

12 JUNE 2018

# ANNUAL GENERAL MEETING



# AGENDA

- Approval of the Annual Report of the financial year 2017 of AS Tallink Grupp
- Proposal on distribution of profits
- Extension of authorities of the member of the supervisory board
- Appointment of an auditor for the financial year 2018 and the determination of the procedure of remuneration of an auditor

# TALLINK GRUPP TODAY

## 14 SHIPS

- 11 in core passenger operations
- 2 dedicated to cargo service
- 1 chartered out
- 9966 trips

## 5 HOTELS

- 4 hotels in Tallinn
- 1 hotel in Riga
- 311 000 stays

## 7 291 EMPLOYEES

- 5 114 on the sea
- 552 in hotels
- 1 625 in onshore organisation

## 9.8 MILLION PASSENGERS

- 4.6 million 
- 1.9 million 
- 1.1 million 
- 0.4 million 
- 1.8 million other countries

47% PASSENGER MARKET SHARE OF THE NORTHERN BALTIC SEA

# GROUP OF STRONG BRANDS



→ EST-FIN, EST-SWE, LAT-SWE, cargo routes



→ FIN-SWE routes







→ Hotels in Tallinn and Riga



→ Loyalty programme with 2.4 million members

# WIDE RANGE OF DINING CONCEPTS ON OUR SHIPS

OWN BRANDS AND INTERNATIONAL PREMIUM BRANDS

<p><b>BUFFET</b></p> <p><b>RESTAURANTS</b></p>	 <p>GRANDE BUFFET</p>  <p>DELIGHT BUFFET</p>
<p><b>À LA CARTE</b></p> <p><b>RESTAURANTS</b></p>	 <p>GRILL HOUSE RESTAURANT</p>  <p>TAVOLATA RISTORANTE ITALIANO</p>  <p>HAPPY LOBSTER</p>  <p>The Dining Room</p>  <p>The Chef's KITCHEN</p>
<p><b>FINE DINING</b></p> <p><b>RESTAURANTS</b></p>	 <p>BON VIVANT restaurant</p> <p>Gourmet VICTORIA</p> <p>Gourmet Baltic Queen</p>  <p>ALEKSANDRA RUSSIAN A'LA CARTE</p>
<p><b>QUICK SERVICE</b></p> <p><b>RESTAURANTS</b></p>	 <p>COFFEE &amp; CO.</p>  <p>FAST LANE</p>  <p>WE PROUDLY SERVE</p> <p>Sushi &amp; Co.</p>  <p>BURGER KING</p>

# CORE RETAIL BRANDS ON-BOARD OUR SHIPS



→ In addition three **ESPRIT** brand stores in Tallinn and Tartu

# GLOBAL POSITION

## OPERATORS BY GROSS TONS

	Company	Gross tons
1	Stena Line	1 064 790
2	Grimaldi Lines	701 340
3	Tallink	512 817
4	DFDS Seaways	438 479
5	P&O Ferries	409 659

## OPERATORS BY BEDS

	Company	Beds
1	Tallink	24 821
2	Stena Line	16 985
3	Viking Line	14 026
4	Grand Navi Veloci	13 328
5	Corsica ferries	11 676

## OPERATORS BY REVENUE (2017)

	Company	Revenue (mEuro)
1	DFDS Group	1 925
2	Stena Line	1 322
3	Tallink	967
4	Finnlines	536
5	Viking Line	523

Source: ShipPax MARKET:17, company reports

# BUSINESS ENVIRONMENT

## TRAVEL & LEISURE INDUSTRY



- Growth from new markets globally
- Growth in Europe and Nordics
- Growth in domestic travel

## DEMOGRAPHICS



- Ageing population
- More people have free time

## DISPOSABLE INCOME



- Growth in all countries
- More spend devoted to free time

## RETAIL SALES



- Modest inflation and continuous growth in total retail spending



# EXTERNAL FACTORS

## LAND BASED COMPETITION



- New ways to spend free time
- New business concepts
- New restaurants, shops etc.

