

ANNUAL REPORT 2022

AS TALLINK GRUPP



Beginning of the financial year	1 January 2022
End of the financial year	31 December 2022

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THE GROUP

AS Tallink Grupp (“the Company”) with its subsidiaries (“the Group”) is the leading European ferry operator, which has been offering high quality mini-cruise, passenger transport and ro-ro cargo services in the northern part of the Baltic Sea for over 30 years. The Group’s business model entails providing its services on routes between Estonia, Finland, Sweden and Latvia under the brand names of “Tallink” and “Silja Line”. The Group has a fleet of 15 vessels that include cruise ferries, high-speed ro-pax ferries and ro-ro cargo vessels. In addition, the Group operates three quality hotels in Tallinn city centre and one in Riga (suspended in 2022), and, as the Burger King franchise owner in the Baltics, 18 restaurants of the fast food chain in Estonia, Latvia and Lithuania. The Group runs a successful international travel retail business with a number of shops on board and on shore, and a growing e-commerce presence in the Group’s home markets.

STRATEGY

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

The Group’s long-term strategy is to:

- Strive for the highest level of customer satisfaction
- Improve profitability and strengthen the leading position in our home markets
- Develop a wide range of quality services for different customers and pursue new growth opportunities
- Based on the demand on the core routes, manage optimal capacity by operating or chartering out vessels
- Ensure cost efficient operations
- Maintain an optimal debt level that allows paying sustainable dividends

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

LETTER TO SHAREHOLDERS

Dear shareholders

For the third year in a row, we are starting the review of the previous year with the message “It was an unprecedented year in the history of our business.” While in 2021 this was due to the pandemic and its impacts, 2022 brought with it a new kind of evil and different challenges with war breaking out in Europe, which Tallink has not experienced in such proximity during its 33-year history.

Before 24 February 2022, pandemic restrictions were lifting for the first time in nearly two years, borders were fully opening, passengers were returning to our vessels and hotels, and hope was shining bright for the year ahead that was going to see a rapid recovery of business. And recovery we did indeed see, although it was somewhat dampened by the war, particularly in the first half of the year, and the geopolitical and economic turbulence that echoed across the globe as a result.

With the above in mind, the results of the Group’s and all its employees’ efforts should be considered rather remarkable. The fact that despite everything, we were still able to continue this path of recovery throughout the year and cross the line back into the black with our financial result by the end of the year, speaks volumes of the perseverance of the people who work for Tallink, the loyalty of the customers who travel with Tallink and the faith of the people who have continued to invest in Tallink. And for this, I thank you all.

It is clear that in global history, the year 2022 will mostly be remembered for the start of the war in Ukraine. For nearly a year already, Tallink has played its part in the relief effort to support the millions of displaced Ukrainians, both through free transport for refugees on our vessels and free transport of essential humanitarian aid, but also through providing shelter to thousands of Ukrainian refugees on two of our vessels, on Isabelle in Tallinn and on Victoria I in Edinburgh. Since the start of the war in Ukraine, more than 5 000 Ukrainian refugees had found temporary shelter on the vessel Isabelle. Tallink will continue its support to the governments as long as it is needed with the temporary accommodation, the contracts of which have undeniably also helped and supported Tallink Grupp during the period when passenger numbers are still recovering, and alternative work was necessary for our vessels not currently in regular traffic.

The year, of course, was not all dark clouds and no silver linings. Passenger numbers nearly doubled year on year to 5.5 million by the end of 2022, onboard spending per passenger increased compared to previous years, there was significant interest in our vessels for hire, which led to a number of charters and charter extensions, and the icing on the cake, of course, was the arrival of our newest fleet member and the most modern vessel on the Baltic sea – MyStar – in December. All this has laid a strong foundation to build on in 2023.

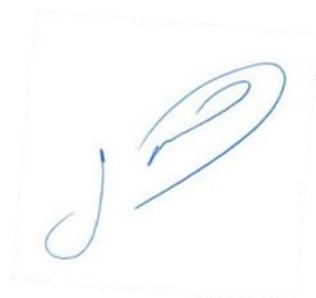
The year ahead will see us continuing to focus on the rebuild and recovery of our core routes between Estonia, Finland and Sweden, and ensuring an optimal growth of these core routes in the future. We will pay close attention to the passenger numbers and occupancy levels of the ships in regular traffic, and we are not afraid to make changes in our operations if there is a clear need to do so. We will also continue to monitor the need for short- and long-term vessel chartering and, if the timing and opportunity are right, we will carry on with the successful chartering projects, which have helped us keep our nose above water during the COVID-19 years and thereafter.

We will certainly also keep our sights on the more distant future beyond 2023, which will no doubt bring new opportunities and challenges. As we develop future strategies, these will have a stronger

focus than ever before on sustainability. With new environmental regulations and directives, such as the Corporate Sustainability Reporting Directive (CSRD) and amendments to the EU Emissions Trading System (ETS) taking effect in the very near future, we are already today reassessing the impact we have on the world around us and the impact the world has on our business, and are taking the steps to reduce the negative impacts of our operations. We are, in many ways, on the verge of a new tomorrow and making sure we are ready for this, is essential for our long-term future.

Dear investors, customers, employees - I thank you once again for your faith, loyalty and dedication to Tallink Grupp and everything we do and stand for. I promise, on behalf of our Management Board and everyone within the Group, that we will continue working hard in 2023 and beyond to ensure your faith, loyalty and dedication to us is rewarded many times over in the years to come.

Yours sincerely,



Paavo Nõgene

Chairman of the Management Board

MANAGEMENT REPORT

In the 2022 financial year (1 January – 31 December), AS Tallink Grupp and its subsidiaries (the Group) carried 5.5 million passengers, which is 84.4% more than in the financial year 2021. The number of cargo units transported increased by 11.0% compared to the previous financial year.

The Group's audited consolidated revenue amounted to EUR 771.4 million (EUR 476.9 million in 2021), up by 61.7%. Revenue from route operations (core business) increased by EUR 236.4 million to EUR 629.0 million compared to the financial year 2021.

The audited EBITDA was EUR 135.8 million (EUR 58.3 million in 2021) and the audited net profit for the period was EUR 13.9 million (net loss of EUR 56.6 million in the financial year 2021).

The following operational factors impacted the Group's revenue and operating results in the financial year 2022:

- In the beginning of the financial year, the Group's operations and operating results were continuously influenced by the COVID-19 in all home markets. The demand for travelling increased after the travel restrictions were lifted in February in Finland and Sweden, and in Estonia from mid-March.
- The demand was negatively impacted by the strong COVID-19 related travel restriction imposed by Asian countries on outbound tourism as well as the war in Ukraine that Russia unleashed on 24 February 2022.
- The Group operated 15 vessels – including 3 shuttle vessels, 2 cargo vessels and 4 cruise ferries as well as 6 vessels that were on charter (2 vessels on long-term and 4 vessels on short-term charter). In 2022, the Group sold cargo vessel Sea Wind in April and delivered the new shuttle vessel MyStar to the Tallinn-Helsinki route in mid-December.
- The Group operated 3 hotels in Tallinn. The Riga Hotel that has remained closed since October 2020 will be re-opened in April 2023.
- The planned maintenance works of vessels totalled to 138 days.
- High global fuel prices impacted the Group's cost level throughout the year.
- The Group continues to focus on cost efficiency through previously implemented measures and restoring profitable operations on its core routes.
- The Group regularly monitors the developments on its core routes including the capacity of each route and continues to look for chartering options for vessels not used on the main routes.

Number of passengers carried by the Group's ships in 2022

5.5 million

The Group's revenue for 2022

EUR 771.4
million

The Group's EBITDA for 2022

EUR 135.8
million

Key Figures

For the year ended 31 December	2022	2021	2020
Revenue (EUR million)	771.4	476.9	442.9
Gross profit/loss (EUR million)	113.5	21.7	-43.5
EBITDA ¹ (EUR million)	135.8	58.3	8.0
EBIT ¹ (EUR million)	37.7	-37.0	-92.6
Net profit/loss for the period (EUR million)	13.9	-56.6	-108.3
Depreciation and amortisation ¹ (EUR million)	98.1	95.3	100.7
Capital expenditures ^{1 2} (EUR million)	203.3	20.2	100.1
Weighted average number of ordinary shares outstanding	743 569 064	694 444 381	669 882 040
Earnings/loss per share ¹ (EUR)	0.02	-0.08	-0.16
Number of passengers ¹	5 462 085	2 961 975	3 732 102
Number of cargo units ¹	409 769	369 170	359 811
Average number of employees ¹	5 023	4 360	6 104
As at 31 December	2022	2021	2020
Total assets (EUR million)	1 691.6	1 585.9	1 516.2
Total liabilities (EUR million)	984.7	893.4	801.9
Interest-bearing liabilities ¹ (EUR million)	853.5	779.9	705.1
Net debt ¹ (EUR million)	738.6	652.4	677.3
Net debt to EBITDA ¹	5.4	11.2	84.2
Total equity (EUR million)	706.9	692.5	714.3
Equity ratio ¹ (%)	41.8%	43.7%	47.1%
Number of ordinary shares outstanding	743 569 064	743 569 064	669 882 040
Shareholders' equity per share (EUR)	0.95	0.93	1.07
Ratios¹	2022	2021	2020
Gross margin (%)	14.7%	4.5%	-9.8%
EBITDA margin (%)	17.6%	12.2%	1.8%
EBIT margin (%)	4.9%	-7.8%	-20.9%
Net profit/loss margin (%)	1.8%	-11.9%	-24.5%
ROA (%)	2.4%	-2.4%	-6.1%
ROE (%)	2.1%	-8.2%	-14.1%
ROCE (%)	3.1%	-2.8%	-7.2%
Current ratio	0.7	0.6	0.4

¹ Alternative performance measures based on ESMA guidelines are disclosed in the "Alternative performance measures" section of the report.

² Does not include additions to right-of-use assets.

Sales and Segments

In 2022, the Group's total revenue increased by EUR 294.5 million to EUR 771.4 million. Total revenue in 2021 was EUR 476.9 million.

Revenue from route operations (core business) increased by EUR 236.4 million to EUR 629.0 million compared to the financial year 2021.

In 2022, the Group's ships carried a total of 3.1 million passengers on the **Estonia-Finland** route, up by 76.9% year-on-year. The number of transported cargo units increased by 19.0%. The revenue from the Estonia-Finland route increased by EUR 93.3 million to EUR 277.8 million. The segment result improved by EUR 39.7 million to EUR 51.7 million. The segment reflects the operations of two shuttle vessels, one cruise ferry, and one cargo vessel. Shuttle vessel MyStar was added to the Estonia-Finland route in mid-December 2022. The cruise ferry Silja Europa stopped operating on the Tallinn-Helsinki route in August 2022 due to a charter agreement. The cargo vessel Sea Wind was sold at the end of April 2022. In the fourth quarter of 2022, the route was operated by two shuttle vessels.

The number of passengers almost doubled on **Finland-Sweden** routes amounting to 1.9 million in 2022. The number of transported cargo units decreased by 9.9%. The routes' revenue increased by EUR 115.6 million to EUR 274.3 million and the segment result improved by EUR 14.6 million to a loss of EUR 1.0 million. The segment reflects the operations of two cruise ferries on the Turku-Stockholm and two cruise ferries on the Helsinki-Stockholm route. Starting from the fourth quarter of 2022 the Turku-Kapellskär route was only operated by one cruise ferry as the cruise ferry Galaxy stopped operating on the route from September 2022 due to a charter agreement.

On **Estonia-Sweden** routes the number of carried passengers almost doubled compared to 2021 amounting to 0.5 million. The number of transported cargo units remained at the same level as a year earlier. The revenue of Estonia-Sweden routes increased by EUR 27.8 million to EUR 76.8 million and net loss increased by EUR 4.0 million to EUR 11.0 million. Estonia-Sweden routes reflect the operation of two cargo vessels and one cruise ferry as well as expenses related to the suspended cruise ferry Victoria I until the ferry was chartered out.

Revenue from the segment **other** increased by a total of EUR 61.9 million and amounted to EUR 147.4 million. The increase was mainly driven by chartering out vessels, accommodation sales, opening of Burger King restaurants and to a lesser extent by various retail activities. Additionally, items previously reported under the geographical segment Latvia-Sweden routes are also included in the segment other as the Latvia-Sweden route was not operated in 2022 and the amounts are below the materiality threshold.

Restaurant and shop sales on board and on shore in the total amount of EUR 378.2 million (EUR 233.4 million in 2021) contributed almost half of total revenue. Ticket sales amounted to EUR 191.9 million (EUR 99.1 million in 2021) and sales of cargo transport to EUR 103.2 million (EUR 94.8 million in 2021).

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

Geographical segments	2022	%	2021	%
Finland-Sweden	274 314	35.6%	158 697	33.3%
Estonia-Finland	277 806	36.0%	184 529	38.7%
Estonia-Sweden	76 835	10.0%	49 065	10.3%
Other	147 429	19.1%	85 520	17.9%
Intercompany eliminations	-4 997	-0.6%	-874	-0.2%
Total revenue of the Group	771 387	100.0%	476 937	100.0%

Operating segments	2022	%	2021	%
Restaurant and shop sales on-board and on mainland	378 163	49.0%	233 376	48.9%
Ticket sales	191 920	24.9%	99 094	20.8%
Sales of cargo transportation	103 183	13.4%	94 763	19.9%
Sales of accommodation	11 325	1.5%	3 367	0.7%
Income from charter of vessels	65 808	8.5%	30 278	6.3%
Other	20 988	2.7%	16 059	3.4%
Total revenue of the Group	771 387	100.0%	476 937	100.0%

Earnings

In 2022, the Group's gross profit grew more than four-fold compared to previous financial year amounting to EUR 113.5 million. EBITDA increased by EUR 77.5 million and amounted to EUR 135.8 million.

The Group's profitability was mainly influenced by the following factors:

- The demand for travelling picked up after the COVID-19 related restrictions were lifted in core markets in spring
- Continued strong focus on cost control through previously implemented measures
- Chartering out of 6 vessels including two on long-term charter and four on short-term charter
- An increase in global fuel prices, which resulted in EUR 71.9 million higher fuel cost than in 2021

The Group's audited net profit for 2022 was EUR 13.9 million or EUR 0.019 per share compared to a net loss of EUR 56.6 million or EUR 0.081 per share in 2021.

The cost of goods sold at shops and restaurants, which is the largest operating cost item, amounted to EUR 160.6 million (EUR 110.5 million in 2021).

Fuel costs for 2022 amounted to EUR 144.1 million (EUR 72.2 million in 2021). Fuel costs were impacted by an increase in global prices. As a result, annual fuel costs increased by 99.5%. The Group makes continuous efforts to improve and optimise its day-to-day operations and lower the fleet's fuel costs.

The Group's total personnel expenses amounted to EUR 162.9 million (EUR 124.0 million in 2021). Staff costs related to administrative staff and sales and marketing staff were EUR 23.3 million and EUR 19.6 million, respectively (EUR 21.2 million and EUR 16.8 million, respectively, in 2021). The staff costs related to servicing and technical personnel amounted to EUR 120.0 million compared to EUR 86.1 million in 2021. The average number of employees in 2022 was 5 023 (4 360 in 2021).

Marketing and administrative expenses for the period amounted to EUR 74.3 million (EUR 62.1 million in 2021). Excluding personnel, administrative expenses for the period amounted to EUR 14.1 million and sales and marketing expenses to EUR 17.3 million (EUR 13.5 million and EUR 10.5 million, respectively, in 2021).

Amortisation and depreciation expense increased by EUR 2.8 million to EUR 98.1 million compared to 2021. There were no impairment losses related to the Group's property, plant and equipment and intangible assets.

As a result of growth in interest-bearing liabilities, net finance costs increased by EUR 2.8 million year-on-year to EUR 24.7 million.

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

Liquidity and Cash Flow

The Group's net operating cash flow for 2022 was positive at EUR 144.3 million (EUR 59.4 million in 2021).

Net cash used in investing activities was EUR 200.3 million (EUR 19.4 million in 2021).

In 2022, the Group's loan repayments totalled EUR 110.1 million (EUR 14.7 million in 2021). Interest payments were EUR 23.5 million (EUR 19.3 million in 2021). The payment of previously postponed principal payments under existing loan agreements restarted in the second quarter of 2022.

At 31 December 2022, the Group's cash and cash equivalents totalled EUR 114.9 million (EUR 127.6 million on 31 December 2021). In addition, available unused overdraft credit lines amounted to EUR 135.0 million (EUR 134.8 million in 2021). The total liquidity buffer (cash, cash equivalents and unused credit facilities) amounted to EUR 249.9 million on 31 December 2022 (EUR 262.4 million on 31 December 2021).

In December 2022, the Group drew a EUR 196.3 million loan from KfW IPEX-Bank GmbH Ltd. to finance the purchase of the EUR 252 million shuttle vessel MyStar. The long-term loan was drawn at the delivery of the shuttle vessel and the maturity of the fixed interest rate loan is twelve years. In management's opinion, the Group has sufficient liquidity to support its operations. Activities to ensure the sustainability of operations and liquidity are described in more detail in Note 26.



Total liquidity as at 31 December 2022
EUR 249.9
 million

Financing Sources

The Group finances its operations and investments with operating cash flow, debt and equity financing and potential proceeds from the disposal of assets. At 31 December 2022, the Group's capitalisation ratio (interest-bearing liabilities as a percentage of interest-bearing liabilities and shareholders' equity) was 54.7% compared to 53.0% at 31 December 2021. The increase results from a EUR 73.6 million increase in interest-bearing liabilities and a EUR 14.4 million increase in equity.

Loans and Borrowings

At the end of 2022, interest-bearing liabilities totalled EUR 853.5 million, a 9.4% increase compared to the end of 2021.

At 31 December 2022, the Group's unused overdraft facilities amounted to EUR 135.0 million.

At the reporting date, all interest-bearing liabilities were denominated in euros.

At the end of the second quarter of 2021, the Group agreed with financial institutions on the amendment and prolongation of the waivers of certain financial covenants under existing loan agreements until the end of 2022. The covenants were not breached in 2022.

Shareholders' Equity

In 2022, the Group's consolidated equity increased by 2.1%, from EUR 692.5 million to EUR 706.9 million. Shareholders' equity per share was EUR 0.95. At the end of 2022, the Group's share capital amounted to EUR 349 477 460. For further information about shares, please see the "Shares and Shareholders" section of this report.

Vessels and Other Investments

The Group's investments in 2022 amounted to EUR 203.3 million, up by EUR 183.1 million from EUR 20.2 million in 2021, the majority of which (EUR 176.7 million) is related to the new shuttle vessel MyStar. Total cost of MyStar was EUR 252 million of which EUR 75.3 million was invested in 2021.

Due to the continuously challenging economic environment, ship-related investments were kept to a minimum and only critical maintenance and repair works were performed. In 2022, the maintenance and repair works lasted for a total of 138 days.

Investments were also made in the completion of energy efficiency and emissions reduction projects, the development of the online booking and sales systems as well as other administrative systems and in relation to the opening of Burger King restaurants.

The Group's main revenue-generating assets are vessels, which account for approximately 76% of total assets. During the financial year the Group owned 15 vessels.

Information about vessels as at the end of the financial year:

Vessel name	Vessel type	Built/renovated	Route	Other information
Silja Europa	Cruise ferry	1993/2016	Estonia-Finland ¹	Overnight cruise
Star	High-speed ro-pax	2007	Estonia-Finland	Shuttle service
Megastar	High-speed ro-pax	2017	Estonia-Finland	Shuttle service
MyStar	High-speed ro-pax	2022	Estonia-Finland	Shuttle service
Baltic Queen	Cruise ferry	2009	Estonia-Sweden	Overnight cruise
Victoria I	Cruise ferry	2004	Estonia-Sweden ¹	Overnight cruise
Regal Star	Ro-ro cargo vessel	1999	Estonia-Sweden	Cargo transportation
Sailor	Ro-ro cargo vessel	1987	Estonia-Sweden	Cargo transportation
Silja Symphony	Cruise ferry	1991	Finland-Sweden	Overnight cruise
Silja Serenade	Cruise ferry	1990	Finland-Sweden	Overnight cruise
Galaxy	Cruise ferry	2006	Finland-Sweden ¹	Overnight cruise
Baltic Princess	Cruise ferry	2008	Finland-Sweden	Overnight cruise
Romantika	Cruise ferry	2002	Norway-Netherlands	Chartered out
Isabelle	Cruise ferry	1989	Latvia-Sweden ¹	Overnight cruise
Atlantic Vision	High-speed ro-pax	2002	Canada	Chartered out

¹ The Latvia-Sweden route was not re-opened in 2022. As at the end of 2022, the Group had four vessels (Silja Europa, Victoria I, Galaxy and Isabelle) on short-term charter.

At 31 December 2022 the book value of the ships amounted to EUR 1 288 million (EUR 1 083 million at the end of 2021). The Group's vessels are regularly valued by two to three independent international shipbrokers who are also approved by the mortgagees.

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

The Group does not have any substantial ongoing research and development projects.

Market Developments

The total number of passengers carried by the Group in 2022 was 5.5 million. The total number of cargo units carried was 410 thousand.

The following table provides an overview of transported passengers, cargo units and passenger vehicles in 2022 and 2021 by route.

