



YEARBOOK 2015

A S T A L L I N K G R U P P Y E A R B O O K 2 0 1 5

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STATEMENT OF THE SUPERVISORY BOARD

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

I am pleased to say that 2015 financial year was very successful for the Group. The Group earned all time high revenue and record operating result while the overall customer satisfaction improved already for several consecutive years.

The Group had stable operations on the operated routes and thanks to the larger passenger number and investments made to the shops and restaurants on ships in previous years, the Group earned more revenue from on-board sale. The strong result was also supported by the higher revenue from chartering activity and positive effects from the changes to the operations in previous financial year.

In 2015 the Group started the construction of the new LNG fast ferry for Tallink Shuttle service. The new larger dual fuel fast ferry will be one of a kind in the market area and will support the Group's competitive position in the strategic route.

In accordance with the Group's strategy, the strong financial position allows to continue paying dividends. The Management Board and Supervisory Board will propose to the shareholders' Annual General Meeting a dividend distribution of EUR 0.02 per share, i.e. EUR 13,398,000 in aggregate and share capital reduction of EUR 0.06 per share, i.e. EUR 40,192,922 in aggregate.

During the past financial year the meetings of the supervisory board of the Company were held in all together 6 times and without calling a meeting written resolutions were adopted in all together 12 times.

The most important resolutions were the following:

- Approving of the budget of 2016 financial year;
- Granting consent to the conclusion of the contract of sale of the cruise ferries Regina Baltica and Silja Festival;
- Granting consent to the conclusion of the contract for construction of a fast ferry;

- Granting consent to the conclusion of the facility agreement for the financing of construction of a fast ferry;
- Granting consent to the conclusion of the sale and charter agreement of the fast ferry Superstar.

The Supervisory Board of the Group has regularly reviewed the financial results and the Management's economic activity overviews of the Group.

The supervisory board of AS Tallink Grupp reviewed and approved the Annual Report and profit distribution of the 2015 financial year.

On behalf of the entire Supervisory Board, I would like to thank the members of the Management Board and the employees of the Group for their achievements and contribution to the success of the company during the past financial year.

Enn Pant

Chairman of the Supervisory Board



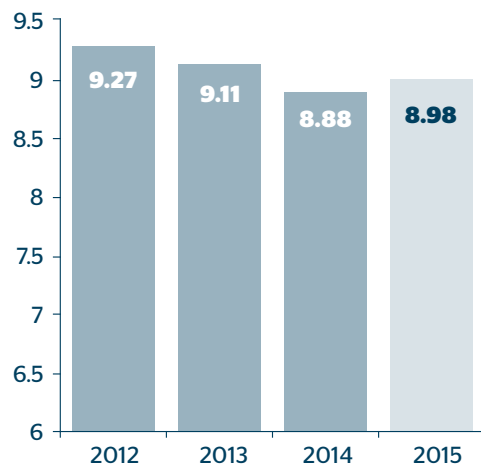
HIGHLIGHTS OF FINANCIAL YEAR 2015

OPERATIONS

- Record revenue and EBITDA result, net profit more than doubled
- All time high passenger number on Tallinn-Helsinki route
- Positive effect from charters and re-routings
- Positive feedback from upgraded vessels
- Adoption to the new EU Sulphur Directive
- Lower fuel price and lower total fuel consumption
- Sale of vessels Silja Festival and Regina Baltica
- Start of production of the new generation LNG powered fast ferry
- Sale and charter-back of fast ferry Superstar

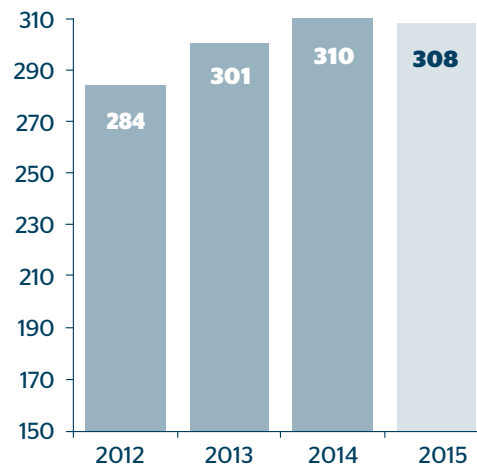
PASSENGERS

Million



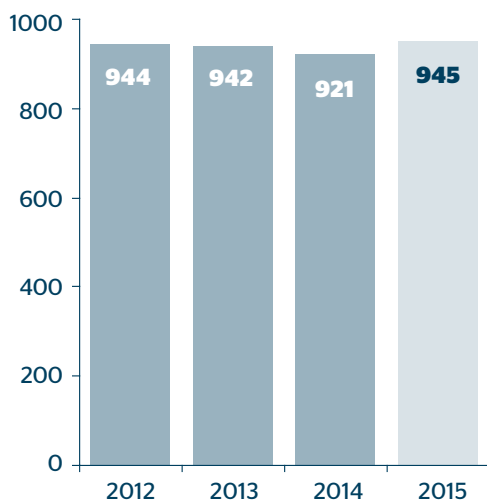
CARGO UNITS

Thousand



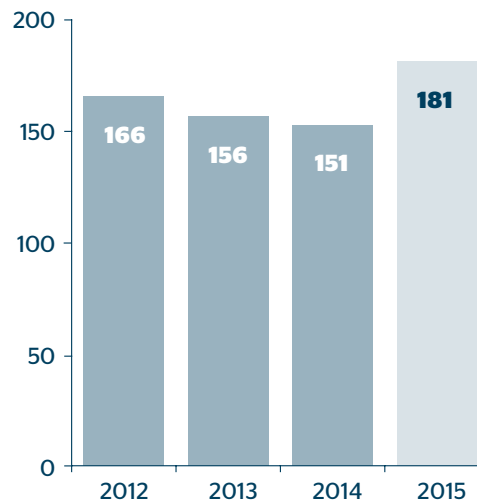
REVENUE

Million EUR



EBITDA

Million EUR



FINANCIAL REVIEW

Million EUR	2011 ²	2012	2013	2014	2015
Net sales	908	944	942	921	945
Gross profit	193	201	190	182	223
EBITDA	163	166	156	151	181
Net profit	38	56	43	27	59
Depreciation	71	71	73	80	78
Investments	9	9	43	49	44
Total assets	1,800	1,742	1,722	1,686	1,539
Total liabilities	1,094	981	951	907	714
Interest-bearing liabilities	960	840	794	743	549
Net debt	884	775	722	678	467
Total equity	705	761	771	778	824
Fleet value	1,570	1,510	1,479	1,451	1,270
Weighted average number of ordinary shares outstanding ¹	669,882,040	669,882,040	669,882,040	669,882,040	669,882,040
Number of ordinary shares outstanding ¹	669,882,040	669,882,040	669,882,040	669,882,040	669,882,040
Earnings per share (EPS) euros ¹	0.06	0.08	0.06	0.04	0.09
Shareholders' equity per share euros ¹	1.05	1.14	1.15	1.16	1.23
Price-Earnings ratio (P/E) ¹	10	10	14	16	10
Gross profit margin	21%	21%	20%	20%	24%
EBITDA margin	18%	18%	17%	16%	19%
Net profit margin	4.2%	6.0%	4.6%	3.3%	6.3%
Return on assets (ROA)	5.0%	5.4%	4.8%	4.1%	6.3%
Return on equity (ROE)	5.5%	7.8%	5.7%	3.6%	7.4%
Return on capital employed (ROCE)	5.4%	6.4%	5.6%	5.0%	7.7%
Net debt / EBITDA	5.4	4.7	4.6	4.5	2.6
Equity ratio	39%	44%	45%	46%	54%
Number of passengers	9,144,290	9,264,561	9,114,812	8,881,732	8,976,226
Cargo Units	283,105	283,973	301,660	310,492	308,029
Average number of employees	6,651	6,868	6,948	6,952	6,835

¹ the share and per share information has been adjusted with the share bonus issues

² Pro forma, due to change in the financial year period

EBITDA - Earnings before net financial items, share of profit of associates, taxes, depreciation and amortization, income from negative goodwill

Gross margin - Gross profit / Net sales

EBITDA margin - EBITDA / Net sales

Net profit margin - Net profit / Net sales

Price-Earnings ratio (P/E) - Market value per share/ Earnings per share

ROA - Earnings before net financial items, taxes, income from negative goodwill / Average total assets

ROE - Net profit / Average shareholders' equity

ROCE - Earnings before net financial items, taxes, income from negative goodwill / Total assets - Current liabilities (average for the period)

Equity ratio - Total equity / Total assets

COMPANY OVERVIEW

AS Tallink Grupp with its subsidiaries (hereinafter also referred to as “the Group”) is the leading European ferry operator in offering high quality mini-cruise and passenger transport services in the Baltic Sea region as well as a leading provider of ro-ro cargo services on selected routes. The Group provides its services on various routes between Finland and Sweden, Estonia and Finland, Estonia and Sweden, and Latvia and Sweden under the brand names of “Tallink” and “Silja Line”. The Group has a total fleet of 16 vessels that include cruise ferries, high-speed ro-pax ferries and ro-ro cargo vessels. In addition, the Group operates four hotels in Tallinn and one in Riga.

STRATEGY

The Group’s vision is to be the market pioneer in Europe by offering excellence in leisure and business travel and sea transportation services.

The Group’s strategy is to

- Strive for the highest level of customer satisfaction
- To increase the volumes and strengthen the market position in the region
- To develop a wide range of quality services for different customers and to pursue new growth opportunities
- Ensure cost efficient operations
- To maintain an optimal debt level that allows sustainable dividends

A modern fleet, a wide route network, a strong market share and brand awareness together with high safety, security and environmental standards are the main competitive advantages for the Group. They are the cornerstones for successful and profitable operations.

SALES AND MARKETING

Products and Services

We are the market leader in the Nordic and Baltic region with the most modern fleet and a wide variety of services and routes, from various transport and leisure products to a high speed Tallink Shuttle service between Tallinn and Helsinki. Our offering also includes complete leisure and fun-filled short cruise experiences with possible overnight hotel and spa stays at various destinations. A large proportion of our products are sold as combined services and travel packages. Travel packages are tailored to suit customer preferences in each market as to the type of vessel, length of trip, use of conference services, hotel accommodations and other leisure products. All of our vessels are able to take a

large number of passenger vehicles as well as Ro-Ro cargo. We offer our customers end-to-end travel experiences, from joyful and easy cruise or transportation between top destinations to hotel accommodation and taxi service.

Cruises

There is a variety of short cruises on all our routes which include Helsinki-Stockholm, Turku-Stockholm, Helsinki-Tallinn, Stockholm-Tallinn and Riga-Stockholm. We also sell short day cruises to the Aland islands from both Stockholm and Turku.

Our customers are able to have all the experiences in one: shopping, dining and entertainment are delivered by the best team. There are various activities on board of our vessels. High quality international entertainment programs are very well received by our customers and include a variety of music and shows, from well-known Broadway musicals and other variety of shows to top chart artists and bands. School and summer holidays are filled with special children’s entertainment programmes on board so that families could experience our special leisure cruise offerings together.

On our short overnight cruises between Stockholm and Helsinki, Tallinn and Riga our passengers can not only enjoy the various restaurants, bars, shops, and excellent on board entertainment but can also purchase the various day shore excursions that are offered in all the cities we visit.

Many of our vessels have been recently renovated and offer today totally new experiences and fresh look with expanded shopping areas, restaurants and upgraded cabins, from traditional to special Moomin character cabins on-board of Silja Symphony and Silja Serenade.

Transportation

Since our vessels leave all our ports at least once a day, except between Stockholm and Riga, the passengers have the flexibility of purchasing one-way trips to our destinations where they can stay longer and return whenever is convenient for them. Everyone can enjoy our on board experience whether travelling one-way or taking a cruise. Our Tallink Shuttle product which includes the vessels Star and Superstar sails between Tallinn and Helsinki up to 12 times a day. Even though the voyage only lasts for 2 hours, the passengers can enjoy a wide selection of restaurants, bars, cafes and shops. There are also Comfort and Business Lounge facilities for passengers who prefer a quieter and more relaxed atmosphere. Tallink Shuttle accommodates cars and trucks with 2000 lane meters of capacity.

COMPANY OVERVIEW

Tallink Shuttle service will make a significant leap at the beginning of 2017 when Tallink will start operating a new shuttle, Megastar, on Tallinn-Helsinki route. She will be 212 meters long, can accommodate altogether 2800 passengers and will use LNG as a fuel, and will also be able to run on diesel if required. On Tallinn-Helsinki route alone AS Tallink Grupp transports more than 4.7 million passengers a year.

Cargo

Tallink is the biggest cargo service company in the Baltic region and transporting more than 300 000 cargo units annually. In our business we operate under a mixed tonnage concept which means that our vessels carry both passengers and cargo. We carry only ro-ro cargo - mainly trucks and trailers - and do not carry container cargo. Our vessels are equipped with separate car decks onto which private cars, buses and ro-ro cargo can be driven while passengers are safely embarking. Cargo traffic is related to business logistics and its development is often linked to the overall general economic conditions and trade activities. Our customer base for cargo services consists of a wide range of clients, from large international transport companies to small and medium-sized companies. The goods carried by them vary from building materials to consumer essentials. We work closely with our customers in order to continuously improve our efficiencies and service levels offering a flexible, affordable and efficient service on all routes.

City Breaks

We market and sell a variety of services that people can enjoy while taking a city break. Whether it is golf, opera, museums or amusement parks for children, everything we do is to ensure that the cruise experience is a memorable one. Many of our vessels, such as the recently renovated Silja Serenade and Silja Symphony provide a city break experience at sea as there are wide promenades with shops, restaurants, coffee places and different kind of entertainment and music shows.

At the same time we can also combine our transport services with overnight stays across all of our markets. We have special deals with leading hotel chains in Finland and Scandinavia. Tallink Hotels is the primary choice for our hotel packages in Tallinn and Riga. During the winter months we also sell hotel ski packages to popular ski resorts in Finland and Sweden.

Tallink Hotels

With 5 hotels and 1293 rooms, Tallink operates the largest hotel chain in Estonia and the second largest hotel chain in the Baltics. Two stylish business class hotels - Tallink City Hotel and Tallink Spa & Conference Hotel - are situated in the centre of Tallinn.

Tallink Express Hotel near the harbour is perfect for budget travellers looking for good value and the Pirita Spa Hotel which is situated beside the sea in beautiful Pirita caters to medical and wellness treatment clientele. In Latvia there is Tallink Hotel Riga, which is located close to the business and shopping centres and the historic Old Town of Riga. The hotels are operated under the hotel chain brand Tallink Hotels. It is an extension of the leisure services that we offer to our customers.

Onboard services

Tallink Grupp is ranked as the number one ferry company when it comes to the global travel retail revenues and as number 4 in Europe among the leading travel retail outlets. In the Nordic region, we are the number one outlet in terms of sales. Restaurants, bars and shops onboard contribute more than half of our overall revenues. All our cruise and transport passengers can dine at varying price levels ranging from traditional a la carte and buffet restaurants to fast food dining areas and pubs to even trying our exclusive gourmet restaurants run by some of the best chefs in the region. We have developed menus suited for Nordic tastes, accompanied by culinary inspiration from other ethnic cuisines. We focus strongly on the quality of our food and service and many of our chefs and catering staff have won numerous awards reflecting our excellent onboard service. Onboard sales in restaurants and bars are tax-free on all our routes.

All our vessels have onboard shops where passengers can purchase consumer goods, alcohol, tobacco, cosmetics, confectionery, clothing, toys and accessories. On all our routes from Estonia and Finland to Stockholm we stop at Aland Island making it possible to sell goods with no excise or VAT thus making our products readily available to passengers at very favourable prices.

On all our cruise vessels passengers can enjoy gambling as a means of entertainment. The vessels are equipped with slot machines and black jack and roulette tables on the bigger cruise vessels.

Sales Segments and Channels

With our different routes and wide range of products and services we can truly offer something for everyone. Our travel services are available almost everywhere globally, but most active sales efforts and marketing campaigns are targeted towards our home markets which include Finland, Sweden, Estonia, Latvia and our key markets in Germany, Russia and Lithuania. In Norway and Denmark we operate under the so called general sales agent concept while in the Far East we have

COMPANY OVERVIEW

contracts with all major travel agencies. The Far East passenger volumes have shown significant growth and therefore our services and products do follow also customer expectations from this part of the world. We have widened payment options and installed new terminals which do accept most credit cards from China, Japan and other Far East countries.

The group and conference market is an important segment for the company. We actively target companies, associations, unions and charity clubs to hold their seminars, events and exhibitions onboard our vessels. With our spacious and renovated conference facilities, modern technical equipment and WiFi internet connection, we can accommodate, depending on the vessel, over 500 persons. During the day our showbars can be easily converted to seat up to 1000 people with high-tech sound and lighting possibilities. Combined with our extensive and flexible catering possibilities and onboard entertainment, our vessels are the ideal place to combine business and leisure, making any large gathering a success. For large groups we have a separate group sales department which handles special requests offering individual attention and personalised service. We also rent the vessel to companies that want to have exclusive cruises.

All individuals and group and conference passengers can make reservations and special requests through our contact centres. Individuals can also make bookings online. There is continuous development of our online & mobile booking systems to make it more user-friendly and meet growing customer expectations. We have witnessed a noticeable shift from using the contact centre for online booking from all types of devices - personal computers, tablets and mobile phones. Digitalization is one of the top priorities in the company to meet fast growing customer demands and making the whole booking process much faster and more efficient. Based on customer feedback, our self-service check-in options (either kiosk, online or mobile) are highly appreciated.

We see the voice of the customer as a valuable business asset, therefore we constantly monitor customer satisfaction and act on findings. Our service standards are in place to welcome our customers with a friendly and professional service throughout the journey.

Another important component of our sales channels is our extensive network of travel agencies in all our markets. All of the travel agencies support our sales and marketing activities and use an easy-to-use online connection to our central booking system.

Customer loyalty programme

Club One is Tallink and Silja Line's customer loyalty programme connecting close to 2 million members. A significant number of our loyal customers come from Finland, Sweden, Estonia, Latvia and Lithuania. Hence, there are also growing Club One member numbers in other parts of Europe and in the Far East. Loyal customers are recognized in all our service contact points - from the point of booking to on board of Tallink and Silja Line vessels, in Tallink Hotels or Tallink Taxi. On board the vessels, the Club One members can enjoy special benefits in our restaurants, bars and tax-free shops.

Members have a wide variety of services and products where they can use their points. Club One is designed to offer versatile, high-quality travel services to meet the needs of our frequent passengers. Members receive discounts from ticket prices, they collect bonus points from all ticket or on board purchases which can be redeemed for trips and special offers. Members also receive newsletters and loyal customer magazine containing up-to-date information on the latest special members-only offers and travel opportunities. Cooperation agreements with various onshore shops and restaurants provide customers with added value incentives and bonuses.

Our Brands

Our Brand Portfolio consists of two Strategic Brands Tallink and Silja Line. Club One is an enabler that supports our portfolio of brands, and offers benefits from all Tallink Grupp companies, affiliates and many partners. We strive to design each interaction with our brands to delight our guests, create memories, and build brand loyalty.

Tallink is the Industry Innovator, and provider of easy-going and memorable experiences.

Silja Line is the Nordic travel experience providing value in every detail.

Clear, beloved and differentiated brands are even more crucial as we are competing in the wider competitive field of leisure. We are going to continue to grow our industry-leading strategic brands in 2016, as they make their important contributions to the common value stream and form the foundation of our Group.

2015 included many award winning events and marketing activities, such as the first prize for innovative outdoor media usage and best summer print advertising for Tallink Shuttle in Finland. In Estonia we won the highest Marketing Award of the year (Turundustegu) for the Epic Estonia campaign. All these successful projects have helped to raise the image of our brands and are directly reflected in our passenger and revenue numbers.

VESSELS AND OTHER INVESTMENTS

The Group's main revenue-generating assets are vessels, which account for approximately 83% of total assets. During the financial year three vessels (Silja Festival, Regina Baltica and Superstar) were sold and at the end of the financial year the Group owned 15 vessels.

