



# Annual General Meeting

13 June 2017



## Agenda

- 1. Approval of the Annual Report of the financial year 2016 of AS Tallink Grupp**
- 2. Proposal on distribution of profits**
- 3. Extension of authorities of the members of the supervisory board**
- 4. Appointment of an auditor for the financial year 2017 and the determination of the procedure of remuneration of an auditor**



## Tallink Grupp today

### 16 ships

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- 11 in core passenger operations
- 2 dedicated for cargo service
- 3 chartered out

### 7 291 employees

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

### 9.5 million passengers

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- 4.6 million 
- 1.9 million 
- 1.1 million 
- 0.3 million 
- 1.5 million other countries

**48% passenger market  
share of the Northern Baltic Sea**



## Global position

### Operators by **Gross Tons**

Rank	Company	Gross tons
1	Stena Line	909 412
2	Grimaldi Lines	477 667
<b>3</b>	<b>Tallink Grupp</b>	<b>466 960</b>
4	DFDS Seaways	412 722
5	P&O Ferries	409 659

### Operators by **beds**

Rank	Company	Beds
<b>1</b>	<b>Tallink Grupp</b>	<b>18 963</b>
2	Stena Line	16 847
3	Viking Line	14 026
4	Grandi Navi Veloci	13 328
5	Tirrenia	11 876

### Operators by **revenue (2016)**

Rank	Company	Revenue (mEuro)
1	DFDS Group	1 852
2	Stena Line	1 330
<b>3</b>	<b>Tallink Grupp</b>	<b>938</b>
4	Viking Line	520
5	Finnlines	474

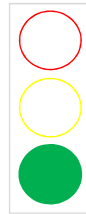
Source: ShipPax MARKET:16, company reports



# Business environment

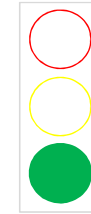
## Travel & leisure industry

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



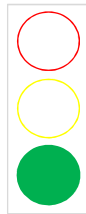
## Demographics

Ageing population  
more people have free time



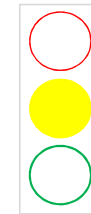
## Disposable income

Growth in all countries  
More spend devoted for free time



## Retail sales

Modest inflation and continuous  
growth in total retail spending

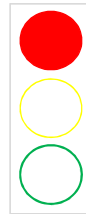




# External factors

## Land based competition

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



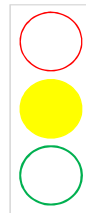
## Direct competition

Pricing  
Investments



## Geopolitical situation

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



## Economy

Economies recovering in the market area but unfavorable tax changes ahead





## 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
- Strive for the highest level of customer satisfaction
- Develop a wide range of quality services for different customers and to pursue new growth opportunities
- Cost efficient operations
- Optimal debt level that allows sustainable dividends





## Capital distribution

Tallink Grupp has made total of EUR 121 million payments from equity to shareholders in period 2013-2016.

