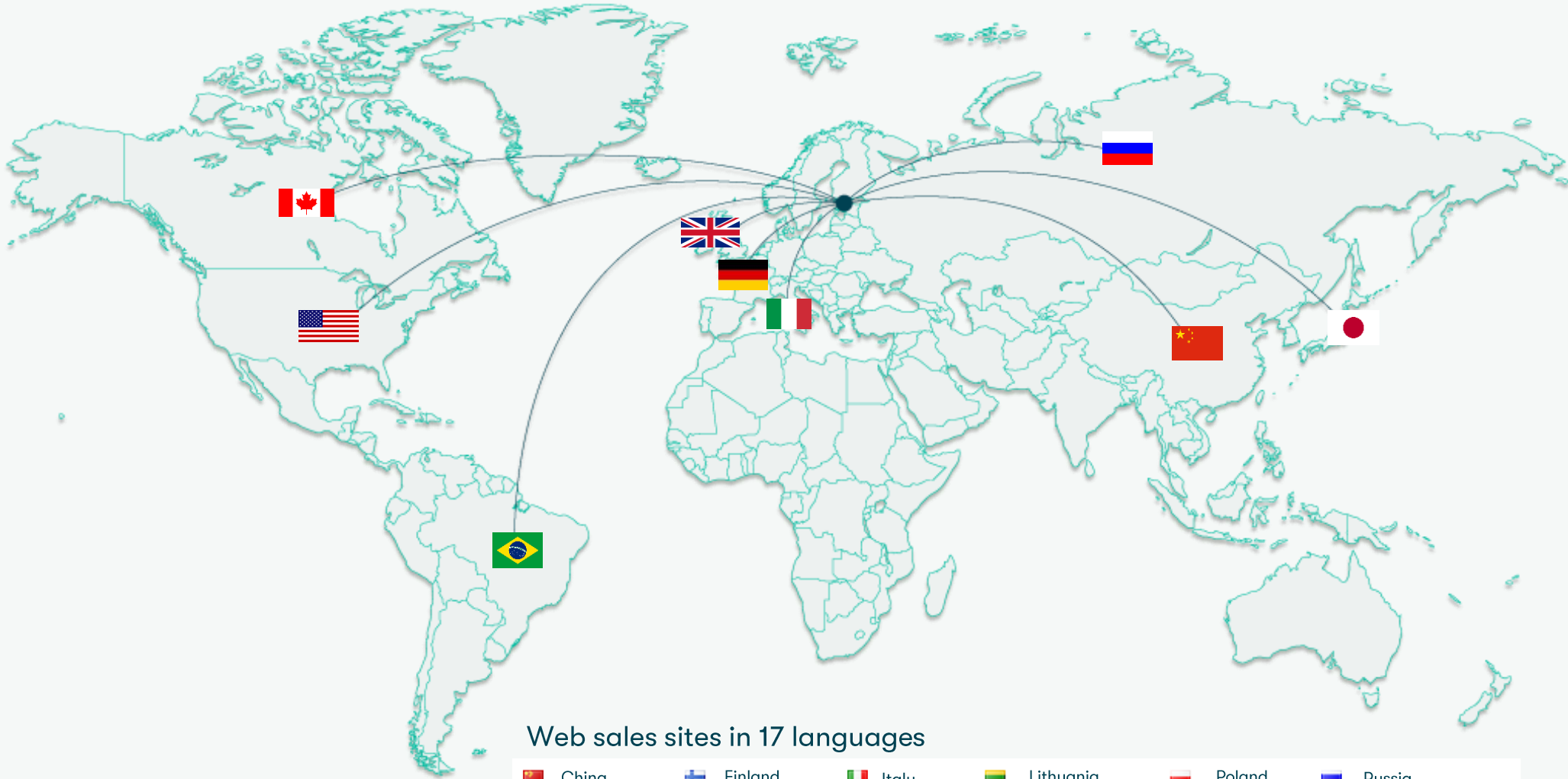
## PASSENGERS

9.8 million, 2018



# WE ARE TARGETING NEW CUSTOMERS FROM A WIDER COUNTRY BASE

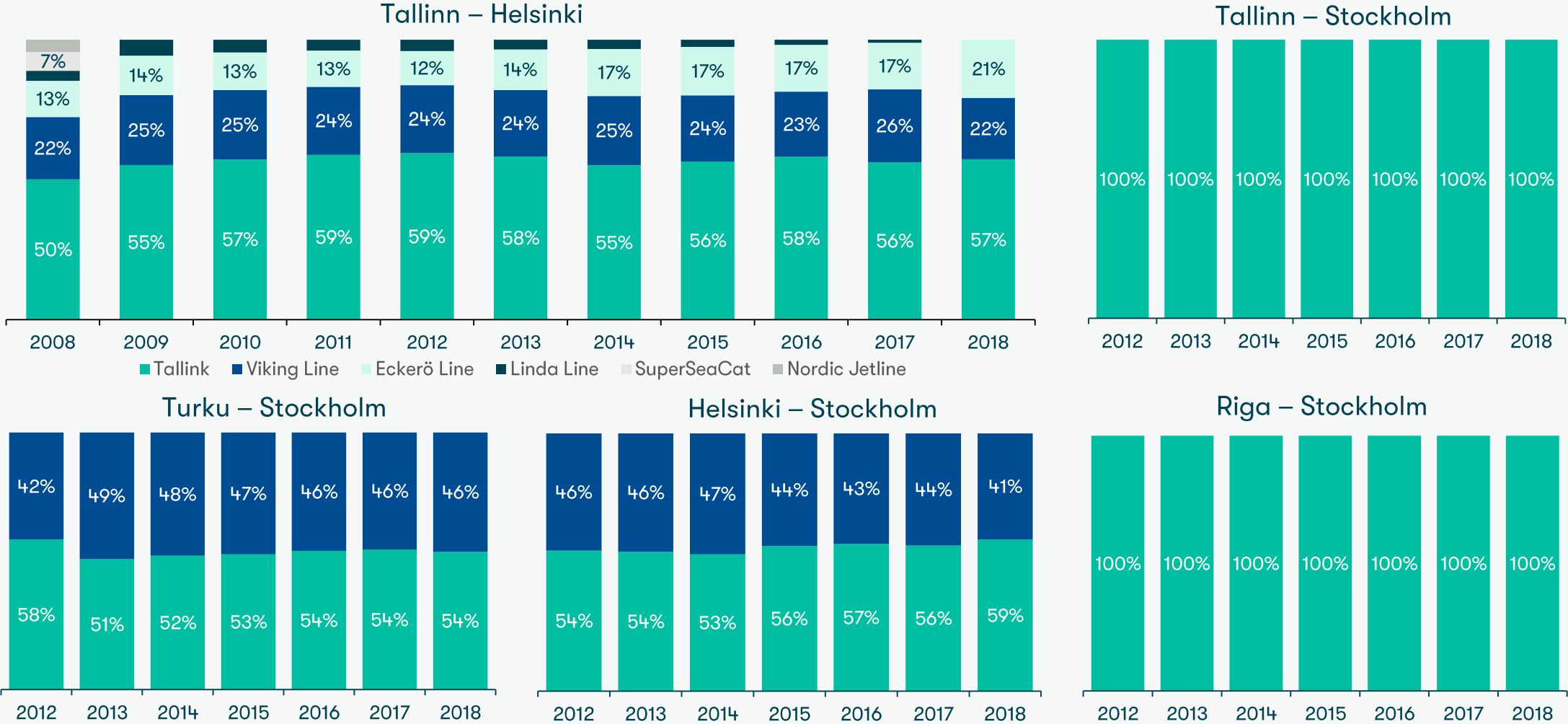
More than 14% of our passengers come from outside of our home markets





