



AS TALLINK GRUPP

Unaudited Consolidated Interim Financial Statements for the twelve months of the 2016 financial year

1 January 2016 – 31 December 2016

Beginning of the financial year	1. January 2016
End of the financial year	31. December 2016
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Primary activity	maritime transportation (passenger and cargo transportation)
Auditor	KPMG Baltics OÜ

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MANAGEMENT REPORT

AS Tallink Grupp and its subsidiaries (the Group) carried an all-time high number, total of 9.5 million passengers in the 2016 financial year (2015: 9.0 million) which is 5.4% more compared to the year before. The number of cargo units transported increased by 6.5% and the number of passenger vehicles transported increased by 4.2% compared to previous financial year. The Group's unaudited consolidated revenue amounted to EUR 937.8 million (2015: EUR 945.2 million) and EBITDA to EUR 149.5 million (2015: EUR 181.4 million). Unaudited net profit amounted to EUR 44.1 million or EUR 0.07 per share (2015: EUR 59.1 million or EUR 0.09 per share).

In the 2016 financial year the revenue structure of the Group changed compared to previous financial year. After the conclusion of the cruise ferry Silja Europa charter contract in February 2016 the Group increased the capacity of its route operations by deploying the ship on Tallinn-Helsinki route. Therefore, in 2016 the reduction of charter related revenue was expected and by increasing the capacity of its core route operations the Group increased passenger number to all-time high level and earned comparable total annual revenue. Driven by the higher total passenger number the shops and restaurant revenue increased by EUR 20.9 million to EUR 521.5 million (2015: EUR 500.6 million) and the ticket revenue increased by EUR 8.1 million to EUR 236.0 million (2015: 228.0 million). The revenue from leases of vessels (chartering) declined by EUR 28.0 million to EUR 25.5 million. Due to the changes in chartering and routes' operating capacity the Group's profits declined as higher profitability charter activity was replaced by route operations that involve higher ship operating costs. In addition the Group incurred charter cost of fast ferry Superstar, which was sold in the end of 2015 and was chartered back until the delivery of new fast ferry Megastar.

The Estonia-Finland route passenger number increased in 2016 by 7.0% to a record level of 5.1 million passengers carried annually (2015: 4.7 million), the number of cargo units increased by 5.9%. Following the higher capacity and passenger number, the Group increased its market share on the route by 2% to 58%. The segment revenue increased by 4.5%, at the same time the segment result fell by 16.4% to EUR 75.4 million (2015: EUR 90.3 million). The segment result declined mainly due to the higher ship operating cost from additional ship, Silja Europa in operation and charter cost of fast ferry Superstar.

The Finland-Sweden routes passenger number increased by 2.1%, the cargo units transported increased by 7.6% and segment revenue increased by 1.2%. The segment result fell by 11.0% to EUR 15.3 million (2015: EUR 17.2 million) mainly due to higher seamen personnel cost related to the change of the taxation under Finnish Seamen's Pensions Act.

The positive development of the Estonia-Sweden and Latvia-Sweden routes throughout the 2016 financial year resulted in higher passenger number, revenue and segment result. The Estonia-Sweden routes segment revenue increased by 5.5% and the segment result increased by 81.5% to EUR 11.6 million (2015: EUR 6.4 million). The Latvia-Sweden route segment revenue increased by 6.2% and segment result improved by 29.9% to EUR 6.9 million (2015: EUR 5.3 million).

In the 2016 financial year the Group's investments amounted to EUR 68.9 million. Majority of investments were done to the renewal and upgrade of the fleet: down payment for the new LNG fast ferry Megastar, large scale renovation of cruise ferry Silja Europa, upgrade of number of restaurants, shops and cabins in Group fleets older vessels. Investments were made also to the development of online booking and sales systems.

In June 2016 the shareholders annual general meeting decided to pay a dividend of EUR 0.02 per share from financial year 2015 net profit. The total dividend amount of EUR 13.4 million was paid out on 05 July 2016. In addition to dividend payment the annual general meeting decided the share capital reduction in amount of EUR 40.2 million or EUR 0.06 per share. The share capital reduction payments to the shareholders were made on 23 December 2016.

The management board targets to distribute at least 50% of the net profit, calculated over the long term, as dividends or capital repayment, taking however the Group's financial position into account.

The management estimates that for the coming years the distribution per share will be at least EUR 0.02 or higher.

To the annual shareholders' meeting in 2017 the management board will propose dividend of EUR 0.03 per share from financial year 2016 net profit.

The total liquidity, cash and unused credit facilities, at the end of the third quarter was EUR 113.8 million providing a strong financial position for sustainable operations. The Group had EUR 78.8 million in cash and equivalents and the total of unused credit lines were at EUR 35.0 million.

In the fourth quarter (1 October - 31 December) of the 2016 financial year the Group carried 2.2 million passengers which is 4.7% more compared to the fourth quarter last year, the unaudited revenue decreased by 0.7% to the total of EUR 226.1 million. The fourth quarter EBITDA was EUR 29.9 million which is at the same level compared to the fourth quarter of the last year.

The Estonia-Finland route's fourth quarter revenue increased by 3.1% compared to same period last year, the increase is driven by a 3.1% growth in the passenger number. The number of cargo units transported increased by 8.3%.

The Finland-Sweden routes fourth quarter revenue increased by 4.0% compared to same period last year, the increase is driven by a 5.4% growth in the passenger number as there were more departures compared to same period last year. The number of cargo units transported increased by 14.2%.

The Estonia-Sweden route revenue and passenger number were at the same level compared to fourth quarter last year, cargo volumes increased by 5.4%. The Latvia-Sweden route revenue increased by 18.4%, passenger number by 27.9% and cargo volume increased by 13.1% compared to fourth quarter last year. The increase in revenue and volumes was supported by the added capacity on the route.

The Group's restaurant and shop sales increased by 2.2% or EUR 2.8 million and ticket revenue increased by 3.9% or EUR 2.0 million in the fourth quarter compared to the same period last year. Although the sales growth was driven by the growth of the passenger number the average on-board revenue per passenger was slightly lower compared to same period last year. The revenue from the chartered out vessels has reduced in the fourth quarter compared to the same period last year due to fewer ships in charter.

