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STATEMENT OF THE SUPERVISORY BOARD

Dear shareholders, customers, partners and employees of Tallink Grupp AS,

The 2003/2004 financial year was very challenging for our company. During this year Tallink Grupp AS expanded both to new areas of activity and to new markets. The fleet of Tallink Grupp AS grew by as many as four vessels! The most significant among them was the new cruise ferry MS Victoria, which was launched on the Tallinn – Stockholm line. Estonia's accession to the European Union was equally important. These were the major challenges for the company and in the name of the Supervisory Board I would like to express my satisfaction with the Management Board for having successfully steered the company through the changes and for having maintained good profitability.

The company entered the accommodation business by opening a new hotel in the city centre of Tallinn. The first season shows success and encourages us to further develop this new business segment.

At the end of the 2003/2004 financial year there were twelve vessels in Tallink's fleet and a new 350-room hotel. Tallink increased its number of employees from 2000 to 2800.

The Supervisory Board of Tallink Grupp AS reviewed and approved the financial report for the financial year 01.09.2003 – 31.08.2004 and the profit distribution resolution at its meeting on 11 January 2005. The Supervisory Board also approved the activities of the Management Board during the period under review.

The Supervisory Board of Tallink Grupp AS has met 9 times during the last financial year and has made several decisions. One of the more significant decisions was the approval of issuing new shares and increasing the share capital. Due to the share issue of EUR 27 million the company is now in a stronger financial position to continue further development. To improve service quality the Supervisory Board approved the acquisition of the new ro-pax vessel for the Paldiski – Kapellskär route and of two new high-speed ferries for the Tallinn – Helsinki route.

The Supervisory Board approves and sees a good future in the on-going fleet renewal process. Tallink's image has changed during the recent years into a well-known brand name in the Baltic Sea area. We believe that it is possible to achieve continuous growth of the business in the Northern part of the Baltic Sea area by investing in more luxurious and multifunctional big cruise ferries, spacious cargo vessels and reliable high-speed ferries. Tallink Grupp AS signed an agreement with Aker Finnyards Oy for constructing another next generation luxurious cruise ferry. The new vessel will be ready to launch in spring 2006.

In the name of the Supervisory Board I would like to thank all members of the Management Board and the shareholders, customers and partners for their trust in us.

Toivo Ninnas
Chairman of Supervisory Board

HIGHLIGHTS OF YEAR 2003/2004

TALLINK GRUPP AS ANNUAL REPORT 2003/2004

In September, 2003

Tallink Grupp AS completed a private placement transaction directed to selected international institutional investors. The transaction comprised a new issue of 5,100,000 shares. Tallink used the proceeds from the share issue of EUR 27 million for developing the company and for financing the new cruise ferry delivered in the spring of 2004.

In December 2003

Tallink Grupp AS purchased a new subsidiary Tallink Travel Club OÜ. The new subsidiary operates as a travel agency.

In February 2004

Tallink Grupp AS purchased two high-speed crafts, HSC Tallink Autoexpress 3 and HSC Tallink Autoexpress 4, to develop the speed vessel traffic on the Tallinn – Helsinki line and increase the number of departures. HSC Tallink Autoexpress 3 was put into operation in May 2004. HSC Tallink Autoexpress 4, however, underwent major repairs and was not in service in the 2003/2004 financial year.

In February 2004

Tallink Grupp AS purchased M/S Regal Star, a ro-ro type cargo vessel built in 1999, for the Paldiski-Kapellskär line. M/S Kapella, another ro-ro type vessel, which served the line before, was transferred to the Tallinn-Helsinki line in March.

On 18 March 2004

the Aker Finnyards shipyard delivered the new cruise ferry M/S Victoria, which was ordered by Tallink Grupp AS in October 2002. She can take on board 2 500 passengers and has 1000 lane metres for vehicles. This vessel is an analogue to M/S Romantika, but she has more cabins, larger conference facilities and there are catalysers for more environment-friendly emissions.

TALLINK GRUPP AS ANNUAL REPORT 2003/2004

On 1 April 2004

Tallink Grupp AS opened a new route Helsinki – Tallinn – St.Petersburg – Helsinki. M/S Fantaasia, which used to sail on the Tallinn-Stockholm line, started serving this completely new destination, St. Petersburg. Also a new subsidiary was registered in Russia as a ticket sales agent.

On 1 May 2004

Estonia became member of the European Union. Due to membership the EU rules became applicable to goods sold in onboard shops and the customs and tax rules were harmonised with the relevant EU rules.

On 1 May 2004

Tallink Grupp AS started servicing a new destination – Port of Mariehamn in the Åland Islands. M/S Victoria and M/S Regina Baltica, operating on the Tallinn – Stockholm line, have been making a short stopover in the port of Mariehamn.

In May 2004,

OÜ TLG Hotel, a wholly owned subsidiary of Tallink Grupp AS, started operations in a new 350-room hotel in the main tourist centre of Tallinn. The new hotel is named Best Western Hotel Tallink.

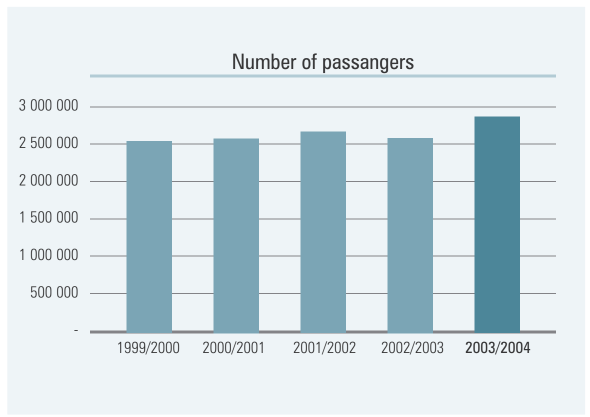
In October 2004

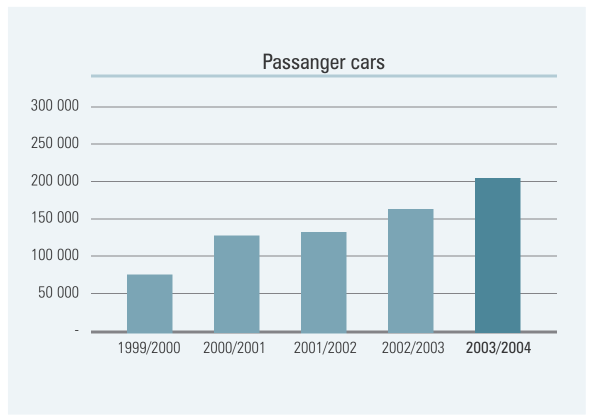
Tallink Grupp AS and Aker Finnyards OY signed a contract for the building of a big new cruise ferry for delivery in spring 2006. The new vessel will be one of the biggest cruise ferries in the Baltic Sea, having capacity for 2,800 passengers, 1130 lane metres for trucks.

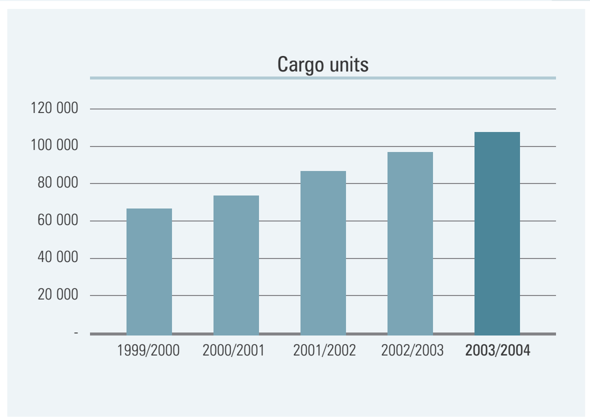
TALLINK GRUPP AS ANNUAL REPORT 2003/2004

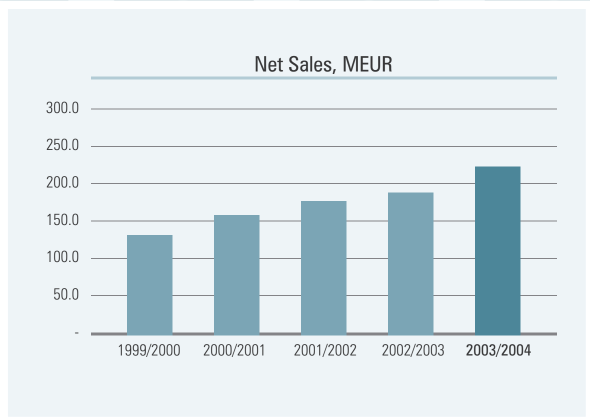
KEY FIGURES

		2003/2004	2002/2003	2001/2002	2000/2001	1999/2000
NET SALES	MEUR	217,7	191,5	177,7	153,2	130,4
EQUITY RATIO		31,6%	32,4%	24,1%	38,6%	47,7%
EBITDA	MEUR	46,0	51,3	34,7	23,3	20,0
OPERATING PROFIT	MEUR	28,5	30,7	18,8	15,4	12,0
NET PROFIT	MEUR	20,0	24,4	15,7	16,1	9,1
SHAREHOLDERS' EQUITY	MEUR	139,5	94,1	69,7	54,1	38,0
INTEREST-BEARING LIABILITIES	MEUR	270,6	178,6	198,4	70,4	29,7
TOTAL LIABILITIES	MEUR	302,0	196,6	220,0	85,9	41,6
NUMBER OF PASSENGERS		2 828 364	2 597 917	2 747 094	2 583 042	2 581 087
CARGO UNITS		103 425	94 945	87 208	71 953	65 755
PASSENGER CARS		201 695	162 830	137 143	126 553	76 029









THREE-YEAR FINANCIAL REVIEW

		Change,%	2003/2004	2002/2003	2001/2002
Net Sales	MEUR	14%	218	191	178
EBITDA	MEUR	-10%	46	51	34
EBIT	MEUR	-7%	29	31	19
Consolidated Net Profit	MEUR	-18%	20	24	16
Fixed Assets	MEUR	55%	387	249	260
Total Assets	MEUR	52%	441	291	290
Total Liabilities	MEUR	54%	302	197	220
Interest-Bearing Liabilities	MEUR	52%	271	179	198
Shareholders' Equity	MEUR	48%	139	94	70
Hidden Value of Fleet	MEUR	118%	48	22	19
Adjusted Shareholders' Equity	MEUR	61%	187	116	89
Operating Activities	MEUR	-5%	51	54	38
Investing Activities	MEUR		-153	-40	-161
Financing Activities	MEUR		110	-9	126
Weighted average number of shares		22%	27262466	22400000	22400000
Equity per share (Book value)	EUR	22%	5,1	4,2	3,1
Adjusted equity per share	EUR	33%	6,9	5,2	3,9
Earnings per share (EPS)	EUR	-33%	0,7	1,1	0,7
Cash flow from operations per share	EUR	-22%	1,9	2,4	1,7
EBITDA / Sales	%	-21%	21%	27%	19%
Operating profit margin	%	-18%	13%	16%	10%
Net profit margin	%	-28%	9%	13%	9%
Return on assets (ROA)	%	-26%	8%	11%	9%
Return on equity (ROE)	%	-43%	17%	30%	25%
Equity ratio	%	-2%	32%	32%	24%
Number of Passengers	persons	9%	2 828 364	2 597 917	2 747 094
Cargo Units	unit	9%	103 425	94 945	87 208
Personnel Average	persons	23%	2 371	1 921	1 885

Definitions

EBITDA	*Earnings before intrest, taxes, depreciation and amortization*
Earnings per share (EPS)	*(Net profit) / (Adjusted weighted average number of shares)*
Equity per share (Book value)	*(Equity) / (Adjusted number of shares as at the end of the period)*
Adjusted equity per share	*(Equity + Hidden value of fleet) / (Adjusted number of shares as at the end of the period)*
Cash flow from operations per share	*(Cash flow from operations per share) / (Adjusted weighted average number of shares)*
Gross profit margin	*(Gross profit) / (Net sales)*
EBITDA / Sales	*(EBITDA) / (Sales)*
Operating profit margin	*(Operating profit) / (Net sales)*
Net profit margin	*(Net profit) / (Net sales)*
Return on assets (ROA)	*(EBIT) / (Average total assets)*
Return on equity (ROE)	*(Net profit) / (Average shareholders' equity)*
Equity ratio	*(Equity + Minority interest) / (Total assets)*

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TRAFFIC AND MARKET CONDITIONS

Tallink aims to be the leading provider of cruise and passenger transportation services on the Northern Baltic Sea, as well as the leading provider of cargo services on designated routes

OVERVIEW

Tallink owns and operates passenger ferries, mini-cruise and cargo traffic vessels, also high-speed ferries on the Northern Baltic Sea routes between Estonia and Finland, as well as Estonia and Sweden. The company also entered the accommodation business in Tallinn. The company aims to be the leader in its market, providing high-quality passenger and mini-cruise services, regular ferry transportation services, as well as high-speed ferry services for business and cargo. Twelve vessels are operated under the Tallink brand, all of which are owned by the company. Tallink carried on all its routes some 2.8 million passengers and 104 thousand cargo units in the financial year ended 31 August 2004.

BUSINESS CONCEPT

Tallink's general business model includes a combination of services, whereby the main products offered are regular passenger transportation, carrying cars and cargo and providing overnight cruises. From the 2003/2004 financial year another major area of activity, hotel accommodation, has been introduced, expanding the ability of the company to offer wide range service package combinations to the customers.

Since the services in the product range are more or less seasonal in nature, Tallink operates ferries that are able to carry passengers, offer cruising along with entertainment, provide conference services and carry cars, buses and trucks, which in return lowers the overall seasonality and ensures stable long-term operation.

Customer satisfaction is achieved through high service quality and the best departure times. All ferries have sailing schedules and are providing an excellent possibility for our clients to plan business trips and cargo transportation schemes.

