

# AS TALLINK GRUPP

## Unaudited Interim Consolidated Financial Statements for the first twelve months of the 2012 financial year

**1 January 2012 - 31 December 2012**

Beginning of the financial year 1. January 2012

End of the financial year 31. December 2012

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Primary activity maritime transportation  
(passenger and cargo transportation)

Auditor KPMG Baltics OÜ



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## MANAGEMENT REPORT

AS Tallink Grupp and its subsidiaries (the Group) carried a total of 9.26 million passengers in the 2012 financial year which is 1.3% more than the year before. The Group's unaudited consolidated revenue grew 4% to EUR 943.9 million in the 2012 financial year. Gross profit was EUR 201.2 million, EBITDA EUR 165.5 million and unaudited net profit reached EUR 56.3 million (EUR 0.08 per share) which is 49% or EUR 18.6 million increase compared to the previous year.

In the fourth quarter (1 October- 31 December) of the 2012 financial year the Group carried 2.1 million passengers, 1% more compared to the same period last year. The Group's consolidated revenue in the fourth quarter increased by 4% to EUR 222.8 million. The net profit for the fourth quarter was EUR 5.7 million compared to the net profit of EUR 0.6 million in the same period last year.

The main contribution for the growth in total revenue in 2012 came from the increase from shops and restaurants sales by nearly EUR 30 million. The ticket sales have been under pressure throughout the 2012 year due to bad weather and tight competition. The positive development on shop and restaurant sales continued also in the fourth quarter showing 6% increase on absolute terms and 5% increase per passenger basis when compared to the fourth quarter of the previous year.

Significant fuel price increase in the first half of 2012 has had impact to the Group's profit margins. In the fourth quarter of 2012 the prices were at the previous year levels. Despite the high fuel price movement in 2012 the Group has been able to make good sales performance and to increase the earnings for 2012 financial year. Noticeable impact to the year's net profit came from the earlier closure of Finland-Germany route and the following profitable charter of the related vessels.

During the 2012 the Group has focused to upgrade and improve the visibility and appearance in the electronic sales channels. The new consumer marketing web pages were upgraded. Throughout the year the new version of online booking engine has been developed and is currently in the testing phase. The easiness, usability, convenience and price transparency of online booking have been the main focus areas. Tallink's mobile booking application became available for Android and Apple mobile platforms.

In December 2012 the Group signed a new five-year loan agreement in amount of EUR 440 million to refinance several of its older loans. In result of the refinancing the Group's total loan repayment schedule for the next few years was reduced to ensure stronger liquidity position. Due to early repayment of the loans the arrangement fees of these loans were written off as they were initially amortized over the period of the loan. The write off expense of EUR 3.2 million was recorded in Q4 2012.

In 2012 financial year the interest bearing bank debt reduced by EUR 119.2 million or 12.4%. The net debt at the end of 2012 was EUR 774 million and the net debt ratio to EBITDA was 4.68. At the end of December 2012 the Group had nearly EUR 66 million in cash and equivalents and the total of unused credit lines were EUR 50 million. The total liquidity, cash and unused credit facilities at the end of the fourth quarter were EUR 116 million providing a strong position for sustainable operations.

#### Q4 KEY FIGURES

		2012 Oct-Dec	2011 Oct-Dec	change
Revenue	EUR million	222.8	214.2	4.0%
Gross profit	EUR million	40.0	39.8	0.5%
Gross margin (%)		17.9%	18.6%	
EBITDA	EUR million	32.1	31.2	2.9%
EBITDA margin (%)		14.4%	14.6%	
Net profit for the period	EUR million	5.7	0.6	856.7%
Net profit margin (%)		2.56%	0.28%	
Depreciation and amortization	EUR million	18.0	17.8	1.2%
Investments	EUR million	0.6	2.8	-80.6%
Weighted average number of ordinary shares outstanding		669 882 040	669 882 040	
Earnings per share	EUR	0.009	0.001	856.7%
Number of passengers		2 133 163	2 111 057	1.0%
Number of cargo units		70 457	70 772	-0.45%
Average number of employees		6 799	6 718	1.2%
		<b>31.12.2012</b>	<b>30.09.2012</b>	
Total assets	EUR million	1 741.8	1 754.3	-0.7%
Interest-bearing liabilities	EUR million	840.4	862.2	-2.5%
Net debt	EUR million	774.8	803.1	-3.5%
Total equity	EUR million	760.8	755.6	0.7%
Equity ratio (%)		43.7%	43.1%	
Net debt to EBITDA		4.68	4.9	
Number of ordinary shares outstanding <sup>1</sup>		669 882 040	669 882 040	0%
Shareholders' equity per share	EUR	1.14	1.13	0.7%

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

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

Equity ratio: total equity / total assets;

Shareholder's equity per share: shareholder's equity / number of shares outstanding;

Gross margin: gross profit / net sales;

EBITDA margin: EBITDA / net sales;

Net profit margin: net profit / net sales;

Net debt: Interest bearing liabilities less cash and cash equivalents;

Net debt to EBITDA: Net debt / 12-months trailing EBITDA.

<sup>1</sup> Share numbers exclude own shares.

