



**TALLINK**

**YEARBOOK 2020**



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## STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear shareholders, business partners,  
customers and employees of AS Tallink  
Grupp,

The first minutes, days and months of 2020 showed all the signs of the year very likely turning out to be a memorable one. We had significant plans, great ambition, a top team ready to deliver and a strong foundation to build on. And the year did, indeed, turn out to be a memorable one, but for all the wrong reasons. With the arrival, in early March, of the COVID-19 pandemic to our home markets and the deadly virus sweeping the globe, the year brought unprecedented challenges and took the wind out of the sails of many of our plans. For now.

But the year did not take the wind out of our sails completely. After a moment that took our breath away in March when life suddenly came to a halt, the incredible team at Tallink Grupp regrouped, refocused and changed course at impressive speed, keeping goods moving, helping customers change plans 24/7 and, at one point, even embarking on a rescue mission to an unfamiliar port to bring people home at a time of crisis. At times like these, it is impossible not to

feel extremely proud of every man and woman in our company and their incredible sense of duty and professionalism.

Although our vessels were not able to operate on their regular and planned routes for the majority of the year, the quick thinking and action of the teams, meant alternative routes and special cruises were created and launched to market quicker than any of us thought humanly possible. The new Helsinki-Riga route and the special domestic cruises in Sweden proved particularly popular in summer 2020, when the pandemic situation improved for a moment and the wary home market customers were thankful for at least some opportunities for change of scenery and relaxation. This swift action, which understandably required a significant team effort, played a huge role in the company keeping its nose above water, despite the significant reduction in revenues and the ultimately reported unprecedented net loss in 2020.

In addition, the significant team effort in reducing costs, agreeing deferrals, postponements, loans, credit with our trusted partners and long term supporters, played a crucial role in getting us to the place we are

in today with a sufficient liquidity buffer to continue to weather the COVID storm and enough leverage to ensure we can re-start our core operations as soon as the storm shows signs of passing.

Against all odds, border closures and restrictions, we were even able to expand our business to new areas and new countries as planned with the launch of the first 8 Burger King restaurants in Estonia, Latvia and Lithuania according to the terms of our franchise agreement. To me, this is clear testament that Tallink Grupp has the top team in the region, if not the world, that can make anything happen, even at a time of the most extensive health and economic crisis of our lifetime.

The other significant milestone in 2020 was also forward-looking and another huge step forward for us towards greener shipping in the future. With the steel-cutting in April and keel-laying in September at the Rauma Shipyard in Finland, the story of our newest fleet member, shuttle vessel MyStar, began. In less than a year, she will join Megastar on the Tallinn-Helsinki route and the two LNG-powered vessels will create a „green bridge“ between Estonia and Finland.

Naturally, all this effort and arriving at this „lean, but ready to fight another day“ position, has cost us as a company dearly. And not just financially. The far greater loss has been the loss of nearly half of our loyal, dedicated, professional Tallink and Silja Line employees, many of whom have helped build and develop Tallink for decades. We have fought hard to retain as many of our valued colleagues as possible and are grateful to our home market governments for the support we have received, enabling us to retain more jobs than we would have been able to without their help.

Due to the significant economic impact of COVID-19 on our business and the continuing uncertainties as to the timing and length of recovery of the operations, we are not in a position to pay dividends in 2021. The Management Board and the Supervisory Board will propose to the shareholder's Annual General Meeting in June 2021 that dividends will not be paid due to the financial impacts of COVID-19 on the group and to secure the liquidity and sustainability of the group following the current health and economic crisis.

The Supervisory Board has regularly reviewed the financial results and the Management Board's economic activity overviews of the company. The cooperation with the Management Board has continued to be very good.

During the past financial year, the meetings of the supervisory board of the Company were held in all together 5 times, and without calling a meeting, 4 written resolutions were adopted.

The most important resolutions were the following:

- Authorisation of the Management Board to enter into a financing agreement to raise additional loan funds;
- Approval of the Annual Report of the financial year 2019;
- Approval of the purchase of the vessel SAILOR by a subsidiary of the Company;
- Determination of the agenda and the Supervisory Board proposals regarding the points of the agenda of the annual general meeting;
- Extension of the term of office of the chairman of the Supervisory Board Enn Pant;
- Approval of the preliminary budget for the 2021 financial year;
- Approval of the conclusion of the loan agreement by the subsidiary of the Company in the amount of 100 million euros.

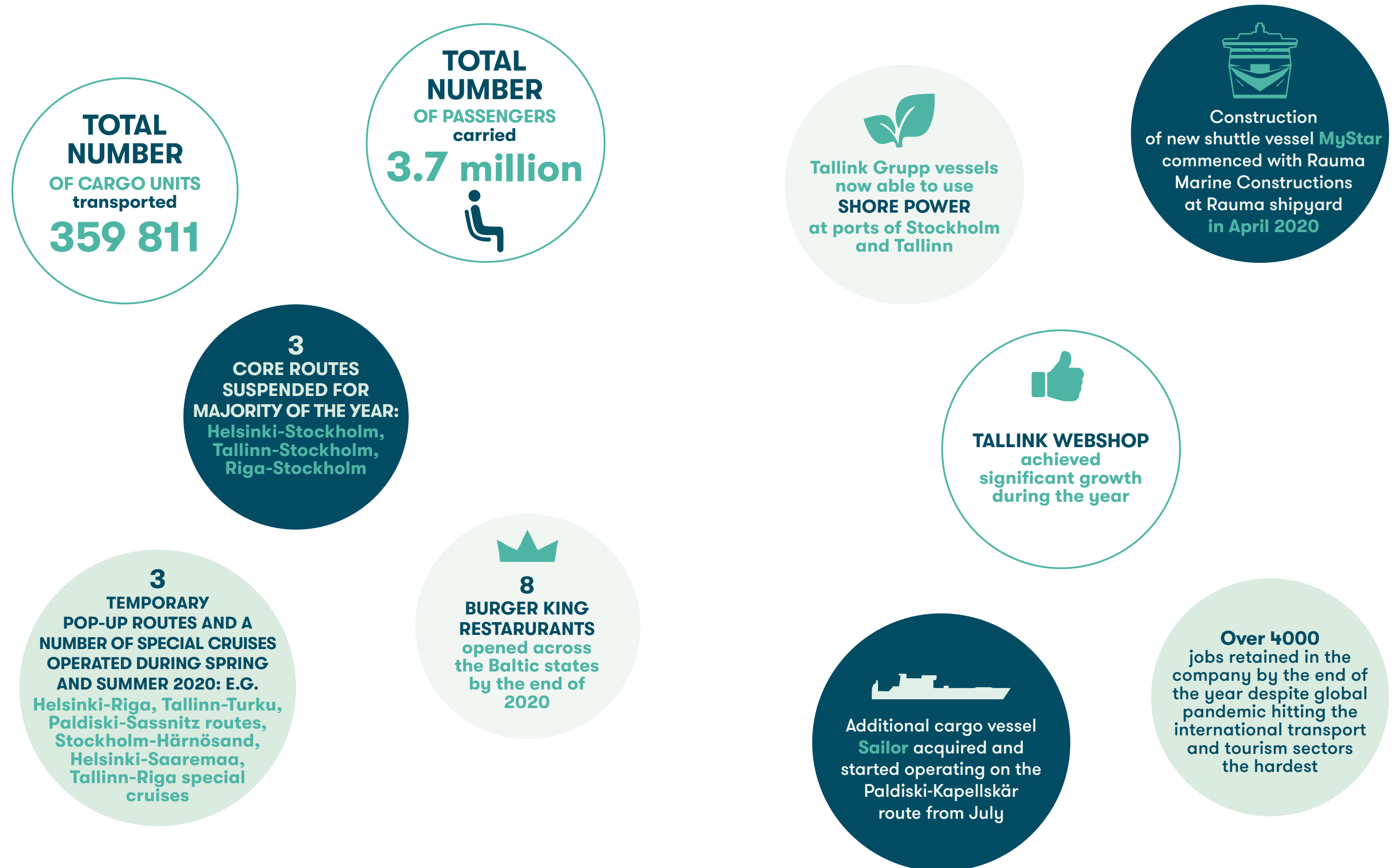
The Supervisory Board has examined and approved the Annual Report of the 2020 financial year.

As the uncertainties and challenges arising from the global pandemic and crisis continue also in early 2021, there is no doubt we have a long road of recovery ahead. I am confident, however, that the steps taken in 2020 and the plans and preparations made for 2021 and beyond, have put us in as strong a position as possible and will enable us to set sail as soon as the winds are favourable again and skies have cleared.

With thanks to all our partners, supporters, investors and employees for their continued faith in Tallink Grupp and wishing strong health and perseverance for us all.

ENN PANT  
CHAIRMAN OF THE SUPERVISORY BOARD

# 2020 IN SUMMARY



# **SECTION I: ABOUT US**




# TALLINK GRUPP AT A GLANCE

## What we do

 **PASSENGER  
TRANSPORT**  
12 vessels

 **CARGO  
TRANSPORT**  
3 vessels

 **HOTELS AND  
STAND-ALONE  
ONSHORE  
RESTAURANTS**  
4 hotels  
(3 Tallinn & 1 Riga)  
and 2 stand-alone  
restaurants (Tallinn)

 On board,  
onshore and  
online retail

## Our businesses



## Our brands

 **TALLINK** | **SILJA LINE** 

## Our position in the world [\*source: Generation Research 2018]

Ranked  
**3rd**  
in the world  
among ferry  
operators by  
gross tons

Ranked  
**1st**  
in the world  
among ferry  
operators by  
number of  
beds

Ranked  
**3rd**  
in the world  
among ferry  
operators by  
revenue  
(MEUR)

Ranked  
**12th**  
in the world  
among top  
Duty Free &  
Travel Retail  
shops



# COMPANY OVERVIEW

## WHO WE ARE

Tallink Grupp AS ("the Company") with its subsidiaries ("the Group") is the leading European ferry operator, which has been offering high quality mini-cruise, passenger transport and ro-ro cargo services in the Northern part of the Baltic Sea for over 30 years. The Group provides its services on several regular and some temporary routes between Estonia, Finland, Sweden and Latvia under the brand names of "Tallink" and "Silja Line". The Group has a fleet of 15 vessels that include cruise ferries, high-speed ro-pax ferries and ro-ro cargo vessels. In addition, the Group operates three quality hotels in city centre Tallinn and one in Riga, and, as the Burger King franchise owner in the Baltics, 8 restaurants of the popular global fast food chain in Estonia, Latvia and Lithuania. The Group's subsidiary Tallink Duty Free is a successful international travel retail business with a number of shops on board, on shore and a growing presence online in the company's home markets.

## WHAT WE DO

### Our products and services

Tallink Grupp is an essential component of Baltic transportation infrastructure, connecting regional capitals through a high frequency shuttle service between Tallinn and Helsinki as well as overnight cruise services.

**“We are the market leader in the Nordic and Baltic region in the maritime transport sector with the most modern fleet and a variety of routes and services,**

from various transport and leisure products to a high speed Tallink Shuttle service between Tallinn and Helsinki. Our offering also includes complete leisure and fun-filled short cruise experiences with possible overnight hotel and spa stays at various destinations. A large proportion of our products are sold as combined services and travel packages. Travel packages are tailored to suit customer preferences in each market as to the type of vessel, length of trip, use of conference services, hotel accommodation and other leisure products. All our vessels are built to accommodate a large number of passenger vehicles as well as ro-ro cargo. We offer our customers end-to-end travel experiences, from joyful and easy cruises or transportation between top destinations to hotel accommodation and taxi services.

### Cruises

With nine cruise vessels, five cruise routes pre-COVID and one of the youngest fleets in Europe, Tallink Grupp is the leading Baltic cruise operator with two iconic brands – Tallink and Silja Line.

In a normal year, we offer a variety of short cruises on all our routes which include Helsinki-Stockholm, Turku-Stockholm, Helsinki-Tallinn, Stockholm-Tallinn and Riga-Stockholm. We also sell short day-cruises to the Åland islands from both Stockholm and Turku, and annually organise a few special cruises during the summer high season. Since 2020, some of these routes have been temporarily suspended due to the global health crisis and several travel restrictions in place between countries, however, we hope to reopen the routes as soon as travel restrictions are lifted and the reopening of the routes is economically viable.

On our cruises we offer our customers the full experience: top quality shopping, dining and entertainment are all available on our cruise ships and are delivered by the best team. There are numerous activities onboard our vessels.

**“Whether it is peace and quiet in the winter gardens or on the sun decks, or the hustle and bustle of a high street or nightclub you are looking for – our ships have got something to offer to everyone.**

High quality international entertainment programs are very well received by our customers and include a great variety of music and shows, from well-known Broadway musicals, magical Asian circus performances to top chart artists and bands. School and summer holidays are filled with special children's entertainment programmes onboard so that families can experience our special leisure cruise offerings together.

On our short overnight cruises between Stockholm and Helsinki, Tallinn and Riga, our passengers can not only enjoy the various restaurants, bars, shops, and excellent onboard entertainment, but can also purchase the various excursions that are offered in all the cities we sail to.

All our vessels are continuously renovated and upgraded to always offer our customers the best experiences onboard with expanded shopping areas, cosy restaurants and modern cabins.





## LAUNCH OF HELSINKI-RIGA TEMPORARY ROUTE

Due to numerous travel restrictions in place throughout 2020, Tallink Grupp had to think on its feet in terms of services the company could offer around the restrictions and to provide at least some kind of travel options and respite to the people around the Baltic Sea after the first wave of the pandemic in spring 2020. Once the first wave subsided, the company quickly launched a number of special routes and trips, enabling people worn out from the pandemic to have a much-needed break. As the restrictions have not enabled the company to restore any tourism traffic with Sweden since spring 2020, new routes were mainly launched between the Baltic and Finland travel bubble and in Sweden, by providing domestic sailings. From 26 June until 28 September 2020, the company operated a successful temporary route between Helsinki and Riga, with over 150 000 passengers travelling and around 6500 vehicles transported on the route during the three months of operation. The route also contributed to more than 5000 hotel rooms being booked in Latvia during the three-month period, thus probably making the biggest incoming tourism contribution to Latvia during the route operating period.