Fast ferry Superstar is operated under a charter agreement until the delivery of new LNG fast ferry Megastar early 2017. The vessel types and operations at the end of the financial year are described in the table below:

Vessel name	Vessel type	Built/renovated	Route	Other information
Baltic Queen	Cruise ferry	2009	Finland-Estonia	overnight cruise
Superstar	High-speed ro-pax	2008	Finland-Estonia	shuttle service
Star	High-speed ro-pax	2007	Finland-Estonia	shuttle service
Sea Wind	Ro-ro cargo vessel	1972/1989	Finland-Estonia	cargo transportation
Galaxy	Cruise ferry	2006	Finland-Sweden	overnight cruise
Baltic Princess	Cruise ferry	2008	Finland-Sweden	overnight cruise
Silja Symphony	Cruise ferry	1991	Finland-Sweden	overnight cruise
Silja Serenade	Cruise ferry	1990	Finland-Sweden	overnight cruise
Romantika	Cruise ferry	2002	Sweden-Estonia	overnight cruise
Victoria I	Cruise ferry	2004	Sweden-Estonia	overnight cruise
Regal Star	Ro-ro cargo vessel	1999	Sweden-Estonia	cargo transportation
Isabelle	Cruise ferry	1989	Sweden-Latvia	overnight cruise
Superfast VII	High-speed ro-pax	2001	Chartered out	renamed "Stena Superfast VII"
Superfast VIII	High-speed ro-pax	2001	Chartered out	renamed "Stena Superfast VIII"
Superfast IX	High-speed ro-pax	2002	Chartered out	renamed "Atlantic Vision"
Silja Europa	Cruise ferry	1993	Chartered out*	

* The cruise ferry Silja Europa started on Tallinn-Helsinki route day cruise service on 13 March 2016.

As at 31 December 2015 the value of the ships amounted to EUR 1,270 million (EUR 1,451 million at the end of 2014). The Group's vessels are regularly valued by 2 to 3 independent international shipbrokers who are also approved by mortgagees.

All of the Group's vessels have protection and indemnity insurance (P&I), hull and machinery insurance (H&M) and they meet all applicable safety regulations.

The Group does not have any substantial on-going research and development projects.

VESSELS AND OTHER INVESTMENTS



The production of the new LNG powered fast ferry Megastar started in Meyer Turku Yard in Finland on 4th of August 2015, on 9th of February 2016 the keel of Megastar was laid and the construction process in the dry dock began. According to

the plans, her delivery takes place in the beginning of 2017. Megastar will be 212 meters long, can accommodate altogether 2800 passengers and will start operating on Tallinn-Helsinki route under the brand Tallink Shuttle.



The new environmentally friendly ship uses LNG as fuel and she will comply with the new and stricter emission regulations for the ECA areas including the Baltic Sea. The ship, with a gross tonnage of 49 000 and service speed of 27 knots, will bring significant improvement in energy efficiency as well as new innovative solutions to the service on board. Megastar will be a symbol for new era in the fast ferry services on the Baltic Sea.

FLEET

**BALTIC QUEEN**

Built	2009
Length	212 m
Passengers	2800
Lanemetres	1130
Ice class	1 A Super

**SUPERSTAR**

Built	2008
Length	177 m
Passengers	2080
Lanemetres	1930
Ice class	1 A

**BALTIC PRINCESS**

Built	2008
Length	212 m
Passengers	2800
Lanemetres	1130
Ice class	1 A Super

**STAR**

Built	2007
Length	186 m
Passengers	1860
Lanemetres	2000
Ice class	1 A

**GALAXY**

Built	2006
Length	212 m
Passengers	2800
Lanemetres	1130
Ice class	1 A Super

**VICTORIA I**

Built	2004
Length	193 m
Passengers	2500
Lanemetres	1030
Ice class	1 A Super

FLEET



ROMANTIKA

Built	2002
Length	193 m
Passengers	2500
Lanemetres	1030
Ice class	1 A Super



SILJA EUROPA

Built	1993
Length	202 m
Passengers	3123
Lanemetres	932
Ice class	1 A Super



SILJA SYMPHONY

Built	1991
Length	203 m
Passengers	2852
Lanemetres	950
Ice class	1 A Super



SILJA SERENADE

Built	1990
Length	203 m
Passengers	2852
Lanemetres	950
Ice class	1 A Super

**ISABELLE**

Built	1989
Length	171 m
Passengers	2480
Lanemetres	850
Ice class	1A Super

**SUPERFAST VII / VIII / IX**

Built	2001 / 2001 / 2002
Length	203 m / 203 m / 203 m
Passengers	717 / 717 / 728
Lanemetres	1900
Ice class	1 A Super

**REGAL STAR**

Built	1999
Length	157 m
Passengers	80
Lanemetres	2087
Ice class	1 A

**SEA WIND**

Built	1972 / 1984 / 1989
Length	155 m
Passengers	260
Lanemetres	1100
Ice class	1 B

PERSONNEL

EMPLOYEES - FUELLING TALLINK'S SUCCESS

Tallink's greatest assets are the thousands of employees over six countries, as they are the power behind the company's achievements. Our employees are committed to provide our customers with enjoyable Travel Experiences. Likewise Tallink is doing its best to support and provide great Employee Experience.

Tallink Grupp has almost 7000 employees, most of who work at sea. This is natural, of course, since the company does specialise in maritime transport - it owns a total of sixteen vessels and operates five different routes. Onshore personnel is mainly occupied by the managing, supportive and administrative services for the operations of the vessels, where in addition the staff of the ticket sales of the contact centres and passenger terminals are in important place. Tallink is also operating four big hotels in Tallinn and one in Riga, the employees of which make up a sizeable and growing part of the company. Planning, recruitment, training, crewing and payroll administration are the areas included in the Human Resources management. All of these are handled internally within Tallink Grupp.

The proficiency of language within the company is at a very high level due to the nature of the services - our international maritime transport routes serve over nine million passengers per year coming mainly from European countries. Tallink is an

international company employing people from six different countries in which at least seven different languages can be heard daily. However this does not hold back cooperation between our staff members. On the contrary, our people have so much to learn from each other that we consider this exchange of experience to be of major added value.

The constant development of knowledge, skills and competence are required. The training system is developed in order to guarantee safe operations and a high level of service on board the vessels and in hotels. Our training program comprises the best of our internal knowledge but also the qualified external expertise. In 2015 Tallink Group Training Center was established with aim to develop and deliver of customer service, occupational and leadership knowledge's, skills and principles for AS Tallink Grupp and its subsidiaries employees. Tallink will continue to cooperate with various educational institutions, including most vocational schools and especially Maritime Academies and other organisations in this field, in order to introduce young people to the maritime industry. We try to actively promote maritime transport as a field of employment and to introduce the employment opportunities at Tallink with the primary aim of attracting employees with relevant specialised education, so that even years from now our staff will still be amongst the best in the Baltic Sea region.

ON 31 DECEMBER 2015, THE GROUP EMPLOYED 6,572 EMPLOYEES (6,654 ON 31 DECEMBER 2014).

	As at 31 December	2015	2014	Change
Onshore total		1,459	1,521	-4.1%
Estonia		770	770	0.0%
Finland		445	471	-5.5%
Sweden		168	199	-15.6%
Latvia		61	67	-9.0%
Germany		5	4	25.0%
Russia		10	10	0.0%
At sea		4,534	4,525	0.2%
Hotel*		579	608	-4.8%
Total		6,572	6,654	-1.2%

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

In the 2015 financial year, staff costs in the cost of sales were EUR 142.4 million (EUR 138.7 million in 2014). Staff costs related to administrative staff and sales & marketing staff were EUR

21.3 million and EUR 30.1 million respectively (EUR 21.3 million and EUR 29.3 million respectively in 2014).

SAFETY & SECURITY

In the Group's operations the safety and security of people, environment and property are of the utmost importance. Tallink's Safety Management System adheres to the ISM (International Safety Management) and ISPS (International Ship Port Facility Security) Codes and the requirements according to the ISO 14001 environmental management standard to guarantee that the operations of the ships and onshore organization prevent accidents, loss of human lives and environmental damages caused to the marine environment. The Safety Management System is audited by Lloyds Register and the Estonian, Swedish, Latvian, and Finnish Maritime Administrations.

Tallink Group Training Center is providing among other trainings, maritime trainings in accordance with International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978 as amended (STCW) and national legislation. The Training Center is audited according to the ISO 9001:2008 quality management system standard by Bureau Veritas.

The Group's safety and security management operations are aimed at maintaining and developing safe procedures for ships and creating a safe ship environment for both the crew and passengers. The crew's safety and security management skills are consistently developed, tested and practiced through drills and exercises in cooperation with the authorities. The skills are improved by identifying the known risk factors and areas, and practicing related procedures. In addition, the crew's environmental safety awareness is continuously improved.

The objective of the Group's Safety Management System is to ensure that valid rules and requirements set out by the IMO (International Maritime Organization), the EU (European Union), the maritime authorities, the certification bodies and other maritime organizations as well as their applicable regulations and standards are adhered to.

Ship masters are responsible for the onboard safety and security operations of the ships managed by the Group. The task of the onshore organization is to supervise, support and develop safety and security work. All the Group's vessels carry lifesaving equipment which meets the highest safety standards and are always ready for immediate use. The Group's highest-level nautical and good-seamanship practices together with top-level safety and security organizations are designed to prevent situations where all this safety equipment should be put in use.

ENVIRONMENTAL & CORPORATE SOCIAL RESPONSIBILITY

The Group recognises that environmental protection and management is one of its highest priorities. Every effort is to be

made to preserve and protect the environment from marine and atmospheric pollution and any other form of pollution, including office-based waste.

The Group's vessels are maintained and operated in accordance with the MARPOL convention (the International Convention for the Prevention of Pollution from Ships). This ensures that air and sea pollution is kept at the lowest practicable level.

The Group operates a zero spill policy. The Group's objective is to eliminate the possibility of pollution at source by ensuring that high standards of safety and awareness are maintained and that all relevant legislation and conventions are followed for both its sea and shore activities. Additionally, the Group is committed to continuous improvement of the methods that are used to carry out and achieve this objective, including the use of equipment and practices that minimise waste generation.

Selection of international certificates held by Group companies:

- ISO 14001:2004 Environmental Certificate by Lloyds Register
- MARPOL Sewage Pollution Prevention Certificate
- MARPOL Air Pollution Prevention Certificate
- IAFS International Anti-Fouling System Certificate
- MARPOL Oil Pollution Prevention Certificate
- Document of Compliance for Anti-fouling System
- MARPOL Garbage Pollution Prevention Attestation
- Document of Compliance by Estonian Maritime Administration
- Document of Compliance by Finnish Maritime Administration
- Document of Compliance by Swedish Maritime Administration
- Document of Compliance by Latvian Maritime Administration

As a major tax-payer in Estonia, Finland and Sweden, the Group believes that financial success can only be guaranteed through responsible and sustainable development. Therefore, each year, the Group gives a significant share of its success back to society and the environment in which the Company operates.

Group entities are actively involved in supporting many public initiatives and events, especially youth and sports organisations. Being one of the largest Estonian companies in terms of the number of employees, it has always been the Group's goal to encourage its employees to participate in social events for the sake of the environment and society.

There are many areas which the Group supports and sponsors. The environment, children and young people, and sports are areas which are considered to be the most important in all the countries in which Tallink has its operations.

A more detailed overview of the environmental and social responsibility policies and activities are provided in the Group's Sustainability Report.

SHARES AND SHAREHOLDERS

As at 31 December 2015 AS Tallink Grupp had a total of 673,817,040 shares issued and fully paid. There were no changes in the amount of shares during the 2015 financial year.

All the shares are of the same kind and each share carries one vote at the shareholders' general meeting. The par value of each share is EUR 0.6. No preference shares or shares with special rights have been issued. According to the articles of association of AS Tallink Grupp, shares can be freely transferred. No authorization needs to be obtained in order to buy or sell AS Tallink Grupp shares.

As a result of share buybacks carried out during the period of December 2007 - January 2008 the Group owns 3,935,000 own shares, which represent 0.584% of shares issued.

On 8 February 2011, the annual general meeting of AS Tallink Grupp approved the terms of a share option programme that allowed issuing options for up to 15 million shares until 31 August 2013. In accordance with the programme, the Group issued options during the 2011 and 2012 financial years. On 30 November 2014 7,317,500 share options expired (issued 2011). As at 31 December 2015, the Group had outstanding 7,276,903 share options (7,318,638 at the end of 2014) of which 3,150,000 were held by the Management Board and Supervisory Board and 4,126,903 by other Group employees. Each option gives the right to purchase one share in AS Tallink Grupp. The outstanding options represent around 1.1% of total shares outstanding. The terms and conditions of the issued share options are the following: exercisable not earlier than 36 months from issue or 21 December 2015 and not later than 21 June 2016; exercise price EUR 0.858 in the case of new shares issued or average acquisition cost in the case of existing shares purchased from the market; the options are to be settled by physical delivery of shares. As at 31 December 2015 outstanding share options had no diluting effect due to their exercise price being higher than the price in the stock market during the reporting period.

On 9 June 2015, the annual general meeting of AS Tallink Grupp approved the terms of a share option programme that allowed issuing options for up to 20 million shares. As at 31 December 2015 there were no options issued under the 2015 share option programme.

According to the resolution of the general meeting of 9 June 2015, the Company was granted the right to acquire its own shares subject to the following conditions:

- 1) The company is entitled to acquire own shares within five years as from the adoption of this resolution.
- 2) The total nominal values of the shares owned by the company shall not exceed 10 % of the share capital.
- 3) The price payable for one share shall not be more than is the highest price paid at Tallinn Stock Exchange for the share of AS Tallink Grupp at the day when the share is acquired.
- 4) Own shares shall be paid for from the assets exceeding the share capital, mandatory legal reserve and issue premium.

No share buybacks have been performed since adoption of this resolution.

Supervisory Board is authorized within three years as from 1 January 2016 to increase the share capital by EUR 25,000,000 increasing the share capital up to EUR 429,290,224.

The Management Board of AS Tallink Grupp has not been granted the right to issue new shares

TRADING

The shares of AS Tallink Grupp are traded on the NASDAQ OMX Tallinn Stock Exchange under the symbol TAL1T (REUTERS: TAL1T.TL, BLOOMBERG: TAL1T ET).

During the 2015 financial year, there were transactions with 64,169,830 AS Tallink Grupp shares on the Tallinn Stock Exchange. The highest daily average share price on the Tallinn Stock Exchange was EUR 0.86 and the lowest daily average share price was EUR 0.68. The average daily turnover of AS Tallink Grupp shares on the Tallinn Stock Exchange was EUR 197 thousand.

The following charts give an overview of the performance of the share price and trading on the Tallinn Stock Exchange during the last three years, from 1 January 2013 to 31 December 2015. The market capitalization in the end of the 2015 financial year was EUR 577.5 million.

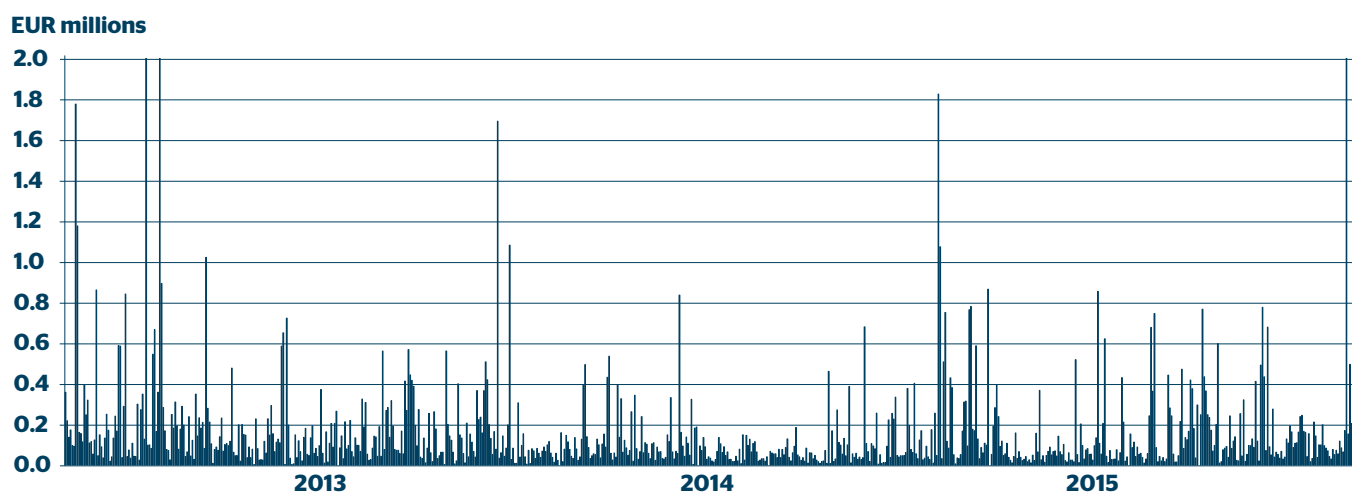
SHARES AND SHAREHOLDERS

The following charts give an overview of the performance of the share price and trading on the Tallinn Stock Exchange during the last three years, from 1 January 2013 to 31 December 2015:

HISTORICAL STOCK PRICE



HISTORICAL TURNOVER



The table below presents the distribution of share capital by size of share ownership as at 31 December 2015:

Ownership size	No. of shareholders	% of shareholders	No. of shares	% of share capital
1-99	606	5.51%	24 381	0.00%
100 - 999	3 071	27.91%	1 429 447	0.21%
1,000 - 9,999	6 324	57.46%	14 257 012	2.12%
10,000 - 99,999	846	7.69%	21 760 023	3.23%
100,000 - 999,999	111	1.01%	32 574 719	4.83%
1,000,000 - 9,999,999	40	0.36%	118 270 661	17.55%
10,000,000 +	7	0.06%	485 500 797	72.05%
TOTAL	11 005	100.00%	673 817 040	100.00%

As at 31 December 2015, 6.75% of the Group's shares were held by individuals.

SHARES AND SHAREHOLDERS

The table below presents the investors of the Group by investor type at 31 December 2015:

Investor type	No. of shareholders	No. of shares	% of share capital
Principal shareholder, Infotrar AS	1	254,776,164	37.81%
Institutional investors	1,086	373,541,138	55.44%
Private individuals	9,918	45,499,738	6.75%

The table below presents the 10 largest shareholders of the Group at 31 December 2015:

Shareholder	No. of shares	%
Infotrar AS	254,776,164	37.81%
Baltic Cruises Holding L.P.	117,362,149	17.42%
Nordea Bank Finland Plc. clients	42,624,436	6.33%
ING Luxembourg S.A. AIF Acc.	24,829,806	3.68%
ING Luxembourg Client Acc.	19,262,260	2.86%
State Street Bank Trust Omnibus Acc. A Fund OM01	14,944,376	2.22%
Clearstream Banking Luxembourg S.A. Clients	11,701,606	1.74%
Skandinaviska Enskilda Banken Finnish Clients	7,924,385	1.18%
Mellon Treaty Omnibus	7,416,559	1.10%
Firebird Republics Fund Ltd	6,712,956	1.00%

SHAREHOLDERS' AGREEMENT

Major shareholders of the Group entered into a shareholders' agreement in August 2006. The agreement was amended in December 2012. The main terms of the agreement are published on the Group's website. The agreement sets forth among the other terms that the parties of the agreement and each shareholder of Tallink shall remain independent in their decisions and shall not be restricted by the agreement or otherwise, directly or indirectly, to exercise their voting right or any other powers available to them, in the manner which, in its own opinion, best complies with its duties under Estonian laws, any Rules of Tallinn Stock Exchange or the Corporate Governance Recommendations.

TAKEOVER BIDS

The Group has not concluded any agreement with its management or employees that contain the provisions of compensation payment in case of takeover bid.

