

**TALLINK GRUPP AS**  
**Q1 UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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<b>Beginning of the financial year</b>	1 January 2017
<b>End of the financial year</b>	31 December 2017
<b>Interim reporting period Q1</b>	1 January 2017 – 31 March 2017
<b>Commercial Register no.</b>	10238429
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<b>Main activity</b>	maritime transportation (passenger & cargo transport)

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## MANAGEMENT REPORT

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In the first quarter (1 January - 31 March) of the 2017 financial year AS Tallink Grupp and its subsidiaries (the Group) carried 1.9 million passengers which is 0.7% less compared to the first quarter last year. The Group's unaudited revenue for the first quarter decreased by 0.7% to the total of EUR 191.5 million. Unaudited EBITDA for the first quarter was EUR 5.5 million (EUR 16.3 million, Q1 2016) and unaudited net loss was EUR 20.3 million (EUR 12.0 million, Q1 2016 net loss).

In the first quarter, which is also the low season, the Group's revenue and operating result was impacted by following operational factors:

- The new LNG fast ferry Megastar started to operate the Tallink Shuttle service on Tallinn-Helsinki route.
- Scheduled maintenance of five cruise ferries in the first quarter of 2017, the service breaks totalled to 52 days.
- In financial year 2017 the Easter holidays seasonal traffic fell into the beginning of the second quarter, compared to the first quarter last year.
- Charter and charter related revenue reduced compared to the same period last year due to fewer ships in charter.
- After the rerouting of ships in December 2016, the carriage capacity increased on number of operated routes.

### Delivery of Megastar

On 24 January 2017 Tallink Grupp AS'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 2 800 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 complies with the current and known future emission regulations for the ECAs (Emission Control Area), including the Baltic Sea.

On board of the Megastar, there are four different travel classes – standard Star Class, upgraded Comfort Class, exclusive Business Lounge and a new area, Sitting Lounge. There is 2 800 sq.m Traveller Superstore shopping area through two decks with new self-service solutions, seven restaurants, cafes and bars. A special area with a playroom is available for the kids and on garage level a kennel for the pets.

The cost of the ship was over EUR 230 million and the purchase was financed with a loan of EUR 184 million from Finnish Export Credit Ltd. and arranged by Nordea Bank Finland Plc. The maturity of the loan is twelve years and bears OECD Commercial Interest Reference Rate (CIRR) based fixed interest rate.

Megastar started operation on Tallink Shuttle service on 29 January 2017, travelling between Helsinki and Tallinn, she is the most advanced ferry in the Baltic Sea.

### Sales and segments

The Estonia-Finland routes first quarter revenue increased by 5.0% compared to same period last year, the increase is driven mainly by growth in the passenger number and cargo volume that was supported by added capacity. In the end of January the new LNG fast ferry Megastar started operating the Tallink Shuttle service on the Tallinn-Helsinki route next to fast ferry Star and replaced fast ferry Superstar, which was returned to its owners. The new ship accommodates approximately 40% more passengers and the car deck capacity is almost doubled compared to the replaced ship. The Group carried out successful marketing campaigns to introduce the new ship and its updated

services to its customers in Estonian and Finnish markets. The start of operations was executed according to set plans with smooth service throughout its first two months of operations in the first quarter. The feedback on the new ship has been very positive from all customer groups and partners, thus assuring the successful launch of the new ship. The Estonia-Finland segment result for the first quarter was lower compared to the same period last year due to onetime launching costs related to the delivery of the new ship to the route.

The Finland-Sweden routes first quarter revenue decreased by 3.5% compared to same period last year, due to decline in the passenger number. The number of cargo units transported increased by 8.0%.

The Estonia-Sweden route first quarter revenue increased by 3.4% compared to same period last year, the growth was mainly supported by the higher shop and restaurant sale per passenger. The number of cargo units transported increased by 5.2%.

The Latvia-Sweden route first quarter revenue increased by 26.7% compared to same period last year, starting from December 2016 two ships are operating on the route compared to one ship in the first quarter last year. The number of cargo units transported increased by 20.8%.

The charter and charter related revenue decreased by EUR 5.4 million as fewer ships were chartered out compared to the first quarter in previous year. Three Superfast ferries remain chartered out.

#### Earnings

In the first quarter of the 2017 financial year the Group's gross profit decreased by EUR 11.6 million compared to the same period last year and amounted to EUR 14.9 million. The first quarter EBITDA decreased by EUR 11.0 million and was EUR 5.3 million. The first quarter profitability was impacted by lower passenger number from holiday season effects, less revenue from chartering, higher fuel cost and higher ships operating costs from more ships in operations.

The total finance costs decreased by EUR 3.9 million compared to the first quarter last year, there are EUR 3.5 million lower losses from exchange rate differences and cross currency and interest derivatives revaluations and EUR 0.4 million lower interest cost compared to same period last year.

The unaudited net loss for the first quarter of the 2017 financial year was EUR 20.3 million or EUR 0.03 per share compared to the loss of EUR 12.0 million or EUR 0.018 per share in the same period last year.

#### Financial position

In the first quarter the Group's net debt increased by EUR 210.8 million to a total of EUR 690,9 million, of which EUR 184.0 million from drawdown of the new LNG fast ferry loan. The net debt to EBITDA ratio was 4.99 at the end of the first quarter.

The total liquidity, cash and unused credit facilities, at the end of the first quarter was EUR 74.7 million (EUR 136.3 million, 31 March 2016) providing a sound financial position for sustainable operations. The Group had EUR 72.2 million (EUR 91.7 million, 31 March 2016) in cash and equivalents and the total of unused credit lines were at EUR 2.5 million (EUR 44.6 million, 31 March 2016).