High-speed ferries have frequent daily departures between the two destinations Tallinn and Helsinki. As the crossing is made in just over one and a half hours, the fast ferries are suitable for passengers for whom getting to their destination quickly is the priority, rather than enjoying the time onboard. The fast ferry traffic season lasts from April to December. The fast ferries also carry cars and buses.

Security, quality of service, speed and frequent departures are key to the success with daily passengers and carriers of cargo. A suitable schedule with a sufficient number of departures and fast crossing bring the economies of the neighbour countries closer, which in its turn is reflected in higher passenger numbers and trade flows.

Tallink offers short, overnight or two-night cruises. In the Baltic Sea area overnight cruising is very popular. It is not the destination but rather the onboard quality entertainment, various stores, show bars and restaurants that draw this customer segment. Cruise passengers spend one or two nights aboard and the short-term stay at the destination combined with a tour is looked at as an extra bonus. Such short cruises are an excellent way of breaking away from the routine for a day or two. Unlike the daily passengers cruise passengers may stay aboard at the port of destination, since onboard entertainment continues till the early hours.

In addition to the regular overnight cruises, mini-cruises are in high demand during the summer tourist season, school vacations, holidays and weekends. During weekdays cargo carriers and business passengers form the most important client segments among cruise passengers. Conference tourists are another important group that help reduce the seasonal nature of the business. The cruise ferries have conference areas and the conference business is a good way to increase passenger numbers between the peak tourist seasons.

Such business concept ensures permanent high-quality service irrespective of the season or day of the week and allows us to put our fleet to the most effective use.

STRATEGY

To maintain the position of the company in the ferry business and to ensure continuous growth of the company Tallink has embarked on a strategy of investing in new ships and renewing the fleet. In the mini-cruise segment the cruise ferries must be in good shape to offer a high quality of service and facilities whereas in the fast ferry segment the ships must be fast, reliable and of sufficiently high quality. The cornerstone of Tallink's operating strategy is to be a market leader on chosen routes and to achieve the increase in results through higher efficiency arising from fleet renewal.

Through fleet improvement, Tallink also intends to expand its existing customer segments, involve new customer segments and strengthen its position in the cargo transport segment.

The new luxury vessels appeal to Tallink`s more quality-conscious customers, who enjoy a diversity of new restaurants and bars, as well as their well-furnished stores. Tallink`s new customers spend their holidays or use the modern conference facilities aboard the new vessels.

Driven by the cruise passengers demand for higher quality services on the Tallinn – Stockholm route, Tallink Grupp AS delivered a second brand new cruise ferry from Aker Finnyards, M/S Victoria. Her maiden voyage was on 28 March 2004.

M/S Victoria together with her sister ship M/S Romantika are the newest cruise ferries operating in the Northern Baltic Sea area, offering both state-of-the-art facilities and quality onboard services and yielding higher revenues and profitability per passenger.

The launching of the new ships has proven that the strategy was right and has encouraged the company to continue its fleet renewal programme. On 28 October 2004 Tallink Grupp AS and Aker Finnyards Oy concluded another shipbuilding contract, worth EUR 165 million. The whole investment amounts to more than EUR 170 million. The new vessel will be one of the biggest cruise ferries in the Baltic Sea, having a capacity for 2 800 passengers.

When delivered in spring 2006, the new vessel will start regular overnight cruises between Helsinki and Tallinn. This new generation cruise ferry will be designed and targeted for trade on the Northern Baltic Sea. The guiding principle in designing the vessel is paying attention to the needs for comfort and luxury of today's passengers. Modern technologies and equipment onboard will be put to maximum use. The number of cabins will be 927, and the ship will have a marvellous conference centre.

Besides passengers, the vessel is designed to carry private cars and freight units, and will have 1 130 lane metres, i.e. over a kilometre of vehicle deck space. The vessel will have a length of 212 metres and a beam of 29 metres and gross tonnage of 45 000. Propulsion by four diesel engines totalling 26 240 kW will provide a service speed of 22 knots.

TALLINN – HELSINKI ROUTE

On this route Tallink offers overnight cruises as well hotel and spa packages all around Estonia but also in the other Baltic States as well as in Finland. Carrying everyday business travellers, cargo and cars is also very important on this route. In the 2003/2004 financial year Tallink operated on this route with two cruise ferries, one cargo ferry and three fast ferries, altogether six vessels.

During the 2003/2004 financial year, Tallink carried 2 221 766 passengers (4.8% more compared with the previous year) between Tallinn -Helsinki.

Tallink was the market leader in passenger traffic with a market share of about 40 per cent on the Tallinn - Helsinki route in the financial year ended 31 August 2004.

The fast ferries now represent nearly 40% of the total traffic between Helsinki and Tallinn.

Estonia's accession to the European Union on 1 May 2004 resulting in less burdensome border, customs and other formalities has greatly contributed to the increased interest in travelling by car to Tallinn, but also to other destinations in Estonia and the other Baltic States. The number of car tourists and the volume of carriage of small cargo have grown more rapidly on the Tallinn – Helsinki line than the market average.

The Finnish passenger market is well established and it is quite difficult to change the travelling habits of the passengers, requiring continuous and goal-oriented actions. The market size of passengers travelling between Estonia and Finland in recent years has been around 5.9 million passengers. After the stagnation of the last few years the number of passengers travelling between Estonia and Finland is now growing again. Tallink expects a rapid increase in the market of high-speed vessels. Tallink brought a third high-speed ferry to the line for the 2004 season. This allows more departures and helps increase the capacity during peak hours. Tallink sees a successful future in developing high-speed traffic and will add another high-speed ferry to the route in the next season, thus increasing the number of such vessels on the line to four and enabling hourly departures from both ports.

The majority of passengers on the Tallinn – Helsinki route (up to 85%) are Finnish. Therefore efforts to increase passenger numbers have been made in Finland. About 50% of our client numbers are generated by our own network of travel agencies around Finland.

The southern part of Finland and especially Helsinki is designated as the most important region for our efforts. However, in order to achieve further growth, Tallink is also looking for business in the rest of Finland. In the long term travel agencies will be our key partners in the ticket distribution network.

TALLINN- MARIEHAMN - STOCKHOLM ROUTE

This route is served by two cruise ferries offering daily departures from Tallinn and Stockholm.

In March 2004 Tallink launched the brand new cruise ferry M/S Victoria to this line. The first season of the newest vessel in the Baltic Sea increased significantly the numbers of passengers, boosted onboard sales and lifted the image of Tallink in Sweden. From 1 May 2004 the ships on the Tallinn-Stockholm line started to make a stopover in the Mariehamn port of the Åland Islands.

The entry to the port enables tax-free trade in onboard shops during the whole journey. It has also created a direct connection between the Åland Islands and Estonia.

During the whole 2003/2004 financial year Tallink carried 459 242 passengers on this line. This represents an increase of 23.9 per cent. Tallink is the only operator in the Tallinn – Mariehamn – Stockholm route.

The main developments have occurred in Sweden. Launching the brand new luxury cruise ferry allowed us to considerably increase the client base and start offering services to clients with a wide range of demands.. Due to increased capacity offered by the new vessel and tighter competition in the Stockholm area Tallink launched a major advertising campaign in Sweden for introducing and promoting the route to Tallinn and the Tallink brand name. The collecting area of passengers has been widened through the creation of our own daily bus feeder services on four routes in Sweden. We also started working in cooperation with tour operators with their own buses and as a result the number of partners has more than doubled during 2004, bringing in more than twice the number of passengers arriving through these companies. As a geographical market Norway has also gained in importance and more marketing activities have taken place in Norway.

We have been working towards a wider and tighter product distribution network in Sweden through increasing the number of authorised Tallink travel agents. Tallink also joined the ATG-network with more than 2000 ATG-affiliated tobacconists in Sweden, which function as ticket payment and pick-up points. A direct booking facility on the Tallink Sweden website was opened in June 2004, giving a steadily increasing flow of reservations via the Internet. Increased sales via the Internet has a very high potential, and further development of the site is of key priority in the near future.

Estonia's membership in the European Union has greatly contributed towards promoting a positive change in the image of Estonia both as a neighbour country and a destination for tourism and business.

PALDISKI-KAPELLSKÄR

This route is very popular among cargo clients, but also among passengers travelling with their own cars. Taking the trip from Paldiski to Kapellskär and vice versa is the quickest way to travel by sea between Estonia and Sweden.

In the 2003/2004 financial year 110 269 passengers travelled between Paldiski and Kapellskär. Compared to the previous financial year this number has increased by 3.6 per cent.

Since Estonia's accession to the European Union all duties on goods sold in onboard shops have to be paid.

HELSINKI – TALLINN – ST. PETERSBURG – HELSINKI

On 1 April 2004 Tallink opened a new shipping line Helsinki – Tallinn – St. Petersburg – Helsinki. M/S Fantaasia, which used to sail on the Tallinn-Stockholm line, serves this completely new destination, St. Petersburg. St. Petersburg is an attractive tourist destination with a huge potential. Despite the great tourist potential of the new line the visa regime imposed on both EU and Russian citizens but also underdeveloped infrastructures are serious obstacles to its development. At the beginning of 2005 Tallink decided to suspend traffic on this route.

By the end of the 2003/2004 financial year on 31 August 2004 Tallink had carried 37 thousand passengers on the route.

CARGO TRANSPORT

In the cargo business Tallink operates under the combination tonnage concept, meaning that, for the most part, cargo is carried on the same vessels and at the same time as the passenger traffic. The vessels are equipped with a separate car and cargo deck onto which cars and trucks can be driven while the passengers are embarking.

Cargo traffic is often related to business logistics and its development is closely related to the general economic development. Transport of cargo into and out of Estonia has grown rapidly with the development of Estonia's economy. After Estonia's accession to the European Union on 1 May 2004 both cargo and passenger car volumes have been growing even faster. Tallink provides cargo transportation on all its routes.

During the 2003/2004 financial year, Tallink carried 103 425 units of cargo and

201 695 passenger cars, compared to 94 945 units and 162 830 respectively, in the preceding year, meaning a respective unit volume increase of 9.1 per cent and 23.9 per cent. Tallink's customer base for cargo services consists of a wide range of clientele, from large transport companies to small businesses. Tallink aims to work closely with its customers, offering flexible and efficient services at affordable prices.

During the 2003/2004 financial year Tallink carried 50 439 units of cargo and 143 344 passenger cars between Tallinn and Helsinki, an increase of 3.2 per cent and 29.2 per cent from the previous year. Tallink is the market leader on this route, with unequalled cargo capacity and year-round service.

In 2003/2004 Tallink carried 51 99 units of cargo (an increase of 19.4 per cent) and 57 553 passenger cars (an increase of 10.9 per cent from the previous year) between Estonia and Sweden. Tallink has strengthened its market position with the start of operations on the Tallinn – Stockholm route. Tallink is clearly the largest and only regular provider of cargo services between Sweden and Estonia.

On the Helsinki – Tallinn – St. Petersburg – Helsinki line Tallink carried 995 units of cargo and 798 passenger cars.

SALES AND BOOKING SYSTEMS

Tickets for Tallink's ferries are sold mostly through Tallink's own network of sales agencies or through the network of travel agencies. Tallink`s network of sales agencies is divided by country organisations for Finland, Sweden, Russia and Estonia, where marketing is carried out individually in each country. The decentralised marketing function allows cultural differences between the countries to be taken into account.

The company has modernised its ticket booking and sales system. The online booking system connects Tallink's ticket offices in all countries, and also incorporates travel agencies and Internet customers. The booking system has improved the customer service by making check-in and boarding easier. The new central booking and check-in system is called CarRes, and is accessible from all Tallink's offices and check-in places at all ports (Tallinn, Helsinki, Stockholm, Mariehamn, St. Petersburg, Paldiski, Kapellskär).

The on-line booking system is an important and excellent addition to Tallink's customer service. When the products are easy to buy they are more attractive for customers. Our on-line sales make up 5 per cent of total ticket sales, however, we are aiming at quickly reaching the 15-20 per cent level.

Due to increasing passenger numbers the company has implemented an IP-protocol based Call Centre. The system offers much more flexibility to redirect calls, maintain waiting lists and monitor the activity of the clerks than regular phone systems. All the calls from Finnish and Swedish customers that are on the waiting list in the Helsinki or Stockholm booking office are redirected to Tallinn, where Tallink employs a multi-lingual staff at the call centre.

TALLINK CLUB

Tallink Club is a customer loyalty programme offering varied travel services to the Tallink customers, taking into account their wishes and needs. All 110 000 customers are provided information about tailor-made products and special offers in a customer brochure published four times a year and mailed to each customer. In addition they get special offers in onboard restaurants and tax-free shops and at certain other facilities. Co-operation agreements with a multitude of shops and service providers make it possible to provide Tallink Club members with special offers and services, which are at their disposal without requiring any extra effort. Our client loyalty programme has proven its reliability and has brought to Tallink Club an increasing number of new members.

ONBOARD SERVICES

Shops

Onboard sales consist of all sales in shops, restaurants, bars, pubs, conference halls, saunas and gaming areas.

All of Tallink's vessels have onboard shops, where passengers can buy consumer goods such as alcoholic beverages, tobacco, cosmetics, sweets, clothing, toys and accessories.

The accession to the European Union brought many changes. From 1 May 2004 all duties including the VAT, excise duty on beverages and tobacco products, are to be paid in shops on board vessels sailing between the ports of EU Member States. At the same time customs limits were lifted from products, including alcohol and tobacco products brought along by passengers. The lifting of customs restrictions enables to increase sales volumes but also gives the additional possibility of selling more expensive products, with the main focus on value for money.

Special category and space management projects were implemented on board Tallink's cruise ferries with good results, enabling the increase in revenue per passenger. Special attention was given to promoting high profile products. Special sections for champagne, malt whiskeys and luxury cognacs were developed.

Through thorough planning and support from the suppliers the fragrance and cosmetics boutiques on board Tallink's ferries are developed to become the most modern on the Baltic Sea. The company has invested heavily in the modernization and renovation of onboard shops. Also new innovative shop projects were started, resulting in a remarkable increase in revenue per passenger.

