

9 MAY 2019

# Q1 2019

## TALLINK GRUPP AS RESULTS WEBINAR



# PRESENTERS



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**HARRI HANSCHMIDT**  
MEMBER OF MANAGEMENT BOARD

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**VEIKO HAAVAPUU**  
FINANCIAL DIRECTOR

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# 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



# 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
- 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



# Q1 2019 OVERVIEW – THE LOW SEASON PERIOD

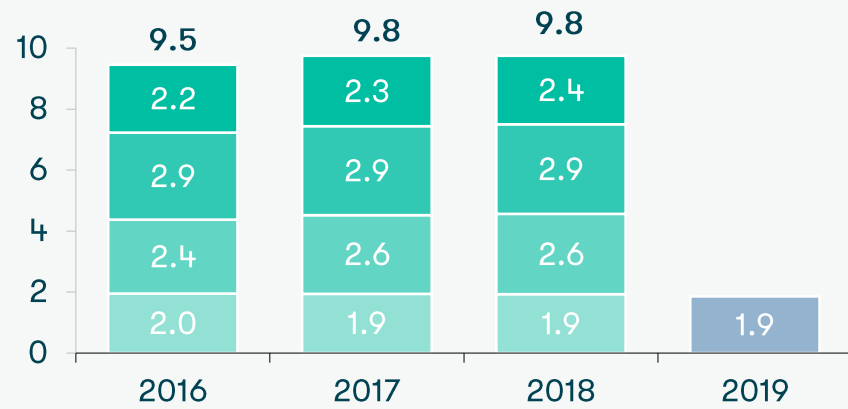
Q1 Selected Key Figures (financials in million euros)	2019	2018	Change
Number of passengers	1 855 772	1 930 449	-3.9%
Number of cargo units	93 114	90 687	2.7%
Number of passenger cars	214 087	222 370	-3.7%
Revenue	178.9	184.2	-2.9%
EBITDA	3.8 <sup>(1)</sup>	4.2	-9.5%
Net result for the period	-25.3	-19.6	-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%

- Revenue EUR 178.9m (-EUR 5.3m or -2.9%)
- Revenue from shipping operations in the Baltic Sea EUR 169.5m (-EUR 3.1m or -1.8%)
  - 1.5% less trips compared to Q1 2018 (planned dockings of seven vessels)
- Positive development of the cargo business continued with transported cargo units +2.7%
- Non-recurring costs from compensations paid to resigned management board members

