Debt investor presentation

26 April 2016

TALLINK




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Please see appendix for risk factors

Transaction summary

REQUEST FOR WAIVER

Background

- 2015: A solid year for Tallink from a financial and operational view
  - All time-high revenue and EBITDA, net profit showed an increase of more than 2x compared to last year
  - Result improvement on all routes, all time high passenger number on Tallinn-Helsinki route
  - Adoption of the new EU Sulphur directive
  - Lower total fuel consumption as a result of fleet optimisation and technical modifications

- Tallink has performed well since the 2013 bond issue
  - Deleveraging: Net debt/EBITDA currently at 2.6x
  - Strong liquidity position of EUR 82m and EUR 72m in undrawn credit lines
  - Business model remains intact – with a stable revenue split
  - Maintains a strong capital base and necessary financial flexibility

Transaction summary & proposed waivers

AS Tallink Grupp 13/18 FRN

- Tallink has summoned to a bondholders' meeting expected to take place 11 May 2016 at 13:00 CET
- Tallink will ask bondholders for a **one-time waiver of the covenant on dividends and other distributions** in clause 13.4 litra (c) of the bond agreement, that will permit Tallink to pay up to EUR 59.1 million (approximately 100% of net profit after tax) in dividends and other distributions in 2016 based on the fiscal year 2015.
- Tallink offers all Bondholders a **consent fee of 1.00%** payable in cash within five business days after the bondholder's meeting, provided that the waiver request is accepted.
- To approve the waiver request, bondholders representing more than 2/3 of the bonds represented at the bondholders' meeting must vote in favor of the resolution. In order to have a quorum, at least 1/2 of the voting bonds must be represented at the meeting
- No permanent amendments to the bond agreement

Existing bank facilities

- Several bank facilities in place
  - Syndicated and bilateral credit facilities – in total EUR 453 million outstanding
- One credit facility has a restriction on dividends and other distributions
  - Tallink has already obtained a waiver of the dividends and other distributions covenant from banks in this facility
  - This facility matures in 2017

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Company highlights

Strong capital structure

- Net debt/EBITDA at 2.6x – proven deleveraging capabilities through strong cash conversion
- Significant value support – equity ratio at 54%
- Solid liquidity position with cash at 15% of total debt

Operational excellence

- Over 50 years of experience
- Market leader with 46% in the Baltic Sea region passenger market
- High safety and environmental standards

Stable and diversified revenue base

- Among the world’s top Duty free & Travel retail shops
- Successful in demonstrating limited cyclicality with a stable revenue split
- Extensive route and on-board offers

Proven customer loyalty

- 2 million Club One card holders – grew at 10% in 2015
- Every third passenger a Club One member
- Strong quality brands – Tallink & Silja Line

Delivering on strategy

- Proven execution of de-leveraging strategy – interest bearing debt reduced by EUR 632 since 2009 peak
- Diversified customer base – with more than 10% of passengers from outside home markets
- Efficient operations – the total annual fuel consumption declined by 13% in 2015 – due to optimisations in vessel operations and changes in fleet

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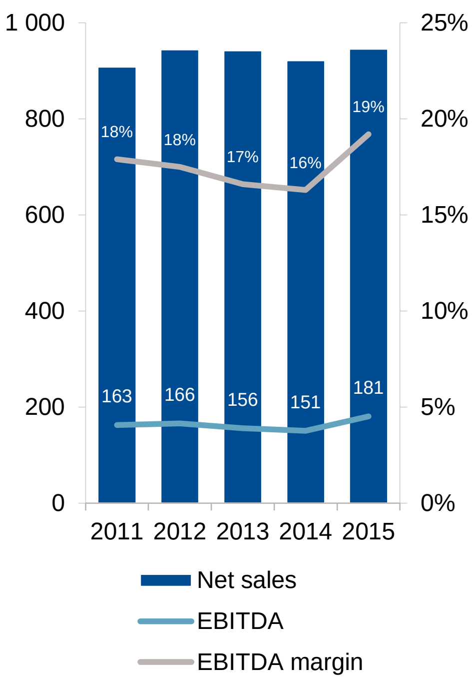
Significant financial improvements since 2013 bond issuance

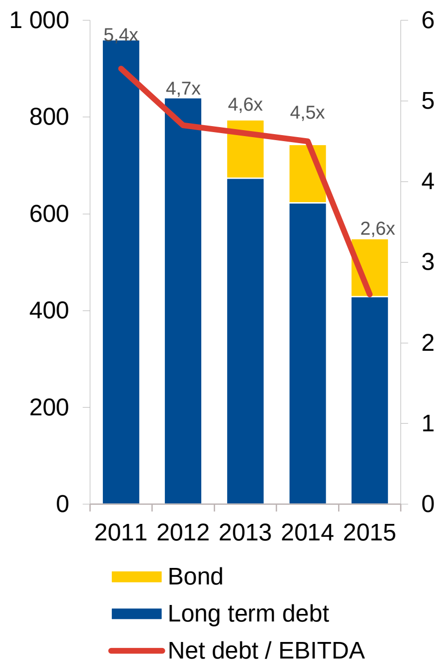
Target financial structure accomplished

Continuous earnings stability, significant deleveraging and a proven resistance to adverse business cycles

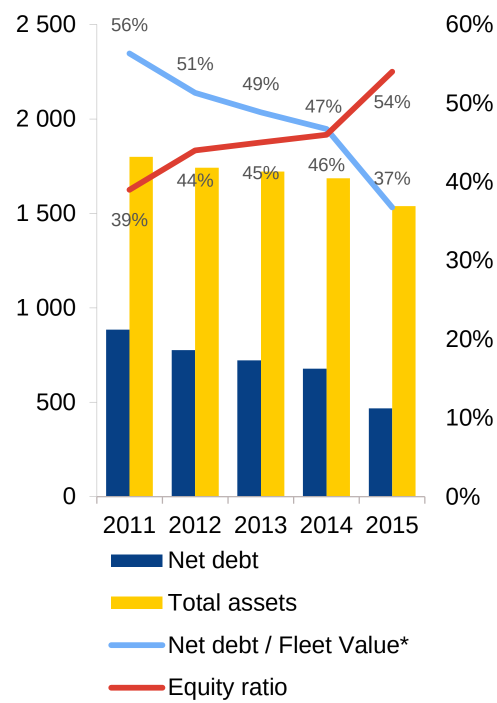
Results: Stable and improving



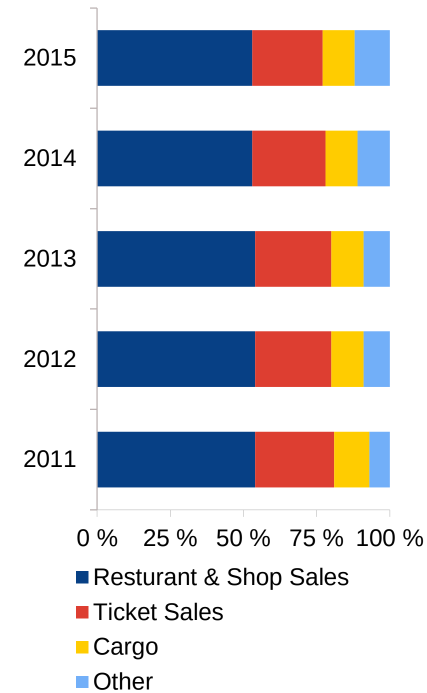
Deleveraging rapidly



Significant value support



Stable revenue split



2013:
EBITDA: EUR 156m
Net debt/EBITDA: 4.6x
Equity ratio: 45%

2015:
EBITDA: EUR 181m
Net debt/EBITDA: 2.6x
Equity ratio: 54%

* Fleet Valuation as per management's assessment of fair value

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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 and bonds
- 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 Group’s target is to maintain the optimal debt level so the company can pay sustainable dividends

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Strategic plan

Tallink's vision

— 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 in our home markets

— Develop a wide range of quality services directed at different customers and pursue new growth opportunities

— Ensure cost efficient operations

Current strategic cornerstones and competitive advantages

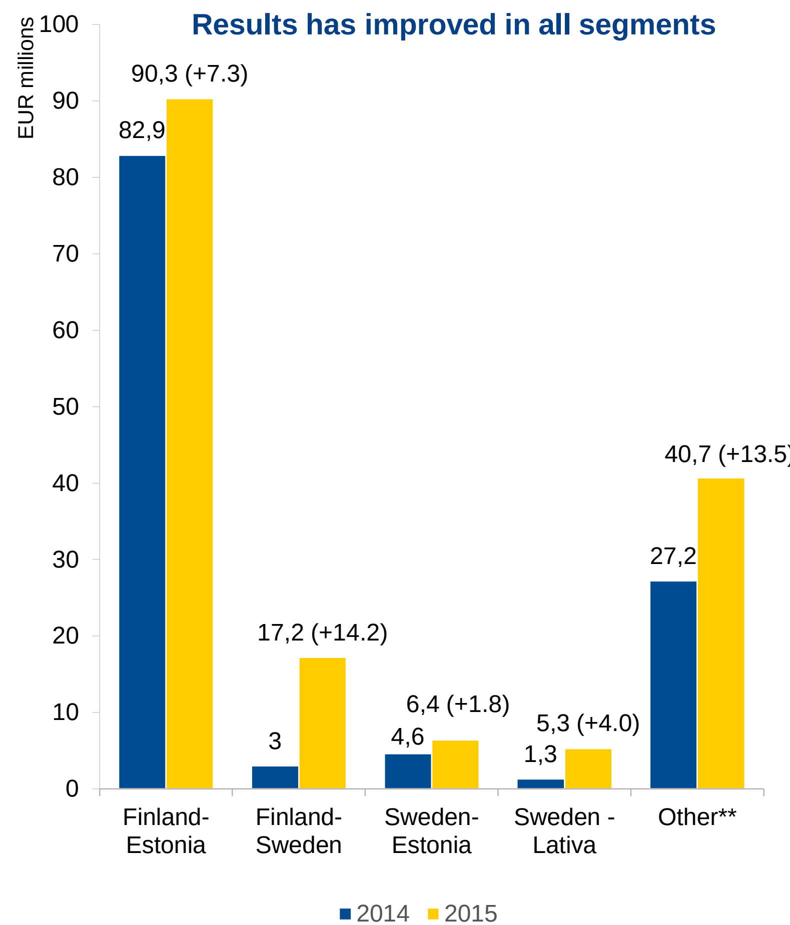
Most modern fleet	Wide route network	Strong market share & brand awareness	High safety level & environmental standards