In the fourth quarter of the 2016 financial year the Group's gross profit decreased by EUR 9.1 million compared to the same period last year and amounted to EUR 41.1 million. The fourth quarter EBITDA was EUR 29.9 million which is on same level compared to same period last year. The fourth quarter profitability was impacted by less revenue from chartering, higher marketing costs, cost of charter of the fast ferry Superstar and higher ships operating costs.

In the fourth quarter the Group's net debt increased by EUR 22.2 million to a total of EUR 480.1 million and the net debt to EBITDA ratio was a solid 3.2 at the end of fourth quarter. The fourth quarter interest cost was EUR 5.0 million lower compared to same period last year from regular repayment of loans, repayment of loans related to sale of ship in December 2015 and one-off cost of premature termination of loan contract related to the sale of ship. Combined with gain from revaluation of cross currency and interest derivatives, the total finance costs decreased by EUR 11.1 million compared to the fourth quarter last year.

The unaudited net profit for the fourth quarter of the 2016 financial year was EUR 3.5 million or EUR 0.005 per share compared to the loss of EUR 1.3 million or EUR -0.002 per share in the same period last year.

Q4 KEY FIGURES

		2016 Oct-Dec	2015 Oct-Dec	Change
Revenue	EUR million	226.1	227.6	-0.7%
Gross profit	EUR million	41.1	50.2	-18.2%
Gross margin		18.2%	22.0%	
EBITDA	EUR million	29.9	29.9	0.0%
EBITDA margin		13.2%	13.1%	
Net profit for the period	EUR million	3.5	-1.3	364.5%
Net profit margin		1.6%	-0.6%	

Depreciation and amortization	EUR million	19.6	19.4	0.9%
Investments	EUR million	22.5	13.8	63.0%

Weighted average number of ordinary shares outstanding ¹		669,882,040	669,882,040	0.0%
Earnings per share	EUR	0.005	-0.002	364.5%

Number of passengers		2,226,283	2,125,361	4.7%
Number of cargo units		85,349	78,136	9.2%
Average number of employees		7,061	6,769	4.3%

		31.12.2016	30.09.2016	
Total assets	EUR million	1,539.0	1,552.0	-0.8%
Interest-bearing liabilities	EUR million	558.9	546.7	2.2%
Net debt	EUR million	480.1	457.9	4.9%
Total equity	EUR million	813.6	811.2	0.3%

Equity ratio		52.9%	52.3%	
Net debt to EBITDA		3.2	3.1	

Number of ordinary shares outstanding ¹		669,882,040	669,882,040	0.0%
Shareholders' equity per share	EUR	1.21	1.21	0.3%

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

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

Equity ratio: total equity / total assets;

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

Gross margin: gross profit / net sales;

EBITDA margin: EBITDA / net sales;

Net profit margin: net profit / net sales;

Net debt: Interest bearing liabilities less cash and cash equivalents;

Net debt to EBITDA: Net debt / 12-months trailing EBITDA.

¹ Share numbers exclude own shares.

SALES & SEGMENT RESULTS

The following table provides an overview of the quarterly sales development by operational segments:

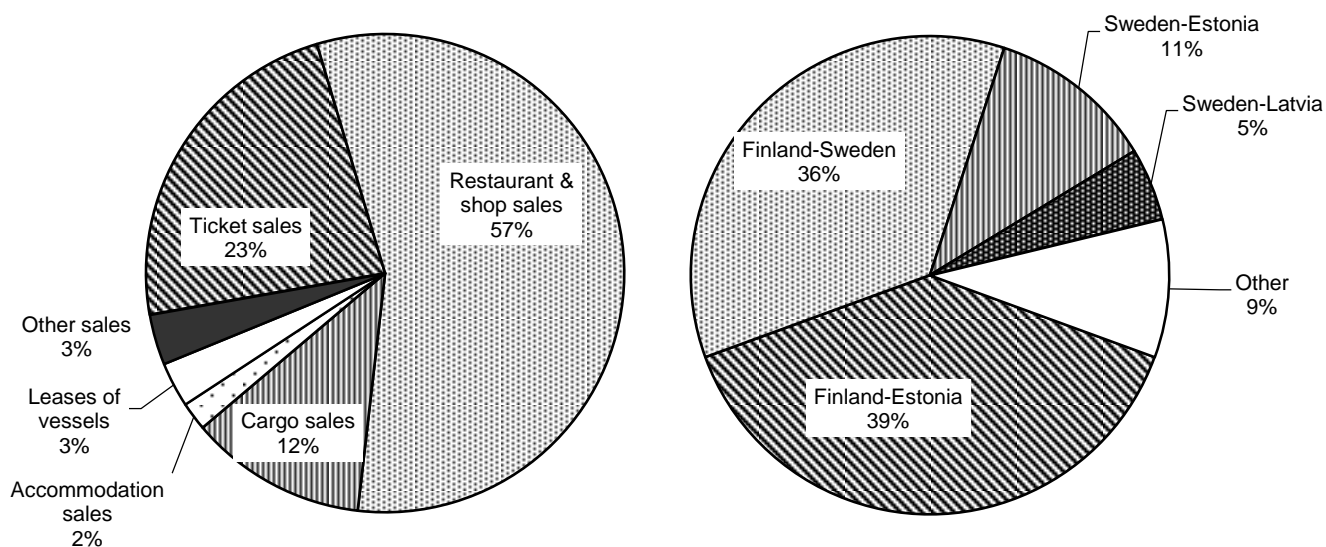
in EUR millions	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q4 change y-o-y
Ticket sales	50.4	40.1	61.0	82.6	52.4	3.9%
Restaurant & shop sales	124.9	109.4	137.7	146.8	127.6	2.2%
Cargo sales	25.9	24.7	26.7	25.4	27.1	4.8%
Accommodation sales	4.3	3.2	5.4	6.6	4.4	4.0%
Leases of vessels	12.4	8.9	4.8	4.9	6.9	-44.6%
Other sales	9.8	6.5	9.7	7.4	7.7	-21.8%
Total revenue	227.6	192.8	245.2	273.6	226.1	-0.7%

