



## AS TALLINK GRUPP

# Unaudited Interim Consolidated Financial Statements for the first quarter of the 2014 financial year

### 1 January 2014 - 31 March 2014

Beginning of the financial year	1. January 2014
End of the financial year	31. December 2014
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Internet homepage	<a href="http://www.tallink.com">www.tallink.com</a>
Primary activity	maritime transportation (passenger and cargo transportation)
Auditor	KPMG Baltics OÜ

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## MANAGEMENT REPORT

In the first quarter (1 January- 31 March) of the 2014 financial year AS Tallink Grupp and its subsidiaries' (the Group) carried 1.9 million passengers which is 0.5% more compared to the same period last year. In the first quarter, which is also low season, several of the Group's vessels went through scheduled maintenance works. As a one-time effect the results were affected by the cruise ferry Silja Serenade going through extensive upgrade works. Volatility to the first quarter was added by the fact that the Easter holiday, which is a very popular travel period fell this time in to the second quarter of the 2014 financial year. Throughout the first quarter an increased amount of marketing campaigns were conducted, including the extension of gift vouchers expiration periods.

The cruise ferry Silja Serenade was out of operations in January and February for a total of 40 days undergoing an extensive upgrade of the public areas. In February the refreshed vessel Silja Serenade was launched on the Stockholm-Helsinki route. The vessel has a 50% expanded shopping area and includes upgrades to stores, the buffet and features a new restaurant. Several of the public areas received a facelift including the refurbishment of cabins and a refreshed SPA & Sauna area. The maintenance & upgrade works resulted temporary in fewer voyages and hence lower passenger and cargo volumes on Sweden-Finland routes.

In the first quarter the Estonia-Finland route continued to show positive developments with revenue increasing nearly 5.2% driven by 4.5% growth in passenger volume and 34.2% growth in cargo units. Due to the extended upgrade works the Finland-Sweden routes experienced a 6.1% decline in passenger volumes. Despite the decline in the passenger numbers the Group managed to increase the passenger market share on the Finland-Sweden route in the first quarter compared to the same period last year. The passenger volume in the first quarter for the Group in total remained on the last year's level.

The Group's consolidated revenue in the first quarter was EUR 188.2 million, being 1.2% or EUR 2.4 million less than a year ago. The average revenue per passenger decreased by 4.4%. In the first quarter of the 2014 financial year the Group's gross profit amounted to EUR 11.8 million and EBITDA to EUR 4.5 million being respectively EUR 4.5 million and EUR 2.6 million less compared to the same period last year. The decline in the Group's results is related to maintenance and upgrade works on Silja Serenade and the Easter falling into the second quarter. In the first quarter there were 31% more service days where ships were out of the operation when compared to the same period in the last year.

The unaudited net loss for the first quarter of the 2014 financial year was EUR 23.4 million or EUR 0.03 per share compared to the net loss of EUR 17.5 million or EUR 0.03 per share in the same period last year.

The total liquidity, cash and unused credit facilities at the end of the first quarter were EUR 64.1 million providing a strong position for sustainable operations. At the end of the first quarter 2014 the Group had EUR 62.6 million in cash and equivalents and the total of unused credit lines were at EUR 1.5 million.

## Q1 KEY FIGURES

		2014 Jan-Mar	2013 Jan-Mar	Change
Revenue	EUR million	188.2	190.6	-1.2%
Gross profit	EUR million	11.8	16.2	-27.4%
Gross margin (%)		6.3%	8.5%	
EBITDA	EUR million	4.5	7.0	-36.4%
EBITDA margin (%)		2.4%	3.7%	
Net profit for the period	EUR million	-23.4	-17.5	-33.4%
Net profit margin (%)		-12.4%	-9.2%	
Depreciation and amortization	EUR million	19.7	17.8	10.4%
Investments	EUR million	14.1	3.4	319.8%
Weighted average number of ordinary shares outstanding		669 882 040	669 882 040	
Earnings per share	EUR	-0.03	-0.03	-33.4%
Number of passengers		1 905 555	1 895 353	0.5%
Number of cargo units		76 791	67 003	14.6%
Average number of employees		6 867	6 756	1.6%

