GROUP ANNUAL REPORT 2022

PORT OF TALLINN

AS Tallinna Sadam

Group Annual Report 2022

Commercial Registry no.	10137319
VAT registration no.	EE100068489
Registered office	Sadama 25, 15051 Tallinn, Estonia
Country of incorporation	Republic of Estonia
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E-mail	ts@ts.ee
Corporate website	www.ts.ee
Beginning of financial year	1 January
End of financial year	31 December
Legal form	Limited company (AS)
Auditor	KPMG Baltics OÜ

The company's consolidated financial statements in the PDF format without the European Single Electronic Format (ESEF) markups.
The original document has been submitted in the machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (link: https://nasdaqbaltic.com).

Table of Contents

MANAGEMENT REPORT

1 Tallinna Sadam at a Glance

1.1 Business model

The business model of AS Tallinna Sadam (Port of Tallinn) and its subsidiaries (together: 'Tallinna Sadam' or 'the Group') is based on **four balanced business lines**: passengers, cargo, shipping and real estate.

Tallinna Sadam owns the largest cargo and passenger harbour complex in Estonia. Our harbours are navigable and easily accessible throughout the year and deep enough to receive all vessels passing through the Danish Straits. Estonia's geographical location provides good conditions for handling both north–south and east–west passenger and cargo flows.

PASSENGERS

- Annual average figures[1]: **10 million passengers**, 1.4 million cars, 6,100 ferry calls
- Passenger harbours: Old City Harbour and Saaremaa Harbour. One route, two operators at Muuga Harbour
- **Receiving ferries and cruise ships**, provision and development of port infrastructure, provision of services to passengers and vehicles
- Ferry routes: Tallinn–Helsinki, Tallinn–Stockholm, Muuga–Vuosaari. Cruise ships

CARGO

- Annual average figures: about **18 million tonnes of cargo**, 1,500 cargo ship calls
- Cargo harbours: Muuga Harbour, Paldiski South Harbour. Ro-ro cargo at Old City Harbour
- **Receiving cargo traffic**, provision and development of port infrastructure
- Liquid bulk, dry bulk, container, ro-ro and general cargo

SHIPPING

TS LAEVAD OÜ

- **Operating ferries** on two domestic routes: Rohuküla–Heltermaa and Virtsu–Kuivastu
- Annual average figures: 2 million passengers and 1 million vehicles
- 5 ferries: Leiger, Tiiu, Tõll, Piret and Regula

TS SHIPPING OÜ (MPSV BOTNICA):

- Icebreaking in northern Estonian ports and harbours
- Offshore work and international projects during the summer season

REAL ESTATE

- **Developing real estate at Old City Harbour** 16 ha
- Muuga Industrial Park 76 ha
- Paldiski South Harbour Industrial Park 34 ha
- Saaremaa Harbour Logistics Park 10 ha
- Vacant land and rental premises in the harbours

[1] *In the period before the COVID-19 pandemic*

TABLE OF CONTENTS

Tallinna Sadam owns two passenger harbours (Old City Harbour and Saaremaa Harbour) and two cargo harbours (Muuga Harbour and Paldiski South Harbour). In terms of the number of passengers served, Tallinn Old City Harbour is the third-largest harbour in the northern region of the Baltic Sea (after Stockholm and Helsinki). Muuga Harbour is Estonia's largest cargo harbour. Tallinna Sadam offers port services as a landlord port, i.e. it owns, manages and develops berths, port basins and the surrounding areas, leases land to cargo operators, organises vessel traffic in port basins and ensures safe navigation in port waters. Tallinna Sadam owns passenger terminals and other facilities required for passenger service. Cargo harbour superstructure belongs to cargo operators. Waste management in the harbours is provided by AS Green Marine (Green Marine), an associate of Tallinna Sadam that offers innovative waste handling solutions.

Structure of Tallinna Sadam Group

Through its subsidiary OÜ TS Laevad (TS Laevad), Tallinna Sadam operates ferries and offers passenger transport between Estonia's mainland and two largest islands — Saaremaa and Hiiumaa. The Group has five ferries and the routes served are the busiest domestic ferry routes in Estonia. The other subsidiary, OÜ TS Shipping (TS Shipping), is also involved in shipping. It owns the multi-functional icebreaker Botnica, which provides icebreaking services along the northern Estonian coast during the winter season and icebreaking, ice management and escort services in the Arctic waters of northern Canada during the summer season.

The real estate business line is largely in the preparatory phase. Detailed plans for the areas included in the Old City Harbour development plan have been initiated and are being processed by the Tallinn City Planning Department.

The Group's operating segments for financial accounting purposes differ somewhat from its business lines. Operating segments are Passenger harbours, Cargo harbours, Ferry, and Other. The Passenger harbours segment comprises the provision of port services at the harbours mainly involved in passenger service — Old City Harbour and Saaremaa Harbour — and real estate development activities in Old City Harbour. The Cargo harbours segment comprises the provision of port services at the harbours mainly involved in cargo handling — Muuga Harbour and Paldiski South Harbour — and activities related to the industrial parks located in those harbours. The Ferry segment comprises the operations of the subsidiary TS Laevad, which provides ferry service between Estonia's mainland and two biggest islands. The segment Other includes mainly the operations of the subsidiary TS Shipping, which operates the multifunctional icebreaker Botnica, and the Group's share of the profits and losses of the associate Green Marine, which is accounted for under the equity method. Segment results are presented in section 6.9 of the management report and note 3 to the consolidated financial statements.

TABLE OF CONTENTS

1.2 Key performance indicators for 2022

Revenue EUR 121.7m
(+10.6%)[2]

Cargo volume 17.8m tonnes
(–20.7%)

Utilisation rate for icebreaker Botnica 68%
(–6.7 percentage points)

Adjusted EBITDA EUR 55.8m
(+3.3%)

Number of passengers 7.0m
(+98%)

Traffic between Estonia's mainland and largest islands 2.3m passengers (+4.3%) **and 1.1m vehicles** (–0.2%)

EBITDA margin 45.9%, profit EUR 25.6m
(–0.1%)

Number of vessel calls 7,130
(–2.8%)

Share of vessel calls with ESI[3] discounts 18%
(+2 percentage points)

Capital investments EUR 13.9m
(–5.9%)

Dividends paid EUR 25.511m
(EUR 0.097 per share)

GHG[4] emissions 21,623 tonnes of CO_2 equivalent
(–9%)

[2] MAll changes on this page compared with 2021

[3] ESI — Environmental Ship Index

[4] GHG — greenhouse gases CO_2, N_2O and CH_4 converted into CO_2 equivalent

1.3 Significant events in 2022

THE ICEBREAKER BOTNICA’S SUMMER CHARTER CONTRACT WITH BAFFINLAND WAS EXTENDED

THE NUMBER OF PASSENGERS RECOVERED TO 7 MILLION PEOPLE

A NEW COMPOSITION OF THE SUPERVISORY BOARD AND A NEW CFO TOOK OFFICE

TALLINNA SADAM BECAME A CO-FOUNDER OF HYDROGEN VALLEY ESTONIA

AN INVESTMENT DECISION ON BUILDING A QUAY AND HINTERLAND IN PALDISKI SOUTH HARBOUR TO SERVICE OFFSHORE WIND FARMS WAS ADOPTED

AN INVESTOR DAY TITLED "IN THE WINDS OF THE FUTURE" WAS ORGANISED

THE 30TH ANNIVERSARY OF TALLINNA SADAM WAS CELEBRATED WITH THE SEMINAR "PORT 3.0"

A LAWSUIT WITH WCE AND PROCEEDINGS BY THE COMPETITION AUTHORITY WERE TERMINATED

A COMPROMISE AGREEMENT WAS REACHED IN A COURT DISPUTE WITH THE SHIPPING COMPANY TALLINK

THE STATE ANNOUNCED THAT IT WOULD NOT EXERCISE THE OPTION TO BUY OUT THE FERRIES

THE NEW CRUISE TERMINAL WAS AWARDED THE MAIN PRIZE IN THE CATEGORY OF "NEW SPACE" BY THE CULTURAL ENDOWMENT OF ESTONIA AND THE CONCRETE BUILDING OF THE YEAR AWARD BY THE ESTONIAN CONCRETE ASSOCIATION AND WAS NOMINATED FOR THE ESPO AWARD FOR CREATING ADDED VALUE TO THE LOCAL COMMUNITY

A NEW FERRY, MS MYSTAR, BEGAN TO SERVE THE TALLINN–HELSINKI ROUTE

DRAFT DETAILED PLANS FOR OLD CITY HARBOUR WERE PUT ON PUBLIC DISPLAY

THE SQUARE IN FRONT OF PASSENGER TERMINAL D WAS COMPLETED

1.4 Letter from the CEO

Last year's greatest successes for the Port of Tallinn, and thus Tallinna Sadam, were related to the recovery of the passenger business, which was more rapid than expected, largely due to our neighbours' interest to travel on the Tallinn–Helsinki route. We are also pleased about cruise ships returning to our harbours in Tallinn and the island of Saaremaa as well as the strong results of our ferry service operations.

For our real estate development operations, 2022 was a milestone year because the City of Tallinn put the draft detailed plans of Old City Harbour on public display. This was a major step towards achieving the goals of our real estate business and executing Masterplan 2030+ in the development of Old City Harbour. Furthermore, our icebreaker Botnica continued to deliver good results.

While the cargo business was overshadowed by Russia's aggression against Ukraine and the consequent trade sanctions, we made an important forward-looking decision to invest in a new quay for Paldiski South Harbour. Besides supporting the military objectives of the Estonian state, this will enable us to become an important partner in the construction and maintenance of offshore wind farms in the Baltic Sea.

Tallinna Sadam's balanced business model and strong customer base have helped us successfully cope with various crises, earn a profit and deliver on the dividend promise made to investors.

The maritime industry is going through exciting times where the role of technology is more important than ever. Innovative technological solutions, digitalisation and automation are unlocking new opportunities in shipbuilding, energy supply, alternative fuels and shipping management as well as the provision of traffic solutions for harbour premises and ticketing systems for end consumers. All this, and everything in between, is very exciting and so is the green transition that supports it all. I dare say that the Port of Tallinn continues to be a trailblazer in the maritime sector in both digitalisation and reducing the environmental footprint of its operations and we increasingly expect the same from our partners and customers.

I sincerely hope this year will bring us peace in Europe. This human and perhaps somewhat cliché desire is currently my greatest wish both as a person and a CEO.

VALDO KALM
Chairman of the Management Board of Tallinna Sadam

1.5 Vision, mission, values

The vision of Tallinna Sadam is to become **the most innovative port on the Baltic Sea** by offering its customers a sustainable environment and development opportunities.

Tallinna Sadam is a modern gateway to the Baltic Sea. We are a growth-oriented development and service organisation. We create a sustainable environment and development opportunities for our customers and employees by combining the provision of services to people and cargo, shipping, and the development of waterfront real estate into an integrated logistics business. We listen to the communities and protect the environment. We are open, smart and reliable. We represent Estonia's image as a maritime country and are one of the engines of its economy.

The core values of Tallinna Sadam are openness, smartness and reliability.

We are **open** to new ideas and innovation and find opportunities to implement them. We share information about our intentions and activities both internally and externally.

We make sensible and **smart** decisions and do the right things at the right time and in the right way. We seek, seize and offer creative and forward-looking solutions to improve the company's competitiveness.

We are **reliable**. We keep our promises and deliver quality. We are professional, competent and influential experts in our area and treat ourselves as well as others with respect and consideration.

1.6 Strategy 2023-2027

Tallinna Sadam's strategy is focused on implementing its vision — to become the most innovative port on the Baltic Sea, meeting owners' expectations, keeping the dividend promise, promoting a strong business culture and ensuring sustainable development.

Business strategy

Tallinna Sadam will have moderate growth opportunities in all its business lines: cargo, passengers, real estate, and shipping.

In the **passenger business**, which was hit the hardest by the COVID-19 crisis, we will focus on restoring our operating volumes in terms of services provided to both regular routes and cruise ships. We will invest in improving passenger service infrastructure and creating sustainable port service solutions for ferries, ships, buildings and passengers. The goals include creating green corridors on the Tallinn–Helsinki and Tallinn–Stockholm routes.

In the **cargo business**, we will continue to increase the competitiveness of cargo corridors passing through Estonia together with other members of the logistics chain. The development of offshore wind farms will provide a good opportunity to start offering the services of a construction and maintenance harbour, while the replacement of fossil fuels with renewable and biofuels and alternative energy sources will open up possibilities for handling new cargo groups. Due to changes in the supply chains, the importance of the port as an intermodal hub will continue to grow and the significance of the north-south corridor will increase. As companies are reshoring their production and manufacturing operations, we intend to implement additional areas in the industrial parks at our Muuga Harbour and Paldiski South Harbour.

In the **real estate** business, we will continue to create attractive urban space by executing the development plan of Old City Harbour, i.e. Masterplan 2030+. The goal for the strategy period is to begin real estate development and create high-quality public urban space in the northern area.

In **shipping**, the main focus in 2023–2027 will be on winning the tender for the provision of ferry service between Estonia's mainland and two largest islands in order to ensure the core business, securing year-round work for the icebreaker Botnica and adopting sustainable digital solutions. We are also considering the viability of a new business line: offering a maintenance fleet in the offshore wind value chain.

The main factors, which will affect our operations and the implementation of our business strategy are the general unstable economic situation in Europe, the Russia-Ukraine war, the sustainability of rail freight transport, and the tightening of environmental requirements and regulations. On the positive side, the changes in global supply chains may open up development opportunities for serving new cargo flows. Additionally, the energy crisis and climate regulations are accelerating the search for new solutions for the implementation of alternative energy sources and green fuels, which is creating conditions for the development of energy-related projects in harbours.

TABLE OF CONTENTS

Development opportunities

PASSENGERS

- Restoring passenger traffic volumes on the Helsinki and Stockholm routes
- Restoring the volume of cruise ship calls and the number of cruise passengers
- Improving accessibility and connectivity

CARGO

- Building a harbour for the construction and maintenance of offshore wind farms
- Becoming a regional cargo and logistics hub
- Increasing north-south cargo flows (including the opportunities offered by Rail Baltica)
- Continuing the development of ro-ro/con-ro routes at Muuga Harbour and Paldiski South Harbour

SHIPPING

- Winning the public tender and signing a new contract for the provision of ferry service between Estonia's mainland and two largest islands
- Increasing operating efficiency
- Electrification of ships and implementation of alternative fuels
- Growth in the demand for icebreaking and offshore services in international projects
- Providing services to Estonian offshore wind farms

REAL ESTATE

- Executing Masterplan 2030+ created for the development of Old City Harbour
- Developing industrial parks and providing added value
- Renting out surplus resources and vacant premises

Sustainable development

Tallinna Sadam consistently strives to reduce the adverse environmental impacts of its business and development activities. A clear **focus on environmental priorities** and the pursuit of climate neutrality by 2050 are keys to ensuring the company's sustainable development. We recognise that the Baltic Sea has one of the most vulnerable marine ecosystems in the world and that clean air is an important indicator of the quality of life as well as a critical factor in ensuring our ability to continue business and development activities in the vicinity of residential areas. Our goals also include expanding the circular economy and improving energy efficiency, while using all natural resources economically and promoting more sustainable consumption.

In addition to environmental priorities, we monitor the achievement of goals set in our **economic and social focus** areas. Being an innovative company, we increase our competitiveness by using modern science-based and digital solutions. In selecting partners, we evaluate their approach to sustainability. We ensure the company's profitability and stable shareholder returns by delivering on our dividend policy and applying contemporary management principles which are consistent with our core values.

As Estonia's largest gateway to the sea, we are responsible for Estonia's image as a maritime nation. Therefore, our priority is to create quality public space for both visitors and local people. It is equally important to contribute to regional development by providing first-rate ferry service, which is essential to the residents and visitors of Estonia's largest islands. Health, safety and security remain among our top priorities.

We **implement the strategy** by setting annual goals and action plans and involving all our employees in their achievement. The key to Tallinna Sadam's future success lies in the attitude and mindset that our daily business decisions and investments must equally support the company's profitability, the surrounding environment and the development of society as a whole. Through our activities, we contribute to the achievement of Estonia's climate neutrality goal as well as the implementation of the European Green Deal and the UN sustainable development goals.

In 2022, we continued to develop our sustainable development strategy and to plan activities for achieving the goals together with our in-house experts and management. We updated the sustainable development topics on our corporate website and commissioned a gap analysis from an audit firm to map the requirements of the Corporate Sustainability Reporting Directive and prepare for its implementation at Tallinna Sadam. The analysis will be completed in 2023. We have developed key performance indicators and their target levels as well as a web application for monitoring our progress towards the sustainable development goals. The application, developed in collaboration with the Estonian Maritime Academy, can be found at http://www.sea.ee/pem.

We also completed the climate change questionnaire of the Carbon Disclosure Project (CDP) to be more open about the impacts of our carbon footprint as well as the goals and activities for their mitigation. Our CDP score for the questionnaire completed in 2022 was C (average).

ECONOMIC IMPACT

- Innovation
- Development based on R&D
- Sustainable business development and choice of partners
- Employer attractiveness

SOCIAL IMPACT

- High quality public space and regional development
- Health, safety, security
- Raising awareness on CSR and sustainability

ENVIRONMENTAL IMPACT

- Energy efficiency, sustainable consumption
- Clean Baltic Sea, increasing circular economy
- Clean air

TABLE OF CONTENTS

1.7 Tallinna Sadam's stakeholder groups and value chains

EMPLOYEES

- Current and future employees of Tallinna Sadam group
- Trade unions

CUSTOMERS & PARTNERS

- Suppliers
- Financiers
- Agents, lease holders
- Charterers of the icebreaker
- Parties in logistics chain
- Operators (cargo terminals and passenger ships)
- Supervision and other institutions
- Passengers (international and local)

SOCIETY & COMMUNITY

- Local municipalities
- Local communities
- Cooperation organizations and networks
- Education and research institutions
- Public and media

INVESTORS

- Estonian state (controlling shareholder)
- International institutional investors
- Estonian investment and pension funds
- Retail investors
- Potential investors

PASSENGER HARBOURS SEGMENT

PUBLIC SPACE
- User-friendly port area
- Attractive place to spend time

PORT INFRASTRUCTURE
Including:
- Land, quays, ramps, connecting walkways, utility networks, etc.
- Development, construction, maintenance, management
- Letting of vacant premises

PASSENGER TERMINALS
- Traffic management in onshore harbour area (incl. Smart Port system)
- Services at terminals

PORT SERVICES
Including:
- Vessel traffic management, waste management, onshore electricity supply, pollution abatement, utility services
- Tugging and piloting, bunkering

MARITIME TRANSPORT
Ferry and ship operators:
- Tallink
- Viking Line
- Eckerö Line
- Cruise operators

CARGO HARBOURS SEGMENT

ROAD TRANSPORT
- Rail transport
- Road transport

PORT INFRASTRUCTURE
Including:
- Land, quays, ramps, utility networks, etc.
- Development, construction, maintenance, management
- Granting of rights of superficies

CARGO TERMINALS
Activities of cargo operators:
- Superstructure construction and management
- Loading, unloading, storage and warehousing
- Processing and adding value to cargo

PORT SERVICES
Including:
- Vessel traffic management, waste management, pollution abatement, utility services
- Tugging and piloting, bunkering

MARITIME TRANSPORT
- Agents
- Carriers
- Freight forwarders

FERRY SEGMENT

FERRIES
- Technical readiness of the ferries
- Safe manning

TICKET SALES

TRAFFIC MANAGEMENT IN HARBOUR AREA

MARITIME TRANSPORT
- Operation of ferries
- Onboard services

SEGMENT OTHER (ICEBREAKER BOTNICA)

ICEBREAKER
- Technical readiness of the icebreaker
- Safe manning

ICEBREAKING IN ESTONIA
- Icebreaking operations on the northern coast of Estonia in the winter

OFFSHORE WORK
- Offshore work projects abroad in the summer

FACTORS:
- Geopolitics, incl. the environment
- Economic environment
- Supply chains
- Competition
- Safety and security
- Information technology
- Workforce
- Regulations
- Epidemics
- Weather

Services provided by the Tallinna Sadam Group

Services provided by partners

TABLE OF CONTENTS

2 Service Responsibility

2.1 Safety and security

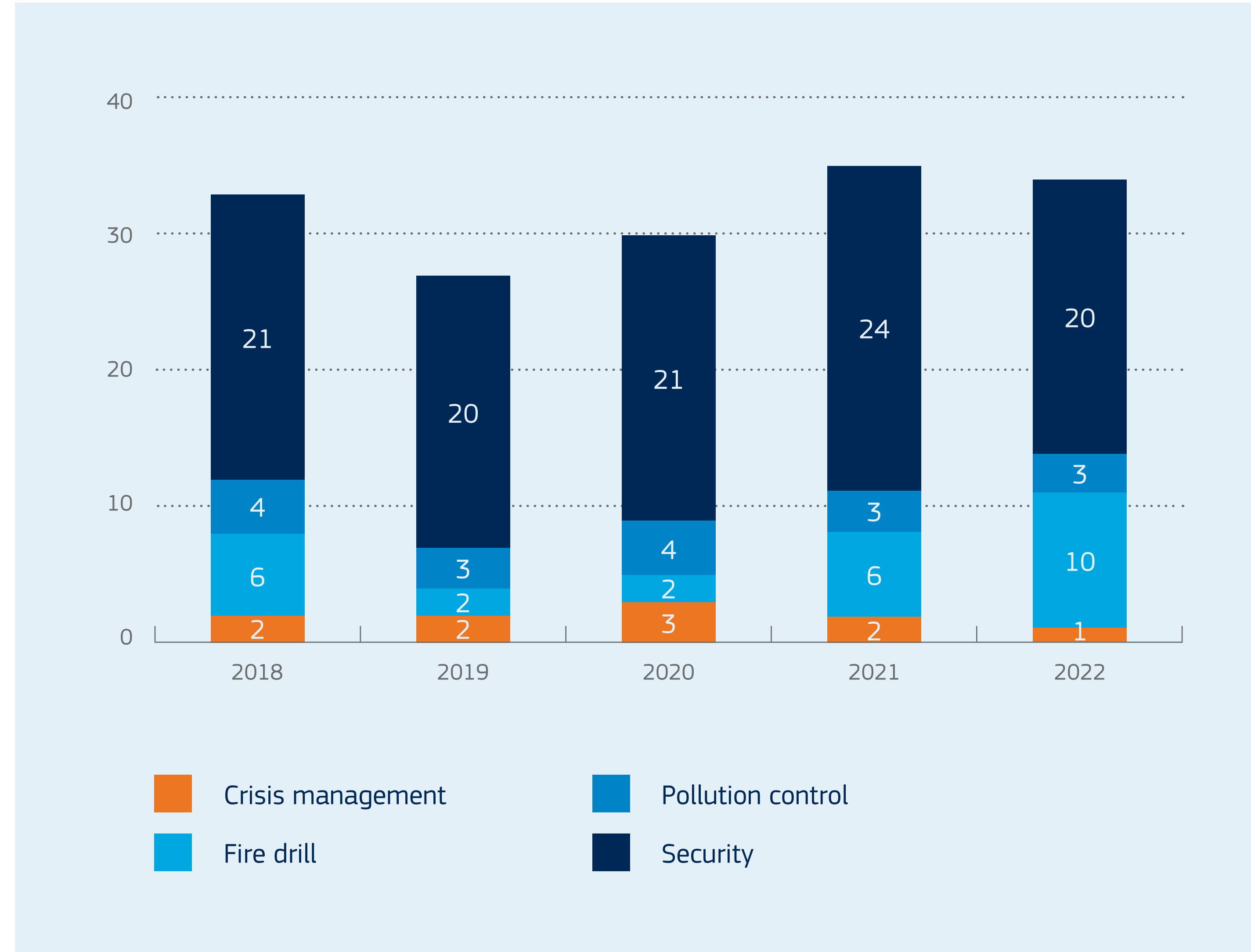
We invest daily in ensuring and promoting safety and security in all our business lines. Our main challenge is to make sure that all employees, passengers, cargo and companies are safe and secure. We do it by implementing innovative security systems.

The harbours of Tallinna Sadam have implemented a **safety and security assurance system** to meet the requirements of the Estonian Ports Act in areas such as marine traffic safety, security, environmental protection, and safe cargo handling. We assess potential safety risks regularly and update our safety measures when necessary. General safety requirements are set out in the Port Rules. Our structural units' roles in preventing and responding to dangerous situations at the harbours of Tallinna Sadam are described in the procedure for preventing and resolving dangerous situations and each harbour has developed and implemented a plan for responding to safety incidents. To cope with dangerous situations, we carry out **regular drills and training exercises** and work with supervision authorities, local communities and operators, including handlers of hazardous substances operating on the premises of our harbours. Last year we conducted ten fire drills which were attended by the employees of the security service provider and the harbour staff.

All detected incidents are recorded and continuous monitoring provides important input to the planning of additional safety measures.

To ensure fire safety, we have supplied our harbours with basic fire extinguishing equipment (dry powder, gas and water extinguishers, hose systems, fire blankets, etc.), automatic alarm systems (fire alarm, sprinkler, gas extinguishing, water curtain and alarm transmission systems) and external fire extinguishing water systems (fire hydrants, sea water extraction places). We regularly conduct fire drills and check firefighting equipment, systems and installations in cooperation with the Rescue Board. There were three fire incidents at Muuga Harbour in 2022: the first in the canteen of an office building belonging to Tallinna Sadam, the second on a cargo ship moored at the quay and the third in a warehouse belonging to a cargo operator (at Hoidla tee 2). No people were injured and no significant damage was caused to the property of Tallinna Sadam in any of the incidents.

Training and exercises



The Rescue Board ensures swift response to possible rescue incidents. To increase the capabilities of the Muuga rescue station, which is based at Muuga Harbour, we have acquired the following equipment for responding to possible incidents at the harbour: foam extinguishers and hose systems that can supply water from sources up to 3 km away and a HydroSub sea water pump with a capacity of 11,000 litres per minute. Also, there is a slip for launching watercraft in the eastern part of Muuga Harbour, which enables rescue units to respond quickly to incidents at sea. In connection with the opening of the cruise terminal in 2021, we took preventive action and introduced the building to the rescue units of the Rescue Board — 80 rescuers participated in the event.

The purpose of implementing security requirements at harbours is to assure the safety and security of ships, passengers, cargo, and harbour employees and to prevent wrongdoing. All harbours of Tallinna Sadam apply heightened ISPS[5] security requirements. Old City Harbour, which has been designated as a facility essential for national security, is subject to additional security measures.

All our harbours have a security plan, which is based on a risk analysis carried out by the Transport Administration and the Estonian Internal Security Service. According to the plan, each harbour consists of different facilities that are subject to security measures consistent with their inherent risks. The effectiveness of the security plan is tested during drills and exercises carried out every three months. Compliance with security requirements is reviewed by the Transport Administration, which carries out relevant audits on an regular basis. Access to all harbours is restricted: entry is granted on the basis of permits. All harbours have manned guarding and consistently upgraded modern technical surveillance systems, which support security assurance.

Thanks to extensive preventive work, Tallinna Sadam has had very few serious incidents in the past decade. There have been no safety incidents resulting in a large number of fatalities or injuries.

TS Shipping has implemented a safety and quality management system for its icebreaker Botnica, which integrates the requirements of the main international maritime conventions (SOLAS, MARPOL, STCW, etc.) and ISO standards (9001:2015, 14001:2015, 45001:2018). International offshore industry guidelines and best practices are also followed. TS Shipping is a member of the International Marine Contractors Association (IMCA) and complies with its guidelines, recommendations and practices. Nearly 20 different safety and security drills and exercises are conducted on board the icebreaker in conformity with international conventions and the recommendations and practices of the offshore industry every year. In addition, joint emergency response drills to practice cooperation between the crew and the onshore team are carried out twice a year. The ship's main engines, other mechanisms and systems have been supplied with remote surveillance equipment, which improves safety, allows using the vessel's engines and systems more efficiently and reduces costs and emissions.

TS Laevad applies the safety and security requirements of the ISPS Code. Fire safety is ensured by conducting weekly rescue and firefighting drills on board the vessels as required by SOLAS. Various on-board emergency response drills are conducted in partnership with the Police and Border Guard Board, the Estonian Internal Security Service and the Rescue Board. In addition, in the summer we organise maritime safety days on board our ferries in partnership with the Police and Border Guard Board and volunteer rescuers where we demonstrate the proper use of life jackets and give other relevant information about maritime safety. Together with Tallinn University of Technology (TalTech) we carried out an assessment of the cyber risks of ferries and ferry service and prepared an action plan to improve process security. In preventing the pollution of marine environment and managing waste, TS Laevad observes the requirements of MARPOL. All vessels of TS Laevad have implemented a comprehensive safety management system and the Transport Administration conducts separate audits of all vessels and the office on an annual basis.

[5] *International Code for the Security of Ships and Port Facilities.*

2.2 Quality management and risks

The Group's parent has been applying an integrated management system, which complies with the requirements of international quality and environmental management standards ISO 9001 and ISO 14001, since 2003 already. Conformity with international standards assures that the management system of Tallinna Sadam ensures the satisfaction of customers and other stakeholder groups, the efficiency of workflows, and effective control of risks and environmental aspects. The period's main goals in the development of the quality and environmental management system were to perform customer satisfaction, employer reputation, and employee engagement surveys and to analyse the results. Priority was given to environmental and digitalisation projects such as reducing GHG emissions, increasing the share of procurements with sustainability criteria, mapping vessel traffic processes and developing a digital port strategy.

TS Shipping applies an integrated management system, which complies with the requirements of quality management standard ISO 9001:2015, environmental management standard ISO 14001:2015 and occupational health and safety management standard OHSAS 18001.

We review the risks which influence the activities of Tallinna Sadam in accordance with our risk management framework. Relevant risks are classified into three main categories: risks resulting from the external environment (external risks), risks associated with specific business lines and operational risks. Each risk is assigned a level of severity (low, moderate, high, extreme) and mitigation measures that depend on the nature of the risk. The Group's financial risks are managed separately and a comprehensive overview of their hedging and mitigation principles and means is provided in note 4 to the financial statements.

External risks which affect the Group's operations the most include the global economic instability and the impacts of the sanctions against Russia and Belarus on the trade in goods and customers' business activity (e.g. oil operators). Risks that have been assessed to have a high impact include energy supply interruptions, the loss of key customers, the spread of a pandemic, restrictive international and Europe-wide regulations, introduction of stricter environmental requirements due to climate change and climate policy (including the goals of achieving climate neutrality, maritime decarbonisation, etc.) and possible unfavourable changes in national tax policies. According to our risk analysis, another significant risk factor for the operations of Tallinna Sadam is climate policy — potential new international and EU requirements (including the Fit for 55 package), which will affect harbour services in the long term through possible changes in demand and the cost base.

The potential impact of extreme weather conditions (storms, rising water levels, severe ice conditions, etc.) is likely to be lower than that of climate policy. Other potentially significant risks include the business risks of major customers and prospective customers' unwillingness to invest due to the instability of the global economy. The passenger business is affected the most by the rise in risk aversion and the changes in travel habits which have been brought about by the pandemic and the Russia-Ukraine war. Other significant risks are the construction of a competing passenger harbour (in the long-term perspective) and possible incidents with passengers on harbour premises. In the cargo business, risks with a high impact include increasing competition (including domestic) between the Baltic Sea ports and harbours and the restrictions imposed by Russia on the volumes of cargo transported by road and rail as well as through border crossing points.

In the real estate business, significant risks are possible delays in local governments' planning processes and possible legal disputes. In shipping, ferry operations may be affected in the long-term perspective by the possible construction of the Saaremaa bridge and the operations of the icebreaker Botnica may be affected by failure to secure regular work for periods outside the icebreaking season. Significant operational risks are related to occupational health and safety, the planning and execution of business projects and a possible decrease in the market value of significant assets. All other risks, including environmental risks (such as the risk of pollution of the port basin and harbour premises, noise and odour nuisances), safety and security risks, and personnel risks, are not as high (taking into account the risk mitigation measures) and, depending on the risk, fall into the low or moderate category.

In keeping with our values and ethics and to prevent corruption, we have put in place a Group-wide procedure for avoiding conflicts of interest. The procedure requires, among other things, the members of group companies' management and supervisory boards (16 persons in total) and employees who arrange transactions to declare their business interests. We observe the personal data protection requirements (GDPR) and pay increasing attention to ensuring cyber security. We address the topics at regularly organised training events and share relevant information (e.g. on our intranet) with employees and the members of the governing bodies. Our information systems are regularly tested with the assistance of external experts to improve our cyber security and mitigate related risks.

2.3 Customers and suppliers

We have a broad customer base, which largely consists of the Estonian state as well as big international companies, many of which are listed on different stock exchanges. Our largest customers are ferry operators, cargo terminal operators, and the government (the Republic of Estonia) under the contracts for the provision of ferry service and Botnica's icebreaking service. Our customers also include the end consumers of our services: passengers travelling on our ferries to the islands of Saaremaa and Hiiumaa, passengers travelling on international routes, and cargo carriers and cargo owners.

In **customer relations**, we observe the principles of openness and engagement. Our management and heads of business lines regularly meet our key customers. At least once a year, we organise a Customer Information Day where we present our significant plans, projects and investments.

We monitor customer satisfaction for six major customer groups: cargo terminal operators, ferry operators, shipping agents, tenants, passengers, and customers of the marina. In 2022, the **customer satisfaction index** was 5.34 on a 6-point scale (2021: 5.22).

We continued to participate in various working groups. As a result, a decision was made to maintain in 2022 vessels' 50% exemption from fairway dues payable to the state. In the Rail Baltica working group, we continued to collaborate with stakeholder groups on the construction of the Muuga freight station.

In 2022, we began to measure whether our largest customers and suppliers apply the **principles of sustainable development** in their operations. We drew a sample based on our purchases and sales over the past three years and added some accounts to ensure the representation of different areas. The sample consisted of 30 customers and 28 suppliers. Altogether, 74% of the customers and suppliers in the sample addressed sustainable development topics. The goal is to rise the outcome to 100% by 2030.

We invested in **making the customer journey in Old City Harbour more pleasant** in 2022. Passenger terminal A was supplied with a travel library as well as drinking water taps and coffee machines for the waiting areas. We built a new public square in front of passenger terminal D, which offers ferry passengers a convenient connection to the city centre via the Admiral Bridge and visitors an attractive place to spend time before and after their voyage. We have agreed a common approach to service provision with all companies that provide services in the passenger terminals of Old City Harbour: The **Service Compass** of the Old City Harbour Community.

TABLE OF CONTENTS

Our subsidiary TS Laevad that provides ferry service between Estonia's mainland and the biggest islands wishes to offer its passengers the best travel experience in Estonia and **regularly measures customer satisfaction** using the net promoter score (NPS) methodology. In 2022, the NPS was +74.3 on the scale of –100 to +100 (2021: +72.5). During the year, self-service terminals were installed in the harbours of the Hiiumaa route for passengers travelling on foot and by bike and the emergency notification system for passengers was upgraded. Together with our partners, we make every effort to make all visitors and passengers feel welcome and to develop a positive and inviting culture and vibe in our harbours and aboard our ferries.

In procuring products and services, we prefer, where possible, sustainable solutions, which are aligned with the values of Tallinna Sadam. We observe the sustainability criteria already in preparing the qualification requirements and exclude bids with solutions that burden the environment. In 2022, we applied sustainable procurement criteria to 95% of our procurements (on the basis of contract costs).

We wish that in the future all our partners would contribute to society and the environment. We have adopted the **Port Community's Internal Regulations**, which set out what we expect of organisations providing services on harbour premises in terms of sustainability, safety and hospitality.

Several events and conferences were arranged in 2022 **in cooperation with customers and other stakeholder groups**: the seminar "Port 3.0" to celebrate the 30th anniversary of Tallinna Sadam, the Estonian Wind Energy Conference and the Wind Day in Paldiski, the Paldiski Association of Entrepreneurs' conference "Different Paldiski", the XVIII International Maritime Conference, the Cruise Baltic Conference "Sustainable management of cruise destinations" and others. Our harbours were visited by numerous business delegations and student groups to whom we presented the cargo handling, passenger service and environmental protection capabilities of Estonian logistics companies and harbours.

ALL PASSENGERS ARE WELCOME WITH US — WHETHER BY CAR, BIKE OR ON FOOT

AT THE SEMINAR DEDICATED TO THE 30TH ANNIVERSARY OF TALLINNA SADAM WE LOOKED BACK AND FORWARD

3 Environment

Tallinna Sadam's **strategic environmental priorities for sustainable development** are:

- Energy efficiency and sustainable consumption
- A clean Baltic Sea and increasing circular economy
- Clean air

Tallinna Sadam consistently strives to reduce the adverse environmental impacts of its business and development activities. **We take responsibility for the natural and marine environment**, listen to local communities and work with local authorities and research organisations as well as other major ports on the Baltic Sea to ensure the company's sustainable development and operation. We have an environmental management system by which we identify the significant environmental aspects and impacts of our operations and determine our environmental goals and tasks in order to improve the effectiveness of our environmental activities.

3.1 Energy efficiency and sustainable consumption

We have set ourselves the goals of improving energy efficiency, covering 90% of our energy needs with renewable energy and consuming natural resources sustainably. Our long-term goals in this priority area are achieving climate neutrality by 2050 and maximising the use of renewable energy. We measure our progress towards the goals using the energy efficiency and sustainable consumption indicators presented below.

We have been buying only renewable (wind and solar) electricity for our own use since 2021. Our renewable electricity purchases in 2022 totalled 13.1 GWh. In addition, we covered 2.7% of our electricity consumption with self-produced solar power. Last year, additional solar panels of 80 kW were installed at Muuga Harbour. The cruise terminal building in Old City Harbour uses seawater-powered heating and cooling systems and 53% of the cruise terminal's electricity consumption was covered by the output of solar panels. Our total energy consumption was 18.2 GWh, of which the share of renewable energy was 75%.

We use digital building information modelling (BIM) in building and infrastructure planning and management. BIM is a solution designed to manage, organise and control business and construction processes at all stages of a building's life cycle. It helps ensure design and construction quality and provides information that enables us to optimise building management costs. BIM was used in the design and construction of passenger terminal D with a multi-storey car park and the square in front of the building, Admiral Bridge, the cruise terminal with a roof promenade and a ramp for berth 13 in Muuga Harbour.

TS Shipping implemented the Shipboard Energy Efficiency Management Plan (SEEMP) for its icebreaker Botnica in 2013 already. SEEMP is an element of the integrated management system that describes procedures and measures for optimising energy consumption. Additionally, Botnica's navigation management system incorporates a service which allows monitoring vessel movement in real time and programs which enable onshore staff to analyse changes in weather systems and vessel movement and thus to suggest optimum routes and speeds, helping captains avoid strong headwinds and weather routing. This has created considerable fuel savings and helped ensure safer ocean passage for the icebreaker.

The ferries Piret, Tõll, Leiger and Tiiu of TS Laevad are equipped with Blueflow Energy Management, an innovative system that monitors fuel consumption and helps improve deck officers' navigation practice in real time, optimise vessel speed based on the navigation area and plan maintenance of the underwater hull, which in turn lowers the vessel's fuel consumption and reduces the negative environmental impacts of marine fuel. Compared with the baseline year 2019 when the monitoring system was not yet implemented, the ferries' average fuel consumption per trip in 2022 was 13% lower (2021: 7%). The fuel consumption and CO_2 emissions of TS Laevad were affected by a system failure on the ferry Tõll in July 2021 as a result of which the ferry used only diesel fuel during the incident investigation period, which lasted until the end of April 2022. However, on all other ferries fuel consumption per trip decreased compared with a year earlier.

Energy efficiency and sustainable consumption indicators

Indicator	Target level for 2030	Baseline year 2019	2021	2022
MPSV Botnica *Energy Efficiency Operational Index* (EEOI)[6]	In the range of 0.3–0.4	0.4	0.4	0.3
Outdoor lighting upgrade rate	100%	31%	47%	47%
Energy efficiency of buildings (kWh/m^2 per year)	130	197	186	195
Share of renewable energy in total energy consumption*	90%	0.4%	67%	75%

** Including electricity and heat*

[6] *EEOI = FC * CF / D *m , where FC is fuel consumption in tonnes, CF is the conversion factor for diesel fuel used, D is the distance travelled in miles, m is the quantity of cargo (m=1).*

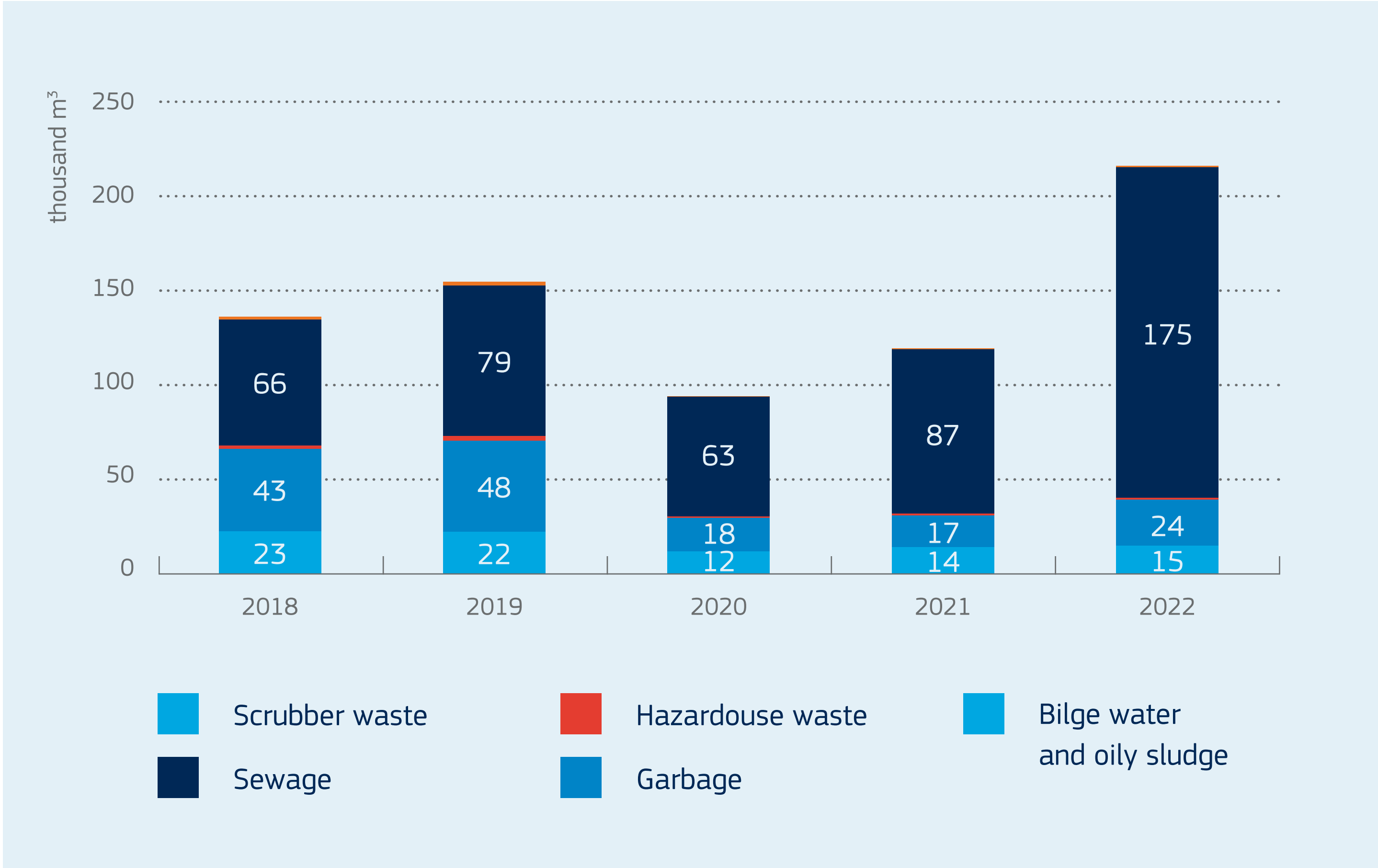
3.2 Clean Baltic Sea and circular economy

Our long-term goals in this priority area are to have **70% of waste recycled in the circular economy, to minimise the risks and hazards of marine pollution and to maintain biodiversity in coastal areas** in the places where the Group operates. We monitor our progress using the indicators presented below.

