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STATEMENT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS, CUSTOMERS, PARTNERS AND EMPLOYEES OF TALLINK GRUPP AS

The Supervisory Board of Tallink Grupp AS has met 10 times during the last financial year and has made several crucial decisions, more significant of which were the approval of ordering and financing the new cruise vessel M/S Victoria, approval of acquiring the catamaran Tallink AutoExpress 2 and re-electing the Chairman of the Management Board for the next term. Preparations for the increase of the share capital were started with the aim of strengthening the financial position of the company.

The Supervisory Board of Tallink Grupp AS reviewed and approved the financial report for the financial year 01.09.2002 - 31.08.2003 and the profit distribution resolution at its meeting on 11 November 2003. The Supervisory Board also approved the activities of the Management Board during the period under review.

Thanks to the new vessel M/S Romantika a improvement in efficiency was achieved, the net profit increased by 55.9 per cent and owners` equity increased from EEK 1 090.8 million to EEK 1 472.7 million, i.e. by 35 per cent. The book value of the share increased from EEK 48.69 per share to EEK 65.75 per share.

The growth in profit and owners` equity achieved by the Management Board is a remarkable feat in the business context of both in Estonia and Scandinavia.

The fleet renewal program started by the Management Board and approved by the Supervisory Board brought extraordinary success to Tallink. In the name of the Supervisory Board I would hereby like to express my satisfaction with the activities of the Management Board.

The very successful financial year has given raised even higher to expectations and we have to stand up to the great challenges of the next year. Tallink has to repeat the success of M/S Romantika also on the Tallinn-Stockholm line with M/S Victoria and win the hearts of the Swedes as we have done with the Finns.

Estonia will become a member of the European Union and from the first day of May 2004 the rules for tax-free trade onboard and customs allowances on the lines operated by Tallink will be changed. We have the goal to continue to be successful and make a profit in a situation where our competitors are subsidised by their home flag countries, whereas Tallink has no such advantage.

After delivery of M/S Victoria in March 2004 one of the vessels now serving the Tallinn-Stockholm line will be free for developing new products.

The majority of tourists visiting Estonia travel by Tallink. As the number of tourists will be increasing even more with the coming of M/S Victoria to the line the whole transport and sales system has to be geared to offer maximum service to each tourist. Therefore Tallink has started its own hotel project. The new hotel will open its doors in May 2004, widening the service range offered by Tallink even more.

In the name of the Supervisory Board I thank all members of the Management Board and all employees for contributing to the results of the past financial year and I also thank the shareholders, customers and partners for trusting us.

Toivo Ninnas
Chairman of Supervisory Board

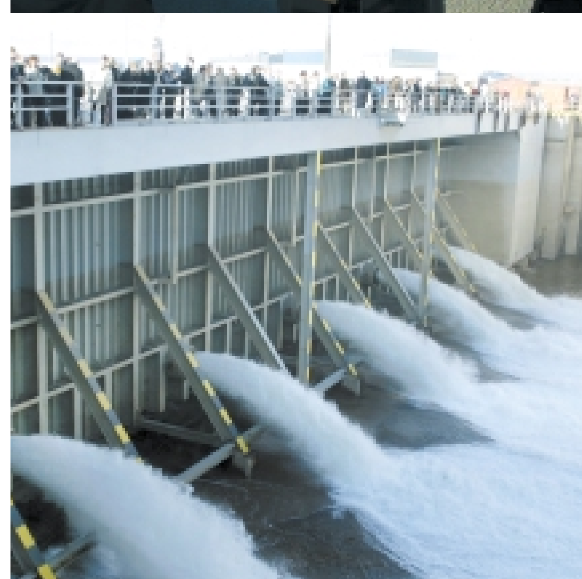
NEWBUILDING

To be launched on Tallinn - Stockholm route in March 2004.

VESSEL SPECIFICATIONS
(numbers are approximate):

Passengers	2500
Number of passenger cabins *(all above the car deck)*	739
Length	193.8 m
Breadth	29 m
Draugth	6.6 m
Gross tonnage	40 000
Line meters	1000 m
Decks	12
Service speed	22 knots
Catalysators	4
Ice class	1 A super

Builder: Aker Finnyards OY, hull No 434




Victoria
TALLINN

The ShipPax Award for
Outstanding Ferry Lounges of 2002:

ROMANTIKA

The public areas of this ship offer an unusually great diversity, turning the short trip between Helsinki and Tallinn into a luxury mini-cruise, blending innovative ideas with the true comprehension of a Baltic standard.

We award trendsetters in the passenger shipping industry,
for the benefit of demanding sea travellers.

ShipPax Information

HIGHLIGHTS OF FINANCIAL YEAR 2002/2003

In September 2002, after refurbishment, M/S Vana Tallinn was launched on the Paldiski - Kapellskär route to replace M/S Baltic Kristina, which was redelivered to its owner.

In September 2002, Tallink opened sales offices in the centre of Stockholm (Klarabergsgatan 31) and in the centre of Tallinn (Gonsiori Street 2). The new sales offices have greatly improved ticket sales in both cities.

In October 2002, Tallink and Aker Finnyards Oy signed an amendment to the contract for building a new passenger vessel, Newbuilding, to sail between Tallinn and Stockholm. The new vessel, which will be almost identical to M/S Romantika, will accommodate 2,500 passengers and have 1,000 line meters for vehicles. The original agreement was signed on 30 November 2000.

On 28 February 2003, Tallink Grupp AS and AS Infortar signed an agreement under which Tallink Grupp AS acquired 100 per cent of the shares of Hansalink Ltd, the owner of Tallink AutoExpress 2.

On 28 April 2003, the prestigious annual ShipPax Award awarded M/S Romantika as a ship, which offers an unusually great diversity, turning the short trip between Helsinki and Tallinn into a luxury mini-cruise, blending innovative ideas with the true comprehension of a Baltic standard.

On 2 June 2003 Tallink Victory Line Ltd and a syndicate of banks consisting of HSH Nordbank AG, Commerzbank Aktiengesellschaft Filiale Hamburg, Dresdner Bank AG in Hamburg and Norddeutsche Landesbank Girozentrale executed a loan agreement in the total amount of EUR 98,000,000. The proceeds of the loan shall be used to acquire the vessel currently under construction -Newbuilding.

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 and the total size is EUR 27 million, making this one of the largest equity placements ever by a private company in the Baltic region.

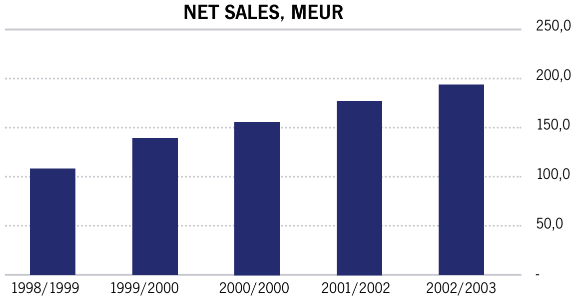
On 1 October 2003 OÜ TLG Hotell the wholly owned subsidiary of Tallink Grupp AS signed a lease agreement for taking on lease a hotel facility located in the city-centre of Tallinn, at Laikmaa 5. OÜ TLG Hotell will become the operator of a new hotel to be opened in summer 2004. The new hotel will be the second largest hotel in Tallinn with 350 rooms.

On 1 October 2003, Tallink Grupp AS opened another sales office in Lasnamäe Centrum (Mustakivi 13) in Tallinn. The new sales office improves service and makes the purchase of Tallink tickets more convenient for our customers living in the eastern part of Tallinn.

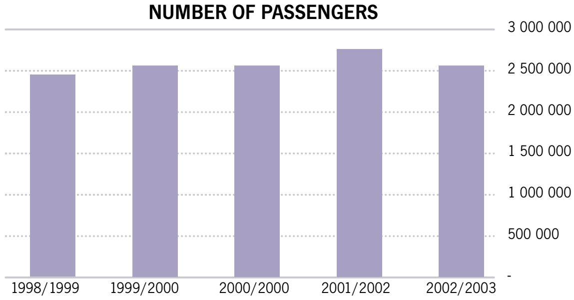
On 16 October 2003, the christening and launching ceremony of the new cruise ferry ordered by Tallink took place at Aker Finnyards shipyard in Rauma. The vessel will start cruises from Stockholm to Tallinn end of March 2004. The vessel was christened as "Victoria" by Ms. Ilon Wikland, who is known of her illustrations for the books of Astrid Lindgren, a popular Swedish children's author. Ms. Wikland, born in Estonia has lived in Sweden since she was 14.

KEY FIGURES

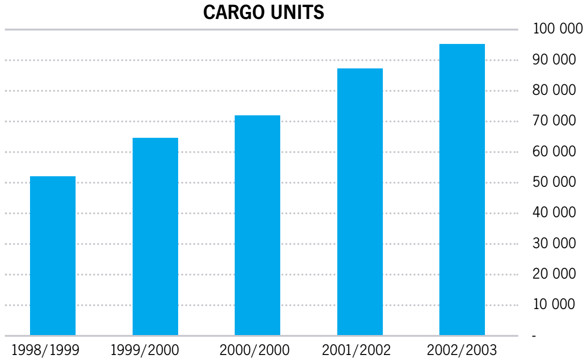
NET SALES, MEUR



NUMBER OF PASSENGERS



CARGO UNITS



		2002/2003	2001/2002	2000/2001	1999/2000	1998/1999
NET SALES	MEUR	191.5	177.7	153.2	130.4	116.7
EQUITY RATIO		32.4%	24.1%	38.6%	47.7%	39.4%
EBITDA	MEUR	51.3	34.7	23.3	18.3	14.9
OPERATING PROFIT	MEUR	30.7	18.8	15.4	12.1	9.7
NET PROFIT	MEUR	24.4	15.7	16.0	10.0	5.0
SHAREHOLDERS' EQUITY[1]	MEUR	94.1	69.7	54.1	38.6	28.2
INTEREST-BEARING LIABILITIES	MEUR	178.6	198.4	70.4	29.7	39.6
TOTAL LIABILITIES	MEUR	196.6	220.0	85.9	41.6	52.0
NUMBER OF PASSENGER		2 597 917	2 747 094	2 583 042	2 581 087	2 450 778
CARGO UNITS		94 945	87 208	71 953	65 755	54 366

[1] After share issue on 18 September 2003: EUR 119.6 million

THREE-YEAR FINANCIAL REVIEW

		Change,%	2002/2003	2001/2002	2000/2001
Net Sales	MEUR	8%	191.5	177.7	153.2
EBITDA	MEUR	49%	51.3	34.4	23.3
EBIT	MEUR	66%	30.7	18.5	15.4
Consolidated Net Profit	MEUR	56%	24.4	15.7	16.0
Fixed Assets	MEUR	-4%	249.4	259.8	113.4
Total Assets	MEUR	0%	290.7	289.7	140.0
Total Liabilities	MEUR	-11%	196.6	220.0	85.9
Interest-Bearing Liabilities	MEUR	-10%	178.6	198.4	70.4
Shareholders' Equity	MEUR	35%	94.1	69.7	54.1
Hidden Value of Fleet	MEUR	19%	22.3	18.8	14.5
Adjusted Shareholders' Equity	MEUR	32%	116.4	88.5	68.5
Cash Flow Provided by (Used in):					
Operating Activities	MEUR	42%	53.8	37.9	17.2
Investing Activities	MEUR	-75%	-39.6	-160.6	-21.6
Financing Activities	MEUR	-107%	-9.2	126.2	4.9
Weighted average number of shares		0%	22 400 000	22 400 000	22 400 000
Equity per share (Book value)	EUR	35%	4.2	3.1	2.4
Adjusted equity per share	EUR	32%	5.2	3.9	3.1
Earnings per share (EPS)	EUR	56%	1.1	0.7	0.7
Cash flow from operations per share	EUR	42%	2.4	1.7	0.8
EBITDA / Sales	%	38%	26.8%	19.4%	15.2%
Operating profit margin	%	54%	16.0%	10.4%	10.1%
Net profit margin	%	45%	12.7%	8.8%	10.4%
Return on assets (ROA)	%	23%	10.6%	8.6%	14.1%
Return on equity (ROE)	%	18%	29.8%	25.3%	34.6%
Return on investments (ROI)	%	92%	12.3%	6.4%	13.9%
Equity ratio	%	35%	32.4%	24.1%	38.6%
Number of Passengers	persons	-5%	2 597 917	2 747 094	2 583 042
Cargo Units	unit	9%	94 945	87 208	71 953
Personnel Average	persons	2%	1 921	1 885	1 520