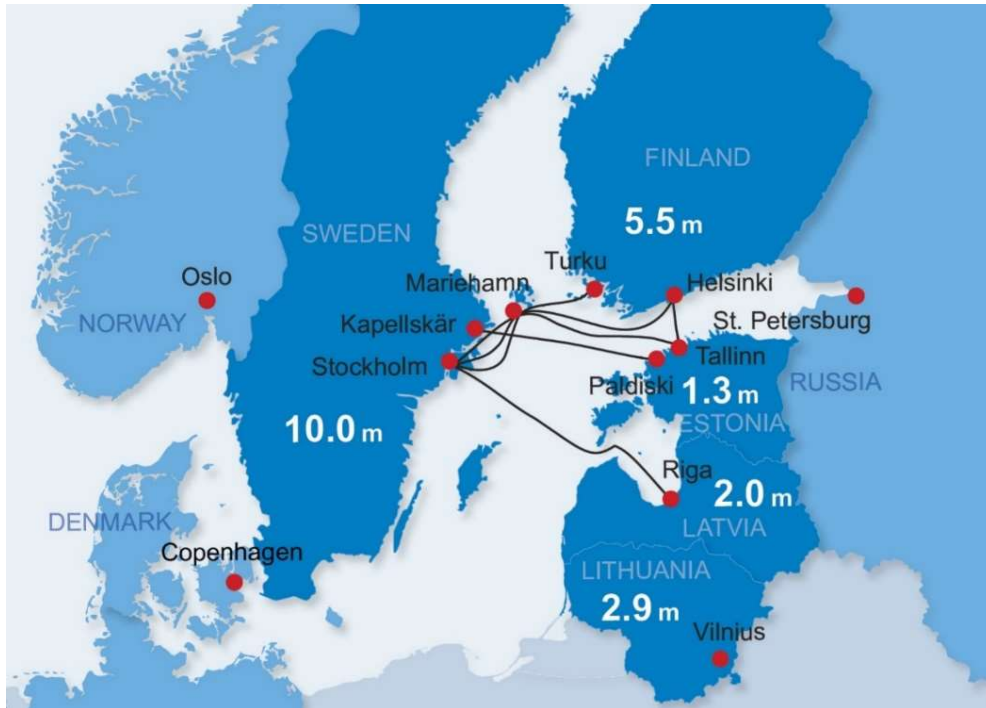
### Dividend policy

- The Management Board targets to distribute at least 50% of net profit, calculated over the long term, as dividends or capital repayment, taking however the Group's financial position into account. The management estimates that for the coming years the distribution per share will be at least EUR 0.02 or higher.





## Tallink Grupp 2016



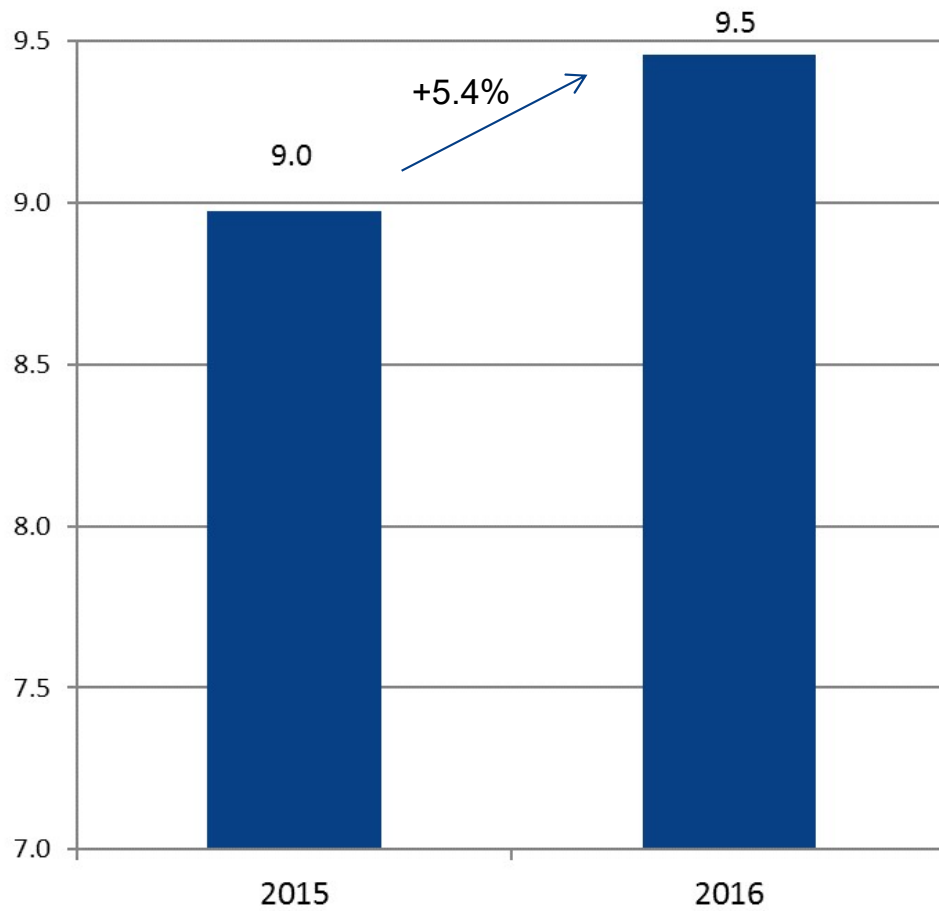
- Higher passenger number and revenue
- Lower chartering revenues compared to last year
- Market share growth on routes
- Cruise ferry Silja Europa's return to Tallinn-Helsinki route
- A new logistics centre launched in Maardu, Harjumaa
- New passenger terminals in Stockholm and Helsinki
- Ships re-rerouted in December 2016
- Group-wide ship renovation programme continued
- Construction of the new LNG fast ferry Megastar finalized
- Total of EUR 54 million distributions to shareholders

