

Main expectations of the state regarding the shareholding in AS Tallinna Sadam

Introduction

This document summarizes the main expectations of the state as a shareholder of AS Tallinna Sadam in relation to its holding in AS Tallinna Sadam.

State considerations regarding the holding in AS Tallinna Sadam

The main objective of holding and control of AS Tallinna Sadam under the State Assets Act is to obtain income.

In addition to earning the income, the state owns a holding in AS Tallinna Sadam for the following reasons:

- as a largest port service provider and sea gateway, AS Tallinna Sadam has a significant role in ensuring the provision of port services as services of public interest, including during civil and national defence crises and through its activities AS Tallinna Sadam can develop and influence the general business environment related to the activities of Estonian ports;
- as the owner of the multifunctional ice breaker Botnica, the subsidiary of AS Tallinna Sadam has a contracted obligation to provide ice breaking services on the basis of an agreement concluded as a result of public procurement with the Transport Administration and is expected to have an interest in participating in the following ice breaking services procurements as a bidder;
- as the owner of the ferries, the subsidiary of AS Tallinna Sadam has a contracted obligation to provide ferry services between the Estonian mainland and the largest islands on the basis of an agreement concluded as a result of public procurement with the Transport Administration (replaced with the Ministry of Regional Affairs and Agriculture in 2023) and is expected to have an interest in participating in the following ferry service procurements as a bidder or, if necessary, alternatively bid ferries in foreign markets ensuring their profitability;
- AS Tallinna Sadam owns a significant amount of strategically important real estate in the Old City Harbor in the centre of Tallinn, as well as in the Muuga Harbor and the Paldiski South Harbour.

The main goals of the state in exercising shareholder rights

In order to achieve the goals set by the state, it exercises shareholder rights in accordance with the Articles of the Association of AS Tallinna Sadam and laws and regulations applicable to it. Persons nominated by the state, elected by the General Meeting of Shareholders of AS Tallinna Sadam as members of the Supervisory Board of AS Tallinna Sadam, are responsible for the balanced implementation of the objectives mentioned in this document pursuant to the procedure and to the extent provided by law.

In exercising shareholder rights, the state pursues four main objectives:

- earning optimal and stable shareholder revenue through the company's profitable and efficient business activities in each of the selected business areas;
- commercial involvement of the company in the achievement of the national strategic objectives (including reducing the negative impact of its activities on the environment and to strive for climate neutrality by 2050 in order to ensure the sustainable development of the company), considering the company's field of activity and business interests, and the laws and regulations applicable to the company;

- implementing and promoting good corporate governance, social responsibility and excellent business culture.
- considering the imposed sanctions and restrictions, not to have business relations with Russia and Belarus.

In exercising its voting rights and other shareholder rights, the state shall set the following additional targets for AS Tallinna Sadam:

- act as a development generator for the transit sector, including increasing the potential of north-south corridor through Rail Baltic developments, consolidate knowledge across the sector and initiate new contacts, networks and business ideas;
- while continuing to provide currently functioning landlord-type service, develop areas in the cargo ports and their surrounding areas belonging to AS Tallinna Sadam greater added value generating creative logistics- and industrial parks, considering also new business opportunities arising from renewable energy and ship conversion and conversion to green technologies, also by contributing to the development of Rail Baltic in Muuga Harbour;
- maintain maximum flows of the volume-based goods by diversifying commodity groups and linking these cargo volumes to value added services provided in the harbours of AS Tallinna Sadam;
- to support the continuous growth of the number of passengers passing through the harbours by ensuring an attractive port environment and providing services and infrastructure for shipping lines in the port.

AS Tallinna Sadam is the largest complex of cargo and passenger ports in Estonia, which plays an important role in the Estonian transport system and economy. Port services are strategically important services to the state, also in a sense of National defence and include among other things, the servicing of the country's strategic reserves. To strengthen the performance of this function, AS Tallinna Sadam will become a vital service provider. As a shareholder, the state sets the objective to provide open and transparent access to Estonian freight corridors through the harbours of AS Tallinna Sadam.

A long-term contract signed¹ with the subsidiary of AS Tallinna Sadam, ensures a ferry connection between the Estonian mainland and two major islands. The aim is to ensure stability and continuous high quality of the ferry service.

According to a long-term contract (valid until 2032) signed² with the subsidiary of AS Tallinna Sadam, provide ice breaking service to the state during the winter periods with a multifunctional vessel Botnica, through which the state will ensure sufficient ice breaking capacity in the northern Estonian ports. In addition, the subsidiary has the capability to charter multi-functional ice breaker Botnica manned with a qualified team in summer periods to perform underwater or above-water works on offshore for wind farms, oil, gas and other industries. The goal is to expand the range of cooperation partners to whom it can provide services with a multi-functional ice breaker outside of the local ice breaking season and thereby maximize vessel operations and earnings.

¹ The state is represented in the contract by the Transport Administration

² The state is represented in the contract by the Ministry of Regional Affairs and Agriculture

Financial objectives

Profitability

As a shareholder, in achieving the goals of exercising shareholder rights, the state pursues the general objective of making AS Tallinna Sadam profitable.

Sustainability

The objective is to ensure the sustainability of the operations of AS Tallinna Sadam through continuous innovation and development and the necessary investments, which would be covered by the cash flows of the company's core business (including loan capital, if necessary). The state requests all the planned investments of AS Tallinna Sadam to be thoroughly analyzed and the associated risks identified and considered.

Effectiveness

As a shareholder, the state supports decisions that ensure effective and resource-efficient economic performance of AS Tallinna Sadam. Assigning efficiency metrics to fields of activity, as well as striving for their achievement, both contribute to gradual efficiency gains.

Shareholder revenue

The dividend policy of AS Tallinna Sadam is confirmed by the resolution of the General Meeting of Shareholders and is reflected in the company's strategy.

The expectation of the state as a shareholder of AS Tallinna Sadam is that in the coming years AS Tallinna Sadam would pay to the shareholders according to the current dividend policy each year 70% of the net profit of the previous year³.

The objectives of the state as the shareholder in this document are reviewed by the state and updated once every three years, if necessary.

³ Excluding the impact of one-off transactions and depending on market conditions, growth and development plans and considering the need to maintain reasonable liquidity.