Tallinna Sadam works hard to ensure that the ecological footprint of its activities is kept to a minimum. The harbours of Tallinna Sadam have adequate capacity to receive bilge water, oily sludge, sewage, garbage and scrubber waste from all ships calling at them. In 2022, the number of port calls by cruise ships and ferries increased compared with 2021 (the figures for 2021 were lower than usual due to the COVID-19 pandemic) and therefore the quantities of ship-generated waste received were also higher than in 2021. According to unaudited data, **48% of ship-generated waste received was handed over for recycling** in 2022 (2021: 43%). The volume of recycled waste is affected by the type of waste received and the recycling capacity of the final waste handlers. The share of landfilled waste is minimal: based on unaudited data 98% of waste received in 2022 was recycled or recovered (incinerated) (2021: 97%).

Tallinna Sadam contributes to **ensuring the purity of the Baltic Sea by helping prevent the discharge of ship sewage into the sea**. To that end, we have provided Old City Harbour with a sewage pipeline for cruise berths and all frequently used ferry quays and a micro-tunnel with a sewage reception capacity of 1,200 m^3 per hour. **Thanks to the onshore sewer system**, cruise ships and ferries calling at Old City Harbour can dispose of unlimited amounts of sewage without any additional charge.

Reception of ship-generated waste



Ecological footprint indicators

Indicator	Target level for 2030	Baseline year 2019	2021	2022
Share of ship-generated waste recycled in the circular economy	70%	54%	43%	48%
Share of port calls by cruise ships that disposed of sewage at Old City Harbour	100%	81%	94%	80%
Number of pollution incidents in harbour basins	0	9	6	13
Benthic biodiversity indicator for Muuga Bay (compared with the reference site)	100%	100%	100%	100%
Benthic biodiversity indicator for Tallinn Bay (compared with the reference site)	100%	100%	100%	100%

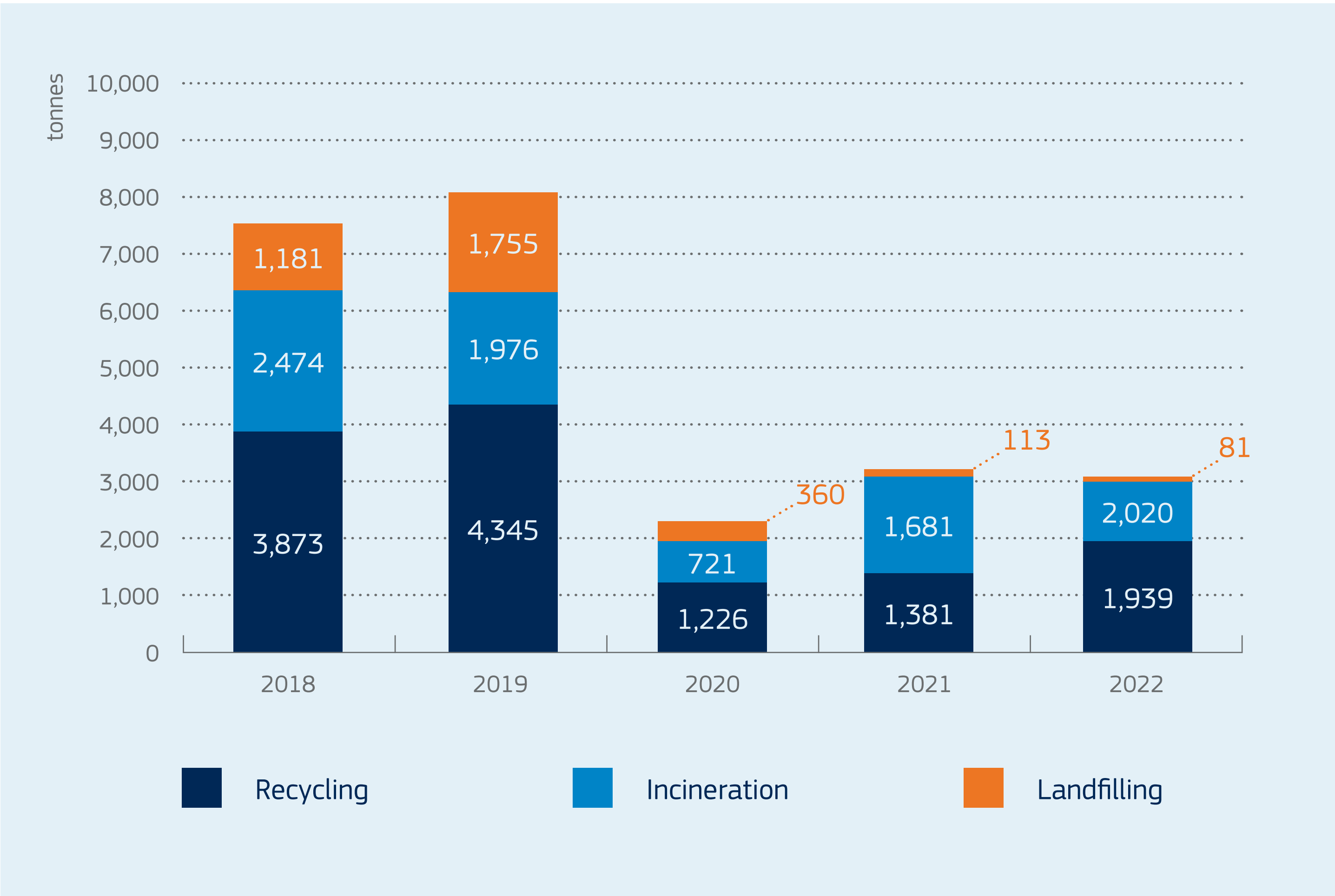
TABLE OF CONTENTS

Ferries and cruise ships discharged approximately 165 thousand m³ of sewage to reception facilities at Old City Harbour in 2022 (2021: 76 thousand m³). Although the volume of sewage received from cruise ships nearly doubled, the share of cruise ships that discharged sewage was 80% in 2022 (2021: 94%). This may be attributable to the optimisation of sewage disposal by cruise ships, i.e. sewage is discharged only when sewage tanks are filled to a certain level. In addition, cruise ships no longer call at the Port of St Petersburg, where sewage disposal was expensive and for an additional charge. The share for ferries is not relevant due to their frequent timetables and generally short call times.

In 2022, we continued to contribute to the circular economy through separate collection of waste in our offices and passenger terminals as well as on board the ferries of TS Laevad.

Because of the potential impacts of harbour operations, we monitor **marine biodiversity**. The long-term goal is that the number of benthic community species near Old City Harbour (Tallinn Bay) and Muuga Harbour should not differ from the average values for the reference site (Kakumäe Bay). This is a good indicator of the effect of harbour operations on marine ecosystems because the number of benthic community species directly reflects changes in water transparency, the intensity of eutrophication, the volume of dredging and pollutant load. We use the benthic biodiversity data for Muuga and Tallinn Bays obtained from the national environmental monitoring programme (conducted annually by the Estonian Marine Institute and the Estonian Environment Agency of the Ministry of the Environment). According to the 2022 data, the condition of the sea near Muuga Harbour and Old City Harbour continues to be the same as at the reference station (indicator 100%).

Recycling of ship-generated waste



Volume of sewage received from cruise ships and ferries at Old City Harbour

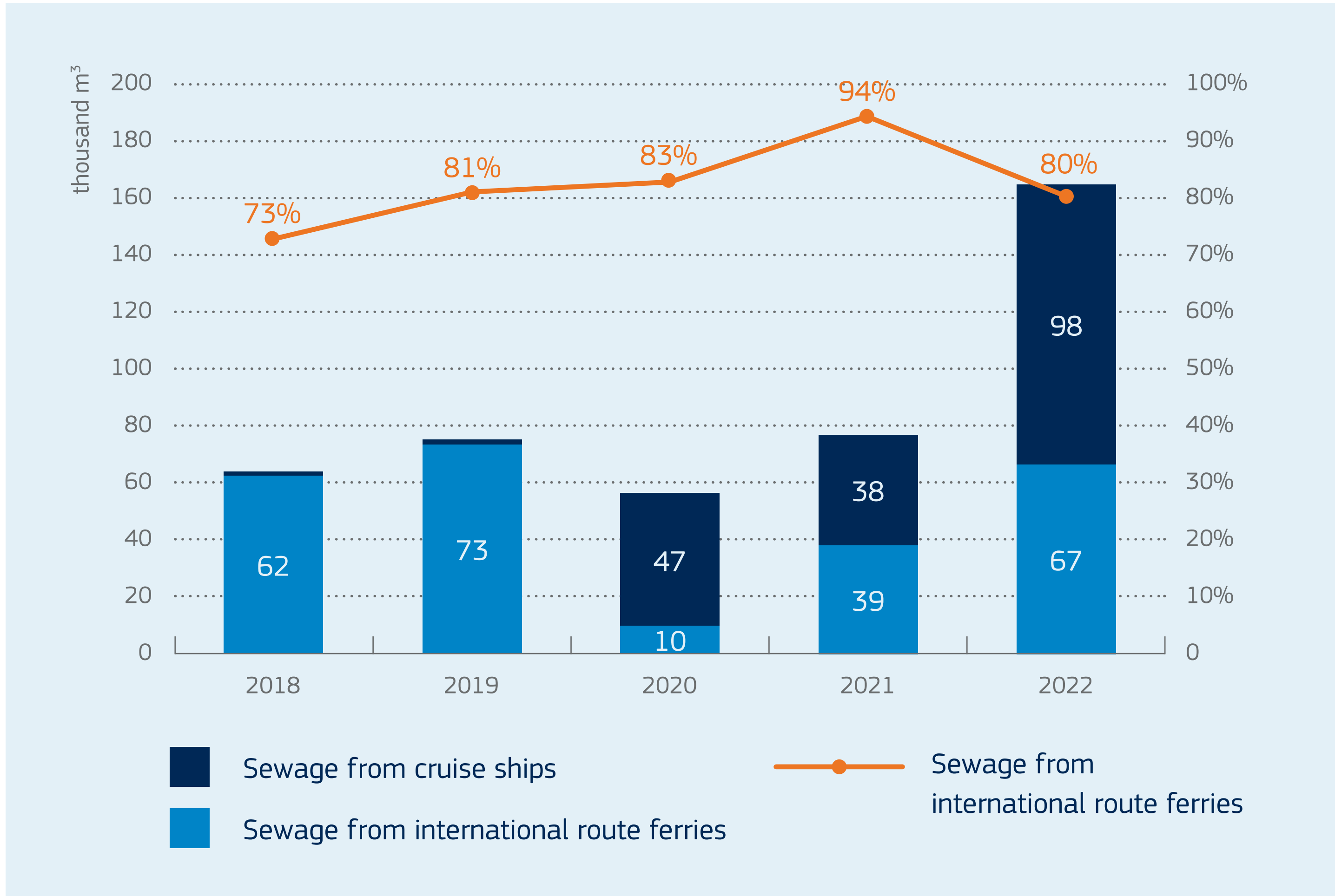


TABLE OF CONTENTS

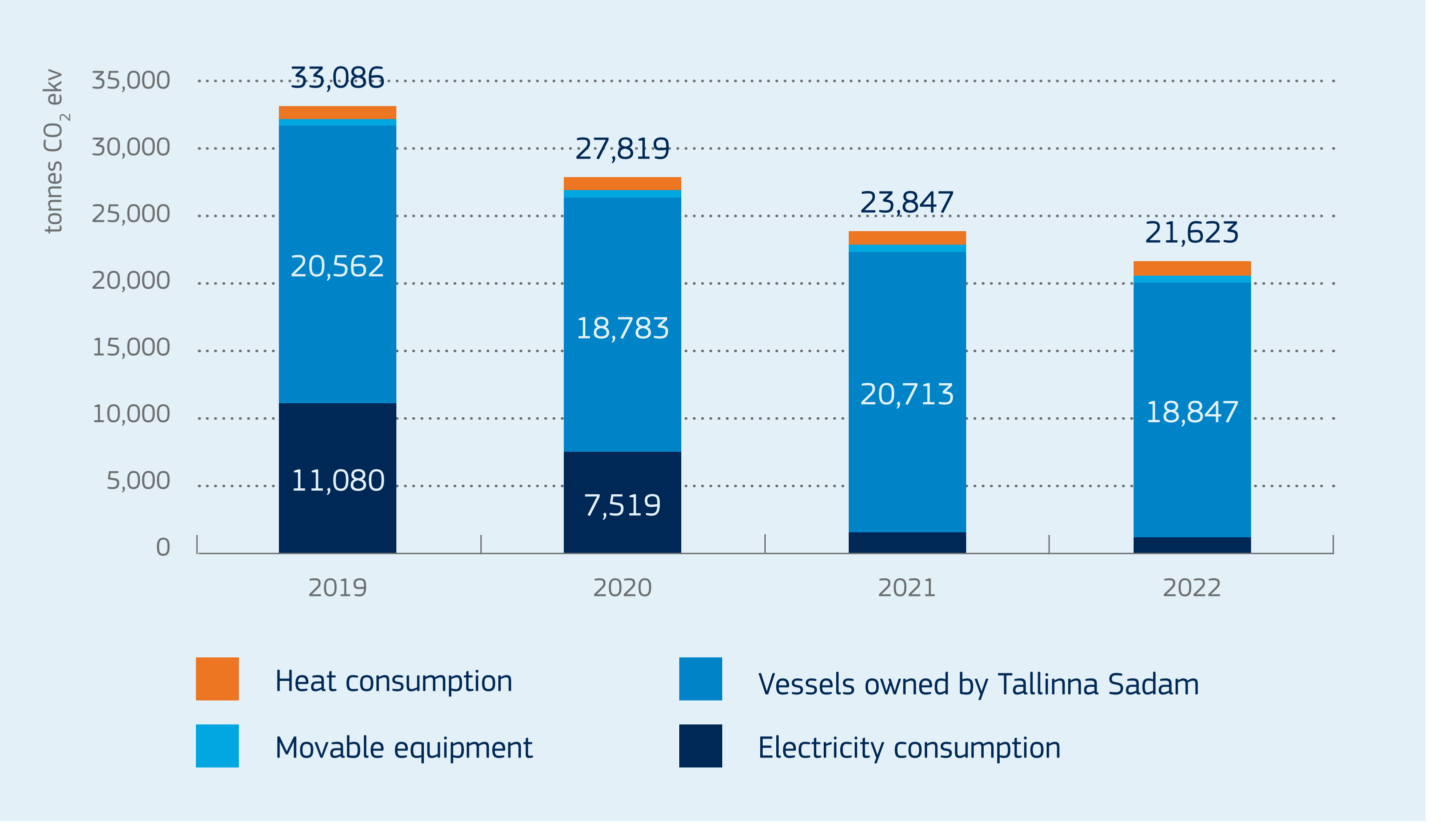
3.3 Clean air

Our long-term goals in this priority area are **achieving climate neutrality and zero emissions from ships staying in our harbours by 2050**. We monitor our progress towards the goals using the indicators presented below.

Our objective is to make sure that **outdoor air** in our locations of operation is **clean and of high quality**. To achieve this, we employ innovative solutions and work closely with our customers and partners.

In addressing possible air pollution from our operations, our focus areas include monitoring the CO_2 emissions of GHG emission sources, odour issues at oil terminals, air pollution from ships and differentiating port dues based on ships' investments in reducing air pollution. To achieve better air quality, we have launched numerous projects and implemented innovative solutions in various areas.

GHG emissions of Tallinna Sadam



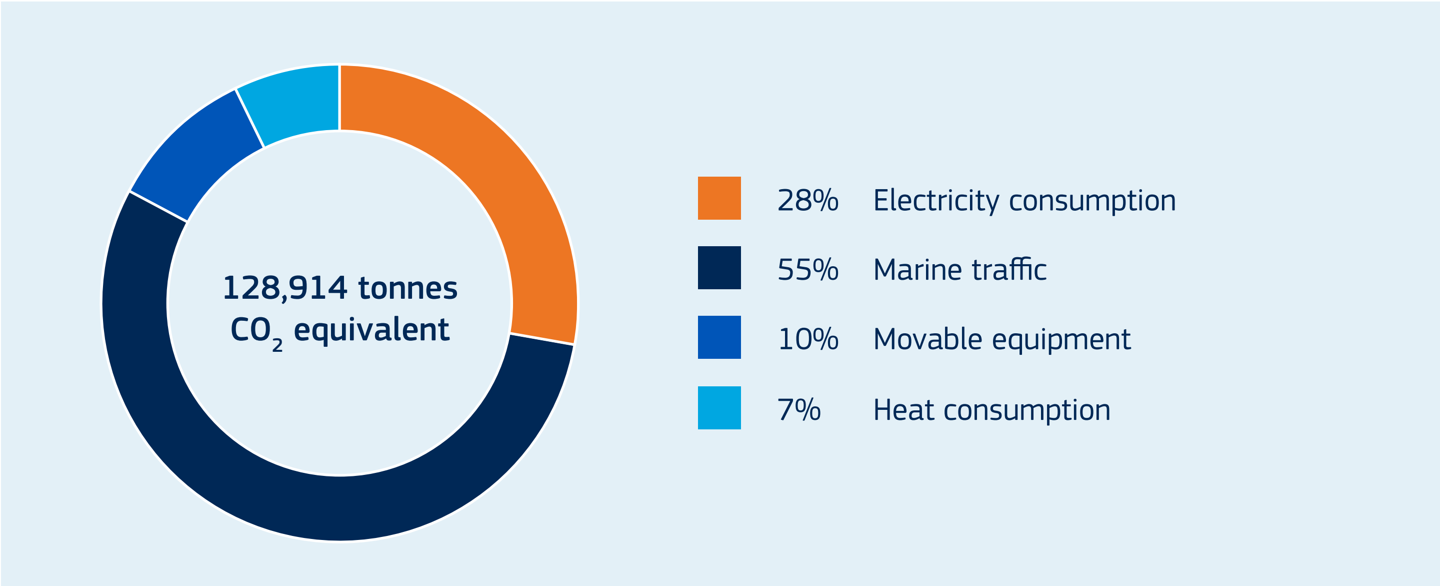
Indicators of ambient air quality

Mõõdik	Target level for 2030	Baseline year 2019	2021	2022
KHG[7] emissions (tonnes of CO_2 equivalent)[8]	2050=0; (–55% 2030)	33,086	23,847	21,623
CO_2 emissions of TS Laevad per trip (%; 2019=100%)	26%	100%	93%	84%
Share of vessel calls with ESI discounts (%)	50%	18%	16%	18%
Time during which ferries and cruise ships use onshore power supply as a percentage of total call time at Old City Harbour (%)	50%	0%	30%	15%
Share of cargo harbours' ro-ro units (%)	50%	29%	34%	30%

[7] *GHG — greenhouse gases CO_2, N_2O and CH_4 converted into CO_2 equivalent*

[8] *The values for 2019 and 2021 have been updated using the specific emission factors for the years and therefore differ from the figures presented in the report for 2021.*

2021 total GHG emission (incl. operators, tenants, marine traffic)



We have been measuring the GHG emissions associated with our activities since 2019. The emissions are categorised based on the ownership or control of the emission source into the following scopes:

- Scope 1 — Direct emissions from sources owned or controlled by Tallinna Sadam (ships, motor vehicles, other equipment and boiler plants owned by Tallinna Sadam)..
- Scope 2 — Indirect emissions from energy purchased and used by Tallinna Sadam (electricity and heat purchased for the buildings and infrastructure owned by Tallinna Sadam).
- Scope 3 — All other indirect emissions (from tenants, operators, ships calling at harbours, traffic and ro-ro cargo passing through the harbours, cargo handling equipment, rail traffic).

The factors with the strongest direct impact on Tallinna Sadam's GHG emissions (scope 1–2) are fuel (for ferries), power and heat consumption and the choice of means of transport. Therefore, energy efficiency and a wider use of renewable energy sources are the keys to reducing our GHG emissions.

In addition to digitalisation, we have improved the methodology for calculating GHG emissions and adopted new guidelines developed by the Stockholm Environment Institute (SEI), which take into account assumptions and conditions specifically determined for Estonia. Thus, compared with the GHG emissions data disclosed in previous years, we have made retrospective adjustments and changes in the GHG emissions results for 2019–2021 due to the revision of the CO_2 emission calculation methodology, restatement of the figures for previous years and improvement of data quality. The calculations based on the new residual electricity mix methodology show that emissions from electricity consumption have increased in 2019–2021.

In 2021, all direct and indirect GHG emissions from Tallinna Sadam's operations, including emissions from operators, tenants and port calls **(scopes 1–3) were 128,914 tonnes of CO_2 equivalent**, a 14% increase compared with 2020 (2020: 112,809 tonnes of CO_2 equivalent). Emissions grew mainly because in 2020 the number of port calls was lower due to COVID-19 and in 2021 two cruise ships berthed in the harbour for the full year. The GHG emissions figure disclosed in the annual report for 2020 has changed due to the revision of the calculation methodology and an increase in the berthing and manoeuvring times of ships calling at the harbour as well as a significant refinement of the source data on emissions. Two cruise ships berthing in Old City Harbour for a whole year had the biggest impact, accounting for 95% of total emissions from all cruise ships calling at the harbour and 58% of total emissions from all ships and ferries calling at the harbour. In 2021, 55% of GHG emissions were from vessels calling at harbours, which is 5% more than in 2020. Nearly 28% of GHG emissions resulted from electricity consumption, of which only 2% was attributable to Tallinna Sadam due to our transition to renewable electricity. The total GHG figure for 2022 (scopes 1–3) will be available in the first half of 2023 because the parties involved need to update large volumes of data.

Tallinna Sadam's own direct and indirect GHG emissions (scopes 1 and 2) totalled 21,623 tonnes of CO_2 equivalent in 2022 (2021: 23,847 tonnes of CO_2 equivalent) of which 72% was attributable to the operation of ferry traffic between Estonia's mainland and largest islands. In 2022, the Group's **CO_2 emissions decreased by around 9% year on year** (–35% compared with the baseline year 2019). This was mainly due to the parent company's transition to renewable electricity (wind and solar) and the energy efficiency measures implemented by TS Laevad, which have lowered the fuel consumption of its ferries. The use of more sustainable vehicles by the parent company also contributed. In 2022, the CO_2 emissions of TS Laevad per trip were 8% lower than in 2021 (–16% compared with 2019) and the emissions of the parent company's mobile equipment decreased by 11% compared with 2021.

In summer 2022, i.e. during a period of frequent ship calls, the Estonian Environmental Research Centre carried out **continuous measuring of air quality** at Old City Harbour at the request of Tallinna Sadam and assessed the changes in air quality when ships entered, exited or berthed in the harbour and the impact of motor vehicles moving onto the ships. The concentrations of nitrogen dioxide, sulphur dioxide, fine particles and black carbon were measured. During the period, 278 ships called at Old City Harbour. The results of the measuring of ambient air quality confirm that Tallinna Sadam has effectively mitigated the risks of air pollution related to ships and motor vehicles visiting the harbour as none of the measured pollutants exceeded the limit values.

TABLE OF CONTENTS

What have we done to achieve cleaner air?

Smart Port traffic management system (automated vehicle check-in and direction to the waiting area and boarding), which has been implemented at Old City Harbour, Muuga Harbour and Paldiski South Harbour simplifies and speeds up the check-in of passengers with vehicles and their movement in the harbour area, which in turn reduces emissions on the harbour premises.

Redirection of heavy-duty and other vehicles from the city centre. To reduce traffic load on the premises of Old City Harbour and to lower the noise level and improve the air quality in the area, more and more heavy-duty and other vehicles are being diverted from Old City Harbour to Muuga Harbour and Paldiski South Harbour. On both the Paldiski–Kapellskär and the Muuga–Vuosaari route, vehicles are served by two ro-pax vessels[9]. The ro-ro traffic of Paldiski South and Muuga harbours accounted for 30% (2021: 34%) of the total number of the ro-ro units handled by Tallinna Sadam in 2022.

Odour issues caused by the cargo handled by oil terminals are mitigated by air quality monitoring stations and a network of electronic noses (e-Noses) installed in the area of Muuga Harbour. The system enables us to promptly identify the location and source of the odour nuisance, so we can start resolving the issue without delay. In 2022, the Environmental Board received 110 complaints (2021: 233) about odour issues in the area (related to oil, gas and chemicals), of which only 4 (2021: 9) were directly or indirectly attributable to Muuga Harbour. The analysis of the complaints reflects that a significant share of odour issues is caused by other companies operating in the area. This is also supported by the fact that 90% of the complaints were received by the Environmental Board at the time when the wind was not blowing from Muuga Harbour. Air quality monitoring results by year are available on our website.

Old City Harbour has an onshore power supply system which has been available for ferries since 2021. In 2022, Megastar, Baltic Queen, Finlandia and Viking XPRS, which serve the Tallinn–Helsinki and Tallinn–Stockholm routes, **connected to the onshore power supply system** while staying at Old City Harbour. Ferries that use onshore power can switch off their engines, which reduces ship-generated emissions and particulate matter. This helps improve air quality and reduce noise and vibration both in the harbour and the city. According to estimates, the carbon emissions of a ferry which uses onshore power decrease by around 100 tonnes per month. The project was funded from TWIN-PORT III, a project co-financed by the European Union, and the total investment was EUR 3.5 million.

Since 2021, ferries arriving at and departing from Old City Harbour on the Tallinn–Helsinki route have been served by **auto-mooring systems**, which have been installed on the three busiest quays to reduce mooring time, make mooring safer and save the environment. The systems reduce air pollution from vessels by shortening manoeuvring and mooring time. The project was funded from TWIN-PORT III, a project co-financed by the European Union, and the total investment exceeded EUR 8 million.

We **grant eco-friendly vessels a discount on port dues** based on the Environmental Ship Index (ESI)[10]. In 2022, we granted ESI-based discounts on a total of 1,288 port calls, which accounted for 18% (2021: 16%) of all port calls.

TS Laevad, a subsidiary of Tallinna Sadam, contributes to r**educing GHG emissions by using the Blueflow Energy Management System** to monitor the fuel consumption of its ferries and **environmentally friendly hybrid technology** on the ferry Tõll.

[9] *Ro-pax vessel (roll-on/roll-off passenger vessel) is a ro-ro ship that is permitted to carry more than 12 passengers. The ship may have amenities and services similar to a ferry but its main purpose is to carry wheeled cargo.*

[10] *ESI is based on the emissions of nitrogen compounds (NOx), sulphur compounds (SOx), particulate matter (PM) and carbon dioxide. It also takes into account whether the ship is connected to the onshore electricity network and uses electricity while in port. https://www.environmentalshipindex.org*

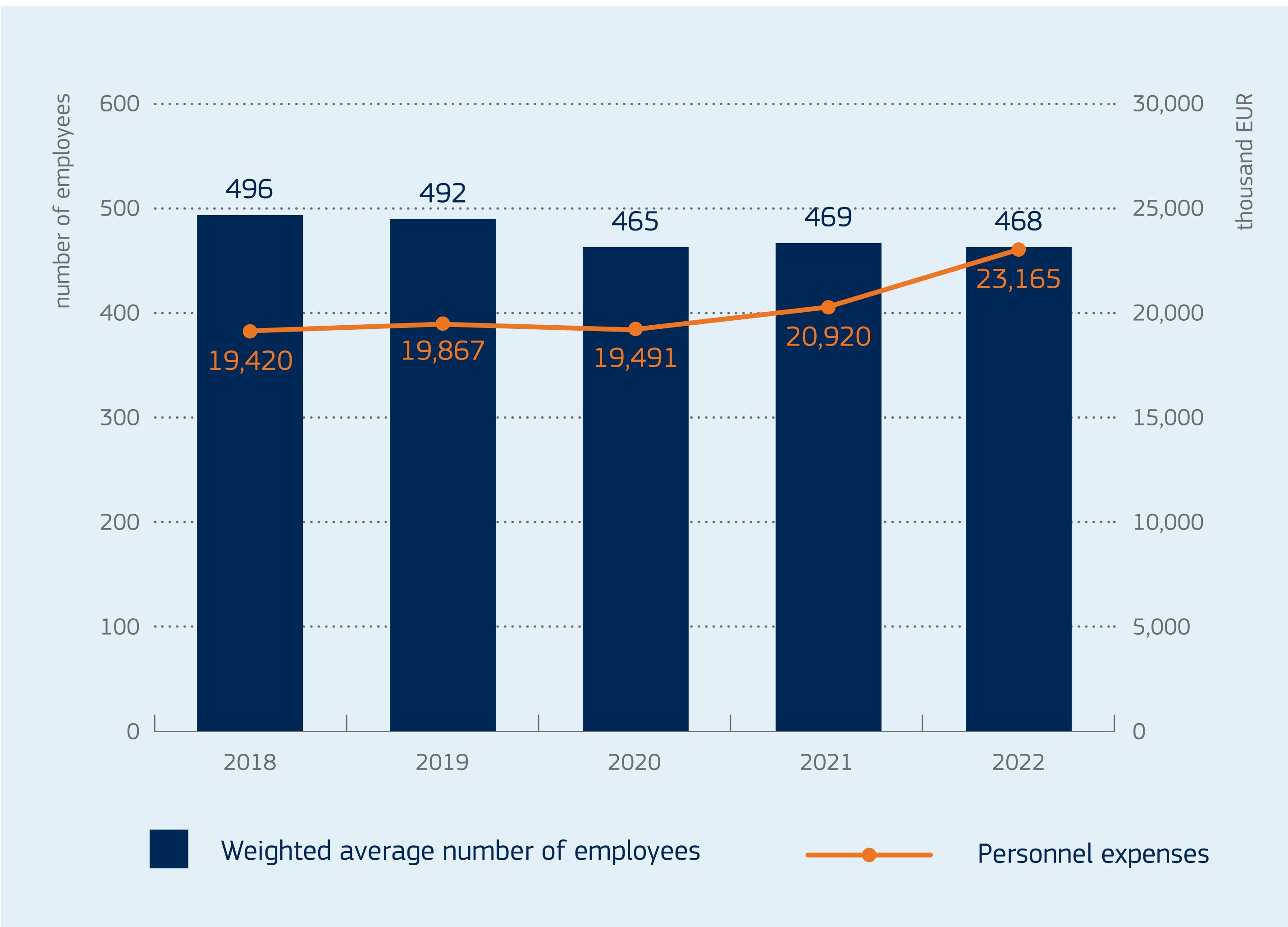
4 Our People

4.1 Employees

Tallinna Sadam employs nearly 500 people. The Group's average number of employees in 2022 was 468 (2021: 469 people). The company's sustainable development is underpinned by its diverse and highly competent workforce.

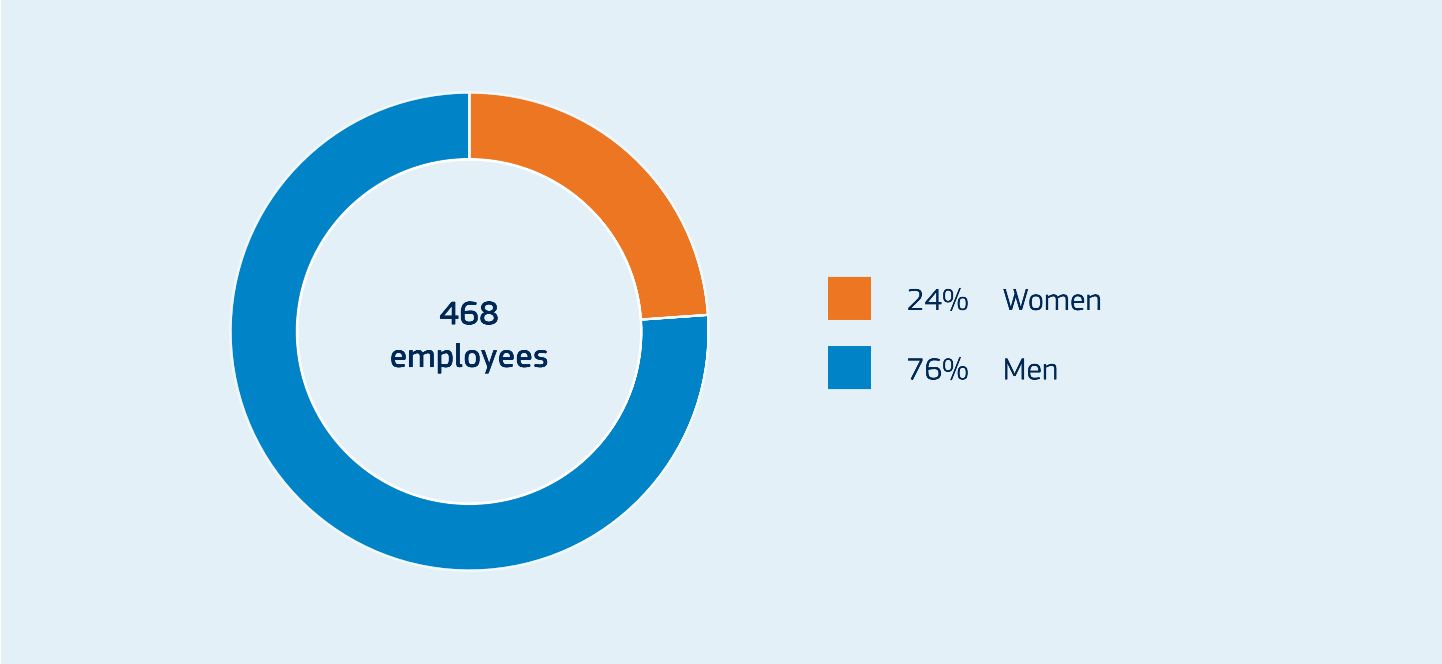
Average employee remuneration grew by 11% in 2022, mainly because we adjusted salaries in the lower pay grades, increased bonuses and benefits and made one-off redundancy payments due to organisational streamlining.

Number of employees and personnel expenses



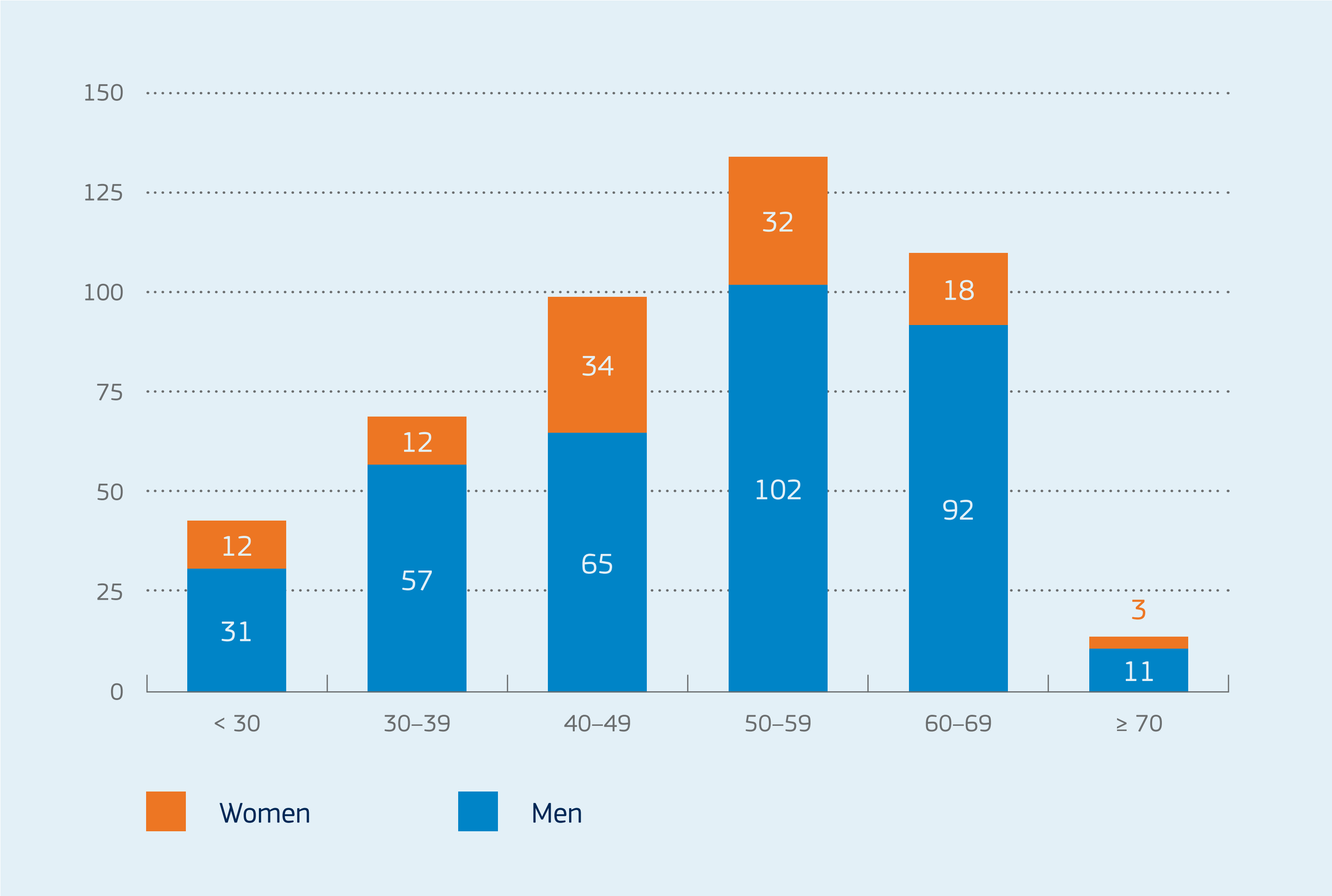
The average length of employee service at Tallinna Sadam is 9 years. The figure is the highest for employees involved in the harbour business (15.7 years) and the lowest at our more recently established subsidiary TS Laevad (4.3 years). The gender imbalance is attributable to the nature of our main business lines: harbour operations and shipping. The jobs of crew members, dockers and repairmen attract more men than women. Out of the 15 members of Tallinna Sadam's extended management team and subsidiaries' managers, 4 are women, i.e. 26.6% of senior management positions are held by women (2021: 36%). The goal is to increase the share of women among senior managers to 45% by 2030. The gender pay gap , i.e. the ratio of women's average hourly salary to men's average hourly salary, was 78% in 2022 (2021: 80%). The proportion of **female staff** in the company is low, but most of them **work as senior professionals** or managers in higher-paying positions.

Workforce by gender at 31 December 2022



At the end of 2022, 16% of our employees were up to 35 years old (2021: 15%). Our long-term sustainable development goal is to raise the indicator to 25% by 2030 in order to improve our competitiveness and innovative thinking. We help ensure the availability of future talent by collaborating with the Estonian Maritime Academy in the field of internship and research under a cooperation agreement signed in 2019. In 2022, we offered internships to 16 students from the Estonian Maritime Academy and the Estonian Nautical School.

Workforce by age at 31 December 2022



[11] *Disclosure under GRI (Global Reporting Initiative) Sustainability Reporting Standard GRI 405: Diversity and Equal Opportunity.*

TABLE OF CONTENTS

4.2 Human resource strategy

The current focus areas of our human resource strategy are team spirit and cooperation, employee development and health, smart work processes and effective work arrangement, and innovation. The goal of our human resource strategy is to have highly engaged people in the right roles.

The key performance indicators for the human resource strategy are the employee engagement index and voluntary employee turnover. We also monitor our reputation as an employer and participate in the employer reputation survey conducted by the market research company Kantar Emor.

We measure employee engagement with **annual engagement surveys**. In 2022, the survey methodology was changed and the questionnaires of all group companies were combined into one that can be easily analysed and compared. Our employee engagement index is measured on a 7-point scale. In 2022, 70% of employees responded to the survey and the engagement index was 6.1 (2021: 5.9 points). **Voluntary employee turnover was 7.9%** in 2022 (2021: 6.8%). The target is to keep the figure below or at 10%. According to Kantar Emor's annual employer reputation survey, Tallinna Sadam has been the 6th most preferred employer in the wage-earners target group in the last two years.

We recognise the efforts and strong performance of our people with the Star of the Quarter title that is awarded by management on a quarterly basis to employees who have stood out for working hard, representing our values or showing initiative. In addition, at the end of the year the entire team can elect Employees of the Year, i.e. the people who have best represented the values of Tallinna Sadam.

Tallinna Sadam supports employees' professional development and physical and mental health. In recent years, we have prioritised the development of digital skills and the improvement of management and leadership quality consistent with our management principles. Nine managers completed our management development programme in spring 2022 and 11 new managers started it in autumn. In 2022, we launched the Port Academy — a series of quarterly seminars where leading experts spoke about the relations between business and information technology, energy, financial literacy and the Internet of Things. We also organised mini-seminars where our own and external experts shared good tips on how to use common digital tools more smartly. We organise an employee orientation day for new employees on a quarterly basis to make sure that new hires know our goals, business lines and management structure.

We help our team stay healthy by covering employees’ sports and fitness expenses within an agreed limit and giving them an extra week off in the winter. Every year we arrange a health month, where we invite interesting speakers to talk about health, and organise other activities which raise health awareness or introduce new ways to stay healthy. We offer employees mental health counselling in cooperation with the psychologists of our medical partner Qvalitas Arstikeskus AS. To foster the team spirit and promote healthy lifestyles, numerous smaller events and team activities were held during the year.

We maintain a **common information space** by organising regular staff days, which in 2022 took place both on site and online. At the event, we provide an overview of the company’s performance and major projects and discuss developments in the business environment. The same topics are covered in our internal newsletter Sadama Sõnumid (Port News). Our leaders and specialists also meet at our annual strategy day. In the course of discussions and workshops held during the strategy day in autumn 2022, we reviewed Tallinna Sadam’s strategy for 2022–2026 and gathered ideas for setting the company’s goals for 2023 and subsequent periods and for improving our performance management system.

To achieve our common goals, we have implemented a **performance management system** which ensures that the company’s strategic objectives are communicated to each team and team member. According to our goal-setting approach, expected results have to be measurable and clearly agreed. In 2021, we implemented planning and risk management software PlanPro, which helps improve goal-setting quality: employees' goals are visible to everyone and directly related to those of the company. Our employees are eligible to annual or quarterly performance-related bonuses which are provided based on the achievement of the agreed results.

When recruiting or promoting employees, we consider their values, experience and competence and avoid discrimination on the basis of gender, age, ethnicity or other factors. There were no reported incidents of discrimination at Tallinna Sadam in 2022 or the previous year.

BICYCLE TOUR IN HIIUMAA

SHORE PERSONNEL OF TS LAEVAD

4.3 Occupational safety

Occupational safety is one of our main priorities. Out of all our employees, 40% are office staff whose work environment risk factors include lack of exercise (forced position) and work with a computer. 60% have high risk jobs because they have to work at night or in high places. Risks are also higher for those who work with fire, use dangerous equipment (landing bridges, ramps), or work on ferries or quays, operate equipment or work in passenger terminals. We analyse work environment risks and improve our work environment continuously, taking into account employee proposals for improving their work conditions. We send employees to regular health checks, make sure that they are aware of work environment risks and protective measures, provide personal protective and special equipment, and support healthy lifestyles. Due to a legislative amendment introduced in 2022, a distinction is no longer made between serious and minor accidents at work. Instead, any damage to the health of an employee that occurs in the performance of work-related duties is considered to be an occupational accident. There was one occupational accident in both 2022 (a broken arm due to a slippery surface) and 2021 (the hand contusion of a sailor while mooring a ship). The last occupational accident before that was in 2015.

