

AS TALLINK GRUPP

ANNUAL REPORT 2007/2008

Beginning of the financial year	1 September 2007
End of the financial year	31 August 2008
Commercial Register no	10238429
Address	Tartu road 13 10145, Tallinn The Republic of Estonia
Phone	+372 6 409 800
Fax	+372 6 409 810
Internet homepage	www.tallink.com
Main activity	maritime transportation (passengers & cargo transport)



TABLE OF CONTENTS

Company overview	3
Strategy	4
Management Report	5
Management Board's confirmation to the management report	24
Financial Statements	25
Statement by the Management Board	25
Consolidated Income Statement	26
Consolidated Balance Sheet	27
Consolidated Statement of Cash Flows	28
Consolidated Statement of Changes in Equity	29
Notes to the Financial Statements	31
Note 1 Corporate Information	31
Note 2 Basis of Preparation	32
Note 3 New Standards and Interpretation	34
Note 4 Significant Accounting Judgements and Estimates	36
Note 5 Summary of Significant Accounting Policies	38
Note 6 Business Combination	48
Note 7 Segment Information	50
Note 8 Operating Expenses and Financial Items	59
Note 9 Income Tax	60
Note 10 Earnings per Share	62
Note 11 Cash and Cash Equivalents	62
Note 12 Receivables	63
Note 13 Prepayments	63
Note 14 Inventories	64
Note 15 Investments in Associates	64
Note 16 Other Investments and Prepayments	66
Note 17 Other Liabilities	66
Note 18 Investment Property	66
Note 19 Property Plant and Equipment	67
Note 20 Intangible Assets	69
Note 21 Interest Bearing Loans and Borrowings	71
Note 22 Payables	73
Note 23 Share Capital and Reserves	73
Note 24 Contingencies and Commitments	75
Note 25 Related Party Disclosures	76
Note 26 Group Entities	78
Note 27 Financial Risk Management	79
Note 28 Events After the Balance Sheet Date	88
Note 29 Primary Statements of the Parent	89
Independent Auditors' Report	94
Profit Allocation Proposal	95
Signatures of the Management Board and the Supervisory Council to the Annual Report	96

COMPANY OVERVIEW

Tallink Grupp with its subsidiaries (hereinafter also referred to as "the Group") is the leading European ferry operator offering high quality mini-cruise and passenger transport services in the Baltic Sea region, as well as a leading provider of ro-ro cargo services on selected routes. The Group provides its services on the various routes between Finland-Sweden, Estonia-Finland, Estonia-Sweden, Finland-Germany and Latvia-Sweden under the brand names of "Tallink" and "Silja Line". The Group's fleet consists of 19 vessels: ten cruise ferries, five high-speed ro-pax ferries, two ro-ro cargo vessels, one high-speed craft and one ro-pax ferry. In addition the Group operates three hotels in Tallinn which offer great additional value to the selection of the Group's travel related services. The fourth hotel operations in Tallinn will be started in 2009 and a hotel operation in Riga will be started in 2010.

Tallink Grupp's investments into the modern fleet, built in a year 2000 or later, exceeds more than 1.3 billion euros. As a result of the recent investment and fleet renewal program the Group currently deploys some of the most advanced cruise ferries in the Baltic Sea. In particular, the Group management believes that the newest cruise vessels *Romantika*, *Victoria I*, *Galaxy* and *Baltic Princess* with state-of-the-art facilities, improved accommodation, larger onboard shopping areas and high quality onboard services, have set a new benchmark for travel standards in the Baltic Sea.

The Group's new high-speed ro-pax ferries with ice class are designed to combine the best features of a traditional cruise ferry, cargo vessel and a high-speed ferry. They can be operated year-round at almost the same speed as the Group's previous fleet of small and weather dependant high-speed crafts, but with increased passenger capacity, large car deck, expanded shopping and dining facilities and other services.

The Group has ordered one more cruise ferry, enhancement of its newest cruise ferry *Baltic Princess*. The new cruise ferry *Baltic Queen* will be delivered in 2009.

Through the fleet renewal program Tallink Grupp has established a versatile fleet, which allows to offer a wide range of constantly improving services and frequent departures.

STRATEGY

The Group aims to be the leading provider of mini-cruise and passenger transport services, as well as the leading provider of ro-ro cargo services on selected routes, in all the regions the Group operates.

The Group 's strategy is to operate high-quality fleet to be able to offer highest quality mini cruise and transportation product to strengthen the market position in the region. High standard of the Group's fleet is one of the cornerstones to conclude profitable operations. Additionally, the wide range of Group's travel related services help to maximize the revenues from a customer.

The Group will focus on the customer satisfaction, loyal customer program and target Nordic markets to strengthen the customer base and improve the result of operations overall.

Main goal for the Group is to offer excellence in leisure, entertainment and travel services providing every passenger with the best travel experience and delivering the highest level of customer service.

The Group remains open for the growth and expansion opportunities.

MANAGEMENT REPORT

The 2007/2008 financial year for AS Tallink Grupp and its subsidiaries (hereinafter also referred to as "the Group") was one of the most eventful. In one year the Group took a delivery of two brand new ferries – M/S Superstar and M/S Baltic Princess as the peak of the Group's fleet renewal program. This increased the total of the Group's investments to 4,260 million EEK (272 million EUR) during the 2007/2008 financial year. As is typical for the Group's business, the full impact of these new investments will be seen after a full year in operation and after all start up related costs and challenges have been addressed..

The areas of focus during the 2007/2008 year were the launch of the new booking and check-in system, the optimization of the operations in a very high fuel price environment and the restructuring of the Finland-Germany route as a consequence of the significantly increased bunker cost.

During the 2007/2008 financial year, the Group's revenues increased by 3.4% to 12,310 million EEK (786.8 million EUR). The passengers volume transported by the Group vessels exceeded 7 million, being 2.9% more than in the previous financial year.

The earnings during the 2007/2008 financial year were weaker compared to the 2006/2007 financial year and the initially set targets were not met. EBITDA decreased by 20.3% to 1,982.4 million EEK (126.7 million EUR) and the net profit decreased by 69.7% to 318.0 million EEK (20.3 million EUR). The decrease in earnings was largely influenced by significantly increased fuel costs, higher interest costs and weak traffic volumes on some routes. Delivery of the new cruise ferry M/S Baltic Princess was delayed until the middle of the high season. This further delayed other re-routings which compounded the negative effect on the Group earnings as the associated start-up costs were not covered by the end of the financial year and exceeded the incremental revenues. However these were important changes which have set strong cornerstone for the operations in the 2008/2009 financial year.

The most significant events in the 2007/2008 financial year were the following:

- Implementation of the new booking and check-in system
- Sale of M/S Meloodia
- Share buyback
- Delivery and successful launch of M/S Superstar
- Starting operations in third hotel in Tallinn
- Sale of M/S Fantaasia
- Delivery and successful launch of M/S Baltic Princess
- Important re-routings

KEY FIGURES OF FINANCIAL YEAR 2007/2008

	01.09.2007-31.08.2008		01.09.2006-31.08.2007		change %
	EEK	EUR	EEK	EUR	
Net sales (million)	12,310.0	786.8	11,903.3	760.8	3.4%
Gross profit (million)	2,580.9	165.0	3,136.6	200.5	-17.7%
EBITDA (million)	1,982.4	126.7	2,487.3	159.0	-20.3%
Net profit for the period (million)	318.0	20.3	1,049.3	67.1	-69.7%
Depreciation (million)	964.3	61.6	925.5	59.1	4.2%
Investments (million)	4,260.0	272.0	2,203.5	140.8	93.3%
Weighted average number of ordinary shares outstanding during 12 months*	671,245,086		673,817,040		
Earnings per share	0.47	0.03	1.56	0.100	-69.8%
Number of passengers	7,070,264		6,873,339		2.9%
Cargo units	331,149		359,781		-8%
Average number of employees	6,564		6,227		5.4%
	31.08.2008		31.08.2007		change%
Total assets (million)	29,701.8	1,898.3	26,570.9	1,698.2	11.8%
Total liabilities (million)	19,308.2	1,234.0	16,436.0	1,050.4	17.5%
Interest-bearing liabilities (million)	17,524.6	1,120.0	14,831.7	947.9	18.1%
Total equity (million)	10,393.6	664.3	10,134.9	647.7	2.6%
Equity ratio (%)	35.0%		38.1%		
Number of ordinary shares outstanding*	669,882,040		673,817,040		-0.6%
Shareholders' equity per share	15.5	0.99	15.04	0.96	3.1%
Gross margin (%)	20.9%		26.4%		
EBITDA margin (%)	16.1%		20.9%		
Net profit margin (%)	2.6%		8.8%		
Return on assets (ROA)	3.8%		6.1%		
Return on equity (ROE)	3.1%		11.3%		
Return on capital employed (ROCE)	4.4%		7.0%		

EBITDA – Earnings before net financial items, share of profit of associates, taxes, depreciation and amortization, income from negative goodwill;

Earnings per share – net profit / weighted average number of shares outstanding;

Equity ratio – total equity / total assets;

Shareholder's equity per share – shareholder's equity / number of shares outstanding.

Gross margin – gross profit / net sales

EBITDA margin – EBITDA / net sales;

Net profit margin – net profit / net sales;

ROA – Earnings before net financial items, taxes, income from negative goodwill/Average of total assets

ROE – Net profit/Average shareholders' equity

ROCE - Earnings before net financial items, taxes, income from negative goodwill/Total assets – Current liabilities (average for the period).

* Share numbers have been adjusted in connection with the bonus issue in January 2007. Numbers exclude own shares.

SALES

Consolidated net sales amounted to 12,310.0 million EEK (786.8 million EUR) in the 2007/2008 financial year (1 September 2007 – 31 August 2008) compared to 11,903.3 million EEK (760.8 million EUR) in the 2006/2007 financial year (1 September 2006 – 31 August 2007). The Group's revenues increased strongly on the newest Sweden-Latvia route and also on the Finland-Estonia route where the new Tallink Shuttle service is the main contributing factor. This was partly offset by weaker than expected performance on the Finland – Sweden route and on the Germany – Finland route.

The following tables provide an overview of sales on a geographical and operational segment based approach.

Geographical segments	07/08	06/07	Operational segments	07/08	06/07
Finland - Sweden	43.3%	47.5%	Restaurant and shop sales on-board and on mainland	49.6%	49.9%
Estonia - Finland	26.1%	22.2%	Ticket sales	24.9%	24.1%
Estonia - Sweden	12.4%	11.9%	Sales of cargo transportation	20.2%	20.2%
Finland - Germany	9.0%	11.5%	Accommodation sales	1.2%	0.9%
Latvia - Sweden	4.5%	3.1%	Income from leases of vessels	1.3%	1.6%
Mainland business and lease of vessels	4.7%	3.8%	Other sales	2.7%	3.2%

EARNINGS

During the 2007/2008 financial year the Group's gross profit decreased by 555.7 million EEK (35.5 million EUR) to 2,580.9 million EEK (165.0 million EUR), EBITDA decreased by 504.9 million EEK to 1,982.4 million EEK (126.7 million EUR) and the net profit decreased by 731.3 million EEK (46.8 million EUR) from 1,049.3 million EEK (67.0 million EUR) to 318.0 million EEK (20.3 million EUR). Basic earnings per share and diluted earnings per share were 0.47 EEK (0.03 EUR) in the 12 months of 2007/2008 financial year compared to 1.56 EEK (0.10 EUR) in the 2006/2007 financial year.

The largest contributor to the decrease in Group's earnings was the high fuel price. Compared to the previous financial year the Group's bunker costs increased by 680.8 million EEK (43.5 million EUR). Around 35% of the increase came from the Finland-Germany route operations. As the fuel price has significantly decreased since the summer and given the high market volatility the Group has hedged a portion of the fuel price risk in October and November 2008 for the 2009 year.

In the 2007/2008 financial year, personnel expenses increased by 3.5% from 2,477.1 million EEK (158.3 million EUR) to 2,563.8 million EEK (163.9 million EUR) primarily due to an increase in the number of personnel. The average number of employees for the 2007/2008 financial year was 6,564 (6,227 in 2006/2007).

The administrative costs decreased by 108.0 million EEK (6.9 million EUR) mainly as a result of the Silja integration.

Financial expenses increased due to the increase in borrowings and thereby higher interest-bearing liabilities on average and a rise in interest rates. Financial expenses increased by 16.5% from 801.2 million EEK (51.2 million EUR) in 2006/2007 to 933.3 million EEK (59.7 million EUR) in the 2007/2008 financial year. Due to effective financial risk management, net income on interest rate derivatives amounted to 119.1 million EEK (7.6 million EUR).

EUR), being the main contributor to financial income. Net financial expense for the period was 790.2 million EEK (50.5 million EUR) compared to 597.3 million EEK (38.2 million EUR) for the prior financial year.

The Group exposure to the credit risk, liquidity risk and market risks and the financial risk management activities are described in the notes to the financial statements.

LIQUIDITY AND WORKING CAPITAL

Net operating cash flow decreased by 407.7 million EEK (26.1 million EUR) to 1,712.0 million EEK (109.4 million EUR) compared to the 2006/2007 financial year, primarily due to the decrease in operational earnings.

Net cash flows used in investing activities amounted to 3,729.8 million EEK (238.4 million EUR). The main components of cash outflows from investing activities were the purchases of M/S Superstar, M/S Baltic Princess and payments for the new vessel under construction of 4,240.3 million EEK (271.0 million EUR) in aggregate. Net proceeds from the sale of two vessels: M/S Meloodia and M/S Fantaasia totalled 453.2 million EEK (29.0 million EUR).

During the 2007/2008 financial year, the Group received 3,756.2 million EEK (240.1 million EUR) from new borrowings and repaid loans in total of 1,518.4 million EEK (97.0 million EUR).

As of 31 August 2008, the Group's cash and cash equivalents totalled 1,043.8 million EEK (66.7 million EUR). The liquidity ratio was 0.69.

Considering our established credit facilities and sources of liquidity, we believe that the Group has sufficient working capital and liquidity to meet its present and future needs.

CAPITAL RESOURCES

We finance our future investments with operating cash flows, debt and equity financing, and proceeds from potential disposals of assets. At 31 August 2008, the Group's debt as a percentage of capitalization (total debt and shareholders' equity) was 62.8% compared to 59.4% at 31 August 2007. The increase resulted from a 2,692.9 million EEK (172.1 million EUR) increase in debt and a 258.7 million EEK (16.5 million EUR) increase in equity.

LOANS AND BORROWINGS

At the end of the 2007/2008 financial year, interest-bearing liabilities totalled 17,524.6 million EEK (1,120.0 million EUR), a 2,692.9 million EEK (172.1 million EUR) increase compared to the 14,831.7 million EEK (947.9 million EUR) measured at the end of 2006/2007. In the reporting period, the Group took a 12-year loan of 1,454.0 million EEK (92.9 million EUR) to partially finance the purchase of M/S Superstar, a 10-year loan of 2,049.7 million EEK (132.0 million EUR) to partially finance the purchase of M/S Baltic Princess and borrowed from overdraft limits to ensure strong liquidity position. The Group repaid old loans of 1,518.4 million EEK (97.0 million EUR).

All interest bearing liabilities have been incurred in Euro-based currencies.

OWNERS' EQUITY

Consolidated equity increased by 2.55% from 10,134.9 million EEK (647.7 million EUR) to 10,393.6 million EEK (664.3 million EUR), mainly on account of net profit for the financial year. The decreasing component for the

owners' equity development was acquisition of own shares in amount of 65.1 million EEK (4.2 million EUR) but which has positive effect to the effective equity per share on the rest of the outstanding shares. At the end of the 2007/2008 financial year the Group's share capital amounted to 6,738,170,400 EEK (430,647,578 EUR). For further information about shares, please see the "Shares and Shareholders" section of this report.

VESSELS AND OTHER INVESTMENTS

The Group's main revenue generating assets are vessels, which account for approximately 83.5% of total assets. At the end of the financial year, the Group owned 19 vessels: 18 of them operated in the Group's main business on the Baltic Sea and one was chartered out (HSC Tallink AutoExpress 2). Our current fleet consists of 10 cruise ferries, five high-speed ro-pax ferries, two ro-ro cargo vessels, one high-speed craft and one ro-pax ferry. According to management's estimates, as of 31 August 2008 the value of the ships amounted to 27,992 million EEK (1,789 million EUR). Compared to the previous financial year of 23,286 million EEK (1,488 million EUR), the value of the fleet has increased, largely through the deliveries of M/S Superstar and M/S Baltic Princess. All of our vessels have protection and indemnity insurance (P&I), hull and machinery insurance (H&M) and they meet all applicable safety regulations. In addition to the economic benefits of the upgrade of the fleet through new vessel investments, the Group is now employing one of the most environment friendly fleets as the vessels are equipped with the latest available machinery and technology.

VESSELS UNDER CONSTRUCTION

The Group has one new cruise ferry under the construction at shipyard. The new M/S Baltic Queen, an enhancement to the "Galaxy" series, will be delivered in 2009. The vessel price amounts to 2,816 million EEK (180 million EUR) which is being financed by 20% from the Group cashflows and 80% from a long-term bank debt on the delivery.

By the end of the 2007/2008 financial year, the Group had prepaid to the shipyard 469.4 million EEK (30.0 million EUR) an additional 93.9 million EEK (6.0 million EUR) was prepaid in September 2008 as part of the 20% mandatory instalments during the construction period. The last instalment of approximately 2,253.1 million EEK (144 million EUR), being 80% of the construction price, will be paid on the delivery.

OTHER INVESTMENTS

During 2007/2008 the Group subscribed a 34% minority shareholding in a new company AS Tallink Takso. Through the taxi company the Group has another opportunity to diversify its products and services while having insignificant financial impact to the Group. The Group expanded its hotel operations by purchasing 100% OÜ Delegatsioon which is the operator in a 267-room Pirita Top Spa Hotel in Tallinn.

The Group does not have any substantial ongoing research and development projects.

MARKET DEVELOPMENTS

The total number of passengers carried by the Group during the 2007/2008 financial year was 7.1 million, which is 2.9% higher than the in previous financial year. The number of cargo units carried by the Group's vessels was 331.1 thousand, a 8% decrease on the previous financial year. The number of passenger cars increased by 13.6% and reached 671.5 thousand.

The following table provides an overview of transported passengers, cargo units and passenger vehicles in the 2007/2008 and 2006/2007 financial years.

Passengers	2007/2008	2006/2007	change
Finland-Sweden	2,860,278	3,234,321	-11.6%
Estonia-Finland	2,934,674	2,541,834	15.5%
Estonia-Sweden	772,811	710,226	8.8%
Latvia-Sweden	357,533	256,690	39.3%
Finland-Germany	144,968	130,268	11.3%
Total	7,070,264	6,873,339	2.9%

Cargo units			
Finland-Sweden	102,949	126,195	-18.4%
Estonia-Finland	118,526	109,572	8.2%
Estonia-Sweden	44,353	42,536	4.3%
Latvia-Sweden	13,262	8,479	56.4%
Finland-Germany	52,059	72,999	-28.7%
Total	331,149	359,781	-8.0%

Passenger vehicles			
Finland-Sweden	164,059	201,198	-18.5%
Estonia-Finland	363,194	251,900	44.2%
Estonia-Sweden	52,839	59,023	-10.5%
Latvia-Sweden	51,652	38,832	33.0%
Finland-Germany	39,793	40,025	-0.6%
Total	671,537	590,978	13.6%

The following operational factors influenced traffic volumes development.

Finland-Sweden:

The sale of M/S SkyWind in August 2007 resulted in smaller capacities in the 12 months of 2007/2008 financial year compared to the same period of the previous financial year.

In the beginning of the year 2008 the schedule of M/S Sea Wind was changed so that the vessel would not stop in the Åland Islands any more. As a result the vessel is now carrying only cargo units compared to passenger, car and cargo mix before.

Estonia-Finland:

Tallink Shuttle service with new M/S Star was operated between Tallinn and Helsinki route compared to the mix of various other and smaller vessels in the 12 months of the previous financial year. In the end of April 2008 the second Tallink Shuttle vessel Superstar started also the Shuttle service.

Estonia-Sweden:

M/S Vana Tallinn did not operate between Paldiski-Kapellskär, but was operating on the route in the period of September 2006 until December 2006.

Latvia-Sweden:

Two vessels operation and everyday departures to both destinations compared to partly one vessel operations in the previous financial year.

Finland-Germany:

The traffic results were affected by the increased competition in cargo transportation.