## DIRECT COMPETITION



- Pricing
- Investments
- Changes in Tallinn-Helsinki route

## GEOPOLITICAL SITUATION



- Free movement of travellers
- The number of passengers from Russia remains low
- The number of Asian passengers continues to grow

## ECONOMY

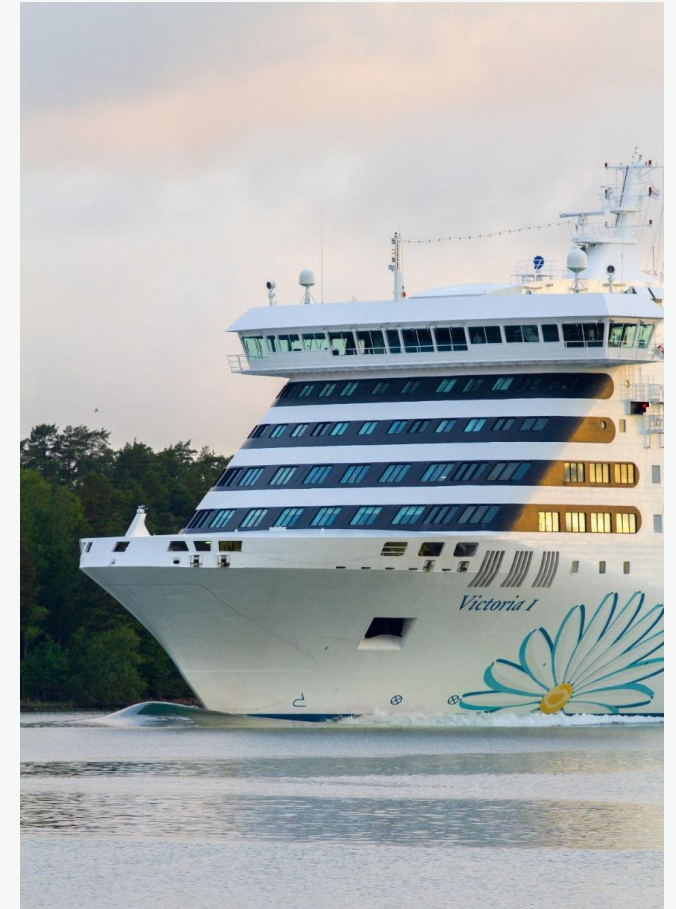


- Strong economies in all markets but unfavourable tax changes

# STRATEGY

THE MAIN GOALS OF THE STRATEGY THAT IS DIRECTED TOWARD INCREASING TALLINK'S VALUE AND PROFITABILITY:

- Increase the volumes and strengthen the market position in the region
- Cost efficient operations
- Strive for the highest level of customer satisfaction
- Develop a wide range of quality services for different customers and to pursue new growth opportunities
- Regular investments to improve and diversify the service quality of the passenger area
- Optimal debt level that allows sustainable dividends



# CAPITAL DISTRIBUTION

TALLINK GRUPP HAS MADE A TOTAL OF EUR 141 MILLION PAYMENTS FROM EQUITY TO SHAREHOLDERS IN THE PERIOD 2013-2017

## DIVIDEND POLICY

- In May 2018, the Management Board of Tallink Grupp AS decided to raise the minimum dividend rate by 50% to EUR 0.03 per share. The management board of Tallink Grupp AS states that the company is working to ensure that Tallink Grupp AS is a stable dividend payer and that the dividend paid to investors will increase over time.
- To the annual general meeting of 2018 the Management Board will propose a dividend of EUR 0.03 per share from the net profit for 2017.

# TALLINK GRUPP 2017

- All time high annual passenger number
- Strong growth of the cargo business
- New LNG fast ferry Megastar started on Tallinn - Helsinki route
- New Helsinki passenger terminal taken into use
- Lower chartering revenues compared to last year
- Scheduled maintenances of five ships in Q1
- Group-wide ship renovation program continues
- Increased competition on Tallinn – Helsinki route
- Lower costs from termination of the fast ferry Superstar charter
- Effects from re-routing of vessels in December 2016
- One cruise ferry on Tallinn – Helsinki route
- Two cruise ferries on Riga – Stockholm route
- Sale of two Superfast vessels