DEFINITIONS

EBITDA	Earnings before interest, 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) / (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)
Return on investments (ROI)	(Profit after net financial cost+interest expense) / (Total assets-interest free liabilities (average for the period))
Equity ratio	(Equity + Minority interest) / (Total assets)

TRAFFIC AND MARKET CONDITION

Tallink aims to be the leading provider of cruise and passenger transportation services on the North the leading provider of cargo services on designated routes

OVERVIEW

Tallink owns and operates passenger ferry, mini-cruise and cargo traffic vessels, also high-speed catamarans on the Northern Baltic Sea routes between Finland and Estonia and between Sweden and Estonia. The Company aims to be the leading company in its market, providing high-quality passenger and mini-cruise services, regular ferry transportation services, as well as high-speed catamaran services for business and cargo. Eight vessels are operated under the Tallink brand, all of which are owned by the Company. Tallink is the market leader on all its routes and transported some 2.6 million passengers in the year ended 31 August 2003.

STRATEGY

In Tallink's view, the Northern Baltic Sea market will continue to grow and passengers are becoming more demanding in terms of their expectations regarding the quality of the vessels and the services provided. In the mini-cruise segment the cruise ferries must be relatively new, while offering a high quality of service and facilities, whereas in the fast ferry segment the ships must be fast, reliable and of sufficiently high quality. For this reason, Tallink has embarked on a strategy of investing in new ships. In Tallink's view, the success of M/S Romantika since its delivery in May 2002 confirms the validity of the chosen strategy in this respect. The cornerstone of Tallink's operating strategy is to be a market leader on chosen routes and achieve an increase in revenue per passenger through fleet renewal.

DEVELOPMENT OF THE FLEET

Tallink attempts to develop its fleet and service offering by anticipating new trends among its customers. By developing its fleet, Tallink also intends to expand its customer segments, as has been done with M/S Romantika.

M/S Romantika appeals to Tallink`s more quality-conscious customers, who enjoy M/S Romantika`s new restaurants and bars, as well as its well-furnished stores. Tallink`s new customers spend their holidays or use the modern conference facilities aboard the new vessel.

M/S Romantika is the newest cruise ferry operating in the Northern Baltic Sea area, offering state-of-the-art facilities and quality onboard services. The prestigious annual ShipPax Award awarded M/S Romantika as a ship, which offers an unusually great diversity, turning the short trip between Helsinki and Tallinn into a luxury mini-cruise, blending innovative ideas with the true comprehension of a Baltic standard.

M/S Romantika has brought in higher revenues and profitability per passenger.

Tallink also believe that higher revenue per passenger will be achieved by the Newbuilding, which is to be delivered in spring 2004 for operation on the Stockholm-Tallinn route.

M/S VICTORIA

The first very successful whole year service of the cruise ferry M/S Romantika encourages continuing the fleet renewal program. In October 2002 - Tallink Grupp AS and Aker Finnyards OY signed a contract for building a new passenger vessel to sail between Tallinn and Stockholm. The Newbuilding is similar in design to M/S Romantika and delivery is scheduled for March 2004. On 16 October, 2003 the Newbuilding was christened and launched. Ms. Ilon Wikland, who is known of her illustrations for the books of Astrid Lindgren, a popular Swedish children´s author, christened the vessel as "Victoria". Ms. Wikland, born in Estonia, has lived in Sweden since she was 14.

M/S Victoria will have a different set-up of bars and restaurants, as well as more luxury cabins and suites. The conference centre is designed to meet the needs of the most discerning clients. All in all, there will be room for 400 conference guests, and the biggest hall will accommodate more than 250 guests. The cargo area has a capacity of one thousand lane metres and it can carry 550 cars, a hundred more than M/S Romantika.

PRIVATE PLACEMENT

In order to strengthen Tallink`s financial position, raise Tallink`s profile in the international capital markets and provide more flexibility in financing the future growth Tallink Grupp AS has completed a private placement transaction directed to selected international institutional investors. Closing of the transaction was in September 2003. The transaction comprised a new issue of 5,100,000 shares making this one of the largest equity placements ever by a private company in the Baltic region. Tallink plans to use the proceeds from the share issue of EUR 27 million to develop the company further, to strengthen its market position in the Baltic Sea area and to finance the new cruise ferry to be delivered in the spring of 2004.

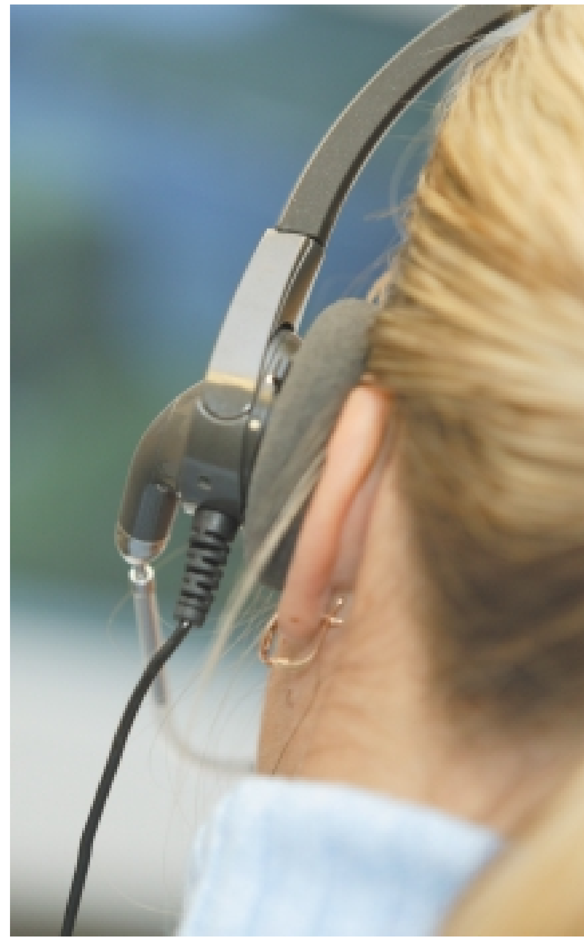
Several leading European and US institutional investors participated in the transaction, including funds managed by Danske Capital Finland, CVC International (a unit of Citigroup Global Investments), East Capital funds, Ilmarinen Mutual Pension Insurance Company, FIM funds, Firebird Management funds, Amber Trust, Hermis Fund Management and FirstNordic funds.

SALES AND MARKETING

Tallink's own network of sales agencies and a network of travel agencies selling tickets for Tallink's ferries constitute the most important components of the Tallink's sales and marketing organisation. Tallink`s own network of sales agencies is divided into country organisations for Finland, Sweden and Estonia, where marketing is carried out individually in each country. Estonia is also responsible for onboard marketing. The decentralised marketing function allows cultural differences between the countries to be taken into account in the marketing. All major travel agencies in Finland, most travel agencies in Estonia and the major travel agencies in Sweden, Latvia and Lithuania sell tickets for Tallink's ferries as well as travel packages in which transport and/or accommodation on Tallink's ferries are a part of the package. All of these travel agencies use an online connection to the Tallink booking system.

BOOKING SYSTEM

The Company has recently modernised its ticket booking and sales system. A booking system brings together Tallink's ticket offices in all countries, and also incorporates travel agencies and Internet customers. The new booking system has improved the customer service by making boarding and registration easier. The new central booking and check-in system is called CarRes, and is accessible from all of Tallink's offices and check-in places at all ports (Tallinn, Helsinki, Stockholm, Paldiski, Kapellskär).



CALL CENTRE

Due to increasing passenger numbers the Company has implemented an IP-protocol based Call Centre. The new 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 customers that are on the waiting list in the Helsinki booking office are redirected to Tallinn, thus maximising the answer rate. In the same way calls on the waiting list in Sweden will be redirected to Tallinn, where Tallink employs a multi-lingual staff of call centre employees.

TALLINK CLUB

The Tallink Club is a customer loyalty program, designed to offer versatile, high-quality travel services to meet the needs of the Company`s frequent passengers. Tallink Club members may take advantage of Tallink's special service telephone line for convenient booking of their trips as well as for receiving the latest information concerning club activities. 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. On board the vessels, Tallink Club benefits are available in the restaurants, in the tax-free shops and at certain other facilities.

TALLINN - HELSINKI ROUTE

Currently, Tallink operates four vessels on this route, the cruise ferries M/S Romantika, M/S Meloodia and also two high-speed catamarans Tallink AutoExpress and Tallink AutoExpress 2.

During the 2002/2003 financial year, Tallink carried 2 120 938 passengers.

The cruise ferry M/S Romantika offers primarily an overnight cruise product whereas M/S Meloodia departs twice daily from each port and offers primarily the day cruise product. The second departure of M/S Meloodia from the respective port on each day is a "night departure," intended mainly for cargo and passengers with cars. Both of the cruise ferries also carry cargo, cars, trucks and buses on the car/cargo deck.

High-speed catamarans have frequent daily departures between the two destinations. As the crossing is made in just over one and a half hours, the catamarans are suitable for passengers for whom getting to their destination quickly is the priority, rather than enjoying the time onboard. Traffic on the catamarans (fast ferries) is seasonal as the traffic is often stopped during the winter months due to the high incidence of ice on the route. The fast ferries also carry cars and buses.

On the Helsinki - Tallinn route, Tallink is the market leader in passenger traffic with a market share of about 40 percent in the financial year ended 31 August 2003.

TALLINN-STOCKHOLM ROUTE

Tallink started to serve this route from January 2000 with one ferry - M/S Regina Baltica. From May 2002 a second vessel - M/S Fantaasia was added. During the whole financial year 2002/2003 two ferries operated this route and Tallink carried 370 591 passengers. This represents an increase of about 33 per cent.

The traffic on the Estonia - Sweden routes has still potential for growth in the future and Tallink has ordered a new cruise ferry for operation on the Stockholm - Tallinn route. The new, modern and luxurious vessel will significantly improve revenues and profitability per passenger and facilitate a growth in passenger numbers on this route.

To preserve tax-free sales in the onboard shops after Estonia joins the EU on 1 May 2004 Tallink plans to re-route its cruise ferries on the Stockholm - Tallinn route through the island province of Åland.

Tallink has reserved docking space in Mariehamn, the capital city of Åland. The stopover in Åland does not add much additional time to the voyage between the end destinations.

Tallink is the only company with regular service between Stockholm and Tallinn and holds 100 per cent of the market.