## SWEDISH DOMESTIC TRAVEL

When the Corona crisis halted the company's normal operations and vessel traffic, the group's Swedish subsidiary Tallink Silja AB staff saw this as an excellent opportunity to think outside the box and test new destinations instead of simply waiting idly for the pandemic situation to improve. With the Swedish corona fighting approach being different from its neighbouring countries and travel restrictions blocking all incoming and out-going tourism to and from Sweden, the Swedes had no other option but to seek travel opportunities within their own domestic market. The result – extremely popular cruises to Visby in the summer of 2020 and summer and autumn cruises to a completely new destination Härnösand on the Swedish World Heritage site – Höga Kusten (the High Coast). The domestic voyages with the company's vessel Silja Symphony were so popular among the Swedish travellers that the company is already planning further trips for summer 2021.



## Shuttle service

The Tallink shuttle service is a critical transport link between Tallinn and Helsinki and provides regular daily departures all year round with the company's two shuttle vessels, Star and Megastar, specifically designed for this route. With 12 departures daily, the shuttle service departure slots are focused on morning and evening peak times and are thus highly convenient for commuter traffic. The service is an essential part of the Estonia-Finland transportation infrastructure, in essence providing a „floating bridge“ between the two capital cities.

Even though the voyage only lasts 2 hours, these ships are bursting with amenities to occupy your time with during these two hours – ranging from a wide selection of restaurants, bars, cafes to top-of-the-range kids play areas and the largest floating shopping centre on the Baltic Sea. There are also Comfort and Business Lounge facilities for passengers who prefer a more quiet and relaxed atmosphere. Megastar and Star accommodate respectively 2,800 and 2,080 passengers. Tallink Shuttle ferries also accommodate cars and lorries from 2,000 lane meters on Star to 3,650 lane meters on Megastar.

## Travel between destinations

Since our vessels leave all our ports at least once a day, our passengers also have the flexibility of purchasing one-way trips to our destinations where they can stay longer and return whenever is convenient for them.

## Cargo transportation

Tallink Grupp is the largest maritime cargo transportation provider in the Baltic region. Our business operates a mixed tonnage concept, which means that our vessels carry both passengers and cargo. We carry only ro-ro cargo - mainly lorries and trailers - and do not carry any container cargo. Our vessels are equipped with separate car decks onto which private cars, buses and ro-ro cargo can drive while passengers are safely embarking. Cargo traffic is related to business logistics and its development is often linked to the overall general economic conditions and trade activities. Our customer base for cargo services consists of a wide range of clients, from large international transport companies to small and medium-sized companies. The goods carried by them vary from building materials to consumer goods. We work closely with our customers to continuously







improve our efficiency and service levels offering a flexible, affordable and efficient cargo service on different routes.

### City breaks

We market and sell a variety of additional services which our customers can enjoy while taking a city break with us. Whether it is golf, opera, museums or amusement parks for children, everything we do, we do to ensure that our customers' cruise experience is a memorable one. Many of our vessels, such as Silja Europa, provide a city break experience on sea already themselves with their numerous shops, restaurants, cafes and different types of entertainment and music shows.

At the same time we can also combine our transport services with overnight stays across all our markets.

**“ We have discount agreements with leading hotel chains in Finland and Sweden to offer our customers affordable accommodation in those destinations. In Tallinn and Riga, where we operate our own hotels, Tallink Hotels is naturally the primary choice for our hotel packages.**

During the winter months we also sell hotel ski packages to popular ski resorts in Finland and Sweden.

### Tallink Hotels

**“ With 4 hotels and a total of over 1 000 rooms, Tallink operates the largest hotel chain in Estonia and the second largest hotel chain in the Baltics.**

Two trendy business class hotels – Tallink City Hotel and Tallink Spa & Conference Hotel – are situated in the centre of Tallinn. Tallink Express Hotel near the Port of Tallinn is perfect for budget travellers looking for good value. In Latvia, our Tallink Hotel Riga is located close to the business district and shopping centres and the historic Old Town of Riga. All our hotels are operated under the hotel chain brand Tallink Hotels.

In spring 2020, at the start of the COVID-19 pandemic, Tallink Grupp temporarily closed all of its 4 hotels. Subsequently, 3 hotels were re-opened for different length periods during the summer 2020, but Tallink City hotel remained closed for complete refurbishment for the rest of the year. Tallink City is scheduled to reopen in June 2021. In the autumn of 2020, Tallink Hotel Riga and Tallink Express hotel also once again closed due to the pandemic and are expected to reopen in spring 2021 as soon as the virus situation allows.

### Onboard services

Tallink Grupp was ranked third among ferry companies in the world in terms of travel retail revenues and fourth in Europe among the leading travel retail outlets\*. In the Nordic region, we were the number one outlet in terms of sales pre-Covid. Restaurants, bars and shops onboard normally contribute more than half (56%) of our overall revenues. All our cruise and transport passengers can dine for varying price levels, ranging from traditional à la carte and buffet restaurants to fast food dining areas and pubs to even trying our exclusive gourmet restaurants run by some of the best chefs in the region. We have developed menus suited to Nordic tastes, accompanied by culinary inspiration from other ethnic cuisines. We focus strongly on the quality of our food and service and many of our chefs and catering staff have won numerous awards reflecting our excellent onboard service. Onboard sales in restaurants and bars are tax-free on almost all our routes.

All our vessels have onboard shops where passengers can purchase consumer goods, alcohol, tobacco, cosmetics, confectionery, clothing, toys, gifts and accessories. On all our routes from Estonia and Finland to Stockholm, we stop at Åland Island, which makes it possible to sell goods with no excise or VAT and, therefore, makes our products readily available to passengers at affordable prices.

On all our cruise vessels, passengers can enjoy gambling as a means of entertainment. The vessels are equipped with slot machines and on the bigger cruise vessels black jack and roulette tables. Games machines are also available for older kids and those young at heart.

\*Source: Generation Reserach 2018



## Tallink Duty Free

AS Tallink Duty Free is a subsidiary of AS Tallink Grupp, founded in January 1997, so the company has been operating on the market already for more than two decades. The company's field of activity is procurement and retail organization of onboard and offshore stores and webshop operated by AS Tallink Grupp, which include purchasing, negotiations, assortment selection, pricing, marketing, campaigns, logistics, space management and other supportive services.

### Types of trade:

- Onboard shops
- Onshore shops
- Terminal shops
- Webshop
- Pre-order: travel & pick-up

### Tallink webshop

a wide range of products can also be found online at the company's webshop and can be easily viewed on a smartphone



### Pre-Order

car passengers going from Helsinki to Tallinn or from Stockholm to Tallinn can pre-order their goods online or onboard. The pick-up station is located in Tallinn



### Business class shopping

business class travellers can enjoy exclusive last-minute gifts from a selection of leading brands



### Car deck shopping

available on all routes. Onboard crew helps to get passengers' purchases to the car deck



### Bus shopping

passengers travelling on tour buses can pre-order goods. Payment takes place onboard and everything will be taken to the buses



### Self-check-out service

this quick and efficient method can be used onboard Shuttle ships



### Plenty of Payment options:



New brands and partners are constantly added and shops are continuously renovated. In total, the group has 47 shops on 11 of ships which cover altogether 15 000 square metres of shopping space on the sea. On board Tallink and Silja Line ships we have among others also luxury- and mono brand shops. In total, we have 4 mono brand shops. Since 2015, we have a **Desigual** store of 120 square metres onboard Silja Serenade, in spring 2018 we opened onboard Baltic Princess a **Tommy Hilfiger** shop-in-shop of 70 square metres and just a year later, in spring 2019, on the same route, onboard Galaxy we opened a 70 square metres shop-in-shop fully dedicated to **Superdry**.

Tallink ships are big department stores at sea that stock a wide selection of high quality brand -, perfume- and cosmetic products, spirits and other alcoholic beverages, fashion and accessories. Tallink Duty Free has more than 1 000 brands and about 800 partners, which include world-leading companies, with whom Tallink has long-term reliable and loyal business relationships.

Tallink Logistics Center was opened already in January 2016, to optimise inventory management. With the opening of the most up-to-date logistics center in the Baltic Sea Region, AS Tallink Grupp brought together all eight logistics locations in Estonia, Finland, Sweden and Latvia into one distribution center, where the Group's fleet, hotel network and office goods are coordinated.

Thanks to the establishment of a centralised system, Tallink's supply chain is more cost-effective and faster - creating a central logistics center will give the company better and faster access to the necessary goods and raw materials and ensure an optimal supply chain. In addition, Tallink's ultimate goal is to expand its product portfolio with new and interesting products.



## URGENT NEED FOR CONTACTLESS SERVICES DUE TO PANDEMIC LEADS TO TALLINK WEBSHOP TAKE-OFF

The COVID-19 crisis has changed consumer behavior and suddenly shifted more customer traffic to digital channels. Year 2020 was transformative time for Tallink Webshop. As a result of the lockdowns and social-distancing, the traditional shopping options in the World, including Scandinavia and Baltics were limited, e-commerce started to fill that gap. The pandemic has demonstrated how important it is to be able to react fast. The expansion of Webshop assortment has been the main objective in the e-commerce spurt. In April 2020, the daily revenue reached levels never seen before in the history of Tallink WebShop. Yearly growth in both revenue and transactions was more than six times higher compared to the previous year. High transaction volumes gave useful insight on customer needs and expectations in assortment and user interface development for the second half of 2020.

To adapt to changed customer behaviors and preferences, Tallink evaluates omnichannel offerings and is continuously looking for opportunities to innovate and fill gaps. Customer expectations are rising for digital channels for indicators such as site stability, simple sales flows and delivery times. In order to fulfill expected purchase deliveries to customers Tallink Logistics Centre reorganised its warehouse operating model and the range of delivery methods were increased to provide more convenient options. More focused technology and payment solutions for sales, marketing and customer service activities were launched with a clear focus for future growth.

To remain relevant in this changed environment, e-commerce came to stay. 2021 is expected to be a year of continuous growth in both revenues and customer base, with a wide range of products and categories. The focus is on Tallink home markets and our loyal customer base.

## SILJA EUROPA BECOMES A FLOATING SUPERMARKET AT THE PORT OF TALLINN

From late September 2020 to early December, the operations of the company's Tallinn-Helsinki route cruise vessel *Silja Europa* became a floating supermarket at the Port of Tallinn, where it was suspended from operations since summer 2020.

Every other weekend in October, November and December 2020, the vessel offered residents of Estonia the opportunity to shop, dine and explore the vessel, with ship tours, brunches and entertainment for kids and adults offered in addition to giving people the opportunity to bag travel retail bargains and enjoy the company's famous cuisine on a so-called „cruise to nowhere“.

The weekend events, all organised with the strictest safety measures in place, attracted thousands of visitors every other weekend and provided the company with much-needed revenue at a time when half of its fleet was once again suspended in ports due to the COVID-19 situation and travel restrictions.

## Onshore fast food franchise

In 2019, Tallink Grupp acquired the franchise of global fast food chain Burger King for the Baltic States. The ambition from the outset has been to open more than 40 restaurants in total in Estonia, Latvia and Lithuania over a five-year initial period from 2020 onwards. The plans have been impacted by the unexpected break-out of the COVID-19 pandemic, which delayed somewhat the opening of the first restaurants in Estonia in spring 2020. Despite the many restrictions and challenges presented by the global health crisis, the group did manage to meet the target set for the first year of franchise operations and opened the first 8 restaurants in the three Baltic states before the end of the year – 5 in Estonia, 2 in Latvia and 1 in Lithuania.

The expansion of the franchise continues in 2021 with a further 8 restaurants due to open across the Baltics before the end of the year, including the first restaurant offering drive-through service and the first freestanding restaurant. As of spring 2021, the group's Burger King franchise provides jobs to approximately 100 people.



## Club One customer loyalty programme

Club One connects 2,78 million people around the Globe (2,6 million in 2019). Most of our loyalty programme members come from the home markets of Finland, Sweden, Estonia and Latvia. All together, Club One has members from almost 150 different countries. Our loyal customers enjoy benefits both during travel and while at home. There are extensive tier level based benefits for purchasing trips, as well as on-board offers at restaurants, bars and shops. There are around 500 benefits active at any given time at all main destinations, catering to any age or activity.

Loyal customers also earn bonus points from trips, on-board purchases, Tallink Hotels services, Webshop purchases and restaurant visits at Flavore and NOKNOK. All the bonus points can be used to purchase bonus trips, hotel upgrades or as part payment at the webshop. In 2020, we offered the entire webshop the

opportunity to pay with points, before there were only special products or categories offered. This opportunity was well received by the customers.

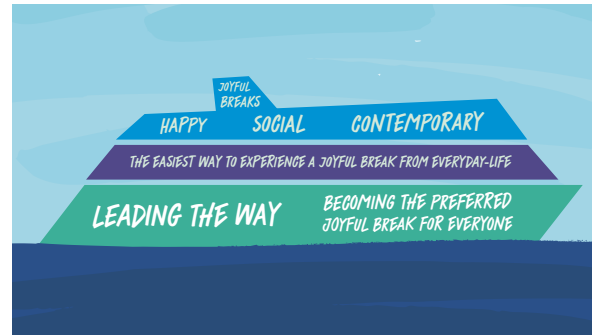
Land benefits tie together Tallink Grupp brands with main shareholder owned businesses, such as Tallink Hotels, Tallink Takso, Tallink Tennis & Fitness, Restaurants NOKNOK and Flavore. All Tallink owned franchises (incl Benetton and Superdry) are also a part of the Club One network.

Third party partners are carefully selected to offer the best goods and services in our destinations.

The use of the digital loyalty card launched in 2017 has been increasing steadily to 300K digital card only users by the end of 2020, in comparison to 249K at the end of 2019.

