

TALLINK GRUPP AS
INTERIM REPORT 12M 2017 (UNAUDITED)

Beginning of the financial year	1 January 2017
End of the financial year	31 December 2017
Interim reporting period	1 January 2017 – 31 December 2017
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Main activity	maritime transport (passenger & cargo transport)

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MANAGEMENT REPORT

In the 2017 financial year (1 January – 31 December), Tallink Grupp AS and its subsidiaries (the Group) carried a record number, a total of 9.8 million passengers, which is 3.2% more compared to the 2016 financial year. The number of cargo units transported increased by 11% compared to the previous financial year. The Group's unaudited consolidated revenue amounted to EUR 967.0 million (EUR 937.8 million, 2016). Unaudited EBITDA increased almost by EUR 12 million and amounted to EUR 161.1 million (EUR 149.5 million, 2016), unaudited net profit for the financial year was EUR 49.3 million or EUR 0.074 per share (EUR 44.1 million or EUR 0.066 per share, 2016).

The biggest milestone for the Group in the 2017 financial year was the launch of the new LNG powered Shuttle vessel Megastar. On the Tallinn-Helsinki route, the ship carried more than 2 million passengers in its first year. This is the highest ever number of passengers carried on any of the Group's vessels on the Baltic Sea in one year. Megastar improved the efficiency of the Group's Shuttle operations and the Group was able to increase the Estonia – Finland segment result despite the tighter competition in the market.

The most positive development in 2017 was the growth of the cargo business. The Cargo volumes increased in all geographical segments in total by 11.0%, the cargo revenues increased by 13.3% or EUR 13.8 million compared to last year and amounted to EUR 117.7 million in 2017. In order to be better positioned to serve our cargo customers and capture increasing cargo volumes, the cargo ship Sea Wind previously operating from Tallinn Old City Harbour started operating from Muuga Harbour in October.

Sales and segments

In the financial year 2017, the revenues in all core operational segments increased compared to the previous year. The shops and restaurants revenue increased by EUR 15.3 million and ticket revenue by EUR 6.7 million, the growth was supported by the 3.2% increase in passenger numbers. The cargo revenue increased by EUR 13.8 million compared to same period in 2016. The growth was driven by the increase of number of transported cargo units in all geographical segments following positive economic developments in our main markets.

In 2017, The Group's ships carried a total of 5.1 million passengers on the Estonia – Finland routes, which is on the same level compared to last year and the number of transported cargo units on the routes increased by 11.6%. On the Tallinn – Helsinki route there was increased competition from added capacity by competitors, which put pressure on ticket prices. In addition, the Group operated one cruise ferry on the Tallinn – Helsinki route in contrast to two cruise ferries in the period of March to August in 2016. The new Shuttle vessel Megastar improved the efficiency of the Shuttle operations and the Group was able to increase the segment result in a changed competitive environment. The segment revenue increased by EUR 1.2 million and amounted to EUR 354.5 million, the segment result increased by EUR 2.4 million and amounted to EUR 77.9 million.

The Finland-Sweden routes' revenue increased by EUR 7.5 million and amounted to EUR 344.8 million compared to the previous year. Growth was supported by a 1.1% higher passenger number and by a 7.6% increase in the number of transported cargo units. The segment's result increased by EUR 3.2 million, compared to the previous year, amounting to EUR 18.5 million.

The Estonia-Sweden routes' revenue increased by EUR 7.2 million, compared to the previous year. Growth was supported by a 4.8% higher passenger number and by a 2.9% increase in the number of transported cargo units. The segment's result decreased compared to the previous year due to higher operating costs, as since December 2016 there is larger vessel deployed on the route.

The Latvia-Sweden route's revenue increased by EUR 21.9 million, compared to the previous year. Growth was supported by a 45.8% higher passenger number and by a 70.1% increase in the number of transported cargo units from

added capacity. The cruise ferry Romantika started operating on Riga – Stockholm route in December 2016 as a second ship on this route. Due to the increased capacity, the segment's result was negative in 2017. However, based on the positive development of the route's carriage volumes since the second ship was added to the route, management estimates that the segment result will improve in 2018.

Earnings

In 2017, the Group's EBITDA increased by EUR 11.7 million and amounted to EUR 161.1 million. A higher revenue from all core operational segments supported the growth, however the charter and charter related revenue decreased by EUR 6.7 million compared to the same period last year due to fewer ships in charter.

The rerouting of ships in December 2016 resulted in more optimal operating costs in the financial year 2017. Starting from February 2017 there is no charter hire cost from fast ferry Superstar. At the same time, the total fuel cost was EUR 11.6 million higher compared to the previous year due to the increase in global fuel prices and higher total consumption. The amortisation and depreciation cost increased by EUR 8.5 million to EUR 86.4 million. The increase is driven by the purchase of the new Shuttle ferry Megastar, maintenance works of five ships and renovations and upgrades to the ships.

Net finance costs decreased by EUR 5.6 million compared to the previous year mainly from EUR 4.2 million lower interest expenses. Total gains from exchange rate differences and the revaluation of cross currency and interest rate derivatives increased by EUR 1.3 million.

The Group's unaudited net profit for the financial year 2017 was EUR 49.3 million or EUR 0.074 per share compared to a net profit of EUR 44.1 million or EUR 0.066 per share last year.

Investments

In the 2017 financial year the Group's investments amounted to EUR 219.2 million. The largest investment was the purchase of the Shuttle ferry Megastar in January 2017. A number of investments were made to upgrade the ships restaurants, shops and cabins. Investments were made also to the development of the online booking and sales systems.

Dividends

In June 2017 the Annual General Meeting decided to pay a dividend of EUR 0.03 per share from the net profit for 2016. The announced dividends in the total amount of EUR 20.1 million were paid out on 5 July 2017. To the Annual Shareholders' Meeting in 2018 the management board will propose a dividend of EUR 0.03 per share from the financial year 2017 net profit.

