Company presentation

3 June 2013

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Risk Factors

Our business, financial condition and results from operations could be materially affected by each of these 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, 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.

Risk Relating to Our Business

- We operate in a competitive market
- Any introduction of new vessels and routes and related capacity increases involves risks and uncertainties
- We face uncertainties regarding onboard trade and price development
- Changes in consumer behavior
- Dependency on third party services and internal services
- We are leveraged, and if we or any of our ship-owning subsidiaries default under any of our respectiveloan agreements, we could forfeit the rights to our vessels
- Fluctuations in the market value of our fleet may impair our ability to obtain additional funding and have a material adverse effect on our business, results of operations and financial condition
- We may be unable to retain key management personnel or other employees or to attract qualified new personnel, which may negatively impact our business
- We may be negatively affected by the actions of trade unions
- Rising labor costs may have a material adverse effect on our business, results of operations and financial condition
- Changes in Finnish, Swedish or Latvian state aid regulations may cause a rise in labor costs
- Our principal shareholder Infortar and its controlling shareholders holds a significant interest in Tallink, and, consequently, will be able to significantly influence the outcome of any shareholder vote
- We have historically had a lean administrative, legal and accounting staff and, as a result, we may be unable to develop and maintain an effective internal control structure
- Our operations could be affected by any actions taken by competition authorities

Please see appendix for more detailed risk factors

TALLINK

Risk Factors

Risk Relating to Our Industry

- Fuel costs and increases in port and regulatory fees are beyond our control and may have a material adverse effect on our business, results of operations and financial condition
- Marine transportation is inherently risky and an incident involving passenger vessels could harm our reputation and have a material adverse effect on our business, results of operations and financial condition
- Compliance with environmental, health and safety and other national and international laws and regulations may increase our operating costs, and failure to comply with such laws and regulations may have a material adverse effect on our business, results of operations and financial condition
- Our insurance may be insufficient to cover losses that may occur to our property or result from our operations
- Poor weather conditions in the Baltic Sea region may disturb the flow of our operations, reduce passenger volumes, and may have a material adverse effect on our business, results of operations and financial condition
- Port authorities' changes in tariffs or port operations may increase our costs or restrict our vessels' operations
- Terrorist attacks and other acts of violence or war may affect trade and passenger flows, which could have a material adverse effect on our business, results of operations and financial condition

Risk Relating to Doing Business in the region

- Regulatory, legal, political or economic developments relating to countries we operate in have a material adverse effect on our business, results of operations and financial condition
- Changes in taxation in the countries we operate in could have a material adverse effect on our business, results of operations and financial condition
- Fluctuations in exchange rates could have a material adverse effect on our business, results of operations and financial condition

Please see appendix for more detailed risk factors

Risk Factors

Risk Relating to the Bonds

- The Company's Debt Financing structure
- Trading of the Bonds
- General risks related to investing in bonds
- Credit risk
- The Issuer’s ability to service its indebtedness depends on many factors beyond its control
- The Bonds may not be a suitable investment for all investors
- Change of control - The Issuer’s ability to redeem the Bonds with cash may be limited
- The market price of the Bonds may be volatile
- Changes in the Bond Agreement
- Market risk
- Legal investment considerations may restrict certain investments
- Change of law.
- Enforcement in Estonia
- Bond Currency

Please see appendix for more detailed risk factors

The company

BUSINESS & STRATEGY

Executive Summary

- Leading provider of high-quality short-cruise and passenger transportation in Baltic Sea region
  - Largest and most recognized cruise-brand in the Northern Baltic Sea Region
  - Over 50 years of experience
  - Modern fleet
  - Market leader with 49% in the Baltic Sea region passenger market
  - Among the world’s top Duty free & Travel retail shops
  - Nearly €1bn revenues
  - Strong quality brands – Tallink & Silja Line

- Exploring long-term financing alternatives
  - Maintain strong capital base and financial flexibility through diverse funding sources
  - Consolidating recent acquisitions, No need for further significant investments
  - Successfully delivered on a stated deleveraging strategy post major acquisitions
  - Demonstrated limited cyclicality / Seasonal but stable growth in revenues & EBITDA
  - Established excellent relations with nordic and european banks

TALLINK




Tallink

- Tallink is the leading European provider of leisure and business travel and sea transportation services in the Baltic Sea region

- Fleet of 19 vessels
- Operating five hotels

- Revenue EUR 944 million
- EUR 1.7 billion asset base
- 6 799 employees
- Over 9 million passengers annually
- Over 280 thousand cargo units annually
- Listed on Nasdaq OMX Baltic – TAL1T

Over 50 years of operating and cruising experience

TALLINK

Tallink's business model

Product offering

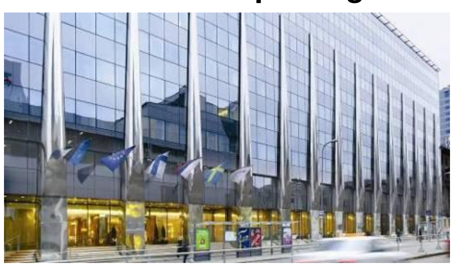
1-2 overnight cruises & passenger transportation

Conferences

On-board Tax-Free Shopping

City break

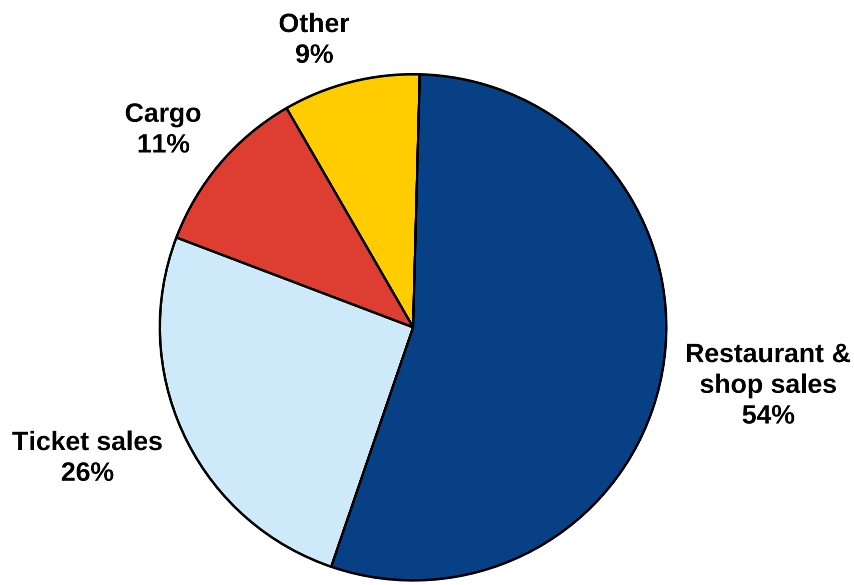
Hotel & travel packages



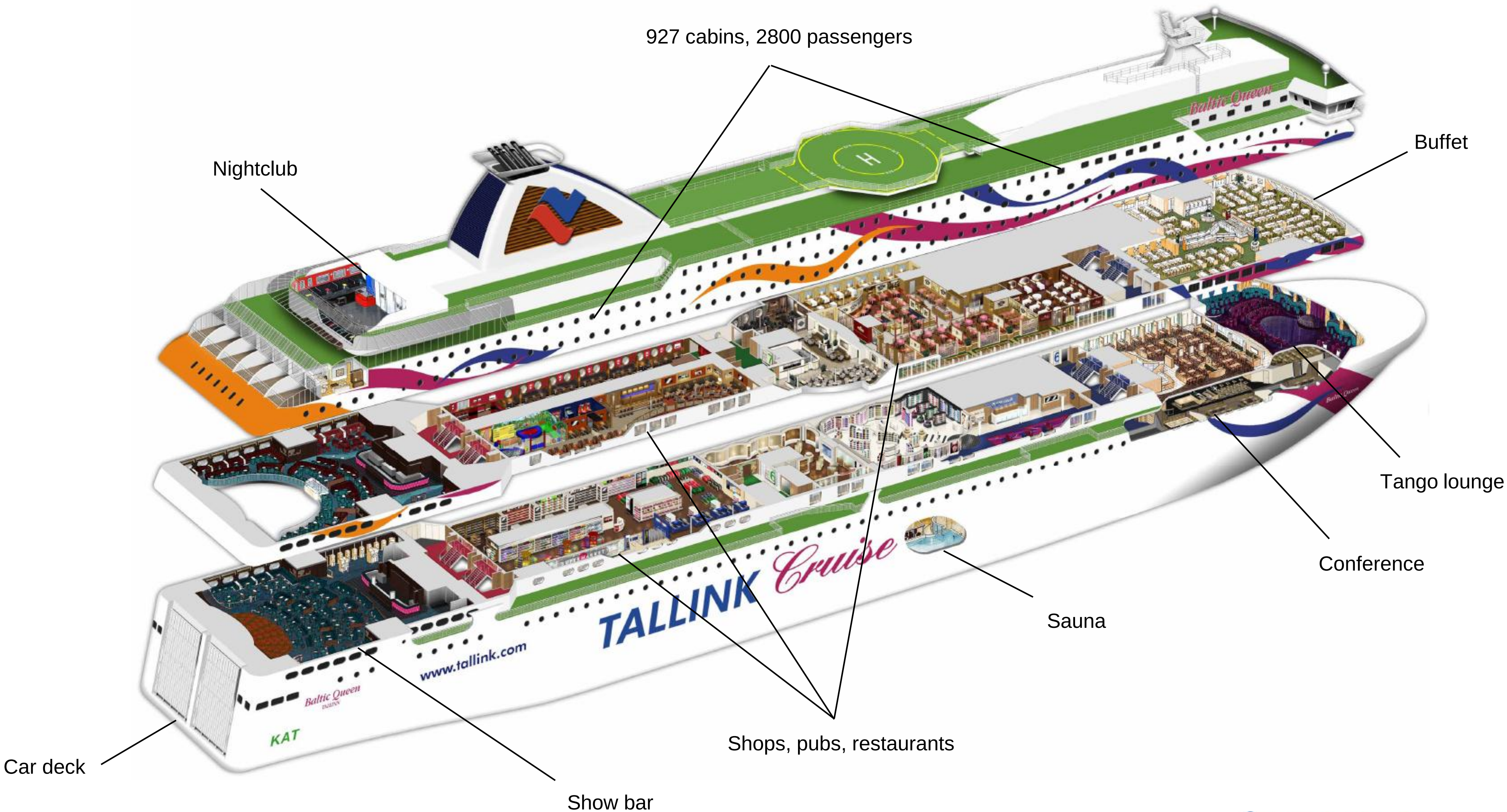
Cargo Transportation

Revenue structure

2012



Cruise ferry



TALLINK



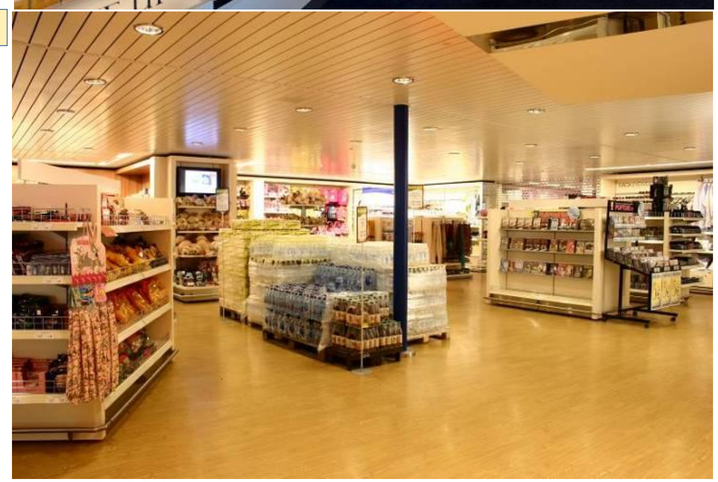

Tallink’s position in the global ferry market

The World's top Duty free & Travel Retail Shops 2011

Ranking by actual and estimated retail sales in US$ millions.