## SALES & SEGMENT RESULTS

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

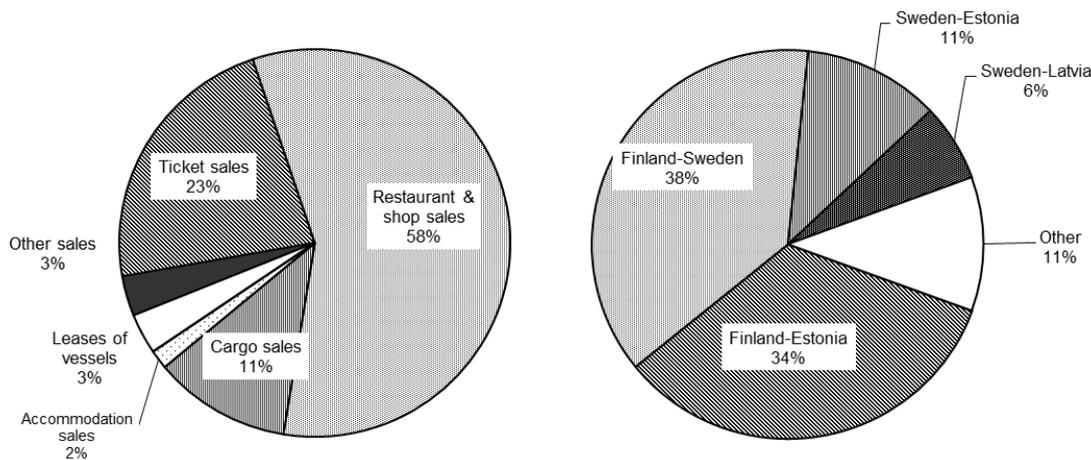
	Q4	Q1	Q2	Q3	Q4	Q4 change
in EUR millions	2011	2012	2012	2012	2012	y-o-y
Ticket sales	50.7	41.5	64.6	84.5	50.4	-0.4%
Restaurant & shop sales	121.2	109.2	132.0	147.1	128.6	6.1%
Cargo sales	25.4	26.7	26.1	24.6	25.3	-0.2%
Accommodation sales	3.5	2.6	4.5	5.6	3.5	0.5%
Leases of vessels	6.0	7.4	6.9	7.2	7.5	24.9%
Other sales	7.5	6.4	10.7	13.4	7.4	-0.9%
<b>Total revenue</b>	<b>214.2</b>	<b>193.8</b>	<b>244.8</b>	<b>282.4</b>	<b>222.8</b>	<b>4.0%</b>

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

			Q4	Q1	Q2	Q3	Q4	Q4 change
			2011	2012	2012	2012	2012	y-o-y
<b>Finland-</b>	Passengers	th.	1 042	909	1 171	1 341	1 076	3.2%
<b>Estonia</b>	Cargo units	th.	31	34	36	34	32	3.0%
	Revenue	mil.EUR	73.2	62.6	81.0	88.9	75.5	3.3%
	Segment result	mil.EUR	22.1	12.3	25.0	28.8	20.4	-7.7%
<b>Finland-</b>	Passengers	th.	715	709	764	910	693	-3.0%
<b>Sweden</b>	Cargo units	th.	24	25	23	22	24	-1.0%
	Revenue	mil.EUR	84.5	79.8	89.7	110.3	84.2	-0.3%
	Segment result	mil.EUR	2.3	-3.4	4.8	17.7	1.2	-45.7%
<b>Sweden-</b>	Passengers	th.	207	222	239	287	211	2.1%
<b>Estonia</b>	Cargo units	th.	10	9	9	8	10	-6.7%
	Revenue	mil.EUR	24.9	23.5	29.3	36.8	25.4	2.0%
	Segment result	mil.EUR	0.6	-1.2	3.5	9.9	0.6	0.5%
<b>Sweden-</b>	Passengers	th.	147	145	202	233	153	4.0%
<b>Latvia</b>	Cargo units	th.	5	4	5	4	5	-6.0%
	Revenue	mil.EUR	13.5	11.8	17.7	22.4	14.5	7.5%
	Segment result	mil.EUR	-2.4	-4.2	0.0	3.0	-2.0	-14.6%
<b>Other</b>	Revenue	mil.EUR	20.4	17.4	29.4	27.4	25.1	22.9%
	Segment result	mil.EUR	2.9	-0.4	7.1	10.1	2.6	-11.0%
	Inter segment sales	mil.EUR	-2.2	-1.3	-2.3	-3.3	-1.9	-12.0%
	<b>Total revenue</b>	mil.EUR	<b>214.2</b>	<b>193.8</b>	<b>244.8</b>	<b>282.4</b>	<b>222.8</b>	<b>4.0%</b>
	<b>EBITDA</b>	mil.EUR	<b>31.2</b>	<b>10.2</b>	<b>46.2</b>	<b>77.0</b>	<b>32.1</b>	<b>2.9%</b>
	<b>Total segment result</b>	mil.EUR	<b>25.5</b>	<b>3.0</b>	<b>40.4</b>	<b>69.6</b>	<b>22.8</b>	<b>-10.6%</b>
	<b>Net profit/-loss</b>	mil.EUR	<b>0.6</b>	<b>-19.0</b>	<b>20.0</b>	<b>49.6</b>	<b>5.7</b>	<b>857.9%</b>

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

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



## MARKET DEVELOPMENTS

The following table provides an overview of the passengers, cargo units and passenger vehicles transported during the twelve months and fourth quarter of 2012 and 2011 financial years.

	Q4 2012	Q4 2011	Change	12 months 2012	12 months 2011	Change
<b>Passengers</b>	<b>2 133 163</b>	<b>2 111 057</b>	<b>1,0%</b>	<b>9 264 561</b>	<b>9 144 290</b>	<b>1,3%</b>
Finland-Sweden	693 402	714 728	-3,0%	3 076 378	3 164 272	-2,8%
Estonia-Finland	1 075 627	1 042 319	3,2%	4 496 429	4 270 254	5,3%
Estonia-Sweden	211 190	206 893	2,1%	959 586	943 250	1,7%
Latvia-Sweden	152 944	147 117	4,0%	732 168	719 470	1,8%
Finland-Germany	0	0	-	0	47 044	-100,0%
<b>Cargo Units</b>	<b>70 457</b>	<b>70 772</b>	<b>-0,4%</b>	<b>283 973</b>	<b>283 438</b>	<b>0,2%</b>
Finland-Sweden	23 713	23 947	-1,0%	93 602	95 878	-2,4%
Estonia-Finland	32 233	31 307	3,0%	136 142	118 414	15,0%
Estonia-Sweden	9 765	10 469	-6,7%	36 442	42 248	-13,7%
Latvia-Sweden	4 746	5 049	-6,0%	17 787	18 632	-4,5%
Finland-Germany	0	0	-	0	8 266	-100,0%
<b>Passenger Vehicles</b>	<b>247 922</b>	<b>231 780</b>	<b>7,0%</b>	<b>1 118 838</b>	<b>1 062 482</b>	<b>5,3%</b>
Finland-Sweden	27 188	26 461	2,7%	168 285	168 658	-0,2%
Estonia-Finland	185 179	169 908	9,0%	785 001	714 263	9,9%
Estonia-Sweden	14 978	15 059	-0,5%	72 655	73 592	-1,3%
Latvia-Sweden	20 577	20 352	1,1%	92 897	90 869	2,2%
Finland-Germany	0	0	-	0	15 100	-100,0%

The following operational factors influenced the development:

### FINLAND-GERMANY

Operations on the route were ended. The ships that previously operated there are chartered out of the group.

