



## AS TALLINK GRUPP

# Unaudited Interim Consolidated Financial Statements for the first six months of the 2013 financial year

**1 January 2013 - 30 June 2013**

Beginning of the financial year	1. January 2013
End of the financial year	31. December 2013
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Primary activity	maritime transportation (passenger and cargo transportation)
Auditor	KPMG Baltics OÜ



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## MANAGEMENT REPORT

In the second quarter (1 March - 30 June) of the 2013 financial year AS Tallink Grupp and its subsidiaries' (the Group) showed continuous revenue growth. Ticket sales and passenger spending from restaurant and shop sales continued to show an increase as well. The Group's unaudited consolidated revenue for the second quarter of the 2013 financial year increased by EUR 4.2 million or 1.7% compared to the same period last year to EUR 249.0 million.

The Group carried a total of 2.4 million passengers in the second quarter which is 1.0% less compared to the same period last year. The number of cargo units transported amounted to 79.8 thousand, which is 10.9% more than in the same period last year. The number of passengers increased on the Estonia-Finland route by 3.1% but decreased between the Finland-Sweden route by 8.3%, where the competition situation has changed and the Group has decreased its capacity.

In the second quarter of the 2013 financial year the Group's gross profit amounted to EUR 57.0 million being EUR 0.3 million less than in the previous year. EBITDA amounted to EUR 46.8 million, which is EUR 0.6 million more compared to the same period last year.

In the second quarter M/S Isabelle was purchased and successfully launched on the Riga-Stockholm route, contributing partly to the 5.8% higher revenue from the route. In relation the Group entered into a loan agreement with AS Swedbank to finance the purchase of the cruise ferry M/S Isabelle. The amount of the new loan is EUR 24 million and the maturity is 5 years.

In June 2013 the Group successfully completed the private placement of a NOK 900 million (EUR 118 million) senior unsecured bond issue. The proceeds of the bond issue were used for the refinancing and strengthening of the Group's financial position, increasing financial flexibility. Accordingly EUR 100 million old loans were pre-paid.

One important strategic milestone in the Group's lifecycle was reached in May 2013 when the shareholders annual general meeting decided to pay a dividend of 0.05 euros per share. The total dividend amount of EUR 33.5 million was paid out in the beginning of July 2013 (third quarter).

The profit before tax for the second quarter was EUR 18.2 million (EUR 0.03 per share) compared to the EUR 20.0 million a year ago. The decrease in the pre-tax profit was mainly affected by higher financial costs due to the movement in the fair value of derivative instruments and the write off of transaction costs of the prematurely paid loan. Both being non-cash impact. The unaudited net profit for the second quarter was EUR 9.3 million or EUR 0.01 per share compared to the net profit of EUR 20.0 million or EUR 0.03 per share in the same period last year. The main reason to the high decrease on the net profit level is related to the EUR 8.9 million dividend tax expense.

Cash flow from operations increased EUR 3.8 million or 7.4% when compared to the same period of the last year. At the end of the second quarter 2013 the Group had EUR 68.1 million in cash and equivalents and the total of unused credit lines were at EUR 45.19 million. The total liquidity, cash and unused credit facilities at the end of the fourth quarter were EUR 113.3 million providing a strong position for sustainable operations.

The Group's net debt continued to decrease, amounting to EUR 767 million in the end of the second quarter.



## Q2 KEY FIGURES

		2013 Apr-Jun	2012 Apr-Jun	Change
Revenue	EUR million	249.0	244.8	1.7%
Gross profit	EUR million	57.0	57.2	-0.5%
Gross margin (%)		22.9%	23.4%	
EBITDA	EUR million	46.8	46.2	1.3%
EBITDA margin (%)		18.8%	18.9%	
Net profit for the period	EUR million	9.3	20.0	-53.6%
Net profit margin (%)		3.7%	8.2%	
Depreciation and amortization	EUR million	18.2	17.7	3.3%
Investments	EUR million	32.5	3.7	870.7%
Weighted average number of ordinary shares outstanding		669 882 040	669 882 040	
Earnings per share	EUR	0.01	0.03	-53.6%
Number of passengers		2 352 487	2 376 516	-1.0%
Number of cargo units		79 843	72 014	10.9%
Average number of employees		7 029	6 938	1.3%

		30.06.2013	31.03.2013	
Total assets	EUR million	1 760.2	1 750.1	0.6%
Interest-bearing liabilities	EUR million	835.4	864.3	-3.3%
Net debt	EUR million	767.3	780.9	-1.7%
Total equity	EUR million	719.3	743.4	-3.2%
Equity ratio (%)		40.9%	42.5%	
Net debt to EBITDA		4.7	4.8	
Number of ordinary shares outstanding <sup>1</sup>		669 882 040	669 882 040	0%
Shareholders' equity per share	EUR	1.07	1.11	-3.2%