Passengers	2022	2021	Change
Finland-Sweden	1 859 209	948 534	96.0%
Estonia-Finland	3 120 531	1 764 058	76.9%
Estonia-Sweden	482 345	249 383	93.4%
Total	5 462 085	2 961 975	84.4%
Cargo units	2022	2021	Change
Finland-Sweden	63 838	70 855	-9.9%
Estonia-Finland	296 950	249 603	19.0%
Estonia-Sweden	48 981	48 712	0.6%
Total	409 769	369 170	11.0%
Passenger vehicles	2022	2021	Change
Finland-Sweden	117 308	83 130	41.1%
Estonia-Finland	670 630	499 005	34.4%
Estonia-Sweden	31 291	19 898	57.3%
Total	819 229	602 033	36.1%

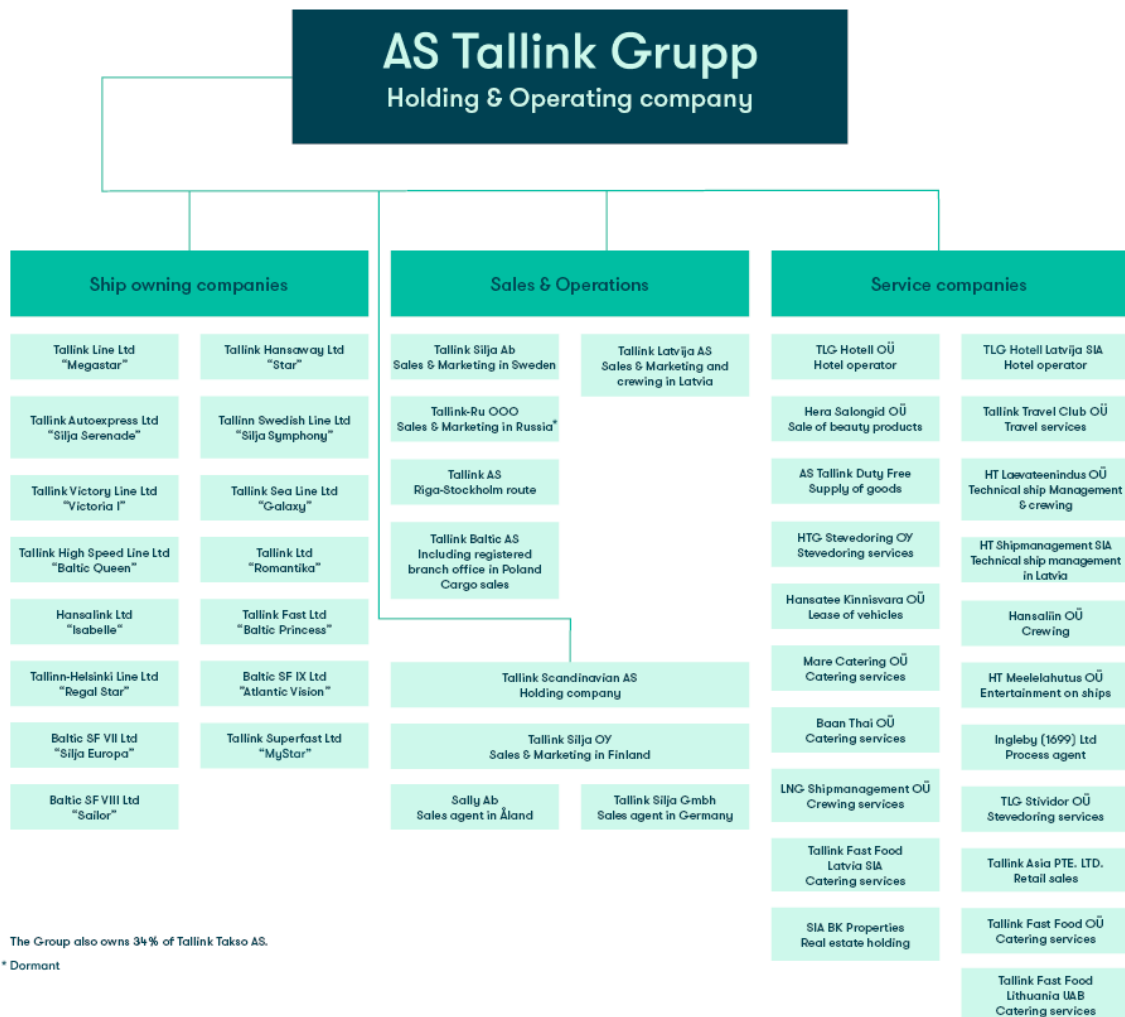
The Group's market shares on routes operated in 2022 were as follows:

- the Group carried approximately 49% of the passengers and 60% of the ro-ro cargo on the route between Tallinn and Helsinki.
- the Group carried approximately 47% of the passengers and 25% of the ro-ro cargo on the routes between Finland and Sweden.
- the Group was the only provider of passenger transportation between Tallinn and Stockholm.

The Group's market share on its core routes was mainly impacted by the available capacity. In 2022, the Group chartered out cruise ferry Silja Europa from the Estonia-Finland route and cruise ferry Galaxy from the Turku-Stockholm route.

Group Structure

At the reporting date, the Group comprised 46 companies. All subsidiaries are wholly owned by AS Tallink Grupp. The following diagram represents the Group's structure at the reporting date:



Personnel

At 31 December 2022, the Group had 4 904 employees (4 785 at 31 December 2021). As at the year-end, the total number of employees included 167 employees on maternity leave.

As at 31 December	2022	2021	Change
Onshore total	1 081	1 049	3.1%
Estonia	723	668	8.2%
Finland	241	241	0.0%
Sweden	98	103	-4.9%
Latvia	13	21	-38.1%
Russia	1	11	-90.9%
Germany	5	5	0.0%
Onboard	3 150	3 231	-2.5%
Burger King ¹	380	272	39.7%
Hotel ¹	293	233	25.8%
Total	4 904	4 785	2.5%

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

In 2021, staff cost was impacted by salary support from the Government of Estonia paid directly to employees. However, no such support was received from the Government of Estonia in 2022. Salary support paid by Government of Sweden is recognized as other operating income in 2021. No such support was received from the Government of Sweden in 2022.

Total staff costs amounted to EUR 162.9 million in 2022 compared to EUR 124.0 million a year earlier. Onshore staff costs related to administrative and sales and marketing personnel were EUR 23.3 million and EUR 19.6 million, respectively (EUR 21.2 million and EUR 16.8 million, respectively, in 2021).

Shares and Shareholders

At 31 December 2022, AS Tallink Grupp had a total of 743 569 064 shares issued and fully paid.

The shares of AS Tallink Grupp (ISIN: EE3100004466) are registered with Nasdaq CSD Estonian branch and traded on the Nasdaq OMX Tallinn Stock Exchange under the ticker symbol TAL1T (REUTERS: TAL1T.TL, BLOOMBERG: TAL1T ET). Starting from 3 December 2018, the shares of AS Tallink Grupp are also registered as Finnish Depository Receipts (FDRs) with Euroclear Finland Ltd and listed on the Nasdaq Helsinki Stock Exchange, where the FDRs are traded under the ticker symbol TALLINK (ISIN: FI4000349378). Each FDR entitles its holder to one share.

All shares are of the same kind and each share carries one vote at the General Meeting of Shareholders. No preference shares or shares with special rights have been issued. According to the articles of association of AS Tallink Grupp, shares can be freely transferred. No authorisation needs to be obtained in order to buy or sell AS Tallink Grupp shares.

AS Tallink Grupp shares have no nominal value and the notional value of each share is EUR 0.47.

On 9 June 2015, the annual general meeting of AS Tallink Grupp approved the terms of a share option programme that allowed issuing options for up to 20 million shares. At 31 December 2022 no options had been granted under the 2015 share option programme.

According to the resolution of the general meeting of 30 July 2020, the Company was granted the right to acquire its own shares subject to the following conditions:

- 1) The Company is entitled to acquire its own shares within five years as from the adoption of the resolution.
- 2) The sum of the book values of the own shares held by the Company shall not exceed 1/10 of share capital.
- 3) The price payable for one share shall not be higher than the highest price paid on the Nasdaq Tallinn Stock Exchange for the share of AS Tallink Grupp on the day when the share is acquired.
- 4) Own shares shall be paid for from the assets exceeding share capital, the legal reserve and share premium.

The Management Board of AS Tallink Grupp has not been granted the right to issue new shares. The Supervisory Board was authorised to increase share capital by EUR 35 000 000 to up to EUR 349 844 558.80 within three years from 1 July 2021.

The table below presents the breakdown of share capital by ownership size at 31 December 2022:

Ownership size	Number of shareholders	% of shareholders	Number of shares	% of share capital
1 - 99	6 287	20.4%	202 736	0.0%
100 - 999	12 098	39.3%	4 489 969	0.6%
1 000 - 9 999	10 711	34.8%	27 655 059	3.7%
10 000 - 99 999	1 518	4.9%	36 490 563	4.9%
100 000 - 999 999	156	0.5%	43 773 288	5.9%
1 000 000 - 9 999 999	32	0.1%	92 410 084	12.4%
10 000 000 +	7	0.0%	538 547 365	72.4%
Total	30 809	100.0%	743 569 064	100.0%

The account NORDEA BANK ABP / CLIENTS FDR represented 9 177 FDR-holders at 31 December 2022. The total number of shareholders and FDR-holders was 39 985.

The table below presents the largest shareholders of the Group at 31 December 2022:

Shareholder	Number of shares	% of share capital
Infortar AS	297 572 752	40.0%
Baltic Cruises Holding L.P.	81 971 609	11.0%
ING Luxembourg S.A. AIF Account	44 077 066	5.9%
Baltic Cruises Investment L.P.	43 831 732	5.9%
Other shareholders	276 115 905	37.1%
Total	743 569 064	100.0%

The table below presents the residency of the shareholders of the Group at 31 December 2022:

Residency	Number of shareholders	Number of shares	% of share capital
Estonia	30 389	455 056 982	61.2%
Cayman Islands	6	162 095 243	21.8%
Luxembourg	8	46 513 410	6.3%
Finland	181	31 220 695	4.2%
United States	11	12 856 510	1.7%
Latvia	26	8 123 014	1.1%
Germany	20	7 460 872	1.0%
Lithuania	10	6 763 493	0.9%
Austria	2	6 324 104	0.9%
Switzerland	10	2 050 432	0.3%
Sweden	34	1 708 479	0.2%
United Kingdom	20	1 568 606	0.2%
Denmark	9	1 410 529	0.2%
Other	83	416 695	0.1%
Total	30 809	743 569 064	100.0%

At 31 December 2022, 11.8% of the Group's shares were held by individuals. The table below presents the investors of the Group by investor type at 31 December 2022:

Investor type	Number of shareholders	Number of shares	% of share capital
Principal shareholder, Infortar AS	1	297 572 752	40.0%
Institutional investors	2 029	358 405 596	48.2%
Private individuals	28 779	87 590 716	11.8%

Shareholders' Agreement

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

Two shareholders of AS Tallink Grupp, Baltic Cruises Holding L.P. ("BCH") and Baltic Cruises Investment L.P. ("BCI"), and another shareholder, Citigroup Venture Capital International Growth Partnership (Employee) II L.P. ("CVCI"), concluded an agreement that restricts the free transferability of AS Tallink Grupp shares as documented in the Co-Investment Agreement between BCI, BCH and CVCI dated 29 June 2017.

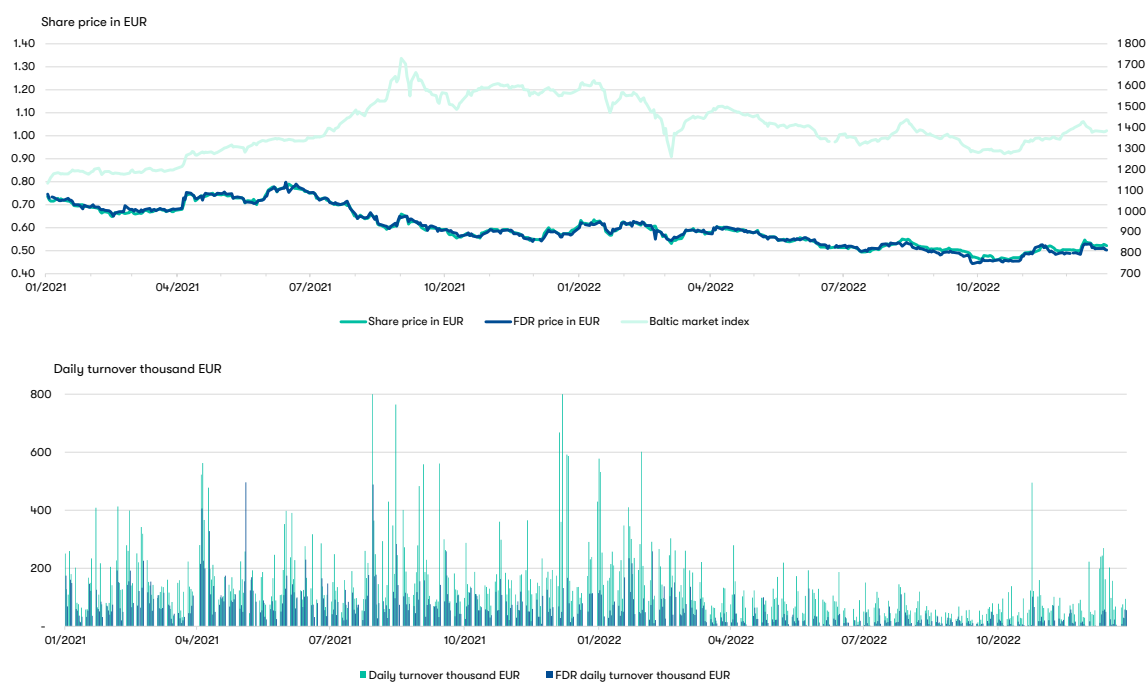
Trading

During 2022, 48 216 676 AS Tallink Grupp shares were traded on the Nasdaq Tallinn Stock Exchange. The highest share price on the Nasdaq Tallinn Stock Exchange was EUR 0.64 and the lowest share

price was EUR 0.46. The average daily turnover of AS Tallink Grupp shares on the Nasdaq Tallinn Stock Exchange was EUR 105.8 thousand.

In 2022, 15 413 156 AS Tallink Grupp FDRs were traded on the Nasdaq Helsinki Stock Exchange. The highest price was EUR 0.64 and the lowest price was EUR 0.43. The average daily turnover of AS Tallink Grupp FDRs on the Nasdaq Helsinki Stock Exchange was EUR 14.1 thousand.

The following charts and table give an overview of the performance of the share price and FDR price, daily turnovers and the Baltic market index from 1 January 2021 to 31 December 2022 as well as implied market valuation at the end of 2022.



Instrument	Open	Close	Daily close average	Payout	Market value, EUR million	P/E ratio
TAL1T	0.593	0.522	0.540	-	388.1	27.47
TALLINK FDR	0.586	0.503	0.536	-	374.0	26.47

Takeover Bids

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

Dividends

In June 2022, the General Meeting of Shareholders decided not to pay a dividend from net loss for 2021.

Due to a complicated operating environment and considering the Company's long-term interests, the Management Board has decided to prepare a proposal to the General Meeting of Shareholders not to pay a dividend in 2023 for the financial year of 2022.

Economic Environment

The Group's operations were predominantly impacted by changes in consumer behaviour and the economic developments in its core markets of Finland, Sweden, and Estonia, but also by the global geopolitical situation and war in Europe. As nearly half of all the passengers are Finns, the Group is exposed the most to economic developments in Finland. Similarly, the Group faces high exposure to economic developments in Estonia (24% of total passengers in 2022) and Sweden (10%).

In the beginning of 2022, the Group's operations and operating results were continuously influenced by the COVID-19 related restrictions in all home markets. The demand for travelling increased after the travel restrictions were lifted in February in Finland and Sweden, and in Estonia from mid-March. The demand for international travel has continued to grow steadily but has not yet returned to pre-COVID-19 levels. The recovery of inbound tourism from Asia has been halted as number of countries in Asian region only raised their COVID-19 travel restrictions at the end of 2022.

The company's cargo business remained steady and robust during the period, although the market conditions and availability of shipping fleet put further pressure on the already challenging price competition.

According to the latest data, in 2022 the real growth of the economies of all the Group's home markets decreased relative to 2021. Trade, as a component of GDP, remained stable in all home markets. In 2022, the exports of goods and services in Sweden grew by 6.6% y-o-y while in Finland the growth was 1.5% according to OECD. At the same time the imports increased annually by 8.7% in Sweden and 7.4% in Finland. In Estonia, the growth of exports of goods and services was 5.0% and import of goods and services 5.8% y-o-y.

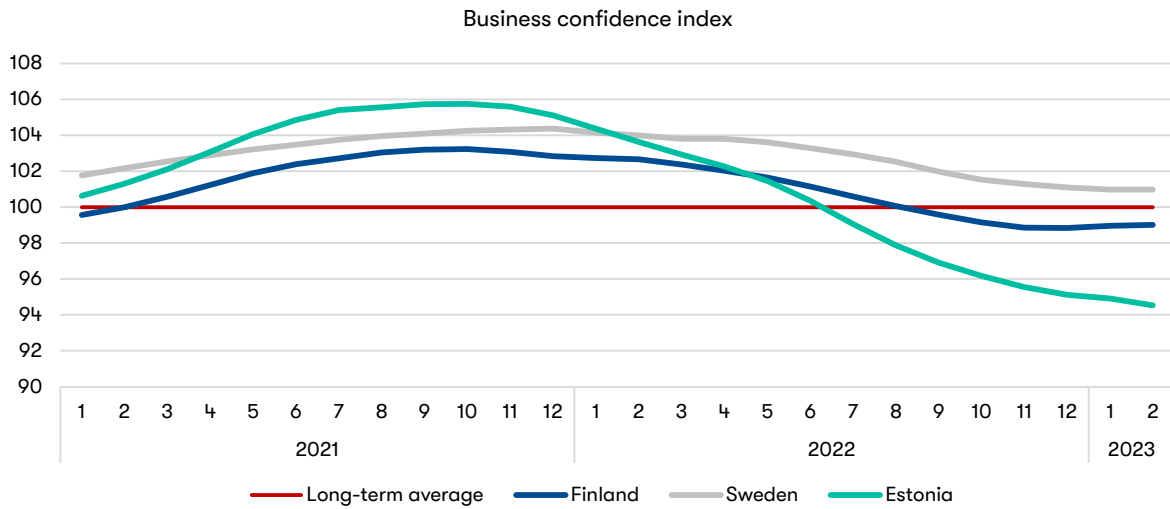
The labour market has bounced back from the COVID-19 pandemic, but the outlook remains uncertain due to the ongoing war in Europe. While the unemployment rates decreased in all our core markets it remains the highest in Sweden and lowest in Estonia. Higher unemployment but also general economic and political situation both locally and globally have direct effect on the consumer confidence and purchasing power.

As indicated by OECD consumer confidence index the all-time-low trend is slowly turning upwards with confidence being strongest in Finland. Consumer confidence is impacted by the combination of high energy prices, the war in Ukraine, the tightening monetary policy and the high inflation. In lower consumer confidence environments, the consumers may want to consume less and save more in order to be prepared for potential financial difficulties in the future. However, despite the low consumer confidence levels, the Group's passenger volumes have recovered rapidly once the COVID-19 related travel restriction were lifted at the end of first quarter 2022.

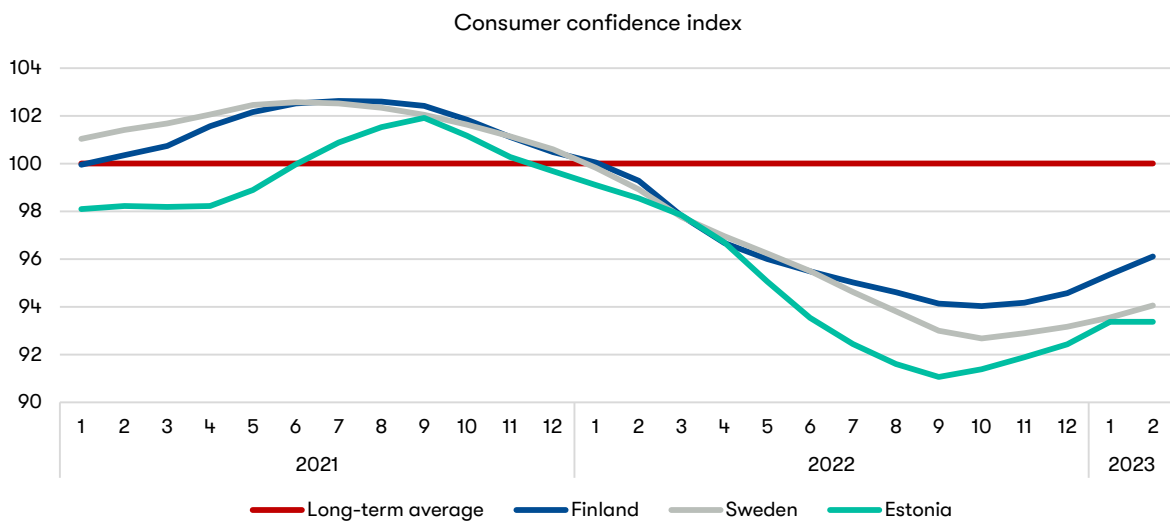
The average fuel prices in 2022 almost doubled compared to the previous financial year of 2021. Measured in euros and weighted with the Group's consumption volumes, the global fuel prices increased, on average, by 98%. A rise in fuel prices was the main cause of the Group's overall fuel cost increase by 100% compared to the same period in 2021. Global fuel prices are expected to remain volatile due to uncertainties in the global economy and the political situation.

A year after the start of war of aggression against Ukraine the business confidence in Sweden and Finland has stabilised while in Estonia the confidence continues to decline. The businesses are mostly concerned about such key challenges as affordable access to energy and raw materials, skills shortages and labour costs to mention few.

For the foreseeable future and according to our current best knowledge and estimates, the key risks for the business continue to be related to the fluctuations in fuel prices and shortages of supply, the war in Ukraine, rising interest rates necessary to curb inflation and the changing customer travel and consumption habits.



Source: <https://data.oecd.org/leadind/business-confidence-index-bci.htm#indicator-chart>



Source: <https://data.oecd.org/leadind/consumer-confidence-index-cci.htm#indicator-chart>

Real GDP, change	2021	2022	2023f
Finland	3.0%	2.2%	-0.3%
Sweden	4.8%	2.9%	-0.6%
Estonia	8.1%	0.8%	0.5%

Source: OECD (2023), Real GDP forecast (indicator). doi: 10.1787/1f84150b-en (Accessed on 13 March 2023)

Unemployment rate (% of labour force)	2021	2022	2023f
Finland	7.7%	6.8%	7.9%
Sweden	8.8%	7.5%	8.3%
Estonia	6.2%	5.6%	5.3%

Source: OECD (2023), Unemployment rate forecast (indicator), doi: 10.1787/b487f2cf-en (Accessed on 13 March 2023).

Inflation (CPI)	2021	2022	2023f
Finland	2.1%	7.0%	5.3%
Sweden	2.2%	8.3%	7.0%
Estonia	4.5%	20.6%	10.8%

Source: OECD (2023), Inflation forecast (indicator). doi: 10.1787/598f4aa4-en (Accessed on 13 March 2023)

Events After the Reporting Period and Outlook

New Collective Agreement

On 6 February 2023, AS Tallink Grupp and Estonian Seamen's Independent Union signed a new collective agreement for the next 4 years. Subject to the agreement, the wages of the Group's maritime workers in Estonia will increase by 13.5% (service personnel) and 16.1% (technical personnel) compared to the minimum wages of the previous collective agreement.



