ANNUAL REPORT 2020

PORT OF TALLINN

AS Tallinna Sadam
Group Annual Report 2021

Commercial Registry no.	10137319
VAT registration no.	EE100068489
Registered office	Sadama 25, 15051 Tallinn, Estonia
Country of incorporation	Republic of Estonia
Phone	+372 631 8555
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

Table of Contents

MANAGEMENT REPORT

TABLE OF CONTENTS

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 is favourable 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
- **Reception of 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,
  Tallinn–St Petersburg,
  Cruise ships

CARGO

- Annual average figures:
  about **20 million tonnes of cargo**,
  450,000 freight vehicles,
  1,600 cargo ship calls
- Cargo harbours:
  Muuga Harbour,
  Paldiski South Harbour.
  Ro-ro cargo at Old City Harbour
- **Reception of cargo traffic**, provision and development of port infrastructure
- Liquid bulk, dry bulk, container, ro-ro and general cargo

SHIPPING

TS LAEVAD OÜ

- **Operation of ferries** on two domestic routes:
  Rohuküla–Heltermaa
  and Virtsu–Kuivastu
- Annual average figures:
  2.4 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
- **Off-shore work** and international projects during the summer season

REAL ESTATE

- **Real estate development 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.*

Tallinna Sadam owns two passenger harbours (Old City Harbour and Saaremaa Harbour) and two cargo harbours[2] (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, administers 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, which offers innovative waste handling solutions.

Structure of Tallinna Sadam Group

[2] *In addition, Tallinna Sadam provides the services set out in the Port Rules in Paljassaare Harbour.*

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 multifunctional 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 2021

Revenue EUR 110.1m
(+2.5%)[3]

Cargo volume 22.4m tonnes
(+5.0%)

Utilisation rate for icebreaker Botnica 73%
(+5 percentage points)

Adjusted EBITDA EUR 54.0m
(–7.5%)

Number of passengers 3.5m
(–18.2%)

Traffic between Estonia's mainland and largest islands 2.2m passengers (+12%) **and 1.1m vehicles** (+14%)

EBITDA margin 49.1%. Profit EUR 25.6m
(–10.2%)

Number of vessel calls 7,333
(+3.5%)

Share of vessel calls with ESI[4] discounts 16%
(–2 percentage points)

Capital investments EUR 14.7m
(–60.4%)

Dividends paid EUR 20.251m
(EUR 0.077 per share)

GHG[5] emissions 23,216 tonnes of CO_2 equivalent
(–4%)

[3] *All changes on this page compared with 2020.*

[4] *ESI — Environmental Ship Index.*

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

1.3 Significant events in 2021

BOTNICA'S 10-YEAR CONTRACT WITH THE TRANSPORT ADMINISTRATION FOR THE DELIVERY OF ICEBREAKING SERVICE IN NORTHERN ESTONIAN PORTS

TRANSITION TO RENEWABLE ENERGY — TALLINNA SADAM CONSUMES ONLY GREEN ELECTRICITY PRODUCED IN ESTONIA

OPENING OF A PARKING HOUSE IN PASSENGER TERMINAL D

RELAUNCH OF THE CRUISE SEASON

TABLE OF CONTENTS

SHAREHOLDER WEBINAR ON THE GENERAL MEETING

TALLINNA SADAM AND TS LAEVAD RECEIVE THE SILVER LABEL OF THE RESPONSIBLE BUSINESS INDEX[6]

HHLA'S NEW CONTAINER CRANES ARRIVE AT MUUGA HARBOUR

OPENING OF A NEW CRUISE TERMINAL AND PROMENADE. TALLINN DEVELOPMENT PROJECT 2021 AWARD

EXPANSION OF KATOEN NATIE'S LOGISTICS CENTRE AT MUUGA HARBOUR

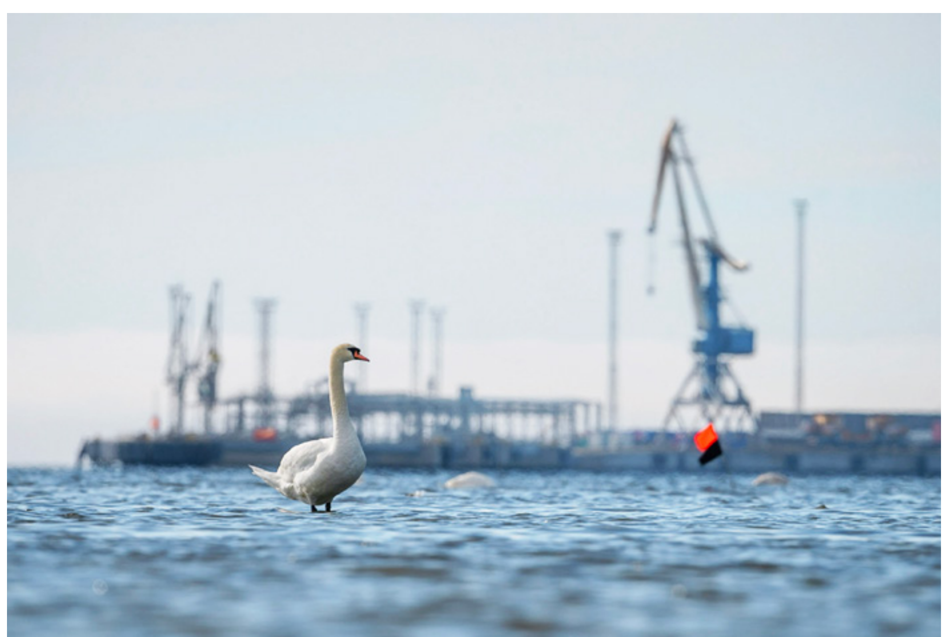
[6] *The Responsible Business Forum index.*

TABLE OF CONTENTS

REOPENING OF THE TALLINN–STOCKHOLM ROUTE

OPENING OF THE ADMIRAL BRIDGE AT OLD CITY HARBOUR. The bridge is named Facility of the Year 2021 at the annual construction conference Construction 2022+: E-horizon

NASDAQ BALTIC AWARDS 2021 — BEST INVESTOR RELATIONS



SPECIAL AWARD FOR ENVIRONMENTAL MANAGEMENT[7] IN THE ENVIRONMENTALLY FRIENDLY COMPANY OF THE YEAR CATEGORY

INVESTOR DAY AT THE CRUISE TERMINAL

AUTOMATED MOORING EQUIPMENT BEGINS TO SERVE SHIPS IN OLD CITY HARBOUR

[7] *The award was presented by the Ministry of the Environment.*

1.4 Letter from the Chief Executive

A new crisis is unfolding in the world as Russia launched a wide-scale attack on Ukraine on 24 February 2022, unleashing the biggest war in Europe in recent history. Tallinna Sadam fully agrees with the government of Estonia that has clearly and unambiguously denounced Russia's military invasion of Ukraine. The sanctions imposed on Russia by the West are inevitably going to have an impact on the global economy. There will also be consequences for Tallinna Sadam, our cargo business, our customers and our financial performance. However, in this situation the sanctions are imperative, and I believe that our investors understand and support the decisions of the democratic world.

As regards the year 2021, for Tallinna Sadam it was marked by the same events that affected the whole world: coping with the challenges of COVID-19, green transition and, towards the end of the year, an energy crisis.

The epidemic continues to influence our business and results, but we have learned to cope with it. Our cargo flows are stable, our shipping business is performing better than ever and, although passenger traffic remains depressed, cruise ships have started calling at our port again and the Tallinn–Stockholm route has been reopened. We believe that passenger flows will recover in the coming years and thus we are investing heavily in upgrading our passenger harbour infrastructure, improving passenger access and developing the harbour area into an attractive urban space. Last year, we opened several important landmarks in Old City Harbour. As the largest tourist gateway to Estonia, we can offer our passengers a first-class visitor experience in a new cruise terminal whose winding rooftop promenade has made the waterfront into an appealing leisure space. Admiral Bridge shortens the walking distance between our two terminals, inviting people to get acquainted with a special and unique piece of architecture. We are working closely with the City of Tallinn to bring a tram route to Old City Harbour in the next few years and contributing actively to the detailed planning processes initiated for the development of the Old City Harbour to move on with the implementation of Masterplan 2030+. The harbour area, which used to be inaccessible, is transforming into a vibrant and inviting urban space that delights us and our fellow citizens while leaving an incredible first impression on visitors arriving by sea.

We are working hard to reduce our ecological footprint: within two years we have reduced our greenhouse gas emissions by 14%, our largest shipping customers have connected their ships to onshore power supply systems and vessels are moored and unmoored automatically. The Smart Port solution guides vehicles at our Old City and Muuga harbours and will soon be implemented at Paldiski South harbour. From 2021 we consume only renewable electricity and we are planning to participate in the development of offshore wind farms and the implementation of hydrogen technology.

Despite the crises that are ravaging the world, we remain a strong organisation, with dedicated and committed employees, satisfied customers and the trust of nearly 20,000 shareholders. A balanced business model allows us to deliver on our promises and to pursue our adopted dividend policy.

VALDO KALM
Chairman of the Management Board of Tallinna Sadam

TABLE OF CONTENTS

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 services to people and cargo, shipping, and waterfront real estate development 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.

TABLE OF CONTENTS

1.6 Strategy 2021–2025

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.

External factors with the strongest impact on the Group are the COVID-19 pandemic and environmental changes that increase competition. The lockdowns of neighbouring countries and changes in travel habits influence both the ferry and cruise ship sectors while changes in global supply chains may unlock opportunities for serving new cargo flows. In striving for climate neutrality and sustainable development, new regulations (particularly the Fit for 55 package) and the implementation of alternative energy sources and green fuels play an important role.

Business strategy

By the year 2025, Tallinna Sadam will have moderate **growth opportunities** in all its business lines: cargo, passengers, real estate, and shipping. In the next four years, we will continue to increase **the competitiveness of cargo corridors** passing through Estonia together with other members of the logistics chain. We see opportunities in transforming our harbours into regional distribution centres and developing north-south cargo flows, among other things, by opening new ro-ro and container cargo routes. Opportunities can also be found in replacing fossil fuels with renewable and biofuels and alternative energy sources and becoming a base and maintenance harbour for developers of offshore wind farms. In real estate development, the goal is to make wider use of the areas of **industrial parks** at our Muuga Harbour and Paldiski South Harbour.

In the passenger business, which has been hit the hardest by the COVID-19 crisis, we will focus on restoring the traffic on regular routes and the services provided to cruise ships. Investments in the area will be aimed at improving passenger service infrastructure and providing environmentally friendly solutions for ships, buildings and passengers.

In the real estate business, we will continue to create an attractive urban space by executing the development plan of Old City Harbour: **Masterplan 2030+**.

In shipping, the main focus in 2021–2025 is on ensuring environmentally friendly service on the routes between Estonia's mainland and two largest islands, renewing the ferry service contract by winning a public tender and securing year-round operation, including summer work, for the icebreaker Botnica.

TABLE OF CONTENTS

Development opportunities

PASSENGERS

- Restoring passenger traffic on the Helsinki, Stockholm and St Petersburg routes
- Increasing the cruise business
- Improving accessibility and connectivity

CARGO

- Becoming a construction and maintenance harbour for wind farm developers
- Increasing market share in the region
- Becoming a regional cargo 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 a 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
- Growth in demand for icebreaking and ice management 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 supporting growth in the circular economy and improving energy efficiency, while using all natural resources efficiently 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 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, adopting 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 2021, our sustainable development working group continued to develop our sustainable development strategy and to plan activities for achieving the goals set in collaboration with our in-house experts and management. We 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.

The Estonian Maritime Academy also helped us develop an application for mapping and measuring our greenhouse gas emissions, which enables us to automatically generate relevant data. We have adopted a Group-wide concept of sustainable development and, additionally, the subsidiary TS Laevad has developed its own sustainable development programme, which is linked to the Group's goals.

Last year we also completed for the first time the CDP (Carbon Disclosure Project) climate change questionnaire to be more open about the impacts of our carbon footprint as well as the goals and activities aimed at their mitigation.

ECONOMIC IMPACT

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

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
17 PARTNERSHIPS FOR THE GOALS

SOCIAL IMPACT

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

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
17 PARTNERSHIPS FOR THE GOALS

ENVIRONMENTAL IMPACT

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

3 GOOD HEALTH AND WELL-BEING
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
17 PARTNERSHIPS FOR THE GOALS

TABLE OF CONTENTS

1.7 Tallinna Sadam's stakeholder groups

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

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.

Due to the pandemic, our main focus in 2021 was on preventing the spread of the coronavirus among our employees and in the port community. We analyse the risks arising from the spread of the virus regularly and take various measures to protect our people. At the end of the reporting period, over 90% of them were vaccinated against COVID-19. In addition, we participated in various working groups set up to develop virus containment measures to ensure optimal application of restrictions which take into account the nature of harbour operations and maritime transport. Also, we work closely with the Police and Border Guard Board and Health Board to make sure that our harbours comply with pandemic-related requirements (including the arrangement of health checks and tests) and work with other harbours across the border to harmonise security measures and ensure smooth and swift exchange of information.

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 six fire drills in the passenger terminals of Old City Harbour 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.

Training and exercises

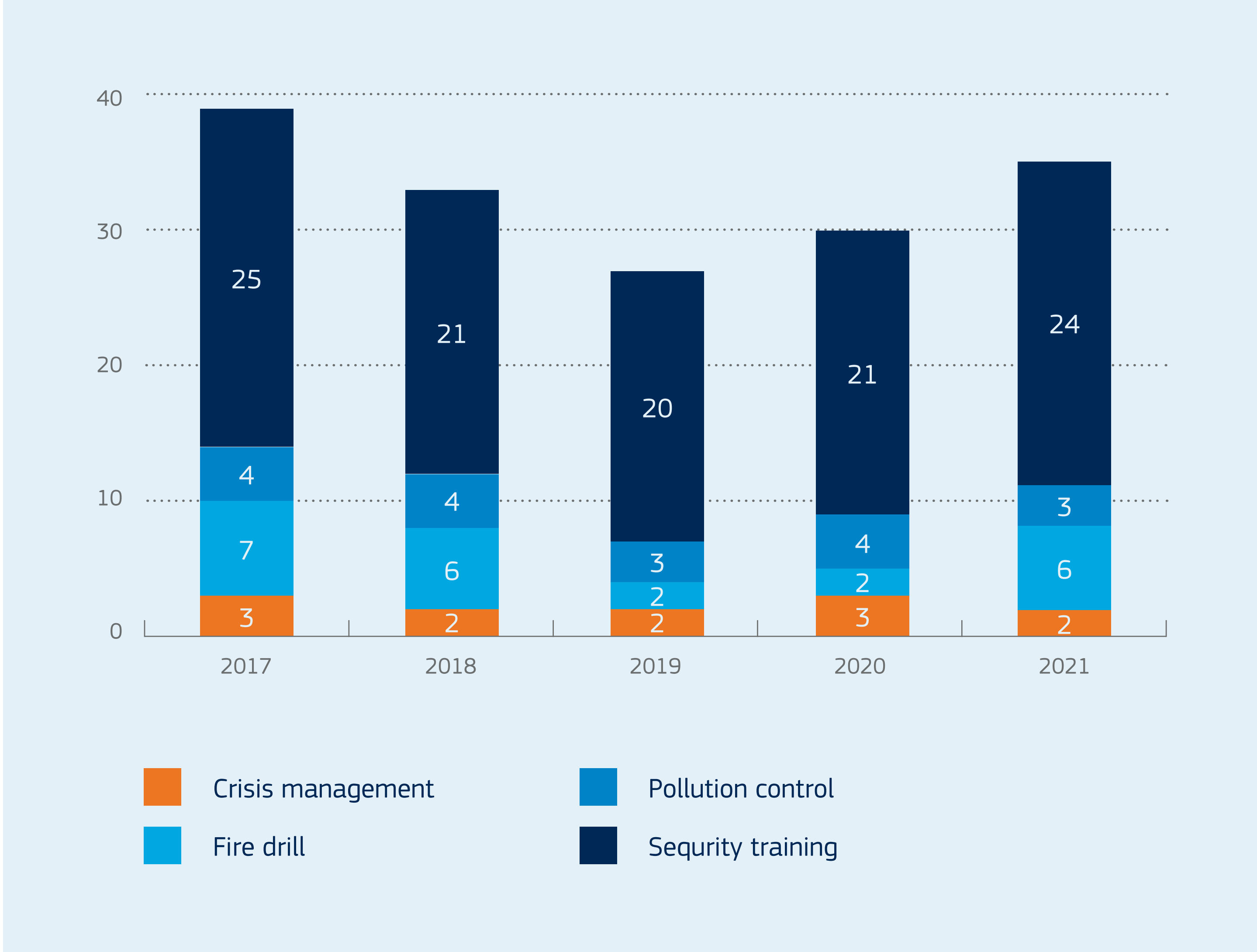


TABLE OF CONTENTS

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. In 2021, we prepared fire safety action plans for our office buildings and passenger terminals.

The Rescue Board ensures swift response to possible rescue incidents. To increase the capabilities of the Muuga rescue unit, 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.

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[8] 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[9] 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 annual 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 only a 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. As a rule, 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 but in 2021 and 2020 no joint exercises were organised due to the pandemic. 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.

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

[9] *The Transport Administration was established on 1 January 2021 by merging the Civil Aviation, Road, and Maritime Administrations (and it is their legal successor).*

2.2 Quality management and risks

The Group's parent, AS Tallinna Sadam, 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 AS 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. We focused on digitalisation: implementing a digital tool for goal-setting in the performance management process as well as digital solutions for asset management, risk assessment and measuring the GHG emissions of our operations.

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 long-term impacts of the COVID-19 pandemic on passenger and cargo flows, sanctions imposed under the security policy, stricter environmental requirements resulting from climate change and climate policy (including the goal of achieving climate neutrality) and possible unfavourable changes in national tax (including alcohol excise) policies. According to our risk analysis, the most serious environmental risk factor for the Group is climate policy – potential new international and EU requirements (including the Fit for 55 package) which will have a long-term impact on harbour services through 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 the Group's major customers and prospective customers' unwillingness to invest due to the instability of the global economy. In the passenger business, significant risks include the construction of a competing passenger harbour (in the long-term perspective), travel restrictions between countries due to the COVID-19 pandemic and possible incidents with passengers on harbour premises. The cargo business is exposed to the continuation and expansion of the EU and US economic sanctions against Russia, increasing competition (including domestic) between the Baltic Sea ports and harbours, and Russia's ongoing restriction of rail transport volumes. In the real estate business, significant risks are related to 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 our inability to secure regular summer work for the vessel. Significant operational risks include the risks related to occupational health and safety, the planning and execution of business projects and a possible decrease in the market value of significant assets. According to our risk assessment, all other risks, such as environmental risks (such as the risk of pollution of the port basin and harbour premises, noise and odour nuisances), safety and security risks, 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 (17 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 big Estonian and 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 2021, **the customer satisfaction index** was 5.22 on a 6-point scale (2020: 5.13).

In 2021, we improved accessibility and parking. We continued to develop the Smart Port application at Muuga Harbour, opened a car park near passenger terminal D at Old City Harbour, expanded parking space at Muuga Harbour and renewed directional signs at Old City Harbour and Muuga Harbour. Thinking of pedestrians and cyclists, we built the Admiral Bridge, which connects the passenger terminals of Old City Harbour, and a promenade for the cruise area.

The companies that provide services in the passenger terminals of Old City Harbour observe a common approach to service provision: **the Service Compass** of the Old City Harbour Community. TS Laevad wishes to offer its passengers the best travel experience in Estonia and regularly measures customer satisfaction using the net promoter score (NPS) methodology. In 2021, **the NPS** was +73 on the scale of –100 to +100 (2020: +73). Last year, the company renewed its ticket sale environment and website. In partnership 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 2021, we applied sustainable procurement criteria to 68% of our procurement contracts (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 2021 in **cooperation with customers and other stakeholder groups**: the Estonian Association for Environmental Management online forum "Circular Waste Management in Estonia – How to Proceed?", a circular economy roundtable for maritime companies that participate in the Green Tiger Project, the Baltic Sea Day Conference, the BPO jubilee conference "The Future Begins Today", a hydrogen seminar "Hydrogen – Driver of the Estonian (Green) Future", Paldiski Association of Entrepreneurs' investment conference "A Different Paldiski", XVII International Maritime Conference, etc. Although due to the pandemic we could host fewer business delegations, a number of public events were held to promote the cargo handling, passenger service and environmental protection capabilities of Estonian logistics companies and harbours, including a public presentation of interim reports III and IV of the Estonian Academy of Arts research project: *Tallinn Old Town: Sustainable Management and Presentation*, an urban space workshop of the International Service Design Programme of Tallinn University, and a presentation of the Seabin floating trash collector.

FERRY PASSENGERS

XVII INTERNATIONAL MARITIME CONFERENCE

TABLE OF CONTENTS

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 significant environmental aspects and their impacts; and determine our environmental goals and tasks to improve the effectiveness of our activities.

TABLE OF CONTENTS

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 February 2021. Our renewable electricity purchases in 2021 totalled 13 GWh, accounting for 88% of our electricity consumption. 1% of electricity consumption was covered with solar power produced with our own **solar panels**.

We use BIM in building and infrastructure planning and management. BIM (digital building information modelling) 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 to optimise building management costs. In addition to passenger terminal D, which was completed in 2020, BIM was used in the design and construction of a multi-storey car park for passenger terminal D, Admiral Bridge and a cruise terminal with a roof promenade, which were completed in 2021.

Various digital solutions were used in the projects and our BIM requirements changed work processes and improved communication between designers, builders and the customer. Implications for the sector have been significant and broad-based: BIM has influenced the practices of numerous companies, from Tallinna Sadam to site contractors. Our BIM requirements for buildings have also paved the way for rapid progress in the use of information modelling, particularly in the building management phase.

In 2021, we continued to implement innovative solutions initiated in earlier years and to **use energy generated from renewable sources**. Our main largest office and service buildings are equipped with building automation systems which allow us to monitor their performance in real time. A big step forward was the implementation of **seawater-powered heating and cooling systems at the new cruise terminal** opened in summer 2021. The systems reduce energy consumption and are a more environmentally friendly alternative to conventional solutions. To further increase energy efficiency, the building was supplied with a 260 kW solar power plant, which covered 54% of the building's electricity needs in the six months until the end of the year. We also continued to save energy on street and warehouse lighting: **the energy consumption of outdoor lighting decreased by 10%** compared to 2020.

Energy efficiency and sustainable consumption indicators

Indicator	Target level for 2030	2019	2020	2021
MPSV Botnica Botnica *Energy Efficiency Operational Index* (EEOI)[10]	In the range of 0.3–0.4	0.4	0.3	0.4
Outdoor lighting upgrade rate	100%	31%	31%	47%
Energy efficiency of buildings (kWh/m^2 per year)	130	197	184	186
Share of renewable energy in total energy consumption*	90%	0.4%	0.6%	67%

* *Including electricity and heat.*

[10] *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).*

TABLE OF CONTENTS

TS Shipping implemented SEEMP (Shipboard Energy Efficiency Management Plan) 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. As a result, the ferries achieved a 7% (2020: 9%) fuel saving per trip in 2021 compared with 2019 when the monitoring system had not yet been implemented. Savings were reduced by an accident which took place in July, when Tõll hit a shoreside ramp due to a technical failure in the switchover of the hybrid system. Although the incident has been thoroughly investigated and the systems have been tested, Tõll will not operate in electric mode until final assurance has been obtained.

TABLE OF CONTENTS

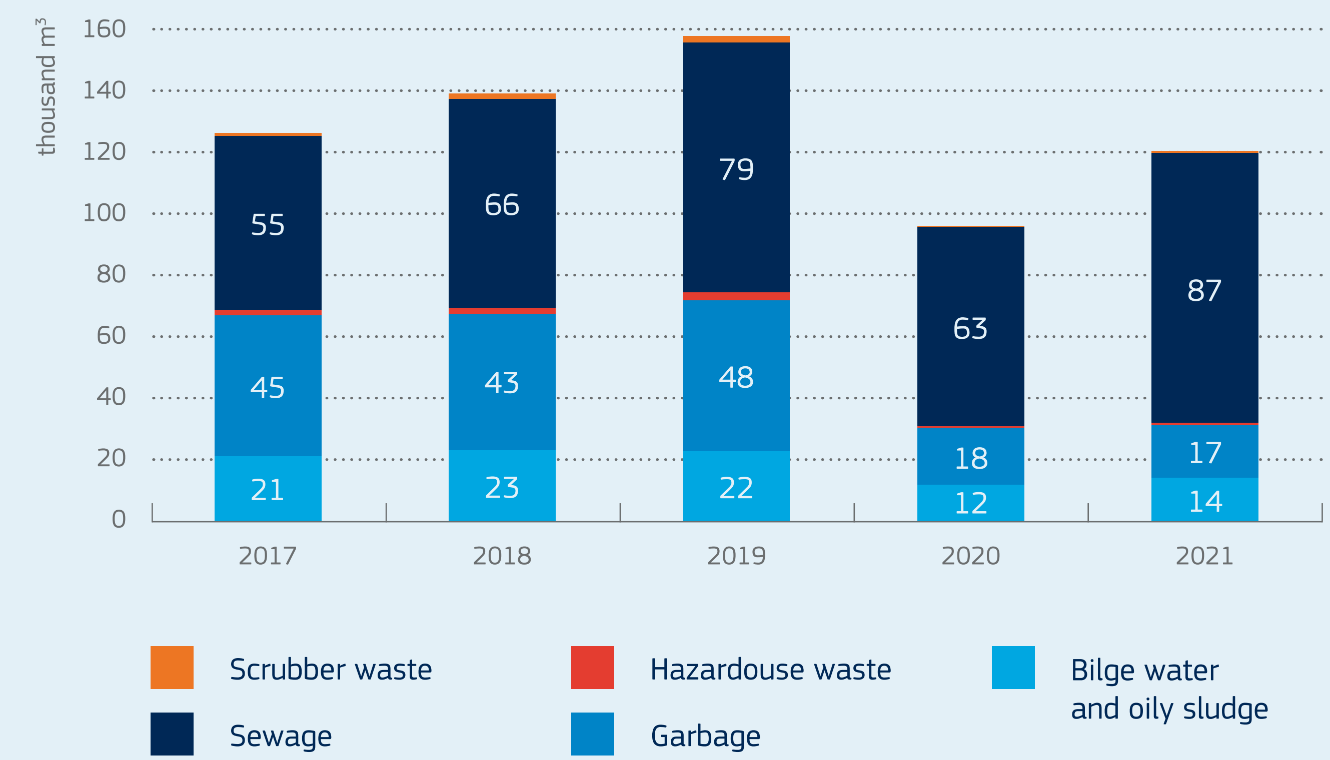
3.2 A clean Baltic Sea and increasing circular economy

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. Due to the COVID-19 pandemic the number of port calls by cruise ships and ferries continued to be lower than usual in 2021 and therefore the quantities of ship-generated waste received were also smaller. **In 2021, 43% of ship-generated waste received was handed over for recycling** (2020: 53%). The volume of recycled waste is affected by the type of waste received. In connection with a decline in the number of cruise ship and ferry calls, the volume of sorted municipal waste that can be recycled more easily has decreased substantially. The share of landfilled waste is minimal: 97% of waste received in 2021 was recycled or recovered (incinerated).

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 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

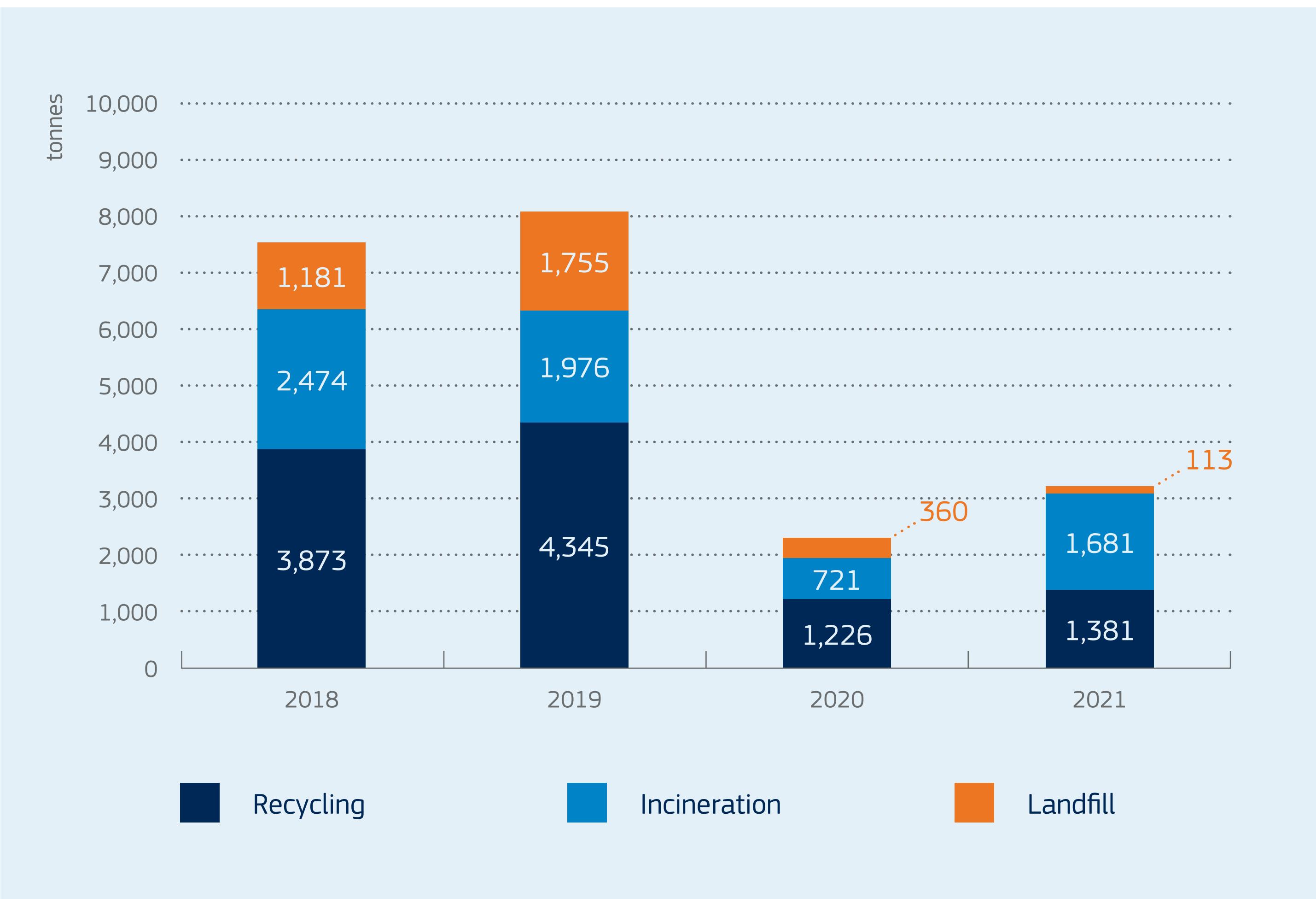
Indicator	Target level for 2030	2019	2020	2021
Share of ship-generated waste recycled in the circular economy	70%	54%	53%	43%
Share of port calls by cruise ships that disposed of sewage at Old City Harbour	100%	81%	83%	94%
Number of pollution incidents in harbour basins	0	9	18	6
Benthic biodiversity 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%	71%	100%

Ferries and cruise ships discharged approximately 76 thousand m3 of sewage at Old City Harbour in 2021 (2020: 47 thousand m³). The share of cruise ships that dispose of sewage has grown year by year, reaching 94% in 2021. The indicator for ferries is not relevant because of their frequent timetables and generally short call times.