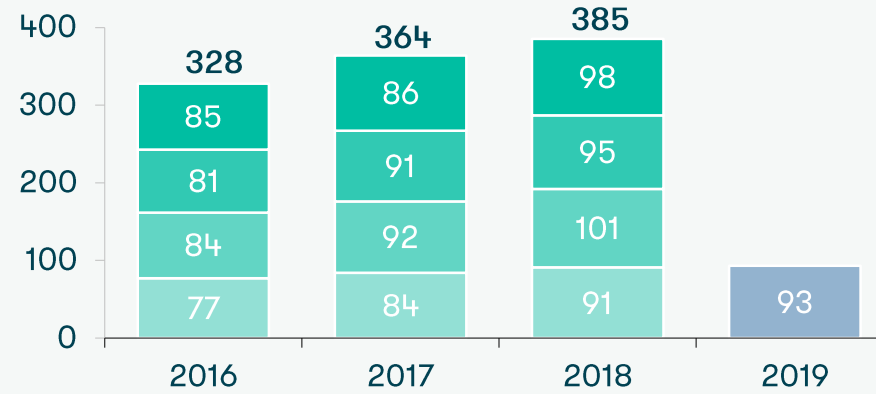
# RESULTS

## QUARTERLY SEASONALITY BREAKDOWN

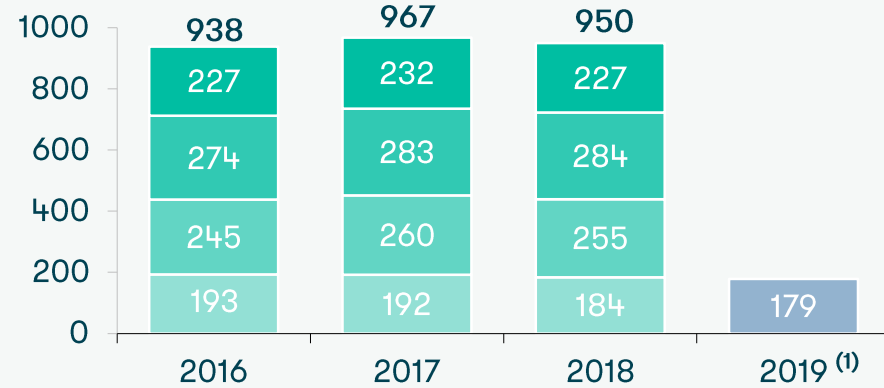
PASSENGERS (MILLIONS)



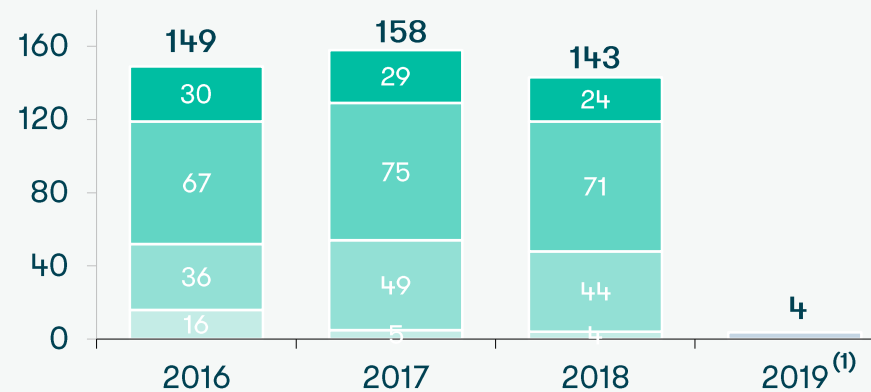
CARGO (TH. UNITS)



REVENUE (EUR MILLION)