DIVIDENDS

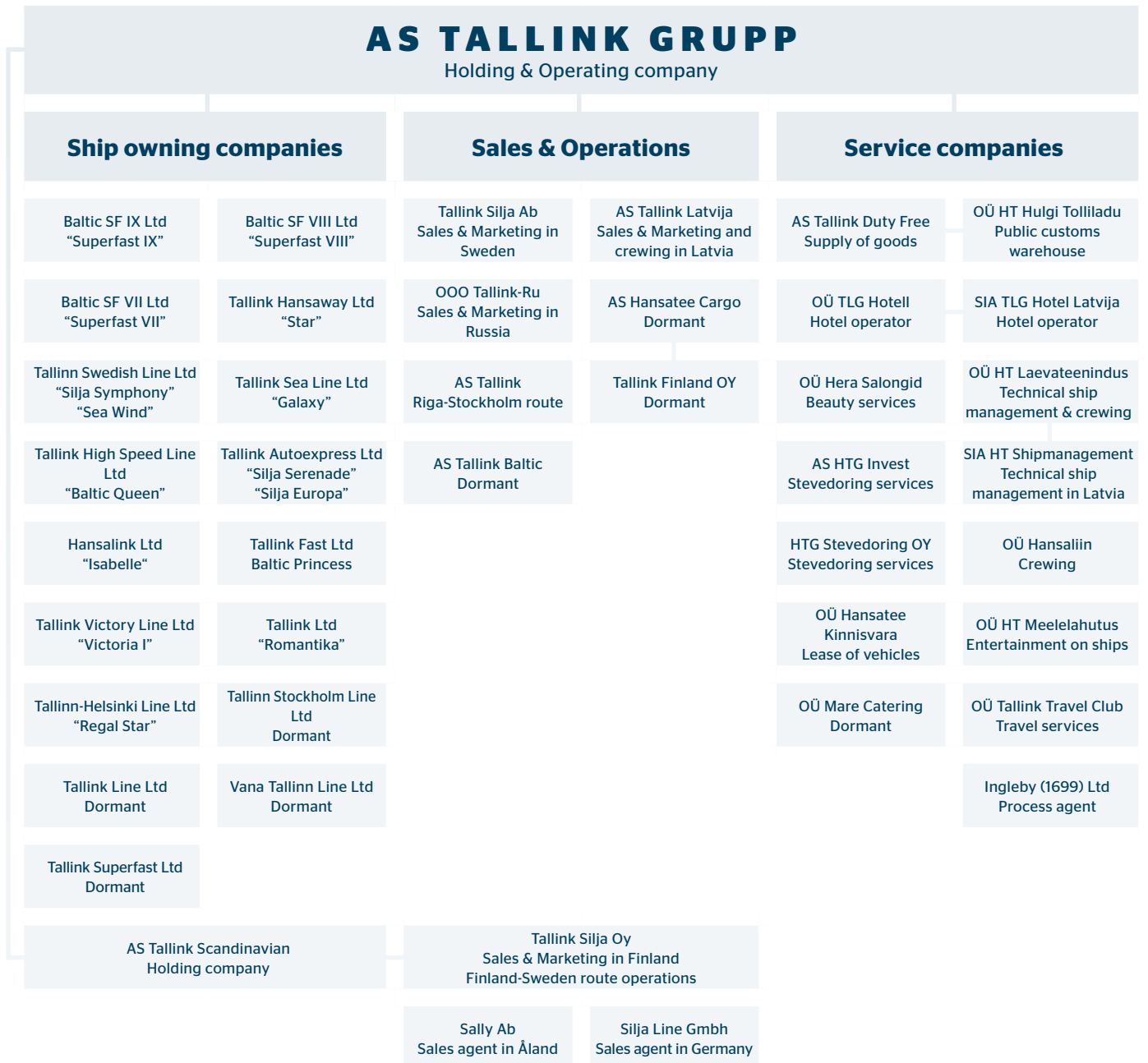
The Group's strong expansion and growth have been achieved thanks to significant investments in the recent past. The Group's policy has been to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. In 2011 management introduced the strategic target to pay sustainable dividends. Dividend payment is related to the results of the company.

In the 2015 financial year a dividend of EUR 0.02 i.e. EUR 13,398,000 was paid. The rest of the operating cash flow was used to repay the bank loans, for down payment of the new LNG vessel and to support the Group liquidity.

GROUP STRUCTURE

At the reporting date, the Group consisted of 44 companies. All of the subsidiaries are wholly-owned companies of AS Tallink Grupp.

The following diagram represents the Group's structure at the reporting date:



The Group also owns:

- 34% of AS Tallink Takso

CORPORATE GOVERNANCE REPORT

This report is made in accordance with the Estonian Accounting Act and gives an overview of the governance of AS Tallink Grupp and its compliance with the requirements of the Corporate Governance Recommendations (CGR) of the NASDAQ OMX Tallinn Stock Exchange. The Group follows most of the articles of the CGR except where indicated otherwise in this report.

ORGANIZATION AND ADMINISTRATION

Pursuant to the Estonian Commercial Code and the articles of association of AS Tallink Grupp (the Company), the right of decision and the administration of the Company are divided between the shareholders represented by the shareholders' general meeting, the Supervisory Board and the Management Board.

SHAREHOLDERS' GENERAL MEETING

The Company's highest governing body is the shareholders' general meeting. The primary duties of the general meeting are to approve the annual report and the distribution of dividends, elect and remove members to the Supervisory Board, elect auditors, pass resolutions on any increase or decrease in share capital, change the articles of association and resolve other issues, which are the responsibility of the general meeting by law. According to the law, the articles of association can be amended only by the shareholders' general meeting. In such a case it is required that 2/3 of the participating votes are for it.

Every shareholder or his/her proxy with a relevant written power of attorney may attend the general meeting, discuss the items on the agenda, ask questions, make proposals and vote.

The Group publishes a notice of an annual general meeting and an extraordinary general meeting at least three weeks in advance in a national daily newspaper, in the stock exchange information system and on the Company's website at www.tallink.com. The notice includes information on where the meeting will be held.

The agenda of the meeting, the Board's proposals, draft resolutions, comments and other relevant materials are made available to the shareholders before the general meeting on the Company's website and in the stock exchange information system. The shareholders may ask questions before the general meeting by sending an email to info@tallink.ee.

The Company has not made it possible to observe and attend general meetings through electronic channels as there has not been any interest for it (CGR 1.3.3).

In the reporting period AS Tallink Grupp held the annual general meeting on 9 June 2015. The meeting was attended by the Management Board members Janek Stalmeister, Andres Hunt, Lembit Kitter and Kadri Land. The Supervisory Board members present were Enn Pant, Toivo Ninnas, Kustaa Äimä, Ain Hanschmidt, Colin Douglas Clark, Eve Pant and Kalev Järvelill. The meeting was also attended by the Company's auditor. The chairman of the meeting was Raino Paron. The meeting was held in Estonian. The attending shareholders represented 459,172,054 votes, i.e. 68.55% of all votes. The resolutions adopted were: distribution of profits, nomination of an auditor, approval of the Share Option Program, amending the Articles of Association and authorizing the acquisition of own shares.

THE SUPERVISORY BOARD

The Supervisory Board engages in oversight and longer-term management activities such as supervising the Management Board and approving business plans, acting in the best interest of all shareholders. No residency requirements apply to the members of the Supervisory Board. The Supervisory Board reports to the general meeting of the shareholders.

The Supervisory Board consists of 5 to 7 members. Members of the Supervisory Board are elected for periods of three years at a time. The Supervisory Board elects one of its members as chairman. For electing a member to the Supervisory Board his or her written consent is needed. The general meeting of the shareholders may remove any member of the Supervisory Board without a reason. Such a decision requires 2/3 of the votes represented at the general meeting. A member of the Supervisory Board may resign without a reason by informing the general meeting of the shareholders about the resignation.

The Supervisory Board is responsible for supervising management of the Company and 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 elects the members of the Management Board and determines their salaries and benefits.

CORPORATE GOVERNANCE REPORT

At present, the Supervisory Board has seven members: Mr. Enn Pant - Chairman, Mr. Toivo Ninnas, Ms. Eve Pant, Mr. Ain Hanschmidt, Mr. Lauri Kustaa Äimä, Mr. Colin Douglas Clark and Mr. Kalev Järvelill. The members of the Supervisory Board have the knowledge and experience necessary to fulfill their duties following the Corporate Governance Recommendations and legislation.

The meetings of the Supervisory Board are held according to need, but at least once in every three months. The Supervisory Board convened six times during the 2015 financial year. The Company's operations, development, strategies, targets and budget were discussed. Twelve resolutions were adopted in writing without convening a meeting.

The members of the Supervisory Board avoid conflicts of interest and observe the prohibition on competition. The Supervisory Board and the Management Board work closely in the best interests of the Company and its shareholders, acting in accordance with the articles of association. Confidentiality rules are followed on exchanging information.

The remuneration of the Supervisory Board was decided at the shareholders' special general meeting on 17 September 2013. Accordingly, the remuneration of the chairman is EUR 2,500 per month and the remuneration of other members of the Supervisory Board is EUR 2,000 per month. There are no other benefits for members of the Supervisory Board.

The direct shareholdings and granted share options of the members of the Supervisory Board at the end of the 2015 financial year were the following:

	Shares	Share options
Enn Pant	3,951,913	350,000
Toivo Ninnas	19,200	350,000
Eve Pant	603,500	350,000
Ain Hanschmidt	1,800,000	350,000
Lauri Kustaa Äimä	237,000	350,000
Colin Douglas Clark	0	0
Kalev Järvelill	1,276,800	350,000



CORPORATE GOVERNANCE REPORT

THE MANAGEMENT BOARD

The Management Board is an executive body charged with the day-to-day management of the Company, as well as with representing the Company in its relations with third parties, for example on entering into contracts on behalf of the Company. The Management Board is independent in their decisions and follows the best interests of the Company's shareholders.

The Management Board must adhere to the decisions of the general meeting of the shareholders and lawful orders of the Supervisory Board. The Management Board ensures, with its best efforts, that the Company complies with the law and that the Company's internal audit and risk management functions operate effectively.

The Management Board consists of 3 to 7 members. The members and the chairman of the Management Board are elected by the Supervisory Board for periods of three years at a time. For electing a member to the Management Board his or her written consent is needed. The chairman of the Management Board may propose that the Supervisory Board also appoint a vice chairman of the Management Board, who fulfills the chairman's duties in the absence of the chairman. Every member of the Management Board may represent the Company alone in any legal and business matter. According to the law the Supervisory Board may recall any member of the Management Board without a reason. A member of the Management Board may resign without a reason by informing the Supervisory Board about the resignation.

At present, the Management Board has three members. Mr. Janek Stalmeister, Chairman, is responsible for leading the Board and general and strategic management of the Group, additionally he is responsible for IT, hotel operations, retail operations, cargo operations and regional offices. Mr. Andres Hunt, Vice Chairman, is responsible for fulfilling the chairman's duties in his absence, finance, technical management and internal control. Mr. Lembit Kitter is responsible for the Group's sales & marketing, daily operations, customer service, business development and human resources. The Supervisory Board has concluded service agreements with the members of the Management Board.

In 2015 the remuneration of the members of the Group's Management Board was in total EUR 1.4 million, including EUR 36,000 termination benefits.

The remuneration of the Management Board is determined by the Supervisory Board according to the CGR. The Supervisory Board has adopted the principles of remuneration of the management of AS Tallink Grupp. According to the document, besides work benefits, termination benefits and a share option programme, the members of the Management Board are eligible to annual bonuses of up to six-months' remuneration that are paid when the Group's results are profitable. The pay and benefits of individual Board members are not disclosed as the Group believes that such detailed information is insignificant for investors and is outweighed by the possible harm and discomfort to the members of the Management Board from the disclosure of sensitive personal information. The Company does not want to disclose such information to its competitors (CGR 2.2.7).

Members of the Management Board avoid conflicts of interest and observe the prohibition on competition.

The direct shareholdings and granted share options of the members of the Management Board at the end of the 2015 financial year were the following:

	Shares	Share options
Janek Stalmeister	45,000	350,000
Andres Hunt	860,000	350,000
Lembit Kitter	0	350,000

AUTHORITY OF THE MEMBERS OF THE MANAGEMENT BOARD TO ISSUE AND ACQUIRE SHARES

According to the resolution of the general meeting of 9 June 2015, the Company was granted the right to acquire its own shares subject to the following conditions:

- 1) The company is entitled to acquire own shares within five years as from the adoption of this resolution.
- 2) The total nominal values of the shares owned by the company shall not exceed 10 % of the share capital.
- 3) The price payable for one share shall not be more than is the highest price paid at Tallinn Stock Exchange for the share of AS Tallink Grupp at the day when the share is acquired.
- 4) Own shares shall be paid for from the assets exceeding the share capital, mandatory legal reserve and issue premium.

The Management Board has no right to issue the Company's shares.

CORPORATE GOVERNANCE REPORT

DISCLOSURE OF INFORMATION

The Company follows the CGR in its information disclosure procedures and treats all shareholders equally. All the released information is published in Estonian and in English on the websites of the Company and the Tallinn Stock Exchange as well as through the OAM system managed by the EFSA.

Meetings with investors have been arranged on an ad hoc basis as and when requested by the investors. The information shared at the meetings is limited to data already disclosed. The Company has published the times and locations of significant meetings with investors. The presentations made to investors are available on the Company's website. However, the Group does not meet the recommendation to publish the time and location of each individual meeting with investors and to allow all shareholders to participate in these events as it would be impractical and technically difficult to arrange (CGR 5.6).

FINANCIAL REPORTING AND AUDITING

Preparation of financial reports and statements is the responsibility of the Company's Management Board. The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and relevant Estonian regulations. The company issues quarterly unaudited interim financial reports and the annual audited report.

The Company's annual report is audited and then approved by the Supervisory Board. The annual report together with the written report of the Supervisory Board is sent for final approval to the shareholders' general meeting.

The notice of the shareholders' general meeting includes information on the auditor candidate. The Company observes the auditors' rotation requirement. The audit fee and the auditors' responsibilities are set out in an agreement concluded between the Company and the auditor.

To the knowledge of the Company, the auditors have fulfilled their contractual obligations and have audited the Company in accordance with International Standards on Auditing.

For better risk management and control, the Company has established an Audit Committee and an Internal Audit Department.

The Internal Audit Department took part in the process of preparing the annual report. Internal audits are conducted to check that information presented in the annual report is reliable.

The consolidated financial statements for the 2015 financial year were audited by KPMG Baltics OÜ.

AUDIT COMMITTEE

The Supervisory Board has elected two persons to the Audit Committee: Mr. Ain Hanschmidt and Ms. Mare Puusaag. The Audit Committee is responsible for monitoring and analysing the processing of financial information, the effectiveness of risk management and internal control, the process of auditing annual and consolidated accounts, and the independence of the audit firm and the auditor representing the audit firm on the basis of the law. The Audit Committee is responsible for making recommendations and proposals to the Supervisory Board.

SUBSTANTIAL SHAREHOLDERS

INFORTAR AS	254,776,164	37.81%
BALTIC CRUISES HOLDING, L.P.	117,362,149	17.42%

The related party transactions are disclosed in the notes to the financial statements.

SUPERVISORY BOARD AND MANAGEMENT BOARD



*Standing, from the left:
Kalev Järvelill,
Enn Pant,
Ain Hanschmidt,
Colin Douglas Clark*

*Sitting, from the left:
Lauri Kustaa Äimä,
Eve Pant,
Toivo Ninnas*

SUPERVISORY BOARD

ENN PANT (born 1965)

Chairman of the Supervisory Board since 2015

Chairman of the Management Board from 1996 to 2015, Chief Executive Officer

Member of the Supervisory Board of AS Infortar

Chancellor of the Ministry of Finance of Estonia from 1992 to 1996

Graduated from the Faculty of Economics, University of Tartu, Estonia, in 1990

Direct shareholding of 3,951,913 shares and 350,000 share options

EVE PANT (born 1968)

Member of the Supervisory Board since 1997

Graduated from the Tallinn School of Economics, Estonia, in 1992

Direct shareholding of 603,500 shares and 350,000 share options

AIN HANSCHMIDT (born 1961)

Member of the Supervisory Board since 2005, also from 1997 to 2000

Chief Executive Officer of AS Infortar

For years he served as Chairman of the Management Board of AS SEB Eesti Ühispank

Graduated from the Tallinn Polytechnic Institute (Tallinn University of Technology), Estonia in 1984

Direct shareholding of 1,800,000 shares and 350,000 share options

TOIVO NINNAS (born 1940)

Member of the Supervisory Board since 1997

Chairman of the Supervisory Board from 1997 to 2015

Served at ESCO (Estonian Shipping Company) 1973 to 1997 in various positions, Director General since 1987.

Graduated from the Far Eastern High Engineering Maritime College (FEHEMC), maritime navigation, in 1966.

Direct shareholding of 19,200 shares and 350,000 share options

COLIN DOUGLAS CLARK (born 1974)

Member of the Supervisory Board since 2013

Managing Director and Head of Central & Eastern Europe, Middle East and Africa for The Rohatyn Group

Formerly a Partner of CVCI Private Equity, from 2003 to 2013 until the merger of CVCI with The Rohatyn Group in December 2013

Director of the Supervisory Board of Prestige

Worked from year 2000 in Citigroup Inc.'s leading emerging markets projects financing team

Worked for Bank of Scotland in Edinburgh in various positions

Holds a Bachelor's degree in Accountancy and Management from University of Dundee (Scotland)

Member of the Institute of Chartered Accountants of Scotland

Direct shareholding of nil shares and nil share options

SUPERVISORY BOARD AND MANAGEMENT BOARD

KALEV JÄRVELILL (born 1965)

Member of the Supervisory Board since 2007

Member of the Supervisory Board of AS Infortar

He was a member of the Management Board of AS Tallink Grupp from 1998 to 2006

General Director of the Estonian Tax Board from 1995 to 1998

Vice Chancellor of the Ministry of Finance of Estonia from 1994 to 1995

Graduated from the Faculty of Economics, University of Tartu, Estonia, in 1993

Direct shareholding of 1,276,800 shares and 350,000 share options

LAURI KUSTAA ÄIMÄ (born 1971)

Member of the Supervisory Board since 2002

Managing Director of KJK Capital Oy

Chairman of the Management Board, KJK Management SA, KJK Fund SICAV-SIF and Amber Trust II SCA

Chairman of the Board of directors, KJK Fund II SICAV-SIF

Vice-chairman of the Management Board, Amber Trust SCA

Supervisory Board member of several companies including AS Premia Foods, AS Toode, AS Baltika, AS Riga Dzirnavnieks and UAB Malsena Plius

Holds a Master's degree in Economics from the University of Helsinki, Finland, 1997

Direct shareholding of 237,000 shares and 350,000 share options

MANAGEMENT BOARD

JANEK STALMEISTER (born 1974)

Chairman of the Management Board since 2015

Member of the Management Board since 2009, Chief Financial Officer

Has been with the Group since 1999 in the positions of Financial Advisor, Treasurer and Financial Director

Has worked as a stock broker, Deputy CEO and CEO at AS HT Finants

Head of the External Debt Division at the Estonian Ministry of Finance from 1994 to 1997

Graduated from the Faculty of Economics, International University "LEX", Estonia, in 1999

Direct shareholding of 45,000 shares and 350,000 share options



ANDRES HUNT (born 1966)

Member of the Management Board since 2002

Has been with the Group since 1998 in the positions of Financial Director and Chief Financial Officer

Director of Tax Policy Department at the Ministry of Finance of Estonia from 1995 to 1998

Graduated from the Faculty of Economics, Academy of Agriculture, Estonia, in 1992

Direct shareholding of 860,000 shares and 350,000 share options



LEMBIT KITTER (born 1953)

Member of the Management Board since 2006

Worked in the banking sector in Estonia since 1992 at leading positions, including in Eesti Maapank, Tartu Maapank, Põhja-Eesti Pank and in SEB Eesti Ühispank

Graduated the Faculty of Economics, University of Tartu, Estonia, in 1976

Direct shareholding of nil shares and 350,000 share options



ENVIRONMENTAL RESPONSIBILITY

AIR:

- Tallink is hunting down opportunities which will allow it to do more for the sake of the environment and that is why the company is using only low-sulphur fuel, from 2015 on the 0.1 per cent sulphur content fuels; investing more in using fuel supplements and lubricants, which help to further decrease the emissions to air produced by ships.
- The company is also using fuel supplements to decrease the sulphur and nitrogen oxides` percentage in exhaust fumes in order to make them less harmful to the environment where air quality levels are concerned.
- The catalytic converters (and other exhaust gas treatment equipment) in ships are also important tools in contributing to environmental care. Catalytic converters are at times still the most effective means of reducing NOx levels in exhaust fumes, with an achievable reduction level of up to 90%.
- Different cooperation projects with various scientific organizations are carried out to find new technical and chemical solutions for reducing the environmental impact of the fuel consumption.
- Fuel consumption monitoring systems have already been implemented on many vessels and this project is continued in 2015 to help the crew to better observe the fuel consumption and optimize this in correlation with the conditions. It diminishes vessels` average fuel consumption 4-9 per cent and therefore also the negative impact of the air environment decreases.
- Tallink uses only certified spare parts in order to guarantee the best working results in combination with environmental safety.