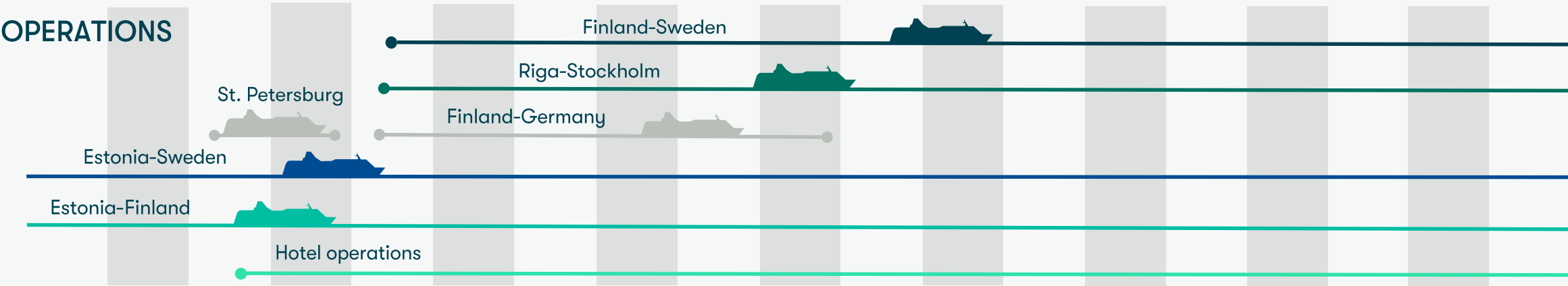
# MARKET SHARES

## PASSENGER OPERATIONS



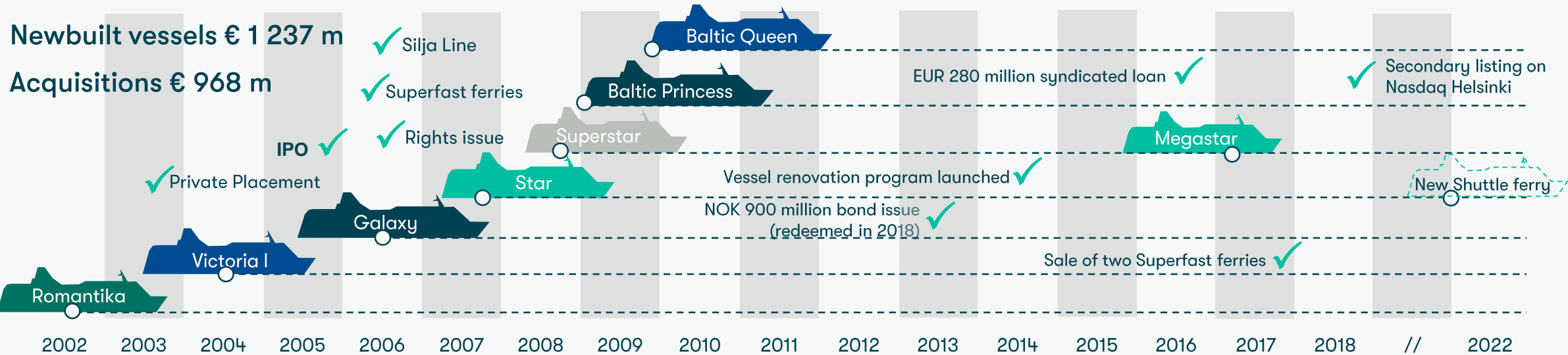
# HIGHLIGHTS AND MILESTONES

## OPERATIONS

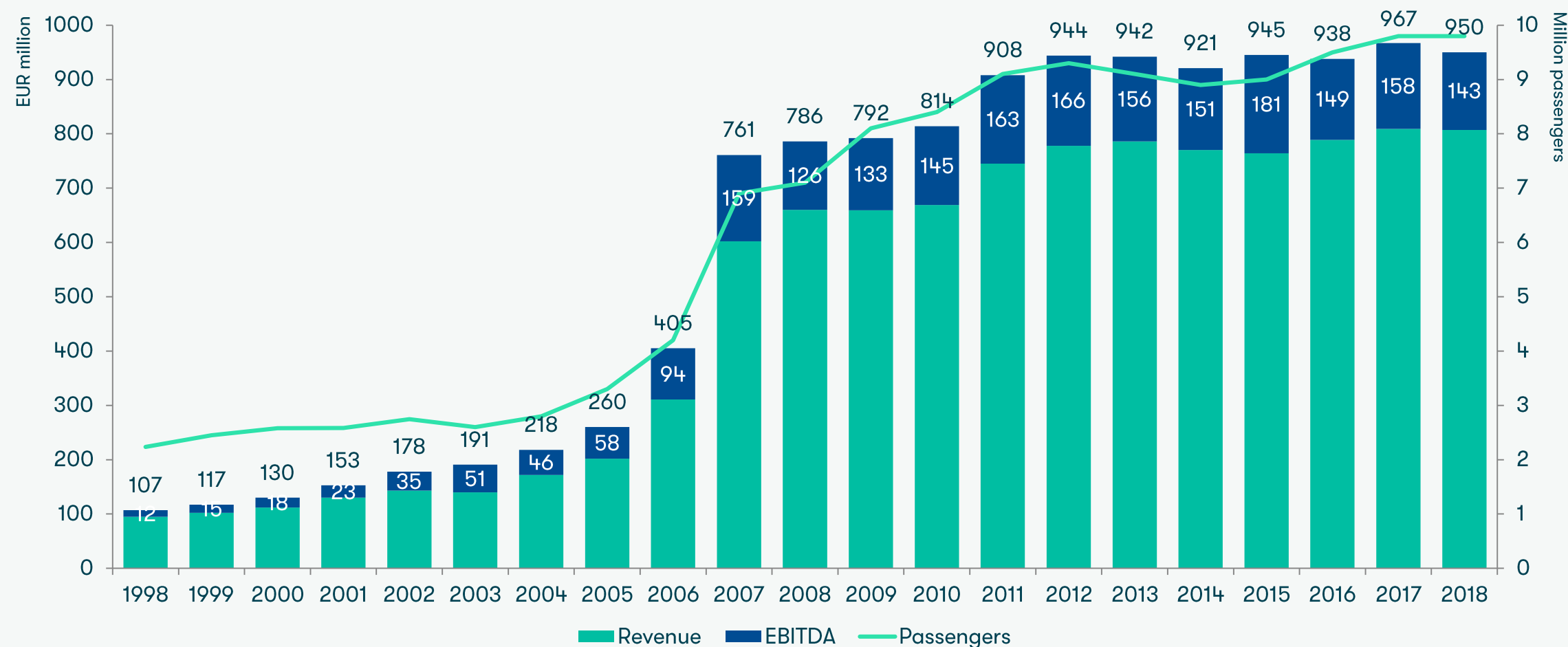


Newbuilt vessels € 1 237 m

Acquisitions € 968 m



# PERFORMANCE AFTER THE MANAGEMENT BUYOUT





# 2018 HIGHLIGHTS AND KEY FACTS

- A record number of 9.8 million passengers carried in 2018
- Revenue from the core operations increased to EUR 884 million
- Strong growth of the cargo business
- Lower chartering revenues compared to last year
- Higher bunker prices globally and EUR 16.6 million higher cost
- Continuous efforts at fuel efficiency yielded in 3.2% lower fuel consumption per nautical mile across the fleet
- Termination of operation of Pirita Spa Hotel in November 2018
- Redemption of NOK bonds
- Secondary listing on Nasdaq Helsinki stock exchange
- Silver Award for responsible and sustainable business practices by the Estonian Responsible Business Forum



# OUTLOOK

- New dividend policy
- Letter of Intent signed with Rauma Marine Constructions for the construction of a new LNG powered shuttle ferry for the Tallinn-Helsinki route
- Fixed price agreed with the main fuel supplier for about 40% of total purchasing volume from February to December 2019
- Scheduled dockings of seven vessels in 2019, majority carried out in Q1 2019
- Continuous investments to energy / fuel efficiency across the fleet are expected to continue reducing fuel consumption and air emissions (CO<sub>2</sub>, SO<sub>x</sub> and NO<sub>x</sub>)
  - Fuel monitoring systems
  - Shore power and hybrid battery systems
- Tallinn Old City Harbor terminal D renovations ongoing
- Strong economies in the market area