In 2021, 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 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 2021 data, the condition of the sea near Muuga Harbour and Old City Harbour is 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

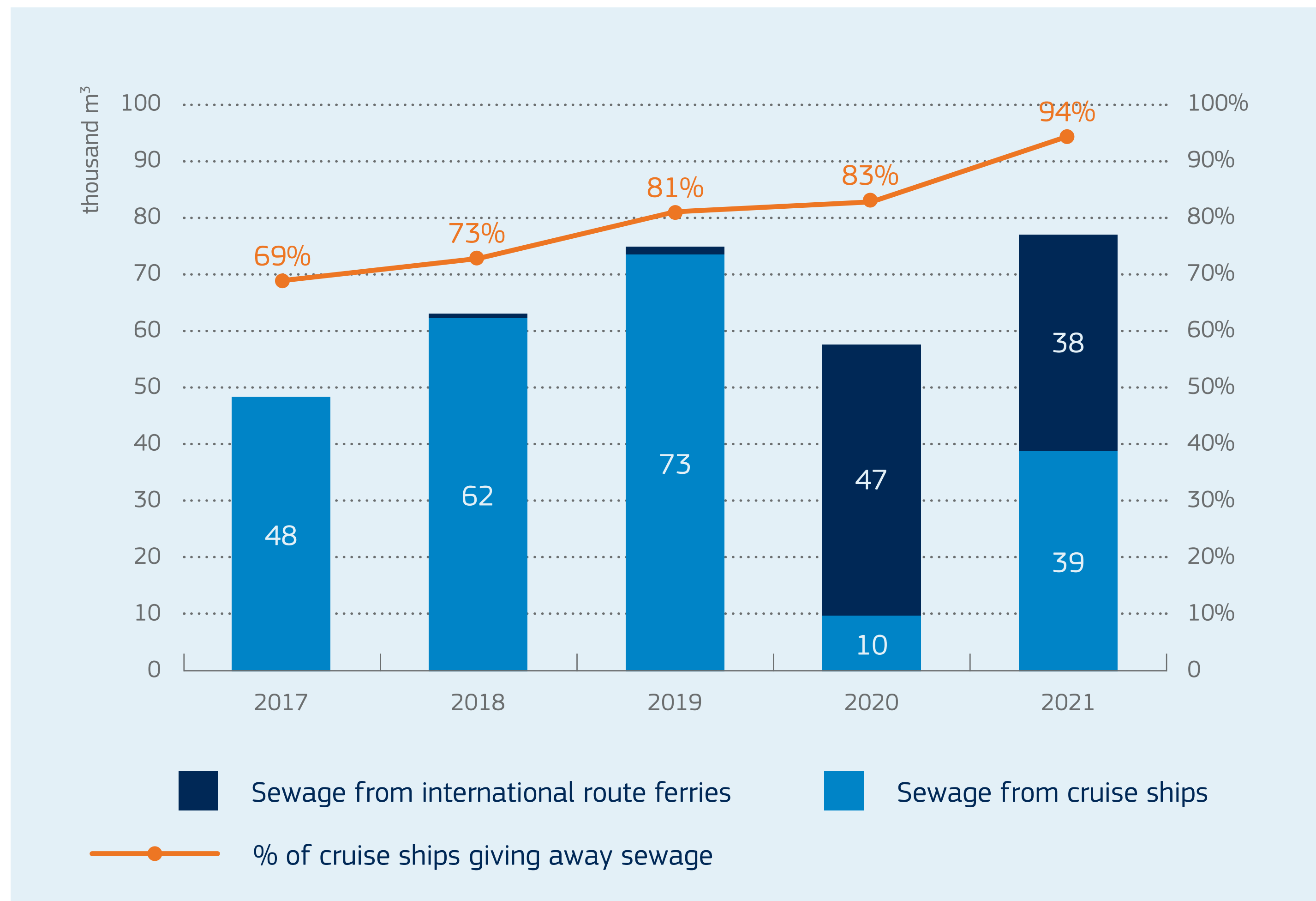


TABLE OF CONTENTS

3.3 Clean air

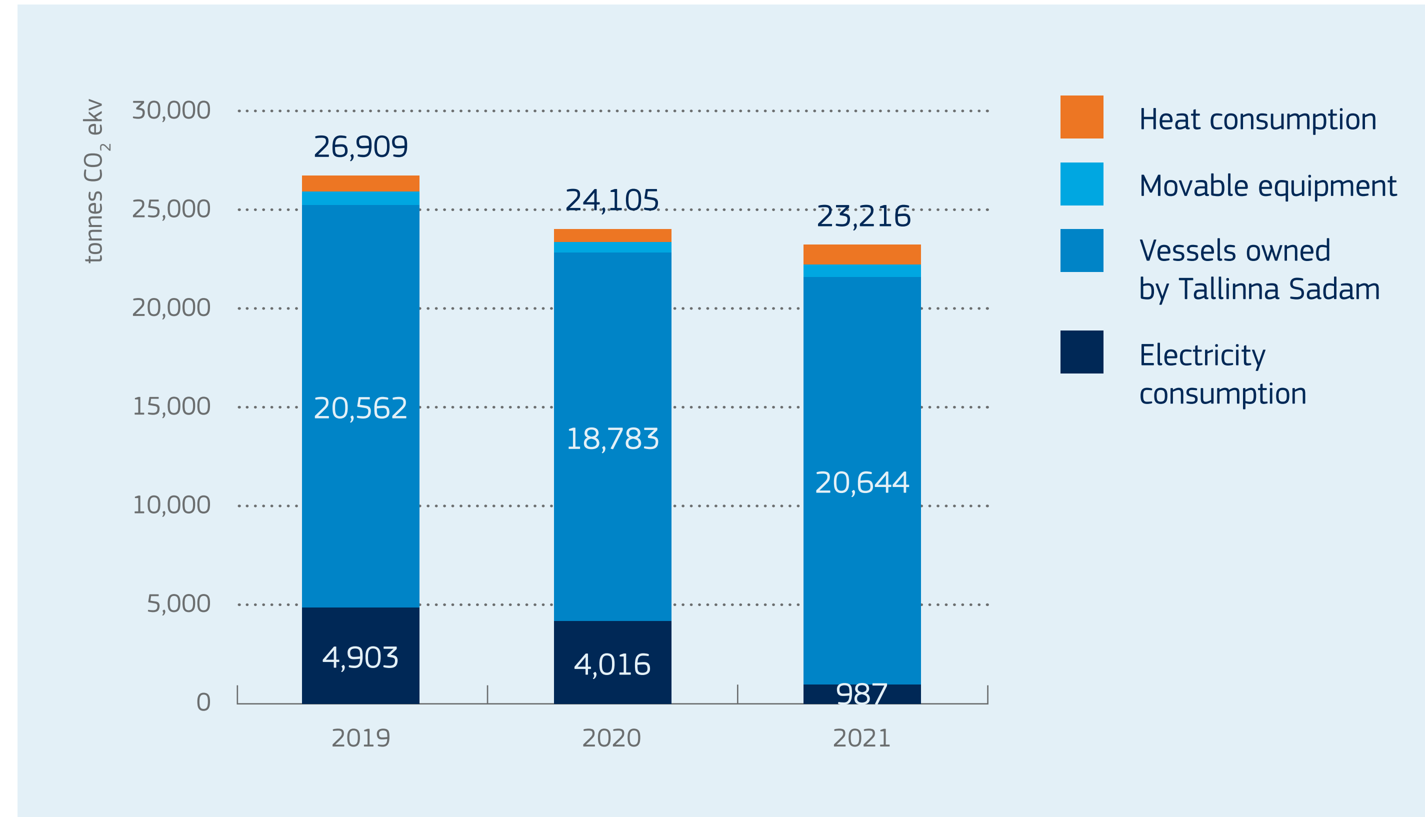
Our long-term goals in this priority area are **achieving climate neutrality and zero emissions from ships staying in our harbours by 2050**. We monitor our progress towards the goals using the indicators presented below.

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 mapping GHG emission sources and measuring carbon emissions, 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 emission of Tallinna Sadam



Indicators of ambient air quality

Indicator	Target level for 2030	2019	2020	2021
KHG[11] emissions (tonnes of CO_2 equivalent)[12]	2050=0	26,909	24,150	23,216
CO_2 emissions of TS Laevad per trip (%; 2019=100%)	26%	100%	94%	93%
Share of vessel calls with ESI discounts	50%	18%	18%	16%
Time during which ferries and cruise ships use onshore power supply as a percentage of total call time at Old City Harbour	50%	0%	0%	30%
Share of cargo harbours' ro-ro units (%)	50%	29%	28%	34%

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

[12] *The values for 2019 and 2020 have been updated using the specific emission factors for the years and therefore differ from the figures presented in the report for 2020.*

TABLE OF CONTENTS

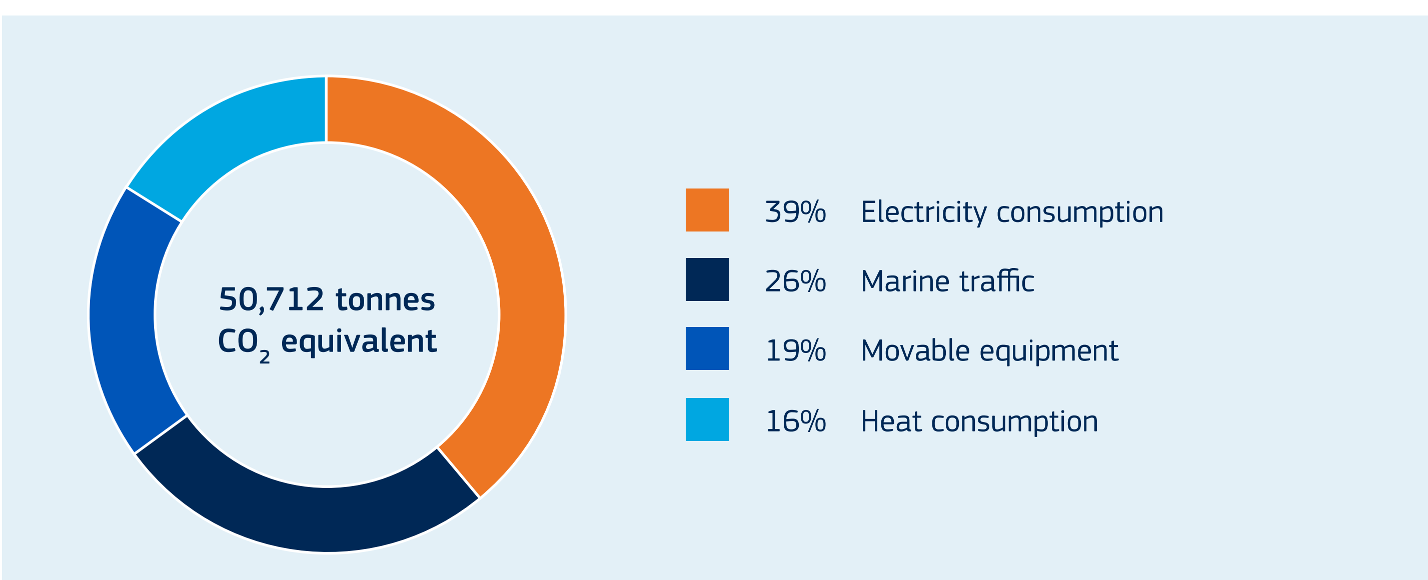
Mapping the GHG emissions of Tallinna Sadam

In 2020, Tallinna Sadam and the Estonian Maritime Academy at TalTech developed a methodology for measuring the **GHG emissions of our harbours and vessels**, which has been used to measure our GHG emissions for periods starting from 2019. In 2021, a survey was carried out for mapping and digitising CO_2 emissions as a follow-up to mapping GHG emission sources and calculating CO_2 emissions in 2020. Timely publication of the survey and data enables our customers (shipping companies, cargo operators and tenants) to analyse the CO_2 emissions of their operations and seek solutions to reduce their environmental impact and achieve climate neutrality.

We measure GHG emissions categorised into three scopes based on the ownership or control of the emission source and the operational boundaries:

- 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).

2020 total GHG emission (incl. operators, tenants, marine traffic)



The GHG emissions survey included the development of an action plan, i.e. **measures with a significant effect on reducing the GHG emissions** of Tallinna Sadam. Several of the measures have already been implemented, such as the onshore power supply for ferries at Old City Harbour, use of renewable energy for electricity consumption, discounts on port dues for environmentally friendly vessels, implementation of economical hybrid solutions in ferry traffic between Estonia's mainland and largest islands, preparations for transition to complete renewable energy solutions, etc. We will continue to implement GHG reduction measures in order to achieve our environmental goals.

The factors with the strongest direct impact on Tallinna Sadam's GHG emissions are power and heat consumption and the choice of fuels and means of transport. Therefore, energy efficiency and a wider use of renewable energy sources are the keys to reducing our GHG emissions.

In 2020, all direct and indirect GHG emissions from Tallinna Sadam's operations, including emissions from operators, tenants and port calls (scopes 1–3) were 50,712 tonnes of CO_2 equivalent, **a 48% decrease compared with 2019**. The decline is mainly attributable to the COVID-19 pandemic which reduced both the number and duration of port calls. The lack of cruise ship calls in 2020 had the biggest impact, as cruise ships emit the most CO_2 due to their size, function and length of stay at port. In contrast to 2019, when more than half of GHG emissions resulted from vessel calls, in 2020 nearly 39% of GHG emissions resulted from **electricity consumption**, of which just one-fifth was attributable to Tallinna Sadam itself. The total GHG figure for 2021 (scopes 1–3) will be available in the first half of 2022 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 **23,216 tonnes of CO_2** equivalent in 2021 (2020[13]: 24,150 tonnes of CO_2 equivalent), of which 66% was attributable to ferry traffic operated by TS Laevad between Estonia's mainland and largest islands. In 2021, **the Group's CO_2 emissions decreased by around 4%** year on year (–14% compared to the baseline year 2019). This was mainly due to the increased energy efficiency of the ferries of TS Laevad (lower fuel consumption) as well as the parent company's transition to renewable electricity (wind and solar).

[13] *Emissions from electricity consumption have been calculated based on the specific emission factor for 2020 (National Inventory Report NIR 2021).*

TABLE OF CONTENTS

Other solutions to achieve clean 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, 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. In 2021, we began to implement the system at Muuga Harbour and Paldiski South Harbour.

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 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[14]. The ro-ro traffic of Paldiski South and Muuga harbours accounted for 34% (2020: 28%) of the total number of the ro-ro units handled by Tallinna Sadam in 2021.

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, so we can start resolving the issue without delay. In 2021, the Environmental Board received 233 complaints (2020: 121) about odour issues in the area (related to oil, gas and chemicals), of which only 9 (2020: 7) were directly or indirectly attributable to Muuga Harbour. This indicates that a significant share of odour issues is caused by other companies operating in the area. Air quality monitoring results by year are available on our website at https://www.ts.ee/en/air-monitoring.

From 2021, Silja Europa, Baltic Queen, Finlandia, Viking XPRS and Victoria I, which serve the Tallinn–Helsinki and Tallinn–Stockholm routes, can connect to the **onshore power supply system** while staying at Old City Harbour. The ferries can stop their engines and use onshore power, 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)[15]. In 2021, we granted ESI-based discounts on a total of 1,155 port calls, which account for 16% (2020: 18%) of all port calls.

TS Laevad, a subsidiary of Tallinna Sadam, contributes to reducing 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.

[14] 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.

[15] 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

TABLE OF CONTENTS

4 Our People

4.1 Employees

Tallinna Sadam employs nearly 500 people. The Group's average number of employees in 2021 was 469 (2020: 465 people).

In recent years, we have streamlined our harbour management operations and implemented digital tools. As a result, the number of employees involved in the harbour business has decreased. Due to the uncertainty caused by the COVID-19 pandemic, employee remuneration was temporarily lowered in 2020 by cutting additional pay, which was restored in 2021.

Number of employees and personnel expenses

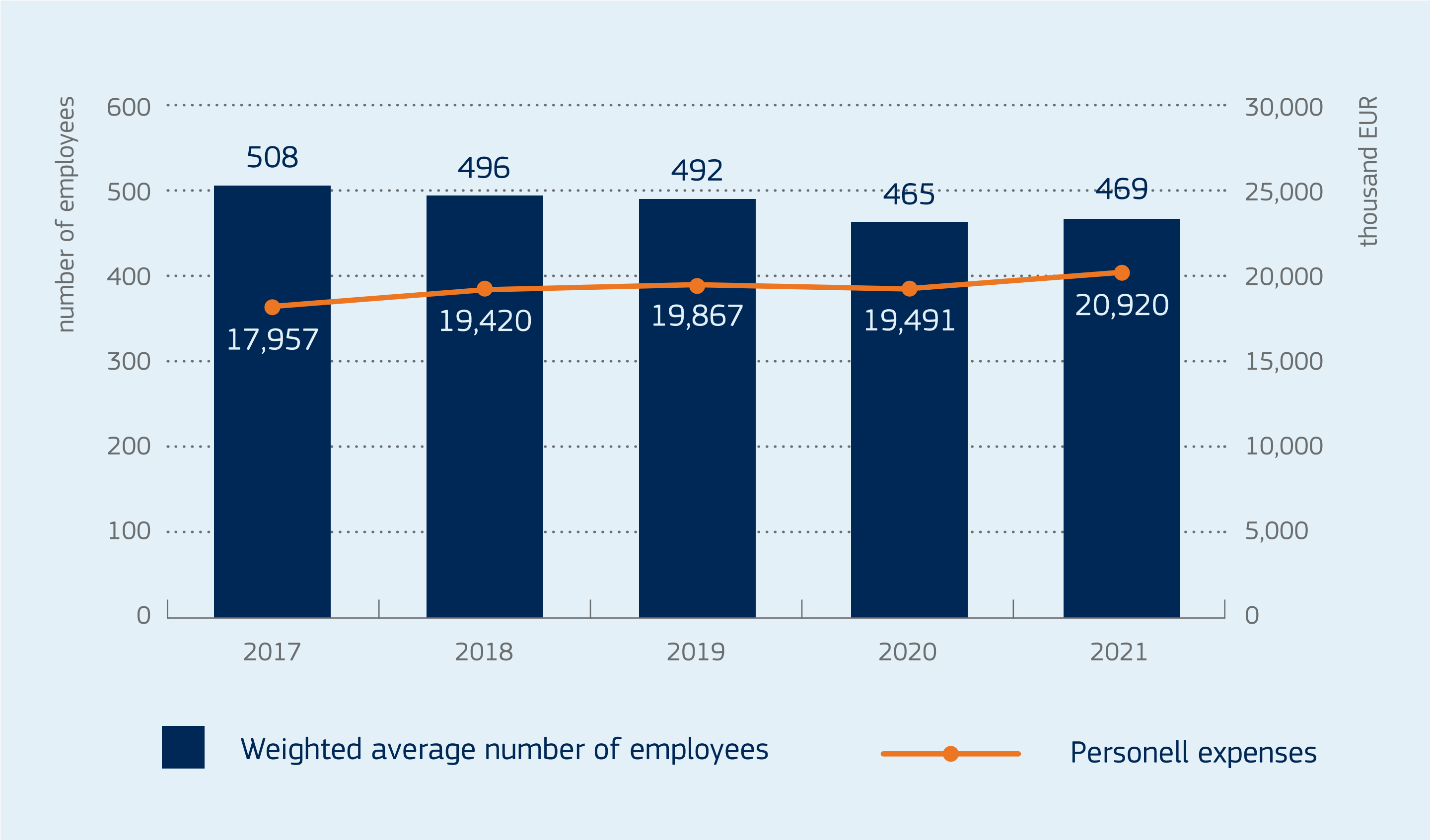
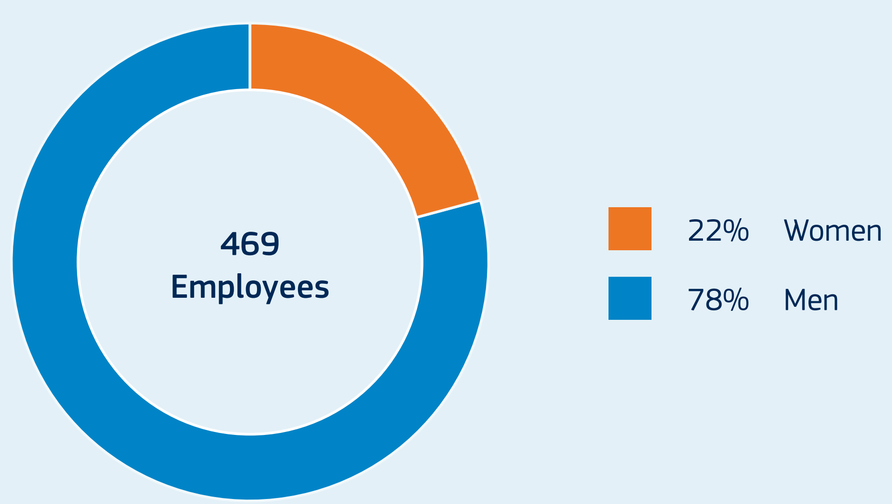


TABLE OF CONTENTS

The company's sustainable development is underpinned by its diverse and highly competent workforce.

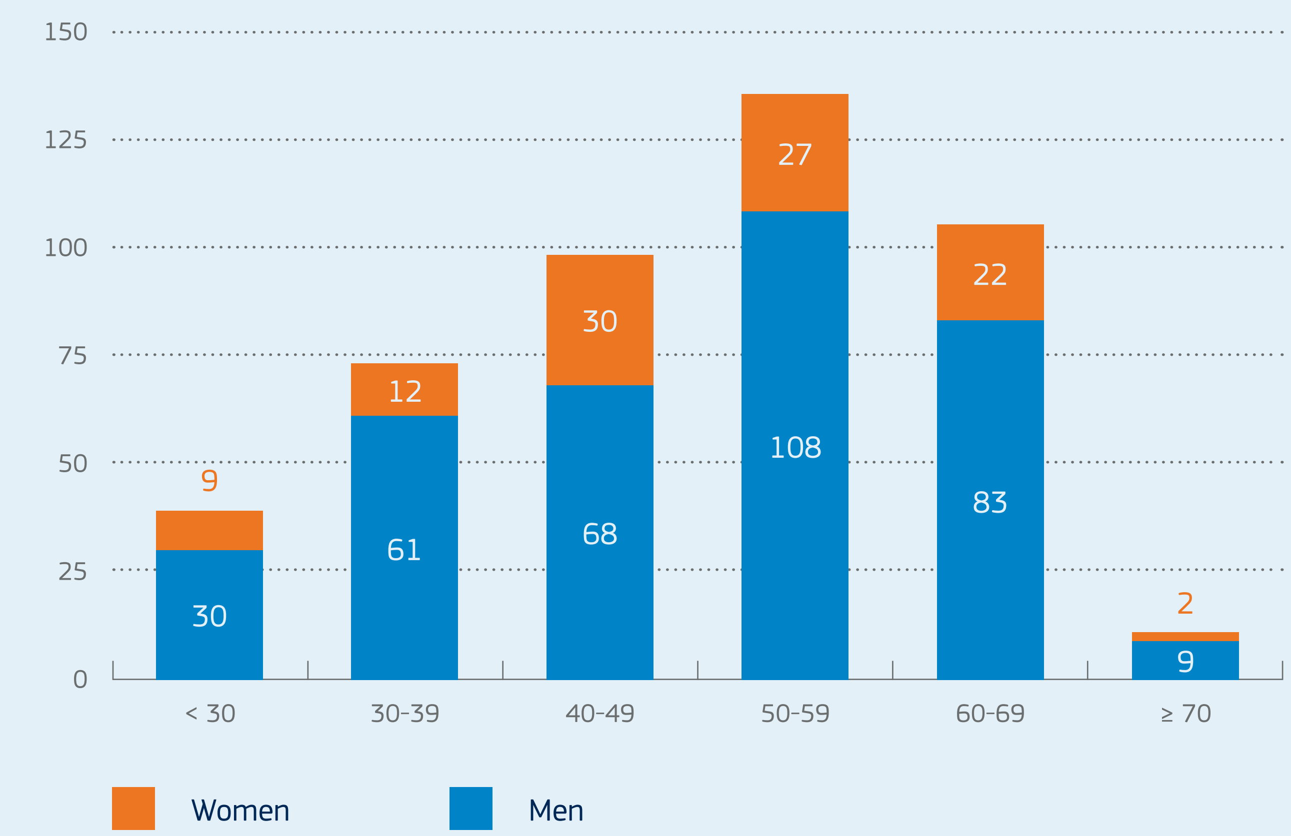
The **average length of employee service at Tallinna Sadam is 8.8 years**. The figure is the highest for employees involved in the harbour business (16 years) and the lowest at our more recently established subsidiary TS Laevad (3.7 years). The gender imbalance is attributable to the nature of our main business lines: harbour operations and shipping. Men are more interested in working as crew members, dockers and repairmen. Out of the 14 members of Tallinna Sadam's extended management team and subsidiaries' managers, 5 are women, i.e. **36% of senior management positions are held by women** (2020: 36%). Our goal is to increase the share of women among senior managers to 45% by 2030. **The gender pay gap**[16], i.e. the ratio of women's average hourly wage to men's average hourly wage, was 80% in 2021 (2020: 77%). The proportion of female staff in the company is low, but most of them work as top professionals and in senior, higher-paid positions.

Workforce by age at 31 December 2021



At the end of 2021, 15% of our employees were up to 35 years old (2020: 17%). Our long-term sustainable development goal is to raise the indicator to 25% by 2030 in order to improve our competitiveness and innovative thinking. To ensure the sufficient aftergrowth of older age retiring experts, we signed a **partnership agreement with the Estonian Maritime Academy** in 2019, which underpins our **collaboration in the field of internship and research**. In 2021, we offered internships to 14 students from the Estonian Maritime Academy and the Estonian Nautical School.

Workforce by gender at 31 December 2021



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

TABLE OF CONTENTS

4.2 Human resource strategy

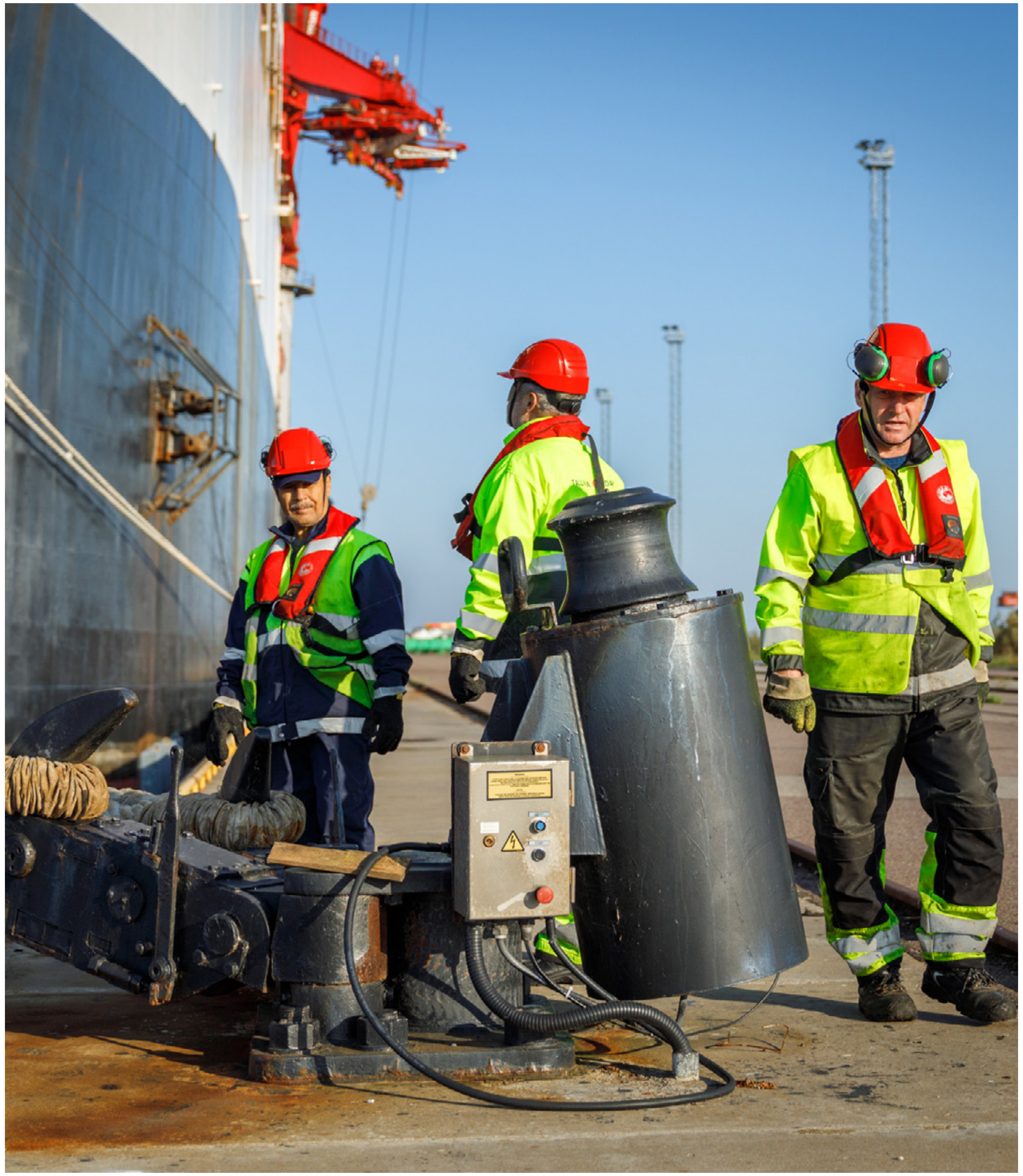
The current focus areas of our human resource strategy are team spirit and cooperation, employee development and health, smart work processes and effective work arrangement, and innovation. The goal of our human resource strategy is to have committed people in the right roles.

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 **employee engagement surveys**. In 2021, the engagement index was 3.2 on a 4-point scale with 77% of our people responding to the survey (2020: 3.5 points). **Voluntary employee turnover was 6.8% in 2021** (2020: 4.9%). The target is to keep the figure below or at 10%. According to Kantar Emor's annual employer reputation survey, Tallinna Sadam ranked 6th among the most preferred employers in the working people target group.

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 one or several employees who have stood out for working hard, representing our values or showing initiative. In addition, at the end of each year the entire team can elect Employees of the Year, i.e. the people who have best represented the values of the 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 enhancement of management quality consistent with our management principles. 12 managers completed Tallinna Sadam's management development programme in spring and 10 new managers started it in autumn 2021. 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.



CYCLING TRIP FROM PALDISKI HARBOUR TO TALLINN OLD CITY HARBOUR

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 ta talk about health and organise other activities which raise health awareness or introduce new ways to maintain a healthy lifestyle. We offer employees mental health counselling by the psychologists of our partner OÜ Meeletervis and in 2021 we offered our people the opportunity to take the COVID-19 antigen test free of charge. Considering the COVID-19 situation in Estonia in 2021, we kept up team spirit with various smaller events and team activities.

We maintain a common information space by organising **regular staff days**, which in 2021 mostly took place 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 Messages*). Our leaders and specialists also meet on our annual Strategy and Innovation Day. In autumn 2021, we ran an innovation accelerator with brainstorming sessions on the company's sustainable development and environmental sustainability, as well as our attractiveness as an employer. From the best ideas we selected projects that will be implemented by teams in the first half of 2022.

To achieve our common goals, we have implemented a **performance management system** to make sure that the company’s strategic objectives are communicated to each team and team member. Our goal-setting approach is that expected results should be clearly agreed and measurable. In 2021, we implemented planning and risk management software PlanPro, which helps improve goal-setting quality: employees' individual 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 results achieved.

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. In 2021 and previous years, there were no reported incidents of discrimination at Tallinna Sadam.

TABLE OF CONTENTS

4.3 Occupational health and 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 at height. 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 promote healthy lifestyles. The most recent serious work accident was in 2017. In **2018–2021 there were no work-related accidents**.

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. 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.

In 2021, we updated our work environment risk analysis in connection with the COVID-19 pandemic, and, based on the results, introduced measures (home office, web conferencing, rapid testing, masks, distancing, etc.) to prevent the spread of COVID-19 in the work environment. Based on government-established risk levels, we developed internal guidelines to prevent the spread of the virus. To maintain the health and safety of our employees, we organised vaccination against COVID-19 and by the year-end our team had reached **above 90% immunisation coverage**. Depending on their duties, most of our frontline employees were vaccinated in March and April already. We regularly update our internal safety measures and instructions which have been adopted to prevent the spread of the virus and are available to all staff on our intranet.

5 Giving Back to Society

5.1 Participation in organisations

AmCham

British-Estonian Chamber of Commerce

Cruise Baltic

Cruise Europe

Digital Construction Cluster

EcoPorts
an environmental initiative of the European ports sector

Estonian Power Plants and District Heating Association

Estonian Chamber of Commerce and Industry

Estonian Association for Environmental Management

Estonian Logistics and Freight Forwarding Association

Estonian Taxpayers Association

Estonian Ports Association

The Institute of Internal Auditors Estonia	Estonian Employers' Confederation	The European Sea Ports Organisation (ESPO)	Baltic Ports Organization (BPO)	The Paldiski Association of Entrepreneurs	PARE
PIANC	The 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 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.

In 2019, Tallinna Sadam and 23 other companies in which the state is a shareholder signed an agreement on observing the principles of responsible business and promoting the principles in their activities and society as a whole by setting a good example. Work on enhancing our sustainable development strategy and implementing our action plan continued in 2021. We developed a system of key performance indicators to monitor our progress towards our sustainable development goals and, in partnership with the Maritime Academy, created a partially automated application to measure and monitor our ecological footprint.

A good example of community engagement and local value creation is our modern and multifunctional cruise terminal with its 850-metre promenade that was opened in Old City Harbour in 2021. It opens up the seafront to local people and creates new leisure, tourism and business opportunities. The previously inaccessible harbour area has become an attractive urban space, which leaves an incredible first impression on visitors arriving by sea. 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.