The long-term goal of Club One development sees more focus on personalised offers to Club One customers and more possibilities to use the bonus points for different services and products.





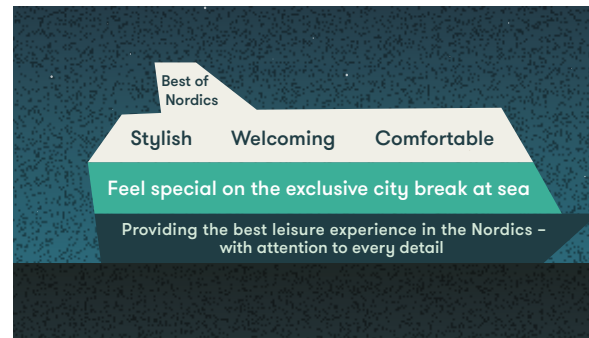
## Our brands

Strong brands are the building blocks for the Group's growth on the Finnish, Estonian, Swedish and Latvian cruising routes. The cruising market is very competitive with rivalry between several major cruising companies as well as other providers of leisure-time activities.

Thorough understanding of the consumer and competitive market is crucial for Tallink Grupp's successful brand management and development – with a goal to aim for growth.

**“ Our Brand Portfolio consists of two substantial strategic brands – Tallink and Silja Line. Both brands have their strong home markets with loyal fans.**

Tallink also has several sub- brands (e.g. Tallink Shuttle and Tallink Hotels) that enrich the customer journey with additional offerings.



Our loyalty programme Club One supports our portfolio of brands and offers benefits from all Tallink Grupp companies, affiliates and many partners.

**“ We strive to design each interaction with our brands to delight our guests, create memories, and build brand loyalty.**

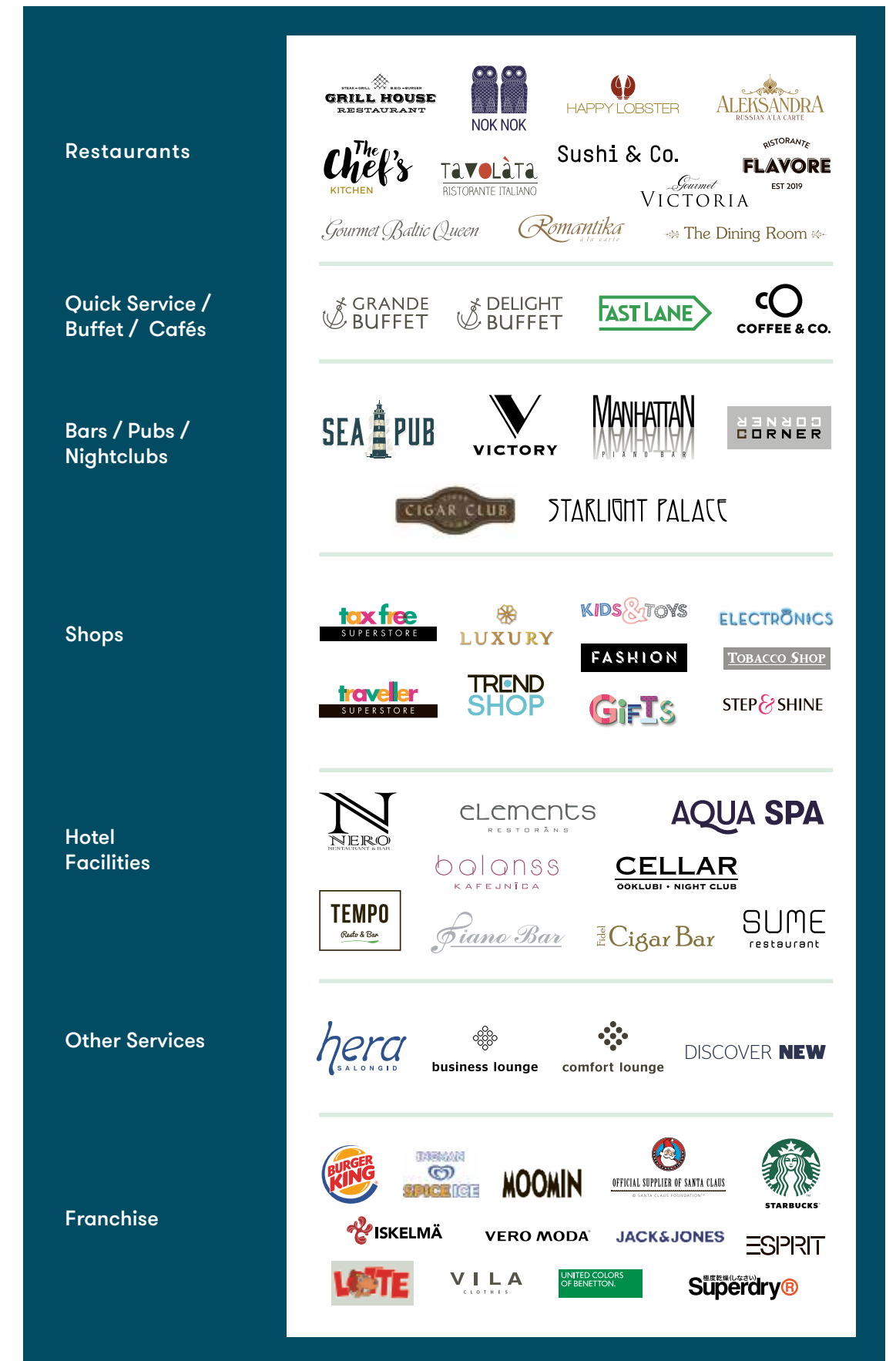
Tallink Grupp additionally owns a large portfolio of branded services and concepts – used both onboard and ashore and each already with a loyal follower base.

Each of our brands has a clear strategy and relevant objectives which have been set following reserach, trend analyses and our own knowledge and experience with our customers.

## BRAND ARCHITECTURE:



## BRANDED SERVICES AND CONCEPTS:



# OUR BUSINESS PHILOSOPHY AND GUIDING CORE VALUES

Our business philosophy is based on delivering a sustainable economic, environmental, labour and ethical performance. To achieve this we comply with legislation, regulations, best practices and ethical norms. In addition, group-wide internal policies, guidelines and standards are in place and we expect our suppliers and business partners to behave in as similarly a legal, ethical and responsible manner as we do.

**“Our business philosophy is founded on the belief that everything we do and how we do it will be, and should be, measured against the highest standards of ethical business conduct. We have set the bar so high for practical as well as aspirational reasons – our commitment to the highest standards helps us to create great products, attract loyal customers and hire the best people.**

Trust and mutual respect among employees and customers are the foundations of our success, and they are something we need to earn every day.

## WE PROMOTE SAFETY, SECURITY AND ENVIRONMENTAL PROTECTION

We care about our customers, employees and the surrounding environment. We are committed to operating our business in an environmentally and socially responsible manner while ensuring the highest safety and security standards at the same time. To achieve this, we strive to comply with and, where possible, exceed all applicable rules and regulations with our best efforts in shipping operation as well as in our working and service environments to minimise any adverse impact on people and the environment.

## WE OBEY THE LAW

We take our responsibility to comply with laws and regulations very seriously and we are all expected to comply with applicable legal requirements and rules. While it is impossible for everyone to know all aspects of every applicable law, each employee has the responsibility to understand the laws and regulations applying to his or her work. In addition, the Group's legal teams provide support and guidance on all legal matters when needed.

## WE RESPECT EACH OTHER

We are committed to a supportive working environment, where employees have the opportunity to reach their full potential. We are all expected to do our utmost to create a respectful workplace culture which is free of harassment, intimidation, bias and unlawful discrimination of any kind.

## WE ENSURE FINANCIAL INTEGRITY AND RESPONSIBILITY

Financial integrity and fiscal responsibility are core aspects of our corporate professionalism. This goes beyond accurate reporting of our financials. Each employee in the Group has a duty to ensure that the company's money is appropriately spent, our financial records are complete and accurate and internal controls are honoured. We therefore take utmost care every time we hire a new vendor, submit expenses to the Group, sign a new business contract or enter into any deals on behalf of the Group. For this we maintain a strict process of internal controls and audits to reinforce compliance with legal, accounting, tax and other regulatory requirements in all the countries in which we operate.

## WE VALUE AND SUPPORT OUR PEOPLE

Our people are our greatest asset, so we do all we can to ensure they are happy, committed, valued and empowered to offer our customers the best every day. Our core values apply to all our employees across the group, regardless of the brands we serve, our position or the roles within the Group. We always align our actions and behaviours according to our values.

## WE PROTECT COMPANY ASSETS

Our assets, including financial assets, physical assets, intellectual property and confidential information, must be secured and protected in order to preserve their value. We are all personally responsible for safeguarding and using our Group's assets appropriately.

## WE ENSURE CONFIDENTIALITY AND PROTECT DATA

As a Group we are committed to safeguarding the confidential information of our customers, employees and business partners. We are committed to protecting the privacy of any personal data which we possess and process. We ensure that we collect, process and use personal data only to the extent which is necessary for the lawful and defined purposes and adhere to all current data protection laws and regulations, including GDPR. We have strict information security measures and processes in place to safeguard the confidentiality and privacy of data and to prevent any unauthorised use of such data.

## WE AVOID CONFLICTS OF INTEREST

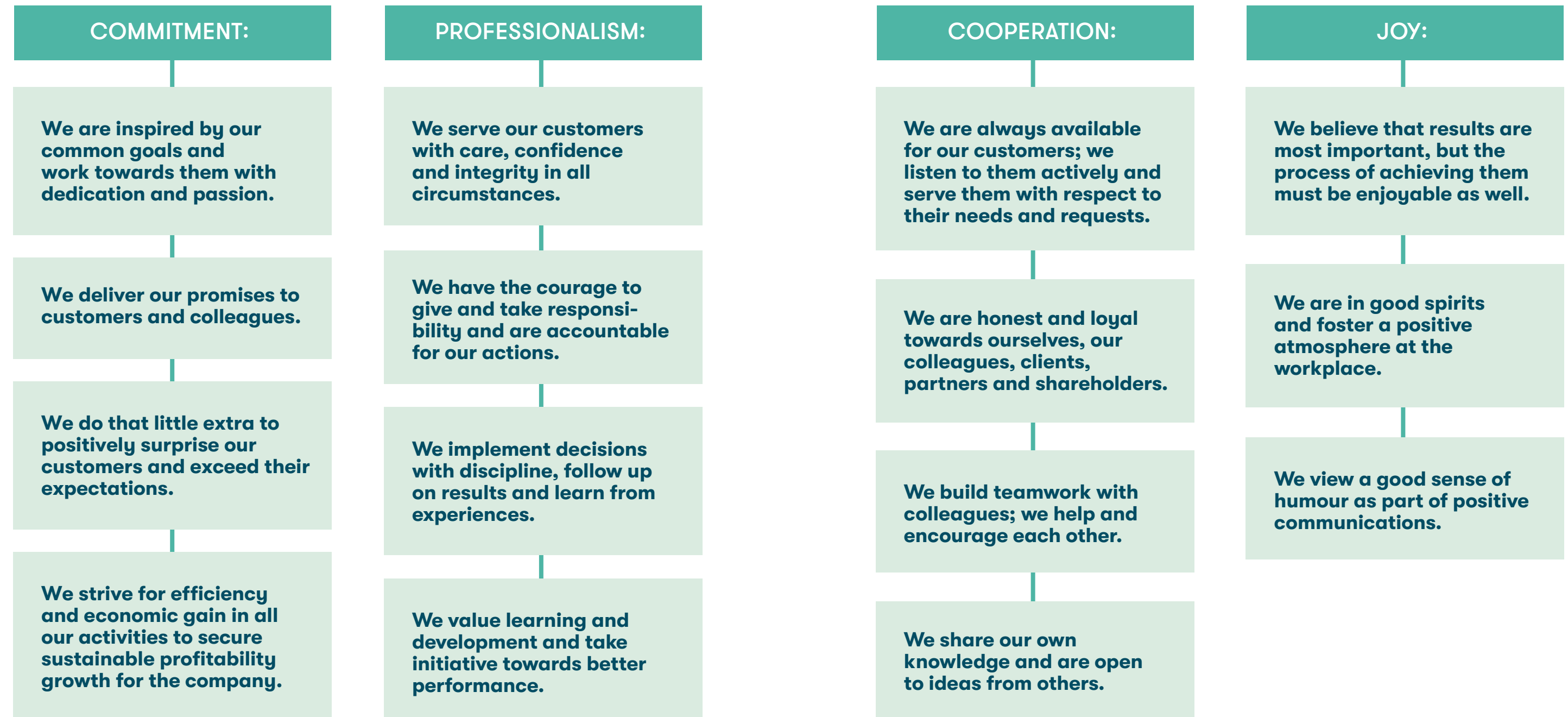
In our work, we have an obligation to always do what is best for our customers and the Group. Therefore, we expect our staff, suppliers and business partners to conduct business in a way that avoids conflicts of interest in any form and to avoid any activities that may lead to pursuing a private benefit at the expense of the Group or our customers.

## WE ARE HERE TO SERVE OUR CUSTOMERS

Our motto is: “A customer is at the heart of everything we do”. Every point of our customer journey, from the first steps of booking and checking-in to the trip to the final farewells at the end of the voyage should follow our Travel Experience principles, a collection of our customer service best practices.