**The Group's market shares on the routes operated during a 12 month period ending on the December 31, 2012 were as follows:**

- The Group carried approximately 59% of the passengers and 52% of ro-ro cargo on the route between Tallinn and Helsinki;
- The Group is the only provider of daily passenger transportation between Estonia and Sweden;
- The Group is the only provider of daily passenger and ro-ro cargo transportation between Riga and Stockholm;
- The Group carried approximately 55% of passengers and 35% of ro-ro cargo on the routes between Finland and Sweden;

**PERSONNEL**

On December 31, 2012 the Group employed 6 747 employees (6 740 on December 31, 2011). The following table provides a more detailed overview of the Group's personnel.

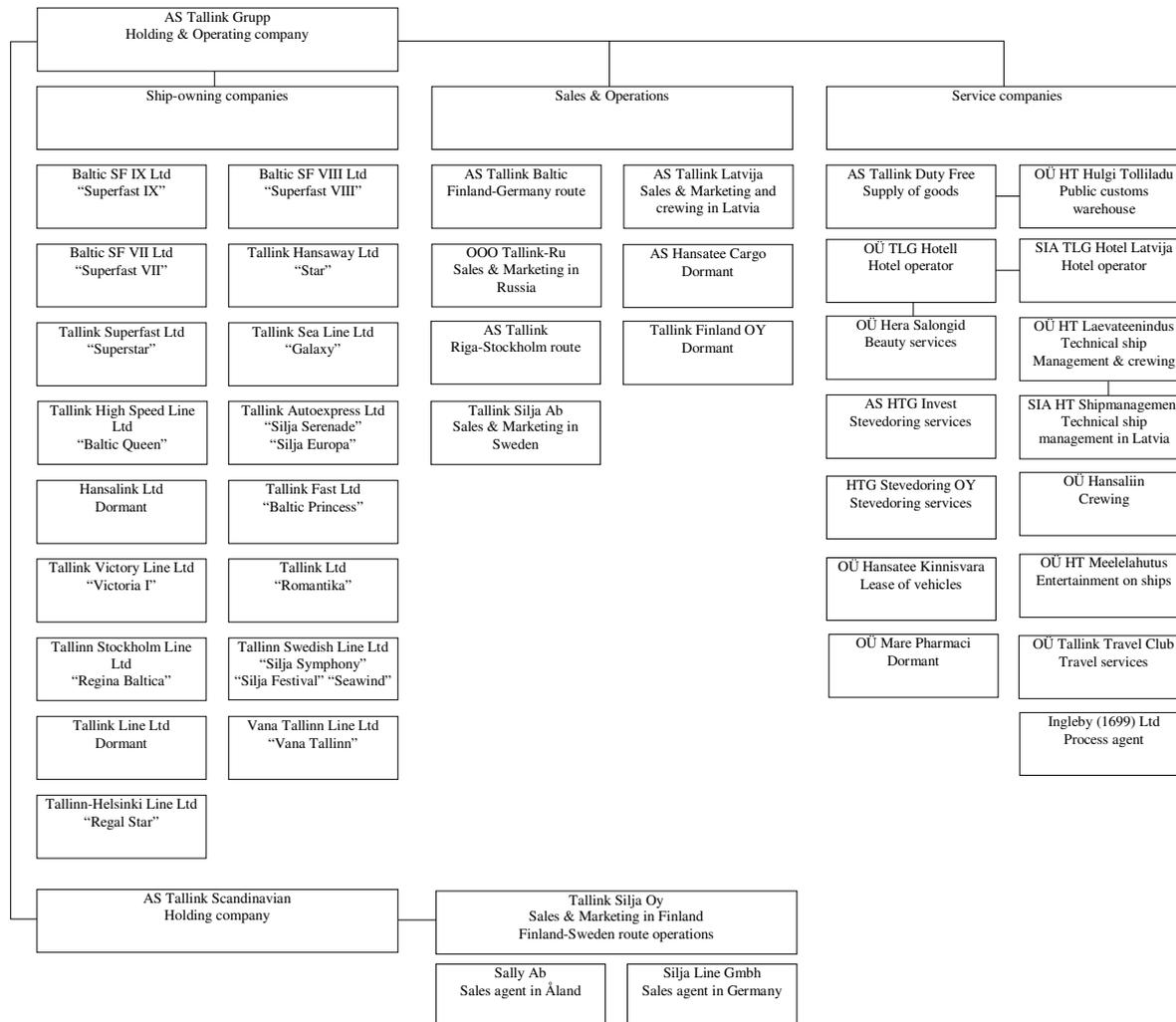
	Average of 4th quarter			Average of 12 months			End of fiscal year		
	2012	2011	change %	2012	2011	change %	31.12.2012	31.12.2011*	change %
<b>Onshore total</b>	<b>1 590</b>	<b>1 575</b>	<b>1.0%</b>	<b>1 599</b>	<b>1 587</b>	<b>0.8%</b>	<b>1 555</b>	<b>1 568</b>	<b>-0.8%</b>
<i>Estonia</i>	798	775	3.0%	796	790	0.8%	795	776	2.4%
<i>Finland</i>	499	528	-5.5%	511	522	-2.1%	493	527	-6.5%
<i>Sweden</i>	212	196	8.2%	212	202	5.0%	184	191	-3.7%
<i>Latvia</i>	65	62	4.8%	64	60	6.7%	65	60	8.3%
<i>Germany</i>	6	6	0.0%	6	6	0.0%	6	6	0.0%
<i>Russia</i>	10	8	25.0%	10	7	42.9%	12	8	50.0%
<b>At sea</b>	<b>4 633</b>	<b>4 565</b>	<b>1.5%</b>	<b>4 692</b>	<b>4 720</b>	<b>-0.6%</b>	<b>4 614</b>	<b>4 594</b>	<b>0.4%</b>
<b>Hotel**</b>	<b>576</b>	<b>578</b>	<b>-0.3%</b>	<b>577</b>	<b>566</b>	<b>1.9%</b>	<b>578</b>	<b>578</b>	<b>0.0%</b>
<b>Total</b>	<b>6 799</b>	<b>6 718</b>	<b>1.2%</b>	<b>6 868</b>	<b>6 873</b>	<b>-0.1%</b>	<b>6 747</b>	<b>6 740</b>	<b>0.1%</b>