Highlights & financials

2015

Highlights – *full year 2015*

- Record revenue and EBITDA result, net profit more than doubled
- Adoption of the new EU Sulphur directive
- Positive effect from charters and re-routings
- Sale of vessels Silja Festival and Regina Baltica
- Start of production of the new generation LNG powered fast ferry
- Sale and charter-back of fast ferry Superstar
- All time high passenger number on Tallinn-Helsinki route
- Lower fuel price and lower total fuel consumption
- Positive feedback from upgraded vessels



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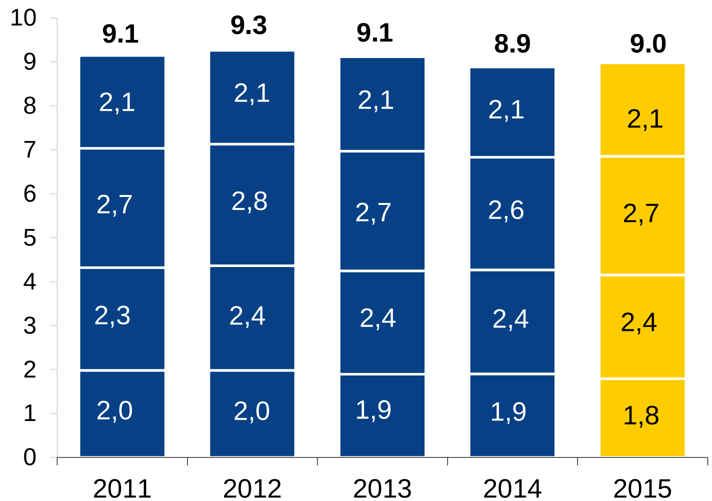
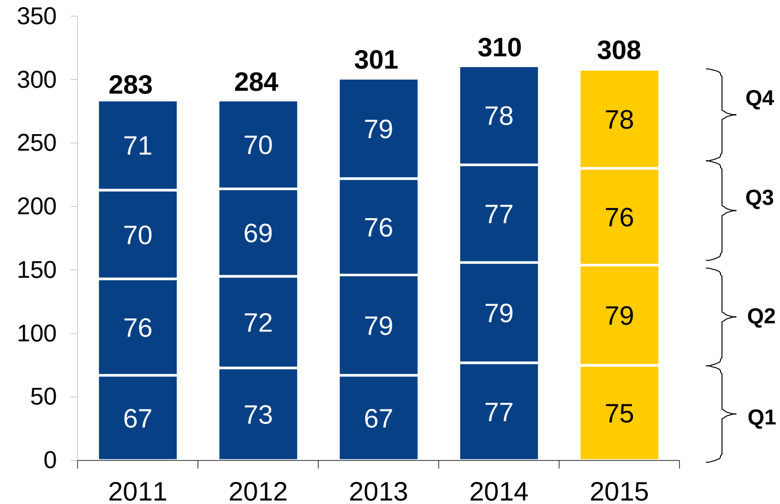
Results
Quarterly seasonality breakdown

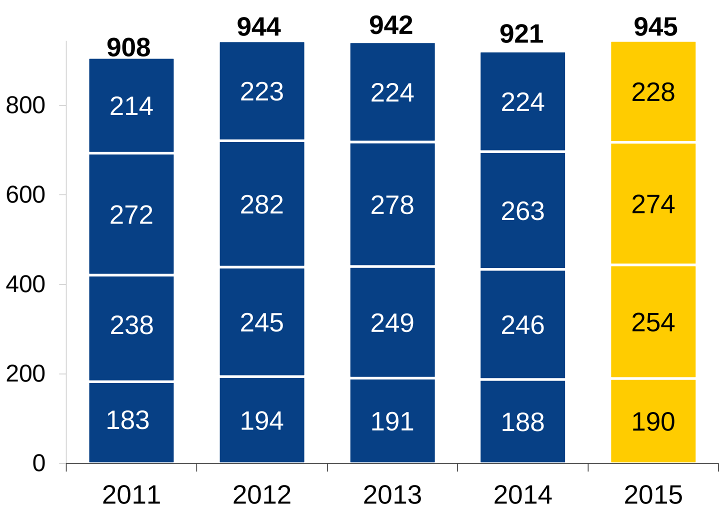
Passengers (millions)



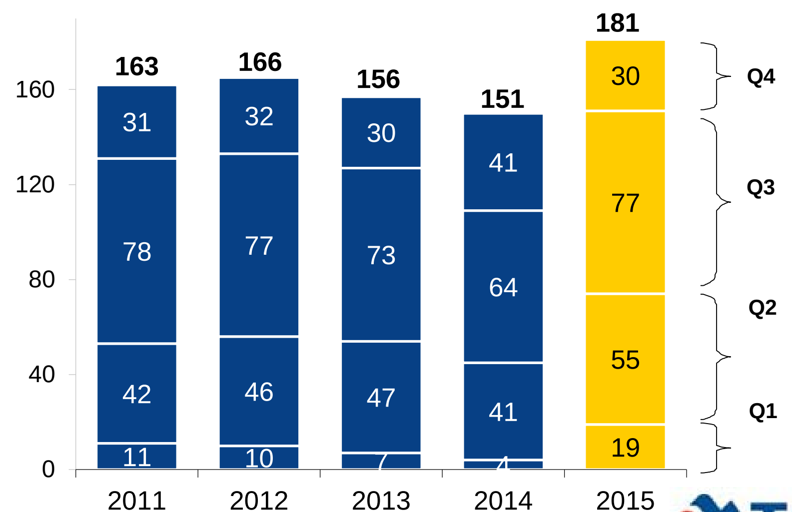
Cargo (th. units)



Revenue (EUR million)



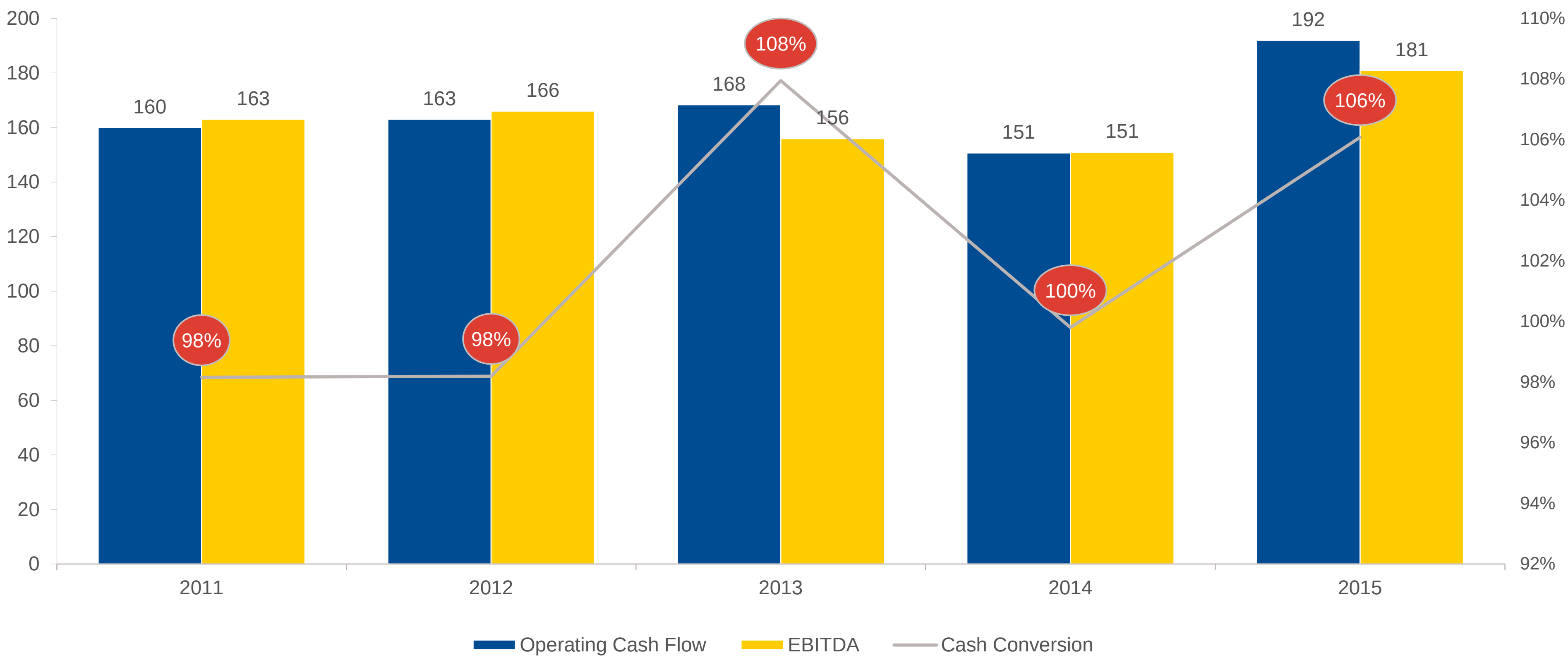
EBITDA (EUR million)