Tallink Grupp's passenger market share is 47% of the Northern Baltic Sea

# LNG SHUTTLE FERRY MEGASTAR

## DEVELOPMENT OF THE TALLINN–HELSINKI SHUTTLE SERVICE

### SPECIFICATIONS

- Gross tonnage 49 000
- Length 212 meters
- Capacity 2 800 passengers
- Lane meters 3 600
- Dual fuel engine
- Service speed 27 knots
- Built in Meyer Turku Shipyard



LNG POWERED SHUTTLE FERRY MEGASTAR CARRIED MORE THAN 2 MILLION PASSENGERS DURING THE FIRST YEAR OF OPERATIONS ON THE TALLINN–HELSINKI SHUTTLE SERVICE

# LNG SHUTTLE FERRY MEGASTAR

A SAFER SHIP WITH A SMALLER ECOLOGICAL FOOTPRINT

TECHNICAL INNOVATIONS DELIVER IMPROVED SAFETY, HIGH ENERGY EFFICIENCY AND ENVIRONMENTAL SAVINGS

- Safe Return to Port (SRtP) compliant ship
- Dual fuel ship uses environmentally friendly LNG as main fuel
- LNG produces 25% less CO<sub>2</sub>, 85% less NO<sub>x</sub> and almost zero SO<sub>x</sub> and particles
- Improved ship hull hydrodynamics enable very low hull resistance and high propulsion efficiency to further minimise fuel consumption and emissions
- Ship's Green Passport - improved waste management and recycling

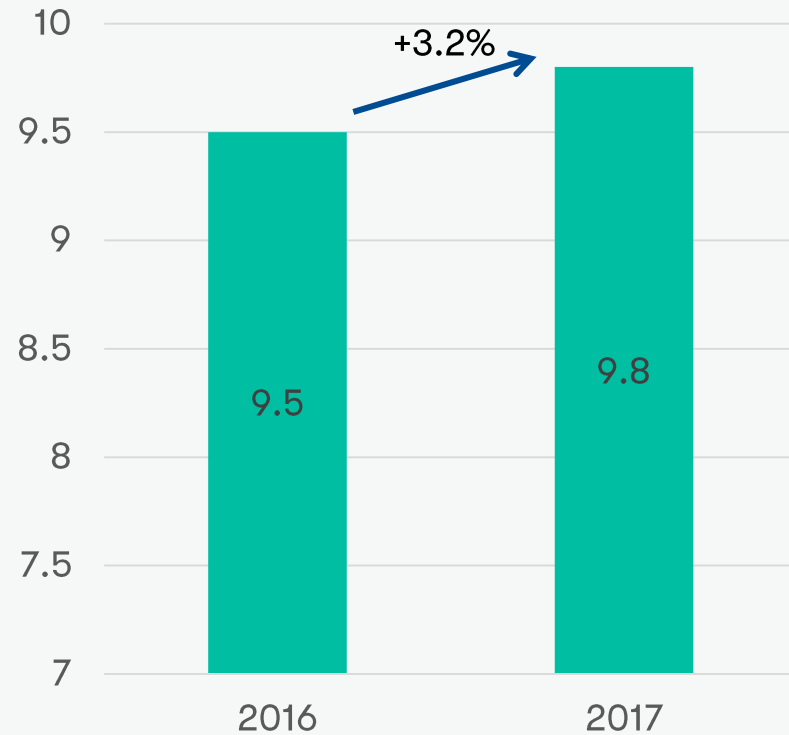


The Shippax Technology and Design Award 2017 was given to Megastar for being the world's most advanced ro-pax ferry

