

AS TALLINK	GRUPP	ANNUAL	REPORT	2006/2007

TABLE OF CONTENTS

Table of Contents	5
Statement of the Supervisory Council	7
Highlights of Financial Year 2006 / 2007	8
Five-Year Financial Review	10
Company Overview	12
Personnel	20
Safety & Environment	22
Corporate Governance	24
Supervisory Council	26
Management Board	28
Management	30
Route Map	32
Terminals	33
Fleet	34
Shares and Shareholders	40
Corporate Structure	43
Report of the Management Board	44
Financial Statements	52
Auditors' Report	112
Notes	113
Addresses	114



STATEMENT OF THE SUPERVISORY COUNCIL

Dear shareholders, customers, partners and employees of AS Tallink Grupp, I congratulate you and thank you for making Tallink the best company in Estonia. The "Entrepreneurship award 2007" granted to Tallink is something we can all be proud of.

The 2006/2007 financial year was a period of the changes for the company. After the acquisition of Silja in the previous financial year, much of the effort during 2006/2007 was on the integration of Tallink and Silja. Some vessels have been rerouted, some sold and again one brand new was delivered. The full year effect of recent investments but also the delivery of Star and opening of the Tallink Spa & Conference hotel in Tallinn increased the Group's sales and earnings.

During the past financial year some of the most important resolutions adopted by the Supervisory Council were the ordering of new cruise ferry Cruise 5, a new enhanced development of the Galaxy series from Aker Yards and the sales of HSC Tallink AutoExpress 3, HSC Tallink AutoExpress 4 and M/S Sky Wind. The Supervisory Council has regularly reviewed financial results and the management's overviews of the economic activities of the Group. The Management Council's activities during the period have also been approved by the Supervisory Council.

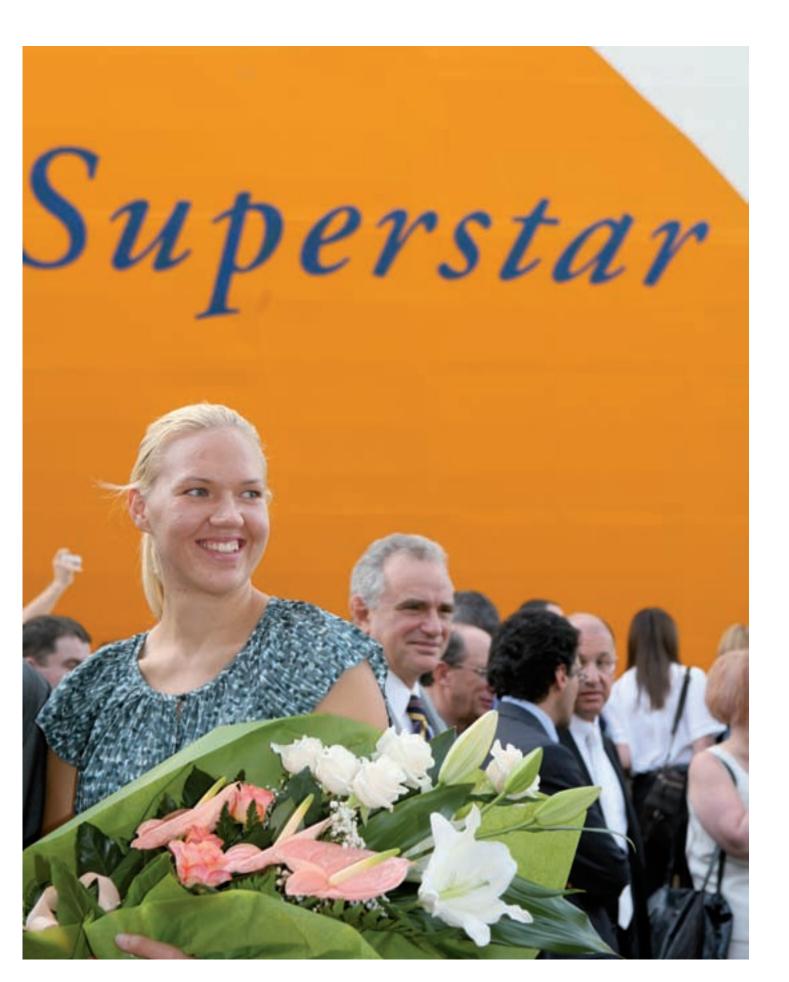
On behalf of the Supervisory Council, I would like to thank all members of our Management Board and all our employees who have contributed largely to the success of the integration. I would also like to thank all our customers, passengers, partners and shareholders for putting their trust in Tallink. Although we have achieved a lot there's still plenty to work on to ensure the great results in the coming years.





Toivo Ninnas
Chairman of the Supervisory Council

HIGHLIGHTS OF FINANCIAL YEAR 2006 / 2007



HIGHLIGHTS OF FINANCIAL YEAR 2006 / 2007

January 2007

- · Share bonus Issue;
- Superfast vessels started to operate between Tallinn and Helsinki.

March 2007

• Opening of new Tallink Spa & Conference Hotel.

April 2007

- · Second vessel to Riga Stockholm route;
- Delivery of new generation high speed vessel Star and launch of Shuttle service;
- Ordering of new cruise vessel Cruise 5;
- Sale of HSC Tallink AutoExpress 3 and HSC Tallink AutoExpress 4.

August 2007

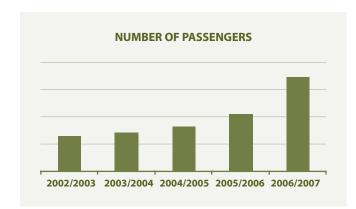
• Sale of M/S Sky Wind.

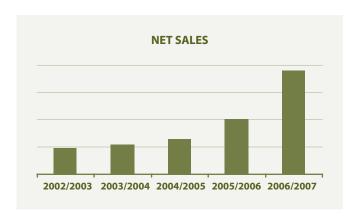
Throughout the whole 2006/2007 financial year lot of the focus has been on the integration of Silja Line with Tallink.

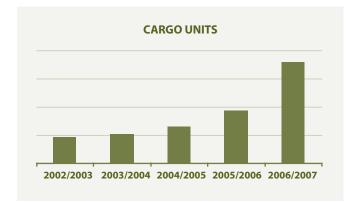
During the year Tallink was awarded with the following awards:

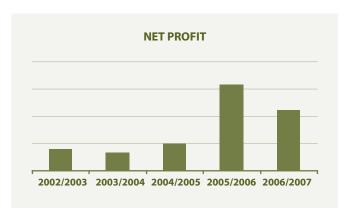
- Tallink was named the best Estonian company -"Entrepreneurship Award 2007"
- "The most valuable Enterprise controlled by Estonian private equity"
- "Most competitive Enterprise 2007"
- "Tourism Innovator 2007"

FIVE-YEAR FINANCIAL REVIEW











FIVE-YEAR FINANCIAL REVIEW

Million EUR	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	Change
Net sales	191	218	260	405	761	88%
Gross profit	55	59	69	117	201	71%
EBITDA	51	46	58	94	159	70%
Net profit	24	20	30	95	67	-29%
Depreciation	21	17	17	27	59	121%
Investments	24	153	23	1,039	141	-86%
Total assets	291	441	443	1,657	1,698	3%
Total liabilities	197	302	273	1,077	1,050	-3%
Interest-bearing liabilities	179	271	245	956	948	-1%
Total equity	94	139	170	580	648	12%
Fleet market value	247	427	423	1,346	1,488	11%
Weighted average property of	359 400 000	436 100 456	440,000,000	F21 F27 764	672 017 040	200/
Weighted average number of ordinary shares outstanding*	358,400,000	436,199,456	440,000,000	521,527,764	673,817,040	29%
Number of ordinary shares outstanding*	358,400,000	440,000,000	440,000,000	673,817,040	673,817,040	0%
Earnings per share (EPS) euros*	0.07	0.05	0.07	0.18	0.10	-45%
Shareholders' equity per share euros*	0.26	0.32	0.39	0.86	0.96	12%
Price to Earnings ratio (P/E)*				5.1	13.0	
* the share and per share information has been adjusted with the share bonus issues						
Gross profit margin	29%	27%	27%	29%	26%	
EBITDA margin	27%	21%	22%	23%	21%	
Net profit margin	13%	9%	12%	23%	9%	
Return on assets (ROA)	11%	8%	9%	8%	6%	
Return on equity (ROE)	30%	17%	20%	31%	11%	
Return on capital employed (ROCE)	13%	10%	11%	10%	7%	
Equity ratio	32%	32%	38%	35%	38%	
Number of passangers	2 507 017	2 020 264	2 274 177	4 202 162	6 972 220	6.40/
Number of passengers	2,597,917	2,828,364	3,274,177	4,203,163	6,873,339	64%
Cargo Units	94,945	103,425	131,349	188,330	359,781	91%
Average number of employees	1,921	2,371	2,710	3,463	6,227	80%

DEFINITIONS

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

 Gross margin
 Gross profit / Net sales;

 EBITDA margin
 EBITDA / Net sales;

 Net profit margin
 Net profit / Net sales;

Price to Earnings ratio (P/E)Market value per share on 31 August / Earnings per share

Return on assets (ROA) Earnings before net financial items, taxes, income from negative goodwill / Average total assets;

Return on equity (ROE) Net profit / Average shareholders' equity;

Return on capital employed (ROCE) Earnings before net financial items, taxes, income from negative goodwill / Total assets – Current liabilities (average for the period);

Equity ratio Total equity / Total assets.

COMPANY OVERWIEW

Tallink is the leading European ferry operator offering highquality 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. Tallink provides its services on the various routes between Finland-Sweden, Estonia-Finland, Estonia-Sweden, Finland-Germany and Latvia-Sweden. Our fleet consists of 18 vessels: ten cruise ferries, four high-speed ro-pax ferries, two cargo vessels, one ro-pax ferry and one high-speed ferry.

As a result of our ongoing investment and fleet renewal program, we currently deploy some of the most advanced cruise ferries in the Northern Baltic Sea region. In particular, we believe that our cruise vessels Romantika, Victoria I and Galaxy, 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 Northern Baltic Sea region. We also took delivery of a brand new vessel Star in the spring 2007. The brand new high-speed ro-pax ferry is designed to combine the best features of a traditional cruise ferry, cargo vessel and a high-speed ferry so that she can be operated year-round at almost the same speed as the high-speed ferries but with increased passenger capacity, large car deck, expanded shopping and dining facilities and other services.

The Group has ordered another similar vessel which was christened in October 2007 as "Superstar". Superstar will be delivered in spring 2008 and will be operating alongside her sister ship Star on the Estonia-Finland route. Furthermore, the Group has ordered two cruise ferries, both enhancements of our newest cruise ferry Galaxy. The cruise ferries will be delivered in 2008 and 2009.

In addition to building new vessels, the fleet renewal program includes also selling, chartering or rerouting older vessels. During the financial year, the Group sold three older vessels and chartered out Meloodia, which was eventually sold in December 2007. In October 2007 we also chartered out Tallink AutoExpress 2 fast-ferry. The cruise ferry Fantaasia was chartered out throughout the whole 2006/2007 financial year. Through the fleet renewal program we have established a versatile fleet, which allows us to offer a wide range of constantly improving services and frequent departures.

Altogether we transported nearly 7 million passengers and 360 thousand ro-ro cargo units in the financial year ended in August 2007, an increase of 64% and 91% respectively, com-

pared to the previous financial year. The number of passenger cars carried increased by 45% to nearly 600 thousand.

STRATEGY

The Group's vision is to offer excellence in leisure, entertainment and travel services in every market where we operate.

Our mission is to provide an enjoyable and memorable travel experience that exceeds customer expectations simply by doing more.

We aim to be the leading provider of high-quality mini-cruise and passenger transport services, as well as the leading provider of ro-ro cargo services on selected routes, in all the regions we operate. Even though our business has grown rapidly in the last decade, we believe that there are additional growth opportunities in the region over the coming years. The cornerstones of our operating strategy are described below:

Continue to invest in our fleet

We believe that continued investment in new vessels and upgrades to existing vessels are critical to our ability to maintain market leadership and further expand our business. Our newer vessels are designed to increase efficiency and profitability by increasing passenger traffic while reducing operating costs per passenger. We believe that the introduction of additional modern vessels equipped with improved onboard amenities will lead to increased per passenger spend and will attract a broader customer base. In addition, the higher comfort, safety and environmental standards of our newer vessels will further strengthen our brand association with high-quality products and services.

Build upon strong positions on existing routes

We are the market leader on all of the routes that we currently operate. We will seek to maintain and strengthen our overall market share and volumes in both passenger and cargo traffic on our designated routes by continuously improving comfort and quality standards and providing convenient and reliable timetables for our service. We actively market our existing product offering throughout the Nordic and Baltic countries through our own sales agencies and through affiliations with travel agencies.

Pursue new growth opportunities

We continuously evaluate potential growth opportunities

COMPANY OVERVIEW

presented by introducing new routes, products and services. We also seek growth opportunities in travel-related products and services that will support our cruise and passenger transport business. For example, the operation of Tallink City Hotel and the new Tallink Spa & Conference Hotel opened in the spring of 2007 support our cruise business by offering high-quality overnight accommodation in Tallinn that can easily be combined with our ferry products. We believe that travel services, such as innovative and varied travel packages, including cruises, hotel stays and cultural experiences, provide further opportunities to attract new groups of customers and improve our profitability.

Maintain profitability through efficient and flexible management, while seeking revenue growth

We aim to focus on growth opportunities that will allow us to maintain and improve our profitability. We have a tradition of efficient and flexible management of our assets, including the ability to introduce profitable new routes and to transfer and relocate our vessels to new routes or, for example, charter operations, in order to seek the highest available return from our assets. Our onshore and management organisations are lean, which enables us to operate efficiently and to

make quick decisions in response to market developments and opportunities.

ROUTES OPERATED

Finland-Sweden routes

The Finland-Sweden operations were started in July 2006 after Tallink acquired the Silja Line. Currently we operate on the Helsinki-Stockholm, Turku-Stockholm and Turku-Kapellskär routes between Finland and Sweden under the Silja brand.

Helsinki-Stockholm

On the Helsinki-Stockholm route a true overnight mini-cruise experience is provided by Silja Serenade and Silja Symphony cruise ferries. Passengers can choose either one way onenight cruise or a roundtrip two-nights cruise.

Turku-Stockholm/Kapellskär

The route from Turku to both Stockholm and Kapellskär is operated by Silja Europa and Silja Festival cruise vessels every day with a journey time of 21 hours for the complete round trip mini-cruise. Additional services, primarily a pas-



COMPANY OVERWIEW

senger transport and freight service between Turku and Stockholm, is provided by ro-pax ferry Sea Wind.

Estonia-Finland route

We transport both passengers and cargo on the well-developed Estonia-Finland route between Tallinn and Helsinki, the origins of which date back to the Soviet Union era. Most of Finnish passengers visiting Estonia arrive by ferry. We have a strong position on this route and currently operate the cruise ferry Galaxy, Superfast and Star high speed ro-pax vessels on this route. From spring 2008 another new generation high speed vessel, Superstar, will be introduced to Estonia-Finland route.

The cruise ferry Galaxy currently departs once a day from each port taking the evening departure from Helsinki. The voyage takes three and a half hours. Despite the short distance, Galaxy offers a true mini-cruise experience during which passengers from Finland spend the evening and night on the cruise ferry and are able to spend a few hours in Tallinn in the morning before the ship returns to Helsinki.

Since April 2007 we operate a new Shuttle service between Tallinn and Helsinki with our newest vessel Star. The year-round fast Shuttle service has replaced the seasonal AutoExpress service. The crossing with Star takes two hours. The vessel can also transport ro-ro cargo and up to nearly 2,000 passengers. With the addition of Superstar in spring 2008, the Shuttle service will offer frequent departures of quick and comfortable travel.

Estonia-Sweden route

Currently, we are the only operator of passenger services with daily departures between Estonia and Sweden. We operate two different routes Tallinn-Stockholm and Paldiski-Kapellskär between Estonia and Sweden.

Tallinn-Stockholm

Following a positive start and development on the Paldiski-Kapellskär route since 1998, we started operating the Tallinn-Stockholm route in January 2001. On the Tallinn-Stockholm route (directed through Mariehamn, Åland, to obtain the tax-free status for onboard shop sales), we currently operate two cruise ferries, Victoria I and Romantika, with one daily departure by each cruise ferry in the afternoon from each

port. The duration of the voyage, including a short stop at Mariehamn, Åland, is approximately 16 hours and the ferry arrives at its destination the following morning. The main product is a mini-cruise with two nights onboard the vessel and a day at the destination, although one-way trips combined with a hotel package or a private car trip around the Baltic region are becoming increasingly popular. Ro-ro cargo is transported on the car and cargo decks of both Victoria I and Romantika.

Paldiski-Kapellskär

We entered the Estonia-Sweden market in 1998 by commencing regular traffic on the Paldiski-Kapellskär route, where we currently operate two cargo vessels M/S Kapella and M/S Regal Star.

Finland-Germany route

After the acquisition of three Superfast ferries in spring 2006, Tallink started operating between Finland and Germany. Although the main emphasis of the route is on the cargo, we also see room for increased demand for the passenger transportation. Our vessels complete the voyage between Helsinki and Rostock in less than 24 hours and offer every day departures from both destinations. With the Superfast vessels we can provide our customers the fastest service between Finland and Germany.

Latvia-Sweden route

Tallink began regular ferry service on the Riga-Stockholm route in April 2006 with one vessel - cruise ferry Regina Baltica. In April 2007 Tallink added the second vessel to the route thus being able to provide daily departures from both destination ports. With the departure in the afternoon the journey takes approximately 16 hours and the ferry arrives at its destination the following morning. Latvia-Sweden route is a new market for Tallink but we are confident this operational segment will prove to be a successful expansion. Since the launch of the route the development has been showing great success in passenger volumes.

REVENUES

We focus on offering our customers a wide range of transport and leisure products and services varying from a one-way

COMPANY OVERVIEW

high-speed Shuttle service to a complete mini-cruise combined with overnight hotel and spa stays. A large proportion of our products are sold by means of various products and travel packages. Travel packages may be tailored to suit customer preferences in each market as to the type of the vessel, length of the trip, use of conference facilities and other services, hotel accommodation in Tallinn and other features, such as various onshore leisure experiences.

areas and pubs onboard our vessels. Passengers may book a restaurant table and also pay for their meal in advance already at the ticket office. We have developed menus suited to Nordic tastes, accompanied by culinary inspiration from other ethnic cuisines. We focus strongly on the quality of our food and service, and our chefs and bartenders have won several awards. Onboard sales in restaurants and bars are tax-free on all of our routes.

Tickets

Most of our products and packages sold include ticket component as there is ferry transportation or stay onboard included. There is a wide selection of passenger tickets with a variety of different options and pricing for different ships, departure dates and times as well as cabin classes. While many sales are made well in advance, last-minute departures advertised through newspaper are also common.

Restaurants and Bars

Our passengers can dine at varying price levels, ranging from traditional à la carte and buffet restaurants to fast food dining

Shops

All of our vessels have onboard shops, where passengers can purchase consumer goods, such as alcoholic beverages, to-bacco, cosmetics, sweets, clothing, toys and accessories (the shops on the ro-ro cargo vessels have a smaller product offering). Our onboard shops compete with onshore shops and the prices in our shops on our ferries must be comparable to onshore consumer price levels to attract our passengers to purchase goods onboard. On some of our routes all items sold in onboard shops are tax-free, meaning that no excise or value added taxes are levied on any of the goods sold which allows us to offer our customers products at favourable price levels.



COMPANY OVERWIEW

Cargo

In the cargo business, we operate under the mixed tonnage concept, meaning that our vessels generally carry both cargo and passengers. We do not transport container cargo on our vessels but only ro-ro cargo, mainly lorries, trucks and trailers. Our vessels are equipped with separate car and cargo decks onto which private cars, buses and ro-ro cargo can be driven while the passengers are embarking. Cargo traffic is often related to business logistics and its development is closely linked to general economic conditions and trade activity.

Although Tallink operates under the mixed tonnage concept, we also own two special cargo vessels. This allows us not only to offer the cargo transportation service on all our seven routes but to satisfy the demand on routes with intense cargo trade through sufficient departures and capacity.

In the recent years we have seen a large increase in cargo transport which has been mainly the result of the accession of the Baltic countries to the European Union and the consequent customs removals, which have increase traffic on the Via Baltica. In the last financial year the frequent departures of M/S Star, fast ferry with large car deck, has also contributed to

the increase of the cargo traffic between Estonia and Finland. Our customer base for cargo services consists of a wide range of clientele, from large transport companies to small or medium-sized companies. We aim to work closely with our customers in order to continuously enhance our processes and service level, offering a flexible, efficient and affordable service.

Hotel operations

In response to high tourist activity, we engage in hotel operations to support and supplement our passenger traffic business. In May 2004 we started to operate the 350 room Tallink City Hotel in the principal tourist centre of Tallinn. In addition, in March 2007 we started to operate a new 275-room Tallink Spa & Conference Hotel close to the centre of Tallinn, near the port area.

Hotel packages

Our hotel packages typically consist of transport on our vessels together with an overnight stay in a Tallinn hotel, with Tallink's hotels as the primary, but not the exclusive, choice. Over the last years there has been a large interest in hotel packages and



COMPANY OVERVIEW

overnight stays in Tallinn which has mainly been driven by the increased tourist flow to the Baltic countries. Tallink's hotels provide an additional option for accommodation and have been well received by our customers.

Gambling

Traditional gambling is offered on all of our cruise ferries. The vessels are equipped with entertainment machines, slot machines and larger cruise ferries have gambling tables, such as roulette and black jack.

Chartering

Effective fleet deployment is an important part of our strategy and business. We view chartering as a mean of optimizing asset utilization from time to time. At the end of 2006/2007 financial year we had chartered out two vessels – Fantaasia and Tallink AutoExpress 2

SALES AND MARKETING

Finland is our most important market in terms of revenues. The majority of our customers come from Finland. We offer to our Finnish customers a broad range of services, including different vessel types and frequent departures as well as price options depending on customer preferences. We believe that both the Tallink and Silja brands have strong and positive brand recognition in Finland and that our brands are readily associated with travel to Tallinn and Sweden. Many of the travellers onboard our vessels are repeat customers. Our loyalty club "Club One" has more than half million members.

We are the only company offering regular passenger and cargo service between Estonia and Sweden and between Riga and Stockholm. From Helsinki to Stockholm and from Turku to Kapellskär and Stockholm in the summer, we sail under the Silja brand which enjoys high brand recognition in Sweden. In Sweden we offer passengers a wide variety of products and services such as the new and exciting destinations of Riga and Tallinn in addition to our overnight cruise packages and hotel and spa packages. We are developing new products to offer the business to business trade related to conferences and on-board group meetings.

Our network of sales agencies and a network of travel agencies selling tickets for our ferries constitute the most important components of our sales and marketing organisation. All major travel agencies in Finland, most travel agencies in Estonia and the major travel agencies in Sweden, Latvia and Lithuania sell tickets for our ferries as well as travel packages in which transport and/or accommodation on our ferries form part of the package. All of these travel agencies support our sales and marketing function and use a direct online connection to our booking system. Our own network of sales agencies is divided into country organisations for Finland, Sweden, Latvia and Estonia. The Finnish organisation is responsible for Finnish and German customers, the Estonian organisation is responsible for customers in Estonia, Russia and Lithuania, the Latvian organisation is responsible for customers in Latvia and the Swedish organisation is responsible for Swedish customers and customers in other Scandinavian countries. The Estonian decentralized marketing function allows greater flexibility to adapt our marketing activities in response to cultural differences in individual markets.

