



Company presentation







Tallink

- Tallink is the leading European provider of leisure and business travel and sea transportation services in the Baltic Sea region
- Fleet of 18 vessels
- Operating five hotels
- Revenue EUR 942 million
- EUR 1.7 billion asset base
- Nearly 7000 employees
- Over 9 million passengers annually
- Over 300 thousand cargo units annually
- Listed on Nasdaq OMX Baltic – TAL1T



**Over 50 years of operating and cruising experience**



## Tallink's business model

### Product offering

1-2 overnight cruises & passenger transportation



Shuttle service



On-board tax-free shopping



Cargo transportation



Hotel & travel packages

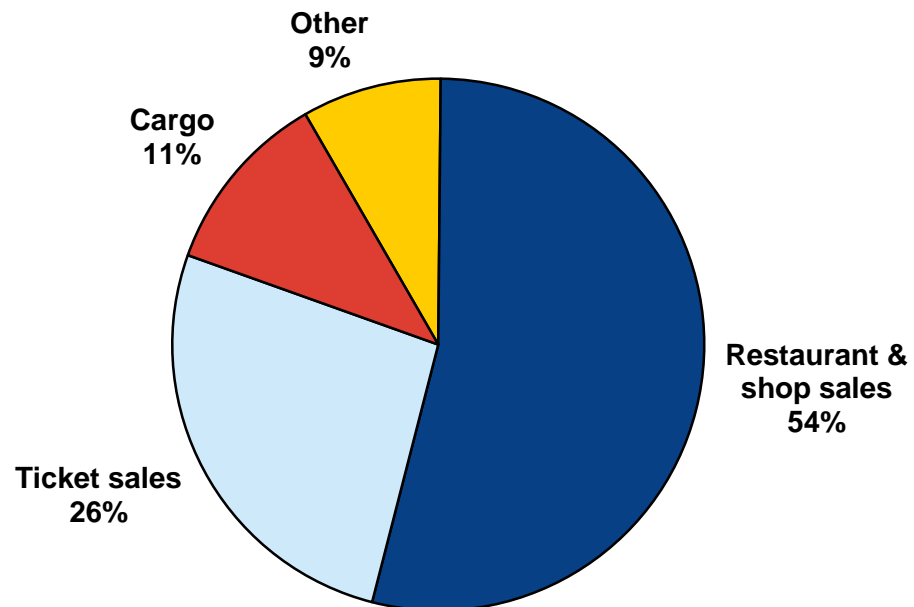


City break



### Revenue structure

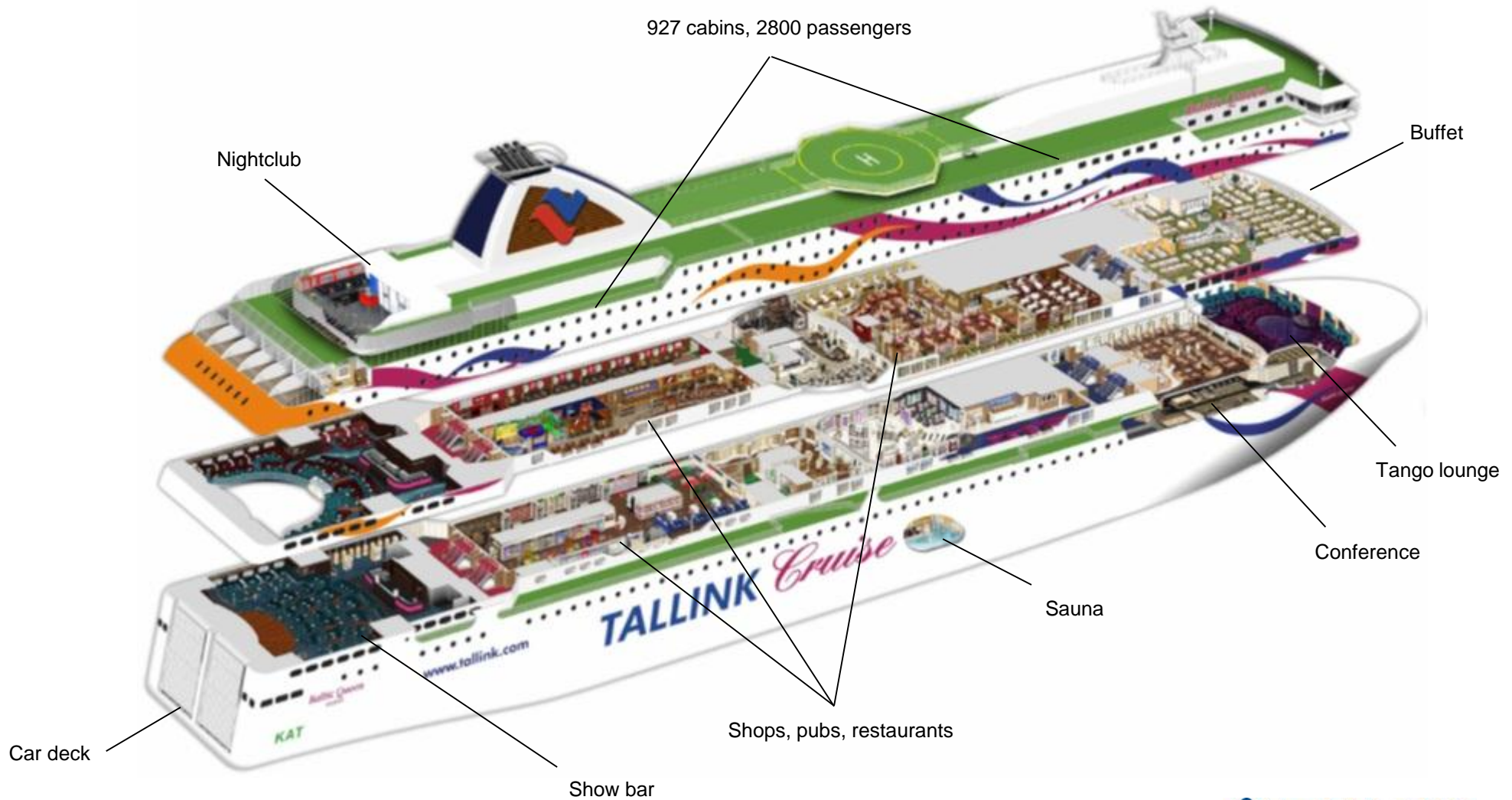
2013







## Cruise ferry





## Tallink's position in the global ferry market

### The World's top Duty free & Travel Retail Shops 2012

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

Rank	Location	Remarks
<b>Sales&gt; US\$ 1,000.0 million</b>		
1	Seoul - Incheon Int'l Airport, South Korea	AIRPORT SHOPS
2	Dubai - Dubai International Airport, U.A.E.	AIRPORT SHOPS
3	London - Heathrow Airport, UK	AIRPORT SHOPS
4	Singapore - Changi Airport	AIRPORT SHOPS
<b>Sales&gt; US\$ 900.0 million</b>		
5	Hong Kong - Hong Kong International Airport	AIRPORT SHOPS
6	Bangkok - Suvarnabhumi Airport, Thailand	AIRPORT SHOPS
<b>Sales&gt; US\$ 800.0 million</b>		