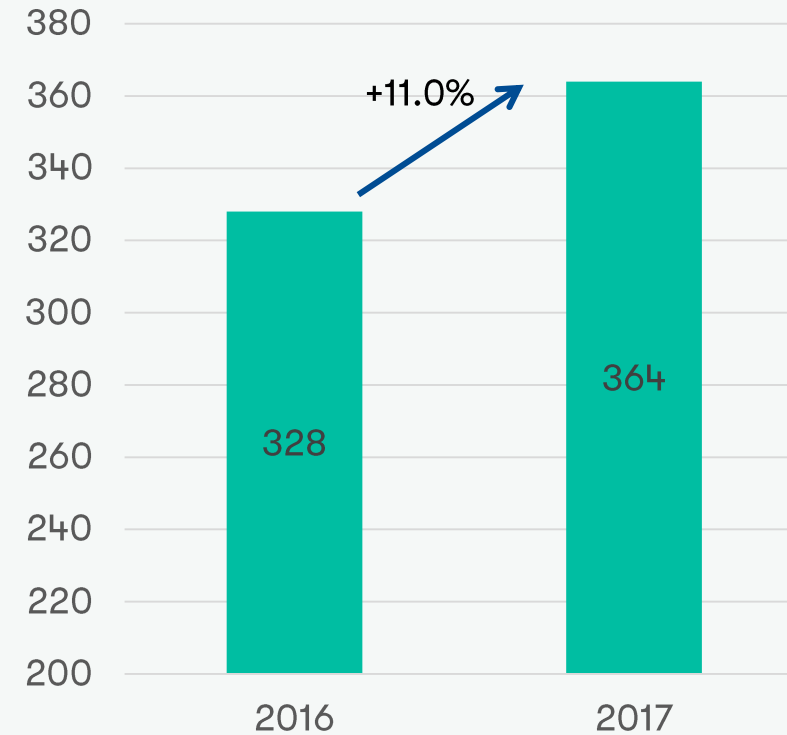
MEGASTAR COMPLIES WITH THE CURRENT AND KNOWN FUTURE EMISSION REGULATIONS FOR THE EMISSION CONTROL AREAS, INCLUDING THE BALTIC SEA

# RESULTS OF THE 2017 FINANCIAL YEAR

PASSENGERS (MILLIONS)



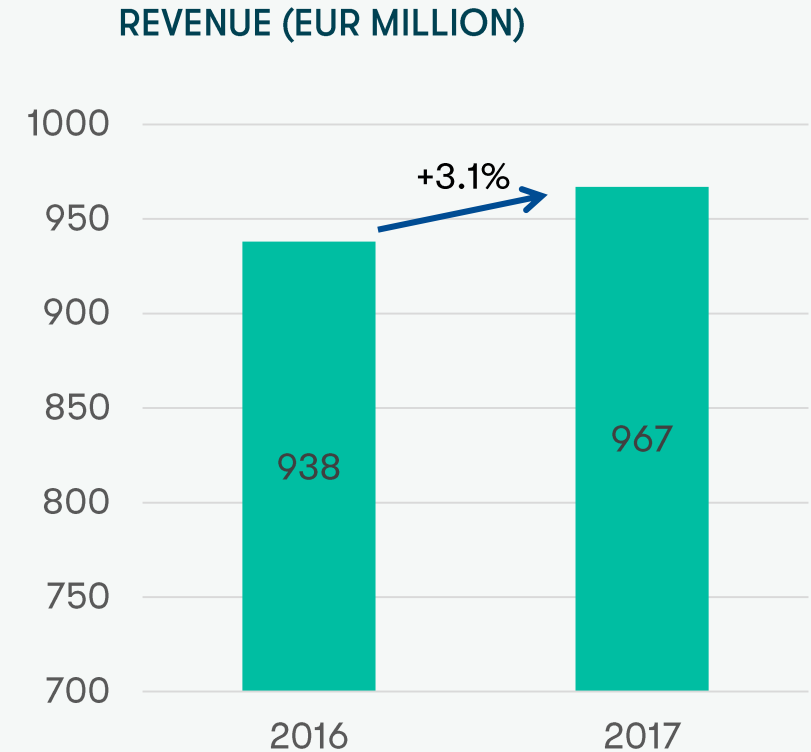
CARGO UNITS (THOUSANDS)



# RESULTS OF THE 2017 FINANCIAL YEAR

Income statement	2016	2017
Revenue (EUR million)	938	967
Gross profit (EUR million)	193	195
EBITDA <sup>(1)</sup> (EUR million)	149	158
Net profit/-loss (EUR million)	44	46
EPS	0.066	0.069

(1) EBITDA – earnings before net financial items, share of profit of equity accounted investees, taxes, depreciaton and amortization.





