

AS TALLINK GRUPP

ANNUAL REPORT 2008/2009

Beginning of the financial year	1 September 2008
End of the financial year	31 August 2009
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Main activity	maritime transportation (passengers & cargo transport)



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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: eleven cruise ferries, five high-speed ro-pax ferries, two ro-ro cargo vessels, and one ro-pax ferry. In addition the Group operates four hotels in Tallinn which offer great additional value to the selection of the Group's travel related services. In 2010 the Group will start to operate a new hotel in Riga.

Tallink Grupp's investments into the modern fleet, built in 2000 or later, exceeds 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, Baltic Princess and Baltic Queen 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.

In 2009 the Group delivered its last cruise vessel under the fleet renewal program, MS Baltic Queen. There are currently no new vessels ordered. The Management is focusing on the improvement of the results of past investments and estimates that it will take few years before the need, if any, for further new vessels will become clear.

Through the fleet renewal program Tallink Grupp has established a versatile fleet, which allows offering 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 a high-quality fleet to be able to offer the 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.

MANAGEMENT REPORT

During the 2008/2009 financial year (01.09.2008-31.08.2009) the volume of passengers transported by the Group vessels exceeded 8 million which is 14.9% more than in the previous financial year. This has added noticeable fundamental strength to the Group business and has created base for future improvement. The revenues increased by 0.8% to 12,389 million EEK (791.9 million EUR).

The Group operations were affected by the global recession. As a consequence the cargo volumes decreased significantly and also the revenues per passenger were lower. However, thanks to the significantly increased passenger volumes the revenues from passenger operations increased in overall and compensated the decreasing factors.

The Group took a delivery of its last new cruise ferry - M/S Baltic Queen, ending the 7-year fleet renewal program. Thus the investments during the 2008/2009 financial year amounted to 2,550 million EEK (163 million EUR). M/S Baltic Queen started the service between Tallinn-Stockholm in the end of April 2009.

The Group was able to show cost effectiveness in the operations. The EBITDA increased by 5.8% to 2,083 million EEK (133.1 million EUR). After revaluation of financial derivatives and increased depreciation the net loss of the Group amounted to 128 million EEK (8.2 million EUR).

The most significant events in the 2008/2009 financial year were the following:

- Reduction of capacity on Finland-Germany route by chartering out M/S Superfast IX
- Delivery and successful launch of M/S Baltic Queen
- Re-routing of M/S Romantika to Riga-Stockholm route
- Cost savings activities

KEY FIGURES OF FINANCIAL YEAR 2008/2009

	01.09.2008-31.08.2009		01.09.2007-31.08.2008 ¹		change %
	EEK	EUR	EEK	EUR	
Net sales (million)	12,390	791.9	12,296	785.9	0.8%
Gross profit (million)	2,578	164.8	2,567	164.0	0.4%
EBITDA (million)	2,084	133.2	1,969	125.8	5.9%
Net profit for the period (million)	-128	-8.2	304	19.4	-142.1%
Depreciation (million)	1,094	69.9	964	61.6	13.5%
Investments (million)	2,550	163.0	4,240	271.0	-39.9%
Weighted average number of ordinary shares outstanding during 12 months*	669,882,040		671,245,086		
Earnings per share	-0.19	-0.01	0.45	0.03	-142.2%
Number of passengers	8,124,561		7,070,264		14.9%
Number of cargo units	252,026		331,149		-23.9%
Average number of employees	6,853		6,564		4.4%
	31.08.2009		31.08.2008		change%
Total assets (million)	30,468	1,947.2	29,702	1,898.3	2.6%
Total liabilities (million)	20,412	1,304.5	19,513	1,247.1	4.6%
Interest-bearing liabilities (million)	18,483	1,181.3	17,525	1,120.0	5.5%
Total equity (million)	10,056	642.7	10,189	651.2	-1.3%
Equity ratio (%)	33.0%		34.3%		
Number of ordinary shares outstanding*	669,882,040		669,882,040		0.0%
Shareholders' equity per share	15.0	0.96	15.2	0.97	-1.3%
Gross margin (%)	20.8%		20.9%		
EBITDA margin (%)	16.8%		16.0%		
Net profit margin (%)	-1.0%		2.5%		
Return on assets (ROA)	3.3%		3.6%		
Return on equity (ROE)	-1.3%		3.0%		
Return on capital employed (ROCE)	3.8%		4.2%		

EBITDA - Earnings before net financial items, taxes, depreciation and amortization;

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 / Average of total assets;

ROE - Net profit/ Average shareholders' equity;

ROCE - Earnings before net financial items, taxes / (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.

¹ 2007/2008 statements are restated in relation to adoption of IFRIC 13 "Customer Loyalty Programmes"

SALES

Consolidated net sales amounted to 12,390.0 million EEK (791.9 million EUR) in the 2008/2009 financial year (1 September 2008 - 31 August 2009) compared to 12,296.0 million EEK (785.9 million EUR) in the 2007/2008 financial year (1 September 2007 - 31 August 2008).

The largest sales growth of 33% was achieved in the Group's newest Riga-Stockholm route where the sales reached total of 725.9 million EEK (46.4 million EUR). The sales increased also in the Finland-Estonia, Finland-Sweden, mainland and other segment. Due to the weak cargo transportation and reduction of the capacity the sales decreased in Finland-Germany route by more than 49% to 567.4 million EEK (36.3 million EUR).

In the operational segments, the largest increase by 601.3 million EEK (38.4 million EUR) or 10% during the 2008/2009 financial year was in the restaurant and shop sales, as a result of the increased passenger volumes. Half of that increase was delivered in the fourth quarter which is the peak season in passenger operations. The ticket sales increased by 95.6 million EEK (6.1 million EUR). The Group's cargo sales decreased by 814.9 million EEK (52.1 million EUR) mostly as a consequence of the weak macroeconomics globally.

As a result of the different dynamics in the passenger related revenues compared to the cargo revenues the revenues structure has changed. The most noticeable is the drop of the Finland-Germany and cargo revenue proportion in the total Group revenues.

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

Geographical segments	08/09	07/08	Operational segments	08/09	07/08
Finland - Sweden	44.3%	43.3%	Restaurant and shop sales on-board and on mainland	54.1%	49.6%
Estonia - Finland	27.5%	26.1%	Ticket sales	25.4%	24.9%
Estonia - Sweden	11.4%	12.4%	Sales of cargo transportation	13.5%	20.3%
Finland - Germany	4.6%	9.0%	Accommodation sales	1.3%	1.2%
Latvia - Sweden	5.9%	4.5%	Income from leases of vessels	2.1%	1.3%
Mainland business and lease of vessels	6.4%	4.7%	Other sales	3.6%	2.7%

From the external factors the Swedish Krona (SEK) and Euro exchange rate has impacted the Group's sales. Onboard the ships the Group is selling the products in the currencies of the both countries departure and destination. Hence, on the ships operating to and from Sweden portion of the sales are in SEK. The SEK/EUR and thereby also SEK/EEK exchange rate was highly volatile during the 2008/2009 financial year, being at the lowest point nearly 25% weaker compared to the previous financial year. The estimated negative impact to the Group sales from weak SEK/EUR exchange rate was nearly 313 million EEK (20 million EUR).

EARNINGS

During the 2008/2009 financial year the Group's gross profit increased by 11.0 million EEK (0.7 million EUR) to 2,577.9 million EEK (164.8 million EUR), EBITDA increased by 114 million EEK to 2,083 million EEK (133.1 million EUR) and the net profit decreased by 431.8 million EEK (27.6 million EUR) from 303.9 million EEK (19.4 million EUR) to net loss of 127.9 million EEK (8.2 million EUR). Basic earnings per share and diluted earnings per share were -0.19 EEK (-0.01 EUR) in the 12 months of 2008/2009 financial year compared to 0.45 EEK (0.03 EUR) in the 2007/2008 financial year.

Related to the increased shops and restaurant sales the Group's largest cost group, cost of goods, increased by 423.5 million EEK (27.1 million EUR) to 2,724.8 million EEK (174.1 million EUR).

The drop in the fuel price, compared to the previous financial year, resulted fuel cost to decrease by 696.3 million EEK (44.5 million EUR). Portion of the fuel purchases for 2009 year was fixed with the fuel derivatives. During the 2008/2009 financial year the expenses from the fuel derivatives were 64 million EEK (4.1 million EUR) which resulted from the difference of the market price and agreed price. Also for the 2010 calendar year the Group has hedged a portion of the fuel price risk.

The Group personnel expenses increased by 0.1% to 2,566.7 million EEK (164.0 million EUR). The average number of employees for the 2008/2009 financial year was 6,853 (6,564 in 2007/2008).

The Group's administrative, general and marketing expenses, decreased by 162.7 million EEK (10.4 million EUR) in the 2008/2009 financial year.

The depreciation and amortisation of the Group assets increased by 130 million EEK (8.3 million EUR) mainly due to the new vessels MS Superstar, MS Baltic Princess and MS Baltic Queen.

The net financial expenses increased by 350.3 million EEK (22.4 million EUR) in the 2008/2009 financial year. Interest expenses decreased by 93.7 million EEK (6.0 million EUR) whereas the net of derivative transactions (interest rate swaps and fuel swaps) expenses increased by 408.6 million EEK (26.1 million EUR). This includes negative mark to market revaluation of the derivatives in amount of 219.9 million EEK (14.1 million EUR) which had no cash impact. The respective net cash flows from all interest and fuel derivatives during the 2008/2009 financial year were negative by 62.5 million EEK (4.0 million EUR).

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 increased by 567.2 million EEK (36.3 million EUR) to 2,279.3 million EEK (145.7 million EUR) in the 2008/2009 financial year, primarily due to the improved operational results and the related structural changes in the working capital items.

Net cash flows used in investing activities amounted to 2,595.0 million EEK (165.8 million EUR) which is mainly related to the purchase of new cruise ferry M/S Baltic Queen.

During the 2008/2009 financial year, the Group received 2,427.2 million EEK (155.1 million EUR) from new borrowings and repaid its existing loans in total of 1,699.5 million EEK (108.6 million EUR).

As of 31 August 2009, the Group's cash and cash equivalents totalled 782.0 million EEK (50.0 million EUR). Most of the available credit facilities and liquidity sources are in use.

At the balance sheet date the liquidity was lower than usual. In the light of surrounding uncertainties, recession, decreased cargo volumes and the customers' changed spending behaviour it was agreed with all of the Group's international lenders that the Group's original loan repayment schedules are changed. The changes result in

reduction of loan repayments during the next two financial years by approximately 940 million EEK (60 million EUR) per year. The repayment restructuring reduces significantly the Group's liquidity risks and gives more flexibility for the Group to maintain sufficient working capital 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 2009, the Group's debt as a percentage of capitalization (total debt and shareholders' equity) was 64% compared to 63% at 31 August 2008. The increase resulted from a 958.8 million EEK (61.2 million EUR) increase in debt and a 132.5 million EEK (8.5 million EUR) decrease in equity.

LOANS AND BORROWINGS

At the end of the 2008/2009 financial year, interest-bearing liabilities totalled 18,483.4 million EEK (1,181.3 million EUR), a 958.8 million EEK (61.3 million EUR) increase compared to the 17,524.6 million EEK (1,120.0 million EUR) interest bearing liabilities at the end of 2007/2008. In the reporting period, the Group took a 12-year loan of 2,253.1 million EEK (144 million EUR) to partially finance the purchase of M/S Baltic Queen and borrowed from overdraft limits to maintain the liquidity position. The Group repaid old loans of 1,699.5 million EEK (108.6 million EUR).

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

OWNERS' EQUITY

Consolidated equity decreased by 1.3% from 10,188.5 million EEK (651.2 million EUR) to 10,056.0 million EEK (642.7 million EUR), mainly on account of net loss for the financial year. At the end of the 2008/2009 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 88% of total assets. At the end of the financial year, the Group owned 20 vessels. Their types and operations are described in the table below:

Vessel Name	Vessel type	Built/converted	Route	remark
Baltic Princess	Cruise ferry	2008	Finland-Estonia	overnight cruise
Superstar	High-speed ro-pax	2008	Finland-Estonia	shuttle service
Star	High-speed ro-pax	2007	Finland-Estonia	shuttle service
Galaxy	Cruise ferry	2006	Finland-Sweden	overnight cruise
Silja Europa	Cruise ferry	1993	Finland-Sweden	overnight cruise
Silja Symphony	Cruise ferry	1991	Finland-Sweden	overnight cruise
Silja Serenade	Cruise ferry	1990	Finland-Sweden	overnight cruise
Sea Wind	Ro-pax	1972/1989	Finland-Sweden	cargo transportation
Baltic Queen	Cruise ferry	2009	Sweden-Estonia	overnight cruise
Victoria I	Cruise ferry	2004	Sweden-Estonia	overnight cruise
Regal Star	Ro-ro cargo vessel	1999	Sweden-Estonia	cargo transportation
Romantika	Cruise ferry	2002	Sweden-Latvia	overnight cruise
Silja Festival	Cruise ferry	1986	Sweden-Latvia	overnight cruise
Superfast VII	High-speed ro-pax	2001	Finland-Germany	transportation
Superfast VIII	High-speed ro-pax	2001	Finland-Germany	transportation
Superfast IX	High-speed ro-pax	2002	in charter since 2008	renamed as "Atlantic Vision"
Tallink AutoExpress 2	High-speed craft	1997	in charter	sold in Oct. 2009
Regina Baltica	Cruise ferry	1980	available for charter	
Vana Tallinn	Cruise ferry	1974	available for charter	
Kapella	Ro-ro cargo vessel	1974	available for charter	

As of 31 August 2009 the value of the ships amounted to 26,841 million EEK (1,716 million EUR). The Group's vessels are regularly valued by 2-3 independent international ship brokers who are also approved by the lenders & mortgagees.

The Group has no new vessels under construction.

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.

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 2008/2009 financial year was 8.1 million, which is 14.9% higher than the in previous financial year. The number of cargo units carried by the Group's vessels was 252 thousand, a 23.9% decrease on the previous financial year. The number of passenger cars increased by 28.5% and reached 863 thousand.

The following table provides an overview of transported passengers, cargo units and passenger vehicles in the 2008/2009 and 2007/2008 financial years.