LAND:

- Optimising energy consumption in office buildings and hotels
- Offices in harbour areas decrease the necessity for driving
- Electronic documentation system helps to diminish paper usage
- Usage of recycled paper
- We prefer suppliers and contractors who apply environmental standards
- Sorting domestic waste on board
- Cooperation with certified and approved manufacturers
- Usage of spare parts produced by certified manufacturers
- Recycling

SEA:

- High safety standards - In Tallink's operations, securing the safety of people, the environment and property comes first. The objective of Tallink's Safety Management System is to ensure that the valid rules and requirements set out by the IMO maritime authorities (the International Maritime Organisation), flag states, various certification bodies, and other maritime organisations, as well as their applicable regulations and standards, are adhered to.
- The modern technical systems on board new ships are built in a way which allows them to contribute in providing the very safest of voyages and maintain a clean sea and air environment.
- Tallink is cooperating with ports to leave grey, black and oily water from its ships at the harbour. The waste water is also cleaned on board of the most of our ships with modern equipment.
- The chemicals used on board ships to keep them tidy and clean are mostly biochemical and therefore also environmentally friendly.
- Ships built before 2003 have been re-painted with environmentally-friendly paints; and in the case of all newer ships, the principle of environmental friendliness has already been adhered to in their construction.
- The hulls of Tallink's vessels are regularly cleaned by divers who, when conducting this process, do not use chemicals that are harmful to the environment.
- The fleet is being optimized to select the most suitable ferries for different routes and stop operating the older ferries to minimize the negative impact on the environment.

MANAGEMENT REPORT

In the 2015 financial year the Group carried a total of 9.0 million passengers which is 1.1% more compared to the year before. The Group's revenue increased by 2.6% to all-time high of EUR 945.2 million (EUR 921.5 million in 2014) and EBITDA increased by 20.5% to a record EUR 181.4 million (EUR 150.6 million in 2014). Net profit more than doubled compared to last year and amounted to EUR 59.1 million (EUR 27.3 million in 2014) or EUR 0.09 per share (EUR 0.04 in 2014). The cash flow from operating activities increased by EUR 41.2 million and totalled to EUR 191.9 million. The increase in the Group's results is mainly attributed to the growth in passenger number, higher on-board revenue per passenger, higher charter revenue and lower operating costs. The results improved in all geographical segments compared to the previous financial year.

In 2015 financial year the proactive marketing and sales activities led to an increase of the passenger number. The number of passengers traveling with the Tallink and Silja Line branded ships grew steadily in most of the operated routes and the Group regained market share from the direct competition. On Tallinn-Helsinki route all time high number of 4.7 million passengers travelled with the Group's vessels during the year. Tallink and Enterprise Estonia joint campaign "Epic Estonia" targeting Swedish market was recognised as the „Best marketing campaign of the year“ in Estonia, it is biggest ever Estonian campaign made in collaboration of public and private sector organizations.

More passengers with higher average on-board sales per passenger resulted in increase of shop and restaurant sales. The on-board sales growth was achieved thanks to the Group's continuous focus on development of the product offering and expansion of the shops and restaurants in the vessels. The large scale investments to the vessels Silja Symphony and Silja Serenade shops, restaurants and cabins in the previous financial year showed positive impact on the earnings in 2015 by attracting more passengers and increasing on-board sales per passenger. In 2015 the Group continued with the updates of the public areas and introduced new concepts in number of vessels, also the existing successful shop and restaurant concepts are expanded to more vessels. The modernisation program is extended over several years and the Group will continue to update the shops, restaurants and cabins in selected vessels to develop and improve the product offering. In 2015 the Group took the next step and entered into partnership with world known fast food brand BURGER KING®. The world's first floating BURGER KING® restaurant on Tallink Shuttle ferry Star opened in January 2016.



MANAGEMENT REPORT

The charter revenue increased compared to the previous period as more vessels were chartered out in 2015. Two of the chartered out vessels Silja Festival and Regina Baltica were sold in the first half of financial year 2015. Three Superfast ferries remain chartered out. Cruise ferry Silja Europa returned from charter to Tallinn-Helsinki route on March 2016.

The Group signed a contract with Meyer Turku Oy in February 2015 for the construction of its new EUR 230 million LNG powered fast ferry. The production of the new LNG fast ferry started on the 4th of August 2015 at Meyer Turku shipyard and the delivery of the vessel is planned in the beginning of 2017. In order to be ready for the delivery of the new generation LNG fast ferry to the Tallinn-Helsinki route Shuttle service early 2017, the Group decided to sell and charter back the fast ferry Superstar. The ownership of the vessel was transferred to the buyer in December 2015. The Group continues to operate the vessel under the charter agreement until the beginning of 2017, when the new LNG fast ferry will start to operate on Tallinn-Helsinki route Shuttle service.

In 2015 financial year the lower energy prices globally enabled smooth adoption to the more environmental friendly low sulphur fuel and the previously highlighted risk of increasing fuel cost did not materialise. Following the market prices the Group's average fuel price in 2015 was 5% lower compared to 2014. The total annual fuel consumption reduced by 13%, the saving is attributed to optimisations in vessel operations and changes in the fleet. Lower total fuel consumption and price resulted in EUR 20 million less fuel cost compared to previous year.

Following the Group's strategy to ensure cost efficient operations, the Tallink Logistics Center project was started and one of the most modern logistics centres in the region was launched in January 2016. The Group operated logistics centre will consolidate the logistics of the goods and will be the single hub for distribution of majority of the goods for the fleet, hotels and offices. In addition, the Group is in final phase with the implementation of its new enterprise resource planning system. The system improves the Groups resource management capacity and enables further efficiencies in operations and support functions.

The key highlights of the 2015 financial year were the following:

- Record revenue and EBITDA result, net profit more than doubled
- All time high passenger number on Tallinn-Helsinki route
- Positive effect from charters and re-routings
- Positive feedback from upgraded vessels
- Adoption to the new EU Sulphur Directive
- Lower fuel price and lower total fuel consumption
- Sale of vessels Silja Festival and Regina Baltica
- Start of production of the new generation LNG powered fast ferry
- Sale and charter-back of fast ferry Superstar

SALES

The Group's consolidated revenue amounted to EUR 945.2 million in 2015 (921.5 million in 2014). Restaurant and shop sales on-board and on mainland of EUR 500.6 million (487.6 million in 2014) contributed more than half of total revenue. Ticket sales amounted to EUR 228.0 million (230.5 million in 2014) and sales of cargo transport to EUR 104.4 million (103.1 million in 2014).

The revenue growth 2.6% was driven by higher restaurant and shop sales and charter revenues. The restaurant and shop sales increase 2.7% or EUR 13.1 million was supported by higher passenger number and also higher on-board sales per passenger. The charter revenues increased by 13.6% or EUR 6.4 million and the cargo revenues by 1.3% compared to 2014. Marketing and sales activities led to an increase of passenger number and resulted in lower ticket revenue per passenger, the total ticket revenue declined by 1.1%.

Geographically, 35.8% or EUR 338.2 million of revenue came from the Estonia-Finland route and 35.3% or EUR 333.3 million from the Finland-Sweden route. Revenue from the Sweden-Estonia route was EUR 104.3 million or 11.0% and from the Sweden-Latvia route EUR 42.0 million or 4.4%. The share of revenue generated by other geographical segments increased to 13.5% (EUR 127.4 million).

MANAGEMENT REPORT

The following tables provide an overview of the distribution of revenue from operations between the Group's geographical and operational segments:

Geographical segments	2015	2014
Finland - Sweden	35.3%	35.2%
Estonia - Finland	35.8%	34.9%
Estonia - Sweden	11.0%	11.1%
Latvia - Sweden	4.4%	6.5%
Other	13.5%	12.3%

Operational segments	2015	2014
Restaurant and shop sales on-board and on mainland	53.0%	52.9%
Ticket sales	24.1%	25.0%
Sales of cargo transportation	11.0%	11.2%
Accommodation sales	2.0%	2.1%
Income from charter of vessels	5.7%	5.1%
Other sales	4.2%	3.7%

EARNINGS

Gross profit was EUR 223.4 million (EUR 181.7 million in 2014), EBITDA EUR 181.4 million (EUR 150.6 million in 2014). Net profit for 2015 was EUR 59.1 million (EUR 27.3 million in 2014). Basic and diluted earnings per share were EUR 0.088 (EUR 0.041 in 2014).

The cost of goods related to sales at shops and restaurants, which is the largest operating cost item, amounted to EUR 215.4 million (EUR 211.2 million in 2014).

Fuel cost for 2015 was EUR 94.2 million (EUR 114.0 million in 2014). Fuel cost was impacted by lower fuel price levels throughout the year. Measured in euros, in 2015 the Group's average fuel price was approximately 5% lower than in the 2014 calendar year. Combined with one vessel less in Riga-Stockholm route and savings from more efficient vessel operations, the total annual fuel cost reduced by 17%.

The Group's personnel expenses amounted to EUR 193.8 million (EUR 189.8 million in 2014). The average number of employees in the 2015 financial year was 6,835 (6,952 in 2014).

Administrative expenses for 2015 amounted to EUR 47.3 million, and sales and marketing expenses to EUR 63.6 million (EUR 49.2 million and 62.7 million respectively in 2014).

Depreciation and amortisation of the Group's assets was EUR 78.1 million (EUR 79.9 million in 2014). There were no impairment losses related to the Group's property, plant, equipment and intangible assets.

The Group's net finance costs for 2015 amounted to EUR 34.2 million (EUR 40.7 million in 2014).

The Group's exposure to credit risk, liquidity risk and market risks, and its financial risk management activities are described in the notes to the financial statements.

LIQUIDITY AND CASH FLOW

The Group's net operating cash flow for 2015 was EUR 191.9 million (EUR 150.7 million in 2014).

Net cash flow from investing activities was EUR 72.0 million (EUR -48.8 million in 2014) of which EUR -43.6 million (EUR -49.13 million in 2014) resulted from purchases of property, plant, equipment and intangible assets. The proceeds from sale of vessels and other assets were EUR 115.6 million (EUR 0.3 million in 2014). The expenditures were: down payment for new LNG vessel (EUR 23.0 million), investments related to improvements to ships, scheduled maintenance expenses resulting from dockings and investments in various IT systems. In the 2015 financial year, the Group's net repayments of existing loans totalled EUR 192.3 million (EUR 45.8 million in 2014). Interest payments were EUR 33.2 million (EUR 33.3 million in 2014).

In order to strengthen the Group's liquidity position the overdraft limit was increased by EUR 10 million to EUR 75 million in February 2015.

As at 31 December 2015, the Group's cash and cash equivalents totalled EUR 82.0 million (EUR 65.3 million as at 31 December 2014). In addition, available unused overdraft credit lines amounted to EUR 71.6 million (EUR 2.6 million in 2014).

In management's opinion, the Group has sufficient liquidity to support its operations.

MANAGEMENT REPORT

FINANCING SOURCES

The Group finances its operations and investments with operating cash flows, debt and equity financing and potential proceeds from disposals of assets. At 31 December 2015, the Group's interest-bearing liabilities as a percentage of capitalization (interest-bearing liabilities and shareholders' equity) was 40.0% compared to 48.8% at 31 December 2014. The decrease results from a EUR 194.0 million decrease in interest-bearing liabilities and a EUR 46.2 million increase in equity.

LOANS AND BORROWINGS

At the end of the 2015 financial year, interest-bearing liabilities totalled EUR 549.4 million, 26.1% down from the end of the previous financial year. The decrease is attributed to regular repayment of bank loans and premature repayment of bank loans related to the sale of vessels.

In June 2015 the Group signed with Nordea Bank Finland Plc the loan agreement in amount of EUR 184 million to finance the construction of the new LNG fast ferry Megastar in Meyer Turku shipyard. The loan will be paid out in early 2017 when the ship is delivered, the maturity of the loan is twelve years from drawdown. Finnish Export Credit Agency "Finnvera" guarantees 95% of this post-delivery buyer credit and the loan bears OECD Commercial Interest Reference Rate (CIIR) based fixed interest rate.

All interest-bearing liabilities have been incurred in euros or in Norwegian krone.

SHAREHOLDERS' EQUITY

Consolidated equity increased by 5.9%, from EUR 778.3 million to EUR 824.5 million, mainly from net profit for the financial year. Shareholders' equity per share, excluding own shares, was EUR 1.25. At the end of the 2015 financial year, the Group's share capital amounted to EUR 404,290,224. For further information about shares, please see the "Shares and Shareholders" section of this report.

MARKET DEVELOPMENTS

The total number of passengers carried by the Group during the 2015 financial year was 9.0 million. The total number of cargo units carried by the Group's vessels was over 308 thousand.

The following table provides an overview of transported passengers, cargo units and passenger vehicles in the 2015 and 2014 financial years:

Passengers	2015	2014
Finland-Sweden	2,825,699	2,713,789
Estonia-Finland	4,744,708	4,518,013
Estonia-Sweden	946,832	973,254
Latvia-Sweden	458,987	676,676
Total	8,976,226	8,881,732

Cargo units

Finland-Sweden	64,309	87,197
Estonia-Finland	197,324	167,411
Estonia-Sweden	39,155	42,347
Latvia-Sweden	7,241	13,537
Total	308,029	310,492

Passenger vehicles

Finland-Sweden	161,772	161,197
Estonia-Finland	830,044	789,082
Estonia-Sweden	71,793	73,889
Latvia-Sweden	56,308	79,213
Total	1,119,917	1,112,381

The Group's market shares on routes operated during the 2015 financial year were as follows

- The Group carried approximately 56% of passengers and 65% of ro-ro cargo on the route between Tallinn and Helsinki.
- The Group carried approximately 53% of passengers and 26% of ro-ro cargo on the routes between Finland and Sweden.
- The Group is the only provider of daily passenger transportation between Estonia and Sweden.
- The Group is the only provider of daily passenger and ro-ro cargo transportation between Riga and Stockholm.

MANAGEMENT REPORT**OUTLOOK**

The Group has continuous focus on developing the product offering to attract more passengers and increase revenue from retail sales. The public areas modernisation program is extended over several years and the Group will continue to update the shops, restaurants and cabins in selected vessels to develop and improve the total product offering to its customers.

Looking forward to the financial year 2016 the chartering revenues will decrease compared to 2015 as fewer ships are in charter. The previously chartered out cruise ferry Silja Europa returned from charter and started daily passenger operations on Tallinn-Helsinki route in March 2016.

The Group will continue to work with different areas to ensure the cost efficient operations. Further efficiencies are expected from the projects like the vessel operations monitoring systems, the common enterprise resource planning system, Tallink Logistics Center, the Tallink Training Center and other ongoing initiatives.

RISKS

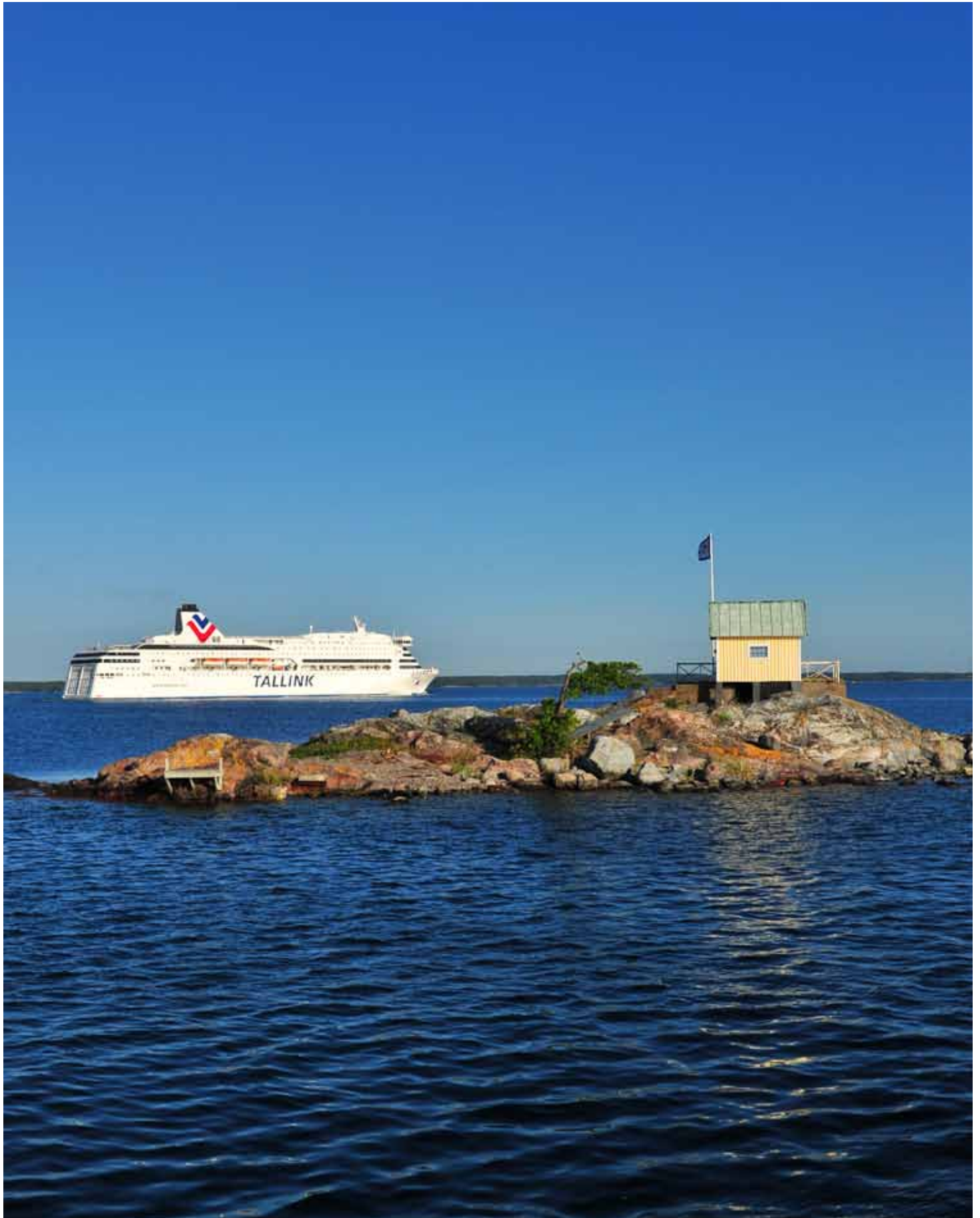
The Group's business, financial position and operating results could be materially affected by various risks. These risks are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial or unlikely, could also impair our business.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

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



Chairman of the Management Board
Janek Stalmeister





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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

in thousands of EUR

	2015	2014	Notes
Revenue	945,203	921,466	4
Cost of sales	-721,780	-739,789	5
Gross profit	223,423	181,677	
Sales and marketing expenses	-63,578	-62,654	5
Administrative expenses	-47,311	-49,211	5
Other operating income	983	1,696	
Other operating expenses	-10,254	-854	
Result from operating activities	103,263	70,654	
Finance income	12,808	11,760	5
Finance costs	-46,964	-52,443	5
Share of profit of equity-accounted investees	64	24	12
Profit before income tax	69,171	29,995	
INCOME TAX	-10,101	-2,734	6
Net profit for the year	59,070	27,261	
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	160	286	
Other comprehensive income for the year	160	286	
Total comprehensive income for the year	59,230	27,547	
Basic and diluted earnings per share			
(in EUR per share)	0.088	0.041	7