PALDISKI-KAPELLSKÄR

On the Paldiski - Kapellskär route Tallink also currently operates two ferries: M/S Vana-Tallinn and M/S Kapella. The Vana-Tallinn is a cruise/passenger/car transport ferry, whereas the Kapella is primarily a cargo ferry. 106 388 passengers travelled between Paldiski and Kapellskär during the financial year ended 31 August 2003. 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 order to enhance the quality of services and increase capacity Tallink replaced in October 2002 the chartered M/S Kristina Baltica with M/S Vana Tallinn, which had undergone upgrading and had had new engines installed.

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. Tallink operates three routes as a cargo operator: Tallinn - Helsinki, Paldiski - Kapellskär and Tallinn - Stockholm.

During the 2002/2003 financial year, Tallink carried 94 945 units of cargo, compared with 87 208 units in the preceding year, meaning a unit-volume increase of 8.9 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.

In 2002/2003 Tallink carried 48 859 units of cargo between Tallinn and Helsinki, an increase of 0.5 per cent from the previous year. Tallink is the market leader on this route, with unequalled cargo capacity and year-round service.

In 2002/2003 Tallink carried 46 086 units of cargo between Estonia and Sweden, an increase of 19.4 per cent from the previous year. Tallink has strengthened its market position with the start of operations on the Tallinn - Stockholm route. Four vessels are currently operating on the Sweden - Estonia routes.

Tallink is clearly the largest and only regular provider of cargo services between Sweden and Estonia.

ONBOARD SALES

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. Currently, all items sold in onboard shops are tax-free, meaning that no excise taxes or value added tax is levied on any of the goods sold. Tallink aims to give customers a positive shopping experience aboard the Tallink vessels, and improvements are regularly made to the selection and display of goods sold in the shops.

In the future Tallink intends to continue introducing space management for sweets, spirits and tobacco products.

Restaurants
Tallink's cruise and fast ferry passengers can dine at varying price levels, ranging from traditional a`la carte and buffet restaurants to fast food dining areas and pubs. Tallink has developed menus suited 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.

Entertainment and Recreation
Mini-cruise passengers on 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 program on cruises.

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

HOTEL OPERATIONS
OÜ TLG Hotell, a wholly owned subsidiary of Tallink Grupp AS, is expected to start operating a 350 room hotel in the main tourist centre of Tallinn. As Tallink, through its sales and marketing network, currently sells a large number of hotel nights in Tallinn, it expects to be in a good position to operate a hotel in Tallinn. Tallink has committed to a 10 year operations agreement and thereby leases the hotel facility from a real estate company, OÜ HTG Vara, owned by the Tallink Grupp AS main owner AS Infortar and by E.L.L. Kinnisvara AS, a subsidiary of AS Merko Grupp, a leading Estonian construction and real estate group that will also conduct renovation of the hotel building. The new hotel will be the second largest hotel in Tallinn and also in the entire Estonia. The hotel is scheduled to commence operations in May 2004.

FUTURE OF TAX-FREE SALES ONBOARD
Excise tax on alcohol has made the retail price of alcoholic beverages in Sweden and in Finland among the highest in the world. The high price of alcohol in Sweden and Finland has created an incentive for many to pursue cheaper alcohol in neighbouring countries or from tax-free stores on ferries.

As on several other European passenger ferry and mini-cruise markets, tax-free sales have played an important economic role in the traffic on the Northern Baltic Sea market. In the past, tax-free sales were possible on all routes between two different countries in the area, but, as a result of policy developments within the EU, all tax-free sales on routes between EU member states have been abolished, including on direct traffic between Finland and Sweden. 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.

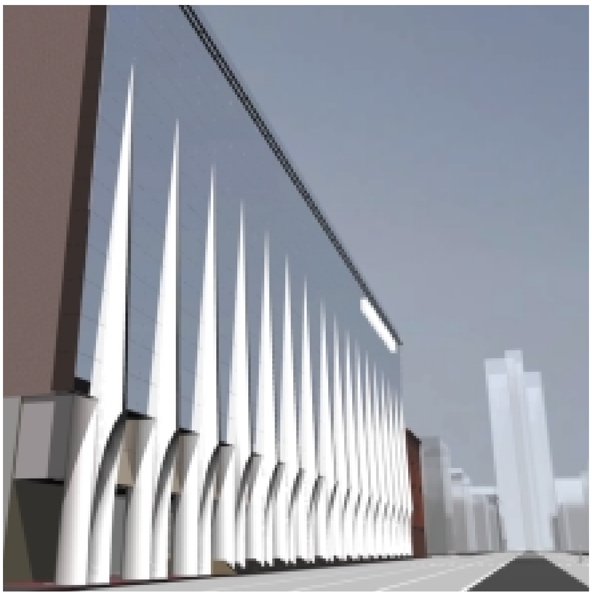
Estonia has applied for membership to the European Union. The Estonian nation decided in a referendum held on 14 September 2003 that Estonia would become a Member of the EU on 1 May 2004.

The impact of Estonian's membership in the EU would mean the immediate cessation of in-store tax-free sales on the Helsinki - Tallinn route and Paldiski - Kapellskär route. The tax-free status of goods consumed onboard would continue on all routes. On the Stockholm - Tallinn route Tallink plans to re-route traffic via the island province of Åland, meaning that tax-free sales should continue on this route. Currently, Tallink's plan is that the traffic on the Paldiski - Kapellskär route will not be re-routed through Åland. Compared to the Stockholm - Tallinn route tax-free sales in shops on the Paldiski - Kapellskär route are comparatively smaller and, the value customers place on faster transport between Sweden and Estonia is comparatively higher.

Customs Allowances
Even with accession to the EU, Finland and Sweden maintained lower customs allowances than other EU countries on the amount of alcoholic beverages that can be carried back into the home country after travelling abroad to other EU destinations. Starting on 1 January 2004 passengers can bring more alcohol and tobacco products into EU Member Countries, i.e. to Finland and Sweden.

Changes for Tallink
Subject to and starting from Estonian's membership in the EU and the cessation of tax-free in-store sales Tallink will continue to sell largely the same products in the onboard stores as before.

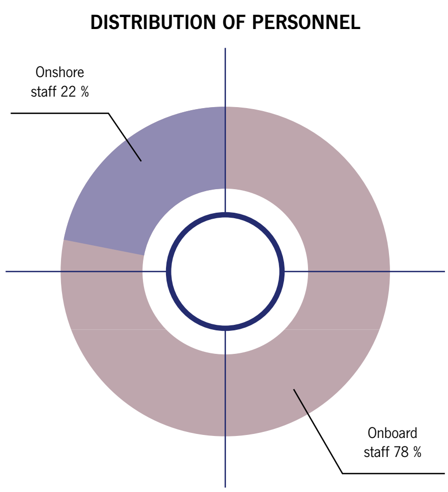
The price differences between Estonia and Nordic countries will remain thus it will continue to be attractive for people to visit Estonia and take cruises and we expect significant volume increase in shops onboard due to harmonising of customs allowances with the prevailing practices between EU member countries.



PERSONNEL

Customer service is the joint basis for the activities of Tallink Grupp AS. The employees and their daily contact with the customers are therefore crucial for the development and success of our Company.

In the end of financial year 2002/2003 the number of employees was 2 040, of which 1 597 were employed as vessel personnel and 443 as on-shore staff. On-shore personnel were divided between the three countries as follows: 117 in Finland, 72 in Sweden and 254 in Estonia. The number of personnel has decreased by 361 compared to the previous financial year, primarily due to the lower number of vessels in operation.



SAFETY & ENVIRONMENT

AS HT Laevateenindus, a daughter company of Tallink Grupp AS, is responsible for security, safety, human resources and insurance of the Tallink fleet. The company ensures that the Tallink fleet is operated in a secure, safe and efficient way in accordance with all international and national regulations. The company's first priority is to guarantee that the Tallink Safety Management System ensures compliance of the technical and operational aspects of the fleet with international security, safety and environment-related conventions and codes i.e. STCW (International Convention on Standards of Training, Certification and Watchkeeping for Seafarers), SOLAS (International Convention for Safety of Life at Sea), ISPS Code (International Ship & Port Facility Security Code) and MARPOL (International Convention for the Prevention of Pollution from Ships). The Safety Management System is audited by the Lloyds Register in accordance with the ISM Code (International Safety Management Code) requirements.

During the last financial year AS HT Laevateenindus was carrying out several modifications of the Tallink fleet vessels in order to reach the highest level of navigational and operational safety of the vessels.

All Tallink vessels are fitted with AIS (Automatic Identification Systems), a useful tool to ensure security and navigational safety during voyages.

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

AS HT Laevateenindus pays great attention to the training and certification issues of crewmembers, ensuring compliance of the crewmembers' training with the STCW Convention. All training and certification activities are carried out in close collaboration with Estonian training centres and maritime academies. Our vessels personnel are trained on a weekly basis according to regulations to ensure readiness for all possible emergency situations.

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

Tallink Grupp AS pursues environmentally friendly policies, aiming to keep to a minimum the impact of its activities to the environment. In cooperation with RagnSells AS, its partner in waste handling, Tallink has introduced sustainable technologies for waste handling, which are in line with the principles of the Estonian Environmental Strategy and in compliance with the EU directives, aiming at reducing waste generation, maximising the re-use of packaging and waste recovery. Waste is sorted aboard Tallink's passenger vessels, with separate collection of waste paper, cardboard and glass. We are engaged in increasing the environmental awareness of our staff and we have plans to gradually expand the range of waste that gets sorted.

CORPORATE STRUCTURE

TALLINK GRUPP AS
(Holding and operating company)

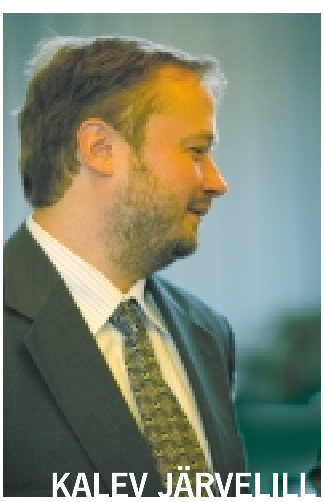
SHIPOWNING COMPANIES	PASSENGER TRAFFIC AND CARGO COMPANIES	SERVICE COMPANIES
Kapella Shipping Ltd. "Kapella"	**Tallink Finland Oy** Sales & Marketing in Finland	**OÜ HT Meelelahutus** Onboard entertainment
Tallink Fast Ltd. "Tallink AutoExpress"	**AS Hansatee Cargo** Estonia-Sweden operations	**OÜ HT Laevateenindus** Technical management
Hansalink Ltd. "Tallink AutoExpress 2"	**Tallink Sverige AB** Sales & Marketing in Sweden	**OÜ Hansaliin** Crewing
Vana Tallinn Line Ltd. "Vana Tallinn"		**AS Tallink Duty Free** Duty free sales
Tallink Line Ltd. "Fantaasia"		**TLG Hotell OÜ**
Tallink Ltd. "Romantika"		
Tallinn Swedish Line Ltd. "Meloodia"		
Tallinn Stockholm Line Ltd. "Regina Baltica"		
Tallink Victory Line Ltd. "Victoria"		