Passengers	2008/2009	2007/2008	change
Finland-Sweden	3,169,453	2,860,278	10.80%
Estonia-Finland	3,485,359	2,934,674	18.80%
Estonia-Sweden	850,098	772,811	10.00%
Latvia-Sweden	520,505	357,533	45.60%
Finland-Germany	99,146	144,968	-31.60%
Total	8,124,561	7,070,264	14.90%

Cargo units			
Finland-Sweden	87,627	102,949	-14.90%
Estonia-Finland	94,311	118,526	-20.40%
Estonia-Sweden	31,266	44,353	-29.50%
Latvia-Sweden	13,595	13,262	2.50%
Finland-Germany	25,227	52,059	-51.50%
Total	252,026	331,149	-23.90%

Passenger vehicles			
Finland-Sweden	181,130	164,059	10.40%
Estonia-Finland	528,681	363,194	45.60%
Estonia-Sweden	56,923	52,839	7.70%
Latvia-Sweden	68,757	51,652	33.10%
Finland-Germany	27,526	39,793	-30.80%
Total	863,017	671,537	28.50%

The following operational factors influenced traffic volumes development.

Finland-Sweden:

M/S Galaxy, larger in it's capacity, operated on the Turku-Stockholm route instead of M/S Silja Festival.

Estonia-Finland:

Since April 2008, the second Tallink Shuttle vessel Superstar operates between Tallinn and Helsinki.

In July 2008 new cruise ferry M/S Baltic Princess replaced the 2006 built M/S Galaxy which moved to Turku-Stockholm operations.

Since September 2008, the Superfast vessels are not performing the daily Tallinn-Helsinki roundtrip any more.

Estonia-Sweden:

New cruise ferry Baltic Queen started operations in 24 April 2009 and replaced smaller MS Romantika which consequently was moved to Riga-Stockholm route.

Latvia-Sweden:

M/S Silja Festival, larger in it's capacity, has replaced M/S Vana Tallinn.

M/S Romantika which is larger in capacity has replaced M/S Regina Baltica.

Finland-Germany:

The operations in the route are continued with two vessels instead of three as Superfast IX has stopped from September 2008 and is employed in the long-term charter.

The Group's market shares on routes operated during the 2008/2009 financial year were as follows:

- The Group carried approximately 55% of the passengers and 53% of 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 Group is the only provider of daily passenger and ro-ro cargo transportation between Riga and Stockholm;
- The Group carried approximately 55% of passengers and 33% of ro-ro cargo on the routes between Finland and Sweden;
- The Group's approximate market share of passenger transportation on the route between Finland and Germany was 41% and the approximate market share of ro-ro cargo transportation was 9%.

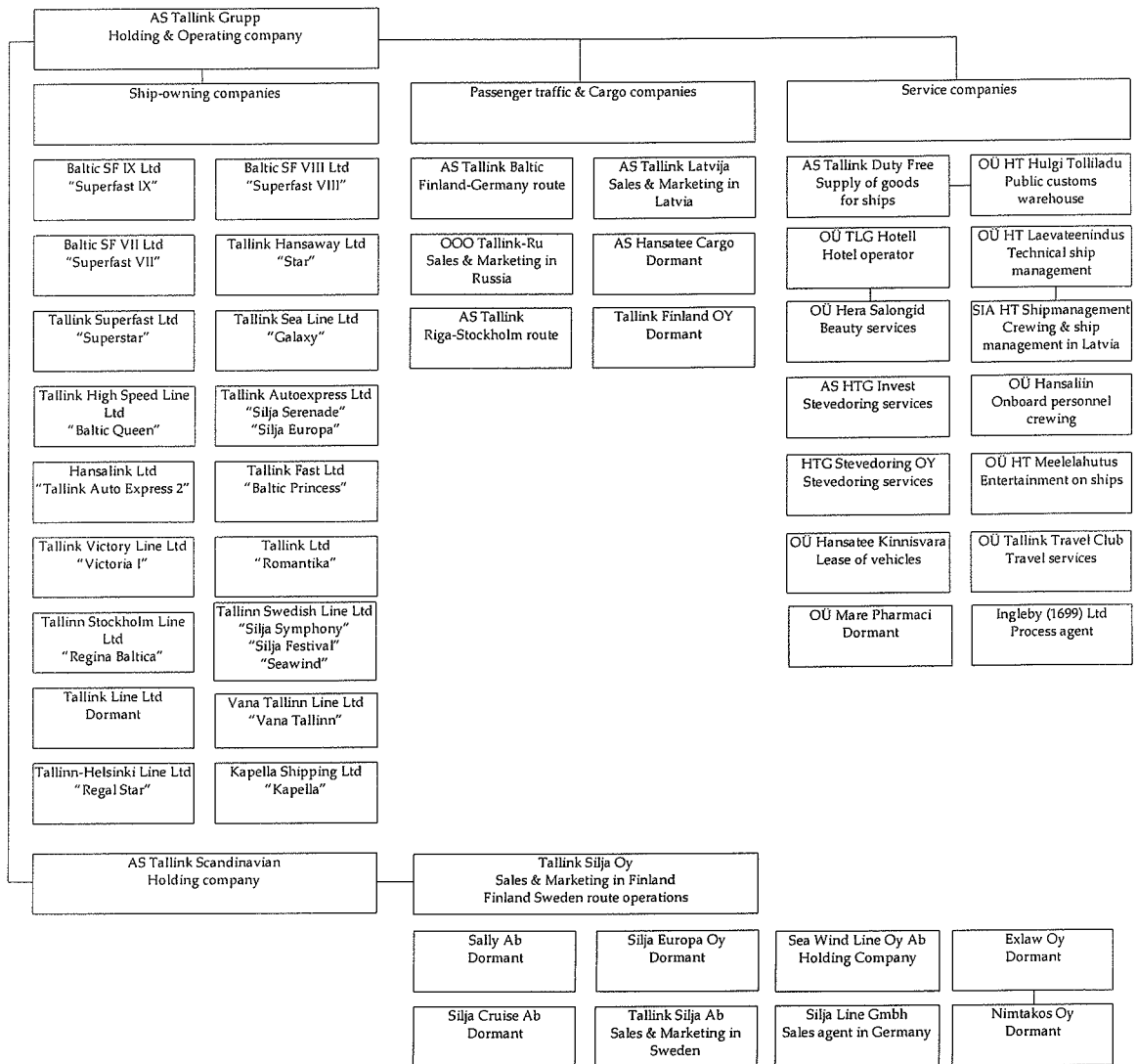
GROUP STRUCTURE

On the report date the Group consisted of 50 companies. Most of the subsidiaries are wholly-owned companies of AS Tallink Grupp.

The Group Swedish entities SeaWind Line Ab and Tallink Sverige Ab were merged into Tallink Silja Ab in Sweden. The Group Estonian entities OÜ TLG Meedia, OÜ TDF Kommerts, AS V.S. & I and Silja Line Eesti AS were merged into other Group companies. The Group entities Eff-Shipping Ltd, EffJohn International and Suomen Jakelutiet Oy have been liquidated. The above transactions were made to simplify the Group structure and have no effect to the Group operations or result.

After the balance sheet date the Group established a 100% subsidiary SIA TLG Hotel Latvia to be the operating company of the new hotel which operation will be started in Riga in 2010.

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



The Group further owns:

- 34% of AS Tallink Takso

PERSONNEL

On August 31, 2009 the Group employed 6,767 employees (6,890 on August 31, 2008).

	Average of 12 months			End of financial year		
	2008/2009	2007/2008	change %	31.08.2009	31.08.2008	change %
Onshore total	1,610	1,611	-0,1%	1,639	1,721	-4,8%
<i>Estonia</i>	783	750	4,4%	762	778	-2,1%
<i>Finland</i>	556	597	-6,9%	564	654	-13,8%
<i>Sweden</i>	194	200	-3,0%	233	219	6,4%
<i>Latvia</i>	52	40	30,0%	55	45	22,2%
<i>Germany</i>	19	18	5,6%	19	19	0,0%
<i>Russia</i>	6	6	0,0%	6	6	0,0%
At sea	4,734	4,579	3,4%	4,648	4,665	-0,4%
Hotel*	509	374	36,1%	480	504	-4,8%
Total	6,853	6,564	4,4%	6,767	6,890	-1,8%

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

In the 2008/2009 financial year the staff costs in the operations increased by 5% to 1,862.4 million EEK (119.0 million EUR) resulted from the previously agreed salaries increase and increased number of seaborne personnel due to the expanded operations. The increase was however minimized as the Group has improved seasonal optimisation of personnel. In result of the decrease of onshore personnel and reduction of the salaries in the shore organisation the administration and marketing staff costs decreased by 88.8 million EEK (5.7 million EUR) or 11%. Thus the Group personnel expenses in overall increased only by 0.1% to 2,566.7 million EEK (164.0 million EUR).

SHARES AND SHAREHOLDERS

As of August 31, 2009 AS Tallink Grupp had total of 673,817,040 shares outstanding. There were no changes to the share capital during the 2008/2009 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 or 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.

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 in relation the Group is authorized to acquire its own shares. 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 26, 2009 the Supervisory Council is within two years as from March 1, 2009 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.

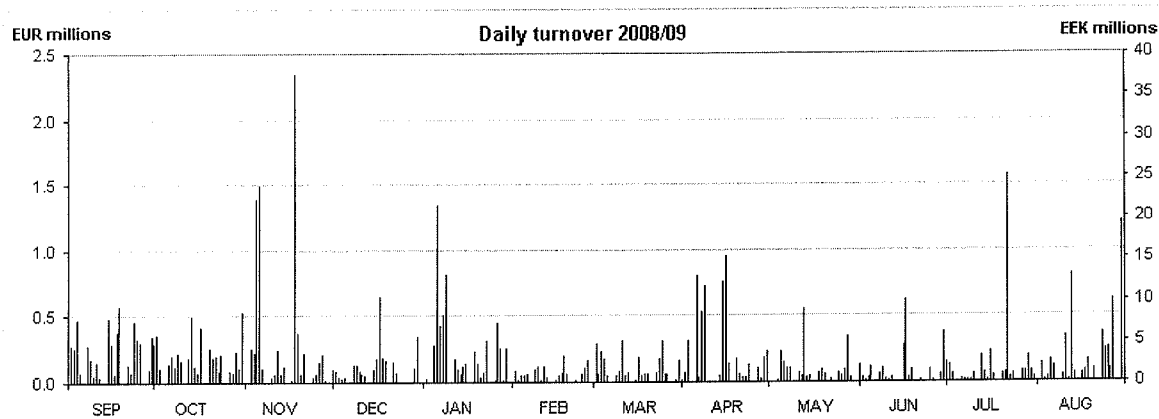
TRADING

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 2008/2009 financial year, there were transactions with 131,824,854 shares of AS Tallink Grupp on Tallinn Stock Exchange. The highest daily average share price on Tallinn Stock Exchange was 10.95 EEK (0.70 EUR) and the lowest daily average share price was 4.22 EEK (0.27 EUR). The weighted average share price in the 2008/2009 financial year was 5.77 EEK (0.37 EUR). The average daily turnover of the trade with AS Tallink Grupp shares on Tallinn Stock Exchange was 3.1 million EEK (0.2 million EUR).

The following table gives an overview of the share price performance and trading on Tallinn Stock Exchange during the period of 1 September 2008 to 31 August 2009.





The table below presents the distribution of share capital by size of share ownership as at 31 August 2009:

Ownership size	No. of shareholders	% of shareholders	No. of shares	% of share capital
1 - 99	600	4.93%	27,840	0.00%
100 - 999	3,580	29.42%	1,664,347	0.25%
1,000 - 9,999	7,125	58.55%	14,572,848	2.16%
10,000 - 99,999	735	6.04%	17,410,398	2.58%
100,000 - 999,999	91	0.75%	27,294,622	4.05%
1,000,000 - 9,999,999	32	0.26%	91,042,453	13.51%
10,000,000 +	7	0.06%	521,804,532	77.44%
TOTAL	12,170	100.00%	673,817,040	100.00%

As of 31 August 2009, 6.5% of the Group's shares were held by individuals.

The table below presents the 10 largest shareholders of the Group as at 31 August 2009

Shareholder	No. of shares	%
INFORTAR AS	269,576,164	40.01%
ING LUXEMBOURG S.A.	67,850,776	10.07%
NORDEA BANK FINLAND PLC/ NON-RESIDENT LEGAL ENTITIES	66,335,580	9.84%
CITIGROUP VENTURE CAPITAL INTERNATIONAL JERSEY LIMITED	49,231,000	7.31%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	41,616,357	6.18%
SKANDINAVISKA ENSKILDA BANKEN AB CLIENTS	15,594,655	2.31%
JP MORGAN CHASE BANK/ITS LONDON CLIENTS ACCOUNT VANGUARD MARKETING CORPORATION	11,600,000	1.72%
FIREBIRD REPUBLICS FUND LTD	8,283,788	1.23%
BNYM / ING BANK SLASKI AC LM AKCJI FIO	8,105,000	1.20%
FIREBIRD AVRORA FUND, LTD.	7,444,654	1.10%

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 2007/2008 financial year. In 2008/2009 financial year the management continued with the policy of a high priority being placed on investment and the scheduled repayments of the bank loans.

The recession and surrounding uncertainties are increasing the management attention in order to ensure smooth continuous operations. The liquidity at the balance sheet date was lower than usual to approach the low season. It has thus agreed with the international lenders that the Group's original loan repayments will be reduced by approximately 940 million EEK (60 million EUR) per year for the next two years. The repayment restructuring reduces significantly the liquidity risks and gives more flexibility for the Group to maintain sufficient working capital to meet its present and future needs. At the same it was also agreed that the Group will keep its highest priority on the loan repayments and the dividend payments shall be agreed with the lenders until the Group repays the deferred amounts which were restructured.

The management board will propose at the shareholders' general meeting that earnings be retained and no dividends be distributed.