Marketing activities

As our most important target segment is leisure travel, we market our services primarily through various types of consumer media, including newspapers and other publications, television, radio, internet and billboards. Brochures and other marketing material supplement the information offering. When planning our marketing activities, we utilize a variety of sources. These include third-party market research (brand awareness studies, studies on tourism trends, analysis of ferry traffic), competitive information (statistics on competitors, cruise and ferry information newsletter), our own real-time statistics, our own research (passenger interviews, feedback from travel agents), our own campaigns and our new booking system. Our marketing department uses a rolling marketing action plan that is prepared for the following 12 months but continuously updated to reflect market developments. While over one-half of our external advertising is based on annual contracts, a significant part of our marketing budget is flexible and used as deemed appropriate.

In Finland, where we have a high market share on the highly competitive Tallinn-Helsinki route, we focus on frequent advertising in the main newspapers and selected magazines as well as outdoor advertising. Television and radio commercial are optional advertising channels. Traditionally, our main Fin-

COMPANY OVERWIEW

nish customer groups have included middle-aged and older tourists, for whom our more traditional service offering is well-suited. For marketing purposes and to maintain our competitive advantage, our main target groups currently include families, corporate groups and business travellers as well as young urban adults and professionals. We currently view these groups as offering the greatest potential. We focus primarily on selling wider variety of experiences, such as individual and package tours of the Baltic countries by private car, spas, theatre, opera and golfing.

In Sweden, we focus mainly on increasing our positive brand recognition as well as on the attractiveness of our mini-cruise offering and Tallinn and Riga as a tourist destination. While the onboard mini-cruise experience is still the most important single attraction, the attractive and dynamic destination offered by Tallinn and Riga with its medieval centres, cultural venues and ever expanding tourist attractions is also an important feature in our marketing. We aim to capture a larger portion of both leisure and business travel to Estonia and Latvia. Furthermore, our newest vessels provide a high safety standard, which is a particularly important feature for the Swedish public. We believe that growth will primarily be driven by onboard conferences, family passengers with private cars and high-end customers attracted by our high-quality vessels. We continuously measure market requirements and brand recognition through surveys and campaigns and use cross-promotions with well-know Swedish brands. Our public relations and marketing focus is mainly on daily newspapers, outdoor marketing and occasional television commercials.

Booking system

As a result of the Group's major expansion in the recent years, we had to use several different booking and check-in systems. In October 2007 we implemented a brand new Group wide booking and check-in system on the modern IT platform. The new system provides us with statistics and information on line, connects our ticket offices in each country and includes the advanced internet booking module. Among other things the new sophisticated system allows:

- flexible inventory management for revenue maximization:
- flexible rule-based pricing to respond business changes instantaneously;
- to target specific travel agencies, consumers, regions, etc.;
- comprehensive profiling and contact tracking of travel agencies and customers;
- · unified rule based business policies;
- packaging capabilities including hotel and onshore services for individuals and groups;
- better inventory and pricing management.

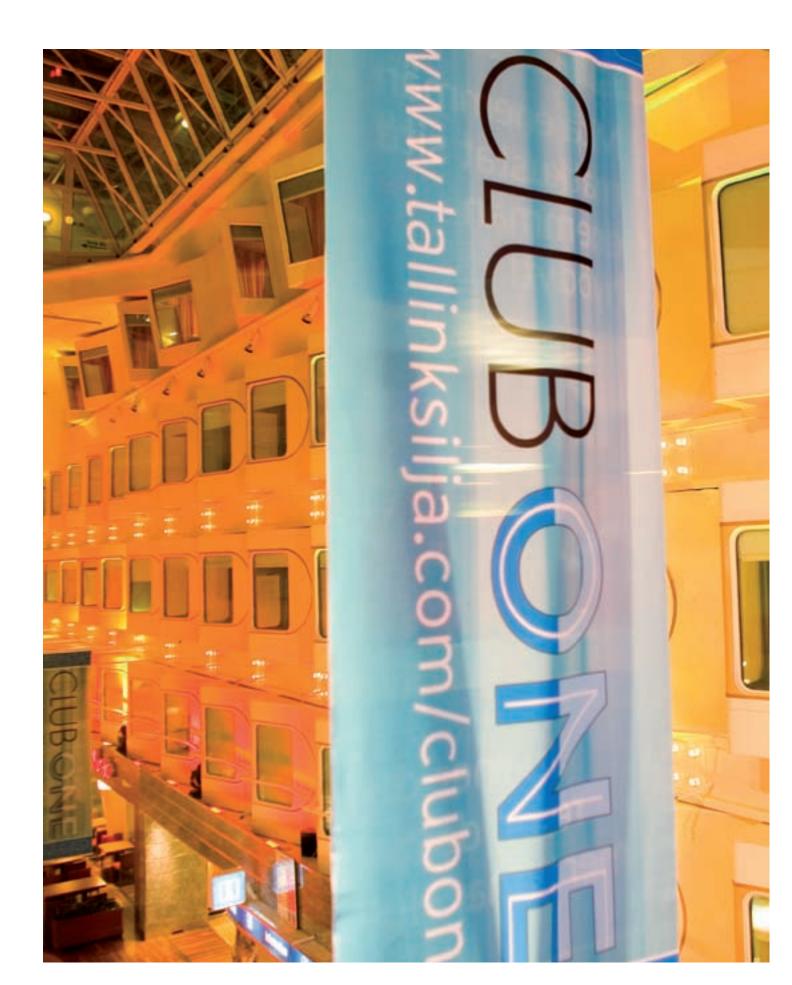
Call Centre

While large amount of our bookings are done over the phone, we have set-up our own call centres' network to service the customers. Our IP-protocol based call centre system offers great flexibility to redirect calls, maintain and manage waiting lists and monitor the activity of call centre personnel. All calls from Finnish customers that are waiting to be connected to the Helsinki booking office can be redirected to Estonia, thus maximizing the number of calls answered. Similarly, calls waiting to be connected to our Swedish booking office can be redirected to Estonia, where we employ multi-lingual call centre staff.

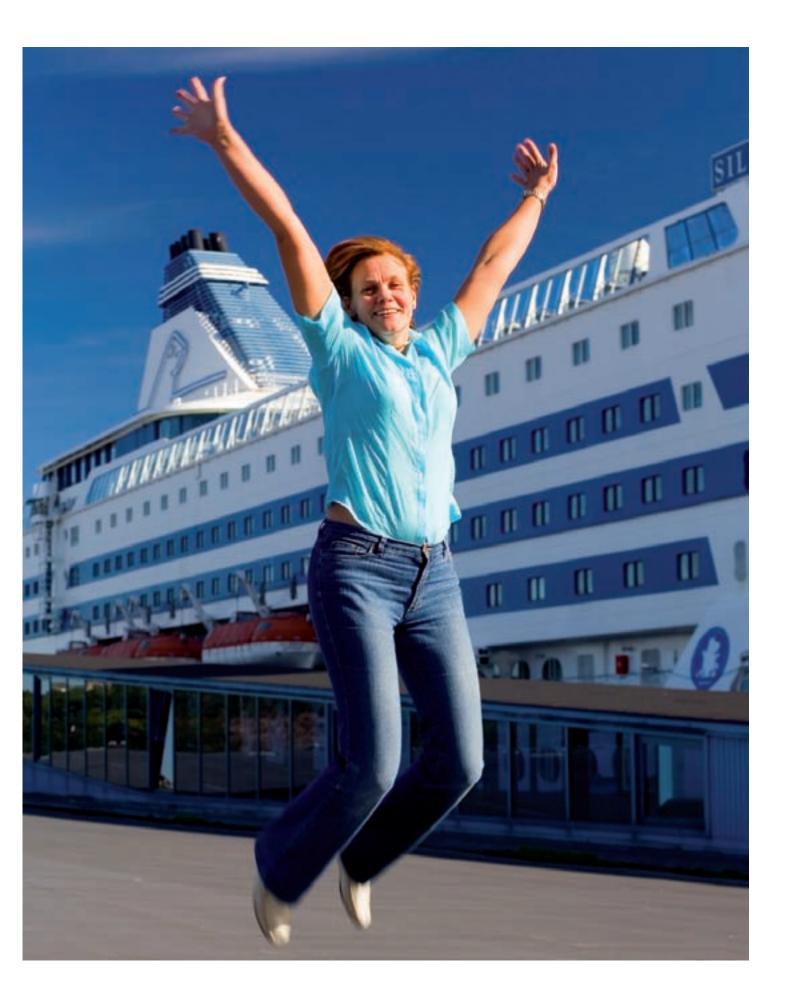
Customer loyalty program

"Club One" is the customer loyalty program for Tallink and Silja connecting us with more than 500,000 customers. It is designed to offer versatile, high-quality travel services to meet the needs of our frequent passengers. Members receive discounts on ticket prices, take advantage of our special service telephone line for convenient booking of their trips and receive the latest information on club activities. Members also receive a newsletter containing information on the latest special trips and travel opportunities, events and member-only offers. Cooperation agreements with a multitude of shops and service providers make it possible to provide members with special offers and services. Onboard the vessels, member benefits are available in restaurants, tax-free shops and certain other facilities.

COMPANY OVERVIEW



PERSONNEL



PERSONNEL

Our mission is to offer our customers the safest, most enjoyable and memorable experience on the sea while continuously seeking to exceed the expectations of our clients. To fulfill this commitment every employee is very valuable for our company. In order to provide our staff a firm, stable and competitive working environment, we have introduced the Group-wide personnel policy summarizing our aims and the instruments we use to achieve them.

Planning, recruitment, training, crewing and payroll administration are the topics included into the human resources management. All of these are handled internally within the Group.

According to some published researches, Tallink is one of the most attractive employers in Estonia. This fact is also reflected by the amount of incoming job applications in the whole Group. As our aim is to recruit the best staff to form the most qualified team, the recruitment process in the Group is objective. Among other things we want to offer the best working environment, where the teamwork is one of the most important keywords. The constant development of knowledge, skills and competence are required. The training system is developed in order to guarantee safe operations and a high level of service on board the Group's vessels. Our training program comprises the best of our internal knowledge but also the qualified external expertise.

Best staff with high level competence in competitive working environment – it is our strategy to keep our labor costs under control. Salary increase for our personnel is rapidly following the macro economical growth and agreements with seamen unions. The annual salary increase varies. In Estonia and Latvia the increase is higher than in Scandinavian countries, where the labor market is more stable.

As we are active in most of countries around the Baltic Sea, our staff is characterized as multinational, consisting mainly of Estonians, Finns, Swedes, Latvians and Russians. It is a challenge to administrate the personnel policy in the best possible way for all the people and in every important category, as there are many different understandings, practices and traditions. As a result of the growth of the Group, the ongoing integration process with Silja and the importance of internal multinational relationships, we have reviewed the status of personnel poli-

cies and have started to set up future development strategy in the human resources area. The situation is allowing us to take advantage of different experiences, practices and know-how of both Tallink and Silja. By implementing the available variety of experience into the work with human resources, we will achieve the desirable and comfortable working environment and a good long-time relationship with the employees.

As a result of the Group's development during the financial year (including the delivery of M/S Star, opening of the new hotel in Tallinn, addition of second vessel on Stockholm-Riga route and establishing of stevedoring company in Helsinki), the total number of Group's employees has grown from 5,987 to 6,481 by the end of August 2007, of whom 4,567 are employed as personnel onboard our vessels compared to 4,371 a year before.

The following table provides an overview of the Group's personnel as of 31 August 2007:

Onshore total*	1,642
Estonia	683
Finland	662
Sweden	238
Latvia	37
Germany	15
Russia	7

At Sea	4,567
Hotel*	272
Total	6,481

 $^{{\}it *The number of hotel personnel is not included in the total number of on shore personnel and the personnel is not included in the total number of one shore personnel is not included in the shore personnel in the total number of one shore personnel is not included in the shore personnel is not included in the shore personnel in the shore personnel is not included in the shore personnel in the shore personnel is not included in the shore personnel in the shore personnel is not included in the shore perso$

SAFETY & ENVIRONMENT

SAFETY

In the operations of the Group the highest priority is on securing the safety of people, environment and property.

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

The Group's safety management operations aim to maintain and develop safe procedures for ships and to create a safe ship environment for both the crew and passengers. The safety management skills of the vessels' crew are continuously developed, tested and practiced during drills and exercises in cooperation with authorities. The 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 Organisation) maritime authorities, certification bodies and other maritime organisations as well as their applicable regulations and standards are adhered to. Ships' masters are responsible for the onboard safety and se-

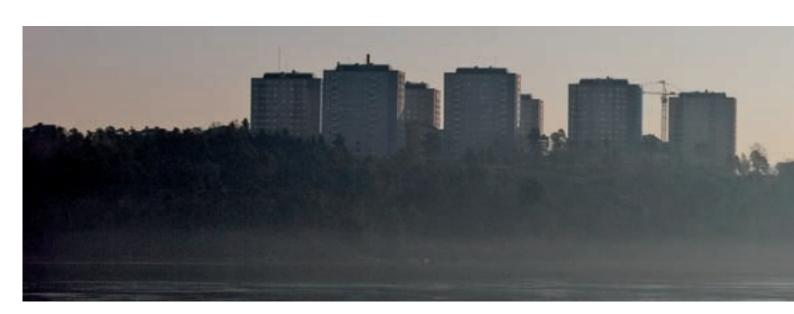
curity operations on the Group's vessels. The task of the onshore organisation is to supervise, support and develop safety and security work.

All our vessels are equipped with the highest safety standard and always ready for use lifesaving equipment. However our operations are designed to be carried out in a safe manner to prevent situations where all this safety equipment could be put in use.

ENVIRONMENT

An emphasis on environmental protection is one of the Group's priorities and is based on real initiatives covering the Group's activities at sea and on land. Tallink is making much more effort to preserve the environment than the relevant regulations stipulate. We use environmentally-friendly paints and biochemicals for the ship maintenance; we establish strict environmental sustainability requirements for our sub-contractors; ship machinery operates on fuels with a low sulphur content; waste is sorted and waste water from the ships is treated on-board and transferred ashore in ports.

Vessels are maintained and operated in accordance with the MARPOL convention (International Convention for the Prevention of Pollution from Ships) in order to ensure that air and sea pollution is kept at the lowest practicable level. All our newest cruise ferries are designed to use operational exhaust gas cata-



SAFETY & ENVIRONMENT

lyst system. The applicable air pollution level requirements are met and our vessels use the low sulphur content fuel. The fleet renewal strategy and continuous new-building program has led us to the possibility to be engaged into the developing and testing activities of the newest technology of exhaust gas cleaning system which besides of the CO emission are meant to lower also the NOx emissions.

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

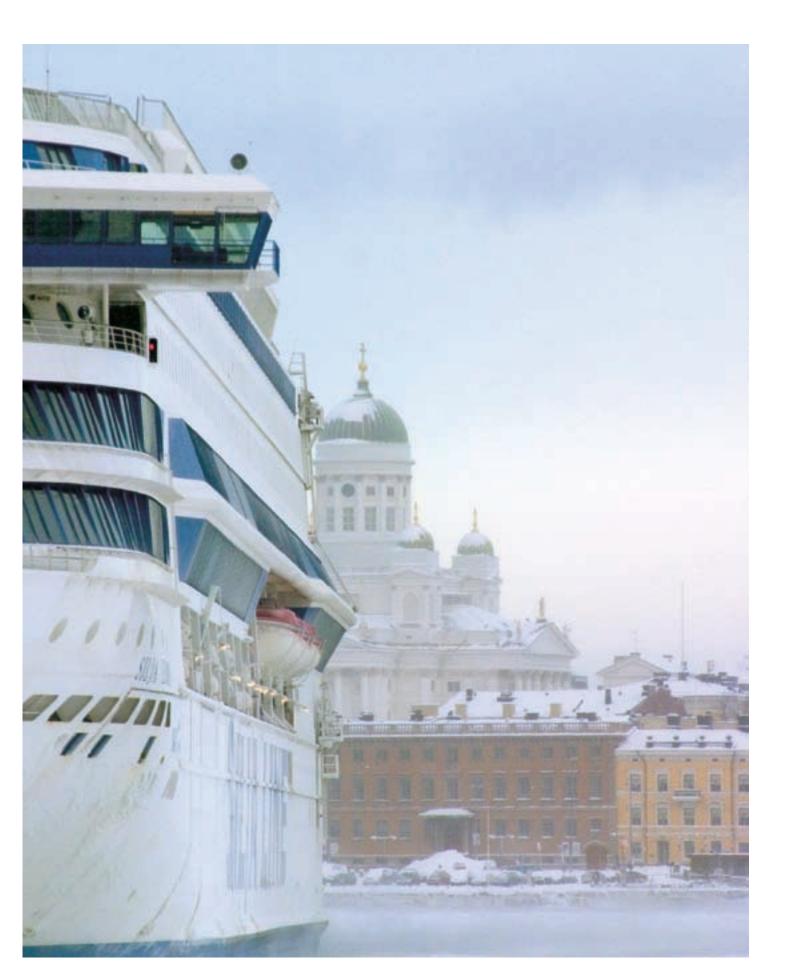
All of our vessels have received all required international oil pollution prevention certificates. During their respective navigation periods, our vessels also hold valid sewage pollution prevention certificates to the extent required. Handling of garbage on the vessels is regularly recorded and several of our vessels also hold a special garbage pollution prevention attestation. As the certificates are issued for limited periods, we regularly apply for the renewal of the certificates before their expiry.

The operation of Shuttle service with brand new vessel Star instead of AutoExpress service has a great environmental benefit as Star itself uses much less fossil fuels than the small high-speed crafts and does not create big waves which can damage the marine environment.

Conclusively in order to assure the protection of the environment the Group complies with mandatory rules and regulations, taking into account codes, guidelines and standard from maritime organisations; actively promotes environmental awareness by training and education of its employees; operates its office and ships taking into consideration the efficient use of energy and materials; wherever practicable, adopts the principles of re-use and recycling; requires that suppliers and contractors working under its direct control and affiliated companies apply environmental standards consistent with its own, participates in discussion with relevant authorities with a view to being aware of current environmental issues and topics and to develop measures to minimize risk to the environment; ensures compliance by undertaking regular inspections and audits along with the rectification of any non-conformity.



CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

ORGANISATION AND ADMINISTRATION

Pursuant to the Commercial Code and the Articles of Association of AS Tallink Grupp, 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

Ultimate authority lies with the Company's shareholders, who exercise this authority at the annual general meeting. The primary duties of the annual general meeting are to approve the annual report and the distribution of dividends, elect members to the Supervisory Council, select auditors and their deputies, and pass resolutions on any increase or decrease in share capital and on any other changes to the Articles of Association. The annual general meeting also determines the remuneration for the supervisory council. In the reporting period AS Tallink Grupp held the annual general meeting on 17 January 2007.

THE SUPERVISORY COUNCIL

The Supervisory Council engages in oversight and longer-term management activities such as supervising the Management Board and devising business plans. No residency requirements apply to the members of the Supervisory Council. The Supervisory Council reports to the Shareholder's General Meeting. The Supervisory Council consists of 5 to 7 members. Members of the Supervisory Council are elected for periods of three years at a time. The Supervisory Council elects one of its members as chairman.

The Supervisory Council is responsible for the administration of the Group and the appropriate organisation of its operations. The Supervisory Council determines the principles for the Group's strategy, organisation, annual operating plans and budgets, financing and accounting. The Supervisory Council elects the members of the Management Board and determines their salaries and benefits.

The Supervisory Council has at present six members: Mr. Toivo Ninnas – Chairman, Ms. Eve Pant, Mr. Ain Hanschmidt, Mr. Lauri Kustaa Äimä, Mr. Sunil Kumar Nair and Mr. Kalev Järvelill. The Supervisory Council convened 12 times during the financial year.

THE MANAGEMENT BOARD

The Management Board is an executive body charged with the day-to-day management of the Group, as well as with representing the Group in its relations with third parties, for example by entering into contracts on behalf of the Group. The Management Board must adhere to the lawful orders of the Supervisory Council.

Members of the management board are elected for periods of three years at a time. Every member of the management board has the right to represent the Company in any legal and business matter.

The Management Board has at present four members: Mr. Enn Pant – Chairman, Mr. Keijo Mehtonen, Mr. Andres Hunt and Mr. Lembit Kitter.

The Group follows most of the Corporate Governance Recommendations of Tallinn Stock Exchange. For practical reasons a few recommendations are followed partly.

SUPERVISORY COUNCIL

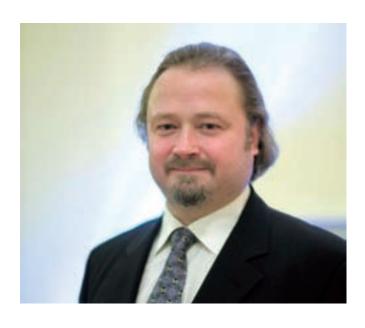


TOIVO NINNASChairman of the AS Tallink Grupp Supervisory Council since June 9, 1997

AIN HANSCHMIDT

Member of the AS Tallink Grupp Supervisory Council
since February 5, 2005
Chairman of the Management Board, AS Infortar





KALEV JÄRVELILLMember of the AS Tallink Grupp Supervisory Council since January 17, 2007

SUPERVISORY COUNCIL

LAURI KUSTAA ÄIMÄ

Member of the AS Tallink Grupp Supervisory Council since May 16, 2002 Fund Manager, Danske Capital Finland, Ltd.





