

# AS TALLINK GRUPP

## Unaudited Interim Consolidated Financial Statements for the first nine months of the 2010/2011 financial year

**1 September 2010 - 31 May 2011**

Beginning of the financial year	1. September 2010
End of the financial year	31. December 2011
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Primary activity	maritime transportation (passenger and cargo transportation)
Auditor	KPMG Baltics AS



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## MANAGEMENT REPORT

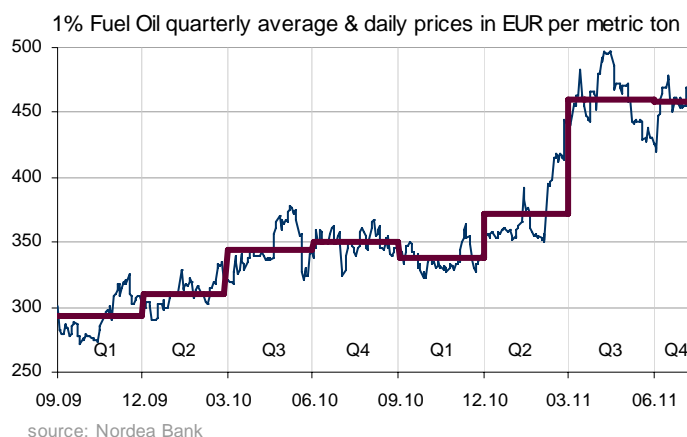
The revenue of AS Tallink Grupp and its subsidiaries' (the Group) continued to grow in the third quarter of 2010/2011 financial year (01.03.2011-31.05.2011) in support of the improved revenue per passenger and higher cargo sales from increased cargo units. At the same time the increase was noticeable also in the costs. The quarter started in harsh ice conditions in March and the significantly risen fuel price was dominant throughout the whole quarter.

The Group transported 2 098 356 passengers in the third quarter of 2010/2011 financial year which is 2.7% less than in the same period of the previous financial year as a consequence of different campaigns and tactics in the product offering between the months of second and third quarter. On a cumulative basis the Group has transported 9% more passengers during the nine months of the current financial year compared to the same period of previous financial year. The fourth quarter high season has also started off with a strong 10% year on year increase in the passenger volume.

In the third quarter the positive development continued in the cargo transportation. Derived mainly from the growing economies in the region the Group's cargo units rose to 76 366 which is 11% more than year ago.

In the third quarter of the 2010/2011 financial year the Group's unaudited consolidated revenue was EUR 209.5 million which is EUR 7.1 million or 3.5% more than in the third quarter of the previous financial year. Cargo sales increased by EUR 4.2 million or 17.1% and ticket sales by EUR 2.6 million or 5.2% compared to the third quarter of the previous financial year. Ticket revenue per passenger improved by EUR 1.9 and restaurant and shop sales per passenger by EUR 1.1 which are respectively 8.1% and 2.0% better than year ago.

However, the increase in the revenue in the third quarter did not outperform the increase in the costs and the Group's earnings were lower than year ago. The largest impact to the cost development came from the increased fuel price. The Group's ship fuel is priced in relation to the market price of 1% Fuel Oil. On average the fuel oil price in the third quarter was 33% higher than last year.



In the third quarter of 2010/2011 financial year the Group's fuel cost increased by EUR 10.3 million compared to the third quarter of previous financial year. Fuel surcharge was added to the passenger tickets starting from June 2011 which together with the existing fuel surcharge system for the cargo is estimated to provide higher compensation to the fuel cost increase in the fourth quarter and onwards.

<b>Fuel cost increase impact to the results</b>	Q3	9 months
	in EUR millions	
Change in revenue	+7.1	+59.6
<b>Change in operating result before fuel cost</b>	<b>+3.1</b>	<b>+22.1</b>
Change in fuel cost	-10.3	-21.1
<b>Change in operating result</b>	<b>-7.2</b>	<b>+1</b>

The Group's sales and marketing activities during the current financial year have played important role in the overall positive passenger number and revenue growth. In the third quarter the Group's marketing expenses increased by EUR 2.8 million partly in preparation for the high season which has already shown good payoff in the June passenger bookings.

The Group's EBITDA in the third quarter of the 2010/2011 financial year was EUR 22.7 million which is EUR 7.2 million or a 24% decrease compared to the third quarter of the previous financial year. In the first nine months of the current financial year the Group's EBITDA is EUR 68.4 million being EUR 1 million higher than year ago. In the third quarter the Group's unaudited consolidated net loss was EUR 7.3 million compared to the net loss of EUR 3.0 million last year. In the first nine months of the current financial year the net loss is EUR 15.6 million whereas in the same period of the previous financial year the net loss was EUR 20.6 million.

The increase in the Group's revenues in the third quarter met the management expectations however the sharply increased fuel costs deteriorated the final result.

KEY FIGURES		Q3 2010/2011	Q3 2009/2010	change
Revenue	EUR million	209.5	202.4	3%
Gross profit	EUR million	30.2	36.8	-18%
Gross margin		14%	18%	
EBITDA	EUR million	22.7	30.0	-24%
EBITDA margin		11%	15%	
Net profit / -loss	EUR million	-7.3	-3.0	-144%
Net profit margin		-3.5%	-1.5%	
Depreciation & amortisation	EUR million	17.8	17.9	-0%
Investments	EUR million	4.0	1.3	308%
Weighted average number of shares outstanding*		669 882 040	669 882 040	0%
Earnings per share	EUR	-0.01	-0.00	-144%
Number of passengers		2 098 356	2 156 448	-3%
Number of cargo units		76 366	68 991	11%
Average number of employees		6 676	6 429	4%

		31.05.2011	28.02.2011	
Total assets	EUR million	1 827	1 822	0.3%
Total liabilities	EUR million	1 175	1 163	1.1%
Interest bearing liabilities	EUR million	1 034	1 033	0.1%
Total equity	EUR million	651	659	-1.1%
Equity ratio		36%	36%	
Number of shares outstanding*		669 882 040	669 882 040	0%
Shareholders' equity per share	EUR	1.0	1.0	

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

EBITDA margin – EBITDA / net sales;

Gross margin – gross profit / net sales;

Net profit margin – net profit / net sales;

Equity ratio – total equity / total assets;

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

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

\* Share numbers exclude own shares.