EBITDA and operating cash flow

Strong cash flow generation from underlying activities

- Strong deleveraging capabilities due to strong cash conversion



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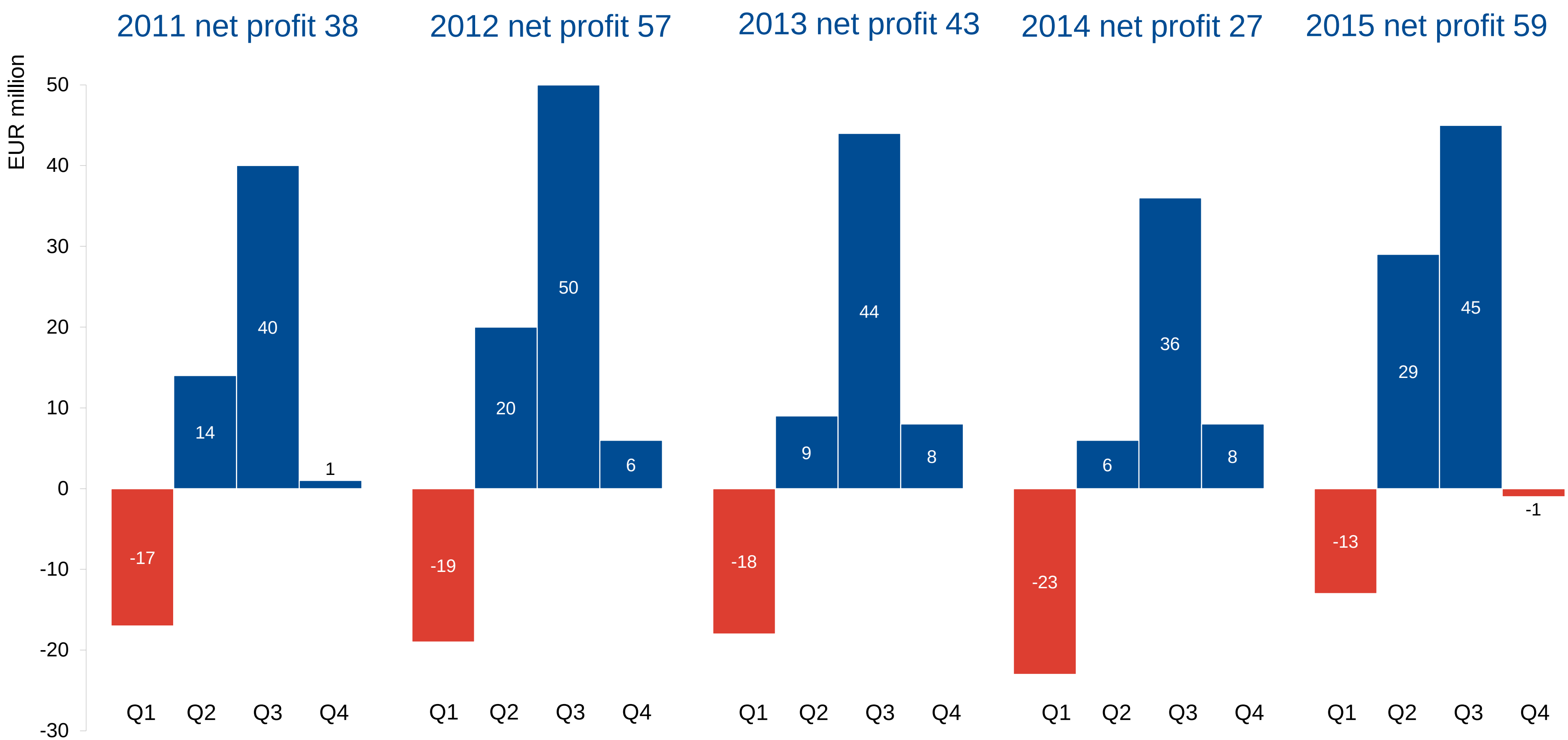
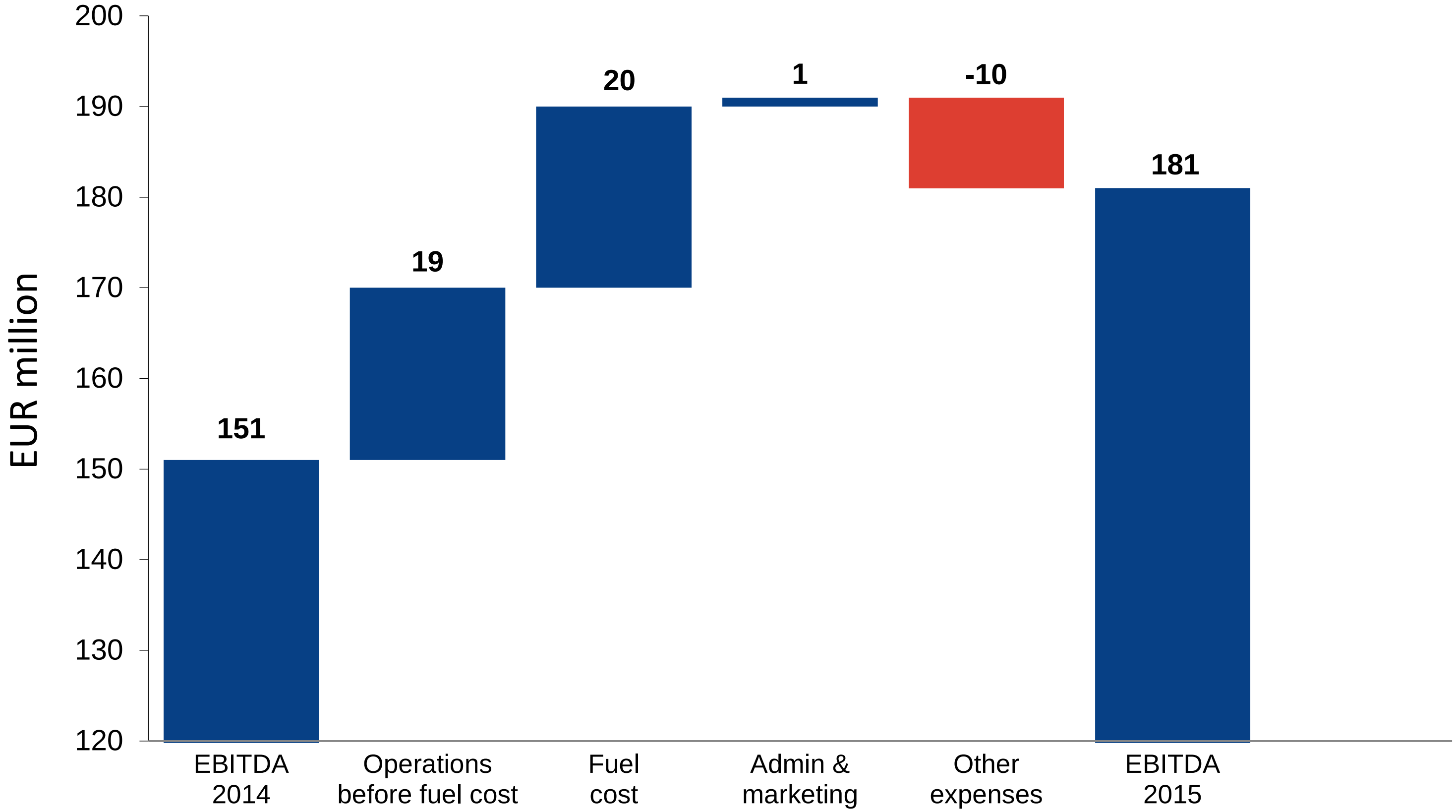
The dynamics of high seasonality on the profit level

Net result by quarters



Typical to the Tallink business model is that most of the result is made in the summer, the high season

