

Q3 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 7 425 employees (Q3 2019 average)
- Serving 9.8 million passengers annually
- 2.6 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

CONTINUOUSLY LOOKING FOR EXPANSION OPPORTUNITIES ON SEA AND ON LAND

Q3 2019 BRIEF OVERVIEW

Q3 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	287.8	283.6	1.5%
Gross profit	86.7	78.5	10.5%
EBITDA	83.2 ⁽¹⁾	71.1	17.0%
EBIT	59.4	51.3	15.9%
Net result for the period	54.6	46.1	18.5%

Capital expenditures	7.1	5.6	27.8%
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As at:	30.09.19	30.06.19	Change
Total assets	1 564.2	1 609.9	-2.8%
Total equity	817.7	809.9	1.0%
Interest-bearing liabilities	564.8	604.2	-6.5%
Net debt	526.6	537.1	-2.0%

(1) Third quarter comparable EBITDA, i.e. without IFRS 16 adoption effect, increased by EUR 7.6 million or 10.7% compared to the same period last year to EUR 78.7 million.

- **Revenue EUR 287.8m (EUR 4.2m or 1.5%)**
 - More passengers, mainly Estonia-Finland segment
 - Increase in on-board spending per passenger on all routes
 - Positive development in land operations
- **Revenue from shipping operations in the Baltic Sea EUR 268.4m (+EUR 3.8m or +1.4%)**
- **Significantly 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**

Q3 2019 SALES & RESULTS BY GEOGRAPHICAL SEGMENTS

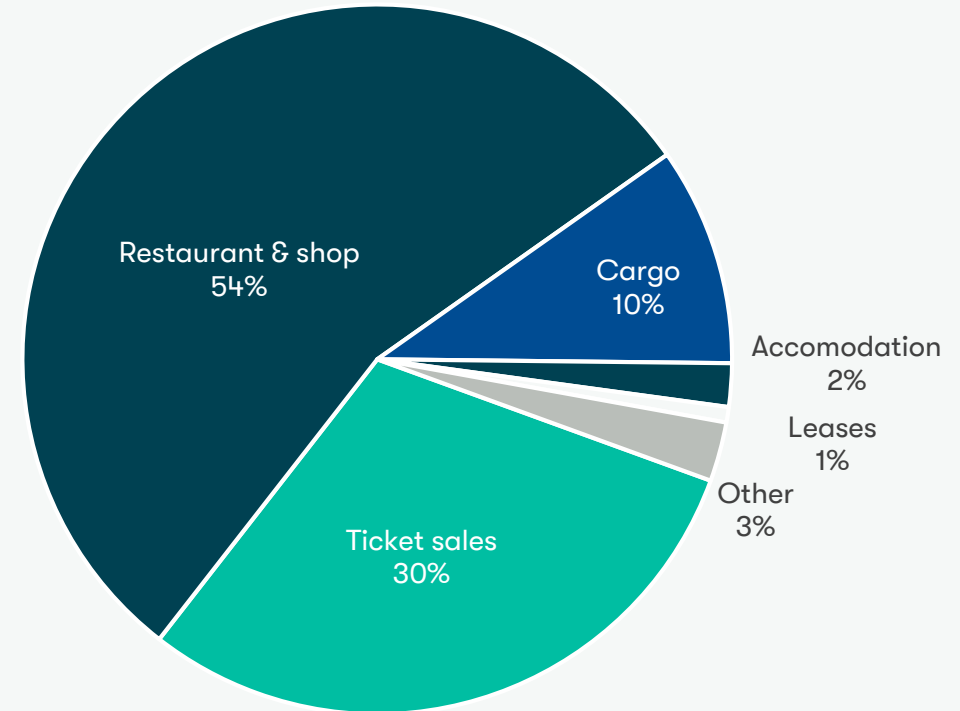
Route	Key Figures (financial in EUR million)	2019	2018	Change	
Estonia- Finland	Passengers (thousands)	1 534	1 503	2.0%	Negative developments in cargo operations and passenger ticket prices were mitigated by growth in number of passengers and strong on-board spending
	Cargo units (thousands)	60	61	-2.3%	
	Revenue	102.2	100.8	1.4%	
	Segment result	33.0	31.3	5.4%	
Finland- Sweden	Passengers (thousands)	882	883	-0.1%	All-around good developments on the route (both top-line and costs) led to strong recovery in segment result
	Cargo units (thousands)	19	18	2.3%	
	Revenue	106.4	103.9	2.4%	
	Segment result	20.6	15.8	30.3%	
Estonia- Sweden	Passengers (thousands)	302	306	-1.3%	Revenues negatively affected by the decrease in carried cargo units (-7.3%); passenger related revenues increased despite 1.3% lower number of passengers
	Cargo units (thousands)	11	11	-7.3%	
	Revenue	36.0	36.1	-0.3%	
	Segment result	7.1	6.3	13.3%	
Latvia- Sweden	Passengers (thousands)	257	255	0.7%	Combination of various factor limited revenue growth; segment result increase was supported by lower fuel and maintenance cost
	Cargo units (thousands)	4	4	6.0%	
	Revenue	23.8	23.8	0.1%	
	Segment result	5.3	4.4	19.9%	
Other	Revenue	22.4	22.0	2.0%	
	Segment result	5.6	4.7	19.1%	
	Intersegment revenue	-3.0	-3.0	-3.2%	