**KEY FIGURES OF THE Q1 2017**

<b>For the period</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>Change %</b>
Revenue (million euros)	191.5	192.8	-0.7%
Gross profit (million euros)	14.9	26.5	-43.8%
Net profit for the period (million euros)	-20.3	-12.0	-69.0%
EBITDA (million euros)	5.3	16.3	-67.7%
Depreciation and amortisation (million euros)	20.8	19.6	6.1%
Investments (million euros)	204.2	12.6	1520.6%
Weighted average number of ordinary shares outstanding <sup>1</sup>	669 882 040	669 882 040	0.0%
Earnings per share	-0.030	-0.018	-69.0%
Number of passengers	1 939 784	1 953 070	-0.7%
Number of cargo units	83 797	77 279	8.4%
Average number of employees	7 209	6 886	4.7%
<b>As at</b>	<b>31.03.2017</b>	<b>31.12.2016</b>	<b>Change %</b>
Total assets (million euros)	1 730.2	1 539.0	12.4%
Total liabilities (million euros)	937.1	725.5	29.2%
Interest-bearing liabilities (million euros)	763.2	558.9	36.6%
Net debt (million euros)	690.9	480.1	43.9%
Net debt to EBITDA	4.99	3.21	55.5%
Total equity (million euros)	793.1	813.6	-2.5%
Equity ratio (%)	45.8%	52.9%	
Number of ordinary shares outstanding <sup>1</sup>	669 882 040	669 882 040	0.0%
Shareholders' equity per share	1.18	1.21	-2.5%
<b>Ratios</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	
Gross margin (%)	7.8%	13.7%	
EBITDA margin (%)	2.7%	8.4%	
Net profit margin (%)	-10.6%	-6.2%	

EBITDA: Earnings before net financial items, share of profit of equity accounted investees, taxes, depreciation and amortisation

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

Equity ratio: total equity / total assets

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

Gross margin: gross profit / net sales

EBITDA margin: EBITDA / net sales

Net profit margin: net profit / net sales

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

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

<sup>1</sup> Share numbers exclude own shares.

## SALES & SEGMENT RESULTS

The following tables provide an overview of the quarterly sales and result development by geographical segments.

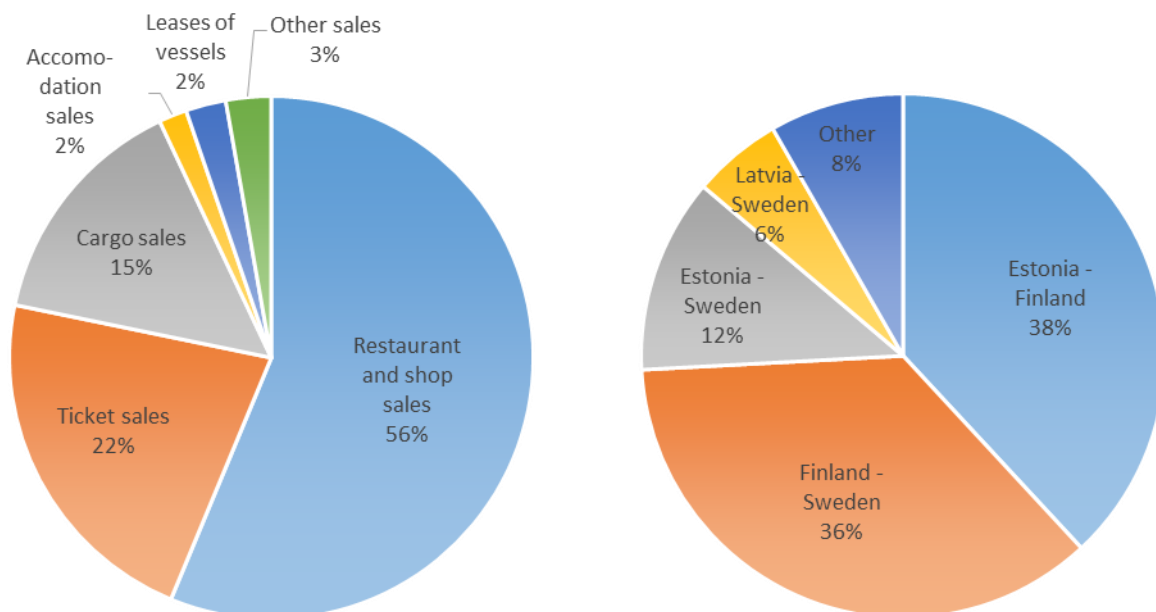
		Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q1 change
<b>Estonia - Finland</b>	Passengers (thousands)	1 001	1 322	1 568	1 186	<b>1 012</b>	1.1%
	Cargo units (thousands)	48	54	54	53	<b>52</b>	8.8%
	Revenue (million euros)	69.5	92.7	103.1	87.9	<b>73.0</b>	5.0%
	Segment result <sup>1</sup> (million euros)	10.5	15.9	28.1	20.9	<b>8.1</b>	-23.4%
<b>Finland - Sweden</b>	Passengers (thousands)	624	714	863	685	<b>580</b>	-7.1%
	Cargo units (thousands)	18	18	15	19	<b>19</b>	8.0%
	Revenue (million euros)	71.6	84.9	100.4	80.5	<b>69.1</b>	-3.5%
	Segment result <sup>1</sup> (million euros)	-3.1	3.0	16.0	-0.6	<b>-6.0</b>	-94.2%
<b>Estonia - Sweden</b>	Passengers (thousands)	222	258	280	223	<b>215</b>	-3.0%
	Cargo units (thousands)	10	11	10	11	<b>11</b>	5.2%
	Revenue (million euros)	22.3	29.2	33.0	25.5	<b>23.0</b>	3.4%
	Segment result <sup>1</sup> (million euros)	0.2	4.2	7.5	-0.3	<b>-1.6</b>	-943.9%
<b>Latvia - Sweden</b>	Passengers (thousands)	107	128	144	132	<b>133</b>	24.7%
	Cargo units (thousands)	2	2	2	2	<b>2</b>	20.8%
	Revenue (million euros)	8.3	11.2	13.9	11.1	<b>10.6</b>	26.7%
	Segment result <sup>1</sup> (million euros)	0.1	1.7	4.2	0.9	<b>-4.7</b>	-5332.3%
<b>Other</b>	Revenue (million euros)	22.9	30.0	26.2	23.4	<b>17.8</b>	-22.3%
	Segment result <sup>1</sup> (million euros)	0.5	5.1	4.4	1.1	<b>1.3</b>	181.1%
	Intersegment revenue (million euros)	-1.8	-2.7	-3.1	-2.3	<b>-1.9</b>	-4.5%
	<b>Total revenue (million euros)</b>	<b>192.8</b>	<b>245.2</b>	<b>273.6</b>	<b>226.1</b>	<b>191.5</b>	<b>-0.7%</b>
<b>EBITDA (million euros)</b>	<b>16.3</b>	<b>36.2</b>	<b>67.1</b>	<b>29.9</b>	<b>5.3</b>	<b>-67.7%</b>	
<b>Total segment result<sup>1</sup> (million euros)</b>	<b>8.2</b>	<b>30.0</b>	<b>60.2</b>	<b>22.0</b>	<b>-2.9</b>	<b>-135.5%</b>	
<b>Net profit/-loss</b>	<b>-12.0</b>	<b>9.8</b>	<b>42.8</b>	<b>3.5</b>	<b>-20.3</b>	<b>-69.0%</b>	