Results of Q4 of 2017

In the fourth quarter (1 October – 31 December) of 2017, the revenues from all geographical segments increased compared to same period last year. Unaudited revenue for the period increased by 3% to EUR 232.9 million, which was supported by a 4% higher passenger number and 14.1% higher transported cargo volumes. Unaudited EBITDA increased by EUR 1.7 million and amounted to EUR 31.6 million, the unaudited net profit for the period was EUR 3.9 million.

Financial position

In January 2017 the EUR 184 million long-term export credit loan was taken to finance the purchase of the new Shuttle vessel. In December 2017 two Superfast vessels were sold for EUR 133.5 million. The proceeds from the sale were used for early repayment of loans in the total amount of EUR 59.6 million.

In the fourth quarter, the Group's net debt decreased by EUR 163.2 million to EUR 472 million. The net debt to EBITDA ratio improved and was 2.9 at the reporting date.

At the end of the fourth quarter, total liquidity (cash, cash equivalents and unused credit facilities) amounted to EUR 163.9 million (EUR 113.8 million, 31 December 2016) providing a strong financial position for sustainable operations. The Group had EUR 88.9 million (EUR 78.8 million, 31 December 2016) in cash and cash equivalents and EUR 75 million (EUR 35 million, 31 December 2016) in unused credit lines.

KEY FIGURES

For the period	Q4 2017	Q4 2016	Change %
Revenue (million euros)	232.9	226.1	3.0%
Gross profit (million euros)	38.5	41.1	-6.2%
Net profit for the period (million euros)	3.9	3.5	10.3%
EBITDA (million euros)	31.6	29.9	5.8%
Depreciation and amortisation (million euros)	21.8	19.6	11.5%
Capital expenditures (million euros)	7.2	22.5	-68.0%
Weighted average number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Earnings per share	0.006	0.005	10.3%
Number of passengers	2 316 144	2 226 283	4.0%
Number of cargo units	97 345	85 349	14.1%
Average number of employees	7 287	7 061	3.2%
As at	31.12.17	30.09.17	Change %
Total assets (million euros) ¹	1 559.9	1 710.8	-8.8%
Total liabilities (million euros)	720.8	875.6	-17.7%
Interest-bearing liabilities (million euros)	560.9	715.3	-21.6%
Net debt (million euros)	472.0	635.2	-25.7%
Net debt to EBITDA	2.9	4.0	-26.5%
Total equity (million euros) ¹	839.1	835.2	0.5%
Equity ratio (%) ¹	53.8%	48.8%	
Number of ordinary shares outstanding	669 882 040	669 882 040	0.0%
Equity per share ¹	1.25	1.25	0.5%
Ratios	Q4 2017	Q4 2016	
Gross margin (%)	16.5%	18.2%	
EBITDA margin (%)	13.6%	13.2%	
Net profit margin (%)	1.7%	1.6%	

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

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

Gross margin: gross profit / revenue

EBITDA margin: EBITDA / revenue

Net profit margin: net profit / revenue

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

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

¹ Restated, see Note 13.

SALES & RESULTS BY SEGMENTS

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

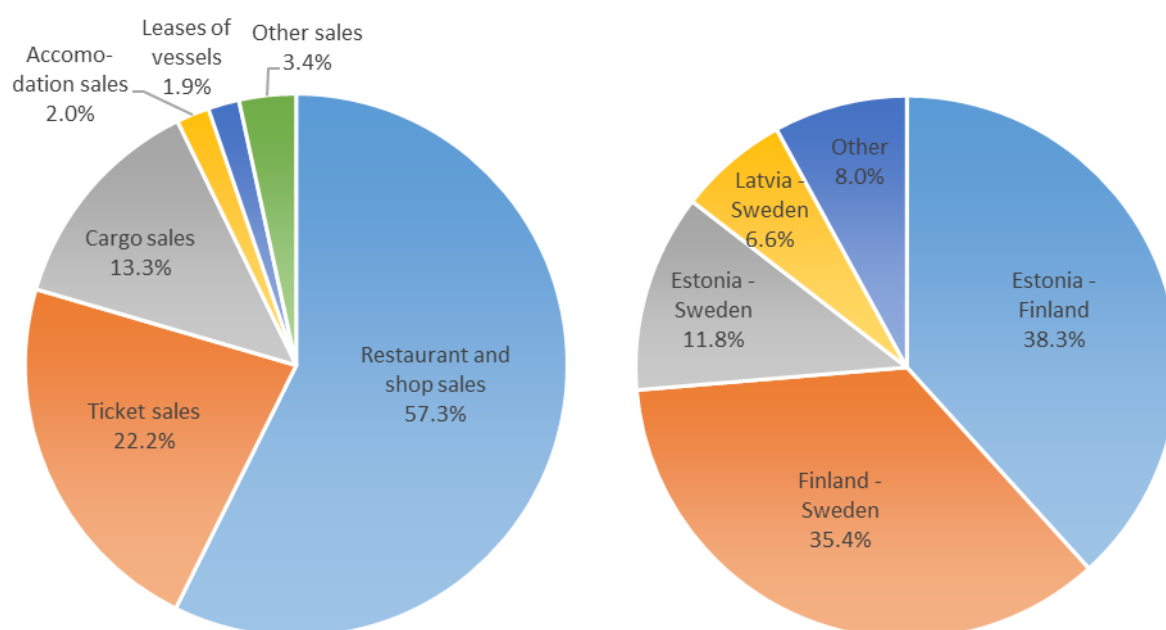
		Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q4 change
Estonia - Finland	Passengers (thousands)	1 186	1 012	1 349	1 485	1 217	2.6%
	Cargo units (thousands)	53	52	60	60	62	16.1%
	Revenue (million euros)	87.9	73.0	95.5	96.9	89.1	1.4%
	Segment result ¹ (million euros)	20.9	8.1	19.8	28.8	21.2	1.3%
Finland - Sweden	Passengers (thousands)	685	580	765	878	695	1.4%
	Cargo units (thousands)	19	19	18	17	20	7.3%
	Revenue (million euros)	80.5	69.1	88.9	104.4	82.4	2.4%
	Segment result ¹ (million euros)	-0.6	-6.0	9.4	17.9	-2.9	-360.3%
Estonia - Sweden	Passengers (thousands)	223	215	276	303	237	6.2%
	Cargo units (thousands)	11	11	11	11	11	1.2%
	Revenue (million euros)	25.5	23.0	30.8	35.9	27.5	7.6%
	Segment result ¹ (million euros)	-0.3	-1.6	3.7	7.8	0.6	306.7%
Latvia - Sweden	Passengers (thousands)	132	133	197	247	167	26.9%
	Cargo units (thousands)	2	2	3	3	4	89.3%
	Revenue (million euros)	11.1	10.6	17.4	23.2	15.3	37.6%
	Segment result ¹ (million euros)	0.9	-4.7	-0.6	4.4	-0.3	-134.4%
Other	Revenue (million euros)	23.4	17.8	30.0	25.6	20.8	-11.1%
	Segment result ¹ (million euros)	1.1	1.3	7.7	5.9	2.6	142.6%
	Intersegment revenue (million euros)	-2.3	-1.9	-2.9	-3.3	-2.2	3.0%
	Total revenue (million euros)	226.1	191.5	259.9	282.7	232.9	3.0%
	EBITDA (million euros)	29.9	5.3	48.9	75.4	31.6	5.8%
	Total segment result¹ (million euros)	22.0	-2.9	39.9	64.9	21.4	-2.8%
	Net profit/loss	3.5	-20.3	17.9	47.8	3.9	10.3%