EVE PANT

Member of the AS Tallink Grupp Supervisory Council since October 10, 1997 Member of the Management Board, AS Infortar



SUNIL KUMAR NAIR

Member of the AS Tallink Grupp Supervisory Council since December 4, 2003 Managing Director, Citigroup Venture Capital International

MANAGEMENT BOARD



ENN PANTChairman of the Management Board
Chief Executive Officer



KEIJO MEHTONENMember of the Management Board
Managing Director of Tallink Silja Oy in Finland

MANAGEMENT BOARD



ANDRES HUNTMember of the Management Board



LEMBIT KITTERMember of the Management Board
General Director

MANAGEMENT



PETER ROOSESales and Marketing Director



JANEK STALMEISTER
Financial Director



TÕNU LIIKChief IT Officer



TAAVI TIIVEL
Human Resources and
Organisational Development Director



MARE MASSA Head of Cargo



VEIKO SUIGUSSAARAdministrative Director



TANEL HINNO Head of Safety & Technical Management



KADRI LANDTallink Silja in Sweden Managing Director



HILLARD TAUR
Tallink in Latvia Managing Director

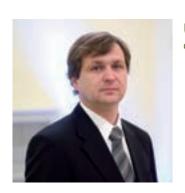


AIMAR PÄRNA Head of Duty Free & Retail

MANAGEMENT



MARE PUUSAAG Chief Legal Counsel



URMAS PÜTSEPP
Chief Accountant



VAIDO UIBOHead of Entertainment



ENO SAAR Head of Stevedoring



LUULEA LÄÄNECommunications Manager



TOOMAS VILOSIUS Head of Finland - Sweden operations



TEET JÕERÜÜTHead of Estonia - Finland operations



ANDRES VIHMAR Head of Sweden – Baltic operations



AARE KASEMAAHead of Finland – Germany operations



AIVAR SÕERDTallink Hotels –
Managing Director

ROUTE MAP



M/S Vana Tallinn

TERMINALS

STOCKHOLM TALLINN Tallinn Passenger Port D-Terminal Port of Stockholm Frihamn Terminal M/S Star M/S Victoria I M/S Galaxy M/S Romantika M/S Victoria I • M/S Regina Baltica **ESTONIA** M/S Romantika M/S Vana Tallinn **PALDISKI STOCKHOLM South Harbour** Port of Stockholm Värtahamn Terminal • M/S Regal Star M/S Silja Serenade **SWEDEN** • M/S Kapella M/S Silja Symphony • M/S Silja Europa M/S Silja Festival M/S Sea Wind HELSINKI KAPELLSKÄR **West Harbour** M/S Star Port of Kapellskär M/S Galaxy • M/S Kapella M/S Superfast VII • M/S Silja Europa M/S Superfast VIII M/S Regal Star M/S Superfast IX FINLAND **HELSINKI MARIEHAMN South Harbour Olympia Terminal West Harbour** M/S Silja Serenade M/S Victoria I M/S Silja Symphony M/S Romantika ÅLAND M/S Silja Serenade M/S Silja Symphony **TURKU** • M/S Silja Europa **Passenger Harbour Silja Terminal** • M/S Silja Festival • M/S Silja Europa M/S Silja Festival Port of Långnäs M/S Sea Wind M/S Sea Wind **ROSTOCK SEAPORT RIGA Superfast Ferries Terminal Riga Passenger Port** M/S Superfast VII • M/S Regina Baltica

GERMANY

M/S Superfast VIII

M/S Superfast IX

FLEET



STAR

Built	2007
Length	186 m
Passengers	1900
Lanemetres	2000
Ice class	1 A



GALAXY

Built	2006
Length	212.1 m
Passengers	2800
Lanemetres	1130
Ice class	1 A Super



VICTORIA I

Built	2004
Length	193.8 m
Passengers	2500
Lanemetres	1000
Ice class	1 A Super



ROMANTIKA

Built	2002
Length	193.8 m
Passengers	2500
Lanemetres	1000
Ice class	1 A Super

FLEET

SILJA EUROPA

Built	1993
Length	201.8 m
Passengers	3123
Lanemetres	932
Ice class	1 A Super



SILJA FESTIVAL

Built	1986 / 1992
Length	170.7 m
Passengers	2023
Lanemetres	885
Ice class	1 A Super



SILJA SYMPHONY

Built	1991
Length	202.9 m
Passengers	2852
Lanemetres	950
Ice class	1 A Super



SILJA SERENADE

Built	1990
Length	202.9 m
Passengers	2852
Lanemetres	950
Ice class	1 A Super



FLEET



REGINA BALTICA

Built	1980
Length	145.2 m
Passengers	1500
Lanemetres	780
Ice class	1 A



VANA TALLINN

Built	1974
Length	153.8 m
Passengers	800
Lanemetres	650
Ice class	1 B



FANTAASIA

Built	1979
Length	136.1 m
Passengers	1550
Lanemetres	810
Ice class	1 A



MELOODIA

Built	1979
Length	138.8 m
Passengers	1600
Lanemetres	730
Ice class	1 A

Sold in December 2007

FLEET

REGAL STAR

Built	1999
Length	149.9 m
Passengers	80
Lanemetres	2087
Ice class	1 A



KAPELLA

Built	1974
Length	110.1 m
Passengers	50
Lanemetres	663
Ice class	1 B



SEA WIND

Built	1972 / 1984 / 1989
Length	155.0 m
Passengers	260
Lanemetres	1050
Ice class	1 B



FLEET



SUPERFAST VII

Built	2001
Length	203.3 m
Passengers	717
Lanemetres	1900
Ice class	1 A Super



SUPERFAST VIII

Built	2001
Length	203.3 m
Passengers	717
Lanemetres	1900
Ice class	1 A Super



SUPERFAST IX

Built	2002
Length	203.3 m
Passengers	728
Lanemetres	1900
Ice class	1 A Super



TALLINK AutoExpress 2

Built	1997
Length	82.3 m
Passengers	673
Speed	38 knots
Cars	175

FLEET

SUPERSTAR

Delivery	spring 2008
Length	175.1 m
Passengers	2080
Lanemetres	1930
Ice class	1 A



New Building 1361

Delivery	summer 2008
Length	212.1 m
Passengers	2800
Lanemetres	1130
Ice class	1 A Super



New Building 1365

Delivery	2009
Length	212.1 m
Passengers	2800
Lanemetres	1130
Ice class	1 A Super



SHARES AND SHAREHOLDERS

SHARE CAPITAL

Pursuant to the Articles of Association, AS Tallink Grupp's issued share capital can not be less than 5,000,000,000 EEK or more than 20,000,000,000 EEK. At the end of the 2006/2007 financial year the share capital was 6,738,170,400 EEK divided into 673,817,040 shares, each with a nominal value of 10 EEK. All shares exist in electronic format and have been registered in the Estonian Central Registry of Securities

The Management Board of AS Tallink Grupp does not have the right to change the size of the share capital without convening a Shareholders' General Meeting.

SHAREHOLDER RIGHTS

Each share is granted one vote at the Shareholders' General Meeting.

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

The powers of the Shareholders' General Meeting include amending the Articles of Association, increasing or reducing the share capital, appointing the Supervisory Council, appointing the auditors, approving the annual report, distributing profit, mergers, divisions, transformations and other decisions according to the laws.

DIVIDENDS

We have not distributed any dividends for the financial years ended 31 August 2003, 2004, 2005 and 2006, but have invested all of our retained earnings in the growth of our business, which follows the Group's strategy. The management seeks to fulfill the Group's investment commitments before dividends are distributed and thus there can be no assurance for the dividend payments in the future.

In addition, several of our loan agreements include a prohibition or restriction concerning the payment of dividends by us or by our subsidiaries without prior approval of the respective lenders. Several of our loan agreements also establish financial covenants that must be complied with throughout the term

of such loan agreements. Our obligation to comply with such covenants may also hinder our ability to pay dividends.

The proposal was made to the Shareholders' General Meeting to retain all profit from the 2005/2006 financial year and not to pay dividends. The decision was approved by the Shareholders' General Meeting in January 2007.

The management has also decided that no dividends should be paid out from the profit of the 2006/2007 financial year and that the profit should be retained. This decision will be submitted to the Shareholders General Meeting for approval.

BONUS ISSUE

In January 2007, the Group increased its share capital from the share premium (3,208,578,400 EEK) and the retained earnings of the prior accounting periods (1,845,049,400 EEK) without making additional contributions (bonus issue) by 5,053,627,800 EEK issuing 3 new shares with nominal value 10 EEK (0.64 EUR) for each existing share. As a result, at the end of the 2006/2007 financial year the number of the Group's shares was 673,817,040. All the shares are of the same kind and each share carries one vote at the Shareholders' General Meeting.

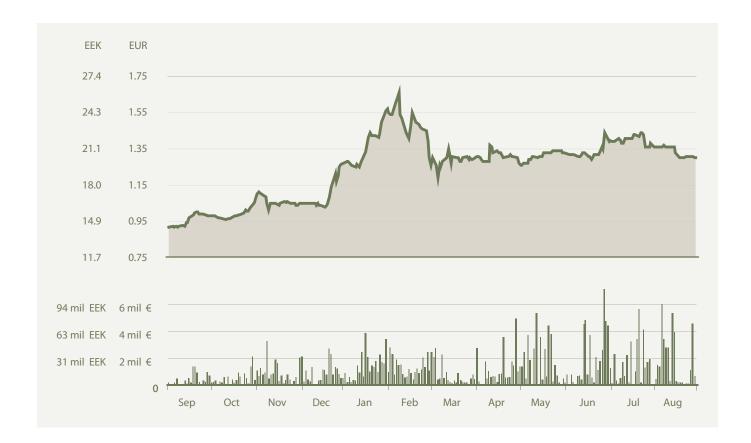
SHARE PRICE AND TRADE

After the IPO in December 2005, the 2006/2007 financial year was the first financial year in which the Group's shares were traded on Tallinn Stock Exchange for 12 months. The shares of the Group are traded under the symbol TAL1T (REUTERS: TAL1T.TL, BLOOMBERG: TAL1T ET).

During the 2006/2007 financial year, there were transactions with 42,147,508 shares of the Group on Tallinn Stock Exchange. The highest daily average share price on Tallinn Stock Exchange was 26.29 EEK (1.68 EUR) (22.77 EEK (1.45 EUR) in the 2005/2006 financial year) and the lowest daily average share price was 14.36 EEK (0.92 EUR) (12.95 EEK (0.83 EUR) in the 2005/2006 financial year). The weighted average share price in the 2006/2007 financial year was 20.91 EEK (1.34 EUR) (18.00 EEK (1.15 EUR) in the 2005/2006 financial year). The average daily turnover of the trade with the Group's shares on Tallinn Stock Exchange was 19.1 million EEK (1.2 million EUR). For comparison the historical share prices are adjusted with the bonus issue.

SHARES AND SHAREHOLDERS

The following graph gives an overview of the Group's share's daily closing prices and daily share trade turnover on Tallinn Stock Exchange during the period of 1 September 2006 to 31 August 2007.



SHARES AND SHAREHOLDERS

SHAREHOLDERS

As of 31 August 2007 there were 11,853 shareholders. The table below presents the distribution of share capital by size of share ownership:

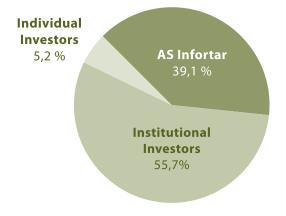
	No. of shareholders	% of shareholders	No. of shares	% of share capital
1 - 99	614	5.18%	30,218	0.00%
100 - 999	3,625	30.58%	1,720,142	0.26%
1,000 - 9,999	7,103	59.93%	13,193,252	1.96%
10,000 – 99,999	399	3.37%	10,083,094	1.50%
100,000 – 999,999	66	0.56%	23,793,393	3.53%
1,000,000 – 9,999,999	37	0.31%	114,204,957	16.95%
10,000,000 +	9	0.08%	510,791,984	75.81%
TOTAL	11,853	100.00%	673,817,040	100.00%

The table below presents the 10 largest shareholders of the Group:

Shareholder	No. of shares	%
INFORTAR AS	263,372,964	39.09%
NORDEA BANK FINLAND PLC/ NON-RESIDENT LEGAL ENTITIES	64,901,096	9.63%
ING LUXEMBOURG S.A.	60,268,776	8.94%
CITIGROUP VENTURE CAPITAL INTERNATIONAL JERSEY LIMITED	49,231,000	7.31%
AS SUPREMA SECURITIES (different accounts)	20,624,576	3.06%
Skandinaviska Enskilda Banken Clients	17,727,657	2.63%
MORGAN STANLEY+ CO (different accounts)	13,854,362	2.06%
FIREBIRD REPUBLICS FUND LTD	10,709,945	1.59%
DANSKE CAPITAL FINLAND OY (different accounts)	10,101,608	1.50%
INVESTORS BANK & TRUST COMPANY (TREATY)	9,237,180	1.37%

As of 31 August 2007 5.24% of the Group shares were held by private individual investors:

The direct shareholdings of the members of the management board and supervisory council and connected persons at the end of the 2006/2007 financial year:



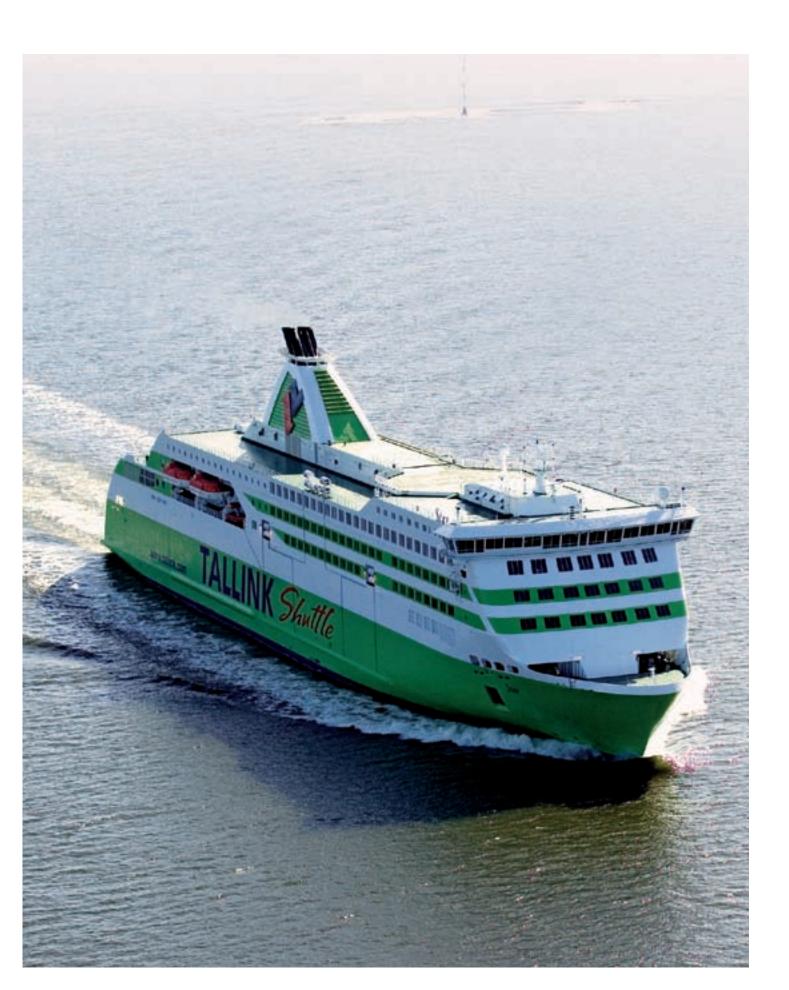
Enn Pant	2,986,762 shares
Keijo Erkki Mehtonen	3,114,400 shares
Andres Hunt	616,000 shares
Lembit Kitter	1,128 shares
Toivo Ninnas	19,200 shares
Eve Pant	569,600 shares
Ain Hanschmidt	1,618,752 shares
Kalev Järvelill	1,292,800 shares
Sunil Kumar Nair	Does not have any shares
Lauri Kustaa Äimä	Does not have any shares.

CORPORATE STRUCTURE

AS TALLINK GRUPP

Holding company, Estonia-Finland and Estonia-Sweden route operator,

sales and marketing in Estonia, general administration.									
Tallink Silja Oy Finland-Sweden routes Sales & Marketing	AS Tallink Baltic Finland-Germany route	AS Tallink Duty Free Supply of goods for ships	18 Ship-owning Companies:						
Tallink Silja AB Sales agent in Sweden & manning	AS Tallink Riga-Stockholm route	OÜ TDF Kommerts Supply of goods for ships	Galaxy Victoria I Romantika						
AS Tallink Latvija Sales & Marketing in Latvia		OÜ Hansaliin Onboard personnel crewing	Star Silja Europa Silja Festival						
OOO Tallink-Ru Sales & Marketing in Russia		OÜ HT Laevateenindus Technical ship management	Silja Serenade Silja Symphony Regina Baltica						
		AS HTG Invest Stevedoring services	Vana Tallinn Fantaasia Regal Star						
		HTG Stevedoring Oy Stevedoring services	Kapella Sea Wind Tallink AutoExpress 2						
		OÜ TLG Meedia Media & Advertising	Superfast VII Superfast VIII Superfast IX						
		OÜ TLG Hotell Operator hotels	23 Other companies						
		OÜ Hera Salongid Beauty services							
		OÜ HT Hulgi Tolliladu Public customes warehouse							
		OÜ HT Meelelahutus Entertainment on ships							
		OÜ Tallink Travel Club Travel services							
		Neptun Juridica Oy Legal services							
		Suomen Jakelutiet Oy Hardware and Software services							



For AS Tallink Grupp and its subsidiaries (also referred to as "the Group"), the first full financial year with the previous financial year's big investments on board ended with a strong and healthy result which is assuring that the business of the significantly grown company is sound and effective. During the 2006/2007 financial year, the Group's revenues increased by 88% to 11,903 million EEK (761 million EUR). Excluding non-recurring costs the Group's EBITDA increased by 87% to 2,738 million EEK (175 million EUR). The Group transported 6.9 million passengers, which is 63.5% more than in the previous financial year.

During the 2006/2007 financial year, the Group's focus was on the restructuring and integration of the acquired Silja Line business. Many overlapping positions in onshore organisations were reduced and many administration, sales and procurement related duties were centralized. Pension fund management was transferred out from the Group and several unfavourable service contracts were terminated. Furthermore, delays in the implementation of a new Group-wide booking system and the centralization of back office activities resulted in extra costs caused by the temporary application of parallel IT systems and related support functions. Non recurring integration and restructuring costs totalled approximately 250 million EEK (16 million EUR).

Given the fact that during the first full post-acquisition year

the positive impact of Silja's synergies is hardly visible, the following years have great upside potential.

The most significant events in the 2006/2007 financial year were the following:

- Integration of Silja
- Second vessel to Riga-Stockholm route
- Delivery and successful launch of M/S Star
- Opening of Tallink Spa & Conference hotel
- Ordering of new cruise vessel Cruise 5
- Numerous changes in the fleet
- · Bonus issue

SALES

Consolidated net sales amounted to 11,903.3 million EEK (760.8 million EUR) in the 2006/2007 financial year (1 September 2006 – 31 August 2007) compared to 6,330.9 million EEK (404.6 million EUR) in the 2005/2006 financial year (1 September 2005 – 31 August 2006). The increase in sales is largely the effect of the investments made in 2006: Silja Line, Superfast vessels, Galaxy cruise ferry and new Riga-Stockholm route. Passenger related revenues per passenger increased 17% which is the positive impact of recent investments.

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

Geographical segments	06/07	05/06	Operational segments	06/07	05/06
Finland - Sweden	47.5%	20.9%	Restaurant, shop and other sales	53.2%	47.2%
Estonia - Finland	22.2%	42.0%	on-board and on mainland		
Estonia - Sweden	11.9%	21.6%	Ticket sales	24.1%	31.0%
Finland - Germany	11.5%	9.5%	Sales of cargo transportation	20.2%	19.4%
Latvia - Sweden	3.1%	2.2%	Income from leases of vessels	1.6%	0.9%
Mainland business and lease of vessels	3.8%	3.8%	Accommodation sales	0.9%	1.5%

EARNINGS

During the 2006/2007 financial year the Group's EBITDA increased by 69.6% to 2,487.3 million EEK (159.0 million EUR). Net profit decreased by 29.4% from 1,485.3 million EEK (94.9 million EUR) to 1,049.3 million EEK (67.1 million EUR). Basic earnings per share and diluted earnings per share were 1.56 EEK (0.10 EUR) in the 2006/2007 financial year, a decrease of 45.3% compared to 2.85 EEK (0.182 EUR) in the 2005/2006 financial year. Excluding negative goodwill and non recurring costs the effective comparable net profit increased 91.7% to 1,299.6 million EEK (83.1 million EUR) and earnings per share on the same basis rose 30.0% to 1.93 EEK (0.12 EUR).

With the delivery of the new shuttle vessel M/S Star in spring 2007 the Group has taken a major step in the restructuring of operations on the Tallinn-Helsinki route. The new vessel, which will operate year around, has large and modern public areas similar to cruise ferries, a car-deck comparable to cargo vessels and a speed close to the speed of fast crafts. The improved concept allowed the new vessel to replace older vessels M/S Meloodia, M/S Kapella and three AutoExpress type fast crafts. Overall, the number of trips made between Tallinn and Helsinki has decreased significantly and therefore also the costs have decreased. With better efficiency on the cost side and improved on-board passenger spending, the new vessel's operating result improved already during the first months of operation by 75% compared to the aggregate operating result of the replaced vessels.

In the 2006/2007 financial year, personnel expenses increased by 158.1% from 959.8 million EEK (61.3 million EUR) to 2,477.1 million EEK (158.3 million EUR) primarily due to an increase in the number of personnel as a result of major expansion in the previous financial year. The average number of employees for the 2006/2007 financial year was 6,227 (3,463 in 2005/2006).

Fuel costs increased by 69.2% to 1,432.7 million EEK (91.6 million EUR) compared to the previous financial year, mainly due to the expansion of the Group and the full year effect of the developments of the previous financial year. The effect of global fuel price fluctuations was partly neutralized by the weakening of the US dollar against the Euro since the Group's fuel purchases are priced in US dollars while its main business and reporting is done in Euros. Part of the fuel price increase was absorbed by the increase in ticket prices and cargo surcharges.

During the 2006/2007 financial year the Group's earnings were reduced by non-recurring items of 250 million EEK (16 million EUR) related to the integration and restructuring of Silja Line, which increased marketing and administrative expenses. The Group's result of operations was also affected by third quarter start-up costs arising from the launch of M/S Star, Tallink Spa & Conference hotel and stevedoring activities in Finland.

The Bronze Soldier incident and related disorder in Tallinn at the end of April had a negative impact on passenger volumes on our routes in May and June and therefore also an adverse effect on the Group's earnings.

Financial expenses increased due to the increase in borrowings and thereby higher interest-bearing liabilities on average which affected financial expenses only for some months in the previous financial year compared to 12 months in 2006/2007, and a rise in interest rates. Financial expenses increased by 153.1% from 316.6 million EEK (20.2 million EUR) in 2005/2006 to 801.2 million EEK (51.2 million EUR) in the 2006/2007 financial year. Thanks to effective financial risk management, net income on interest rate derivatives amounted to 163.0 million EEK (10.4 million EUR), being the main contributor to an increase in financial income. Net financial expense for the period was 597.3 million EEK (38.2 million EUR) compared to 271.7 million EEK (17.4 million EUR) for the prior financial year.

LIQUIDITY AND WORKING CAPITAL

Net operating cash flow increased by 71.6% to 2,119.7 million EEK (135.5 million EUR) compared to the 2005/2006 financial year, primarily thanks to the positive operational effect of investments made in the previous financial years.

Net cash flows used in investing activities amounted to 1,315.1 million EEK (84.1 million EUR). The main components of cash outflows from investing activities were the purchase of M/S Star and payments for new vessels under construction of 2,201.6 million EEK (140.7 million EUR) in aggregate. Net proceeds from the sale of three vessels: HSC Tallink AutoExpress 3, HSC Tallink AutoExpress 4 and M/S Sky Wind totalled 687.4 million EEK (43.9 million EUR).

During the 2006/2007 financial year, the Group received 1,358.8 million EEK (86.8 million EUR) from new borrowings and repaid loans of 1,555.4 million EEK (99.4 million EUR).

At 31 August 2007, the Group's cash and cash equivalents totalled 1,303.6 million EEK (83.3 million EUR). The liquidity ratio was 0.665.