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

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

Equity ratio: total equity / total assets;

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

Gross margin: gross profit / net sales;

EBITDA margin: EBITDA / net sales;

Net profit margin: net profit / net sales;

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:

	Q2	Q3	Q4	Q1	Q2	Q2
in EUR millions	2012	2012	2012	2013	2013	change y-o-y
Ticket sales	64.6	84.5	50.4	44.0	66.0	2.3%
Restaurant & shop sales	132.0	147.1	128.6	106.3	133.2	0.5%
Cargo sales	26.1	24.6	25.3	24.5	28.4	8.7%
Accommodation sales	4.5	5.6	3.5	3.1	4.8	7.0%
Leases of vessels	6.9	7.2	7.5	7.2	7.3	5.6%
Other sales	10.7	13.4	7.4	5.4	9.3	-8.7%
<b>Total revenue</b>	<b>244.8</b>	<b>282.4</b>	<b>222.8</b>	<b>190.5</b>	<b>249.0</b>	<b>1.7%</b>

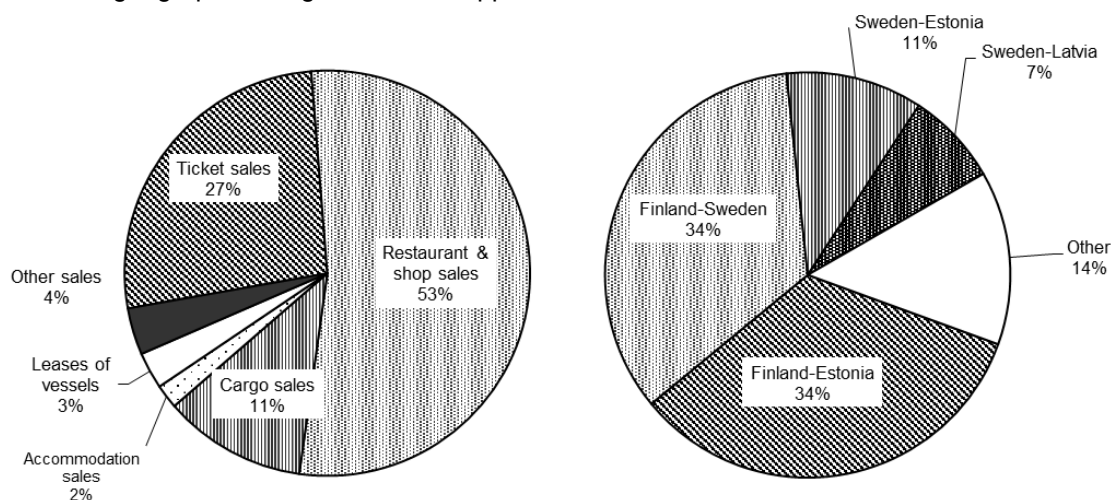
The following table provides an overview of the quarterly sales and result development by geographical segments:

			Q2	Q3	Q4	Q1	Q2	Q2
			2012	2012	2012	2013	2013	change y-o-y
<b>Finland- Estonia</b>	Passengers	th.	1 171	1 341	1 076	895	1 208	3.1%
	Cargo units	th.	36	34	32	29	40	10.1%
	Revenue	mil.EUR	81.0	88.9	75.5	61.8	84.3	4.1%
	Segment result	mil.EUR	25.0	28.8	20.4	9.3	23.5	-6.3%
<b>Finland- Sweden</b>	Passengers	th.	764	910	693	631	700	-8.3%
	Cargo units	th.	23	22	24	29	24	8.5%
	Revenue	mil.EUR	89.7	110.3	84.2	75.0	86.4	-3.8%
	Segment result	mil.EUR	4.8	17.7	1.2	-5.2	5.3	12.2%
<b>Sweden- Estonia</b>	Passengers	th.	239	287	211	213	240	0.2%
	Cargo units	th.	9	8	10	10	11	22.7%
	Revenue	mil.EUR	29.3	36.8	25.4	21.3	27.5	-6.0%
	Segment result	mil.EUR	3.5	9.9	0.6	-1.7	2.6	-25.8%
<b>Sweden- Latvia</b>	Passengers	th.	202	233	153	156	204	1.1%
	Cargo units	th.	5	4	5	5	5	5.3%
	Revenue	mil.EUR	17.7	22.4	14.5	13.8	18.7	5.8%
	Segment result	mil.EUR	0.0	3.0	-2.0	-2.5	0.1	490.0%
<b>Other</b>	Revenue	mil.EUR	29.4	27.4	25.1	20.2	34.9	18.7%
	Segment result	mil.EUR	7.1	10.1	2.6	0.3	7.9	11.9%
	Inter segment sales	mil.EUR	-2.3	-3.3	-1.9	-1.5	-2.8	19.9%
	<b>Total revenue</b>	mil.EUR	<b>244.8</b>	<b>282.4</b>	<b>222.8</b>	<b>190.6</b>	<b>249.0</b>	<b>1.7%</b>
	<b>EBITDA</b>	mil.EUR	<b>46.2</b>	<b>77.0</b>	<b>32.1</b>	<b>7.0</b>	<b>46.8</b>	<b>1.3%</b>
	<b>Total segment result</b>	mil.EUR	<b>40.4</b>	<b>69.6</b>	<b>22.8</b>	<b>0.1</b>	<b>39.4</b>	<b>-2.5%</b>
	<b>Net profit/-loss</b>	mil.EUR	<b>20.0</b>	<b>49.6</b>	<b>5.7</b>	<b>-17.5</b>	<b>9.3</b>	<b>-53.6%</b>