On the Tallinn – Stockholm line tax-free trade was preserved in shops on board the vessels due to the fact that the vessels sailing on this route started to make a stopover in the Mariehamn port of the Åland Islands. In the Northern Baltic Sea area the island province of Åland, located between Finland and Sweden, was able to obtain safe-haven status from the EU legislation as a result of its special status as an autonomous province of the Republic of Finland. As of now, there is no time restriction on Åland's present special status and it appears that Åland will continue to enjoy this special status for the foreseeable future.

Tax-free trade on the Helsinki – Tallinn – St.Petersburg – Helsinki triangle can be pursued on the legs to and from St-Petersburg.

Restaurants

Aboard Tallink's cruise and fast ferries passengers can dine at varying price levels, ranging from traditional à la carte and buffet restaurants to fast food dining areas and pubs. Tallink has developed menus suitable for the Nordic taste, accompanied with culinary inspiration from other ethnic cuisines. Tallink has a strong focus on the quality of food and service, and the Tallink chefs and bartenders have successfully participated in many different competitions and won several awards.

The beverages and food sold in the onboard restaurants and bars continue to be exempt from excise duty and value added tax between all destinations served by Tallink.

Entertainment and Recreation

Mini-cruise passengers on the Northern Baltic Sea ferries are accustomed to a certain degree of onboard entertainment and recreation. Tallink offers a varied entertainment package including musicians, actors, and cabaret style performances. Gambling machines, casino tables and karaoke bars are also part of the entertainment programme on cruises.

Conference Facilities

Tallink offers conference facilities on all its larger passenger ferries. These include both ready-made packages that cover basic requirements, and also tailor-made packages to accommodate the specific needs of clients.

HOTEL OPERATIONS

In the 2003/2004 financial year Tallink embarked on accommodation business and started hotel operations in the Best Western Hotel Tallink in May 2004. Tallink sees the opportunity in the accommodation business of lengthening the service chain on shore and offering to our clients a full service package. The new hotel with 350 rooms is located in the main tourist centre of Tallinn. This new hotel, operated under long-term rental agreement, is the second largest hotel in Estonia.

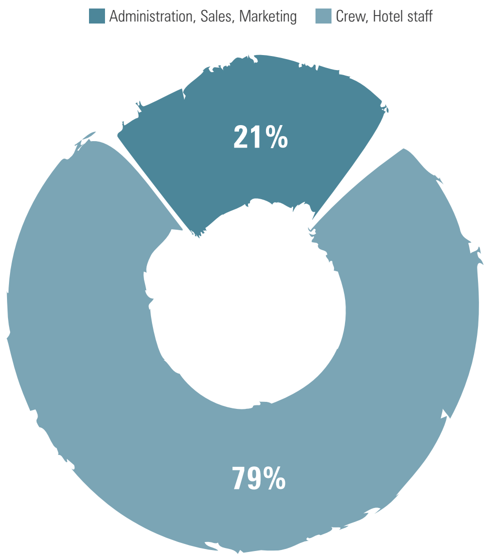
Tallink foresees a continuing increase in the accommodation market in the near term. The number of tourists coming to Tallinn is going up, but more importantly, the number of nights spent per a tourist is expected to increase.

PERSONNEL

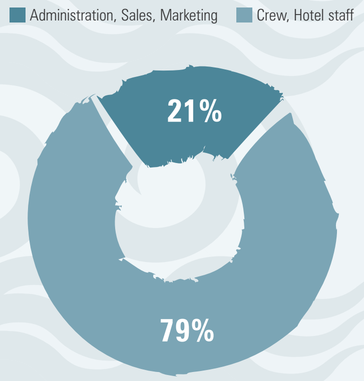
Skilled and highly-motivated staff are key to any successful business. Tallink is an international company and thus it is very important to train customer-oriented personnel. An on-going training system is in place in order to develop the skill-base of the Tallink employees. The efficiency of the system is reflected in safe seafaring guaranteed by Tallink and serving the clients speaking a multitude of different languages. Tallink's major investments into expanding its business also brought about a sharp increase in staff. In one year the employee numbers went up by 800, providing them excellent and motivating career opportunities in Tallink.

In the end of the 2003/2004 financial year the number of the Group's employees was 2 820, of which 2 096 were employed as vessel personnel, 118 were employed in Best Western Hotel Tallink and 606 as administrative personnel. The number of personnel has increased by 780 compared to the previous financial year, primarily due to the higher number of vessels in operation.

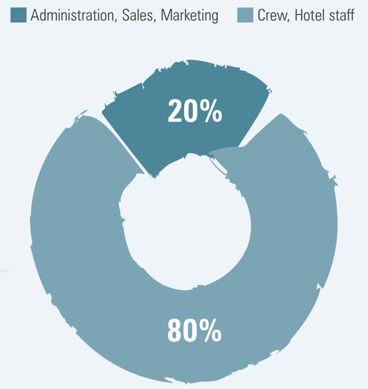
Distribution of Personnel 2003/2004



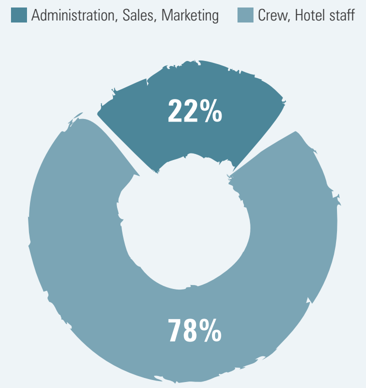
Distribution of Personnel 2000/2001



Distribution of Personnel 2001/2002



Distribution of Personnel 2002/2003



SAFETY & ENVIRONMENT

SAFETY

HT Shipmanagement is the company responsible for the technical management, safety, security, human resources and insurance of the Tallink fleet. The company ensures that the Tallink fleet is operated in a safe, secure and efficient way in accordance with all international and national regulations.

The first priority of the HT Shipmanagement Safety Management System is to ensure compliance of all technical and operational aspects with international security, safety and environment-related conventions and codes, i.e. the STCW (International Convention on Standards of Training, Certification and Watchkeeping for Seafarers), SOLAS (International Convention for Safety of Life at Sea), the ISPS Code (International Ship & Port Facility Security Code) and MARPOL (International Convention for the Prevention of Pollution from Ships).

The Lloyds Register of Shipping audits the Safety Management System of HT Shipmanagement in accordance with the ISM Code (International Safety Management Code) requirements.

During the last financial year HT Shipmanagement has upgraded several of the fleet's vessels in order to keep the highest level of navigational, operational and environmental safety of the vessels.

Environmental issues always have been and will be of the highest priority for the HT Shipmanagement Safety Management System. Vessels are maintained and operated efficiently in accordance with the MARPOL convention to ensure that air and sea pollution is kept to the lowest level possible. Tallink's youngest vessel M/S Victoria has been equipped with the exhaust gas catalyser system.

HT Shipmanagement pays great attention to the training and certification of crewmembers to ensure compliance of the crewmembers' training with the STCW Convention. All training and certification is carried out in close collaboration with training centres. Our vessels' personnel undergoes weekly training according to regulations to ensure readiness for all possible emergencies.

All lifesaving equipment on board the Tallink vessels is of highest safety standards and always ready for use. Our highest-level nautical and good-seamanship practices together with top-level safety and security organisation are designed to ensure that all this safety equipment will never have to be put to use.

ENVIRONMENT

Tallink Grupp AS is committed to preserving a clean environment, especially the marine environment. Tallink Grupp AS makes business decisions with a responsible and sustainable attitude towards the environment, keeping in mind the interests of the employees, the clients and the society. The company's activities are truly sustainable. The technology used is economical and its negative impact on the environment is minimal.

Tallink Grupp AS is constantly planning and developing its environmental management system. The company guarantees adequate training and motivates its employees towards applying this policy in the daily business; it also encourages its suppliers and subcontractors to apply the same principles of environmental policy; holds constructive environmental negotiations with the authorities and other relevant parties; and carries out its activities in compliance with the applicable environmental legislation and administrative acts.

TALLINK GRUPP AS
(Holding and operating company)

SHIPOWNING COMPANIES	PASSENGER TRAFFIC & CARGO COMPANIES	SERVICE COMPANIES
Kapella Shipping Ltd. "Kapella"	Tallink Finland Oy Sales & Marketing in Finland	Hansaliin OÜ Crewing
Tallink Line Ltd "Fantaasia"	AS Hansatee Cargo Estonia-Sweden operations	Tallink Duty Free AS Duty free sales & warehousing
Tallink - Helsinki Line Ltd "Regal Star"	AB Tallink Sverige Sales & Marketing in Sweden	HT Laevateenindus OÜ Technical management
Vana Tallinn Line Ltd. "Vana Tallinn"	AS Tallink St. Petersburg operations	HT Meelelahutus OÜ Onboard entertainment
Tallink Fast Ltd. "Tallink AutoExpress"	OOO Tallink-Ru Sales and Marketing in Russia	TLG Hotell OÜ Best Western Hotell Tallink Hotel operator
Tallink Ltd. "Romantika"		Tallink Travel Club OÜ Tourist office, Travel services
Tallinn Swedish Line Ltd. "Meloodia"		
Tallinn Stockholm Line Ltd. "Regina Baltica"		
Tallink Victory Line Ltd. "Victoria"		
Hansalink Ltd. "Tallink AutoExpress 2"		
Tallink Autoexpress Ltd. "Tallink AutoExpress 3"		
Tallink High Speed Ltd "Tallink AutoExpress 4"		

SHAREHOLDERS GENERAL MEETING

SUPERVISORY BOARD

Chairman

MANAGEMENT BOARD

Member
CEO

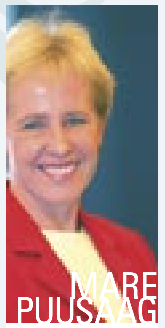
Chairman

Member
Sales and Marketing

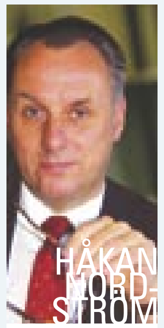
Member
CFO

Administrative Division Director

AS Tallink Duty Free Director

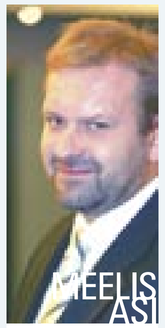


Chief Lawyer

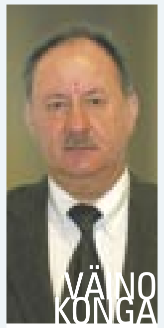


Tallink Finland OY Managing Director

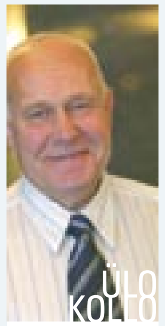
Personnel & Development Division Director



Accounting Division Chief



Tallink Sverige AB Director



Technical Division Director

TOIVO NINNAS

Chairman of the AS Tallink Grupp Supervisory Board since 9 June 1997
Member of Municipal Council of Tallinn
Deputy Mayor of Tallinn 2000-2004

ANDRES LIPSTOK

Member of the AS Tallink Grupp Supervisory Board since 9 January 2000
Member of Parliament, chairman of Economic Affairs Committee
Minister of Finance 1994-95
Minister of Economy 1995-96

EVE PANT

Member of the AS Tallink Grupp Supervisory Board since 10 October 1997
AS Infortar CEO

MADIS ÜÜRIKE

Member of the AS Tallink Grupp Supervisory Board since 9 May 1998
Adviser to Minister of Finance
Minister of Finance 1992-94

SUNIL KUMAR NAIR

Member of the AS Tallink Grupp Supervisory Board since 4 December 2003
Managing Director, CVC Emerging Markets, Citibank

LAURI KUSTAA ÄIMÄ

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


SWEDEN
FINLAND
ESTONIA
RUSSIA
LATVIA
BALTIC SEA
Mariehamn
Kapellskär
Stockholm
Helsinki
Tallinn
Paldiski
St.Petersburg
Riga
VANA TALLINN
REGAL STAR
VICTORIA I
REGINA BALTICA
AUTOEXPRESS 1
ROMANTIKA
AUTOEXPRESS 2
MELOODIA
AUTOEXPRESS 3
KAPELLA
AUTOEXPRESS 4
FANTAASIA


VICTORIA I

Victoria I	
Built	2004
Length	193.8 m
Passengers	2500
LM	1030
Ice class	1 A Super


ROMANTIKA

Romantika	
Built	2002
Length	193.8 m
Passengers	2500
LM	1030
Ice class	1 A Super


FANTAASIA

Fantaasia	
Built	1979
Length	136.1 m
Passengers	1800
LM	770
Ice class	I A


MELOODIA

Meloodia	
Built	1979
Length	138.8 m
Passengers	1600
LM	710
Ice class	I A


VANA TALLINN

Vana Tallinn	
Built	1974
Length	153.8 m
Passengers	1500
LM	730
Ice class	I B


REGINA BALTICA

Regina Baltica	
Built	1980
Length	145.2 m
Passengers	1500
LM	760
Ice class	I A


REGAL STAR

Redgal Star	
Built	1999
Length	141.9 m
Passengers	80
LM	1600
Ice class	I A


KAPELLA

Kapella	
Built	1974
Length	110.1 m
Passengers	50
LM	660
Ice class	I B


AUTOEXPRESS 1

Tallink AutoExpress	
Built	1996
Length	79.9 m
Passengers	575
Speed	35 knots
LM	725


AUTOEXPRESS 2

Tallink AutoExpress 2	
Built	1996
Length	82.3 m
Passengers	700
Speed	38 knots
LM	790


AUTOEXPRESS 3

Tallink AutoExpress 3	
Built	1997
Length	94.5 m
Passengers	600
Speed	38 knots
LM	640


AUTOEXPRESS 4

Tallink AutoExpress 4	
Built	1997
Length	94.5 m
Passengers	600
Speed	38 knots
LM	640

SHARES AND SHAREHOLDERS

Share capital

The minimum share capital of Tallink Grupp AS is EEK 224 000 000. According to the articles of association, the shareholders' general meeting may increase the share capital by four times – without amending the articles of association – upon 2/3 majority vote of shareholders. The existent share capital is divided into 27 500 000 shares, each with a nominal value of EEK 10. All shares are of one type; they exist in electronic format and have been registered in the Estonian Central Registry of Securities.