<sup>1</sup>Segment result is result before administrative expenses, financial expenses and taxes.

The following tables provide an overview of the quarterly sales development by operational segments:

Revenue (million euros)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q1 change
Restaurant and shop sales on-board and on mainland	109.4	137.7	146.8	127.6	<b>107.8</b>	-1.4%
Ticket sales	40.1	61.0	82.6	52.4	<b>42.1</b>	4.9%
Sales of cargo transportation	24.7	26.7	25.4	27.1	<b>28.2</b>	14.3%
Accommodation sales	3.2	5.3	6.6	4.4	<b>3.3</b>	4.8%
Income from charter of vessels	8.9	4.8	4.9	6.9	<b>4.8</b>	-46.5%
Other sales	6.5	9.7	7.4	7.7	<b>5.4</b>	-18.1%
<b>Total revenue</b>	<b>192.8</b>	<b>245.2</b>	<b>273.6</b>	<b>226.1</b>	<b>191.5</b>	<b>-0.7%</b>

The following graphs provide an overview of the sales distribution in the first 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 first quarter of 2017 and 2016 financial years.

<b>Passengers</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>Change</b>
Estonia - Finland	1 011 706	1 000 609	1.1%
Finland - Sweden	580 234	624 302	-7.1%
Estonia - Sweden	214 948	221 593	-3.0%
Latvia - Sweden	132 896	106 566	24.7%
<b>Total</b>	<b>1 939 784</b>	<b>1 953 070</b>	<b>-0.7%</b>

<b>Cargo units</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>Change</b>
Estonia - Finland	51 688	47 517	8.8%
Finland - Sweden	19 128	17 717	8.0%
Estonia - Sweden	10 577	10 055	5.2%
Latvia - Sweden	2 404	1 990	20.8%
<b>Total</b>	<b>83 797</b>	<b>77 279</b>	<b>8.4%</b>

<b>Passenger vehicles</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>Change</b>
Estonia - Finland	168 906	171 605	-1.6%
Finland - Sweden	21 763	22 826	-4.7%
Estonia - Sweden	13 915	15 383	-9.5%
Latvia - Sweden	12 861	11 508	11.8%
<b>Total</b>	<b>217 445</b>	<b>221 322</b>	<b>-1.8%</b>

