

# Q1 2020

## 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 (8 suspended due to Covid-19)
- Seven ferry routes (3 suspended, 1 reduced capacity)
- Operating four hotels (3 closed, 1 limited capacity)

## KEY FACTS

- Revenue of EUR 949 million in 2019
- Operating EUR 1.5 billion asset base
- Over 7 200 employees (2019 average)
- Serving 9.8 million passengers annually
- 2.7 million loyalty program members
- Transporting 380 thousand cargo units annually



## STRONG BRANDS



# STRATEGIC PLAN

CURRENTLY STRATEGIC FOCUS ON MANAGING COSTS AND CASH FLOWS TO ENSURE SUSTAINABILITY AND TO BRING TALLINK GRUPP THROUGH THE GLOBAL CRISIS

## 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

# STEPS TAKEN SINCE THE START OF COVID-19 SITUATION BOTH IN MARCH AND APRIL

- Suspension of ship and hotel operations
- Scaled down on non-critical costs and investments
- Management will not propose to pay dividends
- Decrease in workload and remuneration of staff
- Applied for temporary state salary compensation measures
- Collective redundancies process affecting about 10% of Group employees
- Support from Finland's National Emergency Supply Agency's to ensure the cargo supply (three vessels)
- An instalment for MyStar postponed from Q2 to Q3 2020
- Negotiations with financing institutions regarding covenants and payment schedules
- Negotiations with financial and other institutions regarding new liquidity financing

Route	Ship	Status
Tallinn-Helsinki	Megastar	On route
	Star	Suspended from 18.03
	Silja Europa	Suspended from 17.03
Muuga-Vuosaari	SeaWind	On route
Helsinki-Stockholm	Silja Serenade	Suspended from 19.03
	Silja Symphony	Suspended from 19.03
Turku-Stockholm	Baltic Princess	On route
	Galaxy	On route
Tallinn-Stockholm	Baltic Queen	Suspended from 15.03
	Victoria I	Suspended from 15.03
Paldiski-Kapellskär	Regal Star	On route
Riga-Stockholm	Isabella	Suspended from 16.03
	Romantika	Suspended from 16.03

# Q1 2020 OVERVIEW – LOW SEASON + COVID-19

Q1 Selected Key Figures (financials in million euros)	2020	2019	Change
Number of passengers	1 566 730	1 855 772	-15.6%
Number of cargo units	99 617	93 114	7.0%
Number of passenger cars	190 292	214 087	-11.1%

Revenue	154.9	178.9	-13.4%
Gross profit	-0.2	10.5	-101.6%
EBITDA	-1.3	3.8	-133.4%
EBIT	-26.6	-20.9	-24.6%
Net result for the period	-30.2	-25.3	-19.6%

Capital expenditures	27.1	25.3	7.2%
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As at:	31.03.20	31.12.19	Change
Total assets	1 517.8	1 533.0	-1.0%
Total equity	793.2	822.8	-3.6%
Interest-bearing liabilities	577.4	577.9	-0.1%
Net debt	561.0	539.0	4.1%

2020 unaudited

- **Revenue EUR 154.9m (-EUR 23.9m or -13.4%)**
  - Strong January-February for passenger operations
  - Sluggish January-February for cargo operations
  - Covid-19 outbreak, travel restrictions and suspensions of shipping and hotel operations from mid-March
- **Negative result already on gross profit level**
- **Net loss increased by EUR 4.9m or 19.6%**
- **Net loss increased by EUR 6.9m compared to 2019 normalised net loss (excluding one-off cost)**
- **Only very limited negative impact of Covid-19 visible in Q1 2020**