No special rights are attached to the shares.

The management board of the company does not have the right to change the size of share capital without convening a shareholders' general meeting.

Shareholder rights

Each share is granted one vote at the shareholders' general meeting.

Shares acquired by transfer of ownership retain voting eligibility only if they are registered in the shareholder list used to determine a given shareholders' general meeting.

The powers of the shareholders' general meeting include amending the articles of association, increasing or reducing share capital, electing the supervisory board and auditing and distributing profit.

Shareholders

As of August 31, 2004 there were 165 shareholders. The 10 major shareholders and their respective shares are presented in the table below.

Dividends

The proposal was made to the shareholders' general meeting to retain all profit from the 2002/2003 financial year and not pay dividends. The decision was approved by the shareholders' general meeting.

The management has also decided that no dividends should be distributed from the profit of the 2003/2004 financial year and that the profit should be retained. This decision will be submitted to the shareholders' general meeting for approval.

According to the Commercial Code of Estonia, a profit distribution resolution should be either adopted or rejected and cannot be changed by the shareholders' general meeting.

Share price and trade in shares

The company's shares are traded on OTC market. During the 2003/2004 financial year, 4,841,522 (777,986) shares of Tallink Grupp AS changed ownership. The amount traded constitutes 17.6% (3.5%) of the total number of shares. The highest share price during the financial year was EEK 120 (70) and the weighted average price was EEK 86.7 (59.6) per share.

Share Capital Increase

In the beginning of the 2003/2004 financial year the company has increased the share capital by issuing 5,100,000 new shares with the nominal value of EEK 10 each and with the premium of EEK 72.14 per share. The subscribers were known international financial institutions. The payment for the new shares was made on 18 September 2003. After the issue the new share capital increased to EEK 275,000,000 and the total new equity amounted to EEK 419 million.

The 10 major shareholders and their respective shares.

Shareholder	No. of shares	%
INFORTAR AS	15,271,202	55.53%
ING LUXEMBOURG S.A.	1,928,064	7.01%
CITIBANK HONG KONG / CITICORP INTERNATIONAL FINANCE CORPORATION	1,749,412	6.36%
NORDEA BANK FINLAND PLC CLIENTS ACCOUNT TRADING	1,569,662	5.71%
SKANDINAVISKA ENSKILDA BANKEN AB CLIENTS	1,385,998	5.04%
KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN	899,999	3.27%
FIREBIRD REPUBLICS FUND LTD	746,076	2.71%
DANSKE CAPITAL FINLAND OY CLIENTS ACCOUNT	619,806	2.25%
NORDEA BANK FINLAND PLC CORPORATE CLIENTS	382,856	1.39%
HANSABANKAS CLIENTS	339,999	1.24%

The table below presents the distribution of share capital by size of share ownership.

Size of ownership in shares	No. of shareholders	% of shareholders	No. of shares	% of share capital
1 - 99	14	8.48%	470	0.002%
100 - 999	28	16.97%	10,823	0.039%
1 000 - 9 999	69	41.82%	182,225	0.663%
10 000 - 99 999	37	22.42%	1,333,090	4.848%
100 000 - 999 999	12	7.27%	4,069,054	14.797%
1 000 000 - 9 999 999	4	2.42%	6,633,136	24.120%
10 000 000+	1	0.61%	15,271,202	55.532%
TOTAL	165	100%	27,500,000	100%

REPORT OF THE MANAGEMENT BOARD

The 2003/2004 financial year was of crucial importance for Tallink Grupp AS. The company expanded its activities considerably, increasing the number of ships and opening an entirely new line and destination. In addition Tallink Grupp AS launched its hotel business. In 2004 Estonia became a member of the European Union, a step that had an impact on the business and travelling conditions on the Baltic Sea. Due to Estonia's EU membership all dues are payed on trade in onboard shops, but the prices stayed at the same level as before. The lifted customs limits with regard to the volume of goods purchased should lead to more sales and should compensate for the lowered margin, which is supported by increased passenger numbers due to simplified border and customs formalities after Estonia's accession to the EU.

SALES

In the 2003/2004 financial year the consolidated sales of Tallink Grupp AS increased by 13.7 per cent from EEK 2 995.6 million to EEK 3 406.3 million.

The increase in sales by EEK 410.7 million can be attributed to the four new vessels acquired and the opening of a hotel in Tallinn during the financial year. The new large cruise ferry Victoria I launched in March, accounts for the largest share in the growing sales.

The split of revenue by geographical segment was as follows: Estonia - Finland – 61.2 per cent, Estonia - Sweden – 36.2 per cent, Estonia - Russia - 1.5 per cent and mainland – 1.1%. By operational segment the sales were divided as follows: ticket sales 27 per cent (28 per cent in 2002/2003), sales of cargo transport 18 per cent (19 per cent), restaurant and shop sales on-board and on mainland 49 per cent (50 per cent) and other 7 per cent (3 per cent).

EARNINGS

The operating profit decreased by 7.2 per cent from EEK 480.8 million to EEK 446.3 million.

Profit before taxes amounted to EEK 313.3 million (2002/2003: 382.1), and consolidated net profit amounted to EEK 313.0 million in 2003/2004 (2002/2003: 381.9). The net profit decreased by 18.0 per cent. The decrease in net profit can be explained by a number of factors:

- The marketing campaigns accompanying the launching of the brand new luxury ferry Victoria I to the Tallinn – Stockholm line increased costs.
- In March Finland cut its excise taxes on alcohol in order to curb the import of alcohol from Estonia;
- On May 1, 2004 the Republic of Estonia became a member of the European Union which had temporary impact on the passenger's behaviour and also disrupted the supply of goods, for a short due to the new systems in customs;
- The increase in fuel prices was reflected in higher costs and shrinking profit;
- The acquisition of new vessels and launching the entirely new Russia line involved extraordinary start up costs.

CAPITAL EXPENDITURE AND FINANCING

At the end of the 2003/2004 financial year the current assets amounted to EEK 675.9 million (2002/2003: EEK 442.7 million). Net cash flow from business operations was EEK 804.4 million in 2003/2004 (EEK 842.3 million in 2002/2003).

At the end of the financial year the interest-bearing liabilities amounted to EEK 4 234.1 million (2002/2003: EEK 2 794.0 million). The amount of interest-bearing loans has increased due to the acquisition of new vessels.

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

The company uses both its own resources and borrowed funds (bank loans, financial leases). Tallink Grupp AS has borrowed funds with both fixed and floating rates of interest in desired currencies taking into account the current market rates and future trends. Tallink Grupp AS seeks to minimize currency translation risks through matching foreign currency assets with foreign currency borrowings.

OWNERS' EQUITY

The owners' equity of the company increased by EEK 709.7 million up to EEK 2 182.4 million, on account of the private placement transaction conducted in September 2003 and the net profit for the financial year. No dividends were paid in the financial year.

In September 2003 Tallink Grupp AS completed a private placement transaction directed to internationally well known first class institutional investors. The share capital of Tallink Grupp AS was increased from EEK 224 million to EEK 275 million by issuing 5 100 000 new shares with nominal value of EEK 10 each. The new shares were issued at a premium of EEK 72.14 per share. The funds acquired through the increase of owners' equity were partly used for the construction and launching of the cruise ferry M/S Victoria I, but also for investing into new vessels and expanding operations.

VESSELS AND OTHER INVESTMENTS

In the financial year there was a major increase in the fleet of Tallink Grupp AS. As at the end of the financial year the group owned a total of 12 vessels and was operating 11 vessels on the Baltic Sea. One of the high-speed vessels acquired during the financial year is undergoing capital repairs.

As of August 31, 2004 the vessels' book value amounted to EEK 5 920.0 million and the market value (average according to 2 independent shipbrokers) amounted to EEK 6 673.3 million. The difference between the book value and market value results in EEK 753.2 million of hidden value.

In February 2004 Tallink Grupp AS purchased M/S Regal Star, a ro-ro type cargo vessel built in 1999 for the Paldiski-Kapellskär line. The new vessel has 1 587 lane metres for trucks. M/S Kapella, another ro-ro type vessel, which served the line before, was transferred to the Tallinn-Helsinki line in March.

In February Tallink Grupp AS also purchased two high-speed crafts, HSC Autoexpress 3 and HSC Autoexpress 4, to develop the speed vessel traffic on the Tallinn – Helsinki line and increase the number of departures. HSC Autoexpress 3 was put into operation in May, 2004. HSC Autoexpress 4, however, underwent major repairs and was not used in the financial year 2003/2004.

On 18 March 2004 the Aker Finnyards shipyard delivered the new cruise ferry M/S Victoria, which was ordered by Tallink Grupp AS in October 2002. She can take on board 2 500 passengers and has 1000 lane metres for vehicles. This vessel is an analogue to M/S Romantika, but she has more cabins, larger conference facilities and there are catalysers for more environment-friendly emissions.

Our vessels meet all applicable safety regulations and all vessels have protection and indemnity (P&I) insurance.

In May 2004 Tallink Grupp AS started operating 700-bed Best Western Hotel Tallink in the centre of Tallinn. Thus Tallink Grupp AS has entered a new field of business, supporting the carriage of passengers and extending the customer service chain ashore.

MARKET DEVELOPMENTS

The number of passengers carried by the Tallink Grupp AS vessels during the 2003/2004 financial year amounted to 2.8 million, which is 8.9 per cent more than the previous financial year. The number of cargo units increased by 10.0 per cent up to 104 thousand units and passenger cars by 23.9 per cent up to 201 thousand cars.

During the reporting period the company carried 2.2 million passengers, 50 thousand cargo units and 143 thousand passenger cars on the Tallinn – Helsinki route. The number of passengers increased by 4.8 per cent, the number of cargo units by 3.2 per cent and the number of passenger cars by 29.2 per cent compared to the previous period. The market share of Tallink Grupp AS on the Tallinn – Helsinki line was about 41 per cent of passenger transport. The share of the cargo transport market was close to 45 per cent.

Estonia's accession to the European Union was the main reason for the surge in passenger numbers. Simplified border, customs and unified third-party car insurances have considerably increased the interest of people to travel to Estonia. Tallinn and the whole Estonia continues to be attractive tourist destination, offering high-quality service. The fact that the general price level in Estonia, especially for alcohol and tobacco products, is greatly lower than in the Scandinavian countries, also contributes to the continuous attraction.

The Tallink vessels carried 0.6 million passengers on the lines between Estonia and Sweden: 459 thousand of them travelled between Tallinn and Stockholm and 110 thousand between Paldiski and Kappelskär. The number of passengers on the Estonia - Sweden route has increased by 19.4 per cent as compared to the year before, the increase on the Tallinn – Stockholm route was 23.7 per cent and on the Paldiski - Kappelskär route it was 3.8 per cent. A total of 52 thousand cargo units and 58 thousand passenger cars were carried between Estonia and Sweden, 20 thousand cargo units and 28 thousand passenger cars were transported between Tallinn and Stockholm and 32 thousand cargo units and 29 thousand passenger cars between Paldiski and Kappelskär. The total increase in the carriage of cargo units and passenger cars between Estonia and Sweden amounted to 12.8 and 10.9 per cent respectively. 5.2 per cent more cargo units and 8.6 per cent more passenger cars were carried on the Tallinn – Stockholm line and the increase on the Paldiski – Kappelskär route was 18.2 per cent and 13.2 per cent respectively.

On 20 March M/S the Victoria was put on the Tallinn – Stockholm line, replacing M/S Fantaasia. This new and most modern vessel of the Baltic Sea has considerably increased the interest of Swedish tourists towards travelling to Estonia and has attracted a more affluent customer segment using a wider range of and more expensive services. As a result the average earnings per passenger have increased.

Since 1 May 2004 the Victoria I and Regina Baltica, operating on the Tallinn – Stockholm line, have been making a short stopover in the port of Mariehamn in Åland in order to continue tax-free trade. The Åland Islands are an autonomous region of the Republic of Finland, situated at mouth of the Gulf of Botnia. The Åland Autonomous Region enjoys a derogation from the European Union rules, which allows tax-free trade on board ships that have entered any port of this region.

In March 2004 the newly acquired ro-ro type cargo vessel M/S Regal Star replaced M/S Kapella on the Paldiski – Kappelskär line. The latter was placed on the Tallinn – Helsinki line to meet the growing demand for cargo carrying capacity on this route.

The market share of Tallink Grupp AS on the Estonia-Sweden route is close to 100 per cent for both passenger and cargo and cars transportation. The market share held by Tallink Grupp AS of the total number of ship passengers departing from the Stockholm region (Stockholm, Kappelskär, Nynäshamn) is around 5 per cent.

On April 1, 2004 Tallink Grupp AS opened a new route Helsinki – Tallinn – St.Petersburg – Helsinki. M/S Fantaasia, which operates on the line, carried 37 thousand passengers during five months. The line is still in its initial development and fine-tuning phase. The number of passengers has been growing steadily on a monthly basis, but has not yet reached the expected levels. The market share of Tallink Grupp AS on the Tallinn – St. Petersburg line was about 60 per cent of passenger transport.

Given the increasing numbers of tourists in Tallinn and aiming to extend the services to its customers ashore, OÜ TLG Hotell, a wholly owned subsidiary of Tallink Grupp AS, started hotel operation in Best Western Hotel Tallink in May 2004. The new hotel with its 349 rooms and 700 beds is the second largest hotel in Estonia. The average occupancy rate of the hotel during the period under review was 65.7 per cent.

PERSONNEL

In 2003/2004 the personnel expenses amounted to EEK 544.0 million (EEK 438.5 million in 2002/2003).