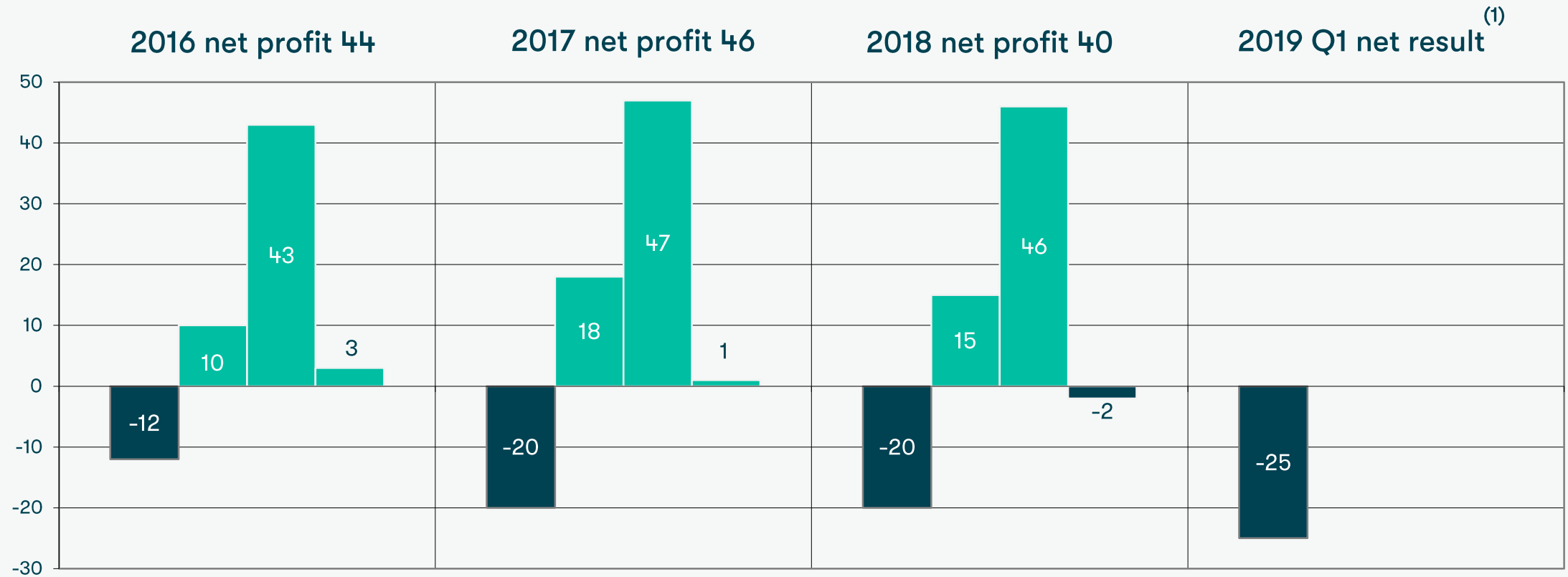


EBITDA (EUR MILLION)



# THE DYNAMICS OF HIGH SEASONALITY ON THE PROFIT LEVEL

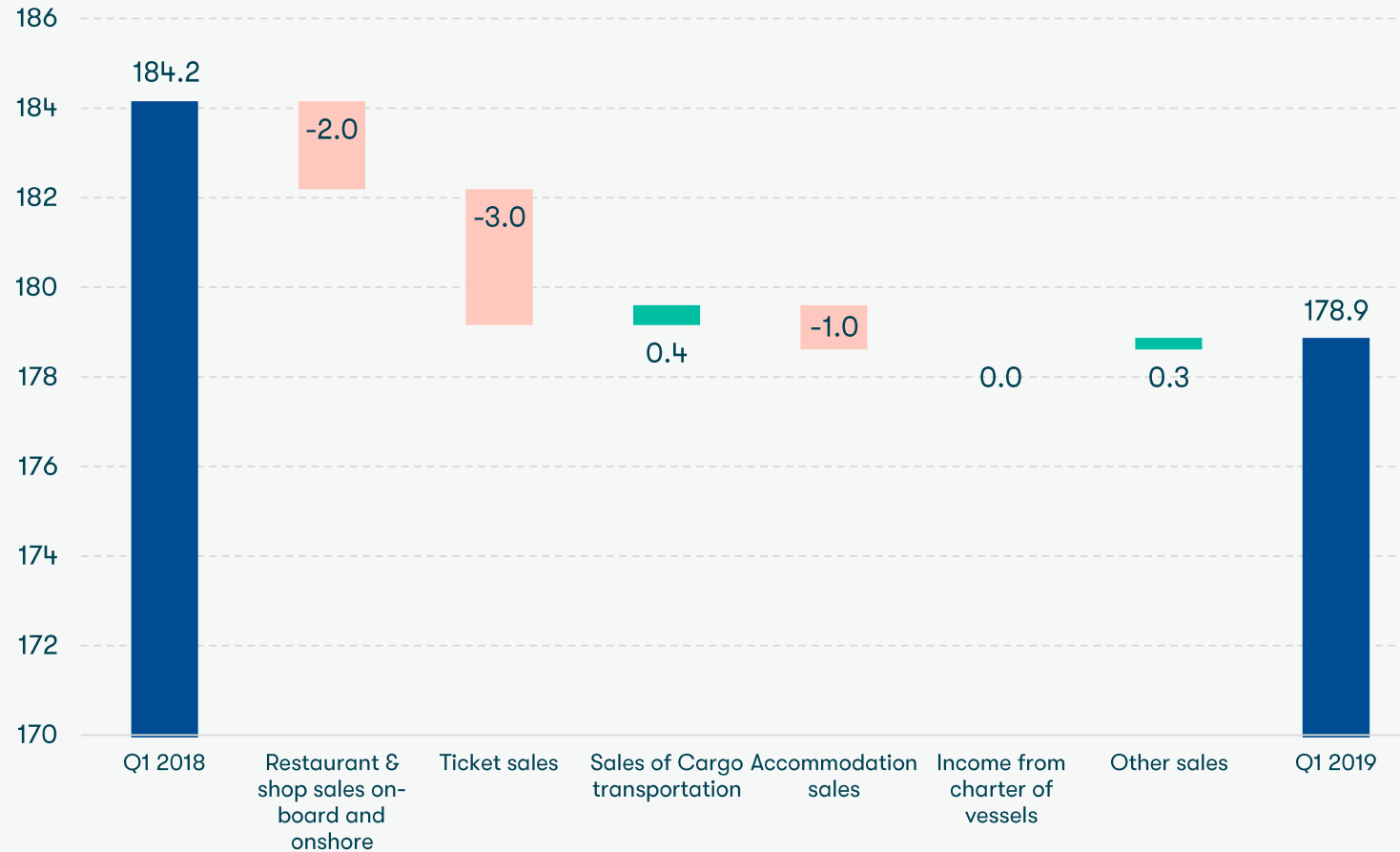
NET PROFIT BY QUARTERS (EUR MILLION)