EBITDA contributors in 2015 versus 2014



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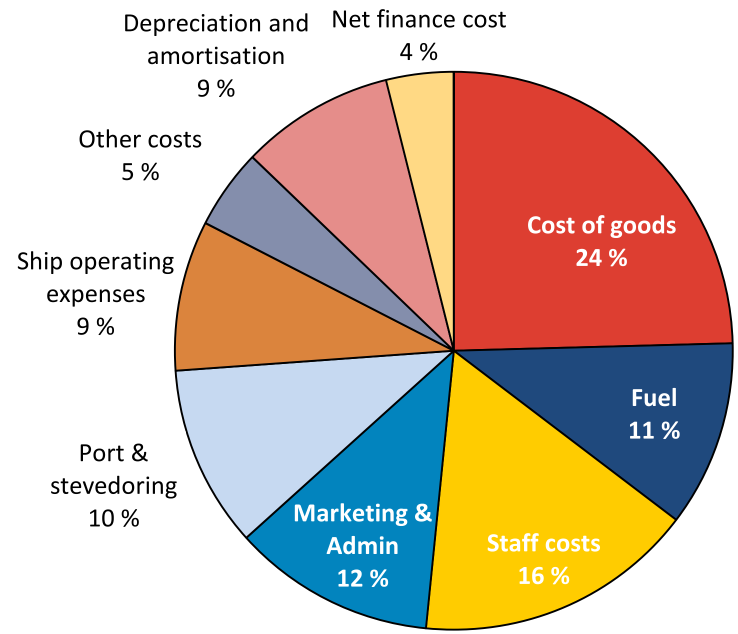
Consolidated Income Statement

(EUR million)	2013	2014	2015 [1]
Sales	**942**	**921**	**945**
Cost of sales [2]	(751)	(740)	(722)
Marketing, general & admin [2]	(108)	(112)	(111)
EBITDA	**156**	**151**	**181**
Margin (%)	*16.6%*	*16.3%*	*19.2%*
Net Profit	**43**	**27**	**59**
EPS	**0.06**	**0.04**	**0.09**

Notes:
(1) Unaudited
(2) Includes amortization and depreciation

Costs breakdown

(EUR million)	2014	2015	Change
Cost of goods	211,211	215,401	2%
Fuel cost	114,008	94,191	-17%
Staff costs	138,660	142,368	3%
Marketing & Administration (1)	103,690	102.839	-1%
Port & stevedoring	95,830	92,213	-4%
Ship operating expenses	77,930	76,249	-2%
Other costs (2)	30,417	40,577	33%
Total costs from operations	**771,746**	**763,838**	**-1%**
Depreciation and amortisation	79,908	78,102	-2%
Net finance cost	40,683	34,156	-16%
Total costs	**892,337**	**876,096**	**-2%**



Notes:
(1) Amortisation and depreciation excluded
(2) Including one-off costs from vessel sale in 2015

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Consolidated Cash Flow Statement

(EUR million)	2013	2014	2015 [1]
Operating cash flow	**168**	**151**	**192**
Capital expenditure	(43)	(49)	(44)
Asset disposal	1	0	115
Free cash flow	**126**	**102**	**263**
Debt financing (net effect)	(40)	(46)	(192)
Interests & other financial items	(38)	(37)	(38)
Dividend paid	(33)	(20)	(13)
Dividend tax	(9)	(5)	(3)
Change in cash	**6**	**(7)**	**17**

Notes:
(1) Unaudited

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Consolidated Statement of Financial Position

(EUR million)	31.12.2012	31.12.2013	31.12.2014	31.12.2015 (1)
Total assets	**1,742**	**1,722**	**1,686**	**1,539**
Non-current assets	1,599	1,572	1,545	1,385
Current assets	143	150	140	154
- of which cash	66	72	65	82
Total liabilities	**981**	**951**	**907**	**714**
Interest bearing liabilities	840	794	743	549
Other liabilities	141	157	170	165
Shareholders' equity	**761**	**771**	**778**	**824**
Net debt/EBITDA	**4.7x**	**4.6x**	**4.5x**	**2.6x**
Net debt	**775**	**722**	**678**	**467**
Equity/assets ratio	**44%**	**45%**	**46%**	**54%**
BVPS (2) (in EUR)	**1.14**	**1.15**	**1.16**	**1.23**

Notes:
(1) Unaudited
(2) Shareholders' equity / number of shares outstanding

Debt structure

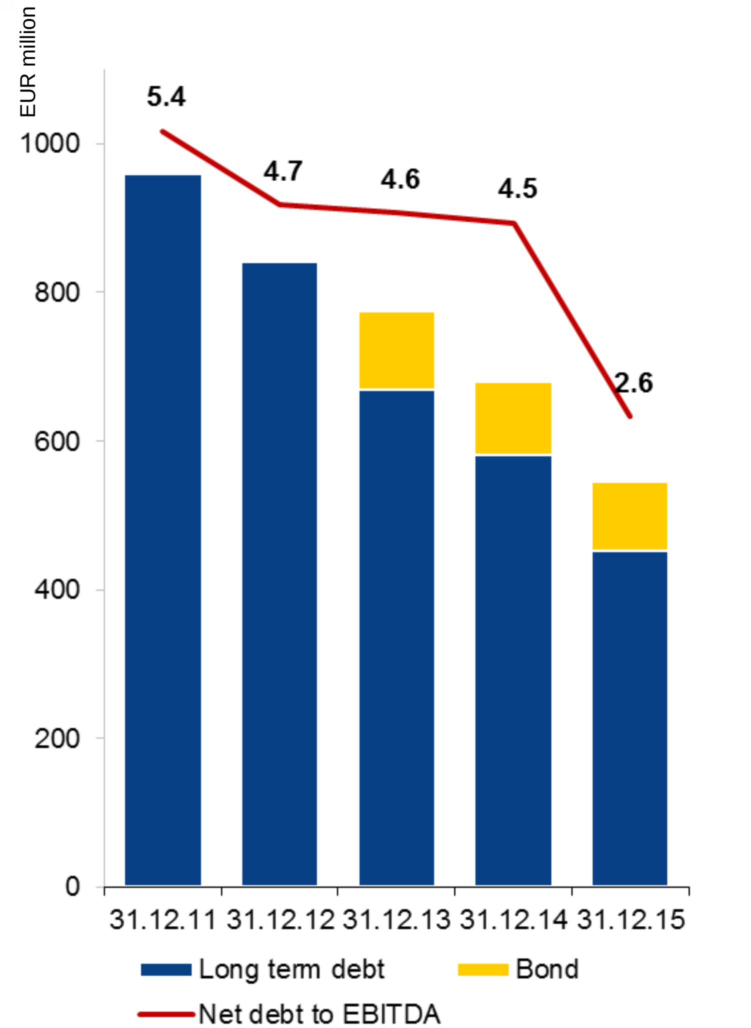
Total EUR 549 million interest bearing liabilities as of 31.12.2015

Long term bank loans

- 5 standalone loan agreements with bank syndicates
- Amortizing project loans and commercial term loan
- Maturities 2-5 years
- EUR denominated
- EURIBOR floating,1/3 hedged

Bond

- Senior unsecured NOK 900 m (EUR 120 m)
- Listed in Oslo Stock Exchange
- 3M NIBOR +5% (3M EURIBOR +4.88%)
- Issue date 18.06.2013
- Maturity date 18.10.2018
- Currency risk eliminated by swapping to EUR



2016 outlook

- Silja Europa return to Tallinn-Helsinki route
- Group-wide public areas renovation program continues
- The new logistics center start of operations
- Developments in Tallinn, Helsinki and Stockholm ports
- Nordic economies remain weak
- Geopolitical events in Europe

Company presentation

INTRODUCTION TO TALLINK




Unrivalled suite of competitive advantages

1 Modern fleet

- 10 core vessels have an average age of 14.2 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 2015, only 6 of the over 9500 scheduled trips were cancelled for technical reasons

5 Loyal customer base

- 9 million passengers in 2015
- Nearly 2 million Club One card holders growing at 10% in 2015
- 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

1

TALLINK

46% Market share of the Northern Baltic Sea Region passenger market

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AS Tallink Grupp

The company

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

Operations

— Fleet of 16 vessels

— Operating five hotels

Key facts

— Revenue of EUR 945 million in 2015

— Operating EUR 1.5 billion asset base

— Nearly 7,000 employees

— Serving 9 million passengers annually

— Transporting 308 thousand cargo units annually

— Listed on Nasdaq OMX Baltic – TAL1T

Over 50 years of operating and cruising experience

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Tallink's business model

Product offering

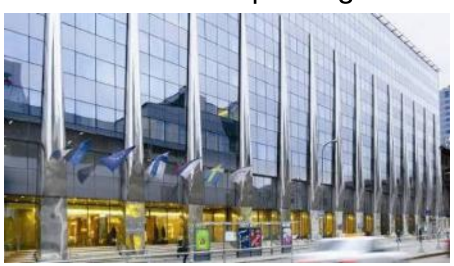
Overnight cruises & passenger transportation