\* Statistical methodologies in the Group companies have been harmonized resulting in some cases a different historical comparable than previously disclosed.

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

## CORPORATE STRUCTURE

On the report date, the Group consisted of 45 companies. All of the subsidiaries are wholly-owned companies of AS Tallink Grupp. The following chart describes the structure of the Group as on the date of reporting:

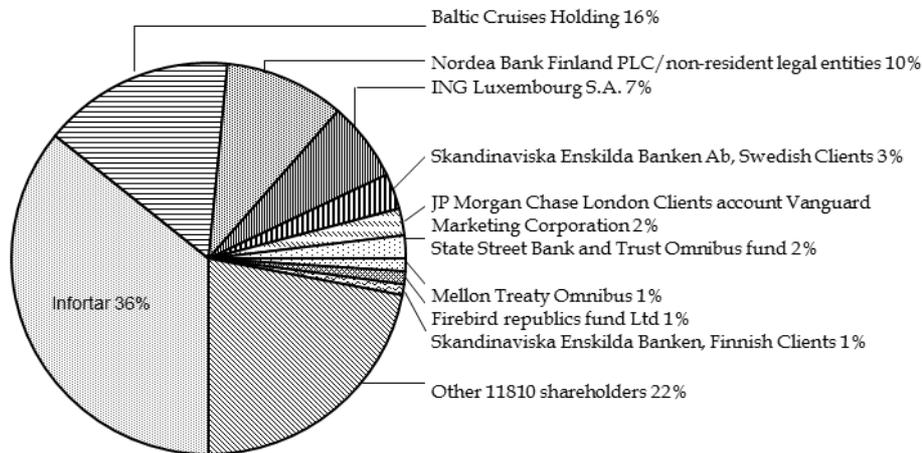


The Group also owns:

34% of AS Tallink Takso

## SHAREHOLDERS & SHARE PRICE DEVELOPMENT

The following chart displays the shareholder structure of AS Tallink Grupp as of 31 December 2012.



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



Source: Nasdaq OMX Baltic

## EVENTS IN Q4

The Supervisory Board of AS Tallink Grupp elected on 20.11.2012 Ms. Kadri Land, Managing Director of Tallink Silja AB, as a new member of the Management Board of AS Tallink Grupp.

In December 2012 the Group issued 7 610 000 share options of which 3 850 000 to the Management Board and Supervisory Board and 3 760 000 to other Group employees. Each option gives right to purchase one share of AS Tallink Grupp. The share options were issued in accordance of the Share Option Programme resolution which was adopted at the Shareholders General Meeting on 08.02.2011. As of 31.12.2012 the Group had total of 14 927 500 share options outstanding representing 2.2% of total shares.

In December 2012 the ownership of Swedish subsidiary Tallink Silja AB was sold from Finnish subsidiary Tallink Silja OY to parent AS Tallink Grupp. The intra-group transaction was made to simplify group structure and will have no effect on Group operations or result.

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

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

AS Tallink Grupp does not have any substantial on-going research and development projects.

In the beginning of 2013 financial year several Group's vessels were in the scheduled maintenance resulting less voyages and hence lower passenger and cargo volumes compared to the previous years when there have been typically less ships out of service.

Based on earlier decision the cruise ferry Baltic Princess was rerouted to Turku-Stockholm route in the beginning of February 2013 and the larger cruise ferry Silja Europa to Tallinn-Helsinki route from the end of January 2013. It is expected that the change of vessels should bring along a positive economic development through cost efficiency.

From spring 2013 the Group will increase operating frequency of Shuttle service on the Tallinn-Helsinki route to total of 12 trips per day.

The continuous development of the electronic sales channels, mobile platforms and the roll out of the new version of online booking engine are expected to ease the booking process and further improve the customer experience. The new systems with better usability will help the Group to reach remote markets and also to improve its position in the home markets.

The Group does not have any major investment commitments currently.

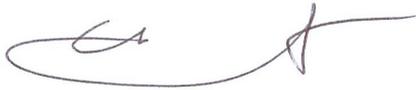
#### **RISKS**

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

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

#### MANAGEMENT BOARD'S CONFIRMATION TO THE MANAGEMENT REPORT

The Management Board confirms that to the best of their knowledge the management report of AS Tallink Grupp for the fourth quarter of 2012 financial year presents true and fair view of the development, results and the financial position of the Group and includes the overview of the main risks and uncertainties.