We have created an occupational safety e-learning portal for new staff who work in offices, passenger terminals and vessel traffic control centres. All employees can use the portal to study safety instructions, video materials, guidelines and manuals at their own pace. The e-learning course ends with a test to make sure that employees understand occupational health, fire and safety topics. We are going to use the e-learning environment in our new employee onboarding process to provide introductory training in occupational safety.

RESCUE TRAINING AT THE CRUISE TERMINAL WITH RESCUERS

TABLE OF CONTENTS

5 Giving Back to Society

5.1 Participation in organisations

Tallinna Sadam works with the following organisations:

AmCham (American Chamber of Commerce in Estonia)	**British–Estonian Chamber of Commerce**	**Cruise Baltic**	**Cruise Europe**	**Estonian Digital Construction Cluster**	**EcoPorts** (an environmental initiative of the European port sector)
Estonian Power Plants and District Heating Association	**Estonian Chamber of Commerce and Industry**	**Estonian Association for Environmental Management**	**Estonian Convention Bureau**	**Estonian Logistics and Freight Forwarding Association**	**Estonian Taxpayers Association**

TABLE OF CONTENTS

Estonian Ports Association	**Institute of Internal Auditors Estonia**	**Estonian Employers' Confederation**	**European Sea Ports Organisation (ESPO)**	**Baltic Ports Organization (BPO)**	**Paldiski Association of Entrepreneurs**
Estonian Human Resource Management Association PARE	**PIANC Estonia**	**International Harbour Masters Association (IHMA)**	**Rail Baltica Business Network**	**Green Tiger**	**German–Baltic Chamber of Commerce**
Urban Land Institute	**Estonian Responsible Business Forum**	**Estonian Hydrogen Association**			

TABLE OF CONTENTS

5.2 Sustainable development cooperation and volunteer work

In conducting our business activities and making plans for the future, we prioritise raising awareness of sustainable development principles, sharing our knowledge and insights, and engaging with stakeholders on topics related to the impacts of our operations in society. Operating as a port authority in six municipalities, we have a **responsibility to local communities**. We also collaborate with stakeholder groups in international organisations.

In order to turn Estonia into **a hub for green infrastructure in the Baltic Sea region**, we began to work with the ports of Rotterdam, Hamburg, Rönne and Gdynia in the framework of the Green Fuels Corridor project last year. In addition, we signed a letter of intent with the Port of Gdynia regarding cooperation in launching projects that create added value in logistics supply chains related to the production, storage and handling of green hydrogen. The letter of intent signed with the Port of Klaipėda provides a basis for cooperating in sharing knowledge and experience in matters related to the environment, energy efficiency and sustainable development.

We are **working closely with the City of Tallinn** in executing Masterplan 2030+ and transforming the area of Old City Harbour into a modern, vibrant and attractive city centre featuring high-quality public space. As a result of the cooperation, draft detailed plans for the Old City Harbour area were put on public display in December.

A good example of developing **attractive urban space** and contributing to community cohesion is our Old City Harbour's multifunctional state-of-the-art cruise terminal with its 850-metre promenade, which opens up the seafront to local people and creates new leisure, tourism and business opportunities. The terminal is the most modern one in the region, designed to meet the highest environmental and sustainability requirements. Besides being a passenger service hub, the building that can accommodate nearly 2,000 people can be used as a venue for various events. In 2022, 100 different events were held there.

THE CRUISE TERMINAL PROMENADE IS A POPULAR PLACE TO SPEND TIME

Tallinna Sadam, the Estonian Academy of Arts and the City of Tallinn carried out a joint research project “Tallinn Old Town: Sustainable Management and Presentation”[12] in the period 2019–2022. The purpose was to obtain academic input on how to manage and present Tallinn Old Town, which is a UNESCO World Heritage Site, in a dignified and sustainable manner and how to improve tourist transport connections between the harbour and the Old Town in a way that would support the sustainability of Tallinna Sadam’s passenger business and help increase the number of passengers. The support granted to the project amounted to EUR 231 thousand, including taxes. Thanks to cooperation with Tallinna Sadam, the Estonian Academy of Arts was awarded very high international accreditation for the UNESCO Chair on Heritage Studies.

In partnership with the Estonian Maritime Academy we contribute to the education of seafarers and the availability of future talent as well as projects addressing vessels’ cyber security needs and digitalisation of the logistics chain. We are also working with other research institutions in Estonia and abroad to develop digital solutions and analyse innovative engineering options. We introduce our organisation to students and offer internship opportunities, and our people volunteer as lecturers in their areas of expertise.

In 2022, Tallinna Sadam helped organise several large-scale events at Old City Harbour such as Tallinn Maritime Days, Red Bull Flugtag and winter swimming festival ICESWIM 2022. We organise blood donation days in collaboration with the Blood Centre of the North Estonia Medical Centre where our employees and those of our business partners as well as other volunteers can donate blood. In 2022, blood donation days were held in both Old City Harbour and Muuga Harbour.

TALLINN MEDIEVAL OLD TOWN AS A TOURIST MAGNET

WINTER SWIMMING FESTIVAL ICESWIM 2022

[12] *The interim reports of the project are available on the website of Tallinna Sadam at www.ts.ee/toetused.*

TABLE OF CONTENTS

TS Laevad has a tradition of organising **maritime safety days on board its ferries** in partnership with the Police and Border Guard Board and volunteer rescuers where instructors demonstrate the proper use of life jackets and talk about other important maritime safety matters.

Tallinna Sadam is a member of the charity initiative **Let's Donate Time**. Our people contribute by doing volunteer work in the field of nature conservation, education and healthcare.

Our employees collected sweets, colouring books and pencils for the children of Ukrainian war refugees, which we offered in passenger terminals to refugees heading to Finland as well as the children of refugee families that were given temporary accommodation on the ferry Isabelle. In addition to donations made by the Estonian Repository Library, our employees as well as the members of the Old City Harbour Community donated books to the **travel library set up in passenger terminal A**.

A clean Baltic Sea is one of our sustainable development priorities. **In order to combat cigarette butt pollution**, we have set up special Ballot Bins for cigarette butts on the premises of our harbours. During the World Cleanup Day, our employees collected nearly 400 litres of garbage (mostly cigarette butts) from the premises of Old City Harbour and nearby areas.

We have also joined **the Green Tiger project** where we are working with various Estonian companies to increase the role of the circular economy in waste management and to move towards a more balanced economic model.

OPENING OF TRAVEL LIBRARY IN PASSENGER TERMINAL A

WE COLLECTED NEARLY 400 LITRES OF GARBAGE

TABLE OF CONTENTS

6 Business Review

6.1 Key performance indicators[13]

Figure	Unit	2022	2021	Change	%
Revenue	EUR '000	121,703	110,051	11,652	10.6%
Operating profit	EUR '000	30,787	29,758	1,029	3.5%
Adjusted EBITDA[14]	EUR '000	55,817	54,046	1,771	3.3%
Depreciation, amortisation and impairment	EUR '000	–25,312	–24,761	–551	2.2%
Income tax	EUR '000	–4,193	–3,275	–918	28.0%
Profit for the period	EUR '000	25,592	25,612	–20	–0.1%
Investment	EUR '000	13,856	14,718	–862	–5.9%
Number of employees (average)		468	469	–1	–0.2%
Cargo volume	t '000	17,761	22,397	–4,636	–20.7%
Number of passengers	'000	7,027	3,542	3,485	98.4%
Number of vessel calls		7,130	7,333	–203	–2.8%
Total assets at period-end	EUR '000	621,229	629,538	–8,309	–1.3%
Net debt at period-end	EUR '000	143,011	168,474	–25,463	–15.1%
Equity at period-end	EUR '000	380,976	380,895	81	0.0%
Number of shares at period-end	'000	263,000	263,000	0	0.0%
Operating profit/revenue		25.3%	27.0%		
Adjusted EBITDA/revenue		45.9%	49.1%		
Profit for the period/revenue		21.0%	23.3%		
EPS: Profit for the period/ weighted average number of shares	EUR	0.10	0.10	0.00	–0.1%
Equity/number of shares	EUR	1.45	1.45	0.00	0.0%
Profit for the period/total assets		4.1%	4.1%	0.1	–
Profit for the period/equity		6.7%	6.7%	0.0	–
Share price at period-end		1.42	1.86	–0.44	–23.7%
P/E: Share price/earnings per share		14.6	19.1	–4.5	–23.6%

[13] Because of rounding, the ratios presented in the table may include certain differences.

[14] Adjusted EBITDA = profit before depreciation, amortisation and impairment losses, finance income and costs (net), and income tax expense, adjusted for amortisation of government grants.

TABLE OF CONTENTS

6.2 Economic environment

According to the IMF forecast[15], the **global economy** grew by 3.4% in 2022, which is less than forecast a year ago (+4.4%). Growth was driven by an increase in domestic demand (households spent savings accumulated during COVID-19 restrictions) and business investments made to meet the stronger demand. On the supply side, bottlenecks eased and transportation costs declined. Economic growth was dampened by high inflation and the war in Ukraine, which are weighing on economic activity. Central banks have started to fight high inflation by raising interest rates. Growth was also slowed down by the rapid spread of COVID-19 in China, but the recent reopening has paved the way for a fast recovery. Economic growth is projected to be 2.9% in 2023 and 3.1% in 2024, remaining below the historical (2000–2019) average of 3.8%, according to IMF. The risks to the economy remain tilted to the downside. On the upside, it is plausible that demand in numerous economies will recover or inflation will decline rapidly. On the downside, the recovery could be held back by severe health outcomes in China and the war in Ukraine. Furthermore, tighter financing conditions could trigger a debt crisis, meaning that highly indebted economies may be unable to service their debt. Most countries are facing the problem of reducing inflation, which has driven up the cost of living. Although interest rate hikes can help to curb it, they may also affect financial and debt stability. Fiscal support should be better targeted, particularly at those most affected by elevated energy and food prices. Broad-based fiscal relief measures should be withdrawn to bring inflation under control more quickly. At the same time, energy prices, which have driven inflation, have fallen faster than expected, despite the shock from Russia's invasion of Ukraine.

According to Statistics Estonia'sinitial estimate, **Estonia's economy contracted** by 1.3% in 2022 (–4.1% in the fourth quarter). The central bank of Estonia has forecast that growth will remain at a modest 0.4% in 2023 and increase at a faster pace after that (+3.1% in 2024 and +4.4% in 2025). Inflation was 19.4% in 2022, the highest level seen in 23 years, with a previous peak of 10.4% in 2008. Increased costs of housing (+50.8%), transport (+22.8%) and food (+19.9%), in particular, contributed to the rise in consumer prices. The increase was driven by rising energy prices (liquid fuels, gas and electricity). While energy prices have declined, inflation will remain elevated at around 9% in 2023. In 2024, prices are expected to rise by less than 3%. Despite rising prices and interest rates, consumption in Estonia has remained strong. Consumption was supported by savings accumulated during the pandemic and withdrawals from the second pillar of the pension system. It should be noted, however, that most of these savings have already been spent and, consequently, consumption will have to decrease at some point. According to the Estonian Financial Supervision and Resolution Authority, deposits grew by only 1% in 2022. Private deposits grew by 7%, but the increase was driven by larger deposits – two-thirds of private savings are by 10% of depositors. Deposits below EUR 20,000 decreased as high energy prices, rising interest rates and soaring food prices prevented savings from growing. In 2023, wage growth (+8.7%) is expected to be slower than price increases, with no expectations for savings growth. The general economic slowdown has also triggered a rise in unemployment. According to the central bank of Estonia, unemployment is expected to rise from 5.7% in 2022 to 8.5% in 2023, with no improvement in 2024 (8.7%). Ukrainian war refugees that are included in labour market statistics also contribute to the growth in unemployment.[16]

Tallinna Sadam's financial performance has been positively influenced by the **easing of the COVID-19 crisis** and the lifting of travel restrictions while the war in Ukraine, growing energy and other prices, rising interest rates and wage pressure have had an adverse effect. **The war in Ukraine and the resulting sanctions against Russia and Belarus** have reduced cargo volumes and affected cruise ship calls. The rise in energy prices has driven up electricity and fuel costs and the prices of outsourced goods and services have also risen. Despite the reduction of the debt burden, the rise in Euribor has increased debt servicing costs. Higher energy and consumer prices have increased both the ferry service revenue and the operating costs of TS Laevad.

[15] IMF World Economic Outlook Update, January 2023.

[16] Statistics Estonia, the central bank of Estonia, Estonian Financial Supervision and Resolution Authority, the media.

6.3 Impacts of COVID-19 and the Russia-Ukraine war

The protective measures imposed by countries due to the COVID-19 pandemic began to affect the Group from the second half of March 2020. The restrictions had a strong impact on the tourism sector and passenger traffic, which in turn affected the performance of the Group's Passenger harbours segment. The results of the Passenger harbours segment have been recovering since autumn 2021. By the end of 2022, the number of passengers was at 72% of the pre-pandemic level. The impacts of the pandemic on the Group's other operating segments were not significant.

The Russia-Ukraine war which started on 24 February 2022 and the consequent sanctions imposed against Russia by the West affect the Group's performance mainly through its cargo business. Cargo of Russian origin (liquid bulk and fertilizers) for which Russia was the country of departure or destination used to account for around a third of the Group's total cargo throughput on average and consisted predominantly of Russian exports. The sanctions were imposed and extended progressively in 2022. In addition to the EU eighth package of sanctions adopted on 6 October 2022, which included an import ban on oil products supplied on the basis of earlier agreements, effective from December 2022 or February 2023 depending on the product group, the government of Estonia decided on 27 October 2022 to ban the import and transit of Russian oil products, effective from 5 December 2022. In addition, Estonia imposed full sanctions on Belarusian cargo from 1 March 2022. Cargo of Belarusian origin (liquid bulk) accounted for 9% of the Group's total cargo throughput in 2021. The estimated negative impact of the sanctions against Russia and Belarus (both the ban on the import and transit of oil products and the suspension of the economic activities of undertakings related to sanctioned persons) on the Group's financial results compared with 2021 is around EUR 7 million per year. In 2022, the impact was EUR 3.5 million, which is lower than expected because the sanctions were imposed progressively over the year. As a result, the share of Russian and Belarusian cargo declined but still accounted for 21% (EUR 3.7 million) of the Group's total cargo throughput. The sanctions are expected to have a full impact in 2023. At the same time, the operators of liquid bulk cargo are working to replace sanctioned cargoes with alternative ones. The volume of non-Russian and non-Belarusian goods in liquid bulk cargo increased somewhat already in 2022.

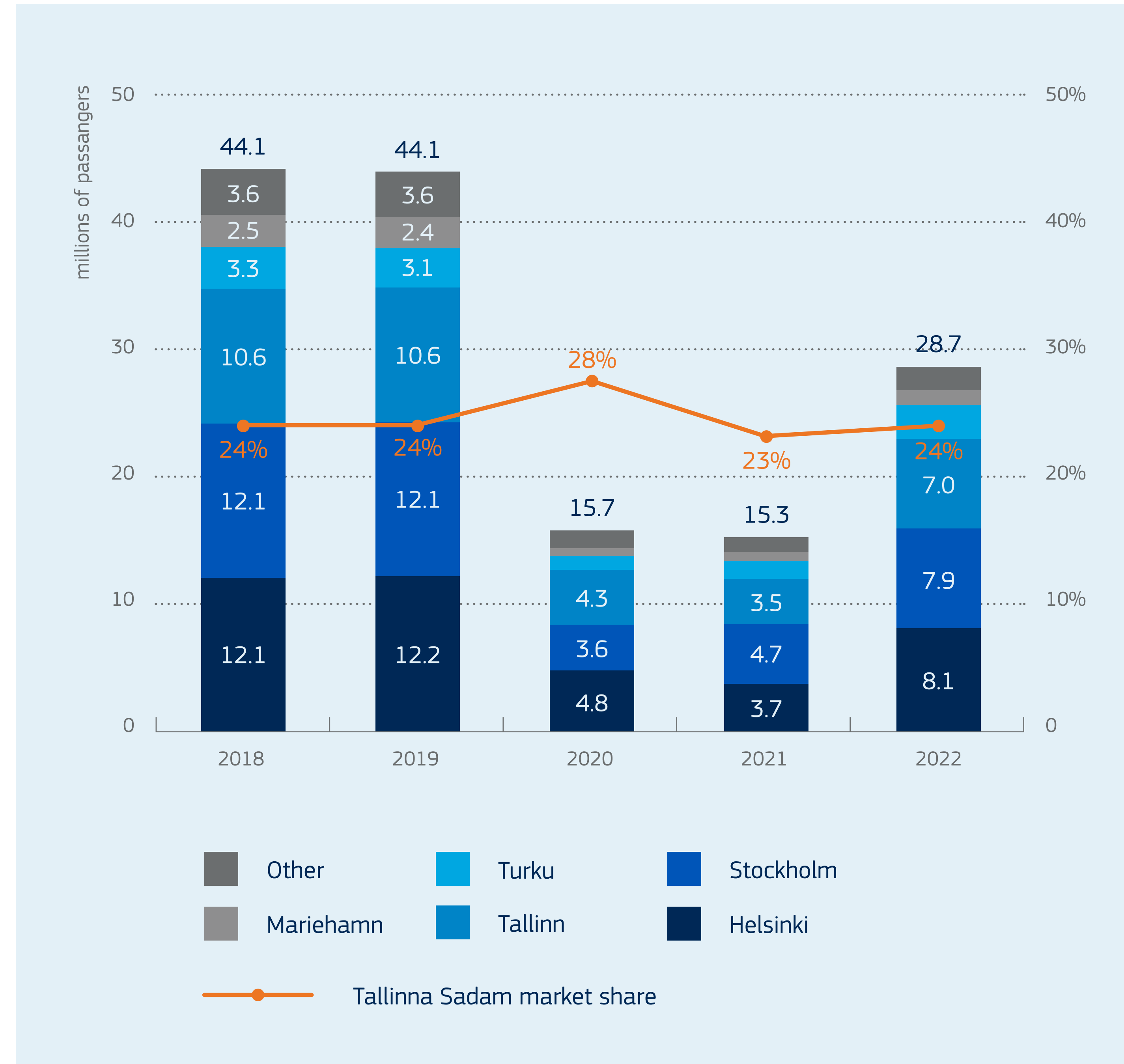
The presented monetary impact has been estimated based on the results for 2021 and 2022 and the situation at the date the financial statements were authorised for issue and is not to be regarded as a forecast for future periods.

All of the Group's customers that are cargo operators are companies registered in the European Union and accounts with them are settled in euros. Tallinna Sadam cooperates fully with its partners, the Financial Intelligence Unit and other government agencies to comply with the sanctions imposed by the European Union and to apply the sanctions to both cargo and customers responsibly.
To enable Ukrainian war refugees to reach their destination as conveniently as possible, our passenger terminals at Old City Harbour have offered them service in the Ukrainian language and have provided them separate resting areas. We have also been working with ferry operators to offer war refugees discounts on passenger fees.

6.4 Overview of the market: passengers

In terms of vessel traffic, the Baltic Sea is one of the busiest inland seas in the world. Almost 85 million people live in the catchment area and vessels are one of the main means of transport for internal tourists in the region. It is estimated that usually over 40 million passengers a year use vessels to travel across the eastern part of the Baltic Sea, which is why international ferry traffic in the area is the busiest in the Baltic Sea region. **Tallinn is the third-largest passenger port in the area after Helsinki and Stockholm**. The largest ferries of the Baltic Sea, mostly designed for passenger traffic, also travel between those ports. Compared with other areas around the Baltic Sea, busy vessel traffic between Estonia, Finland and Sweden is supported by the factors that the distance between the destination ports is optimal for ferry traffic and that most of the traffic is between the countries' capitals, which are all located on the coast.

Number of passengers in the eastern ports of the Baltic Sea*

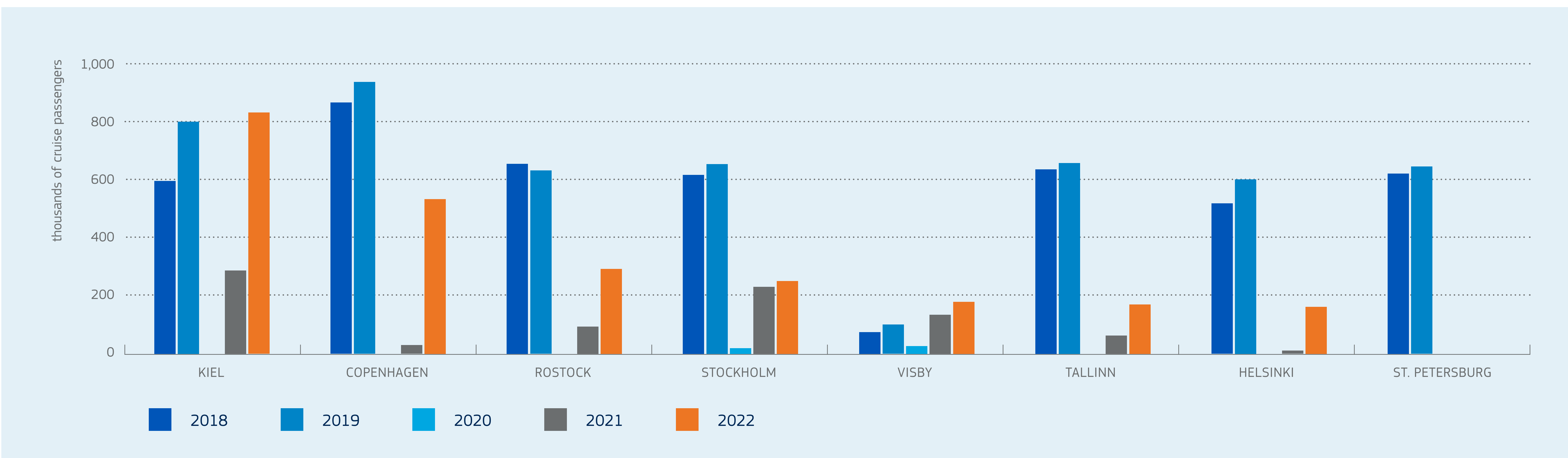


** Excluding ports where most of the number of passengers results from short trips (lasting around 1 hour).*

After the pandemic, people have started travelling again and passenger traffic on the Baltic Sea recovered vigorously in 2022 even though passenger numbers at ports remained at just 65–75% of the pre-pandemic ones. Still, the total number of passengers passing through the largest ports in the eastern part of the Baltic Sea nearly doubled in 2022 (+87.2%), rising from 15.3 million to 28.7 million passengers. **The revival was the fastest in the ports of Helsinki and Tallinn.**

While the COVID-19 pandemic no longer significantly affected cruise tourism in 2022, the war that broke out in Ukraine had a major negative impact. Before the war in Ukraine, the Baltic Sea region was one of the fastest growing cruise tourism destinations and St Petersburg was one of the main cruise attractions on the Baltic Sea. Due to the war, however, cruise passengers' interest in the region next to Russia has plummeted and St Petersburg has disappeared from the map of the Baltic Sea cruise ports. Cruise companies are redesigning their routes and looking for alternative places to visit. The recovery that was expected to follow the lifting of the COVID-19 restrictions has been delayed due to the war in Ukraine and the general economic downturn.

Largest cruise ports of the Baltic Sea



6.5 Overview of the market: cargo

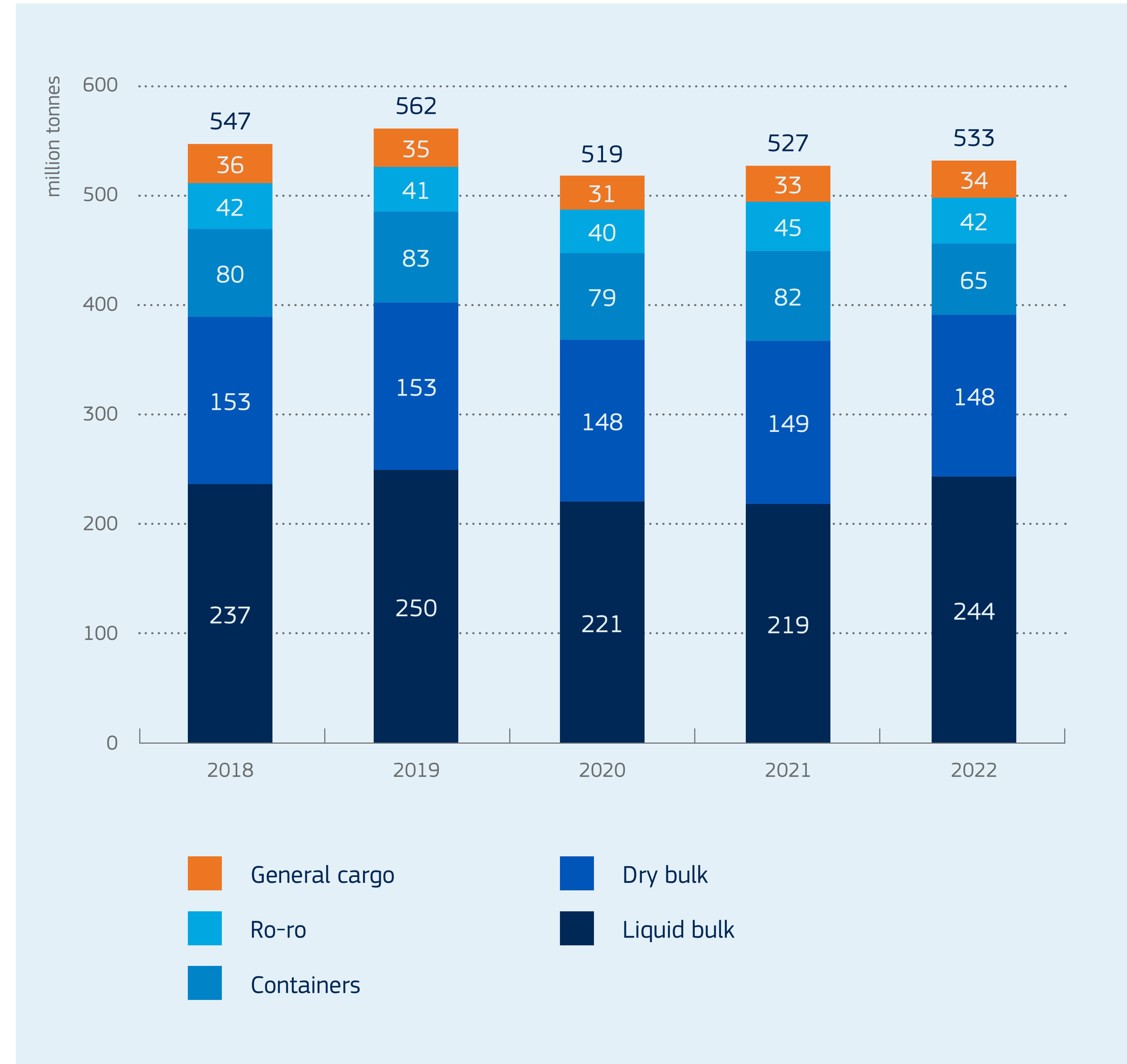
The cargo market overview covers major ports of the countries situated on the eastern coast of the Baltic Sea (Poland, Lithuania, Latvia, Estonia and Russia) and large Finnish ports on the Gulf of Finland, many of which are also involved in handling east-west transit cargo flows. The war in Ukraine and the resulting sanctions against Russia and Belarus have changed cargo routes in the Baltic Sea for all cargo types. In 2022, the total **cargo turnover of ports in the region was 532.6 million tonnes**, over 5 million tonnes (+1%) up on the prior year.

In terms of cargo types, only liquid bulk cargo grew (+24.7 million tonnes, +11%) due to the increase in the volumes of crude oil and oil products at the ports of Ust-Luga, Gdansk, Primorsk and Sköldvik. The volume of general cargo decreased by around 19 million tonnes (–19%), primarily due to a decrease in the volumes of container cargo and metal at Russian ports. Dry bulk cargo decreased by only 0.7 million tonnes (–0.5%). Within dry bulk, the decline was the sharpest for fertilizers (–11 million tonnes, –31%), but the fall in fertilizers was offset by growth in the volumes of coal and other types of dry bulk cargo.

The ports which delivered the largest growth in cargo throughput were Gdansk (+15.0 million tonnes, +28%), Ust-Luga (+14.7 million tonnes, +14%) and Sköldvik (+4.7 million tonnes, +25%). Their growth was mainly attributable to a rise in the volumes of liquid bulk cargo and at Gdansk also an increase in the volume of coal. Decreases in cargo throughput were the largest at the ports of St Petersburg (–23.3 million tonnes, –38%), Klaipėda (–9.4 million tonnes, –18%) and Tallinn (–4.7 million tonnes, –21%), primarily due the application of economic sanctions against Russia and Belarus.

Because of the above changes, the market shares of Russian and Latvian ports increased while the market shares of Estonian and Lithuanian ports decreased in the comparison of Russian and Baltic ports. The market shares were as follows: Russian ports 66.4%, Estonian ports 9.2%, Latvian ports 12.4% and Lithuanian ports 12.0% (the corresponding figures for 2021: 65.4%, 10.5%, 10.3% and 13.9%).

Cargo volume of the largest ports on the eastern coast of the Baltic Sea*



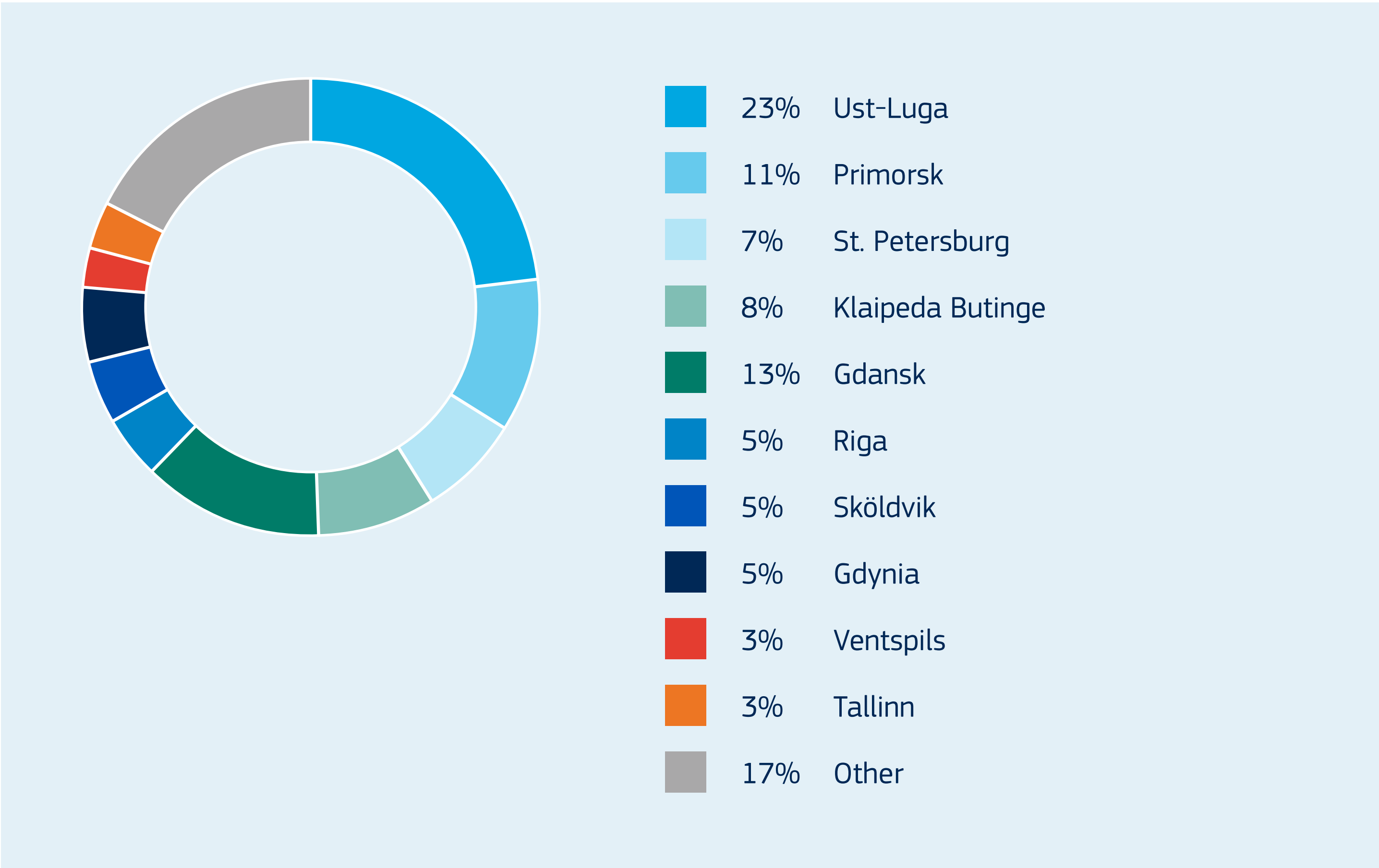
** The chart also includes the cargo volumes of other Estonian ports, which in previous reports were presented separately.*

TABLE OF CONTENTS

The largest cargo ports on the eastern coast of the Baltic Sea were Ust-Luga (124.1 million tonnes, market share 23%), Gdansk (68.2 million tonnes, market share 13%) and Primorsk (57.1 million tonnes, market share 11%). **Tallinna Sadam dropped to the 9th place** with a 3.3% market share (2021: 7th place with a 4.2% market share).

The volume of cargo handled by Estonian ports decreased by 6.5 million tonnes (–16%) to 33.9 million tonnes. **The market share Tallinna Sadam** as the largest cargo handler among Estonian ports **was 52%** (2021: 56%).

Market share of the largest ports on the eastern part of the Baltic Sea



Market share of the Estonian ports

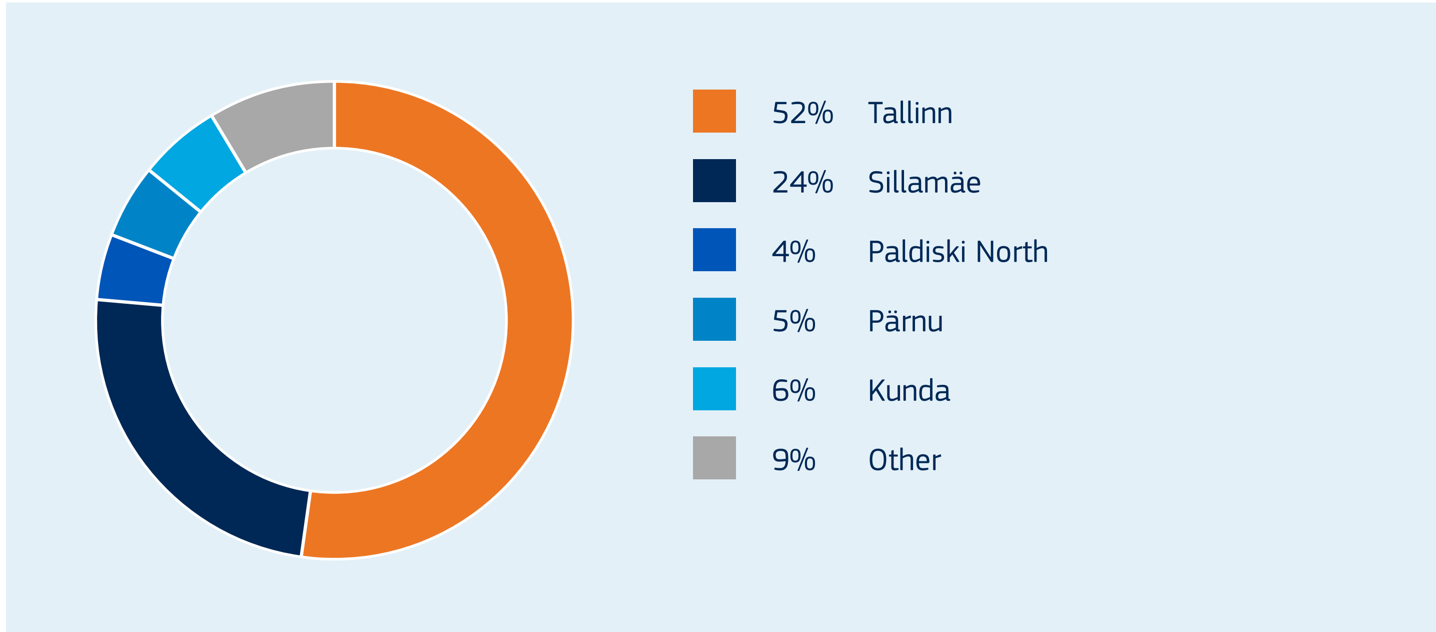


TABLE OF CONTENTS

6.6 Operating results

In 2022, the operating results of Tallinna Sadam were affected by the lifting of the **COVID-19 related restrictions and the beginning of Russia's war against Ukraine**. The removal of pandemic-related restrictions boosted the operations of the Passenger harbours segment: the number of passengers travelling on regular routes as well as the number of cruise ship calls and the passenger load factor of cruise ships increased. However, the start of the war and the sanctions imposed lowered the volumes of the Cargo harbours segment. High energy prices, rising service charges and wage pressures increased operating expenses.

Revenue grew by EUR 11.7 million (+10.6%) to EUR 121.7 million. **Revenue growth was driven by the Passenger harbours segment** while the revenue generated by the Cargo harbours segment decreased. The number of passengers served surged by 98% to more than 7.0 million passengers. Passenger fee revenue grew by 80.6%, supported by a rapid rise in in passenger numbers.

The performance of the Passenger harbours segment was affected by the lowering of port dues for all ferry operators in spring 2022 in connection with a compromise reached with Tallink. Cargo throughput shrank by more than a fifth (–20.7%). Cargo charge revenue decreased less because of changes in the cargo mix (the volume of cargo with higher charge rates increased). Due to the sanctions, the volume of cargo handled decreased by 4.6 million tonnes to 17.8 million tonnes.

Although the growth rate of expenses was faster than that of revenues, operating profit improved by 3.5% year on year. Adjusted EBITDA grew by 3.3% but profit for the year decreased by 0.1%. The decline in net profit was attributable to a higher dividend distribution, which also increased the associated income tax expense. Profit for the year was also reduced by growth in finance costs, which resulted from the uptrend in interest rates even though the debt burden was reduced. By the end of 2022, 6 month Euribor was close to 2.7% compared with –0.55% at the end of 2021.

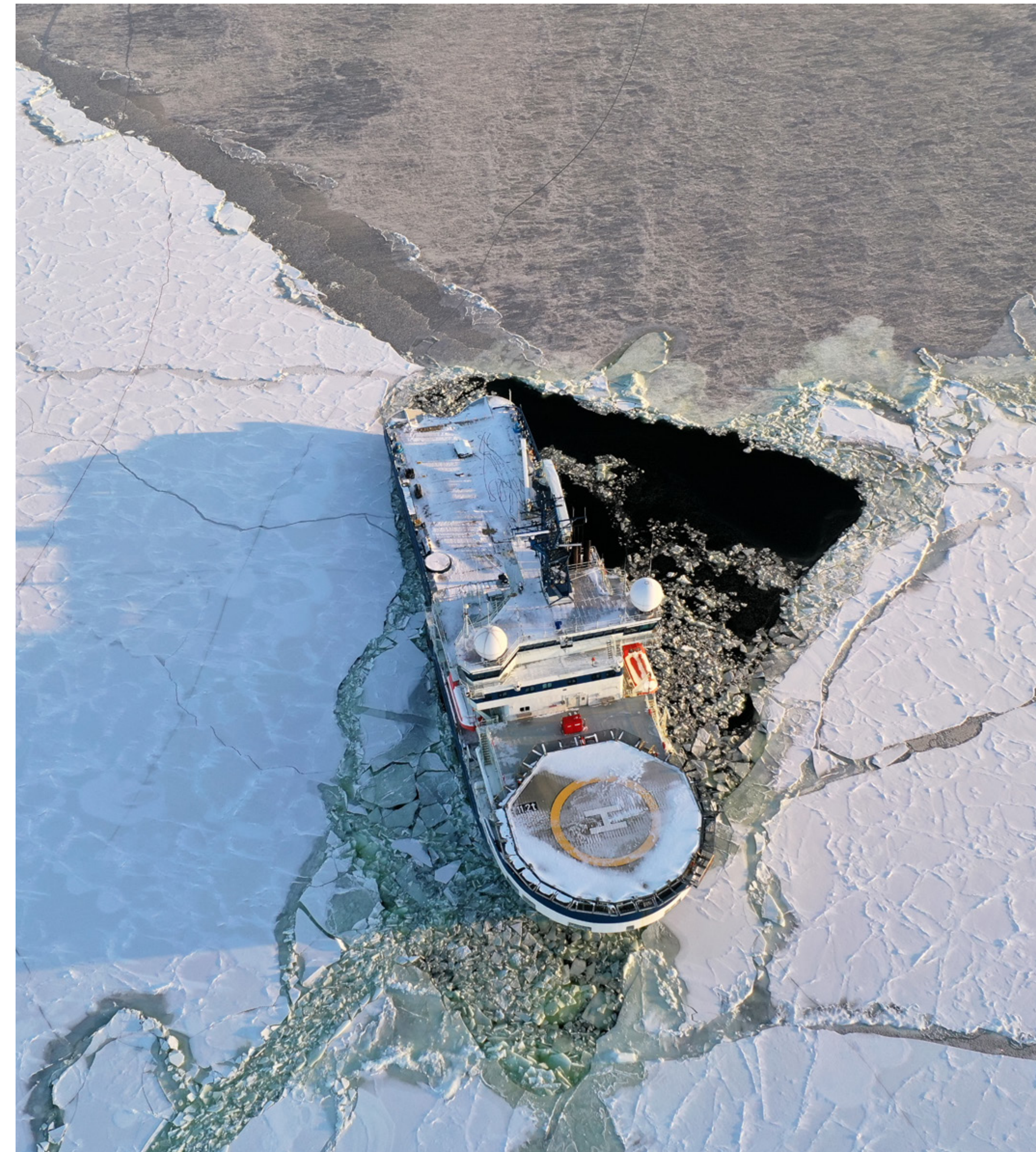
TABLE OF CONTENTS

In the provision of **ferry service between Estonia's mainland and two largest islands**, the number of trips grew (+6.2%). The number of trips increased both on the Virtsu–Kuivastu and the Rohuküla–Heltermaa route. A larger number of trips and an increase in some contractual fee rates in connection with a rise in the Estonian wage and fuel price indices increased the revenue of the Ferry segment. In addition to revenue growth, there was also growth in expenses, especially fuel costs and personnel expenses. As the volume of scheduled maintenance and repair works was larger in 2021, maintenance and repair costs decreased in the reporting period. Since revenue growth outpaced growth in expenses, the operating profit and adjusted EBITDA of the Ferry segment increased.

The period of the **summer charter of the multifunctional icebreaker Botnica** was again usual (in 2021 it was 18 days longer at the request of the Canadian customer). Despite a lower utilisation rate, revenue grew because charter fees increased. However, expenses grew more than revenue. Fuel costs, non-current asset repair costs and other expenses (foreign exchange loss) increased the most, causing a decline in operating profit.

In segment terms, **the Passenger harbours segment and the Ferry segment showed strong growth** while the performance of the Cargo harbours segment weakened.