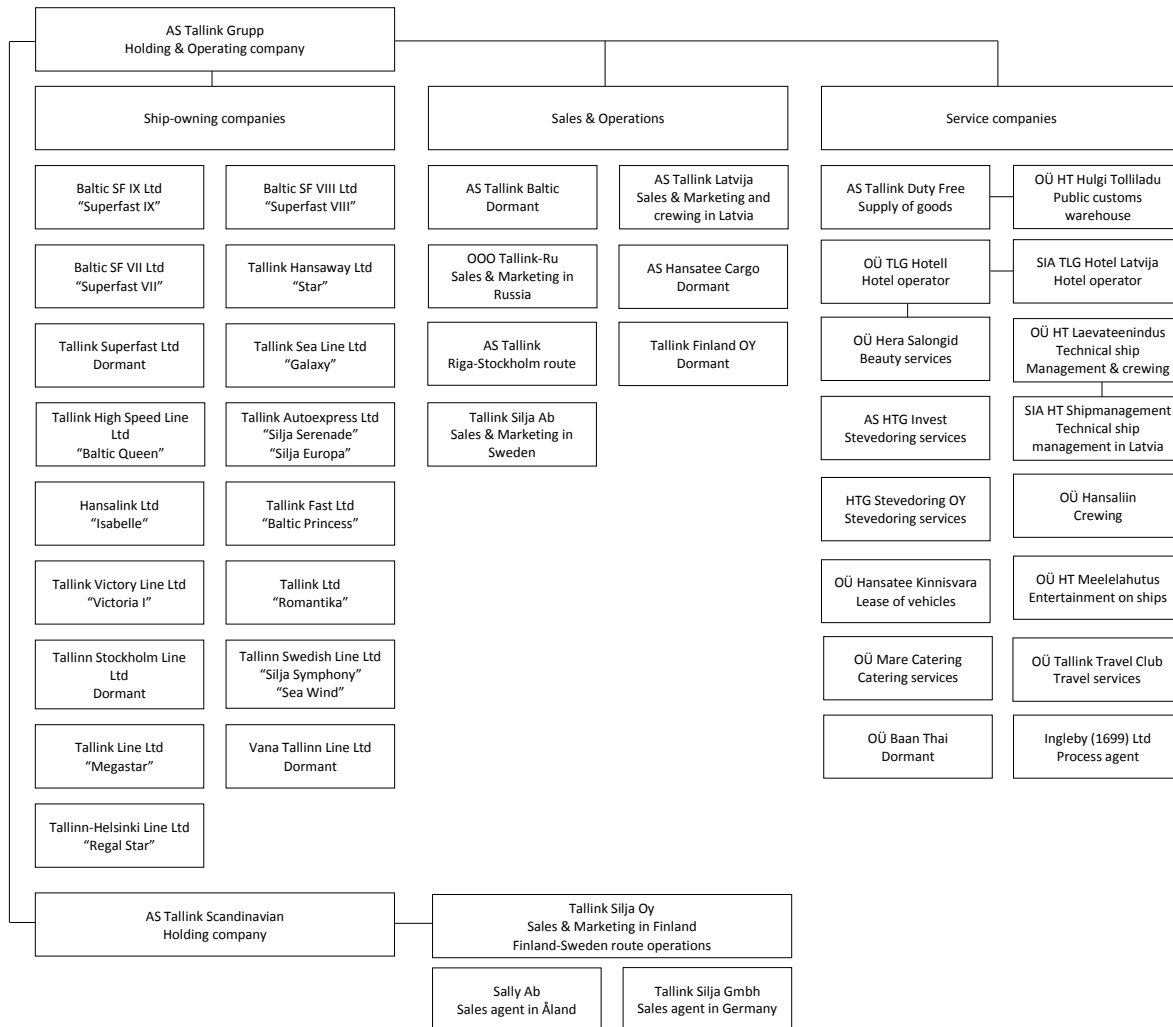
The Group's market shares on the routes operated during a 12 month period ending 31 March 2017 were as follows:

- 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 28% 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.



## GROUP STRUCTURE

At the reporting date, the Group consisted of 45 companies. All of the subsidiaries are wholly-owned companies of Tallink Grupp AS. The following diagram represents the Group's structure at the reporting date:



The Group also owns 34% of Tallink Takso AS.

## PERSONNEL

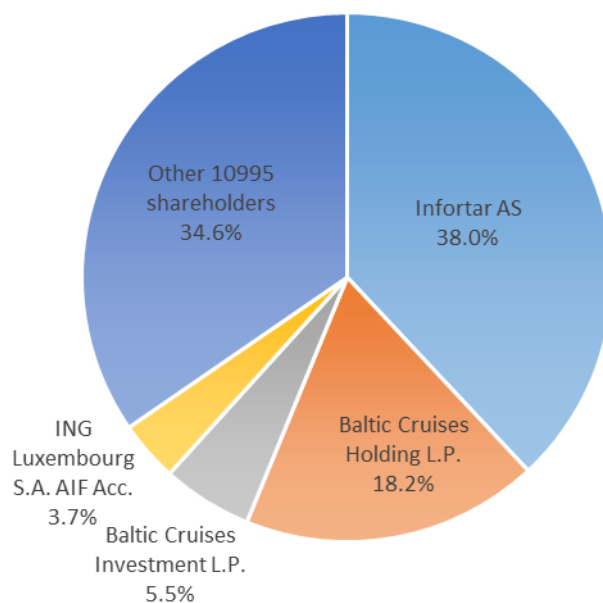
On 31 March 2017, the Group employed 7 291 employees (6 941 on 31 March 2016). The following table provides a more detailed overview of the Group's personnel.

	Average of Q1			End of Q1		
	2017	2016	Change	2017	2016	Change
<b>Onshore total</b>	1 631	1 574	3.6%	1 625	1 583	2.7%
Estonia	894	845	5.8%	892	857	4.1%
Finland	478	469	1.9%	477	468	1.9%
Sweden	174	179	-2.8%	169	179	-5.6%
Latvia	68	65	4.6%	70	65	7.7%
Russia	12	10	20.0%	12	8	50.0%
Germany	5	6	-16.7%	5	6	-16.7%
<b>At sea</b>	<b>5 025</b>	<b>4 700</b>	<b>6.9%</b>	<b>5 114</b>	<b>4 736</b>	<b>8.0%</b>
<b>Hotel*</b>	<b>553</b>	<b>612</b>	<b>-9.6%</b>	<b>552</b>	<b>622</b>	<b>-11.3%</b>
<b>Total</b>	<b>7 209</b>	<b>6 886</b>	<b>4.7%</b>	<b>7 291</b>	<b>6 941</b>	<b>5.0%</b>

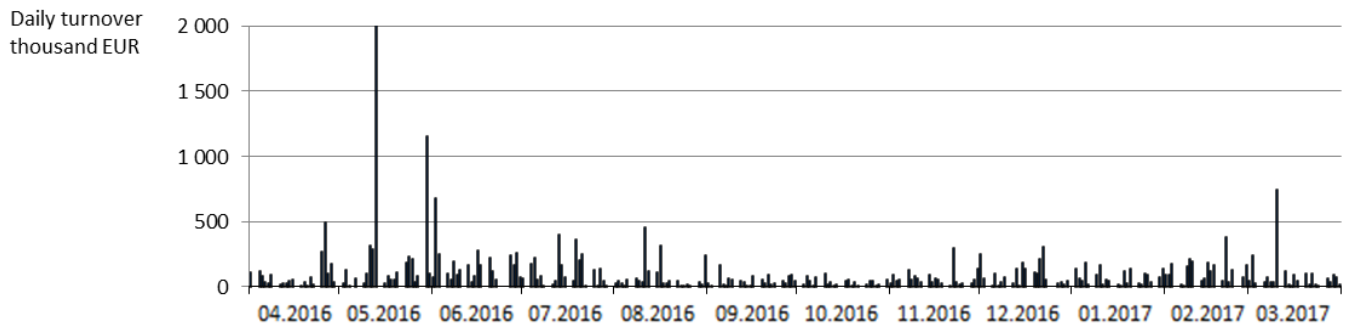
\* The number of hotel personnel is not included in the total number of onshore personnel.