## SALES & SEGMENT RESULTS

The following table provides an overview of the quarterly sales development by operational segments:

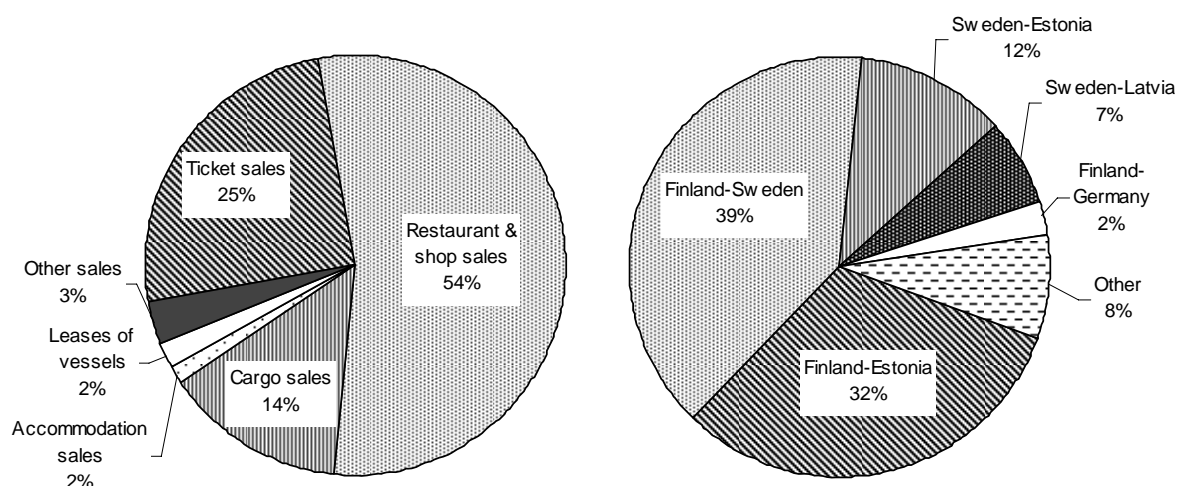
in EUR millions	Q3 09/10	Q4 09/10	Q1 09/10	Q2 10/11	Q3 10/11	Q3 change y-o-y
Ticket sales	49.9	88.6	51.0	42.6	<b>52.4</b>	5.2%
Restaurant & shop sales	115.0	136.4	108.7	109.7	<b>114.1</b>	-0.8%
Cargo sales	24.5	26.0	29.6	23.3	<b>28.7</b>	17.1%
Accommodation sales	2.6	4.6	2.9	2.5	<b>3.4</b>	31.2%
Leases of vessels	3.4	4.9	3.8	5.0	<b>3.6</b>	6.2%
Other sales	7.1	11.7	7.1	5.6	<b>7.2</b>	2.2%
<b>Total revenue</b>	<b>202.4</b>	<b>272.1</b>	<b>203.0</b>	<b>188.8</b>	<b>209.5</b>	<b>3.5%</b>

The following table provides an overview of the quarterly sales and result development by geographical segments:

			Q3 09/10	Q4 09/10	Q1 09/10	Q2 10/11	Q3 10/11	Q3 change y-o-y
<b>Finland-</b>	Passengers	th.	982	1 236	968	912	<b>996</b>	1.5%
<b>Estonia</b>	Cargo units	th.	30	27	27	24	<b>30</b>	-1.7%
	Revenue	mil.EUR	63.4	72.6	65.7	58.5	<b>66.9</b>	5.6%
	Segment result	mil.EUR	20.2	25.6	19.1	13.4	<b>18.5</b>	-8.4%
<b>Finland-</b>	Passengers	th.	772	1 054	696	709	<b>712</b>	-7.8%
<b>Sweden</b>	Cargo units	th.	24	23	26	23	<b>26</b>	10.7%
	Revenue	mil.EUR	86.8	116.7	81.8	81.3	<b>83.5</b>	-3.9%
	Segment result	mil.EUR	5.9	29.4	4.5	2.9	<b>0.4</b>	-94.0%
<b>Sweden-</b>	Passengers	th.	241	285	178	229	<b>214</b>	-11.0%
<b>Estonia</b>	Cargo units	th.	9	8	13	11	<b>11</b>	24.1%
	Revenue	mil.EUR	23.3	32.1	22.7	23.2	<b>24.7</b>	6.1%
	Segment result	mil.EUR	1.6	8.2	1.1	1.0	<b>0.9</b>	-43.4%
<b>Sweden-</b>	Passengers	th.	159	229	138	146	<b>165</b>	3.8%
<b>Latvia</b>	Cargo units	th.	4	4	4	4	<b>5</b>	27.2%
	Revenue	mil.EUR	13.2	19.9	12.1	12.0	<b>14.3</b>	8.5%
	Segment result	mil.EUR	-1.3	3.3	-1.7	-2.6	<b>-2.2</b>	-67.1%
<b>Finland-</b>	Passengers	th.	3	35	14	3	<b>11</b>	305.0%
<b>Germany</b>	Cargo units	th.	2	5	7	2	<b>4</b>	112.7%
	Revenue	mil.EUR	2.0	11.5	7.4	1.5	<b>5.1</b>	151.6%
	Segment result	mil.EUR	-4.1	-1.2	-4.5	-4.0	<b>-4.4</b>	-6.5%
<b>Other</b>	Revenue	mil.EUR	16.0	21.7	15.3	13.8	<b>17.2</b>	7.5%
	Segment result	mil.EUR	1.4	4.7	0.9	-0.5	<b>1.2</b>	-17.7%
	Inter segment sales	mil.EUR	-2.2	-2.4	-2.0	-1.6	<b>-2.1</b>	2.8%
	<b>Total revenue</b>	mil.EUR	<b>202.4</b>	<b>272.2</b>	<b>203.0</b>	<b>188.8</b>	<b>209.5</b>	<b>3.5%</b>
	<b>EBITDA</b>	mil.EUR	<b>30.0</b>	<b>77.7</b>	<b>27.5</b>	<b>18.2</b>	<b>22.7</b>	<b>-24.1%</b>
	<b>Total segment result</b>	mil.EUR	<b>23.7</b>	<b>70.0</b>	<b>19.4</b>	<b>10.3</b>	<b>14.3</b>	<b>-39.5%</b>
	<b>Net profit/-loss</b>	mil.EUR	<b>-3.0</b>	<b>42.3</b>	<b>1.1</b>	<b>-9.4</b>	<b>-7.3</b>	<b>-143.3%</b>

Segment result - result before administrative expenses, financial expenses and taxes

The following graphs provide an overview of the sales distribution in the third quarter on operational and geographical segment based approach



## MARKET DEVELOPMENTS

The following table provides an overview of the passengers, cargo units and passenger vehicles transported during the third quarter and nine months of 2010/2011 and 2009/2010 financial years.