The Group's revenue grew by EUR 11.7 million (+10.6%) to EUR 121.7 million. In terms of revenue streams, passenger fees, ferry service revenue, and lease income showed the strongest growth. Vessel dues revenue decreased because the decline in cargo transport reduced the number of vessel calls. Expenses related to operating activities grew by EUR 10.3 million (+12.6%), operating profit grew by EUR 1.0 million (+3.5%) and profit for the period decreased by EUR 20 thousand (–0.1%). Added value created by the Group[17], i.e. the Group's contribution to the Estonian economy, was EUR 79.3 million in 2022 (2021: EUR 75.4 million). The figure increased, primarily through growth in both personnel expenses and operating profit.



[17] *Added value = operating profit + personnel expenses + depreciation, amortisation and impairment losses*

6.6.1 Number of passengers

The removal of pandemic-related restrictions boosted the operations of the Passenger harbours segment. **The number of passengers grew by 98%**, rising to 7.0 million. Due to the strong recovery, the year-end number of passengers reached nearly two-thirds of the pre-pandemic level. The main routes of Tallinn–Helsinki (+104%) and Tallinn–Stockholm (+118%) showed rapid growth. The number of cruise passengers (+173%) also continued to recover, supported by growth in both the number of cruise ship calls and the passenger load factor. However, the number of cruise ship calls remained almost half lower than in the pre-pandemic time.

Passengers travelling on the **Tallinn–Helsinki route** accounted for 88% of the total number of passengers last year (2021: 85%) and the number of passengers on this route increased by more than 3.1 million. Ferry operators kept relatively busy schedules on the Tallinn–Helsinki route even during the crisis and the number of trips increased by slightly less than 1% last year. The number of passengers travelling on the Tallinn–Stockholm route grew by 246 thousand and the number of trips increased by 85%. While the passenger load factor of the ferries on the Tallinn–Helsinki route remained below the pre-pandemic level, the same indictor for the Tallinn–Stockholm ferries regained its pre-pandemic level.

The number of **traditional cruise passengers** increased by 109 thousand compared with a year earlier, rising to 172 thousand. Cruise ship calls at Old City Harbour totalled 170 (2021: 45) and, after a two-year break, 9 cruise ships visited Saaremaa. The passenger load factor of cruise ships is still low. It used to be around 90–95% before the pandemic, but in the last two years it has been below 50%. In the near term, cruise tourism will be significantly affected by the war in Ukraine. St Petersburg used to be an important cruise port on the Baltic Sea that also attracted cruise ships to other ports in the region but due to the war in Ukraine cruise ships do not visit St Petersburg and the region bordering with Russia has lost some of its appeal as a tourist destination.

The number of passengers travelling on the Muuga–Vuosaari route (the Cargo harbours segment) grew less (+22%), but it is the only route where passenger numbers have been growing for four years in a row.

Number of passengers by routes

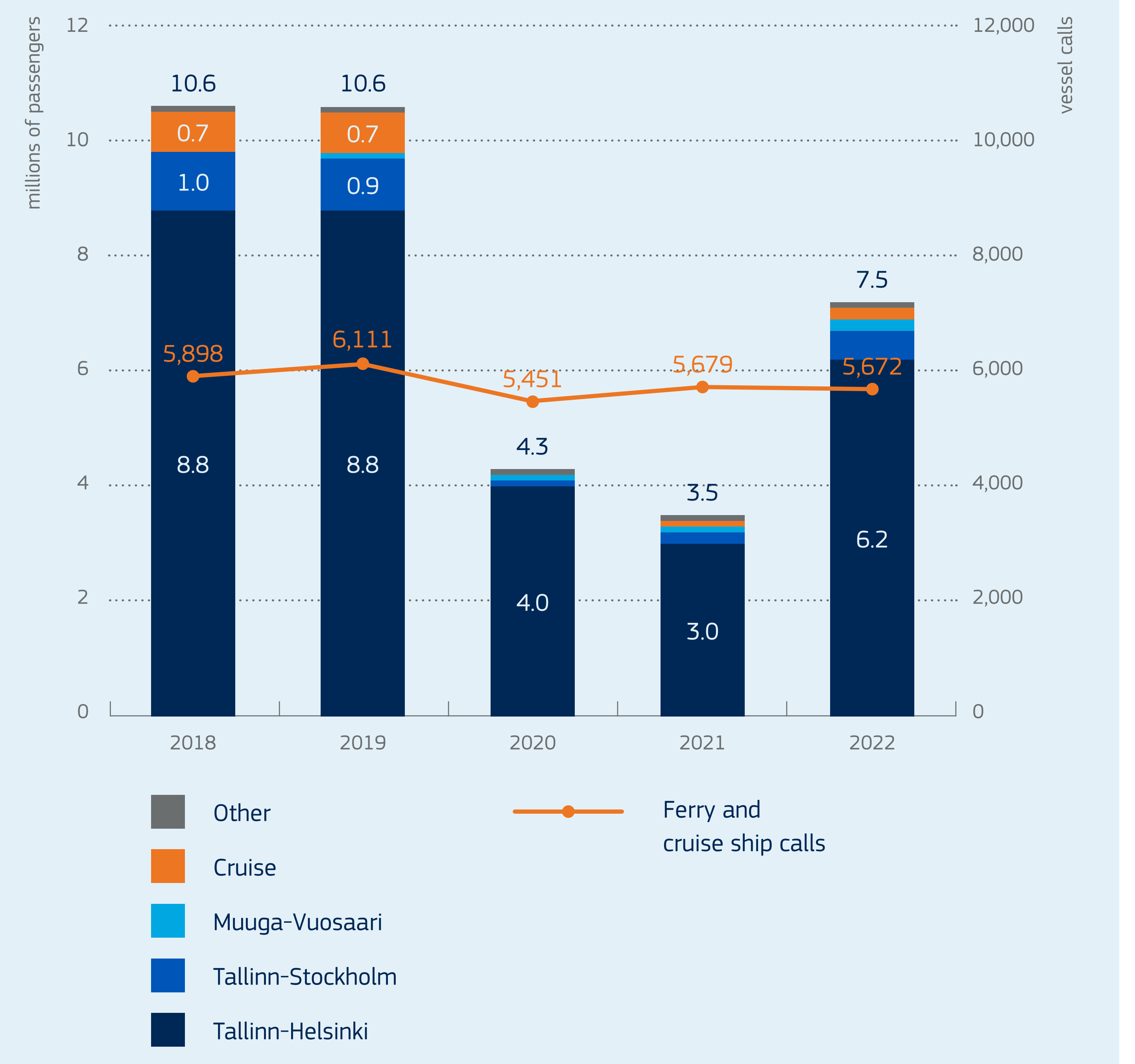


TABLE OF CONTENTS

6.6.2 Cargo volume

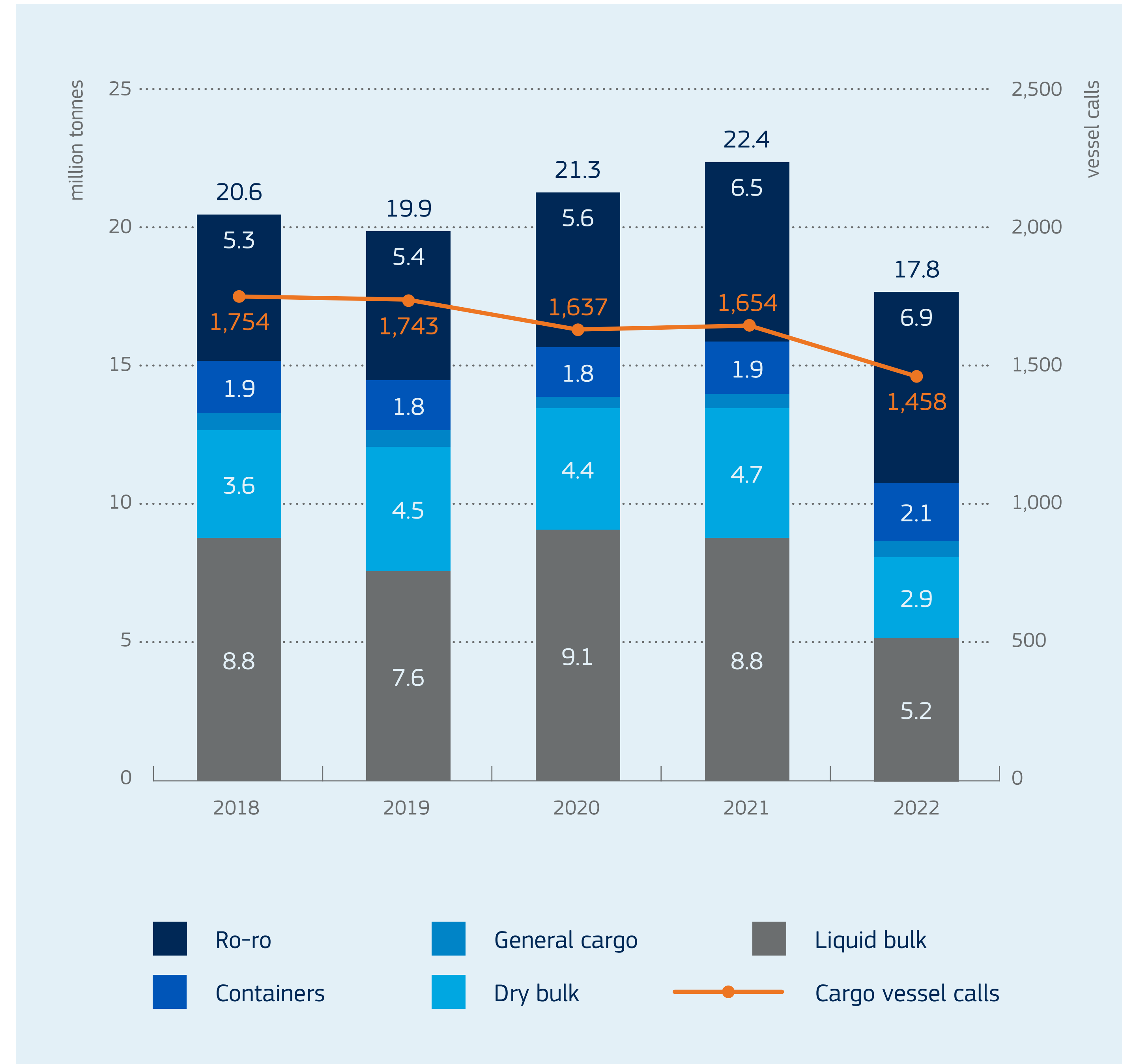
In 2022, cargo throughput at our harbours dropped by 4.6 million tonnes (–20.7%) to 17.8 million tonnes, which is the lowest level in recent decades and attributable to the sanctions against Russia. The sharpest decrease was in liquid bulk (–3.7 million tonnes, –42%) and dry bulk cargo (–1.7 million tonnes, –37%), which were strongly affected by the sanctions. The volumes of other types of cargo grew: ro-ro cargo by 402 thousand tonnes (+6%), container cargo by 228 thousand tonnes (+12%), general cargo by 127 thousand tonnes (+26%) and non-marine cargo by 31 thousand tonnes (from less than 1 tonne a year earlier).

The volume of **ro-ro cargo** has been increasing for nine years in a row and as the volumes of liquid bulk cargo have dropped, ro-ro became our largest cargo type in terms of volume last year. In 2022, ro-ro accounted for around 39% of total cargo throughput at Tallinna Sadam, an increase of 10 percentage points year on year. In the period 2017–2021, the share of liquid bulk cargo ranged from 38% to 43%. Last year, however, it fell to 29%. Ro-ro cargo is mainly transported on the routes between Estonia and Finland (Tallinn–Helsinki and Muuga–Vuosaari) and most of it by ferries serving the Helsinki route, which is why most of the ro-ro growth is reflected in the revenue of the Passenger harbours segment. The volumes of **liquid bulk cargo** plummeted by 73% due to a slump in the volumes of Russian fuel oil, which was under sanctions. The volumes of **dry bulk cargo** also decreased, mainly because the volume of fertilizers tumbled (nearly –90%) due to the sanctions against Russia. Within dry bulk, the volume of wood pellets decreased as well (–40%), while the volumes of crushed stone (+39%) and grain (wheat +36% and barley +33%) increased. The volume of **container cargo** grew by roughly 0.2 million tonnes, i.e. 12% (in TEUs[18] by 18% to 268 thousand TEUs). In December, Muuga Harbour was visited by the longest container ship to date (258 m). Two large container cranes implemented by the operator HHLA TK Estonia last year allow receiving container ships which are four times larger than earlier. **General cargo** grew by 0.13 million tonnes (+26%), driven by growth in pulpwood and steel products.

In terms of transport directions, the biggest change occurred in transit cargo, which dropped by 5.7 million tonnes (–53%), while import cargo grew by 0.7 million tonnes (+14%) and Estonia's export cargo increased by 0.4 million tonnes (+6%). Exports accounted for 36%, imports for 35% and transit for 29% of our total cargo volume (2021: 27%, 24% and 48%, respectively). **The share of transit fell by nearly 20 percentage points year on year due to the sanctions**. Cargo throughput at our harbours is not seasonal by nature. Typically, fluctuations in cargo volumes result from changes in market conditions (including changes in the world market prices of the cargo) and/or volatility in the volumes of project cargo. **Last year, cargo transport was affected the most by the Russia-Ukraine war**, which changed the supply chains, energy prices and logistics across the region.

[18] *TEU (Twenty-foot Equivalent Unit) — standard unit for counting containers and describing the capacities of container ships or terminals. One 20-foot container equals one TEU.*

Cargo volume by cargo types

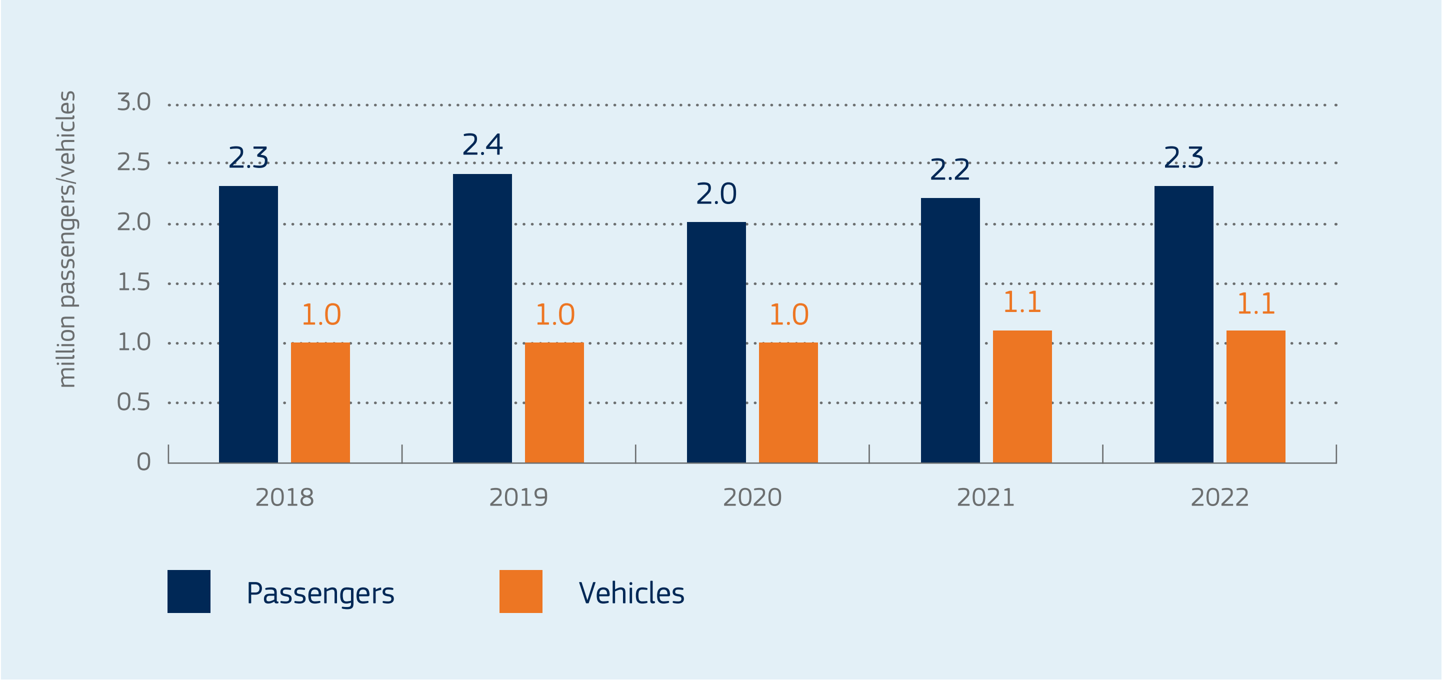


6.6.3 Ferry service

TS Laevad has been providing domestic ferry service between Estonia's mainland and biggest islands (Saaremaa and Hiiumaa) under a public transport contract with the state (expiry date of the contract: 30 September 2026) since 2016. The service must be provided according to the schedule approved by the state with up to four ferries (during the summer peak periods with up to five ferries) at a time. Most of contract revenue is fixed but some fixed revenue components are adjusted for movements in certain price indices to reflect the changes in the cost of living. A minor part of contract revenue is variable, depending on the number of trips made. Variable revenue is also adjusted for movements in the price indices. Contract revenue comprises ticket sale revenue and public transport support received from the state to cover the difference between ticket sale revenue and the service revenue agreed in the contract. Thus, **a potential ticket price adjustment by the state would not affect the revenue and profit of TS Laevad**.

In 2022, the ferries of TS Laevad made 22,842 trips in 2022, which is 6% more than a year earlier, serving 2.3 million passengers (+4%) and 1.1 million vehicles (+0%). Based on an agreement with the state (the customer of the ferry service), **436 additional trips** (2021: 327) were made by a stand-by vessel to increase service capacity **during the summer (June-August)**.

Ferry segment volumes

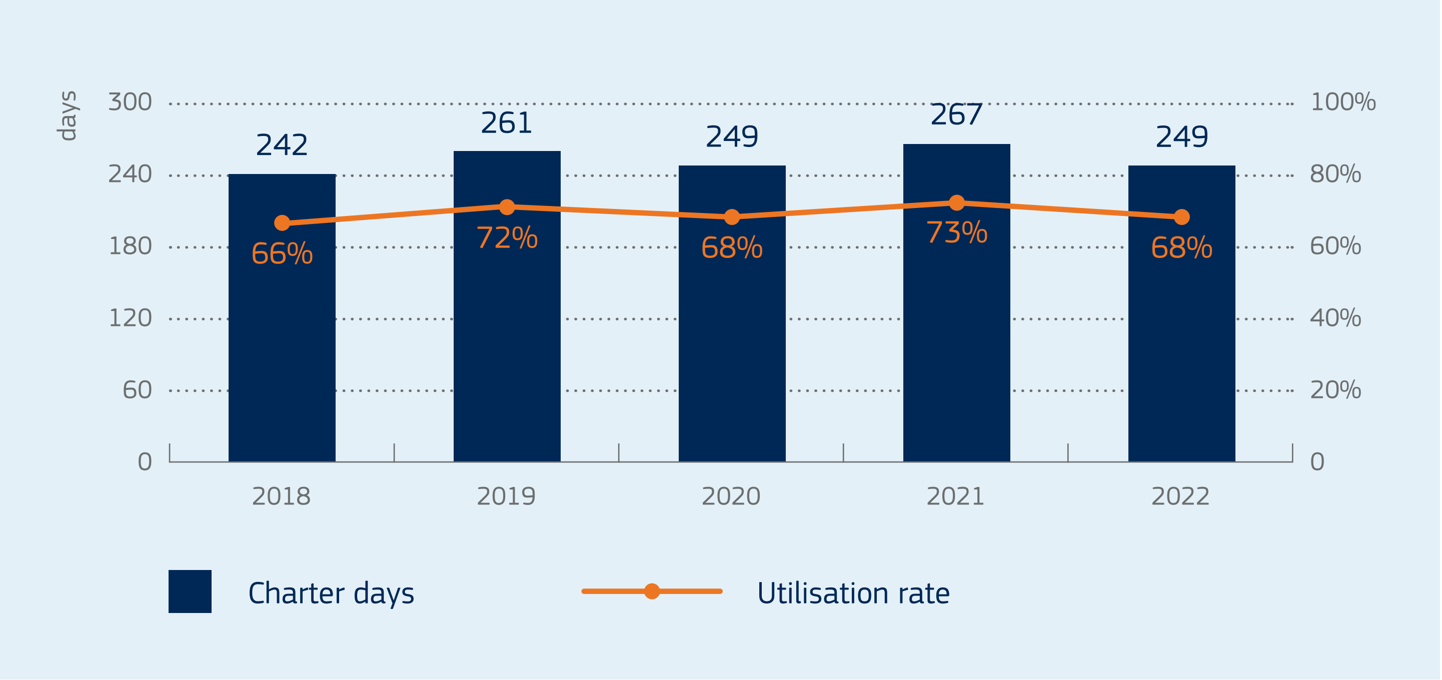


6.6.4 Multifunctional icebreaker Botnica

We have been **providing Estonian ports on the Gulf of Finland with icebreaking service** during the icebreaking period, which lasts from December to April, under a contract with the state since the beginning of 2013 (expiry date of the contract: 20 April 2032). The contract pays a fixed fee for a season of 120 days, which is adjusted for changes in the consumer price index. Outside the icebreaking season, we charter the icebreaker Botnica out for different maritime support operations. The availability and profitability of the summer work depends on the situation in the charter market for offshore support vessels. The price and demand levels are strongly influenced by oil producers, which have been the main buyers of relevant services.

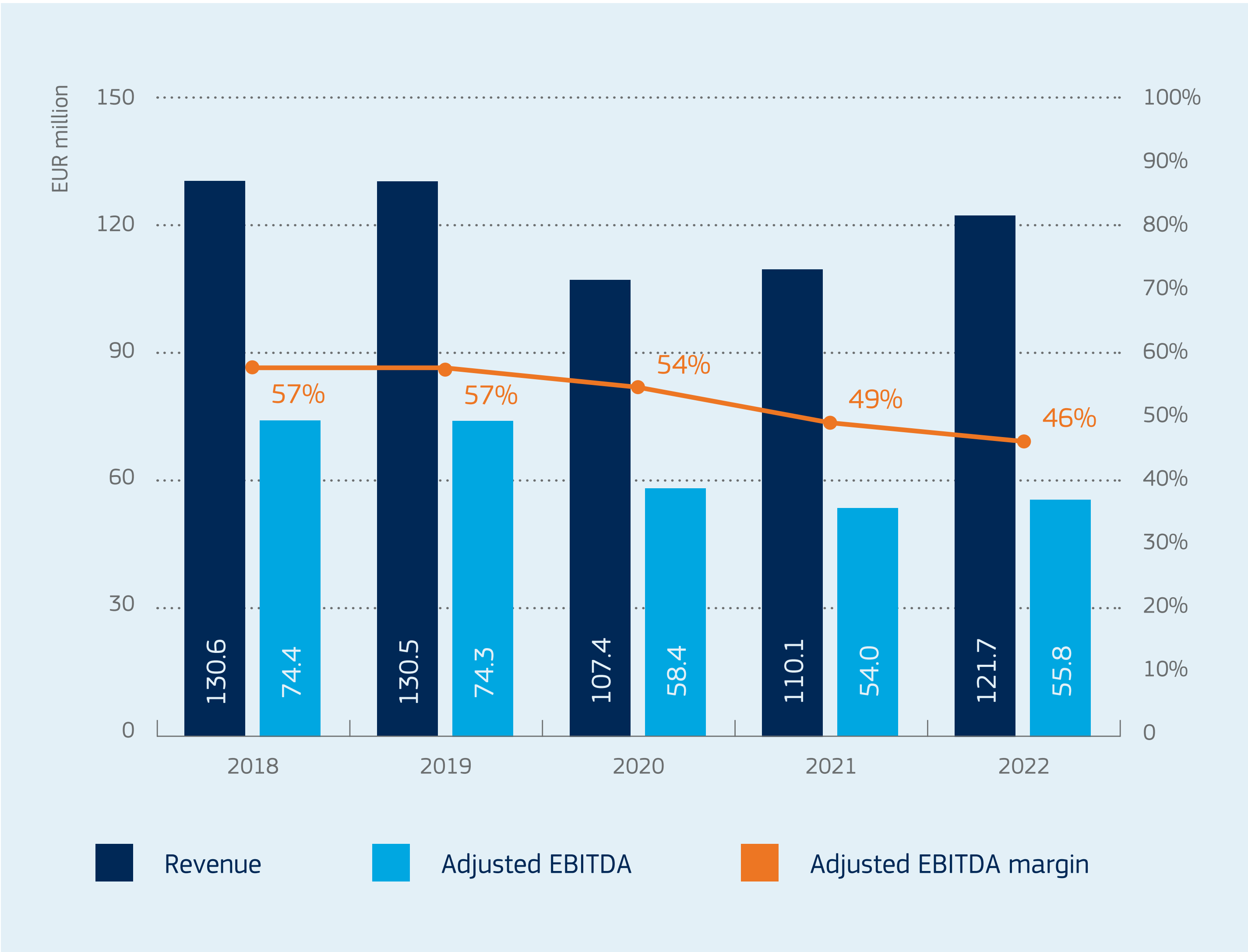
To secure work for Botnica outside the icebreaking season, in June 2018 TS Shipping signed a five-year frame agreement with the Canadian company **Baffinland Iron Mines**. The customer confirms its needs at the beginning of each year and, where necessary, commissions additional days during the season. In 2022, the charter period was 18 days shorter (–7%) than in 2021 due to the impact of the summer season. The charter fee is adjusted for changes in the inflation index.

MPSV Botnica charter

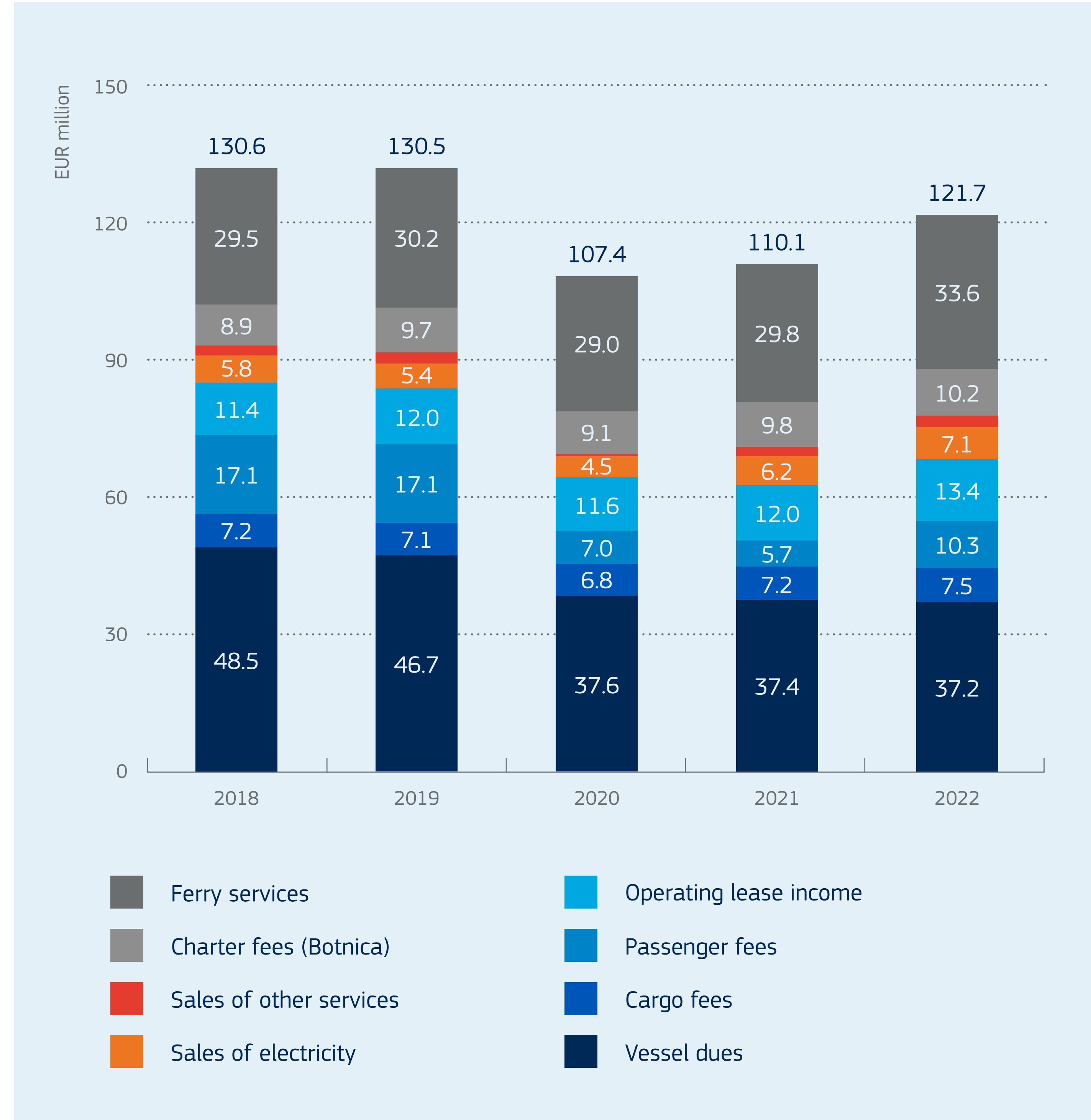


6.7 Revenue and expenses

Revenue and EBITDA



Revenue by revenue stream



Tallinna Sadam ended 2022 with consolidated revenue of EUR 121.7 million, EUR 11.7 million (+10.6%) up on a year earlier. Adjusted EBITDA grew by EUR 1.8 million (+3.3%) to EUR 55.8 million. As adjusted EBITDA grew more slowly than revenue, the adjusted EBITDA margin decreased from 49% to 46%.

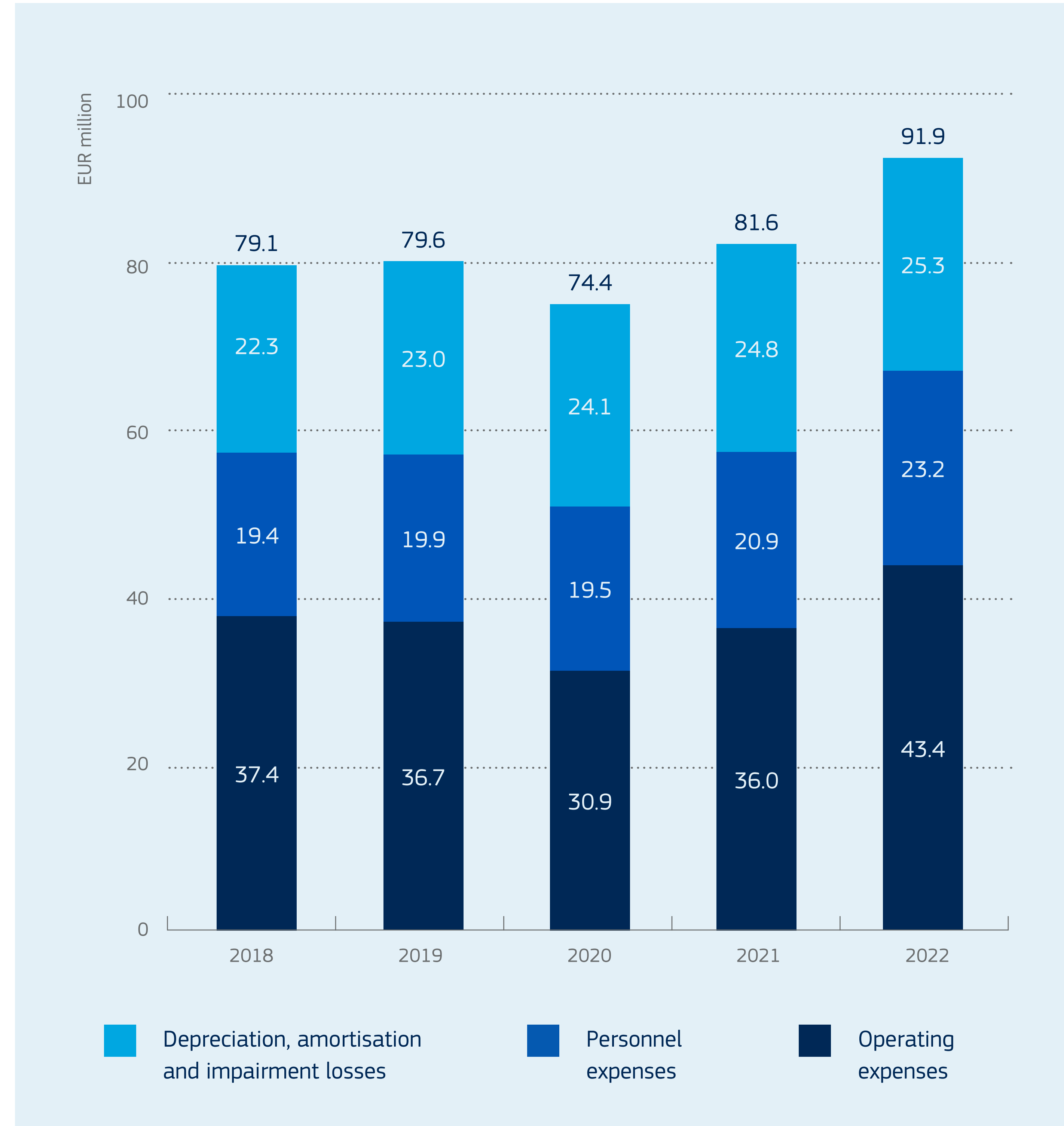
All revenue streams grew with the exception of vessel dues. Growth was the fastest in passenger fee revenue, which grew by EUR 4.6 million (+81%) to EUR 10.2 million. Rapid growth in passenger fees was supported by a surge in passenger numbers (+98%) after the lifting of travel restrictions. Ferry service revenue grew by EUR 3.8 million (+13%), rising to EUR 33.6 million, mainly due to the indexation of passenger fees and the variable part of fixed fees, a 6% increase in the number of trips and a rise in diesel fuel prices. Lease income grew by EUR 1.4 million (+12%) to EUR 13.4 million, mainly because we earned more income at Old City Harbour from the implementation of the cruise terminal as well as from parking service and the termination of rent concessions. In the Ferry segment, lease income from retail premises on board ferries increased. Electricity sales revenue grew by EUR 0.9 million (+14%) to EUR 7.1 million due to the surge in electricity prices. The growth was smaller in the Cargo harbours segment because the electricity distribution network at Paljassaare Harbour was sold (relevant income ceased from December 2021). Revenue from other services grew by EUR 0.5 million (+24%), supported by higher sales of advertising space in Old City Harbour and sales of water to cruise ships. Charter fee revenue from the icebreaker Botnica grew by EUR 0.4 million (+4%) to EUR 10.2 million despite the decrease in charter days. Cargo charge revenue grew by EUR 0.3 million (+4%) although cargo volumes decreased by more than a fifth. The growth in cargo charge revenue was supported by changes in the cargo mix where cargoes with lower charge rates have been replaced by cargoes with higher charge rates. The only revenue stream that decreased was revenue from vessel dues, which declined by EUR 0.2 million (–0.5%) to EUR 37.2 million due to a smaller number of vessel calls and the reduction of the tonnage charge rates for ferries visiting Old City Harbour.

Other income decreased by EUR 0.3 million to EUR 1.4 million in 2022 because other income for 2021 included gain on the sale of the assets of Paljassaare Harbour.

Expenses related to operating activities (operating expenses, personnel expenses, and depreciation, amortisation and impairment losses) totalled EUR 91.9 million, EUR 10.3 million up on 2021 (+12.6%).

Within expenses, operating expenses increased the most, rising by EUR 7.4 million (+21%) due to growth in various expense items. Fuel and energy costs showed the fastest growth (EUR +5.9 million, +51%), primarily because of soaring energy prices which increased the costs of harbour and ferry operations as well as the cost of electricity purchased for sale, which concurrently increased revenue. A rise in the price of ferry fuel also increased the trip fee component of contract revenue for the provision of ferry service through the relevant price index.

Expenses related to operating activities



Expenses on expected credit losses grew significantly (EUR +0.9 million) because in the comparative period the amount recorded was negative due to the agreement of settlement schedules and the collection of some previously expensed receivables. Non-current asset repair costs grew by EUR 0.1 million (+2%) to EUR 7.1 million, remaining at the same level as in the previous year. Expenses on services purchased for ships grew by 0.5% to EUR 5.6 million.

Total expenses did not change significantly but the cost structure changed — automated mooring systems lowered expenses on purchased mooring services while higher passenger numbers and service charges increased expenses on the reception of ship-generated waste (+48%). Expenses on assets of insignificant value decreased (EUR –0.2 million, –15%) because in 2021 there were one-off expenses related to the furnishing of the cruise terminal.

Personnel expenses grew by EUR 2.2 million (+10.7%), primarily through growth in salaries and bonuses/benefits.

Depreciation, amortisation and impairment expenses grew by EUR 0.6 million (+2.2%), mainly due to asset write-offs and write-downs.

Other expenses did not change significantly (EUR +0.03 million).

Operating profit for 2022 was EUR 30.8 million. The figure grew by EUR 1.0 million (+3.5%), because revenue growth exceeded growth in expenses. As operating profit did not grow as rapidly as revenue, the operating margin, which reflects the Group's operating efficiency, dropped from 27.0% to 25.3%. Operating profit increased in the Passenger harbours segment and the Ferry segment, but decreased in the Cargo harbours segment and the segment Other.

Adjusted EBITDA[19] grew by EUR 1.8 million (+3.3%) to EUR 55.8 million due to adjusted EBITDA growth in the Passenger harbours segment and the Ferry segment. The adjusted EBITDA margin decreased from 49.1% to 45.9%.

[19] Adjusted EBITDA — earnings before finance income and costs, income tax expense, and depreciation, amortisation and impairment losses, adjusted for the amortisation of government grants related to assets.

TABLE OF CONTENTS

6.8 Profit

Besides the above factors, profit development was influenced by finance income and costs, income tax on dividends and the recognition of deferred tax expense. Finance income and costs were influenced by a general rise in interest rates in 2022. Finance costs grew by EUR 0.6 million (+46%) although loans and borrowings decreased. Finance income grew by EUR 0.1 million. The Group's share of the profit of the equity-accounted associate Green Marine was EUR 0.79 million (2021: EUR 0.41 million). Profit before tax and deferred tax (EUR 82 thousand) was EUR 29.8 million, EUR 0.9 million higher than a year earlier (+3%).

The Group's net profit for 2022 amounted to EUR 25.6 million, which is EUR 20 thousand (–0.1%) less than a year earlier. Net profit decreased more than profit before tax because dividend tax expense increased by EUR 0.1 million due to a larger dividend distribution as well as the recognition of deferred tax expense. In 2022, we paid a dividend of EUR 25.5 million (2021: EUR 20.3 million).

Profit

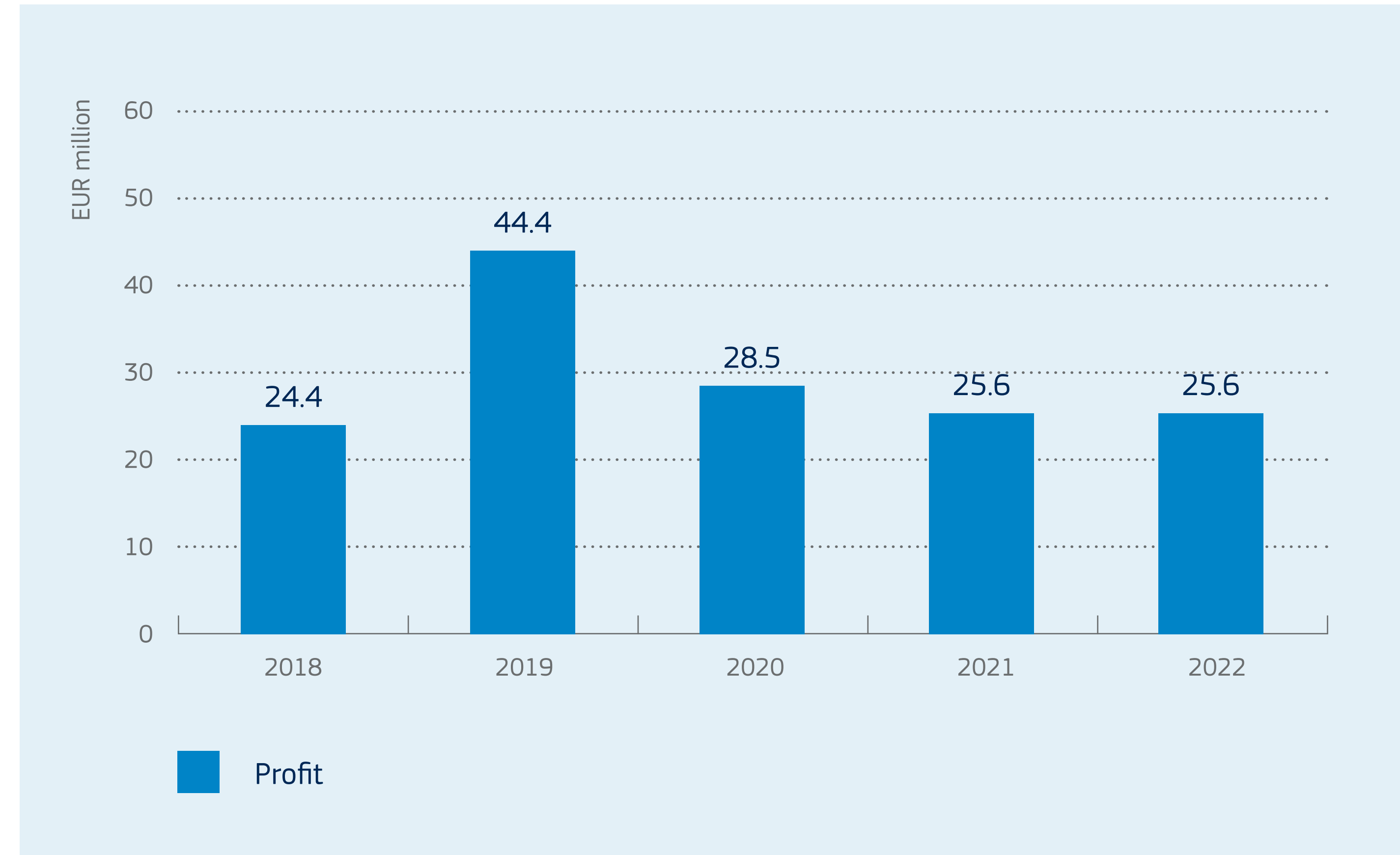


TABLE OF CONTENTS

6.9 Segment reporting

The Group's segments are Passenger harbours, Cargo harbours, Ferry and Other. Further information about segments is provided in note 3 to the financial statements.

Revenue grew in all segments except Cargo harbours. Revenue growth was EUR 9.1 million (+31%) in the Passenger harbours segment, EUR 4.1 million (+13.3%) in the Ferry segment and EUR 0.4 million (+4.1%) in the segment Other. The revenue of the Cargo harbours segment decreased by EUR 1.9 million (–4.7%). Adjusted EBITDA also grew in all segments except Cargo harbours.