## SHAREHOLDERS & SHARE PRICE DEVELOPMENT

The following chart displays the shareholder structure of AS Tallink Grupp as of 31 March 2017.



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.



## EVENTS IN Q1

### Extension of the term of office

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.

### Delivery of Megastar

On 24 January 2017 Tallink Grupp AS'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-metre long Megastar has capacity for 2 800 passengers and a 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 known 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.

### The following operational factors influenced the Group's operations in the first quarter of 2017:

- 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.

### Upgrades of ships

During the scheduled maintenance dockings in the first quarter, a number of upgrades to the public areas of ships were made. On the cruise ferry Romantika there is now opened a brand new eating- and recreation area on refurbished 6th deck. It includes Fast Lane restaurant, cafe and children's playroom with Lotte's village. On the cruise ferry Baltic Princess the new Italian restaurant Tavolata was opened and the Happy Lobster Restaurant got refreshing face lift at the same time.

### Tallink Silja AB awarded as the Best Shipping Company 2017

AS Tallink Grupp subsidiary Tallink Silja AB was announced as the winner of the award the Best Shipping Company of the Year on the annual Swedish travel industry gala Grand Travel Awards. The winner was nominated by the jury members from the Travel News magazine editorial staff as well as head managers in the travel business. The jury said: "Theme Cruises such as Lets party, Rock the boat and Galaxy Beats alternated Senior and Christmas cruises. Tallink Silja has found its place in the competitive cruise industry."

### Port of Helsinki's West Terminal 2 opening

On the 27 February the Port of Helsinki's new West Terminal 2 was inaugurated and passengers of both Tallink Shuttle vessels Star and Megastar started using the new terminal T2 building in West Harbour and the new gangway to the vessels, shortening the distance between the ship and terminal significantly. Also the two-level loading of Shuttle vessels car deck is now introduced both in Helsinki and Tallinn ports, enabling more efficient loading and adding comfort to passengers travelling with vehicle. The company's other Tallinn-Helsinki route vessel, cruise ferry Silja Europa remains using the arrival and departure terminal of T1.

### Moving to new port facility in Värtahamnen, Stockholm

Starting from 24 January, all Tallink and Silja Line branded vessels visiting Stockholm are using the new and modern Värtahamnen port facility. The ships of Riga-Stockholm route also moved there from Frihamnen. The new terminal building is ready and the passengers can use all gangways, check-in and waiting area with a restaurant there. The company office of Tallink Silja AB was also moved to the new Värtahamnen terminal building.

## **EVENTS AFTER THE BALANCE SHEET DATE AND THE OUTLOOK**

In the first quarter of 2017 the total number of passengers who travelled with the ships operated by the Group declined by 0.7% mostly because a large part of Easter holidays seasonal traffic fell into the beginning of the second quarter, contrary to the first quarter last year. According to the carriage statistics of the first four months of the 2017 financial year, which includes also the holiday season traffic the total number of passengers increased by 3.4% compared to the same period last year.

The Group's management estimates the full 2017 financial year result to be higher compared to previous financial year in relation to the start of operations of the new LNG fast ferry Megastar and also from the rerouting of ships carried out in December 2016. Starting from February 2017 there is no charter hire cost from fast ferry Superstar.

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.

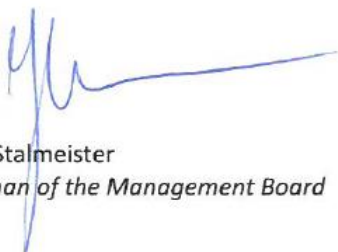
## **RISKS**

The Group's business, financial 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

## MANAGEMENT BOARD'S CONFIRMATION

The Management Board confirms that to the best of their knowledge the management report of Tallink Grupp AS for the first quarter of the 2017 financial year presents a true and fair view of significant events and their impact on the Group's development, results and financial position and includes an overview of the main risks and uncertainties.