Rank	Location	Remarks
Sales> US$ 1,000.0 million		
1	Seoul - Incheon Int'l Airport, South Korea	AIRPORT SHOPS
2	Dubai - Dubai International Airport, U.A.E.	AIRPORT SHOPS
3	Singapore - Changi Airport	AIRPORT SHOPS
4	London - Heathrow Airport, UK	AIRPORT SHOPS
Sales> US$ 600.0 million		
5	Hong Kong - Hong Kong International Airport	AIRPORT SHOPS
6	Bangkok - Suvarnabhumi Airport, Thailand	AIRPORT SHOPS
7	Frankfurt – Frankfurt-Main Airport, Germany	AIRPORT SHOPS
Sales> US$ 500.0 million		
8	Paris - Charles de Gaulle Airport, France	AIRPORT SHOPS
9	Tallink	FERRY SHOPS
10	Beijing – Capital Airport, China P.R.	AIRPORT SHOPS
11	Amsterdam - Schipol Airport, Netherlands	AIRPORT SHOPS
12	Sao Paulo - Guarulhos Int’l Airport, Brazil	AIRPORT SHOPS
Sales> US$ 300.0 million		AIRPORT SHOPS
13	Oslo - Gardermoen Airport, Norway	AIRPORT SHOPS
14	Taipei - Taoyuan International Airport, Taiwan	AIRPORT SHOPS
15	London - Gatwick Airport, UK	AIRPORT SHOPS
16	Tel Aviv – Ben Gurion Int’l Airport, Israel	AIRPORT SHOPS
17	Shanghai – Pudong Airport, China P.R.	AIRPORT SHOPS

Source: Generation Research 2012



Rank	Company	Gross tons
1	Stena Line	752 081
2	Grimaldi Lines	740 934
3	Tallink	512 078
4	P&O Ferries	436 092
5	Scandlines	363 341

Rank	Company	Beds
1	Tallink	24 262
2	Stena Line	16 502
3	Viking Line	16 192
4	Grimaldi	15 867
5	Tirrenia	13 338

Rank	Company	mEUR Revenue
1	DFDS Group	1 561
2	Stena Line	1 084
3	Tallink	908
4	Scandlines	611
5	Finnlines	605

Data: Ro/pax / ferries above 1,000 GT

Source: ShipPax MARKET:12

Tallink's vision is to be the market pioneer in Europe by offering excellence in leisure and business travel and sea transportation services

Long term objectives toward increasing the company value and profitability:

- Strive for the highest level of customer satisfaction
- Increase volumes and strengthen the leading position on our home markets
- Develop a wide range of quality services directed at different customers and pursue new growth opportunities
- Manage the optimal debt level that will allow sustainable dividends

Current strategic cornerstones and competitive advantages:

Most modern fleet

Wide route network

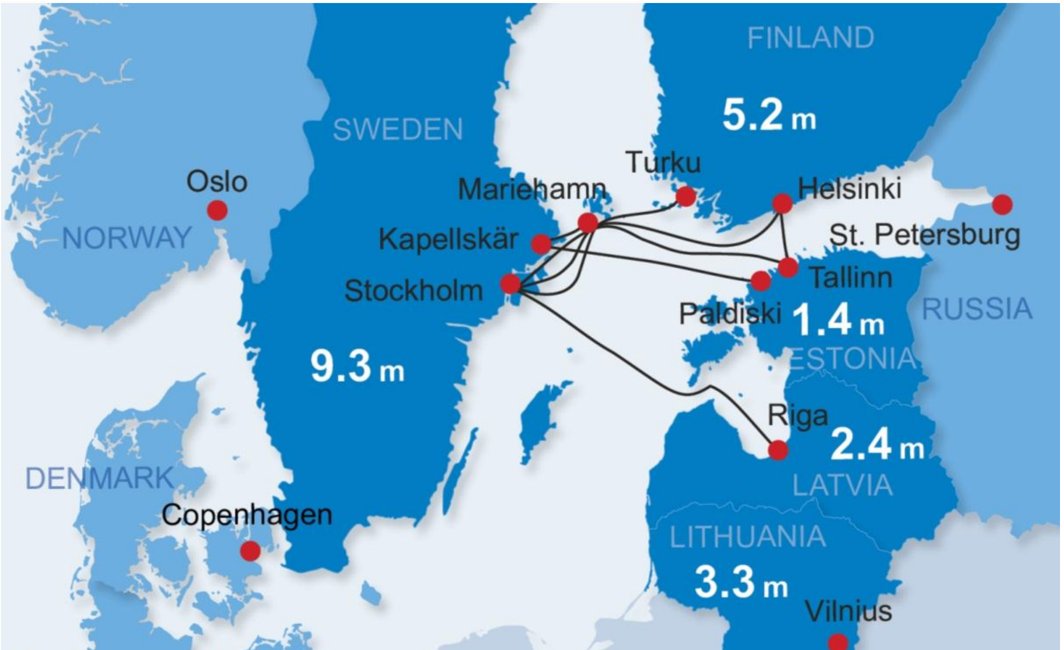
Strong market share & brand awareness

High safety level & environmental standards

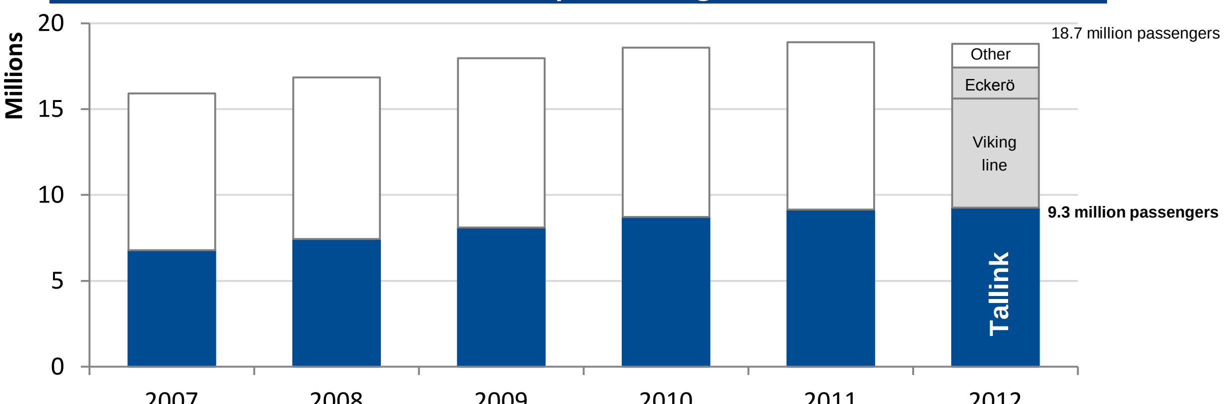
TALLINK




Tallink's passenger market share is 49% of the Northern Baltic Sea

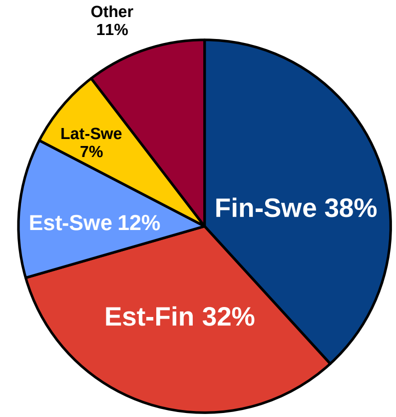


Northern Baltic passenger market



Revenue by routes

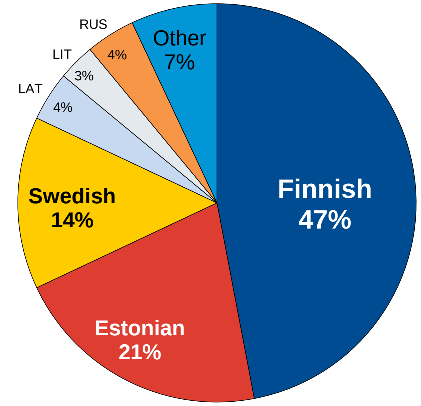
2012



(944 MEUR)

Passengers

2012

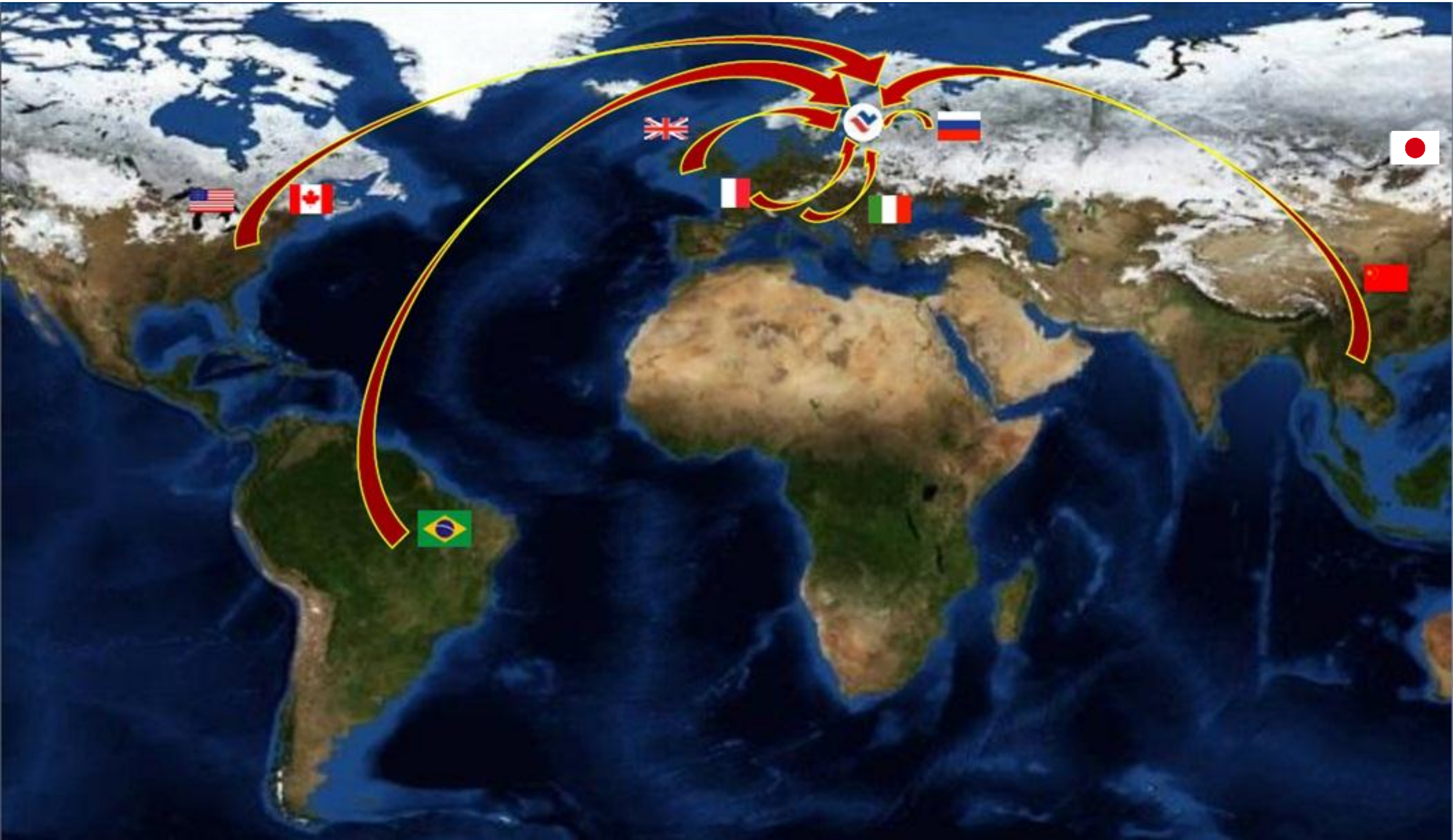


(9.3M)