Silja Europa chartering agreement

In February 2023, AS Tallink Grupp and Slaapschepen Public BV, an organisation nominated by Centraal Orgaan Opvang Asielzoekers (COA) in the Netherlands, have used the option for extending the existing short-term charter agreement for Silja Europa until 19 June 2023.

Galaxy chartering agreement

In February 2023, the charter agreement extension was signed for six months for the cruise vessel Galaxy.



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 months (June-August). In 2022-2023, seasonal fluctuations in revenue generation are smoothed by Group's earnings from chartering services.

The war in Ukraine has a negative impact on the demand of certain customer groups, mainly customers from the countries directly participating in the conflict and from Asian countries, together with the risk of an increase in some input prices, mainly fuel and raw materials. The exact magnitude and duration of the potential effects from the conflict remain difficult to assess.



Despite the uncertainties in the outlook of the economic environment the management is continuously looking for ways to improve profitability and manage risks (including the risks for the low season which are managed through charter agreements).

Research and Development Projects

AS Tallink Grupp does not have any substantial ongoing research and development projects. The Group is continuously seeking opportunities to expand its operations in order to improve its results.

The Group is continuously looking for innovative ways to upgrade the ships and passenger area technology to improve its overall performance through modern solutions. The most recent technical projects are focused on solutions for reducing the ships' carbon footprint.

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

Company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed ([Link://https://nasdaqbaltic.com/](https://nasdaqbaltic.com/)).

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.

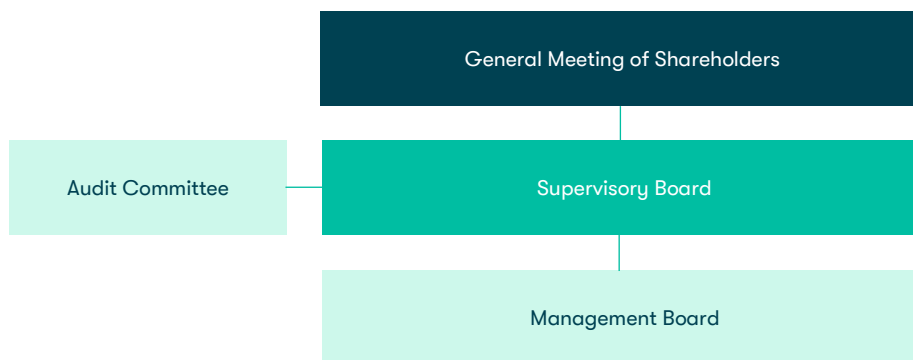
- Protracted geopolitical and military conflict in Europe
- Governmental restrictions on business activities
- Impact of high inflation on consumer habits
- Accidents, disasters
- Macroeconomic and labour market developments
- Changes in laws and regulations
- Relations with trade unions
- Increase in the fuel prices and interest rates
- Market trends and customer behaviour
- Variations in labour legislation impact the competitiveness while sailing under different flags

CORPORATE GOVERNANCE REPORT

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

Organization and Administration

Pursuant to the Estonian Commercial Code and the articles of association of the Company, the right of decision and the administration of the Company are divided between the shareholders represented by the General Meeting of Shareholders, the Supervisory Board and the Management Board. The following diagram represents the governance structure of the Group:



General Meeting of Shareholders

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

The annual General Meeting of Shareholders that approves the annual report no later than six months after the end of the financial year is held at least once a year.

Every shareholder or his/her proxy with a relevant written power of attorney may attend the General Meeting of Shareholders, discuss the items on the agenda, ask questions, make proposals and vote. A controlling shareholder refrains from unreasonably harming the rights of other shareholders, both at the General Meeting of Shareholders and upon organizing the Company's management and shall not abuse his position.

The Company's Management Board determines the agenda of the General Meeting of Shareholders and prepares the draft of the resolution in respect to each item on the agenda to be voted on at the General Meeting of Shareholders. If a General Meeting of Shareholder is called by shareholders, the Supervisory Board or an auditor, the Supervisory Board or an auditor prepares a draft of the resolution of each item on the agenda and submit this to the Management Board. Shareholders whose shares represent at least one-twentieth of the share capital may submit the Company a draft

of the resolution in respect to each item on the agenda to be voted on at the General Meeting of Shareholders.

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

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

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

In the reporting period AS Tallink Grupp held the annual general meeting on 9 June 2022. The meeting was attended by the Management Board members Mr Paavo Nõgene, Mrs Kadri Land, Mr Harri Hanschmidt, Mrs Piret Mürk-Dubout and Mr Margus Schults.

The Supervisory Board members present were Mr Enn Pant, Mr Toivo Ninnas, Mrs Eve Pant, Mr Ain Hanschmidt, Mr Kalev Järvelill, Mr Colin Douglas Clark and Mr Raino Paron. The chairman of the meeting was Mr Raino Paron. The meeting was held in Estonian. The attending shareholders represented 522 858 148 votes, i.e. 70.32% of all votes. The resolutions adopted were: approval of the annual report, approval of net loss and no dividend distribution, approval of remuneration principles of the Management Board, extension of the terms of office of the members of the Supervisory Board, and appointment of an auditor.

The Supervisory Board

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

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

The Supervisory Board is responsible for supervising the management of the Company and organization of its operations. The Supervisory Board determines the principles for the Company's strategy, organization, annual operating plans and budgets, financing and accounting. The Supervisory Board elects the members of the Management Board and determines their salaries and benefits.

At present, the Supervisory Board has seven members: Mr Enn Pant – chairman, Mr Toivo Ninnas, Mrs Eve Pant, Mr Ain Hanschmidt, Mr Colin Douglas Clark, Mr Kalev Järvelill and Mr Raino Paron. The members of the Supervisory Board have the knowledge and experience necessary to fulfil their duties in accordance with the Corporate Governance Recommendations and legislation.

The meetings of the Supervisory Board are held according to need, but not less frequently than every three months. The Supervisory Board convened six times in 2022, during which ten decisions were made. The Company's operations, development, strategies, targets and budget were discussed.

Company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed ([Link://https://nasdaqbaltic.com/](https://nasdaqbaltic.com/)).

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

The Management Board and the Supervisory Board closely collaborate to achieve the better protection of the interests of the Company. The Management Board and Supervisory Board jointly participate in the development of the operations objectives and strategy of the Company.

The remuneration of the Supervisory Board was decided at the General Meeting of Shareholders on 7 June 2012. Accordingly, the remuneration of the Chairman is EUR 2 500 per month and the remuneration of other members of the Supervisory Board is EUR 2 000 per month. There are no other special benefits for the Chairman and the members of the Supervisory Board.

Members of Supervisory Board

Mr Enn Pant (born 1965) - Chairman of the Supervisory Board since 2015

- Chairman of the Management Board from 1996 to 2015, Chief Executive Officer
- Chairman of the Supervisory Board of AS Infotartar
- Chancellor of the Ministry of Finance of Estonia from 1992 to 1996
- Graduated from the Faculty of Economics, the University of Tartu, Estonia, in 1990

Mr Toivo Ninnas (born 1940) - Member of the Supervisory Board since 1997

- Chairman of the Supervisory Board from 1997 to 2016
- Member of the Supervisory Board of AS Infotartar
- Served at ESCO (Estonian Shipping Company) from 1973 to 1997 in various positions, Director General since 1987
- Graduated from the Far Eastern High Engineering Maritime College (FEHEMC), maritime navigation, in 1966

Ms Eve Pant (born 1968) - Member of the Supervisory Board since 1997

- Member of the Management Board of AS Infotartar
- Graduated from the Tallinn School of Economics, Estonia, in 1992

Mr Ain Hanschmidt (born 1961) - Member of the Supervisory Board since 2005, also from 1997 to 2000

- Chairman of the Management Board of AS Infotartar
- For years served as Chairman of the Management Board of SEB Eesti Ühispank AS
- Graduated from the Tallinn Polytechnic Institute (Tallinn University of Technology), Estonia, in 1984

Mr Colin Douglas Clark (born 1974) - Member of the Supervisory Board since 2013

- Managing Director and Head of Central & Eastern Europe, Middle East and Africa for The Rohatyn Group
- Formerly a Partner of CVCI Private Equity, from 2003 to 2013 until the merger of CVCI with The Rohatyn Group in December 2013
- Director of the Supervisory Board of Prestige
- Worked from year 2000 in Citigroup Inc's leading emerging markets projects financing team
- Worked for the Bank of Scotland in Edinburgh in various positions
- Holds a Bachelor's degree in Accountancy and Management from the University of Dundee (Scotland)
- Member of the Institute of Chartered Accountants of Scotland

Mr Kalev Järvelill (born 1965) - Member of the Supervisory Board since 2007

- Member of the Supervisory Board of AS Infotar
- Member of the Management Board of AS Tallink Grupp from 1998 to 2006
- General Director of the Estonian Tax Board from 1995 to 1998
- Vice Chancellor of the Ministry of Finance of Estonia from 1994 to 1995
- Graduated from the Faculty of Economics, the University of Tartu, Estonia, in 1993

Mr Raino Paron (born 1965) - Member of the Supervisory Board since September 2019

- Head of Banking & Finance and EU & Competition practice groups in the law firm Raidla Ellex
- Member of the Management Board of Finance Estonia
- Member of the Supervisory Board of AS Inbank
- Partner and attorney-at-law at law firm Ellex Raidla since 1998
- Chairman of the Supervisory Board of the Arbitration Court of the Tallinn Stock Exchange
- Graduated from the University of Tartu, Estonia in 1990 (cum laude) and from Georgetown University, USA in 1993 with a LL.M degree (Master of Laws) with honours

The shareholdings of the members of the Supervisory Board (direct holding and holding via wholly-owned legal entities) at the end of 2022 were as follows:

Name	Shares
Enn Pant	17 868 562
Toivo Ninnas	3 668 770
Eve Pant	781 000
Ain Hanschmidt	3 500 000
Raino Paron	62 500
Colin Douglas Clark	0
Kalev Järvelill	0

The expiry dates of the terms of office of the Supervisory Board members are as follows:

Name	Expiration of term
Enn Pant	14 June 2023
Toivo Ninnas	18 September 2025
Eve Pant	18 September 2025
Ain Hanschmidt	18 September 2025
Raino Paron	18 September 2025
Colin Douglas Clark	18 September 2025
Kalev Järvelill	13 June 2024

The Management Board

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

The Management Board must adhere to the decisions of the General Meeting of Shareholders and lawful orders of the Supervisory Board. The Management Board ensures, with its best efforts, that the

Company complies with the law and that the Company's internal audit and risk management functions operate effectively.

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

At present, the Management Board has five members: Mr Paavo Nõgene – Chairman, Mrs Kadri Land, Mr Harri Hanschmidt, Mrs Piret Mürk-Dubout and Mr Margus Schults. Mr Paavo Nõgene is responsible for leading the Board and general and strategic management of the Group, additionally he is responsible for daily operations, restaurant & bar operations, communications, route operations, internal audit and control, procurements, data protection and hotel operations. Mrs Kadri Land is responsible for cargo operations, technical management, safety and security, human resources and regional offices. Mr Harri Hanschmidt is responsible for IT, operational and business development, investor relations, EU funds and new strategic projects. Mrs Piret Mürk-Dubout is responsible for the Group's sales & marketing, customer experience, retail operations, onboard services and corporate social responsibility. Mr Margus Schults is responsible for the Group's finances and Finnish operations.

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

The Management Board regularly notifies the Supervisory Board of any important circumstances concerning the planning and business activities of the Group, activity-based risks, and the management of such risks. The Management Board separately calls attention to such changes in the Company's business activities that deviate from set plans and purposes and indicates the reasons for such changes. The information is delivered promptly and covers all material circumstances.

Members of Management board

Mr Paavo Nõgene (born 1980) – Chairman of the Management Board since May 2018

- Secretary-General of the Ministry of Culture of the Republic of Estonia from 2013 to 2018
- General Manager of Vanemuine Theatre in Estonia from 2007 to 2012
- Member of the Supervisory Board of the Art Museum of Estonia
- Graduated from the University of Tartu, Estonia, in 2012 with a degree in Journalism and Communications

Mrs Kadri Land (born 1964) – Member of the Management Board since February 2019

- Has been working for the Group since 2005 and, during that time, has held several senior positions within the organization, including the roles of a Member of the Management Board between 2012 and 2015, and since 2016 the role of the Head of the Group's Global Operations and Logistics
- Member of the Supervisory Board of AS Tallinna Lennujaam and Chairwoman of the Supervisory Board of Tallink Silja AB
- Member of the Management Board of the Swedish Maritime Employers' Association and Member of the Management Board of the Swedish Chamber of Commerce in Estonia
- Graduated from the Faculty of Chemistry and Physics, the University of Tartu, Estonia, in 1987

Mr Harri Hanschmidt (born 1982) – Member of the Management Board since February 2019

- Has been working for the Group since 2009 and has held positions of Head of Investor Relations and Head of the Finance Department among other roles
- Since 2015 has held the position of the Group Head of Strategic Projects
- Worked in various roles in Estonian IT sector organizations prior to joining AS Tallink Grupp
- Holds a Master's degree in Business Informatics from Tallinn University of Technology since 2008

Mrs Piret Mürk-Dubout (born 1970) – Member of the Management Board since April 2019

- Prior to joining the Group, worked in Tallinn Airport where held the position of Chief Executive Officer and Chairman of the Management Board since 2016
- Worked in several senior positions in Telia Company group companies between 2010 and 2016
- Holds an Executive Master of Business Administration degree from the Estonian Business School, a diploma in Jurisprudence from the University of Tartu, and a Master's degree in Media & Communications from the University of Tartu

Mr Margus Schults (born 1966) - Member of the Management Board since April 2021

- Has been working for the Group since 2008, has held position of Chief Executive Officer of Tallink Silja Oy since 2009, including the roles of a member of the Supervisory Board of Sally AB and Managing Director of Tallink Silja GmbH
- Worked in SEB between 1994 and 2008 in leading positions, including as a member of the Management Board of SEB Estonia
- Member of the Main Council of the Helsinki region Chamber of Commerce, Deputy Chairman of Finnish-Estonian Trade Association, Member of the Board of the Finnish Shipowners' Association
- Holds a PhD degree in Technology, Electronics from Tallinn University of Technology

The shareholdings of the members of the Management Board (direct holding and holding via wholly-owned legal entities) at the end of 2022 were as follows:

Name	Shares
Paavo Nõgene	500 000
Kadri Land	101 000
Harri Hanschmidt	212 648
Piret Mürk-Dubout	5 000
Margus Schults	15 000

Authority of the Members of the Management Board to Issue and Acquire Shares

According to the resolution of the General Meeting of Shareholders of 30 July 2020, the Company was granted the right to acquire its own shares subject to the following conditions:

- 1) The Company is entitled to acquire its own shares within five years as from the adoption of the resolution.
- 2) The sum of the book values of the own shares held by the Company shall not exceed 1/10 of share capital.
- 3) The price payable for one share shall not be higher than the highest price paid on the Nasdaq Tallinn Stock Exchange for the share of AS Tallink Grupp on the day when the share is acquired.
- 4) Own shares shall be paid for from the assets exceeding share capital, then legal reserve and share premium.

The Management Board does not have the right to issue the Company's shares.

Disclosure of Information

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

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

Financial Reporting and Auditing

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

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

The notice of the General Meeting of Shareholders includes information on the auditor candidate. The Company observes the auditors' rotation requirement.

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

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

The consolidated financial statements for 2022 were audited by KPMG Baltics OÜ. In addition to audit services, in 2022 KPMG Baltics OÜ provided the Group with services that are permissible in accordance with the Auditors Activities Act of the Republic of Estonia.

The tender for audit services was carried out in 2020 and a request for proposals was sent to the four largest audit firms in Estonia. The main evaluation criteria were as follows:

- time and location of the audit
- international network and competency in the economic sector
- audit contract and payment terms
- audited entities

Based on these criteria, the received proposals were evaluated. As a result of the evaluation process, the audit contract was signed with KPMG Baltics OÜ.

The audit fee and the auditor's responsibilities are fixed in an agreement which is concluded by the Management Board. According to the agreement, the fee to be paid to the auditor is not subject to disclosure and is treated as confidential. In the notice of the annual General Meeting of Shareholders, the Company publishes the information required by the Commercial Code, which does not include the audit fee.

The Audit Committee

The Audit Committee is responsible for monitoring and analysing the processing of financial information, the effectiveness of risk management and internal control, the process of auditing annual and consolidated accounts, and the independence of the audit firm and the auditor representing the audit firm on the basis of the law. The Audit Committee is responsible for making recommendations and proposals to the Supervisory Board.

At present, the Audit Committee has three members: Mr Meelis Asi – chairman, Mr Ain Hanschmidt and Ms Mare Puusaag.

Substantial Shareholders

Shareholder	Number of shares	% of share capital
Infortar AS	297 572 752	40.0%
Baltic Cruises Holding L.P.	81 971 609	11.0%
ING Luxembourg S.A. AIF Account	44 077 066	5.9%

Related party transactions are disclosed in the notes to the financial statements.

REMUNERATION REPORT

The Supervisory Board has concluded service agreements with the members of the Management Board. In 2022, the remuneration of the members of the Group's Management Board was EUR 1.5 million in total.

The remuneration of the Management Board is determined by the Supervisory Board according to the CGR. The Supervisory Board has adopted and amended the principles of remuneration of the management of AS Tallink Grupp. According to the document, besides work benefits, termination benefits and a share option programme, the members of the Management Board are eligible to annual performance-related bonuses of up to 12-months' remuneration depending on the size of dividends. The performance-related bonus is paid when the Group earns a profit and when the shareholders' general meeting decides to pay dividends from the profit of the previous financial year.

The following table provides an overview of the gross remuneration of each Management Board member of AS Tallink Grupp excluding social security tax expense.

In thousands of EUR	2022	2021	2020	2019	2018
Paavo Nõgene	378.0	294.0	263.0	294.0	203.0
of which base remuneration	294.0	294.0	263.0	294.0	203.0
of which bonus	84.0	0.0	0.0	0.0	0.0
Kadri Land	240.0	210.0	196.7	226.0	-
of which base remuneration	210.0	210.0	196.7	179.3	-
of which bonus	30.0	0.0	0.0	46.7	-
Harri Hanschmidt	236.8	198.8	196.7	206.8	-
of which base remuneration	206.8	198.8	196.7	206.8	-
of which bonus	30.0	0.0	0.0	0.0	-
Piret Mürk-Dubout	240.0	210.0	196.7	157.9	-
of which base remuneration	210.0	210.0	196.7	157.9	-
of which bonus	30.0	0.0	0.0	0.0	-
Margus Schults	378.9	243.4	-	-	-
of which base remuneration	188.0	144.5	-	-	-
of which bonus	47.3	0.0	-	-	-
of which payments from other group entities	143.7	98.9	-	-	-
Net profit/loss (EUR million)	13.9	-56.6	-108.3	49.7	40.0
Dividend per share (EUR)*	-	-	-	0.05	0.03
Salary per average FTE	39.6	39.7	39.4	33.6	31.8

* In 2019 payments to shareholders included dividends of EUR 0.05 per share and a share capital reduction of EUR 0.07 per share.

ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILITY

AS Tallink Grupp has been reporting on the company’s sustainability activities, including the Group’s environmental strategies and plans, governance, social contribution annually and systematically already since the early 2000s. The methodologies and standards used as a basis for this have changed and improved over the years, ranging from the Global Reporting Initiative to the United Nations SDGs.

The Group’s sustainability strategy was set in late 2019 following a consultation process, involving some of the company’s key stakeholders and their views on the company’s sustainability agenda, carried out during 2018 and 2019. The developments in the EU sustainability reporting agenda with the adoption of the new Corporate Sustainability Reporting Directive (CSRD) and the development of the new European Sustainability Reporting Standard (ESRS) mean, however, that the company will in 2023 carry out further strengthening of its governance around sustainability responsibilities and reporting, double materiality assessment analyses and reassess its ESG strategy, goals and action plans for the next 2-10 years. The forementioned activities will be carried out in preparation for the enhanced reporting coming into effect from 2024 and 2025 onwards.



In the Annual Report of 2021, the company already carried out the first assessment of the EU taxonomy alignment and reported for the first time based on the taxonomy directive. In the Annual Report of 2022, the taxonomy overview has grown in detail and provides an even greater insight into how the Group’s economic activities are aligned with and support the green agenda.

In addition to the taxonomy analysis, the Group further carried out a mapping exercise at the end of 2022, to identify key areas of development for the group in the area of sustainability in 2023 and mapped out some of the key activities for the year ahead. These include: strengthening governance around sustainability, development of roadmap to CSRD compliance, further GHG emissions analyses and clear objective setting for the next 2-10 years to reach ambitious ESG and climate targets.

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AS Tallink Grupp is proud of signing the company’s first sustainability linked loan with its syndicate banks in late 2022, its loan margins linked to the company’s ESG performance and sustainability KPIs (emissions reductions and employee health and safety) for the first time.

In 2023, the Group will further work on embedding a sustainability culture across the group and enhance ESG governance on company Boards level.

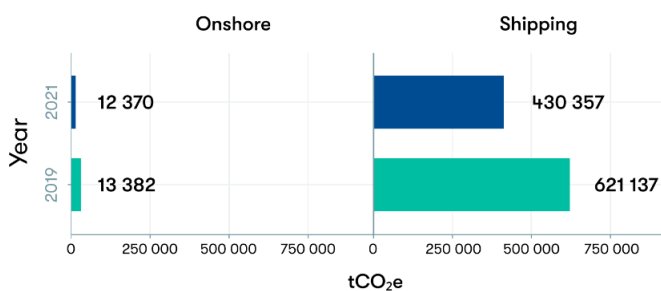
Environmental Activities on Shore

From June until September 2022, AS Tallink Grupp carried out an inventory of the Group’s onshore greenhouse gas emissions in partnership with third party experts and applied science professionals for the years 2019 and 2021 as the base years. The Group already monitors its vessels’ emissions since 2009, but no onshore emissions review had previously been carried out. The inventory was carried out according to the Greenhouse Gas Protocol and included, initially, scope 1 and 2 emissions. The key findings of the analysis were:

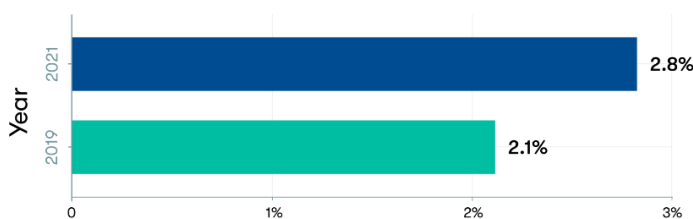
- CO₂ emissions from onshore activities are only a small fraction (2.8%) of AS Tallink Grupp’s total CO₂ emissions.
- In 2019, before COVID-19, the share of onshore activities was even smaller, 2.1%, indicating that after shipping activities restore normal level the share of onshore emissions diminishes further.