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

# REVENUE DEVELOPMENT BY OPERATING SEGMENTS

(EUR MILLION)



Restaurant and shop sales on-board and onshore is affected by less trips made in Q1, lower restaurant and bars sales in hotels and also lower sales in the land shops.

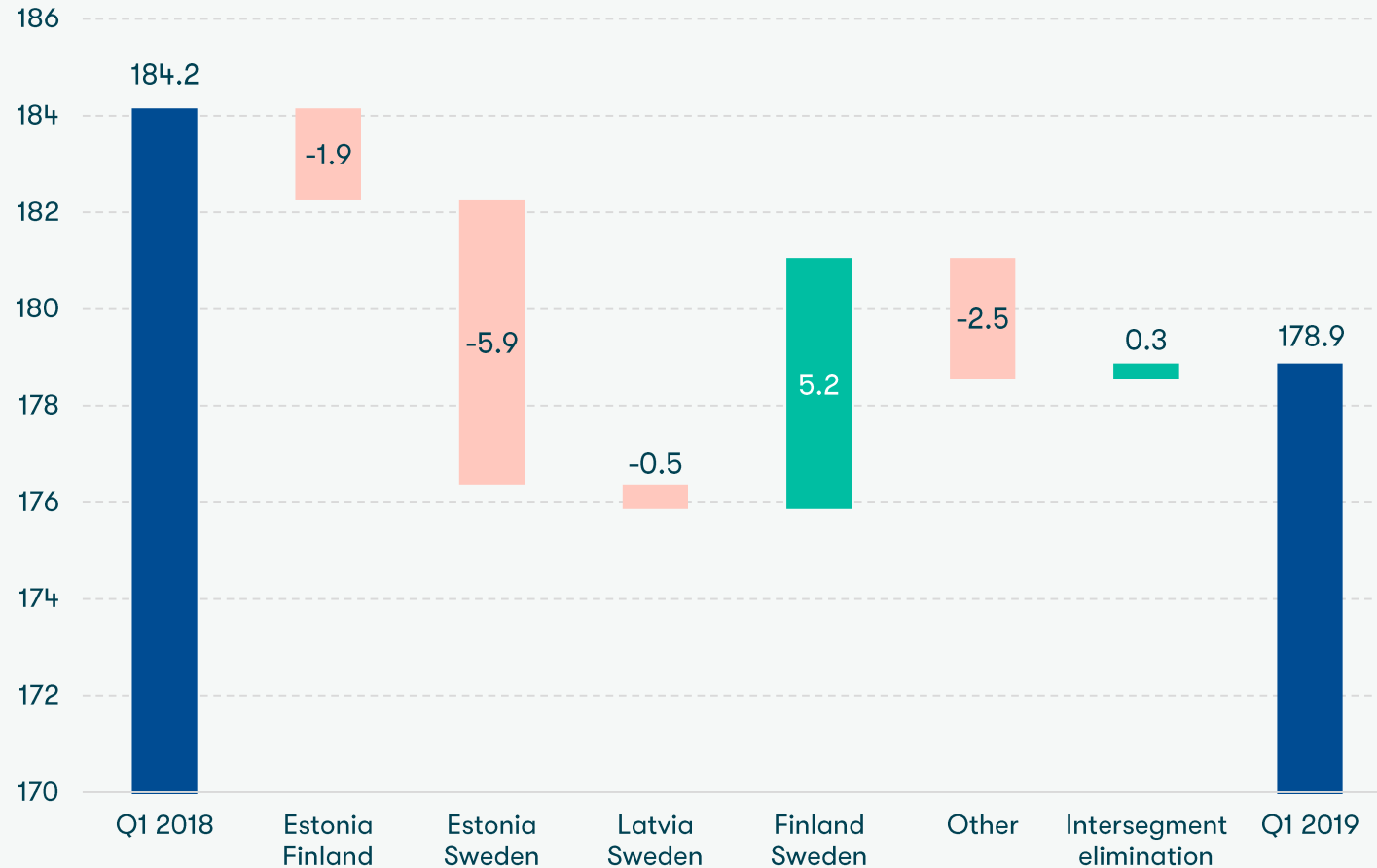
Ticket sales development affected mostly by numerous docking days in Q1 but also by price competition on certain routes