Tallinna Sadam, the Estonian Academy of Arts and the City of Tallinn are conducting a joint research project "Tallinn Old Town: Sustainable Management and Presentation"[17] in the period 2019–2022. The purpose is to obtain academic input on how to manage and present Tallinn Old Town that 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 amounts to EUR 231 thousand, including taxes. We are working with experts from Tallinn University of Technology (TalTech) to develop a logistical solution for the Old Town Circle Bus, one of the outputs of the project.

TABLE OF CONTENTS

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 2021, several harbour-related theses were defended where our employees acted as co-supervisors.

In 2021, Tallinna Sadam helped organise several major events at Old City Harbour such as the maritime festival Sail Tallinn and the Estonian Championships in Winter Swimming.

To prevent the spread of COVID-19 we joined forces with Tallink Group to accelerate the vaccination of Estonian people. From 29 July to 15 August, we handed out free travel vouchers to passengers who got vaccinated on board Tallink's ferries Star and Megastar.

We organise **blood donation events** 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 blood donors can donate blood. In 2021, 77 people donated blood at the events at Old City Harbour and Muuga Harbour, including 24 employees of Tallinna Sadam Group.

Crew members of the ferry Tiiu participated in a maritime rescue operation on 15 April and **saved the lives of two people**. 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.

ESTONIAN ICE SWIMMING CHAMPIONSHIPS AND ICE SWIM FESTIVAL IN THE OLD CITY MARINA

LIFESAVERS: INDREK JÕGI, TOOMAS LEHTSAAR, KAREL AAS

TABLE OF CONTENTS

A clean Baltic Sea is one of our sustainable development priorities. During the summer season, the **floating trash collector Seabin**, set up in the waters of Old City Marina in collaboration with the City of Tallinn, helped collect municipal waste from the sea. The waste collection data was sent to a global database created for environmental education purposes. If we want to have a clean Baltic Sea, it is crucial to tackle **cigarette pollution**. We have set up special Ballot Bins for cigarette butts on the premises of our harbours and aboard the ferries of TS Laevad. During the World Cleanup Day, our employees collected nearly 10,000 cigarette butts from the premises of Old City Harbour and nearby areas which were later used in an art project. In August, we celebrated **the Baltic Sea Day** with the City of Tallinn by organising a conference on the state of the Baltic Sea and a public walk at Old City Harbour.

Tallinna Sadam contributed to **Tallinn's successful participation in the European Green Capital 2023** campaign: our input on keeping the Baltic Sea clean (the concert performance Ocean, the marine trash collector, sewage reception facilities, the anti-cigarette pollution campaign) and pursuing environmentally friendly urban environment and property development (Smart Port, the onshore power supply, automated mooring systems, the cruise terminal, the Culture Kilometre) were used in the presentation of the Green Capital campaign. 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.

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. In March, we participated in a roundtable of maritime companies. The proposals raised were submitted to the Ministry of the Environment for the development of the Estonian circular economy strategy and action plan.

CLEANING UP THE WORLD

DONATING TIME IN THE FOOD BANK

TABLE OF CONTENTS

6 Business Review

6.1 Key performance indicators

Figure	Unit	2021	2020	Change	%
Revenue	EUR ‘000	110,051	107,358	2,693	2.5%
Operating profit	EUR ‘000	29,758	35,562	–5,804	–16.3%
Adjusted EBITDA[17]	EUR ‘000	54,046	58,423	–4,377	–7.5%
Depreciation. amortisation and impairment	EUR ‘000	–24,761	–24,094	–667	2.8%
Income tax	EUR ‘000	–3,275	–4,913	1,638	–33.3%
Profit for the period	EUR ‘000	25,612	28,518	–2,906	–10.2%
Investment	EUR ‘000	14,718	37,138	–22,420	–60.4%
Number of employees (average)		469	465	4	0.9%
Cargo volume	t ‘000	22,397	21,327	1,070	5.0%
Number of passengers	‘000	3,542	4,333	–791	–18.3%
Number of vessel calls		7,333	7,088	245	3.5%
Total assets at period-end	EUR ‘000	629,538	628,093	1,445	0.2%
Net debt at period-end	EUR ‘000	168,474	184,901	–16,427	–8.9%
Equity at period-end	EUR ‘000	380,895	375,432	5,463	1.5%
Number of shares at period-end	‘000	263,000	263,000	0	0.0%
Operating profit/revenue		27.0%	33.1%		
Adjusted EBITDA/revenue		49.1%	54.4%		
Profit for the period/revenue		23.3%	26.6%		
EPS: Profit for the period/ weighted average number of shares	EUR	0.10	0.11	–0.01	–10.2%
Equity/number of shares	EUR	1.45	1.43	0.02	1.5%
Profit for the period/total assets		4.1%	4.5%	4.1%	4.5%
Profit for the period/equity		6.7%	7.6%	6.7%	7.6%
Share price at period-end		1.86	1.80	0.06	3.3%
P/E: Share price/ earnings per share		19.1	16.6	2.5	15.1%

[17] 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

Contrary to the projections of the IMF World Economic Outlook released a year earlier[18], there was no significant turnaround in the COVID-19 pandemic or return to normal in 2021. However, countries implemented extensive economic support measures to mitigate the effects of pandemic-induced restrictions and preliminary data reflect that despite new waves of the virus **the global economy** grew by 5.9%, exceeding the forecast made a year earlier (5.5%). New COVID outbreaks hindered manufacturing and caused supply chain disruptions. This in combination with surging energy prices drove up inflation, triggering wage pressures and thus the risk that elevated inflation will persist. Countries are considering controlling inflation by raising interest rates but this may jeopardise their ability to service their record-high public debt burdens. Still, it is expected that in 2022–2023 inflation will subside, pandemic will ease, energy prices will decrease and, as a result, the global economy will grow by 4.4% in 2022. The main downside risks which threaten growth, such as the future path of the COVID-19 pandemic, monetary policy decisions, uncertainty around supply chains, the risk of inflation and geopolitical tensions, may have a significant impact on the realisation of the outlook, as was demonstrated in the last quarter of 2021 when the 2022 growth forecast was downgraded by 0.5 percentage points[19].

Estonia's GDP growth in 2021 was approximately 8%, well above the forecast made a year earlier (2–3.5%) as the impacts of the COVID-19 crisis on economic indicators were less severe than expected. This was mainly due to high private consumption and government support measures, which generated stronger growth than anticipated. However, not all sectors saw growth — the crisis resulting from pandemic-related restrictions continued to have an adverse effect on tourism and related activities. High economic growth increased labour shortage which together with rising consumer prices put pressure on labour costs.

Consumer prices rose by 4.6% in 2021, significantly more than the 1–2% projected a year earlier, driven by the above factors as well as soaring energy prices. In 2022, prices are expected to grow by 6–7%, mainly through the effect of the first half of the year when the upswing in energy prices will spill over to the prices of products and services. Accelerating price growth and increasing labour shortage are expected to moderate economic growth to around 3%.[20]

The COVID-19 crisis, which began with the outbreak of the pandemic at the beginning of 2020 and continued with several waves in 2021, had a direct impact on the performance of Tallinna Sadam through cross-border **travel restrictions** imposed by countries. Due to the pandemic, the number of international route passengers remained low and the summer cruise season was weaker than expected. Restrictions caused delays in the supplies of materials and equipment. Although economic activity recovered mainly in sectors not related to tourism, the resulting labour shortage heightened wage pressures. On the other hand, **the effects on cargo volumes were mostly positive** as the overall economic pickup fuelled growth in various cargo types, particularly ro-ro cargo, which also helped keep international ferry routes open. While higher energy and consumer prices increase revenue from the ferry service provided by TS Laevad, they also increase operating expenses. Due to the effects of the above economic factors, in 2021 the revenue of the Group's Passenger harbours segment, which mainly results from international passenger traffic, decreased while the revenue of the Cargo harbours and the Ferry segments increased slightly. Rising energy prices and growing labour costs along with an uptrend in the prices of goods and services have caused Group-wide growth in expenses, which is why in the near term we will **focus on seeking opportunities to increase our operating efficiency**.

[18] *IMF World Economic Outlook Update, January 2021.*

[19] *IMF World Economic Outlook Update, January 2022.*

[20] *The media, Eesti Pank, Swedbank, SEB.*

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

The protective measures imposed by countries due to the COVID-19 pandemic began to affect the Group from the second half of March 2020. As the protective measures in place are aimed at minimising contacts between people and cross-border movement, they have the greatest impact on the tourism sector and passenger traffic, which in turn **mainly affect the performance of the Group's Passenger harbours segment**.

In connection with a rise in the infection rate, Finland re-imposed restrictions on arrivals from Estonia from 28 September 2020 and only people travelling for work, in transit, or with other compelling reasons could enter Finland without the quarantine requirement. Starting from 27 January 2021 Finland also imposed a ban on labour migration, which lasted until 7 June 2021. From 21 June all people including tourists can enter Finland without restrictions if they are fully vaccinated or have recovered from COVID-19 in the past six months. People arriving in Estonia from other countries are subject to various measures and restrictions depending on their vaccination and the current rate of infection in their country of departure. Due to a fall in demand resulting from the restrictions, international ferry operators have made adjustments to their timetables and the ferries serving the routes. The Tallinn–Stockholm and Tallinn–St Petersburg routes were closed from mid-March 2020. **The Tallinn–Stockholm route was reopened on 9 July 2021** but with a reduced timetable. There were no cruise ship calls during the 2020 cruise season but **since July 2021 cruise ships have been calling at Tallinn again**.

There have been no restrictions on international cargo transport and **on the whole the pandemic has not reduced cargo throughput at Tallinna Sadam's harbours**. There have been some supply interruptions at the places of dispatch (e.g. short-term production suspensions) but these have not had any long-term effect. The volumes of certain cargo types (especially ro-ro cargo) have been growing steadily because regular vessel traffic has continued and nearshoring resulting from the pandemic may even increase cargo volumes in the near term.

Domestic ferry service on the routes between mainland Estonia and the islands of Saaremaa and Hiiumaa that are operated by TS Laevad, a subsidiary of Tallinna Sadam, has continued as usual and in strict compliance with protective measures. The number of passengers and vehicles carried continues to increase year on year. The changes resulting from the restrictions **have had no significant impact on the financial results of the Ferry segment** because a major share of ferry service revenue is made up of a fixed fee that does not depend on the number of trips or passengers.

The multifunctional icebreaker Botnica, which is operated by TS Shipping, a subsidiary of Tallinna Sadam, has continued its ordinary operations and its revenue (the segment Other) has not been significantly affected by the COVID-19 pandemic. **Botnica's number of charter days and utilisation rate have even improved year on year**.

The Group applies all necessary measures and cooperates closely with the authorities to prevent the spread of the virus and to protect people's lives and health. We have made vaccination against COVID-19 available to all staff that have requested it and use rapid COVID-19 tests to test shift workers before they start their work. **Over 90% of our staff was vaccinated against COVID-19 by the end of 2021**. All passengers arriving in Estonia by ferry can get tested for COVID-19 in the passenger terminals of Old City Harbour in order to reduce the period of self-isolation and to return to work more quickly. The Group has also participated in vaccination campaigns — in July and August Tallink Grupp and Tallinna Sadam handed out free travel vouchers to passengers who were vaccinated on board Tallink's ferries.

Due to a large share of fixed costs it is inevitable that when revenue declines in the Passenger harbours segment the Group's profitability decreases. The Group will continue with planned investments and management believes that the impacts of COVID-19 will not affect the Group's ability to continue as a going concern.

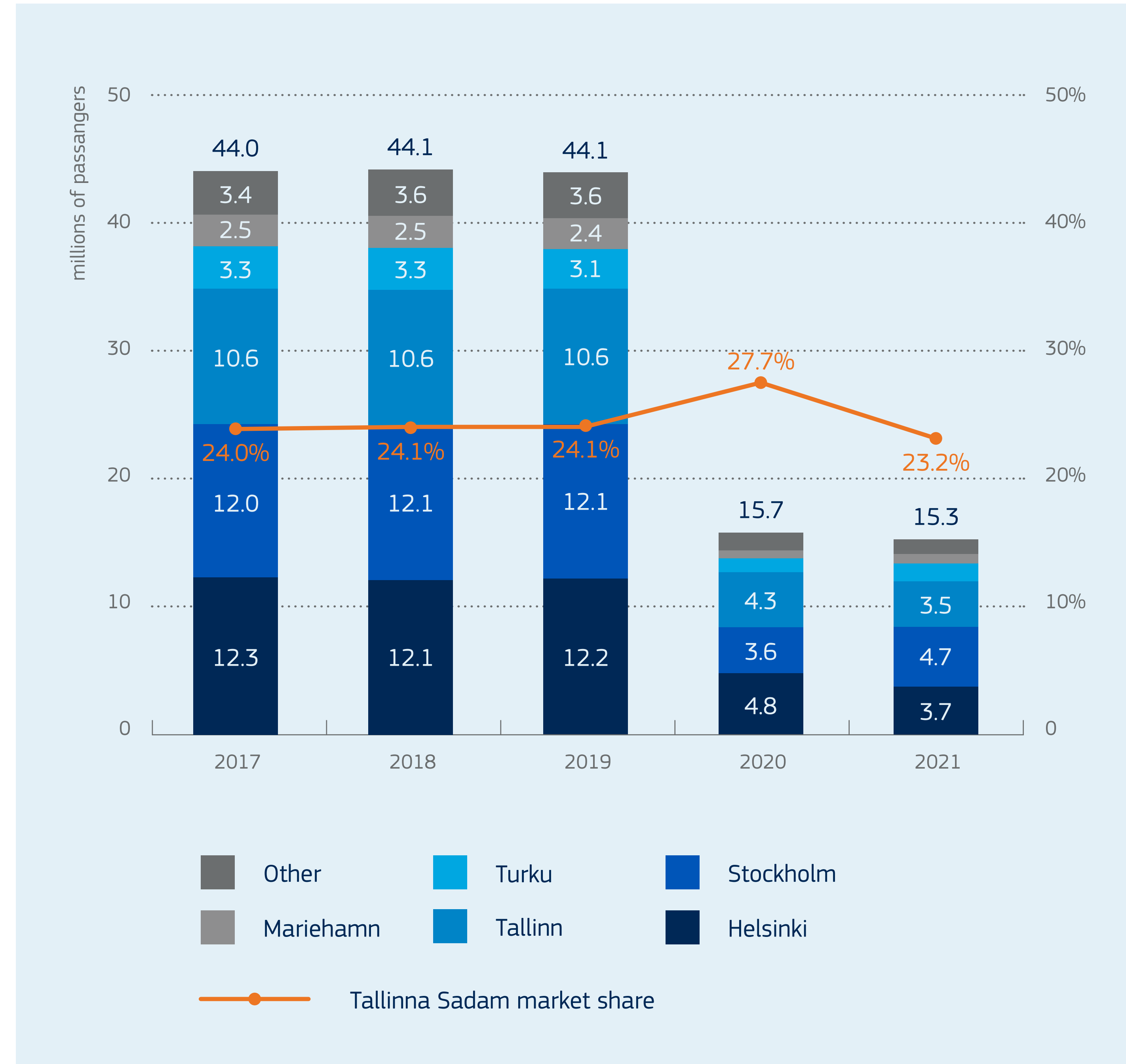
The Russia-Ukraine conflict which broke out on 24 February 2022 and the consequent sanctions imposed on Russia by the West are expected to affect the performance of Tallinna Sadam mainly through its cargo business. Cargo (liquid bulk and fertilizers) of Russian origin for which Russia is the country of departure or destination accounts for around 30% of the Group's total cargo volume and consists predominantly of Russian exports. At the date of release of this report, the impact of the sanctions imposed on Russia cannot be reliably estimated.

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 vessel 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 Stockholm and Helsinki**. The largest ferries of the Baltic Sea, mostly designed for passenger traffic, also travel between those ports. Compared to 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.

Other contributing factors include close economic relations between Estonia and Finland and, before the COVID-19 pandemic, the **region's growing attractiveness as a destination for Asian tourists** who used to arrive by plane and then travel between the countries of the Baltic Sea region by ferry. Accordingly, international ferry traffic between Tallinn and its main destination ports — Helsinki and Stockholm — accounts for a significant share of the business of Tallinna Sadam.

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

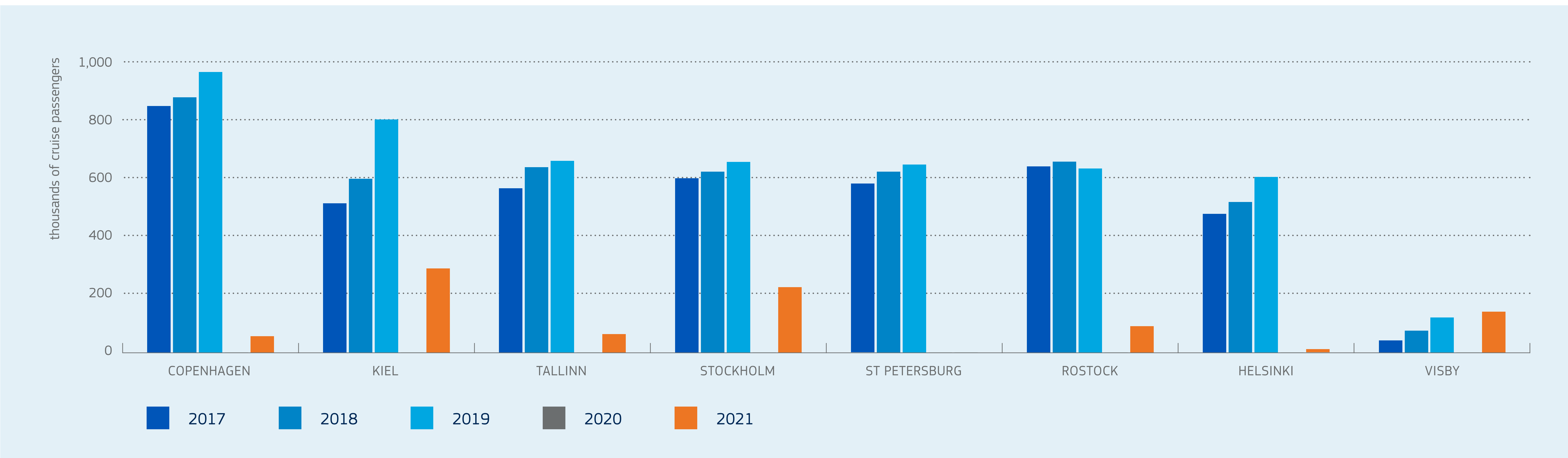


Excluding ports where most of the number of passengers results from short trips (lasting around 1 hour).

Due to the COVID-19 restrictions and the continuing spread of the virus, the number of passengers remained at an exceptionally low level in 2021 both in the Baltic Sea region and globally. The results for 2021 are thus not directly comparable with the pre-pandemic period. The largest ports in the region remained the largest but Tallinn dropped from the second to the third place, mainly because Finland-bound passenger traffic decreased. Altogether, the number of passengers passing through the largest ports in the eastern part of the Baltic Sea decreased by 2.6% in 2021, from 15.7 million to 15.3 million passengers.

Before the COVID-19 pandemic, the global cruise tourism was in a rapid growth phase, extending to 30 million passengers per year, and the Baltic Sea region was one of the fastest-growing cruise destinations, serving nearly 6 million cruise passengers annually. While in 2020 cruise tourism experienced an extraordinary setback due to the pandemic, i.e. cruise tourism essentially stopped worldwide, last year cruise operations resumed. Although outlook was highly positive, **the ongoing pandemic had a strong impact on the cruise season of 2021**.

Largest cruise ports of the Baltic Sea



6.5 Overview of the market: cargo

The cargo market overview covers major ports of 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. In contrast to 2020 when the cargo throughput of major ports on the eastern coast of the Baltic Sea decreased due to the COVID-19 crisis, in 2021 **cargo flows gradually recovered despite the effects of the pandemic**. In 2021, the **total cargo turnover of ports in the region was 519 million tonnes**, 8 million tonnes (roughly +2%) up on the prior year.

Together with the cargo throughput of smaller Estonian ports (8.3 million tonnes), the volume of cargo handled by Tallinna Sadam and its competitors in 2021 was 527.3 million tonnes, an increase of 8.4 million tonnes (+1.6%) year on year.

In terms of cargo types, the growth in 2021 was the largest in ro-ro cargo: 4.6 million tonnes (+11.4%). General cargo grew by 2.8 million tonnes (+8.9%), driven by growth in timber cargo at the Latvian and Finnish ports. Container cargo grew by 2.2 million tonnes (+2.7%), mainly at the Polish ports. The volume of dry bulk cargo remained at the level of the previous year. Among dry bulk, the decrease was largest in grain (–1.8 million tonnes, –8.4%) but this was offset by an increase in other types of dry bulk cargo. Liquid bulk cargo decreased by 1.5 million tonnes (–0.7%) due to a decline in oil products, which was partly offset by a slight growth in the volume of crude oil.

In terms of ports, **the largest growth in cargo throughput was achieved by Ust-Luga** (+6.8 million tonnes, +6.6%), Gdansk (+5.2 million tonnes, +10.7%) and Primorsk (+3.7 million tonnes, +7.5%), mainly through growth in liquid bulk cargo (and coal at Ust-Luga). The decrease was the largest at ports related to the Neste refineries in Finland: Sköldvik (–4.8 million tonnes, –20.2%) and Naantali (–2.9 million tonnes, –36.8%) which were affected by the pandemic-related restructuring of Neste's refineries. Cargo volumes also decreased at the ports of Riga and Klaipeda (by 2.2 million tonnes (–9.3%) and 2.0 million tonnes (–3.7%), respectively), where the effect of the decrease in liquid bulk cargo was the strongest (the port of Riga was also affected by the decrease in coal).

Because of the above changes, in the comparison of Russian and Baltic ports the market shares of Russian and Estonian ports increased while the market shares of Latvian and Lithuanian ports decreased. For the first time, the market share of Estonian ports exceeded that of Latvian ports. The market shares were as follows: Russian ports 64.4%, Estonian ports 10.5%, Latvian ports 10.3% and Lithuanian ports 13.9% (the corresponding figures for 2020: 63.7%, 10.2%, 11.4% and 14.7%).

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

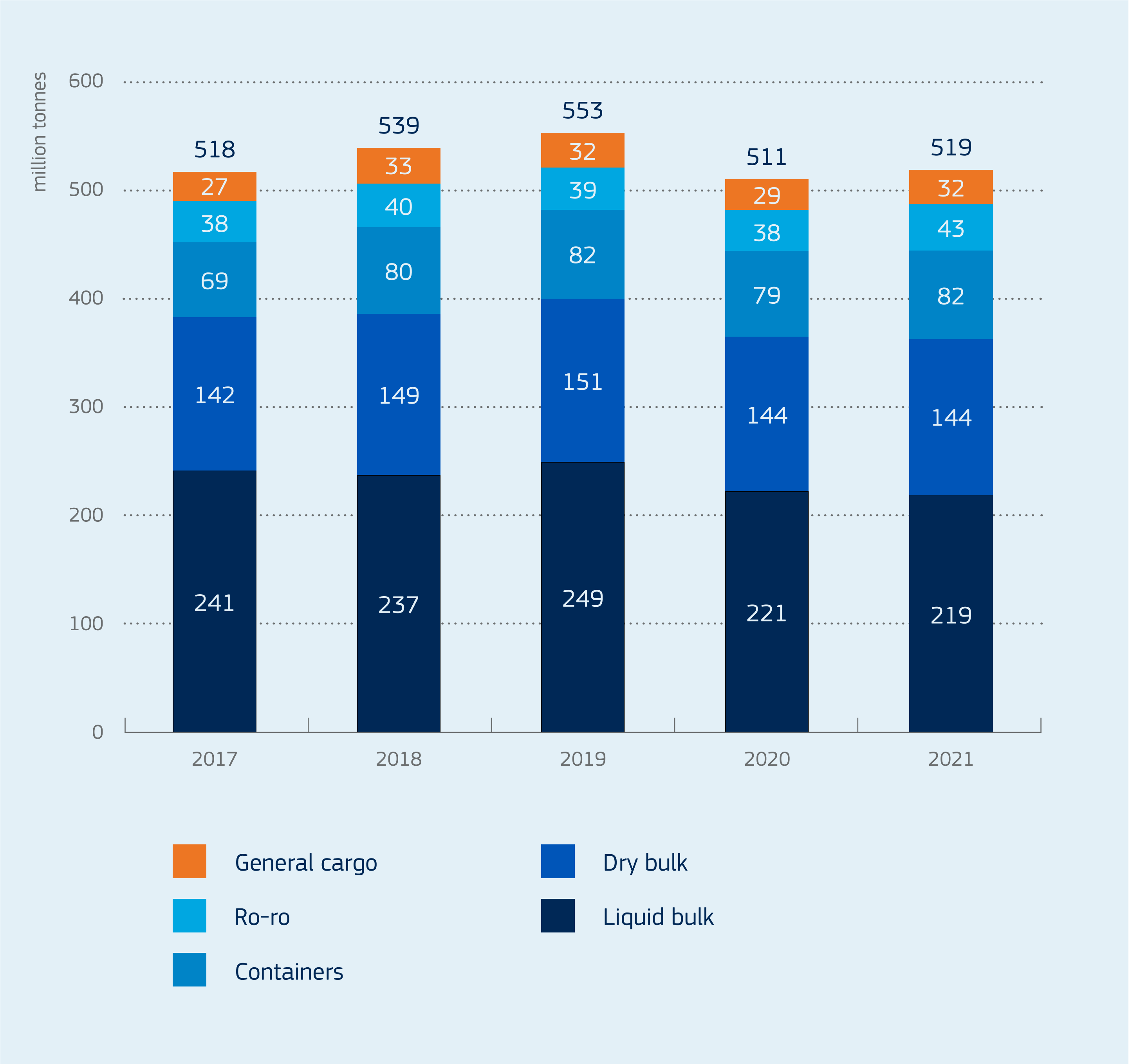
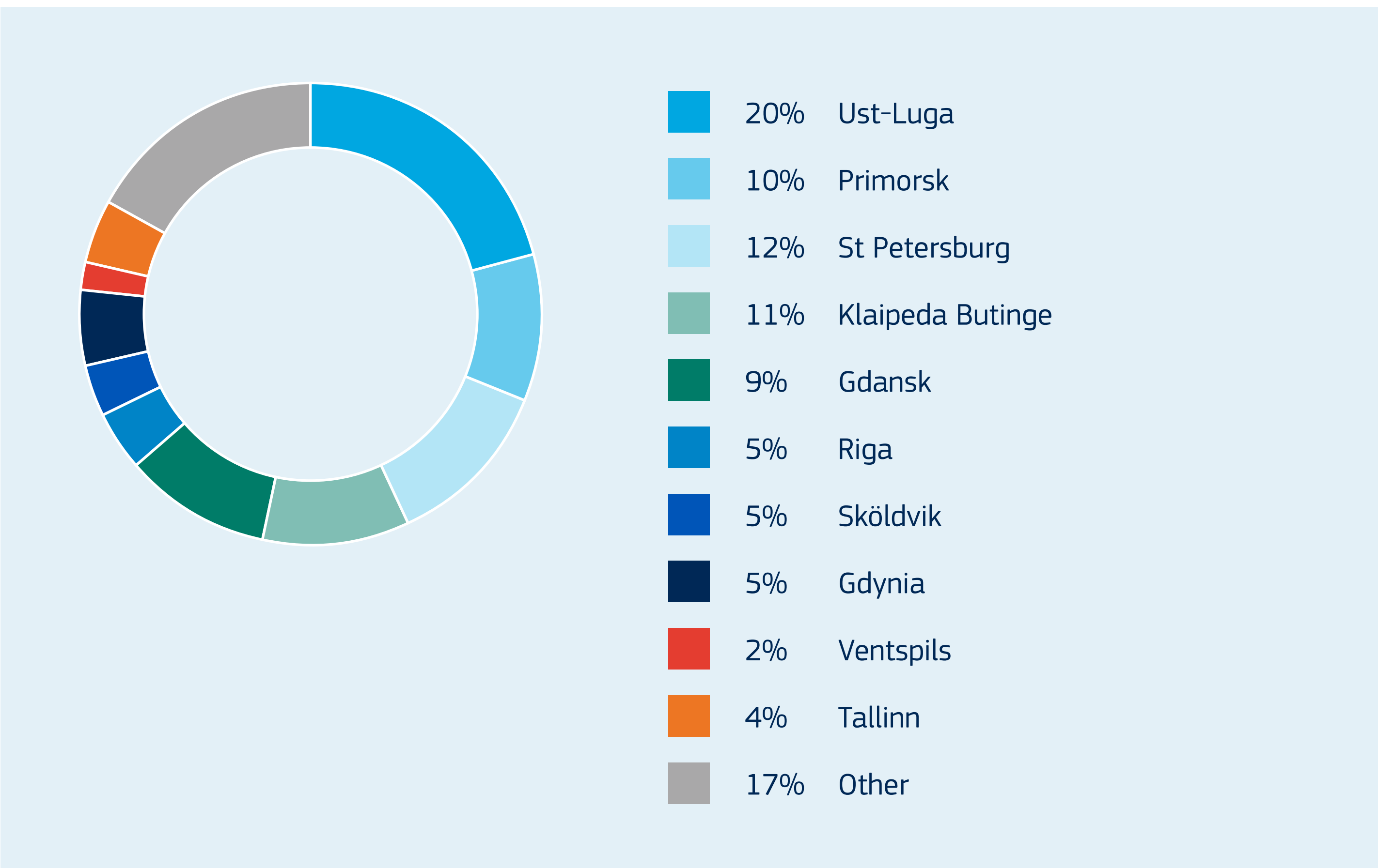


TABLE OF CONTENTS

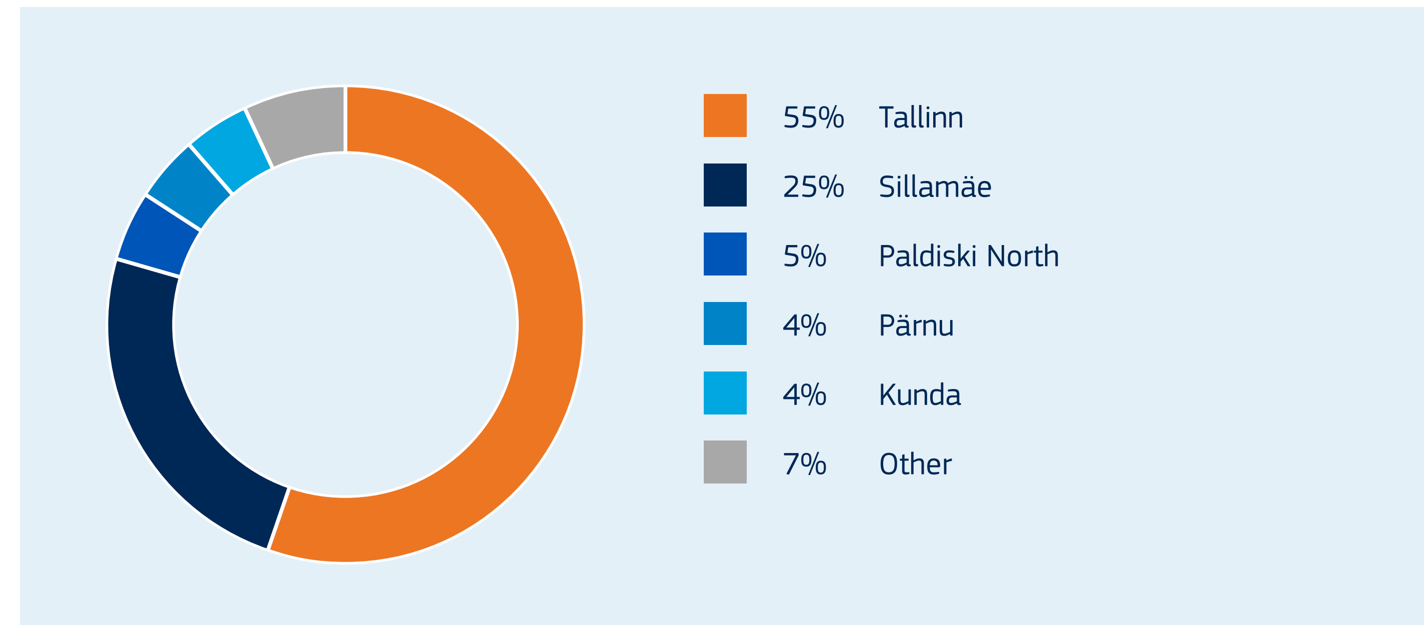
The largest cargo ports on the eastern coast of the Baltic Sea were Ust-Luga (109.4 million tonnes, market share 21%), St Petersburg (62.0 million tonnes, 12%) and Klaipeda (53.6 million tonnes, 10%). **Tallinna Sadam rose to the seventh place with 4.2% market share** (2020: ninth position with 4.1% market share).