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

			Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q4 change y-o-y
Finland- Estonia	Passengers	th.	1,151	1,001	1,322	1,568	1,186	3.1%
	Cargo units	th.	49	48	54	54	53	8.3%
	Revenue	mil.EUR	85.3	69.5	92.7	103.1	87.9	3.1%
	Segment result	mil.EUR	23.1	10.5	15.9	28.1	20.9	-9.3%
Finland- Sweden	Passengers	th.	650	624	714	863	685	5.4%
	Cargo units	th.	16	18	18	15	19	14.2%
	Revenue	mil.EUR	77.4	71.6	84.9	100.4	80.5	4.0%
	Segment result	mil.EUR	-0.3	-3.1	3.0	16.0	-0.6	-104%
Sweden- Estonia	Passengers	th.	222	222	258	280	223	0.7%
	Cargo units	th.	11	10	11	10	11	5.4%
	Revenue	mil.EUR	25.6	22.3	29.2	33.0	25.5	-0.1%
	Segment result	mil.EUR	0.7	0.2	4.2	7.5	-0.3	-147%
Sweden- Latvia	Passengers	th.	103	107	128	144	132	27.9%
	Cargo units	th.	2	2	2	2	2	13.1%
	Revenue	mil.EUR	9.4	8.3	11.2	13.9	11.1	18.4%
	Segment result	mil.EUR	0.6	0.1	1.7	4.2	0.9	34.0%
Other	Revenue	mil.EUR	32.4	22.9	30.0	26.2	23.4	-27.7%
	Segment result	mil.EUR	9.3	0.5	5.1	4.4	1.1	-88.3%
	Inter segment sales	mil.EUR	-2.4	-1.8	-2.7	-3.1	-2.3	3.5%
	Total revenue	mil.EUR	227.6	192.8	245.2	273.6	226.1	-0.7%
EBITDA	mil.EUR	29.9	16.3	36.2	67.1	29.9	0.0%	
Total segment result	mil.EUR	33.4	8.2	30.0	60.2	22.0	-34.3%	
Net profit/-loss	mil.EUR	-1.3	-12.0	9.8	42.8	3.5	364.5%	

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

The following graphs provide an overview of the sales distribution in the fourth quarter on operational and geographical segment based approach.



MARKET DEVELOPMENTS

The following table provides an overview of the passengers, cargo units and passenger vehicles transported during the twelve months and fourth quarter of 2016 and 2015 financial years.

	Q4 2016	Q4 2015	Q4 change	12 months 2016	12 months 2015	12 months change
Passengers	2,226,283	2,125,361	4.7%	9,457,522	8,976,226	5.4%
Finland-Estonia	1,186,484	1,150,665	3.1%	5,077,985	4,744,708	7.0%
Finland-Sweden	685,112	650,193	5.4%	2,886,383	2,825,699	2.1%
Sweden-Estonia	223,022	221,529	0.7%	983,196	946,832	3.8%
Sweden-Latvia	131,665	102,974	27.9%	509,958	458,987	11.1%
Cargo Units	85,349	78,136	9.2%	328,190	308,029	6.5%
Finland-Estonia	53,113	49,058	8.3%	209,062	197,324	5.9%
Finland-Sweden	18,736	16,411	14.2%	69,167	64,309	7.6%
Sweden-Estonia	11,326	10,744	5.4%	42,402	39,155	8.3%
Sweden-Latvia	2,174	1,923	13.1%	7,559	7,241	4.4%
Passenger Vehicles	255,820	251,756	1.6%	1,167,495	1,119,917	4.2%
Finland-Estonia	200,684	198,346	1.2%	873,132	830,044	5.2%
Finland-Sweden	26,288	25,935	1.4%	164,184	161,772	1.5%
Sweden-Estonia	15,676	15,224	3.0%	72,893	71,793	1.5%
Sweden-Latvia	13,172	12,251	7.5%	57,286	56,308	1.7%

The Group's market shares on the routes operated during a 12 month period ending 31 December 2016 were as follows:

- The Group carried approximately 58% of the passengers and 64% of ro-ro cargo on the route between Tallinn and Helsinki;
- The Group carried approximately 54% of passengers and 27% 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.

PERSONNEL

As at 31 December 2016 the Group employed 7,234 employees (6,966, as at 31 December 2015). The following table provides a more detailed overview of the Group's personnel.