The Group's market shares on routes operated during the 2007/2008 financial year were as follows:

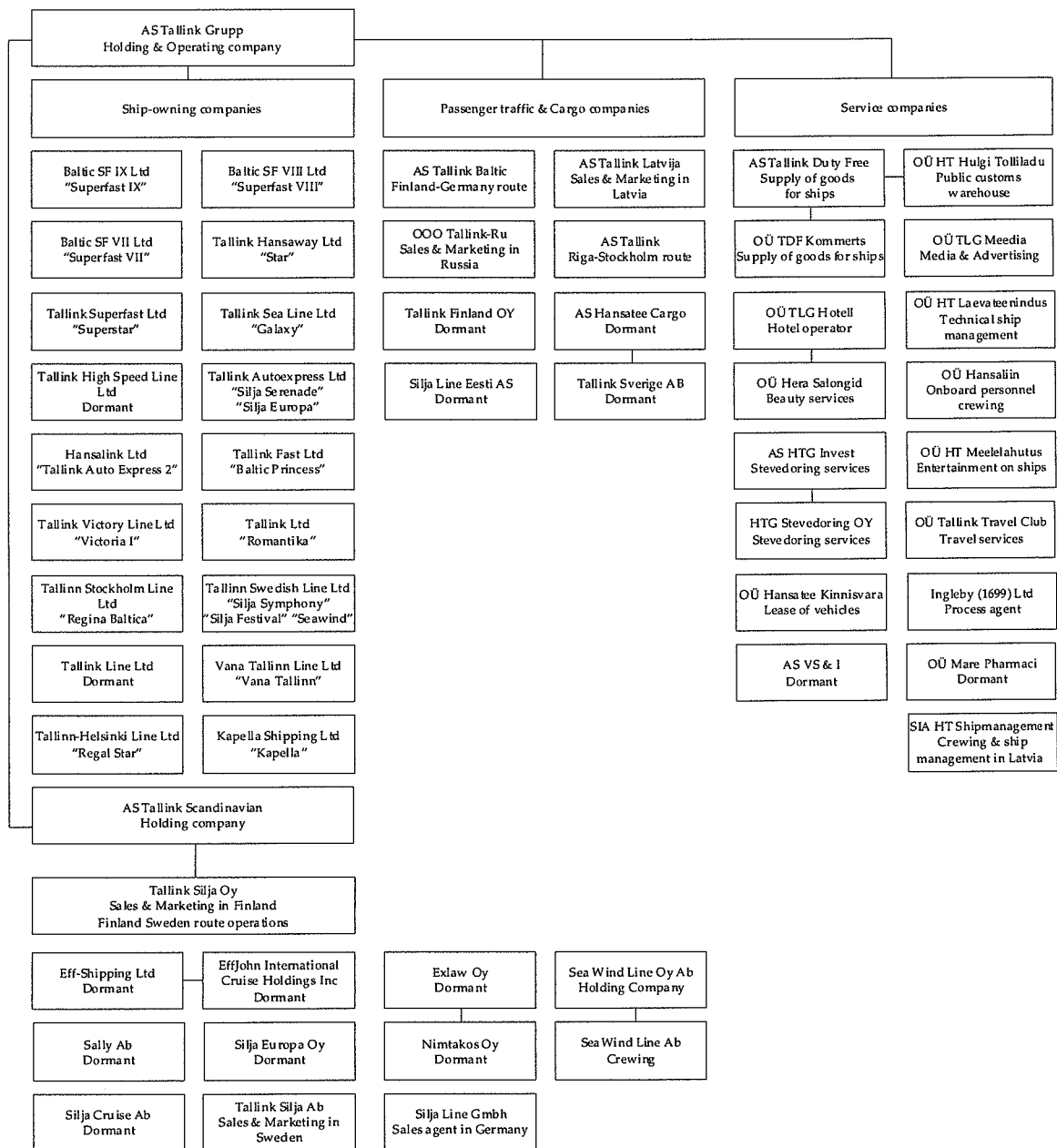
- The Group carried approximately 47% of the passengers and 56% of the ro-ro cargo on the route between Tallinn and Helsinki.
- The Group is the only provider of daily passenger transportation between Estonia and Sweden. The approximate market share of ro-ro cargo was 75%.
- The Group is the only provider of daily passenger and ro-ro cargo transportation between Riga and Stockholm.
- The Group carried approximately 52% of passengers and 32% of ro-ro cargo on its routes between Finland and Sweden.
- The Group's approximate market share in passenger transportation on the route between Finland and Germany was 53% and the approximate market share in ro-ro cargo transportation was 15%.

GROUP STRUCTURE

During the 2007/2008 financial year the Group subscribed into the 34% shareholding in AS Tallink Takso, withdrew from its 33% joint membership in Searail EEIG, acquired 100% of OÜ Deleagatsioon which was later merged into the OÜ TLG Hotell and established a 100% subsidiary SIA HT Shipmanagement. The ownership of Silja Line Eesti AS was transferred within the Group from Tallink Silja Oy to AS Tallink Grupp. After the balance sheet date the name of the Neptun Juridica Oy was changed to Exlaw Oy.

On the report date the Group consisted of 60 companies. Most of the subsidiaries are wholly-owned companies of AS Tallink Grupp.

The following graph represents the Group structure on the report date:



The Group further owns:

- 34% of AS Tallink Takso
- 50% of Suomen Jakelutiet Oy;
- Suomen Jakelutiet Oy further holds 50% of Suomen Hotellivaraukset Oy.

PERSONNEL

On August 31, 2008 the Group employed 6,890 employees (6,481 on August 31, 2007).

The following table provides a more detailed overview of the Group's personnel

	Average of 12 months			End of financial year		
	2007/2008	2006/2007	change %	31.08.2008	31.08.2007	change %
Onshore total	1,611	1,503	7.2%	1,721	1,642	4.8%
<i>Estonia</i>	750	606	23.8%	778	683	13.9%
<i>Finland</i>	597	578	3.3%	654	662	-1.2%
<i>Sweden</i>	200	274	-27.0%	219	238	-8.0%
<i>Latvia</i>	40	30	33.3%	45	37	21.6%
<i>Germany</i>	18	11	63.6%	19	15	26.7%
<i>Russia</i>	6	4	50.0%	6	7	-14.3%
At sea	4,579	4,516	1.4%	4,665	4,567	2.1%
Hotel*	374	208	79.8%	504	272	85.3%
Total	6,564	6,227	5.4%	6,890	6,481	6.3%

* The number of hotel personnel is not included in the total number of onshore personnel.

In 2008 the salary agreements with the seamen unions were renewed for the next three years. The highest increase will be during the 2008/2009 financial year when the minimum salary levels for the staff onboard the Group vessels is expected to increase by up to 10% on average. The increase on the second and third year is expected to average around 7% and 5% respectively.

During the 2007/2008 financial year the total staff cost amounted to 2,564 million EEK (163.9 million EUR) which was 3.5% higher than in a previous financial year.

SHARES AND SHAREHOLDERS

As of August 31, 2008 AS Tallink Grupp had total of 673,817,040 shares outstanding. There were no changes to the share capital during the 2007/2008 financial year.

All the shares are of the same kind and each share carries one vote at the shareholders' general meeting. The par value of one share is 10 EEK (0.639 EUR). No preference shares nor shares with special rights have been issued. According to the articles of association AS Tallink Grupp shares can be freely transferred. No authorization shall be obtained in order to buy or sell AS Tallink Grupp shares.

As a result of share buybacks carried out in during the period of December 2007-January 2008 the Group owns 3,935,000 own shares which represent 0.584% of the total share capital. Total contribution for the buyback amounted to 65.1 million EEK (4.2 million EUR). The average share price paid was 16.54 EEK (1.057 EUR) per share.

On January 29, 2008 the Annual General Meeting of AS Tallink Grupp among other things set the main terms of the share option program and gave authorization to acquisition of own shares as the previous authorization expired. The maximum amount of own shares that can be acquired shall not exceed 10% of the total share capital

and the maximum price per share shall not exceed the highest price paid at the market on the respective day. No share buyback has occurred since January 29, 2008. The Group has not issued any share options.

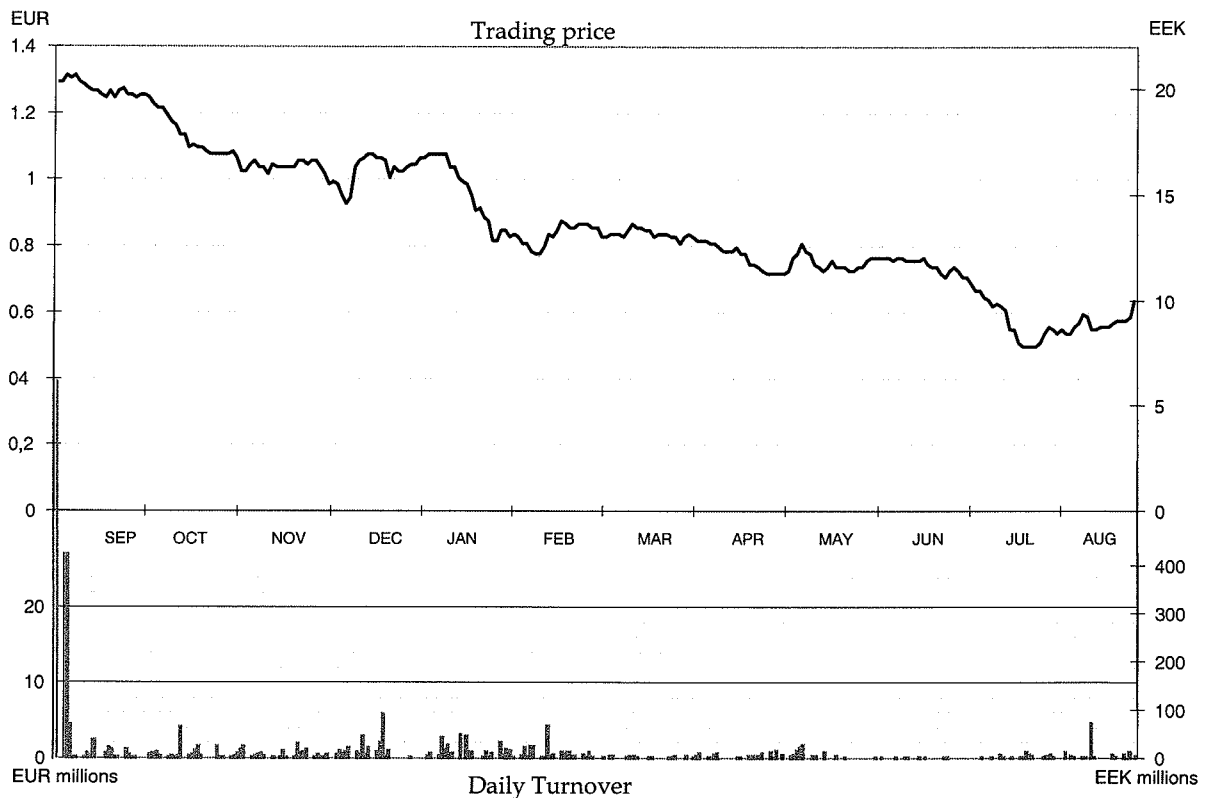
The Management Board of AS Tallink Grupp is not granted with the right to issue new shares. According to the resolution of the General meeting of AS Tallink Grupp of January 17, 2007 the Supervisory Council is within two years as from March 1, 2007 entitled to increase the share capital of AS Tallink Grupp by not more than 400 million EEK (25.6 million EUR). The maximum share capital thereafter shall not exceed 7,138 million EEK (456.2 million EUR). By the reporting date the Supervisory Council has not exercised its entitlement.

TRADING

The shares of AS Tallink Grupp are traded on the NASDAQ OMX Tallinn Stock Exchange under the symbol TAL1T (REUTERS: TAL1T.TL , BLOOMBERG: TAL1T ET).

During the 2007/2008 financial year, there were transactions with 188,676,215 shares of AS Tallink Grupp on Tallinn Stock Exchange. The highest daily average share price on Tallinn Stock Exchange was 20.59 EEK (1.31 EUR) and the lowest daily average share price was 7.82 EEK (0.50 EUR). The weighted average share price in the 2007/2008 financial year was 15.43 EEK (0.99 EUR). The average daily turnover of the trade with AS Tallink Grupp shares on Tallinn Stock Exchange was 11.7 million EEK (0.75 million EUR).

The following table gives an overview of the share price performance on Tallinn Stock Exchange during the period of 1 September 2007 to 31 August 2008.



The table below presents the distribution of share capital by size of share ownership

Ownership size	No. of shareholders	% of shareholders	No. of shares	% of share capital
1 - 99	603	5.15%	28,998	0.00%
100 - 999	3,524	30.11%	1,659,852	0.25%
1,000 - 9,999	6,958	59.45%	13,604,644	2.02%
10,000 – 99,999	490	4.19%	12,136,007	1.80%
100,000 – 999,999	86	0.73%	30,711,575	4.56%
1,000,000 – 9,999,999	36	0.31%	113,921,567	16.91%
10,000,000 +	7	0.06%	501,754,397	74.46%
TOTAL	11,704	100.00%	673,817,040	100.00%

As of 31 August 2008, 5.7% of the Group's shares were held by individuals.

The table below presents the 10 largest shareholders of the Group

Shareholder	No. of shares	%
INFORTAR AS	263,676,964	39,13%
NORDEA BANK FINLAND PLC/ NON-RESIDENT LEGAL ENTITIES	64,688,302	9,60%
ING LUXEMBOURG S.A.	59,591,776	8,84%
CITIGROUP VENTURE CAPITAL INTERNATIONAL JERSEY LIMITED	49,231,000	7,31%
STATE STREET BANK / BAUPOST GROUP SECURITIES LLC	36,599,565	5,43%
SKANDINAVISKA ENSKILDA BANKEN AB CLIENTS	17,666,581	2,62%
FIREBIRD REPUBLICS FUND LTD	10,300,209	1,53%
FIREBIRD AVRORA FUND, LTD.	7,847,031	1,16%
DANSKE CAPITAL FINLAND OY	7,500,000	1,11%
MORGAN STANLEY & CO INTERNATIONAL PLC/ MSIL IPB CLIENT ACCOUNT	7,489,634	1,11%

SHAREHOLDERS' AGREEMENT

Major shareholders of the Group have entered into the shareholders agreement on August 2006. The main terms of the agreement are published at the Group's website. The agreement sets forth among the other terms that the parties of the agreement and each shareholder of Tallink shall remain independent in their decisions and shall not be restricted by the agreement or otherwise, directly or indirectly, to exercise their voting rights or any other powers available to them, in the manner which, in its own opinion, best complies with its duties under Estonian laws, any Rules of Tallinn Stock Exchange or the Corporate Governance Recommendations.

TAKEOVER BIDS

The Group has not concluded any agreement with its management or employees that contain the provisions of compensation payment in case of takeover bid.

DIVIDENDS

The Group's strong expansion and growth have been achieved due to significant investments in the recent past. To support these investments, no dividends have been paid and the profits have been reinvested which has resulted in strong shareholders' equity. Additionally, the Group's policy has been to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

No dividends were paid for the 2006/2007 financial year. Management continued with the policy of a high priority being placed on investment. Considering the 2008/2009 capital commitments for one more new vessel under construction and the scheduled repayments of the existing bank loans the management will propose at the shareholders' general meeting that earnings be retained and no dividends be distributed.

The Group's significant investment program will end as the last new build vessel in the fleet renewal series, M/S Baltic Queen, will start operations in 2009. It is thereby estimated that the Management Board will review the dividend policy by the end of the 2008/2009 financial year.

CORPORATE GOVERNANCE REPORT

This report gives an overview of the governance of AS Tallink Grupp and its compliance with the requirements of the Corporate Governance Recommendations (CGR) of the NASDAQ OMX Tallinn Stock Exchange. The Group follows most CGR except where indicated otherwise in this report.

ORGANISATION AND ADMINISTRATION

Pursuant to the Commercial Code and the Articles of Association of AS Tallink Grupp (the Company), the right of decision and the administration of the company are divided between the shareholders represented by the shareholders' general meeting, the supervisory council and the management board.

SHAREHOLDERS' GENERAL MEETING

The Company's highest governing body is the shareholders' general meeting. The primary duties of the general meeting are to approve the annual report and the distribution of dividends, elect members to the supervisory council, appoint auditors, and pass resolutions on any increase or decrease in share capital and on any other changes to the Articles of Association. According to the law the Articles of Association can be amended only by the shareholders' general meeting. In such a case it is required that 2/3 of the participating votes are for it.

Every shareholder or his/her proxy with a relevant written power of attorney may attend the general meeting, discuss about the items in the agenda, ask questions and make proposals.

The Group publishes a notice of an annual general meeting at least three weeks in advance and a notice of an extraordinary general meeting at least one week in advance in a national daily newspaper, thru the stock exchange disclosure system and at the Company's website www.tallink.com. The notice includes information on where the annual report will be held.

The meeting agenda, board proposals, comments and related materials will be all made available to the shareholders before the general meeting on the Company's website and through the information disclosure system of the stock exchange. The shareholders may ask questions before the general meeting by sending an email to info@tallink.ee.

The Company has not made it possible to observe and attend at the general meetings through electronic channels as there has not been any need for it (CGR 1.3.3).

In the reporting period AS Tallink Grupp held the annual general meeting on 29 January 2008. The meeting was attended by the management board members Enn Pant, Andres Hunt, Keijo Mehtonen and Lembit Kitter. The Supervisory Council members present were Toivo Ninnas, Kustaa Äima, Ain Hanschmidt, Eve Pant, Kalev Järvelill. The meeting was attended also by the Company's auditor Andres Root. The chairman of the meeting was Aare Raig. The meeting was held in Estonian language. The shareholders represented at the annual general meeting 419,354,939 votes being 62.54% of the all votes.

The annual general meeting was not attended by supervisory council member Sunil Kumar Nair due to the other business commitment (CGR 1.3.2).

There were no extraordinary general meetings during the 2007/2008 financial year.

THE SUPERVISORY COUNCIL

The supervisory council engages in oversight and longer-term management activities such as supervising the management board and approving business plans acting in the best interest of all shareholders. No residency requirements apply to the members of the supervisory council. The supervisory council reports to the general meeting of shareholders.

The supervisory council consists of 5 to 7 members. Members of the supervisory council are elected for periods of three years at a time. The supervisory council elects one of its members as chairman.

The supervisory council is responsible for the administration of the Company and the appropriate organization of its operations. The supervisory council determines the principles for the Company's strategy, organization, annual operating plans and budgets, financing and accounting. The supervisory council elects the members of the management board and determines their salaries and benefits.

The supervisory council has at present six members: Mr. Toivo Ninnas – Chairman, Ms. Eve Pant, Mr. Ain Hanschmidt, Mr. Lauri Kustaa Äimä, Mr. Sunil Kumar Nair and Mr. Kalev Järvelill. The supervisory council members have the knowledge and experience necessary to fulfil their council member duties following the Corporate Governance Recommendations and legislation.

The supervisory council meetings are being held according to the needs, but at least once in every three months. The supervisory council convened 7 times during the 2007/2008 financial year. The Company's operations, development, strategies, targets and the budget were discussed. All members of supervisory council have attended to the meetings except for Mr Nair who attended on five occasions.

The supervisory council members avoid the conflicts of interest and observe the prohibition on competition. The supervisory council and management board work closely for the best for the Company's and its shareholders' interest acting in accordance with the articles of the association. The confidentiality rules are being followed when exchanging the information.

The supervisory board remuneration has been decided at the shareholders' general meeting on 17 January 2007. Accordingly, the chairman is remunerated with 30,000 EEK (1,900 EUR) per month and to the other members with 25,000 EEK (1600 EUR) per month. There are no other benefits for the supervisory council members.

The direct shareholdings of the members of the supervisory council at the end of the 2007/2008 financial year:

Toivo Ninnas – 19,200 shares

Eve Pant – 520,000 shares

Ain Hanschmidt – 1,800,000 shares

Lauri Kustaa Äimä – 231,400 shares

Sunil Kumar Nair - Does not have any shares

Kalev Järvelill – 1,276,800 shares.

THE MANAGEMENT BOARD

The management board is an executive body charged with the day-to-day management of the Company, as well as with representing the Company in its relations with third parties, for example by entering into contracts on behalf of the Company. The management board is independent in their decisions and follows the best interest of the Company's shareholders. The management board must adhere to the lawful orders of the supervisory council. The management board ensures, at its best efforts, the Company's compliance with the laws and that the Company's internal audit and risk management procedures are functional.

The management board consists of 3 to 7 members. Members of the management board and the chairman of the management board are elected by the supervisory council for periods of three years at a time. The chairman of the management board can propose to the supervisory council to elect also a vice chairman of the management board, who in absence of the chairman fulfils the chairman's duties. Every member of the management board has the right to represent the Company in any legal and business matter. According to the law the supervisory council can recall any management board member without a reason.

The management board has at present four members: Mr. Enn Pant – Chairman who's main field of responsibilities among the leading of the board is general and strategic management of the Group, Mr. Andres Hunt – Vice Chairman fulfils the chairman's duties in his absence and is also responsible for the legal, financial and investor relations areas, Mr. Keijo Mehtonen is responsible for the Group's sales & marketing and Mr. Lembit Kitter is managing the Group's daily operations and development. The supervisory council has concluded service agreements with the members of the management board.

In the 2007/2008 financial year the remuneration of the members of the Group's management board totalled 27.8 million EEK (1.8 million EUR) compared to 22.4 million EEK (1.43 million EUR) in 2006/2007.

The remuneration for the management board is set by the supervisory council according to the CGR. The pays and benefits of the board members are not disclosed as the Group believes that for the investors such a detailed information is insignificant and also outweighed by the possible harm and discomfort to the members of the management board from the disclosure of such sensitive private information. The Company does not want to disclose such information to its competitors (CGR 2.2.7).