Janek Stalmeister  
*Chairman of the Management Board*



Andres Hunt  
*Vice Chairman of the Management Board*



Lembit Kitter  
*Member of the Management Board*

Tallinn, 11 May 2017

## UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Unaudited, in thousands of EUR	Q1 2017	Q1 2016
Revenue (Note 3)	191 548	192 821
Cost of sales	-176 678	-166 343
<b>Gross profit</b>	<b>14 870</b>	<b>26 478</b>
Sales and marketing expenses	-17 780	-18 292
Administrative expenses	-12 610	-12 018
Other operating income	123	500
Other operating expenses	-135	-16
<b>Result from operating activities</b>	<b>-15 532</b>	<b>-3 348</b>
Finance income (Note 4)	2 491	2 596
Finance costs (Note 4)	-7 273	-11 273
<b>Profit/-loss before income tax</b>	<b>-20 314</b>	<b>-12 025</b>
Income tax	-14	-2
<b>Net profit/-loss for the period</b>	<b>-20 328</b>	<b>-12 027</b>
<b>Other comprehensive income/-expense</b>		
Exchange differences on translating foreign operations	-611	-58
<b>Other comprehensive income for the period</b>	<b>-611</b>	<b>-58</b>
<b>Total comprehensive income/-expense for the period</b>	<b>-20 939</b>	<b>-12 085</b>
<b>Basic and diluted earnings per share (in EUR per share, note 5)</b>	<b>-0.030</b>	<b>-0.018</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited, in thousands of EUR	31.03.2017	31.12.2016
<b>ASSETS</b>		
Cash and cash equivalents	72 226	78 773
Trade and other receivables	39 806	38 674
Prepayments	15 171	7 926
Income tax prepayments	87	91
Inventories	44 722	38 719
<b>Current assets</b>	<b>172 012</b>	<b>164 183</b>
Investments in equity-accounted investees	363	363
Other financial assets	352	348
Deferred income tax assets	18 791	18 791
Investment property	300	300
Property, plant and equipment (Note 7)	1 488 273	1 304 897
Intangible assets (Note 8)	50 120	50 127
<b>Non-current assets</b>	<b>1 558 199</b>	<b>1 374 826</b>
<b>TOTAL ASSETS</b>	<b>1 730 211</b>	<b>1 539 009</b>
<b>LIABILITIES AND EQUITY</b>		
Interest-bearing loans and borrowings (Note 9)	153 657	106 112
Trade and other payables	101 589	103 280
Dividends payable to shareholders	4	4
Income tax liability	0	10
Deferred income	40 971	30 895
<b>Current liabilities</b>	<b>296 221</b>	<b>240 301</b>
Interest-bearing loans and borrowings (Note 9)	609 500	452 793
Derivatives (Note 6)	31 404	32 359
<b>Non-current liabilities</b>	<b>640 904</b>	<b>485 152</b>
<b>Total liabilities</b>	<b>937 125</b>	<b>725 453</b>
Share capital (Note 10)	361 736	361 736
Share premium	639	639
Reserves	68 632	68 774
Retained earnings	362 079	382 407
<b>Equity attributable to equity holders of the Parent</b>	<b>793 086</b>	<b>813 556</b>
<b>Equity</b>	<b>793 086</b>	<b>813 556</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 730 211</b>	<b>1 539 009</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS**

Unaudited, in thousands of EUR	Q1 2017	Q1 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit/-loss for the period	-20 328	-12 027
Adjustments	25 624	28 192
Changes in:		
Receivables and prepayments related to operating activities	-9 831	-5 756
Inventories	-6 003	-7 309
Liabilities related to operating activities	7 671	13 719
<b>Changes in assets and liabilities</b>	<b>-8 163</b>	<b>654</b>
<b>Cash generated from operating activities</b>	<b>-2 867</b>	<b>16 819</b>
Income tax paid	-18	-160
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-2 885</b>	<b>16 659</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant, equipment and intangible assets (Notes 7, 8, 9)	-204 212	-12 709
Proceeds from disposals of property, plant, equipment	25	134
Interest received	1	18
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-204 186</b>	<b>-12 557</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans	184 000	0
Repayment of loans (Note 9)	-10 024	-14 728
Change in overdraft (Note 9)	32 371	26 963
Payments for settlement of derivatives	-905	-1 021
Payment of finance lease liabilities (Note 9)	-26	-24
Interest paid	-4 728	-5 550
Payment of transaction costs related to loans	-164	0
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>200 524</b>	<b>5 640</b>
<b>TOTAL NET CASH FLOW</b>	<b>-6 547</b>	<b>9 742</b>
Cash and cash equivalents at the beginning of period	78 773	81 976
Increase / -decrease in cash and cash equivalents	-6 547	9 742
<b>Cash and cash equivalents at the end of period</b>	<b>72 226</b>	<b>91 718</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Unaudited, in thousands of EUR	Share capital	Share premium	Translation reserve	Ships re-valuation reserve	Mandatory legal reserve	Reserve for treasury shares	Share option programme reserve	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
<b>As at 31 December 2016</b>	<b>361 736</b>	<b>639</b>	<b>-11</b>	<b>45 646</b>	<b>23 139</b>	<b>0</b>	<b>0</b>	<b>382 407</b>	<b>813 556</b>	<b>813 556</b>
Net profit/-loss for the period (Note 5)	0	0	0	0	0	0	0	-20 328	-20 328	<b>-20 328</b>
Total other comprehensive income and expense	0	0	-142	0	0	0	0	0	-142	<b>-142</b>
<b>Total comprehensive income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>-142</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-20 328</b>	<b>-20 470</b>	<b>-20 470</b>
<b>As at 31 March 2017</b>	<b>361 736</b>	<b>639</b>	<b>-153</b>	<b>45 646</b>	<b>23 139</b>	<b>0</b>	<b>0</b>	<b>362 079</b>	<b>793 086</b>	<b>793 086</b>
<b>As at 31 December 2015</b>	<b>404 290</b>	<b>639</b>	<b>458</b>	<b>47 693</b>	<b>20 185</b>	<b>-4 163</b>	<b>910</b>	<b>354 410</b>	<b>824 422</b>	<b>824 422</b>
Net profit/-loss for the period (Note 5)	0	0	0	0	0	0	0	-12 027	-12 027	<b>-12 027</b>
Total other comprehensive income and expense	0	0	-58	0	0	0	0	0	-58	<b>-58</b>
<b>Total comprehensive income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>-58</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-12 027</b>	<b>-12 085</b>	<b>-12 085</b>
<b>As at 31 March 2016</b>	<b>404 290</b>	<b>639</b>	<b>400</b>	<b>47 693</b>	<b>20 185</b>	<b>-4 163</b>	<b>910</b>	<b>342 383</b>	<b>812 337</b>	<b>812 337</b>

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 CORPORATE INFORMATION

The consolidated financial statements of Tallink Grupp AS (the "Parent") and its subsidiaries (together referred to as the "Group") for the quarter ended 31 March 2017 were authorised for issue by the Management Board on 11 May 2017.