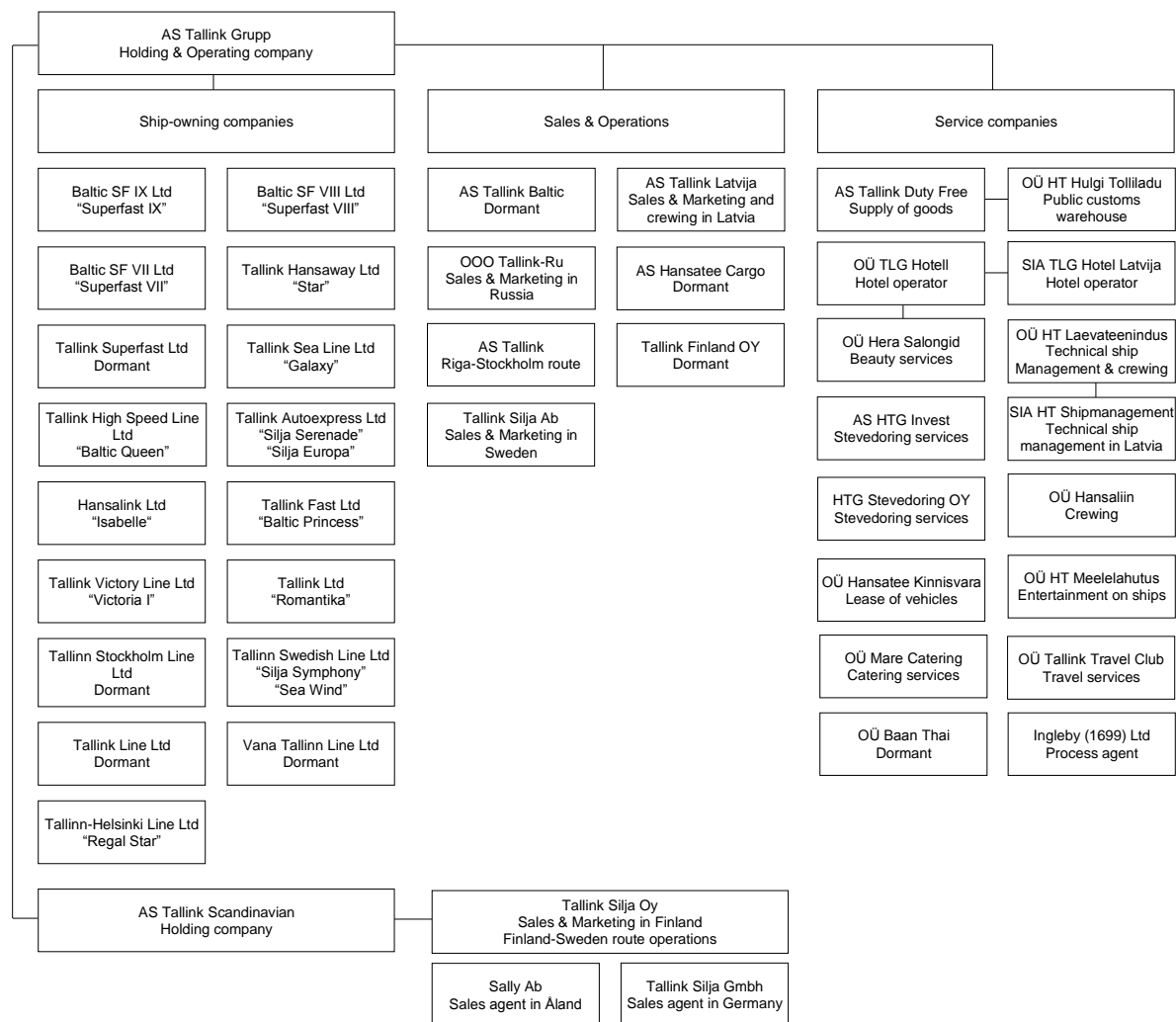
	Average of 4th quarter			Average of twelve months			End of 4th quarter		
	2016	2015	change %	2016	2015	change %	31.12.16	31.12.15	change %
Onshore total	1,626	1,562	4.1%	1,627	1,554	4.7%	1,624	1,565	3.8%
<i>Estonia</i>	885	823	7.5%	875	790	10.8%	884	835	5.9%
<i>Finland</i>	477	478	-0.2%	484	487	-0.6%	489	471	3.8%
<i>Sweden</i>	178	180	-1.1%	185	197	-6.1%	181	177	2.3%
<i>Latvia</i>	71	65	9.2%	68	65	4.6%	72	66	9.1%
<i>Germany</i>	5	6	-16.7%	6	4	20.0%	5	6	-16.7%
<i>Russia</i>	10	10	0.0%	9	10	-10.0%	11	10	10.0%
At sea	4,857	4,599	5.6%	4,916	4,657	5.6%	5,030	4,788	5.1%
Hotel*	578	608	-4.9%	620	624	-0.6%	562	613	-8.3%
Total	7,061	6,769	4.3%	7,163	6,835	4.8%	7,234	6,966	3.8%

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

CORPORATE STRUCTURE

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

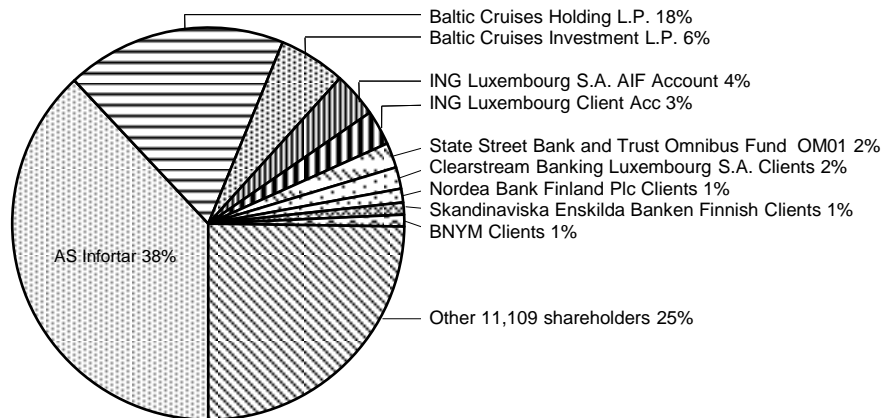
The following chart describes the structure of the Group as on the date of reporting 31 December 2016:



The Group also owns 34% of AS Tallink Takso.

SHAREHOLDERS & SHARE PRICE DEVELOPMENT

The following chart displays the shareholder structure of AS Tallink Grupp as of 31 December 2016.



Since 09 December 2005 the shares of AS Tallink Grupp are listed on the Tallinn Stock Exchange, where the shares are traded under the symbol TAL1T. The following chart gives an overview of the share price development in the past twelve months.



Source: Nasdaq OMX Baltic

EVENTS IN Q4

On 20 December 2016 AS Tallink Grupp signed a loan agreement in the amount of EUR 280 million with the group of banks: Nordea Bank Finland Plc, Norddeutsche Landesbank Girozentrale, Danske Bank A/S, KfW IPEX Bank GmbH, AS Swedbank, Skandinaviska Enskilda Banken AB ning HSH Nordbank AG. The final maturity of the euribor based floating interest rate loan is six years. The loan is guaranteed by the subsidiaries of AS Tallink Grupp and mortgages on ships. The new loan was used to repay the outstanding balance of syndicated loan taken in December 2012 and to strengthen the working capital position of the company. As a result of the transaction Group's refinancing risk decreases, repayment profile lengthens and yearly loan service burden declines.

In June 2016 the shareholders annual general meeting decided to pay a dividend of EUR 0.02 per share. The total dividend amount of EUR 13.4 million was paid out on 05 July 2016. In addition to dividend payment the annual general meeting decided the share capital reduction in total amount of EUR 40.2 million or EUR 0.06 per share. The share capital reduction was registered in the Commercial Register on 22 September 2016 and the share capital reduction payments to the shareholders were made on 23 December 2016.

The Group implemented following operational changes on the operated routes in December 2016:

- The cruise ferry Romantika was rerouted from Tallinn-Stockholm route to Riga-Stockholm route. The Group doubled the capacity on the Riga-Stockholm route by bringing second vessel to the route next to cruise ferry Isabelle.
- The cruise ferry Baltic Queen was rerouted from Tallinn-Helsinki route to Tallinn-Stockholm route and replaced the cruise ferry Romantika.
- The Group continues to operate the Tallinn-Helsinki route Shuttle service with two fast ferries and cruise service with modernised cruise ferry Silja Europa.

