

Q4 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 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

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

CONTINUOUSLY LOOKING FOR EXPANSION OPPORTUNITIES ON SEA AND ON LAND

Q4 2019 BRIEF OVERVIEW

Q4 Selected Key Figures (financials in million euros)	2019	2018	Change
Number of passengers	2 974 790	2 947 610	0.9%
Number of cargo units	93 329	94 913	-1.7%
Number of passenger cars	353 725	352 307	0.4%
Revenue	226.4	226.6	-0.1%
Gross profit	39.1	34.6	12.8%
EBITDA	33.4 ⁽¹⁾	24.0	39.3%
EBIT	9.0	3.7	144.3%
Net profit/loss for the period	5.5	-1.8	411.1%
Capital expenditures	10.0	16.0	-37.2%
As at:	31.12.19	30.09.19	Change
Total assets	1 532.9	1 564.2	-2.0%
Total equity	822.5	817.7	0.6%
Interest-bearing liabilities	577.9	564.8	2.3%
Net debt	539.0	526.6	2.4%

(1) Fourth quarter comparable EBITDA, i.e. without IFRS 16 adoption effect, increased by EUR 4.9 million or 20.6% compared to the same period last year to EUR 28.9 million.

- **Revenue EUR 226.4m (EUR -0.2m or -0.1%)**
 - Revenue from shipping operations in the Baltic Sea: EUR 209.5m (EUR -2.5m or -1.2%)
 - Decline largely attributable to cargo transportation service segment
- **Strong improvement in operating results**
- **Lower fuel cost**
 - Prices fixed at favourable level for a substantial volume
 - Lower consumption through various energy efficiency initiatives
 - Lower bunkering prices
- **Strong cost control**
 - more group-wide centralised procurement activities
 - business optimisation projects
 - automation of certain activities

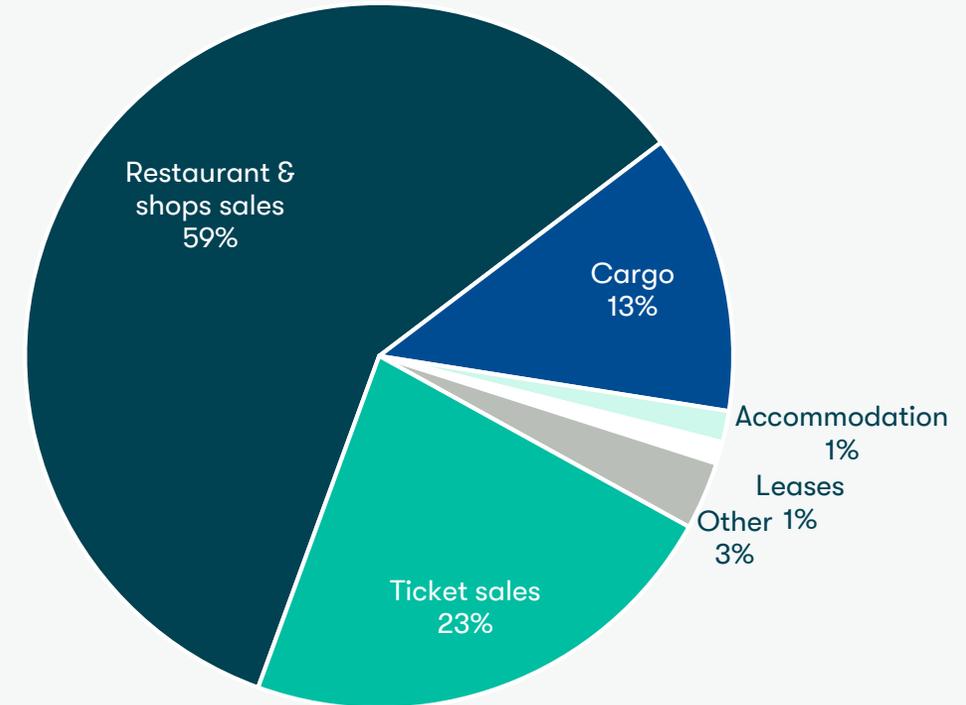
Q4 2019 SALES & RESULTS BY GEOGRAPHICAL SEGMENTS