The volume of cargo handled by Estonian ports grew by 1.6 million tonnes (+4.1%) to 40.4 million tonnes. **The market share Tallinna Sadam** (the largest cargo handler among Estonian ports) **was 55%** (2020: 55%).

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



Market share of the Estonian ports



6.6 Results of operations

Tallinna Sadam's operating results for 2021 continued to be affected by the COVID-19 pandemic because the different waves of the pandemic and continuously changing restrictions weakened the performance of the Passenger harbours segment. Passenger numbers remained low in 2021 but, due to the easing of the pandemic and relaxation of travel restrictions, passenger traffic showed signs of recovery. Cruise ships began to call again in the summer, the Tallinn–Stockholm route, which had been closed since spring 2020, was reopened in July and traffic on the busiest Tallinn–Helsinki route increased in the autumn. Despite the crisis, the Cargo harbours segment achieved the past six years' largest cargo throughput.

All operating segments increased their revenue to a certain extent but the profitability of most segments was undermined by the fact that expenses grew more than revenue. Rapid growth in expenses was attributable to a sharp rise in energy prices as well as pandemic-related manufacturing and supply chain disruptions, which drove up the prices of goods and services. An additional factor was a lower than usual comparative base: in 2020 we cut our non-current asset repair and maintenance costs and personnel expenses in order to achieve cost savings. The result of the Cargo harbours segment for 2021 was also weakened by larger one-off gain earned on the sale of non-current assets in 2020 (by EUR 1.5 million, mainly at Paljassaare harbour), which increased the result of the prior period. Altogether, the Group's revenue grew by EUR 2.7 million (+2.5%) while operating profit and EBITDA decreased by EUR 5.8 million (–16%) and EUR 4.4 million (–7.5%), respectively. Cargo throughput grew by 1.1 million tonnes (+5.0%) to 22.4 million tonnes, supported by ro-ro and dry bulk cargo. The number of passengers decreased by 18% to 3.5 million. Travel restrictions continued to depress all regular routes (although the impact weakened as the year progressed) as well as traditional summer cruises.

In the Ferry segment, which provides ferry service between Estonia's mainland and two biggest islands, the number of trips grew (+7%) through the combined effect of a smaller number of trips in 2020 (passenger transport was suspended in March and April) as well as additional departures in 2021. 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 segment's revenue. On the other hand, expenses grew as well, particularly fuel and personnel expenses as well as repair and maintenance expenses, which increased due to some major planned works conducted at longer intervals. The segment's operating profit and adjusted EBITDA decreased.

TABLE OF CONTENTS

The year was successful for the multifunctional icebreaker Botnica. After the end of the icebreaking season in Estonian waters, Botnica was chartered out for the fourth summer to provide escort and ice management services in Arctic waters around the Baffin islands in Northern Canada. At the request of the Canadian customer the icebreaker's charter period (lease term) was 18 days (+7%) longer than in 2020, which improved the results of the segment Other.

In segment terms, adjusted EBITDA decreased in all segments except the segment Other, mainly because growth in expenses exceeded revenue growth.

The Group's revenue grew in 2021 by EUR 2.7 million (+2.5%) to EUR 110.1 million. In terms of revenue streams, the biggest increase was in electricity sale, ferry service and charter fee revenue while passenger fee revenue declined due the continuing slump in the number of passengers. Expenses related to operating activities increased by EUR 7.2 million (+9.7%), operating profit decreased by EUR 5.8 million (–16%) and net profit decreased by EUR 2.9 million (–10%). Added value created by the Group[21], i.e. the Group's contribution to the Estonian economy, was EUR 75.4 million (2020: EUR 79.1 million). The figure declined due to a decrease in operating profit brought about by growth in the cost base.

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

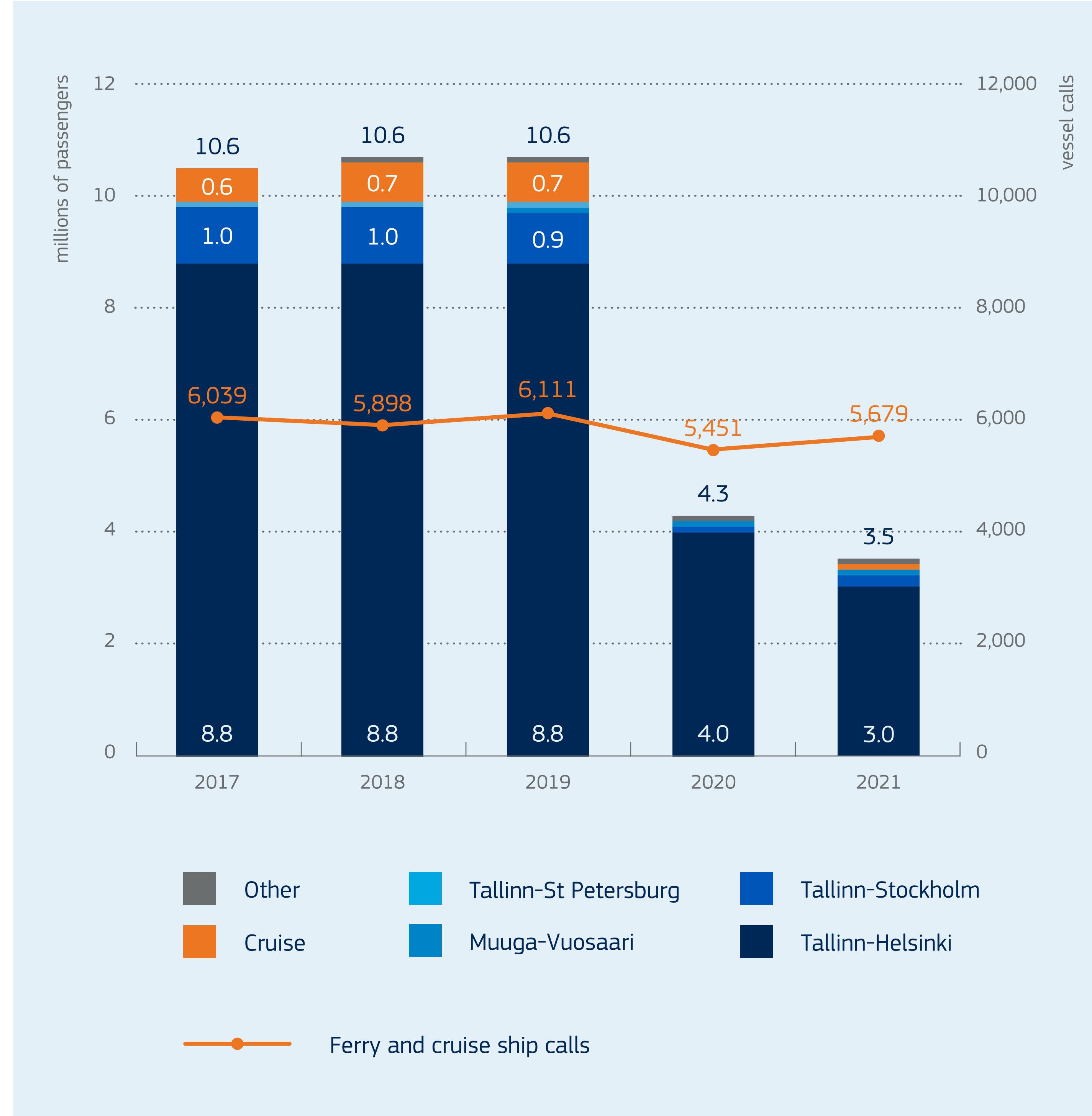
6.6.1 Number of passengers

The COVID-19 pandemic and the resulting **cross-border travel restrictions** have caused an unprecedented fall in passenger numbers since the second quarter of 2020. Due to the combined effect of the different waves of COVID-19 and related restrictions, passenger numbers have remained depressed: the figure for 2021 was 3.54 million, **a decrease of 0.8 million passengers (–18%)** compared with 2020. Considering the strong economic and tourism ties between Estonia and Finland, we expect that when the pandemic passes in the next few years, passenger numbers will gradually recover. The services required for this continue to be available. Ferry operators are ready to provide frequent ferry service and our harbours have modern and comfortable passenger facilities, which we continued to improve in 2021. Those factors have made travelling by ferry increasingly easier and more convenient.

The number of passengers on the busiest Tallinn–Helsinki route decreased by 1.0 million (–24%) in 2021, particularly through the effect of the first and third quarters. In contrast to the previous year, passenger traffic did not decline in the fourth quarter but remained at the same level as in the third quarter, which reflects certain recovery. Other indications of the lifting of restrictions and recovery of travel were the **reopening of the Tallinn–Stockholm route** in July and the **return of cruise passengers to Tallinn**. The number of passengers on the Tallinn–Stockholm route was 0.2 million (+49%) and the number of cruise passengers 63 thousand (2020: none). Due to the restrictions imposed to contain the spread of the virus and the resulting decrease in demand, ferry timetables on international routes remained reduced in 2021, changing in line with changes in the operating environment. It should be noted that in the second quarter of 2020 when border checks were temporarily reinstated the vessels serving the ro-ro traffic on the Muuga–Vuosaari route (the Cargo harbours segment) were rerouted to Old City Harbour (the Passenger harbours segment), which increased the 2020 revenue of the Passenger harbours segment through temporary growth in the number of port calls. In 2021, the number of port calls by ferries serving international routes grew by 3.4% through growth in port calls on the Muuga–Vuosaari route (the Cargo harbours segment). Traditional cruise ships made 45 port calls in 2021 (2020: none).

The high season for cruise ship calls usually lasts from May to September. The seasonality in the number of cruise passengers is regular and, therefore, has no particular impact on the financial performance of Tallinna Sadam.

Number of passengers by routes



6.6.2 Cargo volume

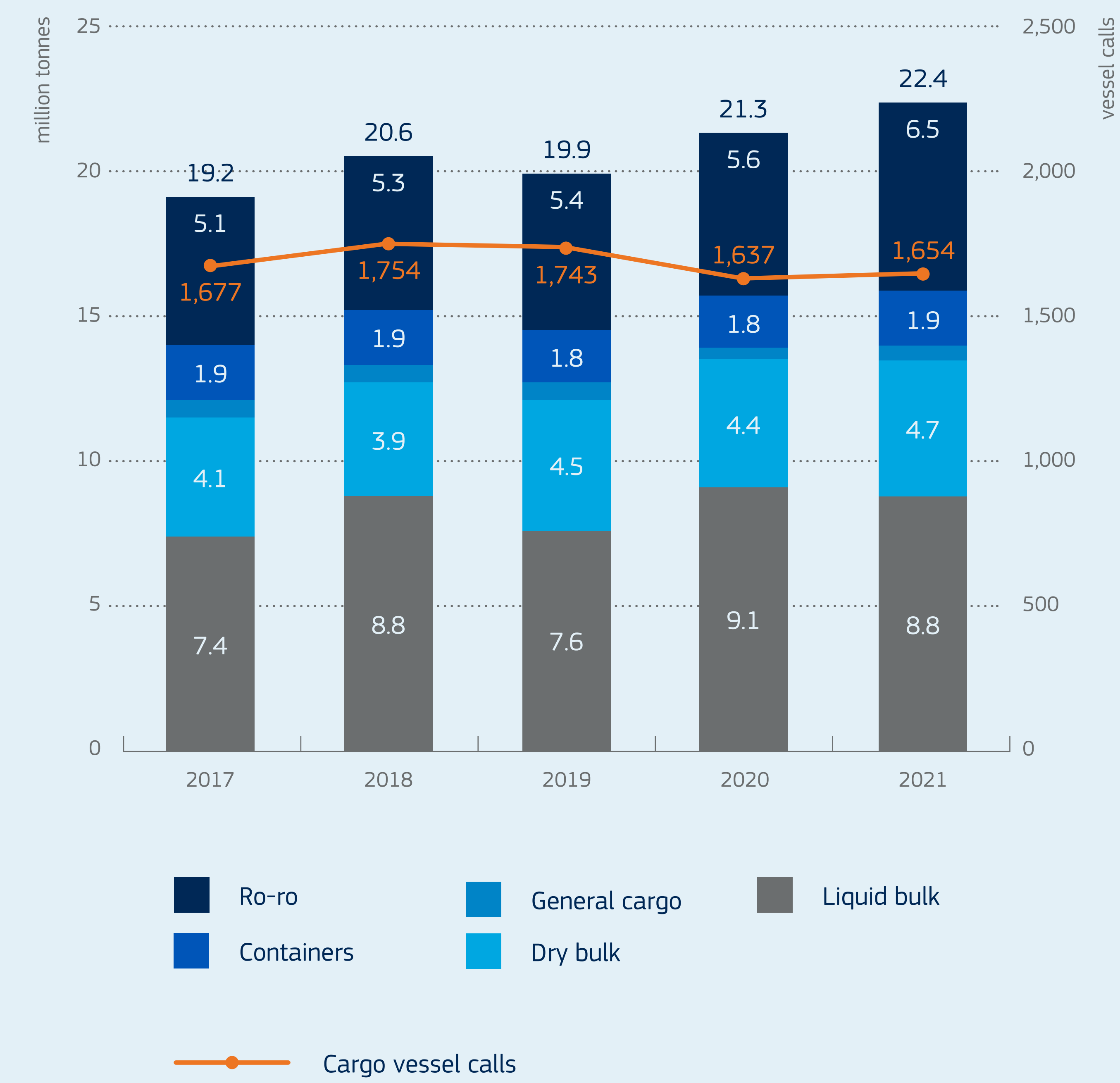
In 2021, cargo throughput at the Group's harbours grew by 1.1 million tonnes (+5%) to 22.4 million tonnes, which is **the past six years' highest level**. In terms of cargo types, growth was driven by ro-ro cargo (+0.9 million tonnes, +17%) and dry bulk cargo (+0.3 million tonnes, +6.3%) and supported by container cargo and general cargo whose positive impact was partly offset by a decrease in liquid bulk cargo (–0.3 million tonnes, –3%).

The volume of **ro-ro cargo** grew relatively evenly throughout the year, reaching a record-high 6.5 million tonnes, and its importance in the cargo mix of Tallinna Sadam continues to increase. Most of the ro-ro cargo moved in the north-south direction on the Tallinn–Helsinki and Muuga–Vuosaari routes, reflecting busy trade between and through the neighbouring countries, which was not significantly affected by the COVID-19 crisis. Since most of the ro-ro cargo moves on the Tallinn–Helsinki route, passing through Old City Harbour, relevant revenue is recognised in the Passenger harbours segment. The volume of **dry bulk cargo** grew, supported by growth in the volume of gravel and wood pellets, which was somewhat offset by a decline in the volume of grain. The volume of **container cargo** grew by 0.1 million tonnes (+4.7%, the volume in TEUs[22] increasing by +6.0% to 227 thousand TEUs), but the number of port calls and gross tonnage of container ships decreased because operators changed vessel schedules to achieve higher efficiency. The volume of **general cargo** grew by 0.08 million tonnes (+18%), mainly through growth in the volumes of timber and steel. The volume of **liquid bulk cargo** continued to fluctuate by quarter due to the project-based nature of the freight and the business opportunities found by the terminals located in the harbour or their customers.

In terms of transport directions, the biggest changes occurred in import cargo, which grew by 0.9 million tonnes (+20%), and Estonia's exports, which grew by 0.5 million tonnes (+8.7%). In terms of transport directions, transit accounted for 48%, exports for 27% and imports for 24% of the total cargo volume (2020: 52%, 26% and 21%, respectively).

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) or volatility in the volumes of project cargo.

Cargo volume by cargo types



[22] *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.*

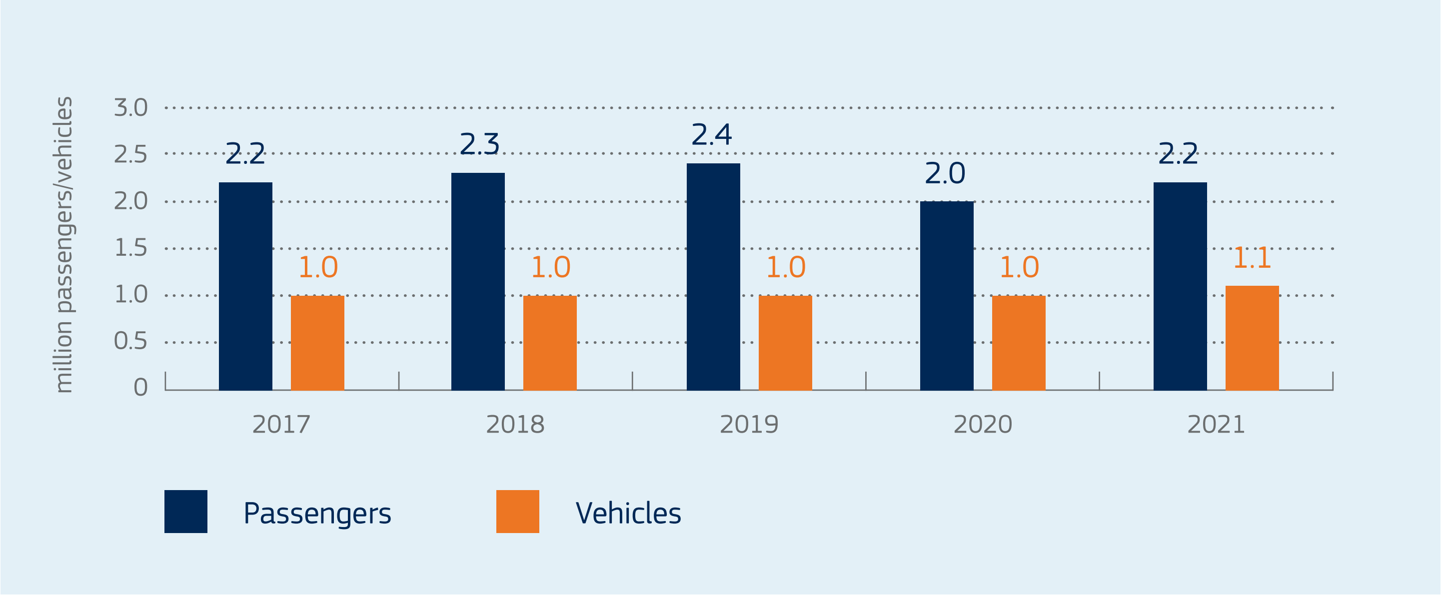
TABLE OF CONTENTS

6.6.3 Ferry service

TS Laevad entered a new business line in 2016: providing domestic ferry service between Estonia's mainland and biggest islands (Saaremaa and Hiiumaa) under a public transport service contract with the state (effective from 1 October 2016 to 30 September 2026). The service must be provided according to the schedule approved by the state with up to four ferries at a time (during the summer peak periods with up to five ferries). Most of contract revenue is fixed but some fixed revenue components are adjusted for price indices to reflect 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 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 2021, the Group's ferries made a total of 21,518 trips, which is 7% more than a year earlier, serving 2.2 million passengers (+12%) and 1.1 million vehicles (+14%). The figures grew because in spring 2020 passenger traffic between the mainland and the islands was suspended to contain the spread of the pandemic. Based on an agreement with the state (the customer of the ferry service), 327 additional trips (2020: 346) were made by a stand-by vessel to increase service capacity. The additional trips were mostly made in the summer (June-August).

Ferry segment volumes

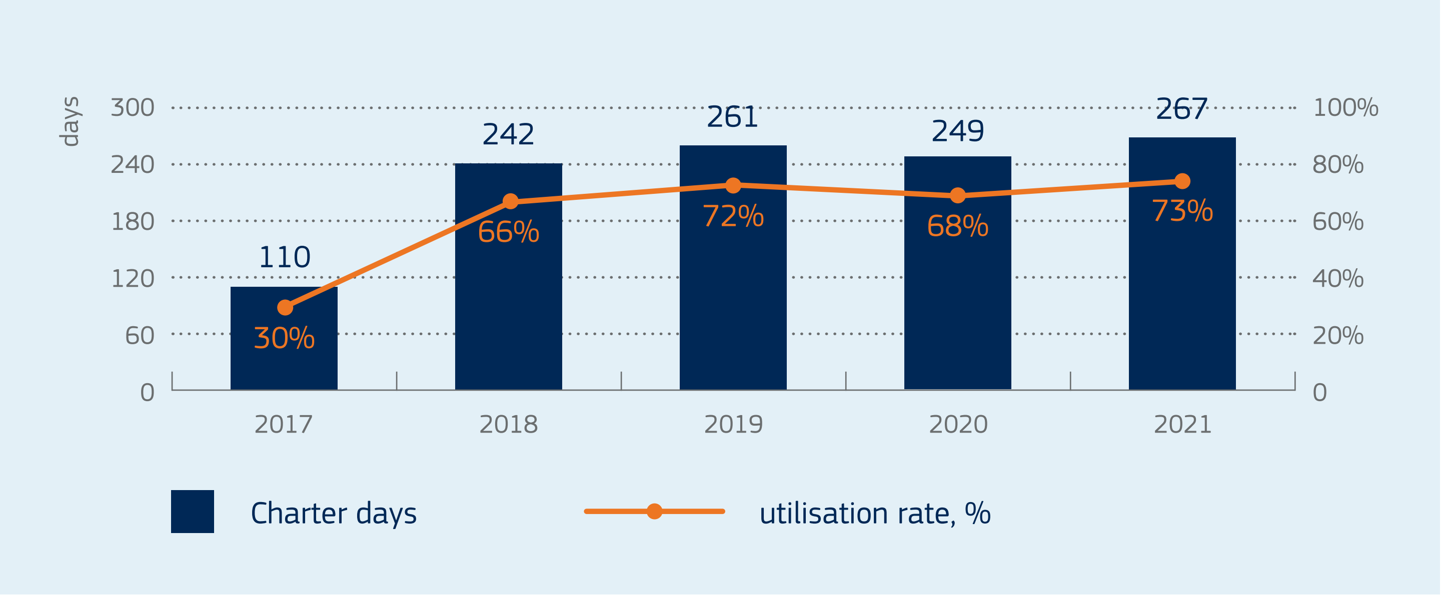


6.6.4 Multifunctional icebreaker Botnica

Since the beginning of 2013, we have been providing Estonian ports on the Gulf of Finland with icebreaking service during the icebreaking period, which lasts from December to April. In early 2021, **TS Shipping also won the public contract for delivering icebreaking service in Estonia during the next 10-year period** starting from December 2022. 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 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. After the crash of the oil price in 2015, demand for the services of offshore support vessels plummeted and relevant charter fees dropped to their ten years' lowest levels where they have more or less remained to date.

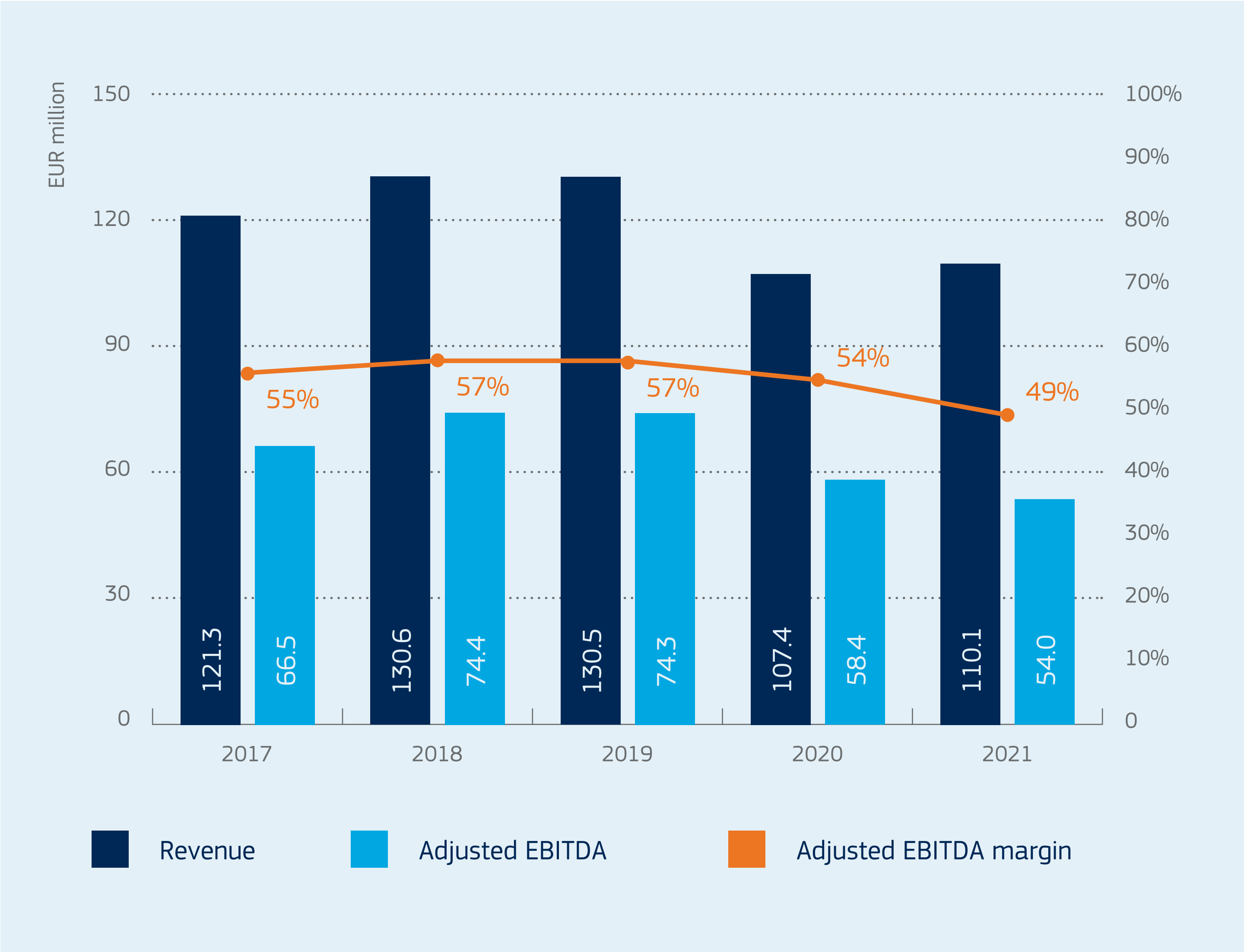
To secure work for Botnica outside the icebreaking season, in June 2018 TS Shipping signed a five-year frame agreement with the Canadian company Baffinland Iron Mines. The customer confirms its needs at the beginning of each year and, where necessary, commissions additional days during the season. In 2021, **the charter period was 18 days longer (+7%) than in 2020, due to longer summer charter period**. The fee was adjusted for changes in the consumer price index.

MPSV Botnica charter



6.7 Revenue and expenses

Revenue and EBITDA



Tallinna Sadam ended the year 2021 with revenue of EUR 110.1 million, an increase of EUR 2.7 million (+2.5%) compared with 2020. Adjusted EBITDA for 2021 was EUR 54.0 million, EUR 4.4 million (–7.5%) down from 2020. Due to a slightly larger change in the latter figure, adjusted EBITDA margin also declined slightly, dropping from 54% to 49%.

Revenue by revenue stream

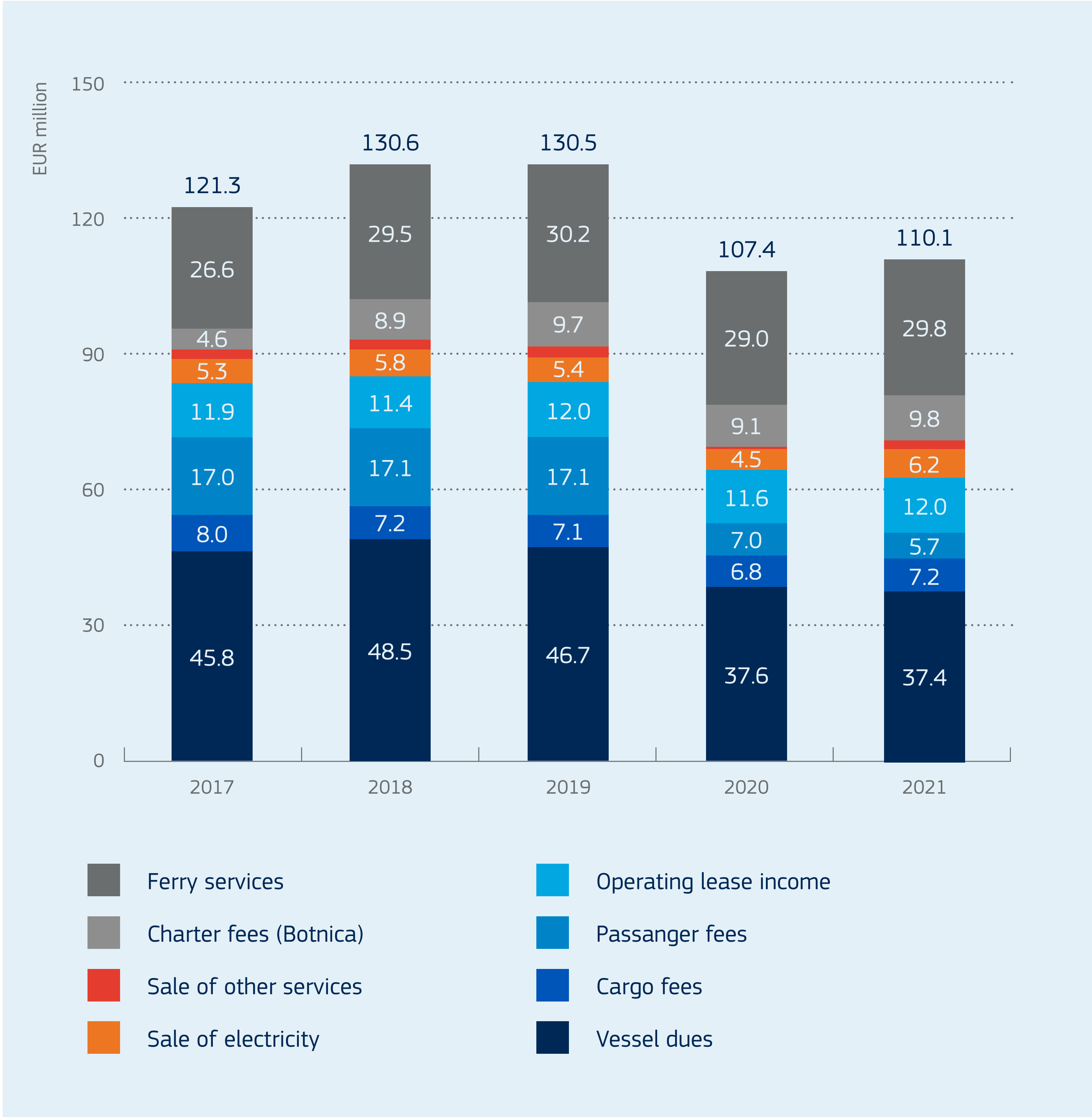


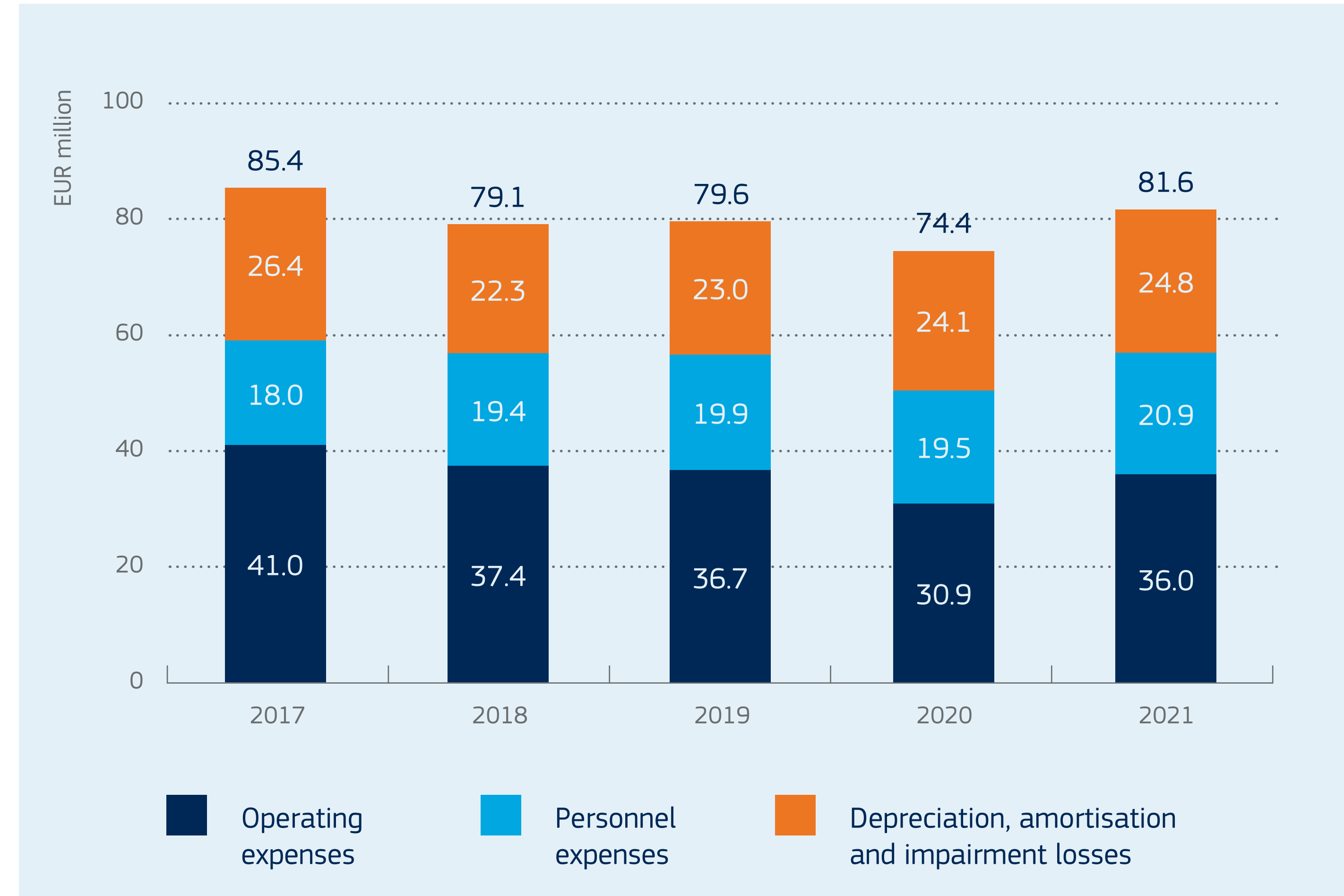
TABLE OF CONTENTS

Most revenue streams showed growth. The increase was the largest in **electricity sales revenue**, which grew by EUR 1.8 million (+40%) to EUR 6.2 million, mainly due to a sharp rise in the electricity price and the launch of onshore power supply service to ferries in the Passenger harbours segment. Revenue generated by the Cargo harbours segment was depressed as the electricity distribution network at Paljassaare Harbour was sold and provision of the distribution service was discontinued from December. **Revenue from the operation of domestic ferry service** between Estonia's mainland and biggest islands grew by EUR 0.8 million to EUR 29.8 million, mostly due to the indexation of the contract fee to the fuel price and wage indices and a higher number of trips (+7%). **Charter fee revenue from the icebreaker Botnica** increased by EUR 0.7 million (+7.4%) to EUR 9.8 million because at the request of the customer the charter period in the summer was longer. **Lease revenue** grew by EUR 0.4 million (+3.8%) to EUR 12.0 million because in 2021 the Group leased out additional premises and made fewer concessions to the lessees most affected by the COVID-19 restrictions in Old City Harbour. In the Ferry segment, lease revenue from retail premises on board ferries grew mainly in connection with growth in the number of passengers. **Cargo charge revenue** grew by EUR 0.4 million (+5.9%) through growth in cargo volumes. **Passenger fee revenue** decreased the most, dropping by EUR 1.4 million (–19%) to EUR 5.7 million consistent with the decrease in the number of passengers. **Revenue from vessel dues** decreased by EUR 0.2 million (–0.5%) to EUR 37.4 million. Revenue from tankers and ferries declined but this was partly offset by revenue from cruise ships (none was earned in 2020) and growth in revenue from general cargo and dry bulk carriers due to higher cargo volumes. Revenue from ferries decreased because in 2020 operators arranged special summer voyages to new destinations, which increased the number of ferries visiting the port, whereas in 2021 the activity slowed. **Revenue from other services** grew by EUR 0.2 million (+11%) due to the recovery of several services whose sales in 2020 were affected by the pandemic, including the sale of water to cruise ships and the sale of advertising space in passenger terminals.