CORPORATE GOVERNANCE REPORT

This report is made in accordance with the Estonian Accounting Act and 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 and recall members of the supervisory council, elect auditors, pass resolutions on any increase or decrease in share capital, change the Articles of Association and the other issues, which are the responsibility of the general meeting of shareholders by the law. 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 and extraordinary general meeting at least three weeks 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 and drafts of the decisions, 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 26 January 2009. 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 Äimä, Ain Hanschmidt, Eve Pant, and 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 395,688,380 votes being 58.72% 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 2008/2009 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. In order to elect a member to the supervisory council his or her written consent is needed. The general meeting of the shareholders may recall any supervisory council member without a reason. Such a decision requires 2/3 of the votes represented at the general meeting. The member of the supervisory council can resign without a reason, informing the general meeting of the shareholders about the resignation.

The supervisory council is responsible for the supervision of 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. Ashwin Roy 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 eight times during the 2008/2009 financial year. The Company's operations, development, strategies, targets and the budget were discussed.

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 council 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 2008/2009 financial year:

Toivo Ninnas - 19,200 shares

Eve Pant - 530,000 shares

Ain Hanschmidt - 1,800,000 shares

Lauri Kustaa Äimä - 237,000 shares

Aswin Roy - 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 decisions of general meeting of shareholders and 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. In order to elect a member to the management board his or her written consent is needed. The chairman of the management board can propose to the supervisory council to appoint 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 is entitled to represent the Company alone in any legal and business matter. According to the law the supervisory council can recall any management board member without a reason. The member of the management board can resign without a reason, informing the supervisory council about the resignation.

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 Group's sales & marketing and legal matters, Mr. Janek Stalmeister, who was elected the member of the management board on 15.10.2009, is responsible for the financial and investor relations areas 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 2008/2009 financial year the remuneration of the members of the Group's management board totalled 14.1 million EEK (0.9 million EUR) compared to 27.8 million EEK (1.8 million EUR) in 2007/2008.

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 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 2008/2009 financial year:

Enn Pant - 3,632,413 shares

Keijo Erkki Mehtonen - 3,114,400 shares (not a member of the management board since 15.10.2009)

Andres Hunt - 822,000 shares

Lembit Kitter - Does not have any shares

Janek Stalmeister - 20 400 shares

THE AUTHORITY OF THE MEMBERS OF MANAGEMENT BOARD TO ISSUE SHARES AND TO ACQUIRE THE SHARES

According to the decision of General Meeting on 26.01.2009 the Company is granted the right to acquire its own shares subject to the following conditions:

- 1) The company is entitled to acquire own shares within five years as from the adoption of this resolution.
- 2) The total nominal value of the shares owned by the company shall not exceed 10 % of the share capital.
- 3) The price payable for one share shall not be more than the highest price paid at Tallinn Stock Exchange for the share of AS Tallink Grupp at the day when the share is acquired.
- 4) Own shares shall be paid for from the assets exceeding the share capital, mandatory legal reserve and issue premium.

Management Board has no right to issue the Company 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. The presentation addressed to investors is 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

SUBSTANTIAL SHAREHOLDERS

Infotar AS	269,576,164 shares	40.01%
ING Luxembourg S.A.	67,850,776 shares	10.07%

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

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 on Auditing.

The financial statements of the 2008/2009 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 14001 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, Latvian, 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 conducted 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, the environment, children and young people and sports are the major areas which are considered to be most important in all the countries in which Tallink has its operations.

A more detailed overview and policies regarding the environment and social responsibility activities are provided in the Group's Environmental and Corporate Social Responsibility Report.

OUTLOOK

The Group has entered into a new phase. The significant investment program has ended with the delivery of last cruise ferry MS Baltic Queen. The Group's focus is now prioritized to realize results of the recent investments and repay the loans. It is also high priority to find better utilisation and improve the return on the vessels currently operating on the not so well performing Finland-Germany route. The Management is actively working towards the chartering or sale of the currently unemployed old vessels to improve the Group's cost effectiveness. The dynamics in the customer spending and the short visibility in booking situation will continue to add uncertainties to the Group operations. The Group has currently fixed about 10% of both the fuel price and EUR/SEK exposure for the next year with the aim to increase the levels further. However, significant price movements in raw materials or currency exchange rates may have indirect impact to the customer behaviour or industry overall which cannot be estimated.

The Group's increased passenger levels have created strong fundamental base to move forward targeting the improvement in results. The Group continues to be the strong market leader in the region operating the most modern fleet. For the 2009/2010 financial year the Group is targeting net profit.

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 2008/2009 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.



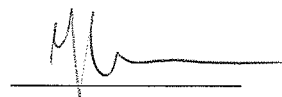
Chairman of the Management Board
Enn Pant



Vice Chairman of the Management Board
Andres Hunt



Member of the Management Board
Lembit Kitter



Member of the Management Board
Janek Stalmeister

Tallinn, 18.12.2009

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.



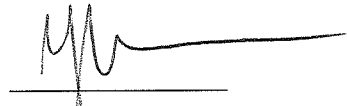
Chairman of the Management Board
Enn Pant



Vice Chairman of the Management Board
Andres Hunt



Member of the Management Board
Lembit Kitter



Member of the Management Board
Janek Stalmeister

Tallinn, 18.12.2009

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Date/kuupäev 18.12.2009
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KPMG, Tallinn

CONSOLIDATED INCOME STATEMENT

for the year ended 31 August

	in thousands of EEK		in thousands of EUR		Notes
	2009	2008 (Restated)	2009	2008 (Restated)	
Revenue	12,389,960	12,295,967	791,863	785,855	5
Cost of sales	-9,812,048	-9,729,085	-627,104	-621,802	6
Gross profit	2,577,912	2,566,882	164,759	164,053	
Marketing expenses	-803,090	-850,988	-51,327	-54,388	6
Administrative expenses	-774,599	-889,377	-49,506	-56,841	6
Other income	5,579	199,467	356	12,748	
Other expenses	-8,513	-18,352	-544	-1,173	
Results from operating activities	997,289	1,007,632	63,738	64,399	
Financial income	5,428	143,124	347	9,147	6
Financial expenses	-1,145,926	-933,332	-73,238	-59,650	6
Share of loss of associates	-7,560	-3,060	-483	-196	13
Profit/-loss before income tax	-150,769	214,364	-9,636	13,700	5
Income tax	22,856	89,564	1,461	5,724	7
Net profit/-loss for the financial year	-127,913	303,928	-8,175	19,424	5
Attributable to:					
Equity holders of the Parent	-127,913	303,928	-8,175	19,424	
Basic and diluted earnings per share (in EEK/EUR per share)	-0.19	0.45	-0.01	0.03	8

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KPMG, Tallinn

CONSOLIDATED BALANCE SHEET

as of 31 August	in thousands of EEK		in thousands of EUR		Notes
	2009	2008 (Restated)	2009	2008 (Restated)	
ASSETS					
Current assets					
Cash and cash equivalents	782,043	1,043,785	49,982	66,710	9
Receivables	797,762	1,177,342	50,986	75,246	10
Prepayments	179,892	111,522	11,497	7,127	11
Derivatives	6,493	51,884	415	3,316	26
Inventories	297,527	358,480	19,015	22,911	12
	2,063,717	2,743,013	131,895	175,310	
Non-current assets					
Investments in associates	0	2,222	0	142	13
Other financial assets and prepayments	7,664	7,700	490	492	14
Deferred income tax assets	207,455	199,851	13,259	12,773	7
Investment property	4,694	4,694	300	300	15
Property, plant and equipment	27,049,393	25,518,298	1,728,771	1,630,917	16
Intangible assets	1,134,738	1,226,023	72,523	78,357	17
	28,403,944	26,958,788	1,815,343	1,722,981	
TOTAL ASSETS	30,467,661	29,701,801	1,947,238	1,898,291	5
LIABILITIES AND EQUITY					
Current liabilities					
Interest-bearing loans and borrowings	1,655,760	2,200,220	105,822	140,620	18
Payables	1,415,762	1,621,711	90,484	103,646	19
Deferred income	331,323	343,837	21,175	21,975	20
Derivatives	179,842	5,351	11,494	342	26
	3,582,687	4,171,119	228,975	266,583	
Non-current liabilities					
Interest-bearing loans and borrowings	16,827,627	15,324,355	1,075,482	979,405	18
Deferred income tax liabilities	0	16,147	0	1,032	7
Other liabilities	1,330	1,643	85	105	21
	16,828,957	15,342,145	1,075,567	980,542	
Total liabilities	20,411,644	19,513,264	1,304,542	1,247,125	5
Equity					
Equity attributable to equity holders of the Parent					
Share capital	6,738,170	6,738,170	430,648	430,648	22
Share premium	9,999	9,999	639	639	22
Reserves	1,124,409	1,151,071	71,862	73,566	22
Retained earnings	2,183,439	2,289,297	139,547	146,313	
Total equity attributable to equity holders of the Parent	10,056,017	10,188,537	642,696	651,166	
Total equity	10,056,017	10,188,537	642,696	651,166	
TOTAL LIABILITIES AND EQUITY	30,467,661	29,701,801	1,947,238	1,898,291	

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Date/kuupäev 18.12.2009

Signature/allkiri 

KPMG, Tallinn

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August	in thousands of EEK		in thousands of EUR		Notes
	2009	2008	2009	2008	
Cash flows from operating activities					
Net profit/-loss for the financial year	-127,913	303,928	-8,175	19,424	
Adjustments:	2,190,985	1,661,987	140,029	106,221	
Depreciation and amortisation	1,094,311	964,266	69,939	61,628	16,17
Net gain on disposals of property, plant and equipment	-1,203	-19,344	-77	-1,236	
Net interest expense	815,809	903,715	52,140	57,758	6
Net expense from derivatives	301,523	-107,097	19,271	-6,844	6
Loss from equity accounted associates	7,560	3,060	483	195	13
Net foreign exchange gain / loss related to investing and financing activities	-4,159	-184	-266	-12	
Income tax	-22,856	-82,429	-1,461	-5,268	7
Changes in receivables and prepayments related to operating activities	305,233	-339,402	19,508	-21,692	
Changes in inventories	60,953	-85,110	3,896	-5,439	
Changes in liabilities related to operating activities	-149,508	172,427	-9,555	11,020	
Income tax paid	-493	-1,800	-32	-115	
	2,279,257	1,712,030	145,671	109,419	
Cash flows used in investing activities					
Purchase of property, plant, equipment and intangible assets	-2,549,838	-4,240,289	-162,964	-271,004	16, 17
Proceeds from disposals of property, plant, equipment	16,895	453,242	1,080	28,967	
Proceeds from disposals of associates	782	0	50	0	13
Proceeds/ payments from settlement of derivatives	-62,514	45,879	-3,995	2,933	
Acquisition of subsidiaries, net of cash acquired	0	1,885	0	120	4
Acquisition of associates	-6,120	-2,040	-391	-130	13
Interest received	5,804	11,511	371	736	
	-2,594,991	-3,729,812	-165,849	-238,378	
Cash flows from/used in financing activities					
Repurchase of treasury shares	0	-65,132	0	-4,163	8
Proceeds from loans	2,427,151	3,756,212	155,123	240,066	
Redemption of loans and bonds	-1,699,493	-1,518,433	-108,618	-97,045	
Change in overdraft	204,199	443,199	13,051	28,325	18
Payment of finance lease liabilities	-6,619	-14,855	-423	-949	
Interest paid	-871,246	-843,033	-55,683	-53,880	
	53,992	1,757,958	3,450	112,354	
TOTAL NET CASH FLOW	-261,742	-259,824	-16,728	-16,605	
Cash and cash equivalents:					
- at the beginning of period	1,043,785	1,303,609	66,710	83,315	
- increase / decrease	-261,742	-259,824	-16,728	-16,605	
- at the end of period	782,043	1,043,785	49,982	66,710	9

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Date/kuupäev

Signature/alkiri

KPMG, Tallinn

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August, in thousands of EEK

	Share capital ¹	Share premium ¹	Trans- lation reserve	Ships' revaluation reserve ²	Cash flow hedge reserve	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
As of 31 August 2007	6,738,170	9,999	412	1,100,869	0	101,710	0	2,183,777	10,134,937	10,134,937
Adoption of IFRIC 13	0	0	0	0	0	0	0	-191,037	-191,037	-191,037
As of 31 August 2007 (Restated)	6,738,170	9,999	412	1,100,869	0	101,710	0	1,992,740	9,943,900	9,943,900
Treasury shares acquired	0	0	0	0	0	0	-65,132	0	-65,132	-65,132
Transfer from profit for 2006/2007	0	0	0	0	0	52,465	0	-52,465	0	0
Recalculation of deferred tax	0	0	0	0	0	0	0	7,135	7,135	7,135
Transfer from revaluation reserve	0	0	0	-37,959	0	0	0	37,959	0	0
Foreign currency translation	0	0	-1,294	0	0	0	0	0	-1,294	-1,294
Total income and expense recognized directly in equity	0	0	-1,294	-37,959	0	0	0	45,094	5,841	5,841
Net profit for 2007/2008	0	0	0	0	0	0	0	303,928	303,928	303,928
Total income and expense for the year	0	0	-1,294	-37,959	0	0	0	349,022	309,769	309,769
As of 31 August 2008	6,738,170	9,999	-882	1,062,910	0	154,175	-65,132	2,289,297	10,188,537	10,188,537
Transfer from profit for 2007/2008	0	0	0	0	0	15,899	0	-15,899	0	0
Net loss on cash flow hedges	0	0	0	0	-422	0	0	0	-422	-422
Transfer from revaluation reserve	0	0	0	-37,954	0	0	0	37,954	0	0
Foreign currency translation	0	0	-4,185	0	0	0	0	0	-4,185	-4,185
Total income and expense recognized directly in equity	0	0	-4,185	-37,954	-422	0	0	37,954	-4,607	-4,607
Net loss for the financial year 2008/2009	0	0	0	0	0	0	0	-127,913	-127,913	-127,913
Total income and expense for the year	0	0	-4,185	-37,954	-422	0	0	-89,959	-132,520	-132,520
As of 31 August 2009	6,738,170	9,999	-5,067	1,024,956	-422	170,074	-65,132	2,183,439	10,056,017	10,056,017

¹ For further information see also Note 22 Share Capital and Reserves² For further information see also Note 16 Property, Plant and Equipment and Note 22 Share Capital and Reserves