STRUCTURE OF TALLINK GRUPP AS

SHAREHOLDERS GENERAL MEETING

SUPERVISORY BOARD

Chairman

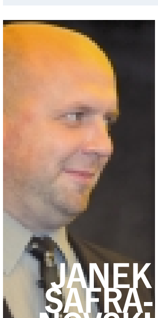


Member
CEO

Chairman

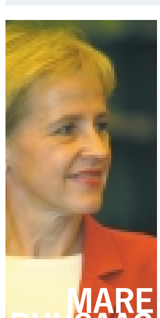
Member
Sales and Marketing

Member
CFO



Administrative Division Director

AS Tallink Duty Free Director

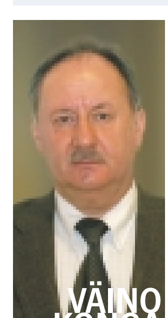


Chief Lawyer

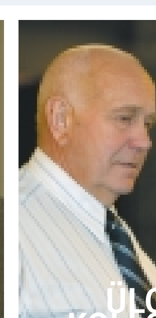
Marketing Division Director

Personnel & Development Division Director

Accounting Division Chief



Tallink Sverige AB Director

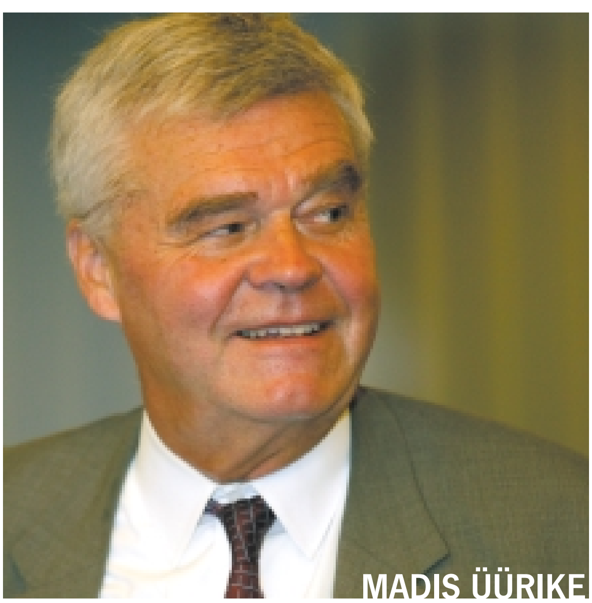


Technical Division Director

SUPERVISORY BOARD

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



MADIS ÜÜRIKE

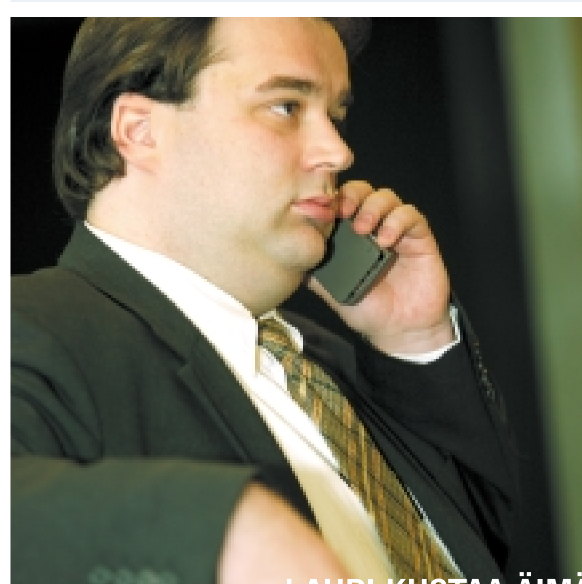
Member of the AS Tallink Grupp Supervisory Board since 9 May 1998
Adviser to Minister of Finance
Minister of Finance 1992-94

TOIVO NINNAS

Member of the AS Tallink Grupp Supervisory Board since 9 June 1997
Deputy Mayor of Tallinn

EVE PANT

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



LAURI KUSTAA ÄIMÄ

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

MANAGEMENT BOARD


KALEV JÄRVELILL

Member of Management Board since 1998
Director General of Estonian Tax Board 1995-1998
Vice Chancellor of Ministry of Finance 1994-1995


KEIJO MEHTONEN

Member of the Management Board since 1998
Chairman of Tallink Finland OY since 1989


ENN PANT

Chairman of the Management Board since 1996
Chancellor of Ministry of Finance 1992-1996


ANDRES HUNT

Member of the Management Board since 2002
CFO of Tallink Grupp AS since 1998
Director of the Taxation Policy Department of Ministry of Finance 1995-1998

FLEET

Romantika

Built	2002
Length	193.8 m
Passengers	2500
LM/PC	1000 / 470
Ice class	1 A Super

Fantaasia

Built	1979
Converted	1998
Length	136 m
Passengers	1700
LM/PC	770/300
Ice class	I A

Meloodia

Built	1979
Length	138.8 m
Passengers	1600
LM/PC	710/300
Ice class	I A

Vana Tallinn

Built	1974
Converted	1998 / 2002
Length	153.8 m
Passengers	1500
LM/PC	730/300
Ice class	I B

AutoExpress	
Built	1996
Converted	1999
Length	79.95 m
Passengers	575
Speed	34 knots
LM/PC	100/175

AutoExpress 2	
Built	1997
Length	82.3 m
Passengers	700
Speed	38 knots
LM/PC	100/175

Regina Baltica	
Built	1980
Converted	2002
Length	145 m
Passengers	1500
LM/PC	810/330
Ice class	I A

Kapella	
Built	1974
Converted	1999
Length	110.13 m
Passengers	50
LM	657
Ice class	I B

SHARES AND SHAREHOLDERS

SHARE CAPITAL

The minimum share capital of Tallink Grupp 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 a 2/3 majority vote of the shareholders. The existing share capital is divided into 22 400 000 shares, each with a nominal value of EEK 10. All shares are of one type; they exist in dematerialised 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 Tallink Grupp AS 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 shareholders' general meeting is competent to amend the articles of association, increase or reduce share capital, elect the supervisory board and the auditor and distribute profits.

DIVIDENDS

For financial year 2001/2002 the Management Board decided to retain all profit from the 2001/2002 financial year and not pay dividends. The shareholders' general meeting approved the decision.

The Management Board has also made a proposal to the shareholders' general meeting that no dividends should be distributed from the profit of the 2002/2003 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.

SHAREHOLDERS

As of 31 August 2003 there were 154 shareholders. The 6 major shareholders and their respective shares are presented in the table below.

Shareholder	No of shares	%
INFORTAR AS	17,192,452	76.75%
NORDEA BANK FINLAND PLC CLIENTS ACCOUNT TRADING	2,011,239	8.98%
DANSKE CAPITAL FINLAND OY CLIENTS ACCOUNT	450,175	2.01%
FIREBIRD REPUBLICS FUND LTD	365,124	1.63%
KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN	300,000	1.34%
KEIJO ERKKI MEHTONEN	239,400	1.07%

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	11	7.14%	345	0.002%
100 - 999	28	18.18%	11,004	0.049%
1000 - 9999	69	44.81%	178,121	0.795%
10000 - 99999	36	23.38%	1,138,840	5.084%
100000 - 999999	8	5.19%	1,867,999	8.339%
1000000 - 9999999	1	0.65%	2,011,239	8.979%
10000000+	1	0.65%	17,192,452	76.752%
TOTAL	**154**	**100 %**	**22 400 000**	**100 %**

SHARE PRICE AND TRADE IN SHARES

The Tallink Grupp AS shares are traded on the OTC market. During the 2002/2003 financial year 777 986 shares of Tallink Grupp AS changed ownership. The amount traded constitutes 3.5 per cent (45.5 per cent) of the total number of shares. The highest share price during the financial year was EEK 70 (64) and the weighted average price was EEK 59.6 (58.5) per share.

INCREASING SHARE CAPITAL

After the end of financial year 2002/2003 Tallink Grupp AS has increased its share capital. At Tallink Grupp AS shareholders' extraordinary general meeting on 14 September 2003 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 the nominal value of EEK 10 each. The new shares were issued at a premium of EEK 72.14 per share. Payment for the new shares was made on 18 September 2003.

The 10 major shareholders after enlargement of share capital (at 18, Sep 2003)

INFORTAR AS	15 271 202	55.532%
NORDEA BANK FINLAND PLC CLIENTS ACCOUNT TRADING	3 502 226	12.735%
CITIBANK HONG KONG/ CITICORP INTERNATIONAL FINANCE CORPORATION	1 749 412	6.362%
EAST CAPITAL ASSET MANAGEMENT AB	1 299 998	4.727%
KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN	899 999	3.273%
FIREBIRD REPUBLICS FUND LTD	746 076	2.713%
DANSKE CAPITAL FINLAND OY CLIENTS ACCOUNT	692 606	2.519%
NORDEA BANK FINLAND PLC [CORPORATE CLIENTS]	382 856	1.392%
BALTIJOS VERTYBINIAI POPIERIAI FMI, UAB	379 999	1.382%
KEIJO ERKKI MEHTONEN	239 400	0.871%

Closing of private placement onboard M/S Romantika on 13. Sep. 2003

REPORT OF THE MANAGEMENT BOARD

SALES

In the 2002/2003 financial year the consolidated sales of Tallink Grupp AS increased by 7.8 per cent from EEK 2 780.1 million to EEK 2 995.6 million.

The increase in sales by EEK 215.5 million can be attributed to the facts that in 2002/2003 the new and bigger vessel M/S Romantika operated on the Tallinn-Helsinki route during the whole financial year (in 2001/2002 only for 4 months) and that two vessels were serving the Tallinn-Stockholm route (one vessel in 2001/2002 from September to May).

Split of revenue by geographical segment was as follows: Estonia-Finland - 68,5% and Estonia-Sweden - 31,5%. By operational segment the sales were divided as follows: ticket sales 28% (29% in 2001/2002), cargo sales 19% (18%), onboard consumption 18% (17%), tax-free sales 32% (32%) and other 3% (4%).

EARNINGS

The operating profit increased by 65.8 per cent from EEK 290.0 million to EEK 480.8 million. The growth in earnings can be explained by a number of factors: increase in revenue; about 30% decrease in operational costs resulting from replacing two cruise ferries on the Tallinn-Helsinki route by one bigger vessel, thus significantly reducing charter hire costs.

The profit before taxes amounted to EEK 382.1 million (2001/2002: 242.7), and the consolidated net profit amounted to EEK 381.9 million (245.0) in 2002/2003. The net profit increased by 55.9 per cent. Due to launching M/S Romantika, the efficiency of the company has improved and this has translated into net profit.

CAPITAL EXPENDITURE AND FINANCING

At the end of the financial year 2002/2003 the current assets amounted to EEK 442.7 million (2001/2002: EEK 440.3 million). Net cash flow from business operations amounted to EEK 842.3 million in 2002/2003 (EEK 593.5 million in 2001/2002).

At the end of the financial year the interest-bearing liabilities amounted to EEK 2 794.0 million (2001/2002: EEK 3 104.2 million). Interest-bearing loans have decreased due to repayments of existing loans.

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.

The company's foreign currency exposures are in US dollar (purchasing fuel, spare parts and insurance payments) and in SEK (about 18% of total group's revenue).

OWNERS' EQUITY

The owners' equity of the company increased by EEK 381.9 million up to EEK 1 472.7 million, due to the net profit for the financial year. In the financial year no dividends were paid.

As of August 31, 2003 the equity adjusted by the hidden value (difference between market value and book value) of the fleet amounted to EEK 1 821.4 million.

In September 2003, Tallink Grupp AS has completed a private placement transaction directed to internationally well known first class institutional investors. The transaction comprised a new issue of 5 100 000 shares.

The transaction of EEK 418.9 million has a positive impact on the company's financial position, including partly financing the new shipbuilding project, raise the company's profile in the international capital markets and provide more flexibility in financing the company's future growth.