Tallink Grupp AS is a public limited company incorporated and domiciled in Estonia, with a registered office at Sadama 5/7 Tallinn. Tallink Grupp AS 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). As at 31 March 2017 the Group employed 7 291 people (7 234 as at 31 December 2016).

### 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 2016.

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

### Note 3 SEGMENT INFORMATION

The Group's operations are organized 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 – by the location of assets

For the period 01 January - 31 March, in thousands of EUR	Estonia- Finland route	Estonia- Sweden route	Latvia- Sweden route	Finland- Sweden route	Other	Intersegment elimination	Total
<b>2017</b>							
Sales to external customers	72 971	23 037	10 571	69 071	15 898	0	<b>191 548</b>
Intersegment sales	0	0	0	0	1 882	-1 882	<b>0</b>
<b>Revenue</b>	<b>72 971</b>	<b>23 037</b>	<b>10 571</b>	<b>69 071</b>	<b>17 780</b>	<b>-1 882</b>	<b>191 548</b>
Segment result	8 061	-1 578	-4 709	-5 994	1 310	0	<b>-2 910</b>
Unallocated expenses							<b>-12 622</b>
Net financial items (Note 4)							<b>-4 782</b>
Profit/-loss before income tax							<b>-20 314</b>

For the period 01 January - 31 March, in thousands of EUR	Estonia- Finland route	Estonia- Sweden route	Latvia- Sweden route	Finland- Sweden route	Other	Intersegment elimination	Total
<b>2016</b>							
Sales to external customers	69 513	22 280	8 346	71 605	21 077	0	<b>192 821</b>
Intersegment sales	0	0	0	0	1 802	-1 802	<b>0</b>
<b>Revenue</b>	<b>69 513</b>	<b>22 280</b>	<b>8 346</b>	<b>71 605</b>	<b>22 879</b>	<b>-1 802</b>	<b>192 821</b>
Segment result	10 529	187	90	-3 086	466	0	<b>8 186</b>
Unallocated expenses							<b>-11 534</b>
Net financial items (Note 4)							<b>-8 677</b>
Profit/-loss before income tax							<b>-12 025</b>

**Revenue by service**

<b>In thousands of EUR</b>	<b>Q1 2017</b>	<b>Q1 2016</b>
Ticket sales	42 054	40 093
Sales of cargo transport	28 225	24 696
Sales of accommodation	3 330	3 179
Restaurant and shop sales on-board and on mainland	107 808	109 386
Income from charter of vessels	4 770	8 923
Other	5 360	6 544
<b>Total revenue of the Group</b>	<b>191 548</b>	<b>192 821</b>

**Note 4 FINANCIAL ITEMS**

<b>In thousands of EUR</b>	<b>Q1 2017</b>	<b>Q1 2016</b>
Net foreign exchange gains	1 029	0
Income from interest rate swaps	1 461	0
Income from foreign exchange derivatives	0	2 594
Interest income from financial assets not measured at fair value through profit or loss	1	2
<b>Total finance income</b>	<b>2 491</b>	<b>2 596</b>
Net foreign exchange losses	0	-1 867
Interest on financial liabilities measured at amortised cost	-5 862	-6 295
Expenses from foreign exchange derivatives	-905	0
Expenses from interest rate swaps	-506	-3 111
<b>Total finance costs</b>	<b>-7 273</b>	<b>-11 273</b>
<b>Net finance costs</b>	<b>-4 782</b>	<b>-8 677</b>

**Note 5 EARNINGS PER SHARE (EPS)**

Basic EPS 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 March 2017.

In thousands	Q1 2017	Q1 2016
Shares issued	669 882	673 817
Treasury shares	0	3 935
<b>Shares outstanding</b>	<b>669 882</b>	<b>669 882</b>

In thousands of EUR	Q1 2017	Q1 2016
Weighted average number of ordinary shares outstanding (in thousands, basic)	669 882	669 882
Effect of share options on issue	0	172
Weighted average number of ordinary shares outstanding (in thousands, diluted)	669 882	670 054
Net profit/loss attributable to equity holders of the Parent	-20 328	-12 027
Basic EPS (EUR per share)	-0,030	-0,018
Diluted EPS (EUR per share)	-0,030	-0,018

**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 March 2017 AS Tallink Grupp had two interest rate derivative contracts with total notional amount of 170 000 thousand of EUR with the maturities in years 2018, 2019 and two cross-currency rate derivative contracts with total notional amount of 120 000 thousand of EUR with the maturities in year 2018. The fair value of the interest rate derivatives recognised in the current interim financial statements as of 31 March 2017 is -7 838 thousand of EUR. The fair value of the cross-currency rate derivatives recognized in the current interim financial statements as of 31 March 2017 is -23 566 thousand of EUR.