Members of the management board avoid conflicts of interest and observe the prohibition on competition.

The direct shareholdings of the members of the management board at the end of the 2007/2008 financial year:

Enn Pant – 3,350,762 shares

Keijo Erkki Mehtonen – 3,114,400 shares

Andres Hunt – 671,000 shares

Lembit Kitter – Does not have any shares

DISCLOSURE OF INFORMATION

The Company follows the CGR in its information disclosure procedures and treats all shareholders equally. All the released information is published on the Company's and Tallinn Stock Exchange websites in Estonian and English languages.

Meetings with investors have been arranged on an ad hoc basis as and when requested by the investors. The information shared in the meetings is limited to already disclosed data. The Company has published the times

and locations of significant meetings with investors and the presentation materials used in these meetings are available at the Company's website. However, the Group does not meet the recommendation to publish the time and location of each individual meeting with the investor and to allow all of the Group's shareholders to participate in these events as it would be impractical and technically difficult to arrange (CGR 5.6).

FINANCIAL REPORTING AND AUDITING

Preparation of financial reports and statements is the responsibility of the Company's management board. The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRSs) and following also the Estonian regulations. The company issues quarterly interim financial reports and the annual report.

The Company's annual report will be audited and then approved by the supervisory council. The annual report with the written report from the supervisory council will be sent to shareholders' general meeting for the final approval

The related party transactions are disclosed in the notes to the financial statements below.

In the notice of shareholders' general meeting the candidate of auditor is provided. The Company has observed the auditors' rotation requirement. The auditing fees are set in the agreement concluded between the Company and the auditor where also the responsibilities of the auditors are included.

To the knowledge of the Company the auditors have fulfilled their contractual obligations and have audited the Company in accordance with the International Standards of Auditing.

The financial statements of the 2007/2008 financial year are audited by KPMG Baltics.

SAFETY & SECURITY

In the Group operations the safety of people, environment and property is ultimately important.

Tallink's Safety Management System adheres to the ISM (International Safety Management), ISPS (International Ship Port Facility Security) Codes and the requirements according to the ISO 14000 environmental management standard in order to guarantee the operations of the ships and onshore organisation, prevent accidents, loss of human lives and environmental damages caused to marine environment. Safety Management System is audited by Lloyds Register and Estonian, Swedish and Finnish Maritime Administrations.

The safety management operations of the Group aim at maintaining and developing safe procedures for ships and creating a safe ship environment for both the crew and passengers. Crew's safety management skills are continuously developed, tested and practiced during drills and exercises in cooperation with authorities. These skills are improved by identifying the known risk factors and areas, and practicing related procedures. In addition, crew environmental safety awareness is continuously improved.

The objective of the Group's Safety Management System is to ensure that the valid rules and requirements set out by IMO (International Maritime Organization) maritime authorities, certification bodies and other maritime organizations as well as their applicable regulations and standards are adhered to.

Ships masters are responsible for the onboard safety and security operations of the ships managed by the Group. The task of the onshore organization is to supervise, support and develop safety and security work.

All the Group vessels carry lifesaving equipment which meets the highest safety standards and are always ready for use. Nevertheless the Group's highest-level nautical and good-seamanship practices together with top-level safety and security organisations are designed to prevent situations where all this safety equipment could be put in use.

ENVIRONMENTAL & CORPORATE SOCIAL RESPONSIBILITY

The Group recognises that environmental protection and management is one of its highest priorities. Every effort is to be made to conserve and protect the environment from marine and atmospheric pollution and any other form of pollution, including office-based waste.

The maintenance and operations of the Group vessels is concluded in accordance with the MARPOL convention (the International Convention for the Prevention of Pollution from Ships). This ensures that air and sea pollution is kept to the lowest practicable levels.

The Group operates a zero spill policy. The Group's objective is to eliminate the possibility of pollution at the source by ensuring high standards of safety and awareness are maintained and that all relevant legislation and conventions are followed for both its sea and shore activities. Additionally the Group is committed to the continual improvement of the methods that are used to carry out and achieve this objective, including the use of equipment and practices that minimises waste generation.

Selection of international certificates for the Group companies:

- ISO 14001:2004 environmental certificate by Lloyds Register
- MARPOL Sewage Pollution Prevention Certificate
- MARPOL Air Pollution Prevention Certificate
- IAFS International Anti-Fouling System Certificate
- MARPOL Oil Pollution Prevention Certificate
- Document of Compliance for Anti-fouling System
- MARPOL Garbage Pollution Prevention Attestation
- Document of Compliance by Lloyds Register
- Document of Compliance by Estonian Maritime Administration
- Document of Compliance by Finnish Maritime Administration
- Document of Compliance by Swedish Maritime Administration
- Document of Compliance by Latvian Maritime Administration

As a major tax-payer in Estonia, Finland and Sweden, the Group believes that financial success can only be guaranteed through responsible and sustainable development. Therefore, each year, the Group gives a significant share of its success back to society and the environment in which the company operates.

The Group entities are actively involved in supporting many public initiatives and events, especially youth and sports organisations. Being one of the largest Estonian companies in terms of its number of employees, it has also

always been the goal to motivate Group employees to participate in social events for the sake of the environment or society.

There are many areas in which the Group is supporting and sponsoring, and the environment, children and young people, and sports are some of the major branches which are considered to be important in supporting in all the countries in which Tallink has its operations.

A more detailed overview and policies are provided in the Group's Environmental and Corporate Social Responsibility Report.

OUTLOOK

During the 2008/2009 financial year the new cruise ferry M/S Baltic Princess and the route changes of M/S Galaxy and M/S Silja Festival are expected to have a positive impact to the Group's sales and earnings. In addition, the reduced competition and fully launched Shuttle service will further improve the operations on the Tallinn-Helsinki route. The change on the Finland-Germany route and the chartering of one Superfast vessel will improve the Germany route operations. In spring 2009 the last new cruise ferry M/S Baltic Queen in the series of new builds under the fleet renewal programme will be delivered. After that the Group will operate with high a quality fleet on all its routes.

Several of the past issues such as new booking system implementation and high fuel prices are not influential any more.

It is estimated that during the 2008/2009 financial year the Group's performance will be better compared to the ended 2007/2008 financial year. For the 2008/2009 financial year the management estimates 10% sales increase. The Group targets for the 2008/2009 financial year as follows:

- Net sales EUR 865 million (EEK 13 534 million)
- EBITDA EUR 175 million (EEK 2 738 million)
- Net profit for the financial year EUR 40 million (EEK 626 million)
or EUR 0.06 (EEK 0.93) per share.

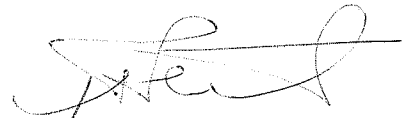
MANAGEMENT BOARD'S CONFIRMATION TO THE MANAGEMENT REPORT

The Management Board confirms that to the best of their knowledge the management report of AS Tallink Grupp for the 2007/2008 financial year presents true and fair view of the development, results and the financial position of the Group and includes the overview of the main risks and uncertainties.

Enn Pant Chairman of the Management Board



Andres Hunt Vice Chairman of the Management Board



Keijo Mehtonen Member of the Management Board



Lembit Kitter Member of the Management Board



Tallinn, 19.12.2008

CONSOLIDATED FINANCIAL STATEMENTS**STATEMENT BY THE MANAGEMENT BOARD**

We hereby take responsibility for the preparation of the consolidated financial statements of AS Tallink Grupp (hereinafter referred to as "the Parent") and its subsidiaries (hereinafter together referred to as "the Group").

The management board confirms that:

- The consolidated financial statements are in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
- The consolidated financial statements give a true and fair view of the financial position of the Group and the Parent and the results of their operations and cash flows.
- AS Tallink Grupp and its subsidiaries are able to continue as going concerns for at least one year of the date of approval of these consolidated financial statements.



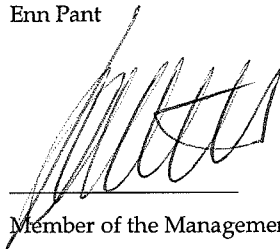
Chairman of the Management Board

Enn Pant



Vice Chairman of the Management Board

Andres Hunt



Member of the Management Board

Keijo Mehtonen



Member of the Management Board

Lembit Kitter

Tallinn, 19.12.2008

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.12.2008.....

Signature/allkiri.....

KPMG, Tallinn

CONSOLIDATED INCOME STATEMENT

for the year ended 31 August

	in thousands of EEK		in thousands of EUR		Notes
	2008	2007	2008	2007	
Revenue	12,310,015	11,903,286	786,753	760,759	7
Cost of sales	-9,729,085	-8,766,651	-621,802	-560,291	8
Gross profit	2,580,930	3,136,635	164,951	200,468	
Marketing expenses	-850,988	-792,381	-54,388	-50,643	8
Administrative expenses	-889,377	-997,361	-56,841	-63,743	8
Other income	199,467	209,029	12,748	13,359	
Other expenses	-18,352	-1,764	-1,173	-113	
Income from negative goodwill	0	689	0	44	
Financial income	143,124	203,884	9,147	13,031	8
Financial expenses	-933,332	-801,219	-59,650	-51,207	8
Profit/-loss of associates from equity accounted associates	-3,060	7,698	-196	492	15
Profit before income tax	228,412	965,210	14,598	61,688	7
Income tax	89,564	84,077	5,724	5,374	9
Net profit for the financial year	317,976	1,049,287	20,322	67,062	7
Attributable to:					
Equity holders of the Parent	317,976	1,049,287	20,322	67,062	
Basic and diluted earnings per share (in EEK/EUR per share)	0.47	1.56	0.03	0.10	10

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

26

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev.....13.10.2008

Signature/allkiri.....*Kuno*

KPMG, Tallinn

CONSOLIDATED BALANCE SHEET

as of 31 August	in thousands of EEK		in thousands of EUR		Notes
	2008	2007	2008	2007	
ASSETS					
Current assets					
Cash and cash equivalents	1,043,785	1,303,609	66,710	83,315	11
Receivables	1,177,342	815,093	75,246	52,094	12
Prepayments	111,522	124,134	7,127	7,934	13
Derivatives	51,884	1,799	3,316	115	27
Inventories	358,480	272,352	22,911	17,407	14
	2,743,013	2,516,987	175,310	160,865	
Non-current assets					
Investments in associates	2,222	3,242	142	207	15
Other financial assets and prepayments	7,700	9,279	492	594	16
Deferred income tax assets	199,851	153,102	12,773	9,785	9
Investment property	4,694	4,694	300	300	18
Property, plant and equipment	25,518,298	22,600,001	1,630,917	1,444,403	19
Intangible assets	1,226,023	1,283,592	78,357	82,036	20
	26,958,788	24,053,910	1,722,981	1,537,325	
TOTAL ASSETS	29,701,801	26,570,897	1,898,291	1,698,190	7
LIABILITIES AND EQUITY					
Current liabilities					
Interest-bearing loans and borrowings	2,200,220	2,247,390	140,620	143,634	21
Payables	1,621,711	1,408,369	103,646	90,011	22
Deferred income	138,752	121,008	8,868	7,734	
Derivatives	5,351	7,980	342	510	27
	3,966,034	3,784,747	253,476	241,889	
Non-current liabilities					
Interest-bearing loans and borrowings	15,324,355	12,584,261	979,405	804,281	21
Deferred income tax liabilities	16,147	63,463	1,032	4,056	9
Other liabilities	1,643	3,489	105	223	17
	15,342,145	12,651,213	980,542	808,560	
Total liabilities	19,308,179	16,435,960	1,234,018	1,050,449	7
Equity					
Equity attributable to equity holders of the Parent					
Share capital	6,738,170	6,738,170	430,648	430,648	23
Share premium	9,999	9,999	639	639	23
Reserves	1,151,071	1,202,991	73,566	76,885	23
Retained earnings	2,494,382	2,183,777	159,420	139,569	
Total equity attributable to equity holders of the Parent	10,393,622	10,134,937	664,273	647,741	
Total equity	10,393,622	10,134,937	664,273	647,741	
TOTAL LIABILITIES AND EQUITY	29,701,801	26,570,897	1,898,291	1,698,190	

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

27

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev.....19.12.2008.....

Signature/allkiri.....

KPMG, Tallinn

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August

	in thousands of EEK		in thousands of EUR		Notes
	2008	2007	2008	2007	
Cash flows from operating activities					
Net profit for the financial year	317,976	1,049,287	20,322	67,062	
Adjustments:	1,661,987	1,252,908	106,221	80,076	
Depreciation and amortisation	964,266	925,485	61,628	59,150	19,20
Net gain on disposals of property, plant and equipment	-19,344	-178,466	-1,236	-11,406	
Change in fair value of investment property	0	-4,412	0	-282	18
Net interest expense	903,715	764,585	57,758	48,866	8
Net interest revenue from swaps	-107,097	-162,998	-6,844	-10,417	8
Profit/-loss of associates from equity accounted associates	3,060	-7,698	195	-492	15
Income from negative goodwill	0	-689	0	-44	
Net foreign exchange gain / loss related to investing and financing activities	-184	1,178	-12	75	
Income tax	-82,429	-84,077	-5,268	-5,374	9
Changes in receivables and prepayments related to operating activities	-339,402	203,468	-21,692	13,004	
Changes in inventories	-85,110	-34,964	-5,439	-2,235	
Changes in liabilities related to operating activities	158,379	-346,867	10,122	-22,169	
Income tax paid	-1,800	-4,057	-115	-259	
	1,712,030	2,119,775	109,419	135,479	
Cash flows used in investing activities					
Purchase of property, plant, equipment and intangible assets	-4,240,289	-2,201,608	-271,004	-140,708	19, 20
Proceeds from disposals of property, plant, equipment	453,242	687,423	28,967	43,934	
Proceeds from disposals of associates	0	15,162	0	969	15
Proceeds from settlement of derivatives	45,879	164,481	2,933	10,512	
Acquisition of subsidiaries, net of cash acquired	1,885	-1,157	120	-74	6
Acquisition of associates	-2,040	-1,020	-130	-65	15
Interest received	11,511	21,636	736	1,383	
	-3,729,812	-1,315,083	-238,378	-84,049	
Cash flows from /used in financing activities					
Repurchase of treasury shares	-65,132	0	-4,163	0	10
Transaction costs of issue of shares	0	-6,520	0	-417	
Proceeds from loans and bonds	3,756,212	1,357,847	240,066	86,782	
Redemption of loans and bonds	-1,518,433	-1,555,385	-97,045	-99,407	
Change in overdraft	443,199	74,143	28,325	4,739	21
Repayment of finance lease liabilities	-14,855	-27,010	-949	-1,727	
Interest paid	-843,033	-751,766	-53,880	-48,047	
	1,757,958	-908,691	112,354	-58,077	
TOTAL NET CASH FLOW	-259,824	-103,999	-16,605	-6,647	
Cash and cash equivalents:					
- at the beginning of period	1,303,609	1,407,608	83,315	89,963	
- increase / decrease	-259,824	-103,999	-16,605	-6,647	
- at the end of period	1,043,785	1,303,609	66,710	83,316	11

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

28

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev.....19.12.2008

Signature/allkiri.....

KPMG, Tallinn

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August, in thousands of EEK

	Share capital	Share premium ¹	Share with premium ¹	Unregistered share capital	Trans- lation reserve	Ships' revaluation reserve ²	Ships' revaluation reserve ²	Cash flow hedge reserve	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Minority interests	Total equity
As of 31 August 2006	1,415,000	2,012,394	1,475,727	23	1,138,827	-7,636	27,500	0	3,012,254	1,189	9,074,089	1,189	9,075,278
Issue of shares	5,323,170	-2,002,395	-1,475,727	0	0	0	0	0	-1,845,049	-1	0	0	-1
Transfer from profit for 2005/2006	0	0	0	0	0	0	74,210	0	-74,210	0	0	0	0
Acquisition of minority interests	0	0	0	0	0	0	0	0	0	0	0	-1,189	-1,189
Income tax related to components of other comprehensive income	0	0	0	0	0	0	0	0	0	0	3,537	0	3,537
Transfer from revaluation reserve	0	0	0	0	0	-37,958	0	0	0	0	37,958	0	0
Net gains on cash flow hedges	0	0	0	0	0	0	7,636	0	0	0	0	0	7,636
Foreign currency translation	0	0	0	0	389	0	0	0	0	0	0	0	389
Total income and expense recognized directly in equity	0	0	0	0	389	0	0	7,636	0	0	41,495	0	11,562
Net profit for 2006/2007	0	0	0	0	0	0	0	0	0	0	1,049,287	0	1,049,287
Total income and expense for the year	0	0	0	0	389	-37,958	7,636	0	0	0	1,090,782	0	1,060,849
As of 31 August 2007	6,738,170	9,999	0	412	1,100,869	0	101,710	0	2,183,777	0	10,134,937	0	10,134,937
Treasury shares acquired	0	0	0	0	0	0	0	0	-65,132	0	-65,132	0	-65,132
Transfer from profit for 2006/2007	0	0	0	0	0	0	52,465	0	-52,465	0	0	0	0
Income tax related to components of other comprehensive income	0	0	0	0	0	0	0	0	0	0	7,135	0	7,135
Transfer from revaluation reserve	0	0	0	0	0	-37,959	0	0	0	0	37,959	0	0
Foreign currency translation	0	0	0	0	-1,294	0	0	0	0	0	0	-1,294	-1,294
Total income and expense recognized directly in equity	0	0	0	0	-1,294	-37,959	0	0	0	0	45,094	0	5,841
Net profit for the financial year 2007/2008	0	0	0	0	0	0	0	0	0	0	317,976	0	317,976
Total income and expense for the year	0	0	0	0	-1,294	-37,959	0	0	0	0	363,070	0	323,817
As of 31 August 2008	6,738,170	9,999	0	-882	1,062,910	0	154,175	-65,132	2,494,382	0	10,393,622	0	10,393,622

¹ For further information see also Note 23 Share Capital and Reserves² For further information see also Note 19 Property, Plant and Equipment and Note 23 Share Capital and Reserves

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev.....

Signature/alkiri.....

KPMG, Tallinn

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

for the year ended 31 August, in thousands of EUR

	Share capital ¹	Share premium ¹	Share with premium ¹	Unregistered share capital	Trans- lation reserve	Ships' revaluation reserve ²	Cash flow hedge reserve	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Equity attributable to holders of the Parent	Minority interests	Total equity
As of 31 August 2006	90,435	128,615	94,316	94,316	2	72,784	-488	1,758	0	192,518	579,940	76	580,016
Issue of shares	340,213	-127,976	-94,316	-94,316	0	0	0	0	0	-117,921	0	0	0
Transfer from profit for 2005/2006	0	0	0	0	0	0	0	4,742	0	-4,742	0	0	0
Acquisition of minority interests	0	0	0	0	0	0	0	0	0	0	0	-76	-76
Income tax related to components of other comprehensive income	0	0	0	0	0	0	0	0	0	226	226	0	226
Transfer from revaluation reserve	0	0	0	0	0	-2,426	0	0	0	2,426	0	0	0
Net gains on cash flow hedges	0	0	0	0	0	0	488	0	0	0	488	0	488
Foreign currency translation	0	0	0	0	25	0	0	0	0	0	25	0	25
Total income and expense recognized directly in equity	0	0	0	0	25	-2,426	488	0	0	2,652	739	0	739
Net profit for 2006/2007	0	0	0	0	0	0	0	0	0	67,062	67,062	0	67,062
Total income and expense for the year	0	0	0	0	25	-2,426	488	0	0	69,714	67,801	0	67,801
As of 31 August 2007	430,648	639	0	0	27	70,358	0	6,500	0	139,569	647,741	0	647,741
Treasury shares acquired	0	0	0	0	0	0	0	0	-4,163	0	-4,163	0	-4,163
Transfer from profit for 2006/2007	0	0	0	0	0	0	0	3,353	0	-3,353	0	0	0
Income tax related to components of other comprehensive income	0	0	0	0	0	0	0	0	0	456	456	0	456
Transfer from revaluation reserve	0	0	0	0	0	-2,426	0	0	0	2,426	0	0	0
Foreign currency translation	0	0	0	0	-83	0	0	0	0	0	-83	0	-83
Total income and expense recognized directly in equity	0	0	0	0	-83	-2,426	0	0	0	2,882	373	0	373
Net profit for the financial year 2007/2008	0	0	0	0	0	0	0	0	0	20,322	20,322	0	20,322
Total income and expense for the year	0	0	0	0	-83	-2,426	0	0	0	23,204	20,695	0	20,695
As of 31 August 2008	430,648	639	0	0	-56	67,932	0	9,853	-4,163	159,420	664,273	0	664,273

¹ For further information see also Note 23 Share Capital and Reserves² For further information see also Note 19 Property, Plant and Equipment and Note 23 Share Capital and Reserves

Initialed for identification purposes only

Allkirjastaud identifitseerimiseks

Date/kuupäev.....13. 08. 2008

Signature/allkirj.....KPMG

KPMG, Tallinn

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 CORPORATE INFORMATION

The consolidated financial statements of AS Tallink Grupp (the "Parent") and its subsidiaries (together referred to as the "Group") for the year ended 31 August 2008 were authorised for issue by the management board on 19 December 2008.