VESSELS

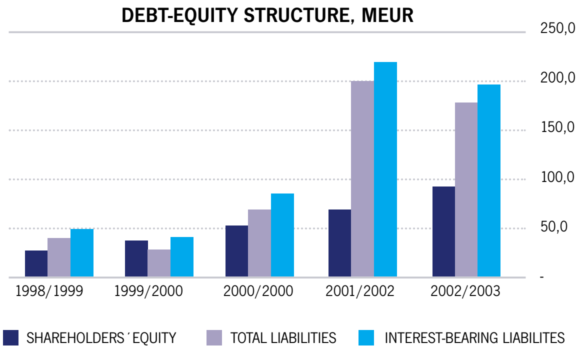
Tallink Grupp AS was operating with 8 vessels at the end of the 2002/2003 financial year. Tallink Grupp AS owns all vessels (through its subsidiaries). As of August 31, 2003 the vessels' book value amounted to EEK 3 523.8 million and the market value (average according to 2 independent shipbrokers) amounted to EEK 3 872.5 million. The difference between the book value and market value results in EEK 348.7 million of hidden value.

In October 2002, M/S Baltic Kristina was re-delivered to the owner and M/S Vana Tallinn underwent repairs and refurbishment.

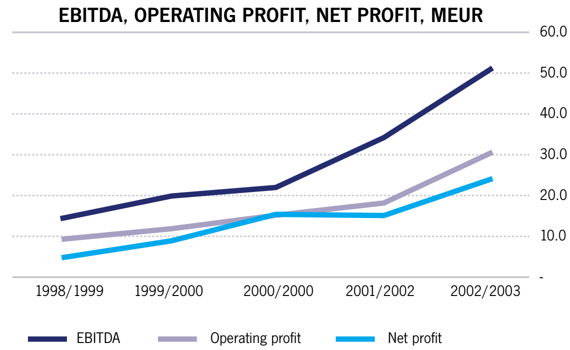
In February 2003, Tallink Grupp AS and AS Infortar signed an agreement under which the company acquired 100 per cent of the shares of Hansalink Ltd, the owner of Tallink AutoExpress2.

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

DEBT-EQUITY STRUCTURE, MEUR



EBITDA, OPERATING PROFIT, NET PROFIT, MEUR



MARKET DEVELOPMENTS

In 2002/2003 the number of passengers served by Tallink Grupp AS vessels during the financial year amounted to 2.6 million, which is 5.4 per cent less than the previous period. The number of cargo units increased by 8.9 per cent up to 94 945.

During the reporting period the company carried 2.1 million on the Estonia - Finland route and 0.5 million passengers on the Estonia- Sweden routes. The number of passengers on the Estonia - Finland route has decreased by 12.8 per cent and increased by 33.3 per cent on the Estonia - Sweden routes as compared to the year before. The decrease in the number of passengers was due to a very late beginning of the high-speed catamaran navigation period and a very cold winter with difficult ice conditions, which had an adverse effect for travelling between Tallinn and Helsinki.

The market share of Tallink Grupp AS on the Tallinn - Helsinki line was about 40 per cent of passenger transportation and 47 per cent of cargo transportation.

The increase in the number of passengers on the Sweden routes is due to the fact that two vessels served the Tallinn - Stockholm line during the whole financial year instead of one vessel in the previous year.

In October 2002, M/S Vana Tallinn replaced M/S Baltic Kristina on the Paldiski - Kapellskär line.

Tallink Group's market share on the Estonia-Sweden route is about 100% for both passenger and cargo transportation.

PERSONNEL

In 2002/2003 the personnel expenses amounted to EEK 438.5 million (EEK 397.6 million in 2001/2002).

In the financial year the executive members of the Management Board received remuneration in the total amount of EEK 10.6 million (2001/2002: EEK 6.1 million).

During the reporting period the average number of the group's employees was 1 921 (1 885 in 2001/2002) of which 1 581 (1 581) served at sea and 340 (304) ashore. Ashore personnel were divided between the countries as follows: 134 (117) in Finland, 73 (72) in Sweden and 133 (115) in Estonia. The changes in the number of employees mainly resulted from increasing the staff of the call-centre.

OUTLOOK

In October 2002, 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 March 2004. This vessel will be an analogue to M/S Romantika, but it will have more cabins, larger conference facilities and the vessel has catalysers to be more environment-friendly. The contract price is EUR 140 million (EEK 2 190.5 million). By the end of September 2003, pre-delivery instalments EUR 29.6 million (EEK 463.8 million) had been paid. The Newbuilding will serve the Tallinn - Stockholm route and will ensure further development of this shipping line, increase the number of passengers and enhance the quality of services offered to the passengers. On 2 June 2003, Tallink Victory Line Ltd. and a syndicate of banks lead by HSH-Nordbank AG executed a loan agreement in the total amount of EUR 98.0 million (EEK 1 533.4 million). The proceeds of the loan shall be used to acquire the vessel currently under construction.

On October 16, 2003 the Newbuilding was christened and launched. The name of the Newbuilding is M/S Victoria.

Estonia will become the Member of the European Union from 1 May , 2004. When Estonia joins the EU, the existing tax-free trade in onboard shops will be discontinued.

To maintain the tax-free trade regime onboard the Tallinn - Stockholm line will be re-routed from 1 May , 2004 via Åland Islands which has tax-free status is in perpetuity from the EU.

Starting from May 2004, in-store sales on the Tallinn - Helsinki and Paldiski - Kapellskär routes will become taxable and duty paid, but in the same time passengers will be allowed to take more alcoholic beverages and tobacco products back to Finland and Sweden from Estonia. The price difference s between Estonia and the Nordic countries will remain, thus it will continue to be attractive for people to visit Estonia and take cruises.

However, onboard bar and restaurants sales will remain tax-free.

The increasing tourist flows carried by the company and the longer time tourists are spending ashore in Tallinn had created a demand for accommodations in the city. To satisfy this demand, OÜ TLG Hotell, a wholly owned subsidiary of Tallink Grupp AS will become the operator of a new hotel to be opened in the city centre of Tallinn in summer 2004. The new hotel is named Hotel Tallink and will have 350 rooms (700 beds). It will be the second largest hotel in Estonia. Hire agreement has been signed on 1, October 2003 with the owners of the building.

Chairman of the Board
Enn Pant

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in thousands)

	2002/2003 EEK	2001/2002 EEK	Notes	Supplementary 2002/2003 EUR	Supplementary 2001/2002 EUR
Net sales	2 995 598	2 780 064	3	191 454	177 678
Cost of sales	-2 132 865	-2 164 595	4	-136 315	-138 343
GROSS PROFIT	**862 733**	**615 469**		**55 139**	**39 336**
Marketing expenses	-260 951	-227 167	4	-16 678	-14 519
Administrative and general expenses	-118 061	-96 776	4	-7 545	-6 185
Other operating income	2 663	5 619	4	170	359
Other operating expenses	-5 609	-7 164	4	-358	-458
OPERATING PROFIT	**480 775**	**289 981**	**3**	**30 727**	**18 533**
Net financial expense (-) / income (+)	-99 542	-48 676	4	-6 362	-3 111
Income from associates	891	1 385	12	57	89
PROFIT FROM NORMAL OPERATION BEFORE INCOME TAX	**382 124**	**242 690**	**3**	**24 422**	**15 511**
Income tax	-193	2 350	5	-12	150
NET PROFIT FOR THE FINANCIAL YEAR	**381 931**	**245 040**	**3**	**24 410**	**15 661**
Earnings per share (in EEK per share)			**6**		
- basic	17.1	10.9		1.09	0.70
- diluted	17.1	10.9		1.09	0.70

The figures in EUR above are presented only for convenience purposes as supplementary information to the information presented in the actual measerument currency - EEK, which reflects the economic substance of the undrelaying events and circumstances of the enterprise. EEK is pegged to EUR at a fixed rate of EEK 15,6466 = 1 EUR

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in thousands)

ASSETS				Supplementary	
	31.08.03 EEK	31.08.02 EEK	Notes	31.08.03 EUR	31.08.02 EUR
Current assets					
Cash and cash equivalents	231 824	152 721	7	14 816	9 761
Trade receivables	107 649	149 870	8	6 880	9 578
Refundable taxes	7 405	3 416	5	473	218
Other receivables and prepaid expenses	44 307	74 785	9	2 832	4 780
Inventories	51 468	59 530	10	3 289	3 805
TOTAL CURRENT ASSETS	**442 653**	**440 322**		**28 291**	**28 142**
Non-current asset					
Investments in associates	1 997	4 070	12	128	260
Other financial assets	412	72	13	26	5
Property, plant and equipment	3 902 084	4 065 351	14	249 389	259 823
Intangible assets	202 022	22 649	15	12 912	1 448
TOTAL NON-CURRENT ASSETS	**4 106 515**	**4 092 142**		**262 454**	**261 536**
TOTAL ASSETS	**4 549 168**	**4 532 464**		**290 745**	**289 677**

LIABILITIES AND OWNER`S EQUITY					
Current liabilities					
Current portion of interest-bearing liabilities	670 711	495 269	16	42 866	31 653
Trade payables	176 113	221 929		11 256	14 184
Tax liabilities	25 846	28 530	5	1 652	1 823
Other payables and prepaid income	80 294	86 921	17	5 132	5 555
TOTAL CURRENT LIABILITIES	**952 964**	**832 649**		**60 906**	**53 216**
Non-current liabilities					
Interest bearing loans and borrowings	2 123 300	2 608 946	16	135 704	166 742
Deferred income tax	197	93	5	13	6
TOTAL NON-CURRENT LIABILITIES	**2 123 497**	**2 609 039**		**135 716**	**166 748**
TOTAL LIABILITIES	**3 076 461**	**3 441 688**		**196 622**	**219 964**
Owner's equity					
Issued capital	224 000	224 000	18	14 316	14 316
Share premium	69 223	69 223	18	4 424	4 424
Reserves	22 400	22 400	2	1 432	1 432
Retained earnings	775 153	530 113		49 541	33 880
Net profit for the financial year	381 931	245 040		24 410	15 661
TOTAL OWNER`S EQUITY	**1 472 707**	**1 090 776**		**94 123**	**69 713**
TOTAL OWNER`S EQUITY AND LIABILITIES	**4 549 168**	**4 532 464**		**290 745**	**289 677**

The figures in EUR above are presented only for convenience purposes as supplementary information to the information presented in the actual measerument currency - EEK, which reflects the economic substance of the undrelaying events and circumstances of the enterprise. EEK is pegged to EUR at a fixed rate of EEK 15,6466 = 1 EUR

