

Q2 2020

TALLINK GRUPP AS



Beginning of the financial year	1 January 2020
End of the financial year	31 December 2020
Interim reporting period	1 April 2020 – 30 June 2020

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MANAGEMENT REPORT

In the second quarter (1 April – 30 June) of the 2020 financial year, Tallink Grupp AS and its subsidiaries (the Group) carried 388 thousand passengers, which is 85.4% less than in the second quarter last year. The number of cargo units transported decreased by 12.8% in the same comparison. The Group's unaudited consolidated revenue decreased by 74.6% or EUR 191.1 million to a total of EUR 65.0 million. Unaudited EBITDA was EUR 2.4 million (EUR 50.7 million in Q2 2019) and unaudited net loss was EUR 27.4 million (net profit of EUR 14.9 million in Q2 2019).

In the second quarter, the Group's revenue and operating results were impacted by the following operational factors:

- Covid-19 and related travel restrictions.
- 978 trips less due to suspended operations.
- Restrictions on maximum capacity.

Impact of Covid-19 and travel restrictions

Due to the global outbreak of Covid-19, the state of emergency was declared in most of the Group's home markets in mid-March together with imposing travelling and movement restrictions. The restrictions were gradually removed starting from mid-May. However, the restrictions remain in force for international passenger traffic to and from Sweden.

The impact of the Covid-19 on the Group's second quarter operations and results has been very extensive. The combined passenger volume of April and May was down by 93% compared to last year. There was a slight recovery in June following Finland lifting its travel restrictions. Still, the number of passengers carried in the month was 72% lower compared to June 2019. Customer profiles changed from a mix of home and foreign markets to mainly home.

In the situation of extensive travel restrictions and lower demand, the focus was shifted to cost and cash flow management to ensure the sustainability of the Group's core business. Thus, non-critical costs and investments were scaled down and several operational changes were made.

- Operations of the Tallinn-Stockholm route with vessels Victoria I and Baltic Queen has been suspended since 15 March.
- Daily operations of the Riga-Stockholm route with vessels Romantika and Isabelle has been suspended since 16 March.
- Operations of the Tallinn-Helsinki route cruise ferry Silja Europa were suspended from 17 March to 12 June and shuttle vessel Star from 18 March to 14 May.

Number of passengers
carried by the Group's
ships in Q2

0.4 million

The Group's unaudited
consolidated Q2
revenue

EUR 65.0
million



- Operations of the Helsinki-Stockholm route with vessels Silja Serenade and Silja Symphony has been suspended since 19 March.
- Operations of Tallink Hotel Riga and Tallink Spa & Conference Hotel, which were suspended from 18 March, were reopened on 1 and 12 June, respectively. Tallink Express Hotel in Tallinn remained open in limited capacity in the second quarter. Tallink City Hotel has remained closed since 18 March.

Throughout the quarter our vessels have been flexibly rerouted to other routes.

- In cooperation with Estonian Ministry of Economic Affairs and Communication, the shuttle vessel Star was rerouted to the Paldiski-Sassnitz route from 19 March to 18 April to ensure continuing transportation of goods between the Baltic and the Nordics and western Europe.
- The cruise ferry Victoria I was rerouted to the Tallinn-Helsinki route from 7 June and the cruise ferry Baltic Queen to the Tallinn-Mariehamn route to perform 2 special cruises in June.
- The cruise ferry Romantika operated 6 special return trips in the second quarter on the Riga-Stockholm route to transport cargo and commuters. The cruise ferry Isabelle was rerouted to the Paldiski-Kapellskär route from 7 June.
- The cruise ferry Silja Serenade was rerouted to the Helsinki-Riga route from 26 June.

The Estonia-Finland routes shuttle vessel Megastar and cargo vessel Seawind, the Paldiski-Kapellskär route cargo vessel Regal Star and the Turku-Stockholm route cruise ferries Baltic Princess and Galaxy continued operating to ensure international movement of cargo.

Changes concerning workload and remuneration of personnel

Due to the Covid-19 situation the following changes relating to personnel were in force in the second quarter of 2020:

- The workload and remuneration of all Estonian personnel was reduced to 70% for three months.
- Most of the Finnish personnel were on unpaid leave, except the staff on duty.
- The workload of Swedish personnel was reduced to 40% in April and to 20% in May and June, except for the staff on duty on vessels.
- The workload and remuneration of all Latvian personnel was reduced to 70% for two months.
- The Members of Supervisory Board of Tallink Grupp AS waived their remuneration for three months.
- The Chairman of the Management Board requested his salary to be reduced to 50% and other Management Board Members' salaries were reduced to 70% for three months.

During the reporting period, collective redundancies process was carried out, including among others hotel personnel and onboard personnel. To date the redundancies have affected approximately 500 employees. Additional collective redundancies process has commenced in the second quarter, which potentially affects another 700 employees by the end of the third quarter.

The average number of employees during the quarter and the number of employees at the end of quarter were, respectively, 10.7% and 15.0% lower compared to the same period a year ago.

Combination of changes relating to personnel and salary compensation support measures offered by the states resulted in a decrease by EUR 29.7 million in personnel expenses in the second quarter of 2020 compared to same period last year.

Support measures

Starting from March the Group has received a total of EUR 17 million in various direct financial support. Majority of the support was received in the second quarter of 2020.

The Group used temporary salary compensation measures offered by the states.

From 19 March to 18 June, the operations of Megastar on the Tallinn-Helsinki route and the Turku-Stockholm route two vessels were backed by Finland's National Emergency Supply Agency's to ensure the cargo supply. The support was of crucial help in covering the operating expenses, which were already reduced to minimum, and thereby reducing the operating losses.

Estonian parliament approved the change in legislation granting exemption from ships' fairway dues for twelve months starting from April 2020.

Activities to improve liquidity

The Supervisory Board proposed to the shareholders' annual general meeting not to pay dividends from net profit for 2019.

An instalment for the construction of the shuttle vessel MyStar, originally scheduled for the second quarter of 2020, was postponed to the third quarter of 2020 after negotiations with the shipyard.

In order to relieve the liquidity issues caused by the Covid-19 situation, the Group's companies were allowed to postpone the tax payments. At the end of the second quarter, the postponed tax liability amounted to EUR 11.1 and will be paid in even amounts until autumn 2021.

During the quarter the Group negotiated with existing and new financial institutions financing and payment terms including waivers of loan covenants, deferral of loan principal repayments for the year 2020 and new loan agreements. As a result, the Group's liquidity improved in great extent and therefore the financial report has been prepared according to going concern principle.

Sales and segments

In the second quarter of 2020, the Group's total revenue decreased by EUR 191.1 million to EUR 65.0 million. Total revenue in the second quarter of 2019 and 2018 was EUR 256.1 million and EUR 255.4 million, respectively.

Revenue from route operations (core business) decreased by EUR 179.5 million to EUR 56.4 million. The passenger operations and segment results on all routes were significantly affected by Covid-19 situation and travel restrictions.

The number of passengers carried on the **Estonia-Finland** routes decreased by 76.7% compared to last year and the number of transported cargo units decreased by 6.9%. Estonia-Finland routes' revenue decreased by EUR 61.3 million to EUR 33.6 million. The segment result decreased by EUR 23.9 million to EUR -2.4 million. The Estonia-Finland routes' results include also the operations of the Paldiski-Sassnitz and the Tallinn-Mariehamn routes. The Finland's National Emergency Supply Agency support to partially cover the operating expenses of the shuttle vessel Megastar is reported as other operating income.