Other income declined by EUR 1.2 million to EUR 1.8 million in 2021. The figure for 2020 included gain on the disposal of assets used in the harbour operations of Paljassaare Harbour and the sale of land in the Industrial Park of Muuga Harbour with a view to expanding the operations of a hinterland logistics terminal, which was larger than the gain on the sale of the assets of Paljassaare Harbour in 2021. Revenue from government grants increased by EUR 0.2 million (+34%) due to foreign aid received in 2021 as investment support.

Expenses related to operating activities (operating expenses, personnel expenses, and depreciation, amortisation and impairment losses) totalled EUR 81.6 million, EUR 7.2 million up on 2020 (+9.7%).

Expenses related to operating activities



In terms of expenses, operating **expenses increased** the most: by EUR 5.1 million (+17%) through growth in various expense items. Fuel and energy costs showed the strongest growth (EUR +3.2 million, +37%), primarily due to 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 earned. A rise in the price of ferry fuel increased the trip fee component of contract revenue through the relevant price index. Non-current asset repair costs grew by EUR 1.9 million (+36%) against the backdrop of an unusually low level in 2020, when cost control measures were applied in the COVID-19 crisis and planned maintenance and repairs in harbour operations were cut back and postponed. In the Ferry segment, large-scale maintenance was carried out on the vessels' main engines (planned works conducted at longer intervals).

TABLE OF CONTENTS

Expenses on services purchased for ships grew by EUR 1.1 million (+25%), mainly because expenses on the acceptance of ship-generated waste increased. The rise was attributable to growth in the price of the service as well as the volume of waste, particularly waste generated by cruise ships as in 2020 the cruise season was cancelled due to the COVID-19 restrictions. A rise in port dues increased relevant expenses in ferry service, which is provided under a public contract, but the state (the customer) raised the fee paid for the service accordingly. Expenses on mooring services also grew, but this was mainly due to the reversal of an expense allowance in 2020 which lowered prior period expenses. In other operating expenses, expenses on the allowance for expected credit losses had a decreasing effect (expense EUR –0.4 million, decrease in expenses EUR 1.3 million) because some receivables for which an allowance had been recognised were collected and for some receivables a settlement schedule was agreed. Expenses on the acquisition of assets of insignificant value also decreased (EUR –0.4 million, –22%) because prior period expenses were higher than usual in connection with the reconstruction and refurbishment of passenger terminal D at Old City Harbour.

Personnel expenses grew by EUR 1.4 million (+7.3%), mostly due to the effect of a temporary reduction in salaries in the prior period and partial raising of salaries in the reporting period.

Depreciation, amortisation and impairment expenses grew by EUR 0.7 million (+2.8%), mainly through growth in depreciation and amortisation in the Passenger harbours segment where non-current assets increased at Old City Harbour partly already in 2020 in connection with the reconstruction of passenger terminal D, the construction of onshore electricity supply systems for ships and the completion of a multi-storey parking structure. Impairment losses on non-current assets decreased by EUR 0.18 million.

Other expenses did not change significantly (EUR –0.06 million).

Operating profit for 2021 was EUR 29.8 million. The figure decreased by EUR 5.8 million (–16%), because growth in expenses exceeded revenue growth and other income decreased. Due to the decrease in operating profit, operating margin, which reflects the Group's operating efficiency, dropped from 33.1% to 27.0%. Operating profit decreased in the Cargo and Passenger harbours segments as well as the Ferry segment but increased in the segment Other.

Adjusted EBITDA (earnings before depreciation, amortisation and impairment losses, finance income and costs, and income tax expense, adjusted for amortisation of government grants) dropped by EUR 4.4 million (–7.5%) to EUR 54.0 million due to a decrease in the Cargo harbours, Passenger harbours and Ferry segments. Adjusted EBITDA margin declined from 54.4% to 49.1%.

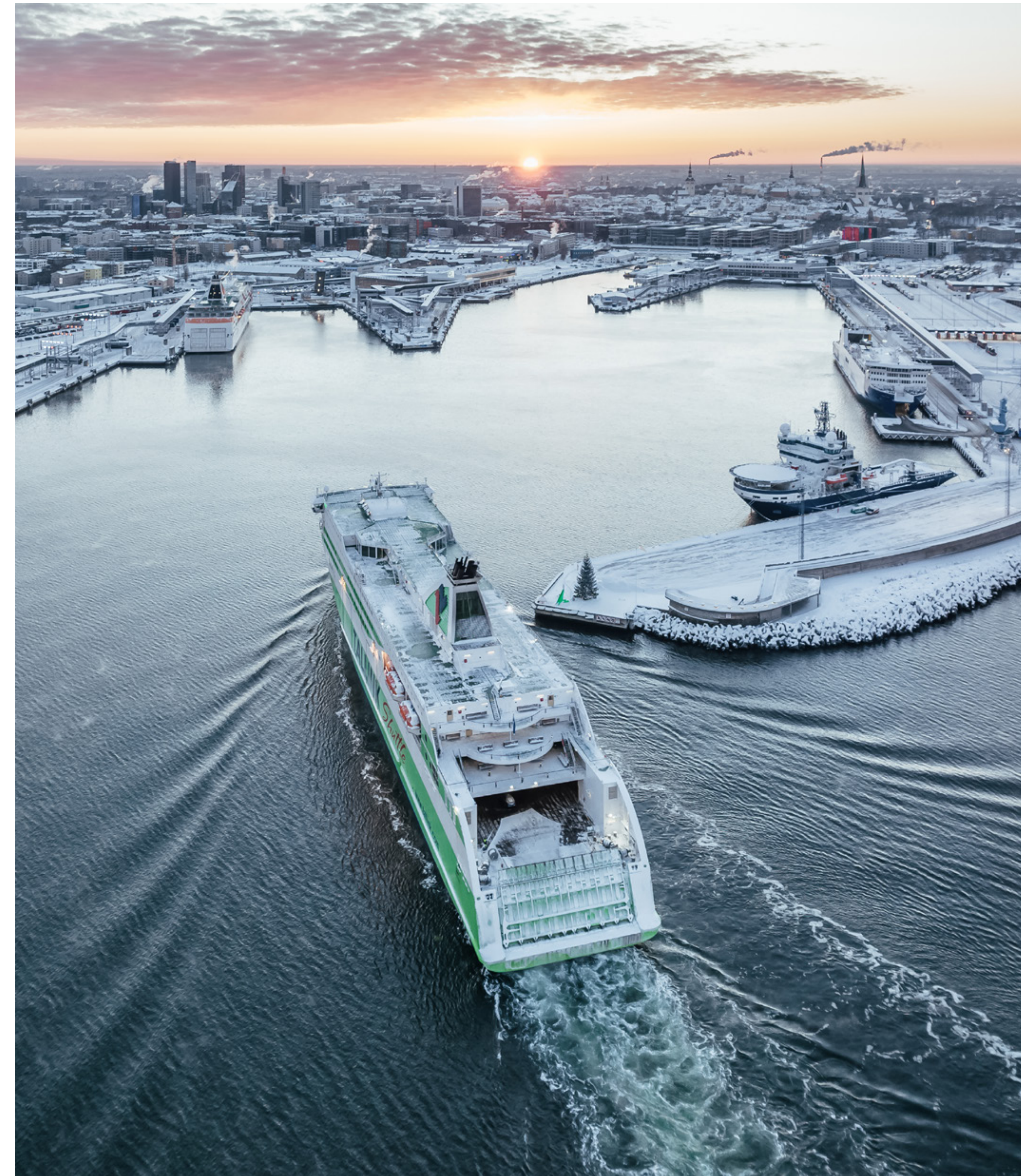


TABLE OF CONTENTS

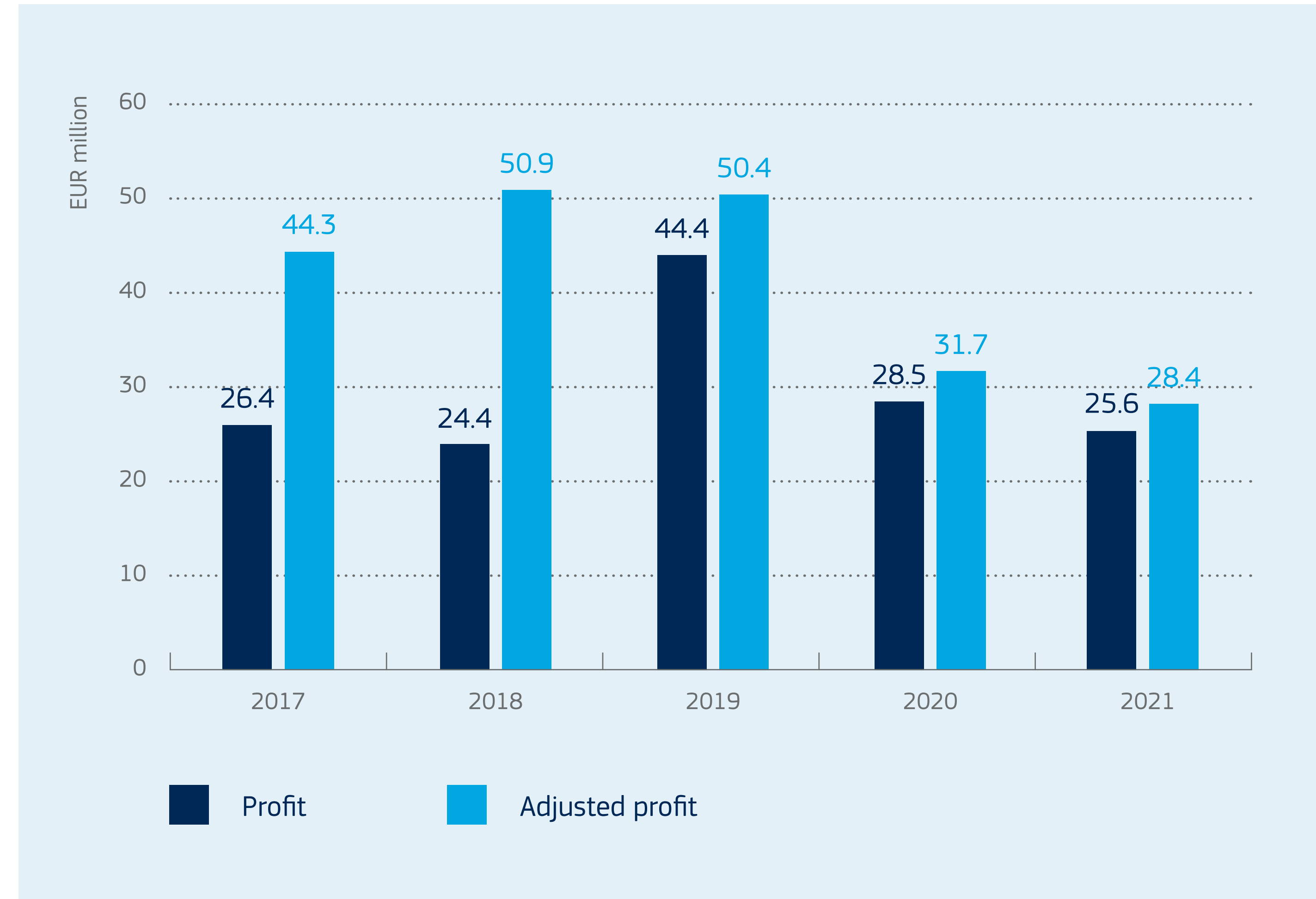
6.8 Profit

Besides the above factors, profit development was influenced by finance income and costs and income tax on dividends. Finance income grew slightly due to interest income on instalment plan receivables. Finance costs decreased by EUR 0.3 million (–19%), mainly through a decrease in interest rates. The Group's share of the profit of the equity-accounted associate Green Marine was EUR 0.41 million compared with a loss of EUR 0.46 million in 2020 (growth of EUR 0.87 million). The associate's financial performance improved because both fee rates and handling volumes increased as did the price of the oil product recovered from oil-containing waste, which was driven up by a rise in the world market price of oil. Profit before tax was EUR 28.9 million, EUR 4.5 million (–14%) lower than in 2020.

The Group's net profit for 2021 amounted to EUR 25.6 million, which is EUR 2.9 million (–10%) less than a year earlier. Net profit decreased less than profit before tax because due to a smaller dividend income tax expense on dividends was EUR 1.6 million smaller than in 2020. The Group paid a dividend of EUR 20.3 million in 2021 compared with EUR 30.2 million in 2020.

In the comparison of the Group's profit for different years, profit is adjusted for significant one-off income and expenses and income tax expense on dividends. After adjustments for income tax on dividends of EUR 3.3 million and one-off items consisting of gains on non-current asset sales and impairment losses on non-current assets of EUR 0.54 million, adjusted profit for 2021 amounts to EUR 28.3 million. Profits for 2020, 2019, 2018 and 2017 have been adjusted for income tax expense on dividends of EUR 4.9 million, EUR 5.8 million, EUR 26.2 million and EUR 12.0 million, respectively, and one-off impairment losses of EUR 1.72 million, EUR 0.25 million, EUR 0.3 million and EUR 5.95 million, respectively. The decrease in adjusted profit (EUR –3.4 million) is mainly attributable to a decrease in operating profit.

Profit



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.

All segments increased their revenue in 2021 to a certain extent: the Cargo harbours segment by EUR 1.0 million (+2.5%), the Ferry segment by EUR 0.97 million (+3.3%), the segment Other by EUR 0.70 million (+7.6%) and the Passenger harbours segment by EUR 0.03 million (+0.1%). Adjusted EBITDA, on the other hand, decreased in all segments except the segment Other because growth in expenses exceeded revenue growth.

Revenue of the **Passenger harbours segment** remained stable year on year. Passenger fee revenue decreased by EUR 1.4 million due to a decline in the number of passengers caused by the COVID-19 restrictions. This was offset by growth in revenue from vessel dues on cruise ship calls (there were no cruise ship calls in 2020). The latter also covered the decrease in revenue from ferry calls which was caused, among other things, by the fact that from mid-March to the end of June 2020 the ferries operating on the Muuga–Vuosaari route (the Cargo harbours segment) were temporarily rerouted to Old City Harbour in connection with the reinstatement of border checks. Revenue from the sale of electricity grew due to a sharp rise in the electricity price and higher consumption resulting from the newly launched onshore power supply service to ferries. Lease income grew because the concessions made to lessees were smaller than in the previous year.

Revenue of the **Cargo harbours segment** increased mainly through the effect of revenue from the sale of electricity, which grew due to a hike in the electricity price. Cargo charge revenue increased in connection with growth in cargo volumes. Revenue from vessel dues decreased, particularly due to lower volumes of liquid bulk cargo and stiff competition, which lowered margins. The decline was partly offset by growth in revenue from general cargo and dry bulk carriers and the temporary rerouting of the ferries operating on the Muuga–Vuosaari route to Old City Harbour (the Passenger harbours segment) in 2020.

Revenue of the **Ferry segment** grew mostly through the effect of the indexation of the contractual fee rates to the price indices and a larger number of trips made (in spring 2020 the number of trips was reduced due to the COVID-19 restrictions).

Revenue of the **segment Other** grew because at the request of the Canadian customer the summer charter of the icebreaker Botnica was extended. Revenue growth was supported by the indexation of the icebreaking and summer charter fee rates to the inflation index.

Revenue by EBITDA and segments

TABLE OF CONTENTS

In segment terms, **adjusted EBITDA** for 2021 decreased by EUR 3.1 million (–12%) in the Cargo harbours segment, by EUR 1.6 million (–11%) in the Ferry segment and by EUR 1.5 million (–9.7%) in the Passenger harbours segment. The key factor was growth in expenses, which exceeded revenue growth. Expenses grew mainly due to a lower-than-usual cost base in 2020 (cost-cutting measures), increases in the prices of energy and various services, and the costs of some major maintenance and repairs (the Ferry segment) scheduled for 2021.

The Cargo harbours segment had also one-off gains on asset sales (mostly at Paljassaare Harbour), which were EUR 1.5 million higher in 2020. However, the adjusted EBITDA of the segment Other grew by EUR 1.8 million (+7.6%), supported by revenue growth as well as the profit of the equity-accounted associate Green Marine.

Adjusted EBITDA margin decreased from 54.4% to 49.1% due to a decline in the adjusted EBITDA of the three largest segments.

Results by segments

	2021					2020				
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	28,800	40,678	30,676	9,897	110,051	28,770	39,683	29,705	9,200	107,358
Adjusted EBITDA	13,665	22,294	12,523	5,564	54,046	15,140	25,377	14,101	3,805	58,423
Operating profit	6,725	13,575	6,555	2,903	29,758	8,665	16,685	8,209	2,003	35,562
Adjusted EBITDA margin	47.4%	54.8%	40.8%	56.2%	49.1%	52.6%	63.9%	47.5%	41.4%	54.4%

Changes 2021/2020

	2021				
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	30	995	971	697	2,693
Adjusted EBITDA	–1,475	–3,083	–1,578	1,759	–4,377
Operating profit	–1,940	–3,110	–1,654	900	–5,804
Adjusted EBITDA margin	–5.2%	–9.1%	–6.6%	14.9%	–5.3%

6.10 Investments and development prospects

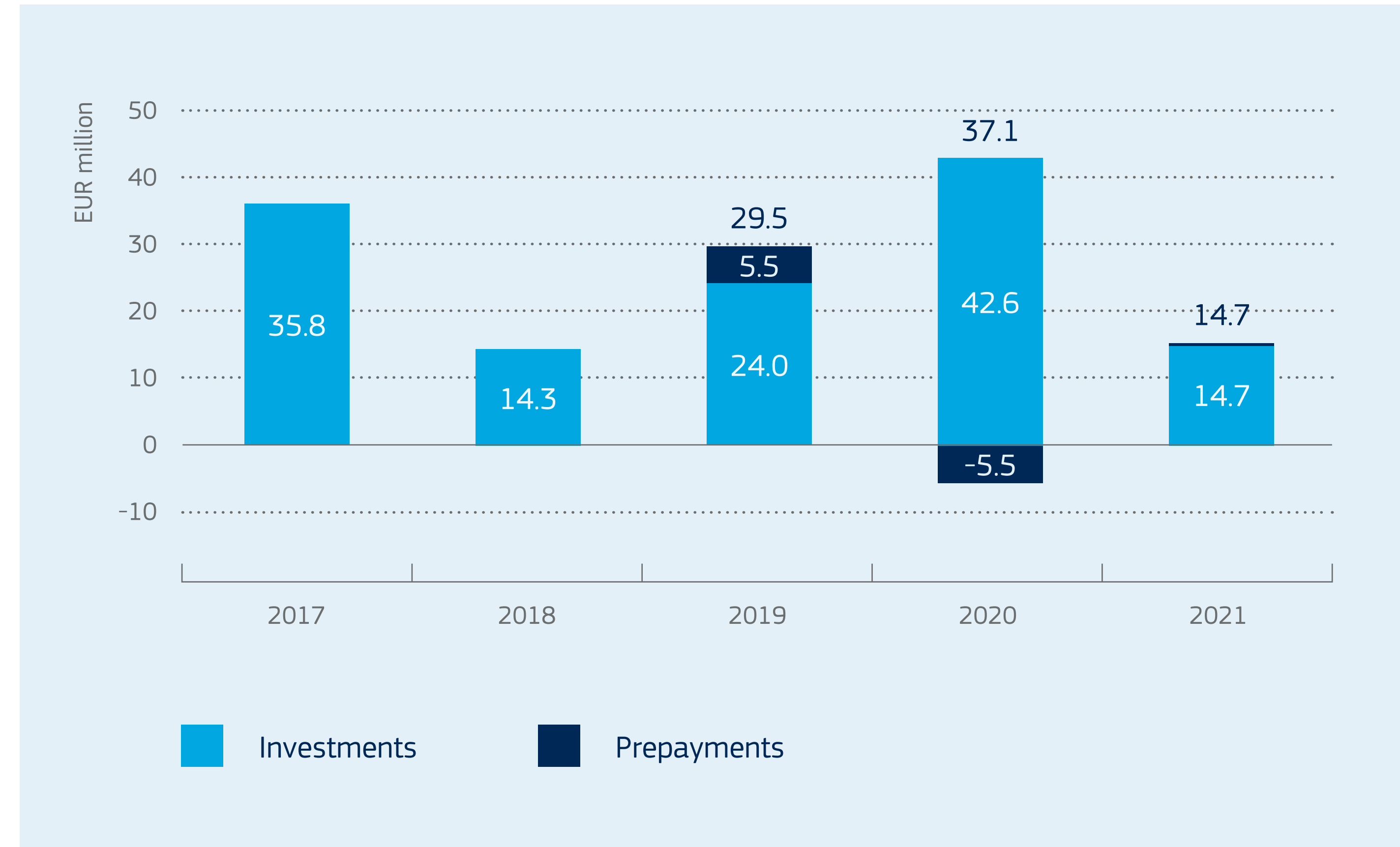
The Group's capital investments in 2021 totalled EUR 14.7 million, which is EUR 22.4 million (60%) less than in the prior year and the past five years' lowest level because most major works carried out in recent years were completed in 2020. Investments in harbour infrastructure, acquisition of non-current assets and improvements to existing infrastructure totalled EUR 13.4 million. Investments in the icebreaker Botnica amounted to EUR 0.9 million and investments in the provision of ferry service totalled EUR 0.4 million.

The main capital investments in 2021 were again made at Old City Harbour, where the largest completed construction projects were a cruise terminal with a promenade and a movable footbridge across the canal of the Admiralty Basin. We also began to reconstruct the area surrounding passenger terminal D. The largest works at Muuga Harbour were related to developing the conditions for ro-ro traffic and improving traffic conditions in the harbour area. In the Ferry segment, the largest works were the scheduled dry-dock maintenance of ferries and the development of electronic interfaces for customer service. The investment in the sixth ferry, which was planned a year earlier, was not made, as the state decided to order the vessel through the Transport Administration, not through TS Laevad. On the icebreaker Botnica, the machinery control system was renewed and other technical systems were upgraded.

The largest capital investment planned for 2022 is the completion of the reconstruction of the area around passenger terminal D in Old City Harbour, which is part of the process of developing the harbour into a modern and attractive urban environment. At Muuga Harbour, we will continue to invest in vessel servicing equipment to increase the harbour's capacity to serve ro-ro traffic. On Botnica, we will install new propellers to increase the icebreaker's ice class. Our ferries will undergo regular dry dock maintenance and we will continue to improve their customer service and ticket sale systems.

In addition to capital investments, every year we incur substantial **research and development expenditures**, which in 2021 amounted to EUR 0.30 million (2020: EUR 0.25 million). Research and development expenditures of the period were mainly related to conducting environmental studies and observations, reviewing the state of buildings and structures, assessing and monitoring of the impacts of harbour operations, and preparing the assessments and draft and detailed plans required for our development plans. In 2021, we continued planning activities for the execution of Masterplan 2030+ at Old City Harbour. This included preparing studies and surveys for the proceedings carried out by the City Planning Department of Tallinn for the adoption of detailed plans for the areas to be developed (6 detailed plans). We are planning to develop the areas in stages (within 10–15 years) in a manner that will support busy passenger traffic and integrate the harbour more closely with the city.

Investments



We expect that in 2022 the effects of the COVID-19 pandemic will continue to subside and business activity in the Passenger harbours segment will recover somewhat, supporting growth in the Group's revenue compared with 2021. On the other hand, we also project growth in operating expenses due to an uptrend in the prices of various resources, which emerged in 2021 already. We believe, however, that supported by a rise in business activity, revenue growth will exceed growth in expenses and we will be able to increase the Group's profit.

We forecast that in 2022 investments in harbour operations will remain at the level of 2021, which is slightly below our average EUR 20 million per year.

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 dividend of at least EUR 30 million per year, which was met.

In 2021, we distributed our shareholders a dividend of EUR 0.077 per share and EUR 20.3 million in total (2020: EUR 0.115 per share and EUR 30.2 million in total), which accounted for 71% of profit for the previous year, on which we paid income tax of EUR 3.3 million. After income tax withheld on distributions to individuals, the net dividend distribution was EUR 20.1 million. For further information, see note 19 to the financial statements.