EVENTS AFTER THE BALANCE SHEET DATE AND THE OUTLOOK

The Supervisory Board of AS Tallink Grupp has extended the term of office of the member of the Management Board Mr. Andres Hunt for the next three years starting from 24 February 2017.

On 24 January 2017 AS Tallink Grupp's subsidiary Tallink Line Ltd. took delivery of the new LNG fast passenger ferry Megastar from Meyer Turku Oy shipyard in Turku, Finland. The 212 metres long Megastar has capacity for 2800 passengers and car deck for 800 passenger vehicles. The ship has modern dual-fuel engines capable of running on LNG (liquefied natural gas) and marine diesel oil. Using LNG as a main fuel enables to lower emissions and reduce energy consumption. Megastar will comply with the current and future emission regulations for the ECAs (Emission Control Area), including the Baltic Sea.

The cost of the Megastar is over EUR 230 million and the purchase is financed with a loan of EUR 184 million from Finnish Export Credit Ltd., the credit is guaranteed by Finnish Export Credit Agency "Finnvera" and arranged by Nordea Bank Finland Plc. The long-term loan was drawn down on 24 January 2017 at the delivery, the maturity of the loan is twelve years and bears OECD Commercial Interest Reference Rate (CIRR) based fixed interest rate.

On 29 January 2017 Megastar started operating Tallink Shuttle service on Tallinn-Helsinki route, replacing the fast ferry Superstar. On 31 January 2017 the fast ferry Superstar charter contract was concluded and vessel was redelivered to its owner.

In October 2017 AS Tallink Grupp submitted the appeal to the Helsinki Court of Appeal 08 August 2016 judgment on AS Tallink Grupp and its group companies AS Hansatee Cargo and Tallink Silja Oy fairway dues dispute against Finnish State. In January 2017 the Supreme Court has informed us that it has granted the leave to appeal for one of the appeals filed, containing the appeal of AS Tallink Grupp and its subsidiary AS Hansatee Cargo (in total there were 25 appeals filed). The Supreme Court gives a leave to appeal in case it considers that there may be grounds that the case would establish a precedent. The Helsinki Court of Appeal 08 August 2016 judgment overruled the

previous 27 February 2015 judgment of the Helsinki District Court that compelled Finnish state to refund to the shipowners the fairway dues, with interests, charged in excessive extent in the years 2001-2004, for the benefit of AS Tallink Grupp EUR 13,2 million, AS Hansatee Cargo EUR 0,4 euros and Tallink Silja Oy EUR 20,5 million.

The following operational factors influenced the Group's operations after the balance sheet date:

- The cruise ferry Baltic Princess did not operate on Finland-Sweden route for 5 days in January 2017 due to scheduled maintenance.
- The fast ferry Star did not operate on Estonia-Finland route for 15 days in January 2017 due to scheduled maintenance.
- On 29 January 2017 the new LNG fast ferry Megastar started operating Tallink Shuttle service on the Estonia-Finland route and replaced fast ferry Superstar.
- The cruise ferry Victoria I did not operate on Estonia-Sweden route for 12 days in January 2017 due to scheduled maintenance.
- The cruise ferry Romantika did not operate on Latvia-Sweden route for 10 days in January 2017 due to scheduled maintenance.
- The cruise ferry Isabelle did not operate on Latvia-Sweden route for 10 days in February 2017 due to scheduled maintenance.

The Group's earnings are not generated evenly throughout the year. Summer period is the high season in the Group's operations. In the opinion of the management and based on the experience of the previous financial years the majority of the earnings are generated during summer (June-August).

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

RISKS

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

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

MANAGEMENT BOARD'S CONFIRMATION TO THE MANAGEMENT REPORT

The Management Board confirms that to the best of their knowledge the management report of AS Tallink Grupp for the fourth quarter of the 2016 financial year presents true and fair view of the development, results and the financial position of the Group and includes the overview of the main risks and uncertainties.

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

Janek Stalmeister
Chairman of the Management Board

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

Andres Hunt
Vice Chairman of the Management Board

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

Lembit Kitter
Member of the Management Board

Tallinn, 28 February 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited, in thousands of euros)	01.10.2016- 31.12.2016	01.10.2015- 31.12.2015	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Revenue (Note 3)	226,135	227,631	937,805	945,203
Cost of sales	-185,069	-177,439	-745,223	-721,780
Gross profit	41,066	50,192	192,582	223,423
Sales and marketing expenses	-19,102	-16,777	-72,268	-63,578
Administrative expenses	-12,148	-13,001	-50,973	-47,311
Other operating income	697	-377	2,450	983
Other operating expenses	-178	-9,517	-184	-10,254
Result from operating activities	10,335	10,520	71,607	103,263
Finance income (Note 4)	1,754	3,301	10,514	12,808
Finance costs (Note 4)	-7,604	-14,317	-37,289	-46,964
Share of profit of equity-accounted investees	13	64	13	64
Profit/-loss before income tax	4,498	-432	44,845	69,171
Income tax	-986	-896	-741	-10,101
Net profit/-loss for the period	3,512	-1,328	44,104	59,070
Other comprehensive income/-expense				
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations	-205	416	-469	160
Other comprehensive income/-expense for the period	-205	416	-469	160
Total comprehensive income/-expense for the period	3,307	-912	43,635	59,230
Earnings per share (in EUR per share)				
- basic (Note 5)	0.005	-0.002	0.065	0.088
- diluted (Note 5)	0.005	-0.002	0.065	0.088

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited, in thousands of euros)