2022 emissions analysis will be carried out in Q2 2023 and published in the Group’s 2022 Annual Sustainability Report later this year. The Group will also commence the initial mapping of its scope 3 emissions in 2023 in readiness for measurement of scope 3 emissions in the next few years.

Onshore activities and shipping CO₂ emissions



Share of onshore and shipping CO₂ emissions



GHG emissions inventory for base years 2019 and 2021.

In addition to focusing on mapping and reducing the company’s emissions, AS Tallink Grupp strengthened its policies around circular practices, buying local and buying sustainable. The company continued to work closely with established partners in carrying out its circular economy practises where possible.

Environmental Activities in Shipping Operations

AS Tallink Grupp's vessels continue to be managed in a way where efficiency is one of the utmost priorities. Ship management is constantly working towards finding solutions that provide the biggest impact on reducing fuel consumption and decreasing GHG emissions. There are several projects in the pipeline in 2023, improvements in the ships' measuring equipment forms a cornerstone for further improvements. Hence, the company plans to modernize fuel consumption monitoring equipment and has already introduced a new electronic platform to collect relevant data. Ship management specialists continue to monitor closely the development of technologies that will enable shipping to achieve the goals of reducing carbon intensity and moving towards the decarbonisation of shipping.

Environmental protection and management are a clear focus for the Group. The Group is making significant effort across the Group's fleet to minimize marine and air pollution, increase energy efficiency, control the use of chemicals and other pollutants, save resources and reduce waste wherever possible. The Group's vessels are managed and operated in full compliance with the MARPOL (the International Convention for the Prevention of Pollution from Ships) and its amendments.

The Group continues to operate strictly under a zero-spill policy. The Group's objective is to avoid any pollution of the marine environment by maintaining the highest standards of ships' technical condition, safety and crew competencies, and complying with all legal requirements. In addition, the entire group with its activities is committed to continuous improvement of the operations and meeting its goals.

The Group still participates in an EU funded project TWIN PORT 3, throughout the period 2018-2023. The project focuses on the reduction of the environmental impact of the increasing Ro-Pax ferry traffic and continues to improve the multimodal transport link between Helsinki and Tallinn. As one of the outputs of this project, the onshore power supply systems are developed and operational in Tallinn Old City Harbour, Helsinki South and West Harbour and Stockholm Värtahamnen harbour. In these ports our vessels are able to connect with shore power for reducing air emissions and noise in city centres of the named capital cities.

In 2022 our ships' operations continued to be influenced by the global pandemic, but as a new factor, also by full scale war in the Ukraine. Several of the Group's vessels are chartered out as accommodation vessels for housing war refugees or asylum seekers. The activities of our fleet are slowly recovering but remain far from our peak operations. However, all required maintenances, including all safety related maintenances are performed to the full extent to keep our fleet in complete readiness for any activities they might be needed to engage in.

Auto-mooring systems have been actively used in Tallinn Old City Harbour and in Helsinki West Harbour by our Shuttle ships. This enables our shuttle ships Star, Megastar and, as a new addition to our fleet – MyStar, to optimize time and human resources while in port. This technology enables us to perform mooring operations more efficiently, meanwhile reducing air emissions, noise and saving time.

We continue to focus on possible projects that would help us improve our fleet's energy efficiency. It is our priority to optimize fuel consumption and by doing that also our fleet's GHG emissions, as the latter is going to be a major area for Regulators (in EU and in IMO). We are expecting further developments in addition to the already enforced measures introduced by IMO as short-term solutions (EEXI, CII).

In 2022 the Group's Ship management branch maintained its ISO 14001:2015 certified status of its Environmental Management System forming integral part of its Safety Management System. The surveillance audit was successfully completed, and the certified status was successfully maintained.

Some examples of international certificates held by Group's companies and ships:

- ISO 14001:2015 Environmental Management System Certificate by LRQA (covering entire fleet)
- MARPOL International Energy Efficiency Certificate
- MARPOL International Air Pollution Prevention Certificate
- MARPOL International Sewage Pollution Prevention Certificate
- IAFS International Anti-Fouling System Certificate
- MARPOL International Oil Pollution Prevention Certificate
- Document of Compliance for Anti-fouling System
- MARPOL International Garbage Pollution Prevention Attestation
- Document of Compliance by Estonian Maritime Administration
- Document of Compliance by Finnish Maritime Administration
- Document of Compliance by Swedish Maritime Administration
- Document of Compliance by Latvian Maritime Administration

Social Activities Across the Group

In 2022, AS Tallink Grupp, like a vast number of other businesses around Europe and the globe, focused heavily on providing support for initiatives and projects supporting Ukraine. AS Tallink Grupp worked both with the Estonian Government as well as the Scottish Government to provide emergency and temporary accommodation for Ukrainian refugees on its vessels Isabelle and Victoria I, respectively. Both vessels are currently, in spring 2023, still providing this accommodation in Tallinn and Edinburgh.

The support for the refugees in Estonia and in the Baltic sea region was not, however, limited only to providing a vessel for accommodation. The Group has additionally provided free maritime transport to more than 11 000 refugees and tons of humanitarian cargo since February 2022; the Group's employees have organised countless collections of hygiene products, toys, school items and much more for the refugees travelling on the company's ferries as well as those temporarily residing on the accommodation ferries. This support has been completely altruistic and in many cases grass-roots led. The Group naturally immediately stopped transporting goods and people under sanction, the sale of goods from Russia and Belarus, the use of Russian-origin LNG and took other steps in support of Ukraine. This support will continue as long as it is needed.

When the last of the COVID-19 travel restrictions were lifted in Q1 2022, the Group saw a gradual increase in passenger figures throughout 2022, despite the new geopolitical turbulence. The increase in passengers and stabilising core operations, meant that employee numbers also gradually increased in 2022, totalling 4904 at the end of the year. With 6 of the Group's vessels chartered out long- and short-term at the time of reporting, and the majority of them with technical crew only, there is great potential for jobs in the company once the charters end and the vessels return to regular traffic.

In the continuing turbulent times, the company maintained close ties and continuing discussions regarding labour relations directly with employees and also with the unions in all three key markets. Collective bargaining negotiations in Estonia with the Estonian Independent Seamen's Union successfully completed in early February 2023 with a new collective agreement with the union signed for the next four years, the longest term for a collective agreement for the company yet.

In 2022, the health and safety of the Group's employees continued to be one of the main priorities. Occupational health and safety, workplace injuries rates and relevant data is rigorously monitored, risk assessments performed and steps taken to continuously reduce the number of workplace injuries and accidents, and maintain a zero fatal injuries rate (according to the new sustainability linked loan the company has set itself a target to maintain zero fatal work accidents rate and all other work accidents at or below the Lost Time Injury Frequency Rate (LTIFR) of 13.3 (2021 levels) per annum).

As a multinational company, the Group highly values and supports diversity and has zero tolerance for any form of discrimination. The Group regularly trains its employees on human rights issues and, in partnership with regional NGOs and authorities, educates its staff on diversity, equality and human rights topics. The Group's own gender and nationality mix is a great example of diversity with a gender mix of 53% male, 47% female across the group, and a Management Board mix of 60% male, 40% female.

The Group and its management place great emphasis on strong corporate governance principles and transparent business practises.

Similarly to previous years, AS Tallink Grupp continued its support of Estonian culture, continuing its headline sponsorship of the Estonia National Opera and the Vanemuine theatre, but it also played a key role in raising the bar for Estonian tennis by sponsoring and supporting the organising of the first ever WTA Tallinn Open in September 2022.

The Group continues to support a number of initiatives and projects in the fields of environmental protection and circular economy, children and young people and sports in all its markets.

A more detailed overview of the Group's sustainable development goals, plans, policies and activities in 2022 will be provided in the Group's Sustainability Report, published in May 2023.

Anti-corruption Activities and Human Rights

The Group and its management place great emphasis on strong corporate governance principles and transparent business practises. AS Tallink Grupp operates on a zero tolerance for any form of corruption principle and the Group has been enforcing a clear anti-corruption policy with clear reporting and whistleblowing procedures since 2018.

The Group has adopted an anti-corruption policy describing the group-wide viewpoints for avoiding the corruptive business activities and code of conduct for potential cases of conflict of interests, declaring gifts and reporting integrity concerns. The policy applies to all subsidiaries of AS Tallink Grupp worldwide, members of their managing bodies and employees, both permanent and temporary ones, and to all related persons and the members of their managing bodies and employees.

Conflict of Interest

Every employee of AS Tallink Grupp carrying out a transaction on behalf of the company is obliged to report upon the occurrence of a potential conflict of interest by using a specific form on the Group's insider page.

Gift Declaration

By making, giving or taking the gift or offering hospitality and entertainment every employee should always follow that the gift is not given with the purpose or perspective to influence or determine the deciding process of the receiver or other activities.

The Anti-Corruption Policy sets a requirement to declare gifts set at the value of 50 euros. No gifts exceeding the value of 100 euros per individual shall be offered, provided or accepted without approval from the Group's Management Board. The gifts are declared by using a specific form on the Group's insider page.

Integrity Concern Reporting

The Group is committed to and promotes honest, open and lawful conduct and invites its employees and other natural persons to report information on actual or suspected wrongdoings on incompliances in the operations of the Group that the person has learned about in relation to the performance of his work or professional duties in the Group or in relation to provision of the services to the Group. The reporting will enable the Group to take the necessary action for the elimination of

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any existing wrongdoings in a timely manner and for the prevention of occurring of such in the future.

The Group welcomes submission of the Integrity Concern Reports also in cases when the information about the actual or suspected wrongdoing was learned while establishing contractual relationship with the Group (such as applying for a job or a service contract etc.).

Any suspicion may be reported in free form description directly to the Head of AS Tallink Grupp's Internal Audit department either via the e-mail or by using a specific anonymous form on the Group's insider page. During 2022 no material incidents of material misconduct were notified.

Human Rights

We continue to stand up for human rights, which includes taking action to prevent modern slavery and human trafficking in our business and supply chain. We comply with high ethical business conduct in all of our business, and expect our Suppliers to commit to same standards when conducting business and when dealing with its employees, suppliers and customers.

The Group's Supplier Code of Conduct reflects the values of AS Tallink Grupp and sets out the minimum Anti-Corruption and Human Right's requirements which the Group expects its suppliers and their sub-suppliers to adhere to when doing business with AS Tallink Grupp.

Safety and security

As ever before the safety and security of people, the environment and property remain the top priority in the Group's operations. The Group's Safety Management System continues to be in full compliance with the ISM (International Safety Management) and ISPS (International Ship Port Facility Security) Codes and with the ISO 14001 requirements for Environmental Management Systems. All this provides the basics that enable our ship and onshore operations to prevent accidents, loss of lives and minimize the environmental impact to the environment. Our Integrated Management System is audited by different flag state authorities (Estonian, Finnish, Latvian, and Swedish Maritime Administrations, or recognised organisations duly authorised by these administrations) and by the certification body (LRQA, ISO 14001 Environmental Management System) regularly.

The Group's Safety Management System is designed to maintain and develop safe procedures for ships and create a safe ship environment for both, crew and passengers. Crew skills and their safety and security related knowledge is consistently and continuously developed, tested and practiced through various drills and exercises performed regularly, often in cooperation with relevant local authorities. The competencies are developed by firstly identifying and evaluating any risks and thereafter by establishing possible mitigating measures to manage these risks. We continue to maintain the environmental and safety awareness of the crew at the highest possible level.

One of the objectives of the Group's Safety Management System is to ensure that all applicable provisions set out by the regulators and authorities (e.g., International Maritime Organization, European Union, maritime authorities of the flag states, certification bodies and other relevant organizations) are identified, strictly followed and, where possible, exceeded.

Ship Masters have an overall responsibility for onboard safety and security operations. The onshore organisation provides comprehensive support to all the Group's vessels irrespective of the flag they fly.

All Group vessels carry on board adequate lifesaving equipment, which meets all applicable safety standards and is always ready for immediate use when needed. However, the Group's comprehensive nautical and good-seamanship practices, supported by a top-level safety and security organisation, help ensure that any situations where safety equipment would be needed are avoided in the first place.

EU TAXONOMY REPORTING

Consistent with the Article 8 (1) of Taxonomy Regulation (EU) 2020/852, the Group is obliged to disclose how and to what extent its economic activities are related to environmentally sustainable economic activities as defined by the taxonomy. During the reporting period, the Taxonomy Regulation covers economic activities that can contribute to two environmental objectives:

- climate change mitigation
- climate change adaptation

The taxonomy currently covers two of the Group's economic activities:

- transportation of freight by sea and coastal waters (NACE codes H50.2)
- transportation of passengers by sea and coastal waters (NACE code H50.1)

Under Article 8 (2), the group, as a non-financial undertaking, is obliged to disclose key performance indicators relating to revenue, capital expenditure and operating expenses that are classified as environmentally sustainable under Articles 3 and 9 of the taxonomy.

The Group's other activities, that include ship restaurant and onboard sales service, onshore restaurant and hotel service, online shop, and onshore business are classified as taxonomy non-eligible activities. This applies also to the operation of vessels that are not providing transportation services (NACE codes H50.2 and H50.1), but are used for providing accommodation services to refugees or asylum seekers.

The Group has presented key performance indicators at the consolidated group level to avoid double counting.

KPIs related to EU taxonomy – revenue

Economic activities	Code(s)	Absolute revenue (EUR million)	Proportion of revenue (%)	Substantial contribution criteria							DNSH criteria ("Does Not Significantly Harm")							Minimum safeguards (Y/N)	Taxonomy-aligned proportion of revenue 2022 (%)	Taxonomy-aligned proportion of revenue 2021 (%)	Category (enabling activity or (E)	Category '(transitional activity)' (T)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)							
A. Taxonomy eligible activities																						
A.1 Environmentally sustainable activities (Taxonomy-aligned)																						
6.10. Sea and coastal freight water transport, vessels for port operations and auxiliary activities	NACE H50.2	83.3	11%	11%	0%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y	100%	N/A	T		
6.11. Sea and coastal passenger water transport	NACE H50.1	98.6	13%	13%	0%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y	77%	N/A	T		
Revenue of Taxonomy-aligned activities		181.9	24%	24%	0%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y	59%	N/A			
A.2 Taxonomy-Eligible but not aligned activities																						
6.10. Sea and coastal freight water transport, vessels for port operations and auxiliary activities	NACE H50.2	29.7	4%																			
6.11. Sea and coastal passenger water transport	NACE H50.1	95.9	12%																			
Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		125.6	16%																			
Total (A.1 + A.2)		307.4	40%															59%				
B. Taxonomy non-eligible activities																						
Revenue from non-eligible activities		464.0	60%																			
Total (A+B)		771.4	100%																			

KPIs related to EU taxonomy – capital expenditure

Economic activities	Code(s)	Absolute capex (EUR million)	Proportion of capex (%)	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards (Y/N)	Taxonomy- aligned proportion of capex 2022 (%)	Taxonomy- aligned proportion of capex 2021 (%)	Category (enabling activity or (E)	Category '(transitional activity)' (T)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)					
A. Taxonomy eligible activities																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
6.10. Sea and coastal freight water transport, vessels for port operations and auxiliary activities	NACE H50.2	93.3	46%	46%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y	97%	N/A	T	
6.11. Sea and coastal passenger water transport	NACE H50.1	94.6	47%	47%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y	97%	N/A	T	
Capex of Taxonomy-aligned activities		187.9	92%	92%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y	97%	N/A		
A.2 Taxonomy-Eligible but not aligned activities																				
6.10. Sea and coastal freight water transport, vessels for port operations and auxiliary activities	NACE H50.2	2.9	1%																	
6.11. Sea and coastal passenger water transport	NACE H50.1	3.3	2%																	
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		6.2	3%																	
Total (A.1 + A.2)		194.1	95%														97%			
B. Taxonomy non-eligible activities																				
Capex from non-eligible activities		9.2	5%																	
Total (A+B)		203.3	100%																	

KPIs related to EU taxonomy – operating expenses

Economic activities	Code(s)	Absolute Opex (EUR million)	Proportion of Opex (%)	Substantial contribution criteria							DNSH criteria ("Does Not Significantly Harm")							Minimum safeguards (Y/N)	Taxonomy-aligned proportion of Opex 2022 (%)	Taxonomy-aligned proportion of Opex 2021 (%)	Category (enabling activity or (E)	Category '(transitional activity)' (T)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)							
A. Taxonomy eligible activities																						
A.1 Environmentally sustainable activities (Taxonomy-aligned)																						
6.10. Sea and coastal freight water transport, vessels for port operations and auxiliary activities	NACE H50.2	4.8	8%	8%	0%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y	65%	N/A	T		
6.11. Sea and coastal passenger water transport	NACE H50.1	3.4	6%	6%	0%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y	58%	N/A	T		
Opex of Taxonomy-aligned activities		8.2	14%	14%	0%	0%	0%	0%	0%	0%	N/A	Y	Y	Y	Y	Y	Y	62%	N/A			
A.2 Taxonomy-Eligible but not aligned activities																						
6.10. Sea and coastal freight water transport, vessels for port operations and auxiliary activities	NACE H50.2	2.6	4%																			
6.11. Sea and coastal passenger water transport	NACE H50.1	2.5	4%																			
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		5.0	9%																			
Total (A.1 + A.2)		13.3	23%																	62%		
B. Taxonomy non-eligible activities																						
Opex from non-eligible activities		44.9	77%																			
Total (A+B)		58.2	100%																			

Methodology

Eligibility

The **revenue** from services related to the taxonomy-eligible activities includes vessels' ticket revenue, revenue from the chartering of vessels and cargo revenue. The revenue from taxonomy-eligible activities does not include revenue from onboard and onshore restaurant and retail services, the operation of hotels and the online shop. The total revenue used for calculating the share of taxonomy-eligible activities in Group's revenue includes total revenue without exceptions (note 4).

Taxonomy-eligible **capital expenditure** consists of investments in Group's sea-going vessels. It does not include investments related to the IT developments of onshore units, hotels and onshore businesses (including onshore restaurants). Due to the nature of the Group's economic activities, its vessels carry both passengers and cargo, therefore investments in ships contribute to both types of activities. Technical investments into Groups ships are divided equally between passenger and freight transport activities. Capital expenditure related to public areas of the ships are allocated between activities according to the share of passengers and cargo drivers amongst total number of passengers. The total capital expenditure used for calculating the share of taxonomy-eligible activities in Group's capital expenditure includes total capital expenditure without exceptions (note 14, 15).

Operating expenses related to taxonomy-eligible activities include costs directly related to the maintenance of vessels to ensure the continued and efficient operation of assets: maintenance costs and brokerage fees. Operating expenses are broken down between passenger and cargo transport as follows: the costs of cruise vessels are equally split between passenger and freight transport activities. Operating costs of cargo vessels are fully to freight transport. Total operating expenses calculating the share of taxonomy-eligible activities in Group's operating expenses includes total maintenance costs of the Group, total brokerage fees, total technical personnel costs and ships other expenses.

Alignment

According to Article 3 of (EU) 2020/852, activity is environmentally sustainable (i.e. taxonomy-aligned), if it:

- contributes substantially to one or more of the environmental objectives
- does not significantly harm any of the environmental objectives
- is carried out in compliance with the minimum safeguards
- complies with technical screening criteria

Group's substantial contribution to **climate change mitigation** was assessed according to the technical criteria listed in the Annex I of (EU) 2021/2139. The appraisal was carried out ship by ship using the threshold provided by technical screening criteria in the Annex I 6.11 (criteria b) or c) depending on the type of the vessel)¹ of (EU) 2021/2139 for transportation of passengers by sea and coastal waters. For transportation of freight by sea and coastal waters, Group used the threshold provided by technical screening criteria in the Annex I 6.10 (b or c depending on the type of the vessel) of (EU) 2021/2139. In case application of the screening criteria was not possible due to technical reasons or lack of data (in case of chartered vessels), indicators of these vessels were classified as not aligned with EU taxonomy.

To assess the Group's substantial contribution to **climate change adaptation**, the climate change adaptation risk analysis (as foreseen in 2021/2139 Annex I Appendix A) was conducted, revealing that

¹ The screening criteria c) provide value for EEDI (Energy Efficiency Design Index), however, EEDI is calculated only for new ships and not for existing ones. As the calculation principle is the same and Group's fleet consists already existing ships that have no EEDI value, EEXI values are compared with criteria c) EEDI threshold.

most climate risks have no or positive impact to the Group economic activities. Slight negative impact of certain risks are addressed through appropriate adaptation measures.

The Group provides taxonomy eligible services in the Baltic Sea, where strict environmental criteria are applied, compared with world and European average. **Do No Significant Harm (DNSH)** principle is closely followed in daily operations, the Group taxonomy eligible activities 6.10 and 6.11 are aligned with DNSH principle according to the technical screening criteria established in the EC Delegated Regulation 2021/2139. More information on 2022 activities to ensure the application of the DNSH principle is provided in a separate Sustainability Report to be published in the first half of 2023 on the Group's website.

An overview of the applied **minimum safeguards** is provided in detail in the respective sections of the Corporate Governance Report (Disclosure of Information, Financial Reporting and Audit) and the Environmental and Corporate Social Responsibility (Social Activities Across the Group, Anti-corruption Activities, Conflict of Interest, Integrity Concern Reporting, Human Rights) of the Annual Report.