# RESULTS OF THE 2017 FINANCIAL YEAR

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- Ticket and on-board revenue growth from routes ~EUR 22 M
- Cargo revenue growth ~EUR 14 M
- Less Superstar charter cost
- Less financial cost ~EUR 6 M

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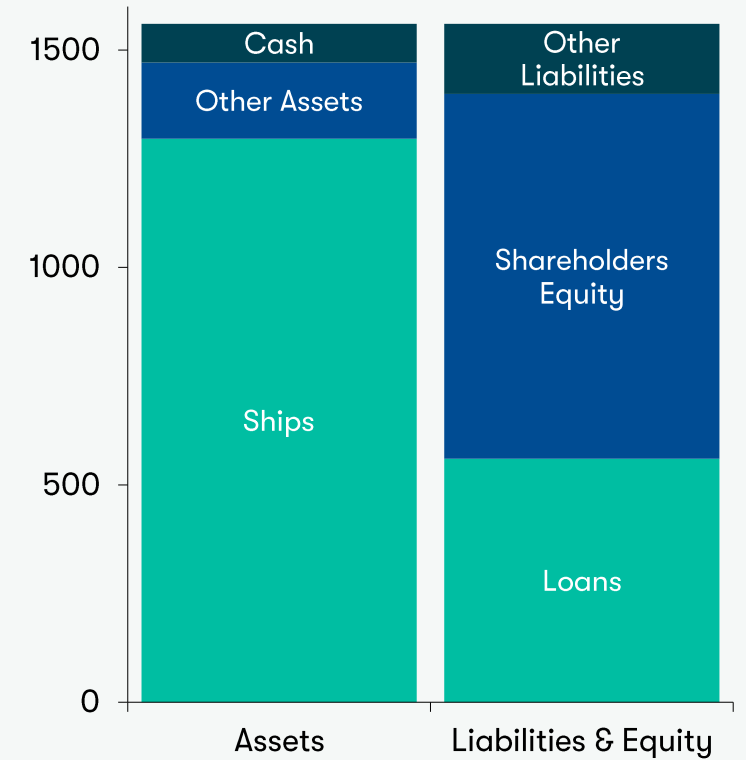
- Less revenue from chartering of ships ~EUR 7 M
- Additional costs from more ships in operations and cost inflation ~EUR 37 M, including:
  - Fuel cost EUR 12 M
  - Staff cost EUR 8 M
  - Depreciation EUR 9 M

# RESULTS OF THE 2017 FINANCIAL YEAR

Cash flow statement	2016	2017
	(EUR million)	
Cash flows from operating activities	147	136
Investments	-68	-219
Asset disposal	0	132
New loans	280	184
Redemption of loans	-277	-174
Interests & other financial items	-31	-25
Dividends & tax	-54	-24
Total net cash flow	-3	10
Cash at the end of period	79	89