¹ Segment result is the result before administrative expenses, finance costs and taxes.

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

Revenue (million euros)	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q4 change
Restaurant and shop sales on-board and onshore	127.6	107.8	145.6	149.8	133.5	4.6%
Ticket sales	52.4	42.1	65.2	83.8	51.7	-1.3%
Sales of cargo transportation	27.1	28.2	29.7	28.9	30.9	13.8%
Accommodation sales	4.4	3.3	5.8	7.1	4.6	2.9%
Income from charter of vessels	6.9	4.8	4.8	4.9	4.3	-37.1%
Other sales	7.7	5.4	8.6	8.3	7.9	3.2%
Total revenue	226.1	191.5	259.9	282.7	232.9	3.0%

The following graphs provide an overview of the Group's fourth quarter sales by operational and geographical segments.



MARKET DEVELOPMENTS

The following table provides an overview of the passengers, cargo units and passenger vehicles transported during the fourth quarter and 12 months of 2017 and 2016.

Passengers	Q4 2017	Q4 2016	Change	12M 2017	12M 2016	Change
Estonia - Finland	1 217 468	1 186 484	2.6%	5 062 635	5 077 985	-0.3%
Finland - Sweden	694 884	685 112	1.4%	2 918 850	2 886 383	1.1%
Estonia - Sweden	236 739	223 022	6.2%	1 030 490	983 196	4.8%
Latvia - Sweden	167 053	131 665	26.9%	743 745	509 958	45.8%
Total	2 316 144	2 226 283	4.0%	9 755 720	9 457 522	3.2%

Cargo units	Q4 2017	Q4 2016	Change	12M 2017	12M 2016	Change
Estonia - Finland	61 674	53 113	16.1%	233 381	209 062	11.6%
Finland - Sweden	20 098	18 736	7.3%	74 409	69 167	7.6%
Estonia - Sweden	11 457	11 326	1.2%	43 648	42 402	2.9%
Latvia - Sweden	4 116	2 174	89.3%	12 858	7 559	70.1%
Total	97 345	85 349	14.1%	364 296	328 190	11.0%

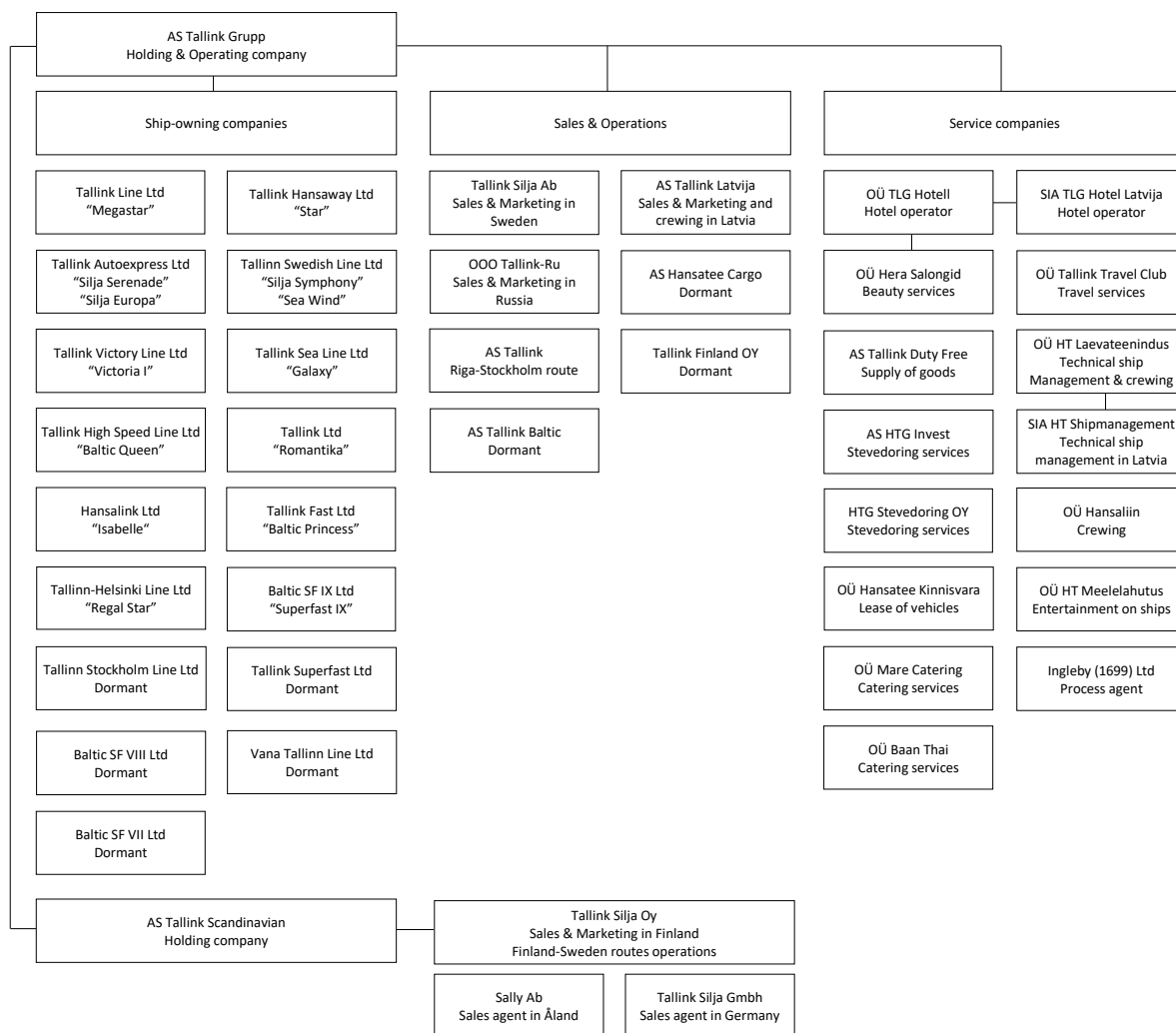
Passenger vehicles	Q4 2017	Q4 2016	Change	12M 2017	12M 2016	Change
Estonia - Finland	195 931	200 684	-2.4%	827 576	873 132	-5.2%
Finland - Sweden	26 980	26 288	2.6%	161 909	164 184	-1.4%
Estonia - Sweden	14 909	15 676	-4.9%	72 239	72 893	-0.9%
Latvia - Sweden	16 076	13 172	22.0%	72 599	57 286	26.7%
Total	253 896	255 820	-0.8%	1 134 323	1 167 495	-2.8%