Enn Pant

Chairman of the Management Board



Andres Hunt

Vice Chairman of the Management Board



Lembit Kitter

Member of the Management Board



Janek Stalmeister

Member of the Management Board



Peter Roose

Member of the Management Board



Kadri Land

Member of the Management Board

28.02.2013

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(unaudited, in thousands of EUR)	<b>01.10.2012- 31.12.2012</b>	<b>01.10.2011- 31.12.2011</b>	<b>01.01.2012- 31.12.2012</b>	<b>01.01.2011- 31.12.2011</b>
<b>Continuing operations</b>				
Revenue (Note 3)	222,816	214,246	943,868	891,226
Cost of sales	-182,836	-174,483	-742,669	-691,335
<b>Gross profit</b>	<b>39,980</b>	<b>39,763</b>	<b>201,199</b>	<b>199,891</b>
Marketing expenses	-17,183	-14,254	-65,407	-58,805
Administrative expenses	-10,626	-10,848	-44,081	-41,327
Other income	2,806	188	3,659	1,260
Other expenses	-802	-1,287	-1,654	-1,317
<b>Results from operating activities</b>	<b>14,175</b>	<b>13,562</b>	<b>93,716</b>	<b>99,702</b>
Finance income (Note 4)	2,735	1,316	5,269	1,529
Finance costs (Note 4)	-13,991	-12,995	-46,249	-54,055
Profit from subsidiaries (Note 13)	0	0	783	0
Share of profit/-loss from equity accounted investees	19	-100	19	-100
<b>Profit/-loss before income tax</b>	<b>2,938</b>	<b>1,783</b>	<b>53,538</b>	<b>47,076</b>
Income tax	2,764	-1,187	2,764	-1,302
<b>Net profit/-loss from continuing operations</b>	<b>5,702</b>	<b>596</b>	<b>56,302</b>	<b>45,774</b>
Profit/-loss from discontinued operation (Note 3)	0	0	0	-8,047
<b>Net profit/-loss for the period</b>	<b>5,702</b>	<b>596</b>	<b>56,302</b>	<b>37,727</b>
<b>Other comprehensive income/-expense</b>				
Exchange differences on translating foreign operations	-442	-63	-563	88
<b>Other comprehensive income/-expense for the period</b>	<b>-442</b>	<b>-63</b>	<b>-563</b>	<b>88</b>
<b>Total comprehensive income/-expense for the period</b>	<b>5,260</b>	<b>533</b>	<b>55,739</b>	<b>37,815</b>
Profit/-loss attributable to:				
Equity holders of the parent (Note 5)	5,702	596	56,302	37,727
Total comprehensive income/-expense attributable to:				
Equity holders of the parent	5,260	533	55,739	37,815
<b>Earnings per share (in EUR per share)</b>				
- basic (Note 5)	0.01	0.00	0.08	0.06
- diluted (Note 5)	0.01	0.00	0.08	0.06

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited, in thousands of EUR)

<b>ASSETS</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
<b>Current assets</b>		
Cash and cash equivalents	65,600	75,421
Trade and other receivables	42,555	35,152
Prepayments	5,151	7,087
Inventories	29,426	25,198
<b>Total current assets</b>	<b>142,732</b>	<b>142,858</b>
<b>Non-current assets</b>		
Investments in associates	245	226
Other financial assets	296	2,551
Deferred income tax assets	12,264	9,452
Investment property	300	300
Property, plant and equipment (Note 7)	1,526,995	1,583,002
Intangible assets (Note 8)	58,999	61,153
<b>Total non-current assets</b>	<b>1,599,099</b>	<b>1,656,684</b>
<b>TOTAL ASSETS</b>	<b>1,741,831</b>	<b>1,799,542</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Interest bearing loans and borrowings (Note 9)	103,685	145,261
Trade and other payables	92,988	86,793
Deferred income	25,458	25,226
Derivatives (Note 6)	22,102	22,668
<b>Total current liabilities</b>	<b>244,233</b>	<b>279,948</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings (Note 9)	736,699	814,305
Other liabilities	69	198
<b>Total non-current liabilities</b>	<b>736,768</b>	<b>814,503</b>
<b>TOTAL LIABILITIES</b>	<b>981,001</b>	<b>1,094,451</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	404,290	404,290
Share premium	639	639
Reserves	69,091	70,497
Retained earnings	286,810	229,665
<b>Total equity attributable to equity holders of the parent</b>	<b>760,830</b>	<b>705,091</b>
<b>TOTAL EQUITY</b>	<b>760,830</b>	<b>705,091</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,741,831</b>	<b>1,799,542</b>

**CONSOLIDATED CASH FLOW STATEMENT**

(unaudited, in thousands of EUR)

	<b>01.01.2012 - 31.12.2012</b>	<b>01.01.2011 - 31.12.2011</b>
<b>Cash flows from operating activities</b>		
Net profit/-loss for the period	56,302	37,727
Adjustments	107,368	126,782
Changes in assets related to operating activities	-9,796	-3,879
Changes in liabilities related to operating activities	6,782	-395
Income tax paid	-40	-95
	<b>160,616</b>	<b>160,140</b>
<b>Cash flow used for investing activities</b>		
Purchase of property, plant and equipment and intangible assets (Notes 7, 8)	-9,449	-9,492
Proceeds from disposals of property, plant and equipment	50	77
Proceeds from subsidiaries	1,992	0
Acquisition of equity accounted investees	0	-169
Investment	-34	-5
Payments from settlement of derivatives	-3,976	-4,604
Interest received	297	346
	<b>-11,120</b>	<b>-13,847</b>
<b>Cash flow from (+)/ used for (-) financing activities</b>		
Proceeds from loans (Note 9)	440,000	0
Redemption of loans (Note 9)	-557,848	-76,288
Repayment of finance lease liabilities (Note 9)	-56	-85
Interest paid	-41,413	-39,445
	<b>-159,317</b>	<b>-115,818</b>
<b>TOTAL NET CASH FLOW</b>	<b>-9,821</b>	<b>30,475</b>
<b>Cash and cash equivalents:</b>		
- at the beginning of period	75,421	44,946
- increase (+) / decrease (-)	-9,821	30,475
<b>Cash and cash equivalents at end of period</b>	<b>65,600</b>	<b>75,421</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited, in thousands of EUR)