The number of passengers carried on the **Finland-Sweden** routes decreased by 93.0%, while the number of transported cargo units decreased only by 8.7%. The route's revenue decreased by EUR 73.4 million to EUR 16.2 million and the segment result decreased by EUR 27.6 million to EUR -18.4 million. Finland-Sweden results include also the operations of the Helsinki-Riga route as well as the expenses related to the suspended Helsinki-Stockholm route. The Finland's National Emergency Supply Agency support to partially cover the operating expenses of the Turku-Stockholm route operations is reported as other operating income.

On the **Estonia-Sweden** routes the number of passengers carried decreased by 96.9% and the number of transported cargo units decreased by 25.1%. The segment revenue decreased by EUR 26.1 million to EUR 5.2 million and the segment result decreased by EUR 7.2 million to EUR -4.9 million. Estonia-Sweden routes' results reflect the operations of the Paldiski-Kapellskär route and the expenses related to the suspended operations of the Tallinn-Stockholm route.

There were no daily operations on the **Latvia-Sweden** route during the quarter. The results reflect 6 return trips performed with permission from the authorities as well as incurred operating expenses of the suspended route. The number of transported passengers and cargo units decreased by 98.5% and 89.4%, respectively. The route's revenue decreased by EUR 18.7 million compared to last year and amounted to EUR 1.3 million. The segment result decreased by EUR 4.5 million to EUR -4.2 million.

Revenue from the segment **other** decreased by a total of EUR 13.5 million and amounted to EUR 8.7 million. The decrease was mainly driven by the suspended operations of 3 hotels, which resulted in 95.8% lower accommodation sales, and significantly lower revenue from services provided at the hotels. The segment revenue was positively impacted by a significant increase in online shop sales, opening of the first four Burger King restaurants and revenue from providing mooring services at the Tallinn Old City Harbour.

Earnings

In the second quarter of 2020, the Group's gross profit decreased by EUR 82.5 million compared to the same period last year, amounting to EUR -21.9 million. EBITDA decreased by EUR 48.3 million and amounted to EUR 2.4 million.

The Group's second quarter financial result was impacted by the following factors:

- Significant cut in operating expenses, including significant decrease in personnel expenses as a result of collective redundancies, state support measures and remuneration cuts.
- Positive impact from support measures.
- Positive impact from the absence of dividend payment related corporate income tax expense in the amount of EUR 8.1 million as in the second quarter last year.

Amortisation and depreciation expense increased by EUR 1.8 million to EUR 25.2 million compared to last year. Net finance costs increased by EUR 0.2 million compared to the second quarter last year.

The Group's unaudited net loss for the second quarter of 2020 was EUR 27.4 million or EUR 0.041 per share compared to a net profit of EUR 14.9 million or EUR 0.022 per share in 2019 and net profit of EUR 15.3 million or EUR 0.023 per share in 2018.

Results of the first 6 months of 2020

In the first 6 months (1 January – 30 June) of the 2020 financial year the Group carried 2.0 million passengers which is 56.6% less compared to the same period last year. The Group's unaudited revenue for the period decreased by 49.4% and amounted to EUR 219.9 million. Unaudited EBITDA for the first 6 months was EUR 1.2 million (EUR 54.5 million, 6 months 2019) and unaudited net loss was EUR 57.6 million (EUR 10.4 million, 6 months 2019 net loss).

The financial result of the first 6 months of 2020 was impacted by following factors:

- Suspended operations of vessels and hotels due to the Covid-19 situation and the travel restrictions from mid-March.
- Dockings of six ships totalling 79 days (total of 121 docking days in the first 6 months of 2019)

Investments

The Group's investments in the second quarter of 2020 amounted to EUR 14.4 million with the majority arising from the EUR 8.5 million purchase of a ro-pax vessel *Sailor*. Investments were made in the ships' technical maintenance, including works performed during *Silja Serenade* 10 docking days in April.

Investments were also made in the development of the online booking and sales systems as well as other administrative systems and in relation to the opening of four Burger King restaurants.

The Group's
investments in Q2
amounted to

EUR **14.4**
million

Dividends

Due to a deteriorated operating environment and considering the Company's long-term interests, the Supervisory Board proposed to the shareholders' annual general meeting not to pay dividends from net profit for 2019. On 30 July 2020 (third quarter), the shareholders' annual general meeting decided not to pay dividends from net profit for 2019.



Financial position

In the second quarter, the Group's net debt increased by EUR 19.2 million to EUR 593.8 million and the net debt to EBITDA ratio was 5.0 at the reporting date.

At the end of the second quarter, total liquidity buffer (cash, cash equivalents and unused overdraft facilities) amounted to EUR 104.9 million (EUR 123.1 million at 30 June 2019).

At 30 June 2020, the Group's cash and cash equivalents amounted to EUR 21.9 million (EUR 67.1 million at 30 June 2019) and the Group had EUR 83.0 million in unused overdraft facilities (EUR 56.0 million at 30 June 2019).

Key figures

For the period	Q2 2020	Q2 2019	Change %
Revenue (million euros)	65.0	256.1	-74.6%
Gross profit/loss (million euros)	-21.9	60.6	-136.1%
EBITDA ¹ (million euros)	2.4	50.7	-95.2%
EBIT ¹ (million euros)	-22.7	27.4	-183.0%
Net profit/loss for the period (million euros)	-27.4	14.9	-283.8%
Depreciation and amortisation (million euros)	25.2	23.3	7.9%
Capital expenditures ^{1 2} (million euros)	14.4	18.5	-22.0%
Weighted average number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Earnings/loss per share ¹	-0.041	0.022	-283.8%
Number of passengers	388 212	2 651 843	-85.4%
Number of cargo units	86 755	99 546	-12.8%
Average number of employees	6 578	7 363	-10.7%
As at	30.06.2020	31.03.2020	Change %
Total assets (million euros)	1 505.9	1 517.8	-0.8%
Total liabilities (million euros)	740.5	724.5	2.2%
Interest-bearing liabilities (million euros)	615.7	591.0	4.2%
Net debt ¹ (million euros)	593.8	574.5	3.3%
Net debt to EBITDA ¹	5.0	3.5	45.7%
Total equity (million euros)	765.3	793.2	-3.5%
Equity ratio ¹ (%)	51%	52%	
Number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Equity per share ¹	1.14	1.18	-3.5%
Ratios ¹	Q2 2020	Q2 2019	
Gross margin (%)	-33.7%	23.7%	
EBITDA margin (%)	3.7%	19.8%	
EBIT margin (%)	-35.0%	10.7%	
Net profit/loss margin (%)	-42.1%	5.8%	
ROA (%)	1.3%	4.0%	
ROE (%)	0.3%	4.1%	
ROCE (%)	1.5%	4.9%	

¹ Alternative performance measures based on ESMA guidelines are disclosed in the Alternative Performance Measures section of this Interim Report.

² Does not include additions to right-of-use assets.

Sales & results by segments

The following tables provide an overview of the quarterly sales and result development by geographical segments.