# Q1 2020 SALES & RESULTS BY GEOGRAPHICAL SEGMENTS

Route	Key Figures (financial in EUR million)	2020	2019	Change	All routes affected by Covid-19, travel restrictions & suspension of operations
Estonia- Finland	Passengers (thousands)	847	997	-15.0%	Operations negatively affected by Covid-19, travel restrictions and suspensions in operations as well as maintenance and repair works of three vessels. Volume of cargo units supported by pricing policy and lower competition.
	Cargo units (thousands)	65	60	8.3%	
	Revenue	59.2	70.4	-15.9%	
	Segment result	3.3	6.9	-52.9%	
Finland- Sweden	Passengers (thousands)	470	565	-16.9%	Operations negatively affected by Covid-19, travel restrictions and suspensions in operations. Cargo pricing policy and less maintenance and repair works affected the segment's carriage volumes and financial result.
	Cargo units (thousands)	21	20	4.6%	
	Revenue	57.2	67.9	-15.8%	
	Segment result	-8.2	-5.1	-61.3%	
Estonia- Sweden	Passengers (thousands)	141	156	-9.6%	Operations negatively affected by Covid-19, travel restrictions and suspensions in operations. Cargo pricing policy and absence of lengthy maintenance and repair works of the cruise ferry Baltic Queen affected the segment's carriage volumes and financial result.
	Cargo units (thousands)	11	10	14.9%	
	Revenue	17.2	18.6	-7.4%	
	Segment result	-4.7	-4.6	-2.2%	
Latvia- Sweden	Passengers (thousands)	109	138	-21.3%	Operations negatively affected by Covid-19, travel restrictions and suspensions in operations.
	Cargo units (thousands)	3	4	-20.3%	
	Revenue	10.1	12.6	-19.6%	
	Segment result	-5.3	-4.0	-32.6%	
Other	Revenue	12.5	10.7	17.1%	
	Segment result	0.8	0.2	271%	
	Intersegment revenue	-1.3	-1.3	1.6%	

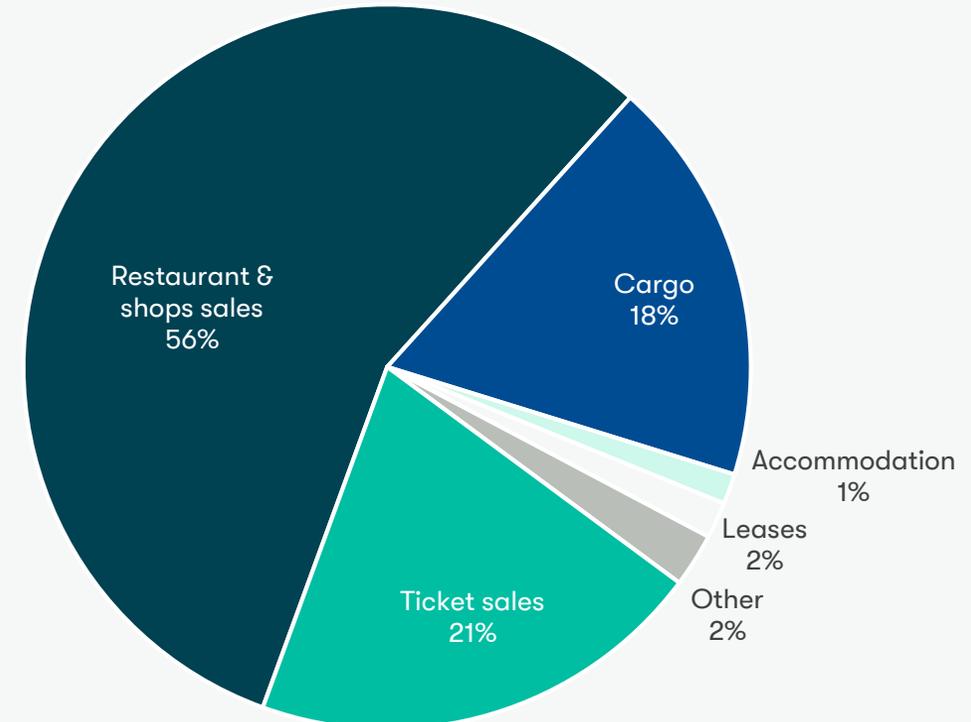
# Q1 2020 SALES & RESULTS BY OPERATIONAL SEGMENTS

Revenue (EUR million)	2020	2019	Change
Restaurant and shop sales on-board and onshore	86.9	103.1	-15.7%
Ticket sales	31.6	37.2	-15.0%
Sales of cargo transportation	28.1	29.6	-5.0%
Accommodation sales	2.1	2.3	-11.9%
Income from charter of vessels	2.5	2.0	26.1%
Other sales	3.7	4.7	-20.6%
<b>Total revenue</b>	<b>154.9</b>	<b>178.9</b>	<b>-13.4%</b>