Contextual (qualitative) information

In accordance with Annex I of the Taxonomy Regulation, the Group is obliged to explain its key performance indicators and the reasons for any changes in these indicators during the reporting period. 2022 KPI's set the baseline for next years. Therefore, it is not possible yet to elaborate on the changes of the KPIs. More contextual information on KPIs is added in the 2023 report, based on yearly change of figures. There were small revisions to the methodology for calculating eligibility figures:

- Revenue from charter of vessels was more evenly distributed between passenger and cargo transport
- Operating expenses include vessels that are operated outside the EU

KPIs related to EU taxonomy – corrections to 2021 figures

	Share of taxonomy-eligible revenue, 2021	Share of taxonomy-eligible revenue, 2021 (corrected)	Share of taxonomy-eligible capital expenditure, 2021	Share of taxonomy-eligible capital expenditure, 2021 (corrected)	Share of taxonomy-eligible operating expenses, 2021	Share of taxonomy-eligible operating expenses, 2021 (corrected)
6.10. Sea and coastal freight water transport, vessels for port operations and auxiliary activities	20%	23%	25%	25%	14%	15%
6.11. Sea and coastal passenger water transport	27%	24%	27%	27%	11%	11%
Taxonomy eligible activities	47%	47%	52%	52%	25%	26%

MANAGEMENT BOARD'S CONFIRMATION

The Management Board confirms that to the best of their knowledge the management report of AS Tallink Grupp for the year 2022, including the remuneration report, presents a true and fair view of significant events and their impact on the Group's results and financial position and includes an overview of the main risks and uncertainties.



Paavo Nõgene
Chairman of the Management Board



Kadri Land
Member of the Management Board



Harri Hanschmidt
Member of the Management Board



Piret Mürk-Dubout
Member of the Management Board



Margus Schults
Member of the Management Board

31 March 2023

This audited annual report has been signed digitally.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The Notes on pages 51-108 form an integral part of the financial statements

For the year ended 31 December, in thousands of EUR	2022	2021
Revenue (Note 4)	771 387	476 937
Cost of sales (Note 5)	-657 917	-455 282
Gross profit/loss	113 470	21 655
Sales and marketing expenses (Note 5)	-38 796	-29 262
Administrative expenses (Note 5)	-47 555	-45 633
Impairment loss on receivables (Note 25)	-153	-99
Other operating income (Note 22)	10 871	16 336
Other operating expenses	-164	-28
Result from operating activities	37 673	-37 031
Finance income (Note 5)	215	34
Finance costs (Note 5)	-24 871	-21 921
Share of profit/loss of equity-accounted investees (Note 12)	-90	-80
Profit/loss before income tax	12 927	-58 998
Income tax (Note 6)	1 008	2 422
Net profit/loss	13 935	-56 576
Net profit/loss attributable to equity holders of the Parent	13 935	-56 576
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translating foreign operations	480	123
Other comprehensive income	480	123
Total comprehensive income	14 415	-56 453
Total comprehensive income attributable to equity holders of the Parent	14 415	-56 453
Basic and diluted loss per share (in EUR, Note 7)	0.019	-0.081

Consolidated Statement of Financial Position

The Notes on pages 51-108 form an integral part of the financial statements

As at 31 December, in thousands of EUR	2022	2021
ASSETS		
Cash and cash equivalents (Note 8)	114 935	127 556
Trade and other receivables (Note 9)	31 380	29 298
Prepayments (Note 10)	9 379	11 924
Prepaid income tax	37	0
Inventories (Note 11)	39 965	34 631
Current assets	195 696	203 409
Investments in equity-accounted investees (Note 12)	75	165
Other financial assets and prepayments (Note 13)	3 622	555
Deferred income tax assets (Note 6)	21 840	21 840
Investment property	300	300
Property, plant and equipment (Note 14)	1 438 286	1 323 353
Intangible assets (Note 15)	31 823	36 293
Non-current assets	1 495 946	1 382 506
TOTAL ASSETS	1 691 642	1 585 915
LIABILITIES AND EQUITY		
Interest-bearing loans and borrowings (Note 16)	165 049	244 436
Trade and other payables (Note 18)	86 934	91 687
Payables to owners	6	6
Income tax liability	35	47
Deferred income (Note 19)	44 222	21 734
Current liabilities	296 246	357 910
Interest-bearing loans and borrowings (Note 16)	688 465	535 489
Non-current liabilities	688 465	535 489
Total liabilities	984 711	893 399
Share capital (Note 20)	349 477	349 477
Share premium (Note 20)	663	663
Reserves (Note 20)	66 363	67 930
Retained earnings	290 428	274 446
Equity attributable to equity holders of the Parent	706 931	692 516
Total equity	706 931	692 516
TOTAL LIABILITIES AND EQUITY	1 691 642	1 585 915

Consolidated Statement of Cash Flows

The Notes on pages 51-108 form an integral part of the financial statements

For the year ended 31 December, in thousands of EUR	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss for the period	13 935	-56 576
Adjustments for:		
Depreciation and amortisation (Notes 14, 15)	98 136	95 313
Net gain/loss on disposals of property, plant and equipment	-34	-494
Net interest expense (Note 5)	24 622	21 843
Loss from equity-accounted investees (Note 12)	90	80
Net unrealised foreign exchange gain/loss	341	118
Loss from investments	0	75
Income tax (Note 6)	-1 008	-852
Adjustments	122 147	116 083
Changes in:		
Receivables related to operating activities	-2 036	-3 918
Prepayments related to operating activities	-1 602	-3 007
Inventories	-5 334	-6 513
Liabilities related to operating activities	17 415	13 447
Changes in assets and liabilities	8 443	9
Cash generated from operating activities	144 525	59 516
Income tax paid	-227	-137
NET CASH FROM/USED IN OPERATING ACTIVITIES	144 298	59 379
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	-203 322	-20 192
Proceeds from disposals of property, plant and equipment	2 768	816
Interest received	215	3
NET CASH USED IN INVESTING ACTIVITIES	-200 339	-19 373
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans received (Note 16)	196 290	90 000
Repayment of loans received (Note 16)	-110 055	-14 667
Change in overdraft (Note 16)	-165	-15 556
Payment of lease liabilities	-17 157	-14 903
Interest paid	-23 516	-19 296
Payment of transaction costs related to loans	-1 977	-495
Issue of shares (Note 20)	0	34 633
NET CASH FROM FINANCING ACTIVITIES	43 420	59 716
TOTAL NET CASH FLOW	-12 621	99 722
Cash and cash equivalents at the beginning of period	127 556	27 834
Change in cash and cash equivalents (Note 8)	-12 621	99 722
Cash and cash equivalents at the end of period	114 935	127 556

Consolidated Statement of Changes in Equity

The Notes on pages 51-108 form an integral part of the financial statements

In thousands of EUR	Share capital	Share premium	Translation reserve	Ships re-valuation reserve	Legal reserve	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
As at 31 December 2021	349 477	663	360	35 411	32 159	274 446	692 516	692 516
Net profit/loss for 2022	0	0	0	0	0	13 935	13 935	13 935
Other comprehensive income for 2022								
Exchange differences on translating foreign operations	0	0	480	0	0	0	480	480
Total comprehensive income for 2022	0	0	480	0	0	13 935	14 415	14 415
Transactions with owners of the Company recognised directly in equity								
Transfer from revaluation reserve	0	0	0	-2 047	0	2 047	0	0
Total transactions with owners of the Company, recognised directly in equity	0	0	0	-2 047	0	2 047	0	0
As at 31 December 2022	349 477	663	840	33 364	32 159	290 428	706 931	706 931

In thousands of EUR	Share capital	Share premium	Translation reserve	Ships re-valuation reserve	Legal reserve	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
As at 31 December 2020	314 844	663	237	37 458	32 159	328 975	714 336	714 336
Net profit/loss for 2021	0	0	0	0	0	-56 576	-56 576	-56 576
Other comprehensive income for 2021								
Exchange differences on translating foreign operations	0	0	123	0	0	0	123	123
Total comprehensive loss for 2021	0	0	123	0	0	-56 576	-56 453	-56 453
Transactions with owners of the Company recognised directly in equity								
Transfer from revaluation reserve	0	0	0	-2 047	0	2 047	0	0
Issue of shares (Note 20)	34 633	0	0	0	0	0	34 633	34 633
Reduction of share capital	0	0	0	0	0	0	0	0
Total transactions with owners of the Company, recognised directly in equity	34 633	0	0	-2 047	0	2 047	34 633	34 633
As at 31 December 2021	349 477	663	360	35 411	32 159	274 446	692 516	692 516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Corporate Information

The consolidated financial statements of AS Tallink Grupp (the “Parent”) and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2022 were authorised for issue by the Management Board on 31 March 2023.

According to the Estonian Commercial Code, the annual report including the consolidated financial statements prepared by the Management Board must first be approved by the Supervisory Board and ultimately by the General Meeting of Shareholders. Shareholders have the power not to approve the annual report prepared and presented by the Management Board and the right to request that a new annual report be prepared.

AS Tallink Grupp is a public limited company incorporated and domiciled in Estonia, with a registered office at Sadama 5 Tallinn. AS Tallink Grupp shares have been publicly traded on the Nasdaq 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), EMTAK 50101 – Sea and coastal passenger water transport, EMTAK 50201 – Sea and coastal freight water transport, EMTAK 79121 – Travel agency activities. Further information on the Group’s principal activities is presented in Note 4 Segment information. At 31 December 2022 the Group employed 4 904 people (4 785 at 31 December 2021).

Note 2 Basis of Preparation

2.1. Statement of Compliance

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

2.2. Basis of Measurement

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

- equity securities are measured at fair value (Note 13)
- ships are measured at revalued amounts (Note 14)

2.3. Changes in Accounting Policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2022.

Changes in significant accounting policies

The Group applied the following amendments to standards initially on 1 January 2022.

Amendments to IFRS 3 Business Combinations

Effective for annual periods beginning on or after 1 January 2022.

The amendments to IFRS 3 update a reference in IFRS 3 to the 2018 Conceptual Framework for Financial Reporting instead of the 1989 Framework. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments had no material impact on the Group's financial statements when initially applied.

Amendments to IAS 16 Property, Plant and Equipment

Effective for annual periods beginning on or after 1 January 2022; to be applied retrospectively. The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary).

The amendments had no material impact on the Group's financial statements when initially applied.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Effective for annual periods beginning on or after 1 January 2022, to be applied retrospectively. In determining the costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendments clarify that the cost of fulfilling a contract comprises both:

- the incremental costs of fulfilling that contract and
- an allocation of other costs that relate directly to fulfilling contracts.

An entity must apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity will not restate comparative information. Instead, the entity will recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied, because in determining the costs of fulfilling a contract the Group takes into account both incremental costs and other costs that relate directly to fulfilling contracts.

The amendments had no material impact on the Group's financial statements when initially applied.

Annual improvements to IFRS standards 2018-2020

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted. Improvements to IFRS (2018-2020) include three amendments to the standards:

- the amendments to IFRS 9 Financial Instruments clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender is on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- the amendments to IFRS 16 Leases remove illustrative example 13 accompanying IFRS 16, which in practice creates confusion in accounting for leasehold improvements for both the lessee and lessor. The purpose of the amendment is to remove the illustrative example that creates confusion.
- the amendments to IAS 41 Agriculture remove the requirement to use pre-tax cash flows to measure the fair value of agriculture assets. Previously, IAS 41 had required an entity to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows.

The amendments had no material impact on the Group's financial statements when initially applied.

Standards, interpretations and amendments to published standards that are not yet effective

Amendments to IAS 1 Presentation of Financial Statements

Effective for annual periods beginning on or after 1 January 2023, to be applied retrospectively. Early application is permitted. These amendments are not yet endorsed by the EU.

The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the end of the reporting period. The entity's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

The amendments to IAS 1 aim to help entities provide accounting policy disclosures that are more useful by:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

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The amendments are consistent with the refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements”.

The Group does not expect the amendments to have an impact on its financial statements when initially applied.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective for annual periods beginning on or after 1 January 2023; to be applied prospectively. Early application is permitted.

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are not expected to have a material impact on the Group as these amendments provide guidance in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

Amendments to IAS 12 Income Taxes

Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

The amendments clarify the accounting for deferred tax on transactions that involve recognising both an asset and a liability with a single tax treatment related to both. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 Classification of liabilities as current or non-current, deferral of effective date

The amendments to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However in response to the COVID-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement the classification changes resulting from the amended guidance.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

Effective for annual periods beginning on or after 1 January 2024; to be applied retrospectively to the date when the entity initially applied IFRS 16. Early application is permitted.

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments. The amendments confirm the following. • On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. • After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the

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right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Other changes

Other new standards, amendments to standards and interpretations that are not yet effective are not expected to have a significant impact on the Group's financial statements.

2.4. Functional and Presentation Currency

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

2.5. Use of Estimates and Judgements

The preparation of the consolidated financial statements in conformity with IFRS (EU) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

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

Lease Term

Judgement to determine whether the Group is reasonably certain to exercise extension options.

As at 31 December 2022, the Group had entered into lease agreements for 4 hotel buildings, 4 office buildings, 1 warehouse building, 19 restaurant buildings and 5 shops (31 December 2021: 4 hotel buildings, 4 office buildings, 1 warehouse building, 16 restaurant buildings and 5 shops). See Note 17 for more detailed information on the minimum lease payments of the lease agreements.

Assumptions and Estimation Uncertainty

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

Fair Value of Ships

For the purpose of revaluation, the Group determined the fair value of its ships as at 31 December 2022. The fair value of ships depends on many factors, including the year of construction, several technical parameters as well as how the ships have been maintained (i.e. how much the owner has invested in maintenance).

In order to assess the fair value of ships, the Group's management used independent appraisers. Revaluation depends upon changes in the fair values of the ships. When the fair value of a ship differs materially from its carrying amount, a revaluation is required. Management is of the opinion that as at 31 December 2022 the carrying value of ships as a group did not materially differ from

their fair value. Therefore, no revaluation was performed as at 31 December 2022. Further details are given in Note 3.4 and Note 14.

Assessment of Impairment of Right-of-Use Buildings and Premises

At each reporting date, the Group assesses whether any indications exist of possible impairment of right-of-use buildings. If such indications exist, an impairment test is performed. For estimation of the value, the items' value in use is determined. For determining the value in use, the discounted cash flow method is used. Further details are given in Note 14.

Determination of the Useful Lives of Property, Plant and Equipment and Intangible Assets

Management has estimated the useful lives and residual values of property, plant and equipment and intangible assets, taking into consideration the volumes of business activities, historical experience in this area and future outlook.

Management's estimates of the useful lives of the Group's property, plant and equipment and the Group's intangible assets are disclosed in Notes 3.4 and 3.5, respectively.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2022 amounted to EUR 11 066 thousand (31 December 2021: EUR 11 066 thousand). Further details are given in Note 15.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

A deferred tax asset is recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Further details are provided in Note 6.

Customer Loyalty Programme

Customer loyalty programme (Club One) applies to sales transactions in which the entities grant their customers award credits that, subject to meeting further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.

The Group recognises the credits that it awards to customers as a separate performance obligation, which is deferred at the date of the initial sale. The credits are recognised based on the relative stand-alone selling price allocation method. See also Note 19.

Note 3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

3.1. Basis of Consolidation

Business Combinations

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

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

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

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

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

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

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

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed or has rights to variable returns from its involvements with the investee and it has the ability to affect those returns through its power over the investee and there is a link between power and returns. In assessing control, potential voting rights that currently are exercisable are taken into account.

The consolidated financial statements comprise the financial statements of AS Tallink Grupp and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated

financial statements are prepared as at the same reporting date. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Investments in Equity-Accounted Investees

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

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

Transactions Eliminated on Consolidation

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

3.2. Foreign Currency

Foreign Currency Transactions

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

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

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

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

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euros at exchange rates at the reporting date.

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

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

3.3. Financial Instruments

Recognition and Initial Measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at:

- amortised cost
- FVOCI – debt investment
- FVOCI – equity investment or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

All financial assets not classified as measured at amortised cost as described above or FVOCI are measured at FVTPL. This includes all derivative financial assets.

Financial Assets – Subsequent Measurement and Gains and Losses

Financial assets at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method.

The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial Liabilities – Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

The Group also enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Share Capital

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

3.4. Property, Plant and Equipment

Recognition and Measurement

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

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

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

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

At the revaluation date, the carrying amount of ships is replaced with their fair value at the date of revaluation and accumulated depreciation is eliminated. Any revaluation surplus is recognised in other comprehensive income and presented in the revaluation reserve in equity. A revaluation deficit is recognised in loss, except that a deficit offsetting a previous surplus on the same asset, previously recognised in other comprehensive income, is offset against the surplus in the 'revaluation of ships'.

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

Subsequent Costs

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

Depreciation

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

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

- buildings 5 to 50 years
- plant and equipment 3 to 10 years
- ships 17 to 40 years
- other equipment 2 to 5 years

Land is not depreciated.

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

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

- ships 17 to 40 years
- capitalised dry-docking expenses 2 to 5 years

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

The residual value is calculated as a percentage of the gross carrying amount of the ship.

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

3.5. Intangible Assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses.

Research and Development Costs

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

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

Trademark

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

Other Intangible Assets

Other intangible assets (the licences and development costs of IT programs, acquired customer contracts) are initially recognised at cost.

Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is expensed in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life on a straight-line basis and assessed for

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

Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

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

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

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

3.6. Investment Property

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

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

3.7. Inventories

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

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

3.8. Borrowing Costs

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

3.9. Impairment

Financial Assets

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

At initial recognition of each accounts receivable balance and throughout its life, a lifetime credit loss is recognised in order to arrive at the appropriate impairment under IFRS 9. In order to calculate a lifetime expected credit loss the provision matrix method is used.

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

All impairment losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-Financial Assets

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

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10. Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under a short-term cash bonus plan if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.11. Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. The expense relating to a provision is presented in profit or loss net of any reimbursement. Where discounting is used, the increase in the provision due to the passage of time is recognised in 'finance costs'.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.12. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group as a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the

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underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In 2021 and 2022 the Group negotiated rent concessions with the landlords for the leases of its hotels and retail premises because of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19 related rent concessions consistently to all eligible rent concessions relating to the leases of its hotels and retail premises.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-Term Leases and Leases of Low-Value Assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as a Lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

3.13. Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods – Restaurant and Shop Sales On-Board and Onshore

Revenue is recognised when the goods are delivered and have been accepted by customers at their locations, i.e. at the retail stores, bars and restaurants, generally for cash or by card payment.

Ticket Sale and Sale of Cargo Transport

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

Sales of Hotel Accommodation

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

Revenue from Travel Packages

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

Charter Income

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

In these financial statements the term 'charter' refers to 'lease' as defined in IFRS 16.

Customer Loyalty Programme

The Group allocates a portion of the consideration received to Club One loyalty points. This allocation is based on the relative stand-alone selling price method. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. The deferred revenue is included in contract liabilities. See also Note 4 and Note 18.

3.14. Government Grants and Assistance

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

Government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. Government assistance is recognised in profit or loss on the date that the Group's right to receive payment is established.

3.15. Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including equity instruments), dividend income, gains on the disposal of equity instruments, and gains on derivative instruments that are recognised in profit or loss.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on derivative instruments that are recognised in profit or loss.

Borrowing costs not directly attributable to the acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

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

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

3.16. Income Tax

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

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

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

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

Group Companies in Estonia

According to the Estonian Income Tax Act, for Group companies registered in Estonia, including the Parent, net profit is not subject to income tax, but dividends paid are subject to income tax of 14% or 20% (calculated as 14/86 or 20/80 of the net dividends to be paid in 2023). The potential tax liability from the distribution of the entire retained earnings as dividends is not recorded in the statement of financial position for Estonian Group companies. The amount of the potential tax liability from the distribution of dividends depends on the time, amount and sources of the dividend distribution.

There is a dividend taxation regime in Estonia including a lower income tax rate of 14% (14/86 of the net amount of the distribution) for regular profit distributions. The lower tax rate may be applied if the amount of the distribution does not exceed the Group's last three years' average profit distributions subject to taxation in Estonia. The portion of the distribution exceeding this threshold remains taxable at 20%.

In practice, a lower tax rate can be applied to dividends distributed in annual periods beginning on or after 2019. However, as dividends paid to individuals will be subject to an additional 7% income tax withholding, the change does not lighten the tax burden of shareholders who are individuals.

Income tax from the payment of dividends is recorded as income tax expense in the period in which the dividends are declared. The maximum income tax liability that could arise on the distribution of dividends is disclosed in Note 21.

Group companies in Cyprus

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

Other Foreign Group Companies and Permanent Establishments

In accordance with the income tax laws of other jurisdictions, a company's net profit and the profit from permanent establishments, adjusted for temporary and permanent differences as determined by the local income tax legislation, is subject to current income tax in the countries in which the Group's companies and permanent establishments have been registered (see Note 6).

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

According to tax law changes that came into force from 1 January 2018, in Latvia the profits of companies derived in 2018 and subsequent periods are taxed similarly to Estonia at the moment of distribution with corporate income tax at a rate of 20% (at 20/80 of the net amount).

3.17. Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, if any.

3.18. Segment Reporting

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

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

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

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

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of expenses that can be allocated to the

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

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

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

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

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

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

3.19. Determination of Fair Values

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Ships (Level 3)

The market value of ships is the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The Group uses independent appraisers to determine the fair value of the ships. The fair value is calculated using the weighted average of the appraisers valuations and stress-sale valuations. No revaluation will be carried out if the difference between calculated fair value and book value is immaterial. The frequency of revaluation depends upon changes in the fair values of the ships. When the fair value of a ship differs materially from its carrying amount, a revaluation is required.

Intangible Assets (Level 3)

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

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

Non-Derivative Financial Liabilities (Levels 1 and 2)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

3.20. Separate Financial Statements of the Parent

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the separate primary financial statements (i.e. statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity, collectively referred to as primary financial statements) of the Parent. The separate primary financial statements of AS Tallink Grupp are disclosed in Note 28 Primary Financial Statements of the Parent. These statements have been prepared using the same accounting policies and measurement bases that were used on the preparation of the consolidated financial statements, except for investments in subsidiaries which are stated at cost in the separate primary financial statements of the Parent.