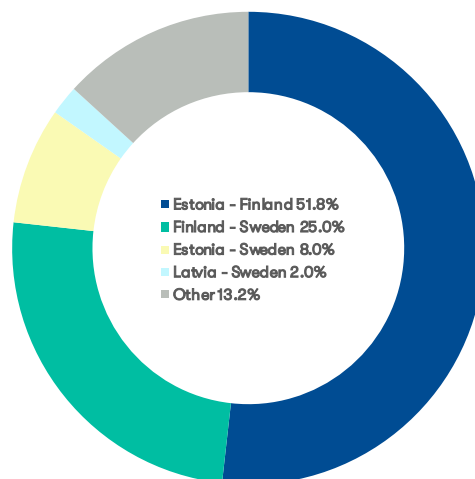
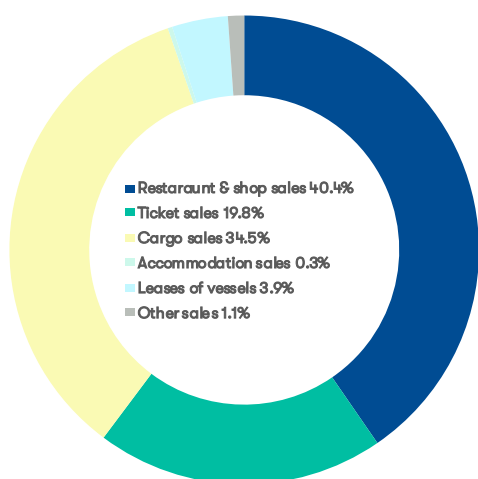
		Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 Change
Estonia - Finland	Passengers (thousands)	1 385	1 534	1 200	848	323	-76.7%
	Cargo units (thousands)	64	60	58	65	60	-6.9%
	Revenue (million euros)	94.9	102.2	86.5	59.2	33.6	-64.6%
	Segment result ¹ (million euros)	21.5	33.0	18.9	3.3	-2.4	-111.0%
Finland - Sweden	Passengers (thousands)	772	882	676	470	54	-93.0%
	Cargo units (thousands)	20	19	20	21	18	-8.7%
	Revenue (million euros)	89.6	106.4	80.5	57.2	16.2	-81.9%
	Segment result ¹ (million euros)	9.3	20.6	2.0	-8.2	-18.4	-298.0%
Estonia - Sweden	Passengers (thousands)	271	302	224	141	8	-96.9%
	Cargo units (thousands)	12	11	11	11	9	-25.1%
	Revenue (million euros)	31.3	36.0	26.4	17.2	5.2	-83.4%
	Segment result ¹ (million euros)	2.3	7.1	-0.1	-4.7	-4.9	-309.3%
Latvia - Sweden	Passengers (thousands)	223	257	181	109	3	-98.5%
	Cargo units (thousands)	4	4	4	3	0	-89.4%
	Revenue (million euros)	20.0	23.8	16.1	10.1	1.3	-93.4%
	Segment result ¹ (million euros)	0.3	5.3	-0.9	-5.3	-4.2	-1505.9%
Other	Revenue (million euros)	22.2	22.4	18.5	12.5	8.7	-60.8%
	Segment result ¹ (million euros)	8.0	5.6	2.8	0.8	0.6	-93.1%
	Intersegment revenue (million euros)	-1.9	-3.0	-1.6	-1.3	-0.1	95.2%
	Total revenue (million euros)	256.1	287.8	226.4	154.9	65.0	-74.6%
	EBITDA (million euros)	50.7	83.2	33.4	-1.3	2.4	-95.2%
	Total segment result ¹ (million euros)	41.4	71.6	22.7	-14.1	-29.2	-170.5%
	Net profit/loss	14.9	54.6	5.5	-30.2	-27.4	-283.8%

¹ Segment result is the result before administrative expenses, finance costs and taxes.

The following tables provide an overview of the quarterly sales development by operating segments:

Revenue (million euros)	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 Change
Restaurant and shop sales on-board and onshore	142.3	157.4	133.8	86.9	26.2	-81.6%
Ticket sales	66.2	86.3	51.0	31.6	12.9	-80.6%
Sales of cargo transportation	31.7	28.7	29.1	28.1	22.4	-29.4%
Accommodation sales	4.8	5.7	3.2	2.1	0.2	-95.8%
Income from charter of vessels	2.0	2.0	2.3	2.5	2.5	25.0%
Other sales	9.0	7.8	7.0	3.7	0.7	-91.9%
Total revenue	256.1	287.8	226.4	154.9	65.0	-74.6%

The following charts provide an overview of the Group's second quarter sales by operational and geographical segments.



Market developments

The following table provides an overview of the passengers, cargo units and passenger vehicles transported during the second quarter of 2020 and 2019.

Passengers	Q2 2020	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change
Estonia - Finland	322 590	1 385 108	-76.7%	1 170 408	2 382 090	-50.9%
Finland - Sweden	53 984	771 894	-93.0%	523 591	1 336 896	-60.8%
Estonia - Sweden	8 337	271 407	-96.9%	148 881	426 923	-65.1%
Latvia - Sweden	3 301	223 434	-98.5%	112 062	361 706	-69.0%
Total	388 212	2 651 843	-85.4%	1 954 942	4 507 615	-56.6%

Cargo units	Q2 2020	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change
Estonia - Finland	59 580	63 995	-6.9%	124 319	123 761	0.5%
Finland - Sweden	18 097	19 814	-8.7%	38 671	39 475	-2.0%
Estonia - Sweden	8 631	11 522	-25.1%	19 709	21 160	-6.9%
Latvia - Sweden	447	4 215	-89.4%	3 673	8 264	-55.6%
Total	86 755	99 546	-12.8%	186 372	192 660	-3.3%

Passenger vehicles	Q2 2020	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change
Estonia - Finland	94 427	223 485	-57.7%	245 919	394 996	-37.7%
Finland - Sweden	6 937	43 093	-83.9%	26 937	62 531	-56.9%
Estonia - Sweden	215	16 899	-98.7%	9 059	27 268	-66.8%
Latvia - Sweden	900	16 000	-94.4%	10 856	28 769	-62.3%
Total	102 479	299 477	-65.8%	292 771	513 564	-43.0%

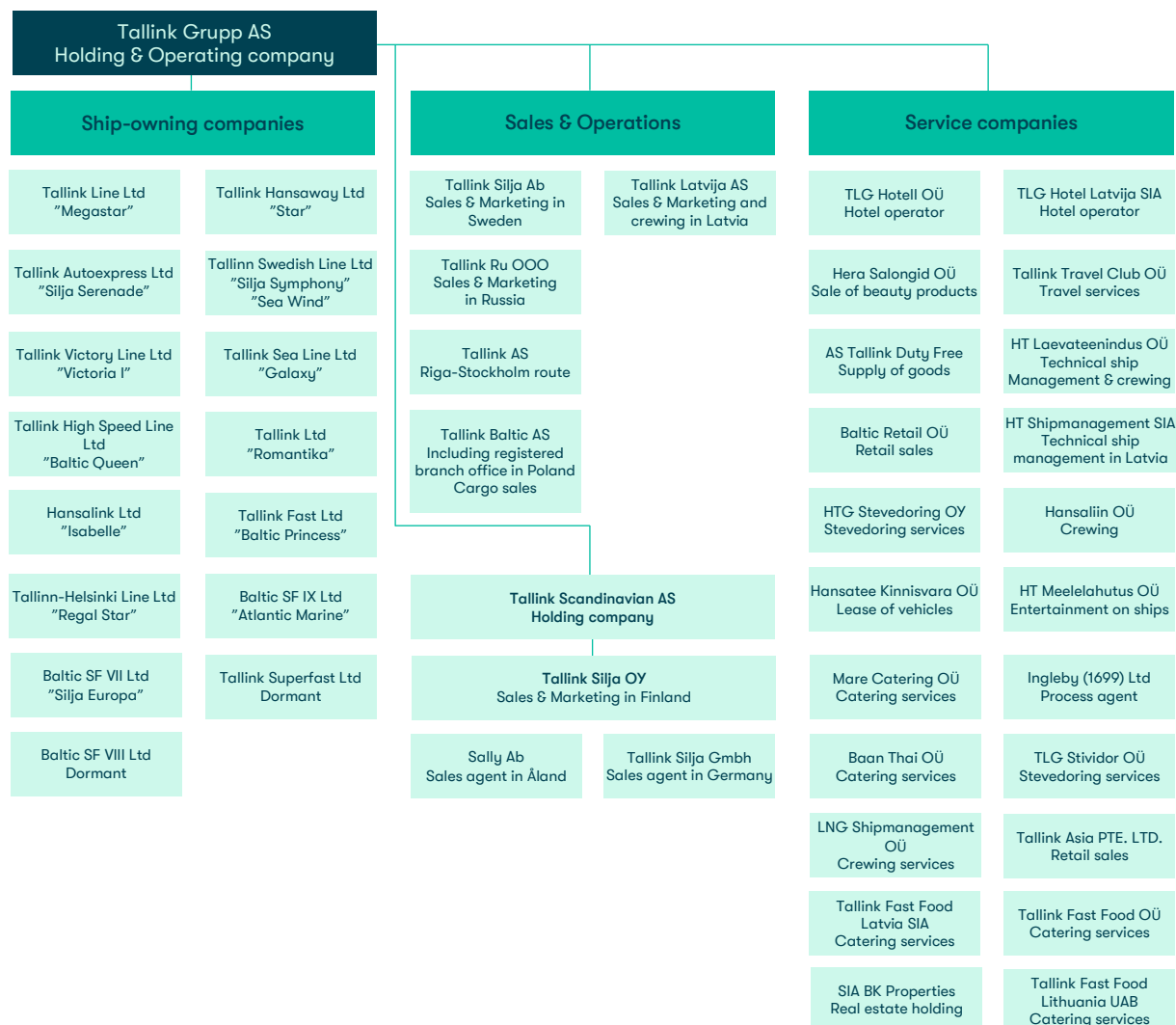
The Group's market shares on the routes operated during the 12-month period ended 30 June 2020 were as follows:

- the Group carried approximately 57% of the passengers and 60% of the ro-ro cargo on the route between Tallinn and Helsinki;
- the Group carried approximately 55% of the passengers and 28% of the ro-ro cargo on the routes between Finland and Sweden;
- the Group was the only provider of daily passenger transportation between Estonia and Sweden*;
- the Group was the only provider of daily passenger and ro-ro cargo transportation between Riga and Stockholm*.

* Daily operations suspended since mid-March 2020.

Group structure

At the reporting date, the Group consisted of 47 companies. All subsidiaries are wholly owned by Tallink Grupp AS. The following diagram represents the Group's structure at the reporting date:



The Group also owns 34% of Tallink Takso AS.

Personnel

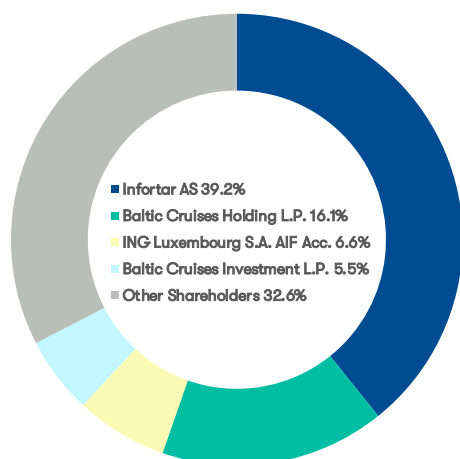
At 30 June 2020, the Group had 6 545 employees (7 704 at 30 June 2019). The following table provides a more detailed overview of the Group's personnel.

	Average of Q2			Average of Jan-Jun			End of Q2		
	2020	2019	Change	2020	2019	Change	2020	2019	Change
Onshore total	1 594	1 691	-5.7%	1 614	1 658	-2.7%	1 607	1 707	-5.9%
Estonia	963	1 000	-3.7%	977	971	0.6%	982	1 008	-2.6%
Finland	415	455	-8.8%	417	446	-6.5%	412	465	-11.4%
Sweden	135	151	-10.6%	136	155	-12.3%	133	147	-9.5%
Latvia	63	67	-6.0%	65	68	-4.4%	62	69	-10.1%
Russia	13	12	8.3%	13	12	8.3%	12	12	0.0%
Germany	5	6	-16.7%	6	6	0.0%	6	6	0.0%
Onboard	4 588	5 142	-10.8%	4 770	5 059	-5.7%	4 586	5 430	-15.5%
Hotel ¹	396	530	-25.3%	438	513	-14.6%	352	567	-37.9%
Total	6 578	7 363	-10.7%	6 822	7 230	-5.7%	6 545	7 704	-15.0%

¹ The number of hotel personnel is not included in the total number of onshore personnel.

Shareholders & share price development

The following chart displays the shareholder structure of Tallink Grupp AS as at 30 June 2020.



The shares of Tallink Grupp AS have been listed on the Nasdaq Tallinn stock exchange since 9 December 2005, where the shares are traded under the ticker symbol TAL1T. Starting from 3 December 2018, the shares of Tallink Grupp AS are listed as Finnish Depository Receipts (FDRs) also on Nasdaq Helsinki stock exchange, where the FDRs are traded under the ticker symbol TALLINK. At the reporting date the closing share price on Nasdaq Baltic was EUR 0.77 and the closing price of the FDR on Nasdaq Helsinki was EUR 0.77. The following charts give an overview of the share and FDR price and turnover developments in the past twelve months.



Key Management Personnel

Supervisory Board

The Supervisory Board of Tallink Grupp AS consists of seven members and includes:

- Mr Enn Pant, Chairman
- Mr Toivo Ninnas
- Ms Eve Pant
- Mr Ain Hanschmidt
- Mr Colin Douglas Clark
- Mr Kalev Järvelill
- Mr Raino Paron

Management Board

The Management Board of Tallink Grupp AS operates with five members and includes:

- Mr Paavo Nõgene, Chairman
- Mr Lembit Kitter
- Mrs Kadri Land
- Mr Harri Hanschmidt
- Mrs Piret Mürk-Dubout

Economic Environment

The Group considers Finland, Sweden, Estonia and Latvia its home markets with the most exposure to the economic developments in Finland. The Group has also high exposure to the economic developments in Estonia and Sweden.

In the second quarter of 2020 the Group's economic environment was dominated by the Covid-19 pandemic outbreak and the related restrictions set by governments. According to the OECD data, the confidence of both the consumers and the businesses plummeted across all our home markets during the quarter, particularly in Estonia and Latvia.

For the Group the weaker consumer confidence reflected mainly in the lower demand for travelling. The demand was also hindered by the imposed travelling and movement restrictions. The international travel restrictions and reduced air traffic also effectively meant the absence of demand from the customers from outside our home markets.

The Covid-19 situation improved enough for gradually lifting the majority of the restrictions on all our other home markets, except for Sweden, allowing to restart of some of our passenger operations toward the end of the quarter. The state-level travelling and border-crossing restrictions effectively allowed to offer only international cargo operations to and from Sweden.

Although the cargo market fared somewhat better relative to the passenger business the Covid-19 impact is felt in this area too. Along with the tight competition, the decreased business confidence materialised as decline both in the number of cargo units and in the average revenue per unit.

Measured in euros the global fuel prices declined, on average, by 54% in the second quarter of 2020 compared to a year ago. The Group's overall fuel cost declined by 56% compared to the same period last year. In addition to the change in the fuel market price, the change in the cost was affected by the number and timing of trips as well as an existing fuel price agreement with the price fixed above the market level.

For the foreseeable future, the key risk has to do with global and regional developments with the Covid-19 situation and related restrictions on travel and other economic activities, its economic damage and its impact on local and international trade.

Events in Q2

Start of construction of the new shuttle vessel MyStar

The physical production process of MyStar started on 6 April 2020 in Rauma shipyard in Finland with a traditional steel cutting ceremony.

Changes in the Audit Committee

Luke Staniczek was recalled from the Audit Committee and from 17 April, the Audit Committee continued with three members including Meelis Asi (Chairman of the Audit Committee), Ain Hanschmidt and Mare Puusaag.