- Restaurant and shop sales on-board and onshore and ticket sales decline in-line with decline in passengers
- Lower cargo sales due to weak market, change in pricing, and lower global fuel prices
- Accommodation sales decline curbed by strong results of January-February
- Improved charter terms from Q4 2019

2020 unaudited

## REVENUE STRUCTURE IN Q1 2020



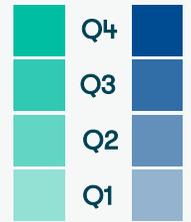
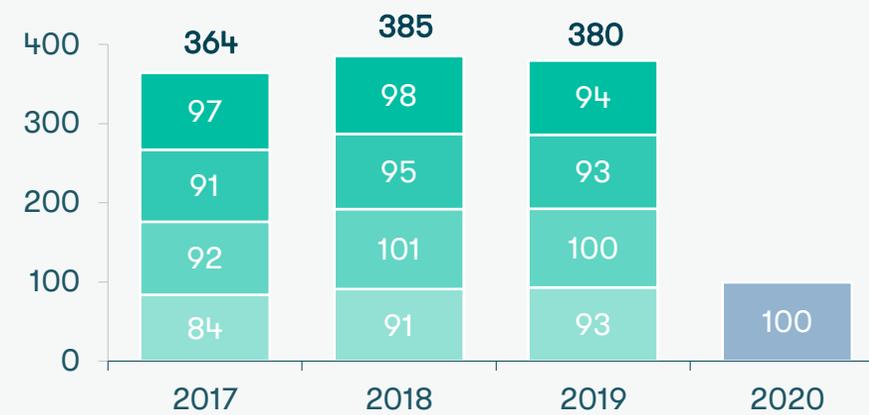
# RESULTS

## QUARTERLY SEASONALITY BREAKDOWN

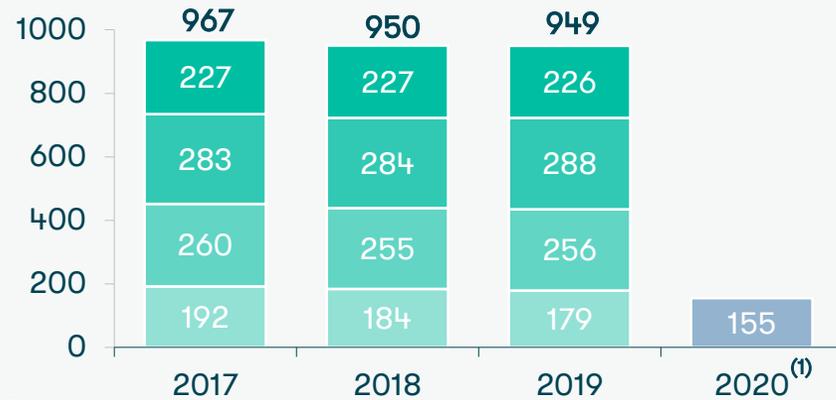
PASSENGERS (MILLIONS)



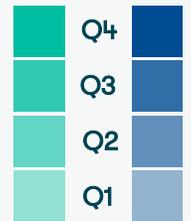
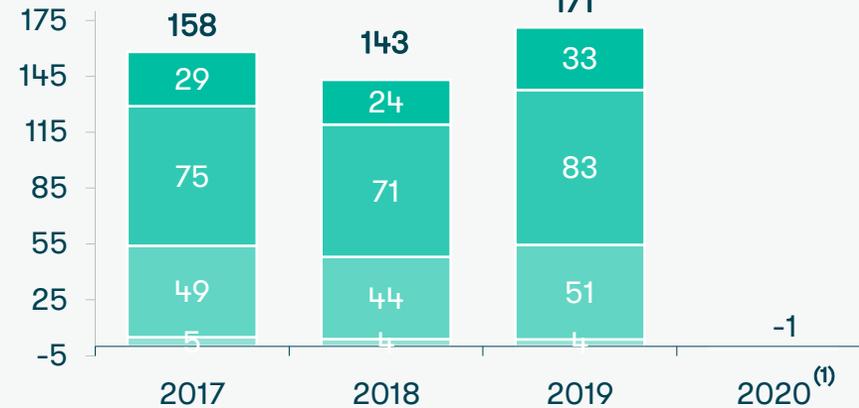
CARGO (TH. UNITS)



REVENUE (EUR MILLION)