Tallink Grupp's passenger market share is 48% of the Northern Baltic Sea

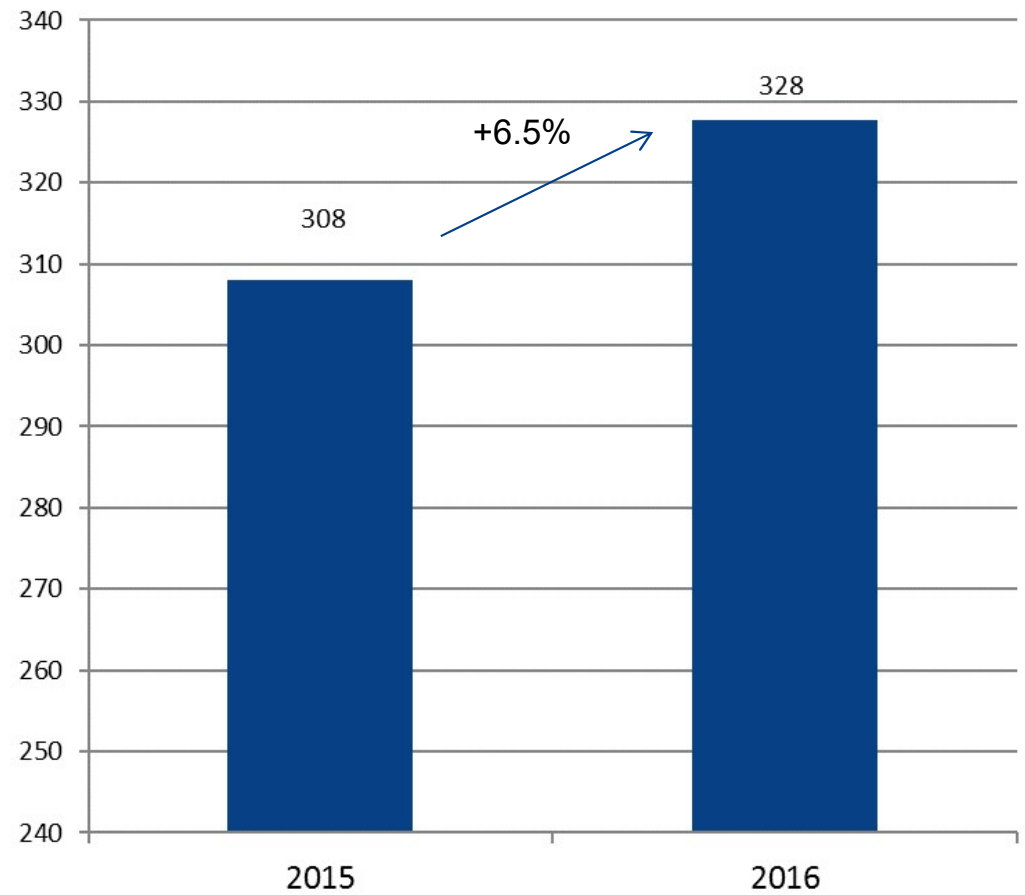


# Results of the 2016 financial year

## Passengers (millions)



## Cargo units (thousands)





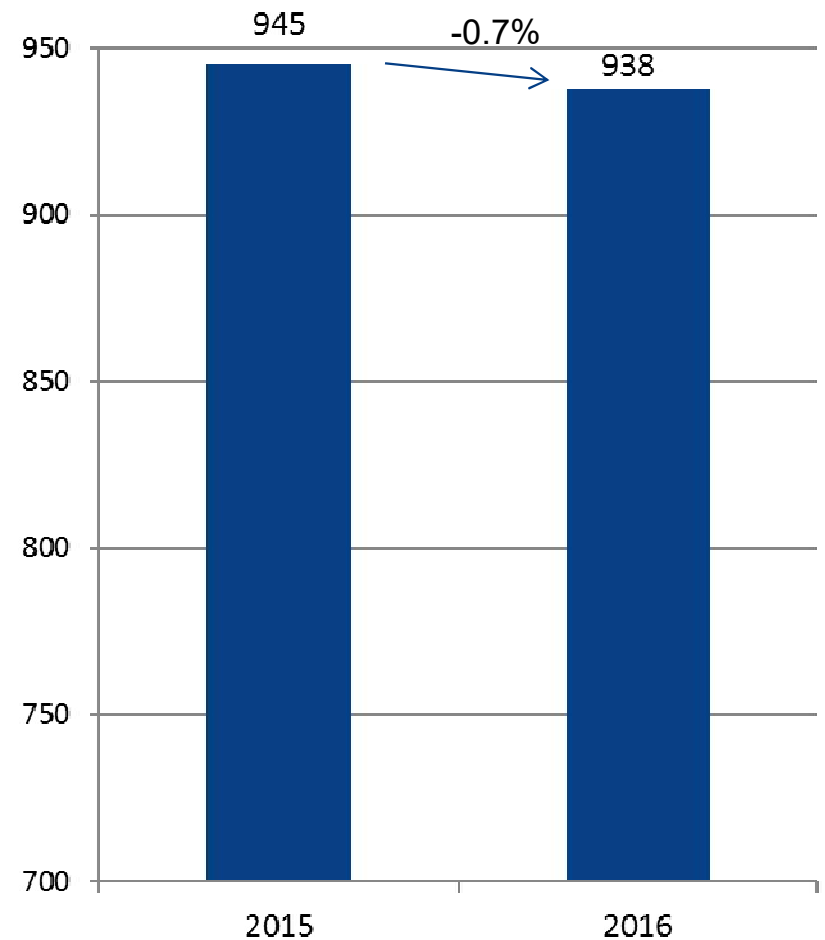
## Results of the 2016 financial year

### Income statement

	2015	2016
Revenue (EUR million)	945	<b>938</b>
Gross profit (EUR million)	223	<b>193</b>
EBITDA <sup>(1)</sup> (EUR million)	181	<b>149</b>
Net profit/-loss (EUR million)	59	<b>44</b>
EPS	0.09	<b>0.07</b>

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

### Revenue (EUR million)





## Results of the 2016 financial year



- Revenue growth from route operations and Silja Europa returning to operations ~EUR 29 M