Route	Q4 Key Figures (financial in EUR million)	2019	2018	Change	
Estonia- Finland	Passengers (thousands)	1 200	1 173	2.3%	Competitive pressure, both on passenger and cargo ticket prices, and labour strikes in Finland put pressure on the segment's revenue and result
	Cargo units (thousands)	58	62	-5.1%	
	Revenue	86.5	86.6	-0.2%	
	Segment result	18.9	19.3	-1.9%	
Finland- Sweden	Passengers (thousands)	676	679	-0.5%	Weak cargo market and labour strikes in Finland (six departures cancelled) had adverse effect on revenue; lower fuel costs and other improvements in efficiency led to recovery in segment result
	Cargo units (thousands)	20	21	-2.8%	
	Revenue	80.5	82.3	-2.2%	
	Segment result	2.0	-1.3	251.3%	
Estonia- Sweden	Passengers (thousands)	224	222	0.9%	Positive developments at passenger operations mitigated some of the decrease in cargo revenues; lower fuel costs and other improvements in efficiency helped the segment result
	Cargo units (thousands)	11	12	-6.6%	
	Revenue	26.4	26.9	-1.7%	
	Segment result	-0.1	-1.1	93.1%	
Latvia- Sweden	Passengers (thousands)	181	173	4.7%	Pressure from competitors on indirectly competing routes and change in passenger mix affected revenue and profitability development
	Cargo units (thousands)	4	4	-3.0%	
	Revenue	16.1	16.2	-0.4%	
	Segment result	-0.9	-0.3	-189.6%	
Other	Revenue	18.5	16.4	12.8%	
	Segment result	2.8	1.4	107.4%	
	Intersegment revenue	-1.6	-1.8	14.0%	

Q4 2019 SALES & RESULTS BY OPERATIONAL SEGMENTS

Revenue (EUR million)	2019	2018	Change
Restaurant and shop sales on-board and onshore	133.8	130.1	2.8%
Ticket sales	51.0	51.8	-1.7%
Sales of cargo transportation	29.1	32.2	-9.6%
Accommodation sales	3.2	3.7	-12.6%
Income from charter of vessels	2.3	2.0	12.8%
Other sales	7.0	6.7	4.4%
Total revenue	226.4	226.6	-0.1%

REVENUE STRUCTURE IN Q4 2019



- On-board sales improved effectively on all routes and onshore
- Competitive pressure on ticket prices
- Cargo results weaker across the routes due to competitive pressures and weaker environment
- Charter terms adjusted from November 2019
- Accommodation sales affected by the cease of operation of Tallink Pirita Spa hotel in November 2018

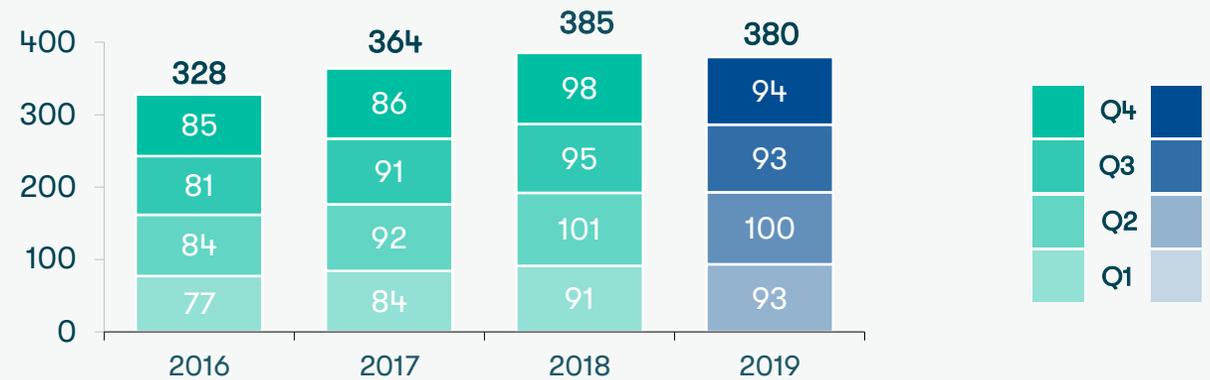
RESULTS

QUARTERLY SEASONALITY BREAKDOWN

PASSENGERS (MILLIONS)