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

CAPITAL RESOURCES

We finance our future investments with operating cash flows, debt and equity financing, and proceeds from potential disposals of assets. At 31 August 2007, the Group's debt as a percentage of capitalization (total debt and shareholders' equity) was 59.4% compared to 62.2% at 31 August 2006. The improvement resulted from a 123.9 million EEK (7.9 million EUR) decline in debt and a 1,059.7 million EEK (67.7 million EUR) increase in equity.

LOANS AND BORROWINGS

At the end of the 2006/2007 financial year, interest-bearing liabilities totalled 14,831.7 million EEK (947.9 million EUR), a 123.9 million EEK (7.9 million EUR) decrease compared to the 14,955.6 million EEK (955.8 million EUR) measured at the end of 2005/2006. In the reporting period, the Group took a 12-year loan of 1,377 million EEK (88 million EUR) to partially finance the purchase of M/S Star and repaid old loans of 1,555.4 million EEK (99.4 million EUR).

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

OWNERS' EQUITY

The Group's owners' equity increased by 11.7% from 9,074.1 million EEK (579.9 million EUR) to 10,134.9 million EEK (647.7 million EUR), mainly on account of net profit for the financial year. The Group increased share capital by way of a bonus issue, which was conducted using share premium of 3,208.6 million EEK (205.1 million EUR) and retained earnings of 1,845.0 million EEK (117.9 million EUR). Three new shares with a nominal value of 10 EEK (0.64 EUR) were issued for each existing share. As a result, at the end of the 2006/2007 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 "Share Performance and Shareholders" section of this report.

No dividends were paid for the 2005/2006 financial year. Management continues with the current policy where high priority is placed on investment. Considering the 2007/2008 capital commitments for three new vessels under construction, management will propose at the shareholders' general meeting that earnings be retained and no dividends be distributed for the 2006/2007 financial year.

VESSELS AND OTHER INVESTMENTS

The Group's main revenue generating assets are the vessels, which account for approximately 85.3% of total assets. At the end of the financial year, the Group owned 19 vessels: 17 of them were operated in the Group's main business on the Baltic Sea and two were chartered out (M/S Fantaasia and M/S Meloodia). Our current fleet consists of 11 cruise ferries, four high-speed ro-pax ferries, two ro-ro cargo vessels, one highspeed craft and one ro-pax ferry. According to management's estimates, at 31 August 2007 the value of the ships amounted to 23,286.1 million EEK (1,488.3 million EUR). Compared to the previous financial year, the value of the fleet has increased, largely through the delivery of M/S Star. All of our vessels have protection and indemnity insurance (P&I), hull and machinery insurance (H&M) and they meet all applicable safety regulations. Besides the economic benefits of the upgrade of the fleet through new vessel investments, the Group is now employing one of the most environment friendly fleets as the vessels are equipped with the latest available machinery and technology.

Vessels under construction - The Group has three new vessels under construction at shipyards. In addition to the previously ordered fast ro-pax type vessel M/S Superstar and cruise vessel with the codename Cruise 4 which both will be delivered in 2008, the Group signed a ship-building agreement with Aker Yards in April 2007 to build over a 2,816 million EEK (180 million EUR) new cruise ferry with the codename Cruise 5, an enhanced development of the Galaxy series, which will be delivered in 2009.

For all the vessels on order the Group needs to pay 20% of the total contract price during the construction period and the remaining 80%, which is intended to be financed with bank loans, upon delivery.

By the end of the 2006/2007 financial year, the Group had paid the shipyards 772.3 million EEK (49.4 million EUR) as part of the 20% mandatory instalments during the construction period. Approximately 573.4 million EEK (36.7 million EUR) remains to be paid during the 2007/2008 financial year and approximately 93.9 million EEK (6.0 million EUR) during the 2008/2009 financial year.

Other investments – During 2006/2007 the Group purchased a 30% minority shareholding in OÜ TLG Meedia from Mr. Peter Roose, founded HTG Stevedoring OY and acquired a 100% share in OÜ Hera Salongid from AS Infortar. The investments allow the Group to lower its costs, improve the quality of stevedoring, and enhance the range of services offered.

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 2006/2007 financial year was 6.9 million, which is 63.5% higher than the in previous financial year. The number of cargo units carried by the Group's vessels was 359.8 thousand, a 91.0% increase on the previous financial year. The number of passenger cars increased by 45.2% and reached 591.0 thousand.

The increase in transported volumes is largely the result of the full year operation of the investments made in the previous financial year.

The following table provides an overview of transported passengers, cargo units and passenger vehicles in the 2006/2007 and 2005/2006 financial years.

Passengers	2006/2007	2005/2006	change %
Estonia – Finland route	2,541,834	2,518,126	0.9
Estonia – Sweden routes	710,226	684,989	3.7
Latvia – Sweden route	256,690	96,730	165.4
Finland – Germany route	130,268	98,004	32.9
Finland – Sweden routes	3,234,321	805,314	301.6
Total	6,873,339	4,203,163	63.5
Cargo units			
Estonia – Finland route	109,572	96,511	13.5
Estonia – Sweden routes	42,536	45,233	-6.0
Latvia – Sweden route	8,479	1,564	442.1
Finland – Germany route	72,999	27,468	165.8
Finland – Sweden routes	126,195	17,554	618.9
Total	359,781	188,330	91.0
Passenger vehicles			
Estonia – Finland route	251,900	213,701	17.9
Estonia – Sweden routes	59,023	76,826	-23.2
Latvia – Sweden route	38,832	12,780	203.8
Finland – Germany route	40,025	28,594	40.0
Finland – Sweden routes	201,198	75,087	168.0
Total	590,978	406,988	45.2

The numbers of passengers and cargo units transported in the 2006/2007 financial year were affected by many positive and negative factors. Numerous changes in the fleet in relation to new vessel deliveries and the sale and chartering of our older vessels caused changes in capacities which impacted volume development.

The following operational factors influenced traffic volumes development.

Estonia-Finland

During the 2006/2007 financial year there were many changes on the route.

The operation of Superfast vessels from January and M/S Star from April replaced M/S Meloodia, M/S Kapella and three AutoExpress vessels. With this change, the number of departures declined significantly but at the same time capacity utilisation and operational results improved noticeably.

Capacities were also increased by the full-year operation of M/S Galaxy instead of M/S Romantika compared to eight months in the previous financial year.

Estonia-Sweden

Capacities were influenced by the discontinuance of the operation of M/S Vana Tallinn on the Paldiski-Kapellskär route from January 2007 and the full-year operation of M/S Romantika on the Tallinn-Stockholm route instead of M/S Regina Baltica compared to eight months in the previous year.

The cargo and vehicle volumes on Estonia-Sweden routes were partly affected by the fact that some Latvian and Lithuanian customers began using the Latvia-Sweden route, which was launched in spring 2006.

Finland-Germany

The route between Finland and Germany was operated for 12 months compared to five months in the previous financial year as the route was launched in April 2006. In Finland the vessels changed port in January and now operate from Helsinki instead of Hanko.

Changes in the sales network brought about a decrease in passenger volumes and an increase in cargo volumes.

Vessel repairs and temporary changes in the schedule caused seasonal differences in capacities on the Finland-Germany route.

Latvia-Sweden

The route between Latvia and Sweden was operated for 12 months in the 2006/2007 financial year compared to five months in the previous financial year as the route was opened in April 2006.

In April 2007 M/S Vana Tallinn started operating the Riga-Stockholm route alongside M/S Regina Baltica, allowing daily departures from both destinations.

Finland-Sweden

The routes between Finland and Sweden were operated for 12 months in the 2006/2007 financial year compared to two months in the previous financial as the operations of Silja were consolidated to AS Tallink Grupp from July 2006.

Throughout the year the Group carried out several dockings which resulted in fewer trips and lower capacities on the Finland-Sweden routes.

The Group's market shares on routes operated during the 2006/2007 financial year were as follows:

- The Group carried approximately 44% of the passengers and 53% of the ro-ro cargo on the route between Tallinn and Helsinki.
- The Group is the only provider of daily passenger transportation between Estonia and Sweden the approximate market share of ro-ro cargo transportation was over 60%.
- The Group is the only provider of daily passenger and ro-ro cargo transportation between Riga and Stockholm.
- The Group carried approximately 56% of passengers and 34% of ro-ro cargo on the routes between Finland and Sweden.
- The Group's approximate market share in passenger transportation on the route between Finland and Germany was 56% and the approximate market share in ro-ro cargo transportation was 23%.

PERSONNEL

On 31 August 2007 the Group employed 6,481 employees (5,987 on 31 August 2006).

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

	Ave	Average of 12 months			End of financial year			
	2006/2007	2005/2006	change %	31.08.2007	31.08.2006	change %		
Onshore total	1,503	812	85.1	1,642	1,479	11.0		
Estonia	606	442	37.1	683	567	20.5		
Finland	578	227	154.6	662	601	10.1		
Sweden	274	120	128.3	238	276	-13.8		
Latvia	30	19	57.9	37	26	42.3		
Germany	11	1	1,000.0	15	6	150.0		
Russia	4	3	33.3	7	3	133.3		
At sea	4,516	2,509	80.0	4,567	4,371	4.5		
Hotel*	208	142	46.5	272	137	98.5		
Total	6,227	3,463	79.8	6,481	5,987	8.3		

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

The increase in the number of onshore employees results from stevedoring activities launched in Finland and the fact that during restructuring many related duties still overlap.

The increase in sea personnel results mainly from the launch of M/S Star in spring 2007.

In the 2006/2007 financial year the remuneration of the members of the Group's management board totalled 22.4 million EEK (1.4 million EUR) compared to 31.1 million EEK (2.0 million EUR) in 2005/2006.

OUTLOOK

With the acquisition of Silja Line in 2006, the Group continued the development of a new booking and check-in system which was started by Silja years ago. The project was initially due for launch in autumn 2006 but did not fully meet the Group's demands and was developed further during the 2006/2007 financial year. The new system was finally launched in October 2007. All of the Group's sales offices in six countries and travel agencies all over Scandinavia and Europe have now online connection to the new booking and check-in system which makes the sale of Tallink and Silja products easier. Our internet

sales interface for individuals has also been replaced with a new improved system.

During the 2007/2008 financial year, the focus will be on completing the integration of Silja and continuing corporate restructuring to optimize the Group's administrative and marketing functions.

Management foresees the need for restructuring the Turku-Stockholm route in order to maximize business outcome from that segment. The first steps in that direction were taken with the sale of M/S Sky Wind in August 2007. In spring 2008, the next changes will be made when M/S Galaxy will move from the current Tallinn-Helsinki route to replace M/S Silja Festival on the Turku-Stockholm route. With the introduction of M/S Galaxy, operations between Finland and Sweden will finally see an upgrade after more than 14 years.

In 2008, the Group will deliver two new vessels to the Tallinn-Helsinki route. Cruise 4 from Aker Yards in Finland will start offering overnight mini-cruises and M/S Superstar from the Italian shipyard Fincantieri will start operating a shuttle service. With the introduction of M/S Superstar the Shuttle service will have two vessels and with the M/S Star already in service it will

REPORT OF THE MANAGEMENT

then be possible to offer frequent departures from both cities - Tallinn and Helsinki.

In the light of the full twelve-month operation of recent investments, the new Shuttle vessel M/S Star, the new Tallink Spa & Conference hotel, two vessel operations on the Riga-Stockholm route, and the addition of M/S Superstar and Cruise 4 in 2008, the management of the Group estimates that the result for the 2007/2008 financial year, which started in September 2007, will outperform the result of 2006/2007.

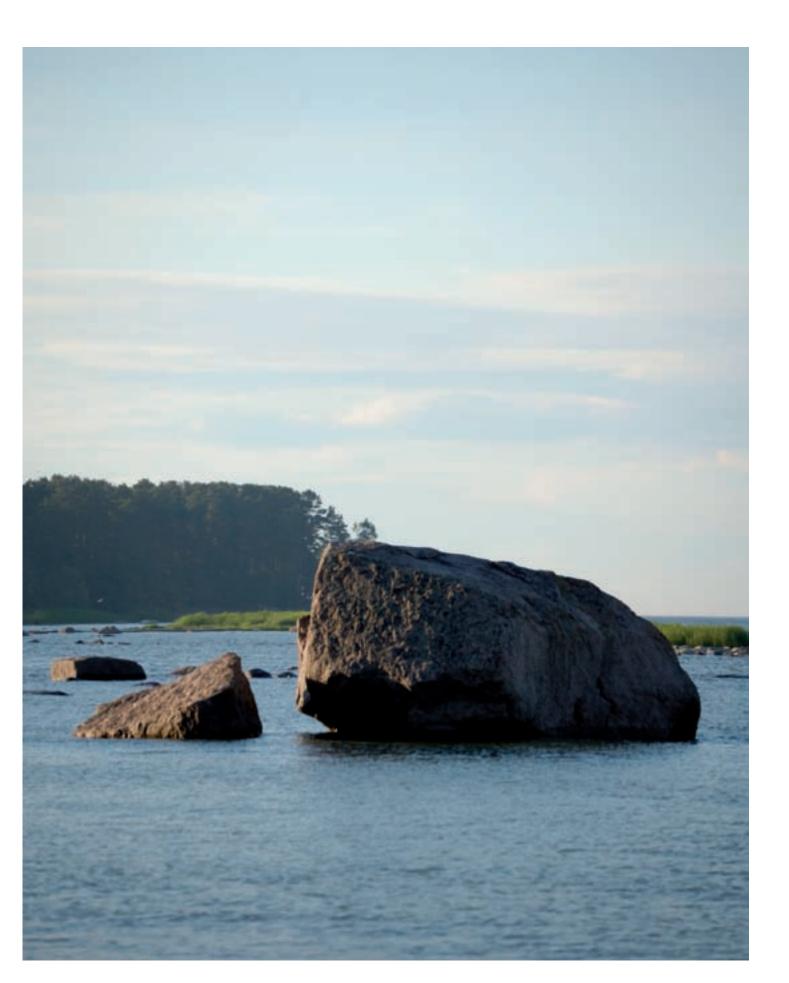
The development is probably not so fast in the first half of the financial year. Higher growth is expected for the second half of 2007/2008 when the new booking system is fully active and functional, changes will be made to the fleet and the synergies from the Silja integration will become more noticeable.

Management estimates that net sales for the 2007/2008 financial year will reach 12,752 million EEK (815 million EUR), EBITDA will amount to 3,051 million EEK (195 million EUR) and net profit for the financial year will rise to 1,330 million EEK (85 million EUR).



Chairman of the Management Board

Enn Pant



CONSOLIDATED INCOME STATEMENT

for the year ended 31 August

or the year ended 31 August					
	in thousar		in thousan		Notes
	2007	2006	2007	2006	
Revenue	11,903,286	6,330,911	760,759	404,619	7
Cost of sales	-8,766,651	-4,498,940	-560,291	-287,535	8
Gross profit	3,136,635	1,831,971	200,468	117,084	
Marketing expenses	-792,381	-454,520	-50,643	-29,049	8
Administrative expenses	-997,361	-329,798	-63,743	-21,078	8
Other income	209,029	8,293	13,359	530	
Other expenses	-1,764	-9,421	-113	-602	
Income from negative goodwill	689	710,496	44	45,409	6
Financial income	203,884	44,854	13,031	2,867	8
Financial expenses	-801,219	-316,571	-51,207	-20,233	8
Share of profit of associates	7,698	0	492	0	15
Profit before income tax	965,210	1,485,304	61,688	94,928	7
Income tax expense/ income	84,077	-33	5,374	-2	9
Net profit for the financial year	1,049,287	1,485,271	67,062	94,926	7
Attributable to:					
Equity holders of the Parent	1,049,287	1,484,206	67,062	94,858	
Minority interests	0	1,065	0	68	
Basic and diluted earnings per share (in EEK/EUR per share)	1.56	2.85	0.10	0.18	10

CONSOLIDATED BALANCE SHEET

as of 31 August

as Of 31 August	in thousar	nds of EEK 2006	in thousan 2007	Notes	
ASSETS	2007	2006	2007	2006	
Current assets					
Cash and cash equivalents	1,303,609	1,407,608	83,315	89,963	11
Receivables	815,093	843,456	52,094	53,906	12
Prepayments	124,134	253,534	7,934	16,204	13
Derivatives	1,799	11,633	115	743	27
Inventories	272,352	237,228	17,407	15,162	14
	2,516,987	2,753,459	160,865	175,978	
Non-current assets					
Investments in associates	3,242	9,044	207	578	15
Other financial assets and prepayments	9,279	8,240	594	527	16
Deferred income tax assets	153,102	0	9,785	0	9
Pension assets	0	45,234	0	2,891	17
Investment property	4,694	0	300	0	18
Property, plant and equipment	22,600,001	21,857,153	1,444,403	1,396,927	19
Intangible assets	1,283,592	1,258,432	82,036	80,428	20
	24,053,910	23,178,103	1,537,325	1,481,351	
TOTAL ASSETS	26,570,897	25,931,562	1,698,190	1,657,329	7
LIABILITIES AND EQUITY					
Current liabilities					
Interest-bearing loans and borrowings	2,247,390	1,228,098	143,634	78,490	21
Payables	1,408,369	1,705,087	90,011	108,975	22
Deferred income	121,008	146,042	7,734	9,334	
Derivatives	7,980	24,159	510	1,544	27
A	3,784,747	3,103,386	241,889	198,343	
Non-current liabilities	12 504 261	12 727 407	004 204	077.247	24
Interest-bearing loans and borrowings Deferred income tax liabilities	12,584,261	13,727,497	804,281	877,347	21
Pension liabilities	63,463	69 25 222	4,056 223	1 610	9
rension liabilities	3,489 12,651,213	25,332 13,752,898	808,560	1,619 878,970	17
Total liabilities	16,435,960	16,856,284	1,050,449		7
Total Habilities	10,435,900	10,030,204	1,050,449	1,077,313	/
EQUITY					
Minority interests	0	1,189	0	76	
Equity attributable to equity holders of the Parent	•	.,	•		
Share capital	6,738,170	1,415,000	430,648	90,435	23
Share premium	9,999	2,012,394	639	128,615	23
Unregistered share capital with share premium	0	1,475,727	0	94,316	23
Reserves	1,202,991	1,158,714	76,885	74,056	23
Retained earnings	2,183,777	3,012,254	139,569	192,518	
Total equity attributable to equity holders of the Parent	10,134,937	9,074,089	647,741	579,940	
Total equity	10,134,937	9,075,278	647,741	580,016	
TOTAL LIABILITIES AND EQUITY	26,570,897	25,931,562	1,698,190	1,657,329	

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August

or the year ended 31 August					
	in thousands of EEK		in thousa	Notes	
Cash flows from operating activities	2007	2006	2007	2006	
Net profit for the financial year	1,049,287	1,485,271	67,062	94,926	
Adjustments:	1,252,908	-17,689	80,076	-1,131	
Depreciation and amortization	925,485	419,664	59,150	26,821	
Net gain on disposals of property, plant and equipment	-178,466	-6,180	-11,406	-395	
Change in fair value of investment property	-4,412	0	-282	47.54	
Net interest expense	764,585	274,820	48,866	17,564	
Net interest expense from swaps	-162,998	4,470	-10,417	286	
Share profit of subsidiaries and associates	-7,698	0	-492	0	
Income from negative goodwill	-689	-710,496	-44	-45,409	
Net foreign exchange gain / loss related to investing and financing activities	1,178	0	75	0	
Income tax expense/ income	-84,077	33	-5,374	2	
Changes in receivables and prepayments related to operating activities	203,468	-276,382	13,004	-17,664	
Changes in inventories	-34,964	-46,495	-2,235	-2,971	
Changes in liabilities related to operating activities	-346,867	91,081	-22,169	5,821	
Income tax paid	-4,057	-791	-259	-50	
earre tark para	2,119,775	1,234,995	135,479	78,931	
Cash flows used in investing activities	_,,,,,,,	1,20 1,000	100,170	70,751	
Purchase of property, plant, equipment and intangible assets	-2,201,608	-7,824,715	-140,708	-500,090	19, 20
Proceeds from disposals of property, plant, equipment	687,423	181,619	43,934	11,607	. , , _ 0
Proceeds from disposals of associates	15,162	5,000	969	320	
Proceeds from settlement of derivatives	164,481	1,790	10,512	114	
Acquisition of subsidiaries, net of cash acquired	-1,157	-969,511	-74	-61,963	6
Acquisition of associates	-1,020	0	-65	01,505	Ö
Interest received	21,636	21,217	1,383	1,356	
interest received	-1,315,083	-8,584,600	-84,049	- 548,656	
Cash flows from /used in financing activities	-1,313,003	-0,504,000	-04,049	-540,050	
Proceeds from issue of shares	0	3,668,735	0	234,475	
Transaction costs of issue of shares	-6,520	-132,891	-417	-8,493	
Proceeds from loans and bonds	1,357,847	12,609,227	86,782	805,876	
Redemption of loans and bonds	-1,555,385	-7,473,544	-99,407	-477,647	
					21
Change in overdraft	74,143	-18,249	4,739	-1,166	21
Repayment of finance lease liabilities	-27,010	-5,073	-1,727	-324	
Interest paid	-751,766 -908,691	-217,778 8,430,427	-48,047 -58,077	-13,918 538,803	
TOTAL NET CASH FLOW	-103,999	1,080,822	-6,647	69,078	
Cash and cash equivalents:					
- at the beginning of period	1,407,608	326,786	89,963	20,885	
- increase / decrease	-103,999	1,080,822	-6,647	69,078	
- at the end of period	1,303,609	1,407,608	83,316	89,963	11

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August, in thousands of EEK

	Share capital ¹	Share premium ¹	Unregistered share capital with share premium ¹	Trans- lation reserve	Ships revaluation reserve ²
As of 31 August 2005	1,100,000	0	0	0	0
Issue of shares	315,000	2,012,394	1,475,727	0	0
Dividends of subsidiaries	0	0	0	0	0
Revaluation of ships	0	0	0	0	1,138,827
Net losses on cash flow hedges	0	0	0	0	0
Foreign currency translation	0	0	0	23	0
Total income and expense recognized directly in equity	0	0	0	23	1,138,827
Net profit for 2005/2006	0	0	0	0	0
Total income and expense for the year	0	0	0	23	1,138,827
As of 31 August 2006	1,415,000	2,012,394	1,475,727	23	1,138,827
Issue of shares	5,323,170	-2,002,395	-1,475,727	0	0
Transfer from profit for 2005/2006	0	0	0	0	0
Acquisition of minority interests	0	0	0	0	0
Recalculation of deferred tax	0	0	0	0	0
Revaluation of ships	0	0	0	0	-37,958
Net gains on cash flow hedges	0	0	0	0	0
Foreign currency translation	0	0	0	389	0
Total income and expense recognized directly in equity	0	0	0	389	-37,958
Net profit for the financial year 2006/2007	0	0	0	0	0
Total income and expense for the year	0	0	0	389	-37,958
As of 31 August 2007	6,738,170	9,999	0	412	1,100,869

¹ For further information see also Note 23 Share Capital and Reserves

² For further information see also Note 19 Property, Plant and Equipment and Note 23 Share Capital and Reserves ³ For further information see also Note 27 Financial Risk Management