The Group's market shares on the routes operated during the 12-month period ended 31 December 2017 were as follows:

- The Group carried approximately 56% of the passengers and 65% of the ro-ro cargo on the route between Tallinn and Helsinki;
- The Group carried approximately 54% of the passengers and 28% of the ro-ro cargo on the routes between Finland and Sweden;
- The Group was the only provider of daily passenger transportation between Estonia and Sweden;
- The Group was 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 44 companies. All subsidiaries are wholly owned by 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

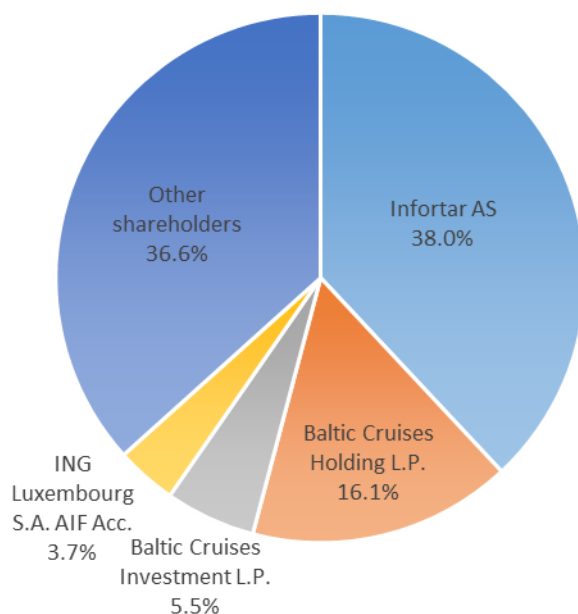
On 31 December 2017, the Group employed 7 311 employees (7 234 on 31 December 2016). The following table provides a more detailed overview of the Group's personnel.

	Average of Q4			Average of 12 months			End of Q4		
	2017	2016	Change	2017	2016	Change	2017	2016	Change
Onshore total	1 594	1 626	-2.0%	1 627	1 627	0.0%	1 602	1 642	-2.4%
Estonia	870	885	-1.7%	876	875	0.1%	869	884	-1.7%
Finland	475	477	-0.4%	498	484	2.9%	472	489	-3.5%
Sweden	160	178	-10.1%	164	185	-11.4%	173	181	-4.4%
Latvia	72	71	1.4%	71	68	4.4%	71	72	-1.4%
Russia	11	10	10.0%	12	9	33.3%	11	11	0.0%
Germany	6	5	20.0%	6	6	0.0%	6	5	20.0%
On-board	5 074	4 857	4.5%	5 175	4 916	5.3%	5 093	5 030	1.3%
Hotel¹	619	578	7.1%	604	620	-2.6%	616	562	9.6%
Total	7 287	7 061	3.2%	7 406	7 163	3.4%	7 311	7 234	1.1%