# RESULTS OF THE 2017 FINANCIAL YEAR

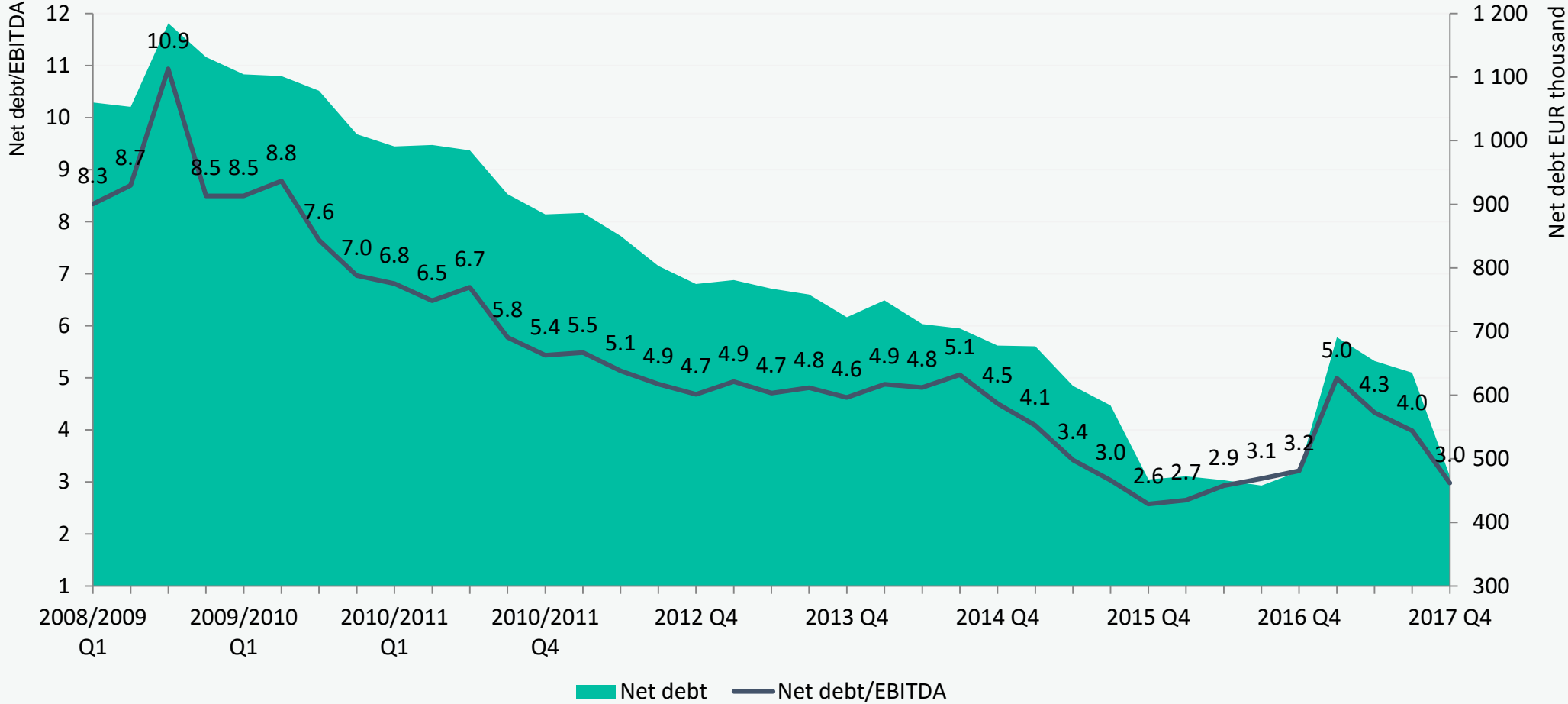
Financial position	31.12.2016	31.12.2017	change
Assets (EUR million)	1 539	1 559	1.3%
Interest bearing liabilities (EUR million)	559	561	0.0%
Shareholder's equity (EUR million)	810	836	3.2%
Shareholder's equity per share (EUR)	1.21	1.25	3.2%
Equity ratio	53%	54%	



# SHAREHOLDERS' EQUITY PER SHARE



# NET DEBT



**THE NET DEBT HAS DECREASED BY OVER EUR 700 MILLION FROM THE PEAK IN 2009 TO EUR 472 MILLION**

# INTERESTRING FACTS FOR 2017

- Customers made a total of 8.6 million purchases in Tallink Grupp's stores
- Customers made a total of 12.1 million purchases in Tallink Grupp's restaurants and bars
- Tallink Grupp ships served 10.3 million meals
- Tallink Hotels provided 311 000 overnight stays
- Tallink Grupp ships carried 5790 km of vehicles and cargo
- Tallink Takso provided 839 000 taxi rides
- LNG Megastar produces 25% less CO<sub>2</sub> and 85% less nitrogen dioxide, which in turn saves the environment
- Among other products, 24 tonnes of herring, 47 tonnes of shrimp, 124 tonnes of salmon, 715 tonnes of potatoes and 397 000 litres of milk were consumed on ships

# AGENDA



Approval of the Annual Report of the financial year 2017 of AS Tallink  
Grupp



Proposal on distribution of profits



Extension of authorities of the member of the supervisory board



Appointment of an auditor for the financial year 2018 and the  
determination of the procedure of remuneration of an auditor

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# CHANGES ON THE MANAGEMENT BOARD

- In March 2018, the Supervisory Board of Tallink Grupp AS appointed Mr Paavo Nõgene as the Chairman of the Management Board from 1 May 2018 for a period of 3 years
- Since 1 May 2018, Tallink Grupp AS has had a four-member Management Board, consisting of Mr Paavo Nõgene, Mr Janek Stalmeister, Mr Andres Hunt and Mr Lembit Kitter