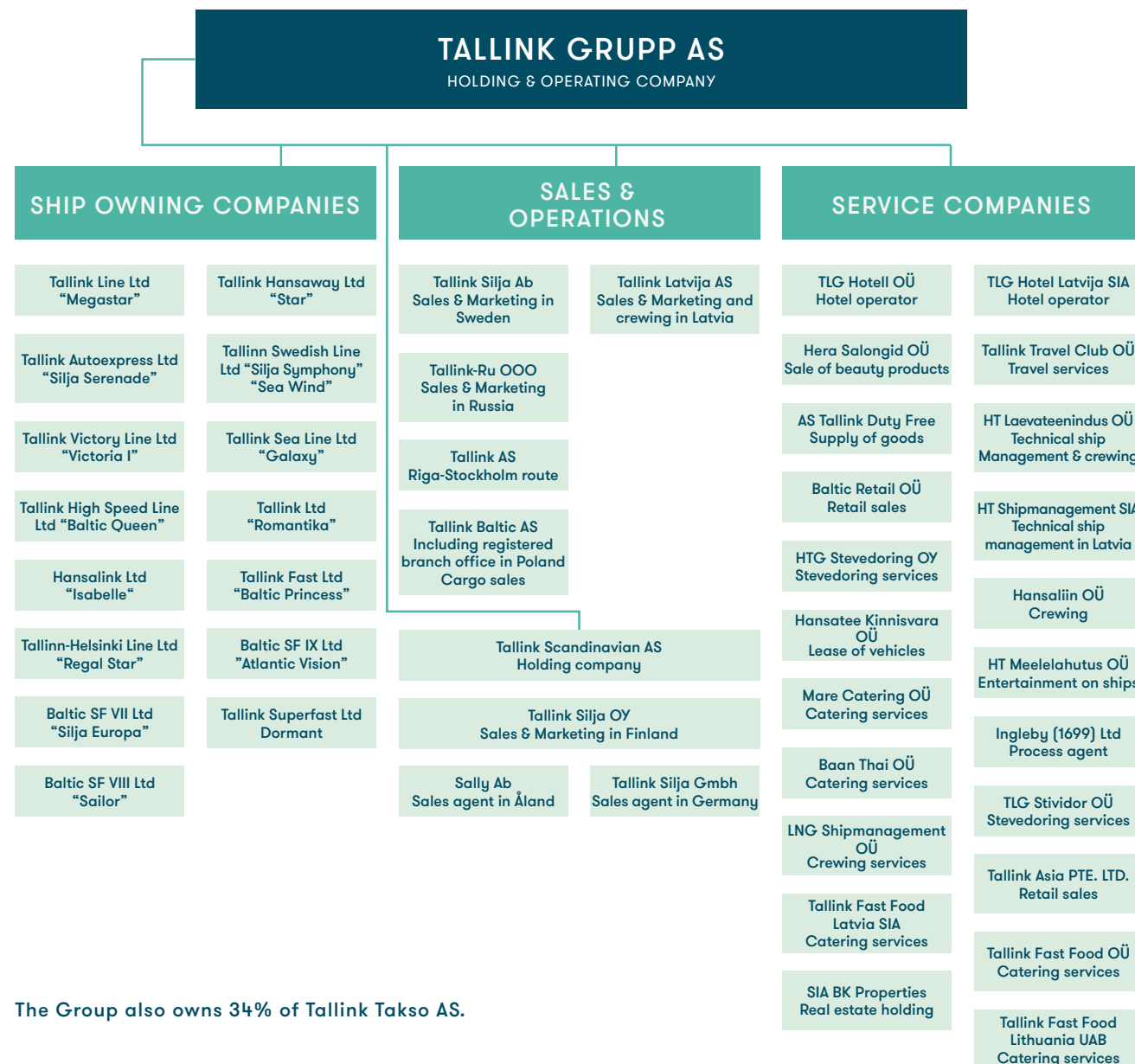
# TALLINK GRUPP VALUES



“ The Group strives for excellence in everything we do. It is impossible to spell out every possible ethical scenario we might face. Instead, in addition to having our policies, procedures and training in place to ensure ethical business conduct, we also rely on everyone’s good judgment to uphold a high standard of integrity for ourselves and our company. We expect all our employees to be guided by both the letter and the spirit of this business philosophy. And to always remember - the customer is at the heart of everything we do!

# GROUP STRUCTURE

At the reporting date, the Group comprised 47 companies. All subsidiaries are wholly owned by Tallink Grupp AS. The following diagram represents the Group's structure at the reporting date:



The Group also owns 34% of Tallink Takso AS.

## Changes in Group structure

In February 2020, Hansatee Cargo AS, a wholly-owned subsidiary of Tallink Grupp AS, was merged with the Group company Tallink AS and thereafter deleted from the Commercial Registry.

In April 2020, TLG Agent OÜ, a wholly-owned subsidiary of Tallink Grupp AS, was renamed LNG

Shipmanagement OÜ. The main activity of the subsidiary is to provide crewing service.

In June 2020, Tallink Latvija AS, a wholly-owned subsidiary of the Group, registered a wholly-owned subsidiary in Latvia – SIA BK Properties. The purpose of founding the subsidiary is the acquisition and holding of real estate properties for the operation of Burger King restaurants in Latvia.

# OUR FLEET AND ROUTES

## ROUTEMAP





# OUR FLEET



## MEGASTAR

Built	2017
Length	212 m
Passengers	2800
Lane metres	3600
Ice class	1 A



## BALTIC QUEEN

Built	2009
Length	212 m
Passengers	2800
Lane metres	1130
Ice class	1 A Super



## SILJA SYMPHONY

Built	1991
Length	203 m
Passengers	2852
Lane metres	950
Ice class	1 A Super



## SILJA SERENADE

Built	1990
Length	203 m
Passengers	2852
Lane metres	950
Ice class	1 A Super



## BALTIC PRINCESS

Built	2008
Length	212 m
Passengers	2800
Lane metres	1130
Ice class	1 A Super



## STAR

Built	2007
Length	186 m
Passengers	1860
Lane metres	2000
Ice class	1 A



## ISABELLE

Built	1989
Length	171 m
Passengers	2480
Lane metres	850
Ice class	1 A Super



## ATLANTIC VISION

Built	2002
Length	203 m
Passengers	728
Lane metres	1900
Ice class	1 A Super



## GALAXY

Built	2006
Length	212 m
Passengers	2800
Lane metres	1130
Ice class	1 A Super



## VICTORIA I

Built	2004
Length	193 m
Passengers	2500
Lane metres	1030
Ice class	1 A Super



## REGAL STAR

Built	1999
Length	157 m
Passengers	80
Lane metres	2087
Ice class	1 A



## SEA WIND

Built	1972/1984/1989
Length	154,4 m
Passengers	154
Lane metres	1105
Ice class	1 B



## ROMANTIKA

Built	2002
Length	193 m
Passengers	2500
Lane metres	1030
Ice class	1 A Super



## SILJA EUROPA

Built	1993
Length	202 m
Passengers	3123
Lane metres	932
Ice class	1 A Super



## SAILOR

Built	1987
Length	157,7 m
Passengers	119
Lane metres	1647
Ice class	1A Super

# **SECTION II: STRATEGIC REPORT**



# MANAGEMENT REPORT

The Group carried a total of 3 732 102 passengers in 2020, which is 62% passengers less than in 2019. The number of cargo units transported decreased by 5.2% compared to 2019. The Group's revenue amounted to EUR 442.9 million (EUR 949.1 million in 2019). EBITDA was EUR 8.0 million (EUR 171.1 million in 2019) and net loss EUR 108.3 million or EUR 0.16 per share (net profit of EUR 49.7 million or EUR 0.07 per share in 2019).

In 2020, the Group's total revenue decreased by EUR 506.2 million to EUR 442.9 million. Total revenue for 2019 and 2018 amounted to EUR 949.1 million and EUR 949.7 million, respectively. Revenue from route operations (core business) decreased by EUR 483.0 million to EUR 400.2 million.

**In 2020, the Group's revenue and operating results were significantly affected by the COVID-19 situation and the imposed travel restrictions. The significant events in 2020 include:**

- COVID-19 and restrictions related temporary suspensions of vessel and hotel operations
- Rerouting vessels to new routes
- Extensive reorganization and reduction in the number of employees by 3 040

- Signing EUR 260 million worth of new overdraft and working capital loan agreements
- Receiving EUR 36.6 million in net direct financial support through the state aid measures in our home markets
- Completion of pre-payments for MyStar and start of the construction of the vessel
- Purchase of a ro-pax vessel Sailor
- Renovation of Tallink City Hotel
- Opening of the first Burger King restaurants in Estonia, Latvia and Lithuania.

## IMPACT OF COVID-19 AND TRAVEL RESTRICTIONS

In 2020, the Group's operations and results were strongly influenced by the COVID-19 situation, the restrictions on international travel and the authorities' advice against travel. As a result of changes in the operating schedules there were 20% less trips compared to 2019. Other limitations included restrictions on the maximum number of passengers on vessels.

Travel restrictions on all routes were in force from March to June and again starting from September. While the

restrictions remained limited in most markets during the summer months, the restrictions for international passenger traffic to and from Sweden have been continuously in force since March 2020.

During the summer, the Group flexibly rerouted vessels to other routes and operated various special cruises.

From mid-December the Group provides shuttle and cargo service on the Estonia-Finland route, the Turku-Stockholm route and the Paldiski-Kapellskär cargo route with the operation of other routes and vessels suspended.

## SEVERAL OPERATIONAL CHANGES WERE MADE IN 2020:

- Daily operations of the Tallinn-Stockholm, Riga-Stockholm and Helsinki-Stockholm routes were suspended from mid-March 2020.
- Tallink City Hotel was closed from March 2020 and Tallink Hotel Riga from October 2020.
- Throughout the year, our vessels were flexibly rerouted to other routes:
- The cruise ferry Victoria I was temporarily rerouted to the Tallinn-Helsinki route from June to late December. It also operated a limited number of special cruises to various destinations. In autumn, it operated weekly the Tallinn-Stockholm-Riga roundtrip.
- During the summer season and until the end of September, the cruise ferry Baltic Queen operated special cruises from Tallinn to Mariehamn and from Tallinn to Turku. In addition, the cruise ferry operated special return trips on the Tallinn-Stockholm route and special cruises on the Helsinki-Riga route.
- From mid-March to mid-April, the shuttle vessel Star was temporarily rerouted to the Paldiski-Sassnitz route.
- In spring, the cruise ferry Romantika operated special return trips on the Riga-Stockholm route in order to secure transport of cargo. During the summer season and until the end of September, the ferry operated special cruises from Riga to Mariehamn and from Riga to Helsinki.
- The cruise ferry Isabelle operated temporarily on the Paldiski-Kapellskär route from June to October.
- The cruise ferry Silja Serenade operated on the Helsinki-Riga route during the summer season.
- From July to the end of October, the cruise ferry Silja Symphony operated special cruises from Stockholm to Visby and special cruises from Stockholm to Hännösand.

The Estonia-Finland routes' shuttle vessel Megastar, cargo vessel Seawind, the Paldiski-Kapellskär route cargo vessel Regal Star and the Turku-Stockholm route cruise ferries Baltic Princess and Galaxy continued operating on their regular routes. The shuttle vessel Star returned to the Tallinn-Helsinki route from mid-May. From July 2020, the cargo vessel Sailor started operating on the Paldiski-Kapellskär route in addition to the cargo vessel Regal Star.

## CHANGES CONCERNING PERSONNEL

**Due to the COVID-19 situation the following changes relating to personnel were made in 2020:**

- During spring, the workload and remuneration of all Latvian and Estonian personnel was reduced to 70% for two and three months, respectively.
- In autumn, the workload and remuneration of a part of Estonian personnel was reduced to 70% until spring 2021.
- Most of the Finnish personnel were temporarily laid off, except the staff on duty.
- The workload of the Swedish personnel was reduced to varying extents.
- Reorganization and collective redundancies were carried out which concerned both shore and sea personnel in all markets.

Given the different labour regulations in our home markets, the most efficient immediate response to the changes in the environment was possible on the Finnish flagged vessels. The situation was the most difficult in Estonia and Latvia, where the rigid legislation did not allow combining unpaid leave with other salary support measures. Therefore, lengthy redundancy processes were first initiated in Estonia and Latvia and carried out in Finland and Sweden later in the year. After the completion of the processes, some support functions were migrated to Estonia.

As a result of changes in the business and the processes involving personnel, including collective redundancies, the number of employees at the end of the year decreased by 3 040 compared to the beginning of the year. The annual average number of employees and the number of employees at the end of the year were, respectively, 16.0% and 42.0% lower than in 2019.

## SUPPORT MEASURES

In the second quarter of 2020, the Group used temporary salary compensation measures offered by the countries where it operates.

In the second quarter of 2020, the Estonian parliament approved a change in legislation granting exemption from ships' fairway dues for twelve months starting from April 2020. The effect of the exemption amounted to EUR 3.4 million in 2020.

During the year, the Group received a net total of EUR 36.6 million in direct financial support through various government aid measures in all its home markets.

## SALES AND SEGMENTS

The Group's revenue amounted to EUR 442.9 million in 2020 (949.1 million in 2019). Restaurant and shop sales on board and on shore of EUR 228.5 million in total (536.6 million in 2019) contributed more than a half of total revenue. Ticket sales amounted to EUR 95.6 million (240.7 million in 2019) and sales of cargo transport to EUR 94.0 million (119.1 million in 2019).

Geographically, 45.3% or EUR 200.4 million of revenue was generated by the Estonia-Finland routes and 33.7% or EUR 149.5 million by the Finland-Sweden routes. Revenue from the Estonia-Sweden routes was EUR 34.9 million or 7.9% and from the Latvia-Sweden route EUR 15.4 million or 3.5%. The share of revenue generated by other geographical segments increased to 10.2% or EUR 45.2 million.

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

<b>GEOGRAPHICAL SEGMENTS, in thousands of EUR</b>	<b>2020</b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>2018</b>	<b>%</b>
Finland - Sweden	149 485	33.7%	344 404	36.3%	337 471	35.5%
Estonia - Finland	200 439	45.3%	353 978	37.3%	355 995	37.5%
Estonia - Sweden	34 858	7.9%	112 271	11.8%	118 991	12.5%
Latvia - Sweden	15 390	3.5%	72 535	7.6%	71 292	7.5%
Other	45 196	10.2%	73 727	7.8%	74 831	7.9%
Intercompany eliminations	-2 434	-0.5%	-7 795	-0.8%	-8 857	-0.9%
<b>Total revenue of the Group</b>	<b>442 934</b>	<b>100.0%</b>	<b>949 119</b>	<b>100.0%</b>	<b>949 723</b>	<b>100.0%</b>

In 2020, the Group's ships carried a total of 2.4 million passengers on the Estonia-Finland routes, a 52.3% decrease compared to 2019, but the number of cargo units transported on the routes increased by 1.0%. Estonia-Finland routes' revenue decreased by EUR 153.5 million to EUR 200.4 million. The Estonia-Finland routes' results include also the operations of the Tallinn-Turku, Tallinn-Mariehamn and Paldiski-Sassnitz routes.