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for the year ended 31 August, in thousands of EUR

	Share capital ¹	Share premium ¹	Share	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 equity	Total equity
As of 31 August 2007	430,648	639	639	27	70,358	0	6,500	0	139,569	647,741	647,741
Adoption of IFRIC 13	0	0	0	0	0	0	0	0	-12,209	-12,209	-12,209
As of 31 August 2007 (Restated)	430,648	639	639	27	70,358	0	6,500	0	127,360	635,532	635,532
Treasury shares acquired	0	0	0	0	0	0	0	-4,163	0	-4,163	-4,163
Transfer from profit for 2006/2007	0	0	0	0	0	0	3,353	0	-3,353	0	0
Recalculation of deferred tax	0	0	0	0	0	0	0	0	456	456	456
Transfer from revaluation reserve	0	0	0	0	-2,426	0	0	0	2,426	0	0
Foreign currency translation	0	0	0	-83	0	0	0	0	0	-83	-83
Total income and expense recognized directly in equity	0	0	0	-83	-2,426	0	0	0	2,882	373	373
Net profit for 2007/2008	0	0	0	0	0	0	0	0	19,424	19,424	19,424
Total income and expense for the year	0	0	0	-83	-2,426	0	0	0	22,306	19,797	19,797
As of 31 August 2008	430,648	639	639	-56	67,932	0	9,853	-4,163	146,313	651,166	651,166
Transfer from profit for 2007/2008	0	0	0	0	0	0	1,016	0	-1,016	0	0
Net loss on cash flow hedges	0	0	0	0	0	-27	0	0	0	-27	-27
Transfer from revaluation reserve	0	0	0	0	-2,425	0	0	0	2,425	0	0
Foreign currency translation	0	0	0	-268	0	0	0	0	0	-268	-268
Total income and expense recognized directly in equity	0	0	0	-268	-2,425	-27	0	0	2,425	-295	-295
Net loss for the financial year 2008/2009	0	0	0	0	0	0	0	0	-8,175	-8,175	-8,175
Total income and expense for the year	0	0	0	-268	-2,425	-27	0	0	-5,750	-8,470	-8,470
As of 31 August 2009	430,648	639	639	-324	65,507	-27	10,869	-4,163	139,547	642,696	642,696

¹ For further information see also Note 22 Share Capital and Reserves² For further information see also Note 16 Property, Plant and Equipment and Note 22 Share Capital and Reserves

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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 2009 were authorised for issue by the management board on 18 December 2009.

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, with registered office at Sadama 5/7 Tallinn. 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 5 "Segment Information". As of 31 August 2009 the Group employed 6,767 people (6,890 as of 31 August 2008).

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Note 2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, derivatives, investment properties, and ships that have been measured at fair value (see also Notes 15, 16 and 26).

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.

2.1. Statement of compliance

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

2.2. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheet:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- investment property is measured at fair value
- ships are measured at fair value.

2.3. Functional and presentation currency

The Group's consolidated financial statements are presented in Estonian kroon (EEK), which is the Company's functional currency. 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.

2.4. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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:

Financial instruments – whether derivatives qualify for hedge accounting

As of 31 August 2009, the Group had entered into eight derivative agreements (2008: four agreements). The Group has determined that four of the interest rate derivatives and one foreign exchange derivative do not qualify for cash flow hedge accounting. Three fuel price swap agreements qualify as hedge accounting. See Notes 26 and 3.3. for more detailed information on the interest swap agreements and related accounting policies.

The notes on pages 32 to 97 are an integral part of these consolidated financial statements.

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Operating lease – Group as lessee

As of 31 August 2009, the Group has entered into a lease agreement for four hotel buildings (2008: three 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 23 for more detailed information on the minimum lease payments of the lease agreements.

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 2009 amounted to 173,148,000 EEK (11,066,000 EUR), 2008: 183,795,000 EEK (11,747,000 EUR). Further details are given in Note 17.

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.

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 16 and 17 respectively.

Fair value of ships

For the purpose of revaluation, the Group determined the fair value of its ships as of 31 August 2009. 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. Revaluation depends upon changes in the fair values of the ships. When the fair value of a ship differs materially from its carrying amount, a revaluation is required. Further details are given in Note 3.4 and Note 16.

2.5. Adoption of IFRSs during the financial yearIFRIC 13 "Customer Loyalty Programmes"

The Group adopted the following new interpretation during the reporting year and comparative figures have also been restated. Adoption of the new interpretation has effect on the Group's equity as of 1 September 2007 and as of 1 September 2008. :

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Impact of new IFRSs

IFRIC 13 'Customer Loyalty Programmes' effective for periods beginning on or after July 1, 2008, which addresses accounting by entities that operate or otherwise participate in customer loyalty programmes for their customers. IFRIC 13 applies to sales transactions in which the entities grant their customers award credits that, subject to meeting further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. The interpretation requires that an entity recognises credits that it awards to customers as a separately identifiable component of revenue, which would be deferred at the date of the initial sale. The results for the year ended 31 August 2007 and 31 August 2008, have been restated accordingly. The net impact to the balance sheet as at 31 August 2007 is a 191,037,000 EEK (12,209,000 EUR) decrease in shareholders' equity, a 191,037,000 EEK (12,209,000 EUR) increase in deferred income. The net impact on the income statement for the year ended 31 August 2008, is a 14,048,000 EEK (898,000 EUR) decrease in total revenue. The net impact to the balance sheet as at 31 August 2008 is a 205,085,000 EEK (13,107,000 EUR) decrease in shareholders' equity, a 205,085,000 EEK (13,107,000 EUR) increase in deferred income. For further information see Note 20.

The adoption of IFRIC 13 has the following effect:

in thousands of EEK for the year ended 31 August	Initial 2008	Correction of 2008	Restated 2008
Revenue (Note 5)	12,310,015	-14,048	12,295,967
Gross profit	2,580,930	-14,048	2,566,882
Profit/-loss before income tax	228,412	-14,048	214,364
Net profit/-loss for the period	317,976	-14,048	303,928

in thousands of EUR for the year ended 31 August	Initial 2008	Correction of 2008	Restated 2008
Revenue (Note 5)	786,753	-898	785,855
Gross profit	164,951	-898	164,053
Profit/-loss before income tax	14,598	-898	13,700
Net profit/-loss for the period	20,322	-898	19,424

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in thousands of EEK as of 31 August	Initial	Correction	Restated
	2007	of 2007	2007
LIABILITIES AND EQUITY			
Current liabilities			
Deferred income	121,008	191,037	312,045
Total current liabilities	3,784,747	191,037	3,975,784
TOTAL LIABILITIES	16,435,960	191,037	16,626,997
EQUITY			
Equity attributable to equity holders of the Parent			
Retained earnings	2,183,777	-191,037	1,992,740
Total equity attributable to equity holders of the	10,134,937	-191,037	9,943,900
TOTAL EQUITY	10,134,937	-191,037	9,943,900

in thousands of EUR as of 31 August	Initial	Correction	Restated
	2007	of 2007	2007
LIABILITIES AND EQUITY			
Current liabilities			
Deferred income	7,734	12,209	19,952
Total current liabilities	241,889	12,209	254,098
TOTAL LIABILITIES	1,050,449	12,209	1,062,658
EQUITY			
Equity attributable to equity holders of the Parent			
Retained earnings	139,569	-12,209	127,360
Total equity attributable to equity holders of the Parent	647,741	-12,209	635,532
TOTAL EQUITY	647,741	-12,209	635,532

in thousands of EEK as of 31 August	Initial	Correction	Restated
	2008	of 2008	2008
LIABILITIES AND EQUITY			
Current liabilities			
Deferred income	138,752	205,085	343,837
Total current liabilities	3,966,034	205,085	4,171,119
TOTAL LIABILITIES	19,308,179	205,085	19,513,264
EQUITY			
Equity attributable to equity holders of the Parent			
Retained earnings	2,494,382	-205,085	2,289,297
Total equity attributable to equity holders of the	10,393,622	-205,085	10,188,537
TOTAL EQUITY	10,393,622	-205,085	10,188,537

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in thousands of EUR as of 31 August	Initial	Correction	Restated
	2008	of 2008	2008
LIABILITIES AND EQUITY			
Current liabilities			
Deferred income	8,868	13,107	21,975
Total current liabilities	253,476	13,107	266,583
TOTAL LIABILITIES	1,234,018	13,107	1,247,125
EQUITY			
Equity attributable to equity holders of the Parent			
Retained earnings	159,420	-13,107	146,313
Total equity attributable to equity holders of the Parent	664,273	-13,107	651,166
TOTAL EQUITY	664,273	-13,107	651,166

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Note 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

3.1. Basis of consolidation*Business combinations*

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.

Subsidiaries

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.

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, where relevant.

Investments in associates

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.

Transactions eliminated on consolidation

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.

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3.2. Foreign currency

Foreign currency transactions

The Parent's functional currency and presentation 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 to the respective functional currencies of Group entities at exchange rates 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 exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation for qualifying cash flow hedges, which are recognised directly in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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.

3.3. Financial instruments

Non-derivative financial assets

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.

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.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

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.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

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.

Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments such as swaps, options and forwards to hedge its risks associated with currency exchange rate changes, interest rate and fuel price 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, Black & Scholes Model, Calibration of Volatility, or Monte Carlo Simulation or Heston-Model simulation.

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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.

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.

3.4. Property, plant and equipment

Recognition and measurement

Property, plant and equipment, except ships, are stated at cost, less accumulated depreciation and any impairment

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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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.

Subsequent costs

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

Depreciation

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 assets 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 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

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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.

3.5. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognised in the Group's balance sheet.

3.6. Intangible assets

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.

Research and development

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.

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

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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.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

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.

3.7. 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.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.8. 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, conversion costs and other costs incurred in bringing them to their existing location and condition.

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3.9. 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 expired.

3.10. 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

3.11. 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.

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 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.

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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.

3.12. 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.

3.13. 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.

3.14. Leases

The 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.

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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.

3.15. Revenue

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. For customer loyalty programme, the fair value of the consideration received or receivable in respect of the initial sale is allocated between award credits (Club One points) and ticket sale. For further information see Note 2.5 and Note 20. 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 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.

3.16. 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.

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3.17. 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.

3.18. Financial income and financial expenses

Financial 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.

Financial 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.

Foreign currency gains and losses are reported on a net basis.

3.19. 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.

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

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December 2010 and 20/80 of net dividend paid out after 1 January 2011). 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 taxed at the payer's level.

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

Group companies in Cyprus

According to the income tax law of Cyprus the net profit of shipping companies registered in Cyprus and operating with ships registered in Cyprus ship register or/and having their business outside Cyprus, and 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.

Group company in the Bahamas

According to the income tax law of the Bahamas, the net profit of shipping companies registered in 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.

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 23.


3.20. 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, if any.

3.21. 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).

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In presenting information on the basis of geographical segments, segment revenue is based on the geographical area consisting of 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 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.

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.

3.22. New 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 2009. 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 yet decided which approach to prefer.

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- 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 15 "Construction of Real Estate"
Construction of Real Estate applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. IFRIC 15 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.
- IFRIC 16 "Hedges of Net Investment in a Foreign Operations"
Hedges of Net Investment in a Foreign Operations applies to an entity that hedges the foreign currency risk arising from its net investment in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. IFRIC 16 is effective for annual periods beginning on or after 1 October 2008. It is not expected to have any impact on the consolidated financial statements.
- IFRIC 17 "Distribution of Non-cash Assets to Owners"
The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss. IFRIC 17 is effective for annual periods beginning on or after 15 July 2009. It will no have any impact on the consolidated financial statements.
- 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.

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▪ 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 yet known.

▪ Amendments to IAS 39 "Financial Instruments: Recognition and Measurement - Eligible hedges Items "

Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible hedges Items clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances. Amendments to IAS 39 "Financial Instruments: Recognition and Measurement - Eligible Hedged Items" are effective for annual periods beginning on or after 1 July 2009. The possible effect of the amendment is not known yet.

▪ Amendments to IAS 32 "Financial Instruments: Presentation - Classification of Rights Issues "

Amendments to IAS 32 "Financial Instruments: Presentation - Classification of Rights Issues " requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Amendments to IAS 32 "Financial Instruments: Presentation - Classification of Rights Issues" are effective for annual periods beginning on or after 1 January 2010. The possible effect of the amendment is not yet known.

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- Amendments to IAS 17 "Leases"

Amendments to IAS 17 "Leases" is to delete paragraph 14, which stated that a lease of land with an indefinite economic life is normally classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. Under the amendments, a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title will not pass to the lessee, because in such arrangements substantially all risks and rewards are transferred to the lessee and the present value of the residual value of the leased asset is considered negligible. Amendments to IAS 17 "Leases" are effective for annual periods beginning on or after 1 January 2010. The possible effect of the amendment is not known yet.

3.23. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of property, plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available. The Group uses independent appraisers to determine the fair value of the ships. The frequency of revaluation depends upon changes in the fair values of the ships. When the fair value of a ship differs materially from its carrying amount, a revaluation is required.

Intangible assets

The fair value of patents and trademarks acquired in a business combination is determined using the relief from royalty method. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Investment property

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The Group uses independent appraiser, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

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Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

Derivatives

The fair value of interest rate swaps is based on independent appraiser's valuations. Fair values reflect the credit risk, interest rate risk and foreign exchange risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Deferred income

The amount allocated to the Club One points is estimated by reference to the fair value of the services for which they could be redeemed, since the fair value of the Club One points themselves is not directly observable. The fair value of the services for which the Club One points, granted through a customer loyalty programme, can be redeemed takes into account the expected redemption rate and the timing of such expected redemptions. Such amount is recognised as deferred income.

Note 4 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
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:				
Net cash acquired with the subsidiary		1,885		120
Cash paid		0		0
Net cash flow		1,885		120

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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.


Note 5 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) three ships between Estonia and Sweden, (3) two ships between Latvia and Sweden, (4) two ships between Germany and Finland, (5) five ships between Finland and Sweden, (6) three ships leased out from the Group, (7) two ships were not in operations and (8) four hotels and four shops in Estonia, which represent different business segments.