We are targeting new customers from a wider country base

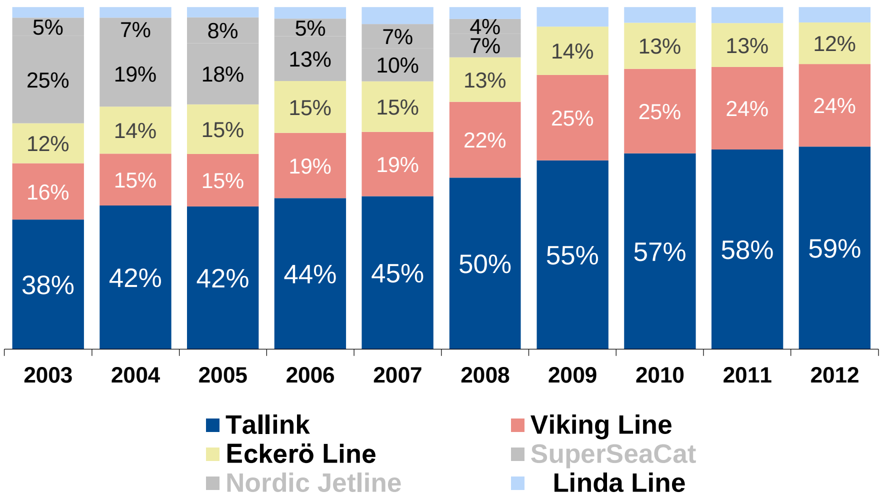
More than 10% of our passengers come from outside of our home markets