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

(in thousands) **Supplementary**

	2002/2003 EEK	2001/2002 EEK	Notes	2002/2003 EUR	2001/2002 EUR
Cash flows from operating activities					
Net profit	381 931	245 040		24 410	15 661
Adjustments of profit	418 241	297 556		26 730	19 017
Depreciation and amortisation	*322 116*	*248 890*	*14, 15*	*20 587*	*15 907*
Net (gains) / losses on disposals of tangible and intangible assets	*-54*	*1 378*	*4*	*-3*	*88*
Net interest expenses	*136 438*	*87 064*	*4*	*8 720*	*5 564*
Income from subsidiaries	*0*	*0*	*11*	*0*	*0*
Income from associates	*-891*	*-1 385*	*12*	*-57*	*-89*
Net foreign exchange gain related to investing and financing activities	*-39 561*	*-36 041*		*-2 528*	*-2 303*
Income tax	*193*	*-2 350*	*5*	*12*	*-150*
Income tax paid / refunded	-19	2 199		-1	141
Change in receivables related to operating activities	83 858	-5 983		5 360	-382
Change in inventories	8 062	-14 917		515	-953
Change in liabilities related to operating activities	-49 825	69 585		-3 184	4 447
NET CASH FROM OPERATING ACTIVITIES	**842 248**	**593 480**		**53 829**	**37 930**
Cash flows from investing activities					
Purchase of tangible and intangible assets	-382 844	-2 534 187		-24 468	-161 964
Proceeds from disposals of tangible and intangible assets	57	11 168	4, 14	4	714
Repayments of granted loans	5 120	6 527		327	417
Loans granted	0	-72		0	-5
Acquisition of subsidiary	-248 140	0	11	-15 859	0
Proceeds from disposals of shares of associates	1 564	0	12	100	0
Dividends received	1 400	1 000	12	89	64
Interest received	3 236	2 218		207	142
NET CASH FROM INVESTING ACTIVITIES	**-619 607**	**-2 513 346**		**-39 600**	**-160 632**
Cash flows from financing activities					
Loans received	550 025	2 324 768		35 153	148 580
Loans repaid	-515 298	-235 457		-32 934	-15 048
Interest paid	-139 898	-63 998		-8 941	-4 090
Purchases of treasury shares	-4 599	-4 224	18	-294	-270
Proceeds from disposal of treasury shares	4 599	4 224	18	294	270
Payments of finance lease liability	-38 367	-50 939		-2 452	-3 256
NET CASH FROM FINANCING ACTIVITIES	**-143 538**	**1 974 374**		**-9 174**	**126 185**
TOTAL NET CASH FLOW	**79 103**	**54 508**		**5 056**	**3 484**
Cash and cash equivalents at beginning of period	**152 721**	**98 213**		**9 761**	**6 277**
Total net cash flow	79 103	54 508		5 056	3 484
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**231 824**	**152 721**	**7**	**14 816**	**9 761**

The figures in EUR above are presented only for convenience purposes as supplementary information to the information presented in the actual measerument currency - EEK, which reflects the economic substance of the undrelaying events and circumstances of the enterprise. EEK is pegged to EUR at a fixed rate of EEK 15,6466 = 1 EUR

STATEMENT OF CHANGES IN EQUITY

(in thousands)

	Issued capital EEK	Share premium EEK	Treasury shares EEK	Reserves EEK	Retained earnings EEK	Total EEK	Issued capital EUR	Share premium EUR	Treasury shares EUR	Reserves EUR	Retained earnings EUR	Total EUR
At 01 September 2001	**224 000**	**69 223**	**0**	**22 400**	**530 113**	**845 736**	**14 316**	**4 424**	**0**	**1 432**	**33 880**	**54 052**
Purchase of treasury shares	0	0	-4 224	0	0	-4 224	0	0	-270	0	0	-270
Sale of treasury shares	0	0	4 224	0	0	4 224	0	0	270	0	0	270
Net profit	0	0	0	0	245 040	245 040	0	0	0	0	15 661	15 661
At 31 August 2002	**224 000**	**69 223**	**0**	**22 400**	**775 153**	**1 090 776**	**14 316**	**4 424**	**0**	**1 432**	**49 541**	**69 713**
Purchase of treasury shares	0	0	-4 599	0	0	-4 599	0	0	-294	0	0	-294
Sale of treasury shares	0	0	4 599	0	0	4 599	0	0	294	0	0	294
Net profit	0	0	0	0	381 931	381 931	0	0	0	0	24 410	24 410
AT 31 AUGUST 2003	**224 000**	**69 223**	**0**	**22 400**	**1 157 084**	**1 472 707**	**14 316**	**4 424**	**0**	**1 432**	**73 951**	**94 123**

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 measerument currency - EEK, which reflects the economic substance of the undrelaying events and circumstances of the enterprise. EEK is pegged to EUR at a fixed rate of EEK 15,6466 = 1 EUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

The consolidated financial statements of Tallink Grupp AS for the year ended August 31, 2003 were authorised for issue in accordance with a resolution of the Management Board on November 3, 2003. Tallink Grupp AS is a limited company incorporated in Estonia that employed 2 040 people 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 November 3, 2003.

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. The 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 financial statements.

New subsidiaries (business combinations) have been included in the consolidated financials statements using the purchase method of accounting. Accordingly, the consolidated income statements 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 has been 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 30 years
- Other equipment - over 3 to 5 years.

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 assets or 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 events.

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 are added to the carrying amount of the assets when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing assets, will flow to the enterprise. Such capitalised expenses are depreciated according to plan for a period not exceeding the useful life of the ship. All other expenditures are recognised as an expense in the period in which it is incurred.

CONSOLIDATED FINANCIAL STATEMENTS

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 (2-3 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 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 company. 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.

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 seasonably 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 become 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 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. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials - weighted average cost;
- Merchandise purchased for resale - weighted average cost.

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 AND CONTINGENT LIABILITIES

Provisions are recognised when the group has a present obligation (legal or constr uctive) 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 financial statements as contingent liabilities.

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 the secondary segments are operational segments (tickets sales, cargo sales, on-board 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 cargo sale

Revenue from tickets and cargo sales 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.

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). Thus there are no any 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 the company pays out the dividends.

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

Swedish and Finnish 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 and Sweden (tax rate is 29% in Finland and 28% in Sweden).

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 not subject to income tax. Thus there are no any 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 eight ships between Estonia-Finland and Estonia-Sweden, which represent different business segments. The group's market share on Estonia-Finland route is about 40% passenger transportation and about 47% cargo transportation, and Estonia-Sweden route is about 100% passenger transportation and about 100% cargo transportation (according to the Port of Tallinn).

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended August 31, 2003 and 2002.

CONSOLIDATED FINANCIAL STATEMENTS

GEOGRAPHICAL SEGMENTS – ASSETS' LOCATION

2002/2003 Revenue	Estonia Finland	Estonia Sweden	Elimination of inter-segment sales	Total
Ticket sales	*566 773*	*260 318*		*827 091*
Cargo sales	*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**
Finance cost(-)/income *				-99 542
Income from associate				891
Profit before income tax				**382 124**
Income tax				-193
NET PROFIT				**381 931**

31.08.03 Assets and liabilities	Estonia Finland	Estonia Sweden	Inter- segment	Total
Segment assets	3 270 689	1 411 920	-144 091	4 538 518
Unallocated assets				10 650
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. Corresponding interest expenses amounted to 92 340 th. EEK and 24 024 th. EEK.

2001/2002 Revenue	Estonia Finland	Estonia Sweden	Elimination of inter-segment sales	Total
Ticket sales	*606 810*	*210 014*		*816 824*
Cargo sales	*218 661*	*276 012*		*494 673*
On-board sales	*1 140 384*	*228 616*		*1 369 000*
Other	*81 564*	*18 003*		*99 567*
Total external sales	2 047 419	732 645	0	2 780 064
Inter-segment sales	91 011	644	-91 655	0
TOTAL REVENUE	**2 138 430**	**733 289**	**-91 655**	**2 780 064**
Result				
Segment result	400 953	79 004	-91 655	388 302
Unallocated expenses				-98 321
Operating profit				**289 981**
Finance cost(-)/income *				-48 676
Income from associate				1 385
Profit before income tax				**242 690**
Income tax				2 350
NET PROFIT				**245 040**

31.08.02 Assets and liabilities	Estonia Finland	Estonia Sweden	Inter- segment	Total
Segment assets	4 010 494	625 788	-120 484	4 515 798
Unallocated assets				16 666
TOTAL ASSETS				**4 532 464**
Segment liabilities	298 411	100 585	-120 484	278 512
Unallocated liabilities *				3 163 176
TOTAL LIABILITIES				**3 441 688**
Other segment information				
Tangible assets capital expenditure	2 402 298	443 179		2 845 477
Unallocated tangible assets capital expenditure				1 082
Intangible assets capital expenditure	39	126		165
Depreciation	210 350	17 585		227 935
Unallocated depreciation				3 183
Amortisation	3 124	12 763		15 887
Unallocated amortisation				1 885

* Unallocated liabilities include the loans received to finance the ships operating between Estonia and Finland in the amount of 2 558 083 th. EEK and to finance the ships operating between Estonia and Sweden in the amount of 470 652 th. EEK. Corresponding interest expenses amounted to 78 282th. EEK and 6 816 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 disclosed.

CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 REVENUES AND EXPENSES

(in thousand EEK)

Cost of sales	2002/2003	2001/2002
Cost of inventories	616 718	628 314
Port charges	409 605	410 336
Bunker cost	240 210	218 507
Charter hire	3 095	174 218
Staff costs	286 548	267 454
Depreciation	293 176	227 104
Other costs	283 513	238 662
TOTAL	**2 132 865**	**2 164 595**

Marketing expenses	2002/2003	2001/2002
Advertising expenses	82 887	70 109
Depreciation	5 078	4 583
Staff costs	109 686	94 859
Other costs	63 300	57 616
TOTAL	**260 951**	**227 167**

Administrative and general expenses	2002/2003	2001/2002
Depreciation	23 862	17 205
Staff costs	42 288	35 276
Other costs	51 911	44 295
TOTAL	**118 061**	**96 776**

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

	2002/2003	2001/2002
Wages and salaries	323 405	293 649
Social security costs	106 533	92 809
Cost of training of staff	2 802	2 745
Other staff costs	5 782	8 386
TOTAL	**438 522**	**397 589**

Other operating income	2002/2003	2001/2002
Gain on disposal of property, plant and equipment	57	11
Insurance benefits	317	100
Other	2 289	5 508
TOTAL	**2 663**	**5 619**

Other operating expenses	2002/2003	2001/2002
Loss on disposal of property, plant and equipment	3	1 389
Other	5 606	5 775
TOTAL	**5 609**	**7 164**

Finance income and finance costs	2002/2003	2001/2002
Net foreign exchange gains	37 054	38 398
Other interest and financial income	3 047	2 422
Total financial income	**40 101**	**40 820**
Interest expenses	-139 485	-89 486
Other financial expenses	-158	-10
Total financial expenses	**-139 643**	**-89 496**
NET FINANCIAL EXPENSES (-) / INCOME	**-99 542**	**-48 676**

NOTE 5 TAXES

(in thousand EEK)

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

	2002/2003	2001/2002
Income tax from profit of Swedish subsidiary	193	114
Income tax from profit of Finnish subsidiary	0	-2 464
Income tax from profit of others	0	0
TOTAL	**193**	**-2 350**

According to 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, 2003 and 2002 the Swedish subsidiary – Tallink Sverige AB – has a deferred tax liability and the Finnish subsidiary – Tallink Finland OY – has an unrecorded deferred tax asset:

	31.08.03	31.08.02
Deferred tax liability (non-current liability)	197	93
Unrecorded deferred tax asset	3 699	4 941

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

Refundable taxes	31.08.03	31.08.02
VAT	7 017	3 006
Income tax	381	410
Other taxes	7	0
TOTAL	**7 405**	**3 416**

Tax liabilities	31.08.03	31.08.02
Salary related taxes	25 734	28 399
Income tax	86	47
Other taxes	26	84
TOTAL	**25 846**	**28 530**

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.

	2002/2003	2001/2002
Weighted average number of ordinary shares (pcs)	22 400 000	22 400 000
Net profit attributable to ordinary shareholders	381 931	245 040
EARNINGS PER SHARE (IN EEK PER SHARE)	**17.1**	**10.9**

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 22.