The Finland-Sweden routes' revenue decreased by EUR 194.9 million and amounted to EUR 149.5 million. The Finland-Sweden routes' results include also the operations of the Helsinki-Riga route and the special cruises from Stockholm to Visby and to Härnösand.

The Estonia-Sweden routes' revenue decreased by EUR 77.4 million, compared to the previous year, and amounted to EUR 34.9 million. The Estonia-Sweden routes' results reflect the operations of the Paldiski-Kapellskär route and the limited operations of the Tallinn-Stockholm route.

The Latvia-Sweden route's revenue decreased by EUR 57.1 million, compared to the previous year and amounted to EUR 15.4 million. The Latvia-Sweden route's results include the limited operations of the Riga-Stockholm route as well as the special cruises from Riga to Helsinki and to Mariehamn.

Revenue from the segment other decreased by a total of EUR 28.5 million and amounted to EUR 45.2 million. The decrease was mainly driven by significantly lower accommodation sales and lower revenue from services provided at the hotels. The segment revenue was positively impacted by an increase in online shop sales, the opening of Burger King restaurants and revenue from providing mooring services at Tallinn Old City Harbour.

## OPERATING SEGMENTS, in thousands of EUR

	<b>2020</b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>2018</b>	<b>%</b>
Restaurant and shop sales on-board and on mainland	228 487	51.6%	536 569	56.5%	524 416	55.2%
Ticket sales	95 628	21.6%	240 653	25.4%	243 807	25.7%
Sales of cargo transportation	93 960	21.2%	119 078	12.5%	124 852	13.1%
Sales of accommodation	4 022	0.9%	16 083	1.7%	19 183	2.0%
Income from charter of vessels	9 968	2.3%	8 289	0.9%	8 030	0.8%
Other	10 869	2.5%	28 449	3.0%	29 435	3.1%
<b>Total revenue of the Group</b>	<b>442 934</b>	<b>100.0%</b>	<b>949 119</b>	<b>100.0%</b>	<b>949 723</b>	<b>100.0%</b>

## EARNINGS

Gross loss for 2020 was EUR 43.5 million (gross profit of EUR 196.9 million in 2019) and EBITDA EUR 8.0 million (EUR 171.1 million in 2019). Net loss for 2020 was EUR 108.3 million (net profit of EUR 49.7 million in 2019). Net loss per share was EUR 0.16 (net profit per share was EUR 0.07 in 2019).

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

- A significant cut in operating expenses, including a significant decrease in personnel expenses as a result of collective redundancies, state support measures and remuneration cuts.
- A negative impact from one-off costs related to redundancies in the amount of EUR 9.0 million. The redundancies are expected to have a positive financial impact starting from 2021.
- A positive impact from various government support measures in the total net amount of EUR 36.6 million.
- A positive impact from the exemption from ships' fairway dues in Estonia in the amount of EUR 3.4 million.

The cost of goods sold at shops and restaurants amounted to EUR 116.6 million (EUR 221.1 million in 2019).

Fuel costs for 2020 totalled EUR 56.3 million (EUR 89.6 million in 2019). Fuel costs were impacted by changes in the operating schedule as well as fuel price agreements with the main suppliers, and lower global prices. Fuel price fixing agreements were entered into in the first quarter of 2020 but more flexible terms were negotiated and agreed later in the year. As a result, annual fuel costs decreased by 37.1%. The Group makes continuous efforts to improve and optimise its day-to-day operations and lower the fleet's fuel costs.

The Group's personnel expenses amounted to EUR 116.8 million (EUR 163.1 million in 2019). The average number of employees in 2020 was 6 104 (7 270 in 2019).

Administrative expenses for the period amounted to EUR 48.4 million and sales and marketing expenses to EUR 37.8 million (EUR 56.8 million and 67.7 million, respectively, in 2019).

Depreciation and amortisation totalled EUR 100.7 million (EUR 96.2 million in 2019). There were no impairment losses related to the Group's property, plant and equipment and intangible assets.

Net finance costs increased by EUR 0.2 million to EUR 17.8 million compared to 2019. The change includes a decrease of EUR 0.3 million in interest expenses compared to 2019 and a net loss of EUR 0.5 million from foreign exchange differences.

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

## LIQUIDITY AND CASH FLOW

The Group's net operating cash flow for 2020 was negative at EUR 7.0 million (positive at EUR 174.6 million in 2019).

Cash used in investing activities was EUR 99.9 million (EUR 60.7 million in 2019) reflecting mainly prepayments for a new LNG shuttle vessel MyStar and the purchase of a ro-pax vessel Sailor.

In 2020, the Group's loan repayments totalled EUR 14.7 million (EUR 79.8 million in 2019). Interest payments were EUR 16.3 million (EUR 16.7 million in 2019).



At 31 December 2020, the Group's cash and cash equivalents totalled EUR 27.8 million (EUR 38.9 million at 31 December 2019). In addition, available unused overdraft credit lines amounted to EUR 119.3 million (EUR 90.0 million in 2019). At 31 December 2020, EUR 10.0 million of the EUR 100.0 million facility agreement with Nordic Investment Bank had been drawn. In management's opinion, the Group has sufficient liquidity to support its operations. Activities to ensure the sustainability of operations and liquidity are described in more detail in Note 24.

## FINANCING SOURCES

The Group finances its operations and investments with operating cash flow, debt and equity financing and potential proceeds from the disposal of assets. At 31 December 2020, the Group's capitalisation ratio (interest-bearing liabilities as a percentage of interest-bearing liabilities and shareholders' equity) was 49.7% compared to 41.3% at 31 December 2019. The increase results from a EUR 127.2 million increase in interest-bearing liabilities and a EUR 108.5 million decrease in equity.

## LOANS AND BORROWINGS

At the end of 2020, interest-bearing liabilities totalled EUR 705.1 million, a 22.0% increase compared to the end of 2019. Interest-bearing liabilities do not include the EUR 90.0 million undrawn part of a EUR 100.0 million loan from Nordic Investment Bank.

At 31 December 2020, the Group had EUR 15.7 million outstanding overdraft balance and unused overdraft facilities amounted to EUR 119.3 million.

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

Travel restrictions caused by the COVID-19 pandemic induced the Group to pre-emptively request waivers of and amendments to loan covenants. The Group's loan covenants calculated as the net debt to EBITDA ratio were waived and loan covenants concerning liquidity were amended so that the covenants were not breached during 2020.

## SHAREHOLDERS' EQUITY

In 2020, the Group's consolidated equity decreased by 13.2%, from EUR 822.8 million to EUR 714.3 million. Shareholders' equity per share was EUR 1.07. At the end of 2020, the Group's share capital amounted to EUR 314 844 559. For further information about shares, please see the "Shares and shareholders" section of this report.

## VESSELS AND OTHER INVESTMENTS

The Group's investments in 2020 amounted to EUR 100.1 million. The Group's investments mainly reflect prepayments for a new LNG shuttle vessel MyStar in the total amount of EUR 61.8 million and the purchase of a ro-pax vessel Sailor in the amount of EUR 8.5 million.

Investments were also made in the ships' technical maintenance and the completion of energy efficiency and emissions reduction projects. Due to the changed economic environment and suspension of vessel operations, ship-related investments were kept to a minimum and only critical maintenance and repair works were performed.

Investments were also made in the development of the online booking and sales systems as well as other administrative systems and in relation to the opening of Burger King restaurants.

The Group's main revenue-generating assets are vessels, which account for approximately 75% of total assets. During the financial year the Group owned 15 vessels.

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

VESSEL NAME	Vessel Type	Built/ renovated	Route	Other information
<b>Silja Europa</b>	Cruise ferry	1993/2016	Finland-Estonia	overnight cruise
<b>Star</b>	High-speed ro-pax	2007	Finland-Estonia	shuttle service
<b>Megastar</b>	High-speed ro-pax	2017	Finland-Estonia	shuttle service
<b>Sea Wind</b>	Ro-ro cargo vessel	1972/1989	Finland-Estonia	cargo transportation
<b>Baltic Queen</b>	Cruise ferry	2009	Sweden-Estonia	overnight cruise
<b>Victoria I</b>	Cruise ferry	2004	Sweden-Estonia	overnight cruise
<b>Regal Star</b>	Ro-ro cargo vessel	1999	Sweden-Estonia	cargo transportation
<b>Sailor</b>	Ro-ro cargo vessel	1987	Sweden-Estonia	cargo transportation
<b>Silja Symphony</b>	Cruise ferry	1991	Finland-Sweden	overnight cruise
<b>Silja Serenade</b>	Cruise ferry	1990	Finland-Sweden	overnight cruise
<b>Galaxy</b>	Cruise ferry	2006	Finland-Sweden	overnight cruise
<b>Baltic Princess</b>	Cruise ferry	2008	Finland-Sweden	overnight cruise
<b>Romantika</b>	Cruise ferry	2002	Sweden-Latvia	overnight cruise
<b>Isabelle</b>	Cruise ferry	1989	Sweden-Latvia	overnight cruise
<b>Atlantic Vision</b>	High-speed ro-pax	2002	Canada	chartered out

At 31 December 2020 the book value of the ships amounted to EUR 1 135 million (EUR 1 174 million at the end of 2019). The Group's vessels are regularly valued by two to three independent international shipbrokers who are also approved by the mortgagees.

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

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

## MARKET DEVELOPMENTS

The total number of passengers carried by the Group in 2020 was 3.7 million. The total number of cargo units carried was 360 thousand.

The following table provides an overview of transported passengers, cargo units and passenger vehicles in 2020 and 2019 by route.

PASSENGERS	2020	2019	CHANGE	2018	CHANGE
Finland-Sweden	980 076	2 894 494	-66.1%	2 845 616	1.7%
Estonia-Finland	2 439 972	5 115 602	-52.3%	5 079 861	0.7%
Estonia-Sweden	172 226	953 153	-81.9%	1 035 093	-7.9%
Latvia-Sweden	139 828	799 961	-82.5%	796 041	0.5%
<b>Total</b>	<b>3 732 102</b>	<b>9 763 210</b>	<b>-61.8%</b>	<b>9 756 611</b>	<b>0.1%</b>
CARGO UNITS	2020	2019	CHANGE	2018	CHANGE
Finland-Sweden	70 088	78 095	-10.3%	74 654	4.6%
Estonia-Finland	244 481	242 142	1.0%	245 867	-1.5%
Estonia-Sweden	40 193	42 845	-6.2%	48 427	-11.5%
Latvia-Sweden	5 049	16 552	-69.5%	16 010	3.4%
<b>Total</b>	<b>359 811</b>	<b>379 634</b>	<b>-5.2%</b>	<b>384 958</b>	<b>-1.4%</b>
PASSENGER VEHICLES	2020	2019	CHANGE	2018	CHANGE
Finland-Sweden	80 768	158 699	-49.1%	155 907	1.8%
Estonia-Finland	596 661	827 106	-27.9%	827 998	-0.1%
Estonia-Sweden	10 788	61 981	-82.6%	69 072	-10.3%
Latvia-Sweden	14 485	62 528	-76.8%	71 716	-12.8%
<b>Total</b>	<b>702 702</b>	<b>1 110 314</b>	<b>-36.7%</b>	<b>1 124 693</b>	<b>-1.3%</b>

The Group's market shares on routes operated in 2020 were as follows:

- The Group carried approximately 58% of passengers and 58% of ro-ro cargo on the routes between Estonia and Finland.
- The Group carried approximately 53% of passengers and 26% of ro-ro cargo on the routes between Finland and Sweden.
- The Group was the only provider of daily passenger transportation between Estonia and Sweden\*.
- The Group was the only provider of daily passenger and ro-ro cargo transportation between Riga and Stockholm\*.

\* Daily operations have been suspended since mid-March 2020.

## PERSONNEL

At 31 December 2020, the Group had 4 200 employees including employees with a reduced workload, on temporary lay-offs and on maternity leave (7 240 at

31 December 2019). As at year end, the total number of employees included 420 employees on maternity leave.

AS AT 31 DECEMBER	2020	2019	CHANGE	2018	CHANGE
<b>Onshore total</b>	<b>1 123</b>	<b>1 623</b>	<b>-30.8%</b>	<b>1 630</b>	<b>-0.4%</b>
Estonia	671	976	-31.3%	934	4.5%
Finland	272	414	-34.3%	444	-6.8%
Sweden	122	147	-17.0%	165	-10.9%
Latvia	40	67	-40.3%	69	-2.9%
Russia	12	13	-7.7%	12	8.3%
Germany	6	6	0.0%	6	0.0%
<b>Onboard</b>	<b>2 750</b>	<b>5 109</b>	<b>-46.2%</b>	<b>5 108</b>	<b>0.0%</b>
Burger King <sup>1</sup>	206	0	-	0	-
Hotel <sup>1</sup>	121	508	-76.2%	504	0.8%
<b>Total</b>	<b>4 200</b>	<b>7 240</b>	<b>-42.0%</b>	<b>7 242</b>	<b>0.0%</b>

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

In 2020, staff costs in the cost of sales amounted to EUR 116.8 million (EUR 163.1 million in 2019). The 2020 staff costs were impacted by salary support from the government of Estonia paid directly to employees. Salary support paid by the government of Sweden is recognised as other operating income. Staff costs related to administrative staff and sales & marketing staff were EUR 23.3 million and EUR 21.7 million, respectively (EUR 28.7 million and EUR 31.6 million, respectively, in 2019).