Dividends paid

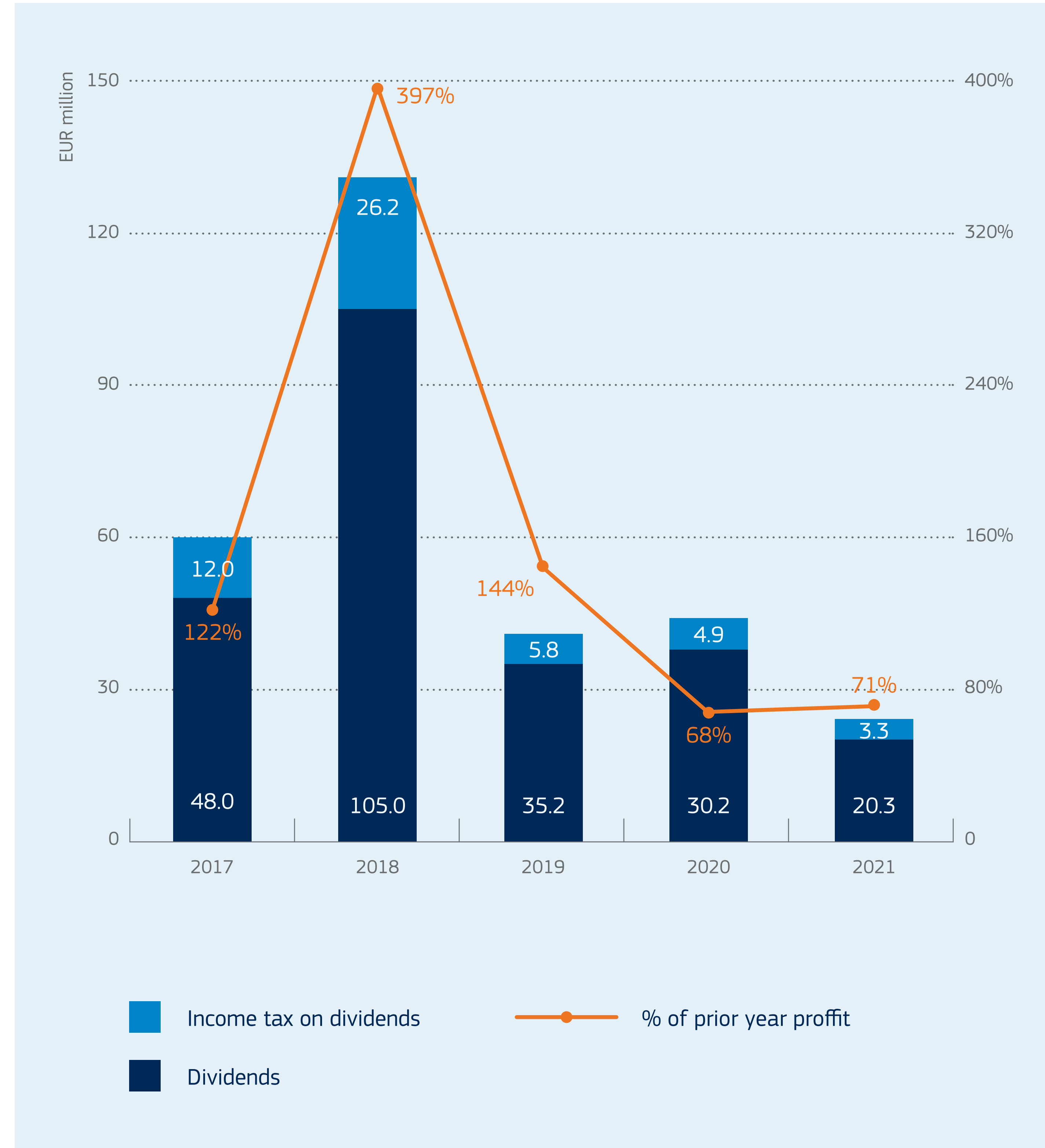


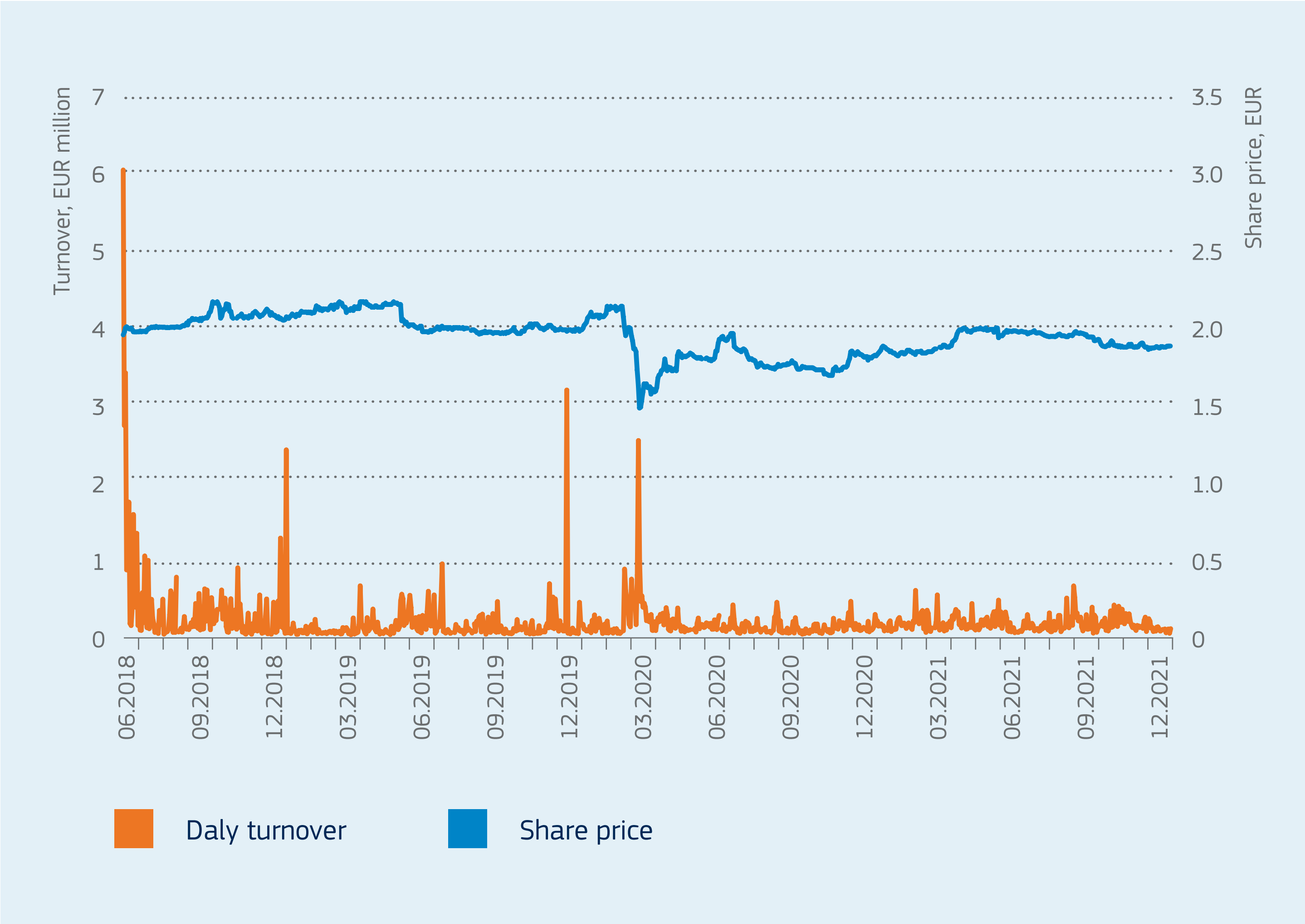
TABLE OF CONTENTS

6.12 Share and shareholders

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, i.e. 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 2021 was EUR 1.8. The closing price of the share at 31 December 2021 was EUR 1.858. The company's **market capitalisation** at 31 December 2021 was **EUR 488.7 million** (2020: EUR 473.4 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, that is from 13 June 2018 to 31 December 2021



The dynamics of the price of the Tallinna Sadam share in comparison with the OMX Baltic Benchmark GI index

Source: nasdaqbaltic.com

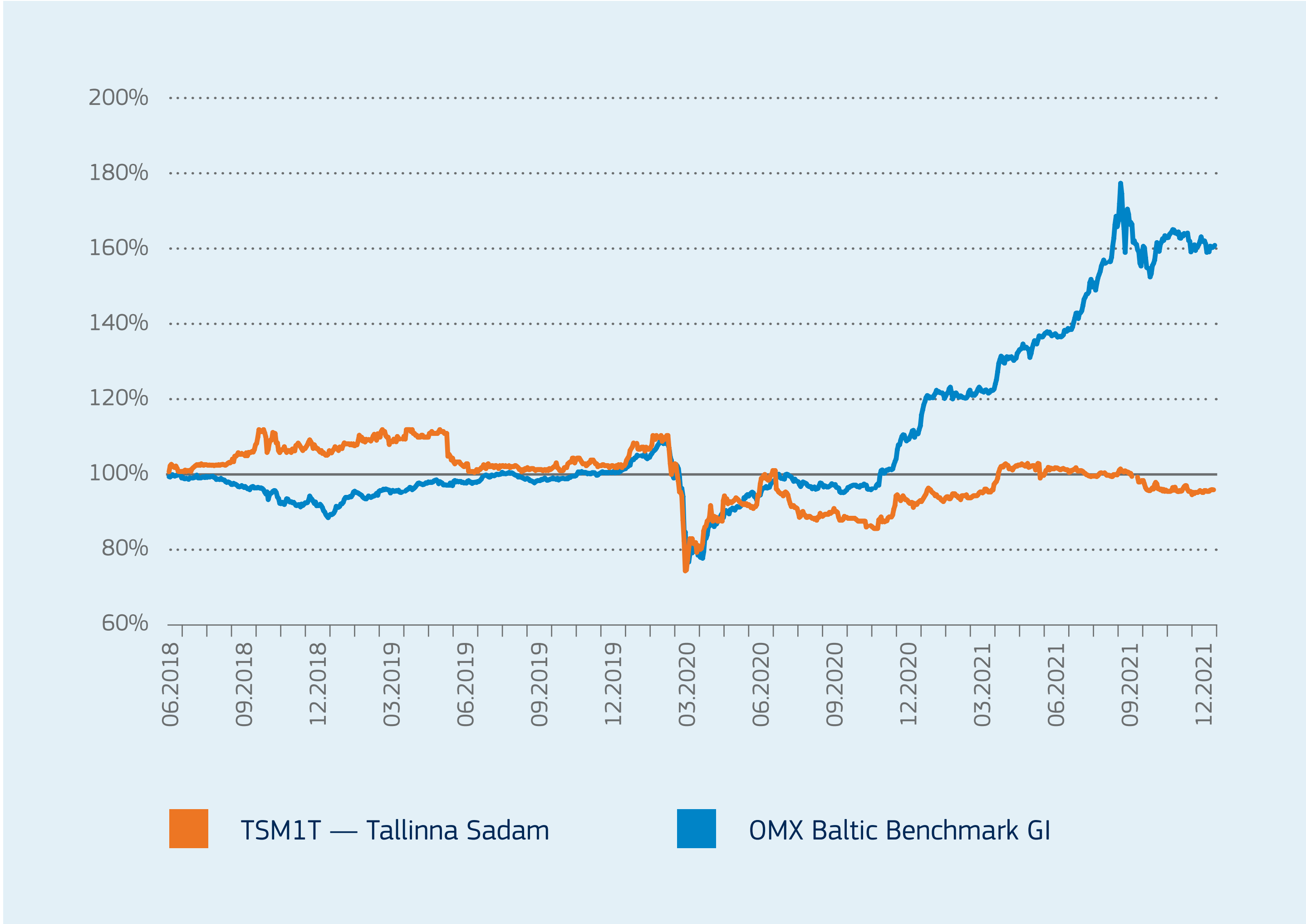


TABLE OF CONTENTS

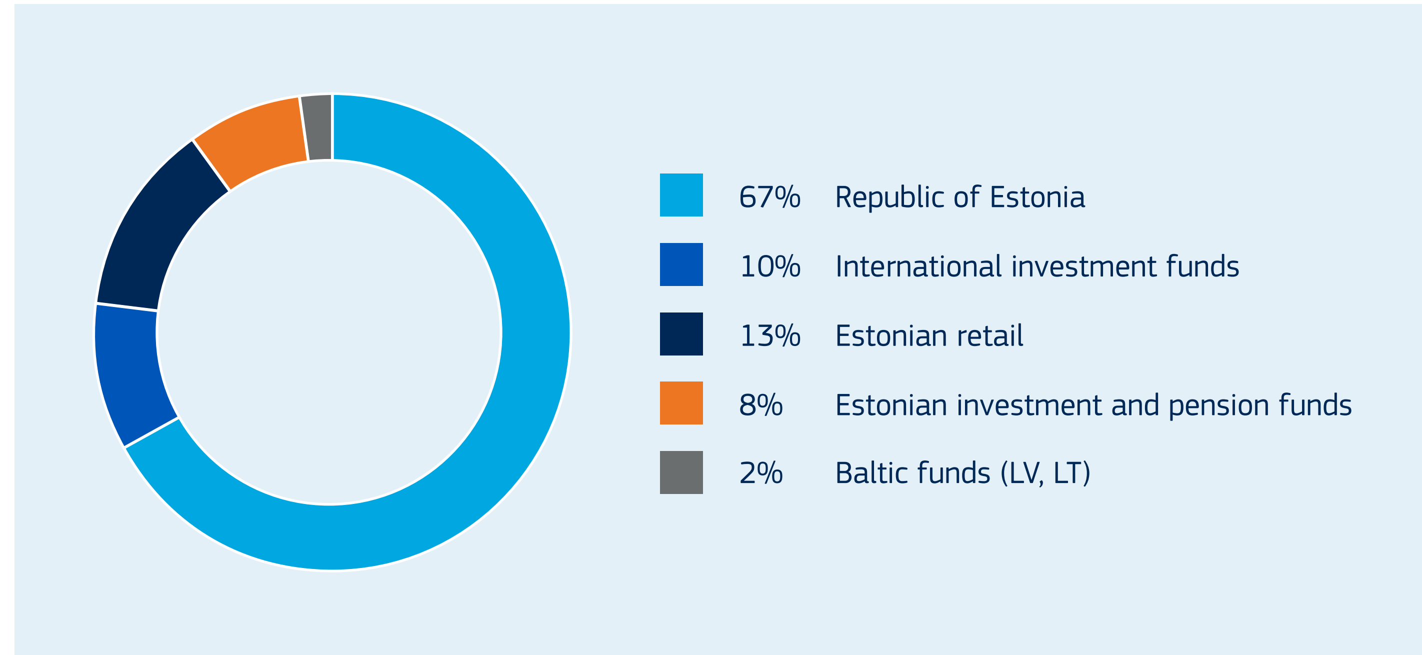
In 2021, there were 60,889 transactions (2020: 47,555 transactions) with the Tallinna Sadam share in which 19.3 million shares (2020: 20.4 million shares) changed hands and **the total turnover of the transactions was EUR 36.7 million** (2020: EUR 36.1 million). The number of transactions and turnover grew compared with a year earlier in connection with an increase in the number of shareholders and a rise in the trading activity of retail investors, attributable to the lowering of the banks' transaction fees in 2021.

At 31 December 2021, the company had **19,946 shareholders** (31 December 2020: 15,433) 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 2021

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%
State Street Bank and Trust Omnibus (USA)	5,752,125	2.2%
LHV Pensionifond L	5,536,570	2.1%

Shareholder structure as at 31 December 2021



The shareholder structure has changed somewhat compared to the end of 2020. The share of international investors has decreased from 12% to 10% (–4.8 million shares), the share of Estonian retail investors has increased from 12% to 13% (+4.7 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 key 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, 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 decreasing share capital, appointing, removing and remunerating the members of the supervisory board (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 of 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 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 2021, the company had an annual general meeting, which was conducted without physical attendance, and no extraordinary general meetings. Physical attendance was not possible due to the COVID-19 related restrictions on public gatherings in Estonia.

On 24 May 2021, the shareholders of Tallinna Sadam passed resolutions on the approval of the annual report for 2020, the allocation of profit, the distribution of a dividend of EUR 20.251 million in total and appointed the audit firm KPMG Baltics OÜ as the auditor of the company's financial statements for 2021 and 2022. Shareholders could vote remotely from 18 May to 24 May, 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 80 shareholders whose shares represented 207,177,398 votes, i.e. 78.77% of the company's total share capital.

Tallinna Sadam arranged a **public webinar on 18 May 2021** 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 2021 is provided in section 6.12 of the management report.

TABLE OF CONTENTS

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 2021: six out of eight, 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 2021, **the composition of the supervisory board** was as follows: Aare Tark (chairman), Urmas Kaarlep, Üllar Jaaksoo, Ahti Kuningas, Raigo Uukkivi, Maarika Honkonen, Riho Unt and Veiko Sepp. The members that meet the definition of independence as provided in the annex to the CGR are Aare Tark, Urmas Kaarlep, Üllar Jaaksoo, Maarika Honkoken, Riho Unt and Veiko Sepp. The term of office of all members of the supervisory board lasts until 30 June 2022.

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 2021, there were 8 meetings (2020: 10 meetings). The rules of procedure of the supervisory board and the supervisory board's reports to the general meeting (on the annual report of Tallinna Sadam and the activities of the supervisory board) have been made available on the website of Tallinna Sadam since 2017 (in the materials of general meetings since 2019).

AARE TARK
Chairman of the Supervisory Board

URMAS KAARLEP
Member of the Supervisory Board

ÜLLAR JAAKSOO
Member of the Supervisory Board

AHTI KUNINGAS
Member of the Supervisory Board

RAIGO UUKKIVI
Member of the Supervisory Board

MAARIKA HONKONEN
Member of the Supervisory Board

RIHO UNT
Member of the Supervisory Board

VEIKO SEPP
Member of the Supervisory Board

TABLE OF CONTENTS

The appointment and remuneration of a member of the supervisory board is 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 a proposal by 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 remuneration committee, which are bodies set up by the supervisory board. In 2021, compensation provided to the members of the supervisory board totalled EUR 111.6 thousand (2020: EUR 98.8 thousand), including remuneration for fulfilling the responsibilities of a member of the supervisory board of EUR 108 thousand (2020: EUR 96 thousand). The members of the supervisory board of Tallinna Sadam are not entitled to termination benefits or additional remuneration (besides 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 24 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 **a 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.

Overview of shares held in Tallinna Sadam by the members of the supervisory board and persons closely associated with them[23] at 31 December 2021:

Member of the supervisory board	Number of shares held in Tallinna Sadam at 31 December 2021	
	Personally (pcs)	Through closely associated persons (pcs)
Aare Tark	44,171	0
Urmas Kaarlep	29,215	0
Raigo Uukkivi	6,626	0
Maarika Honkonen	0	1,300
Üllar Jaaksoo	148	0
Veiko Sepp	7,296	2,500
	87,456	3,800

As at 31 December 2021, Ahti Kuningas and Riho Unt did not hold any shares in Tallinna Sadam either personally or through persons closely associated with them.

Member of the supervisory board	Term of office	Participation in meetings in 2021			Remuneration in euros in 2021		
		Supervisory board	Audit committee	Remuneration committee	Supervisory board	Audit committee	Remuneration committee
Aare Tark	3 Oct 2015–30 Jun 2022	8/8	–	2/2	24,000	0	266
Urmas Kaarlep	3 Oct 2015–30 Jun 2022	8/8	7/7	–	12,000	931	0
Üllar Jaaksoo	3 Oct 2015–30 Jun 2022	8/8	–	2/2	12,000	0	177
Ahti Kuningas	8 Sept 2017–30 Jun 2022	8/8	–	2/2	12,000	0	177
Raigo Uukkivi	8 Sept 2017–30 Jun 2022	8/8	7/7	–	12,000	621	0
Maarika Honkonen	17 Apr 2018–30 Jun 2022	8/8	7/7	–	12,000	621	0
Riho Unt	1 Jul 2020–30 Jun 2022	8/8	7/7	–	12,000	621	0
Veiko Sepp	1 Jul 2020–30 Jun 2022	8/8	–	2/2	12,000	0	177
					108,000	2,793	798

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

7.3 Audit committee and internal audit unit

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 have been on the audit committee since 15 May 2018: Urmas Kaarlep (chairman), Raigo Uukkivi and Maarika Honkonen. On 3 July 2020, the supervisory board approved a new composition for the audit committee, reappointing all former members and appointing Riho Unt as the fourth member of the committee.

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 2021, 7 meetings were held (2020: 8 meetings). All members of the audit committee attended all meetings.

The rates of the remuneration of the members of the audit committee are based on a resolution adopted by the then sole shareholder on 24 November 2011. 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. In 2021, the members of the audit committee were paid EUR 89 per month and the chairman of the audit committee was paid EUR 133 per month for participating in the work of the committee.

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 other external control procedures. The internal audit department briefs the audit committee and the supervisory board on its activities (including the audit findings and recommendations) on a regular basis. The head of the internal audit department is invited to all meetings of the supervisory board and the audit committee of Tallinna Sadam.

Additionally, the internal audit department is responsible for handling the **declarations of the business interests** of the members of the Group's governing bodies and key personnel. The declarations are used as a basis for checking the compliance of related party transactions with the arm's length principle (related party transactions with the members of the governing bodies are disclosed in note 24 to the financial statements).

In 2021, Ernst & Young Baltic AS was engaged by Tallinna Sadam to conduct **an independent external assessment of the company's internal audit function** through a self-assessment with independent external validation. The external assessors concluded that the activity of the internal audit function of Tallinna Sadam conforms in all material respects with the IIA (The Institute of Internal Auditors) Definition of Internal Auditing, the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. According to the said Standards, external assessments must be 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 2021, the members of the remuneration committee were Aare Tark (chairman), Ahti Kuningas, Üllar Jaaksoo and Veiko Sepp. In the reporting period, the remuneration committee had 2 meetings where the main agenda item was the election of a member of the management board/CFO. All members participated in all meetings of the committee.

Compensation for participation in the work of the remuneration committee is similar to that of the audit committee. The rates of the remuneration are based on a resolution adopted by the then sole shareholder on 24 November 2011. 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. In 2021, the members of the remuneration committee were paid EUR 89 per month and the chairman of the remuneration committee was paid EUR 133 per month for participating in the work of the committee.

TABLE OF CONTENTS

7.5 Nomination committee

A committee for nominating the members of the supervisory board of AS Tallinna Sadam was formed in 2019. The nomination committee is **responsible for** 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 mandate 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 Republic of Estonia who represent the Republic of Estonia based on the office they hold, and 2 representatives of small shareholders whose term of office is five years. At 31 December 2021, the nomination committee comprised the chairman Ando Leppiman (secretary general of the Ministry of Economic Affairs and Communications) and the members Merike Saks (secretary general of the Ministry of Finance), Kaido Padar (chairman of the nomination committee formed by the Republic of Estonia), Elena Kiseleva (principal banker of transport team of the European Bank for Reconstruction and Development) and Sven Kunsing (member of the management board of AS SEB Varahaldus until September 2021). The members of the nomination committee are not remunerated for serving on the committee.

In 2021, the nomination committee had 4 meetings (2020: 10 meetings) in order to make proposals to the annual general meeting of 2022 regarding the election of the members of the supervisory board in connection with the expiry of their term of office. During the meetings, the nomination committee revised the principles for the selection of candidates, coordinated the annual self-assessment of the supervisory board in office and conducted group interviews with the members of the supervisory board to obtain feedback. The work of the committee in preparing a proposal to the general meeting regarding the size and remuneration of the supervisory board and the candidates for the members of the supervisory board will continue in 2022.

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.

At 31 December 2021, the composition of the management board was as follows:

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.

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. The term of office of Margus Vihman was extended in spring 2021 for another three-year period starting from the expiry of the previous term of office (1 November 2021).

Marko Raid, long-term CFO of Tallinna Sadam, stepped down as of 16 October 2021 to take up the responsibilities of CFO at Graanul Assets and Graanul Tehnoloogia. A public competition was arranged to fill the position. Based on the results of the competition, the supervisory board appointed Andrus Ait as the new CFO and member of the management board for a period of five years starting from 21 February 2022.

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 2021 are disclosed in the remuneration report included in 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 24 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 and Margus Vihman hold shares in Tallinna Sadam (2,828 shares and 15,486 shares, respectively). Persons closely associated with the members of the management board do not hold any shares in Tallinna Sadam.

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 2021, the members of the supervisory board of **TS Shipping** were Valdo Kalm (chairman), Marko Raid (former member of the management board of Tallinna Sadam) and Ahti Kuningas (deputy secretary general for transportation of the Ministry of Economic Affairs and Communications). The management board of TS Shipping had one member: Ülo Eero.

At 31 December 2021, the members of the supervisory board of **TS Laevad** were Valdo Kalm (chairman), Marko Raid, Rene Pärt and Johann Peetre (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 2021 the members were Indrek Randveer (chairman), Guldar Kivro and Ave Metsla.

At 31 December 2021, the members of the supervisory board of **Green Marine**, an associate of Tallinna Sadam, were Valdo Kalm (chairman), Marko Raid, Carl-Jüri Piht, Innar Susi and Ahti Kuningas. The management board of the associate has two members: the chairman Ain Kuusik 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.

TABLE OF CONTENTS

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 2021**, there were 12 personal meetings with investors and five investor webinars. We participated in an international investor conference organised by Erste Group Bank in Vienna (online) and held an investor day for local investors in our newly opened cruise terminal.

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 2018–2020) and in 2021 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 2021, the **fees paid or payable for services provided by audit firms** totalled EUR 69 thousand (2020: EUR 44 thousand). The figure comprises the fee for the financial audit of EUR 30 thousand (2020: EUR 23 thousand) as well as the fees for the translation of financial statements, the audits of projects funded by foreign grants conducted by Grant Thornton Baltic, the external assessment of the company's internal audit function conducted by Ernst & Young Baltic and the training provided by PwC and KPMG.

7.11 Statement of compliance with the Corporate Governance Code

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 135[3] 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 their remuneration policy.

In autumn 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 policy must be approved by both the supervisory board and general meeting. Therefore, it was not yet approved in 2021. The policy will be submitted for approval by the annual general meeting in 2022. To date, the remuneration of the members of the management board has been based on the following general principles.

Summary of remuneration principles

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 supervisory board appraises the achievement of the goals of management board members 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 indemnity
- Termination benefits
- Compensation for compliance with the non-compete clause

The basic remuneration of the members of the management board is determined based on their position, responsibilities, duties, professional skills, experience and education which are relevant to the operations and the achievement of the goals of the company.

There is also **a short-term bonus system**, which is based on the performance management system adopted in 2017 for the members of the management board and employees in order to monitor the achievement of strategic goals. The system involves setting three main goals (revenue, EBITDA and the execution of the most important projects) for the Group and some subsidiary individual goals (business volumes, business projects, changes in processes, etc.) on an annual basis and the achievement of the goals determines a person's eligibility to performance-related remuneration (a 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 (subsidiary goals). The supervisory board sets the goals for the management board and assesses the achievement of the goals once a year before the approval of the annual report for the financial year.

The Group has **no long-term bonus programmes** and the short-term bonus system 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 2021 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.

Remuneration provided to the members of the management board for 2021

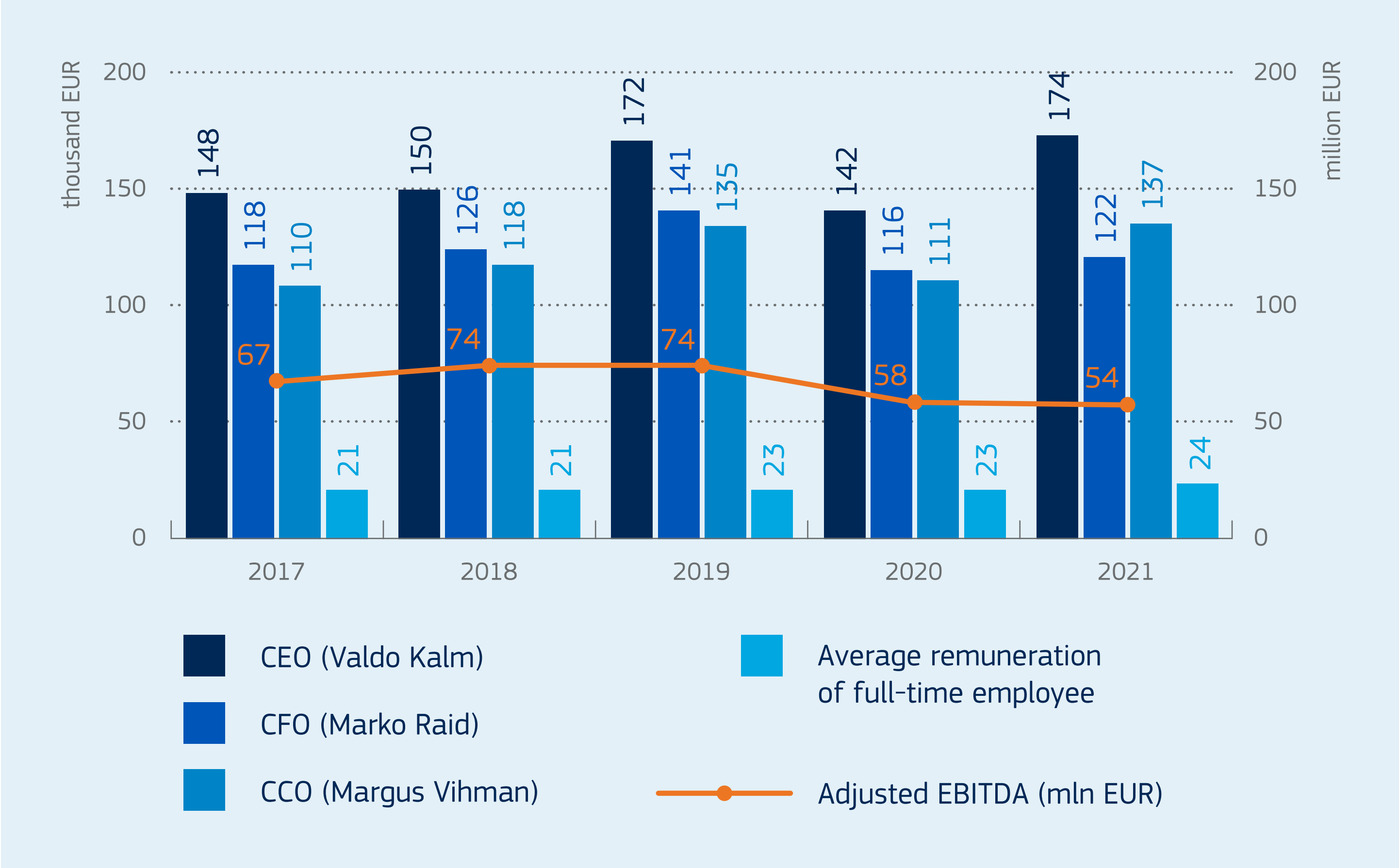
In thousands of euros	Term of office	Basic remuneration[24]	Performance-related bonus	Other benefits	TOTAL	Share of fixed remuneration
Valdo Kalm, Chairman of the Management Board	1 Mar 2016 – 28 Feb 2024	143	31	21	195	73%
Margus Vihman, Member of the Management Board/CCO	1 Nov 2016 – 31 Oct 2024	112	25	14	151	74%
Marko Raid, Member of the Management Board/CFO	18 Apr 2015 – 15 Oct 2021	102	20	23	145	70%

In the table, other benefits paid to Marko Raid include compensation for compliance with the non-compete clause of EUR 12 thousand paid in connection with his resignation from the position of a member of the management board on 15 October 2021.

In accordance with the decision of the supervisory board of Tallinna Sadam of 27 January 2022, **members of the management board will be paid performance-related bonuses equal to their 2.6-fold average monthly remuneration**, i.e. 65% of the maximum fourfold remuneration for the achievement of the goals set for 2021. Due to the impacts of the pandemic only 10% (max. 40%) of the Group's main goals (revenue, adjusted EBITDA, growth project, reduction of GHG emissions and implementation of the business plan of TS Laevad) were achieved, while the management board achieved 55% (max. 60%) of their individual subsidiary goals (implementation of the strategy, initiation of growth projects and retaining the level of the employee engagement index). The **overall goal achievement score was 65%**. The supervisory board decided that the contribution of the former CFO Marko Raid to the achievement of the goals for 2021 was significant and therefore he would be paid a performance-related bonus in proportion to the time worked. Performance-related bonuses will be paid out to the members of the management board when the annual report for 2021 has been approved by the supervisory board.

In 2021, no variable remuneration was reclaimed from the members of the management board and the remuneration was paid based on the remuneration principles described in this report without exception.

Comparison of annual remuneration* and performance



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

[24] *Põhitasu on arvestatud tekkepõhiselt brutotasuna.*

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

Consolidated statement of financial position

In thousands of euros	Note	31 December 2021	31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents	7	34,840	26,679
Trade and other receivables	8	14,151	10,183
Inventories		399	360
Total other current assets		49,390	37,222
Non-current assets held for sale	10	0	114
Total current assets		49,390	37,336
Non-current assets			
Investments in an associate	9	1,559	1,147
Other long-term receivables	8	896	0
Property, plant and equipment	10	575,563	587,506
Intangible assets	11	2,130	2,104
Total non-current assets		580,148	590,757
Total assets		629,538	628,093

In thousands of euros	Note	31 December 2021	31 December 2020
LIABILITIES			
Current liabilities			
Loans and borrowings	16	15,916	17,266
Derivative financial instruments	17	0	102
Provisions	13	1,572	1,289
Government grants	18	1,223	1,919
Taxes payable	15	890	744
Trade and other payables	14	10,348	9,149
Total current liabilities		29 949	30,469
Non-current liabilities			
Loans and borrowings	16	187,398	194,314
Government grants	18	29,835	26,145
Other payables	14	1,461	1,733
Total non-current liabilities		218,694	222,192
Total liabilities		248,643	252,661
EQUITY			
Share capital		263,000	263,000
Share premium		44,478	44,478
Statutory capital reserve		21,271	20,262
Hedge reserve	17	0	-102
Retained earnings (prior periods)		26,534	19,276
Profit for the period		25,612	28,518
Total equity	19	380,895	375,432
Total liabilities and equity		629,538	628,093

TABLE OF CONTENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated statement of profit or loss

In thousands of euros	Note	2021	2020
Revenue	3, 20	110,051	107,358
Other income	22	1,779	3,015
Operating expenses	21	-35,962	-30,858
Personnel expenses	21	-20,920	-19,491
Depreciation, amortisation and impairment	10, 11	-24,761	-24,094
Other expenses		-429	-368
Operating profit		**29,758**	**35,562**
FINANCE INCOME AND COSTS			
Finance income		95	36
Finance costs	23	-1,378	-1,705
Finance costs — net		**-1,283**	**-1,669**
Share of profit or loss of an associate accounted for under the equity method	9	412	-462
Profit before income tax		**28,887**	**33,431**
Income tax expense	19	-3,275	-4,913
Profit for the period		**25,612**	**28,518**
Attributable to: Owners of the Parent		25,612	28,518
Basic earnings and diluted net earnings per share (in euros)	19	0.10	0.11
Basic earnings and diluted net earnings per share — continuing operations (in euros)		0.10	0.11

Consolidated statement of other comprehensive income

In thousands of euros	Note	2021	2020
Profit for the period		**25,612**	**28,518**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on hedging instruments in cash flow hedges	17	102	141
Total other comprehensive income		**102**	**141**
Total comprehensive income for the period		**25,714**	**28,659**
Attributable to: Owners of the Parent		25,714	28,659

Consolidated statement of cash flows

In thousands of euros	Note	2021	2020
Cash receipts from sale of goods and services		117,001	114,378
Cash receipts related to other income		144	94
Payments to suppliers		-44,427	-41,354
Payments to and on behalf of employees		-18,665	-15,713
Payments for other expenses		-451	-376
Other payments	14	0	-2,600
Income tax paid on dividends	19	-3,440	-4,913
Cash from operating activities		**50,162**	**49,516**
Purchases of property, plant and equipment	26	-14,535	-35,811
Purchases of intangible assets	26	-641	-661
Proceeds from sale of property, plant and equipment		2,573	2,863
Government grants received		409	3,561
Interest received		3	15
Cash used in investing activities		**-12,191**	**-30,033**
Redemption of debt securities	16	0	-9,000
Proceeds from loans received	16	0	20,000
Repayments of loans received	16	-8,266	-7,266
Dividends paid	19	-20,085	-30,008
Interest paid	16	-1,458	-1,694
Other payments related to financing activities		-1	-19
Cash used in financing activities		**-29,810**	**-27,987**
NET CASH FLOW		**8,161**	**-8,504**
Cash and cash equivalents at beginning of period	7	26,679	35,183
Change in cash and cash equivalents		8,161	-8,504
Cash and cash equivalents at end of period	7	34,840	26,679

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 2019		**263,000**	**44,478**	**18,520**	**-243**	**51,263**	**377,018**
Profit for the period		0	0	0	0	28,518	28,518
Other comprehensive income for the period	17, 19	0	0	0	141	0	141
Total comprehensive income for the period		**0**	**0**	**0**	**141**	**28,518**	**28,659**
Dividend declared	19	0	0	0	0	-30,245	-30,245
Total transactions with owners		**0**	**0**	**0**	**0**	**-30,245**	**-30,245**
Increase of capital reserve		0	0	1,742	0	-1,742	0
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	17, 19	0	0	0	102	0	102
Total comprehensive income for the period		**0**	**0**	**0**	**102**	**25,612**	**25,714**
Dividend declared	19	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**

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 2021 comprise the Parent and its subsidiaries (together referred to as the 'Group'). The Group's core business lines are rendering of port services in the capacity of a landlord port, organising passenger 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 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, Tallinna Sadam provides the services set out in the Port Rules in Paljassaare Harbour under a relevant service contract.