Q3 2019 SALES & RESULTS BY OPERATIONAL SEGMENTS

Revenue (EUR million)	2019	2018	Change
Restaurant and shop sales on-board and onshore	157.4	148.3	6.1%
Ticket sales	86.3	87.5	-1.4%
Sales of cargo transportation	28.7	30.7	-6.6%
Accommodation sales	5.7	6.8	-16.8%
Income from charter of vessels	2.0	2.0	0.0%
Other sales	7.8	8.3	-6.5%
Total revenue	287.8	283.6	1.5%

- On-board sales improved well on all routes and onshore
- Competitive pressure on ticket prices, mainly Estonia-Finland
- Weaker cargo revenue attributable to routes to/from Estonia
- Accommodation sales largely affected by operation of only four hotels in Q3 2019 instead of five hotels in Q3 2018 (Tallink Pirita Spa Hotel operations ceased from November 2018)

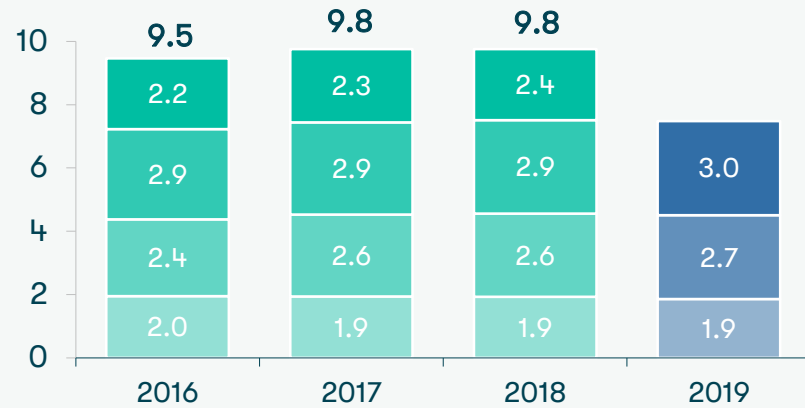
REVENUE STRUCTURE IN Q3 2019



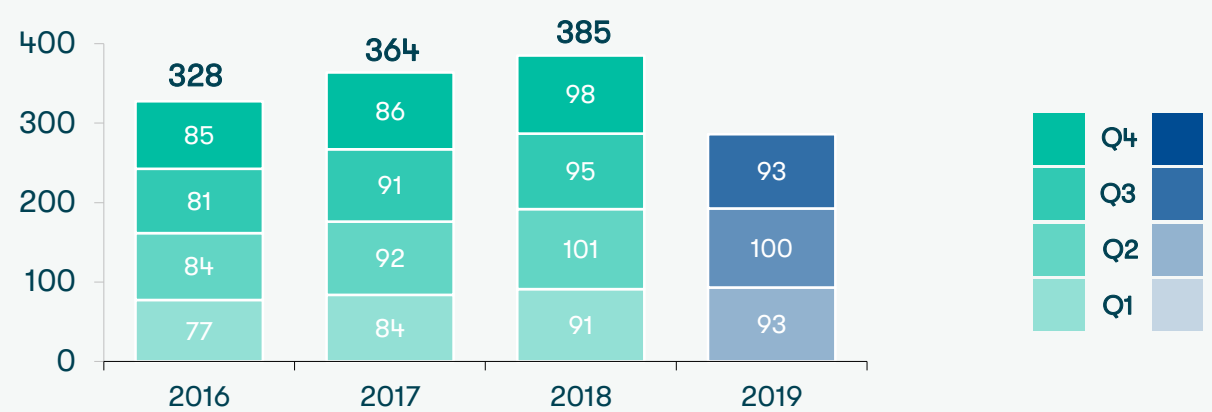
RESULTS

QUARTERLY SEASONALITY BREAKDOWN

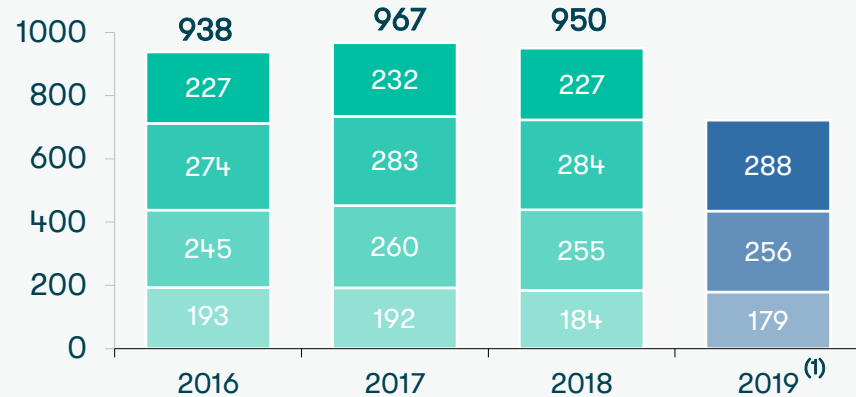
PASSENGERS (MILLIONS)



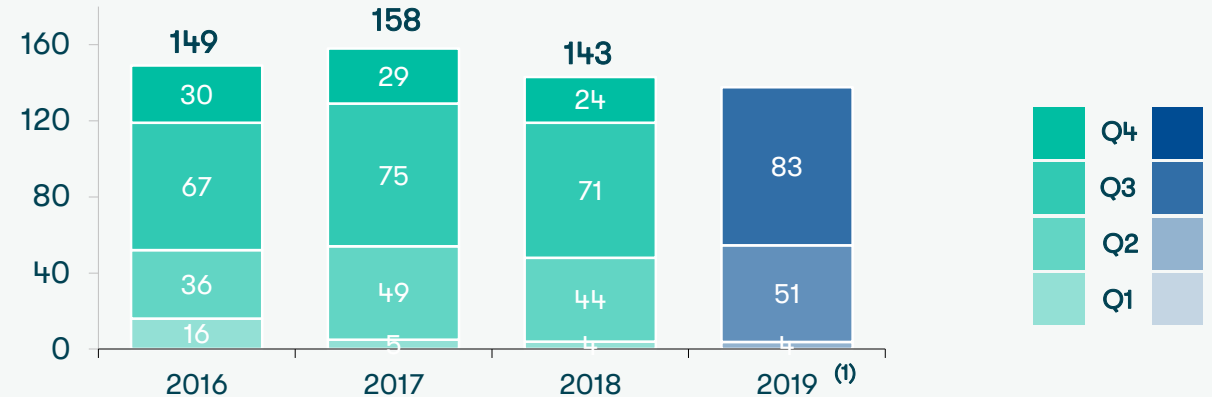
CARGO (TH. UNITS)



REVENUE (EUR MILLION)