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



The following graphs provide an overview of the sales distribution in the second quarter on a 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 half-year and second quarter of 2013 and 2012 financial years.

	Q2	Q2	Q2	I half-year	I half-year	I half-year
	2013	2012	Change	2013	2012	Change
<b>Passengers</b>	<b>2 352 487</b>	<b>2 376 516</b>	<b>-1,0%</b>	<b>4 247 830</b>	<b>4 361 251</b>	<b>-2,6%</b>
Finland-Sweden	700 196	763 794	-8,3%	1 331 158	1 473 064	-9,6%
Estonia-Finland	1 208 082	1 171 270	3,1%	2 103 381	2 080 282	1,1%
Estonia-Sweden	239 874	239 389	0,2%	453 282	461 200	-1,7%
Latvia-Sweden	204 335	202 063	1,1%	360 009	346 705	3,8%
<b>Cargo Units</b>	<b>79 843</b>	<b>72 014</b>	<b>10,9%</b>	<b>146 846</b>	<b>144 685</b>	<b>1,5%</b>
Finland-Sweden	24 437	22 527	8,5%	48 325	47 740	1,2%
Estonia-Finland	39 672	36 027	10,1%	68 559	69 732	-1,7%
Estonia-Sweden	10 940	8 918	22,7%	20 627	18 178	13,5%
Latvia-Sweden	4 794	4 542	5,5%	9 335	9 035	3,3%
<b>Passenger Vehicles</b>	<b>297 042</b>	<b>293 267</b>	<b>1,3%</b>	<b>503 789</b>	<b>503 408</b>	<b>0,1%</b>
Finland-Sweden	46 123	45 386	1,6%	70 618	68 368	3,3%
Estonia-Finland	209 106	204 870	2,1%	359 840	360 361	-0,1%
Estonia-Sweden	18 665	18 639	0,1%	32 237	31 879	1,1%
Latvia-Sweden	23 148	24 372	-5,0%	41 094	42 800	-4,0%



The following operational factors influenced the development:

#### FINLAND-SWEDEN

In January 2013 the cruise ferry Baltic Princess replaced the cruise ferry Silja Europa on the Turku-Stockholm route.

#### ESTONIA-FINLAND

In January 2013 the cruise ferry Silja Europa replaced the cruise ferry Baltic Princess on the Tallinn-Helsinki route.

#### 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 30 June 2013 were as follows:**

- The Group carried approximately 59% of the passengers and 54% 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 53% of passengers and 36% of ro-ro cargo on the routes between Finland and Sweden;

## PERSONNEL

30 June 2013 the Group employed 7 436 employees (7 377, 30 June 2012). The following table provides a more detailed overview of the Group's personnel.