7	Shanghai – Pudong Airport, China P.R	AIRPORT SHOPS
<b>Sales&gt; US\$ 700.0 million</b>		
8	Beijing – Capital Airport, China P.R.	AIRPORT SHOPS
9	Paris - Charles de Gaulle Airport, France	AIRPORT SHOPS
10	Frankfurt – Frankfurt-Main Airport, Germany	AIRPORT SHOPS
<b>Sales&gt; US\$ 600.0 million</b>		
11	Tallink	FERRY SHOPS
12	Taipei - Taoyuan International Airport, Taiwan	AIRPORT SHOPS
<b>Sales&gt; US\$ 500.0 million</b>		
13	Amsterdam - Schipol Airport, Netherlands	AIRPORT SHOPS
14	Sao Paulo - Guarulhos Int'l Airport, Brazil	AIRPORT SHOPS
15	Tokyo – Narita Airport	AIRPORT SHOPS



Rank	Company	Gross tons
1	Stena Line	878 919
2	P&O Ferries	409 659
3	Tallink	537 232
4	P&O Ferries	409 659
5	Viking Line	320 791

Rank	Company	Beds
1	Tallink	26 428
2	Viking Line	16 826
3	Stena Line	15 619
4	Tirrenia	10 442
5	Grand Navi Veloci	10 434

Rank	Company	mEUR Revenue
1	DFDS Group	1 625
2	Stena Line	1 090
3	Tallink	942
4	Finnlines	564
5	Scandlines	505

Source: Generation Research 2013

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

Source: ShipPax MARKET:14





## Strategic plan

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

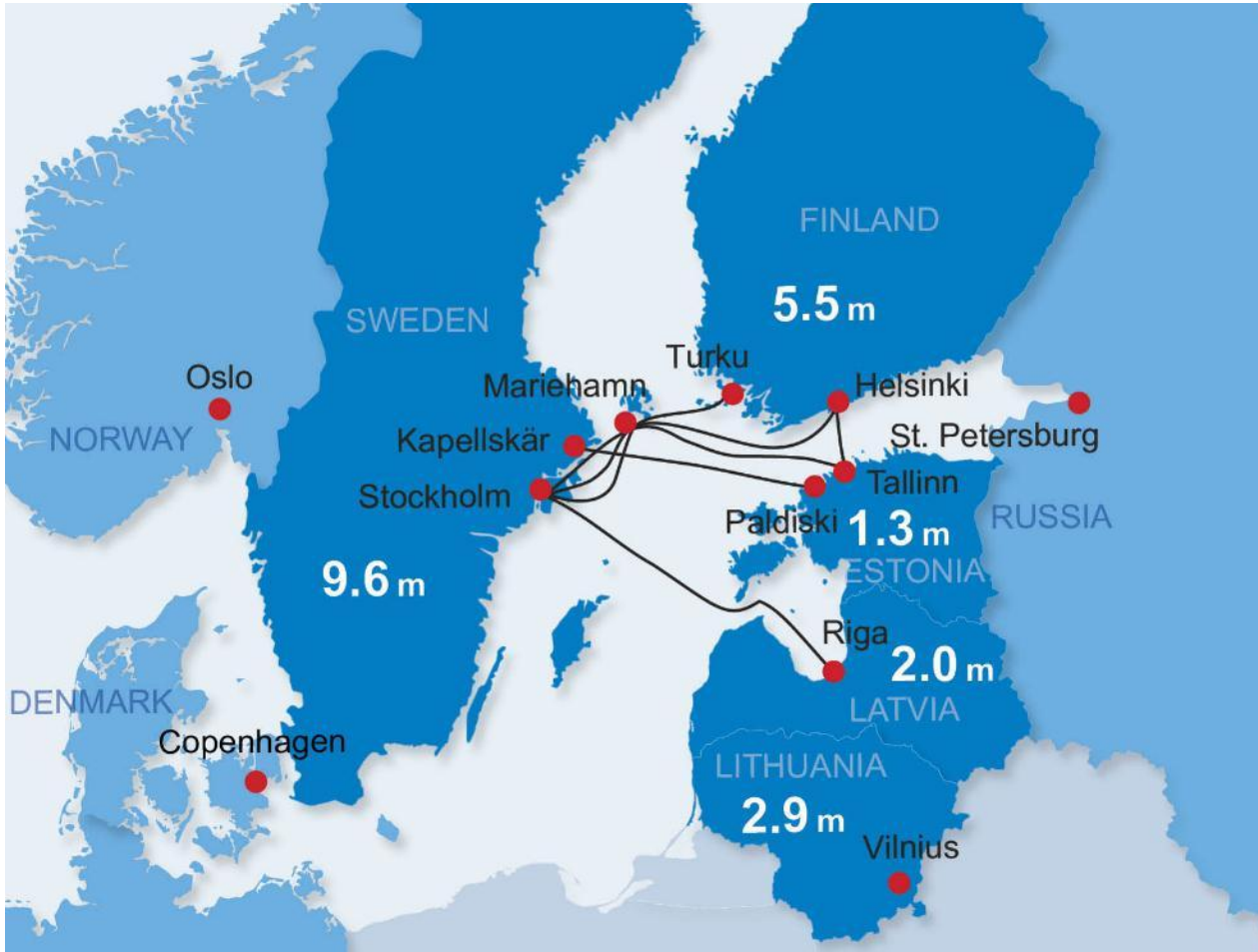
Strong market share &  
brand awareness

High safety level &  
environmental standards



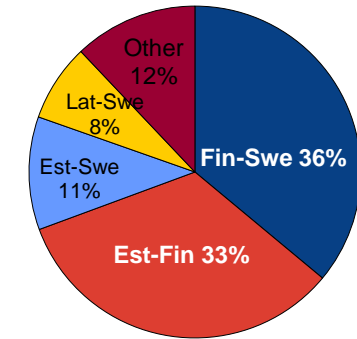


Tallink's passenger market share is 47% of the Northern Baltic Sea



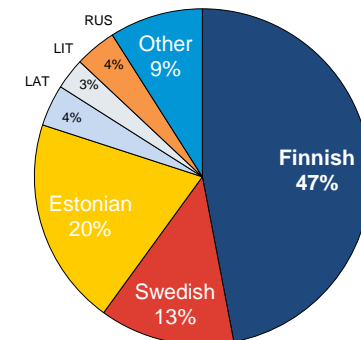
Northern Baltic passenger market ~ 20 million passengers