		31.03.2014	31.12.2013	
Total assets	EUR million	1 711.8	1 722.1	-0.6%
Interest-bearing liabilities	EUR million	811.5	794.3	2.2%
Net debt	EUR million	748.9	722.3	3.7%
Total equity	EUR million	747.8	771.1	-3.0%
Equity ratio (%)		43.7%	44.8%	
Net debt to EBITDA		4.9	4.6	
Number of ordinary shares outstanding <sup>1</sup>		669 882 040	669 882 040	0%
Shareholders' equity per share	EUR	1.12	1.15	-3.0%

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:

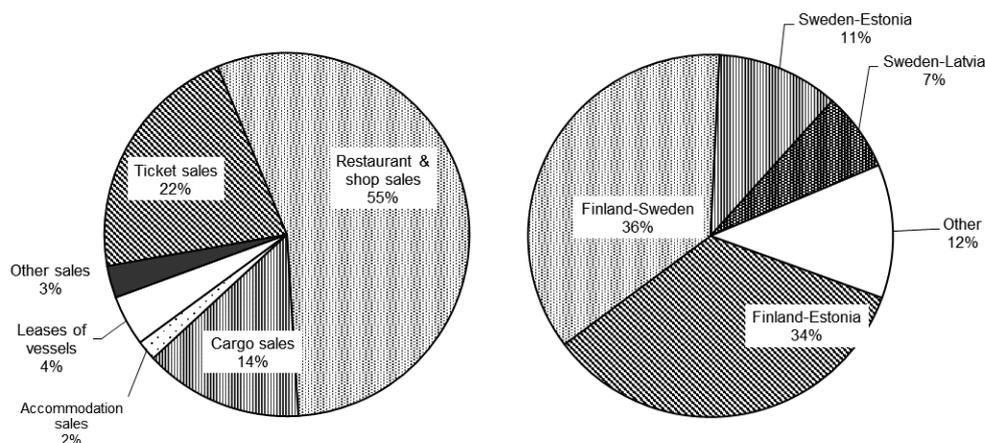
	Q1	Q2	Q3	Q4	Q1	change
in EUR millions	2013	2013	2013	2013	2014	y-o-y
Ticket sales	44.0	66.0	86.2	53.0	40.6	-7.7%
Restaurant & shop sales	106.3	133.2	142.9	124.9	103.9	-2.3%
Cargo sales	24.5	28.4	25.9	26.7	26.5	8.1%
Accommodation sales	3.1	4.8	6.1	4.0	3.4	9.3%
Leases of vessels	7.2	7.3	8.9	7.4	8.4	16.6%
Other sales	5.4	9.3	8.5	7.9	5.4	-0.5%
<b>Total revenue</b>	190.5	249.0	278.5	224.0	188.2	-1.2%

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

		Q1	Q2	Q3	Q4	Q1	Q1	
		2013	2013	2013	2013	2014	change	
							y-o-y	
<b>Finland- Estonia</b>	Passengers	th.	895	1 208	1 371	1 102	935	4.5%
	Cargo units	th.	29	40	39	39	39	34.2%
	Revenue	mil.EUR	61.8	84.3	90.9	80.4	65.0	5.2%
	Segment result	mil.EUR	9.3	23.5	28.4	21.8	10.9	17.2%
<b>Finland- Sweden</b>	Passengers	th.	631	700	823	656	592	-6.1%
	Cargo units	th.	24	24	22	25	23	-3.6%
	Revenue	mil.EUR	75.0	86.4	100.9	80.9	68.4	-8.8%
	Segment result	mil.EUR	-5.2	5.3	14.9	0.3	-7.9	-51.6%
<b>Sweden- Estonia</b>	Passengers	th.	213	240	283	218	217	1.7%
	Cargo units	th.	10	11	10	10	10	6.4%
	Revenue	mil.EUR	21.3	27.5	33.2	23.0	20.6	-3.3%
	Segment result	mil.EUR	-1.7	2.6	7.7	-1.0	-3.5	-102.3%
<b>Sweden- Latvia</b>	Passengers	th.	156	204	242	172	161	3.5%
	Cargo units	th.	5	5	4	5	5	3.7%
	Revenue	mil.EUR	13.8	18.7	23.8	15.6	13.3	-3.5%
	Segment result	mil.EUR	-2.5	0.1	4.7	-1.2	-3.2	-26.7%
<b>Other</b>	Revenue	mil.EUR	20.2	34.9	33.2	26.5	22.7	12.1%
	Segment result	mil.EUR	0.3	7.9	8.1	3.6	-0.3	-221.3%
	Inter segment sales	mil.EUR	-1.5	-2.8	-3.6	-2.4	-1.8	-18.7%
	<b>Total revenue</b>	mil.EUR	190.6	249.0	278.4	224.0	188.2	-1.2%
	<b>EBITDA</b>	mil.EUR	7.0	46.8	72.5	29.8	4.5	-36.4%
	<b>Total segment result</b>	mil.EUR	0.1	39.4	63.9	23.5	-4.0	
	<b>Net profit/-loss</b>	mil.EUR	-17.5	9.3	44.0	7.5	-23.4	-33.4%