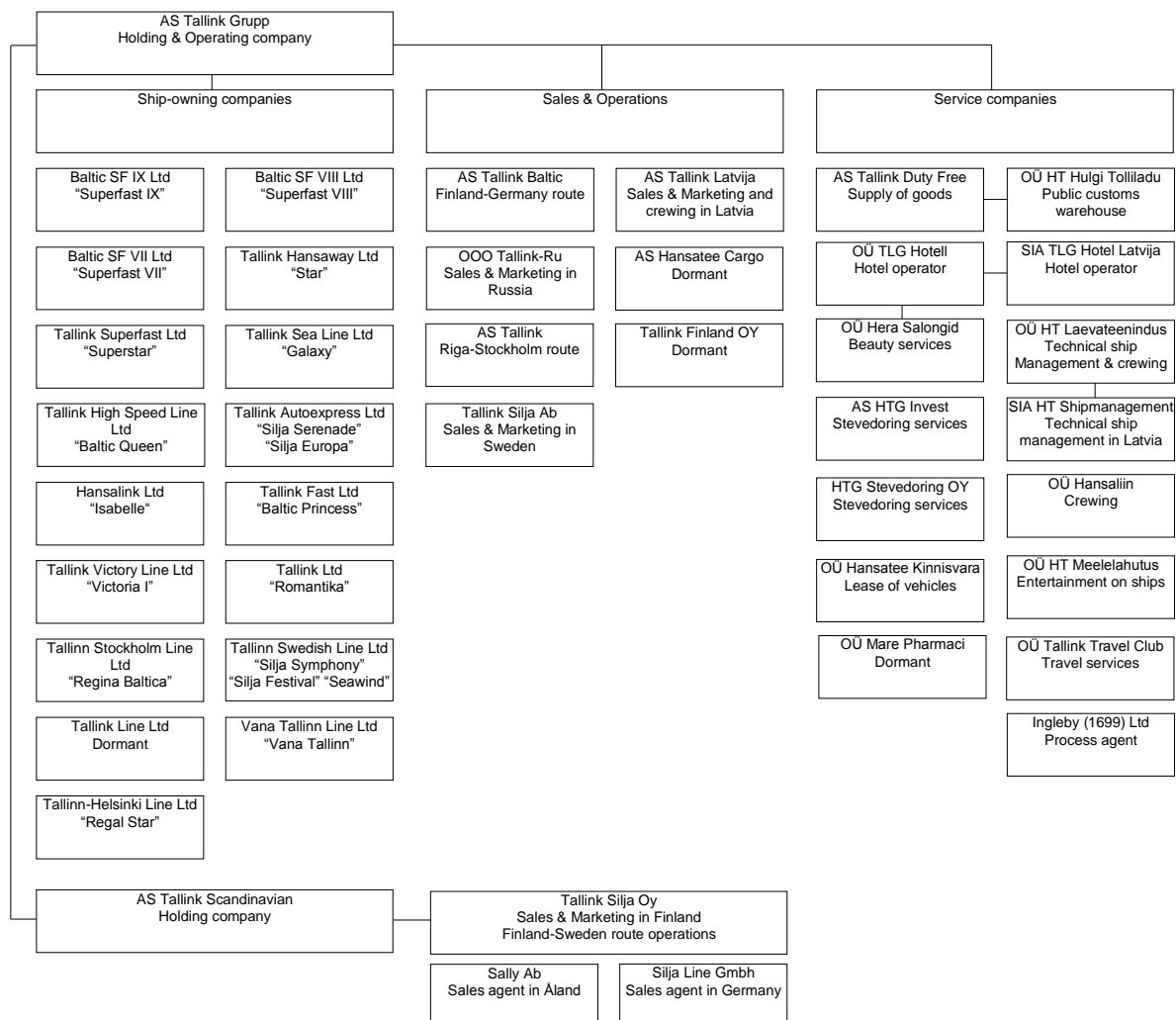
Onshore total	Average of 2nd quarter			Average of 1st half-year			End of 2nd quarter		
	2013	2012	change	2013	2012	change	30.06.13	30.06.12	change
<i>Estonia</i>	<b>1 599</b>	<b>1 612</b>	<b>-0,8%</b>	<b>1 578</b>	<b>1 593</b>	<b>-0,9%</b>	<b>1 661</b>	<b>1 667</b>	<b>-0,4%</b>
<i>Finland</i>	812	802	1,2%	805	792	1,6%	823	819	0,5%
<i>Sweden</i>	505	514	-1,8%	499	516	-3,3%	531	539	-1,5%
<i>Latvia</i>	197	215	-8,4%	191	206	-7,3%	217	229	-5,2%
<i>Germany</i>	71	64	10,9%	68	63	7,9%	76	64	18,8%
<i>Russia</i>	4	6	-33,3%	4	6	-33,3%	4	6	-33,3%
	10	11	-9,1%	11	10	10,0%	10	10	0,0%
<b>At sea</b>									
	4 843	4 743	2,1%	4 740	4 651	1,9%	5 170	5 120	1,0%
<b>Hotel*</b>									
	587	583	0,7%	581	578	0,5%	605	590	2,5%
<b>Total</b>									
<b>Onshore total</b>	<b>7 029</b>	<b>6 938</b>	<b>1,3%</b>	<b>6 899</b>	<b>6 822</b>	<b>1,1%</b>	<b>7 436</b>	<b>7 377</b>	<b>0,8%</b>

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



## CORPORATE STRUCTURE

On the report date, the Group consisted of 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:



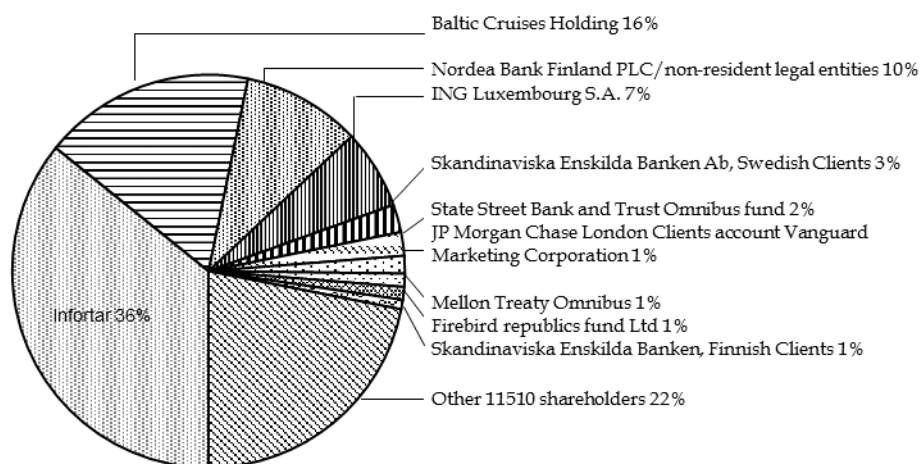
The Group also owns:



34% of AS Tallink Takso

## SHAREHOLDERS & SHARE PRICE DEVELOPMENT

The following chart displays the shareholder structure of AS Tallink Grupp as of 30 June 2013.



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 Q2

In April 2013 Hansalink Limited, a subsidiary of AS Tallink Grupp purchased the cruise ferry Isabelle (ex Isabella) from Viking Line ABP. The newer vessel with more passenger and car capacity replaced M/S Silja Festival on the Riga-Stockholm route in the beginning of May 2013, meeting the increased demand on that route. The total investment was approximately 30 million euros.

The Annual General Meeting was held on 14 of May 2013. The resolutions adopted were: approval of the annual report, distribute dividends 0.05 euros per share in the total amount of 33,494,102 euros, nomination of an auditor and determination of the procedure of remuneration of an auditor, amending the articles of association, election of a supervisory board member and remuneration for work of the member of the supervisory board.

In June 2013 AS Tallink Grupp successfully completed the private placement of a NOK 900 million (EUR 118 million) senior unsecured bond. The maturity date of the 3M NIBOR+5% floating interest rate bond is 18<sup>th</sup> of October 2018. The NOK 900 million from the bond issue was hedged with a cross currency swap until the maturity of the bond. The final interest cost of this bond financing for the company is 3M EURIBOR + 4.88%;

With the proceeds from the bond issue the company prepaid the outstanding loan of EUR 100 million, taken to finance the Superfast vessels in the year 2006. The bank mortgages on the vessels Stena Superfast VII, Stena Superfast VIII and Atlantic Vision (previously Superfast IX) were released.

The Group entered into a loan agreement with AS Swedbank to finance the purchase of the cruise ferry Isabelle. The amount of the new loan is EUR 24 million and the maturity is 5 years. The loan was secured with a mortgage on the cruise ferry Isabelle.

## 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.

The competitive landscape on some of the Group's routes has changed. Changes in competition between Finland-Sweden are continuing to add volatility to the traffic volumes. The overall economic growth of the region appears to be weaker than usual and the outlook remains uncertain.

The Group's management is currently in the process of reviewing and improving the on-board restaurants and shops business concepts.

The Group does not currently have any major investment commitments.

## 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 second quarter of the 2013 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**15.08.2013



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited, in thousands of EUR)	01.04.2013- 30.06.2013	01.04.2012- 30.06.2012	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012
Revenue (Note 3)	249,027	244,817	439,610	438,611
Cost of sales	-192,055	-187,563	-366,394	-362,543
<b>Gross profit</b>	<b>56,972</b>	<b>57,254</b>	<b>73,216</b>	<b>76,068</b>
Marketing expenses	-17,583	-16,861	-33,716	-32,633
Administrative expenses	-11,161	-12,165	-22,401	-22,894
Other income	482	350	808	506
Other expenses	-117	-12	-129	-32
<b>Results from operating activities</b>	<b>28,593</b>	<b>28,566</b>	<b>17,778</b>	<b>21,015</b>
Finance income (Note 4)	8,609	1,080	11,213	1,152
Finance costs (Note 4)	-19,017	-9,656	-28,323	-21,128
<b>Profit/-loss before income tax</b>	<b>18,185</b>	<b>19,990</b>	<b>668</b>	<b>1,039</b>
Income tax	-8,911	0	-8,919	0
<b>Net profit/-loss for the period</b>	<b>9,274</b>	<b>19,990</b>	<b>-8,251</b>	<b>1,039</b>
<b>Other comprehensive income/-expense</b>				
Exchange differences on translating foreign operations	68	-62	77	-5
<b>Other comprehensive income/-expense for the period</b>	<b>68</b>	<b>-62</b>	<b>77</b>	<b>-5</b>
<b>Total comprehensive income/-expense for the period</b>	<b>9,342</b>	<b>19,928</b>	<b>-8,174</b>	<b>1,034</b>
Profit/-loss attributable to:				
Equity holders of the parent (Note 5)	9,274	19,990	-8,251	1,039
Total comprehensive income/-expense attributable to:				
Equity holders of the parent	9,342	19,928	-8,174	1,034
<b>Earnings per share (in EUR per share)</b>				
- basic (Note 5)	0.01	0.03	-0.01	0.00
- diluted (Note 5)	0.01	0.03	-0.01	0.00