The Group's market share on the Estonia-Finland route is about 55% of passenger transportation and about 53% of cargo transportation, on the Estonia-Sweden route it is about 100% of passenger transportation and about 68% 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 41% of passenger transportation and about 9% of cargo transportation. The estimated passenger transportation market share on the Group's Finland-Sweden routes is about 55% and the cargo transportation market share is about 33%.

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 2009 and 2008.

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Geographical segments – by the location of assets
for the year ended 31 August and as of 31 August, respectively
in thousands of EEK

2009	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	3,401,614	1,417,006	725,870	567,422	5,484,168	489,680	304,200	0	12,389,960
Inter-segment sales	0	0	0	0	0	113,228	0	-113,228	0
	3,401,614	1,417,006	725,870	567,422	5,484,168	602,908	304,200	-113,228	12,389,960
Result									
Segment result	1,087,347	135,296	-37,063	-155,008	634,784	-25,918	135,384	0	1,774,822
Unallocated expenses									-777,533
Net financial items									-1,140,498
Share of loss of associates									-7,560
Loss before income tax									-150,769
Income tax									22,856
Net loss									-127,913
Assets and liabilities									
Segment assets	6,310,144	5,388,036	2,584,976	3,171,644	9,838,993	89,932	2,159,269	-19,904	29,523,090
Unallocated assets									944,571
									30,467,661
Segment liabilities	293,148	134,570	81,735	71,929	965,201	61,090	11,271	-19,904	1,599,040
Unallocated liabilities									18,812,601
									20,411,644

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2009 (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")	632	2,842,514	1,240	28	82,571	1,625	66,555	0	2,995,165
- Reclassification from prepayments									-449,797
- segment's intangible assets ("IA")	0	0	154	0	156	851	0	0	1,161
- unallocated IA									3,309
Depreciation	150,816	151,717	58,858	103,279	289,305	14,080	212,189	0	980,244
Unallocated depreciation									18,312
Amortisation	76	87	113	0	61,737	12,712	62	0	74,787
Unallocated amortisation									20,968

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in thousands of EEK
Restated

2008	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
Revenue									
Sales to external customers	3,209,278	1,521,835	547,783	1,113,205	5,326,234	405,898	171,734	0	12,295,967
Inter-segment sales	0	0	0	0	0	111,601	0	-111,601	0
	3,209,278	1,521,835	547,783	1,113,205	5,326,234	517,499	171,734	-111,601	12,295,967
Result									
Segment result	985,915	164,857	-45,939	-109,093	609,070	18,651	92,433	0	1,715,894
Unallocated expenses									-708,262
Net financial items									-790,208
Share of profit of associates									-3,060
Profit before income tax									214,364
Income tax									89,564
Net profit									303,928
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	352,166	208,226	96,947	127,473	886,800	65,735	21,939	-18,513	1,740,773
Unallocated liabilities									17,772,491
									19,513,264

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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	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
- Reclassification from prepayments									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

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

2009	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	217,403	90,563	46,392	36,265	350,502	31,296	19,442	0	791,863
Inter-segment sales	0	0	0	0	0	7,237	0	-7,237	0
	217,403	90,563	46,392	36,265	350,502	38,533	19,442	-7,237	791,863
Result									
Segment result	69,494	8,647	-2,369	-9,907	40,570	-1,656	8,653	0	113,432
Unallocated expenses									-49,694
Net financial items									-72,891
Share of loss of associates									-483
Loss before income tax									-9,636
Income tax									1,461
Net loss									-8,175
Assets and liabilities									
Segment assets	403,292	344,358	165,210	202,705	628,826	5,748	138,002	-1,272	1,886,869
Unallocated assets									60,369
									1,947,238
Segment liabilities	18,736	8,601	5,224	4,597	61,688	3,904	720	-1,272	102,198
Unallocated liabilities									1,202,344
									1,304,542

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2009 (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")	40	181,670	79	2	5,277	104	4,253	0	191,425
- reclassification from prepayments									-28,747
- segment's intangible assets ("IA")	0	0	10	0	10	54	0	0	74
- unallocated IA									212
Depreciation	9,639	9,696	3,762	6,601	18,490	900	13,561	0	62,649
Unallocated depreciation									1,170
Amortisation	5	6	7	0	3,946	812	4	0	4,780
Unallocated amortisation									1,340

Restated

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	205,111	97,263	35,009	71,146	340,409	25,941	10,976	0	785,855
Inter-segment sales	0	0	0	0	0	7,133	0	-7,133	0
	205,111	97,263	35,009	71,146	340,409	33,074	10,976	-7,133	785,855
Result									
Segment result	63,012	10,536	-2,936	-6,973	38,927	1,192	5,907	0	109,665
Unallocated expenses									-45,266
Net financial items									-50,503
Share of profit of associates									-196
Profit before income tax									13,700

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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
Income tax									5,724
Net profit									19,424
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	22,508	13,308	6,196	8,147	56,677	4,201	1,402	-1,183	111,258
Unallocated liabilities									1,135,869
									1,247,125
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
- Reclassification from prepayments									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									4,799
Unallocated amortisation									862

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Information by operational segments

for the year ended 31 August

in thousands of EEK

	2009	2008
Ticket sales	3,148,393	3,052,811
Sales of cargo transport	1,676,917	2,491,799
Accommodation sales	154,356	152,805
Restaurant and shop sales on-board and on mainland	6,705,452	6,104,140
Income from leases of vessels	264,469	161,794
Other	440,373	332,618
Total revenue of the Group	12,389,960	12,295,967

for the year ended 31 August

in thousands of EUR

	2009	2008
Ticket sales	201,219	195,110
Sales of cargo transport	107,175	159,255
Accommodation sales	9,865	9,766
Restaurant and shop sales on-board and on mainland	428,556	390,126
Income from leases of vessels	16,903	10,340
Other	28,145	21,258
Total revenue of the Group	791,863	785,855

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.

Note 6 OPERATING EXPENSES AND FINANCIAL ITEMS

for the year ended 31 August

Cost of sales	in thousands of EEK		in thousands of EUR		Note
	2009	2008	2009	2008	
Cost of goods	-2,724,772	-2,301,292	-174,145	-147,079	
Port & stevedoring costs	-1,423,007	-1,431,184	-90,947	-91,469	
Fuel cost	-1,417,204	-2,113,547	-90,576	-135,080	
Staff costs	-1,862,403	-1,770,646	-119,029	-113,165	
Ships operating expenses	-1,012,893	-897,735	-64,736	-57,376	
Depreciation and amortisation	-954,435	-822,378	-60,999	-52,560	16, 17
Cost of package sales	-207,175	-206,447	-13,241	-13,194	
Other costs	-210,159	-185,856	-13,431	-11,879	
Total cost of sales	-9,812,048	-9,729,085	-627,104	-621,802	

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for the year ended 31 August

Marketing expenses	in thousands of EEK		in thousands of EUR		Note
	2009	2008	2009	2008	
Advertising expenses	-377,055	-410,870	-24,098	-26,259	
Staff costs	-365,049	-408,077	-23,331	-26,081	
Depreciation and amortisation	-22,499	-15,895	-1,438	-1,016	16, 17
Other costs	-38,487	-16,146	-2,460	-1,032	
Total marketing expenses	-803,090	-850,988	-51,327	-54,388	

for the year ended 31 August

Administrative expenses	in thousands of EEK		in thousands of EUR		Note
	2009	2008	2009	2008	
Staff costs	-339,292	-385,061	-21,685	-24,610	
Depreciation and amortisation	-117,377	-125,993	-7,502	-8,052	16, 17
Other costs	-317,930	-378,323	-20,319	-24,179	
Total administrative expenses	-774,599	-889,377	-49,506	-56,841	

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	
	2009	2008	2009	2008
Wages and salaries	-2,162,854	-2,159,383	-138,232	-138,010
Social security costs	-371,598	-381,880	-23,749	-24,407
Staff training costs	-16,755	-11,085	-1,071	-708
Other staff costs	-15,537	-11,436	-993	-731
Total staff costs	-2,566,744	-2,563,784	-164,045	-163,856

Financial income and financial expenses recognised in profit or loss

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Financial income				
Net foreign exchange gains	0	12,218	0	781
Income from interest rate swaps	0	119,062	0	7,609
Interest income	5,428	11,249	347	719
Other financial income	0	595	0	38
	5,428	143,124	347	9,147
Financial expenses				
Net foreign exchange loss	-17,877	0	-1,142	0
Interest expenses	-821,237	-914,964	-52,487	-58,476
Expenses from derivatives	-301,523	-11,965	-19,271	-765
Other financial expenses	-5,289	-6,403	-338	-409
	-1,145,926	-933,332	-73,238	-59,650
Net finance cost	-1,140,498	-790,208	-72,891	-50,503

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Note 7 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 26,3%, in Latvia 15% and in Russia 22%).

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	
	2009	2008	2009	2008
Current period tax expense				
Swedish subsidiaries	-360	-185	-23	-12
Finnish subsidiaries	0	0	0	0
Latvian subsidiary	-529	-500	-34	-32
Russian subsidiary	-7	-16	0	-1
Total current tax expense	-896	-701	-57	-45
Deferred tax income/ expense				
Swedish subsidiaries	-5,789	81,409	-370	5,203
Finnish subsidiaries	29,541	8,543	1,888	546
Latvian subsidiary	0	313	0	20
Russian subsidiary	0	0	0	0
Total deferred tax income	23,752	90,265	1,518	5,769
Total income tax income	22,856	89,564	1,461	5,724

Reconciliation of effective tax rate

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Profit/-loss for the period	-127,913	303,928	-8,175	19,424
Total income tax	22,856	89,564	1,461	5,724
Profit/-loss before income tax	-150,769	214,364	-9,636	13,700

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Profit/-loss before income tax	-150,769	214,364	-9,636	13,700
Income tax using Parent's domestic tax rate	0	0	0	0
Effect of changes in current tax in foreign jurisdictions	-896	-701	-57	-45
Change in temporary differences	23,752	90,265	1,518	5,769
	22,856	89,564	1,461	5,724

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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	
	2009	2008	2009	2008
Deferred tax assets (non-current asset)	207,455	199,851	13,259	12,773
Deferred tax liabilities (non-current liability)	0	16,147	0	1,032
Unrecognised deferred tax assets of Tallink Finland OY	0	1,549	0	99

Deferred tax assets and liabilities are attributable to the following
as of 31 August

in thousands of EEK

	Assets		Liabilities	
	2009	2008	2009	2008
Tax loss carry-forward ¹	-406,702	-491,804	0	0
Property, plant and equipment	-310	-310	0	96,993
Intangible assets	0	0	199,557	211,417
Tax assets / liabilities	-407,012	-492,114	199,557	308,410
Offset of assets and liabilities	199,557	292,263	-199,557	-292,263
Tax assets / liabilities	-207,455	-199,851	0	16,147

as of 31 August

in thousands of EUR

	Assets		Liabilities	
	2009	2008	2009	2008
Tax loss carry-forward ¹	-25,993	-31,432		0
Property, plant and equipment	-20	-20		6,199
Intangible assets	0	0	12,754	13,512
Tax assets / liabilities	-26,013	-31,452	12,754	19,711
Offset of assets and liabilities	12,754	18,679	-12,754	-18,679
Tax assets / liabilities	-13,259	-12,773	0	1,032

¹ Tax loss carry forward expires in 2013-2018**Movements in temporary differences during the year**

in thousands of EEK

	Balance 31 August 2008	Recognised in profit or loss	Balance 31 August 2009
Tax loss carry-forward	-491,804	85,102	-406,702
Property, plant and equipment	96,683	-96,993	-310
Intangible assets	211,417	-11,860	199,557
	-183,704	-23,751	-207,455

in thousands of EUR

	Balance 31 August 2008	Recognised in profit or loss	Balance 31 August 2009
Tax loss carry-forward	-31,432	5,439	-25,993
Property, plant and equipment	6,179	-6,199	-20
Intangible assets	13,512	-758	12,754
	-11,741	-1,518	-13,259

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Note 8 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 2009 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 31 August 2008	673,817	3,935	669,882
As of 31 August 2009	673,817	3,935	669,882

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Weighted average number of ordinary shares outstanding (in thousands)	669,882	671,245	669,882	671,245
Net profit/-loss attributable to equity holders of the Parent	-127,913	303,928	-8,175	19,424
Basic and diluted EPS (in EEK/EUR per share)	-0.19	0.45	-0.01	0.03

Note 9 CASH AND CASH EQUIVALENTS

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Cash at bank and in hand	694,396	966,094	44,380	61,745
Short-term deposits	87,647	77,691	5,602	4,965
Total cash and cash equivalents	782,043	1,043,785	49,982	66,710

Cash at bank earns interest at floating rates based on daily bank deposit rates (in 2008/2009 the rates were in the range of 0.25-4.49% and in 2007/2008 in the range of 0.25-4.62%).

Short-term deposits are made for varying periods. The maturity dates of short-term deposits recognised in the balance sheet as of 31 August 2009 range from 1 September 2009 (over-night deposits) to 14 October 2009. As of 31 August 2009 and 2008 short-term deposits of 85,100,000 EEK (5,439,000 EUR) and 77,691,000 EEK (4,965,000 EUR) respectively could only be used for repayment of bank loans.

The Group's exposure to interest rate risk is disclosed in Note 26.

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Note 10 RECEIVABLES

as of 31 August	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Trade receivables	443,486	757,837	28,344	48,435
Allowance for doubtful trade receivables (Note 26)	-20,657	-781	-1,320	-50
Receivables from associates	0	27	0	2
Government grants	144,653	212,982	9,245	13,612
Other receivables	227,388	198,372	14,532	12,678
Accrued interest income	2,892	8,905	185	569
Total receivables	797,762	1,177,342	50,986	75,246

During the reporting period 510,470,000 EEK (32,625,000 EUR) was deducted from the cost of sales in connection with government subsidies related to the seamen salaries in Finland and Sweden; 2008: 517,402,000 EEK (33,068,000 EUR).

During the reporting period 20,654,000 EEK (1,320,000 EUR) was expensed as doubtful and uncollectible; 2008: 3,889,000 EEK (249,000 EUR).

The Group's exposure to credit and currency risks to receivables is disclosed in Note 26.