**Note 7 PROPERTY, PLANT AND EQUIPMENT**

In thousands of EUR	Land and buildings	Ships	Plant and equipment	Assets under construction	Total
<b>Book value as at 31 December 2016</b>	<b>2 525</b>	<b>1 230 437</b>	<b>23 063</b>	<b>48 872</b>	<b>1 304 897</b>
Additions	0	236 389	3 303	-36 988	202 704
Disposals	0	0	-58	0	-58
Depreciation for the period	-134	-17 420	-1 716	0	-19 270
<b>Book value as at 31 March 2017</b>	<b>2 391</b>	<b>1 449 406</b>	<b>24 592</b>	<b>11 884</b>	<b>1 488 273</b>

**As at 31 March 2017**

Gross carrying amount	10 630	1 813 720	53 153	11 884	1 889 387
Accumulated depreciation	-8 239	-364 314	-28 561	0	-401 114

<b>Book value as at 31 December 2015</b>	<b>2 942</b>	<b>1 270 102</b>	<b>10 160</b>	<b>28 214</b>	<b>1 311 418</b>
Additions	92	7 930	6 114	-2 229	11 907
Disposals	0	0	-4	-19	-23
Depreciation for the period	-295	-16 752	-1 210	0	-18 257
<b>Book value as at 31 March 2016</b>	<b>2 739</b>	<b>1 261 280</b>	<b>15 060</b>	<b>25 966</b>	<b>1 305 045</b>

**As at 31 March 2016**

Gross carrying amount	10 206	1 564 796	39 239	25 966	1 640 207
Accumulated depreciation	-7 467	-303 516	-24 179	0	-335 162

**Note 8 INTANGIBLE ASSETS**

In thousands of EUR	Goodwill	Trademark	Other	Total
<b>Book value as at 31 December 2016</b>	<b>11 066</b>	<b>27 670</b>	<b>11 391</b>	<b>50 127</b>
Additions	0	0	1 508	1 508
Disposals	0	0	0	0
Amortisation for the period	0	-729	-786	-1 515
<b>Book value as at 31 March 2017</b>	<b>11 066</b>	<b>26 941</b>	<b>12 113</b>	<b>50 120</b>

**As at 31 March 2017**

Cost	11 066	58 288	34 048	103 402
Accumulated amortisation	0	-31 347	-21 935	-53 282

<b>Book value as at 31 December 2015</b>	<b>11 066</b>	<b>30 586</b>	<b>11 074</b>	<b>52 726</b>
Additions	0	0	914	914
Disposals	0	0	-78	-78
Amortisation for the period	0	-729	-638	-1 367
<b>Book value as at 31 March 2016</b>	<b>11 066</b>	<b>29 857</b>	<b>11 272</b>	<b>52 195</b>

**As at 31 March 2016**

Cost	11 066	58 288	30 543	99 897
Accumulated amortisation	0	-28 431	-19 271	-47 702

**Note 9 INTEREST-BEARING LOANS AND BORROWINGS**

In thousands of EUR	31 December 2016	New loans	Repayments	Exchange rate differences	Other changes <sup>1</sup>	31 March 2017
Liabilities under finance lease	373	0	-26	1	0	348
Unsecured bonds	98 627	0	0	-883	59	97 803
Overdraft	40 110	32 371	0	0	0	72 481
Long-term bank loans	419 795	184 000	-10 024	0	-1 246	592 525
<b>Total borrowings</b>	<b>558 905</b>	<b>216 371</b>	<b>-10 050</b>	<b>-882</b>	<b>-1 187</b>	<b>763 157</b>
Current portion	106 112					153 657
Non-current portion	452 793					609 500
<b>Total borrowings</b>	<b>558 905</b>					<b>763 157</b>

<sup>1</sup> 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.

Tallink Grupp AS 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 309 431 thousands of EUR and overseas subsidiaries have given guarantees to Nordea Bank Finland Plc and Swedbank AS for the loans granted to Tallink Grupp AS amounting to 283 094 thousands of EUR. The primary securities for these loans are the pledge of shares of the overseas subsidiaries and mortgages on the ships belonging to the above-mentioned subsidiaries.

**Note 10 SHARE CAPITAL**

According to the articles of association of the Parent effective as from 31 December 2016, the maximum number of common shares is 2 400 000 000. 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.

Tallink Grupp AS has 669 882 040 registered shares without nominal value and with book value 0.54 EUR.



#### Note 11 DIVIDENDS

The Management Board targets to distribute at least 50% of 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 a dividend of EUR 0.03 per share from net profit for 2016.

#### Note 12 RELATED PARTY DISCLOSURES

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

<b>For the period ended 31 March 2017, in thousands of EUR</b>	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
The companies controlled by the Key Management				
Personnel	76	6 214	12	3 985
Associated companies	0	35	0	16
<b>Total</b>	<b>76</b>	<b>6 249</b>	<b>12</b>	<b>4 001</b>

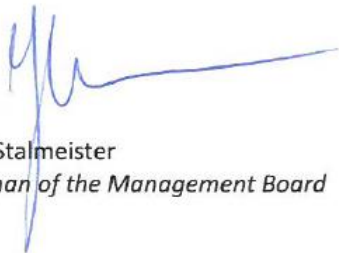
<b>For the period ended 31 March 2016, in thousands of EUR</b>	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
The companies controlled by the Key Management				
Personnel	53	4 164	12	1 986
Associated companies	1	28	0	10
<b>Total</b>	<b>54</b>	<b>4 192</b>	<b>12</b>	<b>1 996</b>

## STATEMENT BY THE MANAGEMENT BOARD

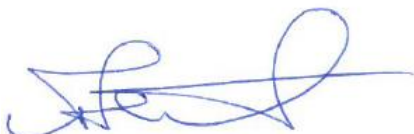
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Hereby we declare our responsibility for the Interim Consolidated Financial Statements and confirm that the Tallink Grupp AS Unaudited Interim Consolidated Financial Statements for the first quarter of the financial year 2017 ended 31 March 2017 prepared 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.

Tallink Grupp AS 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', written over a vertical line.

Janek Stalmeister  
*Chairman of the Management Board*

A handwritten signature in blue ink, appearing to be 'A. Hunt', written in a cursive style.

Andres Hunt  
*Vice Chairman of the Management Board*

A handwritten signature in blue ink, appearing to be 'L. Kitter', written in a cursive style.

Lembit Kitter  
*Member of the Management Board*

Tallinn, 11 May 2017