In the financial year the executive members of the Management Board received remuneration in the total amount of EEK 10.1 million (2002/2003: EEK 10.6 million).

During the reporting period the average number of the group's employees was 2 371 (1 921 in 2002/2003) of which 1 810 (1 581) served at sea and 561 (340) ashore. Ashore personnel were divided between the countries as follows: 140 (134) in Finland, 79 (73) in Sweden and 342 (133) in Estonia. Changes in the number of employees mainly resulted from operating with a larger number of vessels and due to starting of hotel operations.

OUTLOOK

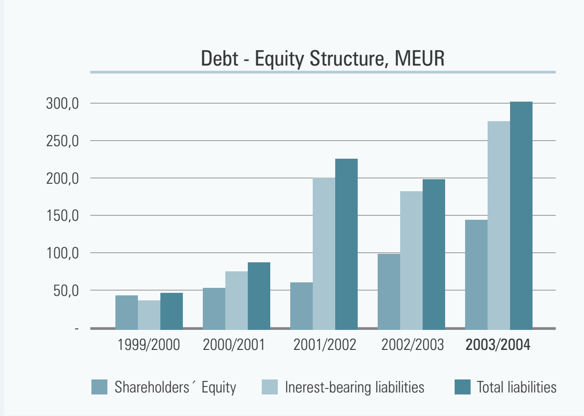
In October 2004 Tallink Grupp AS and the Finnish shipyard Aker Finnyards OY signed a shipbuilding agreement for building a new passenger cruise vessel to be delivered in spring 2006. The new ship will take on board 2 800 passengers and have 1 130 lane metres for carrying cargo. The length of the new vessel will be 213 metres and width 29 metres and she will have 927 cabins. The whole investment amounts to more than EUR 170 million. The newbuilding will service the Tallinn – Helsinki route and will ensure further development of this line, increase the number of passengers and enhance the quality of services offered to the passengers.

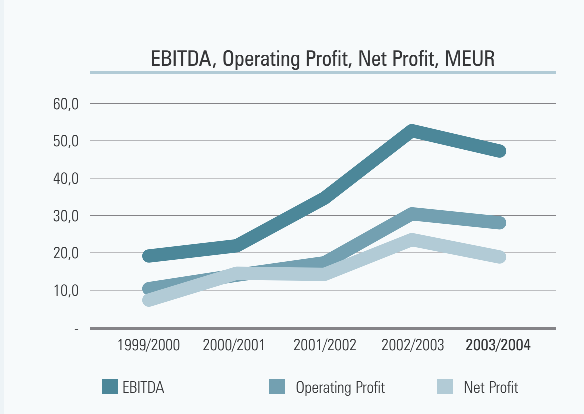
M/S Romantika will be serving the Tallinn – Helsinki line until the launching of the new ship. Thereafter the Romantika will be transferred to the Tallinn – Mariehamn – Stockholm line to join her sister vessel M/S Victoria which will increase the service quality with two modern high-quality vessels operating daily on the line.

The Tallinn accommodation market continues to expand rapidly. An increasing number of tourists taken to Tallinn by Tallink Grupp AS wish to spend at least one night in Estonia.

We expect an increase in passenger numbers on the Tallinn – Helsinki line in the financial year 2004/2005. We anticipate the highest growth among high-speed vessel passengers and tourists travelling by car. The growth of the current passenger and cargo volumes is expected to continue on the Tallinn – Stockholm line.

Enn Pant
Chairman of the Management Board





CONSOLIDATED INCOME STATEMENT

(in thousands)

	2003/2004 EEK	2002/2003 EEK	Notes	Supplementary 2003/2004 EUR	Supplementary 2002/2003 EUR
Net sales	3 406 255	2 995 598	3	217 699	191 454
Cost of sales	-2 478 745	-2 132 865	4	-158 421	-136 315
Gross profit	**927 510**	**862 733**		**59 278**	**55 139**
Marketing expenses	-351 427	-260 951	4	-22 460	-16 678
Administrative and general expenses	-128 283	-118 061	4	-8 199	-7 545
Other operating income	799	2 663	4	51	170
Other operating expenses	-2 331	-5 609	4	-149	-359
Operating profit	**446 268**	**480 775**	3	**28 521**	**30 727**
Net financial expense (-) / income (+)	-134 300	-99 542	4	-8 583	-6 362
Income from associates	1 360	891	12	87	57
Profit from normal operation before income tax	**313 328**	**382 124**	3	**20 025**	**24 422**
Income tax	-305	-193	5	-19	-12
NET PROFIT FOR THE FINANCIAL YEAR	313 023	381 931	3	20 006	24 410
Earnings per share (in EEK/EUR per share)			6		
- basic	11.5	17.1		0.73	1.09
- diluted	11.5	17.1		0.73	1.09

The figures in EUR above are presented only for convenience purposes as supplementary information to the information presented in the actual measurement currency - EEK, which reflects the economic sub

TALLINK GRUPP AS ANNUAL REPORT 2003/2004

CONSOLIDATED BALANCE SHEET

(in thousands)

Assets

	31.08.2004 EEK	31.08.2003 EEK	Notes	Supplementary 31.08.2004 EUR	Supplementary 31.08.2003 EUR
Current assets					
Cash and cash equivalents	366 668	231 824	7	23 434	14 816
Trade receivables	139 624	107 649	8	8 924	6 880
Tax assets	5 512	7 405	5	352	473
Other receivables and prepaid expenses	79 517	44 307	9	5 082	2 832
Inventories	84 553	51 468	10	5 404	3 290
TOTAL CURRENT ASSETS	675 874	442 653		43 196	28 291
Non-current assets					
Investments in associates	2 557	1 997	12	164	128
Other financial assets	2 113	412	13	135	26
Property, plant and equipment	6 050 938	3 902 084	14	386 725	249 388
Intangible assets	176 443	202 022	15	11 277	12 912
TOTAL NON-CURRENT ASSETS	6 232 051	4 106 515		398 301	262 454
TOTAL ASSETS	6 907 925	4 549 168		441 497	290 745

Liabilities and Owners' equity

	31.08.2004 EEK	31.08.2003 EEK	Notes	Supplementary 31.08.2004 EUR	Supplementary 31.08.2003 EUR
Current liabilities					
Current portion of interest-bearing liabilities	750 717	670 711	16	47 980	42 866
Trade payables	280 431	176 113		17 923	11 256
Tax liabilities	70 779	25 846	5	4 524	1 652
Other payables and deferred income	139 971	80 294	17	8 945	5 132
TOTAL CURRENT LIABILITIES	1 241 898	952 964		79 372	60 906
Non-current liabilities					
Interest bearing loans and borrowings	3 483 375	2 123 300	16	222 628	135 703
Deferred income tax	275	197	5	17	13
TOTAL NON-CURRENT LIABILITIES	3 483 650	2 123 497		222 645	135 716
TOTAL LIABILITIES	4 725 548	3 076 461		302 017	196 622
Owners' equity					
Issued capital	275 000	224 000	18	17 576	14 316
Share premium	414 870	69 223	18	26 515	4 424
Reserves	27 500	22 400	2	1 758	1 432
Retained earnings	1 151 984	775 153		73 625	49 541
Net profit for the financial year	313 023	381 931		20 006	24 410
TOTAL OWNERS' EQUITY	2 182 377	1 472 707		139 480	94 123
TOTAL OWNERS' EQUITY AND LIABILITIES	6 907 925	4 549 168		441 497	290 745

The figures in EUR above are presented only for convenience purposes as supplementary information to the information presented in the actual measurement currency - EEK, which reflects the economic sub

CONSOLIDATED CASH FLOW STATEMENT

(in thousands)

				Supplementary	
	2003/2004	2002/2003		2003/2004	2002/2003
Cash flows from operating activities	EEK	EEK	Notes	EUR	EUR
Net profit	313 023	381 931		20 006	24 410
Adjustments of profit	404 604	418 241		25 859	26 730
Depreciation and amortisation	*273 760*	*322 116*	*14, 15*	*17 496*	*20 587*
Net (gains) / losses on disposals of tangible and intangible assets	*249*	*-54*	*4*	*16*	*-3*
Net interest expenses	*131 633*	*136 438*	*4*	*8 413*	*8 720*
Income from associates	*-1 360*	*-891*	*12*	*-87*	*-57*
Net foreign exchange gain related to investing and financing activities	*17*	*-39 561*		*1*	*-2 528*
Income tax	*305*	*193*	*5*	*20*	*12*
Income tax paid / refunded	-338	-19		-22	-1
Change in receivables related to operating activities	-66 848	83 858		-4 272	5 360
Change in inventories	-33 085	8 062		-2 115	515
Change in liabilities related to operating activities	187 071	-49 825		11 957	-3 184
NET CASH FROM OPERATING ACTIVITIES	804 427	842 248		51 413	53 829
Cash flows from investing activities					
Purchase of tangible and intangible assets	-2 396 561	-382 844	14, 15, 16	-153 168	-24 468
Proceeds from disposals of tangible and intangible assets	382	57	4, 14	24	4
Repayments of granted loans	0	5 120		0	327
Acquisition of subsidiary	-46	-248 140	11	-3	-15 859
Proceeds from disposals of shares of associates	0	1 564		0	100
Dividends received	800	1 400	12	51	89
Interest received	9 269	3 236		592	207
NET CASH FROM INVESTING ACTIVITIES	-2 386 156	-619 607		-152 504	-39 600
Cash flows from financing activities					
Loans received	2 251 129	550 025		143 873	35 153
Loans repaid	-820 022	-515 298		-52 409	-32 934
Interest paid	-110 584	-139 898		-7 068	-8 941
Purchases of treasury shares	0	-4 599	18	0	-294
Proceeds from disposal of treasury shares	0	4 599	18	0	294
Issue of shares	396 647	0	18	25 351	0
Payments of finance lease liability	-597	-38 367		-38	-2 452
NET CASH FROM FINANCING ACTIVITIES	1 716 573	-143 538		109 709	-9 174
TOTAL NET CASH FLOW	134 844	79 103		8 618	5 055
Cash and cash equivalents at beginning of period	231 824	152 721		14 816	9 761
Total net cash flow	134 844	79 103		8 618	5 055
CASH AND CASH EQUIVALENTS AT END OF PERIOD	366 668	231 824	7	23 434	14 816

The figures in EUR above are presented only for convenience purposes as supplementary information to the information presented in the actual measurement currency - EEK, which reflects the economic sub

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STATEMENT OF CHANGES IN EQUITY

(in thousands)

	Issued capital	Share premium	Treasury shares	Reserves	Retained earnings	Total
AT 01 SEPTEMBER 2002	224 000	69 223	0	22 400	775 153	1 090 776
Purchase of treasury shares	0	0	-4 599	0	0	-4 599
Sale of treasury shares	0	0	4 599	0	0	4 599
Net profit	0	0	0	0	381 931	381 931
AT 31 AUGUST 2003	224 000	69 223	0	22 400	1 157 084	1 472 707
Share issue	51 000	345 647	0	0	0	396 647
Transfer from retained earnings to reserves	0	0	0	5 100	-5 100	0
Net profit	0	0	0	0	313 023	313 023
AT 31 AUGUST 2004	275 000	414 870	0	27 500	1 465 007	2 182 377

For additional information about shares and movements in equity see Note 18.

The figures in EUR above are presented only for convenience purposes as supplementary information to the information presented in the actual measurement currency - EEK, which reflects the economic sub

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

The consolidated financial statements of Tallink Grupp AS for the year ended August 31, 2004 were authorised for issue in accordance with a resolution of the Management Board on December 17, 2004. Tallink Grupp AS is a limited company incorporated in Estonia that employed 2 820 people at August 31, 2004 (2 040 at August 31, 2003). The principal activities of the group are described in Note 3. Tallink Grupp AS is controlled by Infortar AS, which owns 55.53 % of the shares of Tallink Grupp AS as of December 17, 2004.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of Tallink Grupp AS have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect as of August 31, 2004, except IAS 16 (revised 2004), which was adopted before its effective date, i.e. financial years beginning on or after January 1, 2005.

The consolidated financial statements have been prepared in thousand Estonian kroon (EEK) and based on historical cost, unless indicated otherwise in the accounting principles below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Tallink Grupp AS and its subsidiaries drawn up to August 31 each year. Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. All inter-company transactions, balances and unrealized profits and losses on transactions between group companies have been eliminated in the consolidated financial statements.

New subsidiaries (business combinations) have been included in the consolidated financial statements using the purchase method of accounting. Accordingly, the consolidated income statement and consolidated cash flow statement include the results and cash flows of new subsidiaries for the period starting from their acquisition date. The purchase consideration is allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Investment in associates

The group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence, but which is not a subsidiary of the group. The investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associate, less any impairment in value.

Foreign exchange transactions

Transactions in foreign currencies are recorded at the transaction date exchange rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are recognised in the income statement as financial items.

The overseas subsidiaries are considered as "foreign operations that are integral to the operations of the parent company". It means that the individual items in the financial statements of the overseas subsidiaries are translated as if all its transactions had been entered into by the parent company itself. The cost and depreciation of tangible fixed assets is translated using the exchange rate at the date of purchase of the asset. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets of the acquiring company and are recorded at the exchange rate as of the date of the acquisition.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings -	over 20 years
Plant and equipment -	over 5 years
Ships -	over 6 to 50 years
Other equipment -	over 3 to 5 years.

From September 1, 2003 according to the revised IAS 16 depreciation charge is calculated separately for each significant part of ships on a straight-line basis over estimated useful life of each part as follows:

Hull* -	over 11 to 50 years
Machinery -	over 11 to 40 years
On-board equipment (short-term) -	over 5 to 6 years
On-board equipment (long-term) -	over 10 to 21 years

*From September 1, 2003 the residual value other than zero is used for hull, i.e. depreciation is stopped when the carrying value of the hull equals with its residual value. The residual value is based on the current prices of relevant metals and the probable quantity of scrap metals realizable at the end of ship's useful life.