Revenue by routes  
2013



(942 MEUR)

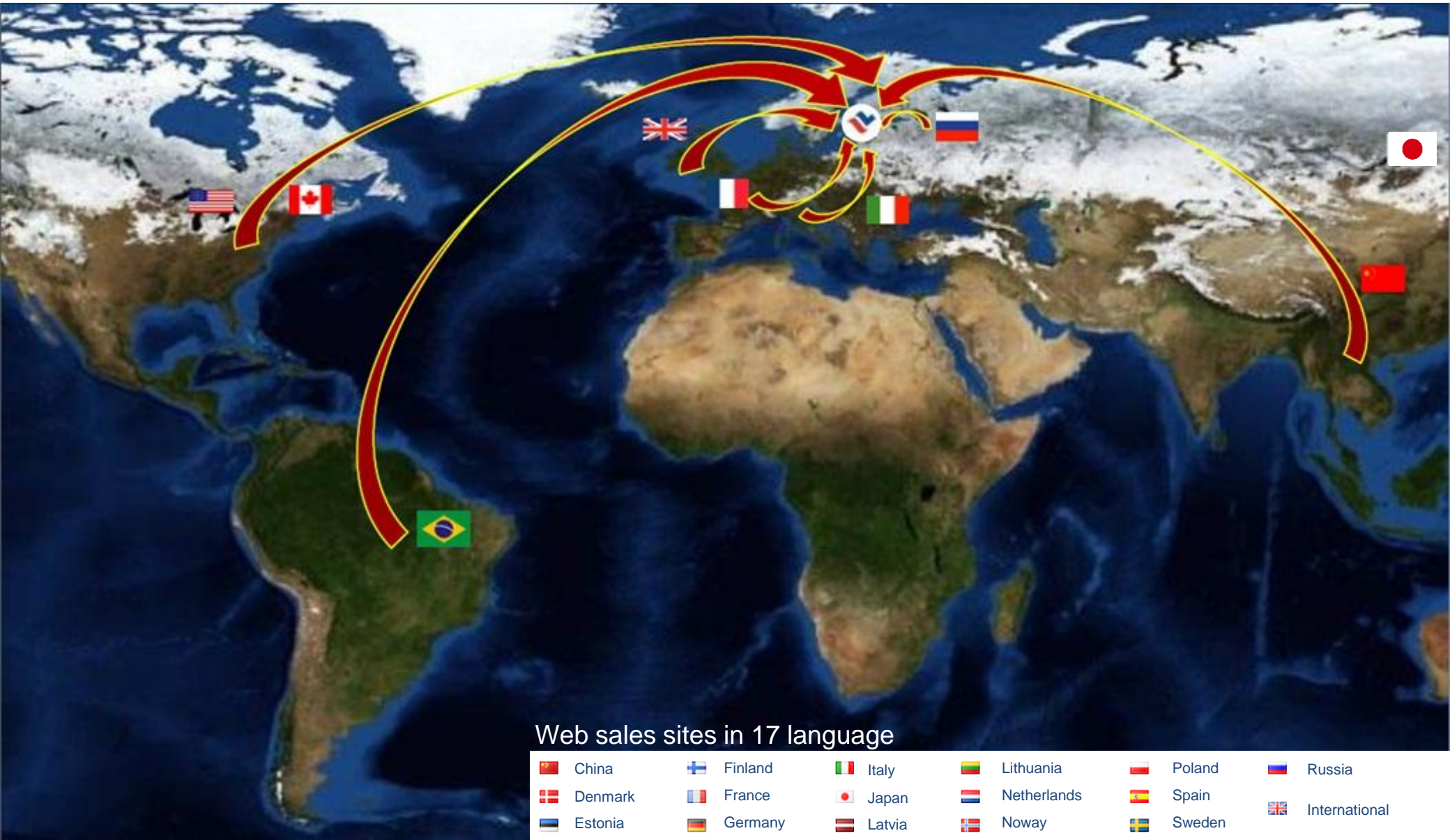
Passengers  
2013



(9.1M)