# NEW LNG SHUTTLE FERRY

## FURTHER DEVELOPMENT OF THE TALLINN–HELSINKI SHUTTLE SERVICE

### LETTER OF INTENT FOR CONSTRUCTION OF NEW LNG POWERED SHUTTLE FERRY SIGNED IN OCTOBER 2018

- Shipyard: Rauma Marine Constructions
- The vessel cost is approximately EUR 250 million
- Expected delivery at the end of 2021
- Specifications similar to Megastar
- Financing terms are being finalised

### 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



# ONGOING DEVELOPMENT PROJECTS

## FOCUS ON IMPROVEMENTS AND EFFICIENCIES OF OPERATIONS

### INVESTMENTS TO SUPPORT REVENUE GENERATION

- Digital solutions
  - Automated revenue management
  - Development of mobile booking apps to capture growing handheld devices online traffic
  - Digital Club One loyalty card in mobile app
  - Improving online booking solutions user experience
  - Customer centric and personalized digital channels development
  - Collaboration with TalTech to develop „Smart Car Deck“



### DELIVERING OPERATIONAL EFFICIENCIES

- Efficient ship operations
  - Utilising monitoring systems
- Passenger logistics in terminals
  - Self check-in also on mobile, improved boarding pass
- Tallink Logistics Centre
  - Leveraging and fine tuning the operations



# GROUP-WIDE SHIP RENOVATION PROGRAM

## INVESTMENTS TO UPGRADE THE FLEET IN PERIOD 2014-2018

### LARGE SCALE RENOVATION OF THREE CRUISE FERRIES

- Silja Serenade
- Silja Symphony
- Silja Europa

### EXPANSION OF SHOPS AND MODERNIZING RESTAURANTS TO IMPROVE THE PERFORMANCE THROUGH RETAIL SPACE

- Modern retail environment visual
- Leveraging own brands
- Introducing international premium brands
- Wider selection of products

### UPGRADING OF CABINS




- Responding to higher expectations of the passengers
- Focus on different cabin classes