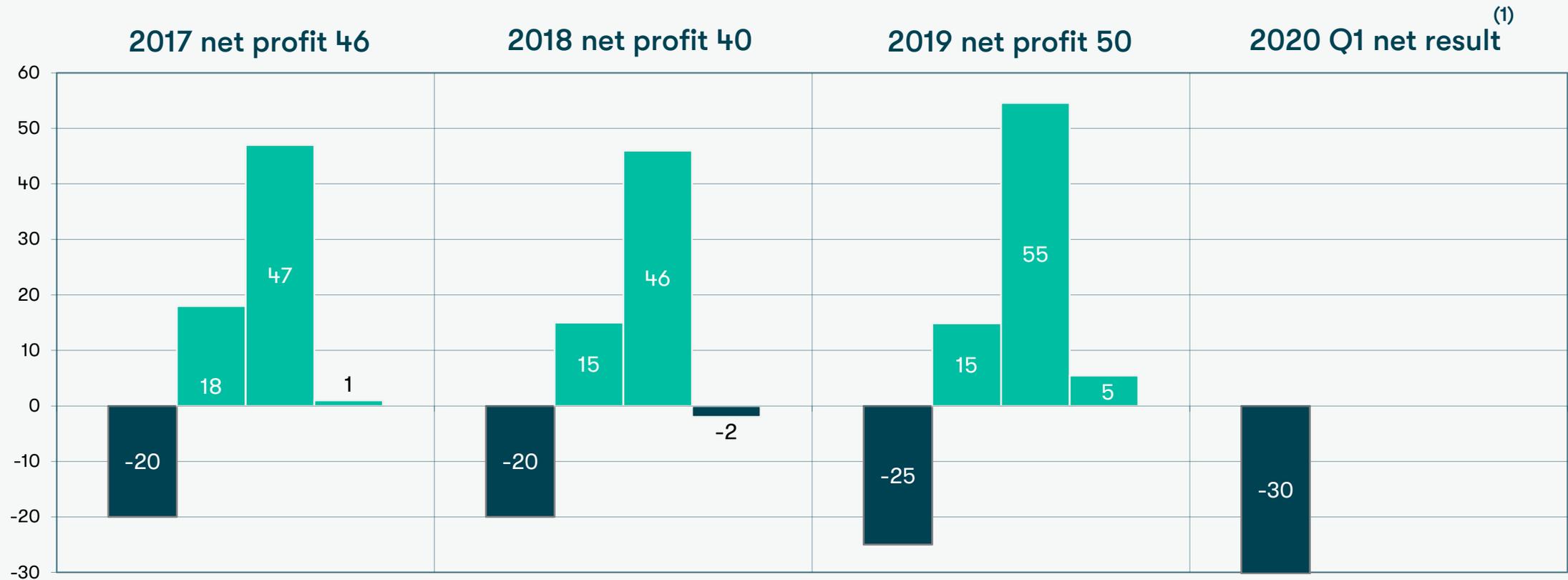


EBITDA (EUR MILLION)



# 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

# 2020 Q1 HIGHLIGHTS AND KEY FACTS



- Scheduled docking of five vessels in Q1 2020
  - 48 less docking days compared to Q1 2019
- EUR 12.4m instalment for construction of MyStar
- MoU to develop Tallinn City Hall into a top conference and concert centre in the Baltic Sea region with Tallink port
- Wide-scale suspension of operations from mid-March
- Management Board decided to propose no dividends
- Agreements with main fuel suppliers to fix the purchase price equivalent to about 65% of total estimated fuel volume for 2020
  - Average price ca 5.5% lower compared to similar agreements for 2019
  - More flexible terms were negotiated with one supplier in April – market prices until performance recovers to an agreed level
  - Fixed price from other supplier, but only for consumed volume

# EVENTS AFTER THE REPORTING PERIOD & OUTLOOK

- Physical construction of MyStar commenced on 6 April
- Increase of overdraft limit by EUR 20.0m in April
- Tallink Ekspress e-shop with home delivery opened on 20 April
- Three Burger King restaurants scheduled to open in Tallinn in the second half of May. More openings later in the year
- EUR 49.4m instalment for MyStar in Q3 2020
- Negotiations continue over covenants and schedules of existing loans as well as over new financing to ensure sufficient liquidity
- Earnings outlook for 2020 highly uncertain and largely subject to the States' decisions regarding the timing of lifting of the travel restrictions, allowing passenger traffic as well as the duration of the recovery period
- Covid-19 full effect visible in Q2 2020 financial results