	Share capital	Share premium	Translation reserve	Ships revaluation reserve	Mandatory legal reserve	Reserve for treasury shares	Share option programme reserve	Retained earnings	Shareholders' equity	Total equity
<b>At 31 December 2010</b>	<b>430,648</b>	<b>639</b>	<b>373</b>	<b>64,811</b>	<b>10,869</b>	<b>-4,163</b>	<b>0</b>	<b>163,572</b>	<b>666,749</b>	<b>666,749</b>
<b>Changes in equity for the first 12 months of 2011</b>										
Transfer from profit for 2009/2010	0	0	0	0	1,093	0	0	-1,093	0	0
Decrease of share capital	-26,358	0	0	0	0	0	0	26,358	0	0
Transfer from revaluation reserve	0	0	0	-3,101	0	0	0	3,101	0	0
Share-based payments transactions (Note 11)	0	0	0	0	0	0	527	0	527	527
Total comprehensive income and expense for the period										
Net profit of the first 12 months of the year 2011 (Note 5)	0	0	0	0	0	0	0	37,727	37,727	37,727
Total other comprehensive income and expense	0	0	88	0	0	0	0	0	88	88
<b>Total comprehensive income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>88</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37,727</b>	<b>37,815</b>	<b>37,815</b>
<b>At 31 December 2011</b>	<b>404,290</b>	<b>639</b>	<b>461</b>	<b>61,710</b>	<b>11,962</b>	<b>-4,163</b>	<b>527</b>	<b>229,665</b>	<b>705,091</b>	<b>705,091</b>
<b>At 31 December 2011</b>	<b>404,290</b>	<b>639</b>	<b>461</b>	<b>61,710</b>	<b>11,962</b>	<b>-4,163</b>	<b>527</b>	<b>229,665</b>	<b>705,091</b>	<b>705,091</b>
<b>Changes in equity for the first 12 months of 2012</b>										
Transfer from profit for 2010/2011	0	0	0	0	1,874	0	0	-1,874	0	0
Transfer from revaluation reserve	0	0	0	-2,717	0	0	0	2,717	0	0
Total comprehensive income and expense for the period										
Net profit of the first 12 months of the year 2012 (Note 5)	0	0	0	0	0	0	0	56,302	56,302	56,302
Total other comprehensive income and expense	0	0	-563	0	0	0	0	0	-563	-563
<b>Total comprehensive income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>-563</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>56,302</b>	<b>55,739</b>	<b>55,739</b>
<b>At 31 December 2012</b>	<b>404,290</b>	<b>639</b>	<b>-102</b>	<b>58,993</b>	<b>13,836</b>	<b>-4,163</b>	<b>527</b>	<b>286,810</b>	<b>760,830</b>	<b>760,830</b>

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****Note 1 CORPORATE INFORMATION**

The interim consolidated financial statements of AS Tallink Grupp and its subsidiaries (hereinafter as “the Group”) for the first 12 months of the financial year 2012 were authorised for issue in accordance with a resolution of the Management Board on 28 February 2013. AS Tallink Grupp is a limited company incorporated in Estonia and employed 6,747 people at 31 December 2012 (31 December 2011: 6,740).

**Note 2 BASIS OF PREPARATION**

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

The same accounting policies and methods of computation are followed in the interim consolidated financial statements as in the annual consolidated financial statements of AS Tallink Grupp for the financial year ended on 31 December 2011.

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

**Note 3 SEGMENT INFORMATION**

The Group’s operations are organised and managed separately according to the nature of the different markets. The routes represent different business segments. The following tables present the Group’s revenue and profit information regarding reportable segments for the reportable and comparable period.

### Geographical segments

(in thousands of EUR)

01.01.2012-31.12.2012	Estonia- Finland route	Estonia- Sweden routes	Latvia- Sweden route	Germany- Finland route (Discontinued)	Finland- Sweden routes	Others	Elimination of intersegment sales	Total
<b>Revenue</b>								
Sales to external customers	308,024	115,024	66,347		363,993	90,480	0	943,868
Inter-segment sales	0	0	0	0	0	8,788	-8,788	0
	<b>308,024</b>	<b>115,024</b>	<b>66,347</b>	<b>0</b>	<b>363,993</b>	<b>99,268</b>	<b>-8,788</b>	<b>943,868</b>
<b>Segment result</b>								
	<b>86,529</b>	<b>12,841</b>	<b>-3,248</b>	<b>0</b>	<b>20,273</b>	<b>19,397</b>	<b>0</b>	<b>135,792</b>
Unallocated expenses								-42,076
Net financial items (Note 4)								-40,980
Profit from subsidiaries								783
Share of profit of equity accounted investees								19
<b>Profit before income tax</b>								<b>53,538</b>

01.01.2011-31.12.2011	Estonia- Finland route	Estonia- Sweden routes	Latvia- Sweden route	Germany- Finland route (Discontinued)	Finland- Sweden routes	Others	Elimination of intersegment sales	Total
<b>Revenue</b>								
Sales to external customers	283,105	108,720	63,573	16,374	366,365	69,463	0	907,600
Inter-segment sales	0	0	0	0	0	9,395	-9,395	0
	<b>283,105</b>	<b>108,720</b>	<b>63,573</b>	<b>16,374</b>	<b>366,365</b>	<b>78,858</b>	<b>-9,395</b>	<b>907,600</b>
<b>Segment result</b>								
	<b>84,711</b>	<b>12,241</b>	<b>-1,672</b>	<b>-8,047</b>	<b>33,557</b>	<b>12,249</b>	<b>0</b>	<b>133,039</b>
Unallocated expenses								-41,384
Net financial items (Note 4)								-52,526
Share of loss of equity accounted investees								-100
<b>Profit before income tax</b>								<b>39,029</b>

### Revenue by services

(in thousands of EUR)	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
Ticket sales	241,022	246,715
Sales of cargo transport	102,789	104,338
Accommodation sales	16,237	15,808
Restaurant and shops sales on-board and on mainland	517,450	488,081
Income from leases of vessels	28,959	20,519
Other	37,411	32,139
<b>Total revenue of the Group</b>	<b>943,868</b>	<b>907,600</b>

### Discontinued operation

In August 2011 the Group ended traffic between Germany and Finland.