Cash flow hedge reserve ³	Mandatory legal reserve	Retained earnings	Equity attributable to equity holders of the Parent	Minority interests	Total equity
leserve	legal leselve	earinings	or the ratent	interests	lotal equity
0	27,500	1,528,048	2,655,548	274	2,655,822
0	0	0	3,803,121		3,803,121
0	0	0	0	-150	-150
0	0	0	1,138,827	0	1,138,827
-7,636	0	0	-7,636	0	-7,636
0	0	0	23	0	23
-7,636	0	0	1,131,214	0	1,131,214
0	0	1,481,206	1,484,206	1,065	1,485,271
-7,636	0	1,484,206	2,615,420	1,065	2,616,485
-7,636	27,500	3,012,254	9,074,089	1,189	9,075,278
0	0	-1,845,049	-1	0	-1
0	74,210	-74,210	0	0	0
0	0	0	0	-1,189	-1,189
0	0	3,537	3,537	0	3,537
0	0	37,958	0	0	0
7,636	0	0	7,636	0	7,636
0	0	0	389	0	389
7,636	0	41,495	11,562	0	11,562
0	0	1,049,287	1,049,287	0	1,049,287
7,636	0	1,090,782	1,060,849	0	1,060,849
0	101,710	2,183,777	10,134,937	0	10,134,937

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the year ended 31 August, in thousands of EUR

As of 31 August 2005	Share capital ¹	Share premium ¹	Unregistered share capital with share premium ¹	Trans- lation reserve	Ships revaluation reserve ²	
Issue of shares	20,132	128,615	94,316	0	0	
Dividends of subsidiaries	0	0	0	0	0	
Revaluation of ships	0	0	0	0	72,784	
Net losses on cash flow hedges	0	0	0	0	0	
Foreign currency translation	0	0	0	2	0	
Total income and expense recognized directly in equity	0	0	0	2	72,784	
Net profit for 2005/2006	0	0	0	0	0	
Total income and expense for the year	0	0	0	2	72,784	
As of 31 August 2006	90,435	128,615	94,316	2	72,784	
Issue of shares	340,213	-127,976	-94,316	0	0	
Transfer from profit for 2005/2006	0	0	0	0	0	
Acquisition of minority interests	0	0	0	0	0	
Recalculation of deferred tax	0	0	0	0	0	
Revaluation of ships	0	0	0	0	-2,426	
Net gains on cash flow hedges	0	0	0	0	0	
Foreign currency translation	0	0	0	25	0	
Total income and expense recognized directly in equity	0	0	0	25	-2,426	
Net profit for the financial year 2006/2007	0	0	0	0	0	
Total income and expense for the year	0	0	0	25	-2,426	
As of 31 August 2007	430,648	639	0	27	70,358	

¹ For further information see also Note 23 Share Capital and Reserves ² For further information see also Note 19 Property, Plant and Equipment and Note 23 Share Capital and Reserves ³ For further information see also Note 27 Financial Risk Management

Cash flow hedge reserve ³	Mandatory legal reserve	Retained earnings	Equity attributable to equity holders of the Parent	Minority interests	Total equity
	1,758	97,660	169,721	18	169,739
0	0	0	243,063		243,063
0	0	0	0	-10	-10
0	0	0	72,784	0	72,784
-488	0	0	-488	0	-488
0	0	0	2	0	2
-488	0	0	72,298	0	72,298
0	0	94,858	94,858	68	94,926
-488	0	94,858	167,156	68	167,224
-488	1,758	192,518	579,940	76	580,016
0	0	-117,921	0	0	0
0	4,742	-4,742	0	0	0
0	0	0	0	-76	-76
0	0	226	226	0	226
0	0	2,426	0	0	0
488	0	0	488	0	488
0	0	0	25	0	25
488	0	2,652	739	0	739
0	0	67,062	67,062	0	67,062
488	0	69,714	67,801	0	67,801
0	6,500	139,569	647,741	0	647,741

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") and the Group's interest in associates for the year ended 31 August 2007 were authorised for issue by the management board on 11 December 2007.

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 limited company incorporated and domiciled in Estonia. AS Tallink Grupp's shares have been publicly traded on Tallinn Stock Exchange since 9 December 2005. As of 31 August 2007, 39.09% of AS Tallink Grupp's shares was held by AS Infortar.

The principal activities of the Group are related to marine transportation (passenger and cargo transportation). Further information on the principal activities of the Group is presented in Note 7 "Segment Information". As of 31 August 2007 the Group employed 6,481 people (5,987 as of 31 August 2006).

Note 2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investment properties, and ships that have been measured at fair value (see also Notes 18 and 19). The consolidated financial statements are presented in Estonian kroons (EEK) and all values are rounded to the nearest thousand except when otherwise indicated. Pursuant to the requirements of Tallinn Stock Exchange, the consolidated financial statements

have also been presented in Euros (EUR). As the Estonian kroon is pegged to the Euro at a fixed exchange rate (1 EUR = 15.6466 EEK), no foreign exchange rate differences arise from such additional presentation of the consolidated financial statements in Euros.

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

Statement of compliance

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

Basis of consolidation

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

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

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

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

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

Note 3 CHANGES IN ACCOUNTING ESTIMATES AND PRESENTATION

The accounting estimates adopted are consistent with those of the previous financial year except that from 1 September 2006 some assumption for calculating depreciation of ships were amended.

The principal effects of the changes in estimates are discussed below.

Residual value has been taken into account

From 1 September 2006 ships are depreciated using a residual value. In the previous financial year a scrap value was used. The Group considers that residual value better represents the value of ships at the end of their estimated useful life for accounting purpose.

Number of separate components has been decreased

from1 September 2006 the Group changed the number of separately depreciable components. Depreciation is now calculated separately for two components of a ship: the vessel itself and dry-docking expenses as a separate component. Prior to this change depreciation was calculated separately for five components. The Group's decision was based on the industry accounting practices, i.e. of other international shipping companies.

See Note 19 for further information.

Adoption of IFRSs during the financial year

The Group adopted the following revised standards during the reporting year and comparative figures have been amended accordingly. Adoption of the revised standards did not have any effect on the Group's equity as of 1 September 2005 and as of 1 September 2006.

- IAS 19 "Employee Benefits" (amended 2004)
- IAS 21 "The Effect of Changes in Foreign Exchange Rates" (amended 2005)
- IAS 39 "Financial Instruments: Recognition and Measurement" (amended 2005).

New IFRS standards and interpretations not yet adopted

A number of new and revised International Financial Reporting Standards and their interpretations have been issued, which will become mandatory for the Group's financial statements in accounting periods beginning on or after 1 September 2007. 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.

Amendment to IAS 1

"Presentation of Financial Statements"

The amendment to IAS 1, which requires additional capital disclosures, is applied to annual periods beginning on or after 1 January 2007. It is not expected to have any impact on the consolidated financial statements.

Amendment to IAS 23

"Borrowing Costs"

Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that 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 effective for annual periods beginning on or after 1 January 2009. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

IFRS 7

"Financial Instruments: Disclosures"

IFRS 7 is applied to annual periods beginning on or after 1 January 2007. The new standard requires more disclosures on financial instruments and financial risk management.

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.

IFRIC 11 IFRS 2

"Group and Treasury Share Transactions"

Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share –based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 is effective for annual periods beginning after 1 March 2007. The possible effect of the amendment is not known yet.

IFRIC 12

"Service Concession Arrangements"

Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is effective for annual periods beginning on or after 1 January 2008. It is not expected to have any impact on the consolidated financial statements.

IFRIC 13

"Customer Loyalty Programmes"

Customer Loyalty programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 is effective for annual periods beginning on or after 1 July 2008. The possible effect of the amendment is not known yet.

IFRIC 14 IAS 19

"The Limit on a Defined Benefit Asset,

Minimum Funding Requirements and their Interaction"

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

Note 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Interest swaps -

whether derivatives qualify for hedge accounting

As of 31 August 2007, the Group had entered into two interest swap agreements (2006: five agreements). The Group has determined that none of these swap agreements qualify for cash flow hedge accounting. See Notes 27 and 5.8. for more detailed information on the interest swap agreements and related accounting policies.

Operating lease – Group as lessee

The Group has entered into a lease agreement for two hotel buildings. The management has determined that all significant risks and rewards of ownership of the property have been retained by the lessors and so the Group, acting as a lessee, accounts for these agreements as operating leases. See Note 21 for more detailed information on the minimum lease payments of the lease agreements.

Estimates and assumptions

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

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 a value-in-use amount 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 2007 and as of 31 August 2006 amounted to

173,148,000 EEK (11,066,000 EUR). Further details are given in Note 20.

Deferred tax

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

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

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

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

Fair value of ships

For the purpose of revaluation, the Group determined the fair value of its ships as of 31 August 2006. The fair value of ships depends on many factors, including the year of building, several technical parameters as well as how the ships have been maintained (i.e. how much the owner has invested in maintenance). In order to assess the fair value of ships, the Group's management used independent appraisers. The frequency of revaluation depends upon changes in the fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Further details are given in Note 19.

Note 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1. Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

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

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

5.2. Segment information

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).

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 general 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 deprecation or amortization is included in segment expenses, the related asset is also included in segment assets. Segment assets do not include assets used for general Group or head-office purposes or which cannot be allocated directly to the segment. Segment assets include operating assets shared by two or more segments if a reasonable basis for allocation exists.

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

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

5.3. Revenue recognition

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

Sale of goods – sales in restaurants and shops

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

Ticket sale and sale of cargo transport

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

Sales of hotel rooms

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 package deals

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.

Rental income

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

Interest

Revenue is recognised as the interest accrues using the effective interest rate method.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

5.4 Government grants

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

5.5. 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 out-

standing for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

5.6. Cash and cash equivalents

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.

5.7. Non-derivative financial instruments

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

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.

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

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.

Other

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

5.8. Derivative financial instruments

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

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

The fair value of interest rate derivative contracts is determined using generally accepted mathematical valuation methods such as Libor Market Model by Moosmüller & Knauf, Calibration of Volatility, or Monte Carlo Simulation.

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

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

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

Cash flow hedges

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

statement when the hedged transaction affects the income statements.

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

5.9. 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.

5.10. Investment property

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

5.11. Property, plant and equipment

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

Ships are measured at fair value (i.e. a revalued amount) less depreciation and impairment losses 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 as-

set does not differ materially from its carrying amount.

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

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

Depreciation is calculated 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.

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.

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

5.12. 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 or loss.

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

5.13. 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 amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization 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 amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

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.

Research and development expenditures

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 amortization and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related project. Amortization of the asset begins when development is complete and the asset is available for use.

5.14. Impairment

Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future

cash flows discounted at the original effective interest rate.

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

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

Non-financial assets

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

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

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

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

5.15. Financial liabilities

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

5.16. 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 (the ships) (incurred up to the delivery date).

5.17. 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".

5.18. Employee benefits

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is performed annually by a qualified actuary. When the calculation result is a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. When the benefits of a plan are improved the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Group company Tallink Silja Oy Ab had a benefit pension plan, which covered substantially all of its land-based employees, and required contributions to be made to separately administrated funds.

The cost of defined benefit pension plans was determined using actuarial valuations. The actuarial valuation involved making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates were subject to significant uncertainty. Further details are given in Note 17.

5.19. 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.

The Group as a lessor

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

5.20. 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 all dividends paid are subject to income tax (22/78 of net dividend paid out before 31 December 2007; 21/79 of net dividend paid / payable out during the calendar year 2008 and after that the rate will decrease to 20/80 of net dividend paid out after 1 January 2009). 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.

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

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

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

Other foreign Group companies

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

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

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

Note 6 BUSINESS COMBINATIONS

In January 2007 a subsidiary company of AS Tallink Grupp, OÜ TLG Hotell purchased a 100% share in OÜ Hera Salongid from AS Infortar. The purchase price was 960,000 EEK (61,000 EUR).

OÜ Hera Salongid provides beauty services. The fair values of the identifiable assets and liabilities of OÜ Hera Salongid were as follows:

	in thousands of EEK	in thousands of EEK	in thousands of EUR	in thousands of EUR
	Carrying value	Recognised on acquisition	Carrying value	Recognised on acquisition
Cash and bank accounts	303	303	19	19
Receivables and prepayments	128	128	8	8
Inventories	160	160	10	10
Property, plant & equipment	652	652	42	42
Total assets	1,243	1,243	79	79
Short-term liabilities	1,544	1,544	99	99
Total liabilities	1,544	1,544	99	99
Fair value of net assets	-301	-301	-20	-20
Purchase price		960		61
Goodwill		1,261		81
Cash outflow on acquisition:		In thousands of El	EK	In thousands of EUR
Net cash acquired with the subsidiar	V	31	03	19

Cash outflow on acquisition:	In thousands of EEK	In thousands of EUR
Net cash acquired with the subsidiary	303	19
Cash paid	-960	-61
Net cash outflow	-657	-42

In April 2006 AS Tallink Grupp purchased 100% of the voting shares of AS HTG Invest from Transiidikeskuse AS. The purchase price was 17,500,000 EEK (1,118,000 EUR). AS HTG Invest

is a stevedoring company operating in the Port of Tallinn. The fair values of the identifiable assets and liabilities of AS HTG Invest were as follows:

	in thousands of EEK Carrying value	in thousands of EEK Recognised on acquisition	in thousands of EUR Carrying value	in thousands of EUR Recognised on acquisition
Cash and bank accounts	7,419	7,419	474	474
Receivables and prepayments	3,329	3,329	213	213
Inventories	218	218	14	14
Property, plant & equipment	1,094	4,065	70	260
Other intangible assets	0	7,338	0	469
Total assets	12,060	22,369	771	1,430
Short term liabilities	4,869	4,869	312	312
Total liabilities	4,869	4,869	312	312
Fair value of net assets	7,191	17,500	459	1,118
Purchase price		17,500	0	1,118
		in thousands of EEK		in thousands of EUR
Cash outflow on acquisition:				
Net cash acquired with the subsidiar	ry	7,419		474
Cash paid		-17,500		-1,118
Net cash outflow		-10,081		-644

AS HTG Invest's profit contribution for the period April 2006 to August 2006 was 3,244,000 EEK (207,000 EUR).

Presentation of information about the revenue and the profit or loss of the combined entity for the period 1 September

2005 to 31 August 2006 is impracticable, because the financial year of acquired entity was not same as the Group's financial year and retrospective restatement to IFRS would have been impracticable.

On 30 June 2006, AS Tallink Scandinavian (a subsidiary of the Group) purchased 100% of the voting shares in Silja Oy Ab from Silja Holdings Ltd, an unlisted company specialising in cargo and passenger transportation. Silja Holdings Ltd was owned by Sea Containers Ltd. The purchase price was 1,592,088,000 EEK (101,753,000 EUR). The share purchase agreement for Silja Oy Ab shares was signed on 11 June 2006 and the acquisition was concluded on 19 July 2006 after being approved by

an extraordinary shareholders' meeting and the competition authorities of Estonia, Finland and Sweden. Financially Silja's business was transferred to the Group and consolidated from 1 July 2006. The purchase price allocation was based on the data of 30 June 2006. The fair values of the identifiable assets and liabilities of Silja Oy Ab as at the date of acquisition were as follows:

	in thousands of EEK Carrying value	in thousands of EEK Recognised on acquisition	in thousands of EUR Carrying value	in thousands of EUR Recognised on acquisition
Cash and bank accounts	303,435	303,435	19,393	19,393
Receivables and prepayments	616,803	616,803	39,421	39,421
Inventories	105,615	105,615	6,750	6,750
Non-current financial assets	64,683	64,683	4,134	4,134
Property, plant & equipment	6,783,005	7,344,828	433,513	469,420
Trade mark of Silja	0	912,009	0	58,288
Other intangible assets	166,010	166,010	10,610	10,610
Total assets	8,039,551	9,513,383	513,821	608,016
Short term liabilities	2,152,691	2,152,691	137,582	137,582
Long term liabilities	5,058,108	5,058,108	323,272	323,272
Total liabilities	7,210,799	7,210,799	460,854	460,854
Fair value of net assets	828,752	2,302,584	52,967	147,162
Purchase price		1,592,088		101,753
Negative goodwill		-710,496		-45,409

1,241,401,000 EEK (79,340,000 EUR) was paid in cash and AS Tallink Grupp issued 5,000,000 ordinary shares with a fair value of 54.76 EEK (3.5 EUR) each, being the published closing price

on Tallinn Stock Exchange at 30 June 2006. The purchase price was final and there were no purchase price adjustments in the financial year ended 31 August 2007.

Cost:	in thousands of EEK	in thousands of EUR
Shares issued, at fair value	273,816	17,500
Cash paid	1,241,401	79,340
Costs associated with the acquisition	76,871	4,913
Total	1,592,088	101,753
	in the community of FFW	in the week de of FUD
Cash outflow on acquisition:	in thousands of EEK	in thousands of EUR
Cash outflow on acquisition: Net cash acquired with the subsidiary	in thousands of EEK 303 435	in thousands of EUR 19,393
·		
Net cash acquired with the subsidiary	303 435	19,393

Silja Oy Ab's profit contribution for the period June 2006 to August 2006 was 236,874,000 EEK (15,139,000 EUR).

Presentation of information about the revenue and the profit or loss of the combined entity for the period from 1 September 2005 to 31 August 2006 is impracticable, because the financial

year of the acquired entity was not same as the Group's financial year., The financial statements of the acquired entity were prepared according to the Finnish GAAP and retrospective restatement to IFRS would have been impracticable.

Note 7 SEGMENT INFORMATION

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

The Group's market share on the Estonia-Finland route is about 44% of passenger transportation and about 53% of cargo transportation, on the Tallinn-Stockholm route is about 100% of passenger transportation and about 100% of cargo transportation, on the Paldiski-Kapellskär route is about 100% of passenger transportation and about 60% of cargo transportation. The market share on the Riga-Stockholm route is

about 100% or both passenger and cargo transportation, and the estimated market share on the Finland-Germany route is about 56% of passenger transportation and about 23% of cargo transportation. The estimated passenger transportation market share on the Helsinki-Stockholm route and the Turku-Stockholm/Kapellskär route is about 56% and the cargo transportation market share is about 34%.

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 2007 and 2006.

Geographical segments – By the location of assets

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

2007	Estonia-Finland route	Estonia-Sweden routes	Latvia-Sweden route	Germany-Finland route	Finland-Sweden routes	Estonia mainland business	Other	Elimination of inter-segment sales	Total
Revenue									
Sales to external customers	2,641,659	1,407,463	373,119	1,373,173	5,657,963	259,056	190,853	0	11,903,286
Inter-segment sales	0	0	0	0	0	88,098	0	-88,098	0
	2,641,659	1,407,463	373,119	1,373,173	5,657,963	347,154	190,853	-88,098	11,903,286
Result									
Segment result Unallocated expenses Negative goodwill Net financial items Income from associates	817,409	212,696	4,201	203,890	1,016,408	42,279	47,371	0	2,344,254 -790,096 689 -597,335 7,698
Profit before income tax									965,210
Income tax									84,077
Net profit Assets and liabilities									1,049,287
Segment assets	4,840,322	4,884,255	439,367	5,062,289	8,554,764	86,212	442,512	-21,560	24,288,161
Unallocated assets									2,282,736
									26,570,897
Segment liabilities Unallocated liabilities	343,095	95,280	42,543	27,657	847,471	45,481	7,789	-21,294	1,388,022 15,047,938
Other segment information Capital expenditures:									16,435,960
- segment's property, plant and equipment ("PP&E")	1,731,178	19,401	8,729	8,680	47,629	31,456	57	0	1,847,130
 unallocated PP&E segment's intangible assets ("IA") unallocated IA 	2,864	428	0	0	81,445	1,753	0	0	248,877 86,490 19,111
Depreciation Unallocated depreciation	118,095	137,220	20,900	147,406	379,859	6,472	26,136	0	836,088 10,981
Amortization	1,823	268	0	0	74,680	1,645	0	0	78,416

2006	Estonia-Finland route	Estonia-Sweden routes	Latvia-Sweden route	Germany-Finland route	Finland-Sweden routes	Estonia mainland business	Other	Elimination of inter-segment sales	Total
Sales to external customers	2,656,856	1,370,932	137,854	598,886	1,324,219	183,985	58,179	0	6,330,911
Inter-segment sales	0	38,866	0	0	0	60,319	0	-99,185	0,550,511
		1,409,798	137,854		1,324,219	244,304	58,179	-99,185	6,330,911
Result									
Segment result Unallocated expenses Negative goodwill Net financial items	582,112	163,353	-32,646	156,944	441,028	53,924	12,736	0	1,377,451 -330,926 710,496 -271,717
Profit before income tax									1,485,304
Income tax									-33
Net profit									1,485,271
Assets and liabilities									
Segment assets	4,041,046	4,812,159	348,827	5,185,296	9,243,149	41,848	271,321	-4,521	23,939,125
Unallocated assets									1,992,437 25,931,562
Segment liabilities Unallocated liabilities	404,187	146,963	24,805	7,064	1,073,575	31,455	63	-4,521	1,683,591 15,172,693
Other segment information Capital expenditures:									16,856,284
segment's property, plant and equipment ("PP&E")unallocated PP&E	2,390,305	9,914	2,464	4,855,110	6,259	6,481	17,488	0	7,288,021 521,920
- segment's intangible assets ("IA")	207	0	0	0	14,443	124	0	0	14,774
Depreciation Unallocated depreciation	137,577	103,772	11,479	56,268	54,875	3,117	26,461	0	393,549 8,263
Amortization	1,275	66	0	0	15,881	630	0	0	17,852

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

2007	Estonia-Finland route	Estonia-Sweden routes	Latvia-Sweden route	Germany-Finland route	Finland-Sweden routes	Estonia mainland business	Other	Elimination of inter-segment sales	Total
Revenue									
Sales to external customers	168,833	89,953	23,847	87,762	361,610	16,556	12,198	0	760,759
Inter-segment sales	0	0	0	0	0	5,631	0	-5,631	0
	168,833	89,953	23,847	87,762	361,610	22,187	12,198	-5,631	760,759
Result									
Segment result	52,242	13,594	268	13,031	64,960	2,702	3,028	0	149,825
Unallocated expenses									-50,497
Negative goodwill									44
Net financial items									-38,176
Income from associates									492
Profit before income tax									61,688
Income tax									5,374
Net profit									67,062
Assets and liabilities									
Segment assets	309,353	312,161	28,081	323,539	546,749	5,510	28,282	-1,378	1,552,297
Unallocated assets									145,893
									1,698,190
Segment liabilities	21,928	6,089	2,719	1,768	54,163	2,907	498	-1,361	88,711
Unallocated liabilities									961,738
									1,050,449
Other segment information									
Capital expenditures:	110 (42	1.240	FF0		2.044	2.010	4	0	110.053
segment's property, plant and equipment ("PP&E")unallocated PP&E	110,642	1,240	558	555	3,044	2,010	4	0	118,053 15,906
- segment's intangible assets	183	28	0	0	5,205	112	0	0	5,528
("IA") - unallocated IA	103	20	J	U	5,203	112	U	0	1,221
Depreciation	7,548	8,770	1,336	9,421	24,277	414	1,670	0	53,436
Unallocated depreciation	7,346	0,//U	1,330	7,421	24,277	414	1,070	Ü	702
Amortization	117	17	0	0	4,773	105	0	0	5,012
711101 (124(1011	117	17	J	0	7,773	103	U	J	3,012

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

in thousands of EUR

2006	Estonia-Finland route	Estonia-Sweden routes	Latvia-Sweden route	Germany-Finland route	Finland-Sweden routes	Estonia mainland business	Other	Elimination of inter-segment sales	Total
Revenue	160.004	07.610	0.010	20.276	04.633	11 750	2.710	0	404.610
Sales to external customers Inter-segment sales	169,804 0	87,619 2,484	8,810 0	38,276 0	84,633 0	11,759 3,855	3,718 0	-6,339	404,619 0
inter-segment sales	169,804	90,103	8,810	38,276	84,633	15,614	3,718	-6,339	404,619
	109,804	90,103	0,010	30,270	84,033	13,014	3,710	-0,339	404,019
Result									
Segment result	37,204	10,440	-2,087	10,031	28,187	3,446	814	0	88,035
Unallocated expenses									-21,150
Negative goodwill									45,409
Net financial items									-17,366
Profit before income tax									94,928
Income tax									-2
Net profit									94,926
A									
Assets and liabilities	250 270	207.552	22.204	221 401	500 745	2.675	17240	200	1 520 000
Segment assets Unallocated assets	258,270	307,553	22,294	331,401	590,745	2,675	17,340	-289	1,529,989 127,340
Orianocated assets									1,657,329
									1,037,329
Segment liabilities	25,833	9,393	1,585	451	68,614	2,010	4	-289	107,601
Unallocated liabilities									969,712
									1,077,313
Other segment information									
Capital expenditures:									
 segment's property, plant and equipment ("PP&E") 	152,768	634	157	310,298	400	414	1,118	0	465,789
- unallocated PP&E									33,357
- segment's intangible assets	14	0	0	0	923	8	0	0	945
("IA")		· ·	ŭ	, and the second	,				7.0
Danne dation	0.703	6 633	72.4	2.506	2.507	100	1 (01	0	25.452
Depreciation	8,793	6,632	734	3,596	3,507	199	1,691	0	25,152
Unallocated depreciation Amortization	82	1	0	0	1,015	40	0	0	528
AITIOTUZdUOIT	82	4	0	0	1,015	40	0	0	1,142

As of 31 August 2007 unallocated liabilities include the loans received to finance the ships operating between (1) Estonia and Finland in the amount of 3,261,966,000 EEK (208,478,000 EUR), 2006: 2,321,753,000 EEK (148,387,000 EUR); (2) Estonia and Sweden in the amount of 2,970,524,000 EEK (189,851,000 EUR), 2006: 3,154,407,000 EEK (201,603,000 EUR); (3) Germany and Finland in the amount of 3,347,190,000 EEK (213,924,000 EUR), 2006: 3,658,194,000 EEK (233,801,000 EUR); and (4)

Finland and Sweden in the amount of 5,034,122,000 EEK (321,739,000 EUR), 2006: 5,414,709,000 EEK (346,063,000 EUR). Corresponding interest expenses amounted to (1) 125,999,000 EEK (8,053,000 EUR), (2) 174,318,000 EEK (11,141,000 EUR), (3) 171,640,000 EEK (10,970,000 EUR), (4) 295,674,000 EEK (18,897,000 EUR), 2006: (1) 43,774,000 EEK (2,798,000 EUR), (2) 116,414,000 EEK (7,440,000 EUR), (3) 70,255,000 EEK (4,490,000 EUR), (4) 30,273,000 EEK (1,935,000 EUR).