ASSETS	31.12.2016	31.12.2015
Current assets		
Cash and cash equivalents	78,773	81,976
Trade and other receivables	38,674	36,583
Prepayments	7,926	5,274
Income tax prepayment	91	1,224
Inventories	38,719	29,197
Total current assets	164,183	154,254
Non-current assets		
Investments in equity-accounted investees	363	350
Other financial assets	348	308
Deferred income tax assets	18,791	19,410
Investment property	300	300
Property, plant and equipment (Note 7)	1,304,897	1,311,418
Intangible assets (Note 8)	50,127	52,726
Total non-current assets	1,374,826	1,384,512
TOTAL ASSETS	1,539,009	1,538,766
LIABILITIES AND EQUITY		
Current liabilities		
Interest bearing loans and borrowings (Note 9)	106,112	81,889
Trade and other payables	103,280	88,480
Payables to shareholders (Note 10)	4	0
Income tax liability	10	4,567
Deferred income	30,895	28,906
Total current liabilities	240,301	203,842
Non-current liabilities		
Interest bearing loans and borrowings (Note 9)	452,793	467,447
Derivatives (Note 6)	32,359	42,863
Other payables	0	192
Total non-current liabilities	485,152	510,502
TOTAL LIABILITIES	725,453	714,344
EQUITY		
Equity attributable to equity holders of the parent		
Share capital	361,736	404,290
Share premium	639	639
Reserves	68,774	65,083
Retained earnings	382,407	354,410
Total equity attributable to equity holders of the parent	813,556	824,422
TOTAL EQUITY	813,556	824,422
TOTAL LIABILITIES AND EQUITY	1,539,009	1,538,766

CONSOLIDATED CASH FLOW STATEMENT

(unaudited, in thousands of euros)

	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Cash flows from operating activities		
Net profit/-loss for the period	44,104	59,070
Adjustments	104,247	132,851
Changes in receivables and prepayments related to operating activities	-4,969	1,463
Changes in inventories	-9,522	2,118
Changes in liabilities related to operating activities	16,785	-4,139
Income tax paid	-3,265	553
	147,380	191,916
Cash flow from/used in investing activities		
Purchase of property, plant and equipment and intangible assets (Notes 7, 8, 9)	-68,638	-43,629
Proceeds from disposals of property, plant and equipment	169	115,370
Proceeds from other financial assets	0	229
Interest received	74	74
	-68,395	72,044
Cash flows used in financing activities		
Proceeds from loans (Note 9)	280,000	0
Repayment of loans (Note 9)	-313,524	-133,263
Change in overdraft (Note 9)	36,713	-59,052
Payment of finance lease liabilities (Note 9)	-99	-80
Interest paid	-24,083	-33,210
Payments for settlement of derivatives	-4,289	-4,045
Payments of transaction costs related to loans	-2,989	-1,429
Dividend paid (Note 12)	-13,398	-13,398
Income tax on dividends paid	-330	-2,818
Reduction of share capital (Note 10)	-40,189	0
	-82,188	-247,295
TOTAL NET CASH FLOW	-3,203	16,665
Cash and cash equivalents:		
- at the beginning of period	81,976	65,311
- increase (+) / decrease (-)	-3,203	16,665
- at the end of period	78,773	81,976

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited, in thousands of euros)

	Share capital premium	Share premium	Translation reserve	Ships revaluation reserve	Mandatory legal reserve	Reserve for treasury shares	Share option programme reserve	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
As at 31 December 2014	404,290	639	298	54,562	18,822	-4,163	610	303,232	778,290	778,290
Net profit/-loss for the period (Note 5)	0	0	0	0	0	0	0	59,070	59,070	59,070
Total other comprehensive income and expense	0	0	160	0	0	0	0	0	160	160
Total comprehensive income and expense for the period	0	0	160	0	0	0	0	59,070	59,230	59,230
Transaction 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 11)	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
Net profit/-loss for the period (Note 5)	0	0	0	0	0	0	0	44,104	44,104	44,104
Total other comprehensive income and expense	0	0	-469	0	0	0	0	0	-469	-469
Total comprehensive income and expense for the period	0	0	-469	0	0	0	0	44,104	43,635	43,635
Transaction with owners of the company										
Transfer from profit for 2015	0	0	0	0	2,954	0	0	-2,954	0	0
Transfer from revaluation reserve	0	0	0	-2,047	0	0	0	2,047	0	0
Dividends (Note 12)	0	0	0	0	0	0	0	-13,398	-13,398	-13,398
Share-based payment transactions (Note 11)	0	0	0	0	0	0	-910	0	-910	-910
Cancellation of own shares (Note 10)	-2,361	0	0	0	0	4,163	0	-1,802	0	0
Reduction of share capital (Note 10)	-40,193	0	0	0	0	0	0	0	-40,193	-40,193
Transactions with owners, recognised directly in equity	-42,554	0	0	-2,047	2,954	4,163	-910	-16,107	-54,501	-54,501
As at 31 December 2016	361,736	639	-11	45,646	23,139	0	0	382,407	813,556	813,556

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1 CORPORATE INFORMATION

The interim consolidated financial statements of AS Tallink Grupp and its subsidiaries (hereinafter as “the Group”) for the 12 months of the financial year 2016 were authorised for issue in accordance with a resolution of the Management Board on 28 February 2017. AS Tallink Grupp is a limited company incorporated in Estonia and employed 7,234 people at 31 December 2016 (31 December 2015: 6,966).

Note 2 BASIS OF PREPARATION

The interim consolidated financial statements of AS Tallink Grupp have been prepared in a condensed form in accordance with IFRS as adopted by EU and in accordance with the requirements of International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

The same accounting policies and methods of computation are followed in the interim consolidated financial statements as in the annual consolidated financial statements of AS Tallink Grupp for the financial year ended on 31 December 2015.

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

Note 3 SEGMENT INFORMATION

The Group’s operations are organised and managed separately according to the nature of the different markets. The routes represent different business segments. The following tables present the Group’s revenue and profit information regarding reportable segments for the reportable and comparable period.