## ECONOMIC ENVIRONMENT

The Group considers Finland, Sweden, Estonia and Latvia its home markets with the most exposure to economic developments in Finland. The Group has also high exposure to economic developments in Estonia and Sweden. In 2020, the Group's economic environment was dominated by the COVID-19 pandemic and the restrictions related to international travel.

According to the latest data, in 2020 the real growth of the economies of all the Group's home markets decreased relative to 2019. Both the business and consumer confidence indicators and the growth of imports of goods and services decreased in all home markets throughout the year. Despite the stabilisation of confidence of the Finnish and Swedish consumers, the overall demand in passenger traffic remained low due to obstacles to travel. International travel restrictions and reduced air traffic effectively meant the absence of demand from customers from outside our home markets and state-level travel and border-crossing restrictions effectively allowed to offer only international cargo operations to and from Sweden.

The dynamics of the environment are reflected in the volume of cargo units transported by the Group in 2020 – down 5.2% overall, but up 1.0% on the Estonia-Finland route. Yet the market conditions regarding price competition remained challenging, resulting in an overall decline both in the number of carried cargo units and in the average revenue per unit.

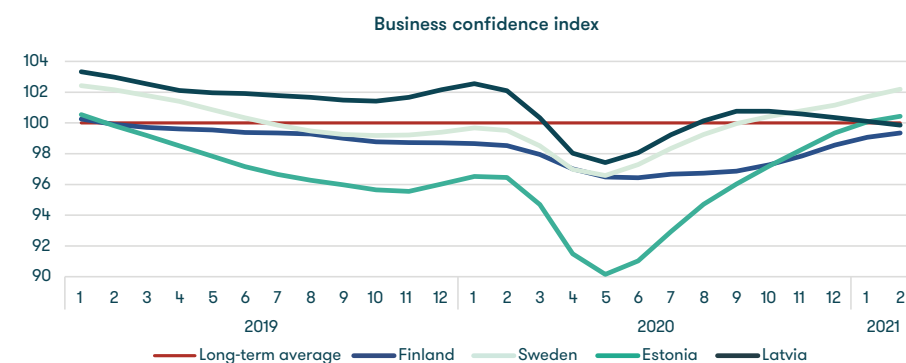
The unemployment rates increased in all markets. The largest rise was recorded in Estonia, while the highest rate at 8.6% was reached in Sweden. High unemployment in turn affects consumer confidence and purchasing power. While more flexible regulations allowed employees in Sweden and Finland to be laid off temporarily, extensive redundancy processes were

carried out across the Group, similarly to many other firms. Such differences between the markets were also reflected in the period's consumer confidence, which according to the OECD data recovered decently in Sweden and Finland while remaining continuously low in both Estonia and Latvia.

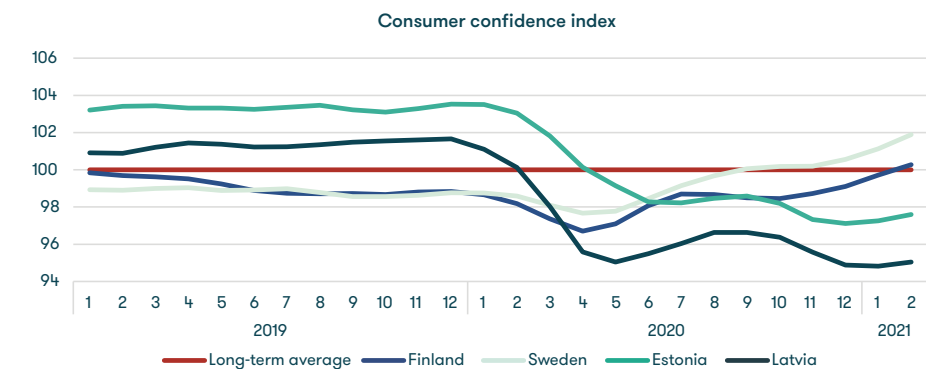
Average fuel prices were notably lower in 2020 than a year earlier. Combined with the effect of fuel price-fixing agreements with suppliers, effective fuel prices were, on average, 39% lower than in 2019. In addition to the decrease in the market price of fuel, the cost was affected by changes in the operating schedule as well as existing fuel price agreements with prices fixed at above the market level. Global fuel prices are expected to remain volatile due to uncertainties in the global economy and politics.

Although the early 2021 showed encouraging signs regarding the stabilisation and improvement of the market situation and business confidence, the developments have not been as positive as expected. At this stage, the outlook and forecast remain highly uncertain, with lower demand, restrictions on travel and public events, potential disruptions to the supply chains and the likely ripple effect in business activity and consumer confidence being the key risk factors. Because of the continuing COVID-19 pandemic the global economic environment, especially travel and transportation sectors, will remain weak. Much will depend on the progress of vaccination, the duration of the COVID-19 outbreak and the measures taken by the authorities to mitigate its impact.

For the foreseeable future, the key risks are related to global and regional developments in the COVID-19 situation and related restrictions on travel and other economic activities as well as their economic implications and impact on local and international trade.



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



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

Real GDP, change	2019	2020	2021e
Finland	1.1%	-4.0%	1.5%
Sweden	1.4%	-3.2%	3.3%
Estonia	4.9%	-4.7%	3.4%
Latvia	2.1%	-4.3%	2.4%

Source: OECD (2021), Real GDP forecast (indicator). doi: 10.1787/1f84150b-en (Accessed on 31 March 2021)

Unemployment rate (% of labour force)	2019	2020	2021e
Finland	6.7%	7.9%	8.3%
Sweden	6.8%	8.6%	9.0%
Estonia	4.4%	6.8%	7.6%
Latvia	6.3%	8.4%	8.8%

Source: OECD (2021), Unemployment rate forecast (indicator). doi: 10.1787/b487f2cf-en (Accessed on 31 March 2021)

Harmonised index of consumer prices	2019	2020	2021e
Finland	1.1%	0.4%	1.2%
Sweden	1.7%	0.7%	1.3%
Estonia	2.3%	-0.6%	1.2%
Latvia	2.7%	0.1%	1.5%

Source: Eurostat, f - European Commission, Winter 2021 Economic Forecast

## EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

### Opening of Burger King restaurants

In January 2021, the second Burger King restaurant was opened in Latvia. The Group continues preparations for opening additional Burger King restaurants. The next opening of a Burger King restaurant is scheduled for May in Latvia.

### Legal action against the Port of Tallinn

In March 2021, AS Tallink Grupp filed an action against AS Tallinna Sadam, the operator of the Port of Tallinn, with a claim of EUR 15.4 million for the fees paid by the Group in 2017, 2018 and 2019. The compensation is demanded for unjust enrichment or alternatively for damage caused by abusing the dominant position AS Tallinna Sadam has in the market for the provision of port services in Old City Harbour.

### Earnings

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

Due to the ongoing COVID-19 situation the earnings outlook is uncertain and continues to be strongly affected by external factors such as the progress of vaccination, states' decisions regarding the timing of the lifting of travel restrictions and allowing passenger traffic as well as the duration of the recovery period.

### Research and development projects

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

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

### Risks

The Group's business, financial position and operating results could be materially affected by various risks. These risks are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial or unlikely, could also impair our business. The order of presentation of the risk factors below is not intended to be an indication of the probability of their occurrence or of their potential effect on our business.

- COVID-19 situation and developments
- Governmental restrictions on business activities
- Accidents, disasters
- Macroeconomic developments
- Changes in laws and regulations
- Relations with trade unions
- Increase in the fuel prices and interest rates
- Market and customer behaviour

## MANAGEMENT BOARD'S CONFIRMATION

The Management Board confirms that to the best of their knowledge the management report of Tallink Grupp AS for the year 2020 presents a true and fair view of significant events and their impact on the Group's results and financial position and includes an overview of the main risks and uncertainties.

**Paavo Nõgene**

Chairman of the Management Board



**Lembit Kitter**

Member of the Management Board



**Kadri Land**

Member of the Management Board



**Harri Hanschmidt**

Member of the Management Board



**Piret Mürk-Dubout**

Member of the Management Board



Tallinn, 20 April 2021



# OUR STRATEGY

The Group's vision is to be the market pioneer in Europe by offering excellence in leisure and business travel and sea transportation services. Currently, the strategic focus is on managing costs and cash flows to ensure sustainability and to bring Tallink Grupp through the global crisis.

The Group's strategy is to:

- Strive for the highest level of customer satisfaction
- Increase business volumes and strengthen its market position in the region
- Develop a wide range of quality services for different customers and pursue new growth opportunities
- Ensure cost efficient operations
- Maintain an optimal debt level that allows paying sustainable dividends

A modern fleet, a wide route network, a strong market share and brand awareness together with high safety, security and environmental standards are the main

competitive advantages for the Group. They are the cornerstones for successful and profitable operations.



## UNRIVALLED SUITE OF COMPETITIVE ADVANTAGES





# SUSTAINABILITY REPORT

## Our key sustainability priorities in 2020 were:

- Ensuring the health, safety and well-being of all persons involved with Tallink Grupp, whether it be our employees, customers, business partners, contractors, suppliers, sponsorship partners and the communities at large;
- Putting in place policies and measures, in close partnership with all our national authorities and governments, to secure the continuing movement of goods and people in our region as safe as possible;
- Sharing whatever surplus resources the company had available with the communities around us to seek to alleviate the challenging conditions everyone in the world was faced with.

Tallink Grupp's sustainability focus remains on the areas identified in late 2019 and we will continue to work and make plans for achieving our goals set. However, in the year ahead, we will naturally need to remain flexible in our approach to priorities. The ultimate goal for Tallink Grupp in the area of CSR is to grow, develop and expand our business and operations for the years to come with the maximum positive benefit for our local regions and people and with the smallest possible footprint on our surrounding environment and climate.

At the start of 2020, our plans and aspirations as a group for taking significant strides forward in the area of sustainability were tangible and realistic. Just at the end of 2019, we had agreed with our Management Board and leadership team our sustainability strategy and focus areas and had agreed a tactical plan for implementing the strategy in January-February 2020. The path was set - we knew the direction we were heading and understood the first tasks at hand: identifying detailed baseline situations in each of our areas of focus, determining goals and what we wanted to achieve in specific timescales and then setting out step-by-step action-plans for achieving each of the goals. 2020 was all set to be a transformational year for us in terms of our sustainability focus and actions as the vision and what needed to be done was so clear in our minds following the strategy-setting process.

However, 2020 had different plans for all of us and as the COVID-19 pandemic broke globally in March our company's focus quickly shifted to the sustainability of operations and protection of health and life.

This does not mean that we did not make any progress with our sustainability goals and plans. But it means we were not perhaps as strategic in our approach, had to be flexible and change our focus and plans frequently to ensure we were dealing with what really mattered most at any given time. Earlier in the year that mainly meant focusing on customer care, at different stages of the crisis and various suspensions of activity it meant distributing and sharing resources and focusing on introducing quick circular economy practices, and later in the year, when it became clear that cut-backs in the business were inevitable and the second wave meant more remote working, the focus clearly had to shift on employee wellbeing, both physical and mental.

**“ Throughout the year, it was important not to get too bogged down with strategies and plans we had set ourselves pre-Covid, but to really listen to what was going on both inside our organisation and around us, and to help, support and nurture where needed and possible.**



## TALLINK GRUPP SUSTAINABILITY FOCUS AREAS & GOALS



These focus areas and high level goals have been aligned with the following UN Sustainable Development Goals and future reporting on the goals will be in line with the UN SDG guidelines:







Until further development of the company's more detailed CSR goals in 2020, this Corporate Responsibility report, will currently focus on:



# I SAFETY AND SECURITY

In the Group's operations the safety and security of people, environment and property are of the utmost importance. The Group's Safety Management System complies with the ISM (International Safety Management) and ISPS (International Ship Port Facility Security) Codes and the requirements according to the ISO 14001 Environmental Management System standard to guarantee that the operations of the ships and onshore organization prevent accidents, loss of human lives and environmental damage caused to the marine environment. The Environmental Management System is audited by Lloyds Register and the Estonian, Swedish, Latvian, and Finnish Maritime Administrations, and recognised organizations duly authorised by the administrations.

The Group's safety and security management operations are aimed at maintaining and developing safe procedures for ships and creating a safe ship environment for both the crew and passengers. The crew's safety and security management expertise is consistently developed, tested and practiced through regular drills and exercises in cooperation with relevant authorities. The competencies are improved by identifying the known risk factors and areas and practicing related procedures. Even though the crew's environmental awareness is high it is still continuously improved.

The objective of the Group's Safety Management System is to ensure that applicable rules and requirements set out by the IMO (International Maritime Organization), the EU, the maritime authorities, the certification bodies and other maritime organizations as well as their applicable regulations and standards are strictly followed and, in many respects, exceeded.

Ship masters are responsible for the onboard safety and security operations of the ships managed by the Group. The task of the onshore organization is to supervise, support and develop safety and security awareness.

All the Group's vessels carry on board lifesaving appliances which meet the highest safety standards and are always ready for immediate use when needed. Nevertheless, the Group's high-level nautical and good-seamanship practices together with top-level safety and security organizations are designed to prevent situations where safety equipment should be put in use.

## ONBOARD SAFETY MANAGEMENT AND EMERGENCY PLANNING

In the Group's operations the safety and security of people, environment and property are of the utmost importance. Tallink's Safety Management System adheres to the ISM (International Safety Management) and ISPS (International Ship Port Facility Security) Codes and the requirements according to the ISO 14001 environmental management standard to guarantee that the operations of the ships and onshore organization prevent accidents, loss of human lives and environmental damage caused to the marine environment. The Safety Management System is audited by Lloyds Register and the Estonian, Swedish, Latvian, and Finnish Maritime Administrations, and Recognized Organizations duly authorized by Administrations.