- Less fuel cost ~EUR 20 M
- Less financial cost ~EUR 7 M



- Less revenue from chartering of ships ~EUR 37 M
- Additional operating costs from more ships in operations and ships' renovations ~EUR 32 M
- Superstar charter cost



## Results of the 2016 financial year

### Cash flow statement

(EUR million)

2015

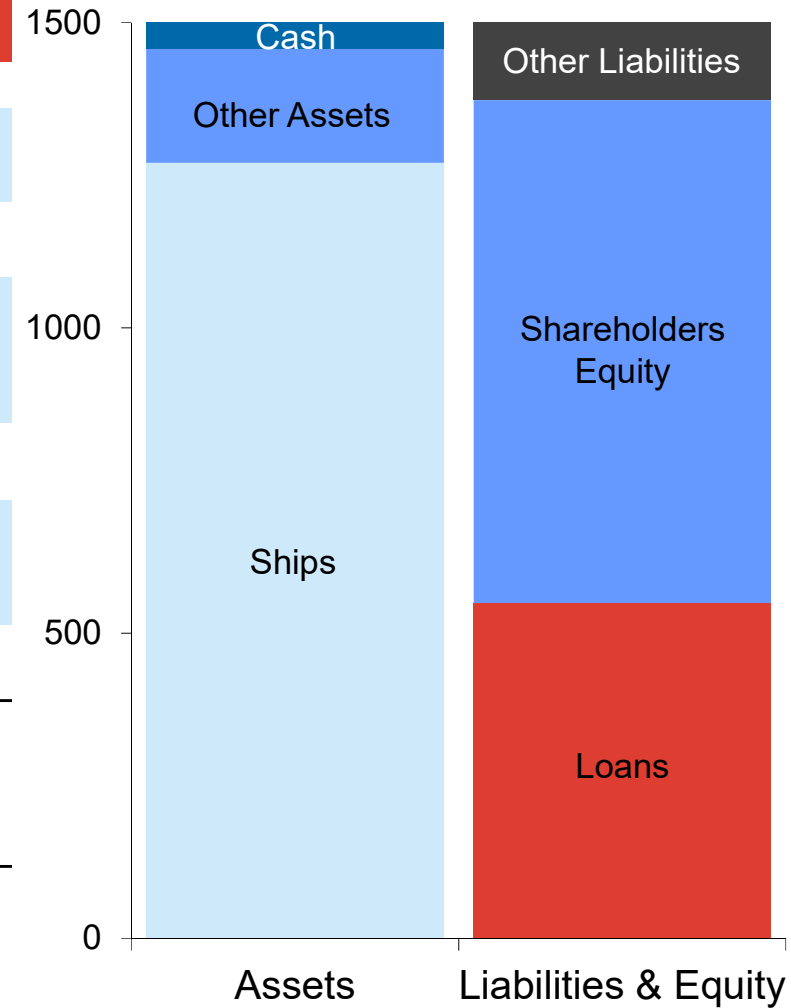
2016

Cash flows from operating activities	192	<b>147</b>
Investments	-44	<b>-68</b>
Asset disposal	115	<b>0</b>
New loans	0	<b>280</b>
Redemption of loans	-196	<b>-277</b>
Dividends	-13	<b>-54</b>
Total net cash flow	17	<b>-3</b>
Cash at the end of period	82	<b>79</b>