In addition, the Group has a 51% interest in the associate AS Green Marine but it does not have control over 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 16 March 2022. 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 2021 and 31 December 2020

Subsidiary	Domicile	Ownership interest (%) 2021	Ownership interest (%) 2020	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

Note 2. Accounting Policies

Basis of preparation

The Group's consolidated financial statements as at and for the year ended 31 December 2021 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 (including 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 the results of which form the basis for making 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. Most significant estimates made by management are disclosed in note 5 to these consolidated 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 2021 and have therefore not been applied in preparing these consolidated financial statements. The Group plans to adopt them when they become effective.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

Effective for annual periods beginning on or after 1 April 2021; to be applied retrospectively. Early application is permitted.

In May 2020, COVID-19-Related Rent Concessions (the 2020 amendment) was issued, which amended IFRS 16 Leases. The 2020 amendment introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications. Instead the lessee can account for them in accordance with other applicable guidance.

The practical expedient introduced in the 2020 amendment only applies to rent concessions for which any reduction in lease payments affects solely payments originally due on or before 30 June 2021. The 2021 amendment provides a one-year extension to the practical expedient for COVID-19 related rent concessions under IFRS 16 — i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

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

Amendments to IAS 1 Presentation of Financial Statements

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

These amendments are not yet endorsed by the EU.

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

The Group expects that the amendments, when initially applied, could have a material impact on its financial statements because it has loan liabilities under agreements that are subject to compliance, including covenant testing twice a year. Under the existing standard, the liabilities have to be classified as current as the right to rollover 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.

These amendments are not yet endorsed by the EU.

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

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

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

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 accounting policy disclosures of the Group. Determining whether accounting policies are material or not requires judgement.

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.

These amendments are not yet endorsed by the EU.

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

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

Amendments to IAS 12 *Income Taxes*

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

These amendments are not yet endorsed by the EU.

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

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

Amendments to IFRS 3 *Business Combinations*

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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

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

Amendments to IAS 16 *Property, Plant and Equipment*

Effective for annual periods beginning on or after 1 January 2022; to be applied retrospectively. 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 Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

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

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendments clarify that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

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

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

Annual improvements to IFRS standards 2018-2020

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Improvements to IFRS (2018-2020) include three amendments to the standards:

- the amendments to IFRS 9 *Financial instruments* clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender is on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- the amendments to IFRS 16 *Leases* remove illustrative example 13 accompanying IFRS 16, which in practice creates confusion in accounting for leasehold improvements for both the lessee and the lessor. The purpose of the amendment is to remove the illustrative example that creates confusion.

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

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.

The 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 2021.

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.

TABLE OF CONTENTS

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 these 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 and 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.

TABLE OF CONTENTS

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 between two and 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 standalone 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 the 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.

TABLE OF CONTENTS

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 is 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 associated VAT by half for the end-consumer of electricity in the period October 2021–March 2022.

The measure is designed to support all electricity consumers equally and without preference. The measure is 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 prepayments made), 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 or 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.

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 its 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 (including 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 (see below).

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 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 (ECL) 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 ECL for trade receivables and lease receivables (see note 4). The Group always recognises lifetime ECL 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. 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 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 months' 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;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, have granted to the borrower a concession(s) that the lender(s) 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.

Derivative instruments and hedge accounting

Derivatives are measured at fair value both at the date the derivative contract is entered into and subsequently. The Group had designated a long-term interest rate swap contract as a cash flow hedge in order to fix interest expense on floating rate borrowings. By 31 December 2021, the contract had expired.

At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis as at the end of each financial year, of whether the derivatives that are used in hedging transactions are highly effective in mitigating the changes in the fair values or cash flows of the hedged items.

The fair values of derivatives used for hedging purposes and movements in the hedge reserve in equity are disclosed in the statement of other comprehensive income and notes 17 and 19 to these consolidated financial statements.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss attributable to the ineffective portion is recognised immediately in the statement of profit or loss within *Finance costs* or *Finance income*. Amounts accumulated in equity are reclassified to the statement of profit or loss in the same periods in which the hedged item affects profit or loss. The gain or loss attributable to the effective portion of the instrument hedging variable rate borrowings is recognised in the statement of profit or loss within *Finance costs*. If a hedging instrument expires or is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in other comprehensive income at that time remains in equity and is recognised when the future transaction is ultimately recognised in the statement of profit or loss. If the future transaction is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income is immediately recognised in the statement of profit or loss in *Finance costs*.

TABLE OF CONTENTS

Fair value measurement

In estimating the fair value of an asset or liability, the Group uses observable market data to the extent it is available. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 — quoted prices in active markets for identical assets or liabilities.
Level 2 — inputs other than quoted prices included in level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value or an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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.

TABLE OF CONTENTS

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 costs directly attributable to acquisition 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 as separate items 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 and other 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, 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 by using discounted cash flow projections that are based on financial estimates reviewed by the management board 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 items 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.

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 of 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.

AS Tallinna Sadam has decided not to distribute the profits of the subsidiaries and the associate AS Green Marine in the foreseeable future. Therefore, it has not recognised any deferred tax liabilities. If profit is expected to 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 19 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 which management estimates as 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 to cover only those the 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 ordinary shareholders 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 assets 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 (including 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 (including 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.

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). Acquired assets are depreciated and the liability arising from the government grant is recognised in other income over the estimated useful life of the acquired asset.

The liabilities arising from the 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 under *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 allocated corporate expenses, 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 between 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 revenues include 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 allocated corporate expenses 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 between 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 (in total two routes are operated). Revenues include 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 revenues 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.

TABLE OF CONTENTS

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 equity method, and income tax expense. Segment adjusted EBITDA represents segment operating profit before depreciation and amortisation, impairment losses, and amortisation of government grants received, and profit from investments in an associate accounted for under 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 2021, the Group generated EUR 4,993 thousand, i.e. 5% of its revenue (2020: EUR 4,263 thousand, i.e. 4%) outside Estonia (in Canada) and 95% (2020: 96%) 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 110,051 thousand (2020: EUR 107,358 thousand) includes revenue of EUR 22,703 thousand (2020: EUR 23,439 thousand) attributable to its largest customer, which is reported in the Ferry segment and the segment Other. In 2021, the Group's second-largest customer also contributed 10% or more to the Group's total revenue. Revenue attributable to the customer of EUR 15,550 thousand (2020: EUR 17,195 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 2021 or 2020.

TABLE OF CONTENTS

Segment revenues and results

	2021				
In thousands of euros	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 20)	**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 loss (note 10)	–5	–232	0	0	–237
Amortisation of government grants received (note 18)	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 Cargo harbours segments, respectively, which was eliminated during consolidation.*

TABLE OF CONTENTS

Segment revenues and results

	2020				
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	17,614	19,990	0	0	37,604
Cargo charges	1,439	5,358	0	0	6,797
Passenger fees	6,883	156	0	0	7,039
Sale of electricity	584	3,882	0	0	4,466
Sale of ferry services — revenue from ticket sales	0	0	10,479	0	10,479
Sale of other services	654	994	51	69	1,768
Operating lease income	1,596	9,303	674	0	11,573
Charter fees	0	0	0	9,131	9,131
Sale of ferry services — government support	0	0	18,501	0	18,501
Total segment revenue* (note 20)	**28,770**	**39,683**	**29,705**	**9,200**	**107,358**
Adjusted segment EBITDA	**15,140**	**25,377**	**14,101**	**3,805**	**58,423**
Depreciation and amortisation	–6,604	–8,913	–5,892	–2,264	–23,673
Impairment loss (note 10)	–69	–352	0	0	–421
Amortisation of government grants received (note 18)	198	573	0	0	771
Share of loss of an associate accounted for under the equity method	0	0	0	462	462
Segment operating profit	**8,665**	**16,685**	**8,209**	**2,003**	**35,562**
Finance income and costs, net					–1,669
Share of loss of an associate accounted for under the equity method					–462
Income tax expense					–4,913
Profit for the period					**28,518**

** Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 82 thousand and EUR 114 thousand for the Passenger harbours and Cargo harbours segments, respectively, which was eliminated during consolidation.*

TABLE OF CONTENTS

Note 4. Financial Risk Management

The Group's operations are exposed to several financial risks: market risk (including 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 risk management policies and regulations governing specific risk areas in writing.

The COVID-19 pandemic has affected and continues to affect the operation of financial markets. To mitigate the risks involved, we monitor our customers' payment behaviour more closely than earlier, maintain an open dialogue with banks and other potential financing providers to make sure that we can obtain credit when necessary, and observe developments in the economic environment, including changes in interest rates. We forecast and monitor the Group's cash flows in the long- and short-term perspective to make sure that the required credit limits and liquidity buffers would be available in time, before they need to be used. For further information about the impacts of the COVID-19 pandemic on the Group's performance, see section 6.3 in the management report.

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 2021, 95.5% of receipts (2020: 96.9%) and 99.3% of payments (operating expenses, investments, finance costs, etc.) (2020: 99.4%) were denominated in euros. Since nearly all receipts and payments as well as loans and borrowings are denominated in euros, it may be concluded that the Group is not exposed to any significant currency risk.

Price risk

At 31 December 2021 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 2021, the interest rate of loans and borrowings was not fixed using derivative transactions (31 December 2020: loans and borrowings with rates fixed using derivative transactions accounted for 7% of the portfolio). Thus, 100% of loans and borrowings are exposed to interest rate risk. Further information on interest rate swaps acquired for the purpose of hedging interest rate risk is provided in note 17.

The exposure of the Group's loans and borrowings to the risk of changes in interest rates and the contractual re-pricing dates of loans and borrowings are as follows.

The percentage of the total shows the proportion of loans and borrowings that at the date presented had variable or fixed rates in relation to the total amount of loans and borrowings.

To assess the Group's exposure to interest rate risk, a sensitivity analysis is used 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 2021 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 2,033 thousand (31 December 2020: EUR 1,976 thousand), assuming all other variables remained constant.

In thousands of euros **At 31 December**	**2021**	**% of total**	**2020**	**% of total**
Variable rate borrowings	203,314	100.00%	197,580	93.38%
Fixed rate borrowings — remaining terms to repricing dates	0	0.00%	14,000	6.62%
< 6 months	0		2,000	0.95%
6–12 months	0		2,000	0.95%
1–5 years	0		10,000	4.74%
Total loans and borrowings (note 16)	**203,314**		**211,580**	

Credit risk

Credit risk exposure mostly results from trade receivables, cash and cash equivalents and derivative transactions. At 31 December 2021, the Group's maximum exposure to credit risk was EUR 42,092 thousand (31 December 2020: EUR 33,101 thousand).

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

In thousands of euros **At 31 December**	**2021**	**2020**
Current accounts and term deposits at banks with original maturities of less than 3 months (note 7)	34,814	26,651
Receivables from customers* (note 8)	6,099	6,127
Other receivables** (note 8)	1,358	323
Total	**42,092**	**33,101**

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

** *Includes receivables with settlement schedules and receivables for compensation of network charges of EUR 896 thousand (2020: EUR nil) and EUR 179 thousand (2020: EUR nil), respectively.*

To reduce customer-related credit risk exposure, advance payments or bank guarantees are required from customers whose solvency is doubtful. To mitigate credit risk, due diligence on the customer is performed prior to entering into any major contracts. Other methods for managing customer-related credit risk exposures include day-to-day monitoring of customers' settlement 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 95.3% (2020: 73.1%) 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).

Trade receivables — expected credit loss matrix

In thousands of euros		Days past due				
	Not past due	0-30	31-60	61-90	>90	Total
AT 31 DECEMBER 2021						
Expected credit loss rate	6.40%	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
AT 31 DECEMBER 2020						
Expected credit loss rate	0.80%	1.50%	3.00%	80.00%	100.00%	
Total trade receivables	5,713	460	6	6	1,636	7,820
Lifetime expected credit loss (ECL)	-46	-7	0	-4	-1,636	-1,693
						6,127

TABLE OF CONTENTS

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

Trade receivables — lifetime expected credit loss (ECL)*

In thousands of euros	Kogumina hinnatud nõuded, mille krediidikvaliteet ei ole langenud	Langenud krediidikvaliteediga nõuded	Kokku
At 31 December 2019	**95**	**2,065**	**2,160**
Transfer to credit impaired	0	1,530	1,530
Amounts written off as uncollectible	0	-1,383	-1,383
Amounts recovered (previously written down/off)	0	-577	-577
Change in loss allowance due to new trade receivables	-37	0	-37
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/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**

** In 2021 and 2020, there were no individually assessed not-credit impaired trade receivables for which a lifetime ECL was recognised.*

Other receivables are assessed using the 12 months' ECL method. At 31 December 2021, the credit risk of those financial assets had not increased significantly and therefore no additional loss allowance was needed. At 31 December 2021, a major share of other receivables was made up of instalment plan receivables.

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 maintained and available upon short notice to be able to settle quickly liabilities arising in the ordinary course of the Group's business amounts to EUR 5 million on average. The liquidity reserve comprises of cash and cash equivalents, term deposits with original maturities of less than 3 months, and overdrafts where necessary. Based on cash flow forecasts, management monitors, on an ongoing basis, changes in the Group's liquidity reserve and if the reserve falls below the required level, short-term external financing in the form of various debt instruments is used. The minimum level of the liquidity reserve must be at least EUR 2 million at any time.

At 31 December 2021, current assets exceeded current liabilities by EUR 19.4 million (31 December 2020: by EUR 6.9 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 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 27 January 2022 for year-end 2021 and as at 28 January 2021 for year-end 2020.

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	Derivative instruments	Total
At 31 December 2020					
< 6 months	3,494	227	10,237	0	13,958
6–12 months	5,109	8,010	0	0	13,119
1–5 years	37,760	82,254	0	0	120,014
> 5 years	9,787	63,570	0	0	73,357
Total	**56,150**	**154,061**	**10,237**	**0**	**220,448**
At 31 December 2020					
< 6 months	3,506	408	9,058	32	13,004
6–12 months	5,170	9,394	0	71	14,635
1–5 years	43,982	38,869	0	108	82,959
> 5 years	12,388	105,385	0	0	117,773
Total	**65,046**	**154,056**	**9,058**	**211**	**228,371**

* *Including principal outstanding of EUR 54,064 thousand (2020: EUR 62,330 thousand) and estimated total future interest payments of EUR 2,086 thousand (2020: EUR 2,716 thousand).*

** *Including principal outstanding of EUR 149,250 thousand (2020: EUR 149,250 thousand) and estimated total future interest payments of EUR 4,811 thousand (2020: EUR 4,806 thousand).*

TABLE OF CONTENTS

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 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 core operating activities. Accordingly, the main revenue related to those assets does not result from rentals.

Property that cannot be directly attributable to the Group's core operations in increasing cargo or passenger flows or activities supporting 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 the asset is used for providing services or for administrative purposes. At 31 December 2021, 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 2021, the carrying amount of the Group's property, plant and equipment was EUR 575,563 thousand; depreciation for the year amounted to EUR 23,903 thousand. At 31 December 2020, the respective figures were EUR 587,506 thousand and EUR 23,094 thousand (note 10). If depreciation rates were reduced by 10%, the annual depreciation charge would decrease and profit would increase by EUR 2,390 thousand (2020: EUR 2,309 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.

TABLE OF CONTENTS

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 used as inputs to estimate future cash flows expected to arise from the asset or cash-generating unit and 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

For recognising 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 *Revenue* section 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 contract for public transport service signed after winning a public tender. According to the contract, the state has control over the volume and price of the ferry service provided by the Group with its ferries. Under the contract, the state also has the right to exercise an option to purchase one to four of the ferries used to provide the ferry service. However, as the majority interest in the Parent belongs to the state, in management's judgement the criteria for public-to-private service are not satisfied and the Group has not applied the accounting treatment for service concessions provided in IFRIC 12 and has instead 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.

Note 6. Financial Instruments

Financial Instruments by Category

Financial assets

In thousands of euros At 31 December	2021	2020
Financial assets carried at amortised cost	*48,295*	*35,586*
Cash and cash equivalents (note 7)	34,840	26,679
Trade and other receivables — financial assets (note 8)	13,455	8,907
Total financial assets	**48,295**	**35,586**

Financial liabilities

In thousands of euros At 31 December	2021	2020
Financial liabilities carried at amortised cost	*211,038*	*218,486*
Trade and other payables — financial liabilities (note 14)	7,724	6,906
Loans and borrowings (note 16)	203,314	211,580
Liabilities at fair value	*0*	*102*
Derivatives (note 17)	0	102
Total financial liabilities	**211,038**	**218,588**

Fair value

According to the Group's estimates, the fair values of assets and liabilities recognised at amortised cost do not differ significantly from their carrying amounts stated in the Group's consolidated statement of financial position as at 31 December 2021, 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 2021 and 31 December 2020 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, is estimated to be equal to their fair value.

All derivatives are measured at fair value in the statement of financial position. The fair value of derivatives is estimated on monthly basis using pricing provided by banks based on the forward-looking yield curves of interest rate swap transactions from market information providers. In the fair value hierarchy, this qualifies as a level 2 measurement.

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	2021	2020
Aa2	30,306	26,530
Baa1	4,508	121
Total amount reported in cash and cash equivalents	**34,814**	**26,651**

* *The remaining portion of the balance of Cash and cash equivalents (EUR 26 thousand at 31 December 2021 and EUR 28 thousand at 31 December 2020) 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.*

TABLE OF CONTENTS

Note 7. Cash and Cash Equivalents

In thousands of euros **At 31 December**	**2021**	**2020**
Cash on hand	15	12
Cash at banks	34,814	26,651
Cash in transit	11	16
Total cash and cash equivalents (notes 4 and 6)	**34,840**	**26,679**

All balances included in cash and cash equivalents are denominated in euros
(both at 31 December 2021 and 31 December 2020).

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

TABLE OF CONTENTS

Note 8. Trade and Other Receivables

In thousands of euros **At 31 December**	**2021**	**2020**
FINANCIAL ASSETS		
Trade receivables (note 4)	6,544	7,820
Incl. from contracts with customers	*5,701*	*5,358*
Allowance for credit losses (note 4)	–445	–1,693
Incl. for contracts with customers	*0*	*–257*
Government grants receivable (note 18)	6,017	2,487
Receivables from an associate (note 24)	8	15
Other receivables (note 4)	1,331	278
Total financial assets (note 6)	**13,455**	**8,907**
Incl. receivables for non-current assets	*0*	*55*
NON-FINANCIAL ASSETS		
Prepaid taxes (note 15)	1,013	744
Other prepayments	552	487
Other receivables (note 4)	27	45
Total non-financial assets	**1,592**	**1,276**
Total trade and other receivables	**15,047**	**10,183**
Of which current receivables	*14,151*	*10,183*
non-current receivables[*]	*896*	*0*

* *Includes receivables with settlement schedules of EUR 896 thousand (2020: EUR nil).*

TABLE OF CONTENTS

Note 9. Investments in an Associate

AS Green Marine

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

Although AS Tallinna Sadam holds 51% (both as at 31 December 2021 and 31 December 2020) of the ownership interest and voting rights in AS Green Marine and two other shareholders hold the remaining interest, 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 other shareholders for the adoption of a decision. Thus, the Group does not have control of the entity.

The business lines of AS Green Marine include management of waste generated in harbours; management, administration and operation treatment plants for hazardous ship-generated waste and wastewater; and cleaning and maintenance of port basins and harbour premises.

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

Changes in investments in an associate

In thousands of euros **At 31 December**	**2021**	**2020**
Carrying amount at beginning of period	1,147	1,609
Share of profit or loss under the equity method	412	–462
Carrying amount at end of period	**1,559**	**1,147**

TABLE OF CONTENTS

Associate AS Green Marine

In thousands of euros **At 31 December**	**2021**	**2020**
Current assets	1,377	518
Non-current assets	3,763	4,101
Current liabilities	897	798
Non-current liabilities	1,186	1,572
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	715	3
Current loans and borrowings	414	383
Non-current loans and borrowings	1,186	1,572

In thousands of euros	**2021**	**2020**
Revenue	5,315	2,906
Profit or loss from continuing operations	835	-856
Profit or loss for the period	835	-856
Total comprehensive income for the period	**835**	**-856**
The above profit or loss for the period includes the following:		
Depreciation and amortisation	544	547
Interest expense	37	41

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*	Pre-payments	Total
At 31 December 2019						
Cost	614,182	240,253	7,398	7,699	5,504	875,036
Accumulated depreciation and impairment losses	–216,471	–78,121	–5,177	0	0	–299,769
Carrying amount at 31 December 2019	**397,711**	**162,132**	**2,221**	**7,699**	**5,504**	**575,267**
Movements in 2020						
Purchases and reconstruction (note 26)	327	2,174	1,377	32,592	0	36,470
Sales at carrying amount**	-591	-40	0	0	0	-631
Depreciation charge	-11,599	-10,857	-638	0	0	-23,094
Impairment losses	-237	-184	0	0	0	-421
Transferred to non-current assets held for sale at carrying amount	-74	0	0	0	0	-74
Other adjustments	0	0	0	0	-11	-11
Reclassified at carrying amount	14,529	5,612	89	-14,737	-5,493	0
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**
Movements in 2021						
Purchases and reconstruction (note 26)	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**

* *At 31 December 2021, assets under construction of EUR 3,790 thousand included the following major items:*
- *Design of a traffic solution for the area in front of passenger terminal D of EUR 1,940 thousand*
- *Construction of quay 5 landing bridge of EUR 672 thousand*
- *Construction of quay 5 connecting walkway of EUR 666 thousand*

* *At 31 December 2020, assets under construction of EUR 25,554 thousand included the following major items:*
- *Construction of the cruise terminal and promenade of EUR 10,573 thousand*
- *Construction of automated mooring systems of EUR 7,562 thousand*
- *Construction of a footbridge of EUR 3,648 thousand*
- *Design and construction of a multi-storey car park of EUR 3,482 thousand*

** *At 31 December 2021, the cost and accumulated depreciation of property, plant and equipment sold were EUR 4,488 thousand (2020: EUR 1,089 thousand) and EUR 2,613 thousand (2020: EUR: 458 thousand), respectively.*

The Group's assets have not been pledged.

At 31 December 2021, the carrying amount of fully depreciated items still in use was EUR 32,934 thousand (31 December 2020: EUR 30,825 thousand).

Commitments related to property, plant and equipment are disclosed in note 25.

Under the contract for public transport service signed on 11 December 2014, the Republic of Estonia, represented by the Ministry of Economic Affairs and Communications, has the right to acquire any of the four passenger ferries (Leiger, Tiiu, Tõll and Piret) that are in the possession of the Group. The ministry has the right to exercise the option to purchase one to four of the ferries by giving four years' notice before the expiry of the contract (i.e. on 30 September 2022 at the latest). The acquisition price of each ferry is EUR 26.6 million. The ministry has no obligation to exercise the option to purchase the ferries.

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

- Write-off of facilities (infrastructure assets) of EUR 236 thousand
- Write-off of other fixtures and fittings EUR 1 thousand

According to the segment information provided in note 3, the assets that were written off belonged to the Passenger harbours segment (EUR 5 thousand) and the Cargo harbours segment (EUR 232 thousand).

In 2020, the Group recognised write-downs of EUR 310 thousand and write-offs of EUR 111 thousand in impairment losses within *Depreciation, amortisation and impairment* in the statement of profit or loss, including:

- Write-down of facilities (infrastructure assets) of EUR 138 thousand
- Write-down of measuring equipment of EUR 172 thousand
- Write-off of buildings of EUR 34 thousand
- Write-off of facilities (infrastructure assets) of EUR 65 thousand
- Write-off of other equipment of EUR 12 thousand

According to the segment information provided in note 3, the assets that were written down or off belonged to the Passenger harbours segment (EUR 69 thousand) and the Cargo harbours segment (EUR 352 thousand).

TABLE OF CONTENTS

Note 11. Intangible Assets

In thousands of euros	Computer software	Software under construction	Total
At 31 December 2019			
Cost	4,487	321	4,808
Accumulated amortisation and impairment losses	–2,793	0	–2,793
Carrying amount at 31 December 2019	**1,694**	**321**	**2,015**
Movements in 2020			
Purchases and upgrades (note 26)	274	394	668
Amortisation charge	–579	0	–579
Reclassification from assets under construction	574	–574	0
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**
Movements in 2021			
Purchases and upgrades (note 26)	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**

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**	**2021**	**2020**
Land	43,227	44,989
incl. with the right of superficies	*36,680*	*36,590*
Buildings	9,280	9,124
Plant and equipment	15	18
Other items of property, plant and equipment	357	498
Total carrying amount of property, plant and equipment leased out under operating leases	**52,879**	**54,629**

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

In thousands of euros	**2021**	**2020**
Buildings	525	522
Plant and equipment	3	3
Other items of property, plant and equipment	141	143
Total depreciation charge on property, plant and equipment leased out under operating leases	**669**	**668**

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

In thousands of euros	**2021**	**2020**
Land	7,943	7,923
Buildings	3,052	2,782
Plant and equipment	907	760
Other items of property, plant and equipment	106	108
Total rental income from property, plant and equipment leased out under operating leases (note 20)	**12,008**	**11,573**

TABLE OF CONTENTS

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

In thousands of euros At 31 December	2021	2020
< 1 year	10,615	9,857
1–2 years	9,771	9,739
2–3 years	9,603	9,736
3–4 years	9,404	9,574
4–5 years	8,984	9,376
> 5 years	316,616	325,382
Total rental income in subsequent periods under non-cancellable operating lease contracts	**364,993**	**373,664**

Operating leases are agreements whereby the lessor transfers to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period in accordance with a contract entered into. Operating lease contracts are entered into for periods ranging from 2 years to 20 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 the relevant index in Estonia, the euro area, or Germany). Improvements to a leased asset made 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 (usually ranging from 36 years to 50 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 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 construction 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 construction's remaining life; or the constructions are subject to compensation by the lessor for the usual value of the constructions (see also note 27).

Note 13. Provisions

In thousands of euros	2021	2020
Provision for performance-related remuneration		
At beginning of year	1,000	1,229
Recognised	1,216	1,045
Reversed	–134	-9
Used	–866	-1,265
At end of year	1,216	1,000
Other provisions		
At beginning of year	289	686
Recognised	83	0
Reversed	0	–397
Used	–16	0
At end of year	356	289
Total provisions	1,572	1,289

Provision for performance-related remuneration (bonuses)

The provision for performance-related 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 2021 have been approved.

Other provisions

Other provisions at 31 December 2021 include:

- A provision for ongoing court cases of EUR 61 thousand (31 December 2020: 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 234 thousand (31 December 2020: EUR 228 thousand)
- Other provisions of EUR 61 thousand (31 December 2020: EUR nil)

TABLE OF CONTENTS

Note 14. Trade and Other Payables

In thousands of euros At 31 December	2021	2020
Financial liabilities		
Trade payables	6,739	5,764
Interest payable (note 16)	299	388
Payables to an associate (note 24)	153	78
Other payables	533	676
Total financial liabilities (note 6)	**7,724**	**6,906**
Incl. liabilities for property, plant and equipment (note 26)	*2,218*	*2,758*
liabilities for intangible assets (note 26)	*39*	*33*
Non-financial liabilities		
Payables to employees	1,337	1,233
Accrued taxes payable on remuneration	654	621
Payables related to contracts with customers	866	925
Advances for goods and services	645	414
Other payables	583	783
Total non-financial liabilities	**4,085**	**3,976**
Total trade and other payables	**11,809**	**10,882**
Of which current liabilities	*10,348*	*9,149*
non-current liabilities	*1,461*	*1,733*

Note 15. Taxes Payable

In thousands of euros **At 31 December**	**2021**	**2020**
Personal income tax	265	241
Corporate income tax	13	10
Pollution charge	5	8
Social security tax	477	434
Unemployment insurance contributions	28	26
Funded pension contributions	15	18
Excise duties	6	7
Other tax liabilities to other countries	81	0
Total taxes payable	**890**	**744**

At 31 December 2021, the Group's prepaid taxes amounted to EUR 1,013 thousand (31 December 2020: EUR 744 thousand). Prepaid taxes are disclosed in note 8.

The Group had no deferred tax assets or liabilities at 31 December 2021 or 31 December 2020. At 31 December 2021, temporary differences associated with the Group's investments in subsidiaries and associates totalled EUR 33,232 thousand (31 December 2020: EUR 26,808 thousand) and the related deferred tax liability amounted to EUR 6,646 thousand (31 December 2020: EUR 5,362 thousand).

Since the Group is able to control the timing of the reversal of the temporary differences, it has not recognised a deferred tax liability.

For further information about deferred tax, see the section Corporate income tax in note 2.

TABLE OF CONTENTS

Note 16. Loans and Borrowings

In thousands of euros At 31 December	2021	2020
Current portion		
Loan liabilities	8,266	8,266
Debt securities	7,650	9,000
Total current portion	**15,916**	**17,266**
Non-current portion		
Loan liabilities	45,798	54,064
Debt securities	141,600	140,250
Total non-current portion	**187,398**	**194,314**
Total loans and borrowings (note 6)	**203,314**	**211,580**

Issue and redemption of debt securities

At 31 December 2021, AS Tallinna Sadam had two debt security (bond) issues with final maturities in 2026 and 2027. The bonds have been issued in euros with a floating interest rate (with the base interest rate of 3-month or 6-month Euribor plus a fixed risk margin). None of the bond issues is listed on the stock exchange.

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

In 2021, principal payments of EUR 9,000 thousand were to be made (2020: principal payments of EUR 9,000 thousand were made) on the bonds consistent with the payment schedules. In accordance with an additional agreement on the terms and conditions of the bonds, no principal payments were made in 2021 and the payments were postponed to subsequent periods.

At 31 December 2021, the weighted average interest rate of the bonds was 0.49% (31 December 2020: 0.54%). The interest rate risk of bonds issued has not been hedged with interest rate swaps.

TABLE OF CONTENTS

Loans

All loan agreements are denominated in euros and have floating interest rates (the base rate is 6-month Euribor). At 31 December 2021, the weighted average interest rate on drawn loans was 0.77% (31 December 2020: 0.89%). In contrast to a year earlier, at 31 December 2021 the interest rate risk of loans was not hedged with interest rate swaps. Considering the effect of derivative transactions used to hedge interest rate risk, at 31 December 2020 the average interest rate of loans was 1.24%.

The loan agreements are unsecured liabilities, i.e. no assets have been pledged to cover the loans. The Group has performed all its contractual obligations set out in the loan agreements which concern meeting special terms, the obligation of giving notice and minimum requirements set to the company's financial ratios.

Principal loan repayments made in 2021 amounted to EUR 8,266 thousand (2020: EUR 7,266 thousand). The final maturities of outstanding loan liabilities fall in the period 2024 to 2030.

Contractual maturities of loans and borrowings

In thousands of euros **At 31 December**	**2021**	**2020**
< 6 months	3,383	3,383
6–12 months	12,533	13,883
1–5 years	114,898	78,064
> 5 years	72,500	116,250
Total loans and borrowings (note 4)	**203,314**	**211,580**

TABLE OF CONTENTS

Carrying amounts and fair values of loans and borrowings*

In thousands of euros At 31 December	2021	2020
Carrying amount		
Debt securities	149,250	149,250
Loan liabilities	54,064	62,330
Total carrying amount	**203,314**	**211,580**
Fair value		
Debt securities	150,151	145,145
Loan liabilities	54,583	61,763
Total fair value	**204,734**	**206,908**

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

The discounted cash flow method was used to calculate the fair value of loans and borrowings. 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 2021, the fair value of financial liabilities calculated using the discounted cash flow method was 0.7% higher than their carrying amount (31 December 2020: 2.2% lower). The Group's loan agreements and bonds set certain limits to the Group's consolidated financial indicators.
At 31 December 2021 and 31 December 2020, 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 2021	Cash flows from financing activities	Non-cash changes		31 December 2021
			Interest expense (note 23)	Fair value adjustments (note 17)	
Loan liabilities	62,330	–8,266	0	0	54,064
Debt securities	149,250	0	0	0	149,250
Derivatives (note 17)	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**

In thousands of euros	1 January 2020	Cash flows from financing activities	Non-cash changes		31 December 2020
			Interest expense (note 23)	Fair value adjustments (note 17)	
Loan liabilities	49,596	12,734	0	0	62,330
Debt securities	158,250	–9,000	0	0	149,250
Derivatives (note 17)	243	0	0	–141	102
Interest payable (note 14)	405	–1,694	1,677	0	388
Total	**208,494**	**2,040**	**1,677**	**–141**	**212,070**

TABLE OF CONTENTS

Note 17. Derivative Instruments

In thousands of euros	2021	2020
Notional amount at 31 December	0	14 000
Fair value at beginning of period (liability) (note 16)	**–148**	**-338**
Incl. market value of derivative	*–102*	*-243*
interest payable	*–46*	*-95*
Change in derivative's market value (notes 16 and 19)	102	141
Change in interest payable	46	49
Fair value at end of period (liability) (note 16)	**0**	**-148**
Incl. market value of derivative (note 6)	*0*	*-102*
interest payable	*0*	*-46*

At 31 December 2021, AS Tallinna Sadam did not have interest rate swaps to hedge the interest rate risk of its long-term loans. At 31 December 2020, the notional amount of relevant interest rate swaps was EUR 14,000 thousand. The weighted average fixed interest rate of derivatives at 31 December 2020 was 0.64%; the floating interest rate was based on 6-month Euribor.