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	Norway	Sweden	

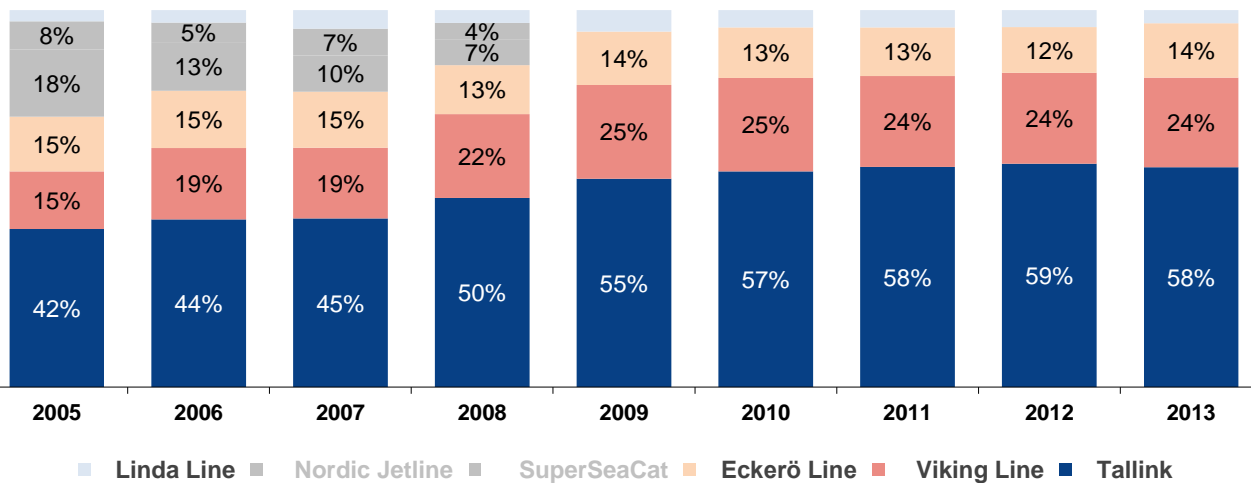




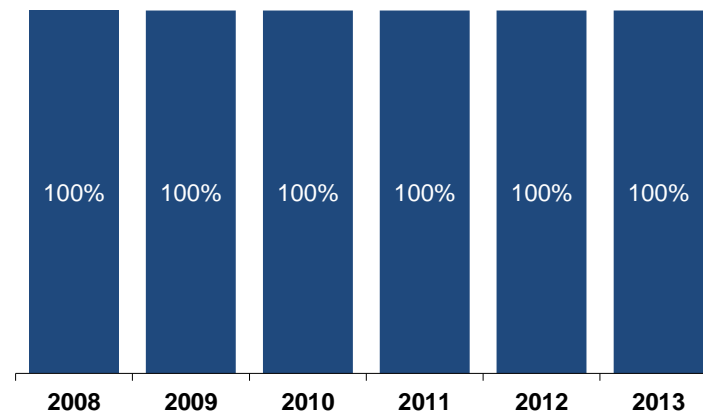
## Market shares

### Passenger operations

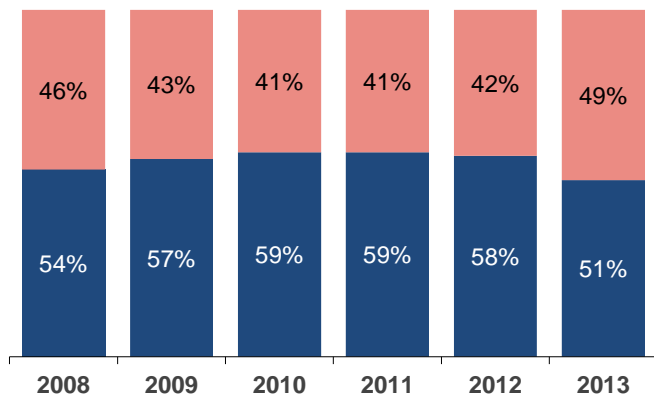
**Tallinn - Helsinki**



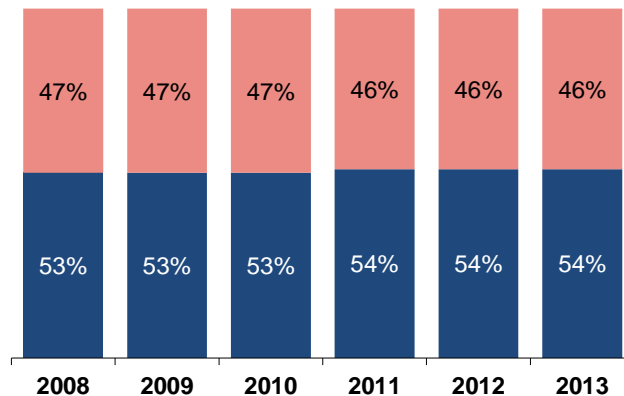
**Tallinn - Stockholm**



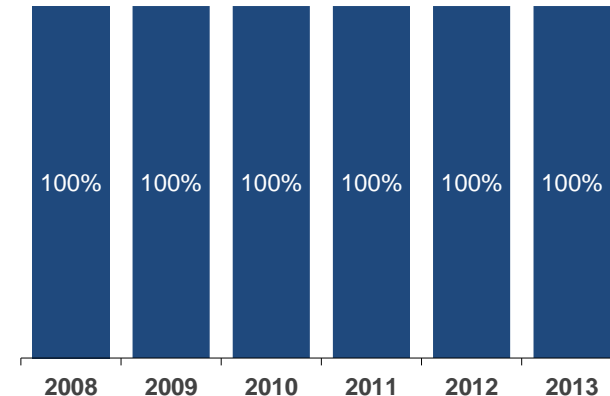
**Turku - Stockholm**



**Helsinki - Stockholm**



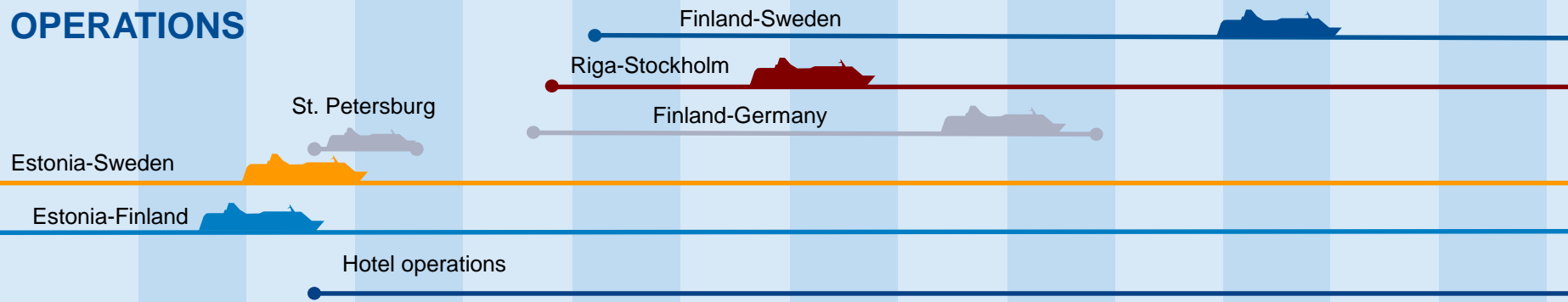
**Riga - Stockholm**





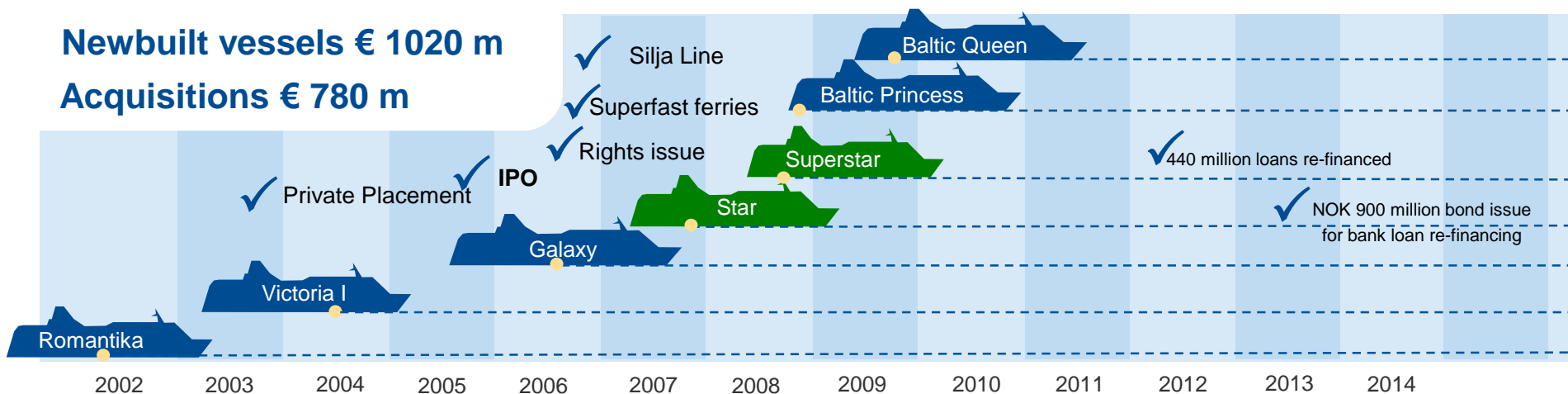
## Highlights and milestones

### OPERATIONS



**Newbuilt vessels € 1020 m**

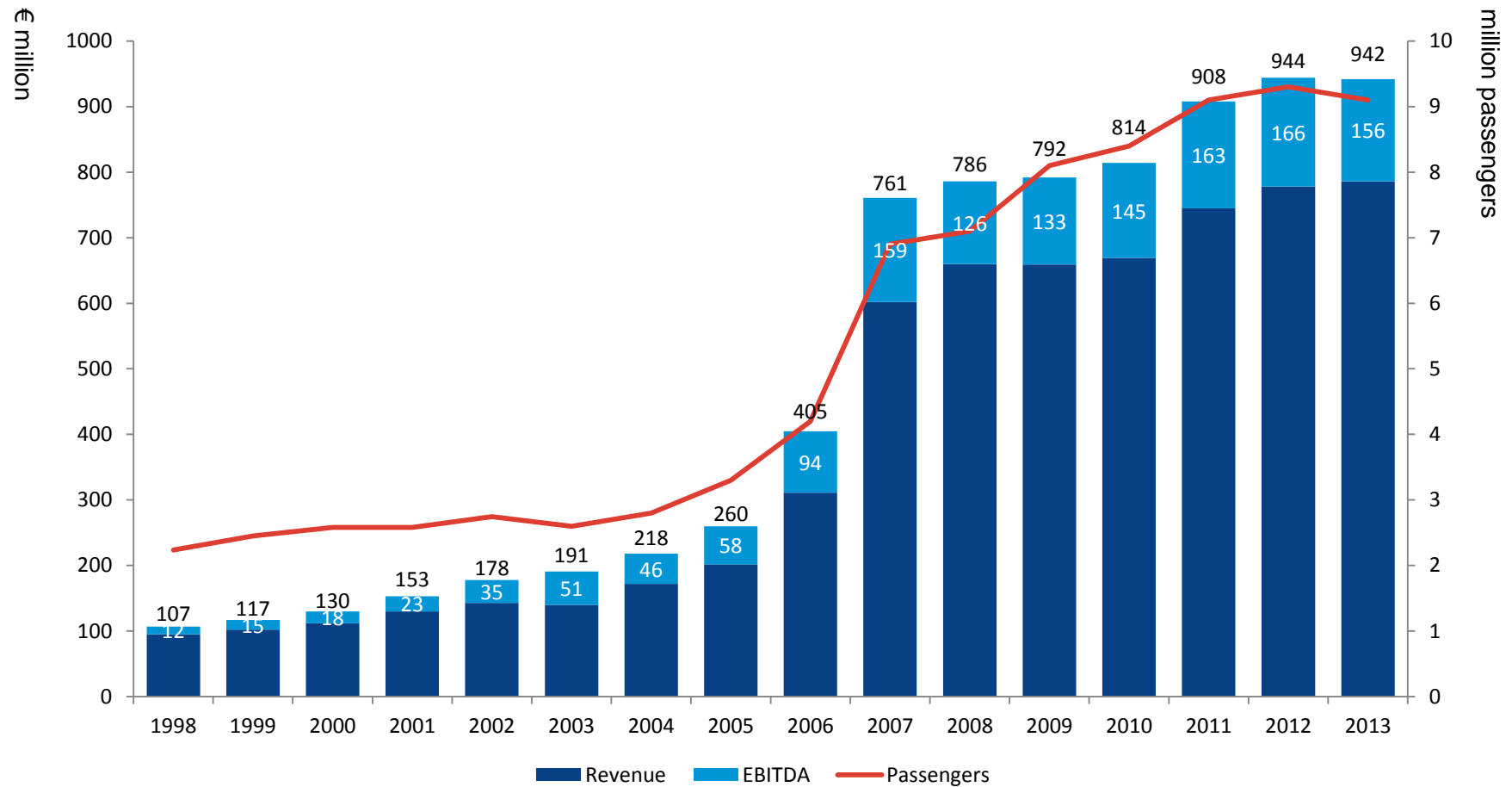