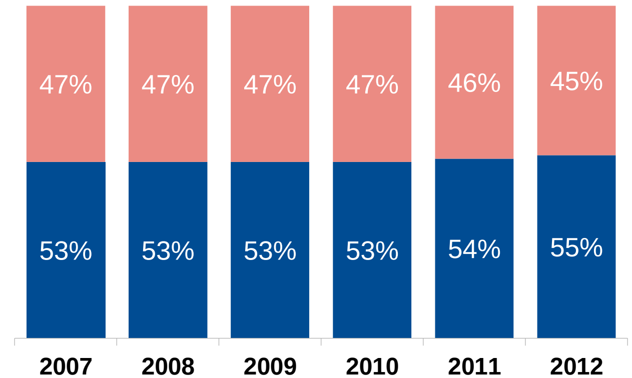
Market shares

Passenger operations

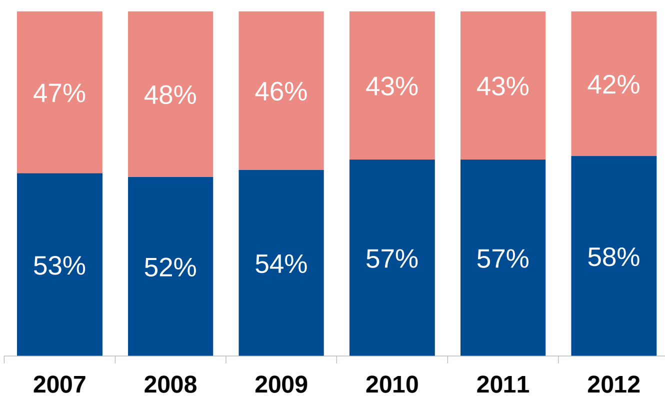
Tallinn - Helsinki



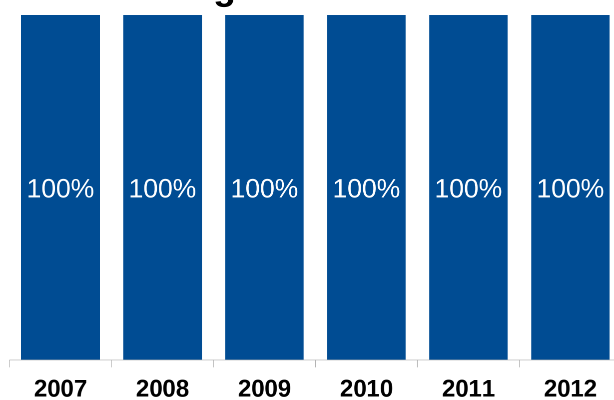
Helsinki - Stockholm



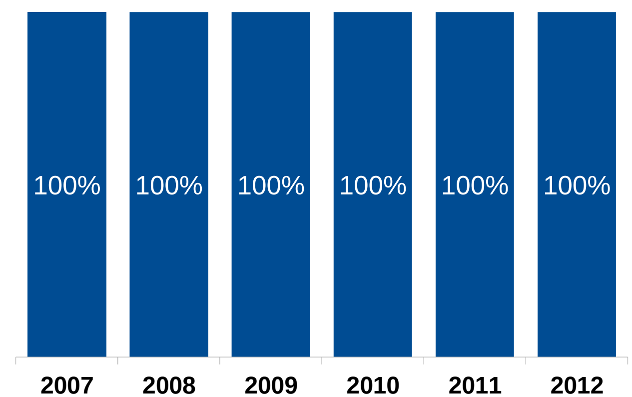
Turku - Stockholm



Riga - Stockholm

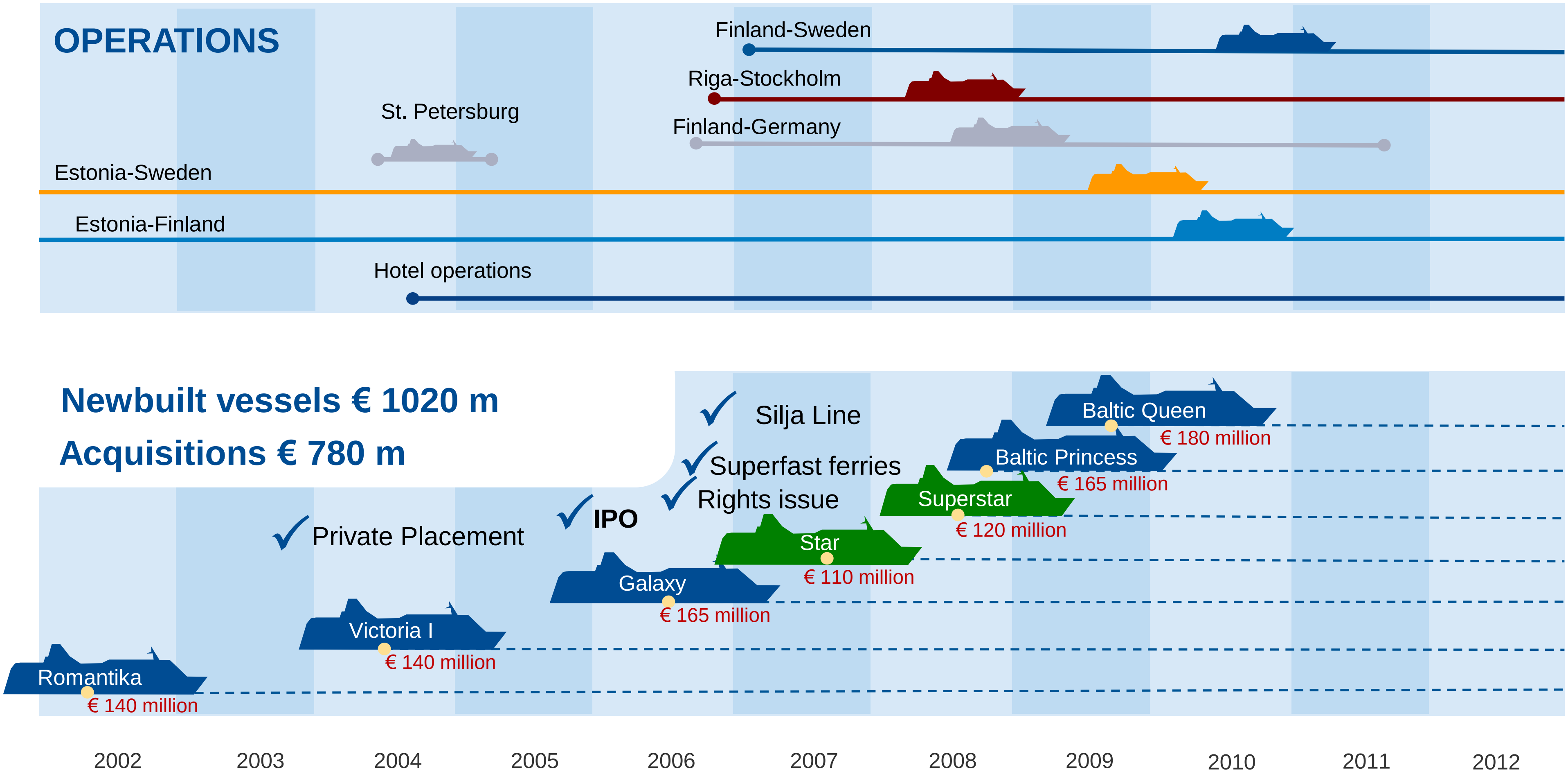


Tallinn - Stockholm

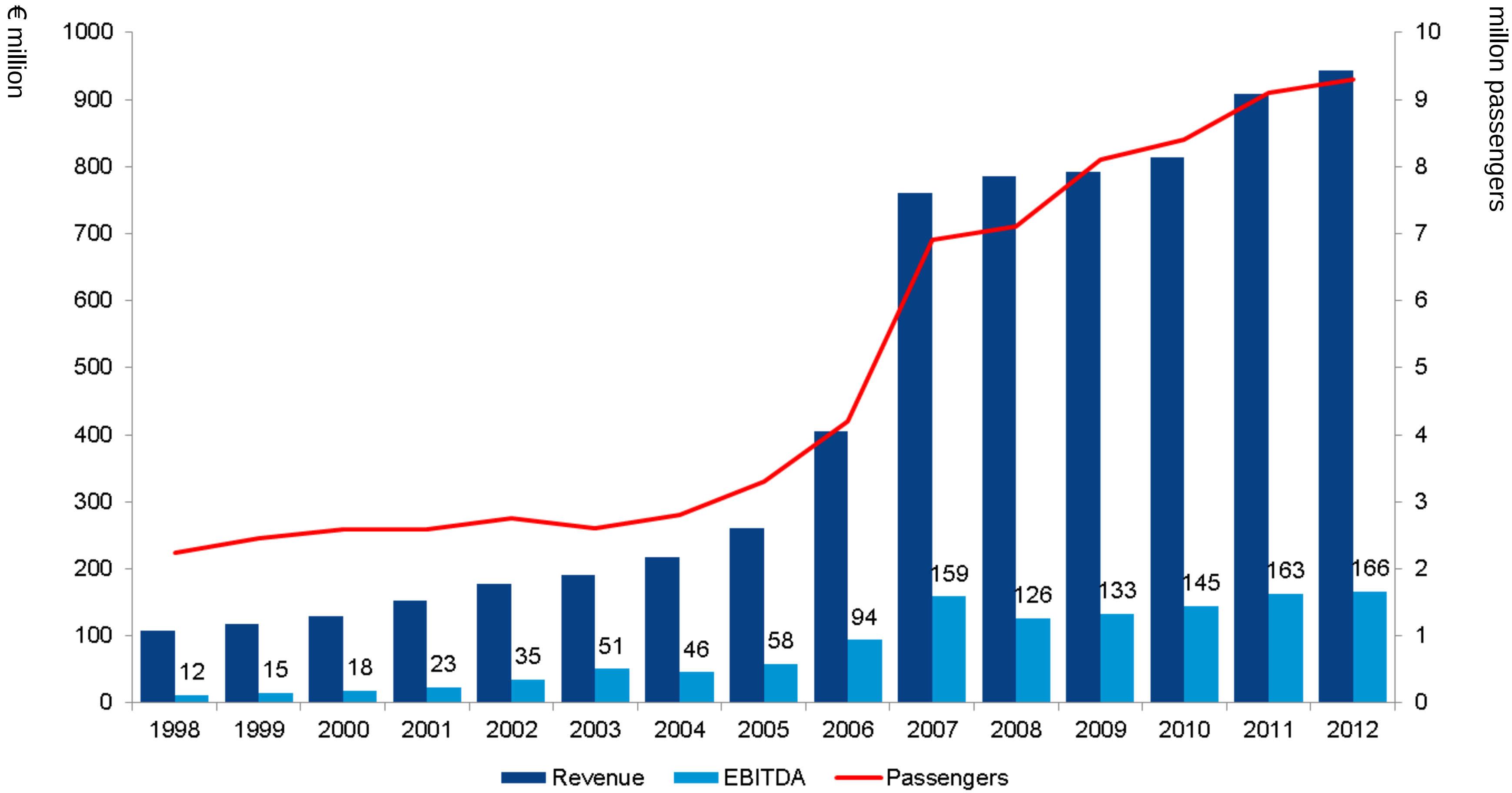


TALLINK

Completed fleet renewal and consolidation process



History of profitable growth through economic cycles



Unrivalled suite of competitive advantages

1 Modern fleet

- 11 core vessels have an average age of 9.5 years
- Ice class vessels
- Luxurious on-board experience, e.g. spacious shopping areas

2 Extensive route network

- Variety of short cruises between key cities
- Optimised schedules with frequent and reliable departures all year
- Established relationships with port authorities

3 Strong quality brands

- Silja Line and Tallink are the most recognised cruise brands in the Northern Baltic Sea Region

1 Sweden | 1 Estonia | 1 Finland

- They are associated with a quality customer experience

4 High safety and environmental standards

- We proactively seek compliance with the highest standards
- In 2012, only 1 of the over 9000 scheduled trips was cancelled for technical reasons

5 Loyal customer base

- 9m passengers in 2012
- 1.5 million Club One card holders growing at 11% in 2012
- Every third passenger is a club one member.

6 Comprehensive offer

- Varied on-board experience
- Travel packages and excursions
- Addressing all budget ranges and customer preferences

7 Extensive Sales Network

- 21 own sales offices
- Network of >1,800 travel agents and tour operators worldwide
- Growing online presence and call centres

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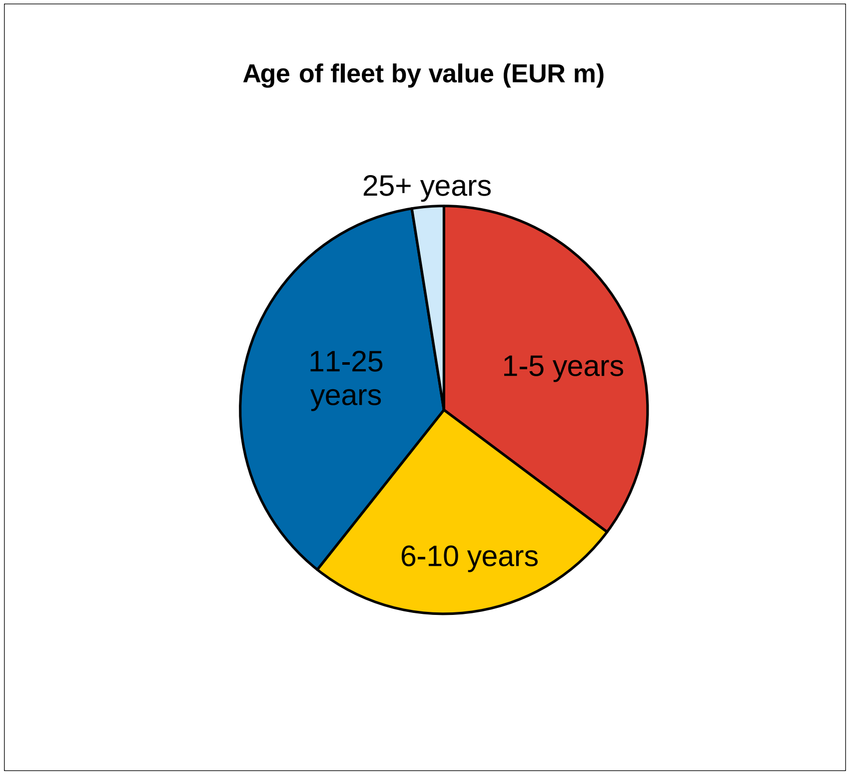
TALLINK

49% Market share of the Northern Baltic Sea Region passenger market

TALLINK

Age of fleet



<u>Tallink Grupp ships age (value-weighted average):</u>

- Tallink + Silja core fleet – 9.5 years
- Superfast fleet – 11 years
- Ships out of core operations and cargo vessels – 21.7 years

<u>World-wide ships age*:</u>

- Ferries – 24.1 years
- Cruise – 12.5 years

*** - source: ShipPax Market:12 Statistics, 2012**

Corporate structure

All subsidiaries are 100% owned

AS Tallink Grupp
Holding & Operating company
Estonia – Finland route operations
Estonia – Sweden route operations

Ship-owning companies

- Baltic SF IX Ltd – “Atlantic Vision“ ex. Superfast IX
- Baltic SF VIII Ltd – “Stena Superfast VIII”
- Baltic SF VII Ltd – “Stena Superfast VII”
- Tallink Hansaway Ltd – “Star”
- Tallink Superfast Ltd – “Superstar”
- Tallink Sea Line Ltd – “Galaxy”
- Tallink High Speed Line Ltd – “Baltic Queen”
- Tallink Autoexpress Ltd – “Silja Serenade” “Silja Europa”
- Hansalink Ltd – “Isabelle“
- Tallink Fast Ltd – “Baltic Princess”
- Tallink Victory Line Ltd – “Victoria I”
- Tallink Ltd – “Romantika”
- Tallinn Stockholm Line Ltd – “Regina Baltica”
- Tallinn Swedish Line Ltd – “Silja Symphony” “Silja Festival” “Seawind”
- Tallink Line Ltd – Dormant
- Vana Tallinn Line Ltd – “Vana Tallinn”
- Tallinn-Helsinki Line Ltd – “Regal Star”

Sales & Operations

- Tallink Silja Ab – Sales & Marketing in Sweden
- AS Tallink Latvija – Sales & Marketing and crewing in Latvia
- OOO Tallink-Ru – Sales & Marketing in Russia
- AS Hansatee Cargo – Dormant
- AS Tallink – Riga-Stockholm route operations
- Tallink Finland OY – Dormant
- AS Tallink Baltic – Dormant
- AS Tallink Scandinavian – Holding company
  - Tallink Silja Oy – Sales & Marketing in Finland, Finland-Sweden route operations
    - Sally Ab – Sales agent in Åland
    - Silja Line Gmbh – Sales agent in Germany

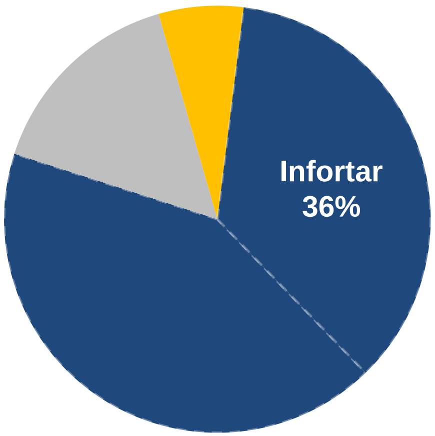
Service companies

- AS Tallink Duty Free – Supply of goods
  - OÜ HT Hulgi Tolliladu – Public customs warehouse
- OÜ TLG Hotell – Hotel operator
  - SIA TLG Hotel Latvija – Hotel operator
  - OÜ Hera Salongid – Beauty services
- OÜ HT Laevateenindus – Technical ship Management & crewing
  - SIA HT Shipmanagement – Technical ship management in Latvia
- AS HTG Invest – Stevedoring services
- HTG Stevedoring OY – Stevedoring services
- OÜ Hansaliin – Crewing
- OÜ Hansatee Kinnisvara – Lease of vehicles
- OÜ HT Meelelahutus – Entertainment on ships
- OÜ Mare Pharmaci – Dormant
- OÜ Tallink Travel Club – Travel services
- Ingleby (1699) Ltd – Process agent

TALLINK

Ownership structure

Shareholders of AS Tallink Grupp



- Top 10 shareholders
- Institutional investors
- Retail investors

Ten largest shareholders in the end of Q1

Infortar	36%
Baltic Cruises Holding, L.P.	17%
Nordea Bank Finland PLC / non-resident legal entities	10%
ING Luxemburg S.A	7%
Skandinaviska Enskilda Banken AB Clients (East Capital)	2%
State Street Bank and Trust Omnibus fund	2%
JP Morgan Chase Bank / London Client's account	1%
Mellon Treaty Omnibus	1%
Firebird Republics Fund Ltd	1%
Skandinaviska Enskilda Banken, Finnish Clients	1%

- Infortar is a management held company that has been a core shareholder since 1996.
- Baltic Cruises Holding L.P. is a subsidiary of CVCI Growth Fund II, a fund advised by Citi Venture Capital International Advisers, who have been an important investor for Tallink since 2003, participating actively in all equity contributions.