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited, in thousands of EUR)

ASSETS	30.06.2013	31.12.2012
<b>Current assets</b>		
Cash and cash equivalents	68,129	65,600
Trade and other receivables	48,366	42,555
Prepayments	14,868	5,151
Derivatives (Note 6)	990	0
Inventories	29,987	29,426
<b>Total current assets</b>	<b>162,340</b>	<b>142,732</b>
<b>Non-current assets</b>		
Investments in equity-accounted investees	245	245
Other financial assets	291	296
Deferred income tax assets	12,264	12,264
Investment property	300	300
Property, plant and equipment (Note 7)	1,526,962	1,526,995
Intangible assets (Note 8)	57,829	58,999
<b>Total non-current assets</b>	<b>1,597,891</b>	<b>1,599,099</b>
<b>TOTAL ASSETS</b>	<b>1,760,231</b>	<b>1,741,831</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Interest bearing loans and borrowings (Note 9)	92,134	103,685
Trade and other payables	111,222	92,988
Dividends payable (Note 12, 14)	33,494	0
Deferred income	34,071	25,458
Derivatives (Note 6)	26,624	22,102
<b>Total current liabilities</b>	<b>297,545</b>	<b>244,233</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings (Note 9)	743,299	736,699
Other liabilities	67	69
<b>Total non-current liabilities</b>	<b>743,366</b>	<b>736,768</b>
<b>TOTAL LIABILITIES</b>	<b>1,040,911</b>	<b>981,001</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	72,141	69,091
Retained earnings	242,250	286,810
<b>Total equity attributable to equity holders of the parent</b>	<b>719,320</b>	<b>760,830</b>
<b>TOTAL EQUITY</b>	<b>719,320</b>	<b>760,830</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,760,231</b>	<b>1,741,831</b>



## CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in thousands of EUR)

	01.01.2013 - 30.06.2013	01.01.2012- 30.06.2012
<b>Cash flows from operating activities</b>		
Net profit/-loss for the period	-8,251	1,039
Adjustments	66,397	56,034
Changes in assets related to operating activities	-15,881	-16,122
Changes in liabilities related to operating activities	18,778	18,659
Income tax paid	-203	-10
	<b>60,840</b>	<b>59,600</b>
<b>Cash flow used for investing activities</b>		
Purchase of property, plant and equipment and intangible assets (Notes 7, 8)	-35,865	-3,687
Proceeds from disposals of property, plant and equipment	265	36
Payments for settlement of derivatives	-2,247	-2,019
Interest received	16	133
	<b>-37,831</b>	<b>-5,537</b>
<b>Cash flow from (+)/ used for (-) financing activities</b>		
Proceeds from loans	24,000	0
Change in overdraft (Note 9)	4,812	0
Redemption of loans (Note 9)	-148,205	-58,638
Proceeds from bonds (Note 9)	115,487	0
Repayment of finance lease liabilities (Note 9)	-3	-42
Interest paid	-16,006	-18,976
Payment of transaction costs related to loans	-565	0
	<b>-20,480</b>	<b>-77,656</b>
<b>TOTAL NET CASH FLOW</b>	<b>2,529</b>	<b>-23,593</b>
<b>Cash and cash equivalents:</b>		
- at the beginning of period	65,600	75,421
- increase (+) / decrease (-)	2,529	-23,593
<b>Cash and cash equivalents at the end of period</b>	<b>68,129</b>	<b>51,828</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	Share- holders' equity	Total equity
<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 period</b>										
Transfer from profit for 2010/2011	0	0	0	0	1,874	0	0	-1,874	0	0
Total comprehensive income and expense for the period										
Net profit/-loss for the period (Note 5)	0	0	0	0	0	0	0	1,039	1,039	1,039
Total other comprehensive income and expense	0	0	-5	0	0	0	0	0	-5	-5
<b>Total comprehensive income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>-5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,039</b>	<b>1,034</b>	<b>1,034</b>
<b>At 30 June 2012</b>	<b>404,290</b>	<b>639</b>	<b>456</b>	<b>61,710</b>	<b>13,836</b>	<b>-4,163</b>	<b>527</b>	<b>228,830</b>	<b>706,125</b>	<b>706,125</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>
<b>Changes in equity for the period</b>										
Transfer from profit for 2012	0	0	0	0	2,815	0	0	-2,815	0	0
Dividends to owners of the company (Note 12)	0	0	0	0	0	0	0	-33,494	-33,494	-33,494
Share-based payments transactions (Note 11)	0	0	0	0	0	0	158	0	158	158
Total comprehensive income and expense for the period										
Net profit/-loss for the period (Note 5)	0	0	0	0	0	0	0	-8,251	-8,251	-8,251
Total other comprehensive income and expense	0	0	77	0	0	0	0	0	77	77
<b>Total comprehensive income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>77</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8,251</b>	<b>-8,174</b>	<b>-8,174</b>
<b>At 30 June 2013</b>	<b>404,290</b>	<b>639</b>	<b>-25</b>	<b>58,993</b>	<b>16,651</b>	<b>-4,163</b>	<b>685</b>	<b>242,250</b>	<b>719,320</b>	<b>719,320</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 6 months of the financial year 2013 were authorised for issue in accordance with a resolution of the Management Board on 15 August 2013. AS Tallink Grupp is a limited company incorporated in Estonia and employed 7,436 people at 30 June 2013 (31 December 2012: 6,747).