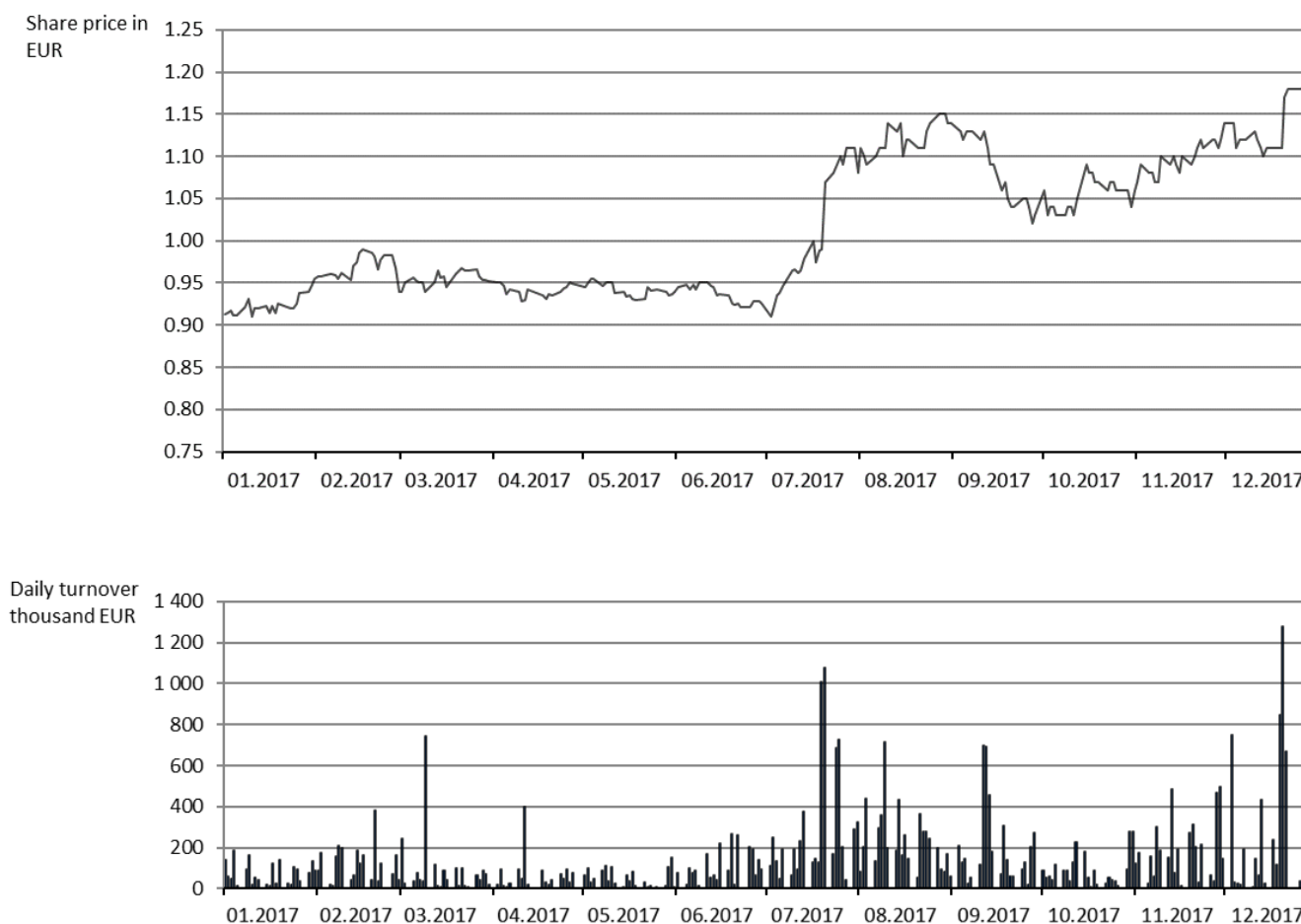
¹ The number of hotel personnel is not included in the total number of onshore personnel.

SHAREHOLDERS & SHARE PRICE DEVELOPMENT

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



Since 9 December 2005 the shares of Tallink Grupp AS have been listed on the Tallinn Stock Exchange, where the shares are traded under the ticker symbol TAL1T. The closing share price at the reporting date was EUR 1.22 per share. The following chart gives an overview of the share price development in the past twelve months.



EVENTS IN Q4

The term of office extension of the Chairman of the Management Board

In November 2017, the Supervisory Board of Tallink Grupp AS has extended the term of office of the Chairman of the Management Board Mr. Janek Stalmeister for the next three years starting from 30th of January 2018.

Sale of the Superfast vessels

The subsidiaries of Tallink Grupp AS, Baltic SF VII Ltd and Baltic SF VIII Ltd concluded agreements for the sale of M/S Stena Superfast VII and M/S Stena Superfast VIII to Stena Ropax Ltd in July 2017. According to the agreements, the vessels were handed over to the new owner Stena North Sea Ltd on 14th of December 2017. The value of the deal is EUR 133.5 million and the profit from the sale of the vessels is not significant for the consolidated results of Tallink Grupp AS.

Changes in the Group structure

In November 2017, HT Hulgi Tolliladu OÜ a wholly owned Group company was dissolved and deleted from Commercial Registry.

Fairway dues dispute against Finnish State

On 8 December 2017, the Finnish Supreme Court made a judgment on Tallink Grupp AS and its Group company Hansatee Cargo AS appeal to the Helsinki Court of Appeal 8th of August 2016 judgment on fairway dues dispute against Finnish state. Pursuant to the Supreme Court judgement, the appeal was not granted to refund the fairway dues.

In February 2018, the Supreme Court of Finland made a decision on Tallink Grupp AS subsidiary Tallink Silja OY appeal against the Helsinki Court of Appeal 8th of August 2016 judgment on fairway dues dispute against Finnish state. Pursuant to the Supreme Court judgement, no procedural authorization was given for the appeal to refund the fairway dues, charged in excessive extent in the years 2001-2004, with interests and the Helsinki Court of Appeal 8th of August 2016 judgment remained in effect.

All disputed fairway dues were off-balance sheet claims and the court ruling has no effect to the financial reports.

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

Changes in the Group structure

In January 2018, Baltic Retail OÜ a new subsidiary of Tallink Grupp AS was registered in the Commercial Registry. The main activity of the subsidiary is retail sales.

In January 2018, TLG Agent OÜ and TLG Stividor OÜ, new subsidiaries of Tallink Grupp AS were registered in the Commercial Registry. The subsidiaries were established from the division of the Group company HTG Invest AS, which was deleted from the Commercial Registry.

Baltic Princess upgrade

Cruise ferry Baltic Princess, operating on the Turku-Stockholm route, is out of service from 10 January to 8 March 2018. During this period technical maintenance works and a retrofit of the ship's dining, shopping and children's areas are carried out. The upgrade of public areas is part of our ongoing ship renovation programme and follows our recent brand renewal in August 2017.

Earnings

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

Research and development projects

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

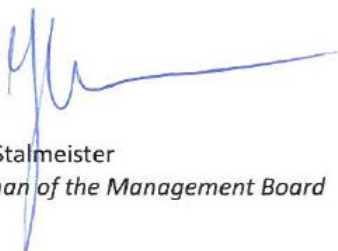
RISKS

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.