Shuttle service

On-board tax-free shopping

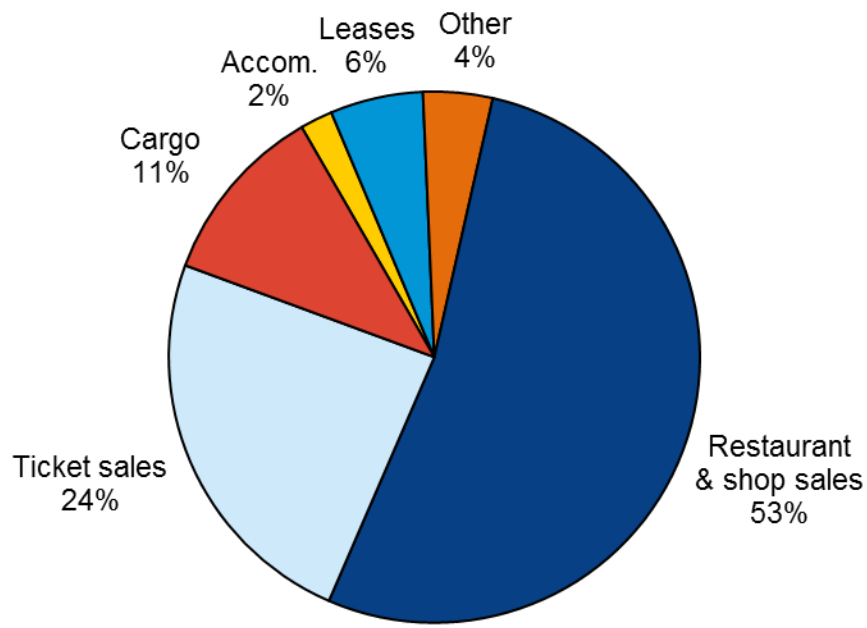
Cargo transportation

Hotel & travel packages



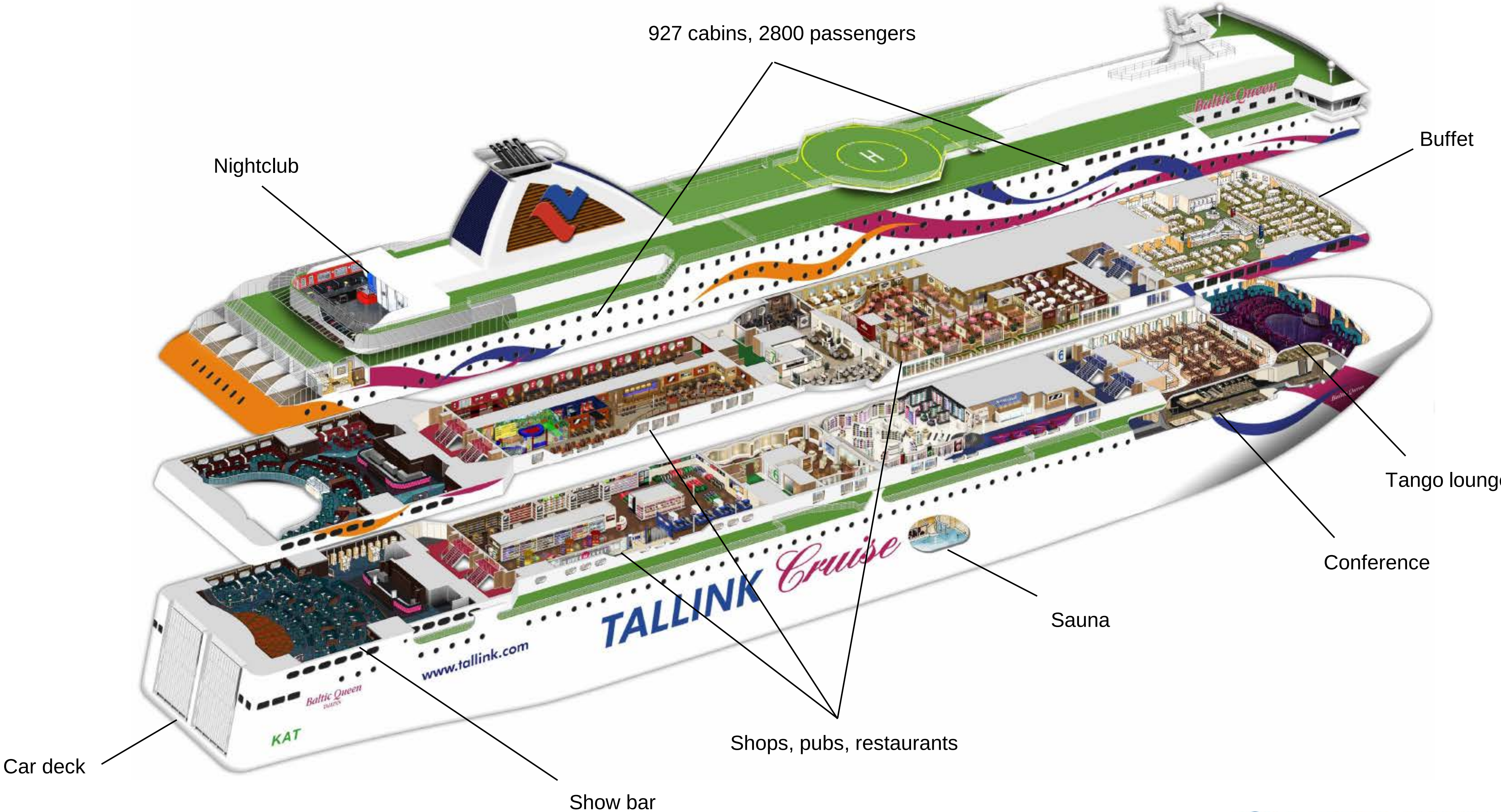
City break

Revenue structure in 2015






Cruise ferry



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Tallink’s position in the global ferry market

The World's top Duty free & Travel Retail Shops

Ranking by actual and estimated retail sales in 2014

Rank	Location	
Sales > US $ 1,000 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
5	Hong Kong – Hong Kong International Airport	AIRPORT SHOPS
6	Shanghai – Pudong Airport, China P.R	AIRPORT SHOPS
7	Bangkok – Suvarnabhumi Airport, Thailand	AIRPORT SHOPS
Sales > US $ 800 million		
8	Paris – Charles de Gaulle Airport, France	AIRPORT SHOPS
Sales > US $ 700 million		
9	Beijing – Capital Airport, China P.R.	AIRPORT SHOPS
10	Frankfurt – Frankfurt-Main Airport, Germany	AIRPORT SHOPS
Sales > US $ 600 million		
11	Tallink	FERRIES
12	Taipei – Taoyuan International Airport, Taiwan	AIRPORT SHOPS
Sales > US $ 500 million		
13	Tokyo – Narita Airport, Japan	AIRPORT SHOPS
14	Sao Paulo – Guarulhos Int’l Airport, Brazil	AIRPORT SHOPS
15	Oslo – Gardermoen Airport, Norway	AIRPORT SHOPS
16	Amsterdam – Schipol Airport, Netherlands	AIRPORT SHOPS

Source: Generation Research 2015

Rank	Company	Gross tons
1	Stena Line	933,618
2	Grimaldi Lines	694,597
3	Tallink	466,960
4	P&O Ferries	409,659
5	Tirrenia	373,911

Rank	Company	Beds
1	Tallink	18,963
2	Stena Line	17,069
3	Viking Line	14,026
4	Grand Navi Veloci	13,680
5	Tirrenia	10,442

Rank	Company	EUR million Revenue
1	DFDS Group	1,714
2	Stena Line	1,340
3	Tallink	921
4	Finnlines	533
5	Viking Line	527