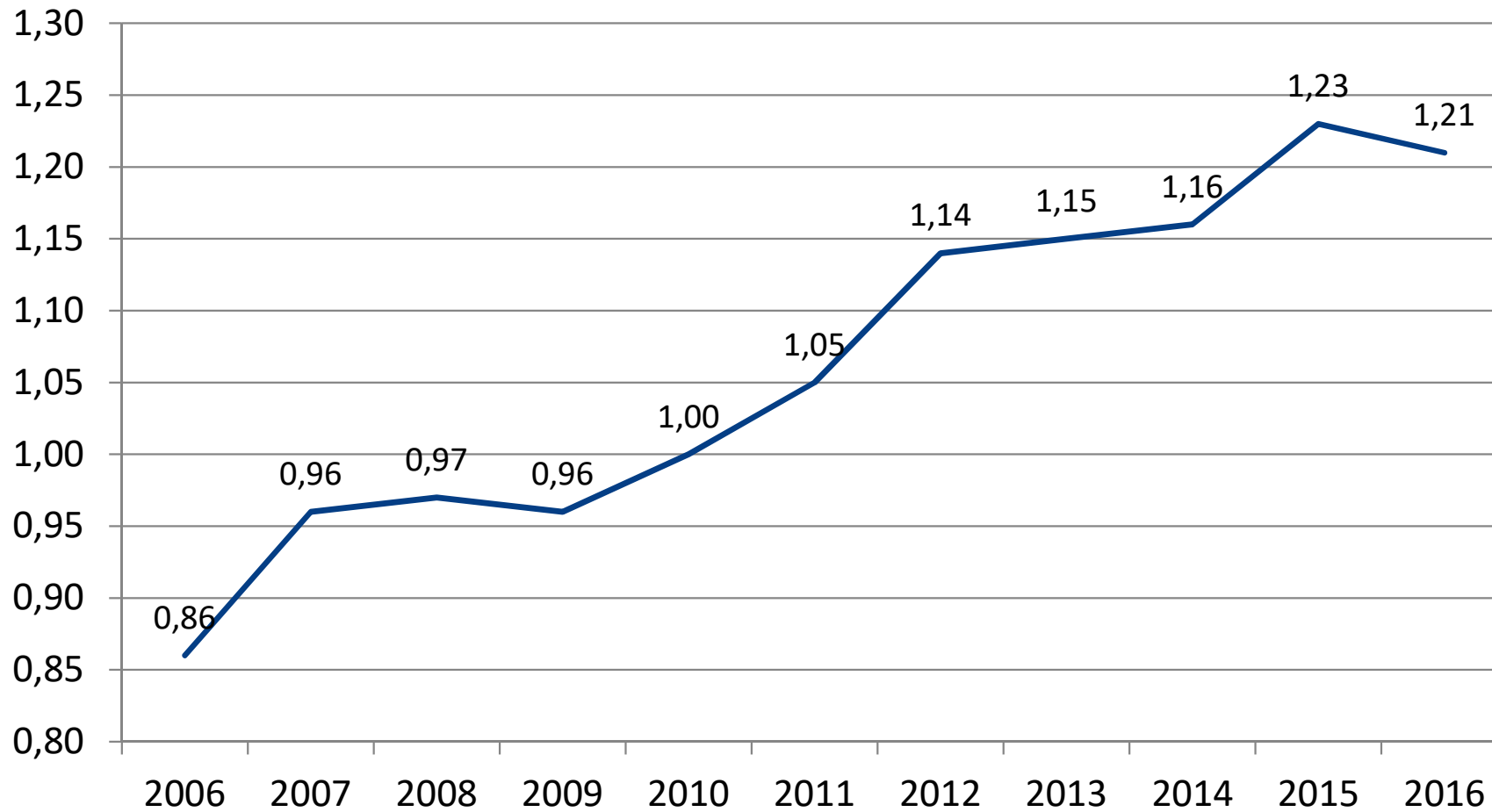
# Results of the 2016 financial year

Financial position	31.12.2015	31.12.2016	change
Assets (EUR million)	1 539	1 539	0.0%
Intrest bearing liabilities (EUR million)	549	559	1.7%
Shareholder's equity (EUR million)	824	814	-1.3%
Shareholder's equity per share (EUR)	1.23	1.21	-1.3%
Equity ratio	54%	53%	