Note 4 Segment Information

The Group's operations are organised and managed separately according to the nature of the different markets. As at 31 December 2022 the Group operated in the following business segments:

- Estonia-Finland routes: 3 ships (31 December 2021: 4 ships)
- Estonia-Sweden routes: 3 ships (31 December 2021: 4 ships)
- Latvia-Sweden route: no ships (31 December 2021: 1 ship)¹
- Finland-Sweden routes: 3 ships (31 December 2021: 4 ships)
- Other segment
 - Ships chartered out by the Group: 6 ships (31 December 2021: 1 ship)²
 - Ships chartered out by the Group in the future: no ships (31 December 2021: 1 ship)³
 - Hotels in Estonia: 3 hotels (31 December 2021: 3 hotels)
 - Hotels in Latvia : 1 hotel, reopening in spring 2023 (31 December 2021: 1 hotel, operations suspended)
 - Shops in Estonia: 5 shops (31 December 2021: 5 shops)
 - Online shop: 1 shop (31 December 2021: 1 shop)
 - Restaurants in Estonia: 10 restaurants (31 December 2021: 8 restaurants)
 - Restaurants in Latvia: 5 restaurants (31 December 2021: 3 restaurants)
 - Restaurants in Lithuania: 5 restaurants (31 December 2021: 5 restaurants)

¹ Items previously reported under geographical segment Latvia-Sweden routes are included in the segment Other as Latvia-Sweden route has not been operated in 2022 and the amounts are below significance threshold.

² As the chartering out of vessels is not the Group's core business chartered out ships are shown under Other segment.

³ The ship reported in this category on 31 December 2021 is included in the number of 6 ships chartered out on 31 December 2022.

The following tables present the Group's revenue and profit as well as certain asset and liability information regarding reportable segments for the years ended 31 December 2022 and 31 December 2021.

Geographical Segments – by the Location of Assets

For the year ended 31 December, in thousands of EUR	Estonia-Finland routes	Estonia-Sweden routes	Finland-Sweden routes	Other	Intersegment elimination	Total
2022						
Sales to external customers	277 806	76 835	274 314	142 432	0	771 387
Intersegment sales	0	0	0	4 997	-4 997	0
Revenue	277 806	76 835	274 314	147 429	-4 997	771 387
Segment result	51 664	-10 997	-941	34 948	0	74 674
Unallocated expenses						-37 001
Net financial items						-24 656
Share of profit/loss of equity-accounted investees						-90
Profit/loss before income tax						12 927
Income tax						1 008
Net profit/loss for the period						13 935
Segment's assets	570 069	157 184	317 380	511 676	-462	1 555 847
Unallocated assets						135 795
Assets						1 691 642
Segment's liabilities	28 657	9 843	54 194	128 257	-462	220 489
Unallocated liabilities						764 222
Liabilities						984 711
Capital expenditures						
Segment's property, plant and equipment	255 101	4 829	2 295	9 327	0	271 552
Unallocated property, plant and equipment						-70 680
Segment's intangible assets	40	0	103	698	0	841
Unallocated intangible assets						1 609
Depreciation	15 869	9 890	23 640	36 696	0	86 095
Unallocated depreciation						5 121
Amortisation	559	259	563	336	0	1 717
Unallocated amortisation						5 203

For the year ended 31 December, in thousands of EUR	Estonia-Finland routes	Estonia-Sweden routes	Finland-Sweden routes	Other	Intersegment elimination	Total
2021						
Sales to external customers	184 529	49 065	158 697	84 646	0	476 937
Intersegment sales	0	0	0	874	-874	0
Revenue	184 529	49 065	158 697	85 520	-874	476 937
Segment result	11 962	-7 025	-15 587	3 043	0	-7 607
Unallocated expenses						-29 424
Net financial items						-21 887
Share of profit/loss of equity-accounted investees						-80
Profit/loss before income tax						-58 998
Income tax						2 422
Net profit/loss for the period						-56 576
Segment's assets	401 055	252 227	445 329	257 471	-125	1 355 957
Unallocated assets						229 958
Assets						1 585 915
Segment's liabilities	29 809	8 298	61 865	112 329	-125	212 176
Unallocated liabilities						681 223
Liabilities						893 399
Capital expenditures						
Segment's property, plant and equipment	2 890	519	6 362	6 360	0	16 131
Unallocated property, plant and equipment						1 278
Segment's intangible assets	0	12	23	773	0	808
Unallocated intangible assets						1 975
Depreciation	18 322	11 127	22 884	30 389	0	82 722
Unallocated depreciation						5 668
Amortisation	692	264	388	331	0	1 675
Unallocated amortisation						5 248

Revenue by Type of Services and Goods Sold

For the year ended 31 December, in thousands of EUR	Routes 2022	Other 2022	Total 2022	Routes 2021	Other 2021	Total 2021
Revenue from contracts with customers						
Restaurant and shop sales on-board and onshore	323 958	54 205	378 163	188 762	44 614	233 376
Ticket sales	191 920	0	191 920	99 094	0	99 094
Sales of cargo transport	103 183	0	103 183	94 763	0	94 763
Sales of accommodation	0	11 325	11 325	0	3 367	3 367
Other	3 573	11 094	14 667	5 234	6 387	11 621
Total revenue from contracts with customers	622 634	76 624	699 258	387 853	54 368	442 221
Revenue from other sources						
Income from charter of vessels	0	65 808	65 808	0	30 278	30 278
Other	6 321	0	6 321	4 438	0	4 438
Total revenue from other sources	6 321	65 808	72 129	4 438	30 278	34 716
Total revenue of the Group	628 955	142 432	771 387	392 291	84 646	476 937

Contract Balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

In thousands of EUR	31 December 2022	31 December 2021
Trade and other receivables	31 380	29 298
Contract liabilities		
Club One points	7 016	6 360
Prepaid revenue	37 206	15 374
Total contract liabilities	44 222	21 734

The contract liabilities relate to the advance consideration received from customers and to the unredeemed customer loyalty points. Loyalty points are recognised as revenue when the points are redeemed by customers, which is expected to occur over the next two years.

Note 5 Operating Expenses and Financial Items

Cost of Sales

For the year ended 31 December, in thousands of EUR	2022	2021
Cost of goods sold	-160 556	-110 451
Port & stevedoring costs	-77 198	-62 998
Fuel costs	-144 141	-72 234
Staff costs	-120 018	-86 101
Ships' operating expenses	-51 607	-34 363
Depreciation and amortisation (Notes 14, 15)	-85 894	-82 394
Cost of travel package sales	-6 155	-1 529
Other costs	-12 348	-5 212
Total cost of sales	-657 917	-455 282

Sales and Marketing Expenses

For the year ended 31 December, in thousands of EUR	2022	2021
Advertising expenses	-14 811	-8 320
Staff costs	-19 580	-16 770
Depreciation and amortisation (Notes 14, 15)	-1 918	-2 003
Other costs	-2 487	-2 169
Total sales and marketing expenses	-38 796	-29 262

Administrative Expenses

For the year ended 31 December, in thousands of EUR	2022	2021
Staff costs	-23 255	-21 175
Depreciation and amortisation (Notes 14, 15)	-10 324	-10 916
Other costs	-13 976	-13 542
Total administrative expenses	-47 555	-45 633

Specification of Staff Costs Included in the Cost of Sales, Sales and Marketing Expenses and Administrative Expenses

For the year ended 31 December, in thousands of EUR	2022	2021
Wages and salaries	-148 934	-114 661
Government grants	32 519	27 130
Social security costs	-44 592	-34 072
Staff training costs	-549	-608
Other staff costs	-1 297	-1 835
Total staff costs	-162 853	-124 046

During the reporting period EUR 32 519 thousand was deducted from the cost of sales in connection with government grants related to seamen's salaries in Estonia, Finland and Sweden (2021: EUR 26 719 thousand). The grants are received according to law. During the reporting period no COVID-19 related aid was received (2021: EUR 411 thousand).

In 2021 EUR 5 980 thousand of COVID-19 related aid was paid directly to the employees by the Estonian Unemployment Insurance Fund, see also Note 22.

Government grants receivable are disclosed in Note 9.

The average number of the Group's employees according to their employment relationship is presented in the table below.

For the year ended 31 December	2022	2021
Employees under employment contract	4 780	3 749
Employees under service contract	238	605
Members of the Management Board	5	6
Total average number of employees	5 023	4 360

Finance Income and Finance Costs Recognised in Profit or Loss

For the year ended 31 December, in thousands of EUR	2022	2021
Net foreign exchange gain	0	31
Income from other financial assets	215	3
Total finance income	215	34
Net foreign exchange loss	-34	0
Expenses from other financial assets	0	-75
Interest expense on financial liabilities measured at amortised cost	-22 447	-19 424
Interest expense on lease liabilities related to right-of-use assets	-2 390	-2 422
Total finance costs	-24 871	-21 921
Net finance costs	-24 656	-21 887

Note 6 Income Tax

Income tax contains current income tax and deferred income tax.

Swedish, Finnish, German, Russian and Singaporean Subsidiaries and Polish Branch Office

In accordance with the Swedish, Finnish, German, Russian, Singaporean and Polish tax laws, a company's net profit, adjusted for temporary and permanent differences as determined by the local income tax legislation, is subject to income tax in Finland, Sweden, Germany, Russia, Poland and Singapore. As at 31 December 2022, the tax rate was 20% in Finland, 20.6% in Sweden, 15% in Germany, 20% in Russia, 19% in Poland and 17% in Singapore (as at 31 December 2021, 20% in Finland, 20.6% in Sweden, 15% in Germany, 20% in Russia, 19% in Poland and 17% in Singapore).

Income Tax Expense

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

For the year ended 31 December, in thousands of EUR	2022	2021
Finnish subsidiaries	-178	-190
Other subsidiaries	1	-8
Estonian subsidiaries and Parent company	1 185	1 050
Current period tax expense	1 008	852
Swedish subsidiaries	-353	225
Finnish subsidiaries	353	1 345
Deferred tax expense	0	1 570
Total tax expense	1 008	2 422

Reconciliation of the Effective Tax Rate

For the year ended 31 December, in thousands of EUR	2022	%	2021	%
Profit/loss before tax	12 927		-58 998	
Current income tax expense in foreign jurisdictions	1 008	7.80%	852	-1.44%
Change in recognised tax losses	-583	-4.51%	987	-1.67%
Change in temporary differences	583	4.51%	583	-0.99%
Income tax expense	1 008	7.80%	2 422	-4.10%

Deferred Tax Assets and Liabilities

According to Russian, German, Finnish, Swedish, Polish and Singaporean legislation it is permissible to use higher depreciation and amortisation rates for taxation purposes and thereby defer tax payments. These deferrals are shown as deferred tax liabilities. The Finnish and Swedish subsidiaries have also carry-forwards of tax losses, which are considered in the calculation of deferred tax assets.

Deferred Tax Assets and Liabilities are Attributable to the Following

As at 31 December, in thousands of EUR	Assets 2022	Liabilities 2022	Assets 2021	Liabilities 2021
Tax loss carry-forward ¹	23 875	0	24 458	0
Intangible assets	0	-2 035	0	-2 618
Tax assets / liabilities	23 875	-2 035	24 458	-2 618
Offset of assets and liabilities	-2 035	2 035	-2 618	2 618
Tax assets	21 840	0	21 840	0

¹ Deferred tax assets of EUR 22 799 thousand (2021: EUR 23 029 thousand) in Finland and of 1 076 thousand (2021: EUR 1 429 thousand) in Sweden have been recognised in respect of losses carried forward. The recognised Finnish tax losses will expire from 2028 to 2032 (2021: 2027-2031) and the Swedish tax losses have no expiration date. The tax losses of the Finnish subsidiary that will expire before 2028 have not been recognised due to estimation uncertainty. Such unrecognised tax losses amounted to EUR 161 814 thousand as at 31 December 2022 (EUR 192 598 thousand as at 31 December 2021).

The Group has recognised deferred tax assets to the extent that the losses carried forward will be offset against projected future taxable profits. The estimations are based on the business plan of the Finnish operations for the year 2023 and beyond. The revenue growth rate of the Finnish operations

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for the years 2023-2032 used in the calculations was 1-7% and the growth rate used for the cost increase was 1.0-7.1% (as at 31 December 2021, the revenue growth rate of the Finnish operations for the years 2023-2031 used in the calculations was 1-9% and the growth rate used for the cost increase was 0.6-5.5%).

The sensitivity of the value of recognised deferred tax assets to the main assumptions of the projected future taxable profits is as follows: 1) +/- 10 percentage point change in the average revenue growth rate for the years 2023-2032 would change the value of recognised tax assets by EUR +1 855 thousand / EUR -3 254 thousand, respectively; 2) +/- 5 percentage point change in average operating cost growth rate relative to revenues for the years 2023-2032 would change the value of recognised tax assets by EUR -4 061 thousand / EUR +1 855 thousand, respectively.

Movements in Deferred Tax Balances

As at 31 December, in thousands of EUR	Balance as at 31 December 2022	Recognised in profit in 2022	Balance as at 31 December 2021
Tax loss carry-forward	23 875	0	24 458
Intangible assets	-2 035	0	-2 618
Net deferred tax asset	21 840	0	21 840

Note 7 Earnings Per Share (EPS)

EPS are calculated by dividing the net profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

As at 31 December, in thousands	2022	2021
Shares issued	743 569	743 569
Shares outstanding	743 569	743 569

For the year ended 31 December, in thousands of EUR	2022	2021
Weighted average number of ordinary shares outstanding (in thousands)	743 569	694 444
Net loss attributable to equity holders of the Parent	13 935	-56 576
EPS (EUR)	0.019	-0.081

Note 8 Cash and Cash Equivalents

As at 31 December, in thousands of EUR	2022	2021
Cash at bank and in hand	42 883	127 380
Cash in transit	411	176
Short-term deposits	71 641	0
Total cash and cash equivalents	114 935	127 556

Cash at bank earns interest at floating rates based on daily bank deposit rates. In 2022 the rates were in the range of 0.00-1.75% including short-term deposits (2021: 0.00-0.01%).

Short-term deposits are overnight deposits with maturity date of 01.01.2023.

The Group's exposure to currency risk is disclosed in Note 25.

Note 9 Trade and Other Receivables

As at 31 December, in thousands of EUR	2022	2021
Trade receivables	20 384	15 763
Allowance for doubtful receivables	-481	-468
Government grants receivable	9 123	9 806
Receivables from related parties	43	69
Other receivables	2 311	4 128
Total trade and other receivables	31 380	29 298

During the reporting period EUR 153 thousand of trade receivables was expensed as doubtful and uncollectible (2021: EUR 99 thousand).

The Group's exposure to the credit and currency risks of receivables (excluding government grants receivable) is disclosed in Note 25. Additional information about government grants is disclosed in Note 5.

Note 10 Prepayments

As at 31 December in thousands of EUR	2022	2021
Prepaid expenses	6 462	7 606
Tax prepayments	2 917	4 318
Total prepayments	9 379	11 924

As at 31 December in thousands of EUR	2022	2021
Tax prepayments		
VAT	2 049	1 504
Other prepayments	868	2 814
Total tax prepayments	2 917	4 318

The balance of prepaid expenses includes mostly prepayments for insurance.

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Note 11 Inventories

As at 31 December, in thousands of EUR	2022	2021
Raw materials (mostly fuel)	4 681	4 707
Goods for sale	35 284	29 924
Total inventories	39 965	34 631

Fuel price risk

The Group is exposed to fuel price risk as part of the fuel used for ship operations is purchased at market prices. At 31 December 2022 (as well as at 31 December 2021) there were no derivative contracts for fuel outstanding. For more information, see Note 25.

Note 12 Investments in Equity-Accounted Investees

At 31 December 2022 the Group had a 34% interest in the equity-accounted investee Tallink Takso AS, incorporated in Estonia (as at 31 December 2021: 34%).

In thousands of EUR	2022	2021
Investments at the beginning of financial year	165	245
Share of loss of equity-accounted investee	-90	-80
Investments at the end of financial year	75	165

The key figures of the equity-accounted investee Tallink Takso AS are below. The figures as at and for the year ended 31 December 2022 are unaudited (Tallink Takso AS is exempt from audit). The figures reflect 100% of the assets, liabilities and result of the associate.

In thousands of EUR	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
As at 31 December 2022	293	267	560	325	14	339
As at 31 December 2021	419	341	760	221	55	276

In thousands of EUR	Revenues	Expenses	Loss	Equity
For the year ended 31 December 2022	2 353	2 281	-271	221
For the year ended 31 December 2021	2 173	2 352	-179	484

Note 13 Other Long-term Financial Assets and Other Prepayments

As at 31 December, in thousands of EUR	2022	2021
Equity securities	177	177
Other receivables	332	378
Prepaid expenses	3 113	0
Total other financial assets	3 622	555

Note 14 Property, Plant and Equipment

In thousands of EUR	Land and buildings	Ships ¹	Plant and equipment	Right-of-use assets	Assets under construction	Total
Book value as at 31 December 2021	1 582	1 082 535	50 472	108 809	79 955	1 323 353
Additions	1 388	175 893	7 152	8 245	16 362	209 040
Reclassification	0	87 152	5 892	0	-92 967	77
Disposals	0	-2 587	-159	-222	0	-2 968
Depreciation for the period	-185	-55 278	-15 425	-20 328	0	-91 216
Book value as at 31 December 2022	2 785	1 287 715	47 932	96 504	3 350	1 438 286
As at 31 December 2022						
Gross carrying amount	10 065	1 908 961	131 139	156 638	3 350	2 210 153
Accumulated depreciation	-7 280	-621 246	-83 207	-60 134	0	-771 867
As at 31 December 2020						
Book value as at 31 December 2020	1 477	1 134 564	54 483	94 738	78 223	1 363 485
Additions	259	-398	6 334	35 372	11 239	52 806
Reclassification	140	3 443	5 924	0	-9 507	0
Disposals	0	0	-509	-4 054	0	-4 563
Depreciation for the period	-294	-55 074	-15 760	-17 247	0	-88 375
Book value as at 31 December 2021	1 582	1 082 535	50 472	108 809	79 955	1 323 353
As at 31 December 2021						
Gross carrying amount	8 677	1 653 461	119 577	151 997	79 955	2 013 667
Accumulated depreciation	-7 095	-570 926	-69 105	-43 188	0	-690 314

¹ Additions and reclassifications include a delivery of MyStar with a total cost of EUR 252 027 thousand.

Right-of-use assets by classes of property, plant and equipment

In thousands of EUR	Buildings and premises	Plant and equipment	Total right-of- use assets
Book value as at 31 December 2021	108 340	469	108 809
Additions	7 548	697	8 245
Disposals	-184	-38	-222
Depreciation for the period	-19 997	-331	-20 328
Book value as at 31 December 2022	95 707	797	96 504
As at 31 December 2022			
Gross carrying amount	154 910	1 728	156 638
Accumulated depreciation	-59 203	-931	-60 134
As at 31 December 2021			
Book value as at 31 December 2020	94 102	636	94 738
Additions	35 159	213	35 372
Disposals	-4 019	-35	-4 054
Depreciation for the period	-16 902	-345	-17 247
Book value as at 31 December 2021	108 340	469	108 809
As at 31 December 2021			
Gross carrying amount	150 576	1 421	151 997
Accumulated depreciation	-42 236	-952	-43 188

Testing Right-of-Use Assets for Impairment

The Group's right-of-use assets are measured at cost, less accumulated depreciation and any impairment. At the end of the reporting period the Group assesses whether there is any indication of impairment.

As at 31 December 2022, the recoverable amount of operational hotels right-of-use lease assets was tested for impairment (book value EUR 68 364 thousand) using the discounted cash flow method. For testing purposes the Group used a detailed budget for the year 2023, assuming a fast recovery after end of the COVID-19 pandemic, and a strategic forecast for the years 2024-2032, which included revenues, expenses and investing activities (2021: a detailed budget for 2022 and a strategic forecast for 2023-2031). For the Estonian hotels, the combined revenue growth rate used in the calculations was 1.7%-7.3% for the years 2024-2032 and the combined operating expense growth rate was 2.5%-14.3% (2021: 2023-2031 revenue growth rate 3.0%-22.4% and operating expense growth rate 1.7%-8.5%). A weighted average cost of capital of 10.0% was used for the years 2023-2024 and 7.03% for 2025-2032 (2021: 10.0% for 2022-2023 and 6.31% for 2024-2031). Latvian hotel was forecasted to be re-opened in April 2023; the revenue growth rate used for testing period 2024-2030 was 1.7%-26.3% and operating expense growth rate was 2.7%-8.8%. For the Latvian hotel, a weighted average cost of capital of 10.0% was used for the years 2023-2024 and 7.48% for 2025-2030.

An impairment loss is recognised if the carrying amount of an assets exceeds its recoverable amount. Management is of the opinion that as at 31 December 2022 there were no material differences between the carrying amounts and fair values (as well as at 31 December 2021).

Revaluation of Ships

The Group's vessels are measured at revalued amounts, which are determined using fair value at the end of the reporting period.

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

Valuation technique	Significant unobservable inputs
Market comparison technique, cost approach: independent appraisers consider both approaches. They scan the market and look at second-hand sales of similar ships and analyse general demand for the particular ship in various parts of the world. Also, they look at the construction cost of the ship less reasonable depreciation and the construction prices of similar new ships today.	Sales prices of similar ships Level of demand for particular ships Construction prices of ships Maintenance and repair programme of ships

The frequency of revaluations depends on changes in fair values which are assessed at each year-end. When fair value differs materially from the carrying amount, further revaluation is performed. Management is of the opinion that as at 31 December 2022 there were no material differences between the carrying amounts and fair values (as well as at 31 December 2021).

As a result of the pandemic that affected ship operations over the past years, and war in Ukraine, the market is very illiquid with very few transactions made in this segment of tonnage. Therefore, the valuations are to be deemed uncertain. Depending on how the situation develops and when passenger traffic resumes to its full extent the values are subject to adjustment in the short term. Management is of the opinion that buyers of this type of asset normally have a long-term view and a planning horizon stretching to 20-30 years and therefore possible market fluctuations are to be regarded as temporary.

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

As at 31 December 2022	In thousands of EUR
Cost	2 031 631
Accumulated depreciation	-777 280
Net carrying amount	1 254 351

As at 31 December 2021	In thousands of EUR
Cost	1 778 543
Accumulated depreciation	-731 419
Net carrying amount	1 047 124

Due to the annual transfer from the revaluation reserve to retained earnings (the difference between depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost) the revaluation reserve was decreased as at 31 December 2022 by EUR 2 047 thousand (2021: EUR 2 047 thousand) and retained earnings were increased by the same amount.

As at 31 December 2022 the Group's ships with a book value of EUR 1 267 423 thousand (2021: EUR 1 060 950 thousand) were encumbered with first or second ranking mortgages to secure the Group's bank loans (see also Note 16).

Change in useful life of vessel

During 2022, the Group conducted an in-service expectancy review of its vessels. Based on the analysis of the intensity of usage, regular maintenance and investments of its vessels, the Group concluded, that the estimated useful life of its vessel Megastar can be extended by 5 years.