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

The following graphs provide an overview of the sales distribution in the first 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 first quarter of 2014 and 2013 financial years.

	Q1 2014	Q1 2013	Q1 Change
<b>Passengers</b>	<b>1 905 555</b>	<b>1 895 343</b>	<b>0.5%</b>
Finland-Sweden	592 253	630 962	-6.1%
Estonia-Finland	935 248	895 299	4.5%
Estonia-Sweden	216 985	213 408	1.7%
Latvia-Sweden	161 069	155 674	3.5%
<b>Cargo Units</b>	<b>76 791</b>	<b>67 003</b>	<b>14.6%</b>
Finland-Sweden	23 022	23 888	-3.6%
Estonia-Finland	38 753	28 887	34.2%
Estonia-Sweden	10 305	9 687	6.4%
Latvia-Sweden	4 711	4 541	3.7%
<b>Passenger Vehicles</b>	<b>215 013</b>	<b>206 747</b>	<b>4.0%</b>
Finland-Sweden	20 888	24 495	-14.7%
Estonia-Finland	162 711	150 734	7.9%
Estonia-Sweden	12 976	13 572	-4.4%
Latvia-Sweden	18 438	17 946	2.7%

The following operational factors influenced the development:

### LATVIA-SWEDEN

In May 2013 the cruise ferry Isabelle replaced the cruise ferry Silja Festival on the Riga-Stockholm route.

The Group's market shares on the routes operated during a 12 month period ending 31 March 2014 were as follows:

- The Group carried approximately 58% of the passengers and 61% 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 51% of passengers and 36% of ro-ro cargo on the routes between Finland and Sweden;

## PERSONNEL

31 March 2014 the Group employed 6 913 employees (6 837, 31 March 2013). The following table provides a more detailed overview of the Group's personnel.

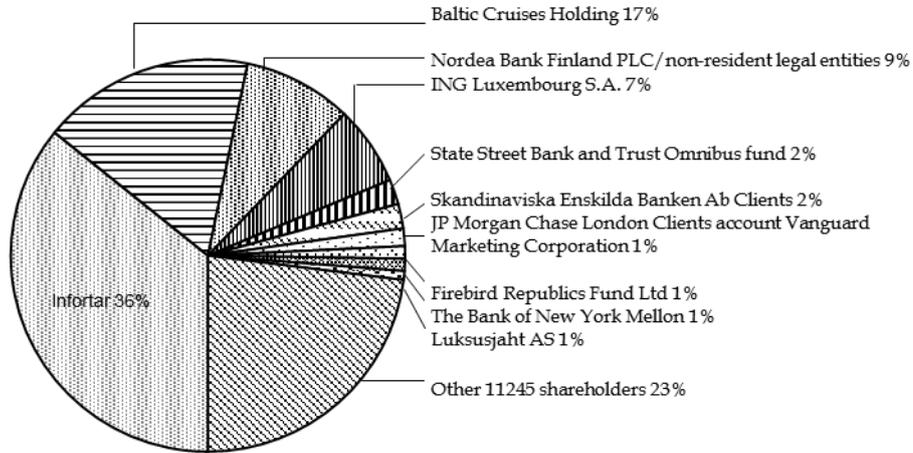
	Average of 1st quarter			End of 1st quarter		
	2014	2013	change %	31.03.2014	31.03.2013	change %
<b>Onshore total</b>	<b>1 536</b>	<b>1 550</b>	<b>-0.9%</b>	<b>1 539</b>	<b>1 547</b>	<b>-0.5%</b>
<i>Estonia</i>	803	797	0.8%	808	802	0.7%
<i>Finland</i>	468	491	-4.7%	467	491	-4.9%
<i>Sweden</i>	180	181	-0.6%	179	174	2.9%
<i>Latvia</i>	71	65	9.2%	71	66	7.6%
<i>Germany</i>	4	5	-20.0%	4	4	0.0%
<i>Russia</i>	10	11	-9.1%	10	10	0.0%
<b>At sea</b>	<b>4742</b>	<b>4633</b>	<b>2.4%</b>	<b>4 779</b>	<b>4 721</b>	<b>1.2%</b>
<b>Hotel*</b>	<b>589</b>	<b>573</b>	<b>2.8%</b>	<b>595</b>	<b>569</b>	<b>4.6%</b>
<b>Total</b>	<b>6867</b>	<b>6756</b>	<b>1.6%</b>	<b>6 913</b>	<b>6 837</b>	<b>1.1%</b>