According to the Estonian Commercial Code, the annual report including the consolidated financial statements prepared by the management board must be agreed by the supervisory council, and approved by the shareholders' general meeting. Shareholders have the power not to approve the annual report prepared and presented by the management board and the right to request that a new annual report be prepared.

AS Tallink Grupp is a public limited company incorporated and domiciled in Estonia. AS Tallink Grupp's shares have been publicly traded on Tallinn Stock Exchange since 9 December 2005.

The principal activities of the Group are related to marine transportation (passenger and cargo transportation). Further information on the principal activities of the Group is presented in Note 7 "Segment Information". As of 31 August 2008 the Group employed 6890 people (6,481 as of 31 August 2007).

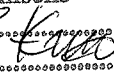
The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

31

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.12.2008

Signature/allkiri..... 

KPMG, Tallinn

Note 2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investment properties, and ships that have been measured at fair value (see also Notes 18 and 19). The consolidated financial statements are presented in Estonian kroons (EEK) and all values are rounded to the nearest thousand except when otherwise indicated. Pursuant to the requirements of Tallinn Stock Exchange, the consolidated financial statements have also been presented in Euros (EUR). As the Estonian kroon is pegged to the Euro at a fixed exchange rate (1 EUR = 15.6466 EEK), no foreign exchange rate differences arise from such additional presentation of the consolidated financial statements in Euros.

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the non-consolidated financial statements (i.e. balance sheet, income statement, cash flow statement and statement of changes in equity, collectively referred to as primary financial statements) of the Parent. The non-consolidated primary financial statements of AS Tallink Grupp are disclosed in Note 28 "Primary Statements of the Parent". These statements have been prepared using the same accounting methods and measurement bases that were used on the preparation of the consolidated financial statements, except for investments in subsidiaries and associates which are stated at cost in the non-consolidated primary statements of the Parent.

Statement of compliance

The consolidated financial statements of AS Tallink Grupp and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The consolidated financial statements comprise the financial statements of AS Tallink Grupp and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50% of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investment) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

32

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev.....15.12.2008

Signature/allkiri.....

KPMG, Tallinn

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not wholly owned by the Group and are presented separately within equity in the consolidated balance sheet, separately from equity attributable to equity holders of the Parent.

New subsidiaries acquired through business combinations have been included in the consolidated financial statements using the purchase method of accounting. The purchase consideration is allocated to the fair value of the assets acquired and liabilities and contingent liabilities assumed on the date of acquisition.

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev.....19.12.2008.....

Signature/allkiri.....

KPMG, Tallinn

Note 3 NEW STANDARDS AND INTERPRETATIONS**Adoption of IFRSs during the financial year**

The Group adopted the following new standard during the reporting year and comparative figures have also been provided. Adoption of the new standard did not have any effect on the Group's equity as of 1 September 2006 and as of 1 September 2007.

- IFRS 7 "Financial Instruments: Disclosures"

New IFRS standards and interpretations not yet adopted

A number of new and revised International Financial Reporting Standards and their interpretations have been issued, which will become mandatory for the Group's financial statements in accounting periods beginning on or after 1 September 2008. The Group has decided not to apply the amendments and new standards and interpretations early. Below is the estimate of the Group's management regarding the potential effect of the new and revised standards and interpretations upon their first-time application.

- Revised IAS 1 "Presentation of Financial Statements"
The amendment to IAS 1, which requires disclosure of comprehensive income, is applied to annual periods beginning on or after 1 January 2009. Comprehensive income represents change in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Group has not decided yet which approach to prefer.
- IFRS 8 "Operating Segments"
IFRS 8 is applied to annual periods beginning on or after 1 January 2009. The new standard requires more disclosures of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's information in respect of its business and geographical segment.
- Revised IAS 23 "Borrowing Cost"
IAS 23 Borrowing Cost removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 is applied to annual periods beginning on or after 1 January 2009. As the Group's present accounting policy is to capitalise borrowing costs related to qualifying assets the revised standard will have no impact on the Group.
- IFRIC 12 "Service Concession Arrangements"
Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is effective for annual periods beginning on or after 1 January 2008. It is not expected to have any impact on the consolidated financial statements.
- IFRIC 13 "Customer Loyalty Programmes"
Customer Loyalty programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 is effective for annual periods beginning on or after 1 July 2008. It is expected to have an impact on the consolidated financial statements, but exact effect of IFRIC 13 is not known yet.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

34

Initialed for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev..... 10.12.2008
Signature/allkiri.....
KPMG, Tallinn

- IFRIC 14 IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 is effective for annual periods beginning on or after 1 January 2008. The possible effect of the amendment is not known yet.

- Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" - "Puttable Financial Instruments and Obligations Arising on Liquidation"
Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" - "Puttable Financial Instruments and Obligations Arising on Liquidation" is effective for annual periods beginning on or after 1 January 2009. It is not expected to have any impact on the consolidated financial statements.

- Revised IFRS 3 "Business Combinations"
Revised IFRS 3 Business Combinations incorporates the following changes that are likely to be relevant to the Group's operations:
 - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
 - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
 - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
 - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
 - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

The revised IFRS 3 is applied to annual periods beginning on or after 1 July 2009. It will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2009/10 consolidated financial statements.

- Amended IAS 27 "Consolidated and Separate Financial Statements"
Amended IAS 27 Consolidated and Separate Financial Statements requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. Amendments to IAS 27 "Consolidated and Separate Financial Statements" are effective for annual periods beginning on or after 1 July 2009. The possible effect of the amendment is not known yet.

- Amendments to IFRS 2 "Share-based Payment"
Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. Amendments to IFRS 2 "Share-based Payment" are effective for annual periods beginning on or after 1 January 2009. The possible effect of the amendment is not known yet.

Note 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Interest swaps – whether derivatives qualify for hedge accounting

As of 31 August 2008, the Group had entered into three interest swap agreements (2007: two agreements). The Group has determined that none of these swap agreements qualify for cash flow hedge accounting. See Notes 27 and 5.10. for more detailed information on the interest swap agreements and related accounting policies.

Operating lease – Group as lessee

As of 31 August 2008, the Group has entered into a lease agreement for three hotel buildings (2007: two hotel buildings). The management has determined that all significant risks and rewards of ownership of the property have been retained by the lessors and so the Group, acting as a lessee, accounts for these agreements as operating leases. See Note 24 for more detailed information on the minimum lease payments of the lease agreements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Market uncertainties

The ongoing global liquidity crisis which commenced in the middle of 2007 resulted in, among other things, a lower liquidity levels in economy, a lower level of capital market funding and lower liquidity. In addition to that, the countries in which the Group operates have been experiencing economic downturn which has affected, and may continue to affect, the activities of enterprises operating in this environment. These financial statements reflect management's assessment of the impact of the Estonian and global business environment on the operations and the financial position of the Group. The future developments in business environment may differ from management's assessment.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating value-in-use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of 31 August 2008 amounted to 183,795,000 EEK (11,747,000 EUR), 2007: 174,409,000 EEK (111,146,800 EUR). Further details are given in Note 20.

Deferred tax

Deferred tax assets and liabilities are recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

36

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.11.2008

Signature/allkiri.....

KPMG, Tallinn

A deferred tax asset is recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Determination of useful life of property, plant and equipment and intangible assets

Management has estimated the useful lives of property, plant and equipment and intangible assets, taking into consideration the volumes of business activities, historical experience in this area and future outlook. Management's opinion on the useful lives of the Group's property, plant and equipment and the Group's intangible assets is disclosed in Notes 19 and 20 respectively.

Fair value of ships

At the end of each financial year, The Group assesses whether there have been significant changes to the fair value of its ships. The fair value of ships depends on many factors, including the year of building, several technical parameters as well as how the ships have been maintained (i.e. how much the owner has invested in maintenance). In order to assess the fair value of ships, the Group's management used independent appraisers. The frequency of revaluation depends upon management's estimate of changes that may impact the fair values of the ships. When the fair value of a ship differs materially from its carrying amount, a revaluation is required. No revaluation was carried out as at 31 August 2008 since the Group assessed that the value of ships had not changed significantly. Further details are given in Note 19.

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.08.2008

Signature/allkiri.....

KPMG, Tallinn

Note 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**5.1. Foreign currency**Foreign currency transactions

The Parent's functional currency is the Estonian kroon. Due to Tallinn Stock Exchange requirements the Group also presents its consolidated financial statements in Euros (see also Note 2). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are translated into the functional currency at exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the rate of exchange ruling at the balance sheet date. All differences are recognised in "financial income" or "financial expenses" in the income statement. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Other non-monetary assets and liabilities are translated at historical exchange rates.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Estonian kroon at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Estonian kroon at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

5.2. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary segments of the Group are geographical segments (by the routes and mainland) and the secondary segments are business segments (ticket sales, sales of cargo transport, restaurant and shop sales on-board and on mainland, hotel (accommodation) sales and others).

In presenting information on the basis of geographical segments, segment revenue is based on the geographical area consisting of a routes in which the Group operates.

Inter-segment pricing is determined on an arm's length basis.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments of the Group. Segment expense does not include administrative expenses, interest expenses, income tax

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

38

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev.....19.12.2008.....

Signature/allkiri.....

KPMG, Tallinn

expense and other expenses that arise at the Group level and are related to the Group as a whole. Expenses incurred at the Group level on behalf of a segment are allocated on a reasonable basis to the segment, if these expenses relate to the segment's operating activities and they can be directly attributed or allocated to the segment.

Segment result is segment revenue less segment expense.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets include receivables, except loans granted, prepaid expenses and inventories, property, plant and equipment and intangible assets related to the operating activities. If a particular item of depreciation or amortisation is included in segment expenses, the related asset is also included in segment assets. Segment assets do not include assets used for general Group or head-office purposes or which cannot be allocated directly to the segment. Segment assets include operating assets shared by two or more segments if a reasonable basis for allocation exists.

Segment liabilities are those liabilities that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities include, for example, accounts payables and other payables, accrued expenses, customers' prepayments, and provisions. Segment liabilities do not include loans, finance leases, bonds and other liabilities related to financing activities. Income tax liabilities are not included in segment liabilities either.

Expenses, assets and liabilities which are not directly related to the segment or cannot be allocated to the segment are presented as unallocated expenses, assets and liabilities of the Group.

5.3. Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates and sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods – sales in restaurants and shops

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, i.e. at the time of selling the goods to the customer at the retail stores, bars and restaurants, generally for cash or by card payment.

Ticket sale and sale of cargo transport

Revenue from tickets and cargo transport is recognised in the income statement as the services are rendered. At financial year-end, a revenue deferral is recorded for the part of the revenue that has not yet been earned in relation to the tickets and cargo shipments prepaid.

Sales of hotel rooms (accommodation)

Revenue from sales of hotel rooms is recognised in the income statement, when the rooms have been used by the clients. At financial year-end, a revenue deferral is recorded for the part of the revenue that has not yet been earned in relation to the room days prepaid.

Revenue from travel packages

The Group sells packages, which consist of a ship ticket, accommodation in a hotel not operated by the Group and tours in different cities not provided by the Group. The Group recognises the sales of packages in its revenue in full instead of recognising only the commission fee for accommodations, tours and entertainment events, as the

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

39

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.10.2008
Signature/allkiri.....

KPMG, Tallinn

Group (1) is able to determine the price of the content of package; (2) has discretion in selecting the suppliers for the service offer; and (3) bears any credit risks. Revenue from sales of packages is recognised when package is used by the clients.

Charter income

Charter income arising from operating leases of ships is accounted for on a straight-line basis over the lease terms.

5.4 Lease payments

Payments made under operating leases are recognised in profit or loss on straight-line-basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when lease adjustment is confirmed.

5.5. Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plan if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

5.6. Finance income and expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs not directly attributable to the acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

40

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev.....19.12.2008.....
Signature/allkiri.....
KPMG, Tallinn

5.7. Government grants

Government grants are initially recognised as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The grants related to an expense item are recognised as a reduction of the expense over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

5.8. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

5.9. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents are cash on hand, call deposits, short-term bank deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Available-for-sale financial assets

The Group's investments in equity and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, are recognised directly in equity.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

41

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev.....13.12.2008.....
Signature/allkiri.....
KPMG, Tallinn

5.10. Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps, options and forwards to hedge its risks associated with currency exchange rate changes and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gain or loss arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the financial year.

The fair value of interest rate derivative contracts is determined using generally accepted mathematical valuation methods such as Libor Market Model, Cox-Ingersoll-Rose Model, Calibration of Volatility, or Monte Carlo Simulation or Heston-Model simulation.

For the purpose of hedge accounting, hedges are classified into:

- fair value hedges
- cash flow hedges, and
- hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

The effective portion of gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

5.11. Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

The costs of raw materials, consisting mostly of fuel, and merchandise purchased for resale are assigned by using the weighted average cost method and includes expenditure incurred in acquiring the inventories.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

42

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev.....19.12.2008.....

Signature/allkiri.....

KPMG, Tallinn

5.12. Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, rather than for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

5.13. Property, plant and equipment

Property, plant and equipment, except ships, are stated at cost, less accumulated depreciation and any impairment in value. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised (e.g. replacements of parts of some items, dry-dockings with intervals of two or five years) are added to the carrying amount of the assets, if the recognition criteria are met, i.e. (a) it is probable that future economic benefits associated with the item will flow to the Group, and (b) the cost of the item can be measured reliably. The replaced items are derecognised. All other expenditures are recognised as an expense in the period in which they are incurred.

Ships are measured at fair value (i.e. a revalued amount) less depreciation charged subsequent to the date of the revaluation. Revaluation is normally performed every 3 to 5 years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

At the revaluation date, the carrying amount of ships is replaced by their fair value at the date of revaluation and accumulated depreciation is eliminated. Any revaluation surplus is credited to "revaluation of ships" included in equity in the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the "revaluation of ships".

An annual transfer from the revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated separately for two components of a ship: the vessel itself and dry-docking expenses as a separate component. This is based on the industry accounting practices, i.e. of other international shipping companies.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation is discontinued when the carrying value of an asset equals its residual value. The residual value of ships is based on their estimated realisable value at the end of their useful life. The above principle is in conformity with industry practice.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

▪ buildings	5 to 50 years
▪ plant and equipment	3 to 10 years
▪ ships	2 to 35 years
▪ other equipment	2 to 5 years

Land is not depreciated.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

43

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev.....19.11.2008.....
Signature/allkiri.....
KPMG, Tallinn

The depreciation charge is calculated for each part of ship on a straight-line basis over the estimated useful life as follows:

- | | |
|---------------------------------|----------------|
| ▪ ships | 17 to 35 years |
| ▪ capitalised dry-dock expenses | 2 to 5 years |

The residual values, method of depreciation and useful lives of items of property, plant and equipment are reviewed at least at each financial year end and, if an expectation differs from previous estimates, the change is accounted for as a change in an accounting estimate.

From 1 September 2006 the residual value is calculated as a percentage of the carrying value of the ship. Residual value for ships is 15%, except for MS Kapella whose residual value is 40%.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement (in "other operating income" or "other operating expenses") in the financial year the asset is derecognised.

5.14. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. When the excess is negative (negative goodwill) it is recognised immediately in profit.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's appropriate cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Each unit or group of units to which goodwill is allocated (1) represents the lowest level within the Group at which goodwill is monitored for internal management purposes; and (2) is not larger than a segment based on the Group's primary reporting format.

5.15. Other intangible assets

Other intangible assets (the licences and development costs of IT programs, acquired customer contracts) are initially recognised at cost. The cost of intangible assets acquired as part of an acquisition of a business is their fair value as at the date of acquisition. Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category according to the function of the intangible asset.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

44

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.11.2008

Signature/allkiri..... *K. Kallio*

KPMG, Tallinn

Amortisation is calculated on a straight-line basis over the estimated useful life of the intangible asset as follows:

- trade mark 20 years
- other intangible assets 5 to 10 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

5.16. Research and development expenditure

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is capitalised only when the Group can demonstrate (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete and its ability to use or sell the asset; (3) how the asset will generate future economic benefits; (4) the availability of resources to complete the asset; and (5) the ability to measure reliably the expenditure attributable to the asset during development.

Following the initial recognition of development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related project. Amortisation of the asset begins when development is complete and the asset is available for use.

5.17. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

45

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.10.2009
Signature/allkiri.....

KPMG, Tallinn

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.18. Financial liabilities

Financial liabilities are recognised initially at fair value, net of directly attributable transaction costs. In subsequent periods, financial liabilities are stated at amortised cost using the effective interest method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial liability. Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires.

5.19. Borrowing costs

Borrowing costs are recognised as an expense when incurred, except those, which are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale (e.g. new ships). Borrowing costs related to the building of new ships are capitalised as part of the cost of related assets incurred up to the delivery date.

5.20. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to the passage of time is recognised in "financial expense".

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

46

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev.....19.12.2008
Signature/allkiri.....

KPMG, Tallinn

5.21. LeasesThe Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases and lease payments are recognised as operating expenses on a straight-line basis over the lease term.

The Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

5.22. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

5.23. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

47

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.12.2008
Signature/allkiri.....

KPMG, Tallinn

Group companies in Estonia

According to Estonian Income Tax Act, for Group companies in Estonia, including the Parent, net profit is not subject to income tax, but dividends paid are subject to income tax (21/79 of net dividend paid out before 31 December 2009 and 20/80 of net dividend paid out after 1 January 2010) The Parent's potential tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet. The amount of potential tax liability related to the distribution of dividends depends on when, how much and from which sources the dividends are paid out. A resident company's payments, made upon reduction of share capital or contributions or upon redemption or return of shares, are currently taxed at the recipient's level. As from 2009, the taxation consequences will arise at the level of the payer, i.e. Estonian company.

Income tax from the payment of dividends is recorded as income tax expense at the moment the dividends are declared.

Group companies in Cyprus, the Bahamas, Panama and the Cayman Islands

According to the income tax law of Cyprus and the Bahamas, the net profit of shipping companies registered in Cyprus and the Bahamas and the dividends paid by these companies are not subject to income tax. Thus there are no temporary differences between the tax bases and carrying values of assets and liabilities that may cause deferred income tax. Shipping companies registered in Panama and the Cayman Islands are dormant.

Other foreign Group companies

In accordance with the income tax laws of other jurisdictions, the company's net profit adjusted for temporary and permanent differences determined by the income tax acts is subject to current income tax in those countries in which the Group companies have been registered.

Tax to be paid is reported under current liabilities and deferred tax positions are reported under non-current assets or liabilities.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised. Maximum income tax liability that could arise on the distribution of dividends is disclosed in Note 24.

Note 6 BUSINESS COMBINATIONS

In May 2008 a subsidiary company of AS Tallink Grupp, OÜ TLG Hotell purchased 100% share of OÜ Delegatsioon from AS Heal and OÜ Haapsalu HMR. The purchase price was 1 EEK (0,06 EUR). The main activities of OÜ Delegatsioon include hotel management, travel arrangement and tourism related services. The transaction is considered as a related party transaction. The fair value of identifiable assets and liabilities of OÜ Delegatsioon acquired are:


	in thousands of EEK		in thousands of EUR	
	Carrying value	Recognised on acquisition	Carrying value	Recognised on acquisition
Cash and bank accounts	1,885	1,885	120	120
Receivables and prepayments	3,616	3,616	231	231
Inventories	1,018	1,018	65	65
Property, plant & equipment	10,258	10,258	656	656
Intangible assets	69	69	5	5
Total assets	16,846	16,846	1,077	1,077

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

48

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.11.2008
Signature/allkiri..... 

KPMG, Tallinn

	in thousands of EEK		in thousands of EUR	
	Carrying value	Recognised on acquisition	Carrying value	Carrying value
Short-term liabilities	20,260	20,260	1,295	1,295
Long-term liabilities	5,972	5,972	382	382
Total liabilities	26,232	26,232	1,677	1,677
Fair value of net assets		-9,386		-600
Purchase price		0		0
Goodwill		9,386		600
Cash flow on acquisition:	in thousands of EEK		in thousands of EUR	
Net cash acquired with the subsidiary		1,885		120
Cash paid		0		0
Net cash flow		1,885		120

In July 2008 OÜ Delegatsioon was merged with OÜ TLG Hotell and OÜ Delegatsioon was dissolved. Presentation of information about the revenue and the profit or loss of the combined entity for the period from 1 September 2007 to 31 August 2008 is impracticable, because the financial year of the acquired entity was not the same as the Group's financial year.