The notes on pages 39 to 68 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December
in thousands of EUR

	2015	2014 restated	Notes
ASSETS			
Current assets			
Cash and cash equivalents	81,976	65,311	8
Trade and other receivables	36,583	38,210	9
Prepayments	5,274	3,798	10
Income tax prepayment	1,224	1,650	
Inventories	29,197	31,315	11
	154,254	140,284	
Non-current assets			
Investments in equity-accounted investees	350	286	12
Other financial assets	308	252	13
Deferred income tax assets	19,410	21,338	6
Investment property	300	300	
Property, plant and equipment	1,311,418	1,467,964	14
Intangible assets	52,726	55,174	15
	1,384,512	1,545,314	
TOTAL ASSETS	1,538,766	1,685,598	
LIABILITIES AND EQUITY			
Current liabilities			
Interest-bearing loans and borrowings	81,889	149,850	16
Trade and other payables	88,480	91,236	17
Income tax liability	4,567	1,300	6
Deferred income	28,906	29,408	18
	203,842	271,794	
Non-current liabilities			
Interest-bearing loans and borrowings	467,447	593,532	16
Derivatives	42,863	41,982	24
Other liabilities	192	0	
	510,502	635,514	
Total liabilities	714,344	907,308	
Equity			
Equity attributable to equity holders of the Parent			
Share capital	404,290	404,290	19
Share premium	639	639	19
Reserves	65,083	70,129	19
Retained earnings	354,410	303,232	
Total equity attributable to equity holders of the Parent	824,422	778,290	
Total equity	824,422	778,290	
TOTAL LIABILITIES AND EQUITY	1,538,766	1,685,598	

The notes on pages 39 to 68 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

in thousands of EUR

	2015	2014	Notes
Cash flows from operating activities			
Net profit for the period	59,070	27,261	
Adjustments for:			
Depreciation and amortisation	78,102	79,908	14, 15
Net gain/loss on disposals of property, plant and equipment	9,164	-76	
Net interest expense	36,099	35,336	5
Net expense from derivatives	4,926	15,758	5
Gain on disposal of financial assets	-186	0	
Profit from equity-accounted investees	-64	-24	12
Net unrealised foreign exchange gain	-5,591	-7,783	
Share option programme reserve	300	-224	
Income tax	10,101	2,734	6
	132,851	125,629	
Changes in receivables and prepayments related to operating activities	1,463	-2,291	
Changes in inventories	2,118	2,142	
Changes in liabilities related to operating activities	-4,139	-2,103	
Cash generated from operating activities	191,363	150,638	
Income tax paid	553	71	
	191,916	150,709	
Cash flows from/used in investing activities			
Purchase of property, plant, equipment and intangible assets	-43,629	-49,148	14, 15
Proceeds from disposals of property, plant, equipment	115,370	215	
Proceeds from other financial assets	229	0	
Interest received	74	140	
	72,044	-48,793	
Cash flows used in financing activities			
Repayment of loans	-133,263	-89,842	
Change in overdraft	-59,052	43,993	
Payments for settlement of derivatives	-4,045	-3,985	
Payment of finance lease liabilities	-80	-75	
Interest paid	-33,210	-33,270	
Payment of transaction costs related to loans	-1,429	0	
Dividends paid	-13,398	-20,096	
Income tax on dividends paid	-2,818	-5,342	
	-247,295	-108,617	
TOTAL NET CASH FLOW	16,665	-6,701	
Cash and cash equivalents:			
- at the beginning of period	65,311	72,012	
- increase / decrease	16,665	-6,701	
- at the end of period	81,976	65,311	8

The notes on pages 39 to 68 are an integral part of these consolidated financial statements.

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for the year ended 31 December
in thousands of EUR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital ¹	Share premium ¹	Trans-lation reserve ¹	Ships' revaluation reserve ²	Mandatory legal reserve ¹	Reserve for treasury shares ¹	Share option programme reserve ³	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
As at 31 December 2013	404,290	639	12	56,777	16,651	-4,163	834	296,023	771,063	771,063
Net profit for the year 2014	0	0	0	0	0	0	0	27,261	27,261	27,261
Total other comprehensive income for the year 2014	0	0	286	0	0	0	0	0	286	286
Total comprehensive income for the year 2014	0	0	286	0	0	0	0	27,261	27,547	27,547
Transactions with owners of the company										
Transfer from profit for 2013	0	0	0	0	2,171	0	0	-2,171	0	0
Transfer from revaluation reserve	0	0	0	-2,215	0	0	0	2,215	0	0
Dividends	0	0	0	0	0	0	0	-20,096	-20,096	-20,096
Share-based payment transactions (Note 20)	0	0	0	0	0	0	-224	0	-224	-224
Transactions with owners, recognised directly in equity	0	0	0	-2,215	2,171	0	-224	-20,052	-20,320	-20,320
As at 31 December 2014	404,290	639	298	54,562	18,822	-4,163	610	303,232	778,290	778,290
Net profit for the year 2015	0	0	0	0	0	0	0	59,070	59,070	59,070
Total other comprehensive income for the year 2015	0	0	160	0	0	0	0	0	160	160
Total comprehensive income for the year 2015	0	0	160	0	0	0	0	59,070	59,230	59,230
Transactions with owners of the company										
Transfer from profit for 2014	0	0	0	0	1,363	0	0	-1,363	0	0
Transfer from revaluation reserve	0	0	0	-6,869	0	0	0	6,869	0	0
Dividends	0	0	0	0	0	0	0	-13,398	-13,398	-13,398
Share-based payment transactions (Note 20)	0	0	0	0	0	0	300	0	300	300
Transactions with owners, recognised directly in equity	0	0	0	-6,869	1,363	0	300	-7,892	-13,098	-13,098
As at 31 December 2015	404,290	639	458	47,693	20,185	-4,163	910	354,410	824,422	824,422

¹ For further information see also Note 19 Share Capital and Reserves

² For further information see also Note 14 Property, Plant and Equipment and Note 19 Share Capital and Reserves

³ For further information see also Note 20 Share Option Programme

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

The consolidated financial statements of AS Tallink Grupp (the "Parent") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2015 were authorised for issue by the Management Board on 25 April 2016.

According to the Estonian Commercial Code, the annual report including the consolidated financial statements prepared by the Management Board must be agreed by the Supervisory Council, and approved by the shareholders' general meeting. Shareholders have the power not to approve the annual report prepared and presented by the Management Board and the right to request that a new annual report be prepared.

AS Tallink Grupp is a public limited company incorporated and domiciled in Estonia, with a registered office at Sadama 5/7 Tallinn. AS Tallink Grupp's shares have been publicly traded on the Tallinn Stock Exchange since 9 December 2005.

The principal activities of the Group are related to marine transportation in the Baltic Sea (passenger and cargo transportation). Further information on the principal activities of the Group is presented in Note 4 Segment Information. As at 31 December 2015 the Group employed 6,966 people (6,654 as at 31 December 2014).

NOTE 2 BASIS OF PREPARATION

2.1. Statement of compliance

The consolidated financial statements of AS Tallink Grupp and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (hereinafter: IFRS EU).

2.2. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- derivative financial instruments are measured at fair value (Note 24)
- available-for-sale financial assets are measured at fair value (Note 13)
- investment property is measured at fair value
- ships are measured at revalued amounts (Note 14)

2.3. Changes in accounting policies and correction of errors

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015:

- IFRIC 21 Levies
- Annual Improvements to IFRSs

The amendments to standards and new interpretations effective from 1 January 2015 did not have any impact on the Group's financial statements. At 31 December 2014 the Group had recognised derivatives in the amount EUR 41,982,000 as current liabilities. The Group restated derivatives in the Statement of Financial Position 2014 from current

liabilities to non-current liabilities as their contractual maturity is 2017-2019. There was no impact on total liabilities.

2.4. Functional and presentation currency

The figures reported in the financial statements are presented in euros, which is the Parent company's functional currency. All financial information presented in euros has been rounded to the nearest thousand except when otherwise indicated.

2.5. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Operating leases - the Group as lessee

As at 31 December 2015, the Group had entered into lease agreements for five hotel buildings, two office buildings and one warehouse building (31 December 2014: five hotel buildings and two office buildings). Management has determined that all significant risks and rewards of ownership of the property have been retained by the lessors and so the Group, acting as a lessee, accounts for these agreements as operating leases. See Note 21 for more detailed information on the minimum lease payments of the lease agreements.

Supplier contracts - whether an arrangement contains embedded derivatives

As at 31 December 2015, the Group had entered into fixed-price fuel delivery contract. Management has determined that, although the contract contains embedded derivative, this derivative should not be separated from the host contract as the economic characteristics and risks of the embedded derivative are closely related to those of the host contract.

Assumptions and estimation uncertainty

The following assumptions and estimation uncertainties have a risk of resulting in a material adjustment in the next financial year:

Fair value of ships

For the purpose of revaluation, the Group determined the fair value of its ships as at 31 December 2015. The fair value of ships depends on many factors, including the year of construction, several technical parameters as well as how the ships have been maintained (i.e. how much the owner has invested in maintenance). In order to assess the fair value of ships, the Group's management used independent appraisers. Revaluation depends upon changes in the fair values of the ships. When the fair value of a ship differs materially from its carrying amount, a revaluation

FINANCIALS

is required. Management is of the opinion that as at 31 December 2015 carrying value of ships as a group did not materially differ from their fair value. Therefore, no revaluation was performed as at 31 December 2015. Further details are given in Note 3.4 and Note 14.

Determination of useful life of property, plant and equipment and intangible assets

Management has estimated the useful lives and residual values of property, plant and equipment and intangible assets, taking into consideration the volumes of business activities, historical experience in this area and future outlook. Management's opinion of the useful lives of the Group's property, plant and equipment and the Group's intangible assets is disclosed in Notes 3.4 and 3.5 respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2015 amounted to EUR 11,066,000 (31 December 2014: EUR 11,066,000). Further details are given in Note 15.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Further details are given in Note 6.

Fair value of derivatives

The fair values of derivative financial instruments have been determined by an independent valuer with relevant professional qualifications and experience. Valuation methods are Hull White Model, Black76 - Model and Jarrow - Yildirim - Model. Inputs used are EUR interest rates term structure, EUR swaption and cap volatilities, inflation swap rates, EURIBOR and NIBOR FRA rates. Inputs used are mainly unobservable.

Customer loyalty programme

Customer loyalty programme (Club One) applies to sales transactions in which the entities grant their customers award credits that, subject to meeting further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. The Group recognises credits that it awards to customers as a separately identifiable component of revenue, which is deferred at the date of the initial sale. The credits are

recognised at fair value based on the actual use and the estimated timing and value of realisation. Further details are given in Note 18.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in note 2.3, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

3.1. Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed or has rights to variable returns from its involvements with the investee and it has the ability to affect those returns through its power over the investee and there is a link between power and returns. In assessing control, potential voting rights that currently are exercisable are taken into account. The consolidated financial statements comprise the financial statements of AS Tallink Grupp and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared as at the same reporting date. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Investments in equity-accounted investees

Equity-accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50% of the voting power of another entity.

Equity-accounted investees are accounted for using the equity method (equity-accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest (including any long-term investment) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2. Foreign currency

Foreign currency transactions

The Parent's functional currency and presentation currency is the euro. Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euros

at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euros at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (FCTR) in equity. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

3.3. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents are cash on hand, call deposits, short-term bank deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial liabilities are recognised initially at fair value, net of directly attributable transaction costs. In subsequent periods, financial liabilities are stated at amortised cost using the effective interest method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the financial liability. A financial liability is derecognised when the underlying obligation is discharged or cancelled or expires.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial assets: cash and cash equivalents, loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction

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costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

The Group's investments in equity and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale instruments, are recognised in other comprehensive income and presented in equity.

Derivative financial instruments

The Group uses derivative financial instruments such as swaps, options and forwards to manage its risks associated with changes in exchange rates and interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value; changes therein are recognised in profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate derivative contracts is determined using generally accepted valuation methods such as Hull White Model, Black76 - Model and Jarrow - Yildirim - Model.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for treasury shares. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

3.4. Property, plant and equipment

Recognition and measurement

Property, plant and equipment, except ships, are measured at cost, less accumulated depreciation and any impairment.

Cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs (see 3.8). The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Ships are measured at revalued amount (i.e. fair value less depreciation charged subsequent to the date of the revaluation). Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

At the revaluation date, the carrying amount of ships is replaced with their fair value at the date of revaluation and accumulated

depreciation is eliminated. Any revaluation surplus is recognised in other comprehensive income and presented in the revaluation reserve in equity. A revaluation deficit is recognised in loss, except that a deficit offsetting a previous surplus on the same asset, previously recognised in other comprehensive income, is offset against the surplus in the "revaluation of ships".

An annual transfer from the revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Subsequent costs

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

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation is discontinued when the carrying value of an asset equals its residual value. The residual value of ships is based on their estimated realisable value at the end of their useful life.

Depreciation is calculated on a straight-line basis over the estimated useful life of assets as follows:

- buildings 5 to 50 years
- plant and equipment 3 to 10 years
- ships 17 to 35 years
- other equipment 2 to 5 years

Land is not depreciated.

Depreciation is calculated separately for two components of a ship: the vessel itself and dry-docking expenses as a separate component. This is based on the industry accounting practice.

The depreciation charge is calculated for each part of a ship on a straight-line basis over the estimated useful life as follows:

- ships 17 to 35 years
- capitalised dry-docking expenses 2 to 5 years

The residual values, depreciation methods and useful lives of items of property, plant and equipment are reviewed at least at each financial year-end and, if an expectation differs from previous estimates, the change is accounted for as a change in an accounting estimate.

The residual value is calculated as a percentage of the gross carrying amount of the ship. The residual value for ships is 15%.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss (in "other operating income" or "other operating expenses") in the financial year the asset is derecognised.

3.5. Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition see note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is capitalised only when the Group can demonstrate (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete and its ability to use or sell the asset; (3) how the asset will generate future economic benefits; (4) the availability of resources to complete the asset; and (5) the ability to measure reliably the expenditure attributable to the asset during development.

Following the initial recognition of development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and any accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related project. Amortisation of the asset begins when development is completed and the asset is available for use.

Trademark

The cost of a trademark acquired as part of an acquisition of a business is its fair value as at the date of acquisition. Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets

Other intangible assets (the licences and development costs of IT programs, acquired customer contracts) are initially recognised at cost. Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is expensed in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category according to the function of the intangible asset.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated on a straight-line basis over the estimated useful life of an intangible asset as follows:

- trademarks 20 years
- other intangible assets 5 to 10 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.6. Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, rather than for sale in the ordinary course of business, use in the supply of goods or services, or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified to property, plant and equipment, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

3.7. Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

The costs of inventories, consisting mostly of fuel, and merchandise purchased for resale are assigned by using the weighted average cost method and includes expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing the inventories to their existing location and condition.

3.8. Borrowing costs

Borrowing costs are recognised as an expense when incurred, except those, which are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale (e.g. new ships). Borrowing costs related to the building of new ships are capitalised as part of the cost of related assets up to the delivery date.

3.9. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. An impairment loss is reversed if the reversal can be

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related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than ships, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10. Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under a short-term cash bonus plan if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.11. Share-based payments

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees became unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share purchase plan is measured by independent appraisers. The fair value of the employee share options and share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include the spot price on the measurement date, the exercise price of the instrument, expected volatility, the option maturity date, the risk-free interest rate and expected dividends.

3.12. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability. The expense relating to any provision is presented in profit or loss net of any reimbursement. Where discounting is used, the increase in the provision due to the passage of time is recognised in "finance costs". A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.13. Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

The Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of

the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases and lease payments are recognised as operating lease expenses on a straight-line basis over the lease term.

The Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

3.14. Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates and sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods – sales in restaurants and shops

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, i.e. at the time of selling the goods to the customer at the retail stores, bars and restaurants, generally for cash or by card payment.

Ticket sale and sale of cargo transport

Revenue from tickets and cargo transport is recognised as the services are rendered. At financial year-end, a revenue deferral is recorded for the part of the revenue that has not yet been earned in relation to prepaid tickets and cargo shipments.

Sales of hotel accommodation

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

Revenue from travel packages

The Group sells packages, which consist of a ship ticket, accommodation in a hotel not operated by the Group and tours in different cities not provided by the Group. The Group recognises the sales of packages in its revenue in full instead of recognising only the commission fee for accommodations, tours and entertainment events, as the Group (1) is able to determine the price of the content of the package; (2) has discretion in selecting the suppliers for the service; and (3) bears credit risk. Revenue from sales of packages is recognised when the package is used by the client.

Charter income

Charter income arising from operating charters of ships is accounted for on a straight-line basis over the charter terms.

In these financial statements the term 'charter' refers to 'lease' as defined in IFRS (EU).

Customer Loyalty Programme

For the customer loyalty programme, the fair value of the consideration received or receivable in respect of the initial sale is allocated between award credits (Club One points) and ticket sale. The amount allocated to the loyalty programme is deferred, and recognised as revenue when the Group has fulfilled its obligation to supply the services under the terms of programme or when it is no longer probable that the points under the programme will be redeemed. For further information see Note 18.

3.15. Government grants

Government grants are initially recognised as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants related to an expense item are recognised as a reduction of the expense over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

3.16. Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, and gains on derivative instruments that are recognised in profit or loss.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on derivative instruments that are recognised in profit or loss. Borrowing costs not directly attributable to the acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Interest income and expenses are recognised as they accrue in profit or loss, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

3.17. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or expense, in which case income tax is also recognised in other comprehensive income or expense.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the distribution of dividends. See below Group companies in Estonia.

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With the exception of group companies domiciled in Estonia, deferred tax is recognised providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available, against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available, against which they can be used.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Group companies in Estonia

According to the Estonian Income Tax Act, for Group companies registered in Estonia, including the Parent, net profit is not subject to income tax, but dividends paid are subject to income tax (calculated as 20/80 of the net dividends to be paid in 2016; 20/80 in 2015). The potential tax liability from the distribution of retained earnings as dividends is not recorded in the statement of financial position for Estonian group companies. The amount of the potential tax liability from the distribution of dividends depends on the time, amount and sources of the dividend distribution. Income tax from the payment of dividends is recorded as income tax expense in the period in which the dividends are declared. The maximum income tax liability that could arise on the distribution of dividends is disclosed in Note 21.

Group companies in Cyprus

According to the income tax law of Cyprus, the net profit of shipping companies registered in Cyprus and operating with ships registered in the Cyprus ship register or/and having their business outside Cyprus, and the dividends paid by these companies, are not subject to income tax. Thus, there are no temporary differences between the tax bases and carrying values of assets and liabilities that may cause deferred income tax.

Other foreign Group companies and permanent establishments

In accordance with the income tax laws of other jurisdictions, the company's net profit and the profit from permanent establishments adjusted for temporary and permanent differences determined

by the local income tax acts is subject to current income tax in those countries in which the Group companies and permanent establishments have been registered (see Note 6).

Tax to be paid is reported under current liabilities and deferred tax positions are reported under non-current assets or liabilities.

3.18. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, if any.

3.19. Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Group's Management Board that is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Management Board to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment (geographical segment), or in providing related products or services (operational segment), which is subject to risks and returns that are different from those of other segments.

Segment information is presented in respect of the Group's geographical segments (by routes).

Inter-segment pricing is determined on an arm's length basis.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of expenses that can be allocated to the segment on a reasonable basis, including expenses relating to sales to external customers and expenses relating to transactions with other segments of the Group. Segment expense does not include administrative expenses, interest expense, income tax expense and other expenses that arise at the Group level and are related to the Group as a whole. Expenses incurred at the Group level on behalf of a segment are allocated to the segment on a reasonable basis, if these expenses relate to the segment's operating activities and can be directly attributed or allocated to the segment.