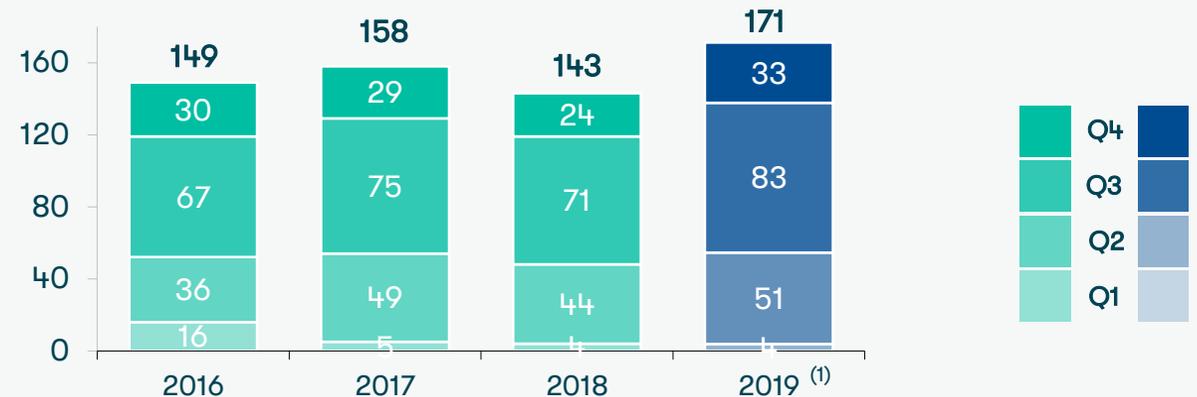
CARGO (TH. UNITS)



REVENUE (EUR MILLION)