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

Source: ShipPax MARKET:15; Company reports

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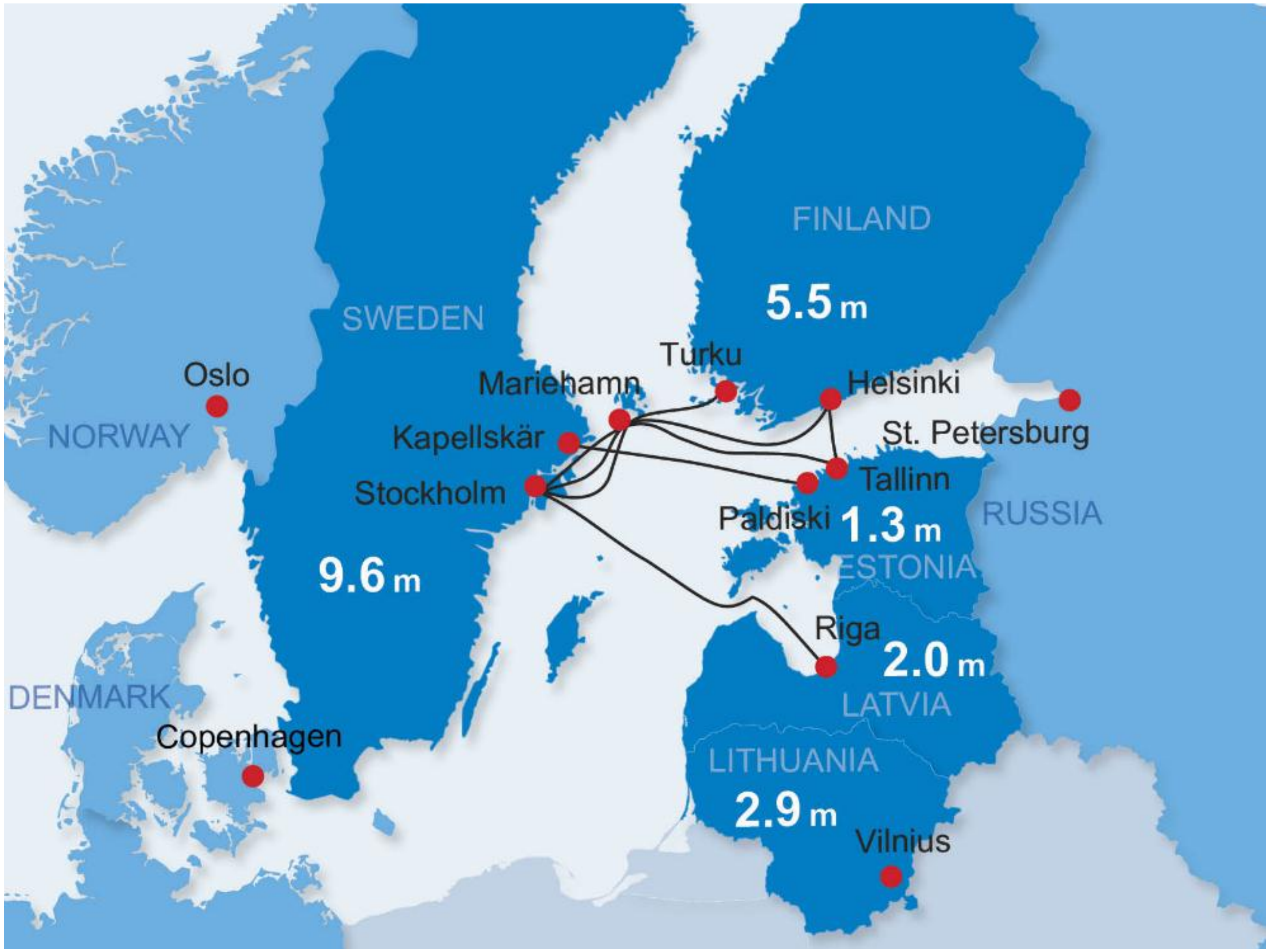
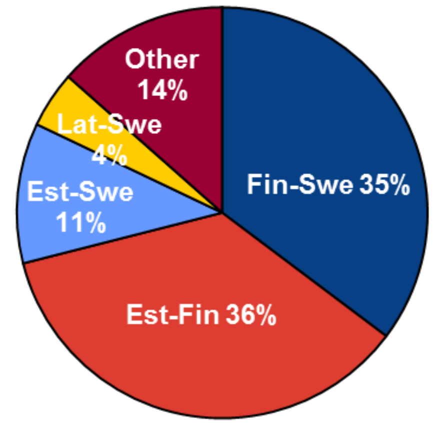
Tallink's passenger market share is 46% of the Northern Baltic Sea