Information by operational segments

for the year ended 31 August in thousands of EEK

	2007	2006
Ticket sales	2,864,158	1,960,801
Sales of cargo transport	2,410,306	1,229,382
Accommodation sales	110,963	95,043
Restaurant and shop sales on-board and on mainland	5,945,192	2,776,707
Income from leases of vessels	188,728	57,316
Other	383,939	211,662
Total revenue of the Group	11,903,286	6,330,911

for the year ended 31 August in thousands of EUR

	2007	2006
Ticket sales	183,053	125,318
Sales of cargo transport	154,047	78,572
Accommodation sales	7,092	6,074
Restaurant and shop sales on-board and on mainland	379,967	177,464
Income from leases of vessels	12,062	3,663
Other	24,538	13,528
Total revenue of the Group	760,759	404,619

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 8
OPERATING EXPENSES AND FINANCIAL ITEMS

for the year ended 31 August

Cost of sales	in thousands of EEK		in thousand	ls of EUR	Note
	2007	2006	2007	2006	
Cost of goods	-2,386,369	-1,160,791	-152,517	-74,188	
Port charges	-1,319,368	-766,645	-84,323	-48,998	
Bunker cost	-1,432,707	-848,032	-91,567	-54,199	
Staff costs	-1,653,300	-679,125	-105,665	-43,404	
Depreciation and amortization	-778,813	-389,941	-49,775	-24,922	19, 20
Spare parts and maintenance expenses	-395,692	-168,284	-25,289	-10,755	
Other costs	-800,402	-486,122	-51,155	-31,069	
Total cost of sales	-8,766,651	-4,498,940	-560,291	-287,535	

for the year ended 31 August

· · · , · · · · · · . · · · · · · · · · · · · · · · · · · ·						
Marketing expenses	in thousand	ls of EEK	in thousand	in thousands of EUR		
	2007	2006	2007	2006		
Advertising expenses	-346,859	-154,491	-22,168	-9,874		
Staff costs	-389,927	-214,202	-24,921	-13,690		
Depreciation and amortization	-2,102	-4,849	-135	-310	19, 20	
Other costs	-53,493	-80,978	-3,419	-5,175		
Total marketing expenses	-792,381	-454,520	-50,643	-29,049		

for the year ended 31 August

Administrative expenses	in thousand	ds of EEK	in thousand	Note	
	2007	2006	2007	2006	
Staff costs	-433,911	-66,457	-27,732	-4,247	
Depreciation and amortization	-144,570	-24,874	-9,240	-1,590	19, 20
Other costs	-418,880	-238,467	-26,771	-15,241	
Total administrative expenses	-997,361	-329,798	-63,743	-21,078	

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

for the year ended 31 August

,					
	in thousand	in thousands of EEK		in thousands of EUR	
	2007	2006	2007	2006	
Wages and salaries	-1,752,248	-700,923	-111,989	-44,797	
Social security costs	-689,745	-239,021	-44,083	-15,276	
Staff training costs	-14,325	-5,604	-915	-358	
Other staff costs	-20,820	-14,236	-1,331	-910	
Total staff costs	-2,477,138	-959,784	-158,318	-61,341	

Financial income and financial expenses

for the year ended 31 August

	in thousands	of EEK	in thousands of EUR	
	2007	2006	2007	2006
Financial income				
Net foreign exchange gains	11,934	0	763	0
Income from interest rate swaps	170,265	12,993	10,882	830
Interest income	21,685	23,208	1,386	1,483
Other financial income	0	8,653	0	554
	203,884	44,854	13,031	2,867
Financial expenses				
Net foreign exchange losses	0	-1,080	0	-69
Interest expenses and other financial expenses	-786,270	-298,028	-50,252	-19,048
Expenses from interest rate swaps	-7,267	-17,463	-464	-1,116
Other financial expenses	-7,682	0	-491	0
	-801,219	-316,571	-51,207	-20,233

Note 9 TAXES

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 tempo-

rary and permanent differences determined in the income tax acts is subject to income tax in Finland, Sweden, Latvia and Russia (in Finland the tax rate is 26%, in Sweden - 28%, in Latvia 15% and in Russia – 22%).

Income tax expense

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

for the years ended 51 Adgust.				
	in thousar	nds of EEK	in thousar	nds of EUR
	2007	2006	2007	2006
Current period tax expense				
Swedish subsidiaries	-1,770	-86	-113	-6
Finnish subsidiaries	-297	-219	-19	-14
Latvian subsidiary	-12	0	-1	0
Russian subsidiary	-10	-5	0	0
Total current tax expense	-2,089	-310	-133	-20
Deferred tax expense				
Swedish subsidiaries	-53,167	277	-3,398	18
Finnish subsidiaries	139,333	0	8,905	0
Latvian subsidiary	0	0	0	0
Russian subsidiary	0	0	0	0
Total deferred tax expense	86,166	277	5,507	18
Total income tax expense	84,077	-33	5,374	-2

Reconciliation of effective tax rate

for the year ended 31 August

	in thousands	of EEK	in thousands of EUR		
	2007	2006	2007	2006	
Profit for the period	1,049,287	1,485,271	67,062	94,926	
Total income tax expense	84,077	-33	5,374	-2	
Profit excluding income tax	965,210	1,485,304	61,688	94,928	

for the year ended 31 August In thousands of EEK

	2	007	2006		
Income tax using Parent's domestic tax	0%	0	0%	0	
rate					
Effect of tax rates in foreign jurisdiction	8.71%	84,077	0.00%	-33	
	8.71%	84.077	0.00%	-33	

for the year ended 31 August In thousands of EUR

	20	007	2006	
Income tax using Parent's domestic tax rate	0%	0	0%	0
Effect of tax rates in foreign jurisdiction	8.71%	5,374	0.00%	-2
	8.71%	5.374	0.00%	-2

Deferred tax assets and liabilities

According to Russian, Latvian, Finnish and Swedish legislation it is permissible for taxation purposes to use higher depreciation and amortization rates and thereby accomplish a post-ponement 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.

At 31 August 2007 the Swedish subsidiary – Tallink Sverige AB – had a deferred tax liability, the Finnish subsidiary – Tallink Finland OY – had an unrecognised deferred tax asset, the Finnish subsidiary – Tallink Silja OY – had a deferred tax asset and a

deferred tax liability, the Swedish subsidiary – Tallink Silja AB – had a deferred tax liability and the Russian subsidiary – Tallink-Ru OOO - had no significant deferred tax liability or asset.

At 31 August 2006 the Swedish subsidiary – Tallink Sverige AB – had a deferred tax liability, the Finnish subsidiaries – Tallink Finland OY and Tallink Silja OY Ab – had an unrecognised deferred tax asset (it is probable that future taxable profit will be available against which the unused tax losses can be utilised) and the Russian subsidiary – Tallink-Ru OOO - had no significant deferred tax liability or asset:

Recognised and unrecognised deferred tax assets and liabilities

as of 31 August

	in thousand	s of EEK	in thousands of EUR		
	2007	2006	2007	2006	
Deferred tax asset (non-current asset)	153,102	0	9,785	0	
Deferred tax liability (non-current liability)	63,463	69	4,056	4	
Unrecognised deferred tax asset of Tallink Finland OY	3,129	2,222	200	142	

Deferred tax assets and liabilities are attributable to the following

as of 31 August

In thousands of EEK	Asse	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006	
Tax loss carry-forward	-498,219	0	0	0	-498,219	0	
Property, plant and equipment	0	0	183,316	69	183,316	69	
Intangible assets	0	0	225,264	0	225,264	0	
Tax assets / liabilities	-498,219	0	408,580	69	-89,639	69	
Offset of tax	345,117	0	-345,117	0	0	0	
Tax assets / liabilities	-153.102	0	63,463	69	-89.639	69	

as of 31 August In thousands of EUR

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Tax loss carry-forward	-31,842	0	0	0	-31,842	0
Property, plant and equipment	0	0	11,716	4	11,716	4
Intangible assets	0	0	14,397	0	14,397	0
Tax assets / liabilities	-31,842	0	26,113	4	-5,729	4
Offset of tax	22,057	0	-22,057	0	0	0
Tax assets-/ liabilities	-9,785	0	4,056	4	-5,729	4

Movement in temporary differences during the year

In thousands of EEK

	Balance 1 September 2006	Recognised in profit or loss	Recognised in equity	Balance 31 August 2007
Tax loss carry-forward	0	-498,219	0	-498,219
Property, plant and equipment	69	186,784	-3,537	183,316
Intangible assets	0	225,264	0	225,264
	69	-86,171	-3,537	-89,639

In thousands of EUR

	Balance 1 September 2006	Recognised in profit or loss	Recognised in equity	Balance 31 August 2007
Tax loss carry-forward	0	-31,842	0	-31,842
Property, plant and equipment	4	11,938	-226	11,716
Intangible assets	0	14,397	0	14,397
	4	-5,507	-226	-5,729

Note 10 EARNINGS PER SHARE

Basic earnings per share 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 earnings per share are equal to basic earnings per share.

for the year ended 31 August

	in thousands of EEK		in thousands	of EUR
	2007	2006	2007	2006
Weighted average number of ordinary shares outstanding (in thousands)	673,817	521,528	673,817	521,528
Net profit attributable to equity holders of the Parent	1,049,287	1,484,206	67,062	94,858
Earnings per share (in EEK/EUR per share)	1.56	2.85	0.10	0.18

As a result of the issue of new shares, share capital increased from 168,454,260 shares to 673,817,040 shares on 31 January 2007. Since share capital was increased through a bonus issue, the average number of ordinary shares for the comparative period has been adjusted and 673,817,040 has been used as the average number of ordinary shares in the calculation of earnings per share for the current period.

The calculation of the weighted average number of ordinary shares for the year ended 31 August 2006 was the following:

- the period from 1 September to 7 December 2005 (98 days) 4 x 110,000,000 shares
- the period from 8 December 2005 to 30 June 2006
 (205 days) 4 x 136,500,000 shares
- the period from 1 July to 29 August 2006
 (60 days) 4 x 141,500,000 shares
- the period 30 August to 31 August 2006
 (2 days) 4 x 168,454,260 shares

For further information on share issues see also Note 23.

Note 11
CASH AND CASH EQUIVALENTS

as of 31 August

	in thousand	in thousands of EEK		of EUR
	2007	2006	2007	2006
Cash at bank and in hand	932,301	401,733	59,584	25,676
Short-term deposits	371,308	1,005,875	23,731	64,287
Total cash and cash equivalents	1,303,609	1,407,608	83,315	89,963

Cash at bank earns interest at floating rates based on daily bank deposit rates (in 2006/2007 the rates were in the range of 0.25-4.42% and in 2005/2006 in the range of 0.25-3.30%).

Short-term deposits are made for varying periods. The maturity dates of short-term deposits recognised in the balance sheet as of 31 August 2007 range from 1 September 2007 (over-night deposits) to 15 November 2007. As of 31 August 2007 and

2006 short-term deposits of 82,628,000 EEK (5,281,000 EUR) and 152,236,000 EEK (9,729,654 EUR) respectively could only be used for repayment of bank loans.

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

Note 12 RECEIVABLES

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2007	2006	2007	2006
Trade receivables	539,457	468,672	34,478	29,954
Allowance for doubtful trade receivables	-981	-560	-63	-36
Receivables from associates	12,439	14,911	795	953
Government grants	140,866	150,692	9,003	9,631
Other receivables	122,649	209,127	7,839	13,365
Accrued interest income	663	614	42	39
Total receivables	815,093	843,456	52,094	53,906

During the reporting period 540,027,000 EEK (34,514,000 EUR) was deducted from the cost of goods in connection with government grants; 2006: 72,725,000 EEK (4,648,000 EUR).

During the reporting period 3,889,000 EEK (249,000 EUR) was expensed as doubtful and uncollectible; 2006: 1,313,000 EEK (84,000 EUR).

As of 31 August 2007 and 2006 the balance of other receivables includes sales commission receivable for the last month and 5 months respectively in the amount of 19,593,000 EEK (1,252,000 EUR) and 48,631,000 EEK (3,108,000 EUR) respectively.

Note 13 PREPAYMENTS

as of 31 August

	in thousand	in thousands of EEK		of EUR
	2007	2006	2007	2006
Prepaid expenses	106,144	235,890	6,784	15,076
Tax assets	17,990	17,644	1,150	1,128
	124,134	253,534	7,934	16,204

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

as of 31 August

3 · · · · · · · · · · · · · · · · · · ·				
	in thousands of EEK		in thousands of EUR	
	2007	2006	2007	2006
Tax assets				
VAT	15,313	13,109	979	838
Income tax	2,599	0	166	0
Other taxes	78	4,535	5	290
	17,990	17,644	1,150	1,128

Note 14 INVENTORIES

as of 31 August

	in thousands	in thousands of EEK		of EUR
	2007	2006	2007	2006
Raw materials (mostly fuel)	46,391	39,664	2,965	2,535
Goods for sale	225,961	197,564	14,442	12,627
Total inventories	272,352	237,228	17,407	15,162

Note 15 INVESTMENTS IN ASSOCIATES

In the previous financial year the Group acquired four associates – Reisevarehuset AS, Baltic Tours AS, Suomen Jakelutiet OY, Searail EEIG - through business combinations. In April 2007 AS Tallink Grupp's subsidiary Tallink Silja OY sold its 50% shareholding in the Norwegian associate Reisevarehuset AS. The shares were sold to Det Nordenfjeldske Dampskibsselskab AS for 7,745 thousand EEK (495 thousand EUR). In June 2007 AS Tallink Grupp's subsidiary Tallink Silja OY sold its 50% share-

holding in the Estonian associate AS Baltic Tours. The shares were sold to AS M&A for 7,417 thousand EEK (474 thousand EUR). The above is not a related party transaction. In August 2007 AS Tallink Grupp co-established a new associated company, AS Tallink Takso. AS Tallink Grupp holds 34% of the entity's share capital. The 1,020 thousand EEK (65 thousand EUR) contribution in share capital was made in August 2007. The company was registered in September 2007.

The Group has investments in the following associates:

as of 31 August

n	th	o	u	sa	n	d	s

Name of associate	Country of incorporation	Interest	Acquisi [.] cost		Equit	у
			EEK	EUR	EEK	EUR
AS Tallink Takso	Estonia	34%	1,020	65	1,020	65
Suomen Jakelutiet OY	Finland	50%	2,191	140	2,222	142
Searail EEIG	Finland	33%	0	0	0	0
Total			3,211	205	3,242	207

	in thousands of EEK		in thousands of EUR	
	2007	2006	2007	2006
Investments at the beginning of financial year	9,044	0	578	0
Dividends received	0	0	0	0
Acquisition price of shares	1,020	9,044	65	578
Sales price of shares	-15,162	0	-969	0
Gain on sale of shares	7,698	0	492	0
Other changes	642	0	41	0
Investments at the end of year	3,242	9,044	207	578

Note 16
OTHER FINANCIAL ASSETS AND PREPAYMENTS

as of 31 August

	in thousands	in thousands of EEK		of EUR
	2007	2006	2007	2006
Other shares	5,492	6,275	351	401
Other receivables	3,787	1,965	243	126
Total other financial assets	9,279	8,240	594	527

Note 17 PENSION ASSETS AND LIABILITIES

The board of the pension fund made a decision to propose that the fund be dissolved and that the pension liability be transferred to an insurance company mainly because of the administrative burden of running the fund and a decrease in the number of insured personnel. Furthermore the advantage of having the fund is very much dependant on the development of stock prices. The management of Tallink Silja OY Ab decided to dissolve the pension fund and on 1 May 2007 the pension fund was transferred without any additional commit-

ments to pension insurance companies Varma and Sampo Life. The write-down of benefit assets previously recorded as income resulted in a loss of 45,234,000 EEK (2,891,000 EUR).

The following tables of the Tallink Silja OY Ab pension fund illustrate the components of net benefit expense recognised in the consolidated income statement and the funded status recognised in the consolidated balance sheet.

The principal actuarial assumptions used

as at August 31 2006:

the discount rates	4.75 %
the expected rates of return on any plan assets for the periods presented in the financial statements	4.75 %
the expected rates of salary increases (and of changes in an index or other variable specified in the formal or constructive	3.50 %
terms of a plan as the basis for future benefit increases)	
any other material actuarial assumptions used: inflation	2.00 %

Reconciliation of assets (liabilities) recognised in the balance sheet:

as of 31 August

In thousands of EEK

	2007	2006
Present value of defined benefit obligations that are wholly unfunded (-)	0	-204,079
Present value of defined benefit obligations that are wholly or partly funded (-)	0	0
Fair value of any plan assets (+)	0	268,089
	0	64,010
Unrecognised net actuarial gains (-) / losses (+)	0	-18,776
Unrecorded past services cost (+)	0	0
Benefit assets / (liabilities)	0	45,234

Reconciliation of assets (liabilities) recognised in the balance sheet:

as of 31 August

In thousands of EUR

	2007	2006
Present value of defined benefit obligations that are wholly unfunded (-)	0	-13,043
Present value of defined benefit obligations that are wholly or partly funded (-)	0	0
Fair value of any plan assets (+)	0	17,134
	0	4,091
Unrecognised net actuarial gains (-) / losses (+)	0	-1,200
Unrecorded past services cost (+)	0	0
Benefit assets / (liabilities)	0	2,891

Movements in recorded pension plan assets (or liabilities):

In thousands of EEK

	Assets (+)	Liabilities (-)	Total
Balance as of 31 August 2006	268,089	-204,079	64,010
Transfer of pension fund	-222,855	204,079	-18,776
Net transfer loss	-45,234	0	-45,234
Balance as of 31 August 2007	0	0	0

Movements in recorded pension plan assets (or liabilities):

In thousands of EUR

	Assets (+)	Liabilities (-)	Total
Balance as of 31 August 2006	17,134	-13,043	4,091
Transfer of pension fund	-14,243	13,043	-1,200
Net transfer loss	-2,891	0	-2,891
Balance as of 31 August 2007	0	0	0

The Swedish pension liability as of 31 August 2007 in amount of 3,489,000 EEK (223,000 EUR) has been calculated for six 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 2006 was 25,332,000 EEK (1,619,000 EUR).

Note 18 INVESTMENT PROPERTY

for the year ended 31 August

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

Land of 282 thousand EEK (18 thousand EUR) has been transferred to investment property. The Group's management has decided to treat this property as investment property.

The property belongs to Tallink Silja OY. The Group acquired the property on the purchase of Silja OY in the previous financial year. The Group used the valuations of an independent appraiser to determine the fair value of the land.