In January 2007 a subsidiary company of AS Tallink Grupp, OÜ TLG Hotell purchased a 100% share in OÜ Hera Salongid from AS Infortar. The purchase price was 960,000 EEK (61,000 EUR). OÜ Hera Salongid provides beauty services. The fair values of the identifiable assets and liabilities of OÜ Hera Salongid were as follows:

	in thousands of EEK		in thousands of EUR	
	Carrying value	Recognised on acquisition	Carrying value	Recognised on acquisition
Cash and bank accounts	303	303	19	19
Receivables and prepayments	128	128	8	8
Inventories	160	160	10	10
Property, plant & equipment	652	652	42	42
Total assets	1,243	1,243	79	79
Short-term liabilities	1,544	1,544	99	99
Total liabilities	1,544	1,544	99	99
Fair value of net assets	-301	-301	-20	-20
Purchase price		960		61
Goodwill		1,261		81
Cash outflow on acquisition:	In thousands of EEK		In thousands of EUR	
Net cash acquired with the subsidiary		303		19
Cash paid		-960		-61
Net cash outflow		-657		-42

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

49

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.01.2008
Signature/allkiri..... KPMG

KPMG, Tallinn

Note 7 SEGMENT INFORMATION

The Group's operations are organised and managed separately according to the nature of the different markets. The Group operates (1) three ships between Estonia and Finland, (2) four ships between Estonia and Sweden, (3) two ships between Latvia and Sweden, (4) three ships between Germany and Finland, (5) five ships between Finland and Sweden, (6) one ships leased out from the Group and (7) three hotels and four shop in Estonia, which represent different business segments.

The Group's market share on the Estonia-Finland route is about 47% of passenger transportation and about 56% of cargo transportation, on the Estonia-Sweden route it is about 100% of passenger transportation and about 75% of cargo transportation. The market share on the Riga-Stockholm route is about 100% for both passenger and cargo transportation, and the estimated market share on the Finland-Germany route is about 53% of passenger transportation and about 15% of cargo transportation. The estimated passenger transportation market share on the Group's Finland-Sweden routes is about 52% and the cargo transportation market share is about 32%.

In the opinion of the Group's management the prices used in inter-segment transactions do not significantly differ from the prices used in transactions with external customers.

The following tables present the Group's revenue and profit as well as certain asset and liability information regarding reportable segments for the years ended 31 August 2008 and 2007.

Geographical segments – by the location of assets

for the year ended 31 August and as of 31 August, respectively
in thousands of EEK

2008	Estonia- Finland route	Estonia- Sweden routes	Latvia- Sweden route	Germany- Finland route	Finland- Sweden route	Estonia mainland business	Other	Elimination of inter-segment sales	Total
Revenue									
Sales to external customers	3,213,166	1,522,254	547,888	1,114,061	5,335,014	405,898	171,734	0	12,310,015
Inter-segment sales	0	0	0	0	0	111,601	0	-111,601	0
	3,213,166	1,522,254	547,888	1,114,061	5,335,014	517,499	171,734	-111,601	12,310,015
Result									
Segment result	989,803	165,276	-45,834	-108,237	617,850	18,651	92,433	0	1,729,942
Unallocated expenses									-708,262
Net financial items									-790,208
Share of loss of associates									-3,060
Profit before income tax									228,412
Income tax									89,564
Net profit									317,976
Assets and liabilities									
Segment assets	6,516,475	4,757,342	979,347	4,987,971	10,479,560	112,899	109,028	-18,513	27,924,109
Unallocated assets									1,777,692
									29,701,801
Segment liabilities	301,017	202,104	95,417	109,365	758,624	65,735	21,939	-18,513	1,535,688
Unallocated liabilities									17,772,491
									19,308,179

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Initialed for identification purposes only

Alkirjastatud identifitseerimiseks

Date/kumpäev...*R. P. Saar*

Signature/alkiri...*R. P. Saar*

KPMG, Tallinn

2008 (continued)	Estonia- Finland route	Estonia- Sweden routes	Latvia- Sweden route	Germany- Finland route	Finland- Sweden route	Estonia mainland business	Other inter-segment sales	Elimination of inter-segment sales	Total
Other segment information									
Capital expenditures:									
- segment's property, plant and equipment ("PP&E")	4,099,928	17,916	5,652	27,395	16,368	11,749	45	0	4,179,053
- unallocated PP&E									28,440
- segment's intangible assets ("IA")	18	20	10	2	18,854	164	0	0	19,068
- unallocated IA									13,728
Depreciation	127,052	144,964	32,428	150,708	360,781	11,755	30,784	0	858,472
Unallocated depreciation									17,224
Amortisation	80	96	45	1	72,995	1,873	0	0	75,090
Unallocated amortisation									13,480

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Initialed for identification purposes only

Aikrijaatavud identifitseerimiseks

Date/kuupäev..... 19.12.2008

Signature/alkiri.....

KPMG, Tallinn

2007	Estonia- Finland route	Estonia- Sweden routes	Latvia- Sweden route	Germany- Finland route	Finland- Sweden route	Estonia mainland business	Other inter-segment sales	Elimination of inter-segment sales	Total
Revenue									
Sales to external customers	2,641,659	1,407,463	373,119	1,373,173	5,657,963	259,056	190,853	0	11,903,286
Inter-segment sales	0	0	0	0	0	88,098	0	-88,098	0
	2,641,659	1,407,463	373,119	1,373,173	5,657,963	347,154	190,853	-88,098	11,903,286
Result									
Segment result	817,409	212,696	4,201	203,890	1,016,408	42,279	47,371	0	2,344,254
Unallocated expenses									-790,096
Negative goodwill									689
Net financial items									-597,335
Share of profit of associates									7,698
Profit before income tax									965,210
Income tax									84,077
Net profit									1,049,287
Assets and liabilities									
Segment assets	4,840,322	4,884,255	439,367	5,062,289	8,554,764	86,212	442,512	-21,560	24,288,161
Unallocated assets									2,282,736
									26,570,897
Segment liabilities	343,095	95,280	42,543	27,657	847,471	45,481	7,789	-21,294	1,388,022
Unallocated liabilities									15,047,938
									16,435,960

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Initialed for identification purposes only

Alkirjastatud identifitseerimiseks

Date/kuupäev..... 19.08.2008

Signature/alkiri.....

KPMG, Tallinn

2007 (continued)	Estonia- Finland route	Estonia- Sweden routes	Latvia- Sweden route	Germany- Finland route	Finland- Sweden route	Estonia mainland business	Other inter-segment sales	Elimination of	Total
Other segment information									
Capital expenditures:									
- segment's property, plant and equipment ("PP&E")	1,731,178	19,401	8,729	8,680	47,629	31,456	57	0	1,847,130
- unallocated PP&E									248,877
- segment's intangible assets ("IA")	2,864	428	0	0	81,445	1,753	0	0	86,490
- unallocated IA									19,111
Depreciation	118,095	137,220	20,900	147,406	379,859	6,472	26,136	0	836,088
Unallocated depreciation									10,981
Amortisation	1,823	268	0	0	74,680	1,645	0	0	78,416

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Initialed for identification purposes only
 Alkirjastatud identifitseerimiseks
 Date/kunpäev..... 15.12.2008
 Signature/alkiri.....
 KPMG, Tallinn

for the year ended 31 August and as of 31 August, respectively
in thousands of EUR

2008	Estonia- Finland route	Estonia- Sweden route	Latvia- Sweden route	Germany- Finland route	Finland- Sweden route	Estonia mainland business	Other	Elimination of inter-segment sales	Total
Revenue									
Sales to external customers	205,359	97,290	35,016	71,201	340,970	25,941	10,976	0	786,753
Inter-segment sales	0	0	0	0	0	7,133	0	-7,133	0
	205,359	97,290	35,016	71,201	340,970	33,074	10,976	-7,133	786,753
Result									
Segment result	63,260	10,563	-2,929	-6,918	39,488	1,192	5,907	0	110,563
Unallocated expenses									-45,266
Net financial items									-50,503
Share of loss of associates									-196
Profit before income tax									14,598
Income tax									5,724
Net profit									20,322
Assets and liabilities									
Segment assets	416,479	304,050	62,592	318,789	669,766	7,215	6,968	-1,183	1,784,676
Unallocated assets									113,615
									1,898,291
Segment liabilities	19,239	12,917	6,098	6,990	48,485	4,201	1,402	-1,183	98,149
Unallocated liabilities									1,135,869
									1,234,018

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Initialed for identification purposes only
 Allkirjastatud identifitseerimiseks
 Date/kuupäev. *31.08.2008*
 Signature/alkiri. *[Signature]*
 KPMG, Tallinn

2008 (continued)	Estonia- Finland route	Estonia- Sweden route	Latvia- Sweden route	Germany- Finland route	Finland- Sweden route	Estonia mainland business	Other	Elimination of inter-segment sales	Total
Other segment information									
Capital expenditures:									
- segment's property, plant and equipment ("PP&E")	262,033	1,145	361	1,751	1,046	751	3	0	267,090
- unallocated PP&E									1,818
- segment's intangible assets ("IA")	1	1	1	0	1,205	11	0	0	1,219
- unallocated IA									877
Depreciation	8,120	9,265	2,073	9,632	23,058	751	1,967	0	54,866
Unallocated depreciation									1,101
Amortisation	5	6	3	0	4,665	120	0	0	4,799
Unallocated amortisation									862

2007	Estonia- Finland route	Estonia- Sweden route	Latvia- Sweden route	Germany- Finland route	Finland- Sweden route	Estonia mainland business	Other	Elimination of inter-segment sales	Total
Revenue									
Sales to external customers	168,833	89,953	23,847	87,762	361,610	16,556	12,198	0	760,759
Inter-segment sales	0	0	0	0	0	5,631	0	-5,631	0
	168,833	89,953	23,847	87,762	361,610	22,187	12,198	-5,631	760,759
Result									
Segment result	52,242	13,594	268	13,031	64,960	2,702	3,028	0	149,825
Unallocated expenses									-50,497
Negative goodwill									44
Net financial items									-38,176
Share of profit of associates									492
Profit before income tax									61,688

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Initialled for identification purposes only
 Altkirjastand identifitseerimiseks
 Date/kuupäev.....*19.12.2008*
 Signature/alkiri.....*KPMG*
 KPMG, Tallinn

2007 (continued)	Estonia- Finland route	Estonia- Sweden route	Latvia- Sweden route	Germany- Finland route	Finland- Sweden route	Estonia mainland business	Other	Elimination of inter-segment sales	Total
Income tax									5,374
Net profit									67,062
Assets and liabilities									
Segment assets	309,353	312,161	28,081	323,539	546,749	5,510	28,282	-1,378	1,552,297
Unallocated assets									145,893
									<u>1,698,190</u>
Segment liabilities	21,928	6,089	2,719	1,768	54,163	2,907	498	-1,361	88,711
Unallocated liabilities									961,738
									<u>1,050,449</u>
Other segment information									
Capital expenditures:									
- segment's property, plant and equipment ("PP&E")	110,642	1,240	558	555	3,044	2,010	4	0	118,053
- unallocated PP&E									15,906
- segment's intangible assets ("IA")	183	28	0	0	5,205	112	0	0	5,528
- unallocated IA									1,221
Depreciation	7,548	8,770	1,336	9,421	24,277	414	1,670	0	53,436
Unallocated depreciation									702
Amortisation	117	17	0	0	4,773	105	0	0	5,012

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Initialed for identification purposes only
 Allkirjastatud identifitseerimiseks
 Date/kuupäev 15.10.2008
 Signature/alkiri
 KPMG, Tallinn

As of 31 August 2008 unallocated liabilities include the loans received to finance the ships operating between (1) Estonia and Finland in the amount of 4,670,559,000 EEK (298,503,000 EUR), 2007: 3,261,966,000 EEK (208,478,000 EUR)); (2) Estonia and Sweden in the amount of 3,006,649,000 EEK (192,160,000 EUR), 2007: 2,970,524,000 EEK (189,851,000 EUR); (3) Germany and Finland in the amount of 3,036,211,000 EEK (194,049,000 EUR), 2007: 3,347,190,000 EEK (213,924,000 EUR); and (4) Finland and Sweden in the amount of 6,211,691,000 EEK (396,999,000 EUR), 2007: 5,034,122,000 EEK (321,739,000 EUR). Corresponding interest expenses amounted to (1) 104,722,000 EEK (6,693,000 EUR), (2) 180,524,000 EEK (11,538,000 EUR), (3) 188,335,000 EEK (12,037,000 EUR), (4) 415,900,000 EEK (26,581,000 EUR), 2007: (1) 125,999,000 EEK (8,053,000 EUR), (2) 174,318,000 EEK (11,141,000 EUR), (3) 171,640,000 EEK (10,970,000 EUR), (4) 295,674,000 EEK (18,897,000 EUR)).

Information by operational segments

for the year ended 31 August

in thousands of EEK

	2008	2007
Ticket sales	3,066,859	2,864,158
Sales of cargo transport	2,491,799	2,410,306
Accommodation sales	152,805	110,963
Restaurant and shop sales on-board and on mainland	6,104,140	5,945,192
Income from leases of vessels	161,794	188,728
Other	332,618	383,939
Total revenue of the Group	12,310,015	11,903,286

for the year ended 31 August

in thousands of EUR

	2008	2007
Ticket sales	196,008	183,053
Sales of cargo transport	159,255	154,047
Accommodation sales	9,766	7,092
Restaurant and shop sales on-board and on mainland	390,126	379,967
Income from leases of vessels	10,340	12,062
Other	21,258	24,538
Total revenue of the Group	786,753	760,759

Most of the Group's assets (incl. property, plant and equipment) are related to marine transportation. As it is not practicable to divide the assets related to marine transportation by the different operational segments of marine transportation, the information about assets and purchases of property, plant and equipment by operational segments has not been disclosed in the notes to these consolidated financial statements.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

58

Initialled for identification purposes only
 Allkirjastatud identifitseerimiseks
 Date/kuupäev.....19.12.2008
 Signature/allkiri.....
 KPMG, Tallinn

Note 8 OPERATING EXPENSES AND FINANCIAL ITEMS

for the year ended 31 August

Cost of sales	in thousands of EEK		in thousands of EUR		Note
	2008	2007	2008	2007	
Cost of goods	-2,739,762	-2,386,369	-175,103	-152,517	
Port charges	-1,298,798	-1,319,368	-83,008	-84,323	
Bunker cost	-2,113,547	-1,432,707	-135,080	-91,567	
Staff costs	-1,770,646	-1,653,300	-113,165	-105,665	
Depreciation and amortisation	-822,378	-778,813	-52,560	-49,775	19, 20
Spare parts and maintenance expenses	-267,371	-395,692	-17,088	-25,289	
Other costs	-716,583	-800,402	-45,798	-51,155	
Total cost of sales	-9,729,085	-8,766,651	-621,802	-560,291	

for the year ended 31 August

Marketing expenses	in thousands of EEK		in thousands of EUR		Note
	2008	2007	2008	2007	
Advertising expenses	-410,870	-346,859	-26,259	-22,168	
Staff costs	-408,077	-389,927	-26,081	-24,921	
Depreciation and amortisation	-15,895	-2,102	-1,016	-135	19, 20
Other costs	-16,146	-53,493	-1,032	-3,419	
Total marketing expenses	-850,988	-792,381	-54,388	-50,643	

for the year ended 31 August

Administrative expenses	in thousands of EEK		in thousands of EUR		Note
	2008	2007	2008	2007	
Staff costs	-385,061	-433,911	-24,610	-27,732	
Depreciation and amortisation	-125,993	-144,570	-8,052	-9,240	19, 20
Other costs	-378,323	-418,880	-24,179	-26,771	
Total administrative expenses	-889,377	-997,361	-56,841	-63,743	

Specification of staff costs included in the cost of sales, marketing expenses and administrative expenses:

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Wages and salaries	-2,159,383	-2,103,266	-138,010	-134,423
Social security costs	-381,880	-338,727	-24,407	-21,649
Staff training costs	-11,085	-14,325	-708	-915
Other staff costs	-11,436	-20,820	-731	-1,331
Total staff costs	-2,563,784	-2,477,138	-163,856	-158,318

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

59

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.12.2008

Signature/allkiri..... KPMG

KPMG, Tallinn

Financial income and financial expenses recognised in profit or loss

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Financial income				
Net foreign exchange gains	12,218	11,934	781	763
Income from interest rate swaps	119,062	170,265	7,609	10,882
Interest income	11,249	21,685	719	1,386
Other financial income	595	0	38	0
	143,124	203,884	9,147	13,031
Financial expenses				
Interest expenses	-914,964	-786,270	-58,476	-50,252
Expenses from derivatives	-11,965	-7,267	-765	-464
Other financial expenses	-6,403	-7,682	-409	-491
	-933,332	-801,219	-59,650	-51,207
Net finance cost	-790,208	-597,335	-50,503	-38,176

Note 9 INCOME TAX

Income tax contains current income tax and deferred income tax.

Swedish, Finnish, Latvian and Russian subsidiaries

In accordance with the Swedish, Finnish, Latvian and Russian tax laws, the company's net profit adjusted for temporary and permanent differences determined in the income tax acts is subject to income tax in Finland, Sweden, Latvia and Russia (in Finland the tax rate is 26%, in Sweden 28%, in Latvia 15% and in Russia 22%; the tax rates have not changed from 2007).

Income tax expense

Major components of the Group's income tax expense for the years ended 31 August:

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Current period tax expense				
Swedish subsidiaries	-185	-1,770	-12	-113
Finnish subsidiaries		-297		-19
Latvian subsidiary	-500	-12	-32	-1
Russian subsidiary	-16	-10	-1	0
Total current tax expense	-701	-2,089	-45	-133
Deferred tax income/ expense				
Swedish subsidiaries	81,409	-53,167	5,203	-3,398
Finnish subsidiaries	8,543	139,333	546	8,905
Latvian subsidiary	313	0	20	0
Russian subsidiary	0	0		0
Total deferred tax income	90,265	86,166	5,769	5,507
Total income tax income	89,564	84,077	5,724	5,374

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

60

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.12.2008

Signature/allkiri.....

KPMG, Tallinn

Reconciliation of effective tax rate

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Profit for the period	317,976	1,049,287	20,322	67,062
Total income tax	89,564	84,077	5,724	5,374
Profit before income tax	228,412	965,210	14,598	61,688

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Profit before income tax	228,412	965,210	14,598	61,688
Income tax using Parent's domestic tax rate	0	0	0	0
Effect changes in deferred tax assets and liabilities in foreign jurisdictions	89,564	84,077	5,724	5,374
	89,564	84,077	5,724	5,374

Deferred tax assets and liabilities

According to Russian, Latvian, Finnish and Swedish legislation it is permissible for taxation purposes to use higher depreciation and amortisation rates and thereby accomplish a postponement of tax payments. These postponements are shown as a deferred tax liability. The Finnish and Swedish subsidiaries have also carry-forwards of tax losses, which are considered in the calculation of the deferred tax asset.

Recognised and unrecognised deferred income tax assets and liabilities

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Deferred tax assets (non-current asset)	199,851	153,102	12,773	9,785
Deferred tax liabilities (non-current liability)	16,147	63,463	1,032	4,056
Unrecognised deferred tax assets of Tallink Finland OY	1,549	3,129	99	200

Deferred tax assets and liabilities are attributable to the following

as of 31 August

In thousands of EEK	Assets		Liabilities	
	2008	2007	2008	2007
Tax loss carry-forward ¹	-491,804	-498,219	0	0
Property, plant and equipment	-313	0	96,993	183,316
Intangible assets	0	0	211,417	225,264
Tax assets / liabilities	-492,117	-498,219	308,410	408,580
Offset of assets and liabilities	292,263	345,117	-292,263	345,117
Tax assets / liabilities	-199,851	-153,102	16,147	63,463

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

61

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 15.12.2008

Signature/allkiri.....

KPMG, Tallinn

as of 31 August

In thousands of EUR

	Assets		Liabilities	
	2008	2007	2008	2007
Tax loss carry-forward ¹	-31,432	-31,842	0	0
Property, plant and equipment	-20	0	6,199	11,716
Intangible assets	0	0	13,512	14,397
Tax assets / liabilities	-31,452	-31,842	19,711	26,113
Offset of assets and liabilities	18,679	22,057	-18,679	-22,057
Tax assets-/ liabilities	-12,773	-9,785	1,032	4,056

¹ Tax loss carry forward expires in 2013-2016**Note 10 EARNINGS PER SHARE (EPS)**

Basic EPS are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. As the Group does not have any potential ordinary shares, diluted EPS are equal to basic EPS.

At 31 August 2008 the Group held 3,935 thousand of the AS Tallink Grupp shares. Total cost of share buyback transactions of 3,935 thousand shares is 65,132 thousand EEK (4,163 thousand EUR), including fees of 65 thousand EEK (4 thousand EUR).

in thousands pcs	Shares issued	Treasury shares	Shares outstanding
As of 01 September 2007	673,817	0	673,817
Purchase of treasury shares for cash	0	3,935	669,882
As of 31 August 2008	673,817	3,935	669,882

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Weighted average number of ordinary shares outstanding (in thousands)	671,245	673,817	671,245	673,817
Net profit attributable to equity holders of the Parent	317,976	1,049,287	20,322	67,062
Basic and diluted EPS (in EEK/EUR per share)	0.47	1.56	0.03	0.10

Note 11 CASH AND CASH EQUIVALENTS

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Cash at bank and in hand	966,094	932,301	61,745	59,584
Short-term deposits	77,691	371,308	4,965	23,731
Total cash and cash equivalents	1,043,785	1,303,609	66,710	83,315

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

62

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 13.12.2008

Signature/allkiri.....