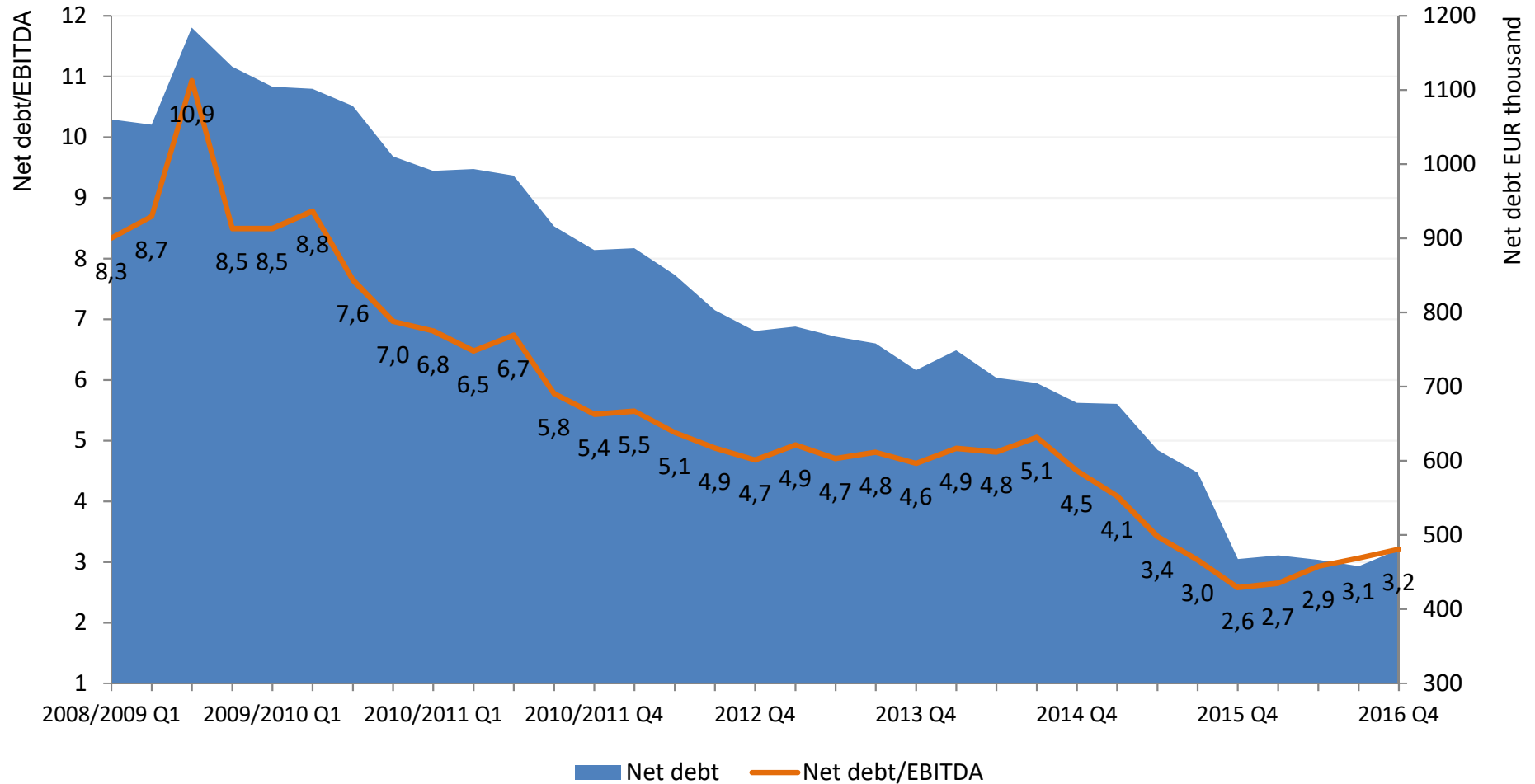


## Shareholders' equity per share





# Net debt



The net debt has decreased by over EUR 700 million from the peak in 2009 to EUR 480 million.