Segment results that are reported to the Management Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets do not include assets used for general Group or head-office purposes or which cannot be allocated directly to the segment. Segment assets include operating assets shared by two or more segments if a reasonable basis for allocation exists.

Segment liabilities are those liabilities that are incurred by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Expenses, assets and liabilities which are not directly related to a segment or cannot be allocated to a segment are presented as unallocated expenses, assets and liabilities of the Group.

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.20. New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations are not yet effective for the annual financial reporting period ended 31 December 2015 and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early.

Those which may be relevant to the Group are set out below.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.

These amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interests acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The Group expects that the amendments, when initially applied, will not have impact on the Group's financial statements.

Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

The amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard. The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) has been amended, to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the Group's financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.

Revenue-based depreciation banned for property, plant and equipment

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

New restrictive test for intangible assets

The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated, or when the intangible asset is expressed as a measure of revenue.

The Group expects that the amendments, when initially applied, will not have material impact on the Group's financial statements as the Group does not apply revenue-based methods of amortisation/depreciation.

Amendments to IAS 27 Equity Method in the Separate Financial Statements

Effective for annual periods beginning on or after 1 January 2016 and apply retrospectively. Early application is permitted.

The amendments to IAS 27 allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Group does not expect that the amendments, when initially applied, will have material impact on the Group's financial statements as the Group intends to continue to carry its investments in subsidiaries, associates or joint ventures at cost.

IFRS 9 Financial Instruments

Effective for annual periods beginning on or after 1 January 2018 and apply retrospectively. Early application is permitted.

The new standard presents revised guidance on the classification and measurement of financial assets, including new expected credit loss model for calculating impairment. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income, fair value through profit and loss – are similar to IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The standard aims to address concerns about "too little, too late" provisioning for loan losses, and will accelerate recognition of losses. The new model will apply to financial assets that are:

- Debt instruments recognised on-balance sheet, such as loans or bonds; and
- Classified as measured at amortised cost or at fair value through other comprehensive income

It will also apply to certain loan commitments and financial guarantees. The Group does not expect that the new standard, when initially applied, will have material impact on the Group's financial statements.

IFRS 15 Revenue from Contracts with Customer

Effective for annual periods beginning on or after 1 January 2017 and apply retrospectively. Early application is permitted.

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IFRS 15 establishes principles for reporting, useful information to users of financial statements about nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies will apply a five-step model to determine when to recognise revenue, and at what amount.

The model specifies that revenue should be recognised when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that best reflects the company's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

The Group does not expect that the new standard, when initially applied, will have material impact on the Group's financial statements.

IFRS 16 Leases

Effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Under the new standard the Group will recognise new assets and liabilities. The accounting treatment of leases by lessees will change fundamentally. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice.

For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset on the other side of the balance sheet. The impacts are not limited to the balance sheet. There are also changes in accounting over the life of the lease. The Group expects that the new standard will have material impact on the Group's financial statements, but the Group has not yet analysed the range of impact.

Annual Improvements to IFRSs

The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after 1 January 2016, with earlier adoption permitted.

None of these amendments is expected to have a significant impact on the Group's financial statements.

3.21. Determination of fair values

A number of the Group's accounting policies and disclosures require determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

When measuring the fair value of an asset or liability, the group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Ships (Level 3)

The market value of ships is the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The Group uses independent appraisers to determine the fair value of the ships. The frequency of revaluation depends upon changes in the fair values of the ships. When the fair value of a ship differs materially from its carrying amount, a revaluation is required.

Intangible assets (Level 3)

The fair value of patents and trademarks acquired in a business combination is determined using the relief from royalty method. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Investment property (Level 3)

Fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

The Group uses independent appraiser, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

Share-based payments (Level 2)

The fair value of the employees share options has been measured using Black-Scholes formula. Services were taken into account in measuring fair value.

Derivatives (Level 3)

The fair value of interest rate swaps is based on independent appraisers' valuations. Fair values reflect the credit risk, interest rate risk and foreign exchange risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Non-derivative financial liabilities (Levels 1 and 2)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Deferred income (Level 3)

The amount allocated to the Club One points is estimated by reference to the fair value of the services for which they could be redeemed, since the fair value of the Club One points themselves is not directly observable. The fair value of the services for which the Club One points, granted

FINANCIALS

GEOGRAPHICAL SEGMENTS - BY THE LOCATION OF ASSETS

For the year ended 31 December
in thousands of EUR

2014	Estonia- Finland route	Estonia- Sweden route	Latvia-Sweden route	Finland- Sweden route	Other	Elimination of inter- segment sales	Total
Revenue							
Sales to external customers	321,738	102,442	60,023	323,969	113,294	0	921,466
Inter-segment sales	0	0	0	0	10,553	-10,553	0
	321,738	102,442	60,023	323,969	123,847	-10,553	921,466
Result							
Segment result	82,937	4,648	1,297	2,964	27,177	0	119,023
Unallocated expenses							-48,369
Net financial items							-40,683
Share of profit of equity- accounted investees							24
Profit before income tax							29,995
Income tax							-2,734
Net profit for the period							27,261
Assets and liabilities							
Segment assets	391,011	247,529	31,294	578,736	362,112	-784	1,609,898
Unallocated assets							75,700
							1,685,598
Segment liabilities	23,930	9,887	5,109	63,127	12,499	-784	113,768
Unallocated liabilities							793,540
							907,308
Other segment information							
Capital expenditures:							
- segment's property, plant and equipment ("PP&E")	1,309	1,533	1,128	39,002	2,414	0	45,386
- unallocated PP&E							1,224
- segment's intangible assets ("IA")	18	6	2	7	27	0	60
- unallocated IA							2,742
Depreciation	12,748	9,470	4,819	24,512	20,256	0	71,805
Unallocated depreciation							2,550
Amortisation	773	155	104	475	168	0	1,675
Unallocated amortisation							3,878

REVENUE BY SERVICE

For the year ended 31 December
In thousands of EUR

	2015	2014
Ticket sales	227,968	230,459
Sales of cargo transport	104,433	103,060
Sales of accommodation	18,783	18,967
Restaurant and shop sales on-board and on mainland	500,601	487,546
Income from charter of vessels	53,473	47,072
Other	39,945	34,362
Total revenue of the Group	945,203	921,466

NOTE 5

OPERATING EXPENSES AND FINANCIAL ITEMS

For the year ended 31 December
In thousands of EUR

Cost of sales	2015	2014	Note
Cost of goods sold	-215,401	-211,211	
Port & stevedoring costs	-92,213	-95,830	
Fuel costs	-94,191	-114,008	
Staff costs	-142,368	-138,660	
Ships' operating expenses	-76,249	-77,930	
Depreciation and amortisation	-70,052	-71,733	14, 15
Cost of package sales	-9,172	-9,185	
Other costs	-22,134	-21,232	
Total cost of sales	-721,780	-739,789	

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For the year ended 31 December
In thousands of EUR

Sales and marketing expenses	2015	2014	Note
Advertising expenses	-30,128	-29,322	
Staff costs	-30,149	-29,869	
Depreciation and amortisation	-1,836	-1,747	14, 15
Other costs	-1,465	-1,716	
Total marketing expenses	-63,578	-62,654	

For the year ended 31 December
In thousands of EUR

Administrative expenses	2015	2014	Note
Staff costs	-21,320	-21,285	
Depreciation and amortisation	-6,214	-6,428	14, 15
Other costs	-19,777	-21,498	
Total administrative expenses	-47,311	-49,211	

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

For the year ended 31 December
In thousands of EUR

	2015	2014
Wages and salaries	-171,672	-170,513
Government subsidies	37,233	37,196
Social security costs	-53,981	-51,352
Staff training costs	-2,150	-1,372
Other staff costs	-3,267	-3,735
Total staff costs	-193,837	-189,776

During the reporting period EUR 37,233,000 was deducted from the cost of sales in connection with government subsidies related to seamen's salaries in Finland and Sweden (2014: EUR 37,196,000). The subsidies are received according to law. The government subsidies receivable is disclosed in Note 9.

FINANCE INCOME AND FINANCE COSTS RECOGNISED IN PROFIT OR LOSS

For the year ended 31 December
In thousands of EUR

	2015	2014
Finance income		
Net foreign exchange gains	6,683	10,411
Income from interest rate swaps	5,929	1,274
Income from other financial assets	186	0
Interest income arising from financial assets not measured at fair value through profit or loss	10	75
	12,808	11,760
Finance costs		
Interest expense arising from financial liabilities measured at amortised cost	-36,109	-35,411
Expenses from foreign exchange derivatives	-6,810	-7,168
Expenses from interest rate swaps	-4,045	-9,864
	-46,964	-52,443
Net finance costs	-34,156	-40,683

NOTE 6 INCOME TAX

Income tax contains current income tax and deferred income tax.

Swedish, Finnish, Latvian and Russian subsidiaries and Canadian and Australian permanent establishments

In accordance with the Swedish, Finnish, Latvian, Russian, Canadian and Australian tax laws, the company's net profit adjusted for temporary and permanent differences determined in the income tax acts is subject to income tax in Finland, Sweden, Latvia, Russia, Canada and Australia. In Finland the tax rate as at 31 December 2015 was 20%, in Sweden 22%, in Latvia 15%, in Russia 20%, in Canada 26% and in Australia 30% (as at 31 December 2014 in Finland 20%, in Sweden 22%, in Latvia 15%, in Russia 20%, in Canada 26% and in Australia 30%).

INCOME TAX EXPENSE

Major components of the Group's income tax expense for the years ended 31 December:

In thousands of EUR

	2015	2014
Current period tax expense		
Latvian subsidiaries	-26	-17
Finnish subsidiary	-27	0
German subsidiary	-7	0
Estonian parent company	-2,818	-5,342
Permanent establishments ¹	-5,295	-1,300
Total current tax expense	-8,173	-6,659
Change in deferred tax		
Swedish subsidiaries	-123	-599
Finnish subsidiaries	-1,820	4,538
Latvian subsidiaries	15	-14
Total deferred tax income/expense	-1,928	3,925
Total tax income/ expense	-10,101	-2,734

¹ AS Tallink Grupp had chartered out two ships providing accommodation services in Canada and Australia that gave rise to permanent establishments for taxation purposes. Therefore AS Tallink Grupp is subject to Canadian and Australian corporate income tax on the activity in these countries. The fiscal year in Australia is from 1 July to 30 June and therefore estimated income tax expense EUR 2,500,000 for the Australian permanent establishment is calculated and recognised in the Group's financial statements (2014: EUR 1,500,000). In April 2015 in Canada and in December 2015 in Australia the permanent establishments were ceased.

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RECONCILIATION OF THE EFFECTIVE TAX RATE

For the year ended 31 December

In thousands of EUR

	2015	%	2014	%
Profit before tax	69,171		29,995	
Tax using the Company's domestic rate	0	0	0	0
Tax arising on dividends declared in Estonia	-2,818	-4.07	-5,342	-17.81
Current income tax expense in foreign jurisdiction	-5,355	-7.74	-1,317	-4.39
Change in recognised tax losses	-2,526	-3.65	3,355	11.19
Change in temporary differences	598	0.86	570	1.90
Income tax (expense)/benefit	-10,101	-14.60	-2,734	-9.11

Deferred tax assets and liabilities

According to Russian, Latvian, Finnish and Swedish legislation it is permissible for taxation purposes to use higher depreciation and amortisation rates and thereby accomplish a postponement of tax payments. These postponements are shown as a deferred tax liability. The Finnish and Swedish subsidiaries have also carry-forwards of tax losses, which are considered in the calculation of the deferred tax asset.

Deferred tax assets and liabilities are attributable to the following

As at 31 December

In thousands of EUR

	Assets		Liabilities	
	2015	2014	2015	2014
Tax loss carry-forward ¹	25,477	28,003	0	0
Property, plant and equipment	50	35	0	0
Intangible assets	0	0	-6,117	-6,700
Tax assets / liabilities	25,527	28,038	-6,117	-6,700
Offset of assets and liabilities	-6,117	-6,700	6,117	6,700
Tax assets/ liabilities	19,410	21,338	0	0

¹ Deferred tax assets of EUR 23,012,000 (2014: EUR 25,415,000) in Finland and of EUR 2,464,000 (2014: EUR 2,588,000) in Sweden have been recognised in respect of the losses carried forward. The recognised Finnish tax losses will expire from 2023-2025 (2014: 2022-2024) and the Swedish tax losses have no expiration date. Tax losses of Finnish subsidiary that will expire before 2022 have not been recognised due to estimation uncertainty. Such unrecognised tax losses amounted to EUR 89,352,000 as at 31 December 2015 (EUR 86,110,000 as at 31 December 2014).

The Group has recognised deferred tax assets to the extent that the losses carried forward will be offset against projected future taxable profits. According to the Group management estimations, the Finnish subsidiary will be profitable from 2020 onwards. The estimations are based on the business plan of Finnish operations and reduction of intragroup charter fees. The revenue growth rate for the years 2016-2025 of Finnish operations used in calculations is 2-4% and the growth rate used for cost increase is 1-3% (2015-2024 of Finnish operations used in calculations is 2-3% and the growth rate used for cost increase is 1-2%). The sensitivity of the value of recognized deferred tax assets to main assumptions of the projected future taxable profits is as follows: 1) +/- 1% change in average revenue growth rate for the years 2016-2025 would change the value of recognized tax assets by EUR +17,870,000 /-23,012,000 respectively; 2) +/- 1% change in average costs' growth rate for the years 2016-2025 would change the value of recognized tax assets by EUR -23,012,000 /+17,870,000 respectively.

MOVEMENTS IN DEFERRED TAX BALANCES

	Balance 31 December 2014	Recognised in profit or loss	Balance 31 December 2015
Tax loss carry-forward	28,003	-2,526	25,477
Property, plant and equipment	35	15	50
Intangible assets	-6,700	583	-6,117
Net deferred tax (asset)/liability	21,338	1,928	19,410

NOTE 7 EARNINGS PER SHARE (EPS)

Basic EPS 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. The Group has issued 7,276,903 share options, which have no diluting effect due to their average price in the stock market being lower than the exercise price during the reporting period.

At 31 December 2015 the Group held 3,935,000 of the AS Tallink Grupp shares as treasury shares.

In thousands pcs

	Shares issued	Treasury shares	Shares out- standing
As at 31 December 2014	673,817	3,935	669,882
As at 31 December 2015	673,817	3,935	669,882

For the year ended 31 December

In thousands of EUR

	2015	2014
Weighted average number of ordinary shares outstanding (in thousands, basic)	669,882	669,882
Net profit/loss attributable to equity holders of the Parent	59,070	27,261
Basic EPS (EUR per share)	0.088	0.041
Diluted EPS (EUR per share)	0.088	0.041

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**NOTE 8
CASH AND CASH EQUIVALENTS**

As at 31 December
In thousands of EUR

	2015	2014
Cash at bank and in hand	80,156	63,428
Short-term deposits	1,820	1,883
Total cash and cash equivalents	81,976	65,311

Cash at bank earns interest at floating rates based on daily bank deposit rates (in 2015 the rates were in the range of 0.00-0.05% and in 2014 in the range of 0.00-0.25%).

Short-term deposits are made for varying periods. The maturity dates of short-term deposits recognised in the statement of financial position as at 31 December 2015 range up to 11 January 2016. As at 31 December 2015 and 31 December 2014 short-term deposits of EUR 1,820,000 and EUR 1,883,000 respectively could only be used for repayment of bank loans.

The Group's exposure to currency risk and analysis is disclosed in Note 24.

**NOTE 9
TRADE AND OTHER RECEIVABLES**

As at 31 December
In thousands of EUR

	2015	2014
Trade receivables	24,259	24,115
Allowance for doubtful trade receivables	-804	-734
Government grants receivable	10,452	10,221
Other receivables (Note 24)	2,676	4,608
Total trade and other receivables	36,583	38,210

During the reporting period EUR 516,000 of the trade receivables was expensed as doubtful and uncollectible (2014: EUR 310,000).

The Group's exposure to the credit and currency risks of receivables is disclosed in Note 24.

**NOTE 10
PREPAYMENTS**

As at 31 December
In thousands of EUR

	2015	2014
Prepaid expenses	4,467	2,794
Tax prepayments	807	1,004
Total prepayments	5,274	3,798

The balance of prepaid expenses includes mostly prepayments for insurance.

As at 31 December
In thousands of EUR

	2015	2014
Tax prepayments		
VAT	740	838
Prepaid excise duties	0	22
Other prepayments	67	144
Total tax prepayments	807	1,004

**NOTE 11
INVENTORIES**

As at 31 December
In thousands of EUR

	2015	2014
Raw materials (mostly fuel)	2,220	2,406
Goods for sale	26,961	28,909
Prepayments to suppliers	16	0
Total inventories	29,197	31,315

In 2015 the write-down of inventories to net realisable value amounted to EUR 133,000 (2014: EUR 97,000). The write-downs are included in cost of sales.

Fuel price risk

The Group is exposed to fuel price risk as the fuel used for ship operations is purchased at market prices. The Group has implemented a fuel surcharge system according to which the Group charges its customers a fuel surcharge to partly offset the impact of fuel price increases. At 31 December 2015 (as well as at 31 December 2014) there were no derivative contracts for fuel outstanding. For more information see Note 24.

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NOTE 12

INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

The Group has investments in the following equity-accounted investees:

As at 31 December 2015

Name of equity accounted investee	Country of incorporation	Interest
AS Tallink Takso	Estonia	34%

In thousands of EUR

	2015	2014
Investments at the beginning of financial year	286	262
Share of profit/loss of equity-accounted investee	64	24
Investments at the end of financial year	350	286

Key figures of equity-accounted investees

As at 31 December 2015, in thousands of EUR

Name of equity accounted investee	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Expenses	Profit/loss	Equity
AS Tallink Takso	1,276	106	1,382	312	41	353	3,822	3,635	187	1,029

AS Tallink Takso's figures as at 31 December 2015 are unaudited. The figures above reflect 100% of the assets, liabilities and result of the associate.

As at 31 December 2014, in thousands of EUR

Name of equity accounted investee	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Expenses	Profit/loss	Equity
AS Tallink Takso	1,096	152	1,248	323	83	406	3,388	3,317	71	842

NOTE 13

OTHER FINANCIAL ASSETS

As at 31 December

In thousands of EUR

	2015	2014
Available-for-sale financial assets	168	211
Other receivables (Note 24)	140	41
Total other financial assets	308	252

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

In thousands of EUR

	Land and buildings	Ships	Plant and equipment	Assets under construction	Total
Book value as at 31 December 2013	4,841	1,479,030	9,572	2,452	1,495,895
Additions	4	41,480	4,743	383	46,610
Exchange rate differences	0	0	3	0	3
Disposals	0	0	-189	0	-189
Depreciation for the year	-1,116	-69,110	-4,129	0	-74,355
Book value as at 31 December 2014	3,729	1,451,400	10,000	2,835	1,467,964
Additions	334	10,498	4,527	25,379	40,738
Reclassification	41	0	-41	0	0
Disposals	0	-124,090	-444	0	-124,534
Depreciation for the year	-1,162	-67,706	-3,882	0	-72,750
Book value as at 31 December 2015	2,942	1,270,102	10,160	28,214	1,311,418
As at 31 December 2014					
- gross carrying amount	12,786	1,714,237	30,838	2,835	1,760,696
- accumulated depreciation	-9,057	-262,837	-20,838	0	-292,732
As at 31 December 2015					
- gross carrying amount	13,120	1,559,457	33,896	28,214	1,634,687
- accumulated depreciation	-10,178	-289,355	-23,736	0	-323,269

REVALUATION OF SHIPS

The Group used the valuations of two independent appraisers to determine the fair value of the ships. Fair value was determined by reference to market-based inputs, which are mainly unobservable (level 3 under fair value hierarchy). The Group management also take into consideration expected cash flows for the chartered ships if needed. The following table shows the valuation techniques used in measuring ships fair values, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
<i>Market comparison technique, cost approach:</i> The independent appraisers consider both approaches. They scan the market and look at second-hand sales of similar ships taking place, as well as analyse the general demand of the particular ship in various parts of the world. Also they look at how much the ship did cost to construct less reasonable depreciation and at the new constructing prices of similar ships today.	<ul style="list-style-type: none"> • Sale prices of similar ships • Level of the demand of particular ships • Construction prices of ships • Maintenance and repair programme of ships

The frequency of revaluations depends on changes in fair values which are assessed at each year-end. When fair value differs materially from the carrying amount, further revaluation is performed. As at 31 December 2015 there were no material difference between carrying amount and fair value (as well as at 31 December 2014).