Northern Baltic passenger market ~ 20 million passengers

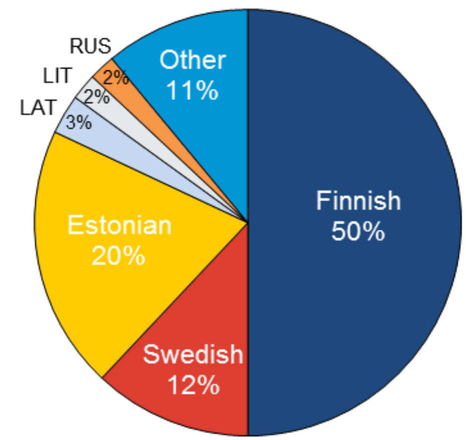
Revenue by routes

EUR 945 million, 2015



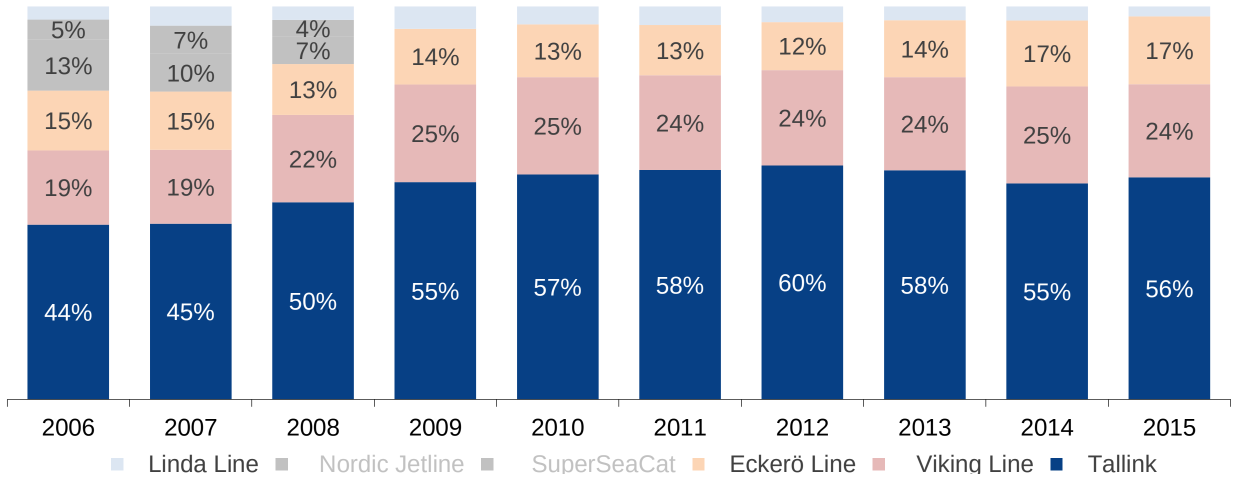
Passengers

9.0 million, 2015

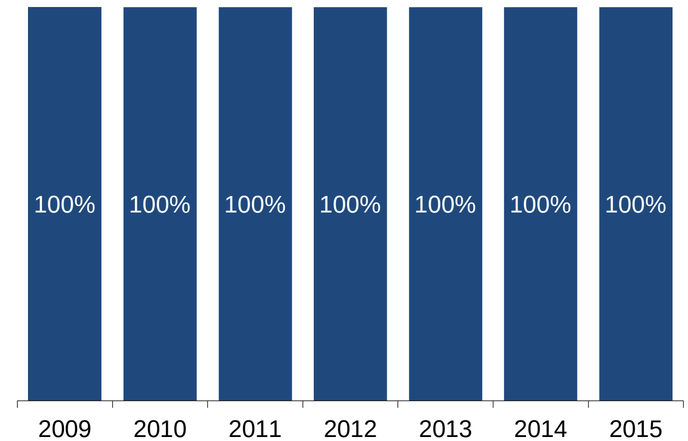


Market shares
Passenger operations

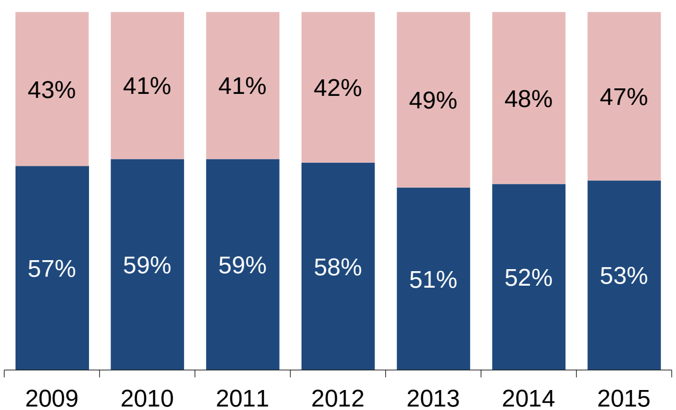
Tallinn – Helsinki



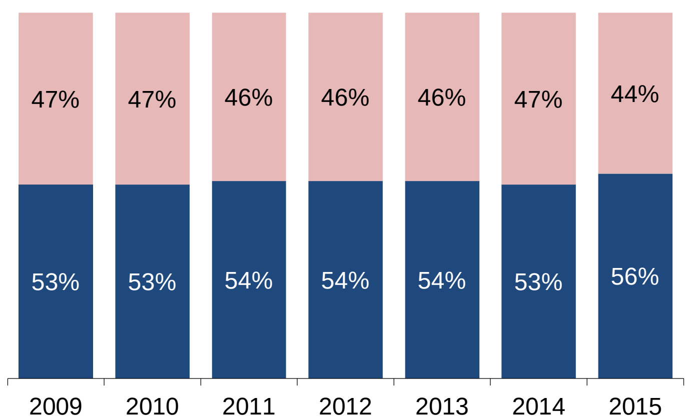
Tallinn – Stockholm



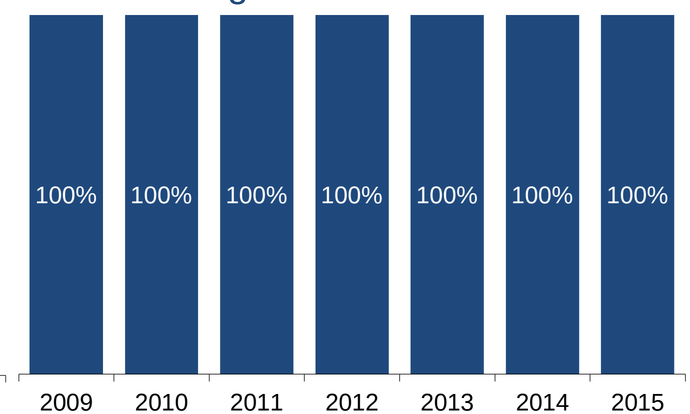
Turku – Stockholm



Helsinki – Stockholm

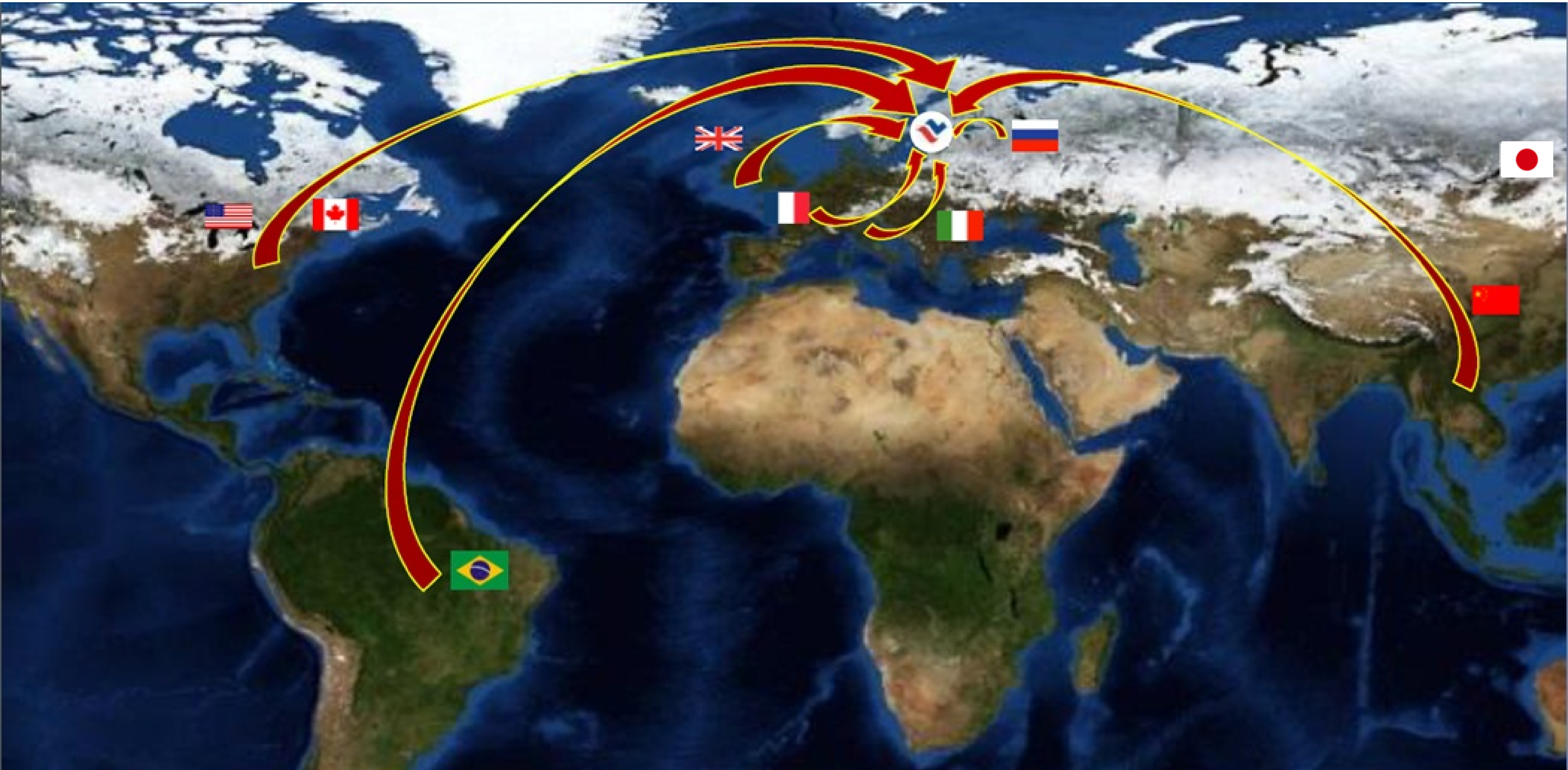


Riga – Stockholm



We are targeting new customers from a wider country base

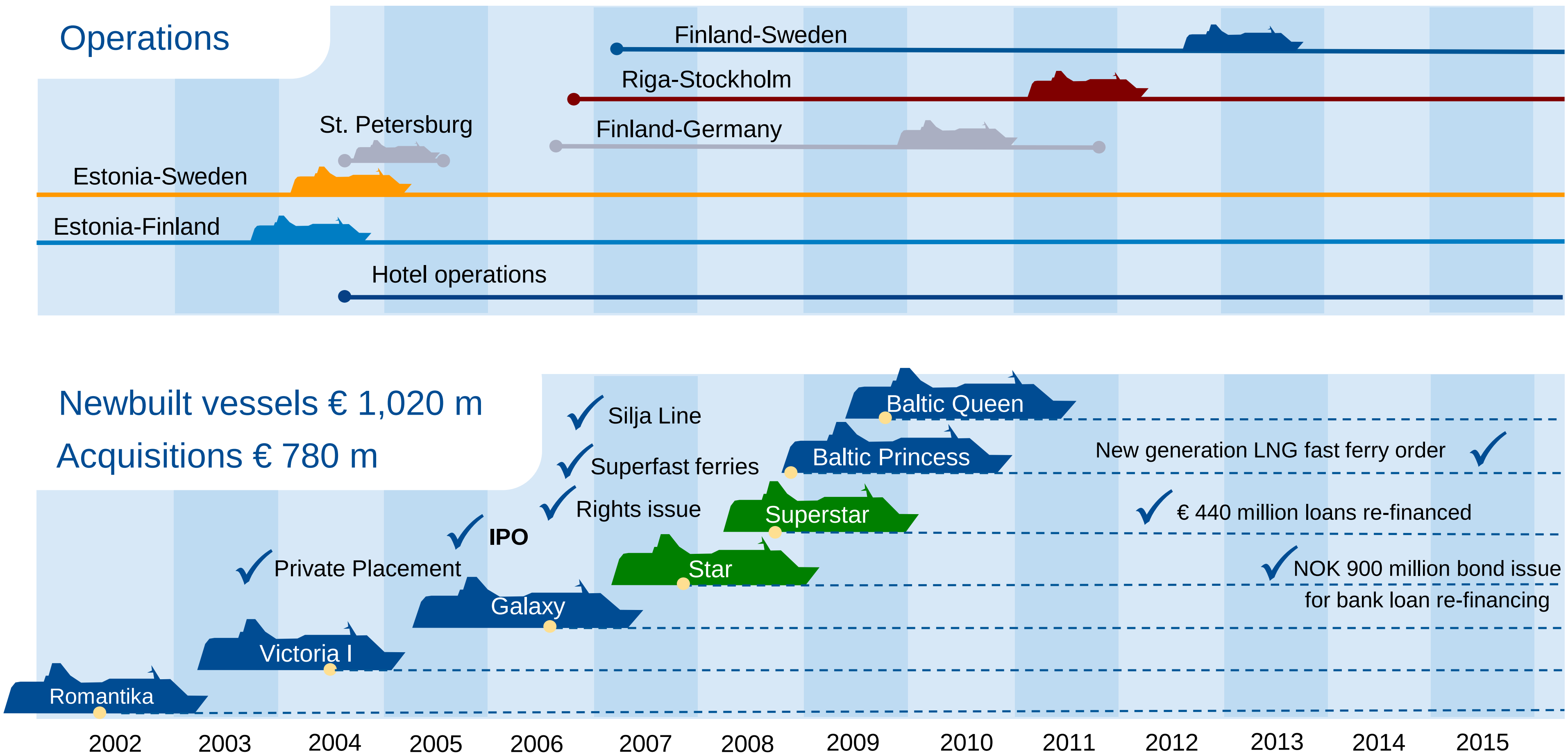
More than 10% of our passengers come from outside of our home markets