**“ The Group's safety and security management operations are aimed at maintaining and developing safe procedures for ships and creating a safe ship environment for both the crew and passengers. The crew's safety and security management skills are consistently developed, tested and practiced through drills and exercises in cooperation with the relevant authorities. The skills are improved by identifying the known risk factors and areas, and practicing related procedures. In addition, the crew's environmental safety awareness is continuously improved. ”**

The objective of the Group's Safety Management System is to ensure that valid rules and requirements set out by the IMO (International Maritime Organization), the EU (European Union), the maritime authorities, the certification bodies and other maritime organizations as well as their applicable regulations and standards are adhered to.

Ship masters are responsible for the onboard safety and security operations of the ships managed by the Group. The task of the onshore organization is to supervise, support and develop safety and security work.

All the Group's vessels carry lifesaving equipment which meets the highest safety standards and is always ready for immediate use. Nevertheless the Group's highest-level nautical and good-seamanship practices together with top-level safety and security organizations are designed to prevent situations where all this safety equipment should be put in use.

Our security plans approved by the flag administrations are linked to the overall national security and threat levels in the destination countries (Estonia, Finland, Sweden, Latvia) and the authorities will inform us immediately in case a level is changed.

We have very close cooperation with all the local police, customs and border guard and other security related authorities. The information flow is good and all parties have detailed activity plans. Security plans that have been agreed appoint roles and set information flow between involved organizations working together in a crisis situation. Regular exercises are carried out to test the plans. Due to security reasons we cannot disclose more information about the security plans, which also include a set of preventative measures.



## TRAINING AND EXERCISES

Tallink Grupp's onboard employees play an important role in guaranteeing the safety of the people onboard our vessels and the vessels themselves. Therefore, we are continuously developing their skills in this area. There are specific training requirements for different positions in the company / roles on our vessels – in 2020 we continued with all the trainings where possible and to the extent possible and our people passed all necessary qualifications.

Once a week all our vessels carry out fire drills, testing the vessels' watertight doors, and lifeboat drills. Once every three months, emergency steering drills, emergency flooding drills, SOPEP (ship oil pollution emergency plan) drills and MOB (man overboard) drills are carried out. Additionally, every 6 months joint exercises with external partners and agencies usually take place. In 2020 no large-scale exercises took place, but smaller joint exercises and drills with authorities still took place and the next larger joint exercisewith Estonian authorities is planned for May 2021, pandemic situation allowing.

**“ Onboard our vessels different safety, security and environment protection drills and excercises were carried out on a regular basis, both on operating as well as suspended vessels, in which 100% of our crew members took part, on average 1 hour of safety or security related training per crew member per week was provided.**

If an incident has happened on one of the vessels, a Safety Alert is created and shared by the company with all other Group vessels too. The crews have an obligation to analyse the incident/alert afterwards and often an additional exercise or training is carried out based on the incident and the lessons learned.

In addition to our own regular training exercises, Tallink also carries out joint exercises with the authorities of all flag states, including maritime rescue organizations. Every year numerous training exercises of sea and air rescue, helicopter, fire, spill prevention and cleanup, equipment, security, and other training exercises are carried out on our vessels.

## MEDICAL EMERGENCIES

Medical assistance provided onboard our group's vessels exceeds the requirements set by the respective regulations.

**“ Although regulations require ship operators to employ medical personnel on international trips lasting at least 72 hours, most of the group's vessels (excluding the cargo transportation vessels and the shuttle vessels) have professional medical personnel onboard to provide medical assistance to both passengers and crew members 24/7.**

In 2020, following the outbreak of the global COVID-19 pandemic, the group additionally decided to deploy medical personnel on the company's shuttle vessels to ensure greater safety on board during a global medical crisis.

The passenger vessels have doctor's surgeries onboard, equipped with first aid supplies and drugs to provide

first aid, as well as for providing medical assistance to passengers with severe health problems and/or disability.

All deck officers and department heads have received medical training to provide first aid. All crew members have passed a basic first aid course.

Regular helicopter evacuation drills take place in partnership flag authorities to ensure all our vessels and crew have practical experience with medical evacuations for emergencies.

The group introduced a number of safety measures on board its vessels in early 2020, including hand sanitising stations across all our vessels, plexi-glass partitions in shops, at information desks and other customer service points, vessel maximum capacity levels were reduced at various times throughout the year by 50%, safe distance markers were placed around the public areas on vessels, face masks were made mandatory on the company's vessels for both employees and customers.

The company's onshore office employees have been working remotely in all our home markets for most of the year since March 2020 due to authorities' guidance to avoid working in offices and thus protect employees' health. The company adopted a no external visitors policy at its offices and suspended vessels at different times during the peak of the crisis to further prevent the possible spread of coronavirus.

## EMERGENCY PLANS

Our security plans approved by the flag administrations are linked to the overall national security and threat levels in the destination countries (Estonia, Finland, Sweden, Latvia) and the authorities will inform us immediately in case a level is changed.

We have very close cooperation with all the local police, customs and border guard and other security related authorities. The information flow is good and all parties have detailed activity plans. Security plans that have been agreed appoint roles and set information flow between involved organizations working together in a crisis situation. Regular exercises are carried out to test the plans. Due to security reasons we cannot disclose more information about the security plans, which also include a set of preventative measures.



## SAFETY MEASURES IMPLEMENTED ACROSS TALLINK GRUPP VESSELS TO PREVENT THE SPREAD OF COVID-19

As the COVID-19 virus started to raise its head in early 2020, it became clear that the usual virus prevention protocols on board Tallink Grupp's vessels would have to be enhanced even further and more urgent measures would have to be put in place to keep traffic moving and borders open, whilst at the same time, helping national governments stop the spread of the virus. The initial measures in February 2020 included enhanced cleaning and sanitising protocols across the fleet, hotels, shops, restaurants and offices, placement of hand sanitisers in public areas, extensive information campaign directed at customers and staff in partnership with national health authorities on simple steps to prevent the virus.

As states of emergency were declared across the countries and markets and only essential cargo traffic remained in operation, the company took the opportunity to upscale the safety measures on all the vessels and further measures included:

- Daily health check of crew members;
- Introduction of medical personnel also on board vessels that didn't normally have them (e.g. shuttle ferries on Tallinn-Helsinki route);
- 2m distance markers in vessel public areas;
- Plexi glass partitions at customer service points;
- Removal of testers in the shops;
- Reduced maximum capacity levels on all vessels;



- Face mask requirement in public areas where keeping a distance from others was not possible;
- Pre-trip passenger confirmation of no virus symptoms; and much more.

Most of the safety measures continue to be in place on the company's vessels to date as the virus situation has not yet eased in the company's home markets, so Tallink Grupp continues to do everything in its power to help prevent the spread of the virus. Owing to the safety measures taken, the company has managed to prevent any outbreaks of the virus on its vessels, in its hotels, restaurants and offices.

## "CORONA PILOTS" HELPING CUSTOMERS ONBOARD

In 2020, at the height of the pandemic, the company created a totally new profession on board some of its cruise vessels – the so-called "corona pilots", who are the company's own crew members, but whose main task on board is to help customers and guide them to act responsibly onboard our ships, following all the company's safety rules and measures. These pilots were working onboard Baltic Princess and Victoria I when there were more passengers on board, but the company is now considering re-introducing the pilots also for the summer 2021 cruises to ensure all passengers have as safe as possible trips on board the company's vessels as travelling resumes.



## BIGGEST PEACETIME RESCUE OPERATION WITH TALLINK VESSEL ROMANTIKA

Following the declaration of states of emergency by countries across Europe and the world in mid-March 2020, hundreds of Estonians, Latvians and Lithuanians became trapped on the German-Polish border as they sped home from Europe, but Poland unexpectedly closed its borders to everyone. The Estonian and Latvian Governments commissioned a rescue voyage for Baltic countries' nationals from Germany to Latvia to bring home those people trapped on the border and in Europe. The group's vessel Romantika brought home to the Baltics over 700 Estonian, Latvian and Lithuanian nationals with the single rescue trip from Riga to Sassnitz and back.





## II PEOPLE

### OUR PEOPLE

**4 200 EMPLOYEES**

(as of 31 December 2020)

**64%**  
of all staff  
on board

**36%**  
of all staff  
onshore

## PERSONNEL

### Employees percentage split by country:

As of 31 December	2020
Estonia	56,0%
Finland	24,0%
Sweden	15,6%
Latvia	3,2%
Russia	0,3%
Germany	0,2%
Lithuania	0,7%
<b>Total</b>	<b>100%</b>

### Our colleagues in 2020

Age	20 & under	21-30	31-40	41-50	51-60	61 & more
<b>TOTAL</b>	3%	18%	24%	21%	26%	8%

The Group carried over 3.7 million passengers in 2020 and the number of employees as at 31 December 2020 was 4 200.

The Group works with and for people and the responsibility to offer safety, security and excellent conditions both from service as well as employment point of view are among our top priorities.

2020 was challenging to say the least. Everything had an impact on our business, our people, our culture. The year started well, but then the Covid-19 global pandemic broke, turning the year 2020 into a year of adaptations and changes. We adapted to new situation in business – vessels suspended in ports, just a small part of our core business remaining active, mainly cargo operations. And then new opportunities – webshops, Burger King, new pop-up and temporary routes and much more. All this required good change management skills to redefine processes, develop new competencies and take action. All this also needed communication with people and their support. Our leadership and management teams were under huge pressure, but in cooperation, we did our best to ensure Tallink Grupp remained efficient and a valued

company. We consider our greatest achievement of the year the fact that we managed to retain as many jobs in the company as we did and thus protected the livelihoods of many of our employees at an extremely difficult time for everyone.

During the year, we had to completely reorganise how we worked. The vessels that continued to operate had reduced crews and everyone had to get used to regular health checks, using personal protective equipment (such as face masks, visors, etc) at all times and to keeping social distances (with customers and colleagues) – all this had a clear impact on the working and service processes.

On shore, where possible, we relocated where we worked. Offices as the main workplaces were replaced with home offices and (based on function and objective) to fully remote or hybrid working and in some cases continuing onsite working (where duties required, e.g. restaurants when open, logistics centres, terminals, etc). The key lesson we learned was that we are now much better at redesigning our workplaces to support organisational priorities, and we will use this knowledge and the skills in the future as well.

Our main focus in 2020 was clearly and unmistakably our employees/ our people, especially their engagement with the organisation, keeping them informed of decisions and changes as quickly, clearly and honestly as possible and ensuring that we provide a safe workplace for all of them, which corresponds

to the continuously changing (Covid) situations. Our focus was on maintaining relationships and social interactions between colleagues, improving mental well-being and employment arrangements, continuing with training where possible and providing organisational support through advice, counselling and respectful interaction with employees.

### Our people policies and practices are guided by the following:

- Our core values - commitment, professionalism, cooperation and joy. The values are the same for the whole group and we align our actions and behaviors according to them.
- Equal opportunities - due to the nature of the work, for certain roles, strict health and physical well-being requirements do apply. Aside from that, everybody has equal possibilities for working in the Group.
- Strict Safety and Security Policies - ensuring the safety and security of people, the environment and property is the top priority for our group. Our safety management system adheres to the ISM and ISPS Codes in order to guarantee the operations of our ships and onshore organization, prevent accidents, losses of human lives and environmental damages caused to the marine environment.
- Working closely with all our national health authorities, we issued regular COVID related guidance and advice to all employees across the Group throughout 2020. Our employees have been equipped with all the necessary personal protective equipment to safely continue working during the pandemic and new health procedures relating to immediate isolation of anyone with virus symptoms, identifying close contacts, quarantine procedures and much more were introduced as part of the upgraded safety measures in 2020.
- The objective of the Company's Safety Management System is to ensure that the valid rules and requirements set out by IMO maritime authorities, certification bodies and other maritime organizations, as well as their applicable regulations and standards, are adhered to.
- The objective of the safety management operations is to maintain and develop safe procedures for ships and create a safe ship environment for both crew and passengers. Our crew's safety management skills are continuously developed, assessed, practiced and improved by identifying the known risk factors and areas, and practicing related procedures. In addition, crew environmental safety awareness is continuously improved.
- Work environment risk assessments are carried out continuously based on legislative requirements and ongoing analyses of work accidents and work environment internal audits are also performed.
- The Group does not allow persons less than 16 years of age to be employed or engaged in employment onboard our ships. Additionally, persons between the ages of 16 and 18 are not allowed to work at night or carry out duties which may jeopardise their health and safety.
- The Group cooperates closely with the trade unions for the employees of the maritime sector in Estonia, Finland, Sweden and Latvia - all the countries where the company employs crew members for the ships. The company also cooperates with the trade unions for onshore personnel in the countries where there are such organizations.
- We pay special attention to the physical fitness of our employees by providing medical services and check-ups for crew members, as well as by ensuring the availability of gyms on board our vessels and in our hotels.
- All our employees receive regular performance reviews; the majority receive them annually, some bi-annually.

## TRAINING AND EDUCATION

Our training and development activities were not as extensive as in previous years due to the restrictions imposed by the pandemic. Our focus was on maintaining maritime safety competencies (to keep vessels operating), occupational competencies (e.g. Burger King and relocation of workplaces between functions) and on the development supportive competencies for leaders in supporting employees' wellbeing. As the crisis prolonged and it was clear we were not facing a short-term challenge, our focus also clearly shifted on employee mental health support, which we were able to provide through a dedicated phone counselling service, provided to the company's Estonian employees (as such service is already available in some of our other countries).

At the time when the company had to initiate large-scale collective redundancy processes and introduce temporary reduced hours for many employees, the company also organised external and impartial money management training for employees to help those struggling with organising their finances due to changing circumstances.

In normal times, our group employees' development is based on adherence to the 70/20/10 philosophy, which is based on the idea that a person develops the most through work performance and practical experience, i.e. 70% from real life and on-the-job experiences, tasks and problem solving; 20% from feedback and from observing and working with role models; 10% from formal training. We assume that training leads to learning, which leads to doing better in our lives and work - and it leads to increased performance.