The residual value and the useful life of items of property, plant and equipment are reviewed at least at each financial year and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimation.

Due to changes in useful lives and residual value of hull the depreciation charge decreased by 63 480 th. EEK during the year 2003/2004 (compared with previous year). In the interim consolidated condensed financial statements for the 3- and 6-months periods ended respectively November 30, 2003 and February 29, 2004 the previous estimates were used in calculation of depreciation charges.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the individual assets or group of assets comprising cash-generating units are written down to their recoverable amount, which is specified as the higher of an asset's market value and value in use. At least two independent brokers are used annually to valuate market value of ships and identify impairment indicators, if any.

The costs related to the building of ships are capitalised. Capitalised costs are as follows:

- payments to the ship builder;
- payments for organising the survey related to the building of new ships;
- borrowing costs (up to the delivery date) related to loans set up for the building of new ships;
- equipment purchased for new ships;
- start-up costs for new ships.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised (e.g. replacements of part of some items) are added to the carrying amount of the assets, if the recognition criteria are met, i.e. (a) it is probable that future economic benefits associated with the item will flow to the enterprise, and (b) the cost of the item can be measured reliably. The replaced items are derecognised. All other expenditures are recognised as an expense in the period in which it is incurred.

Dry-docking costs

The ships are dry-docked in intervals of two or three years. The major expenditures related to the dry-docking are capitalised and recorded in the same line of balance sheet as ships. The depreciation period applied to capitalised dry-docking costs coincides with the frequency of dry-docking (2-5 years).

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary at the date of acquisition.

Goodwill arising from business combinations for which the agreement date is before March 31, 2004

Goodwill is amortised on a straight-line basis maximum of 10 years. Amortisation period bases on the best estimate of the period during which future economic benefits are expected to flow to the group. Goodwill is stated at cost less accumulated amortisation and any impairment in value. Amortisation of goodwill is recorded as "administrative and general expenses" in the income statement.

Goodwill arising from business combinations for which the agreement date is on or after March 31, 2004

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses of goodwill are recorded as "administrative and general expenses" in the income statement.

Research and development costs

Research and development expenditure is expensed except that costs incurred on development projects are recognised as development assets to the extent that such expenditure is reasonably expected to have future economic benefits. However, development costs initially recognised as an expense are not recognised as an asset in a subsequent period if economic benefit becomes probable.

Other intangible assets

Intangible assets acquired separately from a business are initially recognised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets are amortised on a straight-line basis maximum of 5 years. Amortisation of intangible assets is recorded as "administrative and general expenses" in the income statement.

Financial instruments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading (including derivatives) and available-for-sale, are measured at fair value. Other long-term receivables are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account a discount or a premium on acquisition, over the period to maturity. Increases/decreases in the carrying amount of investments and any gains and losses on the disposal of investments are charged or credited to the income statement within "Net financial expense / income".

Inventories

Inventories are valued at the lower of cost and net realisable value. Both raw materials and merchandise purchased for resale are written off using the weighted average cost method.

Trade and other receivables

Trade receivables, which generally have 7-30 day payment terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off from the balance sheet when identified.

Cash and cash equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs related to the building of new ships are capitalised as a part of the acquisition cost of an asset (incurred up to the delivery date).

Leases

Finance leases, which transfer to the group substantially all the risks and benefits incidental to the ownership of the leased items, are capitalised at the present value of the minimum lease payments. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases, where the lesser retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases and lease payments are recognised as operating expenses.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Promises, guarantees and other commitments that in certain circumstances may become liabilities, but in the opinion of the group's management the probability of an outflow to settle these liabilities is lower than 50%, are disclosed in the Notes to the consolidated financial statements as contingent liabilities.

Contingent assets are never recognised. They are disclosed in the Note if their realisability is probable.

Reserves in owners' equity

Reserves in owners' equity include a mandatory legal reserve formed according to the Commercial Code amounting to 10% of the share capital. This is transferred from the net profit upon a resolution of the general meeting of shareholders. The mandatory legal reserve cannot be distributed to shareholders as dividends, but it can be used to cover losses.

Segment reporting

All assets directly related to the segments are recorded as the assets of the segment and all liabilities directly related to the segments are recorded as the liabilities of the segments. Unallocated assets and liabilities are recorded as the assets and liabilities of the group. The primary segments of the group are geographical segments (by the routes and mainland) and the secondary segments are operational segments (tickets sales, sales of cargo transport, restaurant and shops sales on-board and on mainland, hotel (accommodation) sales and others). Expenses not related to a specific segment are recorded as unallocated expenses of the group.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Ticket sale and sale of cargo transport

Revenue from tickets and cargo transport are recognised in the income statement at the time of departure. At financial year-end, if material a revenue deferral is recorded for the part of the revenue that has not yet been earned in relation to the tickets sold.

Sales of hotel rooms

Revenue from sales of hotel rooms is recognised in the income statement, when the rooms are used by the clients. At financial year-end, if material a revenue deferral is recorded for the part of the revenue that has not yet been earned in relation to the room days sold.

Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset).

Income tax

Income tax contains current income tax and deferred income tax.

The parent company and its Estonian subsidiaries:

According to Estonian Income Tax Law the company's net profit is not subject to income tax, but all dividends paid by the company are subject to income tax (26/74 of net dividend paid out before December 31, 2004 and 24/76 of net dividend paid out after December 31, 2004). Thus there are no temporary differences between the tax bases and carrying values of assets and liabilities that may cause the deferred income tax.

The company's potential tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet. The amount of potential tax liability related to the distribution of dividends depends on when and how much dividends the company pays out.

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

Swedish, Finnish and Russian subsidiaries:

In accordance with income tax acts, the company's net profit adjusted by temporary and permanent differences determined in income tax acts is subject to income tax in Finland, Sweden and Russia (tax rate is 29% in Finland, 28% in Sweden and 22 % in Russia).

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Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised only when it is probable that profit will be available against which the deferred tax assets can be utilised.

Tax to be paid is reported under current liabilities and deferred tax under non-current liabilities.

Other subsidiaries:

The net profit of shipping companies registered in Cyprus and Bahamas and dividends paid by these companies are treated without income tax. Thus there are no temporary differences between the tax bases and carrying values of assets and liabilities that may cause the deferred income tax.

NOTE 3 SEGMENT INFORMATION

(in thousand EEK)

The group's operating businesses are organised and managed separately according to the nature of the different markets. The group operates with six ships between Estonia-Finland, with four ships between Estonia-Sweden, with one ship between Estonia-Russia and with one hotel in Estonia, which represent different business segments. The group's market share on Estonia-Finland route is about 41% passenger transportation and about 45% cargo transportation, Estonia-Sweden route is about 100% passenger transportation and about 100% cargo transportation and Estonia-Russia route is about 60% passenger transportation and about 80% cargo transportation (according to the Port of Tallinn).

The following tables present revenue and profit as well as certain asset and liability information regarding business segments for the years ended August 31, 2004 and 2003.

Geographical segments – assets' location

2003/2004 Revenue	Estonia-Finland routes	Estonia-Sweden routes	Estonia-Russia routes	Estonia main-land business	Elimination of inter-segment sales	Total
Ticket sales	*533 600*	*349 080*	*26 877*	*171*		*909 728*
Accomodation sales	*0*	*0*	*0*	*31 486*		*31 486*
Sales of cargo transport	*227 433*	*378 893*	*3 057*	*0*		*609 383*
Restaurant and shops sales on-board and on mainland	*1 173 249*	*463 516*	*20 175*	*8 620*		*1 665 560*
Other	*149 064*	*40 201*	*833*	*0*		*190 098*
Total external sales	2 083 346	1 231 690	50 942	40 277	0	3 406 255
Inter-segment sales	285 100	6 999	106	60	-292 265	0
TOTAL REVENUE	**2 368 446**	**1 238 689**	**51 048**	**40 337**	**-292 265**	**3 406 255**
Result						
Segment result	414 783	203 895	-52 083	9 488		576 083
Unallocated expenses						-129 815
Operating profit						**446 268**
Net financial expenses *						-134 300
Income from associate						1 360
Profit before income tax						**313 328**
Income tax						-305
NET PROFIT						**313 023**

31.08.2004 Assets and liabilities	Estonia-Finland routes	Estonia-Sweden routes	Estonia-Russia routes	Estonia main-land business	Intersegment	Total
Segment assets	3 225 470	3 243 915	328 280	10 961	-106 957	6 701 669
Unallocated assets						206 256
Total assets						**6 907 925**
Segment liabilities	233 209	143 032	66 931	11 089	-106 957	347 304
Unallocated liabilities *						4 378 244
TOTAL LIABILITIES						**4 725 548**
Other segment information						
Tangible assets capital expenditure	218 490	2 146 280	9 306	4 141		2 378 217
Unallocated tangible assets capital expenditure						16 247
Intangible assets capital expenditure	620	437	109	0		1 166
Unallocated intangible assets capital expenditure						2 036
Depreciation	131 102	90 198	13 565	433		235 298
Unallocated depreciation						9 681
Amortisation	20 622	7 929	3	0		28 554
Unallocated amortisation						226

**Unallocated liabilities include the loans received to finance the ships operating between Estonia and Finland in the amount of 2 002 310 th. EEK and to finance the ships operating between Estonia and Sweden in the amount of 1 979 972 th. EEK. The corresponding interest expenses amounted to 67 987 th. EEK and 49 073 th. EEK.*

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2002/2003 Revenue	Estonia Finland	Estonia Sweden	Elimination of inter-segment sales	Total
Ticket sales	*566 773*	*260 318*		*827 091*
Sales of cargo transport	*226 683*	*352 331*		*579 014*
On-board sales	*1 192 438*	*301 884*		*1 494 322*
Other	*66 961*	*28 210*		*95 171*
Total external sales	2 052 855	942 743	0	2 995 598
Inter-segment sales	280 639	715	-281 354	0
Total revenue	**2 333 494**	**943 458**	**-281 354**	**2 995 598**
Result				
Segment result	524 002	77 780		601 782
Unallocated expenses				-121 007
Operating profit				**480 775**
Net financial expenses *				-99 542
Income from associate				891
Profit before income tax				**382 124**
Income tax				-193
NET PROFIT				**381 931**

31.08.2003 Assets and liabilities	Estonia Finland	Estonia Sweden	Inter-segment	Total
Segment assets	3 135 695	1 411 920	-144 091	4 403 524
Unallocated assets				145 644
TOTAL ASSETS				**4 549 168**
Segment liabilities	292 794	82 128	-144 091	230 831
Unallocated liabilities *				2 845 630
TOTAL LIABILITIES				**3 076 461**
Other segment information				
Tangible assets capital expenditure	15 705	368 210		383 915
Unallocated tangible assets capital expenditure				3 993
Intangible assets capital expenditure	203 987	0		203 987
Depreciation	191 168	103 200		294 368
Unallocated depreciation				3 134
Amortisation	10 413	12 787		23 200
Unallocated amortisation				1 414

** Unallocated liabilities include the loans received to finance the ships operating between Estonia and Finland in the amount of 1 955 673 th. EEK and to finance the ships operating between Estonia and Sweden in the amount of 539 780 th. EEK. The corresponding interest expenses amounted to 92 340 th. EEK and 24 024 th. EEK.*

Net sales by geographical segments – customers' location

As it is not possible to record revenue by customer group (especially on-board sales), this information has not been disclosed in the notes to the financial statements.

Information by operational segments

As most of the group's and company's assets (incl. tangible fixed assets) are related to sea transportation, then the information about assets and purchases of tangible non-current assets by operational segments has not been additionally disclosed.

NOTE 4 INCOME AND EXPENSES

(in thousand EEK)

Cost of sales	2003/2004	2002/2003
Cost of inventories	746 858	616 718
Port charges	494 274	409 605
Bunker cost	274 429	240 210
Charter hire	0	3 095
Staff costs	368 293	286 548
Depreciation	236 540	293 176
Other costs	358 351	283 513
TOTAL	2 478 745	2 132 865

Marketing expenses	2003/2004	2002/2003
Advertising expenses	122 121	82 887
Depreciation	4 622	5 078
Staff costs	131 135	109 686
Other costs	93 549	63 300
TOTAL	351 427	260 951

Administrative and general expenses	2003/2004	2002/2003
Depreciation	32 598	23 862
Staff costs	44 594	42 288
Other costs	51 091	51 911
TOTAL	128 283	118 061

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

	2003/2004	2002/2003
Wages and salaries	399 015	323 405
Social security costs	128 648	106 533
Cost of training of staff	4 042	2 802
Other staff costs	12 322	5 782
TOTAL	544 027	438 522

Other operating income	2003/2004	2002/2003
Gain on disposal of property, plant and equipment	116	57
Insurance benefits	117	317
Other	566	2 289
TOTAL	799	2 663

Other operating expenses	2003/2004	2002/2003
Loss on disposal of property, plant and equipment	365	3
Other	1 966	5 606
TOTAL	2 331	5 609

Finance income and finance expenses	2003/2004	2002/2003
Net foreign exchange gains	0	37 054
Other interest and financial income	9 475	3 047
Total financial income	9 475	40 101
Net foreign exchange losses	-2 528	0
Interest expenses	-141 108	-139 485
Other financial expenses	-139	-158
Total financial expenses	-143 775	-139 643
NET FINANCIAL EXPENSES (-) / INCOME	-134 300	-99 542

NOTE 5 TAXES

(in thousand EEK)

Major components of income tax expense for the years ended August 31 are:

	2003/2004	2002/2003
Income tax from profit of Swedish subsidiary	296	193
Income tax from profit of Russian subsidiary	9	0
TOTAL	305	193

According to Russian, Finnish and Swedish legislation it is permissible for accounting and taxation purposes to charge the profit and loss account with depreciation in excess of plan and thereby accomplish a postponement of tax payments. These postponements are shown as deferred tax liability. The Finnish subsidiary has also carry-forwards of tax losses, which are considered in calculation of the deferred tax asset.