KPMG, Tallinn

Cash at bank earns interest at floating rates based on daily bank deposit rates (in 2007/2008 the rates were in the range of 0.25-4.62% and in 2006/2007 in the range of 0.25-4.42%).

Short-term deposits are made for varying periods. The maturity dates of short-term deposits recognised in the balance sheet as of 31 August 2008 range from 1 September 2008 (over-night deposits) to 14 October 2008. As of 31 August 2008 and 2007 short-term deposits of 77,691,000 EEK (4,965,000 EUR) and 82,628,000 EEK (5,281,000 EUR) respectively could only be used for repayment of bank loans.

The amount of cash and cash equivalents recorded in the cash flow statement is equal to the amount of cash and cash equivalents recognised in the balance sheet.

The Group's exposure to interest rate risk is disclosed in Note 27.

Note 12 RECEIVABLES

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Trade receivables	757,837	539,457	48,435	34,478
Allowance for doubtful trade receivables	-781	-981	-50	-63
Receivables from associates	27	12,439	2	795
Government grants	212,982	140,866	13,612	9,003
Other receivables	198,372	122,649	12,678	7,839
Accrued interest income	8,905	663	569	42
Total receivables	1,177,342	815,093	75,246	52,094

During the reporting period 517,402,000 EEK (33,068,000 EUR) was deducted from the cost of goods in connection with government grants; 2007: 540,027,000 EEK (34,514,000 EUR).

During the reporting period 3,889,000 EEK (249,000 EUR) was expensed as doubtful and uncollectible; 2007: 1,313,000 EEK (84,000 EUR).

The Group's exposure to credit and currency risks to receivables are disclosed in Note 27.

Note 13 PREPAYMENTS

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Prepaid expenses	105,649	106,144	6,752	6,784
Tax assets	5,873	17,990	375	1,150
Total prepayments	111,522	124,134	7,127	7,934

The balance of prepaid expenses includes mostly prepayments for insurance and fairway dues.

as of 31 August

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

63

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19.12.2008

Signature/allkiri.....

KPMG, Tallinn

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Tax prepayments				
VAT	5,873	15,313	375	979
Income tax	0	2,599	0	166
Other taxes	0	78	0	5
Total tax prepayments	5,873	17,990	375	1,150

Note 14 INVENTORIES

as of 31 August	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Raw materials (mostly fuel)	82,522	46,391	5,274	2,965
Goods for sale	275,958	225,961	17,637	14,442
Total inventories	358,480	272,352	22,911	17,407

In 2007/2008 the write-down of inventories amounted to 1,325,000 EEK (85,000 EUR) and in 2006/2007 1,156,000 EEK (74,000 EUR) respectively. The write-down are included in cost of sales.

Fuel price risk

The Group is exposed to fuel price risk as the fuel used for ship operations is purchased at market prices. The Group has implemented a fuel surcharge system according to which the Group charges its customers a fuel surcharge to partly offset the impact of a fuel price increases. At 31 August 2008 there were no derivative contracts for fuel outstanding.

Note 15 INVESTMENTS IN ASSOCIATES

In April 2007 AS Tallink Grupp's subsidiary Tallink Silja OY sold its 50% shareholding in the Norwegian associate Reisevarehuset AS. The shares were sold to Det Nordenfeldske Dampskibsselskab AS for 7,745 thousand EEK (495 thousand EUR). In June 2007 AS Tallink Grupp's subsidiary Tallink Silja OY sold its 50% shareholding in the Estonian associate AS Baltic Tours. The shares were sold to AS M&A for 7,417 thousand EEK (474 thousand EUR). The above is not a related party transaction. In August 2007 AS Tallink Grupp co-established a new associated company, AS Tallink Takso. AS Tallink Grupp holds 34% of the entity's share capital. The 1,020 thousand EEK (65 thousand EUR) contribution to share capital was made in August 2007. The company was registered in September 2007. In April 2008 AS Tallink Takso increased share capital to 4,000 thousand EEK (256 thousand EUR). AS Tallink Group made a 2,040 thousand EEK (130 thousand EUR) contribution to AS Tallink Takso, 340 thousand EEK (22 thousand EUR) to share capital and 1,700 thousand EEK (109 thousand EUR) to share premium. AS Tallink Grupp interest in AS Tallink Takso equity remained 34%.

In May 2008 Tallink Silja Oy withdrew its 33% participation in Searail EEIG. The Group however continues to provide sea transportation services to the rail units under a separate commercial agreement.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

64

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19. 08. 2008

Signature/allkiri.....

KPMG, Tallinn

The Group has investments in the following associates:
as of 31 August 2008

In thousands Name of associate	Country of incorporation	Interest	Acquisition cost		Equity	
			EEK	EUR	EEK	EUR
AS Tallink Takso	Estonia	34%	3,060	195	0	0
Suomen Jakelutiet OY	Finland	50%	2,191	140	2,222	142
Total			5,251	335	2,222	142

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Investments at the beginning of financial year	3,242	9,044	207	578
Dividends received	0	0	0	0
Acquisition of shares	2,040	1,020	130	65
Sales of shares	0	-15,162	0	-969
Gain on sale of shares	0	7,698	0	492
Share of loss in associates	-3,060	0	-196	0
Other changes	0	642	0	41
Investments at the end of year	2,222	3,242	142	207

as of 31 August 2008,
in thousands of EEK

Name of associate	Owner- ship(%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Expenses	Profit/-loss
Jakelutiet	50	1,627	0	1,627	0	0	0	0	-1,784	-1,784
Tallink Takso AS	34	1,957	6,684	8,641	7,437	4,926	12,363	5,871	-18,593	-12,722
Total		3,584	6,684	10,268	7,437	4,926	12,363	5,871	-20,377	-14,506

as of 31 August 2008,
in thousands of EUR

Name of associate	Ownership (%)	Current assets	Non- current assets	Total assets	Current liabilities	Non- current liabilities	Total liabilities	Revenues	Expenses	Profit/-loss
Jakelutiet	50	104	0	104	0	0	0	0	-114	-114
Tallink Takso AS	34	125	427	552	475	315	790	375	-1,188	-813
Total		229	427	656	475	315	790	375	1,302	-927

as of 31 August 2007,
in thousands of EEK

Name of associate	Owner- ship(%)	Current assets	Non- current assets	Total assets	Current liabilities	Non- current liabilities	Total liabilities	Revenues	Expenses	Profit/-loss
Jakelutiet	50	1,471	3,161	4,632	31	0	31	203	219	-16
Tallink Takso AS	34	3,000	0	3,000	0	0	0	0	0	0
Total		4,471	3,161	7,632	31	0	31	203	219	-16

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

65

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 09.12.2008

Signature/allkiri.....

KPMG, Tallinn

As of 31 August 2007,
in thousands of EUR

Name of associate	Ownership (%)	Non-current assets			Non-current liabilities			Revenues	Expenses	Profit/-loss
		Current assets	assets	Total assets	Current liabilities	liabilities	Total liabilities			
Jakelutiet	50	94	202	296	2	0	2	13	14	-1
Tallink Takso AS	34	192	0	192	0	0	0	0	0	0
Total		236	0	488	2	0	2	13	14	-1

Note 16 OTHER INVESTMENTS AND PREPAYMENTS

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Available-for-sale financial assets	3,364	5,492	215	351
Other receivables	4,336	3,787	277	243
Total other financial assets	7,700	9,279	492	594

Note 17 OTHER LIABILITIES

The liability as of 31 August 2008 in amount of 1,643,000 EEK (105,000 EUR) has been calculated for four former Johnson Line (Eff-Shipping Ltd) employees (Johnson Line was merged with Tallink Silja over 20 years ago). The liability as of 31 August 2007 was 3,489,000 EEK ((223,000 EUR).

Note 18 INVESTMENT PROPERTY

for the year ended 31 August

	in thousands of EEK	in thousands of EUR
Fair value at 31 August 2006	0	0
Transfer from property, plant and equipment (Note 19)	282	18
Change in fair value	4,412	282
Fair value at 31 August 2007	4,694	300
Change in fair value	0	0
Fair value at 31 August 2008	4,694	300

In previous financial year a land plot of 282 thousand EEK (18 thousand EUR) was transferred to investment property.

The property belongs to Tallink Silja OY. The Group acquired the property in the course of the purchase of Silja OY. The Group used the valuation of an independent appraiser to determine the fair value of the land.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

66

Initialed for identification purposes only
 Allkirjastatud identifitseerimiseks
 Date/kuupäev... 19.10.2008
 Signature/allkiri...
 KPMG, Tallinn

Note 19 PROPERTY, PLANT AND EQUIPMENT

in thousands of EEK

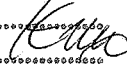
	Land and buildings	Ships	Plant and equipment	Assets under construction	Total
Book value as of 31 August 2006	145,989	21,053,598	115,964	541,602	21,857,153
Additions	2,264	1,785,103	71,692	236,948	2,096,007
Acquisition of subsidiaries (Note 6)	0	0	500	152	652
Transfer to investment property (Note 18)	-282	0	0	0	-282
Exchange rate differences	-798	0	9	0	-789
Disposals	-391	-493,680	-11,600	0	-505,671
Depreciation for the year	-13,118	-769,804	-64,147	0	-847,069
Book value as of 31 August 2007	133,664	21,575,217	112,418	778,702	22,600,001
Additions	94	4,448,193	48,151	-288,945	4,207,493
Acquisition of subsidiaries (Note 6)	571	0	9,687	0	10,258
Exchange rate differences	-1,096	2	-14	-2	-1,110
Disposals	-13	-420,229	-2,406	0	-422,648
Depreciation for the year	-3,849	-806,916	-64,931	0	-875,696
Book value as of 31 August 2008	129,371	24,796,267	102,905	489,755	25,518,298
As of 31 August 2007					
- cost	159,574	22,307,890	223,344	778,702	23,469,510
- accumulated depreciation	-25,910	-732,673	-110,926	0	-869,509
As of 31 August 2008					
- cost	159,121	26,286,779	254,628	489,755	27,190,283
- accumulated depreciation	-29,750	-1,490,512	-151,723	0	-1,671,985

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

67

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19. 12. 2008
Signature/allkiri... 

KPMG, Tallinn

in thousands of EUR

	Land and buildings	Ships	Plant and equipment	Assets under construction	Total
Book value as of 31 August 2006	9,330	1,345,570	7,412	34,615	1,396,927
Additions	145	114,089	4,582	15,143	133,959
Acquisition of subsidiaries (Note 6)	0	0	32	10	42
Transfer to investment property (Note 18)	-18	0	0	0	-18
Exchange rate differences	-51	0	0	0	-51
Disposals	-25	-31,552	-741	0	-32,318
Depreciation for the year	-838	-49,199	-4,101	0	-54,138
Book value as of 31 August 2007	8,543	1,378,908	7,184	49,768	1,444,403
Additions	6	284,291	3,078	-18,467	268,908
Acquisition of subsidiaries (Note 6)	36	0	620	0	656
Exchange rate differences	-70	0	-1	0	-71
Disposals	0	-26,858	-154	0	-27,012
Depreciation for the year	-246	-51,571	-4,150	0	-55,967
Book value as of 31 August 2008	8,269	1,584,770	6,577	31,301	1,630,917
As of 31 August 2007					
- cost	10,199	1,425,734	14,274	49,768	1,499,975
- accumulated depreciation	-1,656	-46,826	-7,090	0	-55,572
As of 31 August 2008					
- cost	10,170	1,680,031	16,274	31,301	1,737,776
- accumulated depreciation	-1,901	-95,261	-9,697	0	-106,859

Assets held under finance lease

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Book value at the beginning of the year	22,860	49,330	1,461	3,153
Additions	0	6,478	0	414
Acquisition of a subsidiary	7,672	0	490	0
Depreciation for the year	-14,437	-32,948	-923	-2,106
Book value at the end of the year, incl.	16,095	22,860	1,028	1,461
- cost	66,676	59,004	4,261	3,771
- accumulated depreciation	-50,581	-36,144	-3,233	-2,310

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

68

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19.08.2008

Signature/allkiri...

KPMG, Tallinn

Revaluation of ships

As of 31 August 2006, the Group revalued its ships for the first time (see also Note 3). The Group used the valuations of two independent appraisers to determine the fair value of the ships. Fair value was determined by reference to market-based evidence.

As a result of the revaluations, the carrying amount of the Group's ships increased by the 1,138,827,000 EEK (72,784,000 EUR), which was taken directly to equity.

If the ships were measured using the cost model, the carrying amounts would be as follows:

31 August 2008	In thousands of EEK	In thousands of EUR
Cost	26,104,661	1,668,392
Accumulated depreciation	<u>-2,447,221</u>	<u>-156,406</u>
Net carrying amount	<u>23,657,440</u>	<u>1,511,986</u>
31 August 2007	In thousands of EEK	In thousands of EUR
Cost	22,484,969	1,437,051
Accumulated depreciation	<u>-2,048,579</u>	<u>-130,928</u>
Net carrying amount	<u>20,436,390</u>	<u>1,306,123</u>

As of 31 August 2008 the revaluation reserve was decreased by 37,959,000 EEK (2,426,000 EUR), 2007: 37,958,000 EEK and (2,426,000 EUR) and retained earnings increased by the same amount.

No revaluation was carried out during the reporting period since the Group assessed that the value of ships had not changed significantly.

As of 31 August 2008 the Group's ships with a book value of 24,796,267,000 EEK (1,584,770,000 EUR), 2007: 21,575,217,000 EEK (1,378,908,000 EUR) were encumbered with first or second ranking mortgages to secure the Group's bank loans (see also Note 21).

Note 20 INTANGIBLE ASSETS

in thousands of EEK	Goodwill ¹	Trademark ²	Other ³	Total	Note
Book value as of 31 August 2006	173,148	904,405	180,879	1,258,432	
Additions	0	0	105,601	105,601	
Acquisition of subsidiary	1,261	0	0	1,261	6
Disposals	0	0	-3,286	-3,286	
Amortisation for the year	0	-45,624	-32,792	-78,416	
Book value as of 31 August 2007	174,409	858,781	250,402	1,283,592	
Additions	0	0	32,796	32,796	
Acquisition of subsidiary	9,386	0	69	9,455	6
Disposals	0	0	-11,250	-11,250	
Amortisation for the year	0	-45,624	-42,946	-88,570	
Book value as of 31 August 2008	183,795	813,157	229,071	1,226,023	

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

69

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19.12.2008

Signature/allkiri... KPMG

KPMG, Tallinn

As of 31 August 2007

- cost	174,409	912,009	291,842	1,378,260
- accumulated amortisation	0	-53,228	-41,440	-94,668

As of 31 August 2008

- cost	183,795	912,009	312,305	1,408,109
- accumulated amortisation	0	-98,852	-83,234	-182,086

in thousands of EUR

	Goodwill ¹	Trademark ²	Other ³	Total	Note
Book value as of 31 August 2006	11,066	57,802	11,560	80,428	
Additions	0	0	6,749	6,749	
Acquisition of subsidiary	81	0	0	81	6
Disposals	0	0	-210	-210	
Amortisation for the year	0	-2,916	-2,096	-5,012	
Book value as of 31 August 2007	11,147	54,886	16,003	82,036	
Additions	0	0	2,096	2,096	
Acquisition of subsidiary	600	0	5	605	6
Disposals	0	0	-719	-719	
Amortisation for the year	0	-2,916	-2,745	-5,661	
Book value as of 31 August 2008	11,747	51,970	14,640	78,357	

As of 31 August 2007

- cost	11,147	58,288	18,652	88,087
- accumulated amortisation	0	-3,402	-2,649	-6,051

As of 31 August 2008

- cost	11,747	58,288	19,960	89,995
- accumulated amortisation	0	-6,318	-5,320	-11,638

¹ Goodwill in the amount of 173,148,000 EEK (11,066,000 EUR) is related to the segment of Estonia-Finland routes and in the amount of 10,647,000 EEK (681,000 EUR) is related to the segment of mainland business (see also Note 6). In the impairment test of goodwill related to Estonia-Finland routes, the recoverable amount was identified based on value in use. Management calculated value in use based on a 1-year approved budget and 3-year cash flow projections using the average gross margins achieved in the current year, a revenue growth rate of 0-4% p.a. (the growth rate reflects the minimum expected inflation rate in the countries), and a discount rate of 12% (2007: a revenue growth rate of 1-2% and a discount rate of 12%). In the impairment test of goodwill related to mainland business management used 1-year approved budget and 3-year cash flow projections, a revenue growth rate 5%p.a. and discount rate 12%.

² A trade mark of 912,009,000 EEK (58,288,000 EUR) was recognised in connection with the acquisition of Silja OY Ab. The fair value of the trade mark at the acquisition date was determined using the relief from royalty method.

³ Other intangible assets include the licences and development costs of IT programs of 219,294,000 EEK (14,015,000 EUR). The licenses have finite lives and are amortised over 10 years. Other intangible assets include

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

70

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19. 08. 2008
Signature/allkiri..... KPMG

KPMG, Tallinn

customer contracts of 7,338,000 EEK (469,000 EUR) recognised in connection with the acquisition of AS HTG Invest. In addition, other intangible assets include prepayments of 2,439,000 EEK (156,000 EUR) made for the licenses and development costs of IT programs. Amortisation of intangible assets is recorded in the consolidated income statement under cost of sales, marketing expenses and administrative expenses.

Note 21 INTEREST-BEARING LOANS AND BORROWINGS

as of 31 August
in thousands of EEK

2008	Maturity	Current portion	Non-current portion	Total borrowings
Liabilities under finance lease	2008-2013	8,403	6,972	15,375
Bank overdraft	2009-2010	517,342	0	517,342
Long-term bank loans	2008-2020	1,674,475	15,317,383	16,991,858
Total borrowings		2,200,220	15,324,355	17,524,575

as of 31 August
in thousands of EEK

2007	Maturity	Current portion	Non-current portion	Total borrowings
Liabilities under finance lease	2008	12,439	11,109	23,548
Bank overdraft	2007	74,143	0	74,143
Long-term bank loans	2007-2019	2,160,808	12,573,152	14,733,960
Total borrowings		2,247,390	12,584,261	14,831,651

as of 31 August
in thousands of EUR

2008	Maturity	Current portion	Non-current portion	Total borrowings
Liabilities under finance lease	2008-2013	537	446	983
Bank overdraft	2009-2010	33,064	0	33,064
Long-term bank loans	2008-2020	107,019	978,959	1,085,978
Total borrowings		140,620	979,405	1,120,025

as of 31 August
in thousands of EUR

2007	Maturity	Current portion	Non-current portion	Total borrowings
Liabilities under finance lease	2008	795	710	1,505
Bank overdraft	2007	4,739	0	4,739
Long-term bank loans	2007-2019	138,100	803,571	941,671
Total borrowings		143,634	804,281	947,915

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

71

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev.....19.10.2008.....
Signature/allkiri.....

KPMG, Tallinn

As of 31 August 2008 the Group has a right to use bank overdrafts of up to 420,000,000 EEK and 15,000,000 EUR (2007: 370,000,000 EEK and 7,000,000 EUR). Bank overdrafts are secured with a commercial pledge of 316,120,000 EEK (20,204,000 EUR), 2007: 266,120,000 EEK (17,008,000 EUR) and mortgages on ships (see Note 19). In the year ended 31 August 2008 the average effective interest rate of bank overdrafts was EURIBOR + 1.25% (2007: EURIBOR + 1.25%). As of 31 August 2008 the balance of overdraft in use amounted to 517,342,000 EEK (33,064,000 EUR), 2007: 74,143,000 EEK (4,739,000 EUR).

In the year ended 31 August 2008 the weighted average interest rate of the Group's bank loans was EURIBOR + 1.16% (2007: EURIBOR + 1.24%).

As of 31 August 2008 AS Tallink Grupp has given guarantees to HSH Nordbank AG, Nordea Bank Plc, Skandinaviska Enskilda Banken AB, KfW IPEX Bank and HSBC Bank Plc. for the loans granted to overseas subsidiaries amounting to 12,510,140,000 EEK (799,544,000 EUR), 2007: 9,579,692,000 EEK (612,254,000 EUR). The primary securities for these loans are the pledge of shares of the overseas subsidiaries and mortgages on the ships belonging to the above-mentioned subsidiaries. AS Tallink Grupp has given guarantee to HSH Nordbank AG for the loan granted to Tallink Silja Oy amounting to 4,414,970,000 EEK (282,168,000 EUR), 2007: 5,034,122,000 EEK (321,739,000 EUR). The primary securities for these loans are the pledge of shares of Tallink Silja Oy and mortgages on the ships belonging to the above-mentioned subsidiary.

The Group has issued counter guarantees to the commercial banks who have issued guarantees to several governmental authorities in favour of the Group entities required in order to perform the Group's daily operations. The total amount of the guarantees as of 31 August 2008 amounts to 90,922,000 EEK (5,811,000 EUR), 2007: 100,232,000 EEK (6,406,000 EUR).

In connection with several loan agreements with banks, the Group has agreed to comply with financial covenants related to ensuring required equity, liquidity and other ratios.