	Q3 2010/2011	Q3 2009/2010	Q3 Change	9 months 2010/2011	9 months 2009/2010	9 months Change
<b>Passengers</b>	<b>2 098 356</b>	<b>2 156 448</b>	<b>-2.7%</b>	<b>6 090 962</b>	<b>5 588 205</b>	<b>9.0%</b>
Finland-Sweden	711 923	772 333	-7.8%	2 117 012	2 082 849	1.6%
Estonia-Finland	996 243	981 960	1.5%	2 875 387	2 553 868	12.6%
Estonia-Sweden	214 315	240 743	-11.0%	620 896	552 504	12.4%
Latvia-Sweden	164 615	158 632	3.8%	449 425	376 554	19.4%
Finland-Germany	11 260	2 780	305.0%	28 242	22 430	25.9%
<b>Cargo Units</b>	<b>76 366</b>	<b>68 991</b>	<b>10.7%</b>	<b>217 681</b>	<b>191 476</b>	<b>13.7%</b>
Finland-Sweden	26 109	23 589	10.7%	74 663	68 722	8.6%
Estonia-Finland	29 834	30 359	-1.7%	81 480	77 412	5.3%
Estonia-Sweden	11 314	9 114	24.1%	35 469	24 853	42.7%
Latvia-Sweden	5 206	4 094	27.2%	13 794	11 387	21.1%
Finland-Germany	3 903	1 835	112.7%	12 275	9 102	34.9%
<b>Passenger Vehicles</b>	<b>237 564</b>	<b>217 673</b>	<b>9.1%</b>	<b>680 861</b>	<b>590 572</b>	<b>15.3%</b>
Finland-Sweden	31 101	34 129	-8.9%	87 554	91 050	-3.8%
Estonia-Finland	165 710	147 825	12.1%	480 428	400 544	19.9%
Estonia-Sweden	16 275	15 223	6.9%	45 366	38 762	17.0%
Latvia-Sweden	20 928	19 482	7.4%	59 300	54 720	8.4%
Finland-Germany	3 550	1 014	250.1%	8 213	5 496	49.4%

The following operational factors influenced the development in the third quarter of 2010/2011 financial year:

### FINLAND-SWEDEN

In the beginning of May 2011 the cruise ferry Galaxy did not operate for about a week due to the scheduled maintenance, the vessel was not replaced during that time.

### FINLAND-GERMANY

In beginning of April the vessels Superfast VII and Superfast VIII returned to the Helsinki-Rostock line.

### **The Group's market shares on the routes operated during a 12 month period ending on the May 31, 2011 were following:**

- The Group carried approximately 58% of the passengers and 50% 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 54% of passengers and 35% 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 24% and the approximate market share of ro-ro cargo transportation was 6%.

### **PERSONNEL**

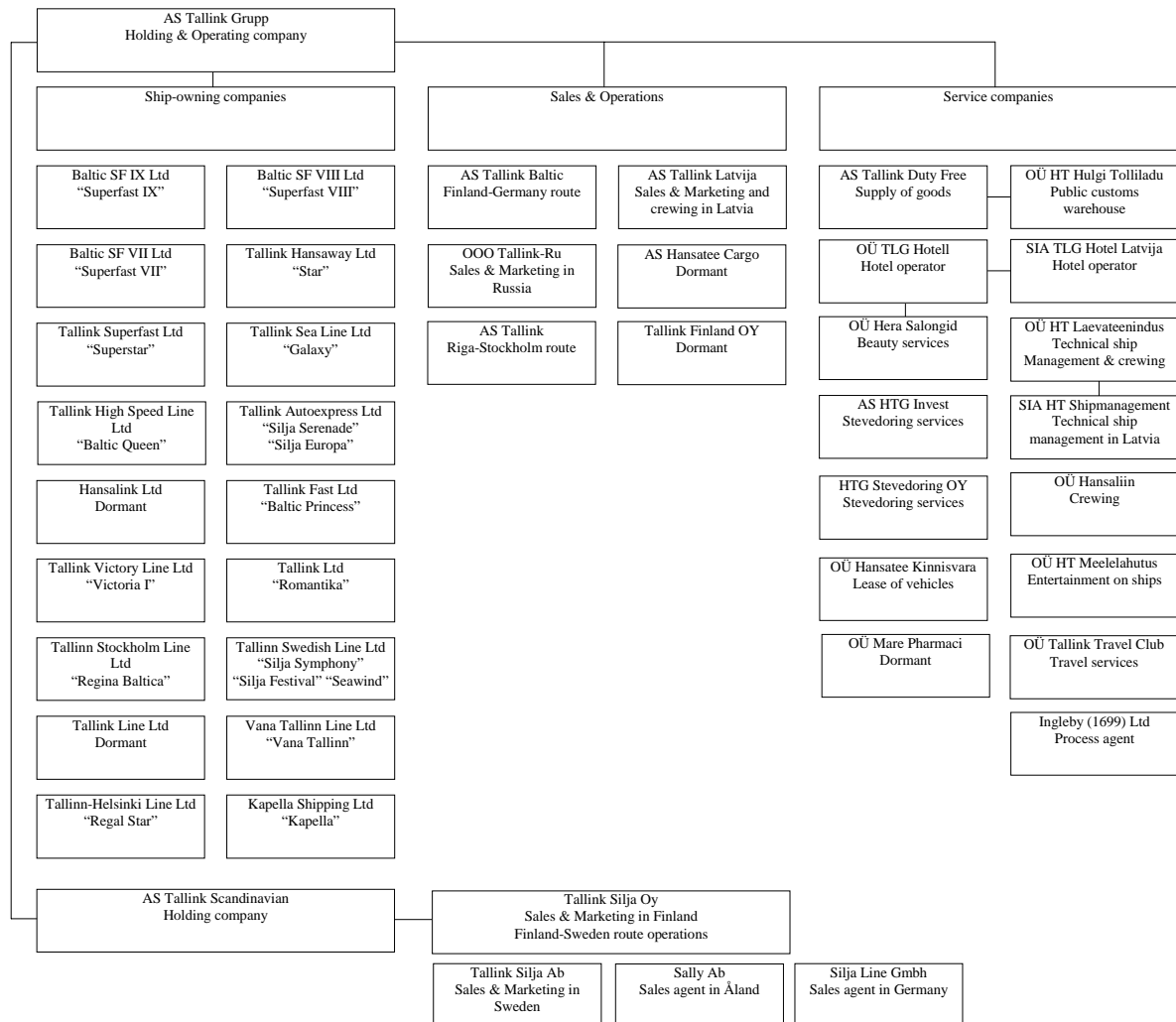
On May 31, 2011 the Group employed 6 839 employees (6 507 on May 31, 2011). Due to the noticeable growth in the passenger bookings for June 2011, the seasonal increase in the number of employees took place earlier, in the end of 3<sup>rd</sup> quarter in the current financial year. The following table provides a more detailed overview of the Group's personnel.