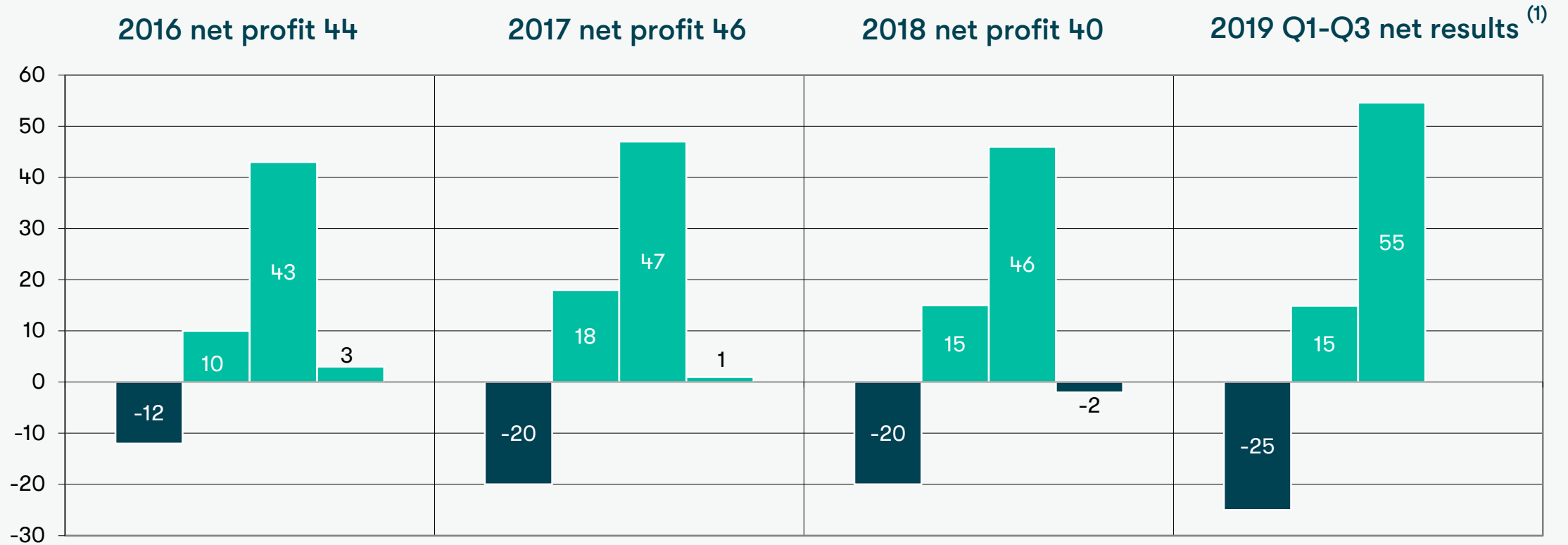


EBITDA (EUR MILLION)



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 Q3 HIGHLIGHTS AND KEY FACTS

- New all time high passenger number achieved in July, August and Q3
- Strong operations and all time high net profit in Q3
- Loan agreement for the new LNG powered fast ferry signed
- Dividends paid (capital reduction on 3/5 December)
- Acquisition of franchise rights of Burger King restaurants
- Raino Paron joined the Supervisory Board

EVENTS AFTER THE BALANCE SHEET DATE

- New LNG powered fast ferry named as MySTAR



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	Kadri Land
	
<p>Born in 1953, with the company and Member of Management Board since 2006</p>	<p>Born in 1964, with the company since 2005.</p> <p>Member of Management Board since February, 2019</p>
Harri Hanschmidt	Piret Mürk-Dubout
	
<p>Born in 1982, with the company since 2009.</p> <p>Member of Management Board since February, 2019</p>	<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	Kalev Järvelill
	
<p>Born in 1940, with the Supervisory Board since 1997</p>	<p>Born in 1965, with the Supervisory Board since 2007</p>
Eve Pant	Ain Hanschmidt
	
<p>Born in 1968, with the Supervisory Board since 1997</p>	<p>Born in 1961, with the Supervisory Board since 2005</p>
Raino Paron	Colin Douglas Clark
	
<p>Born in 1965, with the Supervisory Board since September 2019</p>	<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 THIRD 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