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



## SHAREHOLDERS & SHARE PRICE DEVELOPMENT

The following chart displays the shareholder structure of AS Tallink Grupp as of 31 March 2014.



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 Q1

The subsidiaries of AS Tallink Grupp, Baltic SF VII Ltd and Baltic SF VIII Ltd extended the charter agreements with Stena Line Ltd for M/S Stena Superfast VII and M/S Stena Superfast VIII until autumn 2019.

The Supervisory Board of AS Tallink Grupp extended the term of office of the Management Board member Mr Andres Hunt for the next three year as from 23.02.2014.

In February the Group launched the refreshed vessel Silja Serenade on the Stockholm-Helsinki route. The vessel has a 50% expanded shopping area including a new Superstore, upgraded Grand Buffet concept and a new Italian restaurant. Several of the other public areas received a facelift including the refurbishment of Commodore Class cabins and a refreshed SPA & Sauna area.

The passenger vessel Silja Festival was chartered to Bridgemans Services Inc as from the end of February 2014 for 12 months, serving as an accommodation vessel in Canada, British Columbia.

## EVENTS AFTER THE BALANCE SHEET DATE AND THE OUTLOOK

The Group's shareholders annual general meeting is scheduled for 9<sup>th</sup> of June 2014. The meeting agenda includes approving the annual report, profit distribution with a proposal to pay dividend of EUR 0.03 per share and nominating the auditor.

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).

Following the successful launch of Silja Serenade, the sister ship Silja Symphony will be upgraded similar, in autumn 2014. In 2014 the Group plans to invest altogether more than EUR 20 million in upgrading the vessels on the Helsinki-Stockholm route.

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

The Group does not have any major investment commitments currently.

With an aim to increase revenue generation improvements in product development are being made, emphasis is on retail sales and upgrades to the public areas on selected vessels. Cost reductions in some areas are processed in order to adapt with the changed economic environment. The management expects an improvement in the results for the 2014 financial year. However, the recent geopolitical events in Europe increase uncertainties.

## 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 first quarter of the 2014 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.

A blue ink signature in cursive script, appearing to read 'Enn Pant'.

Enn Pant

Chairman of the Management Board

A blue ink signature in cursive script, appearing to read 'Andres Hunt'.

Andres Hunt

Vice Chairman of the Management Board

A blue ink signature in cursive script, appearing to read 'Lembit Kitter'.

Lembit Kitter

Member of the Management Board

A blue ink signature in cursive script, appearing to read 'Janek Stalmeister'.

Janek Stalmeister

Member of the Management Board

A blue ink signature in cursive script, appearing to read 'Peter Roose'.

Peter Roose

Member of the Management Board

A blue ink signature in cursive script, appearing to read 'Kadri Land'.