TALLINK

Financials

HISTORY, POLICY & TARGETS, Q1 & OUTLOOK



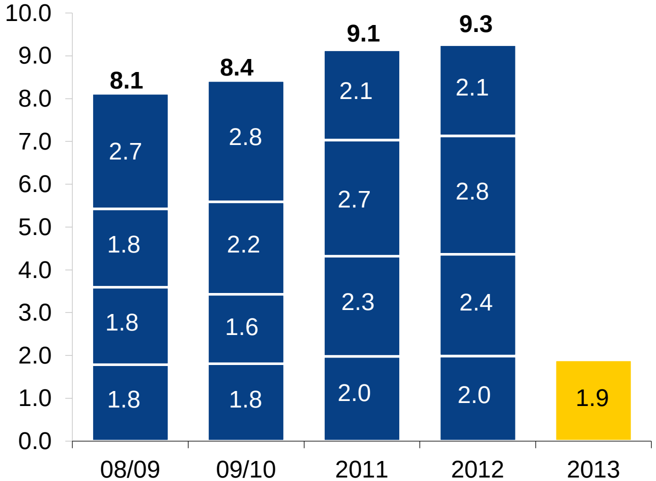

Financial policy and targets

- The Group’s goal is to maintain a strong capital base in so as to maintain investor, creditor and market confidence and to sustain future development of the business
- The Group’s objective is to maintain a balance between continuity and flexibility of funding through the use of bank overdrafts, bank loans, bonds and other debentures
- The group has made significant investments in the recent past where the strong shareholders’ equity has been a major supporting factor for these investments and related borrowings
- The Group uses interest rate derivatives to manage the interest rate risk of the debt portfolio
- The Groups’ target is to maintain the optimal debt level so the company can pay sustainable dividends

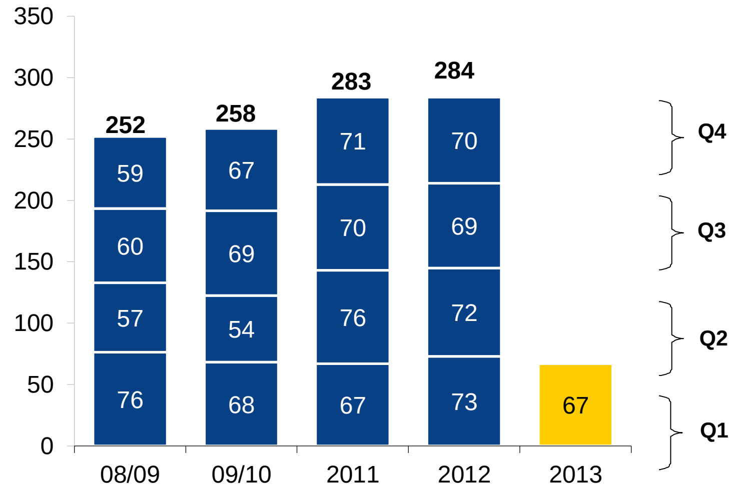



Proven resistance to adverse business cycles

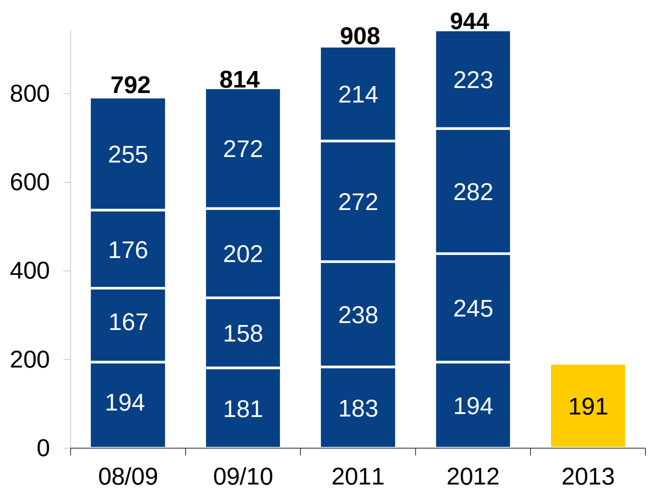
Passengers (millions)



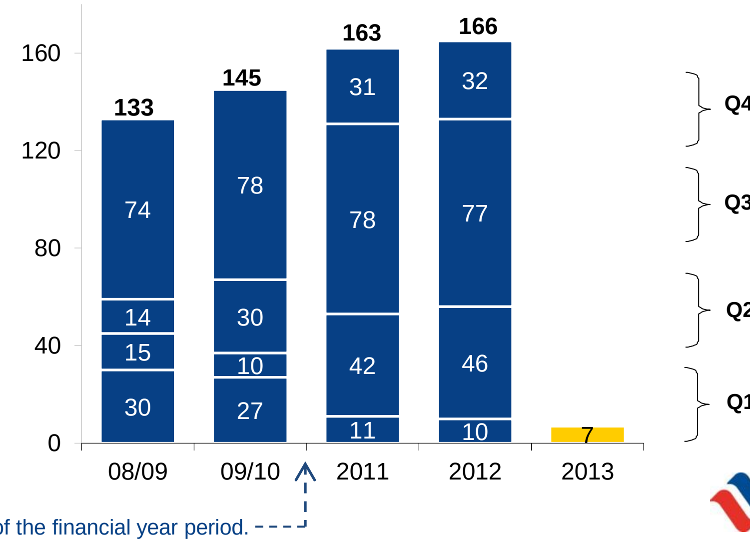
Cargo (th. units)



Revenue (EUR millions)



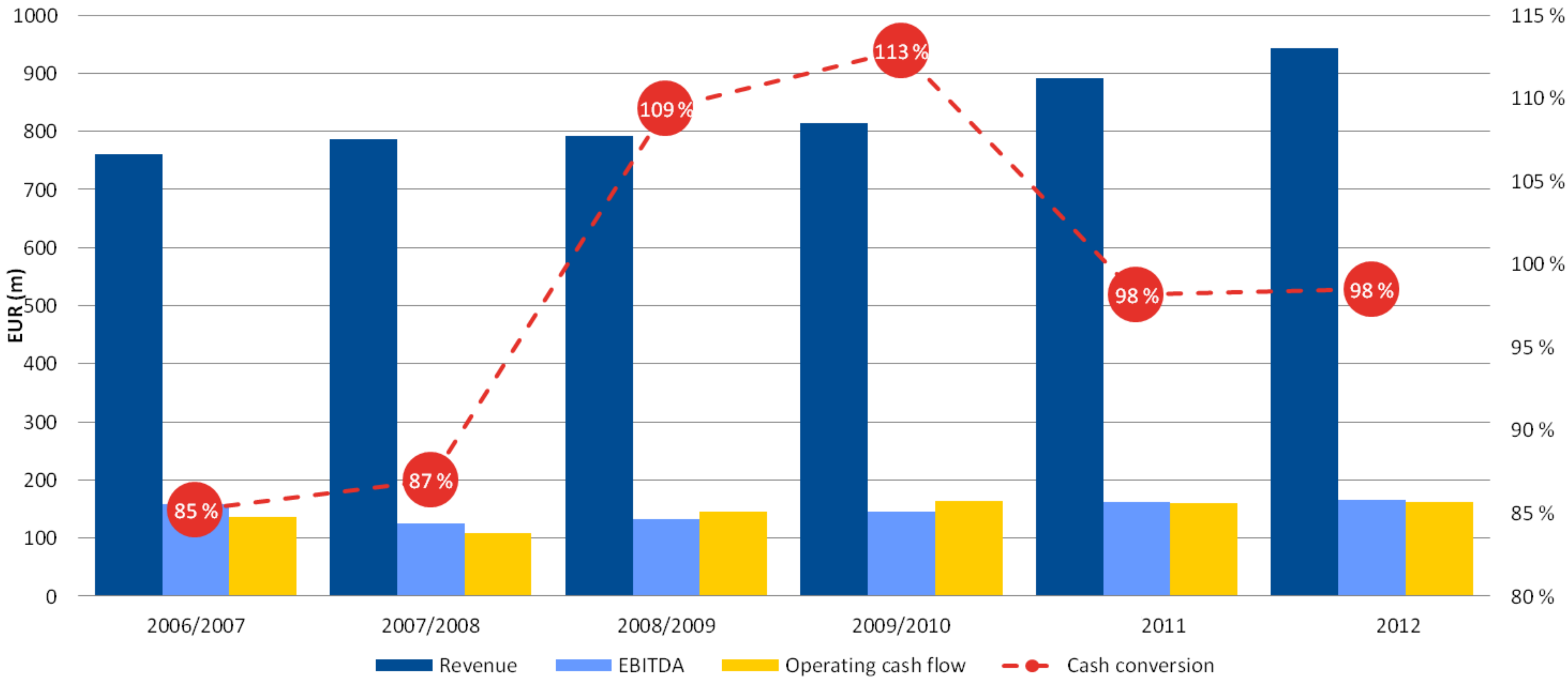
EBITDA (EUR millions)



Sales, EBITDA and Operating Cash Flow

Strong cash flow generation from underlying activities

- Fast deleveraging possible through cash generative nature of the business with strong cash conversion of EBITDA



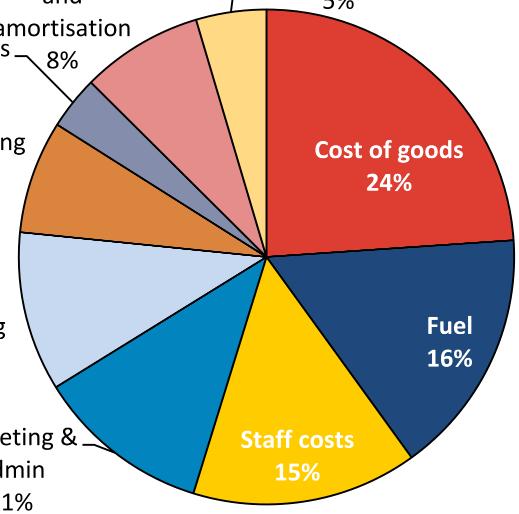
Consolidated Income Statement

(in EUR million)	2011[2]	2012	2012 Q1	2013 Q1
Sales	**891**	**944**	**194**	**191**
Cost of sales [1]	(691)	(743)	(175)	(174)
Marketing, general & admin [1]	(100)	(109)	(27)	(27)
EBITDA	**163**	**166**	**10**	**7**
Margin (%)	*17.9%*	*17.5%*	*5.3%*	*3.7%*
Net Profit	**38**	**56**	**(19)**	**(18)**
EPS	**0.06**	**0.08**	**(0.03)**	**(0.03)**

Notes:
(1) Includes depreciation and amortization
(2) Pro forma, due to the change of the financial year period.

Costs breakdown

	2012 Jan-Dec share %	
Cost of goods	24%	213 671
Fuel cost	16%	143 934
Staff costs	15%	131 583
Marketing & Admin (1)	11%	101 865
Port & stevedoring	10%	93 073
Ship operating expenses	8%	65 944
Other costs	3%	31 091
Total costs from operations	**86%**	**781 160**
Depreciation and amortisation	8%	70 996
Net finance cost	5%	40 980
Total costs	**100%**	**893 137**



1) Amortisation and depreciation excluded

Consolidated Cash Flow Statement

(in EUR million)	2011[1]	2012	2012 Q1	2013 Q1
Operating cash flow	**160**	**163**	**8**	**6**
Capital expenditure	(9)	(9)	0	(3)
Asset disposal	0	0	0	0
Free cash flow	**151**	**154**	**8**	**3**
Debt financing	(76)	(119)	(24)	23
Interests & other financial items	(44)	(45)	(10)	(8)
Change in cash	**31**	**(10)**	**(26)**	**18**

In July 2013 Tallink will pay a dividend of EUR 33.5 million, EUR 0.05 per share.