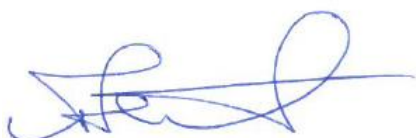
- Accidents, disasters
- Macroeconomic developments
- Changes in laws and regulations
- Relations with trade unions
- Increase in the fuel prices and interest rates
- Market and customer behaviour

MANAGEMENT BOARD'S CONFIRMATION

We confirm that to the best of our knowledge, the management report of Tallink Grupp AS for the 12 months of 2017 presents a true and fair view of 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, 28 February 2018

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Unaudited, in thousands of EUR	Q4 2017	Q4 2016	12M 2017	12M 2016
Revenue (Note 3)	232 856	226 135	966 977	937 805
Cost of sales	-194 346	-185 069	-772 372	-745 223
Gross profit	38 510	41 066	194 605	192 582
Sales and marketing expenses	-17 157	-19 102	-71 339	-72 268
Administrative expenses	-13 635	-12 148	-50 869	-50 973
Other operating income	2 429	697	2 873	2 450
Other operating expenses	-327	-178	-509	-184
Result from operating activities	9 820	10 335	74 761	71 607
Finance income (Note 4)	4 932	1 754	12 738	10 514
Finance costs (Note 4)	-10 804	-7 604	-33 987	-37 289
Share of profit of equity-accounted investees	40	13	40	13
Profit/loss before income tax	3 988	4 498	53 552	44 845
Income tax	-115	-986	-4 253	-741
Net profit/loss for the period	3 873	3 512	49 299	44 104
Other comprehensive income/expense				
Exchange differences on translating foreign operations	35	-205	13	-469
Other comprehensive income/expense for the period	35	-205	13	-469
Total comprehensive income/expense for the period	3 908	3 307	49 312	43 635
Basic and diluted earnings per share (in EUR per share, note 5)	0.006	0.005	0.074	0.066

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited, in thousands of EUR	31.12.17	31.12.2016 restated ²	01.01.2016 restated ²
ASSETS			
Cash and cash equivalents	88 911	78 773	81 976
Trade and other receivables	46 466	38 674	36 583
Prepayments	6 705	7 926	5 274
Prepaid income tax	40	91	1 224
Inventories	40 675	38 719	29 197
Current assets	182 797	164 183	154 254
Investments in equity-accounted investees	403	363	350
Other financial assets	344	348	308
Deferred income tax assets	18 722	18 791	19 410
Investment property	300	300	300
Property, plant and equipment (Note 7)	1 308 441	1 304 897	1 311 418
Intangible assets (Note 8)	48 900	50 127	52 726
Non-current assets	1 377 110	1 374 826	1 384 512
TOTAL ASSETS	1 559 907	1 539 009	1 538 766
LIABILITIES AND EQUITY			
Interest-bearing loans and borrowings (Note 9)	159 938	106 112	81 889
Trade and other payables (Note 13)	94 055	106 970	92 170
Derivatives (Note 6)	29 710	0	0
Payables to owners ¹	3	4	0
Income tax liability	34	10	4 567
Deferred income	31 429	30 895	28 906
Current liabilities	315 169	243 991	207 532
Interest-bearing loans and borrowings (Note 9)	400 968	452 793	467 447
Derivatives (Note 6)	4 688	32 359	42 863
Other liabilities	0	0	192
Non-current liabilities	405 656	485 152	510 502
Total liabilities	720 825	729 143	718 034
Share capital (Note 10)	361 736	361 736	404 290
Share premium	639	639	639
Reserves	68 946	68 774	65 083
Retained earnings (Note 13)	407 761	378 717	350 720
Equity attributable to equity holders of the Parent	839 082	809 866	820 732
Total equity	839 082	809 866	820 732
TOTAL LIABILITIES AND EQUITY	1 559 907	1 539 009	1 538 766

¹ Payments related to reduction of share capital.

² See Note 13.

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited, in thousands of EUR	12M 2017	12M 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss for the period	49 299	44 104
Adjustments	106 802	104 247
Changes in:		
Receivables and prepayments related to operating activities	-8 017	-4 969
Inventories	-1 956	-9 522
Liabilities related to operating activities	-9 943	16 785
Changes in assets and liabilities	-19 916	2 294
Cash generated from operating activities	136 185	150 645
Income tax paid	-7	-3 265
NET CASH FROM OPERATING ACTIVITIES	136 178	147 380
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, equipment and intangible assets (Notes 7, 8, 9)	-219 207	-68 638
Proceeds from disposals of property, plant, equipment	132 448	169
Interest received	1	74
NET CASH USED IN INVESTING ACTIVITIES	-86 758	-68 395
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans received (Note 9)	184 000	280 000
Repayment of loans received (Note 9)	-134 321	-313 524
Change in overdraft (Note 9)	-40 110	36 713
Payments for settlement of derivatives	-3 592	-4 289
Payment of finance lease liabilities (Note 9)	-102	-99
Interest paid	-20 744	-24 083
Payment of transaction costs related to loans	-216	-2 989
Dividends paid (Note 11)	-20 096	-13 398
Reduction of share capital	-1	-40 189
Income tax on dividends paid	-4 100	-330
NET CASH FROM/USED IN FINANCING ACTIVITIES	-39 282	-82 188
TOTAL NET CASH FLOW	10 138	-3 203
Cash and cash equivalents at the beginning of period	78 773	81 976
Increase/decrease in cash and cash equivalents	10 138	-3 203
Cash and cash equivalents at the end of period	88 911	78 773