Changes in the Group structure

In April 2020, TLG Agent OÜ, a wholly-owned subsidiary of the Group, was renamed LNG Shipmanagement OÜ. The main activity of the subsidiary is to provide crewing service.

In June 2020, Tallink Latvija AS, a wholly-owned subsidiary of the Group, registered a wholly-owned subsidiary in Latvia – SIA BK Properties. The purpose of founding the subsidiary is acquisition and holding of real estate properties for the operation of Burger King restaurants in Latvia.

Charter agreement extension

In May 2020, Baltic SF IX Limited, a wholly-owned subsidiary of the Group, and Marine Atlantic Inc, a Canadian company with the state participation therein, concluded to extend the current charter agreement of MV Atlantic Vision (ex. Superfast IX) for two years, until November 2022. The vessel has been on the long-term bareboat charter since 14 November 2008.

Increase of overdraft limit

In the second quarter, the Group extended its existing overdraft facility with Danske Bank A/S by EUR 20.0 million and Nordea Bank Abp by EUR 20.0 million. After the reporting date, in July 2020, extension of overdraft facility with SEB Pank AS by EUR 20.0 million was finalized. The increase of the overdraft facilities helps to improve the Group's liquidity.

Changes in loan agreements

Amendments to loan facility agreements signed by Tallink Grupp AS and all its lending banks whereby loan principal repayments in the amount of EUR 61 million for the year 2020 are deferred and added to the last payment of each respective loan facility came into force on 29 May 2020. The loans' final maturities and interest margins remained unchanged. Request for waivers of loan covenants were also approved.

The repayment rescheduling improved significantly the Group's liquidity position and increased flexibility to maintain sufficient working capital in challenging economic environment.

Signing of the loan agreement

On 8 June 2020, Tallink Grupp AS and KredEx SA signed a working capital loan agreement. The total amount of the loan limit is EUR 100 million and the loan can be drawn in EUR 10-40 million tranches. The interest rate of the three-year maturity loan is 12-month Euribor +2%.

The loan is secured by mortgages on five vessels ranking after the existing creditors.

Purchase of ro-pax vessel Sailor

On 30 June 2020, Baltic SF VIII Ltd, a subsidiary of the Group purchased a ro-pax vessel Sailor from Navirail OÜ. The ship is registered in the Cyprus Ship Registry and is going to sail under the Estonian flag. The purchase of the ro-pax vessel will strengthen the Group fleet's cargo capacity.

Fuel price risk management

In the first quarter of 2020, the Group entered into agreements with its main fuel suppliers and fixed the purchase price of fuel equivalent to about 65% of its total estimated fuel volume for 2020. Due to

the Covid-19 situation, more flexible terms were negotiated and agreed with one of the fuel suppliers in April.

Opening of Burger King restaurants

The Group opened its first three Burger King restaurants in Tallinn on 20 May 2020. The fourth restaurant was opened on 15 June 2020. The Group has secured the locations of its first Burger King restaurants in Latvia and Lithuania, to be opened in the second half of 2020.

Events after the reporting period and outlook

Prepayment for the new shuttle vessel MyStar

The last prepayment instalments for the new shuttle vessel MyStar in the total amount of EUR 49.4 million will be made in the third quarter of 2020.

Dividends

On 30 July 2020, the shareholders' general meeting decided not to pay dividend from net profit for 2019.

Renovation of Tallink City Hotel

Tallink City Hotel in Tallinn will undergo a full-scale renovation from September 2020. The renovation works are estimated to be finalised by the end of May 2021 and the hotel reopened in June next year.

Earnings

The Group's earnings are not generated evenly throughout the year. The summer period is the high season in the Group's operations. In management's opinion and based on prior experience most of the Group's earnings are generated during the summer (June-August).

Due to the ongoing Covid-19 situation the earnings outlook for 2020 has become uncertain and will be largely subject to external factors such as the states' decisions regarding the timing of lifting of the travel restrictions, allowing passenger traffic as well as the duration of the recovery period. In the opinion of the Management Board the Group will not earn profits in 2020 financial year.

Research and development projects

Tallink Grupp AS does not have any substantial ongoing research and development projects. The Group is continuously seeking opportunities for expanding its operations in order to improve its results.

The Group is continuously looking for innovative ways to upgrade the ships and passenger area technology to improve its overall performance through modern solutions. The most recent project, in collaboration with ports in the Baltic Sea area and supported by the Connecting Europe Facility (CEF) fund, involves making preparations for the use of high-voltage shore connection during the vessels' port stays. Another ongoing collaboration project with Tallinn University of Technology (TalTech) involves the development of smart car deck solutions.

In addition, the Group is participating in a programme, funded by the European Space Agency, with a goal to develop techniques for autonomous navigation for ships, using a combination of different sensors, machine learning and artificial intelligence.

Risks

The Group's business, financial position and operating results could be materially affected by various risks. These risks are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial or unlikely, could also impair our business. The order of presentation of the risk factors below is not intended to be an indication of the probability of their occurrence or of their potential effect on our business.

- Covid-19 situation and developments
- Accidents, disasters
- Macroeconomic developments
- Changes in laws and regulations
- Relations with trade unions
- Increase in the fuel prices and interest rates
- Market and customer behaviour

MANAGEMENT BOARD'S CONFIRMATION

We confirm that to the best of our knowledge, the management report of Tallink Grupp AS for the second quarter of 2020 presents a true and fair view of the Group's development, results and financial position and includes an overview of the main risks and uncertainties.



Paavo Nõgene
Chairman of the Management Board



Lembit Kitter
Member of the Management Board



Kadri Land
Member of the Management Board



Harri Hanschmidt
Member of the Management Board



Piret Mürk-Dubout
Member of the Management Board



Tallinn, 6 August 2020

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income

Unaudited, in thousands of EUR	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019
Revenue (Note 3)	64 962	256 103	219 892	434 973
Cost of sales	-86 857	-195 469	-241 959	-363 840
Gross loss/profit	-21 895	60 634	-22 067	71 133
Sales and marketing expenses	-7 320	-19 212	-21 268	-36 254
Administrative expenses	-9 605	-14 443	-23 029	-29 511
Other operating income	16 138	439	17 670	1 163
Other operating expenses	-57	-11	-79	-25
Result from operating activities	-22 739	27 407	-48 773	6 506
Finance income (Note 4)	0	93	1	1 095
Finance costs (Note 4)	-4 588	-4 506	-8 700	-9 837
Loss before income tax	-27 327	22 994	-57 472	-2 236
Income tax	-44	-8 104	-97	-8 129
Net loss for the period	-27 371	14 890	-57 569	-10 365
Net loss for the period attributable to equity holders of the Parent	-27 371	14 890	-57 569	-10 365
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations	-504	257	81	422
Other comprehensive income for the period	-504	257	81	422
Total comprehensive loss for the period	-27 875	15 147	-57 488	-9 943
Total comprehensive loss for the period attributable to equity holders of the Parent	-27 875	15 147	-57 488	-9 943
Loss per share (in EUR, Note 5)	-0.041	0.022	-0.086	-0.015