Kadri Land

Member of the Management Board

15.05.2014

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited, in thousands of EUR)	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Revenue (Note 3)	188,206	190,583
Cost of sales	-176,419	-174,339
<b>Gross profit</b>	<b>11,787</b>	<b>16,244</b>
Marketing expenses	-15,798	-16,133
Administrative expenses	-11,389	-11,240
Other income	213	326
Other expenses	-48	-12
<b>Result from operating activities</b>	<b>-15,235</b>	<b>-10,815</b>
Finance income (Note 4)	3,316	2,604
Finance costs (Note 4)	-11,445	-9,306
<b>Profit/-loss before income tax</b>	<b>-23,364</b>	<b>-17,517</b>
Income tax	-10	-8
<b>Net profit/-loss for the period</b>	<b>-23,374</b>	<b>-17,525</b>
<b>Other comprehensive income/-expense</b>		
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	59	9
<b>Other comprehensive income/-expense for the period</b>	<b>59</b>	<b>9</b>
<b>Total comprehensive income/-expense for the period</b>	<b>-23,315</b>	<b>-17,516</b>
<b>Earnings per share</b> (in EUR per share)		
- basic (Note 5)	-0.035	-0.026
- diluted (Note 5)	-0.035	-0.026

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited, in thousands of EUR)

<b>ASSETS</b>	<b>31.03.2014</b>	<b>31.12.2013</b>
<b>Current assets</b>		
Cash and cash equivalents	62,568	72,012
Trade and other receivables	41,960	40,544
Prepayments	10,432	3,185
Derivatives (Note 6)	172	679
Inventories	30,155	33,457
<b>Total current assets</b>	<b>145,287</b>	<b>149,877</b>
<b>Non-current assets</b>		
Investments in equity-accounted investees	262	262
Other financial assets	252	385
Deferred income tax assets	17,413	17,413
Investment property	300	300
Property, plant and equipment (Note 7)	1,491,547	1,495,895
Intangible assets (Note 8)	56,751	57,925
<b>Total non-current assets</b>	<b>1,566,525</b>	<b>1,572,180</b>
<b>TOTAL ASSETS</b>	<b>1,711,812</b>	<b>1,722,057</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Interest bearing loans and borrowings (Note 9)	136,103	106,014
Trade and other payables	89,499	97,387
Deferred income	35,343	28,315
Derivatives (Note 6)	27,589	30,888
<b>Total current liabilities</b>	<b>288,534</b>	<b>262,604</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings (Note 9)	675,390	688,327
Other liabilities	63	63
<b>Total non-current liabilities</b>	<b>675,453</b>	<b>688,390</b>
<b>TOTAL LIABILITIES</b>	<b>963,987</b>	<b>950,994</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	70,247	70,111
Retained earnings	272,649	296,023
<b>Total equity attributable to equity holders of the parent</b>	<b>747,825</b>	<b>771,063</b>
<b>TOTAL EQUITY</b>	<b>747,825</b>	<b>771,063</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,711,812</b>	<b>1,722,057</b>

## CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in thousands of EUR)	<b>01.01.2014 - 31.03.2014</b>	<b>01.01.2013- 31.03.2013</b>
<b>Cash flows from operating activities</b>		
Net profit/-loss for the period	-23,374	-17,525
Adjustments	28,461	25,439
Changes in receivables and prepayments related to operating activities	-8,512	-8,034
Changes in inventories	3,302	2,348
Changes in liabilities related to operating activities	-1,391	3,749
Income tax paid	-15	-22
	<b>-1,529</b>	<b>5,955</b>
<b>Cash flow used for investing activities</b>		
Purchase of property, plant and equipment and intangible assets (Notes 7, 8, 9)	-14,121	-3,364
Proceeds from disposals of property, plant and equipment	97	31
Interest received	4	13
	<b>-14,020</b>	<b>-3,320</b>
<b>Cash flow from (+)/ used for (-) financing activities</b>		
Redemption of loans (Note 9)	-15,024	-19,166
Change in overdraft (Note 9)	30,003	42,736
Repayment of finance lease liabilities (Note 9)	-70	-2
Interest paid	-7,783	-6,890
Payments for settlement of derivatives	-1,021	-1,123
Payment of transaction costs related to loans	0	-383
	<b>6,105</b>	<b>15,172</b>
<b>TOTAL NET CASH FLOW</b>	<b>-9,444</b>	<b>17,807</b>
<b>Cash and cash equivalents:</b>		
- at the beginning of period	72,012	65,600
- increase (+) / decrease (-)	-9,444	17,807
<b>Cash and cash equivalents at the end of period</b>	<b>62,568</b>	<b>83,407</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 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>
<b>Changes in equity for the period</b>										
Share-based payment transactions (Note 11)	0	0	0	0	0	0	79	0	79	79
Total comprehensive income and expense for the period										
Net profit/-loss for the period (Note 5)	0	0	0	0	0	0	0	-17,525	-17,525	-17,525
Total other comprehensive income and expense	0	0	9	0	0	0	0	0	9	9
<b>Total comprehensive income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-17,525</b>	<b>-17,516</b>	<b>-17,516</b>
<b>At 31 March 2013</b>	<b>404,290</b>	<b>639</b>	<b>-93</b>	<b>58,993</b>	<b>13,836</b>	<b>-4,163</b>	<b>606</b>	<b>269,285</b>	<b>743,393</b>	<b>743,393</b>
<b>At 31 December 2013</b>	<b>404,290</b>	<b>639</b>	<b>12</b>	<b>56,777</b>	<b>16,651</b>	<b>-4,163</b>	<b>834</b>	<b>296,023</b>	<b>771,063</b>	<b>771,063</b>
<b>Changes in equity for the period</b>										
Share-based payment transactions (Note 11)	0	0	0	0	0	0	77	0	77	77
Total comprehensive income and expense for the period										
Net profit/-loss for the period (Note 5)	0	0	0	0	0	0	0	-23,374	-23,374	-23,374
Total other comprehensive income and expense	0	0	59	0	0	0	0	0	59	59
<b>Total comprehensive income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>59</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-23,374</b>	<b>-23,315</b>	<b>-23,315</b>
<b>At 31 March 2014</b>	<b>404,290</b>	<b>639</b>	<b>71</b>	<b>56,777</b>	<b>16,651</b>	<b>-4,163</b>	<b>911</b>	<b>272,649</b>	<b>747,825</b>	<b>747,825</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 3 months of the financial year 2014 were authorised for issue in accordance with a resolution of the Management Board on 15 May 2014. AS Tallink Grupp is a limited company incorporated in Estonia and employed 6,913 people at 31 March 2014 (31 December 2013: 6,907).

### **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 2013.

The interim consolidated financial statements have been prepared in thousand euros (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)

01.01.2014-31.03.2014	Estonia- Finland route	Estonia- Sweden routes	Latvia- Sweden route	Finland- Sweden routes	Others	Elimination of intersegment sales	Total
<b>Revenue</b>							
Sales to external customers	65,026	20,576	13,323	68,443	20,838	0	188,206
Inter-segment sales	0	0	0	0	1,830	-1,830	0
	<b>65,026</b>	<b>20,576</b>	<b>13,323</b>	<b>68,443</b>	<b>22,668</b>	<b>-1,830</b>	<b>188,206</b>
<b>Segment result</b>	<b>10,875</b>	<b>-3,500</b>	<b>-3,190</b>	<b>-7,871</b>	<b>-325</b>	<b>0</b>	<b>-4,011</b>
Unallocated expenses							-11,224
Net financial items (Note 4)							-8,129
<b>Profit/loss before income tax</b>							<b>-23,364</b>

01.01.2013-31.03.2013	Estonia- Finland route	Estonia- Sweden routes	Latvia- Sweden route	Finland- Sweden routes	Others	Elimination of intersegment sales	Total
<b>Revenue</b>							
Sales to external customers	61,786	21,278	13,811	75,026	18,682	0	190,583
Inter-segment sales	0	0	0	0	1,542	-1,542	0
	<b>61,786</b>	<b>21,278</b>	<b>13,811</b>	<b>75,026</b>	<b>20,224</b>	<b>-1,542</b>	<b>190,583</b>
<b>Segment result</b>	<b>9,282</b>	<b>-1,730</b>	<b>-2,518</b>	<b>-5,191</b>	<b>268</b>	<b>0</b>	<b>111</b>
Unallocated expenses							-10,926
Net financial items (Note 4)							-6,702
<b>Profit/loss before income tax</b>							<b>-17,517</b>

### Revenue by service

(in thousands of EUR)	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Ticket sales	40,629	44,024
Sales of cargo transport	26,513	24,523
Sales of accommodation	3,388	3,101
Restaurant and shops sales on-board and on mainland	103,871	106,307
Income from leases of vessels	8,446	7,242
Other	5,359	5,386
<b>Total revenue of the Group</b>	<b>188,206</b>	<b>190,583</b>

### Note 4 FINANCE INCOME AND FINANCE COSTS

(in thousands of EUR)	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Net foreign exchange gains	0	50
Income from interest rate swaps	695	2,522
Income from foreign exchange derivatives	2,604	0
Interest income	17	32
<b>Total finance income</b>	<b>3,316</b>	<b>2,604</b>
Net foreign exchange losses	-906	0
Interest expenses	-9,011	-8,183
Expenses from interest rate swaps	-1,528	-1,123
<b>Total finance costs</b>	<b>-11,445</b>	<b>-9,306</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. The outstanding share options have diluting effect due to their exercise price being lower than the average price in the stock market during the reporting period.