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## New LNG fast ferry Megastar Development of the Tallinn – Helsinki route



### Specifications

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

### Financing

- The vessel cost is over EUR 230 million
- 20% was paid during the construction period
- 80% was financed with long term OECD-term export credit bank loan

New LNG powered fast ferry for the Tallinn – Helsinki Shuttle service, start of operations on 29 January 2017.



## New LNG fast ferry Megastar

Safer ship with 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
- Ships Green Passport - improved waste management and recycling



Megastar will comply with the current and known future emission regulations for the Emission Control Areas, including the Baltic Sea.



## New LNG fast ferry Megastar Ship with new services and concepts

### Introducing new concepts and brands

- Traveller Superstore expanded to 2 800 sq.m
  - Q-shopping self-service solution
  - New garage concept with improved shop-to-car access for shop customers
- Seven restaurants, cafes and bars
  - Leveraging own brands
  - Introducing international premium brands
- Four different travel classes
  - standard Star Class
  - upgraded Comfort Class
  - exclusive Business Lounge
  - a new Sitting Lounge
- A playroom for the kids



On Megastar there is a floating department store where modern solutions make shopping a pleasure.



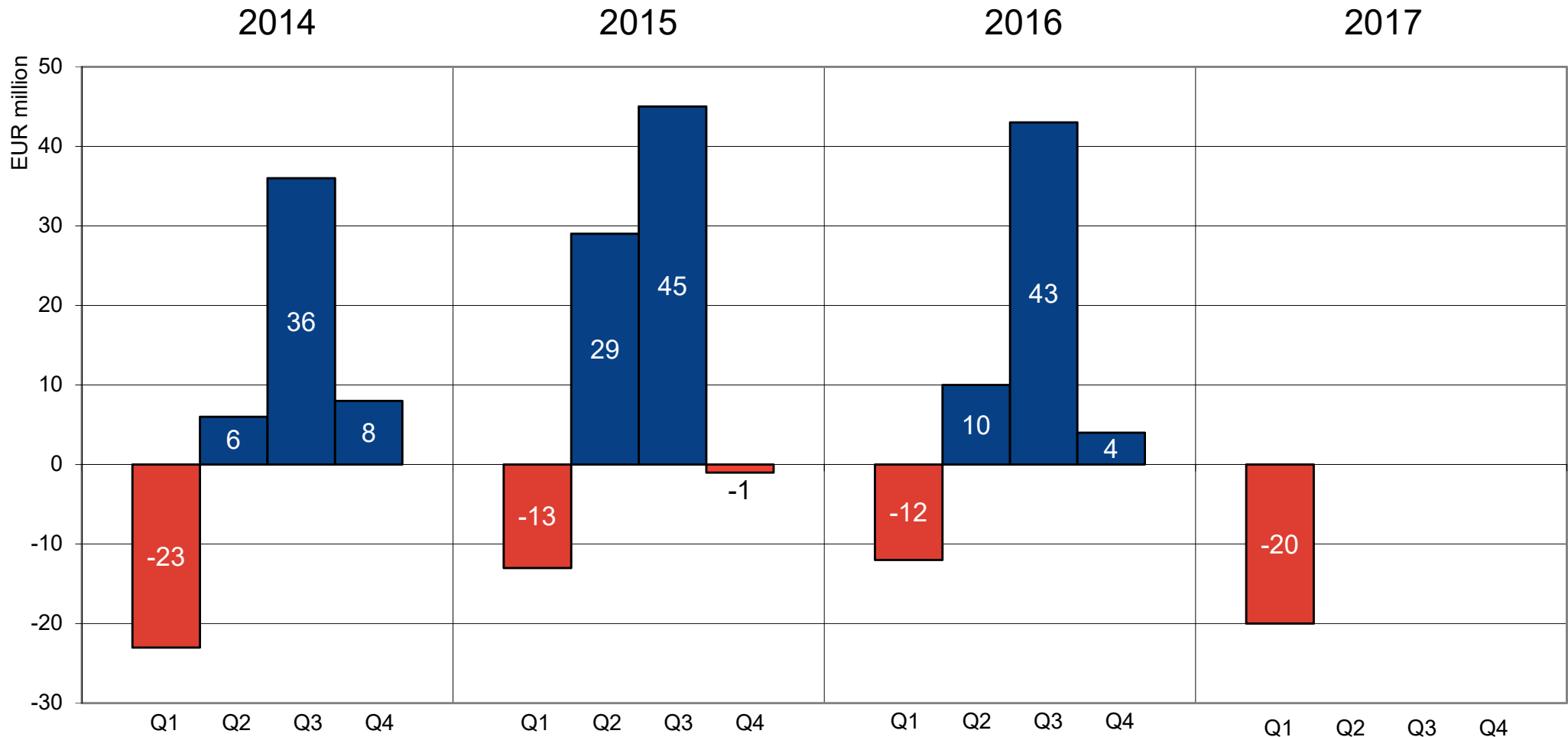
## I quarter results of the 2017 financial year 1 January – 31 March 2017