TALLINK GRUPP HAS INVESTED MORE THAN EUR 90 MILLION  
SINCE 2014 TO UPGRADE ITS EXISTING FLEET



# WIDE RANGE OF DINING CONCEPTS ON OUR SHIPS

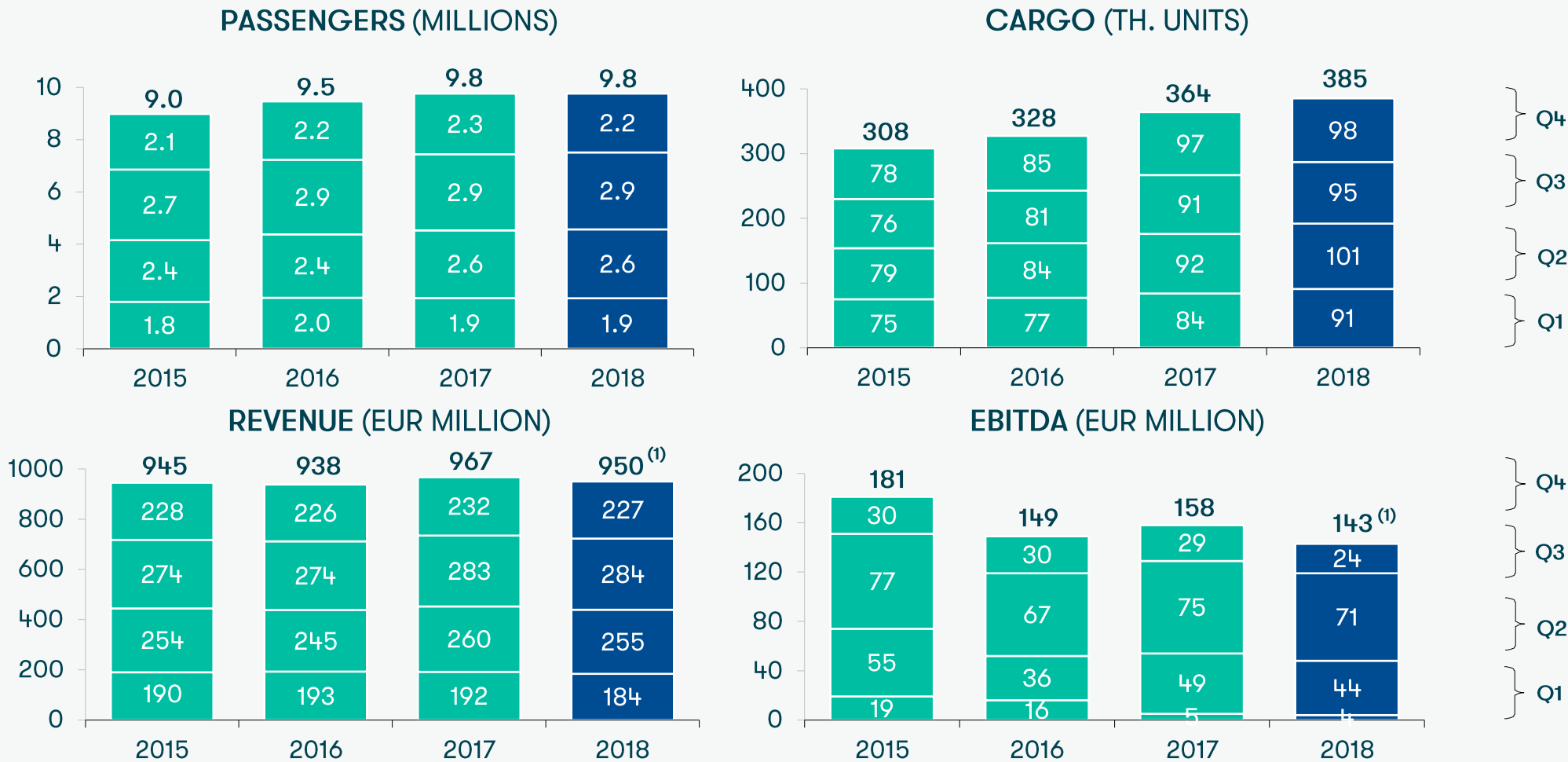
OWN BRANDS AND INTERNATIONAL PREMIUM BRANDS

<p>BUFFET</p> <p>RESTAURANTS</p>	<div>   </div> <div> <p>GRANDE BUFFET</p> <p>DELIGHT BUFFET</p> </div>
<p>À LA CARTE</p> <p>RESTAURANTS</p>	<div> <div> <p>STEAK - GRILL</p>  <p>B.B.Q. - BURGER</p> <p><b>GRILL HOUSE</b> RESTAURANT</p> </div> <div>  <p>HAPPY LOBSTER</p> </div> <div>  <p>The Dining Room</p> </div> <div> <p><i>The Chef's</i> KITCHEN</p> </div> <div> <p><b>TAVOLATA</b> RISTORANTE ITALIANO</p> </div> </div>
<p>FINE DINING</p> <p>RESTAURANTS</p>	<div>  <p>BON VIVANT restaurant</p> </div> <div> <p><i>Gourmet</i> VICTORIA</p> </div> <div> <p><i>Gourmet Baltic Queen</i></p> </div> <div>  <p><b>ALEKSANDRA</b> RUSSIAN A'LA CARTE</p> </div>



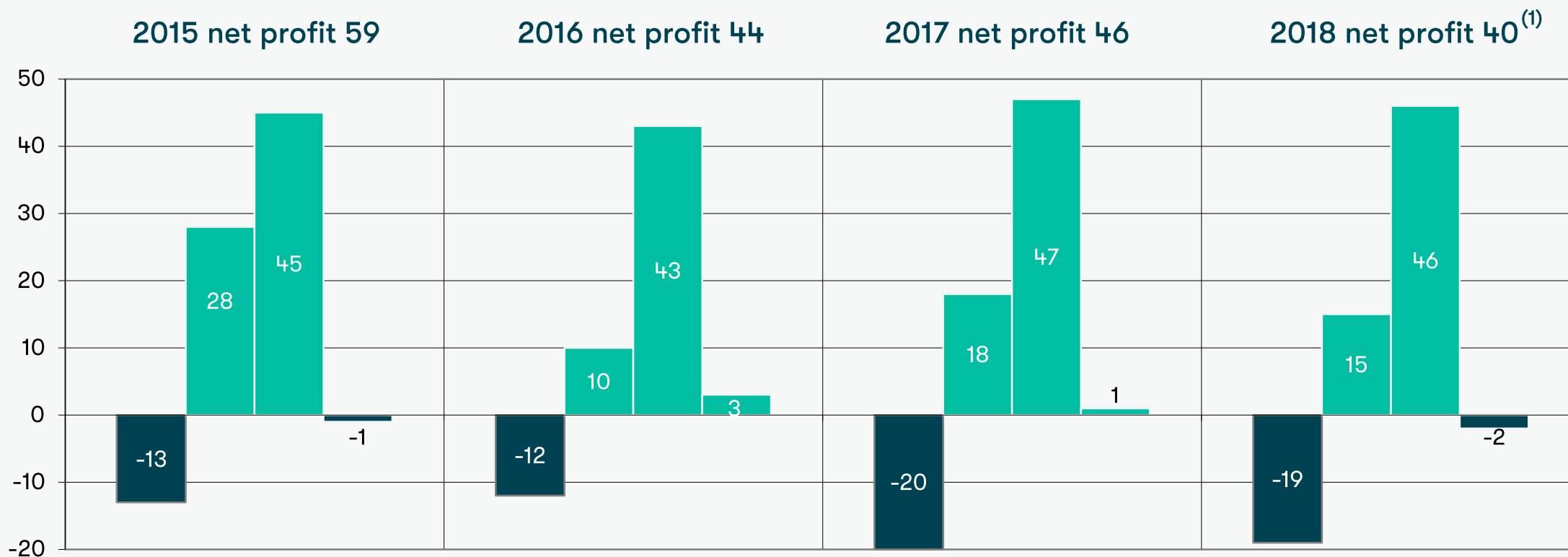
# RESULTS

## QUARTERLY SEASONALITY BREAKDOWN



# THE DYNAMICS OF HIGH SEASONALITY ON THE PROFIT LEVEL

NET RESULT BY QUARTERS (EUR MILLION)