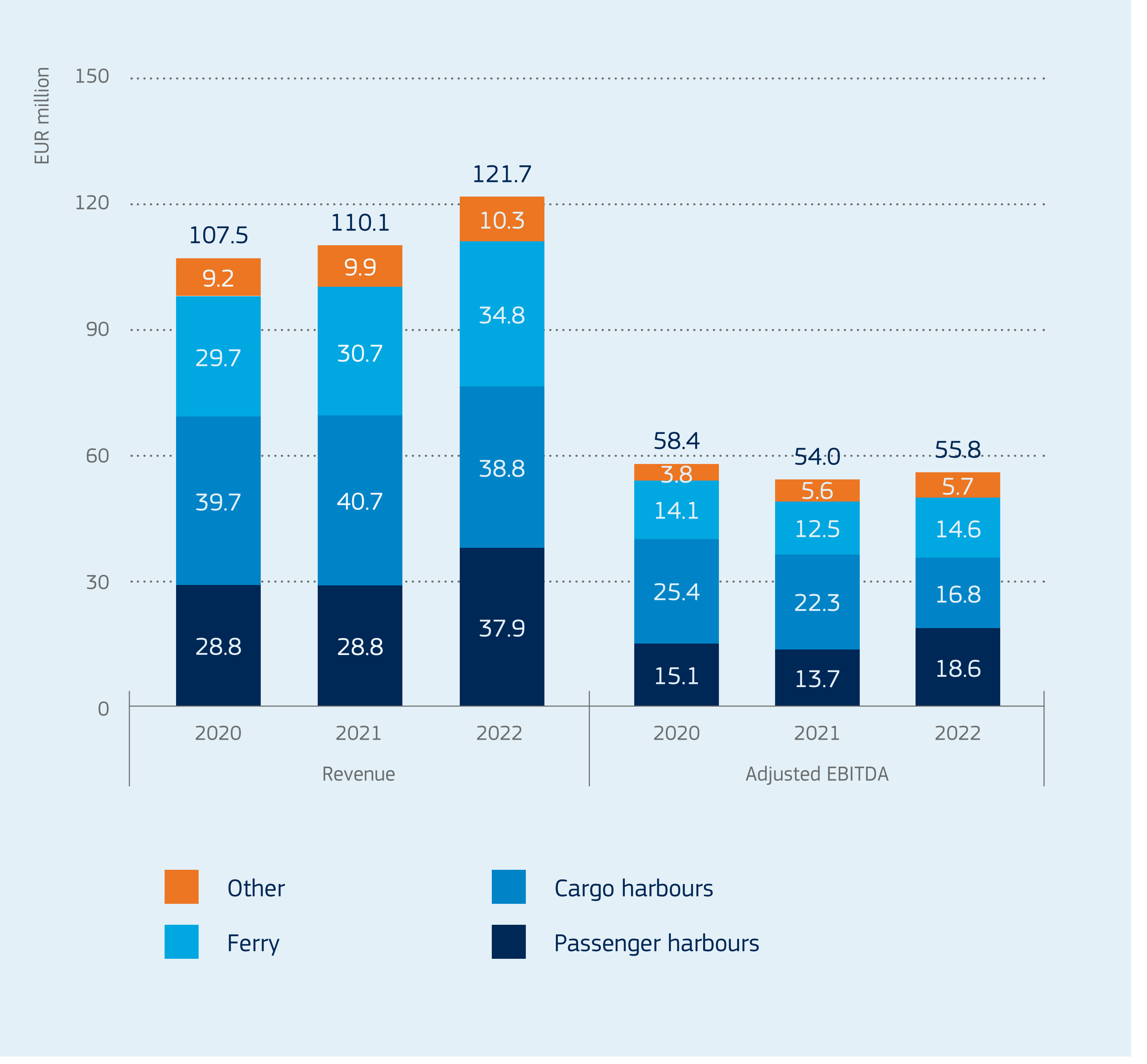
The revenue of the Passenger harbours segment increased through higher passenger numbers. Passenger fee revenue grew by EUR 4.6 million due to the lifting of the COVID-19 restrictions. Passenger traffic increased both on regular routes and in cruise travel. A higher number of cruise ship calls contributed to growth in vessel dues (EUR +2.3 million). Revenue from the sale of electricity grew due to a sharp rise in electricity prices and higher consumption. Lease income increased through the letting of premises in the cruise terminal, higher parking charge income and the termination of rent concessions. Revenue from other services grew due to larger sales of water supply and sewerage services as well as higher revenue on the sale of advertising space.

The revenue of the Cargo harbours segment dropped mainly due to the impact of vessel dues revenue, which declined because sanctions reduced the number of vessel calls. Fewer vessel calls also lowered revenue from other services. Despite smaller cargo volumes, cargo charge revenue grew slightly because cargo with lower charge rates was replaced by cargo with higher charge rates. Rising electricity prices supported growth in revenue from electricity sales. In addition to sanctions, the performance of the Cargo harbours segment was affected by the sale of the electricity distribution network at Paljassaare Harbour at the end of 2021.

The revenue of the Ferry segment grew mostly due to the indexation of the contractual fee rates and a higher number of trips made.

The revenue of the **segment Other** grew, although the summer charter of the icebreaker Botnica was shorter than a year earlier when the Canadian customer extended the charter period. Revenue growth was supported by the indexation of the icebreaking and summer charter fee rates to the inflation index.

Revenue by EBITDA and segments



Adjusted EBITDA for 2022 grew in all segments except Cargo harbours (EUR –5.5 million, –24%), rising by EUR 5.0 million (+36%) in the Passenger harbours segment, EUR 2.1 million (+17%) in the Ferry segment and EUR 0.2 million (+3%) in the segment Other. Overall, adjusted EBITDA grew by EUR 1.8 million (+3%), supported by higher revenue, especially a rapid rise in passenger fee revenue and revenue growth in the Ferry segment.

Revenue growth in euro terms outpaced the spike in expenses, which was caused by the rise in energy and service prices as well as personnel expenses. Adjusted EBITDA growth in the segment Other was supported by the profit received from the equity-accounted associate Green Marine.

Adjusted EBITDA margin declined from 49.1% to 45.9%, mainly due to a decrease in the Cargo harbours segment.

Results by segments

	2022					2021				
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	37,862	38,781	34,757	10,303	121,703	28,800	40,678	30,676	9,897	110,051
Adjusted EBITDA	18,618	16,836	14,629	5,734	55,817	13,665	22,294	12,523	5,564	54,046
Operating profit	10,854	8,431	8,926	2,576	30,787	6,725	13,575	6,555	2,903	29,758
Adjusted EBITDA margin	49.2%	43.4%	42.1%	55.7%	45.9%	47.4%	54.8%	40.8%	56.2%	49.1%

Changes 2022/2021

In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	9,062	–1,897	4,081	406	11,652
Adjusted EBITDA	4,953	–5,458	2,106	170	1,771
Operating profit	4,129	–5,144	2,371	–327	1,029
Adjusted EBITDA margin	1.8%	–11.4%	1.3%	–0.5%	–3.2%

TABLE OF CONTENTS

6.10 Investments and development prospects

The Group's capital investments totalled EUR 13.9 million in 2022, which is EUR 0.9 million (–6%) less than in the prior year and the past six years' lowest level. Investments in harbour infrastructure assets, acquisition of non-current assets and improvements to existing infrastructure totalled EUR 12.1 million. Investments in the icebreaker Botnica amounted to EUR 1.1 million and investments related to ferries (the Ferry segment) totalled EUR 0.7 million.

The main capital investments of the period were again made at Old City Harbour, where the largest completed project (the last works were finished in early 2023) was the reconstruction of the outdoor area around passenger terminal D, which began in 2020. The largest investments at Muuga Harbour were related to developing the conditions for ro-ro traffic and improving traffic conditions in the harbour area. No major works were carried out on the icebreaker Botnica. In the Ferry segment, the largest works included scheduled dry-dock maintenance of the ferries and upgrades to the customer service and ticket sale systems.

The largest capital investment planned for 2023 is the investment in a new quay and a 10 hectare hinterland at Paldiski South Harbour, for which geological investigations began already in 2022. The quay and the hinterland will be completed in summer 2025. The new quay will enable us to offer services related to the construction and maintenance of offshore wind farms. It will also be used for military transport, which in turn will increase our overall capacity for maritime transport of cargo and vehicles.

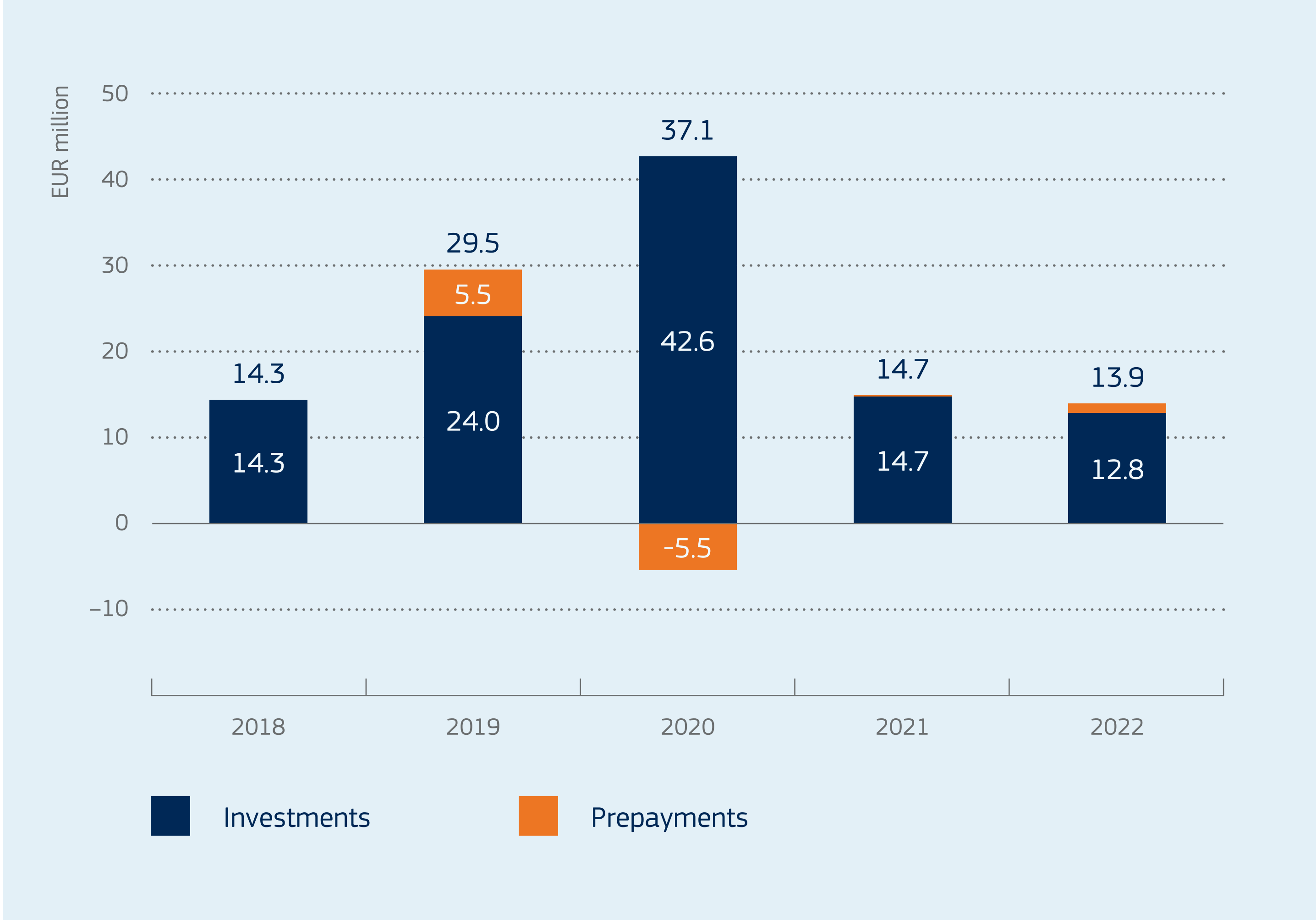
At Muuga Harbour, we will continue to invest in vessel servicing equipment to increase the harbour's capacity to serve ro-ro traffic. Investments will also be made in a new workshop and the construction of sewage system.

The biggest investments at Old City Harbour are related to the renovation of the marina quay in connection with the construction of a tramway to Old City Harbour.

The icebreaker Botnica will undergo dry dock maintenance. Investments in ferries include regular dry dock maintenance and further improvements to the customer service and ticket sale systems.

In addition to capital investments, we incur substantial annual **research and development expenditures**, which in 2022 amounted to EUR 0.33 million (2021: EUR 0.30 million). Research and development expenditures of the period were mainly related to preparing detailed plans for Old City Harbour, reviewing the state of buildings and structures in cargo harbours, assessing and monitoring the impacts of harbour operations, and preparing the assessments as well as draft and detailed plans required for our development plans.

Investments



We expect that in 2023 the number of passengers will continue to grow but cargo flows will decrease compared with 2022. We expect revenue to grow, but operating expenses will also increase as will finance costs in an environment of rapidly rising interest rates. Therefore, it is likely that both the Group's operating profit and net profit may decrease.

We forecast that our investments in harbour operations will increase substantially in 2023, primarily in connection with the construction of a new quay in Paldiski South Harbour for the servicing f offshore wind farms.

TABLE OF CONTENTS

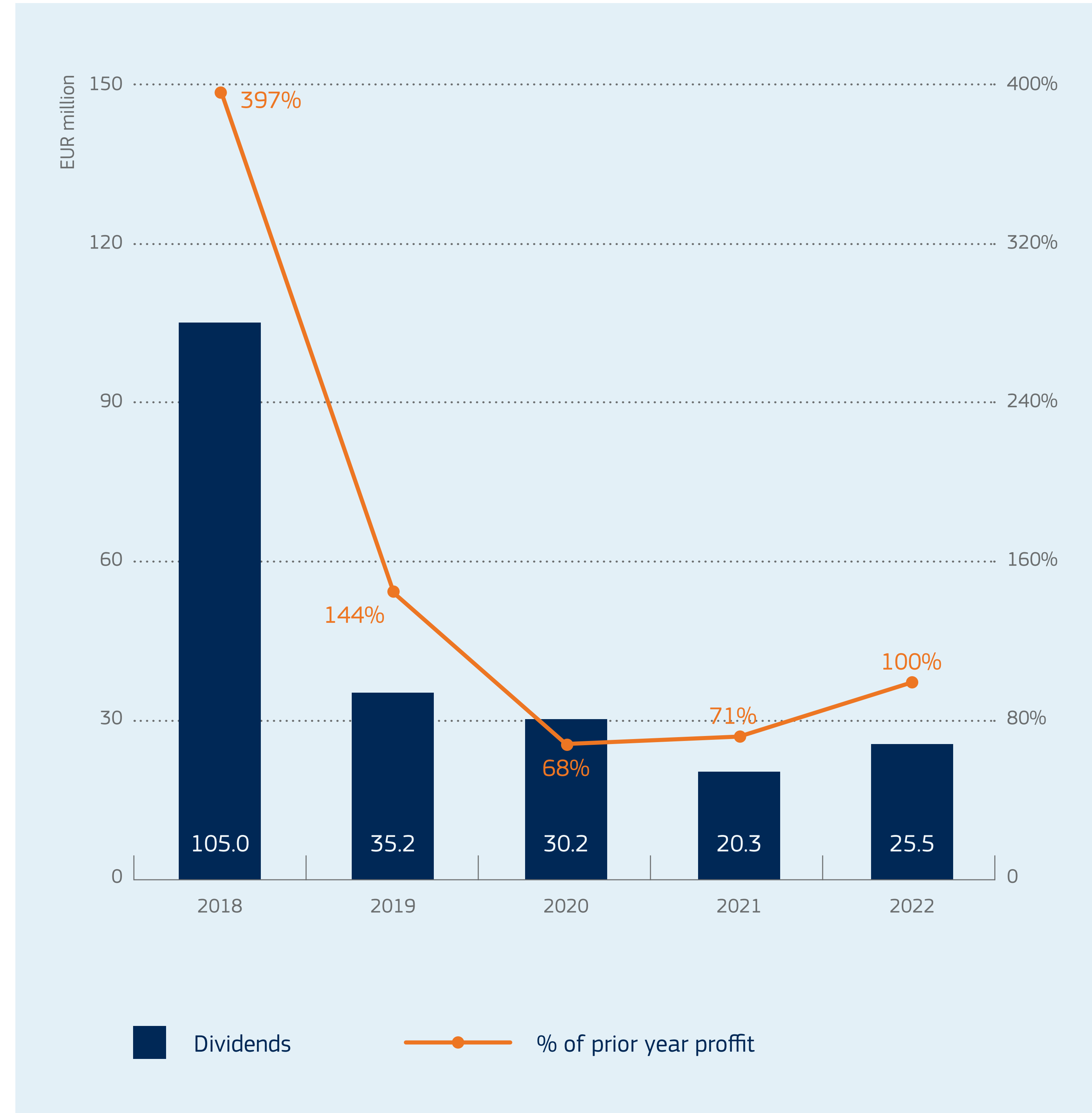
6.11 Dividends

The dividend policy of AS Tallinna Sadam sets the target to pay the shareholders regular post-tax dividends, which from 2021 should amount to **at least 70% of profit for the preceding year**, subject to market conditions, the company's growth and development plans, taking into account the need to maintain a reasonable level of liquidity and excluding the impact of non-recurring transactions. The target for the period 2019–2020 was to distribute a net dividend of at least EUR 30 million per year, which was met.

In 2022, **we paid the shareholders a dividend of EUR 0.097 per share** and EUR 25.5 million in total, i.e. 100% of profit for the previous year. The list of shareholders entitled to receive the dividend was determined on 5 May 2022 (the ex-dividend date: 4 May 2022) and the dividend was paid out to the shareholders on 12 May 2022 (through Nasdaq CSD). In 2021, we distributed shareholders a dividend of EUR 0.077 per share and EUR 20.3 million in total.

For further information, see note 19 to the financial statements.

Dividends paid

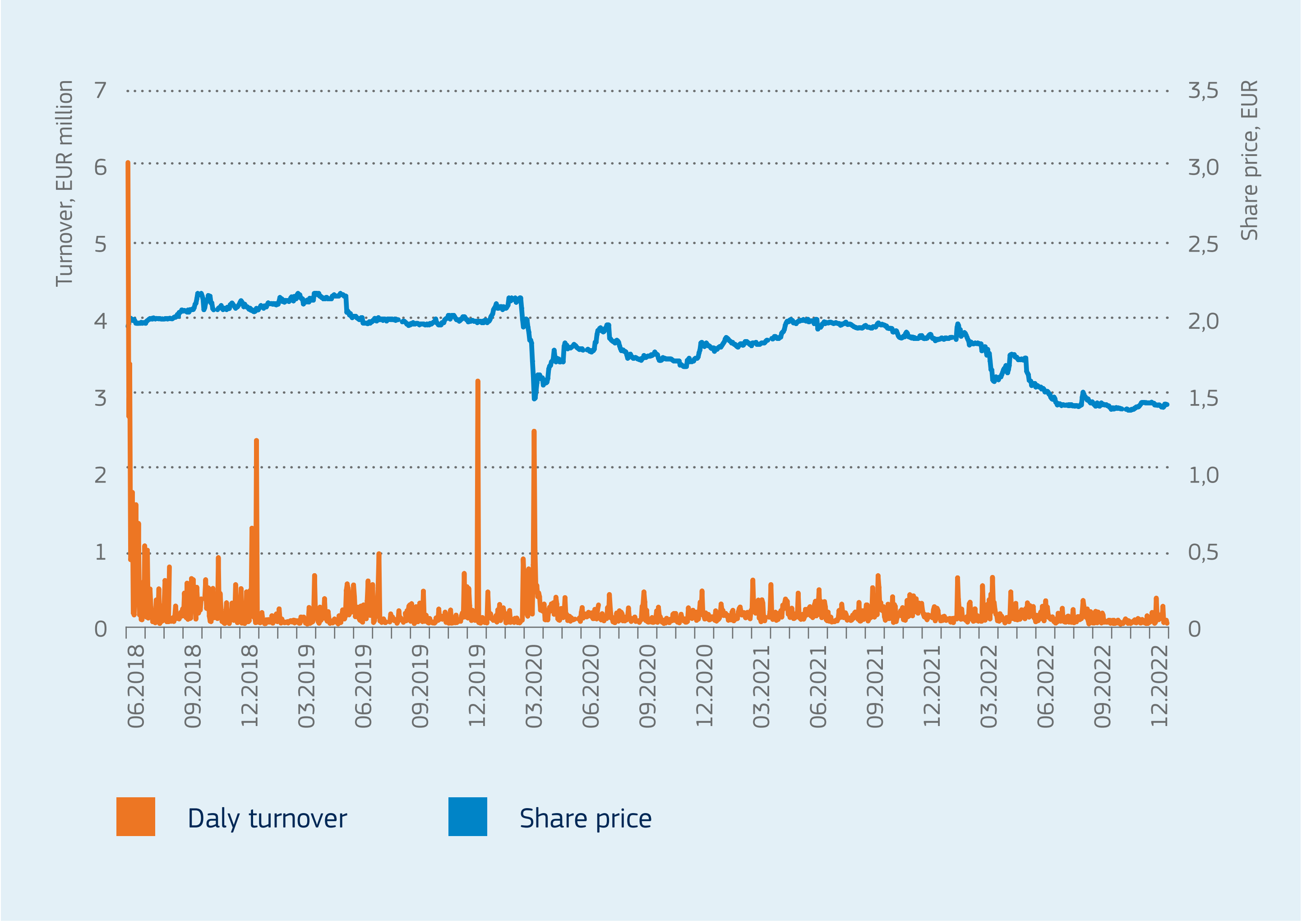


6.12 Share and shareholders

AS Tallinna Sadam was listed in the Baltic Main List of the Nasdaq Tallinn Stock Exchange on 13 June 2018. The ticker symbol of the share is TSM1T and the ISIN code is EE3100021635. The company has 263,000,000 ordinary shares of which 176,295,032 (67.03%) are held by the Republic of Estonia. The par value of a share is EUR 1. Each share carries one vote at the general meeting of the shareholders.

The opening price of the share at the beginning of 2022 was EUR 1.858. The closing price of the share at 31 December 2022 was EUR 1.424. **The company's market capitalisation** at 31 December 2022 was **EUR 374.5 million** (31 December 2021: EUR 488.7 million).

The dynamics of the closing price of the AS Tallinna Sadam share and the daily turnover of shares traded since listing on the Nasdaq Tallinn Stock Exchange, i.e. from 13 June 2018 to 31 December 2022



The dynamics of the price of the Tallinna Sadam share compared to the OMX Baltic Benchmark GI index in the period 13 June 2018 – 31 December 2022

Source: nasdaqbaltic.com

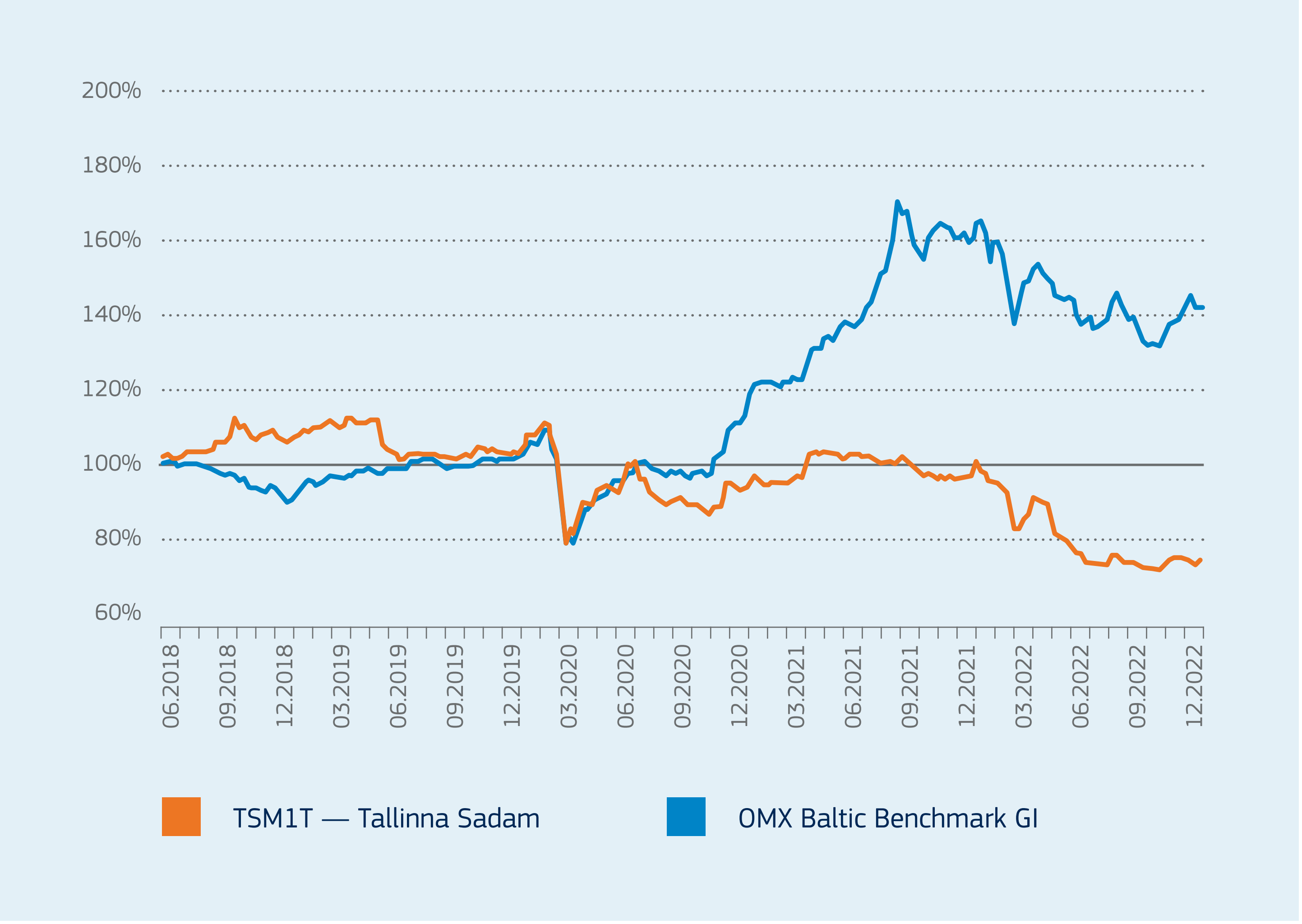


TABLE OF CONTENTS

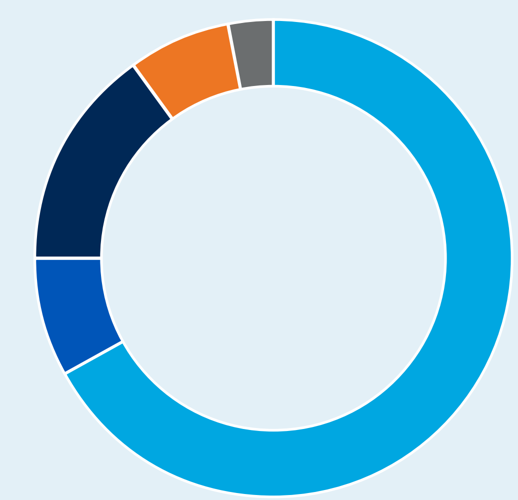
In 2022, there were a total of 73,060 transactions with the AS Tallinna Sadam share (2021: 60,889 transactions) in which 17.8 million shares (2021: 19.3 million shares) changed hands. The **total turnover of the transactions was EUR 28.1 million** (2021: EUR 36.7 million).

At 31 December 2022, the company had **22,866 shareholders** (31 December 2021: 19,946) but only the Republic of Estonia had an ownership interest exceeding 5% (through the Ministry of Economic Affairs and Communications).

The five largest shareholders at 31 December 2022

Name of shareholder	Number of shares	Interest, %
Ministry of Economic Affairs and Communications	176,295,032	67.0%
European Bank for Reconstruction and Development (EBRD)	9,350,000	3.6%
SEB Progressiivne Pensionifond	6,484,365	2.5%
LHV Pensionifond L	5,536,570	2.1%
State Street Bank and Trust Omnibus (USA)	2,215,156	0.8%

Shareholder structure as at 31 December 2022



The shareholder structure has changed somewhat compared with the end of 2021. The share of international investors has decreased from 10% to 8% (–5.8 million shares), the share of Estonian retail investors has increased from 13% to 15% (+5.0 million shares), and the share of Estonian and other Baltic investment and pension funds has grown slightly at the expense of international investors.

7 Corporate Governance

The governing bodies of Tallinna Sadam are the general meeting, the supervisory board and the management board. The supervisory board and the management board of Tallinna Sadam are guided by the company's strategy, values, applicable legislation and the principles of the **Corporate Governance Recommendations** (CGR) promulgated by the Nasdaq Tallinn Stock Exchange. Any instances of non-compliance with CGR are explained in section 7.11 of the management report.

The **main goals of the controlling shareholder**, the Republic of Estonia, regarding its interest in Tallinna Sadam are to::

- earn optimal and stable shareholder return through the company's profitable and efficient operation in each of its chosen business lines;
- involve the company in achieving national strategic objectives (this includes reducing the negative environmental impacts of the company's activities and striving for climate neutrality by 2050 in ensuring the company's sustainable development), taking into account the company's field of activity and business interests as well as applicable laws and regulations;
- apply and promote good corporate governance, corporate social responsibility and business culture.

7.1 General meeting

The general meeting is the highest governing body of Tallinna Sadam whose **primary responsibilities** include changing the articles of association, increasing and reducing share capital, appointing and removing the members of the supervisory board and determining the remuneration policy for the supervisory bord (based on the proposal of the nomination committee), approving the annual report and allocating the company's profit, approving a share option programme, appointing and removing the auditor(s), establishing the rules of procedure for the supervisory board, deciding the acquisition or disposal of a significant interest in another company, establishing the management and reporting principles of the subsidiaries and adopting other decisions that are within its power in accordance with the law and the company's articles of association.

The annual general meeting is held once a year, within six months after the end of the financial year. The agenda of the general meeting, the proposals of the management and supervisory boards, any draft resolutions and other relevant materials are made available to shareholders at least three weeks before the general meeting on the company's website and through a stock exchange announcement. Shareholders entitled to participate in a general meeting are determined based on the share register seven days before the meeting. Each share carries one vote at a general meeting. No shares with special controlling or voting rights have been issued.

In 2022, the company had an annual general meeting, which was conducted without physical attendance, and no extraordinary general meetings. The general meeting was held without physical attendance due to responsible behaviour with regard to the risks associated with COVID-19.

On 25 April 2022, the shareholders of Tallinna Sadam passed resolutions on approving the annual report for 2021, allocating the profit and distributing a dividend of EUR 25.511 million, amending the articles of association, approving the remuneration policy for the members of the supervisory board and the management board, and electing the members of the supervisory board. Shareholders could vote remotely from 5 April to 25 April, either by e-mail or regular mail. Shareholders who did not vote were deemed to have voted against the resolutions. Votes on the resolutions were cast by 82 shareholders whose shares represented 205,326,998 votes, i.e. 78.07% of the company's total share capital.

Tallinna Sadam arranged a **public webinar on 6 April 2022** to discuss the agenda of the general meeting, present the shareholders' draft resolutions, explain the voting procedure and provide management's answers to questions received.

Tallinna Sadam has made available on its website at www.ts.ee/en the resolutions adopted by general meetings since July 2017 and the invitations, materials and minutes of general meetings since the general meeting of 14 May 2019.

The Republic of Estonia (through the Ministry of Economic Affairs and Communications) holds a 67.03% interest in Tallinna Sadam. 32.97% of the shares are held by Estonian and international investment funds, banks, pension funds and Estonian retail investors. An overview of the shareholder structure and the largest shareholders as at 31 December 2022 is provided in section 6.12 of the management report.

7.2 Supervisory board

The supervisory board is responsible for planning the company's activities, organising the company's management and supervising the activities of the management board. The supervisory board is accountable to the general meeting. The supervisory board of Tallinna Sadam has six to eight members, who are appointed for a term of up to five years. At least half of the members of the supervisory board (31 December 2022: six out of seven, including the chairman of the supervisory board) are independent as required by the CGR. The work of the supervisory board is managed by the chairman of the supervisory board.

The **members of the supervisory board are appointed** by the general meeting based on the proposal of the nomination committee of Tallinna Sadam, which also makes proposals regarding the number of the members of the supervisory board and their remuneration. Further information on the nomination committee is provided in section 7.5 of the management report.

The **supervisory board has the power** to approve the Group's annual budget and annual report as well as the Group's strategy, goals and development directions. In addition, the supervisory board discusses in its meetings the risks associated with the Group's operating activities, legal and regulatory topics, investments, large-scale financing projects and other significant matters related to the Group's business.

At 31 December 2022, the **composition of the supervisory board** was as follows: Riho Unt (chairman), Marek Helm, Maarika Honkonen, Kaur Kajak, Risto Mäeots, Veiko Sepp and Ain Tatter. The members that meet the definition of independence as provided in the annex to the CGR are Riho Unt, Marek Helm, Maarika Honkonen, Risto Mäeots and Veiko Sepp. The term of office of all members of the supervisory board lasts until 30 June 2025. The members of the supervisory board do not include former members of the management board of Tallinna Sadam or its subsidiaries.

The **work of the supervisory board** is organised in accordance with the rules of procedure of the supervisory board approved by the general meeting. Meetings of the supervisory board take place as needed. In 2022, there were 13 meetings (2021: 8 meetings). The rules of procedure of the supervisory board and the supervisory board's reports to the general meeting (on the group annual report of Tallinna Sadam and the activities of the supervisory board) have been made available on the website of Tallinna Sadam since 2017 (the materials of general meetings since 2019).

The **appointment and remuneration of a member of the supervisory board** are regulated by section 85 of the State Assets Act. The amount of the remuneration of a member of the supervisory board is determined by the general meeting based on the proposal of the nomination committee. The remuneration determined for a member of the supervisory board is EUR 1,000 per month and the remuneration determined for the chairman of the supervisory board is EUR 2,000 per month. A member of the supervisory board is not remunerated for the month in which a meeting of the supervisory board was held but the member did not participate in adopting resolutions. Additional remuneration is paid to the members of the supervisory board who are also the members of the audit committee or the remuneration committee, which are bodies set up by the supervisory board. In 2022, the general meeting approved the remuneration policy for the supervisory board and the management board, which included increasing the remuneration for serving on the committees set up by the supervisory board (see section 7.3). In 2022, the remuneration of the members of the supervisory board totalled EUR 105.6 thousand (2021: EUR 111.6 thousand), including remuneration for fulfilling the responsibilities of a member of the supervisory board of EUR 97.5 thousand (2021: EUR 108 thousand). The members of the supervisory board of Tallinna Sadam are not entitled to termination benefits or additional remuneration (except remuneration for participating in the activities of the above committees).

Tallinna Sadam has conducted a limited number of minor transactions with **parties related to the members of the supervisory board**, which are disclosed in note 23 to the financial statements. All transactions have been ordinary business transactions conducted on an arm's length basis. At the date of release of this annual report, supervisory board members have not notified Tallinna Sadam of any conflicts of interest during the financial year.

Where there has been **risk of a conflict of interest**, the exposed supervisory board member has refrained from discussing, and adopting resolutions on, the relevant agenda item. The members of the supervisory board are subject to the Group's procedure for preventing conflicts of interest (including the obligation to declare their business interests) and the prohibition on competition set forth in the Commercial Code.

Members of the supervisory board at 31 December 2022:

RIHO UNT

Chairman of the Supervisory Board,
fund management and financial advice

MAREK HELM

Member of the Supervisory Board,
implementing digital technologies

VEIKO SEPP

Member of the Supervisory Board,
telecommunication

MAARIKA HONKONEN

Member of the Supervisory Board,
tourism, HoReCa sector

KAUR KAJAK

Member of the Supervisory Board,
Undersecretary of State
for Administrative Policy

AIN TATTER

Member of the Supervisory Board,
Director of Road and Railways Department
in the ministry of economic affairs
and communications

RISTO MÄEOTS

Member of the Supervisory Board,
aviation

TABLE OF CONTENTS

Overview of shares held in Tallinna Sadam by the members of the supervisory board and persons closely associated with them[20] at 31 December 2022:

Member of the supervisory board	Number of shares held in Tallinna Sadam at 31 December 2022	
	Personally	Through closely associated persons
Riho Unt	0	0
Risto Mäeots	0	0
Marek Helm	0	0
Maarika Honkonen	0	0
Kaur Kajak	0	0
Ain Tatter	0	0
Veiko Sepp	7,526	2,500
TOTAL	7,526	2,500

Member of the supervisory board	Term of office	Participation in meetings in 2022			Remuneration in euros in 2022		
		Supervisory board	Audit committee	Remuneration committee	Supervisory board	Audit committee	Remuneration committee
Riho Unt	1 Jul 2020 – 30 Jun 2025	13/13	5/5	2/2	18,000	1,089	500
Maarika Honkonen	17 Apr 2018 – 30 Jun 2025	13/13	5/5	–	12,000	1,089	0
Veiko Sepp	1 Jul 2020 – 30 Jun 2025	13/13	–	4/4	12,000	0	1,089
Kaur Kajak	26 Apr 2022 – 30 Jun 2025	5/6	3/3	–	7,200	750	0
Ain Tatter	1 Jul 2022 – 30 Jun 2025	4/4	–	2/2	6,000	0	500
Marek Helm	1 Jul 2022 – 30 Jun 2025	4/4	3/3	–	6,000	1,125	0
Risto Mäeots	1 Jul 2022 – 30 Jun 2025	4/4	–	1/2	6,000	0	250
Aare Tark	3 Oct 2015 – 30 Jun 2022	9/9	–	2/2	12,000	0	508
Urmas Kaarlep	3 Oct 2015 – 30 Jun 2022	8/9	2/2	–	5,750	508	0
Üllar Jaaksoo	3 Oct 2015 – 30 Jun 2022	8/9	–	2/2	5,000	0	339
Ahti Kuningas	8 Sep 2017 – 30 Jun 2022	7/9	–	2/2	4,750	0	339
Raigo Uukkivi	8 Sep 2017 – 25 Apr 2022	5/7	2/2	–	2,750	339	0
					97,450	4,899	3,524

[20] *As defined in the Market Abuse Regulation ((EU) No 596/2014 Chapter 1 Article 3 1. (25)).*

7.3 Audit committee and internal audit department

Consistent with the requirements of the Auditors Activities Act, the company has set up an audit committee, which is **a body that advises the supervisory board** and is responsible for monitoring and analysing the processing of financial information, the effectiveness of the development and operation of the risk management and internal control system, the process of the audit of the consolidated financial statements, and the independence of the audit firm and the certified public accountant representing the audit firm as well as their compliance with the requirements related to auditors' activities. The audit committee makes proposals and recommendations to the supervisory board on matters within its remit. The committee has four members that are appointed by the supervisory board. The following members of the supervisory board were on the audit committee from 3 July 2020: Urmas Kaarlep (chairman), Maarika Honkonen, Riho Unt and Raigo Uukkivi. On 5 July 2022, the supervisory board approved a new composition for the audit committee: Marek Helm (chairman), Maarika Honkonen, Kaur Kajak and Riho Unt.

The audit committee conducts its activities in accordance with the requirements of the Auditors Activities Act and the rules of procedure approved by the supervisory board. The audit committee carries out its work in meetings. In 2022, 5 meetings were held (2021: 7 meetings). All members of the audit committee attended all meetings.

The **rates of the remuneration of the members of the audit committee** are set out in the remuneration policy approved by the general meeting on 25 April 2022. The rate of the remuneration of a member of the audit committee is 25% of the remuneration of a member of the supervisory board and the rate of the remuneration of the chairman of the audit committee is 1.5 times the rate of a member of the audit committee (EUR 250 for a member and EUR 375 for the chairman). Until the above general meeting, the rates established by the previous sole shareholder on 24 November 2011 applied (EUR 89 per month for a member and EUR 133 per month for the chairman). When a member of the audit committee does not participate in a meeting, the member is not remunerated for the month in which the meeting was held.

Tallinna Sadam has set up a Group-wide **internal audit department**. Functionally, the internal audit department reports to the company's supervisory board. The composition of the department is approved and the head of the department is appointed and removed by the supervisory board, which also decides matters related to the remuneration of the head of the unit. The department also includes an IT security unit (responsible for the supervision of compliance with information security requirements).

In conducting internal audit activities, the internal audit department observes the requirements of the Auditors Activities Act, International Standards for the Professional Practice of Internal Auditing and the department's rules of procedure which have been approved by the supervisory board.

The activities of the department are based on a risk-based work plan approved by the supervisory board. The department engages external experts where necessary and takes into account the results of external audits and control procedures. The internal audit department briefs the audit committee and the supervisory board on its activities (including the audit findings and recommendations) at meetings of the audit committee and the supervisory board. The head of the internal audit department is invited to all meetings of the supervisory board and the audit committee of Tallinna Sadam.

In 2021, Ernst & Young Baltic AS was engaged by Tallinna Sadam to **conduct an independent external assessment of the company's internal audit function**. The external assessment concluded that the activity of the internal audit function of Tallinna Sadam conforms to International Standards for the Professional Practice of Internal Auditing. Consistent with the standards, external assessments are conducted at least once every five years.

7.4 Remuneration committee

In autumn 2021, the supervisory board of Tallinna Sadam set up a remuneration committee, which has the following **main responsibilities**:

- determining the competency profile of the management board based on the company's strategy;
- developing and updating the remuneration policy for the members of the management board and monitoring compliance with the policy;
- submitting proposals to the supervisory board for the election and remuneration of the members of the management board.

The **committee consists** of at least three members who are appointed from among the members of the supervisory board for a term of up to three years. One of the members is the chairman of the supervisory board. In 2022, the members of the remuneration committee were Aare Tark (chairman), Üllar Jaaksoo, Ahti Kuningas and Veiko Sepp. On 5 July 2022, the supervisory board approved a new composition of the remuneration committee: Veiko Sepp (chairman), Risto Mäeots, Ain Tatter and Riho Unt.

In the reporting period, the remuneration committee had 4 meetings where the main topics were the election of a member of the management board/CFO, the development of the remuneration policy for the members of the supervisory board and the management board and changes to the performance-related remuneration system of the members of the management board. The committee members attended all meetings except Risto Mäeots, who was absent from one meeting.

The members of the remuneration committee are **remunerated on the same basis as the members of the audit committee**.

7.5 Nomination committee

The **responsibilities** of the committee for nominating the members of the supervisory board of AS Tallinna Sadam, which was formed in 2019, include evaluating the suitability of candidates to the supervisory board and making proposals to the general meeting regarding the election and removal of the members of the supervisory board, the size of the supervisory board, and the duration of the term of office and remuneration of the members of the supervisory board.

The **members of the nomination committee** are the secretary general of the Ministry of Finance, the secretary general of the Ministry of Economic Affairs and Communications and the chairman of the nomination committee formed by the government of Estonia for companies in which the state has an ownership interest who represent the controlling shareholder based on the office they hold and two representatives of small shareholders whose term of office is five years. At 31 December 2022, the members of the nomination committee were Ahti Kuningas (secretary general of the Ministry of Economic Affairs and Communications), Merike Saks (secretary general of the Ministry of Finance), Kaido Padar (chairman of the nomination committee formed by the government), Tomas Kairys (EBRD Head of the Baltic Countries) and Gert Vilms (member of the management board of AS SEB Varahaldus). In the first half of the year, Ando Leppiman (the Ministry of Economic Affairs and Communications) and Ian Brown (EBRD) also participated in the work of the committee as shareholder representatives. The members of the nomination committee are not remunerated for serving on the committee.

In 2022, the nomination committee had 2 meetings (2021: 4 meetings) in order to make proposals to the annual general meeting of 2022 regarding the election of the members of the supervisory board. During the meetings, the nomination committee revised the principles for the selection of candidates to the supervisory board, prepared a proposal to the general meeting for appointing the members of the supervisory board and establishing their remuneration policy, and coordinated the annual self-assessment of the supervisory board in office.

7.6 Management board

The management board is a governing body that represents and manages the day-to-day operations of Tallinna Sadam in accordance with the law and the articles of association of Tallinna Sadam. The management board must act in a manner that is most reasonable from the economic point of view and make sure that risk management and internal controls function effectively. In conducting its activities, the management board observes the long-term strategy and annual operational targets approved by the supervisory board. In accordance with the articles of association, the management board has two to five members, who are appointed by the supervisory board for up to five years.