Bonds. As of 31 August 2007 and 2008 the Group had no bonds or commercial papers issued.

The Group's lease liabilities as of 31 August 2008 are related to equipment in Estonia, Sweden and Finland. The future minimum lease payments under finance leases and the present value (PV) of the net minimum lease payments are presented below

For further information about the currency structure of borrowings and interest rate exposures, see Note 27.

Obligation under finance lease

in thousands of EEK

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Minimum lease payments				
Within one year	8,403	12,439	537	795
After 1 year, but not more than 5 years	6,972	11,109	446	710
Total minimum lease payments	15,375	23,548	983	1,505

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

72

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 13.12.2008

Signature/allkiri.....

KPMG, Tallinn

Note 22 PAYABLES

as of 31 August	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Trade payables	757,000	645,202	48,381	41,236
Payables to associates	35	6,556	2	419
Other payables	117,084	80,914	7,483	5,171
Payables to employees	315,790	309,243	20,183	19,764
Interest payable	170,704	119,496	10,910	7,637
Tax liabilities	138,130	120,698	8,828	7,714
Other accruals	122,968	126,260	7,859	8,070
Total current payables	1,621,711	1,408,369	103,646	90,011

The Group's exposure to currency and liquidity risks is disclosed in Note 27

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Tax liabilities				
Salary related taxes	77,684	67,001	4,965	4,282
Excise duties	6,395	5,415	409	346
VAT	53,935	48,103	3,447	3,074
Income tax	115	13	7	1
Other taxes	1	166	0	11
Total tax liabilities	138,130	120,698	8,828	7,714

Note 23 SHARE CAPITAL AND RESERVES

as of 31 August

	2008	2007
The number of shares issued and fully paid (in thousands)	673,817	673,817
Total number of shares of 10 EEK each (in thousands)	673,817	673,817

As of 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Share capital (registered)	6,738,170	6,738,170	430,648	430,648
Total share capital	6,738,170	6,738,170	430,648	430,648
Share premium (registered)	9,999	9,999	639	639
Total share premium	9,999	9,999	639	639

According to the Articles of Association of the Parent effective as of 31 August 2008, the maximum number of authorised common shares is 2,000,000,000.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

73

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 09.10.2009

Signature/allkiri.....

KPMG, Tallinn

Based on a resolution adopted by the annual general meeting of the shareholders of AS Tallink Grupp on 17 January 2007, the Company increased share capital through a bonus issue in the year ended 31 August 2007. Share capital was increased from 1,684,543,000 EEK (107,662,000 EUR) to 6,738,170,000 EEK (430,648,000 EUR) by issuing 505,363,000 new shares with a par value of 10 EEK (0.64 EUR) each.

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Translation reserve	-882	412	-56	27
Ships revaluation reserve	1,062,910	1,100,869	67,932	70,358
Mandatory legal reserve	154,175	101,710	9,853	6,500
Reserve for treasury shares	-65,132	0	-4,163	0
Total reserves	1,151,071	1,202,991	73,566	76,885

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Ships' revaluation reserve

The revaluation reserve relates to the revaluation of ships. A ship's revaluation reserve may be transferred directly to retained earnings when the ship is disposed. However, some of the revaluation surplus may be transferred when the ship is used by the Group. In such a case, the amount of surplus transferred is the difference between depreciation based on the revalued carrying amount of the ship and depreciation based on the original cost of the ship.

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Mandatory legal reserve

The mandatory legal reserve has been formed in accordance with the Commercial Code. The mandatory legal reserve is formed by means of yearly appropriations from the net profit. At least 1/20 of net profit must be transferred to the mandatory legal reserve, until the mandatory legal reserve amounts to 1/10 of share capital. The mandatory legal reserve can be used to cover losses and to increase share capital. No payments can be made to the owners from the mandatory legal reserve.

Reserve for treasury shares

The reserve for the 's treasury shares comprises the cost of the AS Tallink Grupp's shares held by the Group. At 31 August 2008 the Group held 3,935 thousand of the AS Tallink Grupp's shares (2007: 0 shares).

Each share is granted one vote at the Shareholder's General meeting. Shares acquired by the transfer of ownership are eligible for participating and voting at a Shareholder's Meeting only if the ownership change is reflected in the Estonian Central Registry of Securities at the moment which is used to determine a shareholders list for given Shareholder's General Meeting.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

74

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 19.10.2008

Signature/allkiri..... Kato

KPMG, Tallinn

Note 24 CONTINGENCIES AND COMMITMENTS**Legal claim**

AS Tallink Grupp and AS Hansatee Cargo filed complaints with Tallinn Administrative Court on 30 June 2005 against Estonian Maritime Administration and the Ministry of Transport and Communications claiming the unlawfully collected and paid lighthouse and ice breaking dues. The total amount of AS Tallink Grupp claim is 19 647 360 kroons and of AS Hansatee Cargo claim 11 800 640 kroons. As the above cases were connected with each other, the court decided to consolidate these.

The Ministry of Transport and Communications filed a lawsuit against AS Tallink Grupp and AS Hansatee Cargo for the establishment of the civil law relationship and claiming 33 553 600 kroons. The court did accept the claim on 14.09.2006 and the court of first instance left the claim unsatisfied. The state appealed to Tallinn Circuit Court, which did not satisfy the claim by its decision from 26.02.2008. The state filed an appeal in cassation to the Supreme Court and by its ruling of 05.05.2008 the Supreme Court accepted the case under no 3-7-1-2-195. The Supreme Court decided on 20.06.2008 that the decision of the Tallinn Circuit Court of 26.02.2008 shall remain unchanged and the appeal of cassation shall be unsatisfied.

Income tax on dividends

The Group's retained earnings as of 31 August 2008 were 2,494,382,000 EEK (159,420,000 EUR), 2007: 2,183,777,000 EEK (139,569,000 EUR). At 31 August 2008, the maximum income tax liability, which would arise if retained earnings were fully distributed was 523,820,000 EEK (33,478,000 EUR), 2007: 480,431,000 EEK (30,705,000 EUR). The maximum income tax liability has been calculated using the income tax rate effective for dividends paid out before 1 January 2010 (2007: 1 January 2008) on the assumption that the dividend and the related income tax expense cannot exceed the amount of retained earnings as of 31 August 2008 (2007: 31 August 2007).

Non-cancellable operating leases

On 1 October 2003 the Group concluded a non-cancellable lease agreement on a hotel building. The lease period of 10 years started in May 2004. The Group may renew the agreement for a further 5 years. The annual non-cancellable lease payments fall between 36,000,000 EEK (2,301,000 EUR) and 45,000,000 EEK (2,876,000 EUR) (depending on the result of hotel's operations).

On 2 May 2006 the Group concluded a non-cancellable lease agreement on the building of Tallink Spa Hotel. The lease period of 10 years started in March 2007. The Group may renew the agreement for a further 10 years. The annual non-cancellable minimum lease payments amount to 45,000,000 EEK (2,876,000 EUR).

In the May 2008 OÜ TLG Hotell purchased 100% OÜ Delegatsioon (see Note 6). OÜ Delegatsioon have concluded a non-cancellable lease agreement on the building of TOP Spa Hotel. The lease period of 15 years started in March 2008. The Group may renew the agreement for a further 15 years. The annual non-cancellable lease payments amount to 35,000,000 EEK (2,237,000 EUR). From January 2010 the lessor have the right to increase lease payments 2,5% every year.

Customer loyalty programmes

IFRIC 13 Customer Loyalty Programmes will be effective for annual periods beginning on or after 1 July 2008. It is expected to have an impact on the consolidated financial statements, requiring the Group to make a provision in order to meet the obligations (that have arisen prior to the adoption of IFRIC 13) to supply award credits to participants of its loyalty program. However the amount of the contingent liability can not be determined as at 31 August 2008.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

75

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev... 15.12.2008
Signature/allkiri...
KPMG, Tallinn

Capital investment commitments

In April 2007 Aker Finnyards OY and AS Tallink Grupp signed a shipbuilding contract for the construction of a new passenger cruise ship. The new ship should be delivered in spring 2009. The contractual price of the new ship is approximately 2,816,388,000 EEK (180,000,000 EUR). 20% will be paid during construction and 80% on delivery. By 31 August 2008 the Group's prepayments under the contract totalled 469,398,000 EEK (30,000,000 EUR), 2007: 93,880,000 EEK (6,000,000 EUR).

Note 25 RELATED PARTY DISCLOSURES

The Group has entered into the following transactions with related parties and has the following balances with related parties. The prices used in sales to and purchases from related parties do not significantly differ from normal market prices.

for the year ended 31 August and as of 31 August, respectively

In thousands of EEK

	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
2008				
AS Infortar - services	1,441	2,452	114	1
AS HT Valuuta - services	2,516	0	10	0
AS Vara HTG - leases	0	41,049	0	0
OÜ Sunbeam - leases	0	46,125	0	0
OÜ Topspa Kinnisvara - leases	0	18,000	0	0
OÜ Mersok - leases	0	144	0	0
AS Vaba Maa - services	0	10,864	0	847
AS Gastrolink - goods	12	8,193	0	685
Gastrolink Finland OY - goods	5	0	0	0
Eesti Laevaomanike Liit-membership	0	234	0	0
AS Tallink Takso - services	229	88	27	35
Searail EEIG - services	33,734	0	0	0
2007				
AS Infortar - services	1,091	3,929	514	5
AS Infortar - purchase of OÜ Hera Salongid	0	960	0	0
AS HT Valuuta - services	2,469	0	54	0
AS Vara HTG - leases	0	43,336	0	0
OÜ Sunbeam - leases	0	20,795	0	201
OÜ Mersok - leases	0	144	0	14
AS Vaba Maa - services	0	7,941	0	1,997
OÜ Hera Salongid - services	179	147	0	0
AS Gastrolink - goods	60	4,852	5	253
Gastrolink Finland OY - goods	12	523	0	0
Eesti Laevaomanike Liit-membership	0	234	0	0
AS Baltic Tours-services	95,049	1,846	0	0
Searail EEIG - services	81,514	0	12,439	6,556

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

76

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19.12.2008

Signature/allkiri... 

KPMG, Tallinn

for the year ended 31 August and as of 31 August, respectively

In thousands of EUR

	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
2008				
AS Infortar - services	92	157	7	0
AS HT Valuuta - services	161	0	1	0
AS Vara HTG - leases	0	2,623	0	0
OÜ Sunbeam - leases	0	2,948	0	0
OÜ Topspa Kinnisvara - leases	0	1,150	0	0
OÜ Mersok - leases	0	9	0	0
AS Vaba Maa - services	0	694	0	54
AS Gastrolink - goods	1	524	0	44
Gastrolink Finland OY - goods	0	0	0	0
Eesti Laevaomanike Liit-membership	0	15	0	0
AS Tallink Takso - services	15	6	2	2
Searail EEIG - services	2,156	0	0	0
2007				
AS Infortar - services	70	251	33	0
AS Infortar - purchase of OÜ Hera Salongid	0	61	0	0
AS HT Valuuta - services	158	0	3	0
AS Vara HTG - leases	0	2,770	0	0
OÜ Sunbeam - leases	0	1,329	0	13
OÜ Mersok - leases	0	9	0	1
AS Vaba Maa - services	0	508	0	128
OÜ Hera Salongid - services	11	9	0	0
AS Gastrolink - goods	4	310	0	16
Gastrolink Finland OY - goods	1	33	0	0
Eesti Laevaomanike Liit-membership	0	15	0	0
AS Baltic Tours - services	6,075	118	0	0
Searail EEIG - services	5,210	0	795	419

Related parties include:

The companies controlled by shareholders whose ownership interest exceeds 20% See above for transactions with AS Infortar (before the IPO in December 2005 AS Infortar was the parent and OÜ Linandell was the ultimate parent of the Group) AS Vaba Maa, AS HT Valuuta, OÜ Gastrolink, Gastrolink Finland OY, OÜ Sunbeam, OÜ TOP Kinnisvara and AS HTG Vara. There have been no transactions with other companies controlled by AS Infortar , i.e. AS Tailwind, OÜ Fastinvest, OÜ Inforte, OÜ Inf Invest, OÜ Inf Maja and AS Infor Invest. OÜ Hera Salongid was a related party until 31 December 2006 and AS Baltic Tours until 31 May 2007.

The management and companies controlled by them

There have been no transactions with key management personnel (i.e. members of the management board and the supervisory council of the Parent and its subsidiaries), except for the remuneration paid to them (see relevant information below) and with companies controlled by them, except for OÜ Mersok. Other companies controlled by management are OÜ Tekali and OÜ Kümnis Konsultatsioonid.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

77

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19.11.2008

Signature/allkiri... KPMG

KPMG, Tallinn

Directors' remuneration and termination benefits

In the 2007/2008 and 2006/2007 financial years, the remuneration of the members of the management board totalled 27,765,000 EEK (1,775,000 .EUR) and 22,398,000 EEK (1,431,000 EUR) respectively. The members of the management board do not receive pension entitlements from the Group. Some members of the management board have a right to termination benefits. At 31 August 2008 the maximum amount of such benefits was 13,410,000 EEK (857,000 EUR) compared to: 11,250,000 EEK (719,000 EUR) in 2007.

Note 26 GROUP ENTITIES

Group entities	Interest As of 31 August 2007	Interest As of 31 August 2008	Country of incorporation	Parent company
OÜ Hansaliin	100%	100%	Estonia	AS Tallink Grupp
OÜ Hansatee Kinnisvara	100%	100%	Estonia	AS Tallink Grupp
AS Tallink Duty Free	100%	100%	Estonia	AS Tallink Grupp
OÜ HT Laevateenindus	100%	100%	Estonia	AS Tallink Grupp
OÜ HT Meelelahutus	100%	100%	Estonia	AS Tallink Grupp
AS Tallink	100%	100%	Estonia	AS Tallink Grupp
AS Hansatee Cargo	100%	100%	Estonia	AS Tallink Grupp
OÜ TLG Hotell	100%	100%	Estonia	AS Tallink Grupp
OÜ Tallink Travel Club	100%	100%	Estonia	AS Tallink Grupp
AS V.S&I	100%	100%	Estonia	AS Tallink Grupp
OÜ TLG Meedia	70%	100%	Estonia	AS Tallink Grupp
AS Tallink Baltic	100%	100%	Estonia	AS Tallink Grupp
OÜ Mare Pharmaci	100%	100%	Estonia	AS Tallink Grupp
AS HTG Invest	100%	100%	Estonia	AS Tallink Grupp
Tallink Finland OY	100%	100%	Finland	AS Tallink Grupp
Tallink Latvija AS	100%	100%	Latvia	AS Tallink Grupp
Kapella Shipping Ltd	100%	100%	Bahamas	AS Tallink Grupp
Tallink Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn-Helsinki Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Vana Tallinn Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Fast Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn Swedish Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn Stockholm Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Victory Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Hansalink Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Autoexpress Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink High Speed Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Sea Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Superfast Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF VII Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF VIII Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF IX Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Hansaway Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink-Ru OOO	100%	100%	Russia	AS Tallink Grupp
HTG Stevedoring Oy	100%	100%	Finland	AS Tallink Grupp

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

78

Initialled for identification purposes only

Aiikirjastatud identifitseerimiseks

Date/kuupäev... 19.12.2008

Signature/allkiri... [Signature]

KPMG, Tallinn

Ingleby (1699) Ltd.	100%	100%	UK	AS Tallink Grupp
OÜ HT Hulgi Tolliladu	100%	100%	Estonia	AS Tallink Duty Free
OÜ TDF Kommerts	100%	100%	Estonia	AS Tallink Duty Free
Tallink Sverige AB	100%	100%	Sweden	AS Hansatee Cargo
AS Tallink Scandinavian	100%	100%	Estonia	AS Tallink Grupp
Tallink Silja Oy	100%	100%	Finland	AS Tallink Scandinavian
Silja Cruise AB	100%	100%	Sweden	Tallink Silja Oy
Sally AB	100%	100%	Finland	Tallink Silja Oy
Silja Europa Oy	100%	100%	Finland	Tallink Silja Oy
Tallink Silja AB	100%	100%	Sweden	Tallink Silja Oy
Silja Line Eesti AS	100%	100%	Estonia	AS Tallink Grupp
Silja Line Gmbh	100%	100%	Germany	Tallink Silja Oy Ab
Sea Wind Line Oy Ab	100%	100%	Finland	Tallink Silja Oy
SeaWind Line AB	100%	100%	Sweden	Sea Wind Line Oy
Neptun Juridica Oy	100%	100%	Finland	Tallink Silja Oy
Nimtakos Oy	100%	100%	Finland	Neptun Juridica Oy
Eff-Shipping Ltd	100%	100%	Cayman Isl.	Tallink Silja Oy
EffJohn International Cruise Holdings Inc	100%	100%	Cayman Isl.	Eff-Shipping Ltd
OÜ Hera Salongid	100%	100%	Estonia	OÜ TLG Hotell
SIA HT Shipmanagement		100%	Latvia	OÜ HT Laevateenindus

Note 27 FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's financial department is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

79

Initialed for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev... 19.12.2008
Signature/allkiri...
KPMG, Tallinn

Credit risk

Credit risk is the risk of financial loss that the Group would suffer if the counterparty failed to perform its financial obligations, and arises principally from Group's receivables from customers and investment securities. The credit risk concentration related to accounts receivable is reduced due to the high number of customers. At the balance sheet date, the maximum credit risk:

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Available-for-sale financial assets	3,364	5,492	215	351
Cash and cash equivalents	1,043,785	1,303,609	66,710	83,315
Receivables	1,181,678	818,826	75,523	52,337
Interest rate swaps used for hedging:				
Assets	51,884	1,799	3,316	115
Total	2,280,711	2,129,726	145,764	136,118

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are individuals or legal entities, whether they are travel agent or customer with credit facilities, geographic location, aging profile, maturity and existence of previous financial difficulties. Trade receivables relate mainly to the travel agents and customers with credit facilities. The credit risk concentration related to trade receivable is reduced due to the high number of customers.

The Group's management has established a credit policy under which each new travel agent and customer with credit facilities are analysed individually for creditworthiness before the Group's payment terms and conditions are offered. Travel agents are obliged to present a bank guarantee to meet criteria for credit payments. Purchase limits are established for customers, which represents the maximum open amount without requiring approval from the Group's management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to trade receivable (individually significant exposures), and a collective loss component (established for groups of similar assets in respect of losses that have been incurred but not yet identified).

The aging of trade receivables at the reporting date was:

Impairment losses	in thousands of EEK		in thousands of EUR	
	2008	2008	2008	2008
	Gross	Impairment	Gross	Impairment
Not past due	369,576	0	23,620	0
Past due 0-30	186,624	0	11,927	0
Past due 31-90	86,315	0	5,517	0
Past due 91- one year	114,494	-657	7,318	-42
Past due over one year	828	-124	53	-8
Total	757,837	-781	48,435	-50

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

80

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19.12.2008

Signature/allkiri.....

KPMG, Tallinn

Financial derivatives with positive replacement value for the Company, taking into account legal netting agreements (ISDA agreements), also represent a credit risk. Credit risk arising from financial transactions is reduced through diversification, accepting counterparties with high credit ratings only and setting strict limits on aggregate credit exposure towards all counterparties.

The fair value of derivatives with a positive replacement value for the Group was equivalent to 51,884,000 EEK (3,316,000 EUR) as of 31 August 2008 and 1,799,000 EEK (115,000 EUR) as of 31 August 2007.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 established Group account systems in Estonia, Finland, Sweden and Latvia to manage the cash flows in the Group as efficiently as possible. Excess liquidity is invested in short-term money market instruments. AS Tallink Grupp maintains two committed bank overdraft facilities to minimize the Group's liquidity risk.

The following tables illustrate liquidity risk by periods when cashflows will become due or may become due on the financial liabilities outstanding as of 31 August

In thousands of EEK

2008	< 1 year	1-2 years	2-5 years	>5 years	Total
Non derivative financial liabilities					
Finance lease liabilities	-8,402	-6,978			-15,381
Bank overdraft	-340,548	-176,791			-517,339
Secured bank loans repayments	-1,690,099	-1,649,731	-5,134,666	-8,691,702	-17,166,198
Interest payments ⁽¹⁾	-878,963	-602,347	-1,613,211	-1,047,446	-4,141,968
Derivative financial liabilities					
Interest rate swaps ⁽²⁾	-9,325	-24,925	20,481	43,732	29,963
Total	-2,927,338	-2,460,772	-6,727,396	-9,695,416	-21,810,922
2007					
Non derivative financial liabilities					
Finance lease liabilities	-12,439	-8,402	-2,707		-23,548
Bank overdraft	-74,143	0			-74,143
Secured bank loans repayments	-2,165,239	-1,451,582	-5,032,103	-6,193,691	-14,842,615
Interest payments ⁽¹⁾	-759,361	-610,671	-1,274,682	-573,902	-3,218,615
Derivative financial liabilities					
Interest rate swaps	548	0	0	0	548
Total	-3,010,634	-2,070,655	-6,309,491	-6,767,593	-18,158,374

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

81

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 12.12.2008

Signature/allkiri.....