Note 19 PROPERTY, PLANT AND EQUIPMENT

in thousands of EEK	Land and buildings	Ships	Plant and equipment	Assets under construction	Total
Book value as of 31 August 2005	11,587	5,818,082	31,299	275,752	6,136,720
Additions	5,923	7,513,559	24,609	265,850	7,809,941
Acquisition of subsidiaries (Note 6)	134,348	7,127,027	87,518	0	7,348,893
Revaluation	0	1,138,827	0	0	1,138,827
Exchange rate differences	0	0	23	0	23
Disposals	-673	-164,391	-10,375	0	-175,439
Depreciation for the year	-5,196	-379,506	-17,110	0	-401,812
Book value as of 31 August 2006	145,989	21,053,598	115,964	541,602	21,857,153
Additions	2,264	1,785,103	71,692	236,948	2,096,007
Acquisition of subsidiaries (Note 6)	0	0	500	152	652
Transfer to investment property (Note 18)	-282	0	0	0	-282
Exchange rate differences	-798	0	9	0	-789
Disposals	-391	-493,680	-11,600	0	-505,671
Depreciation for the year	-13,118	-769,804	-64,147	0	-847,069
Book value as of 31 August 2007	133,664	21,575,217	112,418	778,702	22,600,001
As of 31 August 2006					
- cost	158,781	21,053,598	186,355	541,602	21,940,336
- accumulated depreciation	-12,792	0	-70,391	0	-83,183
As of 31 August 2007					
- cost	159,574	22,307,890	223,344	778,702	23,469,510
- accumulated depreciation	-25,910	-732,673	-110,926	0	-869,509

in thousands of EUR	Land and buildings	Ships	Plant and equipment	Assets under construction	Total
Book value as of 31 August 2005	741	371,843	2,000	17,624	392,208
Additions	378	480,204	1,573	16,991	499,146
Acquisition of subsidiaries (Note 6)	8,586	455,500	5,594	0	469,680
Revaluation	0	72,784	0	0	72,784
Exchange rate differences	0	0	1	0	1
Disposals	-43	-10,506	-663	0	-11,212
Depreciation for the year	-332	-24,255	-1,093	0	-25,680
Book value as of 31 August 2006	9,330	1,345,570	7,412	34,615	1,396,927
Additions	145	114,089	4,582	15,143	133,959
Acquisition of subsidiaries (Note 6)	0	0	32	10	42
Transfer to investment property (Note 18)	-18	0	0	0	-18
Exchange rate differences	-51	0	0	0	-51
Disposals	-25	-31,552	-741	0	-32,318
Depreciation for the year	-838	-49,199	-4,101	0	-54,138
Book value as of 31 August 2007	8,543	1,378,908	7,184	49,768	1,444,403
As of 31 August 2006					
- cost	10,148	1,345,570	11,910	34,615	1,402,243
- accumulated depreciation	-818	0	-4,498	0	-5,316
As of 31 August 2007					
- cost	10,199	1,425,734	14,274	49,768	1,499,975
- accumulated depreciation	-1,656	-46,826	-7,090	0	-55,572

Assets held under finance lease

	in thousand	in thousands of EEK		s of EUR
	2007	2006	2007	2006
Book value at the beginning of the year	49,330	1,830	3,153	117
Additions	6,478	52,526	414	3,357
Disposals	0	-79	0	-5
Depreciation for the year	-32,948	-4,947	-2,106	-316
Book value at the end of the year, incl.	22,860	49,330	1,461	3,153
- cost	59,004	56,640	3,771	3,620
- accumulated depreciation	-36,144	-7,310	-2,310	-467

Depreciation

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

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

Land is not depreciated.

In accordance with the revised IAS 16 the Group's management changed its estimates for the depreciation calculations of ships from 1 September 2006. 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 yearscapitalised dry-dock expenses 2 to 5 years

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%.

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.

Due to changes in useful lives and residual values, the depreciation charge decreased by 94,375 thousand EEK (6,032 thousand EUR) during the reporting period. In the interim

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

condensed consolidated financial statements for the 3- and 6-month periods ended 30 November 2006 and 28 February 2007 respectively, depreciation charge was calculated using the previous estimates.

Before 1 September 2006 depreciation charge was calculated separately for each part of a ship on a straight-line basis over the estimated useful life as follows:

•	hull	11 to 55 years
•	machinery	11 to 43 years
•	on-board equipment	
	(short-term usage)	5 to 10 years
•	on-board equipment	
	(long-term usage)	10 to 25 years
•	capitalised dry-dock expenses	2 to 5 years.

Revaluation of ships

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

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

31 August 2007	In thousands of EEK	In thousands of EUR
Cost	22,484,969	1,437,051
Accumulated depreciation	-2,048,579	-130,928
Net carrying amount	20,436,390	1,306,123
31 August 2006	In thousands of EEK	In thousands of EUR
Cost	21,266,498	1,359,177
Accumulated depreciation	-1,351,727	-86,391
Net carrying amount	19,914,771	1,272,786

As of 31 August 2007 the revaluation reserve was decreased by 37,958,000 EEK (2,426,000 EUR) and retained earnings increased by the same sum. No revaluation was carried out during the reporting period.

As of 31 August 2007 the Group's ships with a book value of 21,575,217,000 EEK (1,378,908,000 EUR), 2006: 21,053,598,000 EEK (1,345,570,000 EUR) were encumbered with first or second ranking mortgages to secure the Group's bank loans (see also Note 21).

Note 20 INTANGIBLE ASSETS

in thousands of EEK	Goodwill 1	Trademark ²	Other ³	Total	Note
Book value as of 31 August 2005	173,148	0	3,005	176,153	
Additions	0	0	14,774	14,774	
Acquisition of subsidiaries	0	912,009	173,348	1,085,357	6
Amortization for the year	0	-7,604	-10,248	-17,852	
Book value as of 31 August 2006	173,148	904,405	180,879	1,258,432	
Additions	0	0	105,601	105,601	
Acquisition of subsidiaries	1,261	0	0	1,261	6
Disposals	0	0	-3,286	-3,286	
Amortization for the year	0	-45,624	-32,792	-78,416	
Book value as of 31 August 2007	174,409	858,781	250,402	1,283,592	
As of 31 August 2006					
- cost	173,148	912,009	194,512	1,279,669	
- accumulated amortization	0	-7,604	-13,633	-21,237	
As of 31 August 2007					
- cost	174,409	912,009	291,842	1,378,260	
- accumulated amortization	0	-53,228	-41,440	-94,668	
in thousands of EUR	Goodwill 1	Trademark ²	Other ³	Total	Note
Book value as of 31 August 2005	11,066	0	192	11,258	
A -I -I:4:					
Additions	0	0	945	945	
Additions Acquisition of subsidiaries	0	0 58,288	945 11,079	945 69,367	6
					6
Acquisition of subsidiaries	0	58,288	11,079	69,367	6
Acquisition of subsidiaries Amortization for the year	0	58,288 -486	11,079 -656	69,367 -1,142	6
Acquisition of subsidiaries Amortization for the year Book value as of 31 August 2006	0 0 11,066	58,288 -486 57,802	11,079 -656 11,560	69,367 -1,142 80,428	6
Acquisition of subsidiaries Amortization for the year Book value as of 31 August 2006 Additions Acquisition of subsidiaries Disposals	0 0 11,066 0	58,288 -486 57,802 0	11,079 -656 11,560 6,749	69,367 -1,142 80,428 6,749	
Acquisition of subsidiaries Amortization for the year Book value as of 31 August 2006 Additions Acquisition of subsidiaries	0 0 11,066 0 81	58,288 -486 57,802 0	11,079 -656 11,560 6,749 0	69,367 -1,142 80,428 6,749 81	
Acquisition of subsidiaries Amortization for the year Book value as of 31 August 2006 Additions Acquisition of subsidiaries Disposals	0 0 11,066 0 81	58,288 -486 57,802 0 0	11,079 -656 11,560 6,749 0 -210	69,367 -1,142 80,428 6,749 81 -210	
Acquisition of subsidiaries Amortization for the year Book value as of 31 August 2006 Additions Acquisition of subsidiaries Disposals Amortization for the year	0 0 11,066 0 81 0	58,288 -486 57,802 0 0 0 -2,916	11,079 -656 11,560 6,749 0 -210 -2,096	69,367 -1,142 80,428 6,749 81 -210 -5,012	
Acquisition of subsidiaries Amortization for the year Book value as of 31 August 2006 Additions Acquisition of subsidiaries Disposals Amortization for the year Book value as of 31 August 2007	0 0 11,066 0 81 0	58,288 -486 57,802 0 0 0 -2,916	11,079 -656 11,560 6,749 0 -210 -2,096	69,367 -1,142 80,428 6,749 81 -210 -5,012	
Acquisition of subsidiaries Amortization for the year Book value as of 31 August 2006 Additions Acquisition of subsidiaries Disposals Amortization for the year Book value as of 31 August 2007 As of 31 August 2006	0 0 11,066 0 81 0 0	58,288 -486 57,802 0 0 0 -2,916 54,886	11,079 -656 11,560 6,749 0 -210 -2,096 16,003	69,367 -1,142 80,428 6,749 81 -210 -5,012 82,036	
Acquisition of subsidiaries Amortization for the year Book value as of 31 August 2006 Additions Acquisition of subsidiaries Disposals Amortization for the year Book value as of 31 August 2007 As of 31 August 2006 - cost	0 0 11,066 0 81 0 0 11,147	58,288 -486 57,802 0 0 0 -2,916 54,886	11,079 -656 11,560 6,749 0 -210 -2,096 16,003	69,367 -1,142 80,428 6,749 81 -210 -5,012 82,036	
Acquisition of subsidiaries Amortization for the year Book value as of 31 August 2006 Additions Acquisition of subsidiaries Disposals Amortization for the year Book value as of 31 August 2007 As of 31 August 2006 - cost - accumulated amortization	0 0 11,066 0 81 0 0 11,147	58,288 -486 57,802 0 0 0 -2,916 54,886	11,079 -656 11,560 6,749 0 -210 -2,096 16,003	69,367 -1,142 80,428 6,749 81 -210 -5,012 82,036	

¹ Goodwill is fully related to the segment of Estonia-Finland routes. In the impairment test, the recoverable amount was identified based on value in use. Management calculated value in use based on a 1-year approved budget and 4-year cash flow projections using the average gross margins achieved in the current year, a revenue growth rate of 1-2% p.a. (the growth rate reflects the minimum expected inflation rate in the countries), and a discount rate of 12% (2006: a revenue growth rate of 1-2% and a discount rate of 12%).

years on a straight-line basis and the amortization is recorded in the consolidated income statement under administrative expenses.

3 Other intangible assets include the licences and development costs of IT programs of 265,393,000 EEK (16,962,000 EUR) (cost). The licenses have finite lives and are amortised over 10 years. Other intangible also assets include customer contracts of 7,338,000 EEK (469,000 EUR) recognised in connection with the acquisition of AS HTG Invest. Customer contracts are amortised over 5 year on straight-line basis. In addition, other intangible assets include prepayments of 19,111,000 EEK (1,221,000 EUR) made for the licenses and development costs of IT programs and the amortization is recorded in the consolidated income statement under cost of sales, marketing expenses and administrative expenses.

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 and it was deemed to be the cost of the trade mark. The trade mark is amortised over 20

Note 21
INTEREST-BEARING LOANS AND BORROWINGS

as of 31 August

in thousands of EEK

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

as of 31 August

in thousands of EEK

2006	Maturity	Current portion	Non-current portion	Total borrowings
Obligation under finance lease	2007	40,607	9,951	50,558
Long-term bank loans	2006-2016	1,048,215	13,717,546	14,765,761
Bonds	2006	139,276	0	139,276
Total borrowings		1,228,098	13,727,497	14,955,595

as of 31 August

in thousands of EUR

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

as of 31 August

in thousands of EUR

2006	Maturity	Current portion	Non-current portion	Total borrowings
Obligation under finance lease	2007	2,596	636	3,232
Long-term bank loans	2006-2016	66,993	876,711	943,704
Bonds	2006	8,901	0	8,901
Total borrowings		78,490	877,347	955,837

As of 31 August 2007 the Group is allowed to use bank overdrafts of up to 370,000,000 EEK and 7,000,000 EUR (2006: 370,000,000 EEK and 7,000,000 EUR). Bank overdrafts are secured with a commercial pledge of 266,120,000 EEK (17,008,000 EUR), 2006: 266,120,000 EEK (17,008,000 EUR) and mortgages on ships (see Note 19). In the year ended 31 August 2007 the average effective interest rate of bank overdrafts was EURIBOR

+ 1.25% (2006: + 1.6%) for overdrafts from Estonian commercial banks and EURIBOR + 1.25% (2006: + 1.25%) from Finnish commercial bank. As of 31 August 2007 the balance of overdraft in use amounted to 74,143,000 EEK (4,739,000 EUR). As of 31 August 2006 there were no outstanding overdraft balances.

In the year ended 31 August 2007 the weighted average interest rate of the Group's bank loans was EURIBOR + 1.24% (2006: + 1.33%).

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

Bonds. As of 31 August 2007 the Group had no bonds or commercial papers issued, 2006: 139,276,000 EEK (8,901,000

EUR)The Group's lease liabilities as of 31 August 2007 is related to office equipment in Sweden and Finland. The future minimum lease payments under finance leases and the present value (PV) of the net minimum lease payments are presented below.

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

Obligation under finance lease

in thousands of EEK

	31 Augu	31 August 2007		st 2006
	Minimum lease payment	PV of lease payment	Minimum lease payment	PV of lease payment
Within one year	12,439	12,439	40,607	40,607
After 1 year, but not more than 5 years	11,109	11,109	9,951	9,951
Total minimum lease payments	23,548		50,558	
Future financial charges	0		0	
PV of minimum lease payments	23,548	23,548	50,558	50,558

in thousands of EUR

	31 Augu	st 2007	31 August 2006		
	Minimum lease payment	PV of lease payment	Minimum lease payment	PV of lease payment	
Within one year	795	795	2,596	2,596	
After 1 year, but not more than 5 years	710	710	636	636	
Total minimum lease payments	1,505		3,232		
Future financial charges	0		0		
PV of minimum lease payments	1,505	1,505	3,232	3,232	

Note 22 PAYABLES

as of 31 August

	in thousands	s of EEK	in thousands	of EUR
	2007	2006	2007	2006
Trade payables	645,202	704,749	41,236	45,041
Payables to associates	6,556	203	419	13
Other payables	80,914	207,701	5,171	13,275
Payables to employees	309,243	357,807	19,764	22,868
Interest payable	119,496	111,261	7,637	7,111
Tax liabilities	120,698	112,061	7,714	7,162
Other accruals	126,260	211,305	8,070	13,505
Total current payables	1,408,369	1,705,087	90,011	108,975

as of 31 August

	in thousands of EEK		in thousands of EUR	
	2007	2006	2007	2006
Tax liabilities				
Salary related taxes	67,001	54,427	4,282	3,479
Excise duties	5,415	6,563	346	419
VAT	48,103	50,898	3,074	3,253
Income tax	13	0	1	0
Other taxes	166	173	11	11
	120,698	112,061	7,714	7,162

Note 23 SHARE CAPITAL AND RESERVES

as of 31 August

	2007	2006
The number of shares issued and fully paid (in thousands)	673,817	141,500
The number of shares issued but not registered (in thousands)	0	26,954
Total number of shares of 10 EEK each (in thousands)	673,817	168,454

as of 31 August

J.	in thousand	in thousands of EEK		s of EUR
	2007	2006	2007	2006
Share capital (registered)	6,738,170	1,415,000	430,648	90,435
Share capital issued but not registered		269,543		17,227
Total share capital	6,738,170	1,684,543	430,648	107,662
Share premium (registered)	9,999	2,012,394	639	128,615
Share premium not registered	0	1,206,184	0	77,089
Total share premium	9,999	3,218,578	639	205,704

As of 31 August

	EEK	EEK	EUR	EUR
	2007	2006	2007	2006
Share premium per share	0.01	19.11	0.001	1.22

According to the Articles of Association of the Parent effective as of 31 August 2007, the maximum number of authorised common shares is 2,000,000,000, 2006: 546,000,000.

Based on a resolution adopted by the general meeting of the shareholders of AS Tallink Grupp on 30 November 2005, the Company increased share capital from 1,100,000,000 EEK (70,303,000 EUR) to 1,365,000,000 EEK (87,239,000 EUR) by issuing 26,500,000 new shares with a par value of 10 EEK (0.64 EUR) each. The new shares were issued at a premium of 72.50 EEK (4.63 EUR) per share. The new shares were sold during IPO. The payment for new shares was made on 8 December 2005. Share premium has been reduced by issue costs of 132,457,000 EEK (8,465,000 EUR).

Based on a resolution adopted by an extraordinary general meeting of the shareholders of AS Tallink Grupp on 22 June 2006, the Company increased share capital by 50,000,000 EEK (3,196,000 EUR) by issuing 5,000,000 new shares with a nominal value of 10 EEK (0.6 EUR). The new shares were issued at a premium of 44.76 EEK (2.86 EUR). The new shares were used to make a non-monetary contribution for the shares of Silja Oy Ab. The share premium on the issue has been reduced by transaction expenses of 196,000 EEK (13,000 EUR)

Based on a resolution adopted by an extraordinary general meeting of the shareholders of AS Tallink Grupp on 2 August 2006, the Company issued 28,300,000 new shares with a nominal value of 10 EEK (0.6 EUR). Shareholders were given the right to subscribe to the new shares in proportion to the sum of the nominal values of their existing shares. During subscription, 95.2 % of the shares were subscribed, 1,345,740 unsubscribed shares were annulled by the management board of AS Tallink Grupp. The 26,954,260 new shares with a nominal value 10 EEK (0.64 EUR) were issued at a premium of 45 EEK (2.88 EUR). The payment for new shares was made on 30 August 2006. The shares issued in August 2006 were registered on 5 September 2006. The share premium on the issue has been reduced by transaction expenses of 6,757,000 EEK (432,000 EUR).

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

As of 31 August

J	in thousand	in thousands of EEK		in thousands of EUR		
	2007	2006	2007	2006		
Translation reserve	412	23	27	2		
Ships revaluation reserve	1,100,869	1,138,827	70,358	72,784		
Cash flow hedge reserve	0	-7,636	0	-488		
Mandatory legal reserve	101,710	27,500	6,500	1,758		
Total reserves	1,202,991	1,158,714	76,885	74,056		

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

Ships revaluation reserve

The revaluation reserve relates to the revaluation of ships. A ship's revaluation reserve may be transferred directly to retained earnings when the ship is disposed. However, some of the revaluation surplus may be transferred when the ship is

used by the Group. In such a case, the amount of surplus transferred is the difference between depreciation based on the revalued carrying amount of the ship and depreciation based on the original cost of the ship.

Cash flow hedge reserve

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

Note 24 CONTINGENCIES AND COMMITMENTS

Legal claim

The Republic of Estonia has filed a lawsuit against AS Tallink Grupp and its subsidiary AS Hansatee Cargo claiming 33,500,000 EEK (2,141,000 EUR) for unpaid lighthouse and ice breaking dues from the period June 2003 to June 2004 on 30 June 2006. The registration number of the claim is 2-06-20151. In its response of 11 October 2006, AS Tallink Grupp maintains that the claim is totally unfounded. Harju County Court issued a decision in the matter on 24 October 2007, dismissing the claim of the Republic of Estonia against AS Tallink Grupp and AS Hansatee Cargo.

Income tax on dividends

The Group's retained earnings as of 31 August 2007 were 2,183,777,000 EEK (139,569,000 EUR), 2006: 3,012,254,000 EEK (192,518,000 EUR). At 31 August 2007, the maximum income tax liability, which would arise if retained earnings were fully distributed was 480,431,000 EEK (30,705,000 EUR), 2006: 692,818,000 EEK (44,279,000 EUR). The maximum income tax liability has been calculated using the income tax rate effective for dividends paid out before 1 January 2008 (2006: 1 January 2007) on the assumption that the dividend and the related income tax expense cannot exceed the amount of retained earnings as of 31 August 2007 (2006: 31 August 2006).

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).

Mandatory legal reserve

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

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).

Capital investment commitments

In October 2005 Fincantieri Navali Italiani S.p.A. and AS Tallink Grupp signed a shipbuilding contract for the construction of a new ro-pax type ferry. The ferry should be delivered in 2008. The construction of the ferry costs 1,768,066,000 EEK (113,000,000 EUR). 20% will be paid during construction and 80% on delivery. By 31 August 2007, the Group's prepayments under the above contract totalled 266,930,000 EEK (17,060,000 EUR). In December 2005 Aker Finnyards OY and AS Tallink Grupp signed a shipbuilding contract for the construction of a new passenger cruise ship. The new ship should be delivered in summer 2008. The contractual price of the new ship is approximately 2,581,689,000 EEK (165,000,000 EUR). 20% will be paid during construction and 80% on delivery. By 31 August 2007 the Group's prepayments under the contract totalled 406,812,000 EEK (26,000,000 EUR).

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

Note 25 RELATED PARTY DISCLOSURES

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

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

In thousands of EEK

2007	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
AS Infortar - services	1,091	3,929	514	5
AS Infortar – purchase of OÜ Hera Salongid	0	960	0	0
AS HT Valuuta - services	2,469	0	54	0
AS Vara HTG - leases	0	43,336	0	0
OÜ Sunbeam - leases	0	20,795	0	201
OÜ Mersok - leases	0	144	0	14
AS Vaba Maa - services	0	7,941	0	1,997
OÜ Hera Salongid	179	147	0	0
AS Gastrolink	60	4,852	5	253
Gastrolink Finland OY	12	523	0	0
AS Baltic Tours	95,049	1,846	0	0
Searail EEIG	81,514	0	12,439	6,556
2006				
AS Infortar - services	756	5,915	103	0
AS Infortar – guarantee fee	0	175	0	0
AS Infortar - interest	0	1,824	0	0
AS HT Valuuta - services	2,339	0	308	0
AS Vara HTG - leases	0	30,025	0	0
OÜ Mersok - leases	0	144	0	0
AS Vaba Maa - services	0	3,621	0	310
OÜ Infor Invest	0	50	0	0
OÜ Hera Salongid	221	0	37	0
AS Gastrolink	61	1,088	7	157
AS Baltic Tours	9,090	0	1,232	0
Searail EEIG	11,082	0	13,674	0

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

In thousands of EUR

2007	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
AS Infortar - services	70	251	33	0
AS Infortar – purchase of OÜ Hera Salongid	0	61	0	0
AS HT Valuuta - services	158	0	3	0
AS Vara HTG - leases	0	2,770	0	0
OÜ Sunbeam - leases	0	1,329	0	13
OÜ Mersok - leases	0	9	0	1
AS Vaba Maa - services	0	508	0	128
OÜ Hera Salongid	11	9	0	0
AS Gastrolink	4	310	0	16
Gastrolink Finland OY	1	33	0	0
AS Baltic Tours	6,075	118	0	0
Searail EEIG	5,210	0	795	419
2006				
AS Infortar - services	48	378	7	0
AS Infortar – guarantee fee	0	11	0	0
AS Infortar - interest	0	117	0	0
AS HT Valuuta - services	149	0	20	0
AS Vara HTG - leases	0	1,919	0	0
OÜ Mersok - leases	0	9	0	0
AS Vaba Maa - services	0	231	0	20
OÜ Infor Invest	0	3	0	0
OÜ Hera Salongid	14	0	2	0
AS Gastrolink	4	70	0	10
AS Baltic Tours	581	0	79	0
Searail EEIG	708	0	874	0

Related parties include:

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

The management and companies controlled by them

There have been no transactions with key management personnel (i.e. members of the management board and the supervisory council of the Parent and its subsidiaries), except

for the remuneration paid to them (see relevant information below) and with companies controlled by them, except for OÜ Mersok. Other companies controlled by management are OÜ Tekali and OÜ Kümnis Konsultatsioonid.

Directors' remuneration and termination benefits

In the 2006/2007 and 2005/2006 financial years, the remuneration of the members of the management board totalled 22,398,000 EEK (1,431,000 EUR) and 31,130,000 EEK (1,990,000 EUR) respectively. The members of the management board do not receive pension entitlements from the Group. Some members of management board have a right to termination benefits. At 31 August 2007 the maximum amount of such benefits was 11,250,000 EEK (719,000 EUR) compared to:12,966,000 EEK (829,000 EUR) in 2006.