	Average of 3rd quarter			Average of 9 months			End of 3rd quarter		
	2010/11	2009/10	change %	2010/11	2009/10	change %	31.05.11	31.05.10	change %
<b>Onshore total</b>	<b>1 485</b>	<b>1 436</b>	<b>3.4%</b>	<b>1 478</b>	<b>1 488</b>	<b>-0.7%</b>	<b>1 532</b>	<b>1 438</b>	<b>6.5%</b>
<i>Estonia</i>	791	730	8.4%	786	740	6.2%	801	740	8.2%
<i>Finland</i>	444	476	-6.7%	448	500	-10.4%	475	464	2.4%
<i>Sweden</i>	177	160	10.6%	174	173	0.6%	182	160	13.8%
<i>Latoia</i>	59	53	11.3%	57	54	5.6%	60	57	5.3%
<i>Germany</i>	7	11	-36.4%	7	15	-53.3%	7	11	-36.4%
<i>Russia</i>	7	6	16.7%	6	6	0.0%	7	6	16.7%
<b>At sea</b>	<b>4 635</b>	<b>4 500</b>	<b>3.0%</b>	<b>4 583</b>	<b>4 538</b>	<b>1.0%</b>	<b>4 739</b>	<b>4 526</b>	<b>4.7%</b>
<b>Hotel*</b>	<b>556</b>	<b>493</b>	<b>12.8%</b>	<b>551</b>	<b>475</b>	<b>16.0%</b>	<b>568</b>	<b>543</b>	<b>4.6%</b>
<b>Total</b>	<b>6 676</b>	<b>6 429</b>	<b>3.8%</b>	<b>6 612</b>	<b>6 501</b>	<b>1.7%</b>	<b>6 839</b>	<b>6 507</b>	<b>5.1%</b>

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

## CORPORATE STRUCTURE

On the report date, the Group consisted of 46 companies. Most of the subsidiaries are wholly-owned companies of AS Tallink Grupp. The following chart describes the structure of the Group as on the date of reporting:



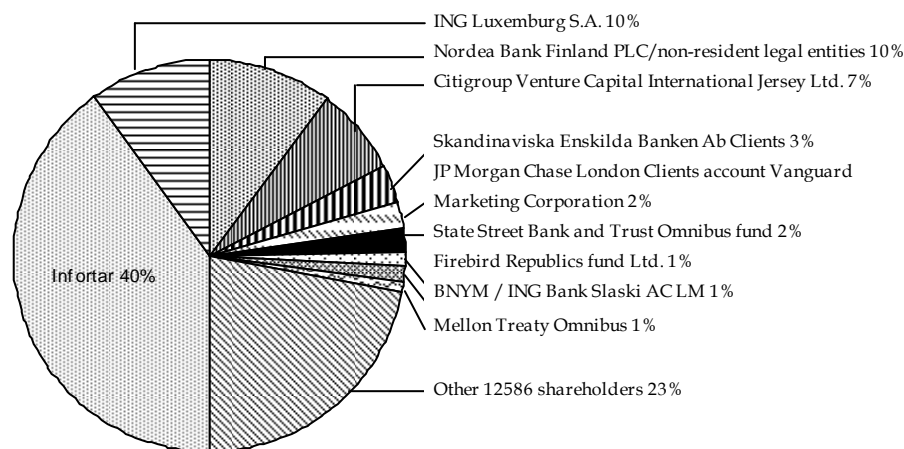
The Group further owns:

- 34% of AS Tallink Takso



## SHAREHOLDERS & SHARE PRICE DEVELOPMENT

The following chart displays the shareholder structure of AS Tallink Grupp as of 31 May 2011.



Source: Estonian Central Register of Securities

Since 9<sup>th</sup> of December 2005 the shares of AS Tallink Grupp are listed on the Tallinn Stock Exchange, where the share are traded under the symbol TAL1T. The following chart gives an overview of the share development in the 2010/2011 financial year.



Source: Nasdaq OMX Baltic

## EVENTS DURING THE 3<sup>rd</sup> QUARTER OF THE 2010/2011 FINANCIAL YEAR

The Group's Finnish entity Exlaw OY was liquidated and the Finnish entity Silja Europa OY has been merged into Tallink Silja OY. The above transactions were made to simplify the Group's structure. The transactions will have no effect on Group operations or result.

In the beginning of March 2011 the Group agreed with Stena Line Ltd. to charter the vessels M/S Superfast VII and M/S Superfast VIII to Stena Line Ltd. for at least a three year period. The Group will operate the vessels in the Finland-Germany route in the summer high season until mid August 2011 when the ships will be delivered to Stena Line for their operations in the UK waters.

## **EVENTS AFTER THE BALANCE SHEET DATE AND THE OUTLOOK**

The Group has started to issue share options in June 2011 under the Share Option Programme which resolution was adopted at the Shareholders General Meeting on 8 February 2011. The agreements for around 7.4 million share options are planned to be signed within fourth quarter of current financial year. This is about half of the total authorized option limit and represents 1.1% of the total shares outstanding.