Consolidated statement of financial position

Unaudited, in thousands of EUR	30.06.2020	30.06.2019	31.12.2019
ASSETS			
Cash and cash equivalents	21 892	67 070	38 877
Trade and other receivables	22 434	53 270	37 606
Prepayments	10 641	12 134	6 805
Prepaid income tax	0	46	67
Inventories	37 035	39 326	37 255
Current assets	92 002	171 846	120 610
Investments in equity-accounted investees	403	407	403
Other financial assets and prepayments	1 866	326	1 619
Deferred income tax assets	18 674	17 934	18 674
Investment property	300	300	300
Property, plant and equipment (Note 6)	1 349 733	1 373 420	1 347 093
Intangible assets (Note 7)	42 898	45 640	44 264
Non-current assets	1 413 874	1 438 027	1 412 353
TOTAL ASSETS	1 505 876	1 609 873	1 532 963
LIABILITIES AND EQUITY			
Interest-bearing loans and borrowings (Note 8)	130 066	108 190	89 198
Trade and other payables	86 951	107 626	98 926
Payables to owners	6	33 496	6
Income tax liability	10	8 049	0
Deferred income	37 901	46 635	33 314
Current liabilities	254 934	303 996	221 444
Interest-bearing loans and borrowings (Note 8)	485 593	495 970	488 682
Non-current liabilities	485 593	495 970	488 682
Total liabilities	740 527	799 966	710 126
Share capital (Note 9)	314 844	361 736	314 844
Share premium	663	663	663
Reserves	68 666	70 893	69 608
Retained earnings	381 176	376 615	437 722
Equity attributable to equity holders of the Parent	765 349	809 907	822 837
Total equity	765 349	809 907	822 837
TOTAL LIABILITIES AND EQUITY	1 505 876	1 609 873	1 532 963

Consolidated statement of cash flows

Unaudited, in thousands of EUR	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	-27 371	14 890	-57 569	-10 365
Adjustments	29 084	36 133	58 471	65 377
Changes in:				
Receivables and prepayments related to operating activities	9 649	-11 569	11 294	-15 521
Inventories	2 417	-3 021	220	-3 585
Liabilities related to operating activities	-9 782	14 154	-7 545	21 704
Changes in assets and liabilities	2 284	-436	3 969	2 598
Cash generated from operating activities	3 997	50 587	4 871	57 610
Income tax repaid/paid	-33	-136	-20	-218
NET CASH FROM OPERATING ACTIVITIES	3 964	50 451	4 851	57 392
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant, equipment and intangible assets (Notes 6, 7)	-14 344	-18 456	-41 414	-43 718
Proceeds from disposals of property, plant, equipment	3	64	47	142
Interest received	0	0	1	1
NET CASH USED IN INVESTING ACTIVITIES	-14 341	-18 392	-41 366	-43 575
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans received (Note 8)	0	0	15 000	0
Repayment of loans received (Note 8)	0	-14 834	-14 667	-31 334
Change in overdraft (Note 8)	19 747	9 152	32 005	19 009
Payments for settlement of derivatives	0	0	0	-1 029
Payment of lease liabilities (Note 8)	-999	-3 667	-4 914	-7 134
Interest paid	-2 941	-3 415	-7 689	-8 434
Payment of transaction costs related to loans	0	0	-205	0
NET CASH FROM/USED IN FINANCING ACTIVITIES	15 807	-12 764	19 530	-28 922
TOTAL NET CASH FLOW	5 430	19 295	-16 985	-15 105
Cash and cash equivalents at the beginning of period	16 462	47 775	38 877	82 175
Change in cash and cash equivalents	5 430	19 295	-16 985	-15 105
Cash and cash equivalents at the end of period	21 892	67 070	21 892	67 070

Consolidated statement of changes in equity

Unaudited, in thousands of EUR	Share capital	Share premium	Translation reserve	Ships re-valuation reserve	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
As at 31 December 2019	314 844	663	430	39 505	29 673	0	437 722	822 837	822 837
Net loss for the period	0	0	0	0	0	0	-57 569	-57 569	-57 569
Other comprehensive income for the period	0	0	81	0	0	0	0	81	81
Total comprehensive loss for the period	0	0	81	0	0	0	-57 569	-57 488	-57 488
Transactions with owners of the Company recognised directly in equity									
Transfer from revaluation reserve	0	0	0	-1 023	0	0	1 023	0	0
Transactions with owners of the Company recognised directly in equity	0	0	0	-1 023	0	0	1 023	0	0
As at 30 June 2020	314 844	663	511	38 482	29 673	0	381 176	765 349	765 349
As at 31 December 2018	361 736	662	269	41 552	27 670	-17	425 044	856 916	856 916
Initial application of IFRS 16	0	0	0	0	0	0	-3 590	-3 590	-3 590
Adjusted balance as at 1 January 2019	361 736	662	269	41 552	27 670	-17	421 454	853 326	853 326
Net loss for the period	0	0	0	0	0	0	-10 365	-10 365	-10 365
Other comprehensive income for the period	0	0	422	0	0	0	0	422	422
Total comprehensive loss for the period	0	0	422	0	0	0	-10 365	-9 943	-9 943
Transactions with owners of the Company recognised directly in equity									
Transfer from profit for 2018	0	0	0	0	2 003	0	-2 003	0	0
Transfer from revaluation reserve	0	0	0	-1 023	0	0	1 023	0	0
Dividends	0	0	0	0	0	0	-33 494	-33 494	-33 494
Share-based payment transactions	0	1	0	0	0	17	0	18	18
Transactions with owners of the Company recognised directly in equity	0	1	0	-1 023	2 003	17	-34 474	-33 476	-33 476
As at 30 June 2019	361 736	663	691	40 529	29 673	0	376 615	809 907	809 907

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1 Corporate information

The consolidated interim financial statements of Tallink Grupp AS (the “Parent”) and its subsidiaries (together referred to as the “Group”) for the second quarter of 2020 were authorised for issue by the Management Board on 6 August 2020.

Tallink Grupp AS is a public limited company incorporated and domiciled in Estonia, with a registered office at Sadama 5, Tallinn. Tallink Grupp AS shares have been publicly traded on the Nasdaq Tallinn Stock Exchange since 9 December 2005. Starting from 3 December 2018 the shares of Tallink Grupp AS are also listed as Finnish Depository Receipts (FDRs) on the Nasdaq Helsinki Stock Exchange.

The principal activities of the Group are related to marine transportation in the Baltic Sea (passenger and cargo transportation). As at 30 June 2020, the Group employed 6 545 people (7 704 as at 30 June 2019).

Note 2 Basis of preparation

These interim consolidated financial statements of Tallink Grupp AS have been prepared in a condensed form in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

These interim consolidated financial statements have been prepared using the same accounting policies and measurement bases that were applied in the preparation of the consolidated financial statements of Tallink Grupp AS for the financial year ended on 31 December 2019. The Group prepares its consolidated annual financial statements in accordance with IFRS as adopted by the EU.

The interim consolidated financial statements are presented in thousand euros (EUR).

Note 3 Segment information

The Group’s operations are organized and managed separately according to the nature of the different markets. Different routes represent different business segments.

The following tables present the Group’s revenue and profit by reportable segments for the reporting and the comparative period.

Geographical segments – by the location of assets

For the period 1 January - 30 June, in thousands of EUR	Estonia-Finland routes	Estonia-Sweden routes	Latvia-Sweden route	Finland-Sweden routes	Other	Intersegment elimination	Total
2020							
Sales to external customers	92 807	22 409	11 447	73 423	19 806	0	219 892
Intersegment sales	0	0	0	0	1 354	-1 354	0
Revenue	92 807	22 409	11 447	73 423	21 160	-1 354	219 892
Segment result	892	-9 615	-9 470	-26 507	1 365	0	-43 335
Unallocated expenses							-5 438
Net financial items (Note 4)							-8 699
Loss before income tax							-57 472

For the period 1 January - 30 June, in thousands of EUR	Estonia-Finland routes	Estonia-Sweden routes	Latvia-Sweden route	Finland-Sweden routes	Other	Intersegment elimination	Total
2019							
Sales to external customers	165 296	49 877	32 624	157 523	29 653	0	434 973
Intersegment sales	0	0	0	0	3 183	-3 183	0
Revenue	165 296	49 877	32 624	157 523	32 836	-3 183	434 973
Segment result	28 458	-2 294	-3 707	4 214	8 208	0	34 879
Unallocated expenses							-28 373
Net financial items (Note 4)							-8 742
Loss before income tax							-2 236