Note 11 PREPAYMENTS

as of 31 August	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Prepaid expenses	131,943	105,649	8,433	6,752
Tax prepayments	47,949	5,873	3,064	375
Total prepayments	179,892	111,522	11,497	7,127

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

as of 31 August	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Tax prepayments				
VAT	47,949	5,873	3,064	375
Total tax prepayments	47,949	5,873	3,064	375

Note 12 INVENTORIES

as of 31 August	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Raw materials (mostly fuel)	49,003	82,522	3,132	5,274
Goods for sale	248,524	275,958	15,883	17,637
Total inventories	297,527	358,480	19,015	22,911

In 2008/2009 the write-down of inventories amounted to 1,349,000 EEK (86,000 EUR) and in 2007/2008 1,325,000 EEK (85,000 EUR) respectively. The write-downs are included in cost of sales.

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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 2009 there were three derivative contracts for fuel outstanding. For more information see Note 26.

Note 13 INVESTMENTS IN ASSOCIATES

In April 2008 AS Tallink Takso increased share capital to 4,000 thousand EEK (256 thousand EUR). AS Tallink Grupp 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 (108 thousand EUR) to share premium. AS Tallink Grupp interest in AS Tallink Takso equity remained 34%. In February 2009 the share capital of AS Tallink Takso was increased. The change in share capital was registered in March 2009. After this transaction AS Tallink Grupp has the same percentage in share capital as before. The payment of 6,120 thousand EEK (391 thousand EUR) was made in February 2009.

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.

In June 2009 Suomen Jakelutiet Oy was liquidated.

The Group has investments in the following associates:
as of 31 August 2009

Name of associate	Country of incorporation	Interest	Acquisition cost in thousands		Equity in thousands	
			EEK	EUR	EEK	EUR
AS Tallink Takso	Estonia	34%	9,180	522	-7,541	-482
Total			9,180	522	-7,541	-482

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Investments at the beginning of financial year	2,222	3,242	142	207
Acquisition of shares	6,120	2,040	391	130
Sales of shares	-782	0	-50	0
Share of loss in associates	-7,560	-3,060	-483	-196
Investments at the end of year	0	2,222	0	142

Key figures of associates

as of 31 August 2009, 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
AS Tallink Takso	34%	2,089	5,699	7,788	11,702	3,627	15,329	21,468	-42,678	-21,219

as of 31 August 2009, 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
AS Tallink Takso	34%	134	364	498	748	232	980	1,372	-2,728	-1,356

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as of 31 August 2008, in thousands of EEK

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

as of 31 August 2008, in thousands of EUR

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

Note 14 OTHER INVESTMENTS AND PREPAYMENTS

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Available-for-sale financial assets	3,348	3,364	214	215
Other receivables	4,316	4,336	276	277
Total other financial assets	7,664	7,700	490	492

Note 15 INVESTMENT PROPERTY

for the year ended 31 August

	in thousands of EEK	in thousands of EUR
Fair value at 31 August 2008	4,694	300
Fair value at 31 August 2009	4,694	300

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.

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Note 16 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 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 4)	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
Additions	866	2,981,980	29,770	-467,248	2,545,368
Exchange rate differences	0	0	-24	-1	-25
Disposals	-12,982	0	-2,316	-394	-15,692
Depreciation for the year	-8,775	-936,263	-53,518	0	-998,556
Book value as of 31 August 2009	108,480	26,841,984	76,817	22,112	27,049,393
As of 31 August 2008					
-gross carrying amount	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
As of 31 August 2009					
-gross carrying amount	140,856	29,239,431	269,278	22,112	29,671,677
- accumulated depreciation	-32,376	-2,397,447	-192,461	0	-2,622,284
in thousands of EUR	Land and buildings	Ships	Plant and equipment	Assets under construction	Total
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 4)	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
Additions	55	190,583	1,903	-29,863	162,678
Exchange rate differences	0	0	-2	0	-2
Disposals	-830	0	-148	-25	-1,003
Depreciation for the year	-561	-59,838	-3,420	0	-63,819
Book value as of 31 August 2009	6,933	1,715,515	4,910	1,413	1,728,771
As of 31 August 2008					
-gross carrying amount	10,170	1,680,031	16,274	31,301	1,737,776
- accumulated depreciation	-1,901	-95,261	-9,697	0	-106,859
As of 31 August 2009					
-gross carrying amount	9,002	1,868,740	17,210	1,413	1,896,365
- accumulated depreciation	-2,069	-153,225	-12,300	0	-167,594

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Assets held under finance lease

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Book value at the beginning of the year	16,095	22,860	1,028	1,461
Additions	1,314	0	84	0
Acquisition of a subsidiary	0	7,672	0	490
Depreciation for the year	-8,425	-14,437	-538	-923
Book value at the end of the year, incl.	8,984	16,095	574	1,028
- cost	67,543	66,676	4,317	4,261
- accumulated depreciation	-58,559	-50,581	-3,743	-3,233

Revaluation of ships

As of 31 August 2006, the Group revalued its ships for the first time (see also Note 3.4.). 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 2009	In thousands of EEK	In thousands of EUR
Cost	29,057,344	1,857,103
Accumulated depreciation	-3,240,316	-207,094
Net carrying amount	25,817,028	1,650,009

31 August 2008	In thousands of EEK	In thousands of EUR
Cost	26,104,661	1,668,392
Accumulated depreciation	-2,371,304	-151,554
Net carrying amount	23,733,357	1,516,838

As of 31 August 2009 the revaluation reserve was decreased by 37,954,000 EEK (2,425,000 EUR), 2008: 37,959,000 EEK (2,426,000 EUR) and retained earnings increased by the same amount.

No revaluation adjustments were accounted for in the reporting period since the Group assessed that the value of ships had not changed significantly. The basis for this assessment were valuations obtained from independent valuers.

As of 31 August 2009 the Group's ships with a book value of 26,841,984,000 EEK (1,715,515,000 EUR), 2008: 24,796,267,000 EEK (1,584,770,000 EUR) were encumbered with first or second ranking mortgages to secure the Group's bank loans (see also Note 18).

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Note 17 INTANGIBLE ASSETS

in thousands of EEK	Goodwill ¹	Trademark ²	Other ³	Total	Note
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	4
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	
Additions	0	0	4,470	4,470	
Amortisation and impairment loss for the year	-10,647	-45,624	-39,484	-95,755	
Book value as of 31 August 2009	173,148	767,533	194,057	1,134,738	

As of 31 August 2008

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

As of 31 August 2009

- cost	173,148	912,009	315,480	1,400,637
- accumulated amortisation	0	-144,476	-121,423	-265,899

in thousands of EUR	Goodwill ¹	Trademark ²	Other ³	Total	Note
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	4
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	
Additions	0	0	286	286	
Amortisation and impairment loss for the year	-681	-2,916	-2,523	-6,120	
Book value as of 31 August 2009	11,066	49,054	12,403	72,523	

As of 31 August 2008

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

As of 31 August 2009

- cost	11,066	58,288	20,163	89,517
- accumulated amortisation	0	-9,234	-7,760	-16,994

¹ Goodwill in the amount of 173,148,000 EEK (11,066,000 EUR) is related to the segment of Estonia-Finland route. In the impairment test of goodwill related to Estonia-Finland routes, the recoverable amount was identified based

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on value in use. Management calculated value in use using the results and margins achieved in the 2008/2009 financial year and a revenue growth rate of 0% p.a. and a discount rate of 6%. According to the impairment test the impairment loss of goodwill in the amount of 10,647,000 EEK (681,000 EUR) is related to the segment of mainland business.

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. For testing purposes the average growth rate of 0%, royalty rate of 2.25% and discount rate of 6% was used.

³ Other intangible assets include the licences and development costs of IT programs of 308,142,000 EEK (19,694,000 EUR). The licenses have finite lives and are amortised over 10 years. Other intangible assets include customer contracts of 7,338,000 EEK (469,000 EUR) recognised in connection with the acquisition of AS HTG Invest. Amortisation of intangible assets is recorded in the consolidated income statement under cost of sales, marketing expenses and administrative expenses.

Note 18 INTEREST-BEARING LOANS AND BORROWINGS

as of 31 August
in thousands of EEK

2009	Maturity	Current portion	Non-current portion	Total borrowings
Liabilities under finance lease	2009-2013	6,062	2,694	8,756
Bank overdraft	2009-2010	721,541	0	721,541
Long-term bank loans	2008-2021	928,157	16,824,933	17,753,090
Total borrowings		1,655,760	16,827,627	18,483,387

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 EUR

2009	Maturity	Current portion	Non-current portion	Total borrowings
Liabilities under finance lease	2009-2013	388	172	560
Bank overdraft	2009-2010	46,115	0	46,115
Long-term bank loans	2008-2021	59,319	1,075,310	1,134,629
Total borrowings		105,822	1,075,482	1,181,304

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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 2009 the Group has a right to use bank overdrafts up to 46,842,000 EUR (2008: 420,000,000 EEK and 15,000,000 EUR). Bank overdrafts are secured with a commercial pledge of 316,120,000 EEK (20,204,000 EUR), 2008: 316,120,000 EEK (20,204,000 EUR) and mortgages on ships (see Note 16). In the year ended 31 August 2009 the average effective interest rate of bank overdrafts was EURIBOR + 2% (2008: EURIBOR + 1.25%). As of 31 August 2009 the balance of overdraft in use amounted to 721,541,000 EEK (46,115,000 EUR), 2008: 517,342,000 EEK (33,064,000 EUR).

In the year ended 31 August 2009 the weighted average interest rate of the Group's bank loans was EURIBOR + 1.37% (2008: EURIBOR + 1.16%).

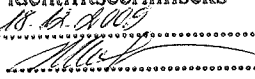
As of 31 August 2009 AS Tallink Grupp has given guarantees to HSH Nordbank AG, Nordea Bank Plc, Skandinaviska Enskilda Banken AB, KfW IPEX Bank, Danske Bank A/S and HSBC Bank Plc. for the loans granted to overseas subsidiaries amounting to 13,939,760,000 EEK (890,913,000 EUR), 2008: 12,510,140,000 EEK (799,544,000 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 3,799,980,000 EEK (242,863,000 EUR), 2008: 4,414,970,000 EEK (282,168,000 EUR). The primary securities for these loans are the pledge of shares of Tallink Silja Oy and mortgages on several Group's ships.

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 2009 amounts to 97,509,000 EEK (6,232,000 EUR), 2008: 90,922,000 EEK (5,811,000 EUR).

In connection with loan agreements with banks, the Group has agreed to comply with financial covenants related to ensuring required equity, liquidity and other ratios. As of 31 August 2009 the Group has met the financial covenants.

The Group's lease liabilities as of 31 August 2009 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 26.

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Obligation under finance lease

in thousands of EEK

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Minimum lease payments				
Within one year	6,062	8,403	388	537
After 1 year, but not more than 5 years	2,694	6,972	172	446
Total minimum lease payments	8,756	15,375	560	983

Note 19 PAYABLES

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Trade payables	676,460	757,000	43,234	48,381
Payables to associates	123	35	8	2
Other payables	10,675	117,084	683	7,483
Payables to employees	346,044	315,790	22,116	20,183
Interest payable	102,958	170,704	6,580	10,910
Tax liabilities	169,473	138,130	10,831	8,828
Other accruals	110,029	122,968	7,032	7,859
Total current payables	1,415,762	1,621,711	90,484	103,646

The Group's exposure to currency and liquidity risks is disclosed in Note 26

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Tax liabilities				
Salary related taxes	116,260	77,684	7,430	4,965
Excise duties	11,016	6,395	704	409
VAT	41,675	53,935	2,664	3,447
Income tax	518	115	33	7
Other taxes	4	1	0	0
Total tax liabilities	169,473	138,130	10,831	8,828

Note 20 DEFERRED INCOME

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Club One points	210,259	205,085	13,438	13,107
Prepaid revenue	121,064	138,752	7,737	8,868
Total deferred income	331,323	343,837	21,175	21,975

The Group measures the liability of the outstanding Club One points in combination of the value of its services and averages of the Club One points used to redeem these services, taken into account also the customers' Club One points usage patterns and points expiry rates. The calculations are performed for each segment.

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Note 21 OTHER LIABILITIES

The Swedish pension liability as of 31 August 2009 in the amount of 1,330,000 EEK (85,000 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 pension liability as of 31 August 2008 was 1,643,000 EEK (105,000 EUR).

Note 22 SHARE CAPITAL AND RESERVES

as of 31 August

	2009	2008
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	
	2009	2008	2009	2008
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 2009, the maximum number of authorised common shares is 2,000,000,000. 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 the shareholders list for given Shareholder's General Meeting.

Common shares grant their holders all the rights provided for under the Estonian Commercial Code - the right to participate in the general meeting, the distribution of profits, and in the distribution of residual assets upon the dissolution of the company; the right to receive information from the management board about the activities of the company; a pre-emptive right to subscribe new shares in proportion to the sum of the par values of the shares already held when share capital is increased, etc.

Reserves

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Translation reserve	-5,067	-882	-324	-56
Ships' revaluation reserve	1,024,956	1,062,910	65,507	67,932
Cash flow hedge reserve	-422	0	-27	0
Mandatory legal reserve	170,074	154,175	10,869	9,853
Reserve for treasury shares	-65,132	-65,132	-4,163	-4,163
Total reserves	1,124,409	1,151,071	71,862	73,566

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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. The ships' 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 Estonian 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

Reserve for treasury shares comprises the cost of the AS Tallink Grupp's shares held by the Group. At 31 August 2009 the Group held 3,935 thousand of the AS Tallink Grupp's shares (2008: 3,935 shares).

Note 23 CONTINGENCIES AND COMMITMENTS**Legal claims**

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 19,647,000 EEK (1,256,000 EUR) and of AS Hansatee Cargo claim 11,801,000 EEK (754,000 EUR). As the above cases were connected with each other, the court decided to consolidate these.

Administration Court of Tallinn did not satisfy the claim by its decision of 20.10.2008. AS Tallink Grupp and AS Hansatee Cargo filed appeals that were not satisfied by the decision of the Tallinn Circuit Court of 30.06.2009. On 29.07.2009 AS Tallink Grupp and AS Hansatee Cargo filed appeals in cassation to the Supreme Court. It was decided not to accept the appeal in cassation by the ruling of the Supreme Court of 25.11.2009.