DISTRIBUTIONS TO SHAREHOLDERS

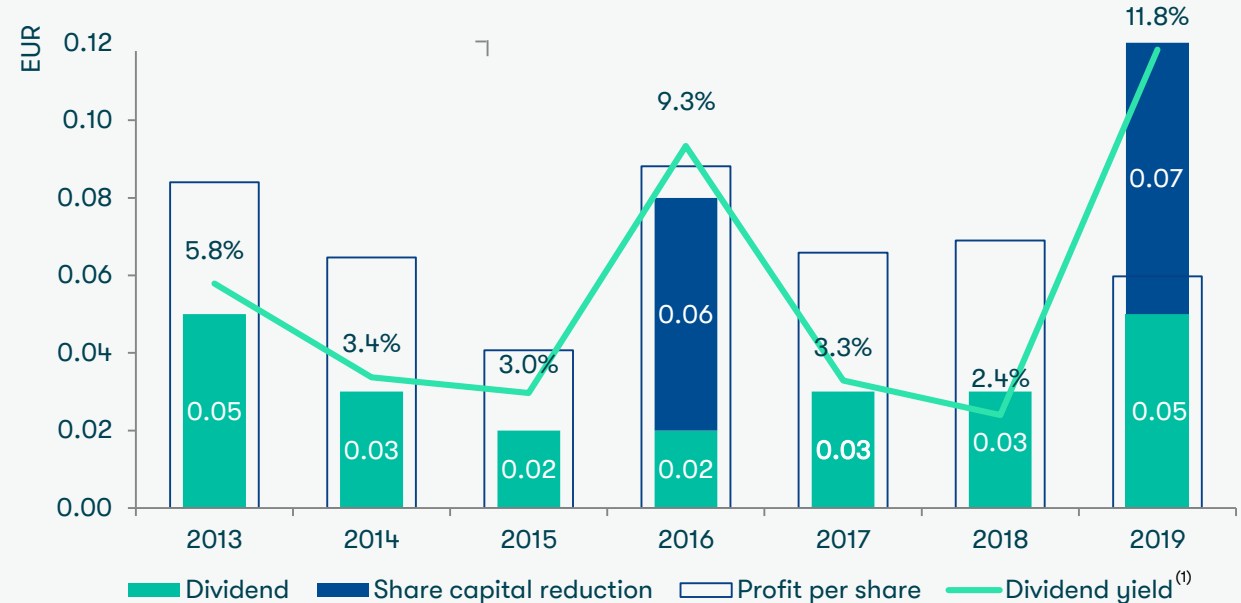
23 May 2019 AGM decisions and payment info:

Dividend

- To distribute dividend of EUR 0.05 per share
- Paid out on 3 July 2019

Capital reduction

- to improve company's capital structure reduce the company's share capital by EUR 0.07 per share
- List of eligible shareholders fixed on 20 June 2019
- Payment to share-/FDR holders 3/5 December 2019



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

EUR 241 MILLION PAYMENTS TO SHAREHOLDERS IN 2013-2019

CONSOLIDATED INCOME STATEMENT

(EUR million)	2017	2018	Q3 2018	Q3 2019 ⁽²⁾
Sales	967	950	284	288
Cost of sales ⁽¹⁾	(772)	(766)	(205)	(201)
Marketing, general & admin ⁽¹⁾	(125)	(125)	(29)	(28)
EBITDA	158	143	71	83
<i>Margin (%)</i>	16.4%	15.0%	25.1%	28.9%
Net Profit	46	40	46	55
EPS	0.069	0.060	0.069	0.082