NOTE 7 CASH AND CASH EQUIVALENTS

(in thousand EEK)

	31.08.03	31.08.02
Cash at bank and in hand	73 076	80 946
Short-term deposits	158 748	71 775
TOTAL	**231 824**	**152 721**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates (rates in 2002/2003 were in the range of 0.25-4.10% and in 2001/2002 in the range of 0.75-3.30%). 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)

	31.08.03	31.08.02
Trade receivable	108 356	150 368
Allowance for uncollectible receivables	-707	-498
TOTAL	**107 649**	**149 870**

NOTE 9 OTHER RECEIVABLES AND PREPAID EXPENSES

(in thousand EEK)

	31.08.03	31.08.02
Loans granted	0	5 120
Amount owed by associate	112	216
Other receivables	18 078	33 707
Accrued interest income	218	407
Prepaid expenses	25 899	35 335
TOTAL	**44 307**	**74 785**

As at August 31, 2002 the amount of loans granted includes the loan receivable from S.F.Holding (in the amount of 5 115 th. EEK). The loan was repayable in 2002/2003 and earns interest at a rate of 0% p.a. The loan has been secured by the shares of Tallink Grupp AS.

As of August 31, 2003 and 2002 the balance of other receivables consists mostly of producers tax-free trading compensation receivable for last 5 months and the balance of prepaid expenses mostly includes prepayments for insurance and port fees. 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 22.

NOTE 10 INVENTORIES

(in thousand EEK)

	31.08.03	31.08.02
Raw materials (at cost)	4 653	6 002
Goods for sale (at cost)	45 845	52 487
Prepayments to suppliers	970	1 041
TOTAL	**51 468**	**59 530**

NOTE 11 INVESTMENT IN SUBSIDIARIES

(in thousand EEK)

	Country of	% equity interest		Equity in th. EEK	
Name of subsidiary	incorporation	Aug 31, 2003	Aug 31, 2002	Aug 31, 2003	Aug 31, 2002
Hansaliin OÜ	Estonia	100	100	42	42
HT Kinnisvara OÜ	Estonia	100	100	1 237	707
Tallink Duty Free AS	Estonia	100	100	2 830	2 344
HT Hulgi Tolliladu OÜ <1>	Estonia	100	100	322	327
HT Laevateenindus OÜ	Estonia	100	100	1 563	950
HT Meelelahutus OÜ	Estonia	100	100	1 586	2 067
Tallink AS	Estonia	100	100	410	407
Hansatee Cargo AS	Estonia	100	100	49 997	78 856
TLG Hotell OÜ <4>	Estonia	100	0	40	0
Tallink Sverige AB <2>	Sweden	100	100	1 763	1 283
Tallink Finland OY	Finland	100	100	8 439	4 570
Kapella Shipping Ltd.	Bahama	100	100	35 593	30 433
Tallink Line Ltd.	Cyprus	100	100	250 270	201 475
Tallinn - Helsinki Line Ltd.	Cyprus	100	100	34 579	38 400
Vana Tallinn Line Ltd.	Cyprus	100	100	288 378	229 111
Tallink Fast Ltd.	Cyprus	100	100	242 975	172 883
Tallink Ltd.	Cyprus	100	100	154 946	31 132
Tallinn Swedish Line Ltd.	Cyprus	100	100	69 525	35 182
Tallinn Stockholm Line Ltd.	Cyprus	100	100	58 113	3 620
Tallink Victory Line Ltd. <3>	Cyprus	100	0	-28	0
Hansalink Ltd <5>	Cyprus	100	0	111 482	0

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

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

Acquisitions of subsidiaries

<3> In November 2002 Tallink Grupp AS established a new subsidiary – Tallink Victory Line Ltd – with 100% of the ownership. The payment into the share capital in the amount of 27 thousand EEK was made in December 2002. The new subsidiary has been registered in Cyprus and was established for later ship owning purpose.

<4> In May 2003 Tallink Grupp AS established a new Estonian subsidiary – TLG Hotell OÜ - with the share capital 40 thousand EEK. The mentioned company will operate in the hotel business.

<5> In February 2003 Tallink Grupp AS purchased 100% of the voting shares of Hansalink Ltd from Infortar AS (the parent company of the group). The purchase price was 298 000 thousand EEK. Hansalink Ltd owns m/v Tallink AutoExpress 2 and has been registered in Cyprus.

The fair values of the identifiable assets and liabilities of Hansalink Ltd acquired are:

Cash and bank accounts	1 482
Short-term receivables	69 205
Ship	221 913
	292 600
Short-term and long-term loans	-126 996
Interests payable	-1 674
Fair value of net assets	**163 930**
Goodwill arising on acquisition [3]	203 706
	367 636
Consideration:	
Purchase price [1]	298 000
Lease liability [2]	-405 948
Book value of the leased ship [2]	475 583
	367 636
Net cash acquired with subsidiary	1 482
Cash paid [1]	-249 622
Net cash outflow	**-248 140**

[1] 48 378 th. EEK of purchase price was offset between Tallink Grupp, Infortar and Hansalink Ltd. The remaining part (249 622 th. EEK) was paid in cash.

[2] the lease agreement (regarding m/v Tallink AutoExpress 2) has been concluded between Tallink Grupp AS and Hansalink Ltd as of 26.06.2001 and is still in force. This lease agreement was recorded as a capital lease before the acquisition of the shares of Hansalink. For the purpose of these financial statements at the moment of acquisition the lease liability and the leased ship were written off from the balance sheet of the group and the difference was considered as a part of the acquisition cost.

[3] Goodwill will be amortized over 10 years in equal portions, as it relates to the estimated remaining useful life of the ship.

CONSOLIDATED FINANCIAL STATEMENTS

Effect of the acquisition of Hansalink Ltd on the financial position of the group at the reporting date and the results of the group for the reporting period:

Hansalink Ltd related assets as of August 31, 2003	
Cash and bank accounts	374
Tangible fixed assest	212 244
Goodwill	193 520
Debentures	-114 217
Other liabilities	-584
	291 337

Hansalink Ltd related income and expenses for the 6-months period ended 31.08.2003	
Cost of sales	34 097
Depreciation	-21 142
Interest expenses	-2 348
Other expenses	-56
	10 551

NOTE 12 INVESTMENT IN ASSOCIATE

(in thousand EEK)

	HT Valuuta AS	HTG Partner AS*	Total
% equity interest at the beginning of the financial year	25	35	x
% equity interest at the end of the financial year	25	0	x
Acquisition cost - Aug 31, 2002	100	140	240
BOOK VALUE - AUG 31, 2002	**2 506**	**1 564**	**4 070**
Dividends received	-1 400	0	-1 400
Income under the equity method	891	0	891
Proceeds from disposals	0	-1 564	-1 564
Acquisition value - Aug 31, 2003	100	0	100
BOOK VALUE - AUG 31, 2003	**1 997**	**0**	**1 997**

Both associates have been registered in Estonia and their shares are not listed.

*the shares of HTG Partner AS (associated company) were sold to Compo Investeeringud OÜ in February 2003. No gain or loss was earned from this transaction.

NOTE 13 OTHER LONG TERM FINANCIAL ASSETS

(in thousand EEK)

	31.08.03	31.08.02
Other receivables and prepaid expenses	412	72
TOTAL	**412**	**72**

As of August 31, 2003 and 2002 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	Pre-payments	Total
Book value at Aug 31, 2002	**9 401**	**4 029 417**	**26 533**	**0**	**4 065 351**
Additions	0	31 751	10 412	345 745	387 908
Purchase of new subsidiary**	0	221 913	0		221 913
Disposals	0	0	-3	0	-3
Leased ship**	0	-475 583	0		-475 583
Depreciation for the year	-1 110	-283 696	-12 696	0	-297 502
BOOK VALUE AT AUG 31, 2003	**8 291**	**3 523 802**	**24 246**	**345 745**	**3 902 084**
At August 31, 2002					
- Cost	13 454	4 541 546	65 033	0	4 620 033
- Accumulated depreciation	-4 053	-512 129	-38 500	0	-554 682
- Book value	9 401	4 029 417	26 533	0	4 065 351
At August 31, 2003					
- Cost	13 453	4 195 115	73 143	345 745	4 627 456
- Accumulated depreciation	-5 162	-671 313	-48 897	0	-725 372
- Book value	8 291	3 523 802	24 246	345 745	3 902 084

** rows of “purchase of new subsidiary” and “leased ship” are related to the acquisition of Hansalink Ltd – see also Note 11.

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

During the financial year the company has capitalised borrowing costs as a part of the cost of ships in the amount of 12 194 th. EEK (2001/2002: 19 050 th. EEK) – 100% of interest related to the loans received to finance the building of vessels (up to the delivery date).

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, 2003	Loan balance	Book value of collateral	Market value* of collateral
SHIPS	**2 223 456**	**3 512 462**	**3 835 373**

* Average of 2 shipbrokers quotes as of August 31, 2003

NOTE 15 INTANGIBLE ASSETS

(in thousand EEK)

	Goodwill*	Patents and licences	Development costs**	Total
Book value at Aug 31, 2002	**3 668**	**533**	**18 448**	**22 649**
Additions	203 706	281	0	203 987
Amortisation for the year	-13 318	-227	-11 069	-24 614
BOOK VALUE AT AUG 31, 2003	**194 056**	**587**	**7 379**	**202 022**
At August 31, 2002				
Cost	26 961	1 831	33 206	61 998
Accumulated depreciation	-23 293	-1 298	-14 758	-39 349
Book value	3 668	533	18 448	22 649
At August 31, 2003				
Cost	208 821	2 112	33 206	244 139
Accumulated depreciation	-14 765	-1 525	-25 827	-42 117
Book value	194 056	587	7 379	202 022

* See Note 11 for more information about the addition of goodwill.

** Starting from May 2001 the costs of launching the Tallinn-Stockholm line have been capitalized as development costs as follows: 33 206 th. EEK in AS Hansatee Cargo. These development costs are amortised on a straight-line basis over 3 years. As of August 31, 2003 the remaining useful life of development costs related to Tallinn-Stockholm line is 8 months. In the financial year and previous year no other significant research and development costs were recorded in the financial statements.

NOTE 16 INTEREST BEARING LOANS AND BORROWINGS

(in thousand EEK)

At August 31, 2003	Maturity	Short-term portion	Long-term portion	Total borrowings
Obligation under finance lease	2008	253	1 671	1 924
Long-term secured bank loans**	2002-2014	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**

At August 31, 2002	Maturity	Short-term portion	Long-term portion	Total borrowings
Obligation under finance lease	2008	81 788	400 178	481 966
Long-term secured bank loans	2002-2014	305 511	1 952 774	2 258 285
Other long-term secured loans**	2007-2011	38 116	255 994	294 110
Bonds	2002	69 854	0	69 854
TOTAL		**495 269**	**2 608 946**	**3 104 215**

** As of August 31, 2002 the long-term loan from Aker RGI Holding ASA in the amount of 156 466 th. EEK was classified as other long-term secured loans. In 2002/2003 Union Bank of Norway took over this loan and as of August 31, 2003 the same loan is classified as long-term secured bank loans.

* The group is allowed to use bank overdraft with limitation of 150 000 thousand EEK and 2 287 thousand EUR. Bank overdrafts are secured with commercial pledge (in the total amount of 151 250 thousand EEK) & ship mortgages. In 2002/2003 the average effective interest rate of bank overdrafts is EURIBOR+2.25% for overdrafts from Estonian commercial banks and EURIBOR+1.25% from Finnish commercial bank.

* In 2002/2003 the weighted average interest rate of secured bank loan was EURIBOR +1.5% .