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 33,554,000 EEK (2,144,000 EUR). 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-

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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.

AS Tallink Grupp filed an administrative appeal to the Administrative Court of Tallinn claiming the abolishing of payment notices no 1 and 2 issued by the Estonian Maritime Administration on 13.01.2009- altogether in the sum of 17,780,000 EEK (1,136,000 EUR). AS Hansatee Cargo filed an administrative appeal to the Administrative Court of Tallinn claiming the abolishing of payment notices no 7 and 8 issued by the Estonian Maritime Administration on 04.02.2009- altogether in the sum of 15,756,000 EEK (1,007,000 EUR). The court joined the above mentioned administrative matters and issued a decision on 05.06.2009 by which it abolished the payment notices no 1 and 2 of the Estonian Maritime Administration, issued on 13.01.2009 and the payment notices no 7 and 8, issued on 04.02.2009. At the same time the Administrative Court initiated constitutional review proceedings in the Supreme Court addressing the provisions of some legal acts and other legislation. In 20.10.2009 the Supreme Court decided that the legal acts indicated in the application of the Administrative Court are in conflict with the Constitution.

The above lawsuits or appeals filed against or by the Group have not been recorded in the financial statements since the impact, if any, to the result of the Group is not yet determinable or is immaterial.

Income tax on dividend

The Group's retained earnings as of 31 August 2009 were 2,183,439,000 EEK (139,547,000 EUR), 2008: 2,289,297,000 EEK (146,313,000 EUR). At 31 August 2009, the maximum income tax liability, which would arise if retained earnings were fully distributed was 458,522,000 EEK (29,304,000 EUR), 2008: 480,752,000 EEK (30,726,000 EUR). The maximum income tax liability has been calculated using the income tax rate effective for dividends paid out before 1 January 2011 (2008: 1 January 2009) under the assumption that the dividend and the related income tax expense cannot exceed the amount of retained earnings as of 31 August 2009 (2008: 31 August 2008).

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 4). OÜ Delegatsioon has 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 has the right to increase lease payments 2.5% every year.

On 29 September 2008 the Group concluded a non-cancellable lease agreement on the hotel building of Hansa Hotell. The lease period of 10 years started in January 2009. The Group has an option to renew the agreement for further 10 years. The non-cancellable lease payment from 01 January 2009 to 31 August 2009 was 6,258,640 EEK (400,000 EUR), from 01 September 2009 to 31 August 2010 11,734,950 EEK (750,000 EUR). From 01 September lease payment will increase 2.5% every financial year.

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On 13 November 2008 the Group concluded Preliminary Lease Contract with SIA Happy Trails on a hotel building in Riga. The lease period is 10 years starting from the day when the Group commences the hotel services in the hotel building. The annual non-cancellable lease payment will be 51,633,780 EEK (3,300,000 EUR).

Note 24 RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are related if one controls the other or exerts significant influence on the other party's operating decisions. Related parties include:

The companies controlled by shareholders whose ownership interest exceeds 20%

See below for transactions with AS Infortar, AS Vaba Maa, AS HT Valuuta, OÜ Gastrolink, Gastrolink Finland OY, OÜ Sunbeam, OÜ TOP Kinnisvara, OÜ Fastinvest, OÜ Hansa Hotell and AS HTG Vara. There have been no transactions with other companies controlled by AS Infortar, i.e. AS Tailwind, OÜ Inforte, OÜ Inf Invest, OÜ Inf Maja and AS Infor Invest.

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.

Associated companies

See below for transactions with AS Tallink Takso and Searail EEIG.

The Group has entered into following transactions with related parties and has 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
2009				
AS Infortar - services	1,755	1,148	3	0
AS HT Valuuta - services	2,841	0	0	0
AS Vara HTG - leases	0	40,727	0	0
OÜ Sunbeam - leases	0	47,906	0	2,000
OÜ Topspa Kinnisvara - leases	0	39,708	0	3,643
OÜ Mersok - leases	0	144	0	14
OÜ Hansa Hotell - leases	0	6,469	0	0
OÜ Fastinvest - leases	0	6,461	0	0
AS Vaba Maa - services	123	8,658	13	185
AS Gastrolink - goods	29	9,709	0	803
Eesti Laevaomanike Liit-membership	0	171	0	0
AS Tallink Takso - services	1	898	0	123

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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

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
2009				
AS Infortar - services	112	73	0	0
AS HT Valuuta - services	182	0	0	0
AS Vara HTG - leases	0	2,603	0	0
OÜ Sunbeam - leases	0	3,062	0	128
OÜ Topspa Kinnisvara - leases	0	2,538	0	233
OÜ Mersok - leases	0	9	0	1
OÜ Hansa Hotell - leases	0	413	0	0
OÜ Fastinvest - leases	0	413	0	0
AS Vaba Maa - services	8	553	1	12
AS Gastrolink - goods	2	621	0	51
Eesti Laevaomanike Liit-membership	0	11	0	0
AS Tallink Takso - services	0	57	0	8
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

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Directors' remuneration and termination benefits


In the 2008/2009 and 2007/2008 financial years, the remuneration of the members of the management board totalled 14,052,000 EEK (898,000 EUR) and 27,765,000 EEK (1,775,000 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 2009 the maximum amount of such benefits was 10,728,000 EEK (686,000 EUR) compared to: 13,410,000 EEK (857,000 EUR) in 2008.

Note 25 GROUP ENTITIES

Group entities	Interest As of 31 August 2009	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%	Estonia	AS Tallink Grupp
OÜ TLG Meedia	-	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
Tallin-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

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Ingleby (1699) Ltd.	100%	100%	UK	AS Tallink Grupp
OÜ HT Hulgi Tolliladu	100%	100%	Estonia	AS Tallink Duty Free
OÜ TDF Kommerts	-	100%	Estonia	AS Tallink Duty Free
Tallink Sverige AB	-	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%	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%	Sweden	Sea Wind Line Oy
Exlaw Oy	100%	100%	Finland	Tallink Silja Oy
Nimtakos Oy	100%	100%	Finland	Neptun Juridica Oy
OÜ Hera Salongid	100%	100%	Estonia	OÜ TLG Hotell
SIA HT Shipmanagement	100%	100%	Latvia	OÜ HT Laevateenindus

Note 26 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.


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:

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	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Available-for-sale financial assets	3,348	3,364	214	215
Cash and cash equivalents	782,043	1,043,785	49,982	66,710
Receivables	802,078	1,181,678	51,262	75,523
Interest rate swaps used for hedging:				
Assets	6,493	51,884	415	3,316
<i>Total</i>	1,593,962	2,280,711	101,873	145,764

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 agents or customers 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 customer with credit request is analysed individually for creditworthiness before the Group's payment terms and conditions are offered. Some customers 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	
	2009		2009	
	Gross	Impairment	Gross	Impairment
Not past due	249,961	0	15,976	0
Past due 0-30	104,660	0	6,689	0
Past due 31-90	49,200	-255	3,144	-16
Past due 91- one year	33,177	-14,107	2,120	-902
Past due over one year	6,488	-6,295	415	-402
<i>Total</i>	443,486	-20,657	28,344	-1,320

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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
<i>Total</i>	757,837	-781	48,435	-50

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Balance at 31 August	781	981	50	63
Impairment loss recognised	19,876	-200	1,270	-13
Balance at 31 August	20,657	781	1,320	50

Financial derivatives with positive fair 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.

Derivatives with a positive fair value for the Group was equivalent to 6,493,000 EEK (415,000 EUR) as of 31 August 2009 and 51,884,000 EEK (3,316,000 EUR) as of 31 August 2008.

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 three 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:

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In thousands of EEK

2009	< 1 year	1-2 years	2-5 years	>5 years	Total
Non derivative financial liabilities					
Finance lease liabilities	-6 062	-2 694	0	0	-8 756
Bank overdraft	0	-721 541	0	0	-721 541
Secured bank loans repayments	-944 241	-1 024 665	-7 631 473	-8 325 947	-17 926 326
Interest payments ⁽¹⁾	-763 648	-741 711	-1 895 805	-935 432	-4 336 596
Derivative financial liabilities					
Interest rate swaps ⁽²⁾	-85 759	-63 369	-26 552	56 625	-119 055
Total	-1 799 710	-2 553 980	-9 553 830	-9 204 754	-23 112 274
2008	< 1 year	1-2 years	2-5 years	>5 years	Total
Non derivative financial liabilities					
Finance lease liabilities	-8,403	-6,972	0	0	-15,375
Bank overdraft	-340,545	-176,797	0	0	-517,342
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	-4,141,967
Derivative financial liabilities					
Interest rate swaps	-9,325	-24,925	20,481	43,732	29,963
Total	-2,927,335	-2,460,772	-6,727,396	-9,695,416	-21,810,919

as of 31 August

In thousands of EUR

2009	< 1 year	1-2 years	2-5 years	>5 years	Total
Non derivative financial liabilities					
Finance lease liabilities	-388	-172	0	0	-560
Bank overdraft	0	-46 115	0	0	-46 115
Secured bank loans repayments	-60 348	-65 488	-487 740	-532 125	-1 145 701
Interest payments ⁽¹⁾	-48 806	-47 404	-121 164	-59 785	-277 159
Derivative financial liabilities					
Interest rate swaps ⁽²⁾	-5 481	-4 050	-1 697	3 619	-7 609
Total	-115 023	-163 229	-610 601	-588 291	-1 477 144
2008	< 1 year	1-2 years	2-5 years	>5 years	Total
Non derivative financial liabilities					
Finance lease liabilities	-537	-446	0	0	-983
Bank overdraft	-21,765	-11,299	0	0	-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	-596	-1,593	1,309	2,795	1,915
Total	-187,091	-157,272	-429,959	-619,650	-1,393,972

⁽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.

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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 as these are the operational currencies on some 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 SEK related currency derivative instruments outstanding.

The following tables present the Group's net position in the currency exposure as of 31 August 2009 and 2008:

In thousands of EEK

2009	EEK	EUR	USD	SEK	LVL	Other	Total
Cash and cash equivalents	10,317	685,965	439	69,228	5,483	10,611	782,043
Trade receivables, net of allowance	23,075	343,440	0	50,690	104	5,520	422,829
Other financial assets	7,710	425,965	0	0	16	0	433,691
	41,102	1,455,370	439	119,918	5,603	16,131	1,638,563
Current portion of borrowings	-416,020	-1,239,740	0	0	0	0	-1,655,760
Trade payables	-91,957	-480,349	-21,455	-70,733	-10,479	-1,487	-676,460
Other current payables	-187,254	-702,947	0	-15,264	-13,535	-144	-919,144
Non-current portion of borrowings	-3,852	-16,823,775	0	-1,330	0	0	-16,828,957
	-699,083	-19,246,811	-21,455	-87,327	-24,014	-1,631	-20,080,321
Currency net position, EEK	-657,981	-17,791,441	-21,016	32,591	-18,411	14,500	-18,441,758

as of 31 August

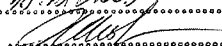
In thousands of EEK

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

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as of 31 August

In thousands of EUR

2009	EEK	EUR	USD	SEK	LVL	Other	Total
Cash and cash equivalents	659	43,841	28	4,425	351	678	49,982
Trade receivables, net of allowance	1,475	21,950	0	3,239	7	353	27,024
Other financial assets	492	27,224	0	0	1	0	27,717
	2,626	93,015	28	7,664	359	1,031	104,723
Current portion of borrowings	-26,589	-79,233	0	0	0	0	-105,822
Trade payables	-5,877	-30,700	-1,371	-4,521	-670	-95	-43,234
Other current payables	-11,968	-44,926	0	-976	-865	-9	-58,744
Non-current portion of borrowings	-246	-1,075,236	0	-85	0	0	-1,075,567
	-44,680	-1,230,095	-1,371	-5,582	-1,535	-104	-1,283,367
Currency net position, EUR	-42,054	-1,137,080	-1,343	2,082	-1,176	927	-1,178,644

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

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.

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	
	2009	2008	2009	2008
Fixed rate financial liabilities	1,332,835	1,469,376	85 184	93,911
Variable rate financial liabilities	17,150,552	16,055,199	1,096,120	1,026,114
Total	18,483,387	17,524,575	1,181,304	1,120,025

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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 was performed on the same basis for 2008.

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
100 basis point increase	-171,506	-160,552	-10,961	-10,261
100 basis point decrease	171,506	160,552	10,961	10,261

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.

as of 31 August

In thousands of EEK

	2009	< 1 year	1-2 years	2-5 years	>5 years	Total
Expected		-85 759	-63 369	-26 552	56 625	-119 055
100 basis point increase		42 246	42 246	93 880	78 233	256 604
100 basis point decrease		-42 246	-42 246	-93 880	-78 233	-256 604

as of 31 August

In thousands of EUR

	2009	< 1 year	1-2 years	2-5 years	>5 years	Total
Expected		-5 481	-4 050	-1 697	3 619	-7 609
100 basis point increase		2 700	2 700	6 000	5 000	16 400
100 basis point decrease		-2 700	-2 700	-6 000	-5 000	-16 400

as of 31 August

In thousands of EEK

	2008	< 1 year	1-2 years	2-5 years	>5 years	Total
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

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as of 31 August

In thousands of EUR

2008	< 1 year	1-2 years	2-5 years	>5 years	Total
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

A 10 percent strengthening of the euro/kroon against the following currencies at 31 August would have increased (decreased) profit or loss by the amounts shown below. This sensitivity analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2008.

as of 31 August

2009	Profit or loss	
	In thousands of EEK	In thousands of EUR
USD	2,102	134
SEK	-3,259	-208
LVL	1,841	118
Other	-1,450	-93

as of 31 August

2008	Profit or loss	
	In thousands of EEK	In thousands of EUR
USD	1,175	75
SEK	-30,791	-1,968
LVL	65	4
Other	-2,501	-160

Fair values of financial instruments

In the opinion of the Group's management there are no significant 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

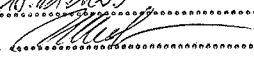
All derivative financial instruments are recognized as assets or liabilities. They are stated at fair value regardless of their purpose. Many transactions constitute economic hedges but do not qualify for hedge accounting under IAS 39. Changes in the fair value of these derivative financial instruments 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.