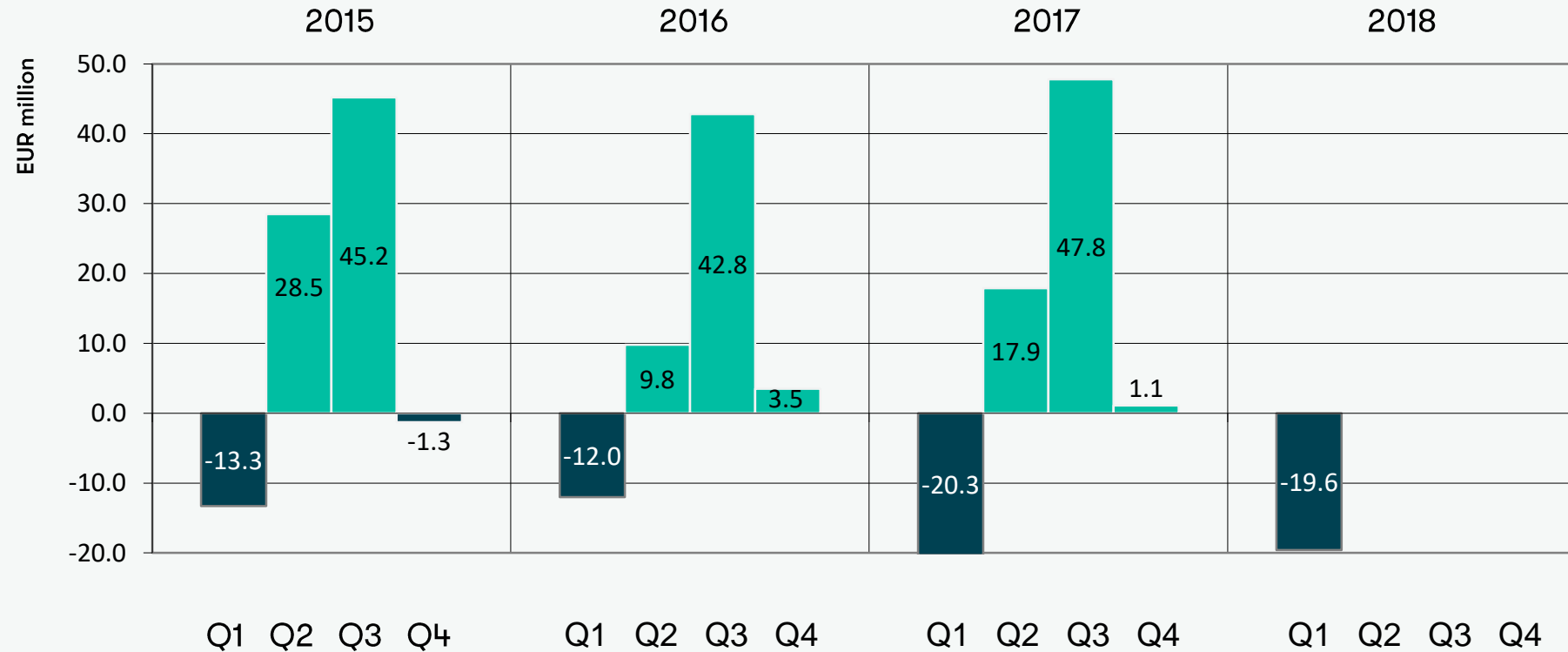
# I QUARTER RESULTS OF THE 2018 FINANCIAL YEAR

1 JANUARY – 31 MARCH 2018

		Q1 2017	Q1 2018	Change
Number of passengers	(Thousand)	1 940	1 930	-0.5%
Cargo Units	(Thousand)	84	91	8.2%
<b>Net Sales</b>	(EUR million)	<b>191.5</b>	<b>184.2</b>	<b>-3.9%</b>
EBITDA	(EUR million)	5.3	4.2	-20.3%
Net profit/-loss	(EUR million)	-20.3	-19.6	3.7%