### **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 2012.

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)

01.01.2013-30.06.2013	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	146,089	48,783	32,546	161,377	50,815	0	439,610
Inter-segment sales	0	0	0	0	4,338	-4,338	0
	<b>146,089</b>	<b>48,783</b>	<b>32,546</b>	<b>161,377</b>	<b>55,153</b>	<b>-4,338</b>	<b>439,610</b>
<b>Segment result</b>	<b>32,759</b>	<b>870</b>	<b>-2,459</b>	<b>145</b>	<b>8,185</b>	<b>0</b>	<b>39,500</b>
Unallocated expenses							-21,722
Net financial items (Note 4)							-17,110
<b>Profit/-loss before income tax</b>							<b>668</b>

01.01.2012-30.06.2012	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	143,634	52,813	29,463	169,493	43,208	0	438,611
Inter-segment sales	0	0	0	0	3,587	-3,587	0
	<b>143,634</b>	<b>52,813</b>	<b>29,463</b>	<b>169,493</b>	<b>46,795</b>	<b>-3,587</b>	<b>438,611</b>
<b>Segment result</b>	<b>37,310</b>	<b>2,340</b>	<b>-4,234</b>	<b>1,320</b>	<b>6,699</b>	<b>0</b>	<b>43,435</b>
Unallocated expenses							-22,420
Net financial items (Note 4)							-19,976
<b>Profit/-loss before income tax</b>							<b>1,039</b>



## Revenue by service

(in thousands of EUR)	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012
Ticket sales	110,036	106,082
Sales of cargo transport	52,962	52,860
Sales of accommodation	7,911	7,101
Restaurant and shops sales on-board and on mainland	239,464	241,674
Income from leases of vessels	14,526	14,289
Other	14,711	16,605
<b>Total revenue of the Group</b>	<b>439,610</b>	<b>438,611</b>

## Note 4 FINANCE INCOME AND FINANCE COSTS

(in thousands of EUR)	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012
Net foreign exchange gains	6,112	1,022
Income from derivatives	5,047	0
Interest income	54	130
<b>Total finance income</b>	<b>11,213</b>	<b>1,152</b>
Interest expenses	-17,497	-19,109
Losses from derivatives	-10,826	-2,019
<b>Total finance costs</b>	<b>-28,323</b>	<b>-21,128</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.

	01.04.2013- 30.06.2013	01.04.2012- 30.06.2012	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012
Weighted average number of ordinary shares, basic (pcs)	669,882,040	669,882,040	669,882,040	669,882,040
Effect of share options on issue	1,898,207	0	1,558,194	0
Weighted average number of ordinary shares, diluted (pcs)	671,780,247	669,882,040	671,440,234	669,882,040
Net profit/-loss attributable to ordinary shareholders	9,274	19,990	-8,251	1,039
Earnings per share, basic (in EUR per share)	0.01	0.03	-0.01	0.00
Earnings per share, diluted (in EUR per share)	0.01	0.03	-0.01	0.00

## Weighted average number of ordinary shares (pcs)

	01.04.2013- 30.06.2013	01.04.2012- 30.06.2012	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012
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 the 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 30.06.2013 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 30.06.2013 is -17,055 thousand EUR. The fair value of the cross-currency rate derivatives recognized in the current interim financial statements as of 30.06.2013 is -8,579 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 2012</b>	<b>5,653</b>	<b>1,509,889</b>	<b>11,007</b>	<b>446</b>	<b>1,526,995</b>
Additions	221	31,390	2,968	35	34,614
Reclassification	0	2,135	-2,135	0	0
Disposals	-214	0	-779	0	-993
Depreciation for the period	-206	-31,333	-2,115	0	-33,654
<b>Book value as of 30 June 2013</b>	<b>5,454</b>	<b>1,512,081</b>	<b>8,946</b>	<b>481</b>	<b>1,526,962</b>