(in thousands of EUR)	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
<b>Results of discontinued operation</b>		
Revenue	0	16,374
Expenses	0	-24,421
<b>Results from operating activities</b>	<b>0</b>	<b>-8,047</b>
<b>Results from operating activities, net of tax</b>	<b>0</b>	<b>-8,047</b>
<b>Profit/-loss for the period</b>	<b>0</b>	<b>-8,047</b>
Basic earnings per share (EUR)	0.00	-0.01
Diluted earnings per share (EUR)	0.00	-0.01

### Note 4 FINANCE INCOME AND COSTS

(in thousands of EUR)	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
Net foreign exchange gains	2,067	1,178
Income from derivatives	2,912	0
Interest income	290	351
<b>Total finance income</b>	<b>5,269</b>	<b>1,529</b>
Interest expenses	-39,927	-42,892
Losses from derivatives	-6,322	-11,163
<b>Total finance costs</b>	<b>-46,249</b>	<b>-54,055</b>

### Note 5 EARNINGS PER SHARE

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

	01.10.2012- 31.12.2012	01.10.2011- 31.12.2011	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
Weighted average number of ordinary shares (pcs)	669,882,040	669,882,040	669,882,040	669,882,040
Net profit/-loss attributable to ordinary shareholders	5,702	596	56,302	37,727
Earnings per share (in EUR per share)	0.01	0.00	0.08	0.06

**Weighted average number of ordinary shares**

(pcs)	<b>01.10.2012- 31.12.2012</b>	<b>01.10.2011- 31.12.2011</b>	<b>01.01.2012- 31.12.2012</b>	<b>01.01.2011- 31.12.2011</b>
Issued ordinary shares at the beginning of period	673,817,040	673,817,040	673,817,040	673,817,040
Effect of own shares held	-3,935,000	-3,935,000	-3,935,000	-3,935,000
Weighted average number of ordinary shares at end of period	669,882,040	669,882,040	669,882,040	669,882,040

**Note 6 DERIVATIVE INSTRUMENTS**

The Group uses interest rate swaps to manage its exposure to movements in interest rates. Where the effectiveness of the hedge relationship in a cash flow hedge is demonstrated, changes in the fair value are included in the hedging reserve in shareholders' equity and released to match actual payments on the hedged item. Changes in fair value of derivatives which do not qualify for hedge accounting under IAS 39 are recognized directly in the income statement.

As of 31.12.2012 AS Tallink Grupp had three interest rate derivative contracts with total notional amount of 270,000 thousand EUR with the maturities in years 2012, 2014 and 2018. The fair value of the interest rate derivatives recognized in the current interim financial statements as of 31.12.2012 is -22,102 thousand EUR.

**Note 7 PROPERTY, PLANT AND EQUIPMENT**

(in thousands of EUR)

	<b>Land and building</b>	<b>Ships</b>	<b>Plant and equipment</b>	<b>Prepayments</b>	<b>Total</b>
<b>Book value at 31 December 2011</b>	<b>4,174</b>	<b>1,570,057</b>	<b>8,724</b>	<b>47</b>	<b>1,583,002</b>
Additions	2,901	2,404	5,583	399	11,287
Exchange rate differences	106	0	0	0	106
Disposals	0	-1,209	-5	0	-1,214
Depreciation for the period	-1,528	-61,363	-3,295	0	-66,186
<b>Book value at 31 December 2012</b>	<b>5,653</b>	<b>1,509,889</b>	<b>11,007</b>	<b>446</b>	<b>1,526,995</b>

**At 31 December 2012**

-Cost	12,632	1,648,993	28,756	446	1,690,827
-Accumulated depreciation	-6,979	-139,104	-17,749	0	-163,832

	<b>Land and building</b>	<b>Ships</b>	<b>Plant and equipment</b>	<b>Prepayments</b>	<b>Total</b>
<b>Book value at 31 December 2010</b>	<b>5,598</b>	<b>1,632,704</b>	<b>5,789</b>	<b>142</b>	<b>1,644,233</b>
Additions	109	3,541	5,428	-95	8,983
Exchange rate differences	8	0	7	0	15
Disposals	0	-3,687	-28	0	-3,715
Depreciation for the period	-1,541	-62,501	-2,472	0	-66,514
<b>Book value at 31 December 2011</b>	<b>4,174</b>	<b>1,570,057</b>	<b>8,724</b>	<b>47</b>	<b>1,583,002</b>

**At 31 December 2011**

-Cost	9,625	1,651,873	25,069	47	1,686,614
-Accumulated depreciation	-5,451	-81,816	-16,345	0	-103,612

**Note 8 INTANGIBLE ASSETS**

(in thousands of EUR)

	<b>Goodwill</b>	<b>Trademark</b>	<b>Others</b>	<b>Total</b>
<b>Book value at 31 December 2011</b>	<b>11,066</b>	<b>42,250</b>	<b>7,837</b>	<b>61,153</b>
Additions	0	0	2,661	2,661
Amortisation for the period	0	-2,916	-1,899	-4,815
<b>Book value at 31 December 2012</b>	<b>11,066</b>	<b>39,334</b>	<b>8,599</b>	<b>58,999</b>

**At 31 December 2012**

-Cost	11,066	58,288	22,743	92,097
-Accumulated amortisation	0	-18,954	-14,144	-33,098

	<b>Goodwill</b>	<b>Trademark</b>	<b>Others</b>	<b>Total</b>
<b>Book value at 31 December 2010</b>	<b>11,066</b>	<b>45,166</b>	<b>9,023</b>	<b>65,255</b>
Additions	0	0	509	509
Amortisation for the period	0	-2,916	-1,695	-4,611
<b>Book value at 31 December 2011</b>	<b>11,066</b>	<b>42,250</b>	<b>7,837</b>	<b>61,153</b>