Geographical segments

(in thousands of euros)

01.01.2016-31.12.2016	Estonia- Finland route	Estonia- Sweden route	Latvia- Sweden route	Finland- Sweden route	Other	Elimination of intersegment sales	Total
Revenue							
Sales to external customers	353,290	110,062	44,576	337,352	92,525	0	937,805
Inter-segment sales	0	0	0	0	9,944	-9,944	0
	353,290	110,062	44,576	337,352	102,469	-9,944	937,805
Segment result							
	75,444	11,563	6,909	15,317	11,081	0	120,314
Unallocated expenses							-48,707
Net financial items (Note 4)							-26,775
Share of profit of equity- accounted investees							13
Profit/loss before income tax							44,845
01.01.2015-31.12.2015							
	Estonia- Finland route	Estonia- Sweden route	Latvia- Sweden route	Finland- Sweden route	Other	Elimination of intersegment sales	Total
Revenue							
Sales to external customers	338,183	104,360	41,964	333,263	127,433	0	945,203
Inter-segment sales	0	0	0	0	10,180	-10,180	0
	338,183	104,360	41,964	333,263	137,613	-10,180	945,203
Segment result							
	90,255	6,371	5,319	17,207	40,693	0	159,845
Unallocated expenses							-56,582
Net financial items (Note 4)							-34,156
Share of profit of equity- accounted investees							64
Profit/loss before income tax							69,171

Revenue by service

(in thousands of euros)	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Ticket sales	236,028	227,968
Sales of cargo transport	103,900	104,433
Sales of accommodation	19,592	18,783
Restaurant and shops sales on-board and on mainland	521,456	500,601
Income from charter of vessels	25,507	53,473
Other	31,322	39,945
Total revenue of the Group	937,805	945,203

Note 4 FINANCE INCOME AND FINANCE COSTS

(in thousands of euros)	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Net foreign exchange gains	0	6,683
Income from interest rate swaps	3,336	5,929
Income from foreign exchange derivatives	7,168	0
Income from other financial assets	0	186
Interest income arising from financial assets not measured at fair value through profit or loss	10	10
Total finance income	10,514	12,808
Net foreign exchange losses	-5,010	0
Interest expense arising from financial liabilities measured at amortised cost	-27,990	-36,109
Expenses from interest rate swaps	-4,289	-4,045
Expenses from foreign exchange derivatives	0	-6,810
Total finance costs	-37,289	-46,964

Note 5 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. There were no outstanding share options on 31 December 2016.

	01.10.2016- 31.12.2016	01.10.2015- 31.12.2015	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Weighted average number of ordinary shares, basic (pcs)	669,882,040	669,882,040	669,882,040	669,882,040
Weighted average number of ordinary shares, diluted (pcs)	669,882,040	669,882,040	669,882,040	669,882,040
Net profit/-loss attributable to ordinary shareholders	3,512	-1,328	44,104	59,070
Earnings per share, basic (in EUR per share)	0.005	-0.002	0.066	0.088
Earnings per share, diluted (in EUR per share)	0.005	-0.002	0.066	0.088

Weighted average number of ordinary shares

(pcs)	01.10.2016- 31.12.2016	01.10.2015- 31.12.2015	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Issued ordinary shares at the beginning of period	669,882,040	673,817,040	669,882,040	673,817,040
Effect of own shares held	0	-3,935,000	0	-3,935,000
Weighted average number of ordinary shares at the end of period	669,882,040	669,882,040	669,882,040	669,882,040

Note 6 DERIVATIVE INSTRUMENTS

The Group uses interest rate swaps to manage its exposure to movements in interest rates. Where the effectiveness of the hedge relationship in a cash flow hedge is demonstrated, changes in the fair value are included in the hedging reserve in shareholders' equity and released to match actual payments on the hedged

item. Changes in fair value of derivatives which do not qualify for hedge accounting under IAS 39 are recognized directly in the income statement.

As of 31 December 2016 AS Tallink Grupp had two interest rate derivative contracts with total notional amount of EUR 170,000 thousand with the maturities in years 2018, 2019 and two cross-currency rate derivative contracts with total notional amount of EUR 120,000 thousand with the maturities in year 2018. The fair value of the interest rate derivatives recognised in the current interim financial statements as of 31 December 2016 is EUR -9,299 thousand. The fair value of the cross-currency rate derivatives recognized in the current interim financial statements as of 31 December 2016 is EUR -23,060 thousand.

Note 7 PROPERTY, PLANT AND EQUIPMENT
(in thousands of euros)

	Land and building	Ships	Plant and equipment	Prepayments	Total
Book value as at 31 December 2015	2,942	1,270,102	10,160	28,214	1,311,418
Additions	527	25,960	18,638	20,658	65,783
Disposals	0	0	-42	0	-42
Depreciation for the period	-944	-65,625	-5,693	0	-72,262
Book value as at 31 December 2016	2,525	1,230,437	23,063	48,872	1,304,897

As at 31 December 2016

-gross carrying amount	13,661	1,577,886	50,705	48,872	1,691,124
-accumulated depreciation	-11,136	-347,449	-27,642	0	-386,227

	Land and building	Ships	Plant and equipment	Prepayments	Total
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 period	-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 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

Note 8 INTANGIBLE ASSETS
(in thousands of euros)

	Goodwill	Trademark	Others	Total
Book value as at 31 December 2015	11,066	30,586	11,074	52,726
Additions	0	0	3,075	3,075
Disposals	0	0	-78	-78
Amortisation for the period	0	-2,916	-2,680	-5,596
Book value as at 31 December 2016	11,066	27,670	11,391	50,127

As at 31 December 2016

-cost	11,066	58,288	32,540	101,894
-accumulated amortisation	0	-30,618	-21,149	-51,767

	Goodwill	Trademark	Others	Total
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 period	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 2015

-cost	11,066	58,288	29,707	99,061
-accumulated amortisation	0	-27,702	-18,633	-46,335

Note 9 INTEREST BEARING LOANS AND BORROWINGS

(in thousands of euros)

	31 December 2015	New loans	Repayments	Exchange rate differences	Other changes [1]	31 December 2016
Liabilities under finance lease	298	220	-99	-12	-34	373
Unsecured bonds	93,097	0	0	5,298	232	98,627
Overdraft	3,397	36,713	0	0	0	40,110
Long-term bank loans	452,544	280,000	-313,524	0	775	419,795
TOTAL	549,336	316,933	-313,623	5,286	973	558,905
incl. current portion	81,889					106,112
Non-current portion	467,447					452,793

[1] Other changes are related to capitalisation and amortisation of transaction costs of bonds and bank loans. Other changes of liabilities under finance lease are related to termination of lease agreements.

Bonds are nominated in NOK.

Bank overdrafts are secured with commercial pledge (in the total amount of EUR 20,204 thousand) and ship mortgages.