	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Weighted average number of ordinary shares, basic (pcs)	669,882,040	669,882,040
Effect of share options on issue	119,828	1,096,188
Weighted average number of ordinary shares, diluted (pcs)	670,001,868	670,978,228
Net profit/-loss attributable to ordinary shareholders	-23,374	-17,525
Earnings per share, basic (in EUR per share)	-0.035	-0.026
Earnings per share, diluted (in EUR per share)	-0.035	-0.026

### Weighted average number of ordinary shares

(pcs)	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013
Issued ordinary shares at the beginning of period	673,817,040	673,817,040
Effect of own shares held	-3,935,000	-3,935,000
Weighted average number of ordinary shares at the end of period	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 31.03.2014 AS Tallink Grupp had three interest rate derivative contracts with total notional amount of 270,000 thousand EUR with the maturities in years 2014, 2018,2019 and two cross-currency rate derivative contracts with total notional amount of 120,000 thousand EUR with the maturities in year 2018. The fair value of the interest rate derivatives recognized in the current interim financial statements as of 31.03.2014 is -13,771 thousand EUR. The fair value of the cross-currency rate derivatives recognized in the current interim financial statements as of 31.03.2014 is -13,646 thousand EUR.

## Note 7 PROPERTY, PLANT AND EQUIPMENT

(in thousands of EUR)

	Land and building	Ships	Plant and equipment	Prepayments	Total
<b>Book value as of 31 December 2013</b>	<b>4,841</b>	<b>1,479,030</b>	<b>9,572</b>	<b>2,452</b>	<b>1,495,895</b>
Additions	4	14,724	1,175	-2,121	13,782
Exchange rate differences	0	0	4	0	4
Disposals	0	0	-95	0	-95
Depreciation for the period	-294	-16,826	-919	0	-18,039
<b>Book value as of 31 March 2014</b>	<b>4,551</b>	<b>1,476,928</b>	<b>9,737</b>	<b>331</b>	<b>1,491,547</b>

### As of 31 March 2014

-gross carrying amount	12,786	1,693,223	28,622	331	1,734,962
-accumulated depreciation	-8,235	-216,295	-18,885	0	-243,415

	Land and building	Ships	Plant and equipment	Prepayments	Total
<b>Book value as of 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>
Additions	0	1,379	1,505	-257	2,627
Reclassification	0	2,135	-2,135	0	0
Disposals	0	0	-777	0	-777
Depreciation for the period	-109	-15,460	-1,076	0	-16,645
<b>Book value as of 31 March 2013</b>	<b>5,544</b>	<b>1,497,943</b>	<b>8,524</b>	<b>189</b>	<b>1,512,200</b>

### As of 31 March 2013

-gross carrying amount	12,632	1,652,575	27,087	189	1,692,483
-accumulated depreciation	-7,088	-154,632	-18,563	0	-180,283

## Note 8 INTANGIBLE ASSETS

(in thousands of EUR)

	Goodwill	Trademark	Others	Total
<b>Book value as of 31 December 2013</b>	<b>11,066</b>	<b>36,418</b>	<b>10,441</b>	<b>57,925</b>
Additions	0	0	495	495
Amortisation for the period	0	-729	-940	-1,669
<b>Book value as of 31 March 2014</b>	<b>11,066</b>	<b>35,689</b>	<b>9,996</b>	<b>56,751</b>

### As of 31 March 2014

-cost	11,066	58,288	25,967	95,321
-accumulated amortisation	0	-22,599	-15,971	-38,570

	Goodwill	Trademark	Others	Total
<b>Book value as of 31 December 2012</b>	<b>11,066</b>	<b>39,334</b>	<b>8,599</b>	<b>58,999</b>
Additions	0	0	737	737
Amortisation for the period	0	-729	-471	-1,200
<b>Book value as of 31 March 2013</b>	<b>11,066</b>	<b>38,605</b>	<b>8,865</b>	<b>58,536</b>