Accommodation sales largely affected by one less hotel operated in Q1 2019 (Tallink Pirita Spa Hotel operations ceased from November 2018)



# REVENUE DEVELOPMENT BY GEOGRAPHICAL SEGMENTS

(EUR MILLION)



## Estonia-Finland

On the Tallinn–Helsinki route, added capacity by competitors resulted in increased pressure on ticket prices; Total passenger volume on the Estonia-Finland routes decreased by 4%

## Finland-Sweden

The developments were largely affected by the lengthy maintenance and repair works of the cruise ferry Baltic Princess in the first quarter of 2018

## Estonia-Sweden

The maintenance and repair of the cruise ferry Baltic Queen in the first quarter affected the segment's carriage volumes and financial result

## Latvia-Sweden

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

# 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

# CONSOLIDATED INCOME STATEMENT

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

# CONSOLIDATED CASH FLOW STATEMENT

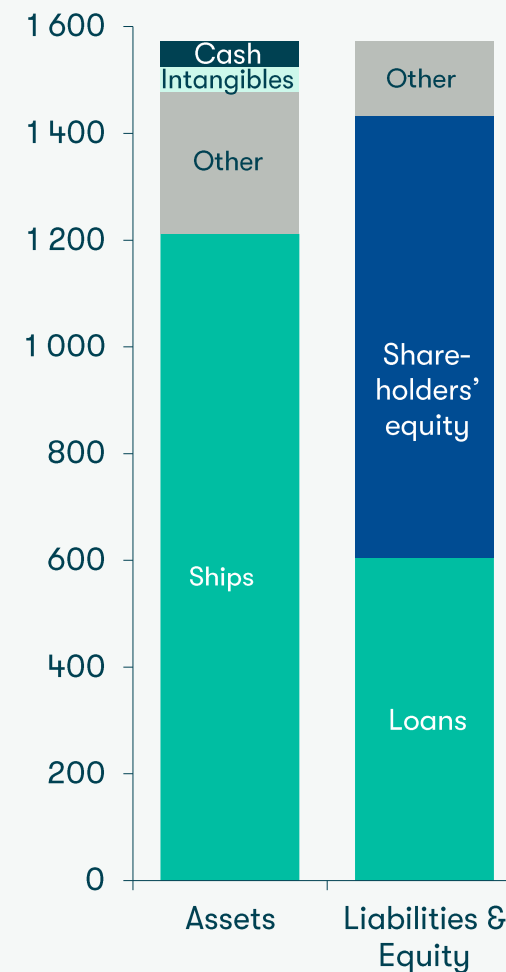
(EUR million)	2017	2018	Q1 2018	Q1 2019 <sup>(1)</sup>
<b>Operating cash flow</b>	136	157	8	7
Capital expenditure	(219)	(36)	(8)	(25)
Asset disposal	132	0	0	0
<b>Free cash flow</b>	49	121	0	(18)
Debt financing (net effect)	6	(85)	(13)	(11)
Interests & other financial items	(21)	(19)	(6)	(5)
Dividend paid	(20)	(20)	0	0
Income tax on dividends paid	(4)	(4)	0	0
<b>Change in cash</b>	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 <sup>(2)</sup>
<b>Total assets</b>	<b>1 559</b>	<b>1 532</b>	<b>1 501</b>	<b>1 572</b>
Non-current assets	1 377	1 366	1 333	1 434
Current assets	182	166	168	138
- of which cash	89	70	82	48
<b>Total liabilities</b>	<b>722</b>	<b>715</b>	<b>644</b>	<b>744</b>
Interest bearing liabilities	561	551	510	605
Other liabilities	161	164	134	139
<b>Shareholders' equity</b>	<b>836</b>	<b>817</b>	<b>857</b>	<b>828</b>
<b>Net debt/EBITDA</b>	<b>3.0x</b>	<b>3.1x</b>	<b>3.0x</b>	<b>3.9x</b>
<b>Net debt</b>	<b>472</b>	<b>481</b>	<b>428</b>	<b>557</b>
<b>Equity/assets ratio</b>	<b>54%</b>	<b>53%</b>	<b>57%</b>	<b>53%</b>
<b>BVPS <sup>(1)</sup> (in EUR)</b>	<b>1.25</b>	<b>1.22</b>	<b>1.28</b>	<b>1.24</b>