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
As at 31 December 2016 restated ¹	361 736	639	-11	45 646	23 139	0	0	378 717	809 866	809 866
Net profit/loss for the period (Note 5)	0	0	0	0	0	0	0	49 299	49 299	49 299
Other comprehensive income/expense	0	0	13	0	0	0	0	0	13	13
Total comprehensive income/expense for the period	0	0	13	0	0	0	0	49 299	49 312	49 312
Transactions with owners of the Company										
Transfer from profit for 2016	0	0	0	0	2 206	0	0	-2 206	0	0
Transfer from revaluation reserve	0	0	0	-2 047	0	0	0	2 047	0	0
Dividends (Note 11)	0	0	0	0	0	0	0	-20 096	-20 096	-20 096
Transactions with owners of the Company, recognised directly in equity	0	0	0	-2 047	2 206	0	0	-20 255	-20 096	-20 096
As at 31 December 2017	361 736	639	2	43 599	25 345	0	0	407 761	839 082	839 082
As at 31 December 2015 restated ¹	404 290	639	458	47 693	20 185	-4 163	910	350 720	820 732	820 732
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/expense	0	0	-469	0	0	0	0	0	-469	-469
Total comprehensive income/expense for the period	0	0	-469	0	0	0	0	44 104	43 635	43 635
Transactions 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	0	0	0	0	0	0	0	-13 398	-13 398	-13 398
Share-based payment transactions	0	0	0	0	0	0	-910	0	-910	-910
Cancellation of own shares	-2 361	0	0	0	0	4 163	0	-1 802	0	0
Reduction of share capital	-40 193	0	0	0	0	0	0	0	-40 193	-40 193
Transactions with owners of the Company, 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 restated ¹	361 736	639	-11	45 646	23 139	0	0	378 717	809 866	809 866

¹ See Note 13.

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 12 months of 2017 were authorised for issue by the Management Board on 28 February 2018.

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 December 2017, the Group employed 7 306 people (7 234 as at 31 December 2016).

Note 2 BASIS OF PREPARATION

The interim consolidated financial statements of Tallink Grupp AS 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 interim consolidated financial statements have been prepared using the same accounting policies and measurement bases that were applied in the preparation of the consolidated financial statements of Tallink Grupp AS for the financial year ended on 31 December 2016.

The interim consolidated financial statements are presented 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. Different routes represent different business segments.

The following tables present the Group’s revenue and profit by reportable segments for the reporting and the comparative period.

Geographical segments – by the location of assets

For the period 1 January - 31 December, in thousands of EUR	Estonia- Finland route	Estonia- Sweden route	Latvia- Sweden route	Finland- Sweden route	Other	Intersegment elimination	Total
2017							
Sales to external customers	354 497	117 246	66 453	344 833	83 948	0	966 977
Intersegment sales	0	0	0	0	10 237	-10 237	0
Revenue	354 497	117 246	66 453	344 833	94 185	-10 237	966 977
Segment result	77 877	10 578	-1 200	18 475	17 535	0	123 266
Unallocated expenses							-48 505
Net financial items (Note 4)							-21 249
Share of profit of equity-accounted investees							40
Profit/loss before income tax							53 552

For the period 1 January - 31 December, in thousands of EUR	Estonia- Finland route	Estonia- Sweden route	Latvia- Sweden route	Finland- Sweden route	Other	Intersegment elimination	Total
2016							
Sales to external customers	353 290	110 062	44 576	337 352	92 525	0	937 805
Intersegment sales	0	0	0	0	9 944	-9 944	0
Revenue	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

Revenue by service

In thousands of EUR	12M 2017	12M 2016
Restaurant and shop sales on-board and onshore	536 742	521 456
Ticket sales	242 748	236 028
Sales of cargo transport	117 718	103 900
Sales of accommodation	20 811	19 592
Income from charter of vessels	18 803	25 507
Other	30 157	31 322
Total revenue of the Group	966 977	937 805

Note 4 FINANCIAL ITEMS

In thousands of EUR	12M 2017	12M 2016
Net foreign exchange gain	8 126	0
Income on interest rate swaps	4 611	3 336
Income on foreign exchange derivatives	0	7 168
Interest income on financial assets not measured at fair value through profit or loss	1	10
Total finance income	12 738	10 514
Net foreign exchange loss	0	-5 010
Interest expense on financial liabilities measured at amortised cost	-23 745	-27 990
Expenses on foreign exchange derivatives	-3 592	0
Expenses on interest rate swaps	-6 650	-4 289
Total finance costs	-33 987	-37 289
Net finance costs	-21 249	-26 775

Note 5 EARNINGS PER SHARE (EPS)

Basic EPS are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period. There were no dilutive outstanding share options on 31 December 2017.

In thousands	Q4 2017	Q4 2016	12M 2017	12M 2016
Shares issued	669 882	669 882	669 882	669 882
Shares outstanding	669 882	669 882	669 882	669 882

In thousands of EUR	Q4 2017	Q4 2016	12M 2017	12M 2016
Weighted average number of ordinary shares outstanding (in thousands)	669 882	669 882	669 882	669 882
Net profit/loss attributable to equity holders of the Parent	3 873	3 512	49 299	44 104
Basic EPS (EUR per share)	0.006	0.005	0.074	0.066
Diluted EPS (EUR per share)	0.006	0.005	0.074	0.066

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 the fair value of derivatives which do not qualify for hedge accounting under IAS 39 are recognised directly in profit or loss.

As at 31 December 2017, Tallink Grupp AS had two interest rate derivative contracts with a total notional amount of EUR 170 000 thousand with maturities in 2018 and 2019 and two cross-currency derivative contracts with a total notional amount of EUR 120 000 thousand with maturities in 2018. As at 31 December 2017, the fair value of the interest rate derivatives was EUR -4 688 thousand and the fair value of the cross-currency derivatives was EUR -29 710 thousand.

Note 7 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 2016	2 525	1 230 437	23 063	48 872	1 304 897
Additions	223	239 986	18 426	-44 301	214 334
Reclassification	101	0	-101	0	0
Disposals	0	-130 289	-277	0	-130 566
Depreciation for the period	-541	-71 530	-8 153	0	-80 224
Book value as at 31 December 2017	2 308	1 268 604	32 958	4 571	1 308 441

As at 31 December 2017

Gross carrying amount	5 927	1 633 053	67 060	4 571	1 710 611
Accumulated depreciation	-3 619	-364 449	-34 102	0	-402 170

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

Note 8 INTANGIBLE ASSETS

In thousands of EUR	Goodwill	Trademark	Other	Total
Book value as at 31 December 2016	11 066	27 670	11 391	50 127
Additions	0	0	4 920	4 920
Amortisation for the period	0	-2 916	-3 231	-6 147
Book value as at 31 December 2017	11 066	24 754	13 080	48 900

As at 31 December 2017

Cost	11 066	58 288	30 243	99 597
Accumulated amortisation	0	-33 534	-17 163	-50 697

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

Note 9 INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	31.12.16	Addition	Repayments	Exchange differences	Other changes ¹	31.12.2017
Finance leases	373	47	-102	-10	-21	287
Unsecured bonds	98 627	0	0	-7 567	228	91 288
Overdrafts	40 110	0	-40 110	0	0	0
Long-term bank loans	419 795	184 000	-134 321	0	-143	469 331
Total borrowings	558 905	184 047	-174 533	-7 577	64	560 906
Current portion	106 112					159 938
Non-current portion	452 793					400 968
Total borrowings	558 905					560 906

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

Bonds are nominated in NOK.