Revenue by service

In thousands of EUR	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019
Restaurant and shop sales on-board and onshore	26 246	142 322	113 175	245 420
Ticket sales	12 877	66 248	44 496	103 436
Sales of cargo transport	22 412	31 732	50 538	61 338
Sales of accommodation	201	4 832	2 255	7 163
Income from charter of vessels	2 502	2 002	4 999	3 982
Other	724	8 967	4 429	13 634
Total revenue of the Group	64 962	256 103	219 892	434 973

Note 4 Financial items

In thousands of EUR	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019
Net foreign exchange gain	0	93	0	176
Income on interest rate swaps	0	0	0	918
Income from other financial assets	0	0	1	1
Total finance income	0	93	1	1 095
Net foreign exchange loss	-277	0	-286	0
Interest expense on financial liabilities measured at amortised cost	-3 732	-3 924	-7 256	-7 651
Expenses on interest rate swaps	0	0	0	-1 029
Interest expense on right-of-use asset lease liabilities	-579	-582	-1 158	-1 157
Total finance costs	-4 588	-4 506	-8 700	-9 837
Net finance costs	-4 588	-4 413	-8 699	-8 742

Note 5 Earnings per share

Earnings per share (EPS) are calculated by dividing the net profit/loss for the period attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period.

At the end of the period, in thousands	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019
Shares issued	669 882	669 882	669 882	669 882
Shares outstanding	669 882	669 882	669 882	669 882
For the period, in thousands of EUR	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019
Weighted average number of ordinary shares outstanding (in thousands)	669 882	669 882	669 882	669 880
Net loss attributable to equity holders of the Parent	-27 371	14 890	-57 569	-10 365
Loss per share	-0.041	0.022	-0.086	-0.015

Note 6 Property, plant and equipment

In thousands of EUR	Land and buildings	Ships	Plant and equipment	Right-of-use assets	Assets under construction	Total
Book value as at 31 December 2019	1 870	1 173 534	56 985	97 723	16 981	1 347 093
Additions	13	8 500	2 117	10 098	28 512	49 240
Reclassification	0	9 424	6 132	0	-15 556	0
Disposals	0	0	-68	-315	0	-383
Depreciation for the period	-232	-29 953	-8 009	-8 023	0	-46 217
Book value as at 30 June 2020	1 651	1 161 505	57 157	99 483	29 937	1 349 733
As at 30 June 2020						
Gross carrying amount	8 278	1 664 294	107 382	122 161	29 937	1 932 052
Accumulated depreciation	-6 627	-502 789	-50 225	-22 678	0	-582 319
Book value as at 31 December 2018	2 324	1 215 295	43 658	0	6 651	1 267 928
Initial application of IFRS 16	0	0	0	100 770	0	100 770
Adjusted book value as at 1 January 2019	2 324	1 215 295	43 658	100 770	6 651	1 368 698
Additions	0	0	8 807	8 792	32 209	49 808
Reclassification	0	16 065	7 424	0	-23 489	0
Disposals	0	0	-125	-204	0	-329
Depreciation for the period	-259	-30 613	-6 634	-7 251	0	-44 757
Book value as at 30 June 2019	2 065	1 200 747	53 130	102 107	15 371	1 373 420
As at 30 June 2019						
Gross carrying amount	8 226	1 645 931	92 680	109 319	15 371	1 871 527
Accumulated depreciation	-6 161	-445 184	-39 550	-7 212	0	-498 107

Right-of-use assets

In thousands of EUR	Buildings and premises	Plant and equipment	Total right-of-use assets
Book value as at 31 December 2019	97 142	581	97 723
Additions	9 391	707	10 098
Disposals	-74	-241	-315
Depreciation for the period	-7 818	-205	-8 023
Book value as at 30 June 2020	98 641	842	99 483
As at 30 June 2020			
Gross carrying amount	120 874	1 287	122 161
Accumulated depreciation	-22 233	-445	-22 678
Book value as at 31 December 2018	0	0	0
Initial application of IFRS 16	99 701	1 069	100 770
Adjusted book value as at 1 January 2019	99 701	1 069	100 770
Additions	8 786	6	8 792
Disposals	-204	0	-204
Depreciation for the period	-7 003	-248	-7 251
Book value as at 30 June 2019	101 280	827	102 107
As at 30 June 2019			
Gross carrying amount	108 244	1 075	109 319
Accumulated depreciation	-6 964	-248	-7 212

Note 7 Intangible assets

In thousands of EUR	Goodwill	Trademark	Other	Assets under construction	Total
Book value as at 31 December 2019	11 066	18 922	13 055	1 221	44 264
Additions	0	0	272	2 079	2 351
Reclassification	0	0	567	-567	0
Amortisation for the period	0	-1 458	-2 259	0	-3 717
Book value as at 30 June 2020	11 066	17 464	11 635	2 733	42 898
As at 30 June 2020					
Cost	11 066	58 288	37 457	2 733	109 544
Accumulated amortisation	0	-40 824	-25 822	0	-66 646
Book value as at 31 December 2018	11 066	21 838	12 000	1 260	46 164
Additions	0	0	406	2 313	2 719
Reclassification	0	0	1 344	-1 344	0
Amortisation for the period	0	-1 458	-1 785	0	-3 243
Book value as at 30 June 2019	11 066	20 380	11 965	2 229	45 640
As at 30 June 2019					
Cost	11 066	58 288	33 738	2 229	105 321
Accumulated amortisation	0	-37 908	-21 773	0	-59 681

Note 8 Interest-bearing loans and borrowings

In thousands of EUR	31.12.2019	Addition	Repayments	Exchange differences	Other changes ¹	30.06.2020
Lease liabilities	304	79	-46	-1	-35	301
Right-of-use assets lease liabilities	101 577	10 098	-4 868	-24	-330	106 453
Overdrafts	0	32 005	0	0	0	32 005
Long-term bank loans	475 999	15 000	-14 667	0	568	476 900
Total borrowings	577 880	57 182	-19 581	-25	203	615 659
Current portion	89 198					130 066
Non-current portion	488 682					485 593
Total borrowings	577 880					615 659

In thousands of EUR	31.12.2018	Addition	Repayments	Exchange differences	Other changes ¹	30.06.2019
Lease liabilities	428	17	-53	-12	-23	357
Right-of-use assets lease liabilities	0	113 152	-7 081	-59	-203	105 809
Overdrafts	0	19 009	0	0	0	19 009
Long-term bank loans	509 707	0	-31 334	0	612	478 985
Total borrowings	510 135	132 178	-38 468	-71	386	604 160
Current portion	78 658					108 190
Non-current portion	431 477					495 970
Total borrowings	510 135					604 160

¹ Capitalisation and amortisation of transaction costs and the termination of lease agreements.

Bank overdrafts are secured with commercial pledges (in the total amount of EUR 20 204 thousand) and ship mortgages. Tallink Grupp AS has given guarantees to Nordea Bank Plc and Danske Bank A/S for loans of EUR 154 768 thousand granted to its ship-owning subsidiaries. Ship-owning subsidiaries have given guarantees to Nordea Bank Finland Plc and Swedbank AS for loans of EUR 322 132 thousand granted to Tallink Grupp AS. The primary securities for these loans are pledges of the shares in the ship-owning subsidiaries and mortgages on the ships belonging to the aforementioned subsidiaries.

Note 9 Share capital

According to the articles of association of the Parent the maximum number of ordinary shares is 2 400 000 000. Each share grants one vote at the shareholders' general meeting. Shares acquired by the transfer of ownership are eligible for participating in and voting at a general meeting only if the ownership change is recorded in the Estonian Central Registry of Securities at the time used to determine the list of shareholders for the given shareholders' general meeting.