		Q1 2016	Q1 2017	Change
Number of passengers	(Thousand)	1 953	<b>1 940</b>	-0.7%
Cargo Units	(Thousand)	77	<b>84</b>	8.4%
Net Sales	(EUR million)	193	<b>192</b>	-0.7%
EBITDA	(EUR million)	16	<b>5</b>	-67.7%
Net profit/-loss	(EUR million)	-12	<b>-20</b>	-69.0%



# 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 2017 financial year 1 January – 31 March 2017

		Q1 2016	Q1 2017	Change
Cash flows from operating activities	(EUR million)	17	-3	
Investments	(EUR million)	13	<b>204</b>	
New long term loan	(EUR million)	0	<b>184</b>	
Redemption of loans	(EUR million)	15	<b>10</b>	
Cash at the end of period	(EUR million)	92	<b>72</b>	-21.7%
Net debt (as of the end of the 1st quarter)	(EUR million)	472	<b>691</b>	46.4%





## Cash flow in 2017



- Cashflow from operations
- Credit lines



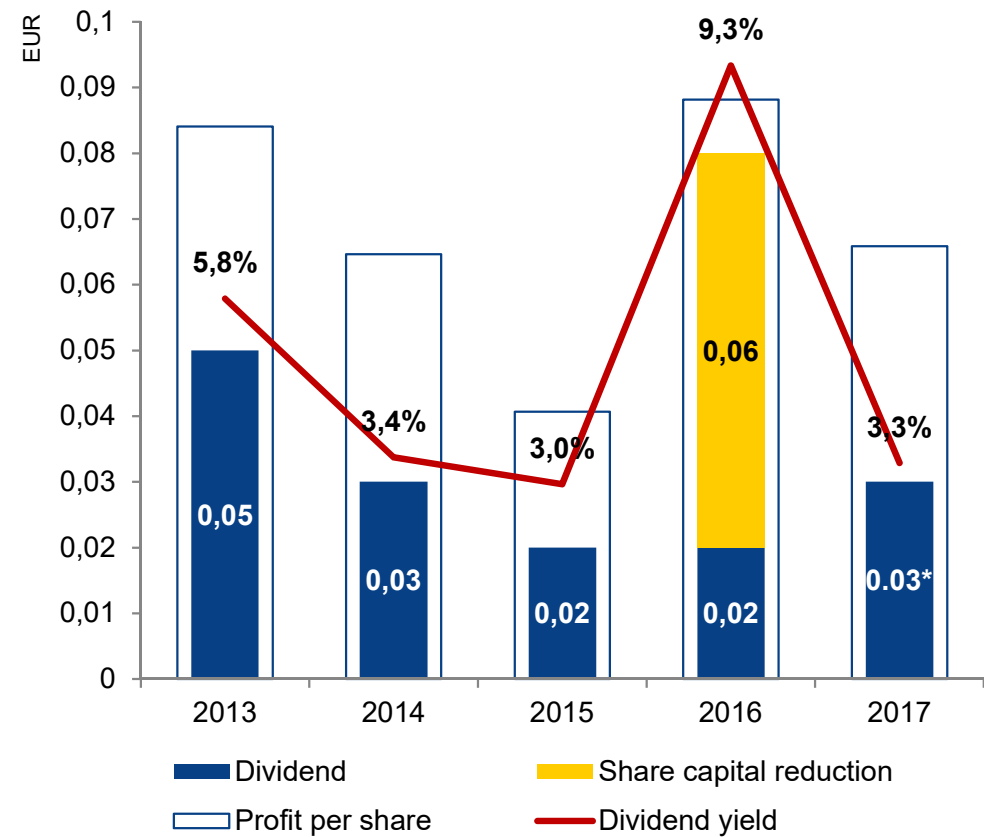
- Capital expenditure and maintenance
- Scheduled loan re-payments EUR 75 M
- Interest
- Dividends EUR 20 M



## Dividend

### Proposal on distribution of profits

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





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