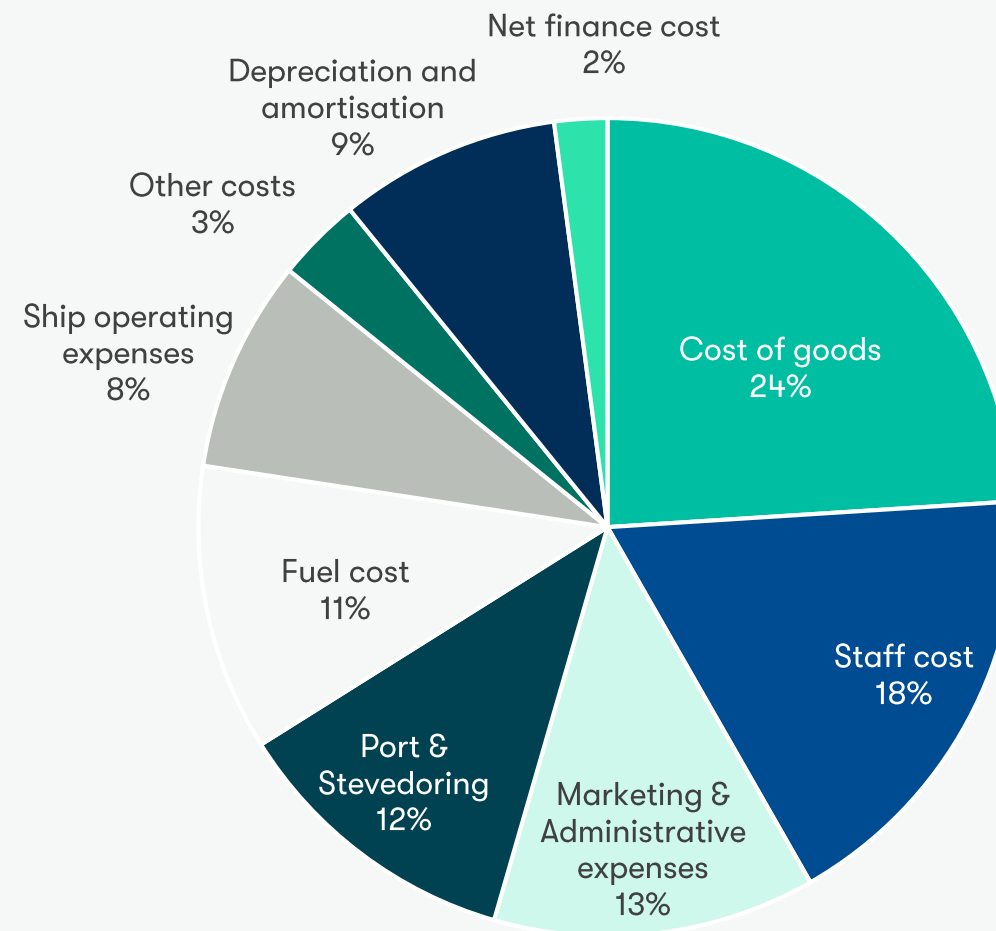
MOST OF THE RESULT IS MADE IN THE SUMMER, THE HIGH SEASON

# CONSOLIDATED INCOME STATEMENT

(EUR million)	2015	2016	2017	2018 <sup>(2)</sup>
<b>Sales</b>	<b>945</b>	<b>938</b>	<b>967</b>	<b>950</b>
Cost of sales <sup>(1)</sup>	(722)	(745)	(772)	(766)
Marketing, general & admin <sup>(1)</sup>	(111)	(123)	(125)	(125)
<b>EBITDA</b>	<b>181</b>	<b>149</b>	<b>158</b>	<b>143</b>
<i>Margin (%)</i>	19.2%	15.9%	16.4%	15.0%
<b>Net Profit</b>	<b>59</b>	<b>44</b>	<b>46</b>	<b>40</b>
<b>EPS</b>	<b>0.088</b>	<b>0.066</b>	<b>0.069</b>	<b>0.060</b>

# COSTS BREAKDOWN

(EUR million)	2017	2018 <sup>(2)</sup>	Change
Cost of goods	227 803	217 158	-5%
Staff costs	160 126	160 640	0%
Marketing & Administration <sup>(1)</sup>	116 809	115 246	-1%
Port & Stevedoring	104 756	105 089	0%
Fuel cost	85 870	102 474	19%
Ship operating expenses	79 723	76 003	-5%
Other costs	35 011	30 333	-13%
<b>Total costs from operations</b>	<b>810 098</b>	<b>806 943</b>	<b>0%</b>
Depreciation and amortisation	86 371	79 279	-8%
Net finance cost	21 209	18 918	-11%
<b>Total costs</b>	<b>917 678</b>	<b>905 140</b>	<b>-1%</b>





# CONSOLIDATED CASH FLOW STATEMENT

(EUR million)	2015	2016	2017	2018 <sup>(1)</sup>
<b>Operating cash flow</b>	<b>192</b>	<b>147</b>	<b>136</b>	<b>157</b>
Capital expenditure	(44)	(68)	(219)	(36)
Asset disposal	115	0	132	0
<b>Free cash flow</b>	<b>263</b>	<b>79</b>	<b>49</b>	<b>121</b>
Debt financing (net effect)	(197)	(4)	6	(85)
Interests & other financial items	(33)	(24)	(21)	(19)
Dividend paid	(13)	(54)	(20)	(20)
Dividend tax	(3)	0	(4)	(4)
<b>Change in cash</b>	<b>17</b>	<b>(3)</b>	<b>10</b>	<b>-7</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR million)	31.12.2015	31.12.2016 <sup>(2)</sup>	31.12.2017	31.12.2018 <sup>(3)</sup>
<b>Total assets</b>	<b>1 539</b>	<b>1 539</b>	<b>1 559</b>	<b>1 501</b>
Non-current assets	1 385	1 375	1 377	1 333
Current assets	154	164	182	168
- of which cash	82	79	89	82
<b>Total liabilities</b>	<b>714</b>	<b>729</b>	<b>722</b>	<b>644</b>
Interest bearing liabilities	549	559	561	510
Other liabilities	165	170	161	134
<b>Shareholders' equity</b>	<b>825</b>	<b>810</b>	<b>836</b>	<b>857</b>
<b>Net debt/EBITDA</b>	<b>2.6x</b>	<b>3.2x</b>	<b>3.0x</b>	<b>3.0x</b>
<b>Net debt</b>	<b>467</b>	<b>480</b>	<b>472</b>	<b>428</b>
<b>Equity/assets ratio</b>	<b>54%</b>	<b>53%</b>	<b>54%</b>	<b>57%</b>
<b>BVPS <sup>(1)</sup> (in EUR)</b>	<b>1.23</b>	<b>1.21</b>	<b>1.25</b>	<b>1.28</b>

# DISTRIBUTIONS TO SHAREHOLDERS

**Dividend policy:** to pay dividends in the minimum amount of EUR 0.05 per share, if the economic performance enables it