**At 31 December 2011**

-Cost	11,066	58,288	20,171	89,525
-Accumulated amortisation	0	-16,038	-12,334	-28,372

**Note 9 INTEREST BEARING LOANS AND BORROWINGS**

(in thousands of EUR)

	<b>31 December 2011</b>	<b>New loans</b>	<b>Repayments</b>	<b>Other changes [1]</b>	<b>31 December 2012</b>
Lease liabilities	60	0	-56	0	4
Long-term bank loans	959,506	440,000	-557,848	-1,278	840,380
<b>TOTAL</b>	<b>959,566</b>	<b>440,000</b>	<b>-557,904</b>	<b>-1,278</b>	<b>840,384</b>
incl. short-term portion	145,261				103,685
long-term portion	814,305				736,699

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

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

AS Tallink Grupp has given guarantees to HSH Nordbank AG, Nordea Bank Plc, Danske Bank A/S and HSBC Bank Plc for the loans granted to overseas subsidiaries amounting to 407,759 thousand EUR and for the loan granted to AS Tallink Grupp amounting to 432,621 thousand EUR. The primary securities for these loans are the pledge of shares of the overseas subsidiaries and mortgages on the ships belonging to the above-mentioned subsidiaries.

**Note 10 SHARE CAPITAL**

According to the Articles of Association of the Parent effective as of 31 December 2012 the maximum number of authorised common shares is 2,133,333,333.

At 31 December 2012 the Group held 3,935 thousand of the AS Tallink Grupp shares. Total cost of share buyback transactions of 3,935 thousand shares is 4,163 thousand EUR.

**Note 11 SHARE OPTION PROGRAMME**

In December 2012 the Group issued 7,610 thousand share options of which 3,850 thousand to the Management Board and Supervisory Board members and 3,760 thousand to other Group employees. Each option gives right to purchase one share of AS Tallink Grupp. The share options were issued in accordance of the Share Option Programme which resolution was adopted at the Shareholders General Meeting on 08 February 2011. The terms and conditions of exercise of the issued share options are following: non-transferable; exercisable not earlier than 36 months from issue or 21 December 2015 and not later than 21 June 2015; exercise price EUR 0.858 in case of new shares issued or average acquisition cost in case existing shares will be purchased from the market; options are to be settled by physical delivery of shares.

At 31 December 2012 14,927,500 share options were valid and outstanding. Average remaining time to maturity of the outstanding share options is 17-42 months.

The fair value of the services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes model as of grant date. The Group used independent external advisor for the valuation share options who in addition to the share options terms and conditions used the following inputs for measurement: spot price of share EUR 0.848 at grant date; expected volatility 30% based on historic analysis; option average time to maturity 42 months; the 3.5% annual dividend yield and; risk-free interest rate 0.336%.

The value of the options issued at the end of 2012 in the amount 951 thousand EUR will be recorded as an expense during the vesting period 36 months from the beginning of 2013.

The outstanding share options have not diluting effect due to their exercise price being higher than the average price in the stock market during the period.

## Note 12 RELATED PARTY DISCLOSURES

(in thousands of EUR)

<b>12 months of 2012 or 31.12.2012</b>	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Amounts owed by related parties</b>	<b>Amounts owed to related parties</b>
AS Infortar	71	47	10	0
AS HT Valuuta	117	0	0	0
AS Vara HTG	0	2,647	0	729
OÜ Mersok	0	9	0	0
AS Vaba Maa	12	720	2	45
OÜ Sunbeam	0	3,511	0	225
AS Gastrolink	2	1,002	0	70
AS Tallink Takso	0	83	0	7
OÜ Topspa Kinnisvara	0	2,507	0	0
OÜ Hansa Hotell	0	828	0	33
OÜ Fastinvest	0	1,121	0	0
SIA Happy Trails	6	3,267	1	147
Eesti Laevaomanike Liit	0	13	0	0
SEB Tallink Tennis Team	6	50	0	0
<b>12 months of 2011 or 31.12.2011</b>	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Amounts owed by related parties</b>	<b>Amounts owed to related parties</b>
AS Infortar	44	63	6	0
AS HT Valuuta	117	0	1	0
AS Vara HTG	0	2,864	0	946
OÜ Mersok	0	9	0	0
AS Vaba Maa	9	1,158	1	137
OÜ Sunbeam	0	3,345	0	170
AS Gastrolink	0	935	0	26
AS Tallink Takso	0	87	0	13
OÜ Topspa Kinnisvara	0	2,446	0	0
OÜ Hansa Hotell	0	775	0	0
OÜ Fastinvest	0	1,070	0	0
SIA Happy Trails	9	3,002	1	35
Eesti Laevaomanike Liit	0	13	0	0
SEB Tallink Tennis Team	0	10	0	0

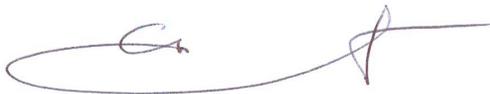
## Note 13 SUBSIDIARIES

Subsidiary Kapella Shipping Limited was sold on 15 August 2012.

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

Hereby we declare our responsibility for the Interim Consolidated Financial Statements and confirm that the AS Tallink Grupp's Unaudited Interim Consolidated Financial Statements for the 12 months of the financial year 2012 ended 31 December 2012 prepared in accordance with IFRS as adopted by EU and in accordance with IAS 34 give a true and fair view of the financial position of the Group and of the result of its operations and cash flows.

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



Chairman of the Management Board  
*Enn Pant*



Vice Chairman of the Management Board  
*Andres Hunt*



Member of the Management Board  
*Janek Stalmeister*



Member of the Management Board  
*Lembit Kitter*



Member of the Management Board  
*Peter Roose*



Member of the Management Board  
*Kadri Land*

Tallinn 28.02.2013