As of August 31, 2004 and 2003 the Swedish subsidiary – Tallink Sverige AB – has a deferred tax liability, the Finnish subsidiary – Tallink Finland OY – has an unrecorded deferred tax asset (it is not probable that future taxable profit will be available against which the unused tax losses can be utilised) and the Russian subsidiary – Tallink-Ru OOO - has no significant deferred tax liability or asset:

	31.08.2004	31.08.2003
Deferred tax liability (non-current liability)	275	197
Unrecorded deferred tax asset	2 313	3 699

Refundable taxes and tax liabilities recorded as current assets and liabilities are divided as follows:

Tax assets	31.08.2004	31.08.2003
VAT	5 179	7 017
Income tax	319	381
Other taxes	14	7
TOTAL	5 512	7 405

Tax liabilities	31.08.2004	31.08.2003
Salary related taxes	39 038	25 734
Excise duties	2 496	0
VAT	29 203	0
Income tax	9	86
Other taxes	33	26
TOTAL	70 779	25 846

NOTE 6 EARNINGS PER SHARE

(in thousand EEK)

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

	2003/2004	2002/2003
Weighted average number of ordinary shares (pcs) [1]	27 262 466	22 400 000
Net profit attributable to ordinary shareholders	313 023	381 931
EARNINGS PER SHARE (IN EEK PER SHARE)	11.5	17.1

AS Tallink Grupp issued 5 100 000 new shares for cash on 18th September 2003. The total number of ordinary shares after share issuing is 27 500 000. See also Note 18.

[1] As a result of the issuing new shares, the share capital increased from 22 400 000 shares to 27 500 000 shares on September 18, 2003 (see also Note 18). The calculation of weighted average number of ordinary shares is the following:

- period from September 1 to September 17 (17 days) – 22 400 000 shares;
- period from September 18 to August 31 (348 days) – 27 500 000 shares.

NOTE 7 CASH AND CASH EQUIVALENTS

(in thousand EEK)

	31.08.2004	31.08.2003
Cash at bank and in hand	226 135	73 076
Short-term deposits	140 533	158 748
TOTAL	366 668	231 824

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates (rates in 2003/2004 were in the range of 0.25-2.95% and in 2002/2003 in the range of 0.25-4.10%). Short-term deposits are made for varying periods of between one month and six months depending on bank loan repayments.

For the purpose of the Cash Flow Statement, the amount of cash and cash equivalents is equal to the amount of cash and cash equivalents recorded in the Balance Sheet.

NOTE 8 TRADE RECEIVABLES

(in thousand EEK)

	31.08.2004	31.08.2003
Trade receivable	141 535	108 356
Allowance for uncollectible receivables	-1 911	-707
TOTAL	139 624	107 649

NOTE 9 OTHER RECEIVABLES AND PREPAID EXPENSES

(in thousand EEK)

	31.08.2004	31.08.2003
Amount owed by associate	1 846	112
Other receivables	37 921	18 078
Accrued interest income	413	218
Prepaid expenses	39 337	25 899
TOTAL	79 517	44 307

As of August 31, 2004 and 2003 the balance of other receivables consists mostly of sold goods' commission receivable for last 5 months and the balance of prepaid expenses mostly includes prepayments for insurance and port fees.

As of August 31, 2004 the balance of other receivables includes also a receivable from the Port of Tallinn for a landing-stage organised by the Group in the amount of 15 636 th. EEK.

As of August 31, 2003 the balance of prepaid expenses includes also expenses related to issuing new shares in the amount of 7 184 th. EEK, which were recorded as a reduction of share premium in September 2003. See more information about issuing new shares in Note 18.

NOTE 10 INVENTORIES

(in thousand EEK)

	31.08.2004	31.08.2003
Raw materials (at cost)	13 118	4 653
Goods for sale (at cost)	70 996	45 845
Prepayments to suppliers	439	970
TOTAL	84 553	51 468

NOTE 11 INVESTMENTS IN SUBSIDIARIES

(in thousand EEK)

Name of subsidiary	Country of incorporation	% equity interest Aug 31, 2004	% equity interest Aug 31, 2003	Equity in th. EEK Aug 31, 2004	Equity in th. EEK Aug 31, 2003
Hansaliin OÜ	Estonia	100	100	88	42
HT Kinnisvara OÜ	Estonia	100	100	2 270	1 237
Tallink Duty Free AS	Estonia	100	100	3 155	2 830
HT Hulgi Tolliladu AS <1>	Estonia	100	100	317	322
HT Laevateenindus OÜ	Estonia	100	100	2 545	1 563
HT Meelelahutus OÜ	Estonia	100	100	4 585	1 586
Tallink AS	Estonia	100	100	-50 728	410
Hansatee Cargo AS	Estonia	100	100	1 637	49 997
TLG Hotell OÜ	Estonia	100	100	9 147	40
Tallink Sverige AB <2>	Sweden	100	100	2 542	1 763
Tallink Finland OY	Finland	100	100	9 270	8 439
Kapella Shipping Ltd.	Bahama	100	100	40 979	35 593
Tallink Line Ltd.	Cyprus	100	100	316 915	250 270
Tallinn - Helsinki Line Ltd.	Cyprus	100	100	45 850	34 579
Vana Tallinn Line Ltd.	Cyprus	100	100	345 866	288 378
Tallink Fast Ltd.	Cyprus	100	100	297 005	242 975
Tallink Ltd.	Cyprus	100	100	280 929	154 946
Tallinn Swedish Line Ltd.	Cyprus	100	100	120 929	69 525
Tallinn Stockholm Line Ltd.	Cyprus	100	100	111 006	58 113
Tallink Victory Line Ltd.	Cyprus	100	100	81 445	-28
Hansalink Ltd	Cyprus	100	100	144 087	111 482
Tallink-Ru OOO <3>	Russia	100	0	37	0
Tallink Autoexpress Ltd. <4>	Cyprus	100	0	22 384	0
Tallink High Speed Ltd <5>	Cyprus	100	0	-731	0
Tallink Travel Club OÜ <6>	Estonia	100	0	766	0

<1> HT Hulgi Tolliladu AS is a subsidiary of Tallink Duty Free AS

<2> Tallink Sverige AB is a subsidiary of Hansatee Cargo AS

Acquisitions of subsidiaries

<3> In April 2004 Tallink Grupp AS established a new subsidiary OOO Tallink-Ru with 100% of the ownership. The payment into the share capital in the amount of 5 thousand EEK was made in May 2004. The new subsidiary has been registered in Russia and was established as a ticket sales agent.

<4> In January 2004 Tallink Grupp AS established a new subsidiary Tallink Autoexpress Limited with 100% of the ownership. The payment into the share capital in the amount of 27 thousand EEK was made in August 2004. The new subsidiary has been registered in Cyprus and was established for later ship owning purpose.

<5> In February 2004 Tallink Grupp AS established a new subsidiary Tallink High Speed Limited with 100% of the ownership. The payment into the share capital in the amount of 27 thousand EEK was made in August 2004. The new subsidiary has been registered in Cyprus and was established for later ship owning purpose.

<6> In December 2003 Tallink Grupp AS purchased 100% of shares of Downtown Travel Club OÜ (renamed to Tallink Travel Club OÜ on March 1, 2004) from Infortar AS (the parent company of the group). The purchase price was 800 thousand EEK. 754 thousand EEK of the purchase price was offset between Tallink Grupp, Infortar and Downtown Travel Club OÜ and the remaining part (46 thousand EEK) was paid in cash. The new subsidiary operates as a travel agent company.

The fair values of the identifiable assets and liabilities of Tallink Travel Club OÜ at the date of acquisition are as follows:

Short-term receivables	754	Payables to Tallink Grupp	-14
Equipment	13	Short-term payables	- 2
	767		-16
FAIR VALUE OF NET ASSETS	751		
Goodwill[1]	49		
CONSIDERATION	800		

1 Goodwill arising from the purchase of the new subsidiary was expensed immediately as an immaterial item.

Assets and liabilities of Tallink Travel Club OÜ as of August 31, 2004 and its income and expenses for the period of January 2004 to August 2004 do not influence the financial position of the group at the reporting date and results of the group for the reporting period significantly.

NOTE 12 INVESTMENT IN ASSOCIATE

(in thousand EEK)

	HT Valuuta AS
% equity interest at the beginning of the financial year	25
% equity interest at the end of the financial year	25
Acquisition cost - Aug 31, 2003	100
Book value - Aug 31, 2003	1 997
Dividends received	-800
Income under the equity method	1 360
Acquisition value - Aug 31, 2004	100
BOOK VALUE - AUG 31, 2004	2 557

HT Valuuta AS has been registered in Estonia and its shares are not listed.

NOTE 13 OTHER LONG TERM ASSETS

(in thousand EEK)

	31.08.2004	31.08.2003
Other receivables and prepaid expenses	2 113	412
TOTAL	2 113	412

As of August 31, 2004 and 2003 other receivables and prepaid expenses of the group included long-term prepayment (term-less).

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

(in thousand EEK)

	Land and building	Ships	Plant and equipment	Construction in progress	Prepayments	Total
BOOK VALUE AT AUG 31, 2003	8 291	3 523 802	24 246	0	345 745	3 902 084
Additions	4 333	2 626 260	27 268	82 128	-345 525	2 394 464
Disposals	0	0	-631	0	0	-631
Depreciation for the year	-1 246	-230 040	-13 693	0	0	-244 979
BOOK VALUE AT AUG 31, 2004	11 378	5 920 022	37 190	82 128	220	6 050 938
At August 31, 2003						
- Cost	13 453	4 195 115	73 143	0	345 745	4 627 456
- Accumulated depreciation	-5 162	-671 313	-48 897	0	0	-725 372
At August 31, 2004						
- Cost	17 516	6 801 988	91 558	82 128	220	6 993 410
- Accumulated depreciation	-6 138	-881 966	-54 368	0	0	-942 472

For more information about the leased assets see also Note 16.

During the financial year the group has capitalised borrowing costs as a part of the cost of ships in the amount of 672 th. EEK (2002/2003: 12 194 th. EEK) – 100% of interest related to the loans received to finance the building of vessels (up to the delivery date).

From September 1, 2003 Tallink Grupp AS changed the accounting estimates related to the depreciation calculation for each significant part of ships in terms of the estimated useful lives as well as the residual values of ships' hulls (Note 2).

Due to changes in useful life and residual value of hull the depreciation charge decreased by 63 480 th. EEK during the year 2003/2004 (compared with previous year). In the interim consolidated condensed financial statements for the 3- and 6-months periods ended respectively November 30, 2003 and February 29, 2004 the previous estimates were used in calculation of depreciation charges.

Pledged property, plant and equipment

Most of group's ships are subject to a first or second mortgage to secure group's bank loans.

As of August 31, 2004	Loan balance	Book value of collateral	Market value* of collateral
Ships	4 034 475	5 991 839	6 626 352

** Average of 2 shipbrokers quotes as of August 31, 2004*

NOTE 15 INTANGIBLE ASSETS

(in thousand EEK)

	Goodwill	Patents and licences	Development costs	Total
Book value at Aug 31, 2003	194 056	587	7 379	202 022
Additions	0	3 202	0	3 202
Amortisation for the year	-20 908	-811	-7 062	-28 781
BOOK VALUE AT AUG 31, 2004	173 148	2 978	317	176 443
At August 31, 2003				
- Cost	208 821	2 112	33 206	244 139
- Accumulated amortisation	-14 765	-1 525	-25 827	-42 117
At August 31, 2004				
- Cost	203 706	5 314	7 379	216 399
- Accumulated amortisation	-30 558	-2 336	-7 062	-39 956

NOTE 16 INTEREST BEARING LOANS AND BORROWINGS

(in thousand EEK)

At August 31, 2004	Maturity	Short-term portion	Long-term portion	Total borrowings
Obligation under finance lease	2008	380	1 397	1 777
Long-term secured bank loans	2004-2014	602 261	3 432 214	4 034 475
Other long-term secured loans	2007	48 766	49 764	98 530
Bonds	2004	99 310	0	99 310
TOTAL		750 717	3 483 375	4 234 092
At August 31, 2003				
Obligation under finance lease	2008	253	1 671	1 924
Long-term secured bank loans	2003-2014	396 621	2 046 983	2 443 604
Other long-term secured loans	2007-2011	197 350	74 646	271 996
Bonds	2004	76 487	0	76 487
TOTAL		670 711	2 123 300	2 794 011

* The group is allowed to use bank overdraft with limitation of 200 000 thousand EEK and 1 009 thousand EUR. Bank overdrafts are secured with commercial pledge (in the total amount of 151 250 thousand EEK) and ship mortgages. In 2003/2004 the average effective interest rate of bank overdrafts is EURIBOR+2.17% for overdrafts from Estonian commercial banks and EURIBOR+1.25% from Finnish commercial bank. As of August 31, 2004 and 2003 there were no outstanding overdraft balances.

* In 2003/2004 the weighted average interest rate of secured bank loan was EURIBOR +1.44%.

* Interest rates of other secured loans, which is a loan from the parent company of the group - Infortar - in the amount of 98 530 th. EEK at August 31, 2004, has a fixed interest rate of 7%.

* As of August 31, 2004 bonds with the book value of 99 310 th. EEK (as at Aug 31, 2003: 76 487 th. EEK) have the fixed interest rate of 0%. The total nominal value of these bonds is 100 000 th. EEK (2003: 80 390 th. EEK). The difference between the nominal value and the received amount is expensed during the loan period – it means that average effective interest rate is approx. 3.0 % (2003: 6.6%).