Vana Tallinn Line Ltd., a subsidiary of AS Tallink Grupp and Allferries SA, have concluded a three year hire-purchase charterparty for MS Vana Tallinn. The vessel was delivered to Allferries SA in the beginning of July who will take the vessel to the operations in the Mediterranean Sea. The title of the vessel will be handed over at the end of the charter period after all contractual payments are made. The profit and cash flow from the transaction are not significant to the consolidated results of AS Tallink Grupp.

The Group's earnings are not generated evenly throughout the year. Summer period is the high season in the Group's operations. In the opinion of the Group's management and based on the experience of the previous financial years the majority of the earnings are generated during summer (June-August).

AS Tallink Grupp does not have any substantial ongoing research and development projects.

The Group's fleet renewal program has been completed and thus the Group's investment requirement is relatively small going ahead. This helps to concentrate on the core operations.

In the end of the third quarter of 2010/2011 financial year the Group's cash and cash equivalents amounted to nearly EUR 50 million. In addition the Group maintains unused overdraft credit lines in the amount of EUR 47 million which takes the Group's total liquidity position to EUR 97 million.

The Management estimates that the growth in the Group revenues will continue in the fourth quarter. The fuel prices have stayed at high levels bringing noticeably higher fuel cost in Q4 of the current financial year compared to the same period a year ago. Overall the Group's results are estimated to improve.

In the Annual General Meeting held in February 2011 the Group's financial year was changed. The new financial year will be the calendar year, from 1<sup>st</sup> of January to 31<sup>st</sup> of December. Due to the change the current 2010/2011 financial year which started on 1<sup>st</sup> of September 2010 will be 16 months long, ending in 31 December 2011. The Group will provide comparable operational and financial information to make the transition smooth.

## **RISKS**

The Group's business, financial condition and results from operations could be materially affected by various risks. These risks are not the only ones. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial or unlikely, could also impair our business. The order of presentation of the risk factors below is not intended to be an indication of the probability of their occurrence or of their potential effect on our business.

- Accidents, disasters
- Macroeconomic development
- Changes in laws and regulations
- Relations with trade unions
- Increase in the fuel prices and interest rates
- Market and customer behaviour

## 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 third quarter of 2010/2011 financial year presents true and fair view of the development, results and the financial position of the Group and includes the overview of the main risks and uncertainties.



Enn Pant

Chairman of the Management Board



Andres Hunt

Vice Chairman of the Management Board



Lembit Kitter

Member of the Management Board



Janek Stalmeister

Member of the Management Board

15.07.2011

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited, in thousands of EUR)	01.03.2011- 31.05.2011	01.03.2010- 31.05.2010	01.09.2010- 31.05.2011	01.09.2009- 31.05.2010
Revenue (Note 3)	209,489	202,416	601,312	541,709
Cost of sales	-179,241	-165,604	-511,517	-457,704
<b>Gross profit</b>	<b>30,248</b>	<b>36,812</b>	<b>89,795</b>	<b>84,005</b>
Marketing expenses	-15,935	-13,140	-45,808	-40,107
Administrative expenses	-9,551	-10,169	-29,948	-29,500
Other income	167	263	486	790
Other expenses	-8	-1,656	-25	-1,694
<b>Results from operating activities</b>	<b>4,921</b>	<b>12,110</b>	<b>14,500</b>	<b>13,494</b>
Finance income (Note 4)	1,748	-1,817	10,091	5,354
Finance costs (Note 4)	-14,018	-13,312	-40,156	-39,332
Share of loss of associates	0	0	-57	0
<b>Profit/-loss before income tax</b>	<b>-7,349</b>	<b>-3,019</b>	<b>-15,622</b>	<b>-20,484</b>
Income tax	0	0	0	0
<b>Net profit/-loss for the period</b>	<b>-7,349</b>	<b>-3,019</b>	<b>-15,622</b>	<b>-20,484</b>
<b>Other comprehensive income/-expense</b>				
Exchange differences on translating foreign operations	234	-239	54	493
Changes in fair value of cash flow hedges	0	-104	-705	1,015
<b>Other comprehensive income/-expense for the period</b>	<b>234</b>	<b>-343</b>	<b>-651</b>	<b>1,508</b>
<b>Total comprehensive income/-expense for the period</b>	<b>-7,115</b>	<b>-3,362</b>	<b>-16,273</b>	<b>-18,976</b>
Profit/-loss attributable to:				
Equity holders of the parent (Note 5)	-7,349	-3,019	-15,622	-20,484
Total comprehensive income/-expense attributable to:				
Equity holders of the parent	-7,115	-3,362	-16,273	-18,976
<b>Earnings per share (in EUR per share)</b>				
- basic (Note 5)	-0.01	-0.00	-0.02	-0.03
- diluted (Note 5)	-0.01	-0.00	-0.02	-0.03

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited, in thousands of EUR)

<b>ASSETS</b>	<b>31.05.2011</b>	<b>31.08.2010</b>
<b>Current assets</b>		
Cash and cash equivalents	49,637	57,488
Trade and other receivables	42,341	42,040
Prepayments	14,314	9,752
Derivatives	0	705
Inventories	24,840	20,035
<b>Total current assets</b>	<b>131,132</b>	<b>130,020</b>
<b>Non-current assets</b>		
Investments in associates	157	214
Other financial assets	322	317
Deferred income tax assets	10,664	10,664
Investment property	300	300
Property, plant and equipment (Note 7)	1,620,717	1,663,100
Intangible assets (Note 8)	63,505	66,700
<b>Total non-current assets</b>	<b>1,695,665</b>	<b>1,741,295</b>
<b>TOTAL ASSETS</b>	<b>1,826,797</b>	<b>1,871,315</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Interest bearing loans and borrowings (Note 9)	118,204	63,627
Trade and other payables	94,216	94,054
Deferred income	32,979	23,965
Derivatives (Note 6)	13,889	17,634
<b>Total current liabilities</b>	<b>259,288</b>	<b>199,280</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings (Note 9)	916,000	1,004,244
Other liabilities	65	74
<b>Total non-current liabilities</b>	<b>916,065</b>	<b>1,004,318</b>
<b>TOTAL LIABILITIES</b>	<b>1,175,353</b>	<b>1,203,598</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	404,291	430,648
Share premium	639	639
Reserves	73,049	72,607
Retained earnings	173,465	163,823
<b>Total equity attributable to equity holders of the parent</b>	<b>651,444</b>	<b>667,717</b>
<b>TOTAL EQUITY</b>	<b>651,444</b>	<b>667,717</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,826,797</b>	<b>1,871,315</b>