**Acquisitions € 780 m**







## Tallink's performance after the management buyout





## New visions

- 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







## Helsinki – Stockholm retail space upgrade 2014

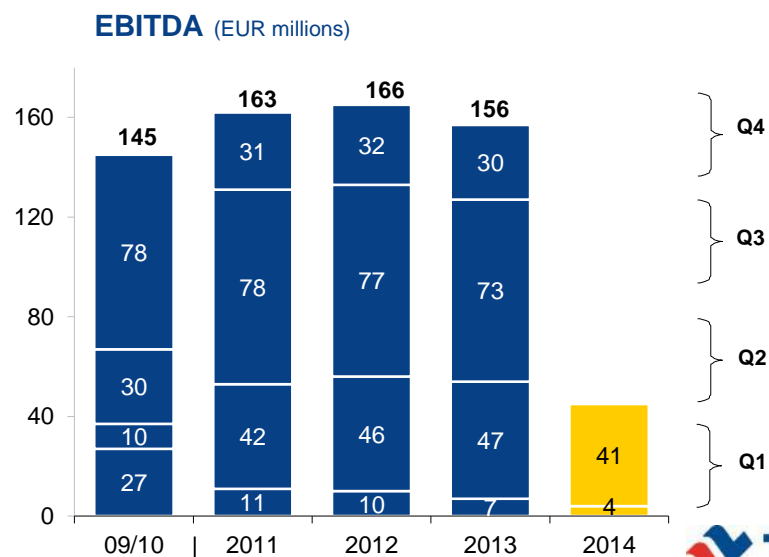
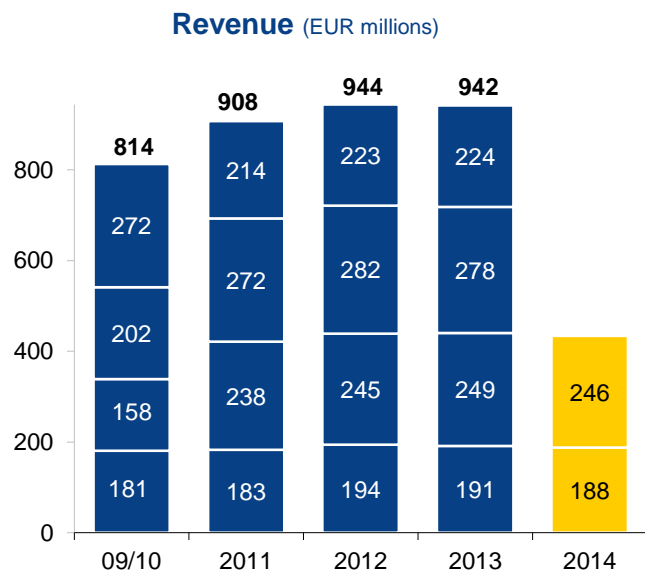
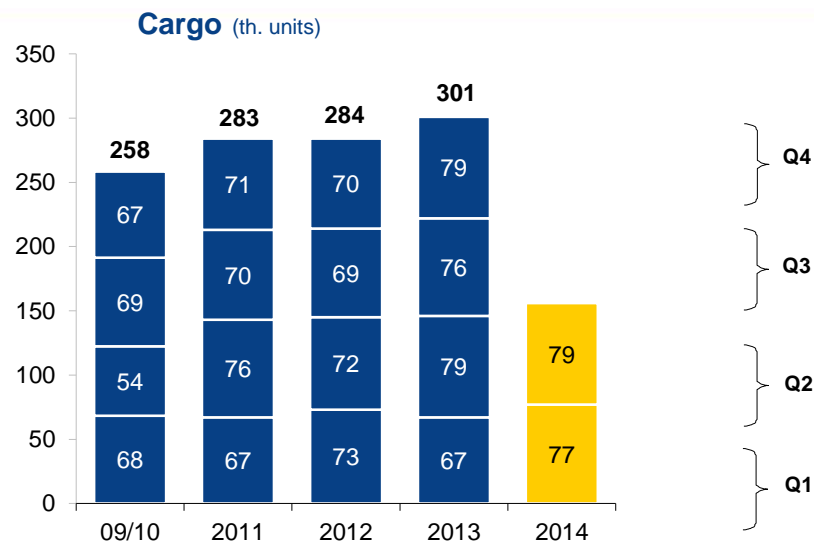
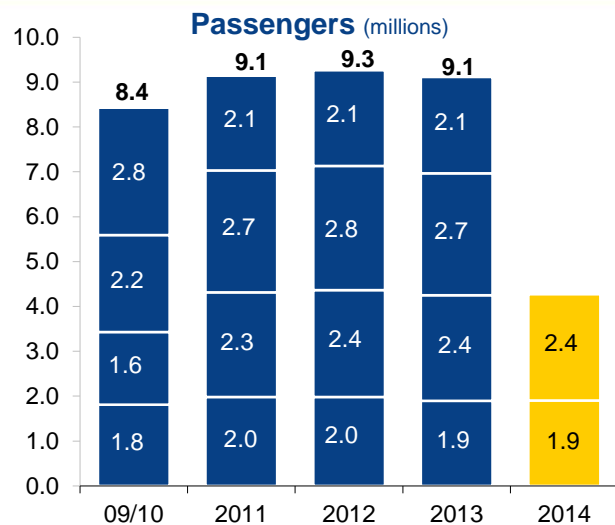
- Silja Serenade upgrade in spring, Silja Symphony will follow in autumn
- 50% expanded shopping areas including a new Superstore, upgraded Grand Buffet concept and a new Italian restaurant
- Overall investment in to the vessels public space upgrades on the Helsinki-Stockholm route in 2014 more than EUR 20 million