* Lease liability of the group as of August 31, 2004 is related to office equipment in Sweden. The future minimum lease payments under finance lease and the present value (PV) of the net minimum lease payments are as follows:

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	2003/2004		2002/2003	
	minimum payments	PV of payments	minimum payments	PV of payments
Within one year	406	380	270	253
After 1 year, but not more than 5 years	1 492	1 397	1 785	1 671
TOTAL MINIMUM LEASE PAYMENTS	1 898		2 055	
Future financial charges	-121		-131	
PV OF MINIMUM LEASE PAYMENTS	1 777	1 777	1 924	1 924
BOOK VALUE OF LEASED ASSETS AS AT AUGUST 31, 2003				1 909
Additions, incl. exchange rate difference				451
Depreciation for the financial year				-682
BOOK VALUE OF LEASED ASSETS AS AT AUGUST 31, 2004				1 678
- at cost				*3 024*
- accumulated depreciation				*-1 346*

For additional information about currency structure of borrowings see Note 21.

NOTE 17 OTHER PAYABLES AND DEFERRED INCOME

(in thousand EEK)

	31.08.2004	31.08.2003
Customers' prepayments	25 585	14 229
Payables to associates	147	0
Other payables	2 865	386
Payables to employees	53 848	36 162
Interest payable	50 228	28 153
Other accruals	7 298	1 364
TOTAL	139 971	80 294

NOTE 18 SHARE CAPITAL

(in thousand EEK)

	31.08.2004	31.08.2003
Ordinary shares of 10 EEK each (th. pcs)	27 500	22 400
The number of shares issued and fully paid (th. pcs)	27 500	22 400
Share capital	275 500	224 000
Share premium per share in EEK	15,09	3,09
Total share premium	414 870	69 223

According to the Articles of Association the maximum number of authorised common shares is 89 600 000.

According to AS Tallink Grupp Shareholders' Extraordinary General Meeting on the 15th of September 2003 AS Tallink Grupp increased the share capital from 224 000 th kroons to 275 000 th kroons by issuing 5 100 000 new shares with the par value of 10 kroons each. The new shares were issued at a premium of 72,14 kroons per share. The payment for new shares was made on 18th September 2003. The share premium has been reduced by the expenses related to the issuing of shares in the total amount of 22 267 th. EEK.

During the financial year 2002/2003 AS Tallink Group repurchased its shares for 4 599 thousand EEK and sold these with the same price.

NOTE 19 COMMITMENTS AND CONTINGENCIES

(in thousand EEK)

Legal claim

Tallinna Sadam AS had filed a claim to Tallinn City Court against Hansatee Cargo AS to claim cargo fees payable in the port of Paldiski in the amount of 4 943 th. EEK. In the opinion of the management of Hansatee Cargo AS the claim was unfounded. The parties settled the dispute at court and it was accepted by Tallinn City Court with the ruling issued on February 13, 2004. According to the settlement AS Hansatee Cargo paid a one-time compensation to AS Tallinna Sadam in the amount of 3 900 th. EEK, which was already expensed in 2002/2003.

Income tax on dividends

The group's retained earnings as at August 31, 2004 were 1 465 007 (as at August 31, 2003 – 1 157 084) thousand EEK. The maximum possible income tax liability as at August 31, 2004, which would become payable if retained earnings were fully distributed and all shareholders belonged to the taxable category, is 351 062 (as at August 31, 2003 – 300 842) thousand EEK. Accordingly, it would be possible to pay out to the shareholders 1 113 945 (2003: 856 242) thousand EEK, net of tax.

Off-balance sheet guarantees

- Tallink Grupp AS has given a guarantee in the maximum amount of 10 010 000 SEK to Eesti Ühispank related to Swedish subsidiary. Due date is October 14, 2005.
- Tallink Grupp AS
  subsidiaries amounting to 3 883 752 th.EEK. 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.
- Tallink Grupp AS has given a guarantee to Nordea Bank for the overdraft granted to its Finnish subsidiary. At August 31, 2004 the overdraft amounted to zero.
- Tallink Grupp AS has given a guarantee in the amount of 1 000 th. EEK and 5 th. EUR to Eesti Ühispank related to Vaba Maa AS. Due date is July 01, 2005.
- Tallink Grupp AS has given a guarantee in the amount of 145 th. EUR to Eesti Ühispank related to Hakan Wilhelm Nordström. Due date is December 12, 2005.

Non-cancellable operating leases

On October 1, 2003 the group concluded a non-cancellable lease agreement for the hotel building. The lease period of 10 years started on May 2004. The group has also the option to renew the agreement for further 5 years. The annual non-cancellable lease payments will be in the range of 36 000 th. EEK to 45 000 th. EEK (depends on the result of hotel's operations).

NOTE 20 RELATED PARTY DISCLOSURES

(in thousand EEK)

The following transactions have been entered into with related parties.

2003/2004 or 31.08.2004	Sales to related party	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
AS Infortar	37	6 424	0	100 005
AS Infortar, guarantee payments	0	1 159	0	0
AS Infortar, interest expense	0	7 422	0	1 188
AS Vaba Maa	0	1 620	0	565
AS HT Valuuta	12 186	0	1 835	147
AS HT Valuuta, interest revenue	0	57	11	0
2002/2003 or 31.08.2003				
AS Infortar	0	6 489	0	118 520
AS Infortar, purchase of shares*	0	298 000	0	0
AS Infortar, interest expense	0	8 559	0	3 212
AS HT Valuuta	281	0	112	0
AS HT Valuuta, interest revenue	57	0	12	0
Compo Investeeringud OÜ	1 564	0	0	0
Hansalink Ltd, payments of lease**	0	37 895	0	0
Hansalink Ltd, interest expense**	0	12 462	0	0

**the shares of HTG Partner AS (associated company) were sold in February 2003 to Compo Investeeringud OÜ.*

*** before the acquisition of the shares of Hansalink Ltd.*

AS Infortar

AS Infortar owns 55,53 % of the shares of AS Tallink Grupp

AS HT Valuuta

AS Tallink Group owns 25% of the shares of AS HT Valuuta

AS Vaba Maa

AS Vaba Maa is a subsidiary of Infortar AS

Hansalink Ltd.

AS Infortar owned 100% of the shares in Hansalink Ltd. In February 2003 Tallink Grupp AS purchased 100% of the voting shares of Hansalink Ltd from Infortar AS.

Prices used in sales to and purchases from related parties of the group do not significantly differ from normal market prices.

Directors' remuneration

The executive members of the Management Board received a remuneration totalling 10 147 thousand EEK (2003 – 10 551 thousand EEK). The executive members of the Management Board do not receive pension entitlements from the group.

Termination benefits

Some members of Management Board have right to termination benefits. The maximum amount is 6 480th. EEK.

NOTE 21 FINANCIAL INSTRUMENTS

(in thousand EEK)

The management of financial risks is centralised in the group's financial department, which is responsible for all borrowings within the group as well as all exposure linked to the currency, interest, liquidity and bunker price risks.

Currency risk

About 18% of the group's total revenues are in SEK. The group seeks to minimise currency transactions risk through matching foreign currency inflows with outflows. The group's another transactional currency exposure is to the US dollar for the purchase of ship fuel and insurance. The net open position in the currency exposure is not hedged by derivative financial instruments at the end of financial year.

August 31, 2004	EEK, EUR*	USD	SEK	Total
Cash and cash equivalents	336 713	0	29 955	366 668
Trade receivables	100 455	0	39 169	139 624
Other financial assets	29 574	0	18 231	47 805
TOTAL FINANCIAL ASSETS	466 742	0	87 355	554 097
Current portion of borrowings	750 337	0	380	750 717
Trade payables	260 090	2 313	18 028	280 431
Other current financial liabilities	171 723	0	13 442	185 165
Non-current borrowings	3 481 978	0	1 397	3 483 375
TOTAL FINANCIAL LIABILITIES	4 664 128	2 313	33 247	4 699 688
CURRENCY NET POSITION	-4 197 386	-2 313	54 108	-4 145 591

August 31, 2003	EEK, EUR*	USD	SEK	Total
Cash and cash equivalents	221 147	0	10 677	231 824
Trade receivables	79 830	0	27 819	107 649
Other financial assets	10 224	0	16 001	26 225
TOTAL FINANCIAL ASSETS	311 201	0	54 497	365 698
Current portion of borrowings	670 458	0	253	670 711
Trade payables	148 887	1 465	25 761	176 113
Other current financial liabilities	85 103	0	6 808	91 911
Non-current borrowings	2 121 629	0	1 671	2 123 300
TOTAL FINANCIAL LIABILITIES	3 026 077	1 465	34 493	3 062 035
CURRENCY NET POSITION	-2 714 876	-1 465	20 004	-2 696 337

* as the exchange rate between EEK and EUR has been fixed, monetary assets and liabilities nominated in EEK and in EUR have been presented together. This column includes also RUR denominated financial assets and liabilities, as these amounts are very immaterial.

Interest rate risk

In its operations, the group uses a mixture of financial instruments such as shareholders' funds, bank borrowings, finance leases as well as cash. The group borrows in desired currencies at both fixed and floating rates of interest having regard to current market rates and future trends. At year-end loans with fixed interest rate represented close to 4.7% of the group's total interest-bearing liabilities. The company uses interest rate swap to modify its exposure to interest rate movements and manage its interest expense. As of August 31, 2004, the company had an agreement in effect, which exchanged floating interest rate for fixed interest rate in a notional amount of EUR 9,33 million maturing in 2007. As of August 31, 2004 the fair value of this derivative amounts to 793 th EEK (recorded as an interest expense in income statement and as other payable in balance sheet).

Analysis of borrowings by fixed and floating interest rates

31 August, 2004				
Fixed rate	<1 year	1-5 year	>5 years	Total
Obligation under finance lease	380	1 397	0	1 777
Other loans	48 766	49 764	0	98 530
Bonds	99 310	0	0	99 310
Floating rate				
Secured bank loans	602 261	1 695 077	1 737 137	4 034 475

31 August, 2003				
Fixed rate	<1 year	1-5 year	>5 years	Total
Obligation under finance lease	253	1 671	0	1 924
Other loans	40 884	74 646	0	115 530
Bonds	76 487	0	0	76 487
Floating rate				
Secured bank loans	396 621	1 232 419	814 564	2 443 604
Other loans	156 466	0	0	156 466

Credit risk

The maximum credit risk exposure of unsecured receivables of the group at the balance sheet date is 185 316 th. EEK (2003: 133 462 th. EEK). There is no significant concentration of credit risk within the group.

Bunker price risk

The total bunker cost for the fleet represents about 9 % of the total operating expenses. Changes in bunker prices follow the changes in the oil price and the USD price. The group's policy for the financial year ended was not to hedge the risk related to the bunker cost although the group is considering possibilities to start hedging bunker price risk along with the relating US dollar risk.

Fair values

In the opinion of the company's management there are no significant differences between the carrying value and the fair value of financial assets and liabilities of the group.

NOTE 22 EVENTS AFTER THE BALANCE SHEET DATE

(in thousand EEK)

In September 2004 the group established a new subsidiary TDF Kommerts OÜ with 100% of the ownership. The payment into the share capital in the amount of 40 thousand EEK was ma

On October 27, 2004 Aker Finnyard and Tallink Grupp AS signed a shipbuilding contract to construct a new passenger cruise ship. The new ship should be delivered in May 2006. The shipbuilding contract price of new ship is 165 000 000 EUR. 20 % will be paid during construction and 80 % will be paid at delivery of the ship. On November 18, 2004 Tallink Grupp AS made the first prepayment of 2 000 000 EUR to Aker Finnyard.

In November 2004 Tallink Grupp AS established a new subsidiary Tallink Sea Line Limited with 100% of the ownership. The payment into the share capital in the amount of 27 thousand EEK was made also in November 2004. The new subsidiary has been registered in Cyprus and was established for later ship owning purpose.

ORGANISATION AND ADMINISTRATION

Pursuant to the Commercial Code and the Company's Articles of Association, the right of decision and the administration in the Company is divided between the Shareholders represented by the Shareholders' Meeting, the Supervisory Board and the Management Board.

SHAREHOLDERS' MEETING

Ultimate authority lies with the Company's shareholders, who exercise this authority at the Annual General Meeting. The primary duties of the Annual General Meeting are to approve the annual report and the distribution of dividends, elect members to the Supervisory Board, select auditors and their deputies, and pass resolutions on any increase or decrease in share capital and on any other changes to the Articles of Association. The Annual General Meeting also determines the size of remuneration for the Supervisory Board. In the past financial year Tallink Grupp AS had an extraordinary general meeting in September 2003 and the general annual meeting in December 2003.

THE SUPERVISORY BOARD

The Supervisory Board shall consist of 5 to 7 members. Members of the Supervisory Board shall be elected for periods of three years at a time. The Supervisory Board shall elect one of its members as Chairman.

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

The Supervisory Board has at present six members, Mr. Toivo Ninnas, Chairman, Ms. Eve Pant, Mr. Madis Üürike, Mr. Andres Lipstok, Mr. Lauri Kustaa Äimä and Mr. Sunil Kumar Nair.

The Supervisory Board convened nine times during the financial year.

THE MANAGEMENT BOARD

The Management Board shall consist no more than 7 members. Members of the Management Board shall be elected for periods of three years at a time. The Management Board is responsible for current administration. Every member of the Management Board has the right to represent the Company in any legal and business matters.

In the end of the past financial year the Management Board consisted of 4 members, Mr. Enn Pant – Chairman, Mr. Keijo Mehtonen, Mr. Kalev Järvelill and Mr. Andres Hunt.

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AUDITORS' REPORT TO THE TALLINK GRUPP AS SHAREHOLDERS

We have audited the consolidated financial statements of Tallink Grupp AS and its subsidiaries (hereinafter "the Group") for the financial year ended August 31, 2004 as set out on pages 36 to 57. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The accompanying consolidated financial statements include certain supplementary financial information presented in EUR solely for the convenience of certain users. This supplementary information (separately identified) was not subject to our audit as the information contained therein does not form part of the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards and presented in the measurement currency EEK.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of August 31, 2004, and of the results of its operations and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards.

Tallinn, December 21, 2004

Hanno Lindpere
Ernst & Young Baltic AS

Marju Põldniit
Authorised Auditor

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