If the ships were measured using the cost model, the carrying amounts would be as follows:

In thousands of EUR

31 December 2015	
Cost	1,709,976
Accumulated depreciation	-487,567
Net carrying amount	1,222,409
31 December 2014	
Cost	1,886,347
Accumulated depreciation	-489,509
Net carrying amount	1,396,838

Due to the annual transfer from the revaluation reserve to retained earnings (the difference between depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost) the revaluation reserve was decreased as at 31 December 2015 by EUR 6,869,000 (2014: EUR 2,215,000) and retained earnings were increased by the same amount.

As at 31 December 2015 the Group's ships with a book value of EUR 1,044,632,000 (2014: EUR 1,214,794,000) were encumbered with first or second ranking mortgages to secure the Group's bank loans (see also Note 16).

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NOTE 15 INTANGIBLE ASSETS

In thousands of EUR

	Goodwill ¹	Trademark ²	Other ³	Total
Book value as at 31 December 2013	11,066	36,418	10,441	57,925
Additions	0	0	2,802	2,802
Amortisation for the year	0	-2,916	-2,637	-5,553
Book value as at 31 December 2014	11,066	33,502	10,606	55,174
Additions	0	0	2,920	2,920
Disposals	0	0	-16	-16
Amortisation for the year	0	-2,916	-2,436	-5,352
Book value as at 31 December 2015	11,066	30,586	11,074	52,726
As at 31 December 2014				
- cost	11,066	58,288	27,562	96,916
- accumulated amortisation	0	-24,786	-16,956	-41,742
As at 31 December 2015				
- cost	11,066	58,288	29,707	99,061
- accumulated amortisation	0	-27,702	-18,633	-46,335

¹ Goodwill in the amount of EUR 11,066,000 is related to the Estonia-Finland route segment. In the impairment test of goodwill related to the Estonia-Finland routes, the recoverable amount was identified based on value in use. Management calculated value in use using the results and margins achieved in the 2015 financial year, a revenue growth rate of 0% p.a. (2014: 0%) and a discount rate of 6% (2014: 6%). Five-year cash flow to perpetuity value was used. There was no need to recognise an impairment loss.

² A trademark of EUR 58,288,000 was recognised in connection with the acquisition of Silja OY Ab in 2006. The fair value of the trademark at the acquisition

date was determined using the relief from royalty method. As at 31 December 2015, book value of trademark was tested for impairment. For testing purposes the average revenue growth rate of 1% (2014: 1%), royalty rate of 2.25% (2014: 2.25%) and discount rate of 6% (2014: 6%) were used. There was no need to recognise an impairment loss.

³ Other intangible assets include mostly the licences and development costs of IT programs of EUR 9,733,000. The licenses have finite lives and are amortised over 5 to 10 years. Amortisation of intangible assets is recorded in profit or loss under cost of sales, sales and marketing expenses and administrative expenses.

NOTE 16 INTEREST-BEARING LOANS AND BORROWINGS

As at 31 December

In thousands of EUR

2015	Maturity	Current portion	Non-current portion	Total borrowings
Liabilities under finance lease	2018	82	216	298
Unsecured bonds ¹	2018	0	93,097	93,097
Overdraft	2016	3,397	0	3,397
Long-term bank loans	2016-2021	78,410	374,134	452,544
Total borrowings		81,889	467,447	549,336

As at 31 December

In thousands of EUR

2014	Maturity	Current portion	Non-current portion	Total borrowings
Liabilities under finance lease	2018	80	278	358
Unsecured bonds ¹	2018	0	98,636	98,636
Overdraft	2015	62,449	0	62,449
Long-term bank loans	2015-2021	87,321	494,618	581,939
Total borrowings		149,850	593,532	743,382

¹ The change in the bond balance come up from the foreign exchange rate differences of NOK

As at 31 December 2015 the Group had the right to use bank overdrafts of up to EUR 75,000,000 (2014: EUR 65,000,000). Bank overdrafts are secured with a commercial pledge of EUR 20,204,000 (2014: EUR

20,204,000) and mortgages on ships (see Note 14). In the year ended 31 December 2015 the average effective interest rate of bank overdrafts was EURIBOR + 2.23% (2014: EURIBOR + 2.12%). As at 31 December

2015 the balance of overdrafts in use was EUR 3,397,000 (2014: EUR 62,449,000).

In the year ended 31 December 2015 the weighted average interest rate of the Group's variable rate bank loans was EURIBOR + 3.02% (2014: EURIBOR + 3.02%).

As at 31 December 2015 AS Tallink Grupp had given guarantees to HSH Nordbank AG, Nordea Bank Plc and Danske Bank A/S. for loans of EUR 158,894,000 (2014: 227,873,000) granted to overseas subsidiaries by abovementioned banks.

Overseas subsidiaries have given guarantees to Nordea Bank Finland Plc and Swedbank AS for the loans granted to AS Tallink Grupp. As at 31 December 2015 the book value of the loans was EUR 293,650,000 (31 December 2014: EUR 354,066,000). Primary securities for the loans are the ships belonging to the overseas subsidiaries and a pledge of the shares in these subsidiaries.

The Group has issued counter guarantees to the commercial banks that have issued guarantees to several governmental authorities in favour of Group entities, required to perform the Group's daily operations. As at 31 December 2015 the total amount of the guarantees was EUR 7,694,000 (2014: EUR 2,618,000). The guarantees issued are not recognised in the statement of financial position as, according to historical experience and the Group management estimations, none of them is expected to turn into an actual liability.

In the loan agreements signed with banks, the Group has agreed to comply with financial covenants related to ensuring certain equity, liquidity and other ratios. During the financial year 2015 (as well as in 2014) the Group complied with all financial covenants.

NOTE 17 TRADE AND OTHER PAYABLES

As at 31 December
In thousands of EUR

	2015	2014
Trade payables	41,694	39,962
Other payables	2,459	2,508
Payables to employees	22,015	21,452
Interest payable	2,259	3,175
Tax liabilities	17,079	16,709
Other accruals	2,974	7,430
Total trade and other payables	88,480	91,236

The Group's exposure to currency and liquidity risks is disclosed in Note 24.

As at 31 December
In thousands of EUR

	2015	2014
Tax liabilities		
Salary-related taxes	12,949	11,153
Excise duties	2,217	2,622
VAT	1,912	2,884
Other taxes	1	50
Total tax liabilities	17,079	16,709

NOTE 18 DEFERRED INCOME

As at 31 December
In thousands of EUR

	2015	2014
Club One points	12,150	11,291
Prepaid revenue	16,756	18,117
Total deferred income	28,906	29,408

The Group measures the liability for outstanding Club One points in combination of the value of its services and the averages of the Club One points used to redeem the services, taking into account the pattern of use of the points by the customers and the expiry rates of the points. The calculations are performed for each segment.

NOTE 19 SHARE CAPITAL AND RESERVES

As at 31 December

	2015	2014
The number of shares issued and fully paid (in thousands)	673,817	673,817
Total number of shares of EUR 0.60 each (in thousands)	673,817	673,817

As at 31 December
In thousands of EUR

	2015	2014
Share capital (authorised and registered)	404,290	404,290
Total share capital	404,290	404,290
Share premium	639	639
Total share premium	639	639

According to the articles of association of the Parent effective as from 17 September 2013, the maximum number of common shares is 2,133,333,333. Each share grants one vote at the shareholders' general meeting. Shares acquired by the transfer of ownership are eligible for participating in and voting at a general meeting only if the ownership change is recorded in the Estonian Central Registry of Securities at the time used to determine the list of shareholders for the given shareholders' general meeting.

Common shares grant their holders all the rights provided for under the Estonian Commercial Code - the right to participate in the general meeting, the distribution of profits, and the distribution of residual assets upon the dissolution of the company; the right to receive information from the Management Board about the activities of the Company; a pre-emptive right to subscribe for new shares in proportion to the sum of the par values of the shares already held when share capital is increased, etc.

The registered share capital of AS Tallink Grupp amounts to EUR 404,290,000, the number of shares is 673,817,000 and the nominal value of a share is EUR 0.60.

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RESERVES

As at 31 December
In thousands of EUR

	2015	2014
Translation reserve	458	298
Ships' revaluation reserve	47,693	54,562
Mandatory legal reserve	20,185	18,822
Reserve for treasury shares	-4,163	-4,163
Share option programme reserve (Note 20)	910	610
Total reserves	65,083	70,129

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Ships' revaluation reserve

The revaluation reserve relates to the revaluation of ships. The ships' revaluation reserve may be transferred directly to retained earnings when the ship is disposed of. However, some of the revaluation surplus may be transferred when the ship is used by the Group. In such a case, the amount of surplus transferred is the difference between depreciation based on the revalued carrying amount of the ship and depreciation based on the original cost of the ship. The Group uses the latter alternative.

Mandatory legal reserve

The mandatory legal reserve has been formed in accordance with the Estonian Commercial Code. The mandatory legal reserve is formed by means of yearly net profit transfers. At least 1/20 of net profit must be transferred to the mandatory legal reserve, until the reserve amounts to 1/10 of share capital. The mandatory legal reserve may be used to cover losses and to increase share capital but it may not be used for making distributions to owners.

Reserve for treasury shares

Reserve for treasury shares comprises the cost of the AS Tallink Grupp's shares held by the Group. At 31 December 2015 the Group held 3,935,000 of the AS Tallink Grupp's shares (2014: 3,935,000 shares).

Share option programme reserve

At 31 December 2015 the share option programme reserve comprised the fair value of the share option programme measured at the grant date.

DIVIDENDS

Dividends were declared and paid by the Company for the year in the amount of EUR 13,398,000 (2014: EUR 20,096,000), i.e. EUR 0.02 per qualifying ordinary share (2014: EUR 0.03). This led to a payment of income tax of EUR 2,818,000 by the Group (2014: EUR 5,342,000).

NOTE 20

SHARE OPTION PROGRAMME

In December 2012 the Group issued 7,610,000 share options of which 3,850,000 to the Management Board and Supervisory Council and 3,760,000 to certain other Group employees. Each option gives right to purchase one share of AS Tallink Grupp. The terms and conditions of the issued share options are the following: exercisable not earlier than 36 months from issue or 21 December 2015 and not later than 21 June 2016; exercise price EUR 0.858 in the case of new shares issued or average acquisition cost in the case of existing shares purchased from the market; the options are to be settled by physical delivery of shares.

The fair value of the services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes model as at the grant date. The Group used an independent external advisor for the valuation of the share options. In addition to the terms and conditions of the share options the following inputs were used: spot price of 0.848 at 20 December 2012; expected volatility of 30% based on historical analysis; the options' average time to maturity which was 42 months; effective dividend yield of 3.5% (based on the equity analysts' consensus) and a risk-free interest rate of 0.336%.

SHARE OPTION PROGRAMME

Option issued	Key Management Personnel	Senior Employees
	2012	2012
Fair value at grant date (EUR)	0.125	0.125
Share price at grant date (EUR)	0.848	0.848
Exercise price (EUR)	0.858	0.858
Expected volatility (%)	30	30
Expected life (months)	42	42
Expected dividend yield (%)	3.5	3.5
Risk-free interest rate (%)	0.336	0.336

	Number of options	Weighted average exercise price
Outstanding at 1 January 2014	14,692,768	0.858
Forfeited during the year 2014	56,630	0.858
Expired during the year 2014	7,317,500	0.858
Outstanding at 31 December 2014	7,318,638	0.858
Exercisable at 31 December 2014	7,318,638	0.858
Outstanding at 1 January 2015	7,318,638	0.858
Forfeited during the year 2015	41,735	0.858
Outstanding at 31 December 2015	7,276,903	0.858
Exercisable at 31 December 2015	7,276,903	0.858

At 31 December 2015 7,276,903 (2014: 7,318,638) share options were valid and outstanding. The average remaining time to maturity of the outstanding share options is 0-6 months. The following table summarises information about options outstanding at 31 December 2015:

	Outstanding options	Average remaining time to maturity (months)	Exercise price
Options issued 2012	7,318,638	0-6	0.858

The change in option reserve

In thousands of EUR

	2015	2014
Options issued 2012 ¹	305	317
Forfeited during the year	-5	-14
Expired during the year	0	-527
Total change in option reserve	300	-224

¹ The value of options issued at the end of 2012 of EUR 951,000 was recorded as an expense during the vesting period of 36 months from the beginning of 2013. In 2015 EUR 300,000 (2014: EUR 317,000) was recorded as an expense.

The outstanding share options have no diluting effect due to their average price in the stock market being lower than the exercise price during the reporting period (see Note 7). The average price in the stock market in the 2015 financial year was EUR 0.79 (2014: EUR 0.74).

NOTE 21 CONTINGENCIES AND COMMITMENTS

LEGAL CLAIMS

AS Tallink Grupp, AS Hansatee Cargo and Tallink Silja OY filed a complaint with Helsinki District Court for recovery of harbour fees for the years 2001 until 2004. The total amount claimed is more than EUR 34 million (of which AS Tallink Grupp's claims more than EUR 13 million, AS Hansatee Cargo's claim more than EUR 400 000 and Tallink Silja Oy's claims approximately EUR 21 million). The basis for the claim is that the Finnish state applied and demanded from the ships of EU member states incorrect harbour fees. On 28 February 2015 the Court held that the Finnish state is liable to return the fairway dues collected illegally and the accrued interests. The Finnish State contested this decision in a higher court instance in December 2015 and expected case review could begin in April 2016. The amount was not recognised as at 31 December 2015 (as well as at 31 December 2014) since it is not considered virtually certain to be recovered

KEY MANAGEMENT PERSONNEL'S TERMINATION BENEFITS

Some members of the Management Board are entitled to termination benefits if agreement will be terminated by The Group's Supervisory Council. At 31 December 2015 the maximum amount of such benefits was EUR 2,268,000 (EUR 2,426,000 in 2014) (see Note 22). The Group has no formal plan for termination of service agreements with the Key Management Personnel.

INCOME TAX ON DIVIDENDS

The Group's retained earnings as at 31 December 2015 were EUR 354,410,000 (2014: EUR 303,232,000). At 31 December 2015, the maximum income tax liability which would arise if retained earnings were fully distributed is EUR 70,882,000 (2014: EUR 60,646,000). The maximum income tax liability has been calculated using the income tax rate effective for dividends on the assumption that the dividend and the related income tax expense cannot exceed the amount of retained earnings as at 31 December 2015 (2014: 31 December 2014).

NON-CANCELLABLE OPERATING LEASES

The Group as the lessee

The Group leases five hotel buildings under operating leases. The leases typically run for a period of ten years, with the Group's option to renew the lease for further 5 years. Some lease payments are increased every year and some leases provide for additional rental payments that are based on the result of hotel operations. The lease expenses from 1 January 2015 to 31 December 2015 were EUR 13,255,000 (2014: EUR 13,451,000) including contingent lease expense EUR 1,215,000 (2014: EUR 1,292,000). See also Note 22.

The Group also leases two office buildings and one storehouse. The lease expenses from 1 January 2015 to 31 December 2015 were EUR 1,993,000 (2014: EUR 1,973,000). The lessor has the right to increase lease payments by up to 6% per year. See also Note 22.

On 1 December 2015 the Group sold fast ferry Superstar and chartered it back until the beginning of 2017. The charter payment from 1 January 2015 to 31 December 2015 were EUR 868,000 (2014: EUR 0)

Minimum non-cancellable operating lease payments are as follows:

As at 31 December
In thousands of EUR

	2015	2014
< 1 year	25,068	14,344
1-5 years	50,528	43,230
>5 years	34,426	6,106
Total	110,022	63,680

The Group as the lessor

The Group's charter income from 1 January to 31 December 2015 was EUR 53,473,000 (2014: EUR 47,072,000).

Minimum non-cancellable charter payments are as follows:

As at 31 December
In thousands of EUR

	2015	2014
< 1 year	19,398	46,136
1-5 years	36,880	56,278
Total	56,278	102,414

All charter agreements used by the Group are based on BIMCO Standard Bareboat Charter and BIMCO Time Charter Agreement.

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NOTE 22 RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are related if one controls the other or exerts significant influence on the other party's operating decisions. The Group has transactions and balances with the following related parties:

a) The companies controlled by the Key Management Personnel

The Key Management Personnel hold positions in other entities that

result in them having control or significant influence over the financial or operating policies of these entities.

b) Associated companies

The Key Management Personnel are members of the Group's Supervisory Council and Management Board.

The Group has entered into the following transactions with related parties and has the following balances with related parties.

For the year ended 31 December

In thousands of EUR

	Relationship	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
2015					
AS Infortar - services	a	50	47	2	5
AS HT Valuuta - services	a	107	0	1	0
AS Vara HTG - leases	a	0	2,751	0	834
OÜ Sunbeam - leases	a	0	3,745	0	206
OÜ Topspa Kinnisvara - leases	a	0	2,683	0	0
OÜ Mersok - leases	a	0	8	0	0
OÜ Hansa Hotell - leases	a	0	1,051	0	175
OÜ Fastinvest - leases	a	0	1,227	0	0
SIA Happy Trails - leases	a	1	3,290	0	636
AS Vaba Maa - services	a	8	920	0	86
AS Gastrolink - goods	a	9	1,077	1	66
Eesti Laevaomanike Liit (Estonian Ship-owners' Association) - membership fee	a	1	14	0	0
AS Tallink Takso - services	b	1	107	0	12
MTÜ SEB Tallink Tennis Team - services	a	0	50	0	0
MTÜ Eesti Tennise Liit - services	a	21	159	0	0
OÜ Infor Invest	a	0	42	0	0
2014					
AS Infortar - services	a	176	47	1	5
AS HT Valuuta - services	a	113	0	1	0
AS Vara HTG - leases	a	0	2,775	0	857
OÜ Sunbeam - leases	a	0	3,709	0	257
OÜ Topspa Kinnisvara - leases	a	0	2,634	0	0
OÜ Mersok - leases	a	0	9	0	1
OÜ Hansa Hotell - leases	a	0	1,033	0	178
OÜ Fastinvest - leases	a	0	1,234	0	0
SIA Happy Trails - leases	a	1	3,305	0	337
AS Vaba Maa - services	a	13	673	1	85
AS Gastrolink - goods	a	4	1,163	1	76
Eesti Laevaomanike Liit (Estonian Ship-owners' Association) - membership fee	a	0	14	0	0
AS Tallink Takso - services	b	1	83	1	14
MTÜ SEB Tallink Tennis Team - services	a	0	50	0	0
OÜ Inf Maja - services	a	3	0	0	0
MTÜ Eesti Tennise Liit - services	a	24	165	1	0

KEY MANAGEMENT PERSONNEL COMPENSATION

AS Tallink Grupp's members of the Management Board and members of the Supervisory Council are defined as the Key Management Personnel.

The Key Management Personnel's compensation was as follows:

For the year ended 31 December

In thousands of EUR

	2015	2014
Short-term benefits	1,375	1,896
Share-based payments	36	900

Some members of the Key Management Personnel are entitled to termination benefits (refer note 21). At 31 December 2015 the maximum amount of such benefits was EUR 2,268,000 (31 December 2014: EUR 2,426,000).

The Key Management personnel benefits are presented without social tax. In December 2014 one Member of the Management Board received termination benefits EUR 900,000.