Tallink Grupp AS has 669 882 040 registered shares without nominal value and the notional value of each share is EUR 0.47.

Note 10 Dividends

In October 2018, the Management Board of Tallink Grupp AS decided to supplement the Company's dividend policy, according to which if the economic performance enables it, dividends would be paid in the minimum amount of EUR 0.05 per share.

Due to a deteriorated operating environment and considering the Company's long-term interests, on 30 July 2020, the shareholders' general meeting decided not to pay dividend from net profit for 2019.

Note 11 Related party disclosures

The Group has conducted transactions with related parties and has outstanding balances with related parties.

For the period ended 30 June 2020, in thousands of EUR	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Companies controlled by the Key Management Personnel	321	10 685	69	3 922
Associated companies	4	66	0	5
Total	325	10 751	69	3 927

For the period ended 30 June 2019, in thousands of EUR	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Companies controlled by the Key Management Personnel	466	11 469	239	1 678
Associated companies	1	83	0	18
Total	467	11 552	239	1 696

STATEMENT BY THE MANAGEMENT BOARD

Hereby we acknowledge our responsibility for the Tallink Grupp AS Unaudited Condensed Consolidated Interim Financial Statements for the second quarter 2020 and confirm that these financial statements have been prepared in accordance with IAS 34 and give a true and fair view of the Group's financial position, financial performance and cash flows.

Giving also consideration to the ongoing negotiations to ensure additional funding the Management Board is of opinion that Tallink Grupp AS and its subsidiaries are able to continue as going concerns for a period of at least one year after the date of approval of these interim financial statements.



Paavo Nõgene
Chairman of the Management Board



Lembit Kitter
Member of the Management Board



Kadri Land
Member of the Management Board



Harri Hanschmidt
Member of the Management Board



Piret Mürk-Dubout
Member of the Management Board



Tallinn, 6 August 2020

ALTERNATIVE PERFORMANCE MEASURES

Tallink Grupp AS presents certain performance measures as key figures, which in accordance with the “Alternative Performance Measures” guidance by the European Securities and Markets Authority (ESMA) are not accounting measures of historical financial performance, financial position and cash flows, defined or specified in IFRS, but which are instead non-financial measures and alternative performance measures (APMs).

The non-financial measures and APMs provide the management, investors, securities analysts and other parties significant additional information related to the Group’s results of operations, financial position or cash flows and are often used by analysts, investors and other parties.

The non-financial measures and APMs should not be considered in isolation or as substitute to the measures under IFRS. The APMs are unaudited.

Calculation formulas of alternative performance measures

EBITDA: result from operating activities before net financial items, share of profit of equity-accounted investees, taxes, depreciation and amortization

EBIT: result from operating activities

Earnings per share: net profit or loss / weighted average number of shares outstanding

Equity ratio: total equity / total assets

Shareholder’s equity per share: shareholder’s equity / number of shares outstanding

Gross margin: gross profit / net sales

EBITDA margin: EBITDA / net sales

EBIT margin: EBIT / net sales

Net profit margin: net profit or loss / net sales

Capital expenditure: additions to property, plant and equipment – additions to right-of-use assets + additions to intangible assets

ROA: earnings before net financial items, taxes 12-months trailing / average total assets

ROE: net profit 12-months trailing / average shareholders’ equity

ROCE: earnings before net financial items, taxes 12-months trailing / (total assets – current liabilities (average for the period))

Net debt: interest-bearing liabilities less cash and cash equivalents

Net debt to EBITDA: net debt / EBITDA 12-months trailing

Reconciliations of certain alternative performance measures

In thousands of EUR	Q2 2020	Q2 2019
Depreciation	23 312	21 669
Amortisation	1 849	1 659
Depreciation and amortisation	25 161	23 328
Result from operating activities	-22 739	27 407
Depreciation and amortisation	25 161	23 328
EBITDA	2 422	50 735
EBITDA	2 422	50 735
IFRS 16 adoption effect	-4 652	-4 273
EBITDA adjusted	-2 230	46 462
Additions to property, plant and equipment	13 666	16 738
Additions to intangible assets	724	1 718
Capital expenditures	14 390	18 456
Net loss for the period	-27 371	14 890
Weighted average number of shares outstanding	669 882 040	669 882 040
Loss per share (EUR)	-0.041	0.022
Lease liabilities	301	357
Lease liabilities related to right-of-use assets	106 453	105 809
Overdraft	32 005	19 009
Long-term bank loans	476 900	478 985
Interest-bearing liabilities	615 659	604 160
Gross profit/loss	-21 895	60 634
Net sales	64 962	256 103
Gross margin	-33.7%	23.7%
EBITDA	2 422	50 735
Net sales	64 962	256 103
EBITDA margin	3.7%	19.8%
EBITDA adjusted	-2 230	46 462
Net sales	64 962	256 103
EBITDA margin adjusted	-3.4%	18.1%
EBIT	-22 739	27 407
Net sales	64 962	256 103
EBIT margin	-35.0%	10.7%
Net profit/loss	-27 371	14 890
Net sales	64 962	256 103
Net profit/loss margin	-42.1%	5.8%
Result from operating activities 12-months trailing	19 589	61 436
Total assets 30 June (previous year)	1 609 873	1 554 542
Total assets 30 September	1 564 197	1 534 787
Total assets 31 December	1 532 963	1 500 904
Total assets 31 March	1 517 773	1 572 259
Total assets 30 June	1 505 876	1 609 873
Average assets	1 546 136	1 554 473
ROA	1.3%	4.0%

In thousands of EUR	Q2 2020	Q2 2019
Net profit 12-months trailing	2 514	33 971
Total equity 30 June (previous year)	809 907	812 701
Total equity 30 September	817 658	858 705
Total equity 31 December	822 837	856 916
Total equity 31 March	793 224	828 255
Total equity 30 June	765 349	809 907
Average equity	801 795	833 297
ROE	0.3%	4.1%
Result from operating activities 12-months trailing	19 589	61 436
Total assets 30 June (previous year)	1 609 873	1 554 542
Total assets 30 September	1 564 197	1 534 787
Total assets 31 December	1 532 963	1 500 904
Total assets 31 March	1 517 773	1 572 259
Total assets 30 June	1 505 876	1 609 873
Current liabilities 30 June (previous year)	303 996	367 624
Current liabilities 30 September	276 139	322 785
Current liabilities 31 December	221 444	212 489
Current liabilities 31 March	234 336	240 074
Current liabilities 30 June	254 934	303 996
Total assets - current liabilities 30 June (previous year)	1 305 877	1 186 918
Total assets - current liabilities 30 September	1 288 058	1 212 002
Total assets - current liabilities 31 December	1 311 519	1 288 415
Total assets - current liabilities 31 March	1 283 437	1 332 185
Total assets - current liabilities 30 June	1 250 942	1 305 877
Average assets - current liabilities	1 287 967	1 265 079
ROCE	1.5%	4.9%
In thousands of EUR	30.06.2020	31.03.2020
Interest-bearing liabilities	615 659	590 997
Cash and cash equivalents	21 892	16 462
Net debt	593 767	574 535
Total equity	765 349	793 224
Total assets	1 505 876	1 517 773
Equity ratio	50.8%	52.3%
Equity attributable to equity holders of the Parent	765 349	793 224
Number of ordinary shares outstanding	669 882 040	669 882 040
Shareholders' equity per share (EUR per share)	1.14	1.18
Net debt	593 767	574 535
12-months trailing		
Depreciation	90 816	89 173
Amortisation	7 367	7 177
Depreciation and amortisation	98 183	96 350
EBITDA	117 772	166 085
Net debt to EBITDA	5.0	3.5

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