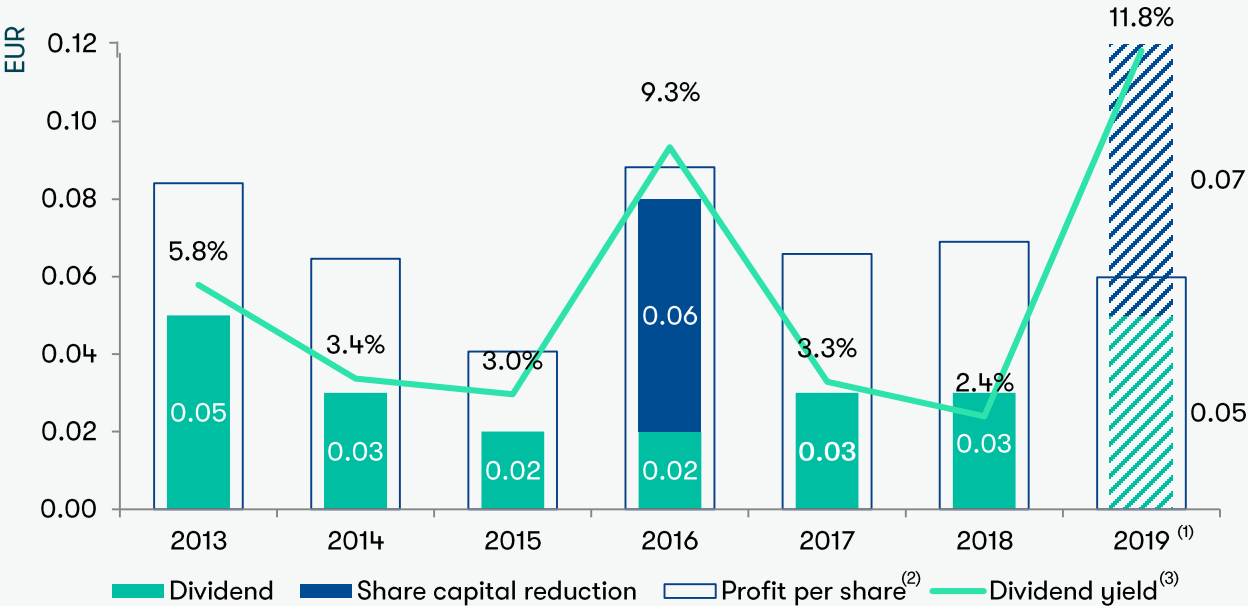
The management states that the company is working to ensure that Tallink Grupp is a stable dividend payer and that the dividend paid to investors will increase over time

## Dividend

- Management board to propose a dividend of EUR 0.05 per share to the shareholders’ annual general meeting in 2019

## Capital reduction

- Management board to propose to shareholders’ annual general meeting in 2019 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

# DEBT STRUCTURE

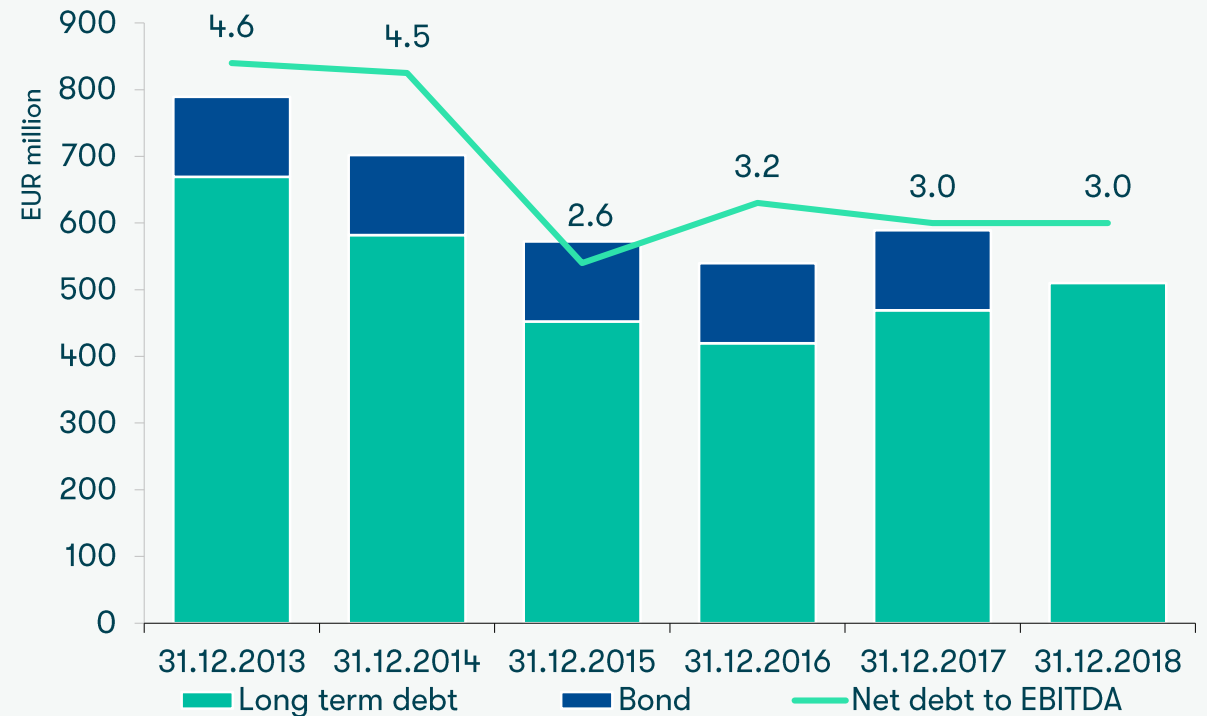
Total EUR 510 million interest bearing liabilities as at 31.12.2018

## LONG TERM BANK LOANS

- 5 loan agreements outstanding: syndicated loans and amortizing project loans
- Maturities 1-11 years
- EUR denominated
- Fixed and EURIBOR floating

## BOND – redeemed on 18.10.2018

- Senior unsecured NOK 900 m (EUR 120 m)
- Oslo Stock Exchange
- 3M NIBOR +5% (3M EURIBOR +4.88%)





# CORPORATE GOVERNANCE

## MANAGEMENT BOARD

### Paavo Nõgene – Chairman of the Management Board



Born in 1980, with the company since 2018

CEO since May, 2018

Previously:

- Secretary-General at Ministry of Culture of the Republic of Estonia
- General Manager at Vanemuine Theatre

### Lembit Kitter



Born in 1953, with the company and Member of Management Board since 2006

### Kadri Land



Born in 1964, with the company since 2005.

Member of Management Board since February, 2019

### Harri Hanschmidt



Born in 1982, with the company since 2009.