Note 18. Government Grants

Non-current government grant liabilities

In thousands of euros **At 31 December**	**2021**	**2020**
Cohesion Fund	20,235	20,669
TEN-T	9,454	5,400
State budget of the Republic of Estonia	63	76
INTERREG	83	0
Total non-current government grant liabilities	**29,835**	**26,145**
Incl. non-depreciable assets	*13,902*	*13,902*

Recognised as income

In thousands of euros	**2021**	**2020**
Grants related to assets	885	771
Grants related to income	17,842	18,425
Total recognised as income	**18,727**	**19,196**
Incl. revenue from other sources (note 20)	*17,799*	*18,501*
Other income (note 22)	*928*	*695*

Short-term deferred government grant income

In thousands of euros **At 31 December**	**2021**	**2020**
TEN-T	1,047	1,600
Other foreign aid	0	83
State budget of the Republic of Estonia	176	236
Total short-term deferred government grant income	**1,223**	**1,919**

TEN-T programme *"Motorways of the Sea"*

TWIN-PORT 2 (2014-2020)

TWIN-PORT 2 is 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 2021, no additional investments were made (2020: investments amounted to EUR 6,468 thousand).

Short-term project receivables at 31 December 2021 were EUR 4,182 thousand (31 December 2020: EUR 2,079 thousand). The grant amount is related to investments of 2017–2019, which at 31 December 2021 had not yet been paid.

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 by 31 December 2021 the final report had been submitted to the European Commission.

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 and 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 2021, investments made amounted to EUR 398 thousand and no expenses were incurred (2020: EUR 4,064 thousand and EUR 99 thousand, respectively).

No support was received in 2021 (2020: EUR 1,770 thousand).

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

At 31 December 2020, the balance of deferred grant income was EUR 552 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 passenger gangways 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 the project is also AS Tallinna Sadam.

In 2021, investments made were EUR 3,307 thousand (2020: EUR 1,509 thousand).

In 2021, no support was received, in 2020 support received amounted to EUR 1,500 thousand.

At 31 December 2021 and 31 December 2020, the balance of deferred grant income was EUR 1,047 thousand.

Dredging works in the approach canal and waters of Paldiski South Harbour (2019–2020)

The purpose of the project was to increase the depth of the fairway and harbour basin of Paldiski South Harbour by 1 meter so that the minimum depth would be 15.5 metres in place of the previous 14.5 metres. The length of the dredged canal is approx. 1,800 metres. Also, the width of the canal has increased from 120 metres to 180 metres. With the works completed, the harbour will be able to receive large cargo carriers and tankers (60-70 thousand GT). The use of larger vessels for cargo transport allows transporting the same quantity of cargo with fewer vessel calls and thereby to reduce CO_2 emissions per unit of cargo. Moreover, if the canal is deeper, navigation to the port is safer.

In 2021, no additional investments were made and no expenses were incurred. Investments made in 2020 amounted to EUR 2,035 thousand and expenses amounted to EUR 54 thousand.

In 2021, the final report was submitted to the European Commission and support of EUR 436 thousand was received. Project activities were considered to be successfully executed and the support allocated under the grant agreement was paid out in full.

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 2021, support was calculated in the amount of EUR 17,799 thousand (2020: EUR 18,501 thousand) and received in the amount of EUR 17,739 thousand (2020: EUR 18,544 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 20).

At 31 December 2021, the Group had short-term deferred income of EUR 176 thousand related to public transport support provided from the state budget (31 December 2020: EUR 236 thousand).

Other foreign aid — INTERREG Baltic Sea Region programme

Project *"Green Cruise Port — Sustainable Development of Cruise Port Locations"* (2016–2019)

The project was aimed at enhancing the cooperation of cruise ports in the Baltic Sea region in developing port facilities and services, with a focus on the aspects of environmentally friendly and economically beneficial solutions. Project partners were the ports of Hamburg, Klaipeda, Riga, Rostock, Helsinki, Bergen, Esbjerg and Kaliningrad, and the Maritime Institute Gdansk. In the framework of the project, a master project together with the technical solutions for Old City Harbour cruise terminal was prepared and surveys for developing ecological solutions feasible for a cruise terminal in the northern climate were carried out. The surveys provided valuable inputs for the design of a new cruise terminal and the solutions for its technological systems. The construction of the cruise terminal began at the end of 2019 and it was completed in 2021.

European Regional Development Fund (ERDF)

Project *“Digital Construction Cluster”*

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 including the implementation of Building Information Modelling (BIM) throughout the life cycle of a building.

In 2021, support of EUR 2 thousand was received (2020: EUR 8 thousand). In 2021, expenses incurred in the project amounted to EUR 1 thousand (2020: EUR 13 thousand).

TABLE OF CONTENTS

Other foreign aid — PortSense

The project, which was funded by the European Space Agency, was aimed at exploring together with partners opportunities to improve the efficiency of harbour operations by applying space technologies. A focus area for AS Tallinna Sadam was exploring if and how satellite systems could facilitate early detection of marine pollution in and near harbours. Activities also included mapping possibilities to monitor the state of harbour infrastructure and detect potential deviations, e.g. deformations and subsidence of quays, hinterland and storage areas, as early as possible.

Support received for the project in 2021 was EUR 15 thousand.

TABLE OF CONTENTS

Note 19. Equity

Share capital

At 31 December 2021 and 31 December 2020, 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 (2020: 664,000,000). At 31 December 2021 and 31 December 2020, all shares issued had been fully paid for.

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 2020.

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%.

Earnings per share

	2021	2020
Weighted average number of shares	263,000,000	263,000,000
Consolidated profit for the period (in thousands of euros)	25,612	28,518
Basic and diluted earnings per share (in euros)*	0.10	0.11
Weighted average number of ordinary shares at 31 December	**263,000,000**	**263,000,000**

** In the years ended 31 December 2021 and 31 December 2020 there were no dilutive instruments outstanding.*

Capital management

In thousands of euros **At 31 December**	2021	2020
Loans and borrowings	203,314	211,580
Cash and cash equivalents	–34,840	-26,679
Net debt	**168,474**	**184,901**

TABLE OF CONTENTS

Equity to assets ratio

In thousands of euros At 31 December	2021	2020
Total equity	380,895	375,432
Total assets	629,538	628,093
Equity to assets ratio	**61%**	**60%**

At 31 December 2021, the Group's equity to assets ratio, i.e. the ratio of total equity to total assets was 61% (31 December 2020: 60%).

The ratio increased by 1 percentage point compared to 2020 (2020: the ratio did not change year on year) as total equity grew by 1.5% and total assets by 0.2% (2020: total equity decreased and total assets grew by 0.4%).

Unrestricted equity

At 31 December 2021, the Group's unrestricted equity was EUR 51,302 thousand (31 December 2020: EUR 46,785 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 be paid out to shareholders. At 31 December 2021 and 31 December 2020, 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 1,009 thousand in 2021 (2020: EUR 1,742 thousand).

Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows (note 17).

Hedge reserve

In thousands of euros	2021	2020
Hedge reserve at beginning of period	**–102**	**-243**
Change in market value of the derivative (net) (note 16)	102	141
Hedge reserve at end of period	**0**	**-102**

Dividends

Based on the resolution of the general meeting that convened on 24 May 2021, the Group paid a dividend of EUR 0.077 per share, i.e. EUR 20,251 thousand in total, for 2020. The list of shareholders entitled to receive the dividend was determined on 3 June 2021 (the ex-dividend date: 2 June 2021) and the dividend was paid out to the shareholders on 10 June 2021 (through Nasdaq CSD).

Dividends

In thousands of euros	2021	2020
Dividend declared in the reporting period	20,251	30,245
Dividend distributed in the reporting period	20,085	30,008
Income tax withheld on dividends in the reporting period	166	237
Dividend per share (in euros)	0.08	0.12

Income tax on dividends

In thousands of euros	2021	2020
Income tax charged on dividends in Estonia	3,275	4,913
Income tax paid on dividends in Estonia	–3,440	–5,150
Incl. income tax withheld on dividends	*–166*	*–237*
Incl. paid in cash	*–3,440*	*–4,913*
offset against value added tax	*0*	*–237*

The Group's unrestricted equity as at 31 December 2021 amounted to EUR 51,302 thousand (2020: EUR 46,785 thousand). The maximum possible income tax liability which would arise if all of the unrestricted equity were distributed as dividends is EUR 8,550 thousand (2020: EUR 6,550 thousand).

At 31 December 2021, the tax rates used to calculate the maximum possible tax liability for 2022 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 2019, 2020 and 2021)).

Note 20. Revenue

In thousands of euros	2021	2020
Revenue from contracts with customers		
Vessel dues	37,409	37,604
Cargo charges	7,198	6,797
Passenger fees	5,673	7,039
Sale of electricity*	6,237	4,466
Sale of ferry services — ticket sales	11,963	10,479
Sale of other services	1,960	1,768
Total revenue from contracts with customers	**70,440**	**68,153**
Revenue from other sources		
Rental income from operating leases (note 12)	12,008	11,573
Charter fees	9,804	9,131
Sale of ferry services — government support (note 18)	17,799	18,501
Total revenue from other sources	**39,611**	**39,205**
Total revenue (note 3)	**110,051**	**107,358**

** Includes network charge compensation of EUR 509 thousand (2020: EUR nil).*

In 2021, revenue from services provided in Estonia and Canada amounted to EUR 105,058 thousand and EUR 4,993 thousand (including charter fees of EUR 4,900 thousand), respectively. In 2020, revenue from services provided in Estonia and Canada amounted to EUR 103,095 thousand and EUR 4,263 thousand (including charter fees of EUR 4,194 thousand), respectively.

Disaggregation of revenue

Transaction price allocated to the remaining performance obligations

At the end of the reporting period, performance obligations related to cargo charges, sale of electricity and sale of other services were partially unsatisfied. The Group applies the practical expedient in paragraph 121(b) of IFRS 15 for those revenue streams (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 a right to invoice the customers.

Partially unsatisfied performance obligation related to connection fees as at 31 December 2021 amounted to EUR 809 thousand (31 December 2020: EUR 892 thousand).

Revenue for 2021 includes connection fees of EUR 83 thousand (2020: EUR 44 thousand).

Management expects that the transaction price allocated to unsatisfied performance obligations will be recognised as revenue over the next 6–27 years (the average remaining useful life of the investments made to enable connection) on a straight-line basis.

Note 21. Operating Expenses

In thousands of euros	2021	2020
Fuel, oil and energy costs	11,590	8,440
Technical maintenance and repair of non-current assets	6,995	5,142
Services purchased for infrastructure	3,015	2,875
Tax expenses	2,671	2,738
Incl. land tax	*2,615*	*2,688*
Consultation and development expenses	711	647
Incl. research and development expenses	*299*	*254*
Services purchased	5,521	4,410
Incl. mooring service	*1,315*	*1,034*
reception of ship-generated waste	*1,398*	*893*
port dues	*2,732*	*2,418*
Purchase and maintenance of insignificant assets	1,352	1,733
Advertising expenses	250	229
Lease expenses	674	562
Expenses on short-term leases	13	12
Insurance expenses	781	767
Other operating expenses	2,389	3,303
Incl. expenses on credit-impaired financial assets	*–385*	*931*
Total operating expenses	**35,962**	**30,858**

Personnel expenses

In thousands of euros	2021	2020
Wages and salaries	15,761	14,681
Social security charges	5,159	4,810
Total personnel expenses	**20,920**	**19,491**
Incl. short-term benefits of members of the management and supervisory boards of Group companies	*996*	*768*
social security charges of the members of the management and supervisory boards of Group companies	*329*	*253*
Total expenses on members of the management and supervisory boards of Group companies	**1,325**	**1,021**

Under contracts in force at 31 December 2021, 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 64.7 thousand in 2021 and EUR 85.8 thousand in 2020). 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 176.3 thousand in 2021 and EUR 171.6 thousand in 2020) during 12 months after the expiry of the contract.

Under contracts in force at 31 December 2021, 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 80.5 thousand in 2021 and EUR 57.0 thousand in 2020)

Number of employees

	2021	2020
People working under employment contracts	469	465
People working under contracts for services excluding self-employed people	9	9
Members of legal person's management or control bodies	7	7
Total	**485**	**481**

TABLE OF CONTENTS

Note 22. Other Income

In thousands of euros	2021	2020
Gain on sale of non-current assets*	634	2,140
Penalties, interest on arrears	141	164
Income from government grants (note 18)	928	695
Other income	76	16
Total other income	**1,779**	**3,015**

* *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 (2020: EUR 1,584 thousand).*

Note 23. Finance Costs

In thousands of euros	2021	2020
Interest expense on loans and borrowings:		
Interest expense on loans (note 16)	*474*	*410*
Interest expense on debt securities (note 16)	*793*	*1,091*
Interest expense on derivatives (note 16)	*102*	*176*
Total interest expense on loans and borrowings	**1,369**	**1,677**
Foreign exchange loss	7	10
Other finance costs	2	18
Total finance costs	**1,378**	**1,705**

Note 24. 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	2021	2020
Transactions with an associate		
Revenue	169	164
Operating expenses	1,479	1,004
Transactions with companies over which members of supervisory and management boards of Group companies have significant influence		
Revenue	1	0
Operating expenses	10	9
Other expenses	18	22
Transactions with government agencies and companies of which the state has control		
Revenue	23,822	24,110
Other income	30	66
Operating expenses	9,666	6,772
Other expenses	57	57
Purchase of property, plant and equipment	8	64

TABLE OF CONTENTS ▸▸

In thousands of euros **At 31 December**	**2021**	**2020**
Trade receivables from and payables to an associate		
Receivables (note 8)	8	15
Payables (note 14)	153	78
Trade receivables from and payables to companies over which members of supervisory and management boards of Group companies have significant influence		
Receivables	0	2
Payables	1	1
Trade receivables from and payables to government agencies and companies of which the state has control		
Receivables	352	245
Payables	2,446	1,331

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 21.

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 25. Commitments

At 31 December 2021, the Group's contractual commitments related to purchases of property, plant and equipment, repairs, and research and development expenditures totalled EUR 11,058 thousand (31 December 2020: EUR 9,448 thousand).

Note 26. Non-Cash Investing Activities

Purchases of property, plant and equipment

In thousands of euros	2021	2020
Purchases of property, plant and equipment	**–14,535**	**–35,811**
Offsetting	–70	–63
Paid for previous period	2,758	2,162
Trade payables outstanding at end of period (note 14)	–2,218	–2,758
Other adjustments	–7	0
Total adjustments	**463**	**–659**
Purchases and reconstruction (note 10)	**14,072**	**36,470**

Purchases of intangible assets

In thousands of euros	2021	2020
Purchases of intangible assets	**–641**	**–661**
Paid for previous period	33	26
Trade payables outstanding at end of period (note 14)	–39	–33
Total adjustments	**–6**	**–7**
Purchases and upgrades (note 11)	**647**	**668**

TABLE OF CONTENTS

Note 27. Contingent Liabilities

Tax authorities may inspect the Group's tax accounting records for up to 5 years after the term for the submission of tax returns and, upon identifying a misstatement, may impose additional tax and penalties. Tax authorities did not initiate or conduct any tax inspections or single-case inspections at Group companies in the reporting or the comparative period. According to the assessment of the Group's management, there are no circumstances that should cause tax authorities to determine a significant amount of additional tax to be paid by Group companies.

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.

Due to a significant decrease in cargo volumes handled, one of the Group's long-term customers has lodged a claim to void select conditions in a long-term cooperation contract concluded between the Group and the customer retrospectively as from 1 January 2015. The conditions set out the minimum cargo volume that the customer is required to handle each calendar year as well as the customer's minimum annual cargo charge obligation, which are related to the contractual penalty charged for failure to meet the minimum cargo charge obligation. The customer's contractual penalties for failure to meet the minimum cargo charge obligation in the years 2015–2017 amount to EUR 0.45 million. The customer's minimum annual cargo charge obligation is EUR 0.31 million. On 19 January 2021 Harju County Court and on 22 October 2021 Tallinn Circuit Court decided that the statement of claim is to be denied and procedural expenses are to be borne by the customer. At the date these financial statements are authorised for issue, the customer has filed an appeal in cassation but the appeal has not yet been accepted.

At the end of 2019, the customer filed an application to the Competition Authority, requesting the initiation of supervision proceedings in connection with the same claim to establish whether the Group had violated the Competition Act. On 19 January 2022, the Competition Authority decided to suspend the supervision proceedings until the court decision enters into force. 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.

TABLE OF CONTENTS

Note 28. 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 ongoing and the court case concerning the other accused persons continues. 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 29. 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 on preparing the consolidated financial statements, except that investments in subsidiaries and associates are measured at cost.

Statement of financial position

In thousands of euros	31.12.2021	31.12.2020
ASSETS		
Current assets		
Cash and cash equivalents	21,900	12,970
Trade and other receivables	20,599	17,474
Total other current assets	**42,499**	**30,444**
Non-current assets held for sale	0	114
Total current assets	**42,499**	**30,558**
Non-current assets		
Investments in subsidiaries	5,774	8,774
Investments in an associate	132	132
Other long-term receivables	84,480	96,326
Property, plant and equipment	452,535	457,669
Intangible assets	1,540	1,389
Total non-current assets	**544,461**	**564,290**
Total assets	**586,960**	**594,848**

Continues on page 147

In thousands of euros	31.12.2021	31.12.2020
LIABILITIES		
Current liabilities		
Loans and borrowings	15,916	17,266
Derivative financial instruments	0	102
Provisions	1,343	1,147
Government grants	1,047	1,683
Taxes payable	445	399
Trade and other payables	7,818	7,090
Total current liabilities	26,569	27,687
Non-current liabilities		
Loans and borrowings	187,398	194,314
Government grants	29,835	26,145
Other payables	1,461	1,733
Total non-current liabilities	218,694	222,192
Total liabilities	245,263	249,879
EQUITY		
Share capital	263,000	263,000
Share premium	44,478	44,478
Statutory capital reserve	21,271	20,262
Hedge reserve	0	–102
Accumulated losses (prior periods)	–3,929	–2,841
Profit for the period	16,877	20,172
Total equity	341,697	344,969
Total liabilities and equity	586,960	594,848

TABLE OF CONTENTS

Statement of profit or loss and other comprehensive income

Statement of profit or loss

In thousands of euros	2021	2020
Revenue	70,017	69,003
Other income	1,695	2,997
Operating expenses	–23,383	–20,179
Personnel expenses	–11,185	–10,252
Depreciation, amortisation and impairment	–16,543	–15,938
Other expenses	–303	–282
Operating profit	**20,298**	**25,349**
FINANCE INCOME AND COSTS		
Finance income	1,225	1,432
Finance costs	–1,371	–1,696
Finance costs — net	**–146**	**–264**
Profit before income tax	**20,152**	**25,085**
Income tax expense	–3,275	–4,913
Profit for the period	**16,877**	**20,172**

Statement of other comprehensive income

In thousands of euros	2021	2020
Profit for the period	**16,877**	**20,172**
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Net fair value gain on hedging instruments in cash flow hedges	102	141
Total other comprehensive income	**102**	**141**
Total comprehensive income for the period	**16,979**	**20,313**

Statement of cash flows

In thousands of euros	2021	2020
Cash receipts from sale of goods and services	74,373	73,588
Cash receipts related to other income	144	94
Payments to suppliers	–29,186	–27,878
Payments to and on behalf of employees	–9,358	–7,049
Payments for other expenses	–210	–235
Other payments	0	–2,600
Income tax paid on dividends	–3,440	–4,913
Cash from operating activities	**32,323**	**31,007**
Purchases of property, plant and equipment	–13,392	–34,007
Purchases of intangible assets	–493	–454
Proceeds from sale of property, plant and equipment	2,565	2,863
Government grants received	409	3,561
Proceeds related to a voluntary reserve of a subsidiary	3,000	0
Repayments of loans provided	13,171	17,944
Interest received	1,157	1,436
Cash from/used in investing activities	**6,417**	**–8,657**
Redemption of debt securities	0	–9,000
Proceeds from loans received	0	20,000
Repayments of loans received	–8,266	–7,266
Dividends paid	–20,085	–30,008
Interest paid	–1,458	–1,694
Other payments related to financing activities	–1	–19
Cash used in financing activities	**–29,810**	**–27,987**
Net cash flow	**8,930**	**–5,637**
Cash and cash equivalents at beginning of period	12,970	18,607
Change in cash and cash equivalents	8,930	–5,637
Cash and cash equivalents at end of period	21,900	12,970

TABLE OF CONTENTS

Statement of changes in equity

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**
Equity at 31 December 2019	**263,000**	**44,478**	**18,520**	**–243**	**29,146**	**354,901**
Profit for the period	0	0	0	0	20,172	20,172
Other comprehensive income for the period	0	0	0	141	0	141
Total comprehensive income for the period	**0**	**0**	**0**	**141**	**20,172**	**20,313**
Dividend declared	0	0	0	0	–30,245	–30,245
Total transactions with owners	**0**	**0**	**0**	**0**	**–30,245**	**–30,245**
Increase of capital reserve	0		1,742	0	–1,742	0
Equity at 31 December 2020	**263,000**	**44,478**	**20,262**	**–102**	**17,331**	**344,969**
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	32,466	32,466
Adjusted unconsolidated equity at 31 December 2020	**263,000**	**44,478**	**20,262**	**–102**	**47,794**	**375,432**

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

Note 30. Events After the Reporting Period

On 11 February 2022, AS Tallink Grupp and AS Tallinna Sadam reached a compromise agreement, which ends the court dispute between the two parties over the port dues charged from passenger ferries for the port services provided in Old City Harbour. According to the compromise agreement, AS Tallink Grupp will waive all claims submitted against AS Tallinna Sadam in the court dispute and AS Tallinna Sadam will change the port dues charged from passenger ferries operating regular routes to and from Old City Harbour. The new port dues will apply to all ferry operators operating regular routes.

As a result of the compromise agreement, AS Tallinna Sadam will reduce the tonnage charge and passenger fee by 10% and will increase the discount offered to vessels based on the Environmental Ship Index (ESI) for regular route passenger ferries in Old City Harbour.

The revised rates will apply from 1 March 2022 and the agreement will apply for 10 years. Based on the passenger traffic volumes for 2021, AS Tallinna Sadam estimates that the projected negative impact of the transaction on the company's financial results for 2022 will be nearly EUR 2 million. The economic impact of the compromise on the results of subsequent financial years is difficult to quantify due to the ongoing pandemic and the overall instability. The presented monetary impact has been estimated based on the results for 2021 and the situation at the date the financial statements are authorised for issue and it is not to be regarded as a forecast of the impacts in subsequent periods.

The Russia-Ukraine conflict which broke out on 24 February 2022 and the consequent sanctions imposed on Russia by the West are expected to affect the performance of Tallinna Sadam mainly through its cargo business. Cargo (liquid bulk and fertilizers) of Russian origin for which Russia is the country of departure or destination accounts for around 30% of the Group's total cargo volume and consists predominantly of Russian exports. At the date of release of this report, the impact of the sanctions imposed on Russia cannot be reliably estimated. Cargo of Belarusian origin (liquid bulk) accounted for 9% of the Group's total cargo volume in 2021. Full sanctions on Belarusian cargo were imposed in Estonia from 1 March 2022. Based on the cargo volumes of the previous financial year, the estimated negative annual impact of the sanctions on the Group's financial results would be around EUR 2 million. The presented monetary impact has been estimated based on the results for 2021 and the situation at the date the financial statements are authorised for issue and it is not to be regarded as a forecast of the impacts in subsequent periods.

The Group does not have Ukrainian customers or direct economic ties with Ukraine. All of the Group's customers that are cargo operators are companies registered in the EU and accounts with them are settled in euros. As far as the Group knows, only two cargo operators have ties with Russian capital.

31. Unbundling of Activities Based on the Electricity Market Act

Accounting policies

These financial statements have been prepared in compliance with section 17 subsection 3 of the Electricity Market Act. According to the above subsection an electricity undertaking has to present a statement of financial position and statement of profit or loss for each area of activity in the notes to its financial statements.

The financial statements include a statement of financial position and statement of profit or loss for each of the following areas of activity:

- provision of network services;
- sale of electricity;
- other activities.

During the financial year, income, expenses and non-current assets directly attributable to the areas of activity are accounted for separately for each area of activity. Indirect and administrative expenses are allocated, in the case of personnel expenses, based on the estimated distribution of personnel between the areas of activity and, in the case of other expenses, based on the proportion of sales of each area of activity. At the end of the financial year, the items of the statement of financial position are allocated as described below.

Trade receivables

Sales invoices for connection fees, maintenance services, sale of electricity and provision of network service.

Inventories

Inventories attributable to network service

Non-current assets

Non-current assets directly attributable to the provision of network service and sale of electricity

Trade payables

Trade payables are allocated according to factual data, the analysis is based on invoices issued by suppliers.

Taxes payable, short-term provisions, other payables

The items are related to remuneration (wages and salaries, bonuses, taxes) and allocated to the areas of activity according to the allocation of personnel expenses.

Government grants

Liabilities arising from government grants related to non-current assets directly attributable to the provision of network service and the sale of electricity

Contract liabilities

Due to the nature of connection fees, deferred income is allocated to network service and other operating activities.

Statement of Financial Position

In thousands of euros as at 31 December	2021	2020	Sale of electricity 2021	Sale of electricity 2020	Provision of electricity distribution service 2021	Provision of electricity distribution service 2020	Other operations 2021	Other operations 2020
ASSETS								
Current assets								
Cash and cash equivalents	34,840	26,679	0	0	0	0	34,840	26,679
Trade and other receivables	14,151	10,183	552	191	286	370	13,313	9,622
Inventories	399	360	0	0	0	0	399	360
Non-current assets held for sale	0	114	0	0	0	0	0	114
Total current assets	**49,390**	**37,336**	**552**	**191**	**286**	**370**	**48,552**	**36,775**
Non-current assets								
Investments in associates	1,559	1,147	0	0	0	0	1,559	1,147
Other long-term receivables	896	0	0	0	0	0	896	0
Property, plant and equipment	575,563	587,506	0	0	13,337	16,023	562,226	571,483
Intangible assets	2,130	2,104	0	0	0	0	2,130	2,104
Total non-current assets	**580,148**	**590,757**	**0**	**0**	**13,337**	**16,023**	**566,811**	**574,734**
Total assets	**629,538**	**628,093**	**552**	**191**	**13,623**	**16,393**	**615,363**	**611,509**

Continues on page 154

In thousands of euros			Sale of electricity		Provision of electricity distribution service		Other operations	
as at 31 December	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
LIABILITIES								
Current liabilities								
Loans and borrowings	15,916	17,266	0	0	0	0	15,916	17,266
Derivative financial instruments	0	102	0	0	0	0	0	102
Provisions	1,572	1,289	0	0	59	46	1,513	1,243
Government grants	1,223	1,919	0	0	0	0	1,223	1,919
Taxes payable	890	744	0	0	28	27	862	717
Trade and other payables	10,348	9,149	622	344	243	242	9,483	8,563
Total current liabilities	**29,949**	**30,469**	**622**	**344**	**330**	**315**	**28,997**	**29,810**
Non-current liabilities								
Loans and borrowings	187,398	194,314	0	0	0	0	187,398	194,314
Government grants	29,835	26,145	0	0	1,236	1,288	28,599	24,857
Other payables	1,461	1,733	0	0	801	884	660	849
Total non-current liabilities	**218,694**	**222,192**	**0**	**0**	**2,037**	**2,172**	**216,657**	**220,020**
Total liabilities	**248,643**	**252,661**	**622**	**344**	**2,367**	**2,487**	**245,654**	**249,830**
EQUITY								
Share capital	263,000	263,000		0		0	0	0
Share premium	44,478	44,478		0		0	0	0
Statutory capital reserve	21,271	20,262		0		0	0	0
Hedge reserve	0	-102		0		0	0	0
Retained earnings (prior periods)	26,534	19,276		0		0	0	0
Profit/loss for the period	25,612	28,518	–54	–4	50	222	25,616	28,300
Total equity	**380,895**	**375,432**	**–70**	**–153**	**11,256**	**13,906**	**369,709**	**361,679**
Total liabilities and equity	**629,538**	**628,093**	**552**	**191**	**13,623**	**16,393**	**615,363**	**611,509**

Statement of profit or loss

In thousands of euros			Sale of electricity		Provision of electricity distribution service		Other operations	
	2021	2020	2021	2020	2021	2020	2020	2020
Revenue	110,051	107,358	2,575	1,198	3,111	3,268	104,365	102,892
Other income	1,779	3,015	0	0	44	48	1,735	2,967
Operating expenses	–35,962	–30,858	–2,546	–1,112	–1,782	–1,719	–31,634	–28,027
Personnel expenses	–20,920	–19,491	–80	–83	–496	–438	–20,344	–18,970
Depreciation, amortisation and impairment	–24,761	–24,094	–3	–7	–827	–937	–23,931	–23,150
Other expenses	–429	–368	0	0	0	0	–429	–368
Operating profit/loss	**29,758**	**35,562**	**–54**	**–4**	**50**	**222**	**29,762**	**35,344**
FINANCE INCOME AND COSTS								
Finance income	95	36	0	0	0	0	95	36
Finance costs	–1,378	–1,705	0	0	0	0	–1,378	–1,705
Finance costs — net	**–1,283**	**–1,669**	**0**	**0**	**0**	**0**	**–1,283**	**–1,669**
Share of profit or loss of an associate accounted for under the equity method	412	–462	0	0	0	0	412	–462
Profit/loss before income tax	**28,887**	**33,431**	**–54**	**–4**	**50**	**222**	**28,891**	**33,213**
Income tax expense	–3,275	–4,913	0	0	0	0	–3,275	–4,913
Profit/loss for the period	**25,612**	**28,518**	**–54**	**–4**	**50**	**222**	**25,616**	**28,300**

TABLE OF CONTENTS

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 2021.

The management board confirms that the Group's management report and the Parent company's remuneration report set out on pages 5 to 73 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 74 to 155 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 2022) have been properly recognised and disclosed in the consolidated financial statements; and
4. AS Tallinna Sadam and its subsidiaries are going concerns.

17 March 2022

/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 2021, 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 2021, 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, 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 575.6 million account for the largest share of the Group’s assets as at 31 December 2021.	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. * Based on the additions to property, plant and equipment during the year, we selected a sample and tested the correctness

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.	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.

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.

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.

Report on Other Legal and Regulatory Requirements

Compliance with Electricity Market Act

In note 31 to the consolidated financial statements, the Group has described the principles and made the disclosures required by section 17 of the Electricity Market Act. In our opinion, the data presented in note 31 to the consolidated financial statements is, in all material respects, in conformity with the accounting policies presented in note 31 to the consolidated financial statements.

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 25490093MDYISEP1Y539-2021-12-31-et.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 2021;

– 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

25490093MDYISEP1Y539-2021-12-31-et.zip for the year ended 31 December 2021 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 four years, covering the periods ending 31 December 2018 to 31 December 2021.

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, 17 March 2022

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

KPMG Baltics OÜ
Licence no 17

KPMG Baltics OÜ

Narva mnt 5

Tallinn 10117

Estonia

Tel +372 626 8700
www.kpmg.ee

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.

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 2021, which consists of the management report, remuneration report and the financial statements, and the accompanying independent auditors' report.

28 March 2022

/Signed digitally/	/Signed digitally/	/Signed digitally/	/Signed digitally/
AARE TARK	AHTI KUNINGAS	MAARIKA HONKONEN	URMAS KAARLEP
/Signed digitally/	/Signed digitally/	/Signed digitally/	/Signed digitally/
ÜLLAR JAAKSOO	RAIGO UUKKIVI	RIHO UNT	VEIKO SEPP

Profit Allocation Proposal

At 31 December 2021, the Group's retained earnings amounted to EUR 52,146,094, including profit for the period of EUR 25,611,671. 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 0.097 per share, i.e. EUR 25,511,000 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 2021 be allocated as follows:

Dividend distribution	EUR 25,511,000
Transfer to statutory capital reserve	EUR 843,875

/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