The company may be represented by the chairman of the management board and a member of the management board acting together. Service contracts have been signed with all members of the management board.

No member of the management board is a member of the management board or the chairman of the supervisory board of another listed company. Information about the appointment of the members of the management board to the supervisory boards of the subsidiaries and associates of Tallinna Sadam is provided in section 7.7 of the management report. The **remuneration and other benefits** provided to the management board for 2022 are disclosed in the **remuneration report** section of this annual report.

In the reporting period, Tallinna Sadam conducted a limited number of minor transactions with **parties related to the members of the management board**, which are disclosed in note 23 to the financial statements. All transactions were ordinary business transactions conducted on an arm's length basis. At the date of release of this annual report, management board members have not notified Tallinna Sadam of any conflicts of interest during the financial year.

Among the members of the management board, Valdo Kalm, Andrus Ait and Margus Vihman hold shares in Tallinna Sadam (2,828 shares, 1,513 shares and 15,486 shares, respectively). Persons closely associated with the members of the management board do not hold any shares in Tallinna Sadam.

Members of the management board at 31 December 2022:

VALDO KALM

Chairman of the management board,

appointed to the board
until 28 February 2024

Valdo Kalm has been the chairman of the management board of Tallinna Sadam since March 2016. Previously, he was chief executive at several telecommunication companies for over 20 years: Eesti Telefon, EMT, Eesti Telekom (currently Telia Eesti). He was appointed as the chairman of the management board of Tallinna Sadam in February 2016. He has a master's degree in automation and telemechanics from Tallinn University of Technology (TalTech).

MARGUS VIHMAN

Member of the management board,
chief commercial officer,

appointed to the board
until 31 October 2024.

Margus Vihman has been on the management board of Tallinna Sadam since 2016. He is responsible for the company's commercial activities, i.e. customer relations and sales. Previously, he was sales director at Krimelte OÜ, regional sales director at the construction company Ruukki and regional chief executive at the construction chemicals company Henkel Makroflex. He has a master's degree in international business administration (MBA) from the Estonian Business School.

ANDRUS AIT

Member of the management board,
chief financial officer,

appointed to the board
until 20 February 2027

Andrus Ait has been on the management board of Tallinna Sadam since February 2022. Previously, he has worked at Riigi Kinnisvara AS in various positions in the financial area, including as chief financial officer and a member of the management board. He has a master's degree in economics from Tallinn University of Technology (TalTech).

7.7 Supervisory and management boards of subsidiaries and associates

As a rule, the supervisory boards of Tallinna Sadam's 100% subsidiaries have three members: two are the members of the management board of Tallinna Sadam and one is a civil servant from the Ministry of Economic Affairs and Communications that represents and administers the shareholding of the controlling shareholder, the Republic of Estonia.

At the end of 2022, the members of the supervisory board of **TS Shipping** were Valdo Kalm (chairman), Andrus Ait and Rene Pärt. The management board of TS Shipping had one member who was Ülo Eero.

At 31 December 2022, the members of the supervisory board of **TS Laevad** were Valdo Kalm (chairman), Andrus Ait, Rene Pärt and Johann Peetre (an expert from the transport development and investments department of the Ministry of Economic Affairs and Communications). The management board of TS Laevad has three members and at 31 December 2022 the members were Indrek Randveer (chairman) and Guldar Kivro. At the end of 2022, a competition was being held to fill the position of the third member of the management board.

At 31 December 2022, the members of the supervisory board of **Green Marine**, an associate of Tallinna Sadam, were Valdo Kalm (chairman), Andrus Ait, Carl-Jüri Piht, Innar Susi and Margus Vihman. The management board of the associate has two members and at the reporting date they were Ain Kuusik (chairman) and Aivar Sülla.

7.8 Cooperation of the management and supervisory boards

The management and supervisory boards collaborate closely in developing and executing the goals and strategy of Tallinna Sadam. The two bodies mainly exchange information at meetings of the supervisory board and the audit committee. The management board observes the strategic instructions of the supervisory board and notifies the supervisory board of any significant risks and other matters arising in the course of business that may affect the financial performance and the achievement of the goals of Tallinna Sadam. At the meetings, the supervisory board is provided with regular overviews of the Group's operating and financial results.

7.9 Disclosure of information and communication

Since the listing of the Tallinna Sadam shares on the Nasdaq Tallinn Stock Exchange on 13 June 2018, Tallinna Sadam observes the rules of the stock exchange and the requirements of the EU Market Abuse Regulation and discloses information in accordance with the principle of fair and equal treatment of all investors and the rules for handling and disclosing inside information.

The main **information channels** of Tallinna Sadam are stock exchange announcements, press releases, newsletters and the corporate website www.ts.ee/en. On the website, we have made available information about the company and the governing bodies, the articles of association and the strategy, the dividend policy, the IPO documents, the contacts of analysts and the auditor, the current year's financial calendar with the dates on which our operating results and financial statements are released, quarterly operational statistics, and interim and annual reports. The management board of Tallinna Sadam presents the company's results on a quarterly basis at interactive **webinars** (on the disclosure of interim reports). The recordings and presentations of the webinars are available on the website. We organise **investor meetings** and teleconferences according to need and the requests of investors. In communicating with investors and analysts, we use only previously disclosed information. **In 2022**, we organised investor meetings in Tallinn and five investor webinars. We also participated in the international investor conference organised by Erste Group Bank in Vienna (online) and held our annual investor day for local investors in our cruise terminal.

The resolutions of the general meeting and the reports of the supervisory board are available on the website of Tallinna Sadam at www.ts.ee/en.

In our **marketing and communication activities**, we prioritise not only investor relations but also direct communication with different target and stakeholder groups, multidirectional information exchange and building a brand image, which is a key factor in implementing our business strategy. As a responsible company, we observe the principles of openness, integrity and ethical conduct in our messages and marketing and communication activities.

7.10 Financial reporting

The preparation of financial statements is the responsibility of the company's management board. The consolidated financial statements are prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS EU).

The auditor of Tallinna Sadam is KPMG Baltics OÜ and the signatory of the independent auditors' report is Indrek Alliksaar. The contract with the auditor was made for three years (for the audit of the financial statements for the period 2018–2020) and the company exercised the option of extending the contract for two more years (for the audit of the financial statements for 2021 and 2022). The audit firm has not provided the company with any services that could jeopardise the auditor's independence. In 2022, the **fees paid or payable for services provided** by audit firms totalled EUR 57 thousand (2021: EUR 69 thousand). The figure comprises the fees for the financial audit of EUR 35 thousand (2021: EUR 30 thousand), the translation of the financial statements, the audits of projects funded with foreign grants conducted by Grant Thornton Baltic OÜ, and the training provided by AS PricewaterhouseCoopers.

7.11 Statement of compliance with the CGR

Tallinna Sadam complies with the Corporate Governance Recommendations (CGR) except for section 6.2.2:

CGR section 6.2.2 – Before entering a contract for auditing services with an auditor, the management board shall present the supervisory board with the draft contract for approval. /…/

The management board of Tallinna Sadam does not consider it necessary to have the draft contract for audit services to be approved by the supervisory board because the auditor is chosen through public procurement proceedings. The contract is signed based on the result of the procurement tender and all significant terms and conditions of the contract (including the terms for the qualification of the bidders and the evaluation of the bids, the term of the contract and the scope of the work) are agreed with the audit committee, which advises the supervisory board, before a procurement tender is announced. In accordance with the guidelines of the Estonian Financial Supervision and Resolution Authority regarding the rotation of auditors of certain entities subject to public financial supervision, we organise the rotation of auditors and thus ensure the independence of the auditor.

REMUNERATION REPORT

Under section 1353 of the Securities Market Act, from 2021 listed companies are required to disclose a report on the remuneration paid to their members of the management board during the reporting period and on the compliance of the remuneration with the remuneration policy.

In 2021, the supervisory board of Tallinna Sadam set up a four-member remuneration committee (see section 7.4 of the management report), **which has the following main responsibilities**:

- determining the competency profile of the management board based on the company's strategy;
- developing and updating the remuneration policy for the members of the management board and monitoring compliance with the policy;
- submitting proposals to the supervisory board for the election and remuneration of the members of the management board.

The remuneration committee developed the **remuneration policy for the supervisory board and the management board**, which was approved by a resolution of the annual general meeting of 2022.

Remuneration of the management board

The remuneration of a member of the management board is determined based on the board member's level of responsibility, duties, professional skills, experience and education which are relevant to the operations and the achievement of the goals of Tallinna Sadam. The remuneration of the members of the management board is reviewed by reference to developments in the salary market and the company's performance.

Fixed basic remuneration:
- Monthly remuneration according to the contract signed with the member of the management board
- Holiday pay according to the contract signed with the member of the management board: annual leave of 28 days and winter leave of 7 days
- Sickness benefits in accordance with health insurance laws

Performance-related remuneration:
- Variable remuneration for the achievement of the company's annual goals set consistent with the principles of the performance management system. The remuneration committee assesses the achievement of the goals of the members of the management board and makes a proposal to the supervisory board regarding the payment of performance-related remuneration once a year before the approval of the annual report.

Other benefits:
- Training
- Business travel related benefits
- Technical support (a phone, a car, other work equipment)
- Directors and officers liability insurance
- Termination benefits
- Compensation for compliance with the non-compete clause

The short-term bonus programme is based on the performance management system adopted in 2017 for the members of the management board and employees to monitor the achievement of strategic goals. According to the **performance management system**, the Group's three main goals (revenue, EBITDA and the execution of the most important projects) and some individual subsidiary goals (operating volumes, business projects, changes in processes, etc.) are set on an annual basis and the achievement of the goals determines the rate of a person's performance-related remuneration (the bonus). As a rule, 40% of a management board member's (or an employee's) performance-related bonus depends on the achievement of the Group's goals (the main goals) and 60% depends on the achievement of individual goals (the subsidiary goals). The supervisory board sets the goals for the management board and assesses the achievement of the goals on the basis of the proposals made by the remuneration committee once a year at the approval of the annual report for the financial year.

Due to the restrictions set out in the State Assets Act, Tallinna Sadam has no long-term bonus programmes and the short-term bonus programme is not linked to Tallinna Sadam's shares.

The limits to additional remuneration and termination benefits payable to the members of the management board are provided in section 86 (subsections 2 and 3) of the State Assets Act. Accordingly, the total additional remuneration paid to a member of the management board of Tallinna Sadam may not exceed fourfold average monthly remuneration paid to the member of the management board in the previous financial year and the termination benefits paid to a member of the management board may not exceed the management board member's three months' remuneration at the time the contract is terminated. Based on the service contracts in force, at 31 December 2022 Tallinna Sadam had the obligation to pay the members of the management board termination benefits in an amount equal to their three months' remuneration if the members of the management board were removed from office without due cause. A member of the management board is eligible to termination benefits only when Tallinna Sadam terminates the service contract without due cause, which means that if the member of the management board breaches the contract, no termination benefits will be paid. For complying with the non-compete clause, the company has to pay a member of the management board monthly compensation equal to 50% of the board member's monthly remuneration for a period of 12 months.

The members of the management board are not remunerated for participation in the work of the supervisory boards of the Group's subsidiaries and associates.

The table does not include performance-related bonuses for 2022 because the decision to pay the bonuses will be made by the supervisory board on the basis of the proposal of the remuneration committee after the approval of the annual report for 2022. The remuneration committee has made a proposal to the supervisory board that the members of the management board should be paid performance-related bonuses for the achievement of the goals set for 2022. The supervisory board will discuss the proposal of the remuneration committee at its meeting at the end of March. The provision recognised for the performance-related bonuses at 31 December 2022 amounts to 3.8 times the aggregate monthly remuneration of the members of the management board.

Remuneration provided to the members of the management board for 2022

In thousands of euros	Term of office	Basic remuneration[21]	Performance-related bonus	Other benefits	TOTAL	Share of fixed remuneration
Valdo Kalm, chairman of the management board	1 Mar 2016 – 28 Feb 2024	145	0	20	165	88%
Margus Vihman, member of the management board/CCO	1 Nov 2016 – 31 Oct 2024	114	0	15	129	88%
Andrus Ait, member of the management board/CFO	21 Feb 2022 – 20 Feb 2027	91	0	13	104	88%
Marko Raid, member of the management board/CFO	18 Apr 2015 – 15 Oct 2021	0	0	47	47	0%

[21] *Basic remuneration is the gross remuneration, calculated on an accrual basis*

TABLE OF CONTENTS

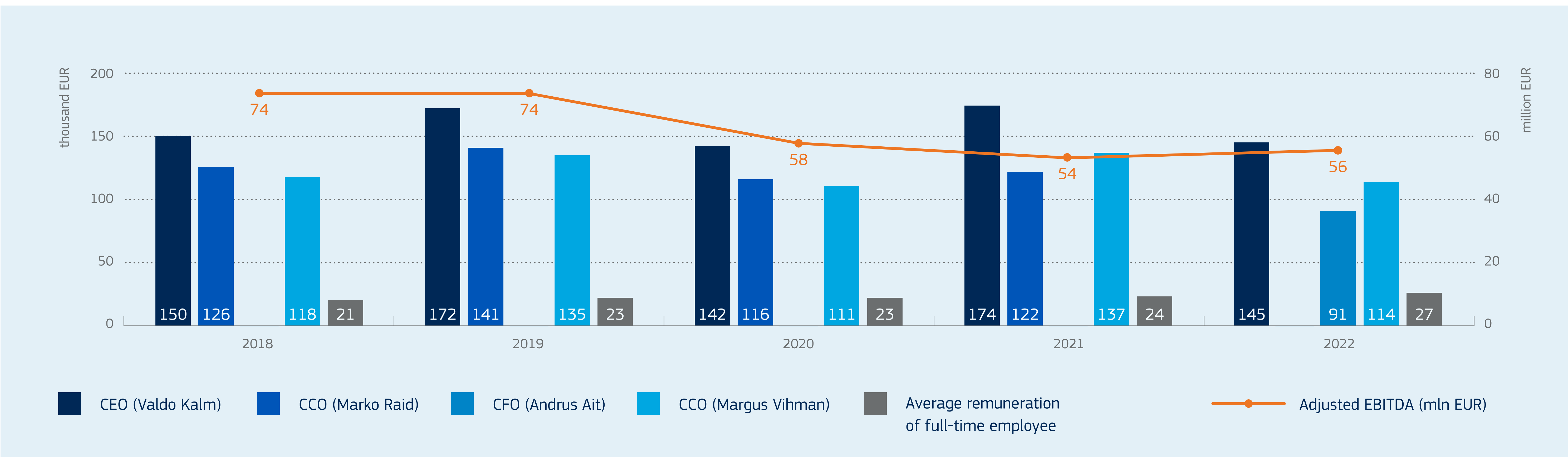
The Group's main goals for 2022 were to achieve pre-determined levels of revenue and adjusted EBITDA, to win the public ferry service contract for the new period for TS Laevad, to launch a growth project consisting of building a quay for servicing offshore wind farms at Paldiski South Harbour and to reduce CO_2 emissions (total share 40%). The individual subsidiary goals of the management board were to implement the strategy, to initiate growth projects and to maintain the level of the employee engagement index (total share 60%).

Other benefits disclosed in the table also include the compensation for compliance with the non-compete clause paid to Marko Raid, the former CFO, for a period of 12 months after his resignation from the position of a member of the management board on 15 October 2021.

In 2022, no variable remuneration was reclaimed from the members of the management board and the remuneration was paid based on the remuneration policy in force without exception.

As the remuneration policy was approved for the first time at the general meeting of 2022, the shareholders insisted on not voting on whether the actual remuneration of the management team in 2021 was in compliance with the remuneration policy.

Comparison of annual remuneration* and performance



The remuneration presented in the chart comprises accrual-based basic remuneration and performance-related bonuses. The average remuneration of full-time employees has been calculated based on the remuneration of the parent company's employees.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statement

Consolidated statement of financial position

In thousands of euros	Note	31.12.2022	31.12.2021
ASSETS			
Current assets			
Cash and cash equivalents	7	44,387	34,840
Trade and other receivables	8	7,477	14,151
Inventories		749	399
Total other current assets		52,613	49,390
Non-current assets held for sale	10	100	0
Total current assets		52,713	49,390
Non-current assets			
Investments in an associate	9	2,099	1,559
Other long-term receivables	8	303	896
Property, plant and equipment	10	564,379	575,563
Intangible assets	11	1,735	2,130
Total non-current assets		568,516	580,148
Total assets		621,229	629,538

In thousands of euros	Note	31.12.2022	31.12.2021
LIABILITIES			
Current liabilities			
Loans and borrowings	16	15,916	15,916
Provisions	13	2,013	1,572
Government grants	17	8,578	1,223
Taxes payable	15	1,060	890
Trade and other payables	14	9,832	10,348
Total current liabilities		37,399	29,949
Non-current liabilities			
Loans and borrowings	16	171,482	187,398
Government grants	17	30,156	29,835
Other payables	14	1,216	1,461
Total non-current liabilities		202,854	218,694
Total liabilities		240,253	248,643
EQUITY			
Share capital		263,000	263,000
Share premium		44,478	44,478
Statutory capital reserve		22,115	21,271
Retained earnings (prior periods)		25,791	26,534
Profit for the period		25,592	25,612
Total equity	18	380,976	380,895
Total liabilities and equity		621,229	629,538

Consolidated statement of profit or loss and other comprehensive income

Consolidated statement of profit or loss

In thousands of euros	Note	2022	2021
Revenue	3, 19	121,703	110,051
Other income	21	1,441	1,779
Operating expenses	20	–43,418	–35,962
Personnel expenses	20	–23,165	–20,920
Depreciation, amortisation and impairment	10, 11	–25,312	–24,761
Other expenses		–462	–429
Operating profit		**30,787**	**29,758**
FINANCE INCOME AND COSTS			
Finance income		216	95
Finance costs	22	–2,013	–1,378
Finance costs — net		**–1,797**	**–1,283**
Share of profit of an associate accounted for under the equity method	9	795	412
Profit before income tax		**29,785**	**28,887**
Income tax expense	18	–4,193	–3,275
Profit for the period		**25,592**	**25,612**
Attributable to: Owners of the Parent		25,592	25,612
Basic earnings and diluted net earnings per share (in euros)	18	0.10	0.10
Basic earnings and diluted net earnings per share — continuing operations (in euros)		0.10	0.10

Consolidated statement of other comprehensive income

In thousands of euros	Note	2022	2021
Profit for the period		**25,592**	**25,612**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on hedging instruments in cash flow hedges		0	102
Total other comprehensive income		**0**	**102**
Total comprehensive income for the period		**25,592**	**25,714**
Attributable to: Owners of the Parent		25,592	25,714

TABLE OF CONTENTS

Consolidated statement of cash flows

In thousands of euros	Note	2022	2021
Cash receipts from sale of goods and services		130,099	117,001
Cash receipts related to other income		188	144
Payments to suppliers		–53,548	–44,427
Payments to and on behalf of employees		–19,899	–18,665
Payments for other expenses		–368	–451
Income tax paid on dividends	18	–4,335	–3,440
Cash from operating activities		**52,137**	**50,162**
Purchases of property, plant and equipment	25	–15,189	–14,535
Purchases of intangible assets	25	–455	–641
Proceeds from sale of property, plant and equipment		191	2,573
Government grants received		15,001	409
Dividends received	9	255	0
Interest received		83	3
Cash used in investing activities		**–114**	**–12,191**
Redemption of debt securities	16	–7,650	0
Repayments of loans received	16	–8,266	–8,266
Dividends paid	18	–25,287	–20,085
Interest paid	16	–1,264	–1,458
Other payments related to financing activities		–9	–1
Cash used in financing activities		**–42,476**	**–29,810**
Net cash flow		**9,547**	**8,161**
Cash and cash equivalents at beginning of period	7	34,840	26,679
Change in cash and cash equivalents		9,547	8,161
Cash and cash equivalents at end of period	7	44,387	34,840

TABLE OF CONTENTS

Consolidated statement of changes in equity

In thousands of euros	Note	Share capital	Share premium	Statutory capital reserve	Hedge reserve	Retained earnings	Total equity attributable to owners of the Parent
Equity at 31 December 2020		**263,000**	**44,478**	**20,262**	**–102**	**47,794**	**375,432**
Profit for the period		0	0	0	0	25,612	25,612
Other comprehensive income for the period		0	0	0	102	0	102
Total comprehensive income for the period		**0**	**0**	**0**	**102**	**25,612**	**25,714**
Dividend declared	18	0	0	0	0	–20,251	–20,251
Total transactions with owners		**0**	**0**	**0**	**0**	**–20,251**	**–20,251**
Increase of capital reserve		0	0	1,009	0	–1,009	0
Equity at 31 December 2021		**263,000**	**44,478**	**21,271**	**0**	**52,146**	**380,895**
Profit for the period		0	0	0	0	25,592	25,592
Total comprehensive income for the period		**0**	**0**	**0**	**0**	**25,592**	**25,592**
Dividend declared	18	0	0	0	0	–25,511	–25,511
Total transactions with owners		**0**	**0**	**0**	**0**	**–25,511**	**–25,511**
Increase of capital reserve		0	0	844	0	–844	0
Equity at 31 December 2022		**263,000**	**44,478**	**22,115**	**0**	**51,383**	**380,976**

Notes to the Consolidated Financial Statements

Note 1. Reporting entity

AS Tallinna Sadam (also referred to as the 'Parent' or the 'Company') is a company incorporated and registered in the Republic of Estonia on 5 November 1996. The consolidated financial statements of AS Tallinna Sadam as at and for the year ended 31 December 2022 comprise the Parent and its subsidiaries (together referred to as the 'Group'). The Group's core business lines are rendering port services in the capacity of a landlord port, organising ferry service between Estonia's mainland and biggest islands and operating the multifunctional icebreaker Botnica.

The Group owns four harbours: Old City, Saaremaa, Muuga, and Paldiski South. Old City Harbour in the centre of Tallinn and Saaremaa Harbour that is designed for receiving cruise ships provide mainly passenger harbour services. Muuga Harbour, which is Estonia's largest cargo harbour, and Paldiski South Harbour provide mainly cargo harbour services.

In addition, the Group has a 51% interest in the associate AS Green Marine but it does not have control of the entity's decision-making. In the Group's financial statements, the interest in the associate is accounted for using the equity method.

The address of the Parent's registered office is Sadama 25, Tallinn 15051, the Republic of Estonia.

The ultimate controlling party of AS Tallinna Sadam is the Republic of Estonia (ownership interest of 67.03% through the Ministry of Economic Affairs and Communications).

The management board authorised these consolidated financial statements for issue on 17 March 2023. Under the Estonian Commercial Code, the annual report must also be approved by the supervisory board and the shareholders. The shareholders may decide not to approve the annual report prepared by the management board and approved by the supervisory board and may demand the preparation of a new annual report.

The Group's subsidiaries as at 31 December 2022 and 31 December 2021

Subsidiary	Domicile	Ownership interest (%) 2022	Ownership interest (%) 2021	Core business line
OÜ TS Shipping	Republic of Estonia	100	100	Rendering icebreaking and other offshore support services with the multi-functional icebreaker Botnica
OÜ TS Laevad	Republic of Estonia	100	100	Rendering domestic ferry service between Estonia's mainland and biggest islands

TABLE OF CONTENTS

Note 2. Accounting policies used in the preparation of the financial statements

Basis of preparation

The Group's consolidated financial statements as at and for the year ended 31 December 2022 have been prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities (incl. derivatives), which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other relevant factors which are used to make judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The management board reviews the estimates regularly and any change in an estimate is recognised prospectively or in the period the change in an estimate relates to. The most significant estimates made by management are disclosed in note 5 to these consolidated financial statements.

Changes in accounting policies

Amendments to IAS 16 Property, Plant and Equipment

Effective for annual periods beginning on or after 1 January 2022; to be applied retrospectively. Early application is permitted.

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 application of the amendments did not have any effect on the Group's financial statements.

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. Early application is permitted.

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 application of the amendments did not have any effect on the Group's financial statements.

TABLE OF CONTENTS

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 two 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 the lessor. The purpose of the amendment is to remove the illustrative example that creates confusion.

The application of the amendments did not have any effect on the Group's financial statements.

Standards and amendments taking effect in the future

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

The following new standards, interpretations and amendments were not yet effective for the annual reporting period ended 31 December 2022 and have therefore not been applied in preparing these consolidated financial statements. The Group plans to adopt them when they become 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.

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 expects that the amendments, when initially applied, could have an impact on its financial statements because it has loan liabilities under agreements that are subject to compliance, including covenant compliance, testing twice a year. Under the existing standard, the liabilities have to be classified as current as the right to roll over the loan is not unconditional. Under the amendments, the loan balance may be eligible to be reclassified to non-current, depending on the assessment of compliance with contractual terms at the reporting date.

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

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 amendments may affect the Group's accounting policy disclosures. Determining whether accounting policies are material or not requires judgement.

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

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.

The amendments will not have a material impact on the Group as they simply specify the definition of accounting estimates and clarify the differences between accounting estimates and accounting policies.

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.

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.

Classification of Liabilities as Current or Non-current — Deferral of Effective Date — amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2023.

These amendments are not yet endorsed by the EU.

The amendments to IAS 1 on the classification of liabilities as current or non-current were issued in January 2020 with an original effective date of 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 expects that the amendments may affect its financial statements when initially applied because the Group has various loans and borrowings and compliance with their terms and conditions, including financial covenants, is checked twice a year.

TABLE OF CONTENTS

Basis of consolidation

The consolidated financial statements comprise the financial statements of AS Tallinna Sadam and its subsidiaries, consolidated line by line.

Subsidiaries

A subsidiary is any entity controlled by the Group. The Group controls an entity when it:

- has power over the entity;
- has exposure, or rights, to variable returns from its involvement with the entity; and
- has the ability to use its power over the entity to affect the amount of the returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Parent gains control of the subsidiary and ceases when the Parent loses control of the subsidiary. The income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent gains control until the date the Parent loses control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent and to the non-controlling interests. The total comprehensive income of subsidiaries is attributed to the owners of the Parent and the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Group owns 100% of each of its subsidiaries. Therefore, no non-controlling interest has been recognised for the period ended 31 December 2022.

Where necessary, the financial information of subsidiaries is adjusted to ensure conformity with the Group's accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between Group entities are eliminated in full in consolidation.

Associates

An associate is an entity over which the Group has significant influence but not control. Significant influence is presumed to exist when the Group holds 20–50% of the voting power of another entity.

In the consolidated financial statements, investments in associates are accounted for using the equity method. Under the equity method, the initial investment is subsequently adjusted for the profits/losses and dividend distributions received from the investee. 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. When the Group's share of losses equals or exceeds its interest in an equity-accounted associate, the carrying amount of the investment is reduced to zero and further losses are accounted for off the statement of financial position. When the Group has incurred legal or constructive obligations or made payments on behalf of the associate, both the liability and loss under the equity method are recognised in the statement of financial position. Where necessary, associates' accounting policies are adjusted so that they comply with the Group's accounting policies.

Any reversal of an impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Foreign currency

Functional and presentation currency

Items included in the financial statements of Group entities are measured in the currency of the primary economic environment in which the entities operate — the euro (the functional currency of all Group entities).

The consolidated financial statements are also presented in euros (the presentation currency). All amounts in the consolidated financial statements are presented in thousands of euros, unless stated otherwise.

Foreign currency transactions and financial assets and financial liabilities denominated in foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than the functional currency (foreign currencies) are recognised at exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates at that date. Non-monetary items carried at fair value in a foreign currency are translated at the exchange rate at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated at the end of the reporting period.

Exchange differences on monetary items are recognised in profit or loss in the period which they arise. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented as finance income and finance costs; other foreign exchange gains and losses are presented as other income and other expenses. Non-monetary items measured in terms of historical cost in a foreign currency are not re-translated at the end of the reporting period.

Revenue

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group recognises the following major types of revenue from contracts with customers:

- Vessel dues
- Cargo charges
- Passenger fees
- Sale of electricity
- Sale of ferry services
- Sale of other services

Revenue is measured based on the consideration specified in a contract with a customer and it excludes amounts collected on behalf of third parties.

Vessel dues

Vessel dues are calculated and collected either after each port call or twice a month and consist of the following:

- tonnage charge (on the basis of the gross tonnage of the vessel for each port call of the vessel);
- waste fee (on the basis of the gross tonnage of the vessel for each port call of the vessel; in the case of ferries, for one port call per day);
- mooring charge (for each mooring operation based on the gross tonnage of the vessel).

An entrance of a vessel into any of the Group’s harbours is considered a port call. Vessel dues are charged for each port call.

Tonnage charges are fees charged from customers, i.e. shipping companies, in exchange for a vessel's entry into any of the Group's harbours and the use of a quay (tonnage service). Waste reception and mooring services are rendered in exchange for waste fees and mooring charges.

A contract with a customer can either include a vessel schedule in which a number of port calls is determined in advance or it may be a contract for a non-recurring tramp vessel call.

Tonnage service, and waste reception and mooring services, when elected, form separate performance obligations. Additionally, the Group grants volume discounts on tonnage service to certain types of vessels based on the accumulated number of port calls by the vessel during the calendar year. Such volume discounts represent options to purchase additional tonnage service in the future (but only up to the end of the calendar year) at a discount, thus granting a material right to the customer. Therefore, each port call that contributes to the cumulative number of port calls, and hence to probable future discounts on tonnage service, consists of two to four performance obligations — (1) tonnage service, (2) grant of an option to the customer to acquire discounted tonnage service in the future, (3) waste reception (if elected), and (4) mooring service (if elected).

For tramp vessels and vessels visiting the port based on a pre-agreed schedule but without the right to receive prospective volume discounts, the transaction price is based on public or agreed prices and conditions and is allocated entirely to the tonnage service based on its stand-alone selling price. For vessels visiting the port based on a pre-agreed schedule and having the right to receive a prospective volume discount, the transaction price is allocated between the tonnage service and the option to purchase discounted tonnage service based on the estimated total number of port calls by that vessel during the calendar year. The estimates for the number of total port calls for each vessel are reassessed at each reporting date.

Revenue from tonnage service is recognised over time, as the vessels use the quay during each port call, using a time-based measure of progress because the customer receives the benefit of the tonnage service equally throughout the port call. Similarly, revenue from waste reception and mooring services is recognised over time, as those services are performed. Revenue from options to acquire future discounted tonnage service is recognised over time, as the options are exercised and the discounted tonnage service is used by the customers.

Cargo charges

Cargo charges are levied for using the general harbour infrastructure. Contracts with customers, i.e. cargo operators, are normally signed for 20 to 50 years but sometimes for a longer period. Cargo charges are normally calculated and collected monthly based on the cargo volumes handled by the cargo operator during the period.

The Group's performance obligation is to provide the cargo operator with access to the harbour infrastructure throughout the duration of the contract. The performance obligation is made up of a series of distinct services that are considered a single performance obligation over the duration of the contract. Revenue from cargo charges charged from a customer is based on the cargo handling tariff(s) stipulated in the contract, which generally decrease based on the cargo volume handled by the cargo operator within a calendar year. The agreements signed with cargo operators generally set out a minimum annual cargo volume. If the cargo operator handles less than the minimum, the Group is entitled to charge the customer at the end of the calendar year based on the minimum cargo volume.

To estimate the amount of variable consideration for cargo charges, the Group uses the most likely amount method. The most likely amount is measured by reference to minimum contractual cargo volumes as well as actual and expected cargo volumes, which requires estimates and judgments by management. These estimates are complex because cargo volumes fluctuate. The estimates of variable consideration are revised at each reporting date.

As cargo operators simultaneously receive and consume access to infrastructure, revenue from cargo charges is recognised over time using a time-based measure of progress because customers derive the benefits of their access equally throughout the duration of the contract.

Passenger fees

Passenger fees are charged in exchange for services provided to passengers embarking and disembarking at the harbour, such as the use of passenger terminals, connecting walkways, traffic areas, etc. The fees are paid by the customer, i.e. the ferry operator, based on the actual number of passengers (no fee is charged for passengers under 12 years). Passenger fees are based on a public price list, which sets out the rates, and fees are collected after each port call or twice a month. Revenue from passenger fees is recognised over time, as the service is delivered to the customer (as the passengers arrive at or depart from the harbour), which typically happens in a single day.

Sale of electricity

The Group derives revenue from the sale of electricity and network services. Fees from the sale of electricity and network services are collected monthly, in the month following the month of consumption. Prices are fixed per unit of electricity consumed. As the customers simultaneously receive and consume the benefits provided, the delivery of these services takes place over a period of time. The Group is responsible for maintaining the electricity network required to deliver electricity to customers and has full discretion to establish network prices. Thus, it acts as a principal in providing this service.

When connecting to the electricity network, customers pay a connection fee based on the expenses incurred in enabling connection to the network. The connection service does not represent a separate performance obligation as the customer does not benefit from this service separately from the consumption of electricity. Therefore, connection fees form part of the consideration for electricity and are recognised as revenue over the estimated period during which customers consume electricity. Amounts received for connection fees not yet included in revenue are recognised in the statement of financial position as contract liabilities.

Compensation of network charges

Support was provided by reducing the network charges listed in clauses 3, 4 and 6 of subsection 1 of section 71 of the Electricity Market Act (consumption of active power and reactive power and fixed network charges) and the associated VAT by half for the end-consumer of electricity in the period October 2021 – March 2022.

The measure was designed to support all electricity consumers equally and without preference. The measure was implemented by the Environmental Investment Centre.

Compensation of network charges is recognised as revenue because the amount not received from end-consumers is covered by the Environmental Investment Centre.

Sale of ferry services — revenue from ticket sales

The Group earns revenue from the sale of tickets to domestic ferry routes operated by it. Consideration is received when a ticket is sold (for customers who do not buy tickets against their credit limit or prepayment), when a prepayment is received or once a month (based on the ticket, in the month following the month in which the ferry service was used). Ticket prices are fixed and set by the state. No volume or other discounts are granted. Revenue from ticket sales is recognised over time, as the ferry transfers the passengers and/or vehicles, which happens in a single day, or at the time when the ticket expires.

Consideration for tickets sold to trips not yet performed is deferred and recognised as a contract liability within current liabilities. Income from additional services (ticket information sent by SMS, return of tickets and similar services) is recognised when the service has been rendered.

TABLE OF CONTENTS

Revenue from other sources

Rental income

Rental income is earned from operating leases and recognised on a straight-line basis over the lease term.

Charter fees

Charter revenue is derived under time charter agreements which specify the charter period (the period for which the vessel is rented out) and the consideration receivable (normally a fixed rate per day). Charter income is recognised on a straight-line basis over the term of the charter period.

Sale of ferry services — government support

Government grants received by the Group include public transport support received for operating ferries at the fee rates stated in the passenger transport public service contract (PTPSC) minus revenue from ticket sales (the item *Sale of ferry services — revenue from ticket sales*). Government support for PTPSC comprises fixed fee components and a trip (voyage) component, which make up the total PTPSC fee. The fixed components are recognised on a straight-line basis over the term of the PTPSC and the trip component is recognised based on the number of trips made during the period. Revenue recognised from the sale of passenger and/or vehicle tickets during a reporting period is deducted from the total PTPSC fee and the difference is recognised and paid out as government support for public transport (a government grant).

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of the financial assets and deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial asset.

TABLE OF CONTENTS

Classification

The classification and subsequent measurement depend on the business model for managing the financial assets and the contractual cash flow characteristics. Management determines the classification of financial assets at initial recognition.

Financial assets measured at amortised cost

Debt instruments are subsequently measured at amortised cost using the effective interest rate method only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group classifies cash and cash equivalents, and trade and other receivables as financial assets measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (incl. all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts but excluding expected credit losses) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised in profit or loss in Finance income.

Financial assets measured at fair value through other comprehensive income (FVTOCI)

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not have any financial assets at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor contingent consideration arising from a business combination as at FVTOCI on initial recognition;
- debt instruments that do not meet the amortised cost or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

The Group measures derivative financial assets at fair value through profit or loss unless they are designated as effective hedging instruments.

Gains and losses on changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss in Finance income and Finance costs, respectively, in the period in which they arise.

The allocation of financial assets and financial liabilities to categories is presented in note 6.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI and lease receivables. The amount of expected credit losses (ECLs) is updated at each reporting date to reflect changes in credit risk since the initial recognition of the financial instrument.

The Group applies the simplified approach provided in IFRS 9 for recognising lifetime ECLs for trade receivables and lease receivables (see note 4). The Group always recognises lifetime ECLs for trade receivables and lease receivables. Expected credit losses on these assets are estimated using a provision matrix, which is based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast conditions and trends at the reporting date, including the time value of money where appropriate. A lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

For all other financial instruments whose credit risk has increased significantly since initial recognition the Group recognises a lifetime ECL. If, on the other hand, the credit risk of the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- a lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Irrespective of the above, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been put into liquidation or declared to be bankrupt and the Group's management estimates that collection is improbable. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, with the assistance of legal advice where appropriate. Any recoveries of amounts previously written off are recognised in profit or loss.

Financial liabilities

All financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method (trade and other payables and loans and borrowings) or at FVTPL (negative value of interest rate swaps).

Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date or if the Group does not have an unconditional right to defer settlement for more than 12 months after the reporting date. Loans and borrowings that the lender has the right to recall at the reporting date due to a breach of contract terms are also classified as current.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Cash and cash equivalents

Cash and cash equivalents recognised in the statements of financial position and cash flows comprise cash on hand, current account balances, funds that have not yet been transferred to the current account by cash-in-transit service providers or other payment intermediaries, and term deposits with original maturities of up to three months from the date of acquisition.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. The cost of inventories does not include borrowing costs as inventories of the Group do not represent qualifying assets. The cost of raw and other materials comprises the purchase price, transport costs and other costs directly attributable to the acquisition of the inventories.

The Group recognises fuel, lubricants and food products purchased for its ferries and icebreaker as inventories.

Non-current assets held for sale

An item of property, plant and equipment or an intangible asset is classified as held for sale if the sale of the asset is highly probable within the next 12 months and it is being actively marketed for sale at a sales price reasonable in relation to its fair value.

Non-current assets held for sale are not depreciated. They are presented separately in the statement of financial position within Non-current assets held for sale and measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the Group's operations, are expected to be used for more than one year and have a cost exceeding EUR 5 thousand. Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost

An item of property, plant and equipment is initially recognised at cost, which comprises the purchase price and any directly attributable acquisition costs which are necessary for bringing the asset to its operating condition and location. Expenditures on subsequent improvements are added to the carrying amount of the asset if they meet the definition of property, plant and equipment and recognition criteria. If a part of an item of property, plant and equipment is replaced, the cost of the new part is added to the carrying amount of the item and the replaced part is written off the statement of financial position. Current repair and maintenance expenditures are expensed as incurred.

The Group's items of property, plant and equipment also include several vessels (an icebreaker and ferries), which are subject to periodic major overhauls (dry-dockings) during their useful lives (normally at intervals of 2.5–5 years). Using the component approach, the Group at initial recognition and subsequently (a) identifies the non-physical component that represents a major overhaul, (b) estimates the cost of the non-physical component (if possible, with reference to current market prices), (c) depreciates the non-physical component separately over its useful life (i.e. the dry-docking component separately from the vessel), and (d) derecognises the remaining carrying amount of a non-physical item when the next overhaul (dry-docking) is performed and recognised as a new non-physical component.

Borrowing costs

Borrowing costs are expensed as incurred, except for the costs that are directly attributable to the acquisition, construction or production of assets whose preparation for intended use or disposal lasts for an extended period (e.g. vessels under construction). Borrowing costs attributable to the acquisition, construction or production of such assets are capitalised as part of the cost of the asset until the date when the assets are ready for their intended use.

Depreciation

Depreciation of property, plant and equipment is calculated on the difference between cost and residual value using the straight-line method over the estimated useful life of the asset. The value of vessels at the end of their period of use (residual value) is equal to the value of scrap metal.

If an item of property, plant and equipment consists of significant parts that have different useful lives, the parts are accounted for separately and assigned depreciation rates that correspond to their useful lives.

Based on management's estimates and standard practice in the shipping sector, a vessel's two significant parts — the vessel itself and dry docking expenses – that have different useful lives are depreciated separately.

The estimated useful lives and residual values of items of property, plant and equipment are reviewed at each reporting date, on recognising subsequent improvements, and when significant changes are made to the Group's development plans. If the estimated useful life of an asset differs significantly from the previous estimate, the remaining useful life of the asset is adjusted prospectively, resulting in a change in the asset's depreciation charge for subsequent periods.

The estimated useful lives of items of property, plant and equipment are as follows:

- Quays 10–50 years
- Dredging areas in port basins 20 years
- Buildings, structures and facilities 5–50 years
- Plant and equipment 3.3–10 years
- Vessels 10–25 years
- Capitalised dry docking costs 2.5–5 years
- Other items of property, plant and equipment 2–10 years

Land is not depreciated.

Depreciation of an asset commences when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when its carrying amount equals its residual value, or the asset is fully depreciated or reclassified to *Non-current assets held for sale*. The appropriateness of the useful life and residual value of an asset is assessed at each reporting date.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which do not exceed 5 years. Estimated useful lives and amortisation methods are reviewed at the end of each reporting period and any changes in estimates are recognised prospectively. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally generated intangible assets such as assets arising from software development expenditures are recognised when the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete development and use or sell the asset;
- its ability to measure reliably the expenditure incurred during development.

Other research and development expenditures that do not meet the criteria for classification as intangible assets are recognised as an expense as incurred.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that its non-financial assets may be impaired. The Group assesses impairment indicators from both external and internal sources, including significant changes in the global market, specifically as they relate to the political environments of neighbouring countries such as Russia and Finland, significant changes in global trade in oil and other liquid bulk cargo as well as dry bulk cargo, significant changes in the travel industry, and significant changes in weather patterns that could impact the use of the Group's multifunctional icebreaker. Non-financial assets include property, plant and equipment and intangible assets. Impairment losses can be estimated for an individual asset or a group of assets (a cash-generating unit). A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If there is indication of impairment, the recoverable amount of the asset is assessed and compared to its carrying amount in the statement of financial position. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is determined using discounted cash flow projections that are based on financial estimates reviewed by management and made for a period corresponding to the expected lifespan of the asset but normally not more than 50 years. The amount of the impairment loss of a cash generating unit is allocated to more significant non-current assets of the unit on a pro rata basis so that their value does not fall below their fair value less cost of disposal.

Impairment losses are recognised as an expense in the period in which they are incurred.

Assets that have been previously written down to their recoverable amount are reviewed at each reporting date to assess whether there is any indication that an impairment loss recognised in a prior period may no longer exist or may have decreased. A reversal of an impairment losses is recognised in the statement of profit or loss as a reduction of impairment losses on non-current assets.

TABLE OF CONTENTS

Corporate income tax

Deferred tax is recognised for temporary differences that arise between the carrying amounts of assets and liabilities and their tax bases (the tax base is the amount attributed to an asset or liability for tax purposes).

Under Estonian laws, corporate profit for the year is not subject to taxation. The obligation to pay income tax arises on the distribution of profit and is recognised as an expense (in profit or loss for the period) when the dividend is declared. Due to the nature of the taxation system, companies registered in Estonia generally have no deferred tax assets or liabilities.

The Group incurs deferred tax liabilities only in connection with investments in entities domiciled in countries where profit for the year is subject to income tax and investments in subsidiaries and associates domiciled in Estonia except to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Examples of the reversal of taxable temporary differences include the distribution of a dividend, the disposal of an investment, and similar transactions.