**CONSOLIDATED CASH FLOW STATEMENT**

(unaudited, in thousands of EUR)

	<b>01.09.2010 - 31.05.2011</b>	<b>01.09.2009 - 31.05.2010</b>
<b>Cash flows from operating activities</b>		
Net profit/-loss for the period	-15,622	-20,484
Adjustments	84,168	92,108
Changes in assets related to operating activities	-9,778	2,873
Changes in liabilities related to operating activities	9,999	6,811
Income tax paid	-30	-59
	<b>68,737</b>	<b>81,249</b>
<b>Cash flow used for investing activities</b>		
Purchase of property, plant and equipment and intangible assets (Notes 7, 8)	-8,242	-5,575
Proceeds from disposals of property, plant and equipment	64	6,466
Issue of shares by associates	0	-587
Payments from settlement of derivatives	-3,868	-3,201
Interest received	64	163
	<b>-11,982</b>	<b>-2,734</b>
<b>Cash flow from (+)/ used for (-) financing activities</b>		
Redemption of loans (Note 9)	-35,805	-36,665
Change in overdraft	0	-15,765
Repayment of finance lease liabilities (Note 9)	-64	-281
Interest paid	-28,737	-33,007
	<b>-64,606</b>	<b>-85,718</b>
<b>TOTAL NET CASH FLOW</b>	<b>-7,851</b>	<b>-7,203</b>
<b>Cash and cash equivalents:</b>		
- at the beginning of period	57,488	49,982
- increase (+) / decrease (-)	-7,851	-7,203
<b>Cash and cash equivalents at end of period</b>	<b>49,637</b>	<b>42,779</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(unaudited, in thousands of EUR)

	Share capital	Share premium	Translation reserve	Ships revaluation reserve	Cash flow hedge reserve	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Share- holders' equity	Total equity
<b>At 31 August 2009</b>	<b>430,648</b>	<b>639</b>	<b>-324</b>	<b>65,507</b>	<b>-27</b>	<b>10,869</b>	<b>-4,163</b>	<b>139,547</b>	<b>642,696</b>	<b>642,696</b>
<b>Changes in equity for the first 9 months of 2009/2010</b>										
Total comprehensive income and expense for the period										
Net loss of the first 9 months of the year 2009/2010 (Note 5)	0	0	0	0	0	0	0	-20,484	-20,484	-20,484
Total other comprehensive income and expense	0	0	493	0	1,015	0	0	0	1,508	1,508
<b>Total comprehensive income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>493</b>	<b>0</b>	<b>1,015</b>	<b>0</b>	<b>0</b>	<b>-20,484</b>	<b>-18,976</b>	<b>-18,976</b>
<b>At 31 May 2010</b>	<b>430,648</b>	<b>639</b>	<b>169</b>	<b>65,507</b>	<b>988</b>	<b>10,869</b>	<b>-4,163</b>	<b>119,063</b>	<b>623,720</b>	<b>623,720</b>
<b>At 31 August 2010</b>	<b>430,648</b>	<b>639</b>	<b>385</b>	<b>64,811</b>	<b>705</b>	<b>10,869</b>	<b>-4,163</b>	<b>163,823</b>	<b>667,717</b>	<b>667,717</b>
<b>Changes in equity for the first 9 months of 2010/2011</b>										
Transfer from profit for 2009/2010	0	0	0	0	0	1,093	0	-1,093	0	0
Decrease of share capital	-26,357	0	0	0	0	0	0	26,357	0	0
Total comprehensive income and expense for the period										
Net loss of the first 9 months of the year 2010/2011 (Note 5)	0	0	0	0	0	0	0	-15,622	-15,622	-15,622
Total other comprehensive income and expense	0	0	54	0	-705	0	0	0	-651	-651
<b>Total comprehensive income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>54</b>	<b>0</b>	<b>-705</b>	<b>0</b>	<b>0</b>	<b>-15,622</b>	<b>-16,273</b>	<b>-16,273</b>
<b>At 31 May 2011</b>	<b>404,291</b>	<b>639</b>	<b>439</b>	<b>64,811</b>	<b>0</b>	<b>11,962</b>	<b>-4,163</b>	<b>173,465</b>	<b>651,444</b>	<b>651,444</b>



## **NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **Note 1 CORPORATE INFORMATION**

The interim consolidated financial statements of AS Tallink Grupp and its subsidiaries (hereinafter as “the Group”) for the first 9 months of the financial year 2010/2011 were authorised for issue in accordance with a resolution of the Management Board on 15 July 2011. AS Tallink Grupp is a limited company incorporated in Estonia and employed 6,839 people at 31 May 2011 (31 August 2010: 6,715).

### **Note 2 BASIS OF PREPARATION**

The interim consolidated financial statements of AS Tallink Grupp have been prepared in a condensed form in accordance with IFRS as adopted by EU and in accordance with the requirements of International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

The same accounting policies and methods of computation are followed in the interim consolidated financial statements as in the annual consolidated financial statements of AS Tallink Grupp for the financial year ended on 31 August 2010.

The interim consolidated financial statements have been prepared in thousand Euros (EUR).

### **Note 3 SEGMENT INFORMATION**

The primary segments of the Group are geographical segments (by the routes) and the secondary segments are operational segments (tickets sales, sales of cargo transport, accommodation sales, restaurant and shops sales on-board and on mainland, income from leases of vessels and others).