As a result, the expected useful life of the Group's vessel Megastar was increased from 35 years to 40 years and vessel's estimated residual value remained the same. The total effect of the change was EUR 803 thousand less depreciation expense in 2022.

Contractual Commitments

As at 31 December 2021 the Group had a contractual commitment for a new vessel, MyStar, of EUR 172 900 thousand. MyStar was delivered in December 2022. As at 31 December 2022 the Group had no contractual commitments.

The Group did not have any other substantial contractual commitments related to property, plant and equipment.

Note 15 Intangible Assets

In thousands of EUR	Goodwill ¹	Trademark ²	Other ³	Assets under construction	Total
Book value as at 31 December 2021	11 066	13 090	11 426	711	36 293
Additions	0	0	167	2 360	2 527
Reclassification	0	0	2 456	-2 533	-77
Amortisation for the period	0	-2 916	-4 004	0	-6 920
Book value as at 31 December 2022	11 066	10 174	10 045	538	31 823
As at 31 December 2022					
Cost	11 066	58 288	44 071	538	113 963
Accumulated amortisation	0	-48 114	-34 026	0	-82 140
Book value as at 31 December 2020	11 066	16 006	12 829	547	40 448
Additions	0	0	725	2 058	2 783
Reclassification	0	0	1 894	-1 894	0
Amortisation for the period	0	-2 916	-4 022	0	-6 938
Book value as at 31 December 2021	11 066	13 090	11 426	711	36 293
As at 31 December 2021					
Cost	11 066	58 288	41 699	711	111 764
Accumulated amortisation	0	-45 198	-30 273	0	-75 471

Intangible Asset Classes

¹ Goodwill in the amount of EUR 11 066 thousand is related to Estonia-Finland routes segment. In the impairment test of goodwill related to Estonia-Finland routes, the recoverable amount was identified based on value in use. Management calculated value in use based on five-year cash flow perpetuity

and using a discount rate of 7.60% (2021: 6.54%). Five-year cash flow to perpetuity value was used. There was no need to recognise an impairment loss.

² A trademark of EUR 58 288 thousand was recognised in connection with the acquisition of Silja OY Ab in 2006. The fair value of the trademark at the acquisition date was determined using the relief from royalty method. As at 31 December 2022 the remaining amortisation period of the trademark was 3.5 years.

As at 31 December 2022, the book value of the trademark was tested for impairment. For testing purposes revenue was modelled in a short-term recovery stage and long-term stable growth stage. Following recovery the average annual revenue growth rate of 1.6% (2021: 1.5%), a royalty rate of 2.25% (2021: 2.25%) and an equity discount rate of 11.2% (2021: 9.0% weighted average cost of capital) were used. There was no need to recognise an impairment loss.

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

Note 16 Interest-Bearing Loans and Borrowings

As at 31 December 2022, in thousands of EUR	Maturity	Interest rate	Current portion	Non-current portion	Total borrowings
Lease liabilities	2023-2024	6.30%	67	10	77
Lease liabilities related to right-of-use assets ¹	2023-2033	2.18-2.42%	20 958	86 137	107 095
Overdraft		EURIBOR+2.91%	15	0	15
Long-term bank loans ²	2023-2034	EURIBOR+2.68%	144 009	602 318	746 327
Total borrowings			165 049	688 465	853 514

As at 31 December 2021, in thousands of EUR	Maturity	Interest rate	Current portion	Non-current portion	Total borrowings
Lease liabilities	2022-2023	5.67%	73	43	116
Lease liabilities related to right-of-use assets ¹	2022-2033	2.18-2.25%	16 488	99 915	116 403
Overdraft		EURIBOR+2.91%	180	0	180
Long-term bank loans ²	2022-2029	EURIBOR+2.47%	227 695	435 531	663 226
Total borrowings			244 436	535 489	779 925

¹ Lease liabilities related to the adoption of IFRS 16.

² Long-term bank loans include a loan from the financial institution SA Kredex of EUR 100 000 thousand.

As at 31 December 2022 the Group had the right to use bank overdrafts of up to EUR 135 000 thousand (2021: EUR 135 000 thousand). Bank overdrafts are secured with a commercial pledge of EUR 20 204 thousand (2021: EUR 20 204 thousand) and mortgages on ships (see Note 14). As at 31 December 2022 the balance of overdrafts in use was EUR 15 thousand (2021: EUR 180 thousand).

As at 31 December 2022 AS Tallink Grupp had given guarantees to Nordea Bank Plc, KfW IPEX-Bank GmbH and the Nordic Investment Bank for loans granted to its ship-owning subsidiaries and Tallink Silja OY. The book value of such loans was EUR 404 462 thousand on 31 December 2022 (2021: EUR 247 159 thousand; guarantees were given to Nordea Bank Plc, Danske Bank A/S and Nordic Investment Bank). Ship-owning subsidiaries had given guarantees to Nordea Bank Finland Plc, Swedbank AS and SA KredEx for the loans granted to AS Tallink Grupp. As at 31 December 2022 the book value of such loans was EUR 341 865 thousand (31 December 2021: EUR 416 067 thousand).

Primary securities for the loans are the ships belonging to the overseas subsidiaries and a pledge of the shares in these subsidiaries.

The Group has issued counter guarantees to the commercial banks that have issued guarantees to several governmental authorities in favour of Group entities required to perform the Group's daily operations. As at 31 December 2022 the total amount of the guarantees was EUR 7 132 thousand (2021: EUR 5 763 thousand). The guarantees issued are not recognised in the statement of financial position as, according to historical experience and management's estimations, none of them is expected to turn into an actual liability.

In the loan agreements signed with banks, the Group has agreed to comply with financial covenants related to ensuring certain equity, liquidity and other ratios. As at 31 December 2022 and during 2022 the Group was in compliance with all the covenants as agreed with banks.

Reconciliation of Liabilities Arising from Financing Activities

In thousands of EUR	Bank overdrafts	Long-term bank loans	Lease liabilities	Right-of-use assets' liabilities	Share capital	Reserves	Retained earnings	Total
Balance as at 31 December 2021	180	663 226	116	116 403	349 477	67 930	274 446	1 471 778
Changes from financing cash flows								
Proceeds from loans	0	196 290	0	0	0	0	0	196 290
Repayment of loans	0	-110 055	0	0	0	0	0	-110 055
Change in overdraft	-165	0	0	0	0	0	0	-165
Payment of lease liabilities	0	0	-31	-17 126	0	0	0	-17 157
Interest paid	0	0	0	0	0	0	-23 516	-23 516
Payment of transaction costs related to loans	0	-1 977	0	0	0	0	0	-1 977
Total changes from financing cash flows	-165	84 258	-31	-17 126	0	0	-23 516	43 420
The effect of changes in foreign exchange rates	0	0	-8	-129	0	480	0	343
Liability-related changes								
New leases	0	0	0	8 245	0	0	0	8 245
Transfer from revaluation reserve	0	0	0	0	0	-2 047	2 047	0
Termination of old leases	0	0	0	-298	0	0	0	-298
Amortisation of capitalised borrowing costs	0	1 063	0	0	0	0	0	1 063
Capitalised borrowing costs	0	-2 220	0	0	0	0	0	-2 220
Interest paid	0	0	0	0	0	0	23 516	23 516
Total liability-related changes	0	-1 157	0	7 947	0	-2 047	25 563	30 306
Total equity-related changes	0	0	0	0	0	0	13 935	13 935
Balance as at 31 December 2022	15	746 327	77	107 095	349 477	66 363	290 428	1 559 782

In thousands of EUR	Bank overdrafts	Long-term bank loans	Lease liabilities	Right-of-use assets' liabilities	Share capital	Reserves	Retained earnings	Total
Balance as at 31 December 2020	15 736	586 616	258	102 509	314 844	69 854	328 975	1 418 792
Changes from financing cash flows								
Proceeds from loans	0	90 000	0	0	0	0	0	90 000
Repayment of loans	0	-14 667	0	0	0	0	0	-14 667
Change in overdraft	-15 556	0	0	0	0	0	0	-15 556
Payment of lease liabilities	0	0	-57	-14 846	0	0	0	-14 903
Interest paid	0	0	0	0	0	0	-19 296	-19 296
Payment of transaction costs related to loans	0	-495	0	0	0	0	0	-495
Increase of share capital	0	0	0	0	34 633	0	0	34 633
Total changes from financing cash flows	-15 556	74 838	-57	-14 846	34 633	0	-19 296	59 716
The effect of changes in foreign exchange rates	0	0	-4	-1	0	123	0	118
Liability-related changes								
New leases	0	0	25	35 372	0	0	0	35 397
Transfer from revaluation reserve	0	0	0	0	0	-2 047	2 047	0
Termination of old leases	0	0	-106	-6 631	0	0	0	-6 737
Amortisation of capitalised borrowing costs	0	1 277	0	0	0	0	0	1 277
Capitalised borrowing costs	0	495	0	0	0	0	0	495
Interest paid	0	0	0	0	0	0	19 296	19 296
Total liability-related changes	0	1 772	-81	28 741	0	-2 047	21 343	49 728
Total equity-related changes	0	0	0	0	0	0	-56 576	-56 576
Balance as at 31 December 2021	180	663 226	116	116 403	349 477	67 930	274 446	1 471 778

Note 17 Leases

The Group as the Lessee

The Group leases hotel and office buildings, warehouse, restaurant and shop premises. The leases typically run for a fixed period, with the Group's option to renew the lease further. Some lease payments are increased every year and some leases provide for additional lease payments that are based on the result of operations.

Right-of-Use Assets

Right-of-use assets are presented as property, plant and equipment.

In thousands of EUR	Buildings and premises	Plant and equipment	Total right-of-use assets
Book value as at 31 December 2021	108 340	469	108 809
Additions	7 548	697	8 245
Disposals	-184	-38	-222
Depreciation for the period	-19 997	-331	-20 328
Book value as at 31 December 2022	95 707	797	96 504
Book value as at 31 December 2020	94 102	636	94 738
Additions	35 159	213	35 372
Disposals	-4 019	-35	-4 054
Depreciation for the period	-16 902	-345	-17 247
Book value as at 31 December 2021	108 340	469	108 809

Amounts Recognised in Profit or Loss

For the year ended 31 December 2022	In thousands of EUR
Depreciation for the period	-20 328
Interest expense on lease liabilities related to right-of-use assets	-2 390
COVID-19 related lease discounts ¹	62
Expenses on short-term and low-value leases	-1 434
Lease expenses under IFRS 16	-24 090

For the year ended 31 December 2021	In thousands of EUR
Depreciation for the period	-17 247
Interest expense on lease liabilities related to right-of-use assets	-2 422
COVID-19 related lease discounts ¹	2 083
Expenses on short-term and low-value leases	-1 034
Lease expenses under IFRS 16	-18 620

¹The Group negotiated rent concessions with the landlords for the leases of its hotels and retail premises because of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19 related rent concessions consistently to eligible rent concessions relating to the leases of its hotels and retail premises.

The Group as the Lessor

The Group's charter income for 2022 was EUR 65 808 thousand (2021: EUR 30 278 thousand).

Minimum non-cancellable charter payments are as follows:

As at 31 December, in thousands of EUR	2022	2021
< 1 year	74 990	18 281
Year 2	15 629	12 045
Year 3	2 640	12 078
Year 4	0	2 640
Total minimum charter payments	93 259	45 044

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

Note 18 Trade and Other Payables

As at 31 December, in thousands of EUR	2022	2021
Trade payables	38 309	42 174
Other payables	2 304	2 247
Payables to employees	19 638	19 997
Interest payable	3 527	3 269
Tax liabilities	16 592	17 166
Other accruals	6 564	6 834
Total trade and other payables	86 934	91 687

The Group's exposure to currency and liquidity risks (excluding tax liabilities and other accruals) is disclosed in Note 25. Additional information about tax liabilities is disclosed below.

As at 31 December, in thousands of EUR	2022	2021
Salary-related taxes	11 818	14 429
Excise duties	1 239	1 331
VAT	3 535	1 406
Total tax liabilities	16 592	17 166

Note 19 Deferred Income

The Group measures the liability for outstanding Club One points in combination with the value of its services and the averages of the Club One points used to redeem the services, taking into account the pattern of use of the points by the customers and the expiry rates of the points. The calculations are performed for each segment and the deferred income is recognised based on the relative stand-alone selling price allocation method.

As at 31 December, in thousands of EUR	2022	2021
Club One points	7 016	6 360
Prepaid revenue ¹	37 206	15 374
Total deferred income	44 222	21 734

¹ Prepaid revenue include prepayments related to chartering out of the vessels during 2023.

Note 20 Share Capital and Reserves

As at 31 December, in thousands	2022	2021
The number of shares issued and fully paid	743 569	743 569
Total number of shares	743 569	743 569

As at 31 December, in thousands of EUR	2022	2021
Share capital (authorised and registered)	349 477	349 477
Total share capital	349 477	349 477
Share premium	663	663
Total share premium	663	663

According to the articles of association of the Parent, the maximum number of ordinary 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 General Meeting of Shareholders.

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

During 18 August – 01 September 2021 the Parent held a public offering of new shares. The issue price per one share was EUR 0.47. As a result of the offering a total of 73 687 024 new shares of the Parent were allocated to the investors. Share capital was increased by EUR 34 633 thousand.

AS Tallink Grupp has 743 569 064 registered shares (31 December 2021: 743 569 064) without nominal value and the notional value of each share is EUR 0.47 (31 December 2021: EUR 0.47).

Reserves

As at 31 December, in thousands of EUR	2022	2021
Translation reserve	840	360
Ships' revaluation reserve	33 364	35 411
Legal reserve	32 159	32 159
Total reserves	66 363	67 930

Translation Reserve

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

Ships' Revaluation Reserve

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

Legal Reserve

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

Dividends

Due to a deteriorated operating environment and considering the Company's long-term interests, on 09 June 2022 the General Meeting of Shareholder decided not to pay dividends in 2022. There was also no dividend payment in 2021.

Note 21 Contingencies and Commitments

Key Management Personnel's Termination Benefits

The members of the Management Board are entitled to termination benefits if their service agreement is terminated by the Group's Supervisory Board. At 31 December 2022 the maximum amount of such benefits was EUR 1 461 thousand (EUR 1 461 thousand in 2021) (see Note 23).

Income Tax on Dividends

The Group's retained earnings as at 31 December 2022 were EUR 290 428 thousand (2021: EUR 274 446 thousand). As at 31 December 2022, the maximum income tax liability which would arise if retained earnings were fully distributed is EUR 58 086 thousand (2021: EUR 54 889 thousand). The maximum income tax liability has been calculated using the income tax rate effective for dividends on the assumption that the dividend and the related income tax expense cannot exceed the amount of retained earnings as at 31 December 2022 (2021: 31 December 2021).

Note 22 Government Assistance

Total other income of EUR 10 871 thousand included COVID-19 related government assistance, compensations from insurance companies, fines and late charges in 2022 (2021: EUR 16 336 thousand).

In 2022 EUR 3 326 thousand (2021: EUR 12 771 thousand) was received by Group entities as COVID-19 related government assistance from the governments of Estonia, Finland, Sweden and Germany. The assistance has been recognised in other operating income as stated in the table below.

Other Operating Income

For the year ended 31 December, in thousands of EUR	2022	2021
Government assistance		
Estonia	0	1 174
Finland	3 448	5 127
Sweden	-135	5 896
Germany	13	74
Latvia	0	500
Total government assistance	3 326	12 771
Other income	7 545	3 565
Total other income	10 871	16 336

In 2021, EUR 5 980 thousand of COVID-19 related aid was paid directly to employees by the Estonian Unemployment Insurance Fund. No COVID-19 related aid was paid directly to employees by the Estonian Unemployment Insurance Fund in 2022.

In 2022, the Group received other aid of EUR 32 519 thousand (2021: EUR 26 719 thousand) which was deducted directly from the cost of sales (see Note 5). No COVID-19 related aid (2021: EUR 411 thousand) was reflected in the cost of sales of the Group in 2022.

In the second quarter of 2020, the Estonian parliament approved a change in legislation granting exemption from ships' fairway dues for 12 months starting from April 2020 and 50% reduction of the ships' fairway dues for 12 months starting from April 2021. The effect of the exemption and reduction amounted to EUR 2 134 thousand in 2022 (2021: EUR 2 800 thousand).

In order to relieve the liquidity issues caused by the COVID-19 situation, Group entities were allowed to postpone tax payments. The postponed tax liabilities, which amounted to EUR 55 thousand (2021: EUR 1 825 thousand) at the year-end, will be settled by spring 2023.

Note 23 Related Party Disclosures

For the purpose of these financial statements, parties are related if one controls the other or has significant influence on the other's financing and operating decisions. In determining possible related party relationships, attention must be paid to the substance of the relationship and not merely the legal form.

A related party is a person or a company that is related to the Group to such an extent that transactions between them may be conducted on terms not equivalent to those that prevail in arm's length transactions.

A person or a close member of that person's family (i.e. a family member who may be associated with significant influence such as the spouse or the domestic partner or a child) is a related party for the company if that person:

- is a member of the management of the company or its parent company (i.e. a person having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly) or
- has control of or significant influence over the company (e.g. through an ownership interest)

Another company is a related party for the company if any of the following conditions apply:

- the other company and the company are under common control (i.e. they are members of the same group or controlled by the same person (or a close family member of that person))
- one is under the control of a third party (that may be a company or a person) and the other is under the significant influence of that third party (if the third party is a person, then that person or a close family member of that person)
- the other company has control of or significant influence over the company
- the other company is under the control or significant influence of the company
- a member of the management of the company's parent company (or a close family member of the member of the management) has control or significant influence over the other company
- the other company's management (or their close family members) include persons that have control of or significant influence over the company

The Group has conducted transactions with related parties and has outstanding balances with related parties.

For the year ended 31 December 2022, 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	823	22 912	43	94 005
Associated companies	9	142	0	14
Total	832	23 054	43	94 019

For the year ended 31 December 2021, 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	2 117	24 205	68	100 137
Associated companies	1	128	1	11
Total	2 118	24 333	69	100 148

Company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed ([Link://https://nasdaqbaltic.com/](https://nasdaqbaltic.com/))

The following goods and services were purchased from related parties:

For the year ended 31 December, in thousands of EUR	2022	2021
Leases	15 815	13 153
Fuel and electricity	5 185	8 818
Other goods and services	2 054	2 362
Total goods and services	23 054	24 333

Key Management Personnel's Compensation

AS Tallink Grupp members of the Management Board and members of the Supervisory Board are defined as the Key Management Personnel. In 2022, the Key Management Personnel's compensation was EUR 1 600 thousand (2021: EUR 2 441 thousand).

The members of the Management Board are entitled to termination benefits if their service agreement is terminated by the Group's Supervisory Board. At 31 December 2022 the maximum amount of such benefits was EUR 1 461 thousand (2021: EUR 1 461 thousand).

The Key Management personnel's benefits are presented without social security tax.

Note 24 Group Entities

Group entities	Interest as at 31 December 2022	Interest as at 31 December 2021	Country of incorporation	Parent company
Baan Thai OÜ	100%	100%	Estonia	Tallink Grupp AS
Hansaliin OÜ	100%	100%	Estonia	Tallink Grupp AS
Hansatee Kinnisvara OÜ	100%	100%	Estonia	Tallink Grupp AS
Hera Salongid OÜ	100%	100%	Estonia	TLG Hotell OÜ
HT Laevateenindus OÜ	100%	100%	Estonia	Tallink Grupp AS
HT Meelelahutus OÜ	100%	100%	Estonia	Tallink Grupp AS
LNG Shipmanagement OÜ	100%	100%	Estonia	Tallink Grupp AS
Mare Catering OÜ	100%	100%	Estonia	Tallink Grupp AS
Tallink AS	100%	100%	Estonia	Tallink Grupp AS
Tallink Baltic AS	100%	100%	Estonia	Tallink Grupp AS
Tallink Duty Free AS	100%	100%	Estonia	Tallink Grupp AS
Tallink Fast Food OÜ	100%	100%	Estonia	Tallink Grupp AS
Tallink Scandinavian AS	100%	100%	Estonia	Tallink Grupp AS
Tallink Travel Club OÜ	100%	100%	Estonia	Tallink Grupp AS
TLG Hotell OÜ	100%	100%	Estonia	Tallink Grupp AS
TLG Stividor OÜ	100%	100%	Estonia	Tallink Grupp AS
Baltic SF VII Ltd	100%	100%	Cyprus	Tallink Grupp AS
Baltic SF VIII Ltd	100%	100%	Cyprus	Tallink Grupp AS
Baltic SF IX Ltd	100%	100%	Cyprus	Tallink Grupp AS
Hansalink Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Autoexpress Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Fast Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Hansaway Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink High Speed Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Sea Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Superfast Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Victory Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallinn - Helsinki Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallinn Swedish Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
HTG Stevedoring OY	100%	100%	Finland	Tallink Grupp AS
Tallink Silja OY	100%	100%	Finland	Tallink Scandinavian AS
Sally AB	100%	100%	Finland	Tallink Silja OY
Tallink Silja GMBH	100%	100%	Germany	Tallink Silja OY
Tallink Latvija AS	100%	100%	Latvia	Tallink Grupp AS
BK Properties SIA	100%	100%	Latvia	Tallink Latvija AS
HT Shipmanagement SIA	100%	100%	Latvia	HT Laevateenindus OÜ
TLG Hotell Latvija SIA	100%	100%	Latvia	TLG Hotell OÜ
Tallink Fast Food Latvia SIA	100%	100%	Latvia	Tallink Fast Food OÜ
Tallink Fast Food Lithuania UAB	100%	100%	Lithuania	Tallink Fast Food OÜ
Tallink-Ru OOO ¹	100%	100%	Russia	Tallink Grupp AS
Tallink Asia Pte. Ltd	100%	100%	Singapore	Tallink Grupp AS
Tallink Silja AB	100%	100%	Sweden	Tallink Grupp AS
Ingleby (1699) Ltd.	100%	100%	UK	Tallink Grupp AS

¹ Dormant.

Note 25 Financial Risk Management

Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

The Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's financial department is responsible for developing and monitoring the Group's risk management policies.

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

Credit Risk

Credit risk is the risk of financial loss that the Group would suffer if the counterparty failed to perform its financial obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents. The credit risk concentration related to accounts receivable is not material due to the extensive number of customers.