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NOTE 23
GROUP ENTITIES

Group entities	Interest as at 31 December 2015	Interest as at 31 December 2014	Country of incorporation	Parent company
OÜ Hansaliin	100%	100%	Estonia	AS Tallink Grupp
OÜ Hansatee Kinnisvara	100%	100%	Estonia	AS Tallink Grupp
AS Tallink Duty Free	100%	100%	Estonia	AS Tallink Grupp
OÜ HT Laevateenindus	100%	100%	Estonia	AS Tallink Grupp
OÜ HT Meelelahutus	100%	100%	Estonia	AS Tallink Grupp
AS Tallink	100%	100%	Estonia	AS Tallink Grupp
AS Hansatee Cargo	100%	100%	Estonia	AS Tallink Grupp
OÜ TLG Hotell	100%	100%	Estonia	AS Tallink Grupp
OÜ Tallink Travel Club	100%	100%	Estonia	AS Tallink Grupp
AS Tallink Baltic	100%	100%	Estonia	AS Tallink Grupp
OÜ Mare Catering	100%	100%	Estonia	AS Tallink Grupp
AS HTG Invest	100%	100%	Estonia	AS Tallink Grupp
Tallink Finland OY	100%	100%	Finland	AS Tallink Grupp
Tallink Latvija AS	100%	100%	Latvia	AS Tallink Grupp
Tallink Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn-Helsinki Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Vana Tallinn Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Fast Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn Swedish Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallinn Stockholm Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Victory Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Hansalink Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Autoexpress Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink High Speed Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Sea Line Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Superfast Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF VII Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF VIII Ltd	100%	100%	Cyprus	AS Tallink Grupp
Baltic SF IX Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink Hansaway Ltd	100%	100%	Cyprus	AS Tallink Grupp
Tallink-Ru OOO	100%	100%	Russia	AS Tallink Grupp
HTG Stevedoring Oy	100%	100%	Finland	AS Tallink Grupp
Ingleby (1699) Ltd.	100%	100%	UK	AS Tallink Grupp
OÜ HT Hulgi Tolliladu	100%	100%	Estonia	AS Tallink Duty Free
AS Tallink Scandinavian	100%	100%	Estonia	AS Tallink Grupp
Tallink Silja Oy	100%	100%	Finland	AS Tallink Scandinavian
Sally AB	100%	100%	Finland	Tallink Silja Oy
Tallink Silja AB	100%	100%	Sweden	AS Tallink Grupp
Silja Line GmbH	100%	100%	Germany	Tallink Silja Oy Ab
OÜ Hera Salongid	100%	100%	Estonia	OÜ TLG Hotell
SIA HT Shipmanagement	100%	100%	Latvia	OÜ HT Laevateenindus
SIA TLG Hotel Latvija	100%	100%	Latvia	OÜ TLG Hotell

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NOTE 24 FINANCIAL RISK MANAGEMENT

OVERVIEW

Through use of financial instruments the Group is exposed to the following risks:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management. The Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's financial department is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

CREDIT RISK

Credit risk is the risk of financial loss that the Group would suffer if the counterparty failed to perform its financial obligations, and arises principally from the Group's receivables from customers and cash. The credit risk concentration related to accounts receivable is reduced due to the high number of customers.

At the reporting date, the maximum credit risk was as follows:

As at 31 December
In thousands of EUR

	2015	2014
Cash and cash equivalents	81,976	65,311
Trade and other receivables (Notes 9, 13)	26,271	28,021
Total	108,247	93,332

The Group's exposure to credit risk for trade receivables is mainly influenced by the characteristics of each customer. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are individuals or legal entities, whether they are travel agents or customers with credit limits, and considering their geographic location, receivable aging profile, maturity and existence of previous financial difficulties. Trade receivables relate mainly to travel agents and customers with credit facilities. The credit risk concentration related to trade receivables is reduced by the high number of customers.

The Group's management has established a credit policy under which each new customer with a credit request is analysed individually for creditworthiness before the Group's payment terms and conditions are offered. Some customers are obliged to present a bank guarantee to meet the credit sale criteria. Customers are assigned credit limits,

which represent the maximum exposure that does not require approval from the Group's management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis only. Charterers hiring Group's vessels have provided bank guarantees to cover their payment risk.

The Group establishes an allowance for impairment that represents its estimate of losses incurred on trade and other receivables. The main components of this allowance are a specific loss component that relates to trade receivables (individually significant exposures) and a collective loss component (established for groups of similar assets in respect of losses that have been incurred but not yet identified).

The aging of receivables at the reporting date was:

As at 31 December

In thousands of EUR

	2015	2015	2015
	Gross	Impairment	Net
Not past due	21,928	-209	21,719
Past due 0-30 days	3,420	-10	3,410
Past due 31-90 days	763	-54	709
Past due 91 days - one year	513	-165	348
Past due over one year	451	-366	85
Total	27,075	-804	26,271

As at 31 December

In thousands of EUR

Impairment losses	2014	2014	2014
	Gross	Impairment	Net
Not past due	23,237	0	23,237
Past due 0-30 days	3,884	0	3,884
Past due 31-90 days	529	-7	522
Past due 91 days - one year	529	-259	270
Past due over one year	585	-468	117
Total	28,764	-734	28,030

Movements in the impairment allowance for trade receivables:

In thousands of EUR

	2015	2014
Balance at 1 January	734	762
Amounts written off	-183	-88
Impairment loss recognised	516	310
Reversal of prior period impairment loss	-263	-250
Balance at 31 December	804	734

Financial derivatives with a positive fair value for the Company, taking into account legal netting agreements (ISDA agreements), also represent a credit risk. Credit risk arising from financial transactions is reduced through diversification and accepting counterparties with high credit ratings only (BBB or higher).

The Group holds cash and cash equivalents with banking groups that have investment grade credit ratings (BBB or higher).

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LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Groups' reputation.

The Group's low current ratio represents the normal course of business. Majority of the sale is done by prepayment, bank card or cash payments, therefore the cash conversion cycle is negative and in general the Group receives the cash from sale before it has to pay to its vendors.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of bank overdrafts, bank loans and bonds. The Group has established Group account systems (the Group's cash pools) in Estonia, Finland, Sweden and Latvia to manage the cash flows in the Group as efficiently as possible. Excess liquidity is invested in short-term money market instruments. AS Tallink Grupp maintains three committed bank overdraft facilities to minimize the Group's liquidity risk (see Note 16 for details).

The following tables illustrate liquidity risk by periods when cash flows will fall due or may fall due on financial liabilities outstanding as at 31 December (based on contractual cash flows):

In thousands of EUR

2015	< 1 year	1-2 years	2-5 years	>5 years	Total
Non-derivative financial liabilities					
Overdraft	-3,397				-3,397
Finance lease liabilities	-82	-14	-96	0	-192
Trade and other payables	-68,427				-68,427
Secured bank loan repayments	-80,617	-265,000	-106,571	-6,000	-458,188
Bond repayment			-93,097		-93,097
Interest payments ⁽¹⁾	-19,171	-16,676	-9,208	-94	-45,149
Derivative financial liabilities					
Interest rate swaps ⁽²⁾	-4,306	-4,570	-5,346	0	-14,222
Foreign exchange derivative inflow			93,097		93,097
Foreign exchange derivative outflow			-120,000		-120,000
Total	-176,000	-286,260	-241,221	-6,094	-709,575
2014					
Non-derivative financial liabilities					
Overdraft	-62,449				-62,449
Finance lease liabilities	-80	-77	-201	0	-358
Trade and other payables	-67,097				-67,097
Secured bank loan repayments	-89,839	-89,839	-389,899	-21,872	-591,449
Bond repayment			-98,636		-98,636
Interest payments ⁽¹⁾	-24,473	-21,906	-30,653	-702	-77,734
Derivative financial liabilities					
Interest rate swaps ⁽²⁾	-4,930	-4,756	-9,730	0	-19,416
Foreign exchange derivative inflow			98,636		98,636
Foreign exchange derivative outflow			-120,000		-120,000
Total	-248,868	-116,578	-550,483	-22,574	-938,503

⁽¹⁾ - expected, based on the interest rates and interest rate forward curves

⁽²⁾ - net cash flow, expected, based on the interest rates and interest rate forward curves

Guarantees issued are not recognised in the statement of financial position as, according to historical experience and the Group's management estimations, none of them has turned into an actual liability.

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MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Groups' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

Foreign exchange rate risk

The Group is exposed to exchange rate risk arising from revenues, operating expenses and liabilities in foreign currencies, mainly in

the US dollar (USD), the Swedish krona (SEK) and the Norwegian krone (NOK). Exposure to USD results from the purchase of ship fuel and insurance, exposure to NOK derives from the bond issued in that currency and exposure to SEK arises from the fact that it is the operational currency on some routes. The impact of the fluctuation of the Swedish krona is considered immaterial to the financial statements. The Group seeks to minimize currency risk by matching foreign currency inflows with outflows. Currency risk from NOK nominated bond is hedged with cross currency swap.

The following tables present the Group's financial instruments by currency denomination:

As at 31 December
In thousands of EUR

2015	EUR	USD	SEK	NOK	Other	Total
Cash and cash equivalents	64,599	4,704	12,320	0	353	81,976
Trade receivables, net of allowance	22,052	0	1,281	0	122	23,455
Other financial assets	1,182	0	1,634	0	0	2,816
TOTAL	87,833	4,704	15,235	0	475	108,247
Current portion of borrowings	-81,807	0	-82	0	0	-81,889
Trade payables	-35,731	-917	-4,822	-1	-211	-41,682
Other current payables	-19,343	0	-9,389	-1,179	0	-29,911
Interest rate swaps	-12,635	0	0	0	0	-12,635
Foreign exchange derivatives	-137,837	0	0	107,609	0	-30,228
Non-current portion of borrowings and other liabilities	-374,134	0	-216	-93,097	0	-467,447
TOTAL	-661,487	-917	-14,509	13,332	-211	-663,792
Net, EUR	-573,654	3,787	726	13,332	264	-555,545

As at 31 December
In thousands of EUR

2014	EUR	USD	SEK	NOK	Other	Total
Cash and cash equivalents	55,016	601	9,359	0	335	65,311
Trade receivables, net of allowance	22,143	0	1,147	0	91	23,381
Other financial assets	2,319	0	2,329	0	1	4,649
TOTAL	79,478	601	12,835	0	427	93,341
Current portion of borrowings	-149,770	0	-80	0	0	-149,850
Trade payables	-32,825	-2,013	-4,703	0	-421	-39,962
Other current payables	-23,727	0	-9,502	-1,336	0	-34,565
Interest rate swaps	-18,564	0	0	0	0	-18,564
Foreign exchange derivatives	-143,707	0	0	120,289	0	-23,418
Non-current portion of borrowings and other liabilities	-494,618	0	-278	-98,636	0	-593,532
TOTAL	-863,211	-2,013	-14,563	20,317	-421	-859,891
Net, EUR	-783,733	-1,412	-1,728	20,317	6	-766,550

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A 10 percent strengthening of the euro against the following currencies at the end of the financial year would have increased (decreased) profit or loss and equity by the amounts shown below. This sensitivity analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2014.

As at 31 December
In thousands of EUR

	2015 Profit or loss	2014 Profit or loss
USD	-379	141
SEK	-442	-169
NOK	-1,333	-2,032
Other	-26	-1

Interest rate risk

The Group is exposed to interest rate risk through funding and cash management activities. The interest rate risk - the possibility that the future cash flows from a financial instrument (cash flow risk) will change due to movements in market interest rates - applies mainly to bank loans and bond. There are no material interest rate risks related to the assets of the Group.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

As at 31 December
In thousands of EUR

	2015	2014
Fixed rate financial liabilities	298	41,291
Variable rate financial liabilities	591,901	744,073
Total	592,199	785,364

As at 31 December
In thousands of EUR

	Hierarchy	Maturity	2015		2014	
			Notional amount	Fair value	Notional amount	Fair value
Interest rate swap	Level 3	2019	100,000	-12,046	100,000	-16,364
Interest rate swap	Level 3	2018	70,000	-589	70,000	-2,200
Foreign exchange derivative ⁽¹⁾	Level 3	2018	60,000	-15,114	60,000	-11,709
Foreign exchange derivative ⁽¹⁾	Level 3	2018	60,000	-15,114	60,000	-11,709
Total derivatives with negative value				-42,863		-41,982

⁽¹⁾ Foreign exchange derivatives

At effective date the Group exchanged the NOK notional amount (NOK 450,000,000) against EUR notional amount (EUR 60,000,000) and at the termination date there is exchange back. During the life of the derivative the Group pays EURIBOR based EUR and receives NIBOR based NOK in every three months.

A change of 10 basis points in interest rates of interest bearing financial instruments at the reporting date would have increased (decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2014.

As at 31 December
In thousands of EUR

	2015	2014
10 basis point increase	-228	-58
10 basis point decrease	228	58

Fair values of financial instruments

In the opinion of the Group's management there are no significant differences between the carrying values and fair values of financial assets and liabilities. The fair value for derivatives has been determined based on accepted valuation methods.

Hedge activities

All derivative financial instruments are recognised as assets or liabilities. They are stated at fair value regardless of their purpose. Many transactions constitute economic hedges but do not qualify for hedge accounting under IAS 39. Changes in the fair value of these derivative financial instruments are recognised directly in profit or loss: fair value changes on forward exchange contracts and currency options are recorded in exchange gains and losses and those on interest rate swaps and interest rate options in interest income and expense.

The fair values of hedged transactions at the end of the year were as follows:

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The fair values of all derivative financial instruments have been determined by an independent valuer with relevant professional qualifications and experience. Valuation methods are Hull White Model, Black76 - Model and Jarrow - Yildirim - Model. Inputs used are EUR interest rates term structure, EUR swaption and cap volatilities, inflation swap rates, EURIBOR and NIBOR FRA rates. Inputs are mainly unobservable (level 3 under fair value hierarchy). The following table shows the valuation techniques used in measuring derivatives' fair values, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Hull White Model Black76 Model Jarrow - Yildirim Model	<ul style="list-style-type: none"> EUR interest rates term structure EUR swaption and cap volatilities inflation swap rates 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> EUR interest rates were higher (lower) inflation swap rates increase (decrease)

CAPITAL MANAGEMENT

The Group considers total shareholders' equity as capital. As at 31 December 2015 the shareholders' equity was EUR 824,422,000 (2014: EUR 778,290,000). The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group has made significant investments in the recent past where strong shareholders' equity has been a major supporting factor for the investments. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

At the annual general meeting held on 8 February 2011, management introduced the strategic target of reaching the optimal debt level which would allow the Group to start paying dividends. In management's opinion, a comfortable level for the Group's equity ratio is between 40% and 50% and for the net debt to EBITDA ratio an indicator below 5. As at 31 December 2015 the Group's equity ratio was 53.6% and the net debt to EBITDA ratio was 2.6 (2014: 46.2% and 4.5 respectively).

The Group may purchase its own shares on the market; the timing of these purchases may depend on the market prices, the Group's liquidity position and business outlook. Additionally, legal factors may limit the timing of such decisions. Primarily the repurchased shares are intended to be cancelled or they may be used for issuing shares under the Group's share option programme. Currently the Group does not have a defined share buyback plan.

NOTE 25 SUBSEQUENT EVENTS

On 11 February 2016 AS Tallink Grupp established new 100% owned subsidiary OÜ Baan Thai. The subsidiary main activity will be the catering services.

NOTE 26 PRIMARY FINANCIAL STATEMENTS OF THE PARENT STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December
In thousands of EUR

	2015	2014
Revenue	471,380	435,862
Cost of sales	-371,049	-363,577
Gross profit	100,331	72,285
Sales and marketing expenses	-35,292	-35,224
Administrative expenses	-19,273	-18,602
Other operating income	9,442	1,185
Other operating expenses	-56	-311
Results from operating activities	55,152	19,333
Finance income	12,577	9,983
Finance costs	-59,645	-64,293
Share of profit of equity-accounted investees	64	24
Net profit/loss before income tax	8,148	-34,953
Income tax	-8,046	-6,642
Net profit/loss for the year	102	-41,595

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STATEMENT OF FINANCIAL POSITION

As at 31 December
In thousands of EUR

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	18,573	36,489
Receivables from subsidiaries	105,329	125,621
Receivables and prepayments	19,103	18,913
Tax assets	1,209	1,398
Inventories	9,304	9,870
	153,518	192,291
Non-current assets		
Investments in subsidiaries	405,371	405,283
Receivables from subsidiaries	272,077	310,557
Investments in equity-accounted investees	350	286
Other financial assets and prepayments	52	58
Property, plant and equipment	330,182	285,015
Intangible assets	10,930	10,485
	1,018,962	1,011,684
TOTAL ASSETS	1,172,480	1,203,975
LIABILITIES AND EQUITY		
Current liabilities		
Interest-bearing loans and borrowings	103,367	164,100
Payables and deferred income	247,560	160,588
Tax liabilities	8,355	5,032
	359,282	329,720
Non-current liabilities		
Interest-bearing loans and borrowings	632,177	681,311
Other liabilities	192	0
Derivatives	42,863	41,982
	675,232	723,293
Total liabilities	1,034,514	1,053,013
Equity		
Share capital	404,290	404,290
Share premium	639	639
Reserves	16,932	15,269
Retained earnings	-283,895	-269,236
	137,966	150,962
TOTAL LIABILITIES AND EQUITY	1,172,480	1,203,975

STATEMENT OF CASH FLOWS

For the year ended 31 December
In thousands of EUR

	2015	2014
Cash flows used in/from operating activities		
Net profit/loss for the financial year	102	-41,595
Adjustments	107,625	112,041
Depreciation	56,087	47,548
Net interest expense	53,710	62,993
Net gain/loss on disposals of tangible and intangible assets	-7,999	-6
Net unrealised foreign exchange gain	-5,758	-7,972
Income tax	8,046	6,642
Other adjustments	3,539	2,836
Income tax repaid	405	0
Changes in receivables related to operating activities	8,059	82,491
Change in inventories	566	776
Changes in liabilities related to operating activities	56,466	58,108
	173,223	211,821
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	-27,810	-3,923
Proceeds from disposals of property, plant, equipment	9	6
Increase in share capital of subsidiaries	0	-140,001
Proceeds from other financial assets	225	0
Interest received	6	26
	-27,570	-143,892
Cash flows from financing activities		
Redemption of loans	-62,005	-53,432
Change in overdraft	-60,901	43,425
Payments for settlement of derivatives	-4,045	-3,985
Interest paid	-20,402	-23,984
Dividends paid	-13,398	-20,096
Income tax on dividends paid	-2,818	-5,342
	-163,569	-63,414
TOTAL NET CASH FLOW	-17,916	4,515
Cash and cash equivalents:		
- at the beginning of period	36,489	31,974
- increase / decrease	-17,916	4,515
- at the end of period	18,573	36,489

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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

In thousands of EUR

	Share capital	Share premium	Mandatory legal reserve	Reserve for treasury shares	Share option programme reserve	Retained earnings	Total equity
As at 31 December 2013	404,290	639	16,651	-4,163	834	-205,374	212,877
Net loss for financial year 2014	0	0	0	0	0	-41,595	-41,595
Allocation of profit for 2013	0	0	2,171	0	0	-2,171	0
Dividends	0	0	0	0	0	-20,096	-20,096
Contributions by and distributions to owners of the Company	0	0	0	0	-224	0	-224
As at 31 December 2014	404,290	639	18,822	-4,163	610	-269,236	150,962
Net loss for financial year 2015	0	0	0	0	0	102	102
Allocation of profit for 2014	0	0	1,363	0	0	-1,363	0
Dividends	0	0	0	0	0	-13,398	-13,398
Contributions by and distributions to owners of the Company	0	0	0	0	300	0	300
As at 31 December 2015	404,290	639	20,185	-4,163	910	-283,895	137,966
	2015	2014					
Unconsolidated equity at 31 December	137,966	150,962					
Interests under control and significant influence:							
-carrying amount	-405,721	-405,569					
-carrying amount under the equity method	1,092,177	1,032,897					
Adjusted unconsolidated equity at 31 December	824,422	778,290					

AUDITOR'S REPORT

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Independent Auditors' Report

To the shareholders of AS Tallink Grupp

We have audited the accompanying consolidated financial statements of AS Tallink Grupp, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. Audited consolidated financial statements are presented on pages from 35 to 68.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (Estonia). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of AS Tallink Grupp as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tallinn, 25 April 2016

Eero Kaup
Certified Public Accountant, Licence No 459

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