### As of 30 June 2013

-cost	12,639	1,681,084	28,448	481	1,722,652
-accumulated depreciation	-7,185	-169,003	-19,502	0	-195,690

	Land and building	Ships	Plant and equipment	Prepayments	Total
<b>Book value as of 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	0	734	2,840	-15	3,559
Exchange rate differences	342	0	0	0	342
Depreciation for the period	-816	-31,032	-1,226	0	-33,074
<b>Book value as of 30 June 2012</b>	<b>3,700</b>	<b>1,539,759</b>	<b>10,338</b>	<b>32</b>	<b>1,553,829</b>

### As of 30 June 2012

-cost	9,625	1,650,718	27,727	32	1,688,102
-accumulated depreciation	-5,925	-110,959	-17,389	0	-134,273

## Note 8 INTANGIBLE ASSETS

(in thousands of EUR)

	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	1,251	1,251
Amortisation for the period	0	-1,458	-963	-2,421
<b>Book value as of 30 June 2013</b>	<b>11,066</b>	<b>37,876</b>	<b>8,887</b>	<b>57,829</b>

### As of 30 June 2013

-cost	11,066	58,288	23,495	92,849
-accumulated amortisation	0	-20,412	-14,608	-35,020

	Goodwill	Trademark	Others	Total
<b>Book value as of 31 December 2011</b>	<b>11,066</b>	<b>42,250</b>	<b>7,837</b>	<b>61,153</b>
Additions	0	0	128	128
Amortisation for the period	0	-1,458	-887	-2,345
<b>Book value as of 30 June 2012</b>	<b>11,066</b>	<b>40,792</b>	<b>7,078</b>	<b>58,936</b>

### As of 30 June 2012

-cost	11,066	58,288	20,296	89,650
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-accumulated amortisation 0 -17,496 -13,218 -30,714

## Note 9 INTEREST BEARING LOANS AND BORROWINGS

(in thousands of EUR)

	31 December 2012	New loans	Repayments	Exchange rate differences	Other changes [1]	30 June 2013
Lease liabilities	4	0	-3	0	0	1
Bonds	0	116,982	0	-2,798	-1,485	112,699
Overdraft	0	4,812	0	0	0	4,812
Long-term bank loans	840,380	24,000	-148,205	0	1,746	717,921
<b>TOTAL</b>	<b>840,384</b>	<b>145,794</b>	<b>-148,208</b>	<b>-2,798</b>	<b>261</b>	<b>835,433</b>
incl. short-term portion	103,685					92,134
long-term portion	736,699					743,299

[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 281,089 thousand EUR and for the loans granted to AS Tallink Grupp amounting to 436,832 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 30 June 2013 the maximum number of authorised common shares is 2,133,333,333.

At 30 June 2013 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 analysis; 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 30 June 2013 14,927,500 share options were valid and outstanding. Average remaining time to maturity of the outstanding share options is 11-36 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 DIVIDENDS

According to the resolution of the Annual General Meeting there were announced dividends to the shareholders 0.05 euros per share, in the total amount of 33,494,102 EUR.

## Note 13 RELATED PARTY DISCLOSURES

(in thousands of EUR)

<b>6 months of 2013 or 30.06.2013</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	34	27	8	5
AS HT Valuuta	58	0	1	0
AS Vara HTG	0	959	0	0
OÜ Mersok	0	5	0	1
AS Vaba Maa	10	281	2	79
OÜ Sunbeam	0	1,684	0	0
AS Gastrolink	1	502	0	83
AS Tallink Takso	0	36	0	8
OÜ Topspa Kinnisvara	0	1,285	0	0
OÜ Hansa Hotell	0	408	0	0
OÜ Fastinvest	0	601	0	0
SIA Happy Trails	0	1,667	0	323
Eesti Laevaomanike Liit	0	6	0	0
SEB Tallink Tennis Team	5	50	5	0
<b>6 months of 2012 or 30.06.2012</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	28	25	0	0
AS HT Valuuta	58	0	0	0
AS Vara HTG	0	959	0	0
OÜ Mersok	0	5	0	1
AS Vaba Maa	4	399	1	99
OÜ Sunbeam	0	1,643	0	0
AS Gastrolink	1	516	0	61
AS Tallink Takso	0	43	0	8
OÜ Topspa Kinnisvara	00	1,253	0	0
OÜ Hansa Hotell	0	398	0	0
OÜ Fastinvest	0	566	0	0
SIA Happy Trails	1	1,620	0	25
Eesti Laevaomanike Liit	0	6	0	6
SEB Tallink Tennis Team	0	50	0	0

## Note 14 SUBSEQUENT EVENTS

Announced dividends were paid out on 02.07.2013.



**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 second quarter of the financial year 2013 ended 30 June 2013 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 15.08.2013