Web sales sites in 17 language

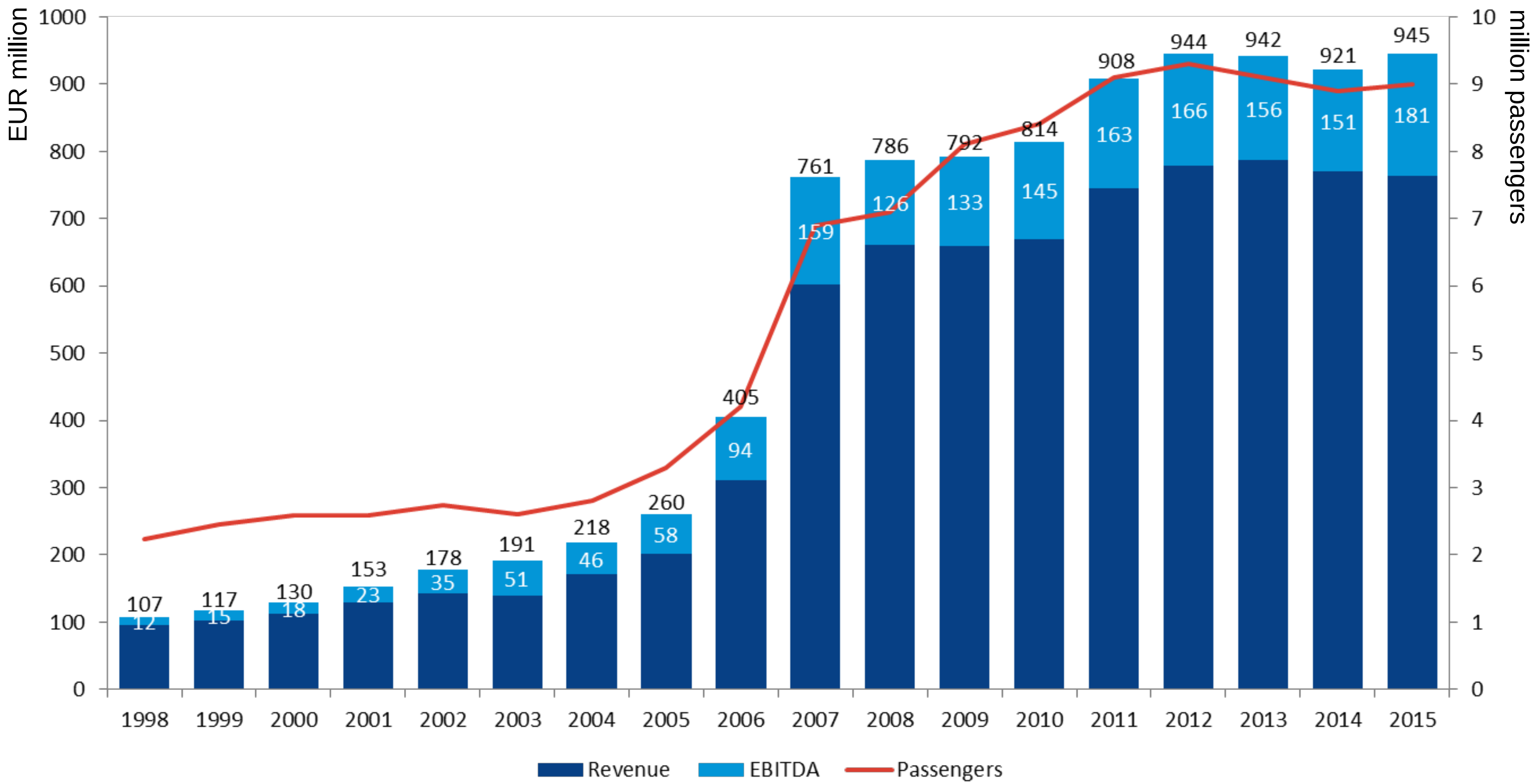
China	Finland	Italy	Lithuania	Poland	Russia
Denmark	France	Japan	Netherlands	Spain	International
Estonia	Germany	Latvia	Noway	Sweden	

Highlights and milestones






Tallink's performance after the management buyout



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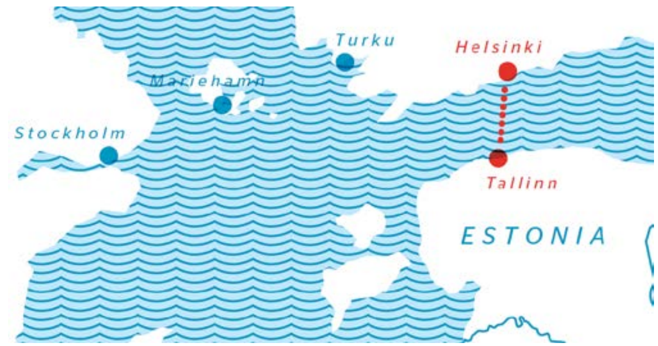
Focus on public areas modernisation

- Expansion of shop areas and modernizing restaurant areas to improve the performance through retail space
- Modern retail environment visual
- Wider selection of the products
- Developing on-board areas with the goal: approachable, comfortable and customer friendly
- Responding to higher expectations of the passengers




Ready to take the next step on the Tallinn – Helsinki route

LNG powered fast ferry for the Tallinn – Helsinki Shuttle service



Specifications

- Built in Meyer Turku Shipyard
- Gross tonnage 49,000
- Length 212 meters
- Capacity 2,800 passengers
- Dual fuel engine
- Service speed 27 knots
- Delivery in early 2017

Financing

- The vessel cost is approximately EUR 230 million
- 20% will be paid during the construction period
- 80% will be financed with long term bank loan on the delivery of the vessel
- OECD-term export credit loan with CIRR based interest rate

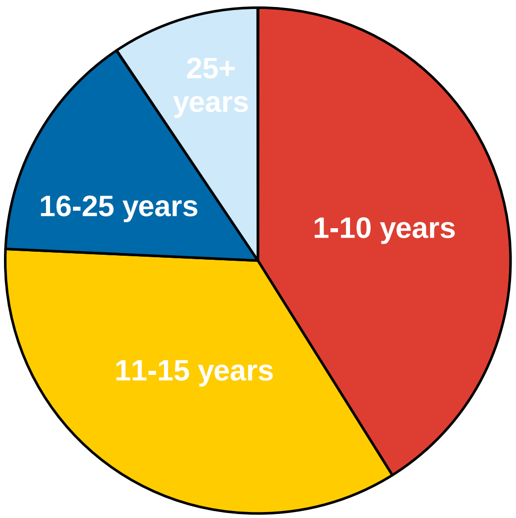
Production of the vessel started on 4th of August 2015

More information on dedicated homepage: **http://megastar.tallink.com/**

TALLINK

Age of fleet

Age of fleet by value
value-weighted average



AS Tallink Grupp ships age

- Core fleet 14.2 years
- Superfast fleet 14.5 years
- Cargo vessels 21.3 years

March 2016

World-wide ships age

- Ferries 23 years
- Cruise 13 years

Source: ShipPax MARKET: 13, 15

- Our ice-classed fleet is versatile to operate anywhere
- We have experience in selling and chartering vessels all over the world

TALLINK

Current charters

	Location	Charterer	Charter end
Superfast VII	Belfast - Cairnryan route	Stena Line	2019
Superfast VIII	Belfast - Cairnryan route	Stena Line	2019
Superfast IX	Port aux Basques - North Sydney route	Marine Atlantic	2017




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

Galaxy

Built: 2006

Length: 212m

Passengers: 2800

Lane meters: 1130

Silja Europa

Built: 1993

Length: 202m

Passengers: 3123

Lane meters: 932

Silja Serenade
Silja Symphony

Built: 1990/91

Length 203m

Passengers: 2852

Lane meters: 950

Tallink has invested EUR 1.3 billion to create a modern fleet

TALLINK




Tallink's Fleet

Superstar

Built: 2008

Length 177m

Passengers: 2080

Lane meters: 1930

Star

Built: 2007

Length 186m

Passengers: 2080

Lane meters: 2000

Romantika

Built: 2002

Length 193m

Passengers: 2500

Lane meters: 1030

Isabelle

Built: 1989

Length 171m

Passengers: 2480

Lane meters: 850

Superfast VII/VIII/IX

Built: 2001/2002

Length: 203m

Passengers: 717

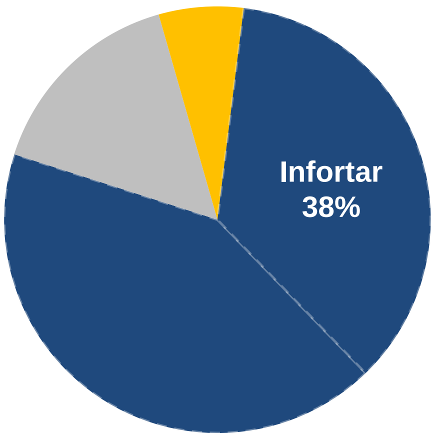
Lane meters: 1924

In addition the Group has 2 ro-pax cargo vessels in operation

TALLINK

Ownership structure

Shareholders of AS Tallink Grupp



- Top 10 shareholders
- Institutional investors
- Retail investors

Ten largest shareholders as of 01.04.2016

Infortar	38%
Baltic Cruises Holding	18%
Nordea Bank Finland clients account	4%
ING Luxemburg S.A. AIF account	4%
ING Luxembourg client account	3%
State Street Bank and Trust Omnibus fund OM01	2%
Baltic Cruises Investment	2%
Clearstream Banking Luxembourg S.A. Clients	2%
Skandinaviska Enskilda Banken client account	1%
Mellon Treaty Omnibus	1%

Safety, security and environmental protection are a high priority

Policies and certifications

- 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

Lloyd's Register
LRQA

CERTIFICATE OF APPROVAL

This is to certify that the Environmental Management System of:

HT Shipmanagement Ltd
Sadama 5/7, 10111 Tallinn, Estonia
SIA HT Shipmanagement
Eksporta iela 3A, LV-1010 Riga, Latvia
Tallink Silja OY
Tyynenmerenkatu 9, 00220 Helsinki, Finland

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 2014
Certificate Expiry: 03 July 2017

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

UKAS MANAGEMENT SYSTEMS
001

Lauteri 5, 10114 Tallinn, Estonia
For and on behalf of: Hiramford Middlemarch Office Village Siskin Drive Coventry CV3 4FJ United Kingdom

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TALLINK




Appendix

KEY RISK FACTORS




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.




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 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.

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.
- **Refugee crisis may affect the border control routines, safety levels in ports and disrupt the smooth movement of passengers**
  - Passengers travelling on our vessels are crossing borders between the countries. The refugee crisis may make border control routines more strict and/or prolonging them thus lessening the peoples' willingness to travel. Changes in border controls everyday operations 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**

TALLINK

Risk Factors

- 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.