Since the Group is able to control its subsidiaries' dividend policy and to block, where necessary, the profit distribution decisions of the associate AS Green Marine, it is able to control the timing of the reversal of the temporary differences associated with those investments. If the Parent has decided not to distribute the profit of the subsidiaries and the associate in the foreseeable future, it will not recognise any deferred tax liability. If the Parent assesses that a dividend will be distributed in the foreseeable future, a deferred tax liability will be recognised for the planned profit distribution, assuming that at the reporting date there are sufficient funds and equity from which profit can be distributed in the foreseeable future.

The corporate income tax rate in Estonia is 20% (the amount of tax payable is calculated as 20/80 of the net distribution). From 2019, regular dividend distributions are subject to a lower, 14% tax rate (the amount of tax payable is calculated as 14/86 of the net distribution). Every calendar year, the lower tax rate may be applied to dividend and other profit distributions to an extent that does not exceed the three prior calendar years' average amount of dividend and other profit and equity distributions on which tax has been paid.

The maximum income tax liability which would arise if all of the unrestricted equity were distributed as dividends is disclosed in note 18 to the financial statements.

Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service. Short-term employee benefits include wages, salaries, bonuses and social security contributions; short-term compensated absences (such as paid annual leave) where the absence is expected to occur within 12 months after an employee has rendered the related service; and incentive payments that are due to be settled within 12 months after the end of the period in which an employee renders the related services. When an employee has rendered services during the accounting period in exchange for which a benefit may be expected to be paid (within next 12 months), the Group recognises a liability in the undiscounted amount of the benefit expected to be paid (accrued expense), less any amount already paid.

Termination benefits

Termination benefits are employee benefits payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. The Group recognises termination benefits as a liability and an expense when, and only when, the Group is clearly committed to either terminate the employment of an employee or group of employees before the normal retirement date, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

TABLE OF CONTENTS

Provisions and contingent liabilities

A provision is recognised only if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognised for future operating losses. A provision is recognised based on management's estimates of the timing and amount of the expenditure required to settle the obligation. A provision is recognised in the amount that is management's best estimate of the expenditure required to settle the obligation at the reporting date or to transfer it to a third party at that time. If an obligation has to be settled later than 12 months after the reporting date, the provision is recognised at the present value of the expected future cash flows. A provision is used only for expenditures for which it was originally recognised.

A contingent liability is a possible obligation that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that has arisen from a past event but is not recognised because it is either not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Statutory capital reserve

The statutory capital reserve has been recognised to meet the requirements of the Estonian Commercial Code. Each financial year, 1/20 (5%) of profit is transferred to the statutory capital reserve until the reserve amounts to 1/10 (10%) of share capital. The statutory capital reserve may be used for covering accumulated losses or for increasing share capital. No distributions may be made from the statutory capital reserve.

Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to the equity holders of the Parent by the average number of ordinary shares issued during the period. Diluted earnings per share are calculated by adjusting profit attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control and use an identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys the right to control and use an identified asset, the Group applies the definition of a lease as set out in IFRS 16.

The Group as a lessee

When entering into or modifying a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their stand-alone price.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability. The amount of the initial measurement of the lease liability is adjusted for any advance lease payments, any direct costs incurred and any restoration costs to be incurred (in dismantling the asset and restoring the site or the asset). Any lease incentives received are deducted from this amount.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the expiry of the lease term unless the ownership of the underlying asset transfers to the Group at the end of the lease term or the carrying amount of the right-of-use asset indicates that the Group plans to exercise the purchase option. In that case, the underlying asset is depreciated over its entire estimated useful life, which is determined using the same approach that is used for similar items of property, plant and equipment that are owned. Right-of-use assets are also adjusted for impairment losses, if any. In addition, right-of-use assets are adjusted to reflect certain remeasurements of the lease liabilities.

The lease liability is initially measured at the present value of the lease payments not paid by the commencement date of the lease, using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The Group generally applies the incremental borrowing rate as the discount rate.

The incremental borrowing rate is determined by reference to different sources of financing. The inputs received are adjusted to reflect the terms of the lease and the type of underlying asset, to find the incremental borrowing rate appropriate for the asset.

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

- fixed payments (incl. in-substance fixed payments);
- penalties for terminating the lease (if termination is reasonably certain);
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise the option);
- amounts expected to be payable by the lessee under residual value guarantees;
- lease payments that depend on an index or rate.

The lease liability is measured at amortised cost. It is remeasured if there is a change in future lease payments reflecting a change in the index or rate used to determine the payments, if the amounts expected to be payable under a residual value guarantee are reassessed or if the Group changes its assessment of whether it intends to exercise the option to purchase the underlying asset or the option to extend or terminate the lease. The lease liability is also remeasured to reflect changes in fixed payments (incl. in-substance fixed payments).

If the lease liability is remeasured due to the above reasons, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The effect of the change in the lease liability is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

The Group as a lessor

When entering into a contract that contains a lease component or modifies a lease, the Group allocates the consideration in the contract to each lease component on the basis of their stand-alone price.

For contracts under which the Group is the lessor, the Group determines at the commencement date whether the lease is an operating lease or a finance lease.

The Group assesses in each case whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If yes, the lease is classified as a finance lease. If not, the lease is classified as an operating lease. As part of this assessment, the Group also considers certain other indicators (e.g. whether the lease term is for the major part of the economic life of the underlying asset).

If the contract contains both lease and non-lease components, the Group applies the accounting policies of IFRS 15 to allocate the consideration in the contract to the components.

The Group applies the derecognition and impairment requirements of IFRS 9 to the lessor's net investment in the lease. The Group reviews regularly estimated unguaranteed residual values used in computing the lessor's gross investment in the lease.

For operating leases, the Group recognises lease payments as income in profit or loss on a straight-line basis over the lease term.

TABLE OF CONTENTS

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions associated with the grant and the grant will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. A government grant that becomes repayable is accounted for as a change in an accounting estimate.

Government grants related to assets

Government grants related to the acquisition of assets are presented in the statement of financial position by setting up the grant as deferred income (a liability), which is recognised in profit or loss on a systematic basis over the useful life of the asset. Assets acquired through government grants are initially recognised at full cost (i.e. using the gross method). An acquired asset is depreciated and the liability arising from the government grant is recognised in other income over the estimated useful life of the acquired asset.

Liabilities arising from grants related to non-depreciable assets (e.g. land) are recognised as income when the asset is ultimately retired or sold.

Repayment of a grant related to an asset is recognised by reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised in the statement of profit or loss to date in the absence of the grant is recognised immediately in the statement of profit or loss.

Government grants related to income

Government grants related to income are recognised in the statement of profit or loss over the periods in which the Group recognises as expenses the related costs for which the grant is intended to compensate. In the statement of profit or loss, the costs to be compensated and income from the grant are recognised separately.

Amounts received for which additional conditions are required to be met prior to recognition as other income are presented in the statement of financial position as deferred income (a liability).

Repayment of a grant related to income is applied first against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment is recognised immediately in the statement of profit or loss.

Government grants related to domestic ferry service

Government grants received in support of providing domestic ferry service are presented in the statement of profit or loss in Revenue. According to the passenger transport public service contract, the Group is paid the difference between the revenue calculated on the basis of the contract and revenue from ticket sales. As there are no other conditions besides the provision of ferry service, the grants are recognised as revenue as received.

The policies for the recognition of income from government grants related to domestic ferry service are described in this note in the section *Sale of ferry services — government support*.

Statement of cash flows

The statement of cash flows has been prepared using the direct method.

Related party transactions

For the purposes of these consolidated financial statements, related parties include the members of the supervisory and management boards of Group companies and their close family members, companies under the control or significant influence of the above persons, associates, government agencies, and companies under the control or significant influence of the Republic of Estonia.

Note 3. Operating segments

Services whose revenues make up segment revenues

The Group's business activities are organised and managed based on its core business lines. The information used by the chief operating decision maker to make decisions about resources to be allocated and assess segment performance focuses on its core business lines. The Group's chief operating decision maker is the management board. No operating segments have been aggregated in presenting reportable segments. The Group's reportable segments under IFRS 8 are as follows:

- Passenger harbours
- Cargo harbours
- Ferry
- Other

Passenger harbours segment comprises the rendering of port services in the capacity of a landlord port in the harbours belonging to the Group that are focused on providing services to passengers — Old City Harbour and Saaremaa Harbour. The segment's revenue includes all revenues of these harbours, consisting primarily of vessel dues collected from ferries and cruise ships, and passenger fees charged for using the buildings and structures designed for providing services to passengers and their vehicles. It also includes other revenue generated by harbours mainly involved in providing services to passengers and ferries such as rental income for leasing out premises (office and commercial premises), cargo charges, sale of electricity and various other services.

Expenses related to this segment are primarily the costs incurred in these harbours in connection with the revenue generating activities outlined above. Expenses also include corporate expenses, which are allocated based on the ratio of revenue from this segment to total revenue from harbour operations (the Passenger harbours and Cargo harbours segments combined). All corporate operating expenses are fully allocated to the Passenger harbours and Cargo harbours segments as the provision of landlord port operations is the main activity of the corporate head office (the port authority).

Cargo harbours segment comprises the rendering of port services in the capacity of a landlord port in the harbours belonging to the Group that are focused on cargo handling — Muuga Harbour, Paldiski South Harbour and Paljassaare Harbour. The segment's revenue includes all revenues of these harbours, consisting primarily of revenue from vessel dues for cargo vessels, revenue from cargo charges paid by cargo operators for using the harbour infrastructure, and rental income from the use of premises by cargo operators and other customers under contracts on the right of superficies and lease contracts. It also includes passenger fees and revenue from the sale of electricity and other services.

Expenses related to this segment are primarily the costs incurred in these harbours in connection with the revenue generating activities outlined above. Expenses also include corporate expenses, which are allocated based on the ratio of revenue from this segment to total revenue from harbour operations (the Passenger harbours and Cargo harbours segments combined). All corporate operating expenses are fully allocated to the Passenger harbours and Cargo harbours segments as the provision of landlord port operations is the main activity of the corporate head office (the port authority).

Ferry segment comprises the rendering of ferry service by the subsidiary OÜ TS Laevad between Estonia´s mainland and two largest islands, Saaremaa and Hiiumaa, under a passenger transport public service contract signed with the state (two routes are operated). Revenue includes revenues from ticket sales to the end-users of ferry service and government support to the extent that revenue from ticket sales does not cover the contract revenue agreed for rendering the ferry service. It also includes rental income and revenue from the provision of other services collected from tenants providing commercial services to passengers on board the ferries. The segment's expenses include all costs related to owning and operating the ferries required for the two routes. The segment's revenue and results comprise the revenues and results of the subsidiary OÜ TS Laevad that provides the service. No corporate expenses are allocated to the Ferry segment.

The segment Other comprises the business of the subsidiary OÜ TS Shipping that owns and operates the multifunctional icebreaker Botnica and the profit or loss on investments in an associate accounted for under the equity method. The segment's revenues and expenses comprise the revenues and expenses of OÜ TS Shipping. No corporate expenses are allocated to the segment Other.

Segment revenues and results

Reportable segments apply the same accounting policies as the Group. Segment revenue comprises only revenue (does not contain Other income). Segment performance indicators reported to the chief operating decision maker comprise segment operating profit and segment adjusted EBITDA. Segment operating profit represents profit before finance income and costs (net), profit from investments in an associate accounted for under the equity method, and income tax expense. Segment adjusted EBITDA represents segment operating profit before depreciation and amortisation, impairment losses, amortisation of government grants received, and profit from investments in an associate accounted for under the equity method. Compared to profit for the period, segment adjusted EBITDA represents profit for the period before depreciation and amortisation, impairment losses, amortisation of government grants received, finance income and costs (net), and income tax expense.

Segment results are reported to the chief operating decision maker for making decisions about allocating resources to the segment and assessing its performance on a monthly basis.

Geographical information

In 2022, the Group generated EUR 5,257 thousand, i.e. 4% of its revenue (2021: EUR 4,993 thousand, i.e. 5%) outside Estonia (in Canada) and 96% (2021: 95%) of its revenue in Estonia. Revenue generated outside Estonia consisted of services provided with the icebreaker Botnica (the segment Other) in Canada during the period June to November. All of the Group's non-current assets with the above exception were located in Estonia.

Information about major customers

The Group's total revenue of EUR 121,703 thousand (2021: EUR 110,051 thousand) includes revenue of EUR 24,426 thousand (2021: EUR 22,703 thousand) attributable to its largest customer, which is reported in the Ferry segment and the segment Other. In 2022, the Group's second-largest customer also contributed 10% or more to the Group's total revenue. Revenue attributable to the customer of EUR 17,172 thousand (2021: EUR 15,550 thousand) is reported in the Passenger harbours segment and the Cargo harbours segment. No other customer contributed 10% or more to the Group's total revenue for 2022 or 2021.

TABLE OF CONTENTS

Segment revenues and results

	2022				
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	20,457	16,776	0	0	37,233
Cargo charges	1,708	5,749	0	0	7,457
Passenger fees	10,064	184	0	0	10,248
Sale of electricity	1,488	5,653	0	0	7,141
Sale of ferry services — revenue from ticket sales	0	0	14,199	0	14,199
Sale of other services	1,498	751	77	97	2,423
Operating lease income	2,647	9,668	1,075	0	13,390
Charter fees	0	0	0	10,206	10,206
Sale of ferry services — government support	0	0	19,406	0	19,406
Total segment revenue* (note 19)	**37,862**	**38,781**	**34,757**	**10,303**	**121,703**
Adjusted segment EBITDA	**18,618**	**16,836**	**14,629**	**5,734**	**55,817**
Depreciation and amortisation	–7,982	–8,696	–5,703	–2,363	–24,744
Impairment losses (notes 10 and 11)	–252	–316	0	0	–568
Amortisation of government grants received (note 17)	470	607	0	0	1,077
Share of profit of an associate accounted for under the equity method	0	0	0	–795	–795
Segment operating profit	**10,854**	**8,431**	**8,926**	**2,576**	**30,787**
Finance income and costs, net					–1,797
Share of profit of an associate accounted for under the equity method					795
Income tax expense					–4,193
Profit for the period					**25,592**

* *Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 329 thousand and EUR 12 thousand for the Passenger harbours and the Cargo harbours segments, respectively, which was eliminated during consolidation.*

TABLE OF CONTENTS

Segment revenues and results

In thousands of euros	2021				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	18,134	19,275	0	0	37,409
Cargo charges	1,497	5,701	0	0	7,198
Passenger fees	5,472	201	0	0	5,673
Sale of electricity	1,111	5,126	0	0	6,237
Sale of ferry services — revenue from ticket sales	0	0	11,963	0	11,963
Sale of other services	769	1,007	91	93	1,960
Operating lease income	1,817	9,368	823	0	12,008
Charter fees	0	0	0	9,804	9,804
Sale of ferry services — government support	0	0	17,799	0	17,799
Total segment revenue* (note 19)	**28,800**	**40,678**	**30,676**	**9,897**	**110,051**
Adjusted segment EBITDA	**13,665**	**22,294**	**12,523**	**5,564**	**54,046**
Depreciation and amortisation	–7,209	–9,098	–5,968	–2,249	–24,524
Impairment losses (note 10)	–5	–232	0	0	–237
Amortisation of government grants received (note 17)	274	611	0	0	885
Share of profit of an associate accounted for under the equity method	0	0	0	–412	–412
Segment operating profit	**6,725**	**13,575**	**6,555**	**2,903**	**29,758**
Finance income and costs, net					–1,283
Share of profit of an associate accounted for under the equity method					412
Income tax expense					–3,275
Profit for the period					**25,612**

* *Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 176 thousand and EUR 11 thousand for the Passenger harbours and the Cargo harbours segments, respectively, which was eliminated during consolidation.*

Note 4. Financial risk management

The Group's operations are exposed to several financial risks: market risk (incl. cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is performed by the Group's risk management professionals in accordance with the policies approved by the management board. The management board establishes general risk management policies as well as the procedures for specific risk areas in writing.

Market risk

Currency risk

Currency risk is exposure to any future fluctuation in the fair value of the Group's financial instruments or cash flows arising from movements in foreign exchange rates. The Group has no material liabilities or receivables denominated in any currency other than its functional currency (the euro). All outstanding long-term loans and borrowings are also denominated in euros.

In 2022, 96.6% of receipts (2021: 95.5%) and 99.4% of payments (operating expenses, investments, finance costs, etc.) (2021: 99.3%) were denominated in euros. Since nearly all receipts and payments as well as loans and borrowings are denominated in euros, the Group is not exposed to any significant currency risk.

Price risk

At 31 December 2022 and the previous financial year-end, the Group's statement of financial position did not include any investments in equity instruments exposing the Group to price risks resulting from financial instruments.

Interest rate risk

The Group's interest rate risk results from long-term loans and borrowings. Term deposit contracts are concluded at fixed interest rates and do not expose the Group to any cash flow interest rate risk.

Floating rate loans and borrowings expose the Group to interest rate risk.

At 31 December 2022 and at the end of the comparative period, the interest rates of loans and borrowings were not fixed using derivative transactions. Thus, 100% of loans and borrowings are exposed to interest rate risk.

The Group's exposure to interest rate risk is assessed using a sensitivity analysis which describes the impact of interest rate risk exposure on the Group's profit through an estimated fluctuation in the market interest rate. If the market interest rate as at 31 December 2022 had been higher/lower by 100 basis points, i.e. 1 percentage point, the Group's profit for the financial year would have increased/decreased by EUR 1,874 thousand (31 December 2021: EUR 2,033 thousand), assuming all other variables remained constant.

TABLE OF CONTENTS

Credit risk

Credit risk exposure mostly results from trade receivables, cash and cash equivalents and derivative transactions. At 31 December 2022, the Group's maximum exposure to credit risk was EUR 50,843 thousand (31 December 2021: EUR 42,092 thousand).

In thousands of euros **At 31 December**	**2022**	**2021**
Current accounts and term deposits at banks with original maturities of less than 3 months (note 7)	44,343	34,814
Receivables from customers* (note 8)	6,050	6,099
Other receivables (note 8)**	450	1,358
Total	**50,843**	**42,271**

** Impairment allowances have been deducted from receivables from customers.*

*** Including receivables with settlement schedules of EUR 303 thousand (2021: EUR 896 thousand) and in 2021 receivables for compensation of network charges of EUR 179 thousand.*

Cash and cash equivalents were regarded as financial assets with low credit risk at the reporting date, because they were held at reputable international banks.

Customer-related credit risk exposure is reduced by requesting advance payments or bank guarantees from customers whose solvency is doubtful. Credit risk is also mitigated by performing due diligence on the customer prior to entering into any major contracts. Other methods for managing customer-related credit risk exposures include day-to-day monitoring of customers' payment behaviour and prompt application of appropriate measures. Based on the Group's analysis, a loss allowance for credit-impaired receivables has been recognised. Further information on the credit quality of financial assets is disclosed in note 6.

Credit risk exposure from financial transactions is mitigated by using financial institutions with high credit ratings in performing investment or derivative transactions.

Receivables not past due as at the reporting date accounted for 88.9% (2021: 95.3%) of total trade receivables. Further information on trade receivables is disclosed in note 8.

For all trade receivables, the Group recognises expected credit losses (ECL) using the simplified approach provided in IFRS 9, which permits recognising an allowance for lifetime expected credit losses. The measurement principles are described in the Impairment of financial assets section of accounting policies (note 2).

TABLE OF CONTENTS

Trade receivables — expected credit loss matrix

In thousands of euros	Not past due	Days past due				
		0–30	31–60	61–90	>90	Total
At 31 December 2022						
Expected credit loss rate	10.03%	1.5%	3.0%	80.0%	100.0%	
Total trade receivables	6,553	135	19	18	648	7,373
Lifetime expected credit loss (ECL)*	–657	–2	–1	–15	–648	–1,323
						6,050
At 31 December 2021						
Expected credit loss rate	6.4%	1.5%	3.0%	80.0%	100.0%	
Total trade receivables	6,238	164	99	10	33	6,544
Lifetime expected credit loss (ECL)*	–399	–2	–3	–8	–33	–445
						6,099

* *Due to counterparties' settlement difficulties, the Group recognised a partial loss allowance of EUR 605 thousand for a receivable with a settlement schedule which was not past due (2021: EUR 349 thousand).*

The two amounts are presented in the following table in the column of credit-impaired receivables.

TABLE OF CONTENTS

The following table shows movements in the lifetime ECL recognised for trade receivables.

Trade receivables — lifetime expected credit loss (ECL)*

In thousands of euros	Collectively assessed receivables not credit-impaired	Credit-impaired receivables	Total
At 31 December 2020	**58**	**1,635**	**1,693**
Transfer to credit impaired	0	249	249
Amounts written off as uncollectible	0	–281	–281
Amounts recovered (previously written down or off)	0	–526	–526
Reversals of prior write-downs and write-offs	0	–1,045	–1,045
Change in loss allowance due to new trade receivables	355	0	355
At 31 December 2021	**413**	**32**	**445**
Transfer to credit impaired	0	805	805
Amounts recovered (previously written down or off)	0	–169	–169
Reversals of prior write-downs and write-offs	0	–20	–20
Change in loss allowance due to new trade receivables	262	0	262
At 31 December 2022	**675**	**648**	**1,323**

* *In 2022 and 2021, there were no individually assessed not-credit impaired trade receivables for which a lifetime ECL was recognised.*

Other receivables are assessed using the 12-month ECL method. At 31 December 2022, the credit risk of those financial assets had not increased significantly and, therefore, no additional loss allowance was needed. At 31 December 2022, a major share of other receivables was made up of instalment plan receivables.

TABLE OF CONTENTS

Liquidity risk

The Group manages its liquidity risk using a combination of the following solutions: available funds in current accounts, term deposits, overdrafts and other investment and working capital management solutions offered by banks, regular monitoring of cash flows and matching the maturities of financial assets and liabilities. The liquidity buffer, which is maintained and available upon short notice to be able to settle quickly the liabilities arising in the ordinary course of the Group's business, amounts to at least EUR 5 million. The liquidity reserve comprises of cash and cash equivalents, term deposits with original maturities of less than 3 months, and overdrafts where necessary. Management uses cash flow forecasts to monitor changes in the Group's liquidity reserve on an ongoing basis and if the reserve falls below the required level, short-term external financing in the form of various debt instruments is used. The level of the minimum liquidity reserve must be at least EUR 2 million at any time.

At 31 December 2022, current assets exceeded current liabilities by EUR 15.3 million (31 December 2021: by EUR 19.4 million). The Group is generating positive net cash flow. Thus, it does not need additional financing for its daily operations.

In the following liquidity analysis, the Group's financial liabilities are grouped by contractual maturity. The balances shown in the table are contractual undiscounted cash flows, which comprise the principal and the accrued interest of interest-bearing loans and borrowings. On calculating interest accrued on interest-bearing loans and borrowings (bank loans and issued debt securities), the forward-looking yield curves of interest rate swap transactions from market information providers have been used as the basis for the Euribor forecast as follows: as at 13 February 2023 for year-end 2022 and as at 27 January 2022 for year-end 2021.

For intra-Group management of subsidiaries' liquidity, internal credit limits are used, if necessary.

Liquidity analysis

In thousands of euros	Loans outstanding*	Debt securities issued**	Trade and other payables	Total
At 31 December 2022				
< 6 months	3,541	1,331	48	4,920
6–12 months	6,453	10,631	0	17,084
1–5 years	33,893	150,784	0	184,677
> 5 years	7,592	0	0	7,592
Total	**51,479**	**162,746**	**48**	**214,273**
At 31 December 2021				
< 6 months	3,494	227	10,237	13,958
6–12 months	5,109	8,010	0	13,119
1–5 years	37,760	82,254	0	120,014
> 5 years	9,787	63,570	0	73,357
Total	**56,150**	**154,061**	**10,237**	**220,448**

* *Comprises principal outstanding of EUR 45,798 thousand (2021: EUR 54,064 thousand) and estimated total future interest payments of EUR 5,681 thousand (2021: EUR 2,086 thousand).*
** *Comprises principal outstanding of EUR 141,600 thousand (2021: EUR 149,250 thousand) and estimated total future interest payments of EUR 21,146 thousand (2021: EUR 4,811 thousand).*

Note 5. Significant accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, seldom equal actual results. Management also needs to exercise judgement in applying accounting policies.

This note provides an overview of areas that involve a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions proving inaccurate.

Classification of assets leased out

The Group owns land and buildings in its harbours, which it leases out to third parties under operating leases. Management has assessed whether the leased-out land and buildings should be classified as property, plant and equipment or investment property. The Group has classified all such assets as property, plant and equipment since the assets are held to earn revenue from its core harbour operations or activities supporting the core operations by increasing cargo or passenger flows. Therefore, according to the assessment of the Group's management, the main objective of holding such assets is not to earn rentals; they are primarily held to help increase revenue from the core operating activities. Accordingly, the main revenue related to those assets does not result from rentals.

Property that is not directly attributable to the Group's core operations, which are aimed at increasing cargo or passenger flows, or activities supporting the core operations and that cannot be sold or leased out under a finance lease, is recognised as investment property only if an insignificant part (less than 10%) of it is used to provide services or for administrative purposes. At 31 December 2022, the Group did not have such assets.

Useful lives of items of property, plant and equipment

The Group owns a large amount of high-value infrastructure assets classified as items of property, plant and equipment that have very long estimated useful lives (up to 50 years). The useful lives of such items of property, plant and equipment are based on management's best estimate of the period over which an asset is expected to be available for use. These estimates are based on historical experience with similar assets because even though construction technologies evolve, the impact of new solutions on the physical and useful lives of such items of property, plant and equipment may not yet have been proved in practice.

At 31 December 2022, the carrying amount of the Group's property, plant and equipment was EUR 564,379 thousand and depreciation for the year amounted to EUR 24,104 thousand. The respective figures for 2021 were EUR 575,563 thousand and EUR 23,903 thousand (note 10). If depreciation rates were reduced by 10%, the annual depreciation charge would decrease and profit would increase by EUR 2,410 thousand (2021: EUR 2,390 thousand).

The useful lives of property, plant and equipment are reviewed at each reporting date. If new estimates differ significantly from the previous ones, the changes are accounted for as changes in accounting estimates.

Impairment of property, plant and equipment

The Group assesses whether there is any indication that an item of property, plant and equipment may be impaired. If such indications exist, the recoverable amount of the asset is estimated and compared to its carrying amount in the statement of financial position. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value can be derived from recent transactions conducted by the Group with similar assets or measured with the assistance of professional valuators using the market information available to them. If the fair value of an asset cannot be determined reliably or is likely to be lower, a future cash flow model is developed to calculate its value in use. Value in use calculations require estimates which are based on projections of general economic conditions, actual market trends, project-based cargo and/or passenger flows and the price level of services sold, which are used as inputs to estimate future cash flows expected to arise from the asset or cash-generating unit and to choose a suitable discount rate and growth rate to calculate present value. If circumstances change in the future, either an additional impairment loss is recognised or the previously recognised impairment loss is reversed either in part or in full.

Assets are tested for impairment at the end of each reporting period when circumstances indicate that assets might be impaired or events that led to a previous write-down may have ceased to exist. Information about impairment losses is disclosed in note 10.

Revenue recognition

To recognise monthly and/or quarterly revenue, the Group needs to make significant estimates about the expected annual vessel calls and/or cargo volumes. Such estimates are made based on the latest information available from customers and the latest market information available to the Group. See note 2, the section Revenue for further details.

Classification of the contract for public transport service

The Group owns four ferries, which it uses to provide domestic ferry service to the state (Republic of Estonia) under a public transport service contract secured through a public tender. According to the contract, the state has control of the volume and price of the ferry service the Group has to provide with its ferries. The state had the contractual option to purchase one to four of the ferries used to provide the ferry service, but on 29 September 2022 the Ministry of Economic Affairs and Communications announced that the Republic of Estonia as the customer of the ferry service did not wish to exercise the purchase option. However, as the majority interest in the Parent belongs to the state, in management's judgement the criteria for a public-to-private service arrangement are not satisfied and the Group has not applied the accounting treatment for service concessions provided in IFRIC 12. Instead, the Group has recognised the ferries belonging to it as items of property, plant and equipment and has classified the revenue received from the state as revenue from government grants.

TABLE OF CONTENTS

Note 6. Financial instruments

Financial instruments by category

Financial assets

In thousands of euros **At 31 December**	**2022**	**2021**
Financial assets carried at amortised cost	*50,931*	*48,295*
Cash and cash equivalents (note 7)	44,387	34,840
Trade and other receivables — financial assets (note 8)	6,544	13,455
Total financial assets	**50,931**	**48,295**

Financial liabilities

In thousands of euros **At 31 December**	**2022**	**2021**
Financial liabilities carried at amortised cost	*194,238*	*211,038*
Trade and other payables — financial liabilities (note 14)	6,840	7,724
Loans and borrowings (note 16)	187,398	203,314
Total financial liabilities	**194,238**	**211,038**

Fair value

According to the Group's estimates, the fair values of assets and liabilities measured at amortised cost do not differ significantly from their carrying amounts in the Group's consolidated statement of financial position as at 31 December 2022, except for loans and borrowings. For the purposes of disclosure, the fair value of loans and borrowings is found by discounting future contractual cash flows at current market interest rates that would be available to the Group for similar financial instruments. The fair value of loans and borrowings was found by discounting future contractual cash flows at current market interest rates for similar financial instruments as at 31 December 2022 and 31 December 2021 available to companies with an S&P BBB rating (the rating indicated by the banks as the internal shadow rating for the Group).

A more detailed comparison of the carrying amounts and fair values of loans and borrowings is disclosed in note 16. The carrying amounts of trade receivables and trade payables, less any write-downs, are estimated to be equal to their fair values.

Credit quality of financial assets

The credit quality of financial assets which are neither past due nor impaired is assessed by reference to ratings provided to creditors by independent rating agencies (if available for the counterparty).

Cash in current accounts and deposits by rating*

In thousands of euros **At 31 December**	**2022**	**2021**
Aa2	0	30,306
Aa3	44,343	0
Baa1	0	4,508
Total amount reported in cash and cash equivalents	**44,343**	**34,814**

* *The remaining portion of the balance of Cash and cash equivalents (EUR 44 thousand at 31 December 2022 and EUR 26 thousand at 31 December 2021) not included in the table above consists of cash on hand and in transit, i.e. funds that cash-in-transit service providers and other payment intermediaries have not yet transferred to the Group's current accounts.*

Note 7. Cash and cash equivalents

In thousands of euros **At 31 December**	**2022**	**2021**
Cash on hand	18	15
Cash at banks	2,465	34,814
Short-term deposits	41,878	0
Cash in transit	26	11
Total cash and cash equivalents (notes 4 and 6)	**44,387**	**34,840**

All balances included in cash and cash equivalents are denominated in euros (both at 31 December 2022 and 31 December 2021).

The interest accrued as at the reporting date is recognised in *Trade and other receivables.*

Note 8. Trade and other receivables

In thousands of euros At 31 December	2022	2021
FINANCIAL ASSETS		
Trade receivables (note 4)	7,373	6,544
Incl. from contracts with customers	*5,462*	*5,701*
Allowance for credit losses (note 4)	–1,323	–445
Incl. for contracts with customers	*–126*	*0*
Government grants receivable (note 17)	38	6,017
Receivables from an associate (note 23)	17	8
Other receivables (note 4)	439	1,331
Total financial assets (note 6)	**6,544**	**13,455**
NON-FINANCIAL ASSETS		
Prepaid taxes (note 15)	481	1,013
Other prepayments	744	552
Other receivables (note 4)	11	27
Total non-financial assets	**1,236**	**1,592**
Total trade and other receivables	**7,780**	**15,047**
Of which current receivables	*7,477*	*14,151*
*non-current receivables**	*303*	*896*

* *Includes receivables with settlement schedules of EUR 303 thousand (2021: EUR 896 thousand).*

Note 9. Investments in an associate

AS Green Marine

he company is a waste management entity established at the end of 2003. Its principal place of business and country of incorporation is Estonia.

AS Tallinna Sadam holds 51% (both as at 31 December 2022 and 31 December 2021) of the ownership interest and voting rights in AS Green Marine and two other shareholders hold the remaining interest. However, to have control of AS Green Marine, the Group's voting or contractual rights should be substantive and provide the Group with the ability to direct AS Green Marine's activities. The articles of association of AS Green Marine specify that at least 75% of voting rights are required to make decisions about the entity's activities.

Even though AS Tallinna Sadam can block any decision, it does not have control of AS Green Marine because it needs the consent of the other shareholders for the adoption of a decision. Thus, the Group does not have control of the entity.

AS Green Marine is involved in managing harbour waste; managing, administering and operating treatment plants for hazardous ship-generated waste and wastewater; and cleaning, servicing and maintaining port basins and harbour premises.

The Group's investments in the associate are accounted for using the equity method in these consolidated financial statements.

Muutused investeeringutes sidusettevõttesse

In thousands of euros **At 31 December**	**2022**	**2021**
Carrying amount at beginning of period	1,559	1,147
Share of profit under the equity method	795	412
Dividends paid	–255	0
Carrying amount at end of period	**2,099**	**1,559**

Associate AS Green Marine

In thousands of euros **At 31 December**	**2022**	**2021**
Current assets	2,148	1,377
Non-current assets	4,729	3,763
Current liabilities	1,245	897
Non-current liabilities	1,519	1,186
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	1,387	715
Current loans and borrowings	598	414
Non-current loans and borrowings	1,519	1,186

In thousands of euros	**2022**	**2021**
Revenue	7,734	5,315
Profit for the period from continuing operations	1,536	835
Profit for the period	1,536	835
Total comprehensive income for the period	**1,536**	**835**
The above profit for the period includes the following:		
Depreciation, amortisation and impairment	406	544
Interest expense	41	37
Income tax expense	113	0

AS Tallinna Sadam has no obligation to provide additional financial or other support to AS Green Marine.

Note 10. Property, plant and equipment

In thousands of euros	Land and buildings	Plant and equipment	Other items of property, plant and equipment	Assets under construction*	Prepayments	Total
At 31 December 2020						
Cost	627,291	246,929	8,614	25,554	0	908,388
Accumulated depreciation and impairment losses	–227,225	–88,092	–5,565	0	0	–320,882
Carrying amount at 31 December 2020	**400,066**	**158,837**	**3,049**	**25,554**	**0**	**587,506**
Movement in 2021						
Purchases and reconstruction (note 25)	99	657	211	13,089	16	14,072
Sales at carrying amount**	–643	–1,232	0	0	0	–1,875
Depreciation charge	–12,005	–11,117	–781	0	0	–23,903
Impairment losses	–236	0	–1	0	0	–237
Reclassified at carrying amount	24,045	10,699	109	–34,853	0	0
At 31 December 2021						
Cost	648,873	254,742	8,634	3,790	16	916,055
Accumulated depreciation and impairment losses	–237,547	–96,898	–6,047	0	0	–340,492
Carrying amount at 31 December 2021	**411,326**	**157,844**	**2,587**	**3,790**	**16**	**575,563**
Movement in 2022						
Purchases and reconstruction (note 25)	384	943	406	10,685	1,023	13,441
Sales at carrying amount**	0	–16	0	–7	0	–23
Depreciation charge	–12,115	–11,238	–751	0	0	–24,104
Impairment losses	–313	–9	0	–76	0	–398
Transferred to non-current assets held for sale at carrying amount	–100	0	0	0	0	–100
Reclassified at carrying amount	1,900	1,744	0	–3,644	0	0
At 31 December 2022						
Cost	649,130	254,747	8,835	10,748	1,039	924,499
Accumulated depreciation and impairment losses	–248,048	–105,479	–6,593	0	0	–360,120
Carrying amount at 31 December 2022	**401,082**	**149,268**	**2,242**	**10,748**	**1,039**	**564,379**

TABLE OF CONTENTS

* *At 31 December 2022, assets under construction of EUR 10,748 thousand included the following major items:*

- *a traffic solution for the area in front of passenger terminal D of EUR 6,714 thousand;*
- *the reconstruction of the ramp of berth 13 of EUR 3,203 thousand.*

* *At 31 December 2021, assets under construction of EUR 3,790 thousand included the following major items:*

- *the design of a traffic solution for the area in front of passenger terminal D of EUR 1,940 thousand;*
- *the construction of quay 5 landing bridge of EUR 672 thousand;*
- *the construction of quay 5 connecting walkway of EUR 666 thousand.*

** *At 31 December 2022, the cost and accumulated depreciation of property, plant and equipment that was sold were EUR 235 thousand (2021: EUR 4,488 thousand) and EUR 212 thousand (2021: EUR: 2,613 thousand), respectively.*

The Group's assets have not been pledged.

At 31 December 2022, the carrying amount of fully depreciated items still in use was EUR 40,366 thousand (31 December 2021: EUR 32,934 thousand).

Commitments related to property, plant and equipment are disclosed in note 24.

In 2022, the Group recognised the following impairment losses consisting of write-offs and write-downs of EUR 398 thousand within *Depreciation, amortisation and impairment* in the statement of profit or loss:

- the write-down of buildings (incl. a fire station building) of EUR 51 thousand;
- the write-down of facilities (incl. railway branch lines) of EUR 177 thousand;
- the write-off of facilities (incl. parking lots, storm water pipelines and oil traps) of EUR 85 thousand;
- the write-off of plant and equipment (incl. electrical equipment) of EUR 9 thousand;
- the write-off of an asset under construction of EUR 76 thousand.

In 2021, the Group recognised the following impairment losses consisting of write-offs of EUR 237 thousand within *Depreciation, amortisation and impairment* in the statement of profit or loss:

- the write-off of facilities (incl. railway branch lines and outdoor lighting) of EUR 236 thousand;
- the write-off of other fixtures and fittings of EUR 1 thousand.

TABLE OF CONTENTS

Note 11. Intangible assets

In thousands of euros	Computer software	Software under ruction	Total
At 31 December 2020			
Cost	5,296	141	5,437
Accumulated amortisation and impairment losses	–3,333	0	–3,333
Carrying amount at 31 December 2020	**1,963**	**141**	**2,104**
Movement in 2021			
Purchases and upgrades (note 25)	40	607	647
Amortisation charge	–621	0	–621
Reclassification from assets under construction	431	-431	0
At 31 December 2021			
Cost	5,767	317	6,084
Accumulated amortisation and impairment losses	–3,954	0	–3,954
Carrying amount at 31 December 2021	**1,813**	**317**	**2,130**
Movement in 2022			
Purchases and upgrades (note 25)	42	373	415
Amortisation charge	–640	0	–640
Impairment losses	–170	0	–170
At 31 December 2022			
Cost	5,086	690	5,776
Accumulated amortisation and impairment losses	–4,041	0	–4,041
Carrying amount at 31 December 2022	**1,045**	**690**	**1,735**

TABLE OF CONTENTS

Note 12. Leases

Carrying amount of property, plant and equipment leased out under operating leases

In thousands of euros **At 31 December**	**2022**	**2021**
Land	44,710	43,227
incl. with the right of superficies	*37,201*	*36,680*
Buildings	8,846	9,280
Plant and equipment	110	15
Other items of property, plant and equipment	267	357
Total carrying amount of property, plant and equipment leased out under operating leases	**53,933**	**52,879**

Depreciation charge on property, plant and equipment leased out under operating leases

In thousands of euros	**2022**	**2021**
Buildings	523	525
Plant and equipment	3	3
Other items of property, plant and equipment	118	141
Total depreciation charge on property, plant and equipment leased out under operating leases	**644**	**669**

Rental income from property, plant and equipment leased out under operating leases

In thousands of euros	**2022**	**2021**
Land	8,257	7,943
Buildings	3,866	3,052
Plant and equipment	1,159	907
Other items of property, plant and equipment	108	106
Total rental income from property, plant and equipment leased out under operating leases (note 19)	**13,390**	**12,008**

Rental income in subsequent periods under non-cancellable operating lease contracts

In thousands of euros At 31 December	2022	2021
< 1 years	10,323	10,615
1–2 years	9,598	9,771
2–3 years	9,435	9,603
3–4 years	9,053	9,404
4–5 years	9,048	8,984
> 5 years	310,270	316,616
Total rental income in subsequent periods under non-cancellable operating lease contracts	**357,727**	**364,993**

Operating leases are agreements whereby the lessor transfers to the lessee the right to use an asset on the agreed terms for an agreed period in return for a payment or series of payments. Operating lease contracts are entered into for periods ranging from 2 years to 26 years. Operating lease rentals can generally be increased once a year based on changes in the consumer price index for the previous year (depending on the contract, either based on the relevant index for Estonia, the euro area, or Germany). Improvements made to a leased asset by the lessee are normally not compensated by the lessor at the end of the lease term.

Under the right of superficies contracts, many significant risks and rewards from the possession of the asset (land) are transferred to the lessees. However, as land has an unlimited economic life, there are significant risks and rewards associated with the land at the end of the lease term, which do not pass to the lessee. Therefore, the right of superficies contracts are accounted for as operating leases.

The right of superficies contracts entered into by the Group and its customers set out payments for the right of superficies and the duration of the contract (mostly in the range of 36 years to 99 years). Payments for the right of superficies are generally subject to an increase after a certain period has passed, based mostly either on changes in the tax assessed value of land (for older contracts) or changes in the consumer price index (for more recent contracts). Contractual payments for rights of superficies are generally not covered by guarantees. At the expiry of a contract the lessee generally has the right to remove the facilities erected on the land under the right of superficies; apply for an extension of the term of the right of superficies contract up until the end of the remaining economic life of the facilities; or to receive compensation from the lessor for the usual value of the facilities (see also note 26).

Note 13. Provisions

In thousands of euros	2022	2021
Provision for performance-related remuneration		
At beginning of year	**1,216**	**1,000**
Recognised	1,688	1,216
Reversed	–148	–134
Used	–1,068	–866
At end of year	**1,688**	**1,216**
Other provisions		
At beginning of year	**356**	**289**
Recognised	91	83
Reversed	–50	0
Used	–72	–16
At end of year	**325**	**356**
Total provisions	**2,013**	**1,572**

Provision for performance-related remuneration (bonuses)

The provision for performance-related remuneration (bonuses) is accrued for estimated performance-related bonuses payable to Group companies' management board members and employees for the results of the reporting period. The provision also includes associated social security charges and unemployment insurance contributions. The payment of performance-related bonuses is decided after the annual reports of relevant companies for the year ended 31 December 2022 have been approved.

Other provisions

Other provisions at 31 December 2022 comprise:

- a provision for ongoing court cases of EUR 61 thousand (31 December 2021: EUR 61 thousand);
- a provision for compliance with the non-compete clauses of the service contracts of the members of the management board of AS Tallinna Sadam of EUR 264 thousand (31 December 2021: EUR 234 thousand).

Note 14. Trade and other payables

In thousands of euros **At 31 December**	**2022**	**2021**
Financial liabilities		
Trade payables	5,344	6,739
Interest payable (note 16)	1,012	299
Payables to an associate (note 23)	182	153
Other payables	302	533
Total financial liabilities (note 6)	**6,840**	**7,724**
Incl. liabilities for property, plant and equipment (note 25)	*470*	*2,218*
liabilities for intangible assets (note 25)	*0*	*39*
Non-financial liabilities		
Payables to employees	1,421	1,337
Accrued taxes payable on remuneration	719	654
Payables related to contracts with customers	829	866
Advances for goods and services	857	645
Other payables	382	583
Total non-financial liabilities	**4,208**	**4,085**
Total trade and other payables	**11,048**	**11,809**
Of which current liabilities	*9,832*	*10,348*
non-current liabilities	*1,216*	*1,461*

Note 15. Taxes payable

In thousands of euros At 31 December	2022	2021
Personal income tax	319	265
Corporate income tax*	108	13
Pollution charge	2	5
Social security tax	578	477
Unemployment insurance contributions	32	28
Funded pension contributions	17	15
Excise duties	4	6
Other tax liabilities to other countries	0	81
Total taxes payable	**1,060**	**890**

* *Including a deferred tax liability of EUR 82 thousand at 31 December 2022 (31 December 2021: EUR nil). For further information about deferred tax, see the section Corporate income tax in note 2.*

At 31 December 2022, the Group's prepaid taxes amounted to EUR 481 thousand (31 December 2021: EUR 1,013 thousand). Prepaid taxes are disclosed in note 8.