Notes:
(1) Pro forma, due to the change of the financial year period.

TALLINK




Consolidated Statement of Financial Position

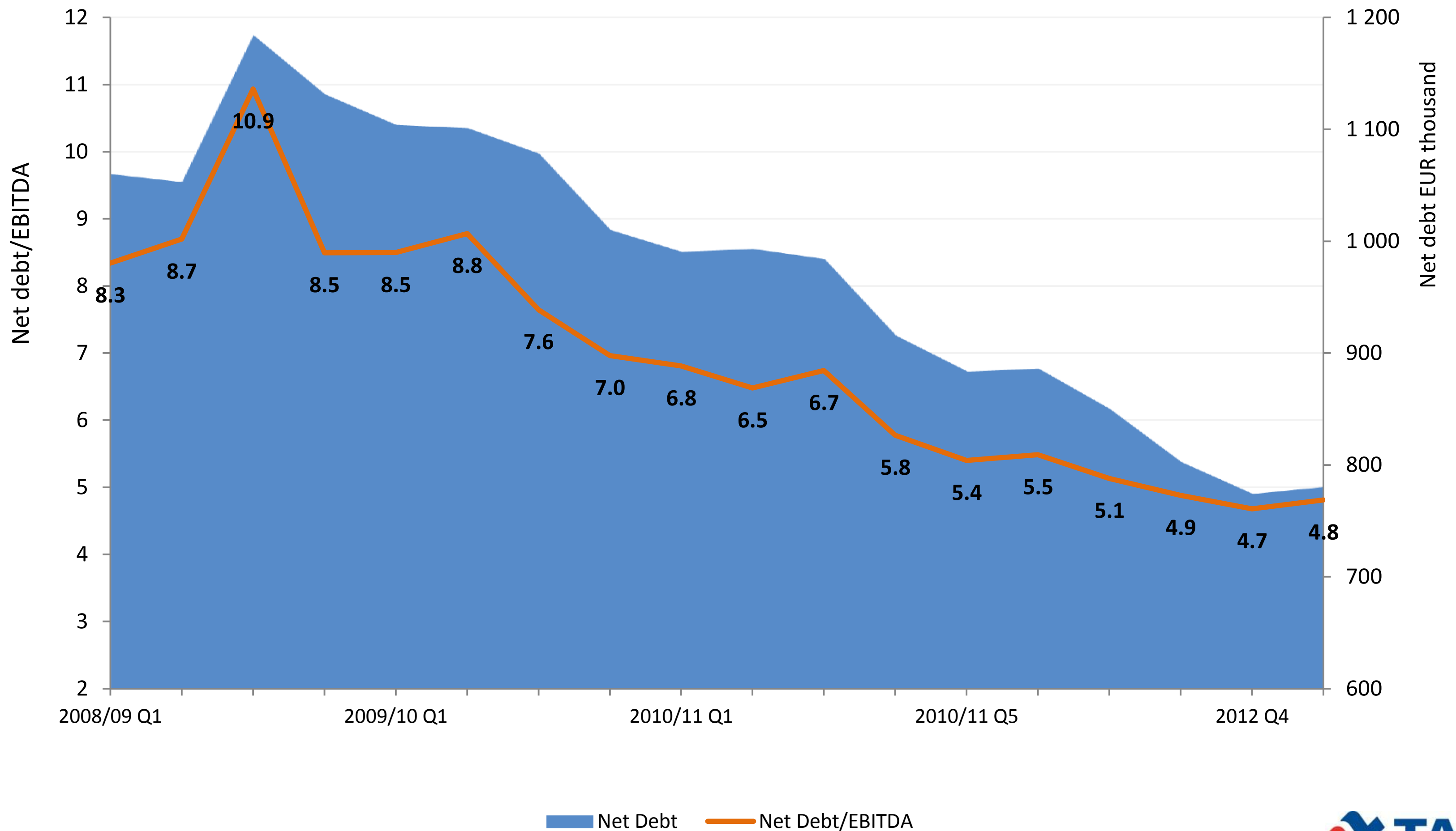
(in EUR million)	31.08.2010	31.08.2011	31.12.2012	31.03.2013
Total assets	**1,871**	**1,800**	**1,742**	**1,750**
Non-current assets	1,741	1,657	1,599	1,584
Current assets	130	143	143	166
- of which cash -	57	75	66	83
Total liabilities	**1,203**	**1,094**	**981**	**1,007**
Interest bearing liabilities	1,068	960	840	864
Other liabilities	135	134	141	142
Shareholders' equity	**668**	**705**	**761**	**743**
Net debt/EBITDA	**7x**	**5.4x**	**4.7x**	**4.8x**
Net debt	**1,010**	**884**	**775**	**781**
Equity/assets ratio	**36%**	**39%**	**44%**	**43%**
BVPS (1) (in EUR)	**1.00**	**1.05**	**1.14**	**1.11**

1) Shareholders' equity / number of shares outstanding

Net debt development

Reduced nearly EUR 400m since 2009 peak

- Fleet renewal and consolidation process increased leverage, since 2009, the company has focused on arriving to targeted financial structure