Maximum credit risk was as follows:

As at 31 December, in thousands of EUR	2022	2021
Cash and cash equivalents (Note 8)	114 935	127 556
Trade and other receivables (Notes 9, 13)	22 589	19 870
Total	137 524	147 426

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

The Group's management has established a credit policy under which each new customer with a credit request is analysed individually for creditworthiness before the Group's payment terms and conditions are offered. Some customers are obliged to present a bank guarantee to meet the credit sale criteria. Customers are assigned credit limits, which represent the maximum exposure that does not require approval from the Group's management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis only. Charterers hiring the Group's vessels have to provide bank guarantees to cover their payment risk.

In accordance with IFRS 9 the Group measures an allowance for impairment of receivables at an amount of lifetime expected credit loss. Lifetime expected credit loss is calculated as a product of total trade receivables in the aging bucket and the respective credit loss ratio. The expected credit loss ratio is recalculated once a quarter based on actual write-offs during the last 12 quarters.

In thousands of EUR	2022	2021
Balance at 1 January	468	539
Amounts written off	-127	-171
Impairment loss recognised	153	99
Reversal of prior period impairment loss	-13	1
Balance at 31 December	481	468

The aging of the receivables at the reporting date was:

As at 31 December 2022, in thousands of EUR	Gross	Impairment	Net
Not past due	20 579	-116	20 463
Past due 0-30 days	1 923	-34	1 889
Past due 31-90 days	222	-14	208
Past due 91 days - one year	121	-93	28
Past due over one year	225	-224	1
Total	23 070	-481	22 589

As at 31 December 2021, in thousands of EUR	Gross	Impairment	Net
Not past due	18 568	-128	18 440
Past due 0-30 days	1 422	-26	1 396
Past due 31-90 days	2	-2	0
Past due 91 days - one year	82	-48	34
Past due over one year	264	-264	0
Total	20 338	-468	19 870

The Group holds cash and cash equivalents with banking groups that have investment grade credit ratings (BBB or higher issued by internationally recognised credit rating agencies).

Liquidity Risk

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

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

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

At 31 December 2022, the Group's cash and cash equivalents totalled EUR 114 935 thousand (EUR 127 556 thousand at 31 December 2021). In addition, the Group had available unused overdraft credit lines of EUR 134 985 thousand (2021: EUR 134 820 thousand).

In the loan agreements signed with banks, the Group has agreed to comply with financial covenants related to ensuring certain equity, liquidity and other ratios.

In management's opinion, the Group has sufficient liquidity to support its operations. AS Tallink Grupp and its subsidiaries are able to continue as going concerns for at least one year after the date of approval of these consolidated financial statements.

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

In thousands of EUR, 2022	< 1 year	1-2 years	2-5 years	>5 years	Total
Non-derivative financial liabilities					
Lease liabilities	-68	-10	0	0	-78
Lease liabilities related to right-of-use assets	-20 958	-16 296	-41 999	-27 842	-107 095
Trade and other payables	-63 778	0	0	0	-63 778
Secured bank loan repayments	-145 521	-201 722	-248 326	-156 249	-751 818
Interest payments ¹	-27 512	-21 523	-21 533	-11 990	-82 558
Total	-257 852	-239 551	-311 858	-196 081	-1 005 342

In thousands of EUR, 2021	< 1 year	1-2 years	2-5 years	>5 years	Total
Non-derivative financial liabilities					
Lease liabilities	-73	-43	0	0	-116
Lease liabilities related to right-of-use assets	-16 488	-16 751	-44 475	-38 689	-116 403
Trade and other payables	-67 687	0	0	0	-67 687
Secured bank loan repayments	-228 667	-194 083	-181 500	-61 333	-665 583
Interest payments ¹	-16 657	-9 523	-9 962	-3 288	-39 430
Total	-329 572	-220 400	-235 937	-103 310	-889 219

¹ Expected, based on the interest rates and interest rate forward curves

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

Market Risk

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

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

Foreign Exchange Rate Risk

The Group is exposed to exchange rate risk arising from revenues, operating expenses and liabilities in foreign currencies, mainly in the US dollar (USD) and the Swedish krona (SEK). Exposure to USD results from the purchase of ship fuel and insurance and exposure to SEK arises from the fact that it is the operational currency on some routes.

The Group seeks to minimise currency risk by matching foreign currency inflows with outflows.

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

In thousands of EUR, 2022	EUR	USD	SEK	Other	Total
Cash and cash equivalents	108 335	160	6 334	106	114 935
Trade receivables, net of allowance	19 316	0	610	20	19 946
Other financial assets	1 896	50	658	39	2 643
Total	129 547	210	7 602	165	137 524
Current portion of borrowings	-164 061	0	-988	0	-165 049
Trade payables	-38 181	-172	-2 049	-205	-40 607
Other current payables	-25 156	0	-4 583	-2	-29 741
Non-current portion of borrowings and other liabilities	-688 277	0	-188	0	-688 465
Total	-915 675	-172	-7 808	-207	-923 862
Net, EUR	-786 128	38	-206	-42	-786 338

In thousands of EUR, 2021	EUR	USD	SEK	Other	Total
Cash and cash equivalents	118 040	32	9 421	63	127 556
Trade receivables, net of allowance	15 140	0	199	25	15 364
Other financial assets	2 834	0	1 662	10	4 506
Total	136 014	32	11 282	98	147 426
Current portion of borrowings	-243 481	0	-949	-6	-244 436
Trade payables	-39 255	-284	-4 512	-347	-44 398
Other current payables	-22 449	0	-7 678	-2	-30 129
Non-current portion of borrowings and other liabilities	-534 310	0	-1 162	-17	-535 489
Total	-839 495	-284	-14 301	-372	-854 452
Net, EUR	-703 481	-252	-3 019	-274	-707 026

A 10% strengthening of the euro against the following currencies at the end of the financial year would have increased (decreased) profit or loss and equity by the amounts shown below. This sensitivity analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2021.

As at 31 December, in thousands of EUR	2022 Profit or loss	2021 Profit or loss
USD	-4	25
SEK	21	302
NOK	0	0
Other	4	27

Interest Rate Risk

The Group is exposed to interest rate risk through funding and cash management activities. The interest rate risk – the possibility that fluctuations in interest rates can have a significant impact on the profitability and cash flows of the Group – results mainly from long term floating rate bank loans.

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

As at 31 December, in thousands of EUR	2022	2021
Fixed rate financial liabilities	294 665	129 628
Variable rate financial liabilities	451 739	533 714
Total	746 404	663 342

The Group's floating rate loan commitments are mainly based on EURIBOR rates. During 2022, 6-month EURIBOR increased from -0.539% on January 3 to 2.693% on December 30. At the end of February 2023, 6-month EURIBOR had crossed a 3% mark.

A change of 10 basis points in the interest rates of interest-bearing financial liabilities at the reporting date would have increased (decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2021.

In thousands of EUR	2022	2021
10 basis point increase	-452	-534
10 basis point decrease	452	534

When analysing interest rate risks, various hedging options are considered including refinancing floating rate loan commitments with fixed rate loan commitments. The management of the Group has assessed the interest rate risks related to assets and liabilities of the Group and concluded that there are no material risks to outline.

Fair Values of Financial Instruments

All financial assets and liabilities are measured at amortised cost excluding derivatives, which are measured at fair value.

According to the assessment of the Group's management, as at 31 December 2022 and 31 December 2021 the fair values of assets and liabilities measured at amortised cost did not differ materially from their carrying amounts.

Capital Management

The Group considers total shareholders' equity as capital. As at 31 December 2022 the shareholders' equity was EUR 706 931 thousand (2021: EUR 692 516 thousand). The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business.

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

At the General Meeting of Shareholders held on 8 February 2011, management introduced the strategic target of reaching the optimal debt level which would allow the Group to start paying dividends. In management's opinion, a comfortable level for the Group's equity ratio is between 40% and 50% and for the net debt to EBITDA ratio an indicator below 5. As at 31 December 2022 the Group's equity ratio was 41.8% and the net debt to EBITDA ratio was 5.4 (2021: 43.7% and 11.2, respectively).

Due to a complicated operating environment and considering the Company's long-term interests, management will propose to the General Meeting of Shareholders not to pay a dividend in 2023 for the results for 2022 (2021: not to pay a dividend from the results for 2021).

The Group may purchase its own shares from the market; the timing of these purchases may depend on market prices, the Group's liquidity position and business outlook. Additionally, legal factors may limit the timing of such decisions. Repurchased shares are intended to be cancelled. Currently the Group does not have a defined share buyback plan.

Note 26 Going Concern

In the beginning of the financial year 2022, the Group's operations and operating results were influenced by the COVID-19 in all home markets, and by the war in Ukraine that Russia unleashed on 24 February 2022.

To ensure the sustainability of the business operations both in 2022 and going forward we took several actions, including:

- Restoring profitable operations on our core routes
- Focusing on cost savings from previously implemented measures
- Chartering out vessels for additional revenue streams
- Applying for government assistance measures
- Amendment and restatement of EUR 280 million loan agreement from December 2016

At 31 December 2022, the Group's cash and cash equivalents totalled EUR 114 935 thousand (EUR 127 556 thousand at 31 December 2021). In addition, the Group had available unused overdraft credit lines of EUR 134 985 thousand (2021: EUR 134 820 thousand).

As 31 December 2022 current liabilities exceeded current assets by EUR 100 550 thousand (EUR 154 501 thousand at 31 December 2021). Current liabilities exceed current assets to a large extent due to a bank loan maturing in the fourth quarter of 2023. As in previous years the Group plans to refinance the maturing bilateral bank loan and has started preparations for the refinancing process.

The Management Board is of the opinion that the Group is able to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis as according to the assessment of the Management Board the Group can continue its operations and meet its obligations for the foreseeable future, i.e. for at least 12 months from the date these financial statements are authorised for issue. Should the economic environment worsen significantly, the Group may have to review its business plan in order to ensure its ability to continue as a going concern. Liquidity can also be strengthened through a shareholder contribution or the sale of assets, if needed.

Note 27 Subsequent Events

New Collective Agreement

On 6 February 2023, AS Tallink Grupp and Estonian Seamen's Independent Union signed a new collective agreement for the next 4 years. Subject to the agreement, the wages of the Group's maritime workers in Estonia will increase by 13.5% (service personnel) and 16.1% (technical personnel) compared to the minimum wages of the previous collective agreement.

Note 28 Primary Financial Statements of the Parent

Statement of profit or loss and other comprehensive income

For the year ended 31 December, in thousands of EUR	2022	2021
Revenue	379 788	243 846
Cost of sales	-325 056	-233 324
Gross profit/loss	54 732	10 522
Sales and marketing expenses	-24 400	-18 271
Administrative expenses	-25 935	-25 789
Impairment loss on receivables	-95	-95
Other operating income	6 939	2 411
Other operating expenses	-107	-1 025
Result from operating activities	11 134	-32 247
Finance income	15 230	20 703
Finance costs	-24 296	-23 631
Share of profit of subsidiaries	24 900	29 190
Share of profit/loss of equity-accounted investees	-90	-80
Profit/loss before income tax	26 878	-6 065
Income tax	1 186	1 051
Net profit/loss for the year	28 064	-5 014

Statement of Financial Position

As at 31 December, in thousands of EUR	2022	2021
ASSETS		
Cash and cash equivalents	2 014	2 792
Receivables from subsidiaries	118 693	86 450
Receivables and prepayments	17 829	20 442
Inventories	9 983	8 985
Current assets	148 519	118 669
Investments in subsidiaries	718 677	715 677
Receivables from subsidiaries	580 129	569 580
Investments in equity-accounted investees	75	165
Other financial assets and prepayments	3 148	65
Property, plant and equipment	548 602	482 558
Intangible assets	8 521	10 580
Non-current assets	1 859 152	1 778 625
TOTAL ASSETS	2 007 671	1 897 294
LIABILITIES AND EQUITY		
Interest-bearing loans and borrowings	208 057	300 291
Payables and deferred income	84 936	70 041
Dividends payable to shareholders	6	6
Tax liabilities	4 310	4 148
Current liabilities	297 309	374 486
Interest-bearing loans and borrowings	761 659	602 169
Non-current liabilities	761 659	602 169
Total liabilities	1 058 968	976 655
Share capital	349 477	349 477
Share premium	663	663
Reserves	32 159	32 159
Retained earnings	566 404	538 340
Equity	948 703	920 639
TOTAL LIABILITIES AND EQUITY	2 007 671	1 897 294

Statement of Cash Flows

For the year ended 31 December, in thousands of EUR	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss for the period	28 064	-5 014
Adjustment for:		
Depreciation and amortisation	57 832	57 395
Net gain/loss on disposals of property, plant and equipment and intangible assets	-15	0
Net interest expense	8 773	2 890
Income from subsidiaries	-24 810	-29 190
Income tax	-1 186	-1 051
Other adjustments	0	1 080
Adjustments	40 594	31 124
Changes in:		
Receivables and prepayments related to operating activities	12 117	-3 008
Inventories	-998	74
Liabilities related to operating activities	17 739	33 118
Changes in assets and liabilities	28 858	30 184
Cash generated from operating activities	97 516	56 294
NET CASH FROM OPERATING ACTIVITIES	97 516	56 294
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, equipment and intangible assets	-7 925	-6 355
Proceeds from disposals of property, plant and equipment	0	892
Increase in share capital of subsidiaries	-3 000	-108 000
Loans granted to subsidiaries	-39 660	-53 220
Repayments of loans granted	54 430	118 640
Dividends received from subsidiaries	22 700	8 500
Interest received	13 139	19 017
NET CASH USED IN INVESTING ACTIVITIES	39 684	-20 526
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans from subsidiaries	23 600	3 400
Repayment of loans	-73 885	-7 000
Repayment of loans to subsidiaries	-16 100	-4 500
Change in overdraft	949	8 838
Payment of lease liabilities	-48 542	-46 763
Interest paid	-22 883	-22 524
Payment of transaction costs related to loans	-1 117	0
Issue of shares	0	34 633
NET CASH USED IN/FROM FINANCING ACTIVITIES	-137 978	-33 916
NET CASH FLOW	-778	1 852
Cash and cash equivalents at the beginning of period	2 792	940
Change	-778	1 852
Cash and cash equivalents at the end of period	2 014	2 792

Statement of Changes in Equity

In thousands of EUR	Share capital	Share premium	Mandatory legal reserve	Retained earnings	Total equity
As at 31 December 2021	349 477	663	32 159	538 340	920 639
Net profit/loss for 2022	0	0	0	28 064	28 064
As at 31 December 2022	349 477	663	32 159	566 404	948 703
As at 31 December 2020	314 844	663	32 159	543 354	891 020
Net profit/loss for 2021	0	0	0	-5 014	-5 014
Issue of shares	34 633	0	0	0	34 633
Total transactions with owners of the Company recognised directly in equity	34 633	0	0	0	34 633
As at 31 December 2021	349 477	663	32 159	538 340	920 639

In thousands of EUR	2022	2021
Unconsolidated equity at 31 December	948 703	920 639
Interests under control and significant influence:		
Carrying amount	-718 752	-715 842
Value under the equity method	476 980	487 719
Adjusted unconsolidated equity at 31 December	706 931	692 516

STATEMENT BY THE MANAGEMENT BOARD

We hereby take responsibility for the preparation of the consolidated financial statements of AS Tallink Grupp (in the consolidated financial statements referred to as “the Parent”) and its subsidiaries (together referred to as “the Group”).

The Management Board confirms that:

- The consolidated financial statements are in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
- The consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group and the Parent.
- AS Tallink Grupp and its subsidiaries are able to continue as going concerns for at least one year after the date of approval of these consolidated financial statements.



Paavo Nõgene
Chairman of the Management Board



Kadri Land
Member of the Management Board



Harri Hanschmidt
Member of the Management Board



Piret Mürk-Dubout
Member of the Management Board



Margus Schults
Member of the Management Board

31 March 2023

This audited annual report has been signed digitally.

INDEPENDENT AUDITORS' REPORT

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ALTERNATIVE PERFORMANCE MEASURES

AS Tallink Grupp presents certain performance measures as key figures, which in accordance with the “Alternative Performance Measures” guidance by the European Securities and Markets Authority (ESMA) are not accounting measures of historical financial performance, financial position and cash flows, defined or specified in IFRS, but which are instead non-financial measures and alternative performance measures (APMs).

The non-financial measures and APMs provide the management, investors, securities analysts and other parties with significant additional information related to the Group’s results of operations, financial position or cash flows and are often used by analysts, investors and other parties.

The non-financial measures and APMs should not be considered in isolation or as a substitute to the measures under IFRS. The APMs are unaudited.

Calculation Formulas of Alternative Performance Measures

EBITDA: result from operating activities before net financial items, share of profit or loss of equity-accounted investees, taxes, depreciation and amortisation

EBIT: result from operating activities

Earnings per share: net profit or loss / 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 or loss / net sales

EBITDA margin: EBITDA / net sales

EBIT margin: EBIT / net sales

Net profit margin: net profit or loss / net sales

Capital expenditure: additions to property, plant and equipment – additions to right-of-use assets + additions to intangible assets

ROA: earnings before net financial items, taxes 12 months trailing / average total assets

ROE: net profit or loss 12 months trailing / average shareholders’ equity

ROCE: earnings before net financial items, taxes 12 months trailing / (total assets – current liabilities (average for the period))

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

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

Current ratio: current assets / current liabilities

Reconciliations of Certain Alternative Performance Measures

In thousands of EUR	2022	2021	2020
Depreciation	91 216	88 375	93 306
Amortisation	6 920	6 938	7 354
Depreciation and amortisation	98 136	95 313	100 660
Result from operating activities	37 673	-37 031	-92 621
Depreciation and amortisation	98 136	95 313	100 660
EBITDA	135 809	58 282	8 039
EBITDA	135 809	58 282	8 039
IFRS 16 adoption effect	-22 718	-19 669	-18 686
Adjusted EBITDA	113 091	38 613	-10 647
Additions to property, plant and equipment	200 795	17 434	96 565
Additions to intangible assets	2 527	2 783	3 538
Capital expenditures	203 322	20 217	100 103
Net profit/loss	13 935	-56 576	-108 308
Weighted average number of shares outstanding	743 569 064	694 444 381	669 882 040
Earnings/loss per share (EUR)	0.019	-0.081	-0.162
Lease liabilities	77	116	258
Lease liabilities related to right-of-use assets	107 095	116 403	102 509
Overdraft	15	180	15 736
Long-term bank loans	746 327	663 226	586 616
Interest-bearing liabilities	853 514	779 925	705 119
Total equity	706 931	692 516	714 336
Total assets	1 691 642	1 585 915	1 516 201
Equity ratio (%)	41.8%	43.7%	47.1%
Equity attributable to equity holders of the Parent	706 931	692 516	714 336
Number of ordinary shares outstanding	743 569 064	743 569 064	669 882 040
Shareholders' equity per share (EUR)	0.95	0.93	1.07
Gross profit/loss	113 470	21 655	-43 454
Net sales	771 387	476 937	442 934
Gross margin (%)	14.7%	4.5%	-9.8%
EBITDA	135 809	58 282	8 039
Net sales	771 387	476 937	442 934
EBITDA margin (%)	17.6%	12.2%	1.8%
Adjusted EBITDA	113 091	38 613	-10 647
Net sales	771 387	476 937	442 934
Adjusted EBITDA margin (%)	14.7%	8.1%	-2.4%
EBIT	37 673	-37 031	-92 621
Net sales	771 387	476 937	442 934
EBIT margin (%)	4.9%	-7.8%	-20.9%
Net profit/loss	13 935	-56 576	-108 308
Net sales	771 387	476 937	442 934
Net profit/loss margin (%)	1.8%	-11.9%	-24.5%

In thousands of EUR	2022	2021	2020
Result from operating activities 12-months trailing	37 673	-37 031	-92 621
Total assets 31 March	1 560 167	1 492 507	1 517 773
Total assets 30 June	1 550 110	1 524 741	1 505 876
Total assets 30 September	1 535 300	1 616 656	1 542 932
Total assets 31 December	1 691 642	1 585 915	1 516 201
Average assets	1 584 627	1 547 204	1 523 149
ROA (%)	2.4%	-2.4%	-6.1%
Net profit/loss 12-months trailing	13 935	-56 576	-108 308
Total equity 31 December (previous year)	692 516	714 336	822 837
Total equity 31 March	652 526	680 079	793 224
Total equity 30 June	652 304	655 682	765 349
Total equity 30 September	690 219	695 867	741 507
Total equity 31 December	706 931	692 516	714 336
Average equity	678 899	687 696	767 451
ROE (%)	2.1%	-8.2%	-14.1%
Result from operating activities 12-months trailing	37 673	-37 031	-92 621
Total assets 31 December (previous year)	1 585 915	1 516 201	1 532 963
Total assets 31 March	1 560 167	1 492 507	1 517 773
Total assets 30 June	1 550 110	1 524 741	1 505 876
Total assets 30 September	1 535 300	1 616 656	1 542 932
Total assets 31 December	1 691 642	1 585 915	1 516 201
Current liabilities 31 December (previous year)	357 910	208 347	221 444
Current liabilities 31 March	390 345	233 651	234 336
Current liabilities 30 June	405 694	218 923	254 934
Current liabilities 30 September	383 316	207 183	275 820
Current liabilities 31 December	296 246	357 910	208 347
Total assets - current liabilities 31 December (previous year)	1 228 005	1 307 854	1 311 519
Total assets - current liabilities 31 March	1 169 822	1 258 856	1 283 437
Total assets - current liabilities 30 June	1 144 416	1 305 818	1 250 942
Total assets - current liabilities 30 September	1 151 984	1 409 473	1 267 112
Total assets - current liabilities 31 December	1 395 396	1 228 005	1 307 854
Average assets - current liabilities	1 217 925	1 302 001	1 284 173
ROCE (%)	3.1%	-2.8%	-7.2%
Interest-bearing liabilities	853 514	779 925	705 119
Cash and cash equivalents	114 935	127 556	27 834
Net debt	738 579	652 369	677 285
Net debt	738 579	652 369	677 285
Depreciation	91 216	88 375	93 306
Amortisation	6 920	6 938	7 354
Depreciation and amortisation	98 136	95 313	100 660
EBITDA	135 809	58 282	8 039
Net debt to EBITDA	5.4	11.2	84.2
Current assets	195 696	203 409	89 220
Current liabilities	296 246	357 910	208 347
Current ratio	0.7	0.6	0.4

CONTACT INFORMATION

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