

## PROFIT WARNING

The Group's result in the current financial year are largely influenced by significantly increased fuel costs, higher interest costs and weak traffic volumes on some routes.

The management is reviewing the forecasted targets reasoned by the following:

- During the nine months of current financial year the total fuel cost increase for AS Tallink Grupp has been approximately 470 million EEK (EUR 30 million) compared to nine months of previous financial year. Since the start of the current financial year in September 2007 the price of the fuel for our vessels has increased by approximately 115% until today. The average fuel price in third quarter was about 93% higher than in the third quarter of last financial year. Significant additional fuel price increase of about 40% has taken place during the past four months.
- Cargo volumes decrease from the higher competition on the Germany route has continued and therefore affects the results of Germany route.
- Following the integration in Finland and Sweden and partly also from the implementation of the new booking system the sales activities have not been as effective as expected which has caused the traffic volumes between Finland and Sweden to stay below expected levels.
- The delivery of new cruise vessel M/S Baltic Princess from the shipyard in mid-July was later than expected and the consequent re-routings on the Turku-Stockholm and Riga-Stockholm routes are as a result also delayed which combined overall positive impact from shorter period in the current financial year will not exceed the associated extra costs.

Based on the above the management estimates the net sales for the current financial year ending in 31 August 2008 to be EUR 780 million (EEK 12,2 billion). The EBITDA is estimated to be up to 15% down from the last financial year and the net profit for the year will be less than EUR 30 million (EEK 470 million).

In the longer term, including the next financial year, the delivery of Baltic Princess and related consequent changes of other ships on the Turku-Stockholm and Riga-Stockholm routes are expected to have positive impact to the passenger numbers, revenues and profitability.

To improve the result of the Superfast vessels currently on the Germany route a chartering of one of the three vessels was contracted. Unless no further changes will be made then starting from September two Superfast vessels are planned to continue on the Germany route with the optimized schedule. The chartering will increase the result for one vessel and reduce the operating costs by one third for the Germany route. The two vessels which continue have possibility to operate at the higher utilisation ratio and therefore also higher profitability.

The management is currently implementing action plan which includes the changes in sales strategies and sales organisation in order to strengthen and improve the passenger numbers.



The management is also seeking further possibilities to cost cutting both in the operations and land organisation in all countries.

While old vessels are prepared for sale other possible scenarios, including sale of any vessels, charters or reroutings could be considered as well in order to optimise the fleet usage and company's operations. The overall target is to improve the company's return by optimising or eliminating poorly performing business units and activities.

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