TABLE OF CONTENTS

Note 16. Loans and borrowings

In thousands of euros **At 31 December**	**2022**	**2021**
Current portion		
Loan liabilities	8,266	8,266
Debt securities	7,650	7,650
Total current portion	**15,916**	**15,916**
Non-current portion		
Loan liabilities	37,532	45,798
Debt securities	133,950	141,600
Total non-current portion	**171,482**	**187,398**
Total loans and borrowings (note 6)	**187,398**	**203,314**

Issue and redemption of debt securities

At 31 December 2022, AS Tallinna Sadam had two debt security (bond) issues with final maturities in 2026 and 2027. The debt securities have been issued in euros and have floating interest rates (the base interest rate of 3-month or 6-month Euribor plus a fixed risk margin). None of the debt security issues is listed on the stock exchange. No debt securities were issued in 2022.

The Group has met all obligations set out in the terms of the debt securities, including those which relate to complying with covenants, providing information and meeting the minimum requirements set for financial ratios.

Consistent with the redemption schedules, the Group redeemed debt securities of EUR 7,650 thousand in 2022. Consistent with the agreement on the amendment of the terms and conditions of the debt securities, no debt securities were redeemed in 2021.

At 31 December 2022, the weighted average interest rate of the debt securities was 2.68% (31 December 2021: 0.49%). The average interest rate has increased due to the increase in the base interest rate (Euribor). The risk margins have not changed. The interest rate risk of the debt securities has not been hedged with interest rate swaps.

Loans

All loan agreements are denominated in euros and have floating interest rates (the base rate is 6-month Euribor).

At 31 December 2022, the weighted average interest rate of drawn loans was 1.94% (31 December 2021: 0.77%). The interest rate risk of the loans has not been hedged with interest rate swaps. The Group did not enter into any new loan agreements in 2022 and did not have any undrawn loans or credit limits at 31 December 2022.

The loan agreements are unsecured liabilities, i.e. no assets have been pledged to cover the loans. The Group has performed all its obligations under the loan agreements, including those which relate to complying with covenants, providing information and meeting the minimum requirements set for financial ratios.

Principal loan repayments made in 2022 amounted to EUR 8,266 thousand (2021: EUR 8,266 thousand). The final maturities of outstanding loan liabilities fall in the period 2024–2030.

Contractual maturities of loans and borrowings

In thousands of euros **At 31 December**	**2022**	**2021**
< 6 months	3,383	3,383
6–12 months	12,533	12,533
1–5 years	164,482	114,898
> 5 years	7,000	72,500
Total loans and borrowings (note 4)	**187,398**	**203,314**

TABLE OF CONTENTS

Carrying amounts and fair values of loans and borrowings*

In thousands of euros At 31 December	2022	2021
Carrying amount		
Debt securities	141,600	149,250
Loan liabilities	45,798	54,064
Total carrying amount	**187,398**	**203,314**
Fair value		
Debt securities	146,482	150,151
Loan liabilities	46,841	54,583
Total fair value	**193,323**	**204,734**

** Due to inputs used, all measurements of fair value qualify as level 2 measurements in the fair value hierarchy.*

The fair value of loans and borrowings was calculated using the discounted cash flow method. Future cash flows were estimated based on forward interest rates (extrapolated from observable corporate yield curves and 3-month and 6-month Euribor swap rates at the end of the reporting period) and contractual interest rates, discounted at a rate that reflected the credit risk of the Group.

At 31 December 2022, the fair value of financial liabilities calculated using the discounted cash flow method was 3.2% higher than their carrying amount (31 December 2021: 0.7% higher). The terms and conditions of the Group's loans and bonds set certain limits to the Group's consolidated financial indicators. At 31 December 2022 and 31 December 2021, the Group was in compliance with all financial covenants.

TABLE OF CONTENTS

Reconciliation of liabilities arising from financing activities

In thousands of euros	1 January 2022	Cash flows from financing activities	Non-cash changes	31 December 2022
			Interest expense (note 22)	
Loan liabilities	54,064	–8,266	0	45,798
Debt securities	149,250	–7,650	0	141,600
Interest payable (note 14)	299	–1,264	1,977	1,012
Total	**203,613**	**–17,180**	**1,977**	**188,410**

In thousands of euros	1 January 2021	Cash flows from financing activities	Non-cash changes		31 December 2021
			Interest expense (note 22)	Fair value adjustments	
Loan liabilities	62,330	–8,266	0	0	54,064
Debt securities	149,250	0	0	0	149,250
Derivatives	102	0	0	–102	0
Interest payable (note 14)	388	–1,458	1,369	0	299
Total	**212,070**	**–9,724**	**1,369**	**–102**	**203,613**

Note 17. Government grants

Non-current government grant liabilities

In thousands of euros **At 31 December**	**2022**	**2021**
Cohesion Fund	19,803	20,235
TEN-T	5,889	5,552
CEF-T	4,332	3,902
State budget of the Republic of Estonia	51	63
INTERREG	81	83
Total non-current government grant liabilities	**30,156**	**29,835**
Incl. non-depreciable assets	*13,902*	*13,902*

Recognised as income

In thousands of euros	**2022**	**2021**
Grants related to assets	1,077	885
Grants related to income	19,440	17,842
Total recognised as income	**20,517**	**18,727**
Incl. revenue from other sources (note 19)	*19,406*	*17,799*
other income (note 21)	*1,111*	*928*

Short-term deferred government grant income

In thousands of euros **At 31 December**	**2022**	**2021**
CEF-T	8,578	1,047
State budget of the Republic of Estonia	0	176
Total short-term deferred government grant income	**8,578**	**1,223**

TABLE OF CONTENTS

TEN-T programme Motorways of the Seas

TWIN-PORT 2 (2014–2020)

TWIN-PORT 2 was a follow-up project to TWIN-PORT. In the framework of the project, the Port of Helsinki built a new Western Terminal, AS Tallink Grupp brought a new LNG vessel Megastar to the Tallinn–Helsinki route, and AS Tallinna Sadam invested in the development of various infrastructure assets in Old City Harbour.

In 2018, a request was submitted to the European Commission for extending the project by two years. The new end date of the project was 31 December 2020. The project was extended because in the preparatory phase there arose unforeseeable circumstances that deferred several activities both in Old City Harbour in Tallinn and the Helsinki West Harbour. The last project activities at Old City Harbour were completed in summer 2021 and in the same year the final report was submitted to the European Commission. The final payment of the project of EUR 4,954 thousand was received in 2022.

Connecting Europe Facility for Transport (CEF-T) programme

TWIN-PORT 3 (2018–2023)

TWIN-PORT 3 is a follow-up project to TWIN-PORT and TWIN-PORT 2. The project began in 2018 and is scheduled to be completed on 31 December 2023. The participants in the project are AS Tallinna Sadam, the Port of Helsinki, the City of Helsinki and three ferry operators (Tallink, Viking Line and Eckerö Line). AS Tallinna Sadam is the coordinating partner of the project. The purpose of the project is to build onshore power supply systems (OPS) in both ports and on the ferries travelling between Tallinn and Helsinki to enable the ferries (while at the quay) to use electricity from the mainland electricity network and switch off their diesel engines.

In addition, an auto-mooring system will be built in both harbours, which offers faster and safer mooring for ferries. In Tallinn, the security systems in Old City Harbour will be upgraded. In Helsinki, new street lanes will be built, the throughput capacity of intersections will be improved, a tramway leading to the harbour will be relocated and a new bridge will be built in the harbour area.

In 2022, investments made amounted to EUR 4 thousand and expenses incurred amounted to EUR 7 thousand (2021: investments amounted to EUR 398 thousand and no expenses were incurred).

Support of EUR 4,097 thousand was received in 2022. No support was received in 2021.

At 31 December 2022, the balance of deferred grant income was EUR 2,260 thousand.

At 31 December 2021, the balance of short-term receivables was EUR 1,836 thousand.

TWIN-PORT 4 (2020–2023)

TWIN-PORT 4 is the fourth follow-up project in the series. The purpose of the project is to improve the convenience of the maritime connection between Tallinn and Helsinki by developing the infrastructure of the ports on both shores of the Gulf of Finland. The participants in the project are AS Tallinna Sadam and the Port of Helsinki.

Compared to previous ones, the project includes a new feature: investments in the development of the Muuga-Vuosaari shipping route in order to divert a significant share of the heavy goods vehicles traffic between Estonia and Finland from the city centres of the two capitals to the Muuga and Vuosaari harbours, respectively. One berth in both harbours will be supplied with a second level ramp for more efficient servicing of ro-ro traffic and at Muuga the first level ramp of the same berth will be fully reconstructed. In addition, at Old City Harbour in Tallinn one of the connecting walkways from the terminal to the ferry and the area in front of passenger terminal D along with all underground utility networks will be reconstructed. The Port of Helsinki will supply one berth in its city-centre harbours with onshore power supply systems and one berth with automated mooring systems. The coordinating partner of this project is also AS Tallinna Sadam.

In 2022, investments made amounted to EUR 8,419 thousand (2021: EUR 3,307 thousand).

In 2021 and 2022, no support was received.

At 31 December 2022, the balance of deferred grant income was EUR 338 thousand (31 December 2021: EUR 1,047 thousand).

TWIN-PORT 5 (2021–2025)

This project continues the activities started in the project TWIN-PORT 4 to improve the convenience of the maritime connection between Tallinn and Helsinki by developing the infrastructure of the ports on both shores of the Gulf of Finland on the Muuga–Vuosaari route. The participants in the project are AS Tallinna Sadam and the Port of Helsinki.

The project includes the following activities. At Muuga Harbour, the ramp of berth 15 will be reconstructed and berths 13, 14 and 15 will be supplied with the capacity to receive sewage from ships. To improve travel experience and raise service quality, an architecture competition will be organised for the complex of terminal A and the surrounding outdoor space at Old City Harbour and the designs for the terminal, a multi-storey car park and a new main building will be commissioned.

To continue to offer excellent high-quality customer service, AS Tallinna Sadam is going to upgrade the software and hardware of its Smart Port traffic management system (automated vehicle check-in and direction to the waiting area and boarding) and create new capabilities at both Old City Harbour and Muuga Harbour.

The Port of Helsinki will focus on the planning, surveying and design activities necessary for creating the infrastructure (a tunnel, four new quays along with filling the sea, and a new terminal) required to implement the strategic goal.

The coordinating partner of the TWIN-PORT 5 project is the Port of Helsinki.

In 2022, no investments were made and no expenses were incurred.

In 2022, support of EUR 980 thousand was received and the year-end balance of deferred grant income was EUR 980 thousand.

The Connecting Europe Facility (CEF) project EstMilMob

EstMilMob is a project funded by the European Union from the CEF-2021 Military Mobility envelope. The participants in the project are AS Tallinna Sadam, the Estonian Transport Administration, the railway infrastructure company AS Eesti Raudtee and the Estonian Centre for Defence Investment. The purpose of the project is to enhance the TEN-T Comprehensive Network and Core Network and their civilian and military dual use at Paldiski South Harbour, at the Kanama intersection and on the Palupera–Puka–Keeni railway section.

In the framework of the EstMilMob project, Tallinna Sadam will build a new quay (quay 6a) with a hinterland at Paldiski South Harbour that can be used for both civilian and military purposes. The quay will be equipped with a ramp for loading and unloading ro-ro cargo. Along with the quay, a hinterland of up to 10 ha will be built to handle and store cargo and military equipment. As regards civilian use, it will be possible to handle dry and dry bulk, oversized and ro-ro cargo. The project creates good prospects for becoming a base port for the construction of offshore wind farms and supporting the transport of relevant goods (masts, generators, blades). The harbour will also have the capabilities required to serve as a maintenance port for offshore wind farms.

The Transport Administration will reconstruct the Kanama overpass and the intersection of the E265 Tallinn ring road and the E67 Tallinn–Pärnu–Ikla road with the aim of bringing the intersection into conformity with the requirements of the EU TEN-T Core Network for road safety, the environment and military transport.

AS Eesti Raudtee will carry out major track repairs on the Palupera–Puka and Puka–Keeni sections of the internationally important railway route between Valga and Tartu. The total length of the works is around 21 km, which accounts for approximately 25% of the total length of the route.

The coordinating partner of the EstMilMob project is the Estonian Centre for Defence Investment.

In 2022, no investments were made and no expenses were incurred.

In 2022, support of EUR 5,000 thousand was received and the year-end balance of deferred grant income was EUR 5,000 thousand.

TABLE OF CONTENTS

State budget of the Republic of Estonia

Public transport support (2016–2026)

In December 2014, a public transport service contract was signed with the Ministry of Economic Affairs and Communications (the contract is currently administered by the Transport Administration) for the provision of ferry service on the Kuivastu–Virtsu and Rohuküla–Heltermaa ferry routes in the period 1 October 2016–30 September 2026. The final amount of contractual support depends on the difference between the revenue base calculated annually on the basis of the tariff rates fixed in the contract and the ticket sales revenue recognised in the same period.

In 2022, support was calculated in the amount of EUR 19,406 thousand (2021: EUR 17,799 thousand) and received in the amount of EUR 19,191 thousand (2021: EUR 17,739 thousand). The public transport support is treated as part of the Group's ordinary activity and recognised as revenue (sale of ferry services — government support) (note 19).

At 31 December 2022, the Group had a short-term receivable of EUR 38 thousand related to public transport support provided from the state budget (31 December 2021, the Group had short-term deferred income of EUR 176 thousand related to public transport support provided from the state budget).

European Regional Development Fund (ERDF)

Digital Construction Cluster Project

The purpose of the project is to undertake joint activities in the Digital Construction Cluster to promote co-operation between the Estonian construction sector and research institutions and to increase the international competitiveness of companies belonging to the Digital Construction Cluster.

AS Tallinna Sadam is a real estate owner, developer and manager and thus its interest in participating in the project is mainly related to new digital opportunities that could be seized in the development and management of its buildings and real estate by using Building Information Modelling (BIM) throughout the life cycle of a building.

In 2022, support of EUR 4 thousand was received (2021: EUR 2 thousand). Expenses incurred for the project in 2022 amounted to EUR 6 thousand (2021: EUR 1 thousand).

Note 18. Equity

Share capital

At 31 December 2022 and 31 December 2021, AS Tallinna Sadam had 263,000,000 registered ordinary shares, of which 67.03% were held by the Republic of Estonia (through the Ministry of Economic Affairs and Communications) and 32.97% were held by Estonian and international investment funds, banks, pension funds and retail investors. The par value of a share is EUR 1.

The maximum number of ordinary shares stipulated in the articles of association of AS Tallinna Sadam is 664,000,000 (2021: 664,000,000). At 31 December 2022 and 31 December 2021, all issued shares had been fully paid for.

Earnings per share

	2022	2021
Weighted average number of shares	263,000,000	263,000,000
Consolidated profit for the period (in thousands of euros)	25,592	25,612
Basic and diluted earnings per share (in euros)*	0.10	0.10
Weighted average number of ordinary shares at 31 December	**263,000,000**	**263,000,000**

* *In the years ended 31 December 2022 and 31 December 2021, there were no dilutive instruments outstanding.*

Capital management

The purpose of the Group's capital management is to ensure that Group entities will be able to continue as going concerns and the Group can generate maximum long-term return through an optimal balance between debt and equity capital. The Group's capital management strategy has not changed significantly compared to 2021.

The Group's capital structure consists of net debt (loans and borrowings as detailed in note 16 less cash and cash equivalents) and equity (comprising share capital, reserves and retained earnings). The Group is not subject to any externally imposed capital requirements.

The Group's CFO reviews the capital structure of the Group at least twice a year. As part of this review, the CFO assesses the cost of capital and the risks associated with each class of capital. The Group's long-term target is to ensure that its equity to assets ratio (calculated as the ratio of total equity to total assets) is 60%.

Equity to assets ratio

In thousands of euros **At 31 December**	**2022**	**2021**
Loans and borrowings	187,398	203,314
Cash and cash equivalents	–44,387	–34,840
Net debt	**143,011**	**168,474**

TABLE OF CONTENTS

Equity to assets ratio

At 31 December 2022 and 31 December 2021, the Group's equity to assets ratio, i.e. the ratio of total equity to total assets was 61%.

The ratio did not change compared to 2021. The ratio increased by 1 percentage point compared to 2020, as total equity grew by 1.5% and total assets by 0.2%.

Equity to assets ratio

In thousands of euros **At 31 December**	**2022**	**2021**
Total equity	380,976	380,895
Total assets	621,229	629,538
Equity to assets ratio	**61%**	**61%**

Unrestricted equity

At 31 December 2022, the Group's unrestricted equity was EUR 50,640 thousand (31 December 2021: EUR 51,302 thousand). According to the Estonian Commercial Code, shareholders will not be paid dividends if the company's net assets which have been recognised in the annual report approved at the end of the previous financial year are or would be less than total share capital and reserves which under the law or the articles of association are not to be paid out to shareholders. At 31 December 2022 and 31 December 2021, the Parent could have distributed all of its unrestricted equity without contravening the law.

Statutory capital reserve

The statutory capital reserve was in compliance with the requirements of the Estonian Commercial Code at 31 December 2017. As a result of an increase of share capital by EUR 77,796 thousand in 2018, the Parent's capital reserve does not comply with the amount required by the articles of association. According to the Estonian Commercial Code, each financial year 1/20 (5%) of profit is to be transferred to the capital reserve until the reserve reaches the amount required by the articles of association. After that profit transfers to the capital reserve will be discontinued.

The capital reserve was increased by EUR 844 thousand in 2022 (2021: EUR 1,009 thousand).

TABLE OF CONTENTS

Dividends

Based on the resolution of the general meeting that convened on 25 April 2022, the Group paid a dividend of EUR 0.097 per share, i.e. EUR 25,511 thousand in total, for 2021. The list of shareholders entitled to receive the dividend was determined on 5 May 2022 (the ex-dividend date: 4 May 2022) and the dividend was paid out to the shareholders on 12 May 2022 (through Nasdaq CSD).

Dividends

In thousands of euros	2022	2021
Dividend declared in the reporting period	25,511	20,251
Dividend distributed in the reporting period	25,287	20,085
Income tax withheld on dividends in the reporting period	224	166
Dividend per share (in euros)	0.097	0.077

Income tax on dividends

In thousands of euros	2022	2021
Income tax calculated on dividends in Estonia	4,111	3,275
Income tax paid on dividends in Estonia	–4,335	–3,440
Incl. income tax withheld on dividends	*–224*	*–166*

At 31 December 2022, deferred income tax on dividends amounted to EUR 82 thousand (31 December 2021: EUR nil).

The Group's unrestricted equity as at 31 December 2022 amounted to EUR 50,640 thousand (31 December 2021: EUR 51,302 thousand). The maximum possible income tax liability which would arise if all of the unrestricted equity were distributed as dividends is EUR 8,617 thousand (2021: EUR 8,550 thousand).

At 31 December 2022, the tax rates used to calculate the maximum possible tax liability for 2023 were 14/86 and 20/80 of the net distributions (was applied to the maximum possible dividend to the extent of one third of the profit distributed and taxed in 2020, 2021 and 2022).

TABLE OF CONTENTS

Note 19. Revenue

In thousands of euros	2022	2021
Revenue from contracts with customers		
Vessel dues	37,233	37,409
Cargo charges	7,457	7,198
Passenger fees	10,248	5,673
Sale of electricity	7,141	6,237
Sale of ferry services — ticket sales	14,199	11,963
Sale of other services	2,423	1,960
Total revenue from contracts with customers	**78,701**	**70,440**
Revenue from other sources		
Rental income from operating leases (note 12)	13,390	12,008
Charter fees	10,206	9,804
Sale of ferry services — government support (note 17)	19,406	17,799
Total revenue from other sources	**43,002**	**39,611**
Total revenue (note 3)	**121,703**	**110,051**

In 2022, revenue from services provided in Estonia and Canada amounted to EUR 116,446 thousand and EUR 5,257 thousand (incl. charter fees of EUR 5,161 thousand), respectively. In 2021, revenue from services provided in Estonia and Canada amounted to EUR 105,058 thousand and EUR 4,993 thousand (incl. charter fees of EUR 4,900 thousand), respectively.

TABLE OF CONTENTS

Disaggregation of revenue

Transaction price allocated to the remaining performance obligations

At the end of the reporting period, performance obligations related to cargo charges, the sale of electricity and the sale of other services were partially unsatisfied. The Group applies the practical expedient in paragraph 121(b) of IFRS 15 to those revenue streams (a single performance obligation that is made up of a series of distinct services) and does not disclose the transaction price allocated to the remaining performance obligation as the Group has a right to consideration from customers in an amount that corresponds directly to the value that the Group's performance obligations completed to date have for the customer and the Group has recognised revenue in the amount in which it has the right to invoice the customers.

Partially unsatisfied performance obligation related to connection fees as at 31 December 2022 amounted to EUR 767 thousand (31 December 2021: EUR 809 thousand).

Revenue for 2022 includes connection fees of EUR 42 thousand (2021: EUR 83 thousand).

Management expects that the transaction price allocated to unsatisfied performance obligations will be recognised as revenue over the next 5–26 years (the average remaining useful life of the investments made to enable connection) on a straight-line basis.

TABLE OF CONTENTS

Note 20. Operating expenses

In thousands of euros	2022	2021
Fuel, oil and energy costs	17,518	11,590
Technical maintenance and repair of non-current assets	7,127	6,995
Services purchased for infrastructure	3,408	3,015
Tax expenses	2,674	2,671
Incl. land tax	*2,619*	*2,615*
Consultation and development expenses	707	711
Incl. research and development expenses	*334*	*299*
Services purchased	5,551	5,521
Incl. mooring service	*730*	*1,315*
reception of ship-generated waste	*2,064*	*1,398*
port dues	*2,713*	*2,732*
Purchase and maintenance of insignificant assets	1,139	1,352
Advertising expenses	289	250
Lease expenses	583	674
Expenses on short-term leases	23	13
Insurance expenses	801	781
Other operating expenses	3,598	2,389
Incl. expenses on credit-impaired financial assets	*556*	*–385*
Total operating expenses	**43,418**	**35,962**

Personnel expenses

In thousands of euros	2022	2021
Wages and salaries	17,457	15,761
Social security charges	5,708	5,159
Total personnel expenses	**23,165**	**20,920**
Incl. short-term benefits of members of the management and supervisory boards of Group companies	*1,046*	*996*
social security charges of the members of the management and supervisory boards of Group companies	*346*	*329*
Total expenses on members of the management and supervisory boards of Group companies	**1,392**	**1,325**

Under contracts in force at 31 December 2022, AS Tallinna Sadam has to pay the members of its management board (key management personnel) compensation in the event of their removal from office in an amount equal to their three months' remuneration (EUR 99.0 thousand in 2022 and EUR 64.7 thousand in 2021). Also, in return for observing the non-compete clause, AS Tallinna Sadam has to pay management board members monthly compensation in an amount equal to 50% of their remuneration (EUR 197.9 thousand in 2022 and EUR 176.3 thousand in 2021) during 12 months after the expiry of the contract.

Under contracts in force at 31 December 2022, the subsidiaries of AS Tallinna Sadam have to pay their management board members compensation in the event of their removal from office in an amount equal to their three months' remuneration (EUR 75.0 thousand in 2022 and EUR 80.5 thousand in 2021).

Number of employees

	2022	2021
People working under employment contracts	468	469
People working under contracts for services excluding self-employed people	9	9
Members of legal person's management or control bodies	7	7
Total	**484**	**485**

TABLE OF CONTENTS

Note 21. Other income

In thousands of euros	2022	2021
Gain on sale of non-current assets*	68	634
Penalties, interest on arrears	171	141
Income from government grants (note 17)	1,111	928
Other income	91	76
Total other income	**1,441**	**1,779**

** Gain on sale of non-current assets in 2021 includes gain on the sale of assets classified as held for sale of EUR 141 thousand.*

Note 22. Finance costs

In thousands of euros	2022	2021
Interest expense on loans and borrowings:		
Interest expense on loans (note 16)	*547*	*474*
Interest expense on debt securities (note 16)	*1,430*	*793*
Interest expense on derivatives (note 16)	*0*	*102*
Total interest expense on loans and borrowings	**1,977**	**1,369**
Foreign exchange loss	27	7
Other finance costs	9	2
Total finance costs	**2,013**	**1,378**

TABLE OF CONTENTS

Note 23. Related party transactions

67.03% of the shares in AS Tallinna Sadam are held by the Republic of Estonia (through the Ministry of Economic Affairs and Communications).

In thousands of euros	2022	2021
Transactions with an associate		
Revenue	75	169
Operating expenses	2,102	1,479
Transactions with companies over which members of supervisory and management boards of Group companies have significant influence		
Revenue	1	1
Operating expenses	9	10
Other expenses	20	18
Transactions with government agencies and companies of which the state has control		
Revenue	26,011	23,822
Other income	0	30
Operating expenses	12,797	9,666
Other expenses	72	57
Purchase of property, plant and equipment	346	8

In thousands of euros **At 31 December**	**2022**	**2021**
Trade receivables from and payables to an associate		
Receivables (note 8)	17	8
Payables (note 14)	182	153
Trade receivables from and payables to companies over which members of supervisory and management boards of Group companies have significant influence		
Payables	1	1
Trade receivables from and payables to government agencies and companies of which the state has control		
Receivables	174	352
Payables	2,755	2,446

All purchases and sales of services were transactions conducted in the ordinary course of business on an arm's length basis.

Benefits payable to the members of the management and supervisory boards are disclosed in note 20.

Revenue and operating expenses from transactions with related parties comprise only revenue and expenses from sales and purchases of business-related services.

Information presented on companies over which members of the supervisory and management boards of Group companies have significant influence is based on the declarations presented in respect of the related parties.

Note 24. Commitments

At 31 December 2022, the Group's contractual commitments related to purchases of property, plant and equipment, repairs, and research and development expenditures totalled EUR 5,945 thousand (31 December 2021: EUR 11,058 thousand).

Note 25. Non-cash investing activities

Purchases of property, plant and equipment

In thousands of euros	2022	2021
Purchases of property, plant and equipment	**–15,189**	**–14,535**
Offsetting	0	-70
Paid for previous period	2,218	2,758
Trade payables outstanding at end of period (note 14)	–470	–2,218
Other adjustments	0	–7
Total adjustments	**1,748**	**463**
Purchases and reconstruction (note 10)	**13,441**	**14,072**

Purchases of intangible assets

In thousands of euros	2022	2021
Purchases of intangible assets	**–455**	**–641**
Paid for previous period	39	33
Trade payables outstanding at end of period (note 14)	0	–39
Other adjustments	1	0
Total adjustments	**40**	**–6**
Purchases and upgrades (note 11)	**415**	**647**

Note 26. Contingent liabilities

Under several lease and right of superficies contracts, upon the expiry of the contract AS Tallinna Sadam has to compensate the cost of the facilities built or the improvements made to the assets of AS Tallinna Sadam by the lessee at the usual value of the facility or the improvement. Considering the long terms of the contracts (especially the right of superficies contracts) and the fact that the facilities are mostly special-purpose assets (port terminals), there is no valid experience in measuring their usual value upon the expiry of the contracts. Based on the above, the value of the obligations could not be estimated reliably at the reporting date.

In June 2019, the court accepted a statement of claim for damages of EUR 23.8 million in total filed against Group companies OÜ TS Laevad and OÜ TS Shipping in relation to alleged unjustified use of confidential information in a public tender to provide public ferry service on the Saaremaa and Hiiumaa routes. The statement of claim is identical to the one filed by the same plaintiffs in a previous civil case which was dismissed by Harju County Court on 8 March 2019 because the plaintiffs did not provide security of EUR 14,000 in total ordered by the court for covering the estimated costs of the proceedings.

The Group has challenged the claim and defends itself in the action. The management board believes that the claim is not substantiated and according to the assessment of legal advisers it is not probable that a liability will arise. Thus, the management board has not considered it necessary to recognise a provision for the claim.

Note 27. Investigations concerning the group

On 26 August 2015, the Estonian Internal Security Service detained Ain Kaljurand and Allan Kiil, long-term members of the management board of the Group's Parent, AS Tallinna Sadam, in connection with suspected large-scale bribery during several prior years. After long-term investigation, on 31 July 2017 the Group filed a civil action lawsuit against Ain Kaljurand, Allan Kiil and other private and legal persons involved in the episodes under investigation. By the order of Harju County Court dated 19 November 2018, the civil action was included in the criminal proceedings against the above persons.

On 28 October 2020, Harju County Court issued an order terminating criminal proceedings concerning Allan Kiil in connection with his terminal illness. At the same time, Tallinn Circuit Court issued an order requiring Allan Kiil to be involved in criminal proceedings as a civil defendant. Allan Kiil passed away on 15 June 2021 and on 23 September 2021 Marika Kiil was involved in the proceedings as a civil defendant and a third party in place of Allan Kiil.

At the date of release of these financial statements, court hearings in the criminal matter are under way and proceedings against other persons that have been charged continue, except for Keskkonnahoolduse OÜ and its member of the management board against whom only the civil action proceedings continue. Based on information available at the reporting date, the management board believes that the above events will not have a material adverse impact on the Group's financial performance or financial position. However, they may continue to cause significant damage to the Group's reputation.

Note 28. Additional information on the parent

The financial information on the Parent comprises the primary financial statements of the Parent, which are required to be disclosed in accordance with the Estonian Accounting Act, but which are not separate financial statements as defined in IAS 27. The primary financial statements of the Parent have been prepared using the same accounting policies as were applied in preparing the consolidated financial statements, except that investments in subsidiaries and associates are measured at cost.

Statement of financial position

In thousands of euros	31.12.2022	31.12.2021
ASSETS		
Current assets		
Cash and cash equivalents	26,043	21,900
Trade and other receivables	13,793	20,599
Total other current assets	**39,836**	**42,499**
Non-current assets held for sale	100	0
Total current assets	**39,936**	**42,499**
Non-current assets		
Investments in subsidiaries	5,774	5,774
Investments in an associate	132	132
Other long-term receivables	73,331	84,480
Property, plant and equipment	447,379	452,535
Intangible assets	1,408	1,540
Total non-current assets	**528,024**	**544,461**
Total assets	**567,960**	**586,960**

Continues on page 148

TABLE OF CONTENTS

In thousands of euros	31.12.2022	31.12.2021
LIABILITIES		
Current liabilities		
Loans and borrowings	15,916	15,916
Provisions	1,752	1,343
Government grants	8,578	1,047
Taxes payable	560	445
Trade and other payables	7,256	7,818
Total current liabilities	**34,062**	**26,569**
Non-current liabilities		
Loans and borrowings	171,482	187,398
Government grants	30,156	29,835
Other payables	1,216	1,461
Total non-current liabilities	**202,854**	**218,694**
Total liabilities	**236,916**	**245,263**
EQUITY		
Share capital	263,000	263,000
Share premium	44,478	44,478
Statutory capital reserve	22,115	21,271
Accumulated losses (prior periods)	–13,406	–3,929
Profit for the period	14,857	16,877
Total equity	**331,044**	**341,697**
Total liabilities and equity	**567,960**	**586,960**

Statement of profit or loss and other comprehensive income

Statement of profit or loss

In thousands of euros	2022	2021
Revenue	77,408	70,017
Other income	1,348	1,695
Operating expenses	–29,165	–23,383
Personnel expenses	–12,762	–11,185
Depreciation, amortisation and impairment	–17,245	–16,543
Other expenses	–319	–303
Operating profit	**19,265**	**20,298**
FINANCE INCOME AND COSTS		
Finance income	1,681	1,225
Finance costs	–1,978	–1,371
Finance costs — net	**–297**	**–146**
Profit before income tax	**18,968**	**20,152**
Income tax expense	–4,111	–3,275
Profit for the period	**14,857**	**16,877**

Statement of other comprehensive income

In thousands of euros	2022	2021
Profit for the period	**14,857**	**16,877**
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Net fair value gain on hedging instruments in cash flow hedges	0	102
Total other comprehensive income	**0**	**102**
Total comprehensive income for the period	**14,857**	**16,979**

Statement of cash flows

In thousands of euros	2022	2021
Cash receipts from sale of goods and services	83,142	74,373
Cash receipts related to other income	188	144
Payments to suppliers	–35,803	–29,186
Payments to and on behalf of employees	–10,162	–9,358
Payments for other expenses	–205	–210
Income tax paid on dividends	–4,335	–3,440
Cash from operating activities	**32,825**	**32,323**
Purchases of property, plant and equipment	–13,456	–13,392
Purchases of intangible assets	–398	–493
Proceeds from sale of property, plant and equipment	190	2,565
Government grants received	15,001	409
Increase of share capital of subsidiaries	0	3,000
Repayments of loans provided	10,863	13,171
Dividends received	255	0
Interest received	1,330	1,157
Cash from investing activities	**13,785**	**6,417**
Redemption of debt securities	–7,650	0
Repayments of loans received	–8,266	–8,266
Dividends paid	–25,287	–20,085
Interest paid	–1,264	–1,458
Other payments related to financing activities	0	–1
Cash used in financing activities	**–42,467**	**–29,810**
Net cash flow	**4,143**	**8,930**
Cash and cash equivalents at beginning of period	21,900	12,970
Change in cash and cash equivalents	4,143	8,930
Cash and cash equivalents at end of period	26,043	21,900

Statement of changes in equity

In thousands of euros	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total equity
Equity at 31 December 2021	**263,000**	**44,478**	**21,271**	**12,948**	**341,697**
Profit for the period	0	0	0	14,857	14,857
Total comprehensive income for the period	**0**	**0**	**0**	**14,857**	**14,857**
Dividend declared	0	0	0	–25,511	–25,511
Total transactions with owners	**0**	**0**	**0**	**–25,511**	**–25,511**
Increase of capital reserve	0	0	844	–844	0
Other adjustments	0	0	0	1	1
Equity at 31 December 2022	**263,000**	**44,478**	**22,115**	**1,451**	**331,044**
Carrying amount of interests under control and significant influence	0	0	0	–2,003	–2,003
Value of interests under control and significant influence under the equity method	0	0	0	51,935	51,935
Adjusted unconsolidated equity at 31 December 2022	**263,000**	**44,478**	**22,115**	**51,383**	**380,976**

In thousands of euros	Share capital	Share premium	Statutory capital reserve	Hedge reserve	Retained earnings	Total equity
Equity at 31 December 2020	**263,000**	**44,478**	**20,262**	**-102**	**17,331**	**344,969**
Profit for the period	0	0	0	0	16,877	16,877
Other comprehensive income for the period	0	0	0	102	0	102
Total comprehensive income for the period	**0**	**0**	**0**	**102**	**16,877**	**16,979**
Dividend declared	0	0	0	0	–20,251	–20,251
Total transactions with owners	**0**	**0**	**0**	**0**	**–20,251**	**–20,251**
Increase of capital reserve	0	0	1,009	0	–1,009	0
Equity at 31 December 2021	**263,000**	**44,478**	**21,271**	**0**	**12,948**	**341,697**
Carrying amount of interests under control and significant influence	0	0	0	0	–2,003	–2,003
Value of interests under control and significant influence under the equity method	0	0	0	0	41,201	41,201
Adjusted unconsolidated equity at 31 December 2021	**263,000**	**44,478**	**21,271**	**0**	**52,146**	**380,895**

In accordance with the Estonian Accounting Act, adjusted unconsolidated retained earnings represent the amount that is available for distribution to shareholders.

Note 29. Events after the reporting period

Baffinland Iron Mines Corporation has announced that it will use the contractual option to charter the multifunctional icebreaker Botnica in 2023 for a shorter period of at least 60 days during the period from September to November. The exact number of charter days will depend on the weather and other conditions. The daily charter rate for the period will be higher than in the previous summers when the period was longer (June to November). According to management's estimates, the shorter charter period may have a negative impact on the Group's financial performance to the extent of EUR 2.5 million. In order to maintain a high utilisation rate of the vessel, TS Shipping is currently actively negotiating to secure work for the vessel in other offshore projects during summer months. Demand and prices in the offshore market have increased significantly in the last six months and, therefore, management believes that it is probable that the company will be able to secure other summer work for Botnica.

Management's Confirmation

The management board has prepared the management report, the remuneration report and the consolidated financial statements of AS Tallinna Sadam as at and for the year ended 31 December 2022.

The management board confirms that the Group's management report and the Parent company's remuneration report set out on pages 5 to 76 provide a true and fair view of the Group's business operations, performance and significant events in the reporting period.

The management board confirms that the Group's consolidated financial statements set out on pages 77 to 152 are correct and complete and that:

1. the consolidated financial statements have been prepared in accordance with the Estonian Accounting Act and with International Financial Reporting Standards as adopted by the European Union (IFRS EU);
2. the consolidated financial statements give a true and fair view of the financial position, cash flows and financial performance of the Group;
3. all significant events that occurred until the date on which the financial statements were approved and signed by the management board (17 March 2023) have been properly recognised and disclosed in the consolidated financial statements; and
4. AS Tallinna Sadam and its subsidiaries are going concerns.

17 March 2023

/Signed digitally/

VALDO KALM
Chairman of the Management Board

/Signed digitally/

ANDRUS AIT
Member of the Management Board

/Signed digitally/

MARGUS VIHMAN
Member of the Management Board

Independent Auditors’ Report

KPMG

Independent auditors’ report

(Translation of the Estonian original)

To the Shareholders of AS Tallinna Sadam

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of AS Tallinna Sadam and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accurate recognition and value of property, plant and equipment

Additional information is provided in notes 2 Accounting policies used in the preparation of the financial statements, 5 Significant accounting estimates and judgments and 10 Property, plant and equipment to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
AS Tallinna Sadam owns the largest cargo and passenger port complex in Estonia, passenger ferries and a multifunctional icebreaker. As a result, property, plant and equipment with the carrying amount of EUR 564.4 million account for the largest share of the Group’s assets as at 31 December 2022.	Our audit procedures in this area included, but were not limited to, the following: * We assessed whether the Group's accounting policies for property, plant and equipment are in accordance with IFRS.

This version of our auditors’ report is a copy from the original, which was prepared in xhtml format and presented to Nasdaq Tallinn together with the original version of the consolidated financial statements. All possible care has been taken to ensure that the copy is an accurate representation of the original, excluding xbrl tagging. However, in all matters of interpretation of information, views or opinions, the original version of our report takes precedence over this copy.

The Group is exposed to significant risks, the realization of which might significantly reduce the value of its assets. Identifying indications of impairment and impairment testing are complex procedures that involve use of significant estimates and assumptions. Given the amount of the Group's property, plant and equipment, impairment losses might have a material effect on the financial statements. The useful lives of items of property, plant and equipment are also based on management's estimates of the time during which items of property plant and equipment or their significant parts will be employed to generate economic benefits. The estimates are based on historical experience and take into account the physical condition of the assets. Because of the size of the balance of property, plant and equipment, the large volume of transactions and the uncertainty associated with management's estimates, auditing property, plant and equipment requires a significant amount of audit time and resources. Due to the above circumstances, we identified accurate recognition and value of property, plant and equipment as key audit matters.	* Based on the additions to property, plant and equipment during the year, we selected a sample and tested the correctness of the recognition of acquisitions of property, plant and equipment, reconciling the additions recorded on the statement of financial position with the underlying contracts and invoices. * For property, plant and equipment under construction, we verified the planned completion date and implementation date and checked whether or not assets under construction include items already in use. * We checked whether depreciation of items of property, plant and equipment has commenced on time. * We analysed whether the useful lives assigned to property, plant and equipment are in line with the Group's historical experience and general industry practice. * We clarified whether significant parts of items of property, plant and equipment which have been assigned different useful lives are accounted for separately. * In order to clarify indications of impairment of assets, we made inquiries of the management board to determine whether any indications of impairment of the recoverable amount of the assets have been identified. In addition, we compared budgets with actual financial results and analysed whether there are business lines where the Group's profits are lower than budgeted.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report, the remuneration report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements. With respect to the remuneration report, our responsibility also includes considering whether the remuneration report has been prepared in accordance with section 135^3 of the Securities Market Act.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

In our opinion, the remuneration report has been prepared in accordance with section 135^3 of the Securities Market Act.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with the Requirements for iXBRL tagging of Consolidated Financial Statements included within the European Single Electronic Format Regulatory Technical Standard (ESEF RTS)

We have undertaken a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files 25490093MDYISEP1Y539-2022-12-31-en.zip prepared by AS Tallinna Sadam.

Responsibilities of Management for the Digital Files Prepared in Compliance with the ESEF RTS

Management is responsible for preparing digital files that comply with the ESEF RTS. This responsibility includes:

- the selection and application of appropriate iXBRL tags using judgement where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF RTS.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the ESEF RTS based on the evidence we have obtained.

We apply the provisions of the International Standard on Quality Control (Estonia) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF RTS. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the tagging and the ESEF RTS, including of internal control over the tagging process relevant to the engagement;

- reconciling the tagged data with the audited consolidated financial statements of the Group dated 31 December 2022;
- evaluating the completeness of the tagging of the consolidated financial statements;
- evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements.

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

In our opinion, the consolidated financial statements included in the annual report of AS Tallinna Sadam identified as 25490093MDYISEP1Y539-2022-12-31-en.zip for the year ended 31 December 2022 are tagged, in all material respects, in compliance with the ESEF RTS.

Other Requirements of the Auditors' Report in Accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council

We were appointed by those charged with governance on 25 April 2018 to audit the consolidated financial statements of AS Tallinna Sadam for the years ended 31 December 2018 until 31 December 2022. Our total uninterrupted period of engagement is five years, covering the periods ending 31 December 2018 to 31 December 2022.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Group;
- we have not provided to the Group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

Tallinn, 20 March 2023

/digitally signed/	/digitally signed/
Indrek Alliksaar	**Mari-Leen Sandre**
Certified Public Accountant, Licence No 446	Certified Public Accountant, Licence No 701

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Statement of the Supervisory Board

The supervisory board of AS Tallinna Sadam has approved the group annual report of AS Tallinna Sadam as at and for the year ended 31 December 2022, which consists of the management report, remuneration report, the financial statements and the accompanying independent auditors' report.

29 March 2023

/Signed digitally/

RIHO UNT

/Signed digitally/

MAREK HELM

/Signed digitally/

MAARIKA HONKONEN

/Signed digitally/

KAUR KAJAK

/Signed digitally/

RISTO MÄEOTS

/Signed digitally/

AIN TATTER

/Signed digitally/

VEIKO SEPP

Profit Allocation Proposal

At 31 December 2022, the Group's retained earnings amounted to EUR 51,383,040, including profit for the period of EUR 25,591,833. Based on the dividend policy approved by the general meeting according to which from 2021 dividend distributions have to amount to at least 70% of profit, the management board proposes that the Group distribute a dividend of EUR 0.073 per share, i.e. EUR 19,199,000 in total.

Based on section 332 of the Commercial Code of Estonia, the management board proposes that the total retained earnings for the year ended 31 December 2022 be allocated as follows:

Dividend distribution	EUR 19,199,000
Transfer to statutory capital reserve	EUR 742,837
Transfer to retained earnings (prior periods)	EUR 5,649,996

/Signed digitally/

VALDO KALM
Chairman of the Management Board

/Signed digitally/

ANDRUS AIT
Member of the Management Board

/Signed digitally/

MARGUS VIHMAN
Member of the Management Board