CONSOLIDATED CASH FLOW STATEMENT

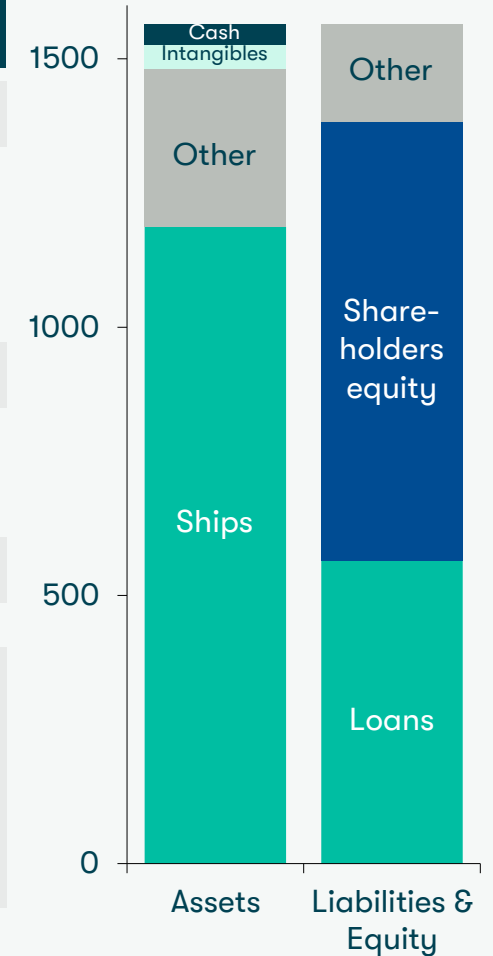
(EUR million)	2017	2018	Q3 2018	Q3 2019 ⁽¹⁾
Operating cash flow	136	157	62	68
Capital expenditure	(219)	(36)	(5)	(7)
Asset disposal	132	0	0	0
Free cash flow	49	121	57	61
Debt financing (net effect)	6	(85)	(24)	(44)
Interests & other financial items	(21)	(19)	(6)	(5)
Dividend paid	(20)	(20)	(20)	(33)
Income tax on dividends paid	(4)	(4)	(4)	(8)
Change in cash	10	(7)	3	(29)

Notes:

(1) Unaudited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR million)	31.12.2017	30.09.2018	31.12.2018	30.09.2019 ⁽²⁾
Total assets	1 559	1 535	1 501	1 564
Non-current assets	1 377	1 338	1 333	1 424
Current assets	182	196	168	140
- of which cash	89	93	82	38
Total liabilities	722	676	644	746
Interest bearing liabilities	561	515	510	565
Other liabilities	161	161	134	181
Shareholders' equity	836	859	857	818
Net debt/EBITDA	3.0x	2.9x	3.0x	3.3x
Net debt	472	422	428	527
Equity/assets ratio	54%	56%	57%	52%
BVPS ⁽¹⁾ (in EUR)	1.25	1.28	1.28	1.22



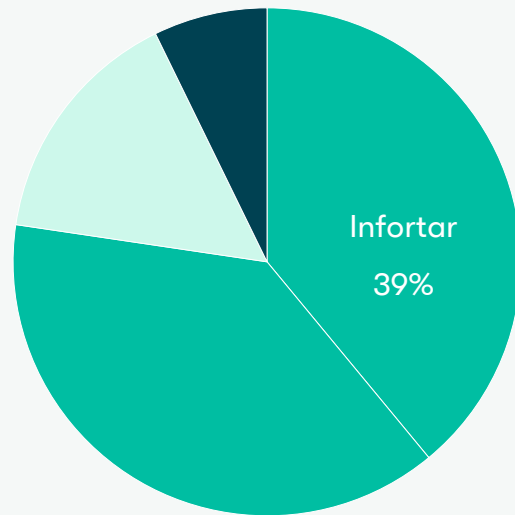
Notes:

(1) Shareholders' equity / number of shares outstanding

(2) Unaudited

SHAREHOLDERS AND SHARE PERFORMANCE

SHAREHOLDERS OF AS TALLINK GRUPP



- Top 10 shareholders
- Insitutional investors
- Retail investors

TEN LARGEST SHAREHOLDERS AS OF 30.09.2019

Infortar AS	39%
Baltic Cruises Holding, L.P.	16%
ING Luxembourg S.A. AIF Account	7%
Baltic Cruises Investment L.P.	6%
Nordea Bank Abp/Non Treaty Clients	2%
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 / Finnish Clients	1%
Nordea Bank Abp / Clients FDR	1%