### As of 31 March 2013

-cost	11,066	58,288	22,981	92,335
-accumulated amortisation	0	-19,683	-14,116	-33,799

## Note 9 INTEREST BEARING LOANS AND BORROWINGS

(in thousands of EUR)

	31 December 2013	New loans	Repayments	Exchange rate differences	Other changes [1]	31 March 2014
Liabilities under finance lease	237	156	-70	0	0	323
Bonds	106,389	0	0	1,393	64	107,846
Overdraft	18,456	30,003	0	0	0	48,459
Long-term bank loans	669,259	0	-15,024	0	630	654,865
<b>TOTAL</b>	<b>794,341</b>	<b>30,159</b>	<b>-15,094</b>	<b>1,393</b>	<b>694</b>	<b>811,493</b>
incl. current portion	106,014					136,103
Non-current portion	688,327					675,390

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

Bonds are nominated in NOK.

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, Swedbank AS and HSBC Bank Plc for the loans granted to overseas subsidiaries amounting to 259,417 thousand EUR and for the loans granted to AS Tallink Grupp amounting to 395,448 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 March 2014 the maximum number of authorised common shares is 2,133,333,333.

At 31 March 2014 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 June 2011 the Group issued 7,317,500 share options of which 3,510,000 to the Management Board and Supervisory Board members and 3,807,500 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 08.02.2011. The options issued represent around 49% of the total authorized limit and 1.1% of the total shares outstanding. The terms and conditions of exercise of the issued share options are following: non-transferable; exercisable not earlier than 36 months from issue or 31.05.2014 and not later than 30.11.2014; 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.

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 0.72 as of 31.05.2011; expected volatility 30% based on historic analyse; option average time to maturity 42 months; the 3.4% and 8.1% annual dividend yields in 2012 and 2013 result in an effective dividend yield of 11.3% (based on the equity analysts' consensus) and; risk-free interest rate 1.411%.

In June 2011 the fair value of the received services in amount of 527 thousand EUR is recorded as an expense in the consolidated statement of comprehensive income and the fair value of share options in the same amount is held as a share option reserve in the equity.

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.

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.

At 31 March 2014 14,692,768 share options were valid and outstanding. Average remaining time to maturity of the outstanding share options is 2-27 months.

The outstanding share options have diluting effect due to their exercise price being lower than the average price in the stock market during the reporting period.

## Note 12 RELATED PARTY DISCLOSURES

(in thousands of EUR)

<b>3 months of 2014 or 31.03.2014</b>	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
AS Infortar	25	12	10	5
AS HT Valuuta	29	0	1	0
AS Vara HTG	0	479	0	0
OÜ Mersok	0	2	0	0
AS Vaba Maa	4	131	2	25
OÜ Sunbeam	0	863	0	0
AS Gastrolink	0	252	0	54
AS Tallink Takso	1	8	0	4
OÜ Topspa Kinnisvara	0	658	0	0
OÜ Hansa Hotell	0	209	0	0
OÜ Fastinvest	0	312	0	0
SIA Happy Trails	0	833	0	938
Eesti Laevaomanike Liit	0	7	0	0
SEB Tallink Tennis Team	0	0	0	0
<b>3 months of 2013 or 31.03.2013</b>	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
AS Infortar	16	12	7	5
AS HT Valuuta	29	0	1	0
AS Vara HTG	0	479	0	0
OÜ Mersok	0	1	0	0
AS Vaba Maa	5	140	3	10
OÜ Sunbeam	0	842	0	0
AS Gastrolink	1	208	0	54
AS Tallink Takso	0	17	0	8
OÜ Topspa Kinnisvara	0	642	0	0
OÜ Hansa Hotell	0	204	0	0
OÜ Fastinvest	0	298	0	0
SIA Happy Trails	0	844	0	641
Eesti Laevaomanike Liit	0	6	0	0
SEB Tallink Tennis Team	0	50	0	0

## Note 13 SUBSEQUENT EVENTS

The Annual General Meeting will be held on 09.06.2014.

## 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 first quarter of the financial year 2014 ended 31 March 2014 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 15.05.2014