Member of Management Board since February, 2019

### Piret Mürk-Dubout



Joining the company and Management Board in April 2019

## SUPERVISORY BOARD

### Enn Pant - Chairman of the Supervisory Board



Born in 1965, with the company since 1996

Chairman of the Supervisory Board since 2015

CEO of AS Tallink Grupp in 1996-2015

### Toivo Ninnas



Born in 1940, with the Supervisory Board since 1997

### Kalev Järvelill



Born in 1965, with the Supervisory Board since 2007

### Eve Pant



Born in 1968, with the Supervisory Board since 1997

### Ain Hanschmidt



Born in 1961, with the Supervisory Board since 2005

### Lauri Kustaa Äimä



Born in 1971, with the Supervisory Board since 2002

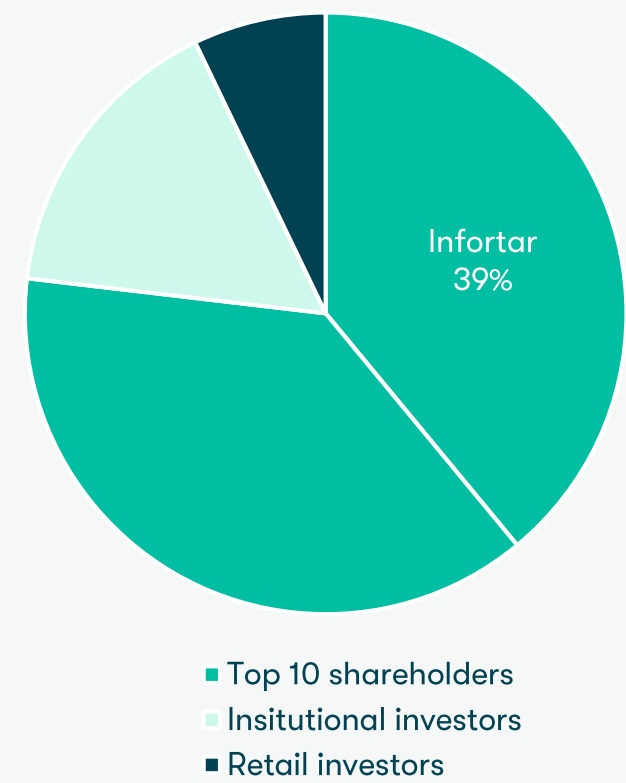
### Colin Douglas Clark



Born in 1974, with the Supervisory Board since 2013

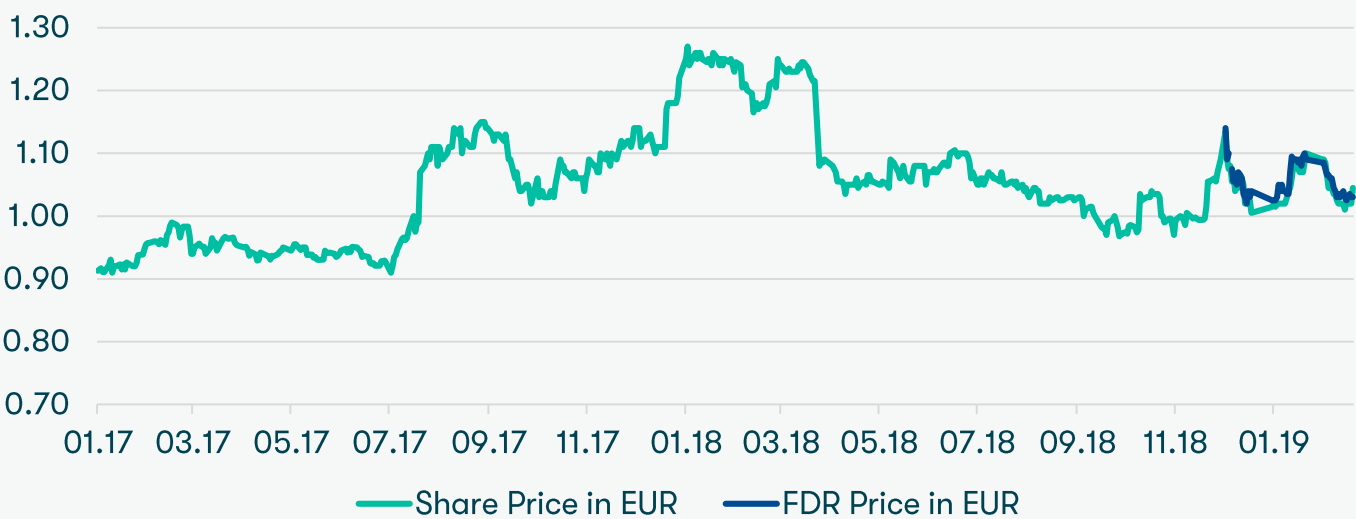
# OWNERSHIP STRUCTURE

SHAREHOLDERS OF AS TALLINK GRUPP



TEN LARGEST SHAREHOLDERS AS OF 28.02.2019

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%



# UNRIVALLED SUITE OF COMPETITIVE ADVANTAGES



# APPENDICIES



# SAFETY, SECURITY AND ENVIRONMENTAL PROTECTION ARE A HIGH PRIORITY

## POLICIES AND CERTIFICATIONS

- Safety and Security Policy
- Environmental Policy
- ISO 14001:2015 Environmental Certificate by Lloyds Register
- MARPOL Sewage Pollution Prevention Certificate
- MARPOL Air Pollution Prevention Certificate
- International Anti-Fouling System Certificate
- MARPOL Oil Pollution Prevention Certificate
- Document of Compliance for Anti-Fouling System
- MARPOL Garbage Pollution Prevention Attestation
- Passenger Ship Safety Certificate
- International Ship Security Certificate
- Safety Management Certificate
- Document for Dangerous Goods



### CERTIFICATE OF APPROVAL

This is to certify that the Environmental Management System of:

**HT Shipmanagement Ltd**  
**Sadama 5/7, 10111 Tallinn, Estonia**  
**SIA HT Shipmanagement**  
**Eksporta iela 3A, LV-1010 Riga, Latvia**  
**Tallink Silja OY**  
**Tyynenmerenkatu 9, 00220 Helsinki, Finland**

has been approved by Lloyd's Register Quality Assurance  
to the following Environmental Management System Standard:

**ISO 14001:2015**

The Environmental Management System is applicable to:

**TallinkSilja Fleet Shipmanagement.**

This certificate is valid only in association with the certificate schedule bearing the same number on which the locations applicable to this approval are listed.