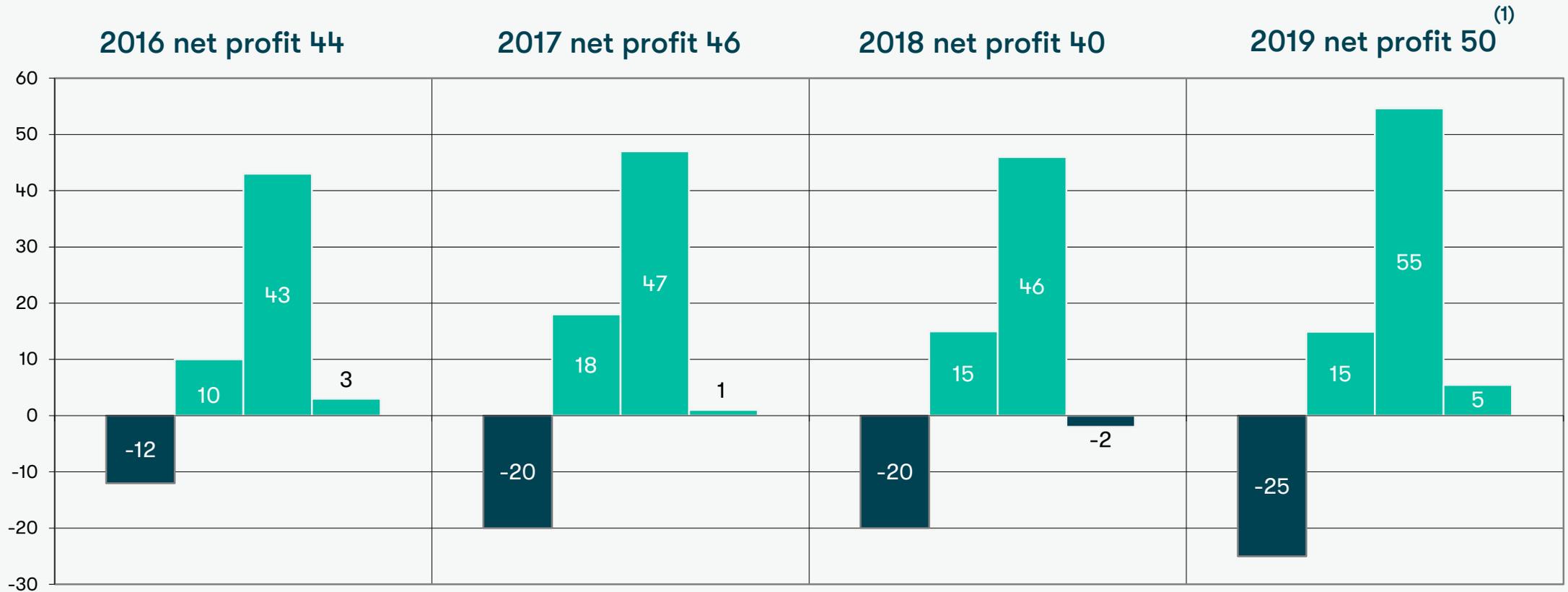


EBITDA (EUR MILLION)



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 Q4 HIGHLIGHTS AND KEY FACTS

- New full year passenger record in 2019
- Labour strikes in Finland in Q4 2019
- Highest Q4 net profit in the last five years
- EUR 60 million revolving credit facility with floating rate and four-year maturity
- EUR 47 million payment of share capital reduction
- Subsidiaries established for operation of Burger King restaurants in Lithuania & Latvia
- New LNG powered fast ferry named as MyStar



EVENTS AFTER THE REPORTING PERIOD & OUTLOOK



- Agreement with fuel suppliers to fix prices for a substantial portion of 2020 purchasing volumes
- Planned dockings of five vessels in Q1 2020
 - Seawind
 - Megastar
 - Romantika
 - Silja Europa
 - Silja Symphony
- EUR 61.8 million prepayments for MyStar to be made in 2020
- Subject to the persistence and extent the coronavirus outbreak could lead to lower demand for passengers from Asia

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

Dividend proposal

- Management board to propose a dividend of EUR 0.06 per share to the shareholders' annual general meeting in 2020



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, unaudited for 2019
- (3) As at 31/12

CONSOLIDATED INCOME STATEMENT

(EUR million)	2018	2019 ⁽²⁾	Q4 2018	Q4 2019 ⁽²⁾
Sales	950	949	227	226
Cost of sales ⁽¹⁾	(766)	(752)	(192)	(187)
Marketing, general & admin ⁽¹⁾	(125)	(125)	(33)	(31)
EBITDA	143	171	24	33
<i>Margin (%)</i>	15.0%	18.0%	10.6%	14.8%
Net Profit	40	50	(2)	5
EPS	0.060	0.074	(0.003)	0.008