## Results

quarterly seasonality breakdown



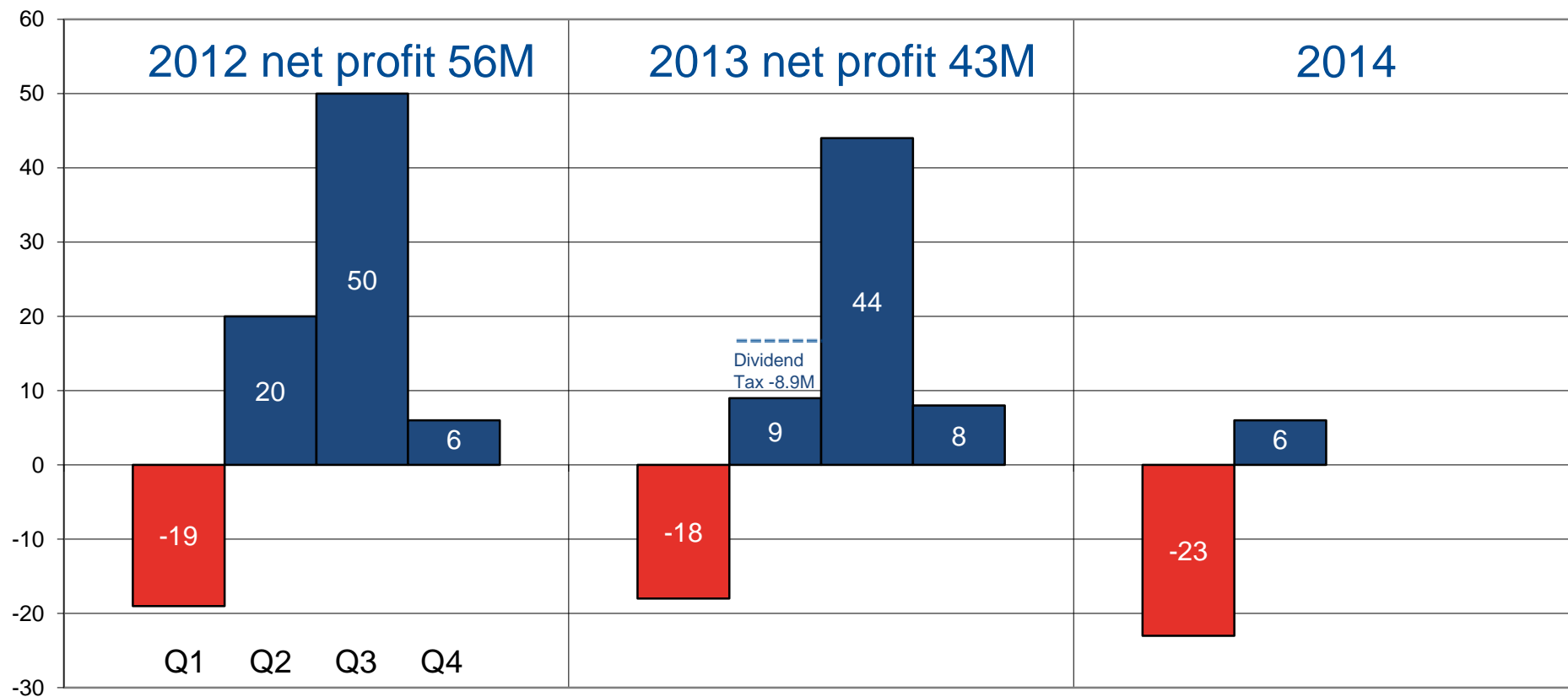
Change of the financial year period





## 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.



## Unaudited Consolidated Income Statement

(in EUR million)

	2012	2013	2013 Q2	2014 Q2
<b>Sales</b>	<b>944</b>	<b>942</b>	<b>249</b>	<b>246</b>
Cost of sales <sup>(1)</sup>	(743)	(751)	(192)	(196)
Marketing, general & admin <sup>(1)</sup>	(109)	(108)	(29)	(30)
<b>EBITDA</b>	<b>166</b>	<b>156</b>	<b>47</b>	<b>41</b>
<i>Margin (%)</i>	<i>17.5%</i>	<i>16.6%</i>	<i>18.8%</i>	<i>16.7%</i>
<b>Net Profit</b>	<b>56</b>	<b>43</b>	<b>9</b>	<b>6</b>
<b>EPS</b>	<b>0.08</b>	<b>0.06</b>	<b>0.01</b>	<b>0.01</b>