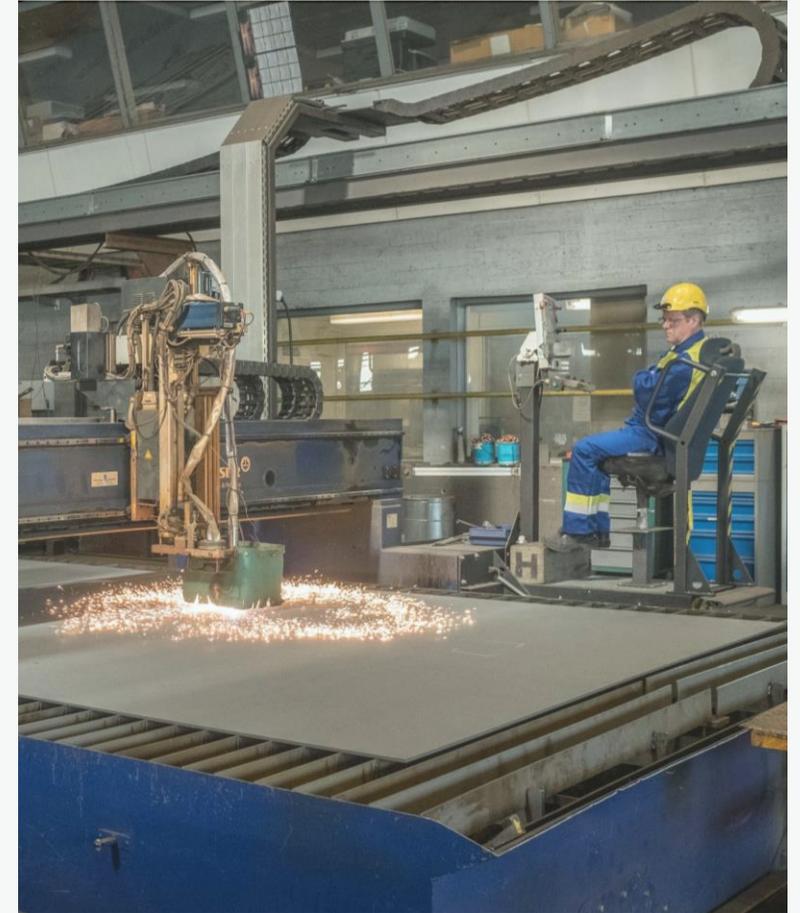


Image on courtesy of Rauma Marine Construction

# 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

Due to a deteriorated operating environment and considering Tallink Grupp's long-term interests, the Management Board has decided to propose to the Supervisory Board not to pay dividends from net profit for 2019



**EUR 241 MILLION PAYMENTS TO SHAREHOLDERS IN 2013-2019**

Notes:

- (1) To be proposed to the shareholders' annual general meeting in 2020
- (2) Profit per share of previous financial year for which the dividends are being distributed
- (3) As at 31/12

# CONSOLIDATED INCOME STATEMENT

(EUR million)	2018	2019	Q1 2019	Q1 2020 <sup>(2)</sup>
<b>Sales</b>	950	949	179	155
Cost of sales <sup>(1)</sup>	(766)	(752)	(168)	(155)
Marketing, general & admin <sup>(1)</sup>	(125)	(124)	(32)	(27)
<b>EBITDA</b>	<b>143</b>	<b>171</b>	<b>4</b>	<b>(1)</b>
<i>Margin (%)</i>	15.0%	18.0%	2.1%	(0.8%)
<b>Net Result</b>	<b>40</b>	<b>50</b>	<b>(25)</b>	<b>(30)</b>
<b>EPS</b>	<b>0.060</b>	<b>0.074</b>	<b>(0.038)</b>	<b>(0.045)</b>