* Interest rates of other secured loans are related to EURIBOR, but one of other secured loans (loan from Infortar in the amount of 115 530 th. EEK at August 31, 2003) has a fixed interest rate. Average effective interest rate of other secured loans is approximately 5%.

* As of August 31, 2003 bonds with the book value of 76 487 th. EEK (as at Aug 31, 2002: 69 854 th. EEK) have the fixed interest rate of 0%. The total nominal value of these bonds is 80 390 th. EEK (2002: 74 000 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. 6.6 % (2002: 6.8%).

* Lease liability of the group as of August 31, 2002 was related to the charter of a ship from Hansalink Ltd. In connection with the acquisition of Hansalink's shares the leased assets and lease liability were written off from the balance sheet as a part of the total consideration – see also Note 11. Lease liability of the group as of August 31, 2003 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:

	2002/2003		2001/2002	
	minimum payments	PV of payments	minimum payments	PV of payments
Within one year	270	253	106 307	81 788
After 1 year, but not more than 5 years	1 785	1 671	392 401	344 223
More than 5 years	0	0	57 362	55 954
Total minimum lease payments	**2 055**		**556 069**	
Future financial charges	**-131**		**-74 103**	
PV OF MINIMUM LEASE PAYMENTS	**1 924**	**1 924**	**481 966**	**481 966**

Book value of leased assets as at August 31, 2002	520 169
Additions, incl. re-classification	2 361
Disposals (see Note 11)	-475 583
Depreciation for the financial year	-45 038
Book value of leased assets as at August 31, 2003	1 909
- at costs	*2 569*
- accumulated depreciation	*-660*

NOTE 17 OTHER PAYABLES AND PREPAID INCOME

(in thousand EEK)

	31.08.03	31.08.02
Customers' prepayments	14 229	11 652
Other payables	386	1 530
Payables to employees	36 162	39 284
Interests payable	28 153	32 581
Other accruals	1 364	1 874
TOTAL	**80 294**	**86 921**

NOTE 18 SHARE CAPITAL

(in thousand EEK)

	31.08.03	31.08.02
Ordinary shares of 10 EEK each (th. pcs)	22 400	22 400
The number of shares issued and fully paid (th. pcs)	22 400	22 400
Share capital	224 000	224 000
Share premium per share in EEK	3,09	3,09
Total share premium	69 223	69 223

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

During the financial year AS Tallink Group repurchased its shares for 4 599 (2002: 4 224) thousand EEK and sold these with the same price.

In September 2003 Tallink Grupp issued new shares – see Note 22 for more information about that.

NOTE 19 COMMITMENTS AND CONTINGENCIES

(in thousand EEK)

CAPITAL COMMITMENTS

In October 2002 Aker Finnyard and Tallink Grupp AS signed the shipbuilding contract to construct a new passenger cruise ship. The new ship should be delivered in March 2004. The shipbuilding contract price of the new ship is 140 000 000 EUR. 20 % will be paid during construction and 80 % will be paid at the delivery of the ship. As of August 31, 2003 Tallink Grupp AS and its subsidiary Tallink Victory Line Ltd has paid 20 500 000 EUR for this new ship.

LEGAL CLAIM

Tallinna Sadam AS has 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 is unfounded.

Tallink Grupp AS has filed a claim with the Estonian Competition Board with a petition to terminate the abuse of a dominant market position by Tallinna Sadam AS complaining about establishment of unreasonable conditions of access to the port infrastructure. Estonian Competition Board did not satisfy the claim with its letter nr. 2-01.11/138 of the 19th of February 2003. AS Tallink Grupp filed a claim to dispute the circumstances brought up in the Estonian Competition Board letter no. 2-01.11/138 of the 19th of February 2003. Court session will be held on the 5th of November 2003.

The cargo fees payable specified above have been recorded as accounts payable in the financial statements of the group, but fine regarding these fees in the amount of 2 880 th. EEK have not been recorded in the balance sheet, as the management of the group believes that they will win the court case described above.

INCOME TAX ON DIVIDENDS

The group's retained earnings as at August 31, 2003 were 1 157 084 (as at August 31, 2002 – 775 153) thousand EEK. The maximum possible income tax liability as at August 31, 2003, which would become payable if retained earnings were fully distributed and all shareholders belonged to the taxable category, is 300 842 (as at August 31, 2002 – 201 540) thousand EEK. Accordingly, it would be possible to pay out to the shareholders 856 242 (2002: 573 613) thousand EEK, net of tax.

OFF-BALANCE SHEET GUARANTEES

- Tallink Grupp AS has given guarantees to HSH Nordbank AG (ex Hamburgische Landesbank) , Nordea Bank Plc, Union Bank of Norway and Aker Yards AS for the loans granted to its overseas subsidiaries amounting to 2 600 070 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 in the maximum amount of 6 370 th. SEK to Eesti Ühispank related to Swedish subsidiary. Due date is July 14, 2005.
- Tallink Grupp AS has given a guarantee to Nordea Bank for the overdraft granted to its Finnish subsidiary. At August 31, 2003 the overdraft amounted to zero.

NOTE 20 RELATED PARTY DISCLOSURES

(in thousand EEK)

The following transactions have been entered into with related parties.

2002/2003 or 31.08.2003	Sales to related party	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
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
2001/2002 or 31.08.2002				
AS Infortar	6 268	21 001	16 605	124 846
AS HT Valuuta	2 197	0	216	0
Hansalink Ltd.	0	81 347	0	40 291

* See Note 11 – Subsidiaries

** 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

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. See also Note 11.

Sales to and purchases from related parties are made at normal market prices.

DIRECTORS' REMUNERATION

The executive members of the Management Board received a remuneration totalling 10 551 thousand EEK (2002 – 6 149 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 6 695 th. 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 borrowing 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, insurance. The net open position in the currency exposure is not hedged by derivative financial instruments at the end of financial year.

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**
OPENED CURRENCY 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.

August 31, 2002	EEK, EUR*	USD	SEK	Total
Cash and cash equivalents	138 679	136	13 906	152 721
Trade receivables	129 884	0	19 986	149 870
Other financial assets	41 770	0	1 168	42 938
TOTAL FINANCIAL ASSETS	**310 333**	**136**	**35 060**	**345 529**
Current portion of borrowings	400 247	95 022	0	495 269
Trade payables	164 714	40 527	16 688	221 929
Other current financial liabilities	96 355	0	7 444	103 799
Non-current borrowings	**2 208 768**	**400 178**	**0**	**2 608 946**
Total financial liabilities	**2 870 084**	**535 727**	**24 132**	**3 429 943**
OPENED CURRENCY POSITION	**-2 559 751**	**-535 591**	**10 928**	**-3 084 414**

INTEREST RATE RISK

In its operations, the group uses a mixture of financial instruments such as shareholders' funds, bank borrowings, finance leases and cash. The group borrows in desired currencies at both fixed and floating rates of interest having regarding to current market rates and future trends. At year-end loans with fixed interest rate represented close to 7.5% of the group's total interest-bearing liabilities. No interest rate hedges were active at 31 August 2003.

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	**<1 year**	**1-5 year**	**>5 years**	**Total**
Secured bank loans	396 621	1 232 419	814 564	2 443 604
Other loans	156 466	0	0	156 466

31 August, 2002

Fixed rate	<1 year	1-5 year	>5 years	Total
Obligation under finance lease	81 788	344 224	55 954	481 966
Other loans	24 882	99 528	0	124 410
Bonds	69 854	0	0	69 854
Floating rate	**<1 year**	**1-5 year**	**>5 years**	**Total**
Secured bank loans	305 511	1 044 485	908 289	2 258 285
Other loans	13 234	156 466	0	169 700

CREDIT RISK

The maximum credit risk exposure of unsecured receivables of the group at the balance sheet date is 133 462 th. EEK (2002: 187 693 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)

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. As of August 31, 2003 the Group had capitalized expenses related to issuing new shares in the amount of 7 184 th. EEK. Subsequent to August 31, 2003 the share premium was reduced by the specified amount and by the expenses related to the issuing shares invoiced after balance sheet date (in the amount of 13 275 th. EEK).

Owners equity after share issue	18.09.03	31.08.03
Issued capital	275 000	224 000
Share premium **	416 678	69 223
Reserves	22 400	22 400
Retained earnings *	1 157 084	1 157 084
TOTAL OWNER'S EQUITY	**1 871 162**	**1 472 707**

* retained earnings as of September 18, 2003 don't include the net profit / loss earned after August 31, 2003.

** the Group has not received all invoices regarding expenses related to the shares issue by the date of the approval of the current financial statement. In the opinion of the management of Tallink Grupp these additional expenses will amount to 100 – 150 th. EUR. The Group will reduce the share premium by the specified amount after receiving these expenses.

CORPORATE GOVERNANCE

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 the general annual meeting in February 2003.

THE SUPERVISORY BOARD

The Supervisory Board shall consist of at least 3 and not more than 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 five members, Mr. Toivo Ninnas, Chairman, Ms. Eve Pant, Mr. Madis Üürike, Mr. Andres Lipstok, and Mr. Lauri Kustaa Äimä.

The Supervisory Board convened ten 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.

EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING

14, Sep 2003 Tallinn

Resolutions adopted at the meeting:

1. Amendment of the Articles of Association.

Pursuant to Article 298 (1)((1)) and Article 300 (1) of the Commercial Code, the general meeting of AS Tallink Grupp resolved to amend the Articles of Association as follows:

To amend the first sentence of Clause 5.2 of the Articles of Association and to establish it in the following wording:

"5.2. The Council of the Company consists of 5 to 7 members."

2. Increase of the share capital

Taking into consideration Articles 298 (1) ((2)), 341 (1), 342, 345 (1) and 346^1 (2) and 347 (3) of the Commercial Code, the shareholders' general meeting of AS Tallink Grupp resolved:

1. Due to the need to involve additional investments, to conduct directed offer of shares to persons whose names have been determined in advance.
2. In order to conduct the offer of the shares to increase the share capital to the amount of 275 000 000 kroons by issuing 5 100 000 new shares with the par value of 10 kroons per each share.
3. The New shares shall be issued at a premium, whereas the minimum amount of the premium is 72 kroons and 14 cents per share. The council of AS Tallink Grupp is entitled to determine a higher amount of premium until the beginning of the subscription for the new shares.
4. The pre-emptive right of the shareholders shall not be applied at the subscription for the new shares.
5. The subscription for the new shares shall be carried out form 15 until 18 September 2003.
6. The new shares shall be paid for by monetary contributions only. The date of payment is 18 September 2003. The new shares shall be paid for by wire transfer to the bank account of AS Tallink Grupp at the location chosen by the subscriber, taking into account that the money must accrue to the bank account of AS Tallink Grupp by the date of payment for the shares (i.e. 18 September 2003).
7. The Management Board of AS Tallink Grupp has the right to extend the period of subscription for the shares or cancel shares that have not been subscribed for during the period of subscription.
8. If shares are subscribed for in excess of the proposed amount of share capital, the council of AS Tallink Grupp has the right to decide on the division of the oversubscribed shares between the subscribers pursuant to the number of shares they have subscribed for and cancel the oversubscribed shares.

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AUDITOR'S REPORT TO THE TALLINK GRUPP AS SHAREHOLDERS

We have audited the consolidated financial statements of Tallink Grupp AS and its subsidiaries (hereafter "the Group") for the financial year ended August 31, 2003 as set out on pages 26 to 44. 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 present fairly, in all material respects, the financial position of the Group as of August 31, 2003, 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, November 4, 2003

Hanno Lindpere
Ernst & Young Baltic AS

Marju Põldniit
Authorised Auditor

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