Notes:

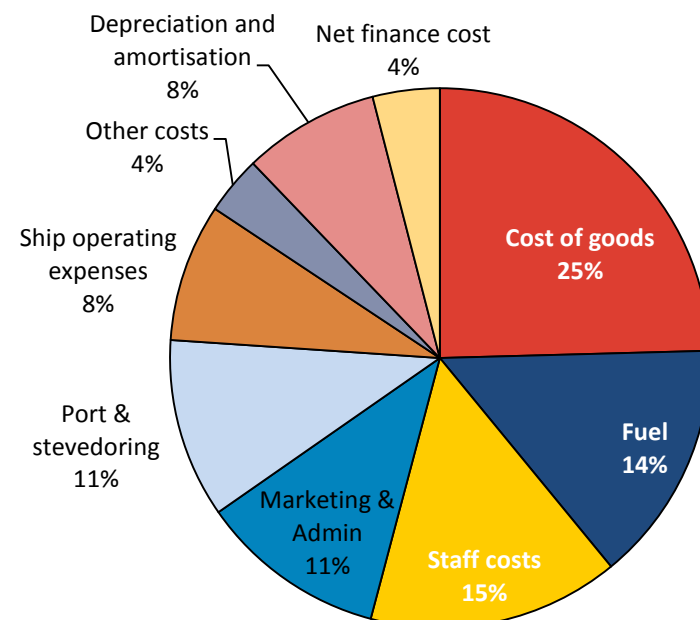
(1) Includes depreciation and amortization





## Unaudited costs breakdown

	2012	2013	Change %
Cost of goods	213 671	220 222	3%
Fuel cost	143 934	129 826	-10%
Staff costs	131 583	135 053	3%
Marketing & Administration <sup>(1)</sup>	101 865	100 316	-2%
Port & stevedoring	93 073	96 295	3%
Ship operating expenses	65 944	74 017	12%
Other costs	31 091	31 363	1%
<b>Total costs from operations</b>	<b>781 161</b>	<b>787 092</b>	<b>1%</b>
Depreciation and amortisation	70 996	73 175	3%
Net finance cost	40 980	35 956	-12%
<b>Total costs</b>	<b>893 137</b>	<b>896 223</b>	<b>0%</b>



1) Amortisation and depreciation excluded



## Unaudited Consolidated Cash Flow Statement

(in EUR million)	2012	2013	2013 Jan-June	2014 Jan-June
<b>Operating cash flow</b>	<b>163</b>	<b>168</b>	<b>61</b>	<b>51</b>
Capital expenditure	(9)	(43)	(36)	(20)
Asset disposal	0	1	0	0
<b>Free cash flow</b>	<b>154</b>	<b>126</b>	<b>25</b>	<b>31</b>
Debt financing (net effect)	(119)	(40)	(4)	(13)
Interests & other financial items	(45)	(38)	(19)	(19)
Dividend paid	0	(33)	0	0
Dividend tax	0	(9)	0	0
<b>Change in cash</b>	<b>(10)</b>	<b>6</b>	<b>2.5</b>	<b>(2)</b>





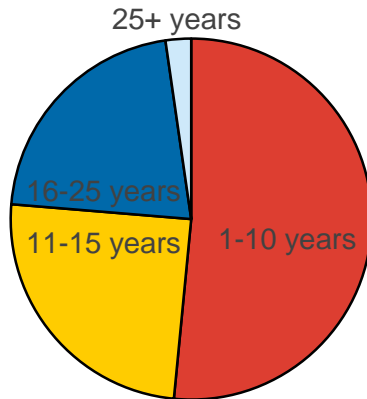
## Unaudited Consolidated Statement of Financial Position

(in EUR million)	31.12.2012	31.12.2013	31.03.2014	30.06.2014
<b>Total assets</b>	<b>1,742</b>	<b>1,722</b>	<b>1,712</b>	<b>1,712</b>
Non-current assets	1,599	1,572	1,567	1,553
Current assets	143	150	145	160
- of which cash -	66	72	63	70
<b>Total liabilities</b>	<b>981</b>	<b>951</b>	<b>964</b>	<b>978</b>
Interest bearing liabilities	840	794	811	782
Other liabilities	141	157	152	196
<b>Shareholders' equity</b>	<b>761</b>	<b>771</b>	<b>748</b>	<b>771</b>
<b>Net debt/EBITDA</b>	<b>4.7x</b>	<b>4.6x</b>	<b>4.9x</b>	<b>4.8x</b>
<b>Net debt</b>	<b>775</b>	<b>722</b>	<b>749</b>	<b>712</b>
<b>Equity/assets ratio</b>	<b>44%</b>	<b>45%</b>	<b>44%</b>	<b>43%</b>
<b>BVPS <sup>(1)</sup> (in EUR)</b>	<b>1.14</b>	<b>1.15</b>	<b>1.12</b>	<b>1.10</b>



## Age of fleet

### Age of fleet by value (EUR m)



### Tallink Grupp ships age (value-weighted average):

- Tallink + Silja core fleet – 11.4 years
- Superfast fleet – 12.7 years
- Ships out of core operations and cargo vessels – 24.2 years

### World-wide ships age\*:

- Ferries – 24.4 years
- Cruise – 12.5 years

\* - source: ShipPax Market: 12, 13

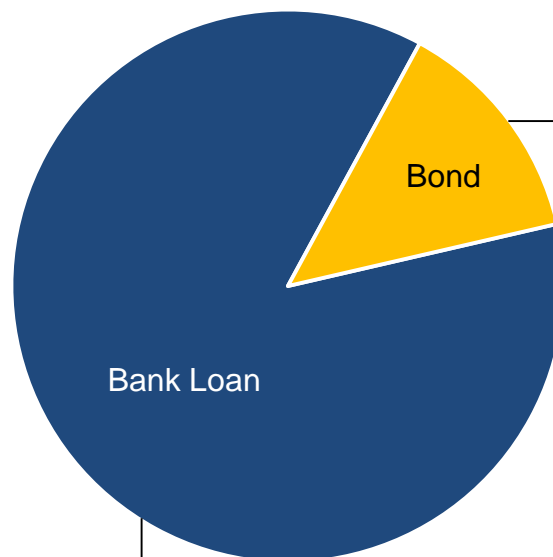
- Our ice-classed fleet is versatile to operate anywhere
- We have experience in selling and chartering vessels all over the world





## Debt structure

- Total EUR 782 million interest bearing liabilities outstanding as of 30.06.2014