# CONSOLIDATED CASH FLOW STATEMENT

(EUR million)	2018	2019	Q1 2019	Q1 2020 <sup>(1)</sup>
<b>Operating cash flow</b>	157	175	7	1
Capital expenditure	(36)	(61)	(25)	(27)
Asset disposal	0	0	0	0
<b>Free cash flow</b>	121	114	(18)	(26)
Debt financing (net effect)	(85)	(52)	(11)	9
Interests & other financial items	(19)	(17)	(5)	(5)
Dividends & reduction of share capital	(20)	(80)	0	0
Income tax on dividends paid	(4)	(4)	0	0
<b>Change in cash</b>	(7)	(43)	(34)	(22)

Totals may not sum due to rounding

(1) Unaudited

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR million)	31.12.2018	31.03.2019	31.12.2019	31.03.2020 <sup>(2)</sup>
<b>Total assets</b>	<b>1 501</b>	<b>1 572</b>	<b>1 533</b>	<b>1 518</b>
Non-current assets	1 333	1 434	1 412	1 419
Current assets	168	138	121	99
- of which cash	82	48	39	16
<b>Total liabilities</b>	<b>644</b>	<b>744</b>	<b>710</b>	<b>725</b>
Interest bearing liabilities	510	605	578	591
Other liabilities	134	139	132	134
<b>Shareholders' equity</b>	<b>857</b>	<b>828</b>	<b>823</b>	<b>793</b>
<b>Net debt/EBITDA</b>	<b>3.0x</b>	<b>3.9x</b>	<b>3.1x</b>	<b>3.5x</b>
<b>Net debt</b>	<b>428</b>	<b>557</b>	<b>539</b>	<b>575</b>
<b>Equity/assets ratio</b>	<b>57%</b>	<b>53%</b>	<b>54%</b>	<b>52%</b>
<b>BVPS <sup>(1)</sup> (in EUR)</b>	<b>1.28</b>	<b>1.24</b>	<b>1.23</b>	<b>1.18</b>