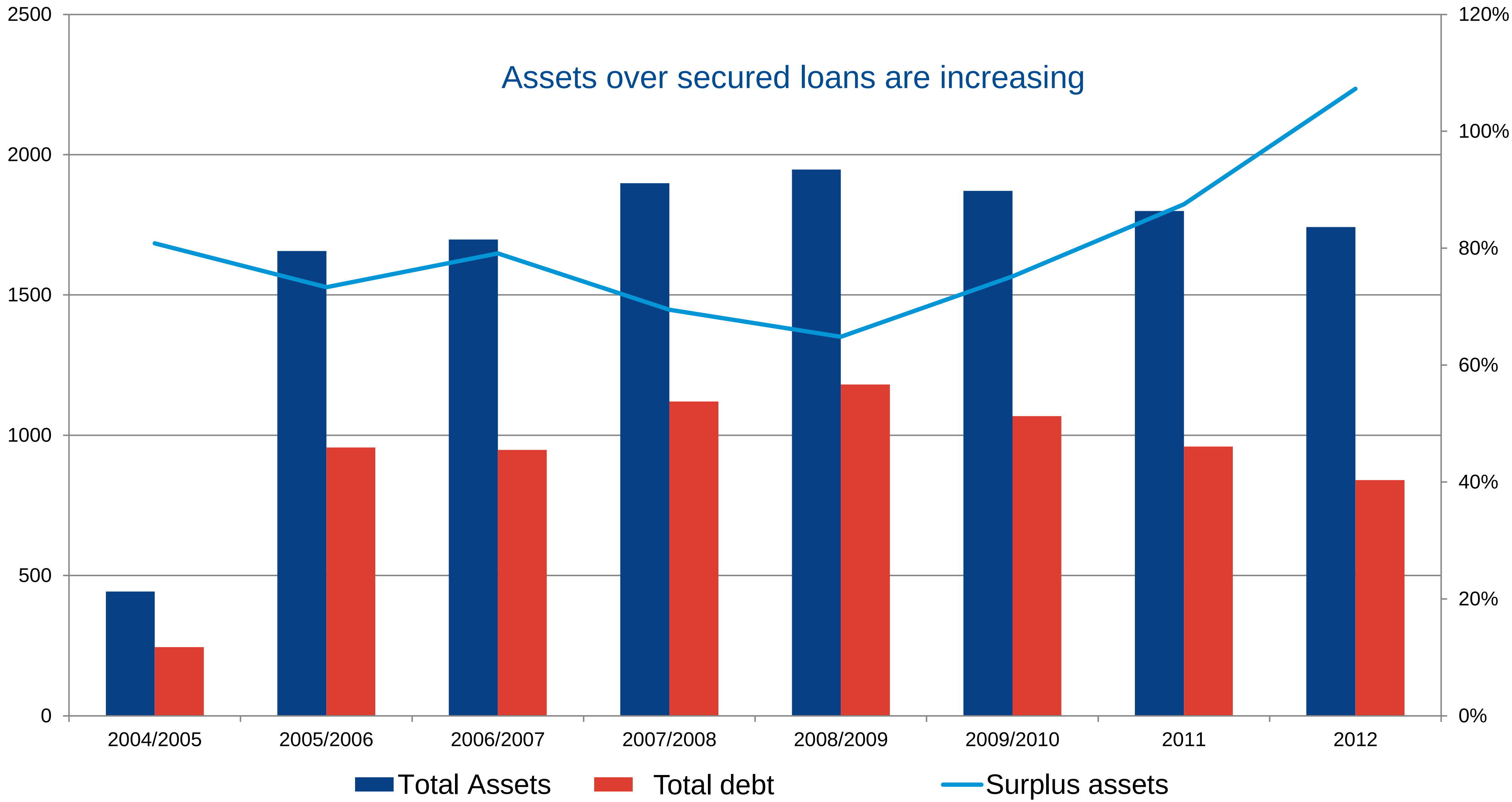


TALLINK

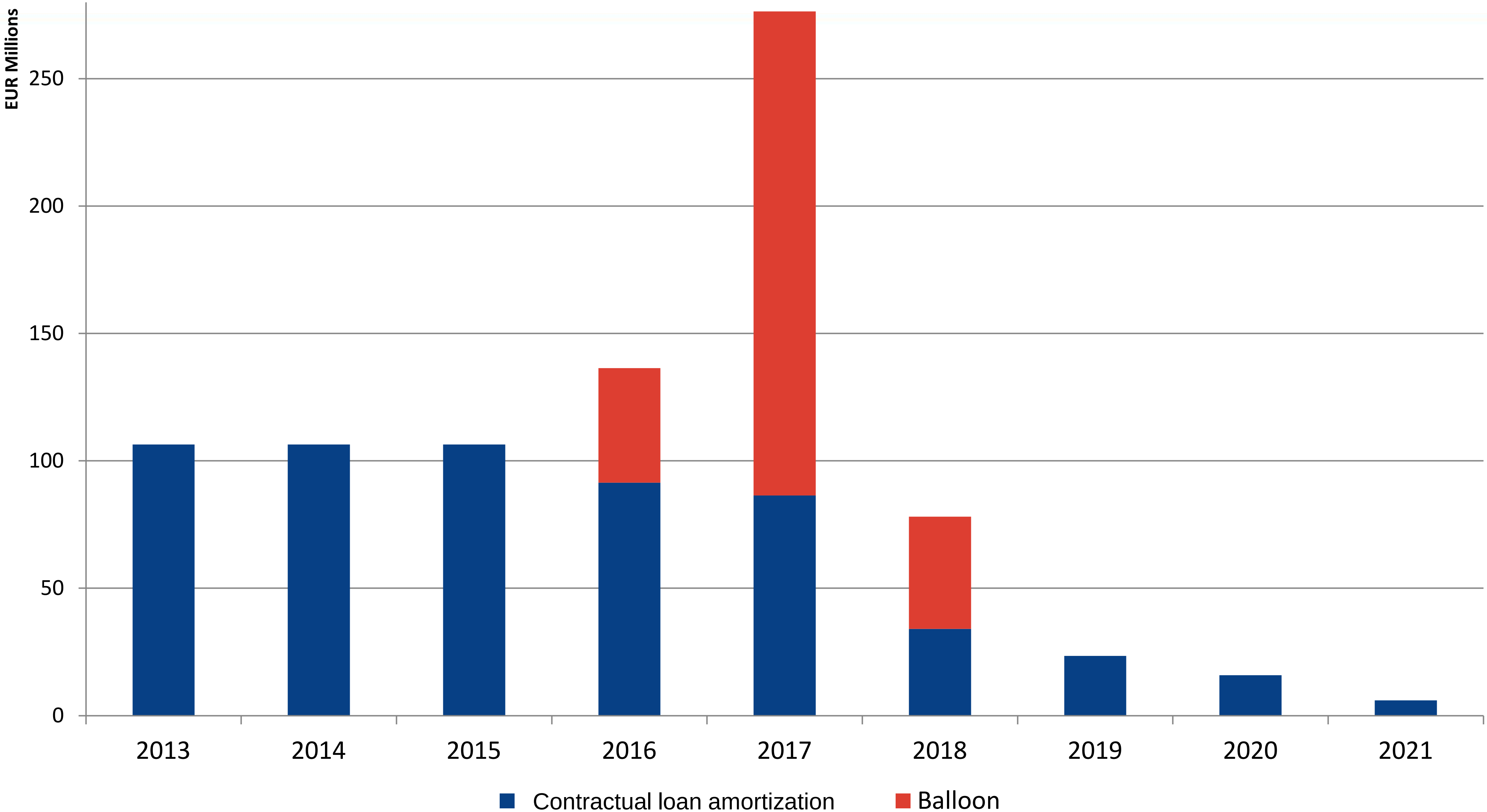
Equity ratio – historic & target

The management's target is to have more than 40% of equity

87% of total assets are ships
All current loans are secured with ships



Debt maturity profile






Tallink has diversified and well established creditor relationships

- HSH Nordbank
- DVB Bank America
- Nordea Bank
- Danske Bank
- KFW-IPEX Bank
- HSBC Bank
- Skandinaviska Enkilda Banken
- Swedish Export Credit
- European Investment Bank
- Swedbank
- Commerzbank
- NordLB
- Finnvera
- Servizi Assicurativi del Commercio Estero (SACE)

TALLINK

Debt characteristics

- 100% EUR denominated bank loans
  - — 7 standalone loan agreements with bank syndicates
- Amortizing project loans
- 6.64% of debt is fixed rate
- 1/3 hedged
- Main covenants:
  - — Minimum liquidity
  - — Equity ratio
  - — Net debt/EBITDA
  - — Ships insurance
  - — Change of control
  - — Restrictions on dividends & significant corporate actions

TALLINK

Key investment considerations

- Clear strategy
- No need for further significant investments
- Continuous clear and proven business model
- Delivered on stated deleveraging strategy
- Business model has shown resistance to the economical downturn cycle
- Geographical diversification of revenues
- Motivated management and employees
- High loyal customer base: 1.5 million customers
- Real assets. High class fleet which can be used anywhere in the world

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APPENDIX

TALLINK

Tallink's Fleet

Baltic Queen

Built: 2009

Length 212m

Passengers: 2800

Lane meters: 1130

Victoria I

Built: 2004

Length 193m

Passengers: 2500

Lane meters: 1030

Baltic Princess

Built: 2008

Length 212m

Passengers: 2800

Lane meters: 1130

Superfast VII/VIII/IX

Built: 2001/2002

Length 203m

Passengers: 717

Lane meters: 1924

Silja Europa

Built: 1993

Length 202m

Passengers: 3123

Lane meters: 932

Galaxy

Built: 2006

Length 212m

Passengers: 2800

Lane meters: 1130

In the last 10 years Tallink has invested 1.3 billion EUR to create a modern fleet

TALLINK




Tallink's Fleet

Superstar

Built: 2008

Length 177m

Passengers: 2080

Lane meters: 1930

Silja Serenade
Silja Symphony

Built: 1990/91

Length 203m

Passengers: 2852

Lane meters: 950

Romantika

Built: 2002

Length 193m

Passengers: 2500

Lane meters: 1030

Star

Built: 2007

Length 186m

Passengers: 1900

Lane meters: 2000

Isabelle

Built: 1989

Length 171m

Passengers: 2480

Lane meters: 850

Silja Festival

Built: 1986

Length 171m

Passengers: 2023

Lane meters: 885

In addition the Group has 2 ro-pax cargo vessels in operation and 2 older ferries which have been replaced and are outside of the core operations

   

Our ice-classed fleet is versatile to operate anywhere




Safety, security and environmental protection are a high priority

- Safety and Security Policy
- Environmental Policy
- ISO 14001:2004 Environmental Certificate by Lloyds Register
- MARPOL Sewage Pollution Prevention Certificate
- MARPOL Air Pollution Prevention Certificate
- International Anti-Fouling System Certificate
- MARPOL Oil Pollution Prevention Certificate
- Document of Compliance for Anti-Fouling System
- MARPOL Garbage Pollution Prevention Attestation
- Passenger Ship Safety certificate
- International Ship Security Certificate
- Safety Management Certificate
- Document for Dangerous Goods


LRQA
Business Assurance

CERTIFICATE OF APPROVAL

This is to certify that the Environmental Management System of:

HT Shipmanagement Ltd
Tallinn, Riga
Estonia, Latvia

has been approved by Lloyd's Register Quality Assurance
to the following Environmental Management System Standard:

ISO 14001: 2004

The Environmental Management System is applicable to:

TallinkSilja Fleet Shipmanagement.

This certificate is valid only in association with the certificate schedule bearing the same number on which the locations applicable to this approval are listed.

Approval
Certificate No: LTQ6004314

Original Approval: 04 July 2008
Current Certificate: 04 July 2011
Certificate Expiry: 03 July 2014

Issued by: Lloyd's Register EMEA Eesti filiaal for and on behalf of the Lloyd's Register Quality Assurance Limited

UKAS MANAGEMENT SYSTEMS
001

This document is subject to the provision on the reverse
71 Fenchurch Street, London EC3M 4BS United Kingdom. Registration number 1879370
This approval is carried out in accordance with the LRQA assessment and certification procedures and monitored by LRQA.
The use of the UKAS Accreditation Mark indicates Accreditation in respect of those activities covered by the Accreditation Certificate Number 001
Macro Revision 13

Risk Factors

Our business, financial condition and results from operations could be materially affected by each of these 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, 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.

Risk Relating to Our Business

- **We operate in a competitive market**
  - We face competition in our operations, both from other ferry operators and from providers of other means of transport and substitute products from other sectors. We cannot guarantee that we will be successful in retaining or improving our current market position or in expanding our business. Failure to adapt to the changes in the market, whether caused by political decision-making or otherwise, or to increased competition could have a material adverse effect on our business, results of operations and financial condition.
- **Any introduction of new vessels and routes and related capacity increases involves risks and uncertainties**
  - From time to time we evaluate possibilities to introduce new vessels, to expand into alternative routes and to expand our business generally. Although we believe that the restructuring of the vessels on the different routes and expanding our business to new routes will improve our revenue and profitability per passenger and facilitate growth in passenger numbers, new investments in the fleet and new businesses acquired may represent substantial investments for us and, thus, involve risks. The materialization of any of these risks could have a material adverse effect on our business, results of operations and financial condition.
- **We face uncertainties regarding onboard trade and price development**
  - Consumer price level in Estonia and Latvia are currently lower than in Finland and Sweden, the prices in our onboard shops must be comparable to the prices in onshore shops in Estonia or Latvia on vessels visiting Estonia or Latvia in order to be competitive. Any reduction in the Estonian or Latvian consumer price levels may reduce the demand for goods sold onboard and force us to reduce our onboard prices, which could have a material adverse effect on our business, results of operations and financial condition.
- **Changes in consumer behavior**
  - Consumers, including our clients may change their behavior either due to the changes in economic environment, demographics, preferences, etc. These and other changes may reduce our sales and earnings, which could have material adverse effect on our business, results of operations and financial condition.

TALLINK




Risk Factors

Risk Relating to Our Business

- **Dependency on third party services and internal services**
  - We are dependent on our relations with partners, tour operators and travel agencies who sell tickets to our ferries. Changes in their operations or ceasing partnership with us may reduce the number of passengers, which could have material adverse effect on our business, results of operations and financial condition. Significant part of our tickets are sold via our in-house booking system. Disruptions, errors, connectivity problems, etc. relating to the sales systems or cyber crime against to our IT network may disturb our sales and reduce earnings, which could have material adverse effect on our business, results of operations and financial condition.
- **We are leveraged, and if we or any of our ship-owning subsidiaries default under any of our respective loan agreements, we could forfeit the rights to our vessels**
  - We own our vessels through individual ship-owning subsidiaries. Our obligations under the loan agreements have been secured by different security arrangements, including mortgages, guarantees, assignments of earnings or insurances, charters, charter guarantees, pledges or options to pledge the shares of our ship-owning subsidiaries, pledges of bank accounts and other arrangements. The loan agreements include several negative undertakings, relating to, among other things, entering into other financial commitments, changes in our corporate structure or the nature of our business, and consolidating or merging with another corporation. The loan agreements also contain extensive requirements relating to the use of our vessels, compliance with environmental laws and our insurance policies. Several of our loan agreements prevent our subsidiaries from paying dividends without the prior approval of the lenders. Furthermore, as a result of our legal and operational structure and the terms of the loan agreements entered into by us and our ship-owning subsidiaries, our ability to transmit certain funds among companies in the group and to pay dividends may be restricted. Since the interest rates under our loan agreements are mainly tied to EURIBOR with specific margins, interest rate fluctuations may affect the amounts payable under the loan agreements. All of our term loan agreements contain customary events of default, including cross-default provisions. Frequently, the cross-default provisions extend to Tallink, to certain group companies as guarantors. These cross-default clauses expose the companies of the group to default risks based on contract performance by other group companies. In addition, under certain agreements, it is an event of default if, without the prior consent of the relevant lender, a third party acquires in whole or in part the issued share capital of (or an equivalent to the controlling interest in) the borrower or the guarantor/shareholder or if there is a change in the ultimate beneficial ownership of the shares in the relevant borrower or guarantor or in the ultimate voting rights attaching to the shares. Our loan agreements also include various financial covenants, which include minimum level of liquidity, minimum equity ratio, maximum net debt to EBITDA multiple and loan to assets values. Any failure to comply with the loan agreements or any demand for repayment made by the banks could have a material adverse effect on our business, results of operations and financial condition.