Amount: NOK 900M (EUR 118M)  
 Cost: 3M NIBOR + 5.00%  
 (3M EURIBOR + 4.88%)  
 Type: Senior unsecured  
 Issue date: 18.06.2013  
 Maturity date: 18.10.2018  
 Listing: Oslo Børs  
 Currency risk eliminated by swapping to EUR

### 100% EUR denominated bank loans

7 standalone loan agreements with bank syndicates

Maturities ~5-10 years

Amortizing project loans

6.64% of debt is fixed rate, rest in EURIBOR floating, 1/3 hedged



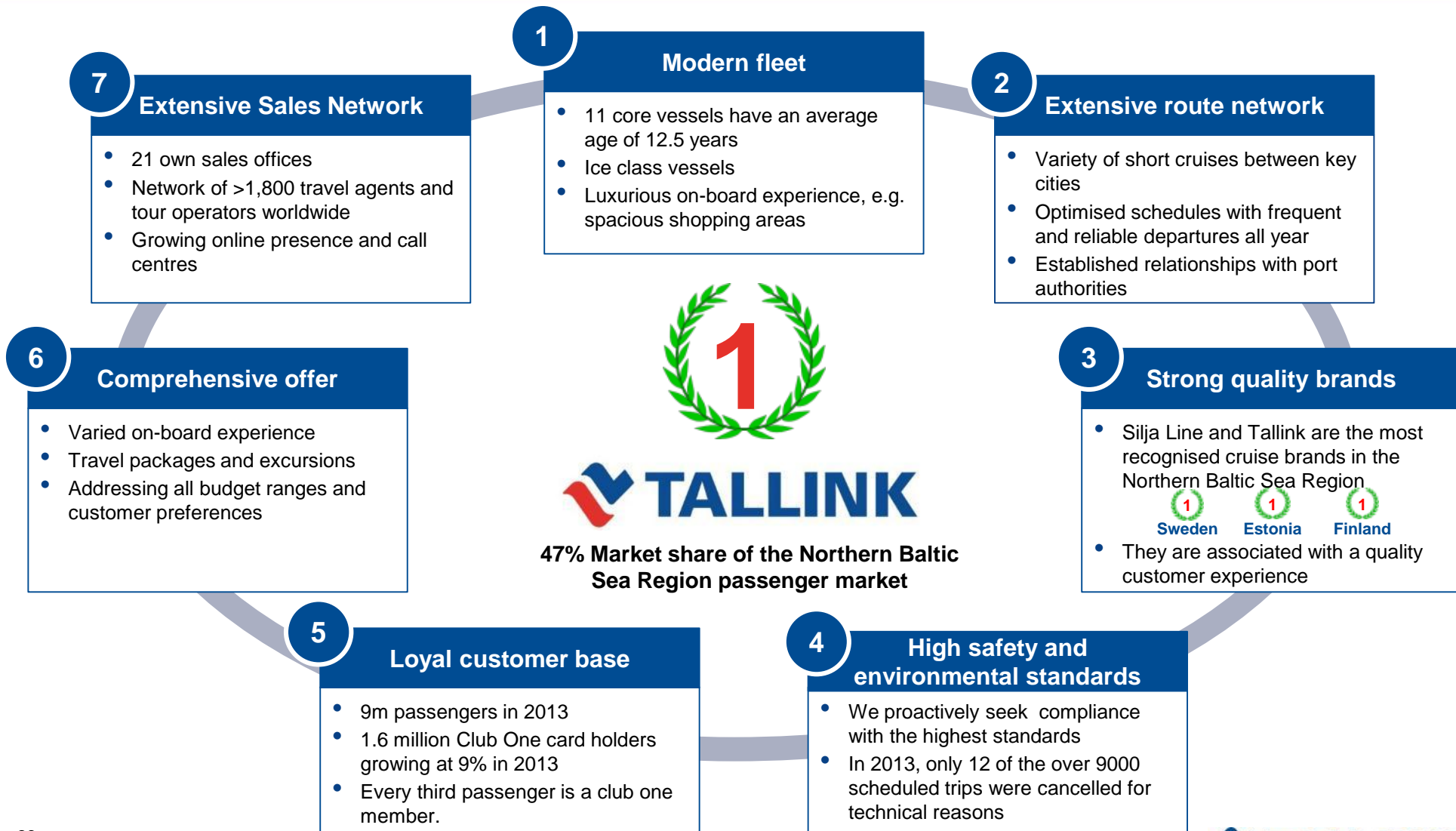
Sulfur emission regulation in 2015 poses a challenge to the shipping industry – there is no single solution

Use low sulphur fuel (gasoil)	Add exhaust gas scrubbers	Convert ships to LNG
Low investment cost	Current cost of a scrubber is estimated at EUR 2-15m per vessel depending on vessel type	High investment cost
Cost of fuel is higher	Scrubbers will allow cheaper heavy fuel oil	Similar cost of fuel
Has no schedule disruption	Scrubber fitting brings limited schedule disruption	Requires major conversion and a long schedule disruption
Requires no changes in bunkering infrastructure	Additional waste processing needed	Infrastructure currently limited





## Unrivalled suite of competitive advantages





## 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 1.3 billion EUR to create a modern fleet**



## Tallink's Fleet



### Superstar

Built: 2008

Length 177m

Passengers: 2080

Lane meters: 1930



### Star

Built: 2007

Length 186m

Passengers: 1900

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



### Silja Festival

Built: 1986

Length 171m

Passengers: 2023

Lane meters: 885

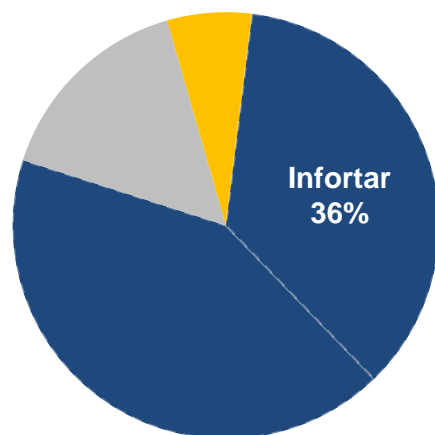
In addition the Group has 2 ro-pax cargo vessels in operation and 1 older ferry which has been replaced and is outside of the core operations





## Ownership structure

### Shareholders of AS Tallink Grupp



- Top 10 shareholders
- Institutional investors
- Retail investors

### Ten largest shareholders in the end of Q2

Infortar	36%
Baltic Cruises Holding, L.P.	17%
Nordea Bank Finland PLC / non-resident legal entities	9%
ING Luxemburg S.A	7%
State Street Bank and Trust Omnibus fund	2%
Skandinaviska Enskilda Banken AB Clients (East Capital)	2%
JP Morgan Chase Bank / London Client's account	1%
Firebird Republics Fund Ltd	1%
The Bank of New York Mellon	1%
Luksusjaht AS	1%





## 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

### 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



Lauteri 5, 10114 Tallinn, Estonia  
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