### Geographical segments

(in thousands of EUR)

01.09.2010-31.05.2011	Estonia- Finland route	Estonia- Sweden routes	Latvia- Sweden route	Germany- Finland route	Finland- Sweden routes	Others	Elimination of intersegment sales	Total
<b>Revenue</b>								
Sales to external customers	191,108	70,520	38,474	14,012	246,587	40,611	0	601,312
Inter-segment sales	0	0	0	0	0	5,689	-5,689	0
	<b>191,108</b>	<b>70,520</b>	<b>38,474</b>	<b>14,012</b>	<b>246,587</b>	<b>46,300</b>	<b>-5,689</b>	<b>601,312</b>
<b>Segment result</b>								
	<b>50,973</b>	<b>3,080</b>	<b>-6,588</b>	<b>-12,898</b>	<b>7,786</b>	<b>1,634</b>	<b>0</b>	<b>43,987</b>
Unallocated expenses								-29,487
Net financial items (Note 4)								-30,065
Share of loss of associates								-57
<b>Loss before income tax</b>								<b>-15,622</b>

01.09.2009-31.05.2010	Estonia- Finland route	Estonia- Sweden routes	Latvia- Sweden route	Germany- Finland route	Finland- Sweden routes	Others	Elimination of intersegment sales	Total
<b>Revenue</b>								
Sales to external customers	167,542	58,438	32,651	10,831	237,298	34,949	0	541,709
Inter-segment sales	0	0	0	0	0	5,242	-5,242	0
	<b>167,542</b>	<b>58,438</b>	<b>32,651</b>	<b>10,831</b>	<b>237,298</b>	<b>40,191</b>	<b>-5,242</b>	<b>541,709</b>
<b>Segment result</b>								
	<b>47,629</b>	<b>1,084</b>	<b>-5,819</b>	<b>-13,434</b>	<b>12,839</b>	<b>1,599</b>	<b>0</b>	<b>43,898</b>
Unallocated expenses								-30,404
Net financial items (Note 4)								-33,978
<b>Loss before income tax</b>								<b>-20,484</b>

#### Operational segments

(in thousands of EUR)	01.09.2010- 31.05.2011	01.09.2009- 31.05.2010
Ticket sales	146,057	128,608
Sales of cargo transport	81,720	72,518
Accommodation sales	8,783	6,436
Restaurant and shops sales on-board and on mainland	332,403	305,226
Income from leases of vessels	12,372	12,237
Other	19,977	16,684
<b>Total revenue of the Group</b>	<b>601,312</b>	<b>541,709</b>

#### Note 4 FINANCE INCOME AND COSTS

(in thousands of EUR)	01.09.2010- 31.05.2011	01.09.2009- 31.05.2010
Net foreign exchange gains	236	4,028
Income from derivatives	9,790	1,163
Interest income	65	163
<b>Total finance income</b>	<b>10,091</b>	<b>5,354</b>
Interest expenses	-30,371	-30,015
Losses from derivatives	-9,785	-9,317
<b>Total finance costs</b>	<b>-40,156</b>	<b>-39,332</b>

#### Note 5 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. As the company does not have any potential ordinary shares, then the diluted earnings per share are equal to basic earnings per share.

	01.03.2011- 31.05.2011	01.03.2010- 31.05.2010	01.09.2010- 31.05.2011	01.09.2009- 31.05.2010
Weighted average number of ordinary shares (pcs)	669,882,040	669,882,040	669,882,040	669,882,040
Net profit/-loss attributable to ordinary shareholders	-7,349	-3,019	-15,622	-20,484
Earnings per share (in EUR per share)	-0.01	-0.00	-0.02	-0.03

Weighted average number of ordinary shares (pcs)	01.03.2011- 31.05.2011	01.03.2010- 31.05.2010	01.09.2010- 31.05.2011	01.09.2009- 31.05.2010
Issued ordinary shares at the beginning of period	673,817,040	673,817,040	673,817,040	673,817,040
Effect of own shares held	-3,935,000	-3,935,000	-3,935,000	-3,935,000
Weighted average number of ordinary shares at end of period	669,882,040	669,882,040	669,882,040	669,882,040

#### Note 6 DERIVATIVE INSTRUMENTS

The Group uses interest rate swaps to manage its exposure to movements in interest rates. 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. Changes in fair value of derivatives which do not qualify for hedge accounting under IAS 39 are recognized directly in the income statement.

As of 31.05.2011 AS Tallink Grupp had three interest rate derivative contracts with total notional amount of 270,000 thousand EUR with the maturities in years 2012, 2014 and 2018. The fair value of the interest rate derivatives recognized in the current interim financial statements as of 31.05.2011 is -13,889 thousand EUR.

**Note 7 PROPERTY, PLANT AND EQUIPMENT**

(in thousands of EUR)

	Land and building	Ships	Plant and equipment	Prepayments	Total
<b>Book value at 31 August 2010</b>	<b>5,934</b>	<b>1,651,486</b>	<b>5,655</b>	<b>25</b>	<b>1,663,100</b>
Additions	195	3,105	3,018	1 620	7,938
Exchange rate differences	102	0	7	0	109
Disposals	0	0	-27	0	-27
Depreciation for the period	-1,147	-47,415	-1,841	0	-50,403
<b>Book value at 31 May 2011</b>	<b>5,084</b>	<b>1,607,176</b>	<b>6,812</b>	<b>1,645</b>	<b>1,620,717</b>

**At 31 May 2011**

-Cost	9,625	1,653,683	22,284	1,645	1,687,237
-Accumulated depreciation	-4,541	-46,507	-15,472	0	-66,520

	Land and building	Ships	Plant and equipment	Prepayments	Total
<b>Book value at 31 August 2009</b>	<b>6,933</b>	<b>1,715,515</b>	<b>4,910</b>	<b>1,413</b>	<b>1,728,771</b>
Additions	53	3,728	2,776	-1,162	5,395
Exchange rate differences	-4	0	0	0	-4
Disposals	0	-6,075	0	0	-6,075
Reclassification (Note 8)	0	0	861	0	861
Depreciation for the period	-914	-46,899	-2,220	0	-50,033
<b>Book value at 31 May 2010</b>	<b>6,068</b>	<b>1,666,269</b>	<b>6,327</b>	<b>251</b>	<b>1,678,915</b>

**At 31 May 2010**

-Cost	9,052	1,860,982	19,851	251	1,890,136
-Accumulated depreciation	-2,984	-194,713	-13,524	0	-211,221

**Note 8 INTANGIBLE ASSETS**

(in thousands of EUR)