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

as of 31 August

In thousands of EEK

	Maturity	2009		2008	
		Notional amount	Fair value	Notional amount	Fair value
Interest rate swap	2014	1,564,660	-7,823	1,564,660	37,067
Interest rate swap	2012	1,564,660	-149,550	1,564,660	14,817
Interest rate swaption	2020	1,211,657	-4,663	1,211,657	-5,351
Interest rate swap	2018	1,095,262	-8,965	0	0
Fuel swap	2009	39,179	-3,896	0	0
Fuel swap	2009	73,602	-3,020	0	0
Fuel swap	2009	64,088	6,493	0	0
Foreign exchange rate swap	2008	0	0	156,466	0
Foreign exchange rate swap	2010	294,328	-1,925	0	0
Total derivatives with positive value			6,493		51,884
Total derivatives with negative value			-179,842		-5,351

as of 31 August

In thousand of EUR

	Maturity	2009		2008	
		Notional amount	Fair value	Notional amount	Fair value
Interest rate swap	2014	100,000	-500	100,000	2,369
Interest rate swap	2012	100,000	-9,558	100,000	947
Interest rate swaption	2020	77,439	-298	77,439	-342
Interest rate swap	2018	70,000	-573	0	0
Fuel swap	2009	2,504	-249	0	0
Fuel swap	2009	4,704	-193	0	0
Fuel swap	2009	4,096	415	0	0
Foreign exchange rate swap	2008	0	0	10,000	0
Foreign exchange rate swap	2010	18,811	-123	0	0
Total derivatives with positive value			415		3,316
Total derivatives with negative value			-11,494		-342

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 made 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. From time to time the Group purchases its own shares on the

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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 has not executed the share option programme and 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 27 EVENTS AFTER THE BALANCE SHEET DATE

In September 2009 the Group established a new subsidiary SIA TLG Hotel Latvija. The new subsidiary was established to provide hotel services in Latvia.

In November 2009 AS Tallink Takso increased share capital. AS Tallink Group made a 9,180 thousand EEK (587 thousand EUR) contribution to AS Tallink Takso, 1,020 thousand EEK (65 thousand EUR) to share capital and 8,160 thousand EEK (522 thousand EUR) to share premium. AS Tallink Grupp interest in AS Tallink Takso equity remained 34%

In October 2009 the Group sold high speed craft Tallink Autoexpress 2 to Venezuelan company Consolidada de Ferrys .C.A.. The profit from the sale is not significant to the consolidated results of AS Tallink Grupp.

In December the Group signed amendments to the loan agreements whereby the loan repayment schedules were amended with the effective date of 31 August 2009.

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Note 28 PRIMARY STATEMENTS OF THE PARENT

INCOME STATEMENT

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008 (Restated)	2009	2008 (Restated)
Revenue	5,308,059	5,774,440	339,247	369,054
Cost of sales	-4,955,068	-5,510,653	-316,687	-352,195
Gross profit	352,991	263,787	22,560	16,859
Marketing expenses	-228,527	-342,300	-14,606	-21,877
Administrative expenses	-200,362	-201,687	-12,805	-12,890
Other operating income	296,467	259,436	18,948	16,581
Other operating expenses	-760	-197,542	-49	-12,625
Results from operating activities	219,809	-218,306	14,048	-13,952
Financial income	1,619	127,745	103	8,164
Financial expenses	-1,166,582	-831,491	-74,558	-53,142
Gain from investments in subsidiaries	11,197	2,920,594	716	186,660
Share of loss of associates	-6,120	-3,060	-391	-195
Net profit/-loss for the financial year	-940,077	1,995,482	-60,082	127,535

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BALANCE SHEET


as of 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008 (Restated)	2009	2008 (Restated)
ASSETS				
Current assets				
Cash and cash equivalents	325,936	590,589	20,831	37,746
Receivables and prepayments	2,049,933	2,296,799	131,014	146,792
Derivatives	6,493	51,884	415	3,316
Tax assets	28	479	2	31
Inventories	125,554	155,628	8,024	9,946
	2,507,944	3,095,379	160,286	197,831
Non-current assets				
Investments in subsidiaries	1,922,695	1,502,273	122,883	96,013
Investments in associates	3,560,620	0	227,565	0
Other financial assets and prepayments	295	5,067,977	19	323,902
Property, plant and equipment	10,430,346	11,015,097	666,621	703,993
Intangible assets	157,869	175,789	10,090	11,235
	16,071,825	17,761,136	1,027,178	1,135,143
TOTAL ASSETS	18,579,769	20,856,515	1,187,464	1,332,974
LIABILITIES AND EQUITY				
Current liabilities				
Interest-bearing loans and borrowings	1,627,684	1,605,319	104,028	102,599
Payables and deferred income	1,377,048	2,421,361	88,009	154,753
Derivatives	179,842	5,351	11,494	342
Tax liabilities	46,228	51,535	2,955	3,294
	3,230,802	4,083,566	206,486	260,988
Non-current liabilities				
Interest-bearing loans and borrowings	10,139,014	10,622,497	648,001	678,901
	10,139,014	10,622,497	648,001	678,901
Total liabilities	13,369,816	14,706,063	854,487	939,889
Equity				
Share capital	6,738,170	6,738,170	430,648	430,648
Share premium	9,999	9,999	639	639
Reserves	104,520	89,043	6,680	5,690
Retained earnings	-1,642,736	-686,760	-104,990	-43,892
	5,209,953	6,150,452	332,977	393,085
TOTAL LIABILITIES AND EQUITY	18,579,769	20,856,515	1,187,464	1,332,974

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STATEMENT OF CASH FLOWS

for the year ended 31 August

	in thousands of EEK		in thousands of EUR	
	2009	2008	2009	2008
Cash flows from/ used in operating activities				
Net profit/-loss for the financial	-940,077	1,995,482	-60,082	127,535
Adjustments	2,047,447	-1,007,469	130,855	-64,390
Depreciation	1,200,586	1,157,944	76,731	74,006
Net interest expense	1,146,647	710,190	73,284	45,389
Income from subsidiaries	-11,197	-2,920,594	-716	-186,660
Net gain/loss on disposals of tangible and intangible assets	-294,709	41,931	-18,835	2,680
Other adjustments	6,120	3,060	391	195
Changes in assets related to operating activities	1,017,903	-2,239,863	65,056	-143,153
Change in inventories	30,074	-80,726	1,922	-5,159
Changes in liabilities related to operating activities	-1,063,723	3,319,442	-67,984	212,151
	1,091,624	1,986,866	69,767	126,984
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets	-18,412	-192,759	-1,177	-12,320
Proceeds from disposals of property, plant, equipment	0	4	0	0
Repayments of granted loans	816,583	179,397	52,189	11,466
Loans granted	-85,040	-311,531	-5,435	-19,910
Acquisition of subsidiaries	-425,002	-265,134	-27,162	-16,945
Acquisition of associates	-6,120	-2,040	-391	-130
Proceeds from subsidiaries	15,777	0	1,008	0
Proceeds / payments from settlement of derivatives	-62,514	45,879	-3,995	2,932
Interest received	915	2,610	58	167
	236,187	-543,574	15,095	-34,740
Cash flows from/ used in financing activities				
Repurchase of treasury shares	0	-65,132	0	-4,163
Redemption of loans	-53,824	-95,004	-3,440	-6,072
Change in overdraft	209,759	467,055	13,406	29,850
Repayment of finance lease liabilities	-902,272	-856,915	-57,666	-54,767
Interest paid	-846,127	-818,416	-54,077	-52,306
	-1,592,464	-1,368,412	-101,777	-87,458
TOTAL NET CASH FLOW	-264,653	74,880	-16,915	4,786
Cash and cash equivalents:				
- at the beginning of period	590,589	515,709	37,746	32,960
- increase / decrease	-264,653	74,880	-16,915	4,786
- at the end of period	325,936	590,589	20,831	37,746

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The notes on pages 32 to 97 are an integral part of these consolidated financial statements. 18.12.2009 95

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STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August, in thousands of EEK

	Share capital	Share premium	Cash flow hedge reserve	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Total equity
As of 31 August 2007 according to IFRS	6,738,170	9,999	0	101,710	0	-2,559,561	4,290,318
Adoption of IFRIC 13	0	0	0	0	0	-70,216	-70,216
As of 31 August 2007 (Restated)	6,738,170	9,999	0	101,710	0	-2,629,777	4,220,102
Treasury shares acquired	0	0	0	0	-65,132	0	-65,132
Distribution of profit for 2006/2007	0	0	0	52,465	0	-52,465	0
Net profit for the financial year 2007/2008	0	0	0	0	0	1,995,482	1,995,482
As of 31 August 2008 according to IFRS	6,738,170	9,999	0	154,175	-65,132	-686,760	6,150,452
Adjustments according to the Estonian Accounting Act	0	0	0	0	0	2,976,057	2,976,057
As of 31 August 2008 according to the Estonian Accounting Act	6,738,170	9,999	0	154,175	-65,132	2,289,297	9,126,509
Net loss from cash flow hedges	0	0	-422	0	0	0	-422
Distribution of profit for 2007/2008	0	0	0	15,899	0	-15,899	0
Net loss for financial year 2008/2009	0	0	0	0	0	-940,077	-940,077
As of 31 August 2009 according to IFRS	6,738,170	9,999	-422	170,074	-65,132	-1,642,736	5,209,953
Adjustments according to the Estonian Accounting Act	0	0	0	0	0	3,826,175	3,826,175
As of 31 August 2009 according to the Estonian Accounting Act	6,738,170	9,999	-422	170,074	-65,132	2,183,439	9,036,128

for the year ended 31 August, in thousands of EUR

The notes on pages 32 to 97 are an integral part of these consolidated financial statements.

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	Share capital	Share premium	Cash flow hedge reserve	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Total equity
As of 31 August 2007	430,648	639	0	6,500	0	-163,586	274,201
Adoption of IFRIC 13	0	0	0	0	0	-4,488	-4,488
As of 31 August 2007 (Restated)	430,648	639	0	6,500	0	-168,074	269,713
Treasury shares acquired	0	0	0	0	-4,163	0	-4,163
Distribution of profit 2006/2007	0	0	0	3,353	0	-3,353	0
Net profit for the financial year 2007/2008	0	0	0	0	0	127,535	127,535
As of 31 August 2008	430,648	639	0	9,853	-4,163	-43,892	393,085
Adjustments according to the Estonian Accounting Act	0	0	0	0	0	190,205	190,205
As of 31 August 2008 according to the Estonian Accounting Act	430,648	639	0	9,853	-4,163	146,313	583,290
Net loss from cash flow hedges	0	0	-26	0	0	0	-26
Distribution of profit 2007/2008	0	0	0	1,016	0	-1,016	0
Net loss for financial year 2008/2009	0	0	0	0	0	-60,082	-60,082
As of 31 August 2009	430,648	639	-26	10,869	-4,163	-104,990	332,977
Adjustments according to the Estonian Accounting Act	0	0	0	0	0	244,537	244,537
As of 31 August 2009 according to the Estonian Accounting Act	430,648	639	-26	10,869	-4,163	139,547	577,514

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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 2009, 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 26 to 97.

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 2009, 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, 18 December 2009

KPMG Baltics AS

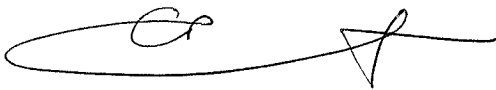
Andres Root
Authorized Public Accountant

Eero Kaup
Authorized Public Accountant

PROFIT ALLOCATION PROPOSAL

The management board of AS Tallink Grupp proposes to present to the shareholders' general meeting the following profit allocation proposal of AS Tallink Grupp:

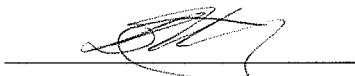
- i) the loss for the financial year 1 September 2008 – 31 August 2009 of EEK 127,913,000 to be covered with retained earnings;
- ii) no dividend distributions to shareholders.



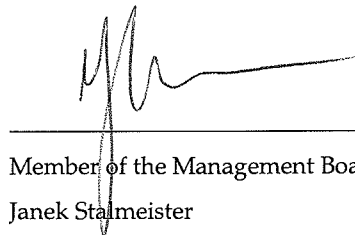
Chairman of the Management Board
Enn Pant



Vice Chairman of the Management Board
Andres Hunt



Member of the Management Board
Lembit Kitter



Member of the Management Board
Janek Stalmeister

Tallinn, 18.12.2009

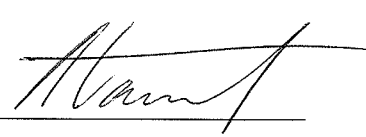
SIGNATURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY COUNCIL TO THE ANNUAL REPORT

The supervisory council of AS Tallink Grupp has reviewed the annual report of AS Tallink Grupp for the financial year 2008/2009 and has approved it for presentation to the shareholders' general meeting. This annual report is signed by all members of the management board and supervisory council.


Chairman of the Supervisory Council

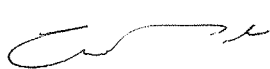
Toivo Ninnas

Date: 18.12.2009


Member of the Supervisory Council

Ain Hanschmidt

Date: 18.12.2009


Member of the Supervisory Council

Eve Pant

Date: 18.12.2009


Member of the Supervisory Council

Lauri Kustaa Äimä

Date: 18.12.2009


Member of the Supervisory Council

Achwin Roy

Date: 18.12.2009


Member of the Supervisory Council

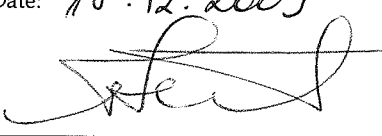
Kalev Järvelill

Date: 18.12.2009


Chairman of the Management Board

Enn Pant

Date: 18.12.2009


Vice Chairman of the Management Board

Andres Hunt

Date: 18.12.2009


Member of the Management Board

Lembit Kitter

Date: 18.12.2009


Member of the Management Board

Janek Stalmeister

Date: 18.12.2009