(1) Includes depreciation and amortisation

(2) Unaudited

CONSOLIDATED CASH FLOW STATEMENT

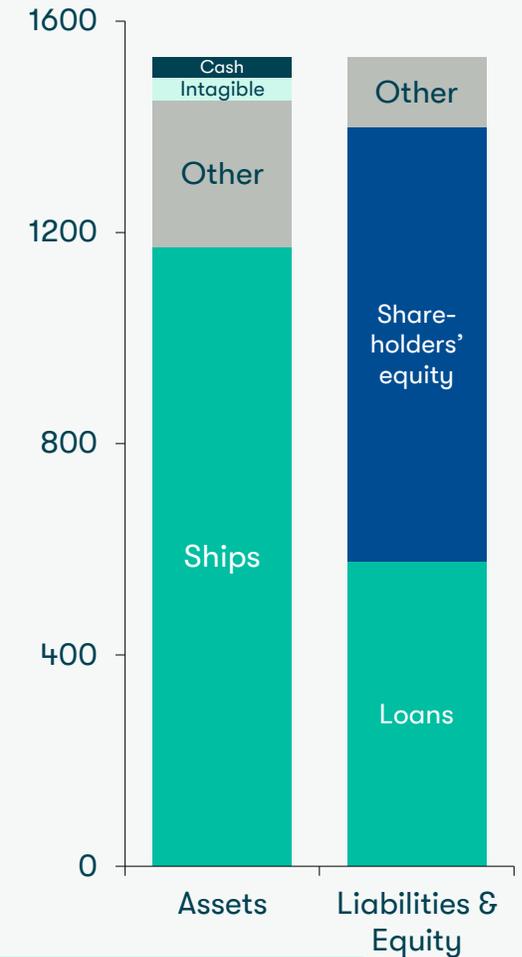
(EUR million)	2018	2019 ⁽¹⁾	Q4 2018	Q4 2019 ⁽¹⁾
Operating cash flow	157	174	40	48
Capital expenditure	(36)	(61)	(16)	(10)
Asset disposal	0	0	0	0
Free cash flow	121	113	25	38
Debt financing (net effect)	(85)	(52)	(32)	12
Interests & other financial items	(19)	(17)	(4)	(3)
Dividends & reduction of share capital	(20)	(80)	0	(47)
Income tax on dividends paid	(4)	(8)	0	0
Change in cash	(7)	(43)	(11)	1

Totals may not sum due to rounding

(1) Unaudited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR million)	31.12.2017	31.12.2018	30.09.2019	31.12.2019 ⁽²⁾
Total assets	1 559	1 501	1 564	1 533
Non-current assets	1 377	1 333	1 424	1 412
Current assets	182	168	140	121
- of which cash	89	82	38	39
Total liabilities	722	644	746	710
Interest bearing liabilities	561	510	565	578
Other liabilities	161	134	181	132
Shareholders' equity	836	857	818	823
Net debt/EBITDA	3.0x	3.0x	3.3x	3.1x
Net debt	472	428	527	539
Equity/assets ratio	54%	57%	52%	54%
BVPS ⁽¹⁾ (in EUR)	1.25	1.28	1.22	1.23