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

Tallink Grupp AS has given guarantees to Nordea Bank Plc and Danske Bank A/S for loans of EUR 226 903 thousand granted to its ship-owning subsidiaries. Ship-owning subsidiaries have given guarantees to Nordea Bank Finland Plc for a loan of EUR 242 428 thousand granted to Tallink Grupp AS. The primary securities for these loans are pledges of the shares in the ship-owning subsidiaries and mortgages on the ships belonging to the aforementioned 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 has been recorded in the Estonian Central Registry of Securities by the time the list of shareholders entitled to participate in the general meeting is determined.

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

Note 11 DIVIDENDS

The Management Board's long-term goal is to distribute at least 50% of net profit as dividends or capital repayments, taking into account the Group's financial position. The management estimates that in the coming years the distribution per share will be at least EUR 0.02 or above.

The annual general meeting of 2017 decided to pay a dividend of EUR 0.03 per share (EUR 20 096 thousand in total) from the net profit for 2016. The announced dividends were paid out on 5 July 2017.

Note 12 RELATED PARTY DISCLOSURES

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

For the period ended 31 December 2017, in thousands of EUR	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Companies controlled by the Key Management Personnel	327	24 573	20	2 178
Associated companies	3	185	2	13
Total	330	24 758	22	2 191

For the period ended 31 December 2016, in thousands of EUR	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Companies controlled by the Key Management Personnel	447	18 351	17	1 736
Associated companies	5	150	5	14
Total	452	18 501	22	1 750

Note 13 CORRECTION OF ERRORS

During the reporting quarter, the Group paid compensation to the seafarers of Superfast vessels operating on the Finnish-German route due to inactivity of former shipowners in the amount of 3 690 thousand euros. The Finnish Supreme Court decision from 15 March 2017 is disclosed in the notes to the 2016 financial statements as a contingent liability.

By analyzing the course of the proceeding, the Group concluded that the possible outcome of the court dispute, which started in 2006, would have been correct to reflect as a cost and liability before the 2016 reporting period.

Due to the above, the Group decided to recognize paid compensation 3 690 thousand euros as correction of prior period error. The correction of the prior period error has no effect to current and comparable year income statements. Despite the prior period error correction, the Group seeks full reimbursement of abovementioned compensation from former shipowners.

The tables below give an overview of the error correction in the consolidated reports.

Consolidated statement of financial position

Unaudited, in thousands of EUR	As previously reported	Adjustments	As restated
As at 01.01.2016			
LIABILITIES AND EQUITY			
Interest-bearing loans and borrowings	81 889	0	81 889
Trade and other payables	88 480	3 690	92 170
Income tax liability	4 567	0	4 567
Deferred income	28 906	0	28 906
Current liabilities	203 842	3 690	207 532
Interest-bearing loans and borrowings	467 447	0	467 447
Derivatives	42 863	0	42 863
Other liabilities	192	0	192
Non-current liabilities	510 502	0	510 502
Total liabilities	714 344	3 690	718 034
Share capital	404 290	0	404 290
Share premium	639	0	639
Reserves	65 083	0	65 083
Retained earnings	354 410	-3 690	350 720
Equity attributable to equity holders of the Parent	824 422	-3 690	820 732
Total equity	824 422	-3 690	820 732
TOTAL LIABILITIES AND EQUITY	1 538 766	0	1 538 766
As at 31.12.2016			
LIABILITIES AND EQUITY			
Interest-bearing loans and borrowings	106 112	0	106 112
Trade and other payables	103 280	3 690	106 970
Payables to owners	4	0	4
Income tax liability	10	0	10
Deferred income	30 895	0	30 895
Current liabilities	240 301	3 690	243 991
Interest-bearing loans and borrowings	452 793	0	452 793
Derivatives	32 359	0	32 359
Non-current liabilities	485 152	0	485 152
Total liabilities	725 453	3 690	729 143
Share capital	361 736	0	361 736
Share premium	639	0	639
Reserves	68 774	0	68 774
Retained earnings	382 407	-3 690	378 717
Equity attributable to equity holders of the Parent	813 556	-3 690	809 866
Total equity	813 556	-3 690	809 866
TOTAL LIABILITIES AND EQUITY	1 539 009	0	1 539 009

Consolidated statement of changes in equity

Unaudited, in thousands of EUR	As previously reported	Adjustments	As restated
As at 31.12.2015			
Retained earnings	354 410	-3 690	350 720
Equity attributable to equity holders of the Parent	824 422	-3 690	820 732
Total equity	824 422	-3 690	820 732
As at 31.12.2016			
Retained earnings	382 407	-3 690	378 717
Equity attributable to equity holders of the Parent	813 556	-3 690	809 866
Total equity	813 556	-3 690	809 866

STATEMENT BY THE MANAGEMENT BOARD

Hereby we declare our responsibility for the Tallink Grupp AS Unaudited Interim Consolidated Financial Statements for the 12 months of 2017 and confirm that these financial statements have been prepared in accordance with IFRS as adopted by the EU and IAS 34 and give a true and fair view of the Group's financial position, financial performance and cash flows.

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



Janek Stalmeister
Chairman of the Management Board



Andres Hunt
Vice Chairman of the Management Board



Lembit Kitter
Member of the Management Board

Tallinn, 28 February 2018