KPMG, Tallinn

as of 31 August

In thousands of EUR

2008	< 1 year	1-2 years	2-5 years	>5 years	Total
Non derivative financial liabilities					
Finance lease liabilities	-537	-446			-983
Bank overdraft	-21,765	-11,299			-33,064
Secured bank loans repayments	-108,017	-105,437	-328,165	-555,501	-1,097,120
Interest payments ⁽¹⁾	-56,176	-38,497	-103,103	-66,944	-264,720
Derivative financial liabilities					
Interest rate swaps ⁽²⁾	-596	-1,593	1,309	2,795	1,915
Total	-187,091	-157,272	-429,959	-619,650	-1,393,972
2007					
Non derivative financial liabilities					
Finance lease liabilities	-795	-537	-173		-1,505
Bank overdraft	-4,739				-4,739
Secured bank loans repayments	-138,384	-92,773	-321,610	-395,849	-948,616
Interest payments ⁽¹⁾	-48,532	-39,029	-81,467	-36,679	-205,707
Derivative financial liabilities					
Interest rate swaps		35			35
Total	-192,415	-132,339	-403,250	-432,528	-1,160,532

(1) - expected based on the interest rates and interest rates forward curves

(2) - net cashflow, expected, based on the interest rates and interest rates forward curves

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. Generally the Group seeks to apply economic hedging in order to manage volatility in profit or loss.

Currency risk

The Group is exposed to exchange rate risk rising from revenues and operating expenses in foreign currencies, mainly in the US dollar (USD), Swedish krona (SEK) and the Latvian lats (LVL). Exposure to USD results from the purchase of ship fuel and insurance and exposure to SEK and LVL arises from the fact that it is an operational currency for Swedish routes.


The Group seeks to minimize currency risk by using derivative instruments (currency forward contracts and currency swaps), and matching foreign currency inflows with outflows. As of the end of the financial year, there were two currency derivative instruments outstanding.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

82

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19.12.2008
Signature/allkiri... 

KPMG, Tallinn

The following tables present the Group's net position in the currency exposure as of 31 August 2008 and 2007.

In thousands of EEK

2008	EEK	EUR	USD	SEK	LVL	Other	Total
Cash and cash equivalents	24,788	707,851	1,993	272,305	14,464	22,384	1,043,785
Trade receivables, net of allowance	82,825	574,670	0	94,472	8	5,081	757,056
Other financial assets	47,750	428,531	0	123	102	0	476,506
	155,363	1,711,052	1,993	366,900	14,574	27,465	2,277,347
Current portion of borrowings	-342,314	-1,857,906	0	0	0	0	-2,200,220
Trade payables	-111,895	-568,409	-13,743	-54,331	-6,399	-2,223	-757,000
Other current payables	-197,630	-660,359	0	-3,021	-8,824	-228	-870,062
Non-current portion of borrowings	-4,203	-15,320,152	0	-1,643	0	0	-15,325,998
	-656,042	-18,406,826	-13,743	-58,995	-15,223	-2,451	-19,153,280
Currency net position, EEK	-500,679	-16,695,774	-11,750	307,905	-649	25,014	-16,875,933

as of 31 August

In thousands of EEK

2007	EEK	EUR	USD	SEK	LVL	Other	Total
Cash and cash equivalents	197,324	952,395	1,606	135,788	9,987	6,509	1,303,609
Trade receivables, net of allowance	71,663	413,182	0	53,194	101	336	538,476
Other financial assets	67,218	231,397	18	1,496	47	17	300,193
	336,205	1,596,974	1,624	190,478	10,135	6,862	2,142,278
Current portion of borrowings	0	-2,247,390	0	0	0	0	-2,247,390
Trade payables	-247,155	-224,167	-18,498	-150,916	-3,996	-470	-645,202
Other current payables	-186,776	-569,776	-5,523	-5,794	-3,174	-104	-771,147
Non-current portion of borrowings	0	-12,584,261	0	-3,489	0	0	-12,587,750
	-433,931	-15,625,594	-24,021	-160,199	-7,170	-574	-16,251,489
Currency net position, EEK	-97,726	-14,028,620	-22,397	30,279	2,965	6,288	-14,109,211

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

83

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19.08.2008
Signature/allkiri... *[Signature]*

KPMG, Tallinn

as of 31 August

In thousands of EUR

2008	EEK	EUR	USD	SEK	LVL	Other	Total
Cash and cash equivalents	1,584	45,240	127	17,404	924	1,431	66,710
Trade receivables, net of allowance	5,293	36,728	0	6,038	1	325	48,385
Other financial assets	3,052	27,388	0	8	6	0	30,454
	9,929	109,356	127	23,450	931	1,756	145,549
Current portion of borrowings	-21,878	-118,742	0	0	0	0	-140,620
Trade payables	-7,152	-36,328	-878	-3,472	-409	-142	-48,381
Other current payables	-12,630	-42,205	0	-193	-564	-15	-55,607
Non-current portion of borrowings	-269	-979,136	0	-105	0	0	-979,510
	-41,929	-1,176,411	-878	-3,770	-973	-157	-1,224,118
Currency net position, EUR	-32,000	-1,067,055	-751	19,680	-42	1,599	-1,078,569

as of 31 August

In thousands of EUR

2007	EEK	EUR	USD	SEK	LVL	Other	Total
Cash and cash equivalents	12,611	60,869	103	8,678	638	416	83,315
Trade receivables, net of allowance	4,580	26,407	0	3,400	6	22	34,415
Other financial assets	4,296	14,789	1	96	3	1	19,186
	21,487	102,065	104	12,174	647	439	136,916
Current portion of borrowings	0	-143,634	0	0	0	0	-143,634
Trade payables	-15,796	-14,327	-1,182	-9,645	-255	-30	-41,235
Other current payables	-11,937	-36,415	-353	-370	-203	-7	-49,285
Non-current portion of borrowings	0	-804,281	0	-223	0	0	-804,504
	-27,733	-998,657	-1,535	-10,238	-458	-37	-1,038,658
Currency net position, EUR	-6,246	-896,592	-1,431	1,936	189	402	-901,742

Interest rate risk

The Group is exposed to interest rate risk through funding and cash management activities. The interest rate risk – the possibility that the future cash flows from a financial instrument (cash flow risk) will change due to movement in market interest rates – applies mainly to liabilities with maturities of more than one year.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

84

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 15. 12. 2008

Signature/allkiri.....

KPMG, Tallinn

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Fixed rate financial liabilities	1,469,376	23,548	93,910	1,505
Variable rate financial liabilities	16,055,199	14,808,103	1,026,114	946,410
Total	17,524,575	14,831,651	1,120,024	947,915

A change of 100 basis points in interest rates at the reporting date would have increased (- decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
100 basis point increase	-160,552	-148,081	-10,261	-9,464
100 basis point decrease	160,552	148,081	10,261	9,464

The objective for the Group interest rate risk management is to minimize interest expense and at the same time optimize the volatility of future interest payments.

The Group uses interest rate derivatives to manage the interest rate risk of the debt portfolio. This typically involves swapping the variable interest rate for the fixed interest rate. Derivatives used include mainly interest rate swaps and interest rate options or their combinations.

The tables below show the expected cash flow from interest rate derivatives and their sensitivity to the change of 100 basis points in interest rates as of increase or (- decrease) profit or loss. This analysis is performed on the forward interest rate curve and its change. The analysis is not performed for 2007 as there was no sensitivity to the interest rates due to the short expiry of derivative contracts.

as of 31 August

In thousands of EEK

	2008					Total
		< 1 year	1-2 years	2-5 years	>5 years	
Expected		-9,325	-24,925	20,481	43,732	29,963
100 basis point increase		33,970	36,862	91,636	19,306	181,773
100 basis point decrease		-11,366	-51,694	-157,069	-19,473	-239,603

as of 31 August

In thousands of EUR

	2008					Total
		< 1 year	1-2 years	2-5 years	>5 years	
Expected		-596	-1,593	1,309	2,795	1,915
100 basis point increase		2,171	2,356	5,857	1,234	11,617
100 basis point decrease		-726	-3,304	-10,039	-1,245	-15,313

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

85

Initialed for identification purposes only
 Allkirjastatud identifitseerimiseks
 Date/kuupäev... 19.08.2008
 Signature/allkiri...
 KPMG, Tallinn

A 10 percent strengthening of the euro/kroon against the following currencies as of 31 August would have increase (decrease) profit or loss by the amounts shown below. This sensitivity analysis assumes that all other variables, in particular parameter, remain constant. The analysis is performed on the same basis for 2007.

as of 31 August

2008	Profit or loss	
	In thousands of EEK	In thousands of EUR
USD	118	8
SEK	-30,791	-1,968
LVL	65	4
Other	-2,501	-160

as of 31 August

2007	Profit or loss	
	In thousands of EEK	In thousands of EUR
USD	2,240	143
SEK	-3,028	-194
LVL	-297	-19
Other	-629	-40

Fair values of financial instruments

In the opinion of the Group's management there are no differences between the carrying values and the fair values of financial assets and liabilities. The fair value for derivatives has been determined based on accepted mathematical valuation methods.

Hedge activities

All derivative financial instruments are recognized as assets or liabilities. They are stated at fair value regardless of their purpose. Many transactions constitute economic hedges but do not qualify for hedge accounting under IAS 39. Changes in the fair value of these derivative financial instruments are recognized directly in the income statement: fair value changes on forward exchange contracts and currency options are recorded in exchange gains and losses and those on interest-rate swaps and interest-rate options in interest income and expense.

Where the effectiveness of the hedge relationship in a cash flow hedge is demonstrated, changes in the fair value are included in the hedging reserve in shareholders' equity and released to match actual payments on the hedged item.

The fair values of hedged transactions at the end of year were as follows:

as of 31 August

In thousands of EEK

Interest rate hedging	Maturity	2008		2007	
		Notional amount	Fair value	Notional amount	Fair value
Interest rate swap	2007	0	0	2,253,110	1,799
Interest rate swap	2007	0	0	1,564,660	-1,252
Interest rate swap	2014	1,564,660	37,067	0	0
Interest rate swap	2012	1,564,660	14,817	0	0
Interest rate swaption	2020	1,211,657	-5,351	0	0
Foreign exchange rate swap	2007	0	0	277,211	-1,205
Foreign exchange rate swap	2007	0	0	187,759	-5,523
Foreign exchange rate swap	2008	156,466	0	0	0
Total derivatives with positive value			51,884		1,799
Total derivatives with negative value			-5,351		-7,980

as of 31 August

In thousand of EUR

Interest rate hedging	Maturity	2008		2007	
		Notional amount	Fair value	Notional amount	Fair value
Interest rate swap	2007	0	0	144,000	115
Interest rate swap	2007	0	0	100,000	-80
Interest rate swap	2014	100,000	2,369	0	0
Interest rate swap	2012	100,000	947	0	0
Interest rate swaption	2020	77,439	-342	0	0
Foreign exchange rate swap	2007	10,000	0	17,717	-77
Foreign exchange rate swap	2007	0	0	12,000	-353
Foreign exchange rate swap	2008	10000	0	0	0
Total derivatives with positive value			3,316		115
Total derivatives with negative value			-342		-510

Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group has done significant investments in the recent past where the strong shareholders' equity has been major supporting factor for these investments and the related borrowings. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

87

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev. 19.12.2008

Signature/allkiri.....

KPMG, Tallinn

From time to time the Group purchases its own shares on the market; the timing of these purchases may depend on the market prices, Group's liquidity position and business outlook. Additionally, legal factors may limit the timing of such decisions. Primarily the shares repurchased are intended to be cancelled or they may be used for issuing shares under the Group's share option programme. Currently the Group does not have a defined share buy-back plan. There were no changes in the Group's approach to capital management during the year.

Note 28 EVENTS AFTER THE BALANCE SHEET DATE

On 13 November 2008 OÜ TLG Hotell concluded Preliminary lease Contract with SIA Happy Trails to open and operate a hotel in Riga. According to agreement SIA Happy Trails will construct a hotel building with gross area 11,500 sq. meters and OÜ TLG Hotell itself or through its subsidiary will use this building for hotel services.

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19.11.2008

Signature/alkiri... *Eatto*

KPMG, Tallinn

Note 29 PRIMARY STATEMENTS OF THE PARENT

INCOME STATEMENT

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Revenue	5,779,603	4,264,428	369,384	272,547
Cost of sales	-5,510,653	-3,638,103	-352,195	-232,517
Gross profit	268,950	626,325	17,189	40,030
Marketing expenses	-342,300	-297,124	-21,877	-18,990
Administrative expenses	-201,687	-169,121	-12,890	-10,809
Other operating income	259,436	81,822	16,581	5,229
Other operating expenses	-197,542	-1,158	-12,625	-74
Financial income	127,745	430,469	8,164	27,512
Financial expenses	-831,491	-822,825	-53,142	-52,588
Gain from investments in subsidiaries	2,920,594	596,135	186,660	38,100
Share of loss of associates	-3,060	0	-195	0
Net profit for the financial year	2,000,645	444,523	127,865	28,410

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

89

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 15. 12. 2008

Signature/allkiri.....

KPMG, Tallinn

BALANCE SHEET

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
ASSETS				
Current assets				
Cash and cash equivalents	590,589	515,709	37,746	32,960
Receivables and prepayments	2,296,799	1,181,189	146,792	75,492
Derivatives	51,884	1,799	3,316	115
Tax assets	479	175	31	11
Inventories	155,628	74,902	9,946	4,787
	3,095,379	1,773,774	197,831	113,365
Non-current assets				
Investments in subsidiaries	1,502,273	1,237,139	96,013	79,067
Investments in associates	0	1,020	0	65
Other financial assets and prepayments	5,067,977	5,292,352	323,902	338,243
Property, plant and equipment	11,015,097	8,496,460	703,993	543,023
Intangible assets	175,789	20,981	11,235	1,341
	17,761,136	15,047,952	1,135,143	961,739
TOTAL ASSETS	20,856,515	16,821,726	1,332,974	1,075,104
LIABILITIES AND EQUITY				
Current liabilities				
Interest-bearing loans and borrowings	1,605,319	1,150,728	102,599	73,545
Payables and deferred income	2,345,982	1,953,161	149,935	124,830
Derivatives	5,351	7,980	342	510
Tax liabilities	51,535	49,990	3,294	3,195
	4,008,187	3,161,859	256,170	202,080
Non-current liabilities				
Interest-bearing loans and borrowings	10,622,497	9,328,369	678,901	596,191
Other non-current liabilities	0	41,180	0	2,632
	10,622,497	9,369,549	678,901	598,823
Total liabilities	14,630,684	12,531,408	935,071	800,903
Equity				
Share capital	6,738,170	6,738,170	430,648	430,648
Share premium	9,999	9,999	639	639
Reserves	89,043	101,710	5,690	6,500
Retained earnings	-611,381	-2,559,561	-39,074	-163,586
	6,225,831	4,290,318	397,903	274,201
TOTAL LIABILITIES AND EQUITY	20,856,515	16,821,726	1,332,974	1,075,104

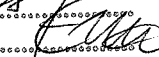
The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

90

Initialled for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 19.08.2008

Signature/allkiri... 

KPMG, Tallinn

STATEMENT OF CASH FLOWS

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2008	2007	2008	2007
Cash flows from / used in operating activities				
Net profit for the financial year	2,000,645	444,523	127,865	28,410
Adjustments	-1,007,469	723,220	-64,390	46,222
Depreciation	1,157,944	977,248	74,006	62,458
Net interest expense	710,190	393,843	45,389	25,171
Income from subsidiaries	-2,920,594	-596,135	-186,660	-38,100
Other adjustments	44,991	-51,736	2,875	-3,307
Changes in assets related to operating activities	-2,239,863	55,606	-143,153	3,554
Change in inventories	-80,726	-10,671	-5,159	-682
Changes in liabilities related to operating activities	3,314,279	596,064	211,821	38,096
	1,986,866	1,808,742	246,336	115,600
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets	-192,759	-30,388	-12,320	-1,942
Proceeds from disposals of property, plant, equipment	4	117	0	7
Repayments of granted loans	179,397	308,123	11,466	19,693
Loans granted	-311,531	-468,027	-19,910	-29,912
Acquisition of subsidiaries	-265,134	-415,627	-16,945	-26,564
Acquisition of associates	-2,040	-1,020	-130	-65
Dividends received	48,489	422,823	3,099	27,023
	-543,574	-183,999	-34,740	-11,760
Cash flows from / used in financing activities				
Repurchase of treasury shares	-65,132	0	-4,163	0
Transaction costs of issue of shares	0	-6,520	0	-417
Redemption of loans and bonds	-95,004	-201,655	-6,072	-12,888
Change in overdraft	467,055	74,143	29,850	4,739
Repayment of finance lease liabilities	-856,915	-907,199	-54,767	-57,980
Interest paid	-818,416	-815,370	-52,306	-52,112
	-1,368,412	-1,856,601	-87,458	-118,658
TOTAL NET CASH FLOW	74,880	-231,858	4,786	-14,818
Cash and cash equivalents:				
- at the beginning of period	515,709	747,567	32,960	47,778
- increase / decrease	74,880	-231,858	4,786	-14,818
- at the end of period	590,589	515,709	37,746	32,960

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

91

Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev... 13.12.2008

Signature/allkiri... 

KPMG, Tallinn

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August, in thousands of EEK

	Share capital	Share premium	Unregistered share capital with share premium	Revaluation reserve	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Total equity
As of 31 August 2006 according to IFRS	1,415,000	2,012,394	1,475,727	-7,636	27,500	0	-1,084,825	3,838,160
Issue of shares	5,323,170	-2,002,395	-1,475,727	0	0	0	-1,845,049	-1
Distribution of profit for 2005/2006	0	0	0	0	74,210	0	-74,210	0
Adjustments for financial year 2006/2007	0	0	0	7,636	0	0	0	7,636
Net profit for the financial year 2006/2007	0	0	0	0	0	0	444,523	444,523
As of 31 August 2007 according to IFRS	6,738,170	9,999	0	0	101,710	0	-2,559,561	4,290,318
Adjustments according to the Estonian Accounting Act	0	0	0	0	0	0	4,743,338	0
As of 31 August 2007 according to the Estonian Accounting Act	6,738,170	9,999	0	0	101,710	0	2,183,777	9,033,656
Treasury shares acquired	0	0	0	0	0	-65,132	0	-65,132
Distribution of profit for 2006/2007	0	0	0	0	52,465	0	-52,465	0
Net profit for financial year 2007/2008	0	0	0	0	0	0	2,000,645	2,000,645
As of 31 August 2008 according to IFRS	6,738,170	9,999	0	0	154,175	-65,132	-611,381	6,225,831
Adjustments according to the Estonian Accounting Act	0	0	0	0	0	0	3,105,763	3,105,763
As of 31 August 2008 according to the Estonian Accounting Act	6,738,170	9,999	0	0	154,175	-65,132	2,494,382	9,331,594

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Initialled for identification purposes only

Alkirjastatud identifitseerimiseks

Date/kuupäev... 19.08.2008

Signature/alkiri

KPMG, Tallinn

for the year ended 31 August, in thousands of EUR

	Share capital	Share premium	Unregistered share capital with share premium	Revaluation reserve	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Total equity
As of 31 August 2006	90,435	128,615	94,316	-488	1,758	0	-69,533	245,303
Issue of shares	340,213	-127,976	-94,316	0	0	0	-117,921	0
Distribution of profit 2005/2006	0	0	0	0	4,742	0	-4,742	0
Adjustments for financial year 2006/2007	0	0	0	488	0	0	0	488
Net profit for the financial year 2006/2007	0	0	0	0	0	0	28,410	28,410
As of 31 August 2008	430,648	639	0	0	6,500	0	-163,586	274,201
Adjustments according to the Estonian Accounting Act	0	0	0	0	0	0	303,155	303,155
As of 31 August 2008 according to the Estonian Accounting Act	430,648	639	0	0	6,500	0	139,569	577,356
Treasury shares acquired	0	0	0	0	0	-4,163	0	-4,163
Distribution of profit 2006/2007	0	0	0	0	3,353	0	-3,353	0
Net profit for financial year 2007/2008	0	0	0	0	0	0	127,865	127,865
As of 31 August 2008	430,648	639	0	0	9,853	-4,163	-39,074	397,903
Adjustments according to the Estonian Accounting Act	0	0	0	0	0	0	198,494	198,494
As of 31 August 2008 according to the Estonian Accounting Act	430,648	639	0	0	9,853	-4,163	159,420	596,397

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

Initialled for identification purposes only

Alkirjastatud identifitseerimiseks

Date/kuupäev: 15.08.2008

Signature/alkiri: 

KPMG, Tallinn



KPMG Baltics AS
Narva mnt 5
Tallinn 10117
Estonia

Telephone +372 6 268 700
Fax +372 6 268 777
Internet www.kpmg.ee

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS Tallink Grupp

We have audited the accompanying consolidated financial statements of AS Tallink Grupp (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 August 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 25 to 93.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS Tallink Grupp as of 31 August 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tallinn, 19 December 2008

KPMG Baltics AS

Andres Root
Authorized Public Accountant

Eero Kaup
Authorized Public Accountant