Risk Factors

Risk Relating to Our Business

- **Fluctuations in the market value of our fleet may impair our ability to obtain additional funding and have a material adverse effect on our business, results of operations and financial condition**
  - The market value of vessels in our fleet on the regional and global markets is subject to fluctuations. These depend in part on the general economic and market conditions affecting the ferry industry, competition from other ferry companies, the supply of similar vessels, the price of new vessels, government regulations, the development of other means of transportation, and technological advancements. It should be expected that the fair market value of our vessels will fluctuate. In addition, as vessels grow older, they generally decline in value. If we determine at any time that there is a need to impair vessel values on our financial statements, it could result in a charge against our earnings and a reduction in our shareholders' equity. If we sell any of our vessels at a time when prices are low, the sale price may be less than the vessel's carrying amount on our financial statements, with the result that we would also incur a loss and a reduction in earnings, which could have a material adverse effect on our business, results of operations and financial condition.
- **We may be unable to retain key management personnel or other employees or to attract qualified new personnel, which may negatively impact our business**
  - Our management and the planning of our operations are conducted by a small number of executives, and the loss of any of them or of certain other members of our operating personnel could adversely affect our business. If we are unsuccessful in retaining key management personnel or in attracting qualified new management personnel, it may have a material adverse effect on our business, results of operations and financial condition.
- **We may be negatively affected by the actions of trade unions**
  - Constructive relations with trade unions are important for the continuity of our operations. Disruptions may have a material adverse effect on our results of operations and financial condition.
- **Rising labor costs may have a material adverse effect on our business, results of operations and financial condition**
  - Labor laws of the country of a ship's flag govern the employment of the ship's crew and other onboard staff. If our labor costs increase due to general economic developments, increased regulation or other reasons, it may have a material adverse effect on our business, results of operations and financial condition. Some of our ferries operate under the Estonian and Latvian flag where increase in labor costs may be faster than ferries under Swedish or Finnish flag.

Risk Factors

Risk Relating to Our Business

- **Changes in Finnish, Swedish or Latvian state aid regulations may cause a rise in labor costs**
  - We currently operate several vessels under Finnish, Swedish or Latvian flag and therefore enjoy certain tax related benefits from the governments of Finland, Sweden and Latvia, which in effect lower costs of on-board personnel. We can not be certain that this policy will be continued by those governments and changes in these regulations could cause a rise in our labour costs. Changing the flag is an option, when the conditions become more unfavourable, but as there are certain costs related to reflagging and potential savings could be delayed. In addition, a strong resistance from trade unions could be expected when changing the flag.
- **Our principal shareholder Infortar and its controlling shareholders holds a significant interest in Tallink, and, consequently, will be able to significantly influence the outcome of any shareholder vote**
  - We have in the past and will in the future engage in transactions with Infortar or its affiliates. In particular, Infortar through its affiliates is owning our office building in Tallinn and several of the hotel properties which we operate under operating lease agreements.. Therefore, it can be expected that the role of Infortar will remain significant in our future development and operations.
- **We have historically had a lean administrative, legal and accounting staff and, as a result, we may be unable to develop and maintain an effective internal control structure**
  - The failure to develop and maintain an effective internal control structure or to hire necessary personnel could have a material adverse effect on our business, results of operations and financial condition, and the increased administrative costs necessary to manage a public company could adversely affect our profitability.
- **Our operations could be affected by any actions taken by competition authorities**
  - Any alleged violations of competition laws and regulations or the outcome of any legal or administrative proceedings brought against us could have a material adverse effect on our business, results of operations and financial condition.

Risk Factors

Risk Relating to Our Industry

- **Fuel costs and increases in port and regulatory fees are beyond our control and may have a material adverse effect on our business, results of operations and financial condition**
- **Marine transportation is inherently risky and an incident involving passenger vessels could harm our reputation and have a material adverse effect on our business, results of operations and financial condition**
  - The operation of ships involves the risk of accidents and incidents at sea which could bring into question passenger safety and adversely affect future industry performance.
- **Compliance with environmental, health and safety and other national and international laws and regulations may increase our operating costs, and failure to comply with such laws and regulations may have a material adverse effect on our business, results of operations and financial condition**
  - The ferry industry is highly regulated and our operations are affected by extensive and evolving environmental, health and safety laws and regulations. Our vessels operate within the rules and regulations of the International Maritime Organization, the United Nations agency for maritime safety and the prevention of marine pollution by ships, the European Union and other jurisdictions in which our vessels operate or are registered.
- **Our insurance may be insufficient to cover losses that may occur to our property or result from our operations**
  - We insure our vessels against risks, and in amounts, which we believe to be in line with standard industry practice and the covenants set out in our loan agreements. Insurance is subject to limits and limitations. There is a possibility that some risks may not be adequately covered by insurance and that any particular claim may not be paid. Our payment of uninsured losses or damages or increases in costs could result in significant expenses to us, which could have a material adverse effect our business, results of operations and financial condition.
- **Poor weather conditions in the Baltic Sea region may disturb the flow of our operations, reduce passenger volumes, and may have a material adverse effect on our business, results of operations and financial condition**
  - Weather conditions in the Baltic Sea region may affect both the ability of our vessels to operate and the willingness of passengers to travel on our vessels. Poor weather can result in cancelled or delayed transport or lower passenger numbers and may have a material adverse effect on our business, results of operations and financial condition.

TALLINK

Risk Factors

Risk Relating to Our Industry

- **Port authorities’ changes in tariffs or port operations may increase our costs or restrict our vessels’ operations**
  - Our vessels are using several ports’ facilities in their everyday operations. Our business is dependent on the relations with these port authorities. Changes in their pricing policies may increase our costs and reduce earnings. Other changes in their operations may restrict or disturb the operations of our vessels, which may have a material adverse effect on our business, results of operations and financial condition.
- **Terrorist attacks and other acts of violence or war may affect trade and passenger flows, which could have a material adverse effect on our business, results of operations and financial condition**

Risk Relating to Doing Business in the region

- **Regulatory, legal, political or economic developments relating to countries we operate in have a material adverse effect on our business, results of operations and financial condition**
  - Changes to Estonia’s and other countries we operate in political, economic, legal or regulatory framework may have a material adverse effect on our business, results of operations and financial condition.
- **Changes in taxation in the countries we operate in could have a material adverse effect on our business, results of operations and financial condition**
  - The countries we operate in may change their taxation policy. Any change in taxation policy could have a material adverse effect on our business, results of operations and financial condition.
- **Fluctuations in exchange rates could have a material adverse effect on our business, results of operations and financial condition**
  - Our books and accounts are denominated in euro. Our revenue is primarily denominated in euro and Swedish kronor while our expenses are primarily denominated in euro, U.S. dollars and Swedish kronor. Therefore, we are exposed to currency risks. Fluctuations in currency exchange rates could have a material adverse effect on our business, results of operations and financial condition.




Risk Factors

This section highlights some risk factors related to Tallink, its business, and the bonds described herein (the "Bonds"). No investment in the Bonds should be made without a thorough analysis of the risk factors. The risks described below are not the only ones facing Tallink or are related to the Bonds. The below must therefore not be viewed as an exhaustive list of risk factors related to an investment in the Bonds.

Risk Relating to the Bonds

- **The Company's Debt Financing structure**
  - Our current debt financing is in secured form. Unsecured Bond financing will bear more credit risk compared to secured financing. Our current debt financing has several covenants included to the financing agreements. Bond financing with lesser or less prudent covenants will bear more credit risk compared to our current financing. Our current debt financing has maturity profile with several financing facilities maturing before the Bond financing, thus increasing the credit risk of this bond financing.
- **Trading of the Bonds**
  - The Bonds are being offered and sold pursuant to an exemption from registration under United States and applicable state securities laws. Therefore, the Bonds may be transferred or resold in the United States only in a transaction registered under or exempt from the registration requirements of the Securities Act and applicable state securities laws, and the seller may be required to bear the risk of the investment for an indefinite period of time. Furthermore, there cannot be any assurances that an active market will develop for the Bonds, which could imply that an investor may not be able to sell its Bonds at all or sell the Bonds at an acceptable price.
- **General risks related to investing in bonds**
  - Investing in bonds inherently involves the risk that the value of the bonds will decrease or that the issuer will be unable to fulfill its obligations to repay the bonds or pay interest under the bonds. Thus, any prospective investor must be able to suffer such economic risk, and to withstand a complete loss of an investment in bonds.
- **Credit risk**
  - A potential investor should assess the credit risks associated with the Issuer, the Group and the Bonds. As there is a credit risk associated with the Issuer and the Group, events that reduce the creditworthiness of the Issuer or the Group should be considered. If the Issuer's or the Group's financial position should decline, there is a risk that the Issuer will not be able to fulfill its obligations under the Bonds. A decrease in the Issuer's or the Group's creditworthiness could also lead to a decrease in the market value of the Bonds.




Risk Factors

Risk Relating to the Bonds

- **The Issuer’s ability to service its indebtedness depends on many factors beyond its control**
  - The Issuer’s ability to make scheduled payments on or to refinance its obligations under the Bonds will depend upon the Issuer’s financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to financial and business factors, many of which may be beyond the Issuer’s control.
- **The Bonds may not be a suitable investment for all investors**
  - Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:
    - have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;
    - have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
    - have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
    - understand thoroughly the terms of the Bonds; and
    - be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.
  - The terms and conditions of the Bond Agreement will impose operating and financial restrictions, which may prevent the Issuer from capitalizing on business opportunities and taking some actions. The terms and conditions of the Bond Agreement will contain restrictions on the Issuer’s activities, including, but not limited to, covenants that may limit its ability to expand its business operations.
- **Change of control - The Issuer’s ability to redeem the Bonds with cash may be limited**
  - Upon the occurrence of a Change of Control Event (as defined in the Bond Agreement), each individual bondholders shall have a right of pre-payment of the Bonds plus all accrued and unpaid interest to the date of redemption. However, it is possible that the Issuer will not have sufficient funds at the time of the Change of Control Event to make the required redemption of Bonds. The Issuer’s failure to redeem tendered Bonds would constitute an event of default under the Bond Agreement.

TALLINK




Risk Relating to the Bonds

- **The market price of the Bonds may be volatile**
  - The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Bonds, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Issuer's operating results, financial condition or prospects.
- **Changes in the Bond Agreement**
  - The terms and conditions of the Bond Agreement will allow for modification of the Bonds and the Bond Agreement, waivers or authorizations of breaches and substitution of the Issuer which, in certain circumstances, may be effectuated without the consent of bondholders. The Bond Agreement will contain provisions for calling meetings of bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all bondholders, including bondholders who did not attend and vote at the relevant meeting and bondholders who voted in a manner contrary to the majority. The Trustee may agree, without the consent of the bondholders, to certain modifications of the Bond Agreement which are, in the opinion of the Trustee, proper to make. Such modifications which will be binding upon the bondholders will be further described in the Bond Agreement.
- **Market risk**
  - The market value of the Bonds depends on several factors, including, but not limited to, the level of market interest rate. Investments in the Bonds involve the risk that increases in market interest rates may adversely affect the value of the Bonds.
- **Legal investment considerations may restrict certain investments**
  - The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or use of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Risk Relating to the Bonds

- **Change of law**
  - The Bonds are subject to Norwegian law and administrative practice in effect as at the date of this company presentation. No assurance can be given as to the impact of any possible judicial decision, change to Norwegian or administrative practice after the date of this company presentation, nor can any assurance be given as to whether any such change could adversely impact the ability of the Issuer to make payments under the Bonds.
- **Enforcement in Estonia**
  - The Issuer is incorporated in Estonia, while the Bond Agreement is governed by Norwegian law. Estonia is an EU member state and has incorporated the principles set forth of Lugano convention whereby the decisions recognized or subject to enforcement without recognition by courts of foreign states shall be the enforcement instruments that can be fulfilled . Nevertheless, administrative procedures may delay the enforcement of a judgment or deprive effective legal recourse for claims related to the investment in the Bonds.
- **Bond Currency**
  - The issuer's revenues are mainly in Euros. The issuer plans to issue Bonds in Norwegian Kroner which imposes currency risk. Issuer may use derivatives to hedge currency risk, hereby exposing Issuer to derivative transaction counterparty risk.