Note 26 **GROUP ENTITIES**

Group entities	Interest	Interest	Country of	Parent company
•	As of 31 August 2006	As of 31 August 2007	incorporation	. ,
OÜ Hansaliin	100%	100%	Estonia	AS Tallink Grupp
OÜ Hansatee Kinnisvara	100%	100%	Estonia	AS Tallink Grupp
AS Tallink Duty Free	100%	100%	Estonia	AS Tallink Grupp
OÜ HT Laevateenindus	100%	100%	Estonia	AS Tallink Grupp
OÜ HT Meelelahutus	100%	100%	Estonia	AS Tallink Grupp
AS Tallink	100%	100%	Estonia	AS Tallink Grupp
AS Hansatee Cargo	100%	100%	Estonia	AS Tallink Grupp
OÜ TLG Hotell	100%	100%	Estonia	AS Tallink Grupp
OÜ Tallink Travel Club	100%	100%	Estonia	AS Tallink Grupp
AS V.S&I	100%	100%	Estonia	AS Tallink Grupp
OÜ TLG Meedia	70%	100%	Estonia	AS Tallink Grupp
AS Tallink Baltic	100%	100%	Estonia	AS Tallink Grupp
OÜ Mare Pharmaci	100%	100%	Estonia	AS Tallink Grupp
AS HTG Invest	100%	100%	Estonia	AS Tallink Grupp
Tallink Finland OY	100%	100%	Finland	AS Tallink Grupp
Tallink Latvija AS	100%	100%	Latvia	AS Tallink Grupp
Kapella Shipping Ltd	100%	100%	Bahamas	AS Tallink Grupp
Tallink Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn-Helsinki Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Vana Tallinn Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Fast Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn Swedish Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn Stockholm Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Victory Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Hansalink Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Autoexpress Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink High Speed Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Sea Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Superfast Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF VII Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF VIII Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF IX Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Hansaway Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink-Ru OOO	100%	100%	Russia	AS Tallink Grupp
HTG Stevedoring Oy	100%	100%	Finland	AS Tallink Grupp
Ingleby (1699) Ltd.	100%	100%	UK	AS Tallink Grupp
OÜ HT Hulgi Tolliladu	100%	100%	Estonia	AS Tallink Duty Free
OÜ TDF Kommerts	100%	100%	Estonia	AS Tallink Duty Free
Tallink Sverige AB	100%	100%	Sweden	AS Hansatee Cargo
AS Tallink Scandinavian	100%	100%	Estonia	AS Tallink Grupp
Tallink Silja Oy Ab	100%	100%	Finland	AS Tallink
	100/0	13070	Timuria	Scandinavian

Silja Cruise AB	100%	100%	Sweden	Tallink Silja Oy Ab
Sally AB	100%	100%	Finland	Tallink Silja Oy Ab
Silja Europa Oy	100%	100%	Finland	Tallink Silja Oy Ab
Tallink Line AB	100%	100%	Sweden	Tallink Silja Oy Ab
Silja Line Eesti AS	100%	100%	Estonia	Tallink Silja Oy Ab
Silja Line Gmbh	100%	100%	Germany	Tallink Silja Oy Ab
Oy Turun Meritalo Sjöhuset i åbo Ab	100%	100%	Finland	Tallink Silja Oy Ab
Sea Wind Line Oy Ab	100%	100%	Finland	Tallink Silja Oy Ab
SeaWind Line AB	100%	100%	Sweden	Sea Wind Line Oy Ab
Neptun Juridica Oy	100%	100%	Finland	Tallink Silja Oy Ab
Nimtakos Oy	100%	100%	Finland	Neptun Juridica Oy
Eff-Shipping Ltd	100%	100%	Cayman Isl.	Tallink Silja Oy Ab
Crown Cruise Line Inc	100%	100%	Panama	Eff-Shipping Ltd
EffJohn International Cruise Holdings Inc	100%	100%	Cayman Isl.	Eff-Shipping Ltd
OÜ Hera Salongid	0%	100%	Estonia	OÜ TLG Hotell

Note 27 FINANCIAL RISK MANAGEMENT

AS Tallink Grupp is a shipping company with international operations. Therefore, it is exposed to currency, commodity and interest rate risks in its ordinary business activity. It is the Group's policy to limit such risks via systematic risk management.

The management of financial risks is centralized in the Group's financial department, which is responsible for funding, foreign exchange risk, interest rate risk and credit risk management for the Parent and the subsidiaries.

Derivative financial instruments are not used for speculative purposes; they serve only to hedge risks arising from operations.

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) and the Swedish krona (SEK). Exposure to USD results from the purchase of ship fuel and insurance and exposure to SEK arises from the fact that it is an operational currency for Swedish routes.

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

The following tables present the Group's net position in the currency exposure as of 31 August 2007 and 2006.

As the exchange rate between EEK and EUR is fixed, monetary assets and liabilities denominated in EEK and in EUR are presented together.

as of 31 August					
In thousands of EEK					
2007	EEK, EUR	USD	SEK	LVL	Total
Cash and cash equivalents	1,156,228	1,606	135,788	9,987	1,303,609
Trade receivables, net of allowance	485,181	0	53,194	101	538,476
Other financial assets	298,632	18	1,496	47	300,193
	1,940,041	1,624	190,478	10,135	2,142,278
Current portion of borrowings	-2,247,390	0	0	0	-2,247,390
Trade payables	-471,792	-18,498	-150,916	-3,996	-645,202
Other current payables	-756,656	-5,523	-5,794	-3,174	-771,147
Non-current portion of borrowings	-12,584,261	0	-3,489	0	-12,587,750
The second person of the second secon	-16,060,099	-24,021	-160,199	-7,170	-16,251,489
Currency net position, EEK	-14,120,058	-22,397	30,279	2,965	-14,109,211
624.4					
as of 31 August					
In thousands of EEK					
2006	EEK, EUR	USD	SEK	LVL	Total
Cash and cash equivalents	1,230,123	2,731	169,901	4,853	1,407,608
Trade receivables, net of allowance Other financial assets	398,893	0	69,217	2	468,112
Other Illiancial assets	340,835 1,969,851	2,731	65,711 304,829	40 4,895	406,586 2,282,306
	1,909,051	2,731	304,829	4,093	2,282,300
Current portion of borrowings	-1,227,327	0	-771	0	-1,228,098
Trade payables	-580,309	-13,655	-105,976	-4,809	-704,749
Other current payables	-875,389	0	-145,883	-3,225	-1,024,497
Non-current portion of borrowings	-13,752,829	0	0	0	-13,752,829
	-16,435,854	-13,655	-252,630	-8,034	-16,710,173
Common and a sidilar FFW	14.466.002	10.024	F2 100	2 120	14 427 067
Currency net position, EEK	-14,466,003	-10,924	52,199	-3,139	-14,427,867
as of 31 August					
In thousands of EUR					
2007	EEK, EUR	USD	SEK	LVL	Total
Cash and cash equivalents	73,896	103	8,678	638	83,315
Trade receivables, net of allowance	31,009	0	3,400	6	34,415
Other financial assets	19,086	1	96	3	19,186
Cure manda asses	123,991	104	12,174	647	136,916
			-		
Current portion of borrowings	-143,634	0	0	0	-143,634
Trade payables	-30,153	-1,182	-9,645	-255	-41,235
Other current payables	-48,359	-353	-370	-203	-49,285
Non-current portion of borrowings	-804,281	0	-223	0	-804,504
	-1,026,427	-1,535	-10,238	-458	-1,038,658
Currency net position, EUR	-902,436	-1,431	1,936	189	-901,742
carreincy net position, Lon	JU2,730	1,751	1,930	109	JU1,772

as of 31 August

In thousands of EUR

2006	EEK, EUR	USD	SEK	LVL	Total
Cash and cash equivalents	78,619	175	10,859	310	89,963
Trade receivables, net of allowance	25,494	0	4,424	0	29,918
Other financial assets	21,783	0	4,199	2	25,984
	125,896	175	19,482	312	145,865
Current portion of borrowings	-78,441	0	-49	0	-78,490
Trade payables	-37,088	-873	-6,773	-307	-45,041
Other current payables	-55,947	0	-9,324	-206	-65,477
Non-current portion of borrowings	-878,966	0	0	0	-878,966
	-1,050,442	-873	-16,146	-513	-1,067,974
Currency net position, EUR	-924,546	-698	3,336	-201	-922,109

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 value of a financial instrument (fair value risk) or future cash flows from a financial instrument (cash flow risk) will change due to movement in market interest rates – applies mainly to assets and liabilities with maturities of more than one year.

The objective for interest rate risk management is to minimize interest expense and at the same time hold the volatility of future interest payments within acceptable limits.

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 following tables present an analysis of the Group's borrowings as of 31 August 2007 and 2006 by fixed and floating interest rates. The division of interest-bearing liabilities between the groups of up to 1 year, 1-5 years and after 5 years is based on the maturity date in the case of liabilities with fixed interest rates and the repricing date in the case of items with floating interest rates. See Note 21 for interest rate information.

as of 31 August

In thousands of EEK

2007	< 1 year	1-5 years	Total
Fixed rate			
Finance lease liability	12,439	11,109	23,548
Floating rate			
Bank overdraft	74,143	0	74,143
Secured bank loans (based on 3 and 6 months' EURIBOR)	14,733,960	0	14,733,960
2006	< 1 year	1-5 years	Total
2006 Fixed rate	< 1 year	1-5 years	Total
	< 1 year 40,607	1-5 years 9,951	Total 50,558
Fixed rate	,	·	
Fixed rate Finance lease liability	40,607	9,951	50,558

as of 31 August

In thousands of EUR

2007	< 1 year	1-5 years	Total
Fixed rate			
Finance lease liability	795	710	1,505
Floating rate			
Bank overdraft	4,739	0	4,739
Secured bank loans (based on 3 and 6 months' EURIBOR)	941,671	0	941,671
2006	< 1 year	1-5 years	Total
2006 Fixed rate	< 1 year	1-5 years	Total
	< 1 year 2,596	1-5 years 636	Total 3,232
Fixed rate	,	•	
Fixed rate Finance lease liability	2,596	636	3,232

Credit risk

Credit risk is the loss that the Group would suffer if the counterparty failed to perform its financial obligations. 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 exposure from unsecured receivables was 833,083,000 EEK (53,244,000 EUR), 2006: 861,100,000 EEK (55,034,000 EUR).

AS Tallink Grupp invests surplus liquidity in short-term interest-bearing assets. Credit risk is inherent in such instruments.

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

The fair value of derivatives with a positive replacement value for the Group was equivalent to 1,799,000 EEK (115,000 EUR) as of 31 August 2007 and 11,633,000 EEK (743,000 EUR) as of 31 August 2006.

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 2007 there were no derivative contracts for fuel outstanding.

Liquidity risk

Liquidity risk is the risk that the Group does not have liquidity available to meet its obligations on time.

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 also maintains three committed bank overdraft facilities to minimize the Group's liquidity risk.

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 and for pension assets based on market prices. The fair value of other financial assets and liabilities has been determined using the discounted cash flow method.

Hedge activities

All derivative financial instruments are recognized as assets or liabilities. They are stated at fair value regardless of their purpose. Many transactions constitute economic hedges but do

not qualify for hedge accounting under IAS 39. Changes in the fair value of these derivative financial instruments are recognized directly in the income statement: fair value changes on forward exchange contracts and currency options are recorded in exchange gains and losses and those on interest-rate swaps and interest-rate options in interest income and expense.

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

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

as of 31 August In thousands of EEK

Interest rate hedging	Maturity	2007		200	06
		Notional amount	Fair value	Notional amount	Fair value
Interest rate swap 1	2013	0	0	1,564,660	-7,636
Interest rate swap	2007	0	0	53,088	430
Interest rate swap 1	2012	0	0	1,157,848	11,203
Interest rate swap 1	2013	0	0	2,065,351	-16,523
Interest rate swap	2007	2,253,110	1,799	0	0
Interest rate swap	2007	1,564,660	-1,252	0	0
Foreign exchange rate swap	2007	277,211	-1,205	0	0
Foreign exchange rate swap	2007	187,759	-5,523	0	0
Total derivatives with positive value			1,799		11,633
Total derivatives with negative value			7,980		24,159

¹ These three swap agreements were terminated before maturity.

as of 31 August
In thousand of EUR

Interest rate hedging	Maturity	2007		200	06
		Notional amount	Fair value	Notional amount	Fair value
Interest rate swap 1	2013	0	0	100,000	-488
Interest rate swap	2007	0	0	3,393	27
Interest rate swap	2012	0	0	74,000	716
Interest rate swap ¹	2013	0	0	132,000	-1,056
Interest rate swap 1	2007	144,000	115	0	0
Interest rate swap	2007	100,000	-80	0	0
Foreign exchange rate swap	2007	17,717	-77	0	0
Foreign exchange rate swap	2007	12,000	-353	0	0
Total derivatives with positive value			115		743
Total derivatives with negative value			510		1,544

¹ These three swap agreements were terminated before maturity.

Note 28
PRIMARY STATEMENTS OF THE PARENT

INCOME STATEMENT

for the year ended 31 August

	in thousand	in thousands of EEK		in thousands of EEK in thousands or		ids of EUR	
	2007	2006	2007	2006			
Revenue	4,264,428	3,360,264	272,547	214,760			
Cost of sales	-3,638,103	-2,853,203	-232,517	-182,353			
Gross profit	626,325	507,061	40,030	32,407			
Marketing expenses	-297,124	-230,567	-18,990	-14,736			
Administrative expenses	-169,121	-114,971	-10,809	-7,348			
Other operating income	81,822	5,151	5,229	329			
Other operating expenses	-1,158	-545	-74	-34			
Financial income	430,469	121,092	27,512	7,739			
Financial expenses	-822,825	-526,525	-52,588	-33,651			
Gain from investments in subsidiaries	596,135	0	38,100	0			
Net profit for the financial year	444,523	-239,302	28,410	-15,294			

BALANCE SHEET

as of 31 August

as of 31 August	in thousans	in thousands of EEK in thousan		
	2007	2006	in thousand: 2007	2006
ASSETS	2007	2000	2007	2000
Current assets				
Cash and cash equivalents	515,709	747,567	32,960	47,778
Receivables and prepayments	1,181,189	1,429,835	75,492	91,383
Derivatives	1,799	11,633	115	743
Tax assets	175	302	11	19
Inventories	74,902	64,231	4,787	4,105
	1,773,774	2,253,568	113,365	144,028
Non-current assets			•	•
Investments in subsidiaries	1,237,139	821,512	79,067	52,504
Investments in associates	1,020	0	65	0
Other financial assets and prepayments	5,292,352	4,938,908	338,243	315,654
Property, plant and equipment	8,496,460	7,848,596	543,023	501,617
Intangible assets	20,981	869	1,341	56
	15,047,952	13,609,885	961,739	869,830
TOTAL ASSETS	16,821,726	15,863,453	1,075,104	1,013,859
LIABILITIES AND EQUITY				
Current liabilities				
Interest-bearing loans and borrowings	1,150,728	1,075,511	73,545	68,738
Payables and deferred income	1,953,161	1,967,161	124,830	125,724
Derivatives	7,980	24,159	510	1,544
Tax liabilities	49,990	43,349	3,195	2,771
	3,161,859	3,110,180	202,080	198,777
Non-current liabilities				
Interest-bearing loans and borrowings	9,328,369	8,866,102	596,191	566,647
Other non-current liabilities	41,180	49,011	2,632	3,132
	9,369,549	8,915,113	598,823	569,779
Total liabilities	12,531,408	12,025,293	800,903	768,556
Equity				
Equity Share capital	6,738,170	1,415,000	430,648	90,435
Share premium	9,999	2,012,394	639	128,615
Unregistered share capital with share premium	0	1,475,727	0	94,316
Reserves	101,710	19,864	6,500	1,270
Retained earnings	-2,559,561	-1,084,825	-163,586	-69,333
	4,290,318	3,838,160	274,201	245,303
TOTAL LIABILITIES AND EQUITY	16,821,726	15,863,453	1,075,104	1,013,859
	,,	,- 3-,	-,,	-,,

STATEMENT OF CASH FLOWS

for the year ended 31 August

for the year ended 31 August				
	in thousands of EEK		in thousand:	
	2007	2006	2007	2006
Cash flows from / used in operating activities				
Net profit for the financial year	444,523	-239,302	28,410	-15,294
Adjustments	723,220	1,049,667	46,222	67,086
Depreciation	977,248	645,181	62,458	41,235
Net interest expense	393,843	404,836	25,171	25,874
Income from subsidiaries	-596,135	-350	-38,100	-22
Other adjustments	-51,736	0	-3,307	0
Changes in assets related to operating activities	55,606	2,556,855	3,554	-163,413
Change in inventories	-10,671	-24,128	-682	-1,542
Changes in liabilities related to operating activities	-71	876,373	-4	56,010
	1,212,607	-894,245	77,500	-57,153
Cash flows used in investing activities				
Purchase of property, plant, equipment and intangible assets	-30,388	-13,803	-1,942	-882
Proceeds from disposals of property, plant, equipment	117	0	7	0
Repayments of granted loans	308,123	512,614	19,693	32,762
Loans granted	-468,027	-1,615,948	-29,912	-103,278
Proceeds from disposals of associates	0	5,000	0	320
Acquisition of subsidiaries	-415,627	-19,632	-26,564	-1,255
Acquisition of associates	-1,020	0	-65	0
Dividends received	596,135	350	38,100	22
Interest received	422,823	103,060	27,023	6,587
	412,136	-1,028,359	26,340	-65,724
Cash flows from / used in financing activities				
Proceeds from issue of shares	0	3,668,735	0	234,475
Transaction costs of issue of shares	-6,520	-132,891	-417	-8,493
Redemption of loans and bonds	-201,655	-196,553	-12,888	-12,562
Change in overdraft	74,143	-18,249	4,739	-1,166
Repayment of finance lease liabilities	-907,199	-585,530	-57,980	-37,423
Interest paid	-815,370	-213,681	-52,112	-13,657
	-1,856,601	2,521,831	-118,658	161,174
TOTAL NET CASH FLOW	-231,858	599,227	-14,818	38,297
Cash and cash equivalents:				
- at the beginning of period	747,567	148,340	47,778	9,481
- increase / decrease	-231,858	599,227	-14,818	38,297
- at the end of period	515,709	747,567	32,960	47,778

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August, in thousands of EEK

in thousands of EEK							
	Share capital	Share premium	Unregis- tered share capital with share premium	Reva- luation reserve	Man- datory legal reserve	Retained earnings	Total equity
As of 31 August 2005 according to IFRS	1,100,000	0	0	0	27,500	-845,523	281,977
Issue of shares	315,000	2,012,394	1,475,727	0	0	0	3,803,121
Adjustments for financial year 2005/2006	0	0	0	-7,636	0	0	-7,636
Net profit for the financial year 2005/2006	0	0	0	0	0	-239,302	-239,302
As of 31 August 2006 according to IFRS	1,415,000	2,012,394	1,475,727	-7,636	27,500	-1,084,825	3,838,160
Issue of shares	5,323,170	-2,002,395	-1,475,727	0	0	-1,845,049	-1
Distribution of profit for 2005/2006	0	0	0	0	74,210	-74,210	0
Adjustments for financial year 2006/2007	0	0	0	7,636	0	0	7,636
Net profit for financial year 2006/2007	0	0	0	0	0	444,523	444,523
As of 31 August 2007 according to IFRS	6,738,170	9,999	0	0	101,710	-2,559,561	4,290,318
Adjustments according to the Estonian Accounting Act	0	0	0	0	0	4,743,338	0
As of 31 August 2007 according to the Estonian Accounting Act	6,738,170	9,999	0	0	101,710	2,183,777	9,033,656

for the year ended 31 August, in thousands of EUR

in thousands of EUR							
	Share capital	Share premium	Unregis- tered share capital with share premium	Reva- luation reserve	Man- datory legal reserve	Retained earnings	Total equity
As of 31 August 2005	70,303	0	0	0	1,758	-54,039	18,022
Issue of shares	20,132	128,615	94,316	0	0	0	243,063
Adjustments for financial year 2005/2006	0	0	0	-488	0	0	-488
Net profit for the financial year 2005/2006	0	0	0	0	0	-15,294	-15,294
As of 31 August 2006	90,435	128,615	94,316	-488	1,758	-69,333	245,303
Issue of shares	340,213	-127,976	-94,316	0	0	-117,921	0
Distribution of profit for 2005/2006	0	0	0	0	4,742	-4,742	0
Adjustments for financial year 2006/2007	0	0	0	488	0	0	488
Net profit for financial year 2006/2007	0	0	0	0	0	28,410	28,410
As of 31 August 2007	430,648	639	0	0	6,500	-163,586	274,201
Adjustments according to the Estonian Accounting Act	0	0	0	0	0	303,155	303,155
As of 31 August 2007 according to the Estonian Accounting Act	430,648	639	0	0	6,500	139,569	577,356

AUDITOR'S REPORT



KPMG Baltice AS Narva rnnt 5 Tallinn 10117 Extonia Telephone Fax Internet +372 6 268 700 +372 6 268 777 www.kpmg.ee

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS Tallink Grupp

We have audited the accompanying consolidated financial statements of AS Tallink Grupp (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 August 2007, 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 19 to 83. The corresponding figures presented are based on financial statements of the Group as at and for the year ended 31 August 2006, which were audited by another auditor whose report dated 7 December 2006 expressed an unqualified opinion on those statements.

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 2007, 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, 11 December 2007

KPMG Baltics AS

Andres Root
Authorized Public Accountant

Eero Kaup

Authorized Public Accountant

NOTES

114

CONTACTS

AS TALLINK GRUPP

Reg. nr.: 10238429

Tartu mnt. 13,10145 Tallinn, Estonia

Phone: + 372 640 9800 Fax: + 372 640 9810 E-mail: info@tallink.ee

www.tallink.ee www.tallink.com

TALLINK SILJA OY

Keilaranta 9, FIN-02150 Espoo, Finland

Phone: + 358 9 180 41 Fax: + 358 9 180 44 84

E-mail: firstname.lastname@tallinksilja.com

www.tallinksilja.com/fi

TALLINK SILJA AB

Positionen 8, Södra Hamnvägen 50A, 115 74 Stockholm, Sweden

Phone: + 46 8 666 33 00 Fax: + 46 8 663 81 49

E-mail: info.sweden@tallinksilja.com

www.tallinksilja.com/sv

TALLINK SILJA GMBH

Zeißstraße 6, D-23560 Lübeck, Germany

AS TALLINK LATVIJA

3a Eksporta Str., 1010 Riga, Latvia

TALLINK-RU LTD.

Kazanskaya str. 7, 2-nd floor, office 10, 191186, Saint-Petersburg, Russia

Layout & Design by OÜ TLG Meedia 2007

Designer: Kertu Kaldaru

Photos: Tiit Mõttus

Allan Alajaan Kaido Haagen Marko Stampehl

AS Tallink Grupp Imagebank

Printhouse: AS Vaba Maa

Printed on recycled paper

AS Tallink Grupp recognises the need for environmental protection and management as one of its highest priorities. Every effort is to be made to conserve and protect the environment from marine, atmospheric and other forms of pollution, including office-based waste. Our vessels are maintained and operated in accordance with the MARPOL convention. Our vessels use low sulphur content fuel and we operate a zero spill policy. We actively promote environmental awareness by training and educating our employees and by making efficient use of energy and materials in our offices and on our ships.