Notes:

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

(2) Unaudited

# 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 3.6 million
- Addition to interest cost EUR 0.6 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

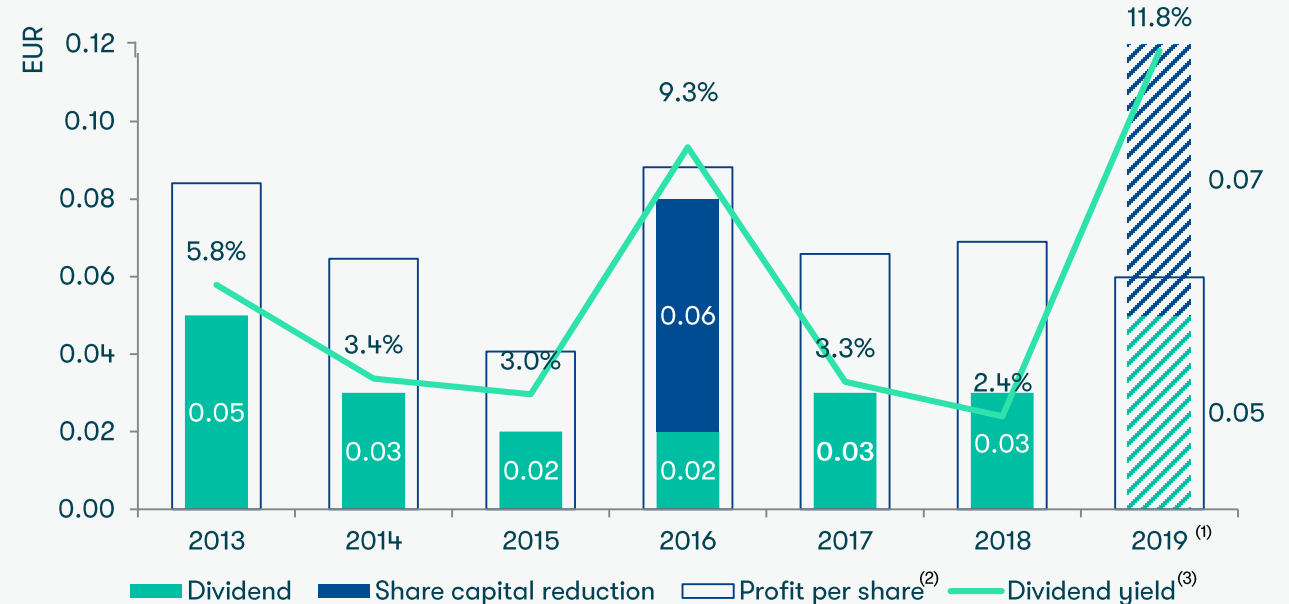
Proposal to the AGM convening on 23 May 2019:

## 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



**THANK YOU**

**QUESTIONS?**