AS Tallink Grupp has given guarantees to HSH Nordbank AG, Nordea Bank Plc, Danske Bank A/S and Swedbank AS for the loans granted to overseas subsidiaries amounting to EUR 130,849 thousand and overseas subsidiaries have given guarantees to Nordea Bank Finland Plc and Swedbank AS for the loans granted to AS Tallink Grupp amounting to EUR 288,946 thousand. The primary securities for these loans are the pledge of shares of the overseas subsidiaries and mortgages on the ships belonging to the above-mentioned subsidiaries.

Note 10 SHARE CAPITAL

According to the Articles of Association of the Parent effective as of 31 December 2016 the maximum number of shares without nominal value is 2,400,000,000.

At 31 December 2015 the Group held 3,935 thousand of the AS Tallink Grupp shares. Total cost of share buyback transactions of 3,935 thousand shares was EUR 4,163 thousand. Annual General Meeting of 14 June 2016 decided to cancel the aforementioned shares. The cancellation of own shares held was registered in Commercial Register on 01 July 2016.

Annual General Meeting of 14 June 2016 decided to reduce the share capital. Share capital reduction was registered in Commercial Register on 22 September 2016. The share capital was reduced by the reduction of the book value of the shares, as a result of which the book value of one share was reduced from EUR 0.60 to EUR 0.54. The share capital has decreased from EUR 401,929,224 by EUR 40,192,922.40. The new share capital is EUR 361,736,301.60. The reduction payments were made on 23 December 2016.

Note 11 SHARE OPTION PROGRAMME

In December 2012 the Group issued 7,610 thousand share options of which 3,850 thousand to the Management Board and Supervisory Board members and 3,760 thousand to other Group employees. Each option gives right to purchase one share of AS Tallink Grupp. The share options were issued in accordance of the Share Option Programme which resolution was adopted at the Shareholders General Meeting on 08 February 2011. The terms and conditions of exercise of the issued share options are following: non-transferable; exercisable not earlier than 36 months from issue or 21 December 2015 and not later than 21 June 2016; exercise price EUR 0.858 in case of new shares issued or average acquisition cost in case existing shares will be purchased from the market; options are to be settled by physical delivery of shares.

The fair value of the services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes model as of grant date. The Group used independent external advisor for the valuation share options who in addition to the share options terms and conditions used the following inputs for measurement: spot price of share EUR 0.848 at grant date; expected volatility 30%

based on historic analysis; option average time to maturity 42 months; the 3.5% annual dividend yield and; risk-free interest rate 0.336%.

The value of the options issued at the end of 2012 in the amount EUR 951 thousand was recorded as an expense during the vesting period 36 months from the beginning of 2013.

On 02 June 2016 the Supervisory Board of AS Tallink Grupp has decided not to fulfill the option agreements. The Supervisory Board has authorized the Management Board to pay to the option holder's compensation of EUR 0.15 per share option.

Note 12 DIVIDENDS

According to the resolution of the Annual General Meeting there were announced dividends to the shareholders EUR 0.02 per share, in the total amount of EUR 13,397,640.80. Dividends were paid out on 05 July 2016.

Note 13 RELATED PARTY DISCLOSURES

(in thousands of euros)

12 months of 2016 or 31.12.2016	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
AS Infortar	67	46	2	5
AS HT Valuuta	108	0	1	0
AS Vara HTG	0	2,786	0	869
OÜ Mersok	0	10	0	1
AS Vaba Maa	11	733	1	4
OÜ Sunbeam	0	3,733	0	105
AS Gastrolink	11	1,302	1	58
AS Tallink Takso	5	150	5	14
OÜ Topspa Kinnisvara	0	2,515	0	0
OÜ Hansa Hotell	0	1,192	0	237
OÜ Fastinvest	0	1,222	0	0
SIA Happy Trails	95	3,292	0	335
Eesti Laevaomanike Liit	2	14	0	0
MTÜ SEB Tallink Tennis Team	0	50	0	0
MTÜ Eesti Tennise Liit	61	235	12	0
OÜ Infor Invest	0	945	0	0
OÜ Sea Images	0	46	0	14
OÜ Lasnamäe Tennisekeskus	78	0	0	0
OÜ Lasnamäe Spordikeskus	0	60	0	72
AS Printon	0	170	0	36
AS Eesti Gaas	14	0	0	0
12 months of 2015 or 31.12.2015	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
AS Infortar	50	47	2	5
AS HT Valuuta	107	0	1	0
AS Vara HTG	0	2,751	0	834
OÜ Mersok	0	8	0	0
AS Vaba Maa	8	920	0	86
OÜ Sunbeam	0	3,745	0	206
AS Gastrolink	9	1,077	1	66
AS Tallink Takso	1	107	0	12
OÜ Topspa Kinnisvara	0	2,683	0	0
OÜ Hansa Hotell	0	1,051	0	175
OÜ Fastinvest	0	1,227	0	0
SIA Happy Trails	1	3,290	0	636
Eesti Laevaomanike Liit	1	14	0	0
MTÜ SEB Tallink Tennis Team	0	50	0	0
MTÜ Eesti Tennise Liit	21	159	0	0
OÜ Infor Invest	0	42	0	3

Note 14 SUBSEQUENT EVENTS

New ship Megastar was delivered on 24.01.2017. On 24.01.2017 the new 12 year loan of EUR 184,000 thousand was paid out by Nordea Bank Finland Plc.

MANAGEMENT BOARD'S APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Hereby we declare our responsibility for the Interim Consolidated Financial Statements and confirm that the AS Tallink Grupp's Unaudited Interim Consolidated Financial Statements for the fourth quarter of the financial year 2016 ended 31 December 2016 prepared in accordance with IFRS as adopted by EU and in accordance with IAS 34 give a true and fair view of the financial position of the Group and of the result of its operations and cash flows.

AS Tallink Grupp and its subsidiaries are able to continue as a going concern for a period of at least one year of the date of approving these financial statements.

A handwritten signature in blue ink, appearing to be 'J. Stalmeister'.

Janek Stalmeister
Chairman of the Management Board

A handwritten signature in blue ink, appearing to be 'A. Hunt'.

Andres Hunt
Vice Chairman of the Management Board

A handwritten signature in blue ink, appearing to be 'L. Kitter'.

Lembit Kitter
Member of the Management Board

Tallinn, 28 February 2017