Totals may not sum due to rounding

(1) Shareholders' equity / number of shares outstanding

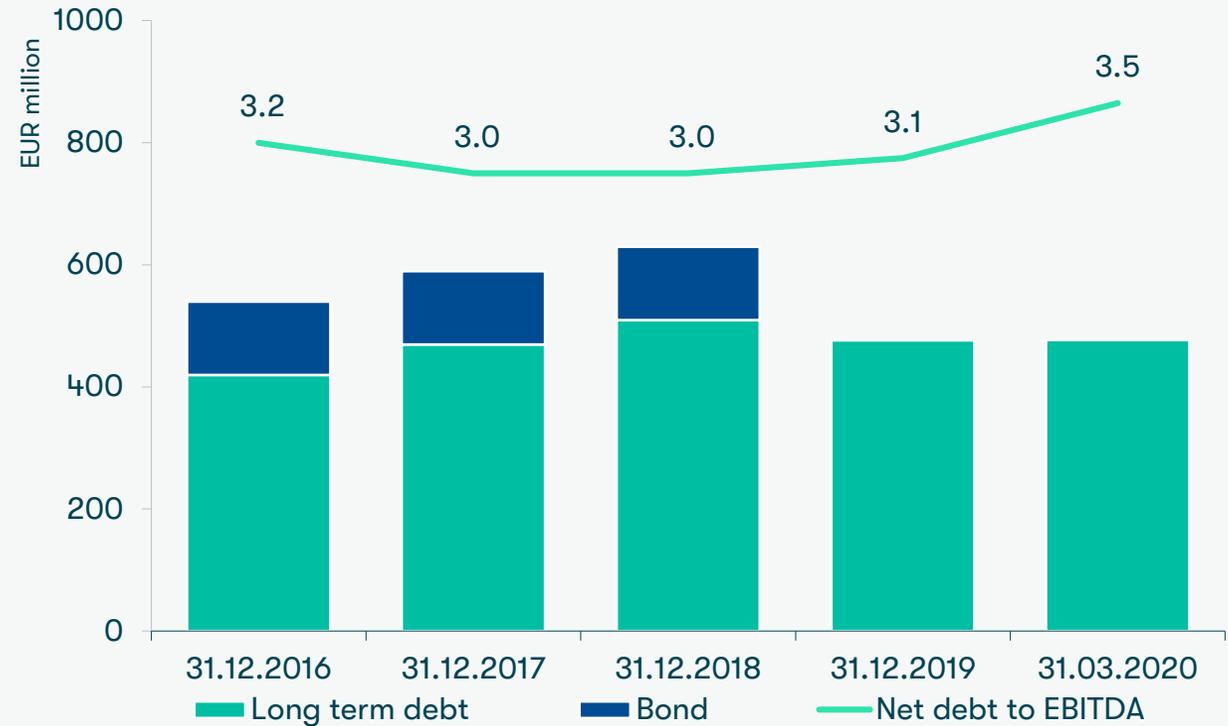
(2) Unaudited

# DEBT STRUCTURE

Total EUR 591 million interest bearing liabilities as at 31.03.2020

## LONG TERM BANK LOANS

- EUR 477 million as at 31.03.2020
- 6 loan agreements outstanding: syndicated loans and amortizing project loans
- Maturities 1-14 years
- EUR denominated
- Fixed and EURIBOR floating
- 2019 weighted average cost: EURIBOR + 2.19%



2020 unaudited

# CORPORATE GOVERNANCE

**MANAGEMENT BOARD**

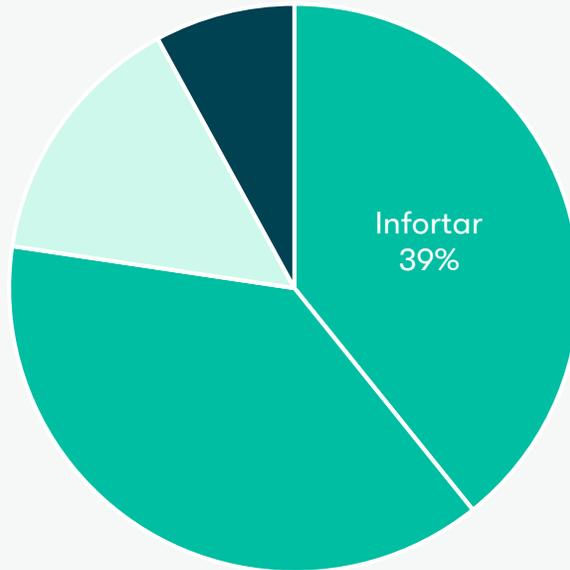
<b>Paavo Nõgene – Chairman of the Management Board</b>	
	Born in 1980, with the company since 2018 <b>CEO since May, 2018</b> Previously: – Secretary-General at Ministry of Culture of the Republic of Estonia – General Manager at Vanemuine Theatre
<b>Lembit Kitter</b>	<b>Kadri Land</b>
	
Born in 1953, with the company and Member of Management Board since 2006	Born in 1964, with the company since 2005. Member of Management Board since February, 2019
<b>Harri Hanschmidt</b>	<b>Piret Mürk-Dubout</b>
	
Born in 1982, with the company since 2009. Member of Management Board since February, 2019	Born in 1970, with the company and Member of Management Board since April, 2019

**SUPERVISORY BOARD**

<b>Enn Pant - Chairman of the Supervisory Board</b>	
	Born in 1965, with the company since 1996 <b>Chairman of the Supervisory Board since 2015</b> CEO of AS Tallink Grupp in 1996-2015
<b>Toivo Ninnas</b>	<b>Kalev Järvelill</b>
	
Born in 1940, with the Supervisory Board since 1997	Born in 1965, with the Supervisory Board since 2007
<b>Eve Pant</b>	<b>Ain Hanschmidt</b>
	
Born in 1968, with the Supervisory Board since 1997	Born in 1961, with the Supervisory Board since 2005
<b>Raino Paron</b>	<b>Colin Douglas Clark</b>
	
Born in 1965, with the Supervisory Board since 2019	Born in 1974, with the Supervisory Board since 2013

# SHAREHOLDERS AND SHARE PERFORMANCE

## SHAREHOLDERS OF AS TALLINK GRUPP



- Top 10 shareholders
- Institutional investors
- Retail investors

## TEN LARGEST SHAREHOLDERS AS OF 31.03.2020

Infortar AS	39%
Baltic Cruises Holding, L.P.	16%
ING Luxembourg S.A. AIF Account	7%
Baltic Cruises Investment L.P.	6%
Citigroup Venture Capital International G.P	2%
Nordea Bank Abp / Finnish Clients	2%
State Street Bank And Trust Omnibus Account A Fund No OM01	2%
Clearstream Banking AG	1%
Nordea Bank Abp / Non Treaty Clients	1%
Nordea Bank Abp / Clients FDR	1%