# THE DYNAMICS OF HIGH SEASONALITY ON THE PROFIT LEVEL

## NET RESULT BY QUARTERS



TYPICAL TO THE TALLINK BUSINESS MODEL IS THAT  
MOST OF THE RESULT IS MADE IN THE SUMMER, THE HIGH SEASON

# I QUARTER RESULTS OF THE 2018 FINANCIAL YEAR

1 JANUARY – 31 MARCH 2018

		Q1 2017	Q1 2018	Change
Cash flows from operating activities	(EUR million)	-3	8	
Investments	(EUR million)	204	8	
New long term loan	(EUR million)	184	0	
Redemption of loans	(EUR million)	10	15	
Cash at the end of period	(EUR million)	72	70	
Net debt (as of the end of the 1st quarter)	(EUR million)	691	481	-30.4%

# CASH FLOW IN 2018



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- Cash flow from operations
- Refinancing of bond



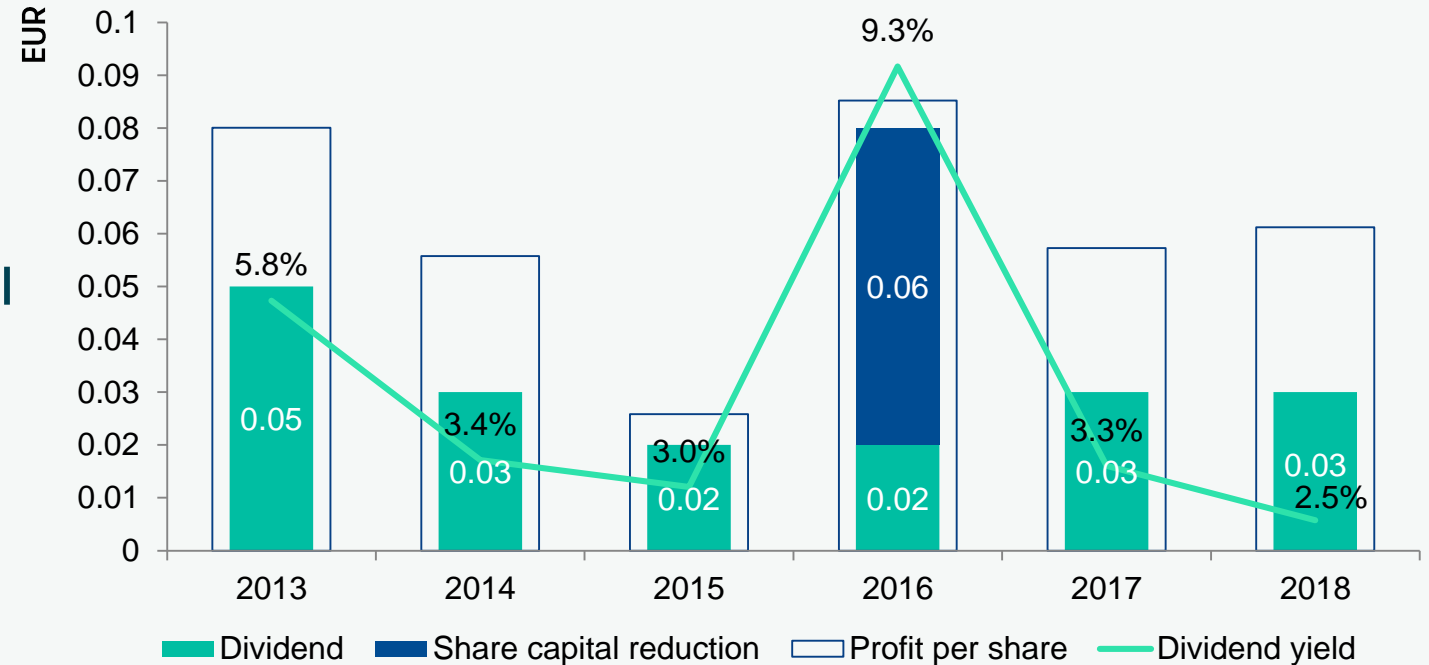
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- Capital expenditure and maintenance
- Scheduled loan repayments EUR 70 M and bond repayment EUR 120 M
- Interest
- Dividends & tax EUR 24 M

# DIVIDEND

## PROPOSAL ON DISTRIBUTION OF PROFITS

→ dividends to the shareholders  
0.03 euros per share, in the total  
amount of EUR 20 096 000




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