Totals may not sum due to rounding

(1) Shareholders' equity / number of shares outstanding

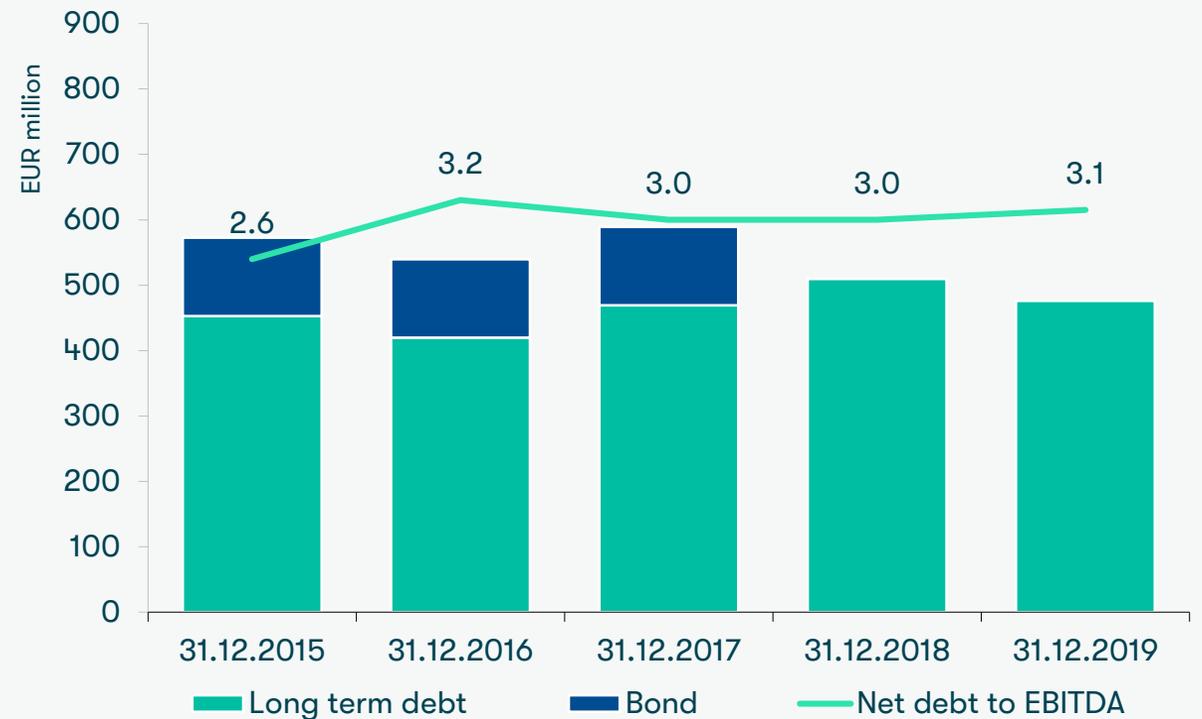
(2) Unaudited

DEBT STRUCTURE

Total EUR 578 million interest bearing liabilities as at 31.12.2019

LONG TERM BANK LOANS

- EUR 476 million as at 31.12.2019
- 6 loan agreements outstanding: syndicated loans and amortizing project loans
- Maturities 1-14 years
- EUR denominated
- Fixed and EURIBOR floating



2019 figures unaudited

2019 WEIGHTED AVERAGE COST OF DEBT: EURIBOR + 2.19%

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 FOURTH QUARTER FINANCIALS:

- Addition to EBITDA EUR 4.5 million (less rental cost)
- Addition to depreciation EUR 3.9 million
- Addition to interest cost EUR 0.6 million
- No effect on net result

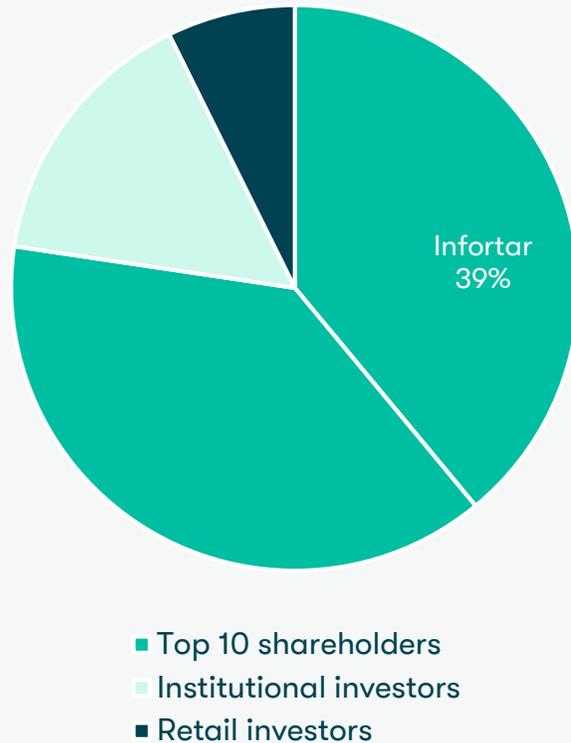
CORPORATE GOVERNANCE

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	Kadri Land
		
	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
	Harri Hanschmidt	Piret Mürk-Dubout
		
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	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	Kalev Järvelill
		
	Born in 1940, with the Supervisory Board since 1997	Born in 1965, with the Supervisory Board since 2007
	Eve Pant	Ain Hanschmidt
		
	Born in 1968, with the Supervisory Board since 1997	Born in 1961, with the Supervisory Board since 2005
Raino Paron	Colin Douglas Clark	
		
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



TEN LARGEST SHAREHOLDERS AS OF 31.12.2019

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%
Nordea Bank Abp / Non Treaty Clients	2%
Clearstream Banking AG	2%
Nordea Bank Abp / Clients FDR	1%