	Goodwill	Trademark	Others	Total
<b>Book value at 31 August 2010</b>	<b>11,066</b>	<b>46,138</b>	<b>9,496</b>	<b>66,700</b>
Additions	0	0	304	304
Amortisation for the period	0	-2,187	-1,312	-3,499
<b>Book value at 31 May 2011</b>	<b>11,066</b>	<b>43,951</b>	<b>8,488</b>	<b>63,505</b>

**At 31 May 2011**

-Cost	11,066	58,288	19,947	89,301
-Accumulated amortisation	0	-14,337	-11,459	-25,796

(in thousands of EUR)

	Goodwill	Trademark	Others	Total
<b>Book value at 31 August 2009</b>	<b>11,066</b>	<b>49,054</b>	<b>12,403</b>	<b>72,523</b>
Additions	0	0	180	180
Disposals	0	0	-91	-91
Reclassification (Note 7)	0	0	-861	-861
Amortisation for the period	0	-2,187	-1,685	-3,872
<b>Book value at 31 May 2010</b>	<b>11,066</b>	<b>46,867</b>	<b>9,946</b>	<b>67,879</b>

**At 31 May 2010**

-Cost	11,066	58,288	20,073	89,427
-Accumulated amortisation	0	-11,421	-10,127	-21,548

## Note 9 INTEREST BEARING LOANS AND BORROWINGS

(in thousands of EUR)

	31 August 2010	Repayments	Other changes [1]	31 May 2011
Lease liabilities	174	-64	0	110
Long-term bank loans	1,067,697	-35,805	2,202	1,034,094
<b>TOTAL</b>	<b>1,067,871</b>	<b>-35,869</b>	<b>2,202</b>	<b>1,034,204</b>
incl. short-term portion	63,627			118,204
long-term portion	1,004,244			916,000

[1] Other changes are related to amortisation of transaction costs.

Bank overdrafts are secured with commercial pledge (in the total amount of 20,204 thousand EUR) and ship mortgages.

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 822,155 thousand 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 AB for the loan granted to Tallink Silja Oy Ab amounting to 211,939 thousand EUR. The primary securities for these loans are the pledge of shares of Tallink Silja Oy Ab and mortgages on the Silja ships.

## Note 10 SHARE CAPITAL

According to the Articles of Association of the Parent effective as of 31 May 2011 the maximum number of authorised common shares is 2,133,333,333.

In relation to the adoption of the euro currency in Estonia the Shareholders Annual General Meeting decided on 08.02.2011 to decrease the share capital. On 07.03.2011 the share capital change was registered in the Commercial Register. The registered share capital of AS Tallink Grupp is EUR 404 290 224 the number of shares is 673 817 040 and the nominal value of a share is EUR 0.6.

At 31 May 2011 the Group held 3,935 thousand of the AS Tallink Grupp shares. Total cost of share buyback transactions of 3,935 thousand shares is 4,163 thousand EUR.

## Note 11 RELATED PARTY DISCLOSURES

(in thousands of EUR)

<b>9 months of 2010/2011 or 31.05.2011</b>	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Amounts owed by related parties</b>	<b>Amounts owed to related parties</b>
AS Infortar	13	55	5	0
AS HT Valuuta	110	0	1	0
AS Vara HTG	0	2,006	0	0
OÜ Mersok	0	7	0	1
AS Vaba Maa	7	785	1	92
OÜ Sunbeam	0	2,381	0	0
AS Gastrolink	1	707	1	67
AS Tallink Takso	0	61	0	6
OÜ Topspa Kinnisvara	0	1,814	0	0
OÜ Hansa Hotell	0	577	0	0
OÜ Fastinvest	0	800	0	0
SIA Happy Trails	0	2,905	2	0
Eesti Laevaomanike Liit	0	6	0	0
<b>9 months of 2009/2010 or 31.05.2010</b>	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Amounts owed by related parties</b>	<b>Amounts owed to related parties</b>
AS Infortar	2	55	0	0
AS HT Valuuta	138	0	24	0
AS Vara HTG	0	1,821	0	0
OÜ Mersok	0	9	0	1
AS Vaba Maa	6	689	1	56
OÜ Sunbeam	0	2,323	0	0
AS Gastrolink	1	614	0	57
AS Tallink Takso	0	51	0	10
OÜ Topspa Kinnisvara	0	1,770	0	0
OÜ Hansa Hotell	0	565	0	0

OÜ Fastinvest	0	763	0	0
SIA Happy Trails	0	707	0	379
Eesti Laevaomanike Liit	0	6	0	0

**Note 12 SUBSIDIARIES**

In March the Group entity Silja Europa Oy Ab merged into Tallink Silja Oy Ab and the group entity Exlaw Oy AB has been liquidated.

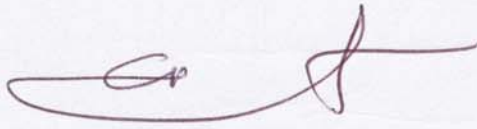
**Note 13 EVENTS AFTER BALANCE SHEET DATE**

Vana Tallinn Line Ltd., a subsidiary of AS Tallink Grupp and Allferries SA, have concluded a three year hire-purchase charterparty for MS Vana Tallinn in June 2011.

**MANAGEMENT BOARD'S APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Hereby we declare our responsibility for the Interim Consolidated Financial Statements and confirm that the AS Tallink Grupp's Unaudited Interim Consolidated Financial Statements for the 9 months of the financial year 2010/2011 ended 31 May 2011 prepared in accordance with IFRS as adopted by EU and in accordance with IAS 34 give a true and fair view of the financial position of the Group and of the result of its operations and cash flows.

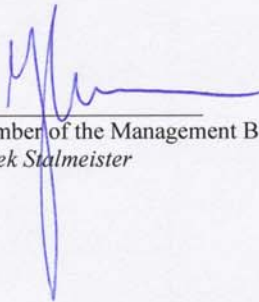
AS Tallink Grupp and its subsidiaries are able to continue as a going concern for a period of at least one year of the date of approving these financial statements.



Chairman of the Management Board  
*Enn Pant*



Vice Chairman of the Management Board  
*Andres Hunt*



Member of the Management Board  
*Janek Stalmeister*



Member of the Management Board  
*Lembit Kitter*

Tallinn 15.07.2011