Approval  
Certificate No: LTQ6004314

Original Approval: 04 July 2008

Current Certificate: 04 July 2017

Certificate Expiry: 03 July 2020

Issued by: Lloyd's Register EMEA Eesti filiaal  
For and on behalf of: Lloyd's Register Quality Assurance Limited

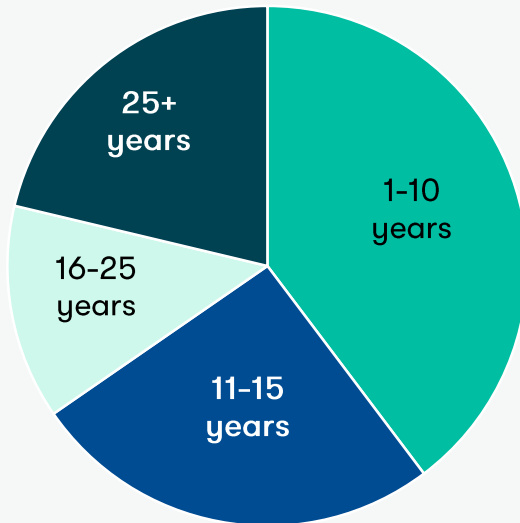


Lauteri 5, 10114 Tallinn, Estonia  
For and on behalf of: 1 Trinity Park, Bickenhill Lane, Birmingham, B37 7ES United Kingdom

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# AGE OF FLEET

## AGE OF FLEET BY VALUE value-weighted average



- Our ice-classed fleet is versatile to operate anywhere
- We have experience in selling and chartering vessels all over the world

## TALLINK GRUPP SHIPS AGE

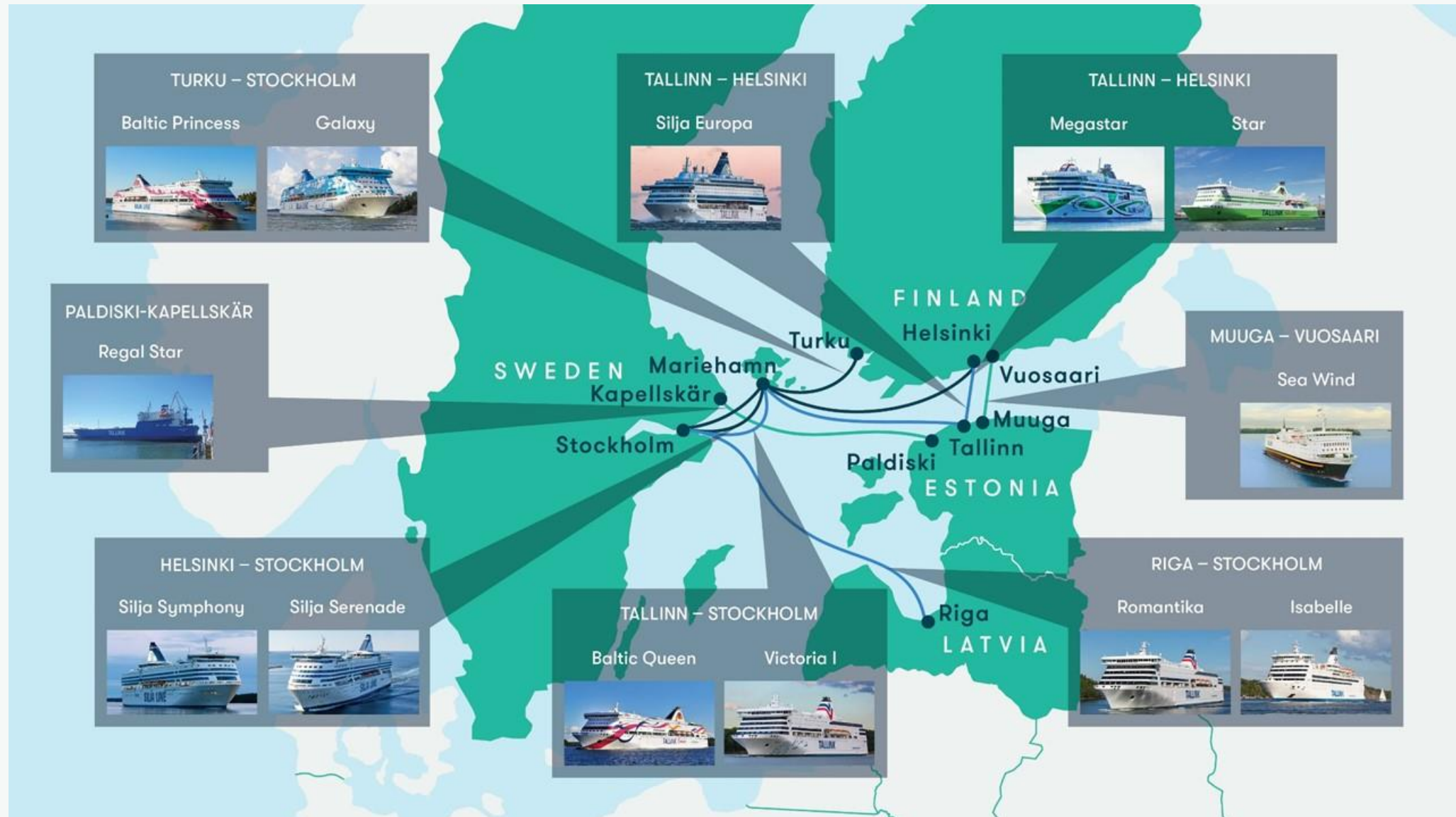
- Core fleet 14 years
- Superfast vessel 17 years
- Cargo vessels 24 years

## BALTIC SEA FERRY FLEET AGE

- Ferry fleet average 22 years
- Ferry fleet median 21 years



# FLEET ON 7 ROUTES





# OUR FLEET



## MEGASTAR

Built: 2017

Length 212 m

Passengers: 2 800

Lane meters: 3 600



## STAR

Built: 2007

Length 186 m

Passengers: 2 080

Lane meters: 2 000



## BALTIC QUEEN

Built: 2009

Length: 212 m

Passengers: 2 800

Lane meters: 1 130



## SILJA EUROPA

Built: 1993

Length: 202 m

Passengers: 3 123

Lane meters: 932



## VICTORIA I

Built: 2004

Length: 193 m

Passengers: 2 500

Lane meters: 1 030



## ROMANTIKA

Built: 2002

Length 193 m

Passengers: 2 500

Lane meters: 1 030

**TALLINK HAS INVESTED EUR 1.6 BILLION TO CREATE A MODERN FLEET <sup>(1)</sup>**



# OUR FLEET



## SILJA SERENADE

Built: 1990

Length 203 m

Passengers: 2 852

Lane meters: 950



## SILJA SYMPHONY

Built: 1991

Length 203 m

Passengers: 2 852

Lane meters: 950



## BALTIC PRINCESS

Built: 2008

Length: 212 m

Passengers: 2 800

Lane meters: 1 130



## GALAXY

Built: 2006

Length: 212 m

Passengers: 2 800

Lane meters: 1 130



## ISABELLE

Built: 1989

Length 171 m

Passengers: 2 480

Lane meters: 850



## ATLANTIC VISION (ex SUPERFAST IX)

Built: 2002

Length: 203 m

Passengers: 728

Lane meters: 1 900

**TALLINK HAS INVESTED EUR 1.6 BILLION TO CREATE A MODERN FLEET <sup>(1)</sup>**