**“ The Tallink Silja Line Training Centre, based in Tallinn, operates on the basis of a Quality Manual approved by Bureau Veritas based on the ISO 9001:2008 quality system standards.**

The main focus of the training center is to provide and deliver occupational maritime trainings governed by international regulations (STCW - International Convention on Standards of Training, Certification and Watchkeeping for Seafarers). The STCW Convention requires that training leading to certification is 'approved' by a Maritime Administration.

**The Tallink Silja Line Training Centre has been accredited by the Estonian Maritime Administration to provide the following maritime trainings:**

- 1 Security Awareness training;**
- 2 Crowd and Crisis Management;**
- 3 Security training for seafarers with designated security duties;**
- 4 Ship Security Officer (SSO);**
- 5 Dangerous, hazardous and harmful cargoes;**
- 6 Basic Safety Training.**



The Convention also requires that those responsible for training and assessment of the competence of seafarers are appropriately qualified in accordance with the provisions of the Code. In order to comply with that requirement

**“ All Tallink Silja Training Centre instructors delivering training programmes have passed appropriate training programmes and are certified instructors.**

Their skills and competencies are continuously assessed and developed.



**“ Among crew members, in continuous employment in 2020, approximately 90% participated in regular trainings and courses developing their professional competencies.**

Although our own training centre and e-learning environment provide good quality trainings and courses, the Group also cooperates with other maritime specific and other training providers to offer our employees additional high quality trainings.

## OUR EMPLOYEE BENEFITS

**“ Tallink Grupp offers its employees a wide range of special offers for products and services both onboard our ships as well as in our hotels – these are mainly discounts related to travelling, accommodation, shopping and catering. We also have a wide network of partners who offer various discounts to our employees, some longer term and regular discounts, others on an ad hoc basis.**

Tallink Grupp staff can also join the company's Club One loyalty programme and will automatically be awarded a Silver level in the programme, which enables our staff to receive various discounts and benefits from the programme's partner organisations.

Taking into consideration the specialty of maritime jobs, the time resource management for onboard employees is beneficial in comparison to a common job on shore. The working time is shorter throughout a year-long period and vacation conditions are especially good by providing a longer vacation time per year compared to the usual work conditions on land.

The Group also secures the employees with the healthcare services to monitor possible health conditions and provide medical assistance where needed. The healthcare services for the Group's employees are provided by professional occupational health medical professionals. In 2020, the group trialled the use of psychological counselling services, which were gratefully received by employees at an extremely challenging time. As the pilot proved a success and there is a continuing need for the service based on respective surveys, the company is considering

providing a counselling service option to staff on an ongoing basis.

Paying salaries was challenge during 2020 – our operations were largely suspended in all areas, revenue and income were limited. But the group's workforce was extremely flexible, understanding and accommodating and, owing largely to their attitude and cooperation (in agreeing reduced workloads, reductions in salaries, adjusting vacation periods, lay-offs, etc) and the support we received from our home market governments (salary supports, reduced taxes, etc), we were able to reduce our labour costs to the level which ensures our sustainability also in the coming periods.

## OCCUPATIONAL HEALTH AND SAFETY

If there was one area that was successful for the company in 2020, then that was Occupational Health and Safety (OHS).

**“ Safety in different facets was highly in focus and as a result only a small number of OHS incidents and no serious OHS accidents at all happened in 2020.**

The greatest focus was on biological hazards at the workplace and in customer service. As a result no serious outbreaks of coronavirus at workplaces were detected. There were a number of coronavirus illness cases, but they were detected in time and only required some preventative measures to be taken. All this was due to our employees' extremely high OHS awareness, which is achieved by many years of systematic work and keeping OHS topics in focus in our worklife.

Our OHS procedures have always been good and ahead of requirements, so in the new virus situation they just needed some adaption and specification in the Covid-19 pandemic situation. One of the biggest challenges was the use of PPE in service and office environments, but due to our people's awareness, new measures were relatively easy to implement and effective. Our remote working experience was also good already from previous years, so again we had to adapt and specify our processes.

The Group is a responsible employer in all countries, by managing the occupational health and safety as well as developing great working conditions. During 2020, continuous risk assessments of occupational health and working conditions were carried out where possible despite the pandemic and restrictions – predominantly on ships. These risk assessments, carried out in partnership with occupational health and safety medical professional, help monitor our employees' health, take action where necessary to improve working conditions and also put preventative measures in place where necessary.

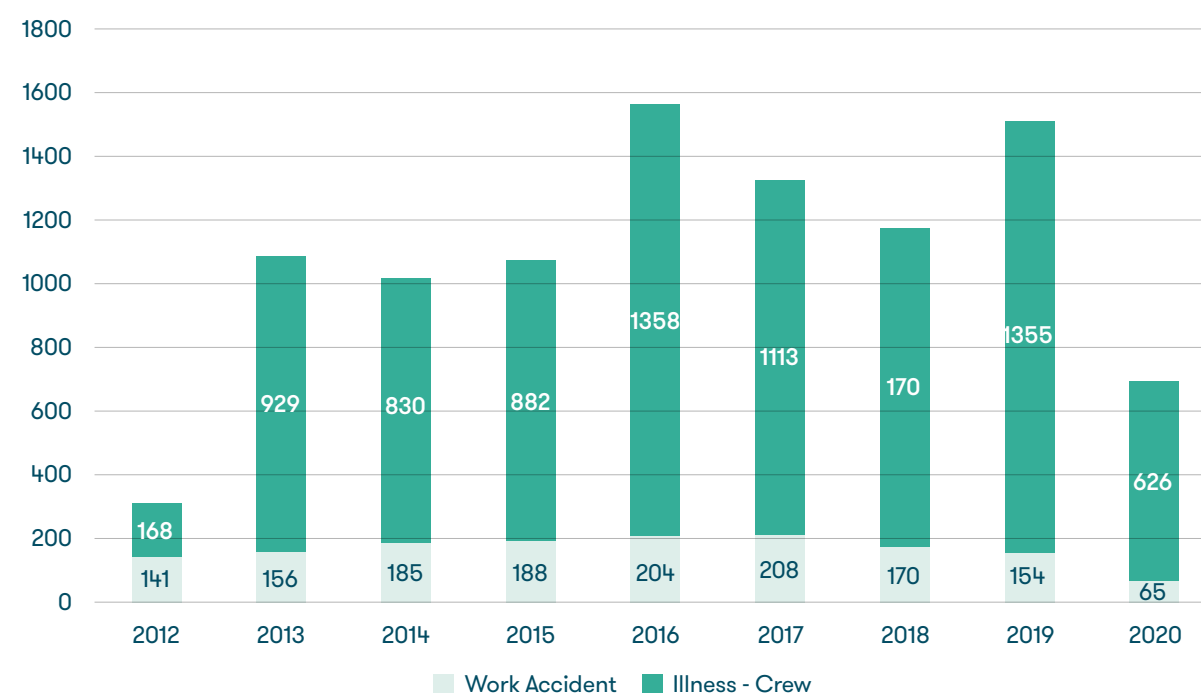
Every crew onboard our ships has their own work health and safety management team, which consists of the ship's senior and middle management officers, crew members and occupational health representatives. The management teams meet on a regular basis. There are also respective committees within Tallink Grupp's subsidiaries, who work continuously on the analysis of the work environmental and occupational health system and processes. As all employees are represented in the committees by the elected members, we can say that close to 100% of the employees are represented in those entities.

In 2020 there were no work-related fatalities among employees of the Group.

In 2020 a total of 65 work accidents were recorded across the group. In addition, 626 crew illness cases were recorded in 2020.



## Total number of accidents at the workplace in 2020



## HUMAN RIGHTS AND WORKPLACE DIVERSITY

### Labour and management relations

We feel for all our colleagues who we have been forced to make redundant or lay off due to the business situation over the last year. Many other valued colleagues have had to work for long periods in reduced capacities. Due to the economic challenges and to secure the company's long term sustainability in a situation that will probably last for quite some time still, although recovery is expected to start later in 2021, all in all 2500 workplaces had to be made redundant in Tallink Grupp in 2020 and in total the company's workforce reduced by approximately 3000 people. 95% of our remaining employees, worked in a reduced capacity for shorter and longer periods during 2020.

The governments of our home markets have supported our group and employees with salary compensation schemes and other measures. In Finland and Sweden there were mainly lay-off measures, where the main part of salaries were paid by the Government. In Estonia and Latvia the company had to resort to reduced worktime (on average -25%) and the state salary support scheme was in use in spring 2020 over a period of 4 months. In addition, in 2020 the Estonian Government also introduced state support (i.e. tax

refund) for seafarers' salaries, a system which has been in place in other European countries for a long time.

Although most of the year was largely marked with reductions, lay-offs, decreases, then we did actually also manage to create 230 new workplaces in Estonia, Latvia and Lithuania at our newly opened 8 Burger King franchise restaurants. There were relocations of workplaces between functions, all with the aim of trying to preserve jobs as much as possible.

All in all, the crisis confirmed our good cooperation and relationships with the Unions. The total percentage of employees covered by collective bargaining agreements in 2020 was approximately 52%. As a considerable number of our employees are members of Unions, we have a common goal with the unions in building and maintaining good labour relations. What this crisis showed us is that together we can achieve more for the benefit of the people.

### Diversity and equal opportunities

The group is an Equal Opportunities Employer. Anyone can apply for a job or a promotion in our company, but exceptions do apply for roles that have specific requirements set by different regulations from a safety perspective (e.g. language barriers and special needs – see the STCW convention).



In 2020 there were no reports on discrimination by gender, age, race, etc.

**“ Tallink Grupp does not tolerate any form of bullying or harassment at the workplace. The company's Employee Code of Conduct sets out the company's expectations to all employees in this area and an online training course is available to all employees in the company's e-learning environment.**

The salaries are determined by the local labour market developments. The salaries of ships and hotel employees are subject to collective agreements with the trade unions and there are no differences between the salaries of different genders doing the same jobs – the salary rates are connected to the specific

positions and responsibilities. In 2015 the group started monitoring basic salary ratios between male and female employees in Sweden according to the legal requirements. The aim of the group is to extend this to the other group countries in the future. The preparations are currently ongoing and the company started group-wide continuous monitoring in 2019.

### Trainings on human rights

Our annual training for all security personnel, both new and existing staff, also includes by default the training on the topic of human rights. Security personnel who have not passed this course will not be allowed to work onboard our ships.



# III ENVIRONMENT

The Group recognises that environmental protection and management is one of its highest priorities. Every effort is made to preserve and protect the environment from marine and atmospheric pollution and any other form of pollution, including waste generated in our offices.

The Group’s vessels are managed and operated in accordance with the MARPOL (the International Convention for the Prevention of Pollution from Ships). This ensures that air and sea pollution is kept at the lowest practicable level.

The Group operates a zero-spill policy. The Group’s objective is to eliminate the possibility of pollution at source by ensuring that high standards of safety and awareness are maintained and that all relevant legislation and conventions are followed in both its sea and onshore activities. Additionally, the Group is committed to continuous improvement of the methods used to achieve this objective, including the use of equipment and practices that minimise waste generation.

## Selection of international certificates held by Group companies and ships:

- ISO 14001:2015 Environmental Management System Certificate by Lloyds Register
- MARPOL Sewage Pollution Prevention Certificate
- MARPOL Air Pollution Prevention Certificate
- IAFS International Anti-Fouling System Certificate
- MARPOL Oil Pollution Prevention Certificate
- Document of Compliance for Anti-fouling System
- MARPOL Garbage Pollution Prevention Attestation
- Document of Compliance by Estonian Maritime Administration
- Document of Compliance by Finnish Maritime Administration
- Document of Compliance by Swedish Maritime Administration
- Document of Compliance by Latvian Maritime Administration

As a major tax-payer in Estonia, Finland and Sweden, the Group believes that financial success can only be guaranteed through responsible and sustainable development. Therefore, each year, the Group gives a significant share of its success back to society and the environment in which the Company operates.

Group entities are actively involved in supporting many public initiatives and events. Being one of the largest Estonian companies in terms of the number of employees, it has always been the Group’s goal to encourage its employees to participate in social events for the sake of the environment and society.

There are many areas which the Group supports and sponsors. The environment, children and young people, and sports are areas which are considered to be the most important in all the countries in which Tallink has its operations.

## 2020 KEY ENVIRONMENTAL DEVELOPMENTS AND PROGRESS

The whole year was heavily influenced by the global COVID-19 pandemic. Due to the travel restrictions introduced by countries, half of our fleet was suspended from operations from 16 March up until June 2020 for some ships. During the whole year special trips were performed and new routes were opened (e.g. Star trips from Paldiski to Sassnitz, Germany in March and April, and Baltic Queen trips from Estonia to Åland, Silja Symphony trips from Stockholm to Visby and to Härnösand; special routes Helsinki-Riga, Tallinn-Turku).

Despite the pandemic, strict environmental and safety routines continued to be followed on board all our ships as well as in the offices. Environmental aspects identified by the company were kept up-to-date. Any corrections needed (including provisional requirements, e.g. in legislation) were implemented and reflected under relevant environmental aspects in due time. All environmental aspects are evaluated based on predefined evaluation criteria. For those categorized as significant environmental aspects, monitoring routines have been established and are strictly followed. All information about indicators based on the significant environmental aspects are recorded on a monthly basis in the MSM system electronically.

The routines and procedures of collecting and analysing the information are fully implemented. The environmental performance of our ships is monitored over the given period and compared with the previous periods. No changes in this respect were identified in 2020.



## MRV Regulation compliance

On 30 April 2020 the second reporting period of the MRV Regulation ended. Ship-specific data for 2019 under the Regulation (EU) 757/2015 (i.e. the MRV Regulation) was forwarded to the European Commission. Data verification was performed by Verifiavia (accredited 3rd party verifier) and the process was completed on time. Verified data for each ship was entered into THETIS MRV database and each ship has the required Document of Compliance on board.

Similarly to the previous two years, preparation for the third monitoring period (covering 2020) were made in 2020 and reporting preparation is well underway in spring 2021. The significant deviation between forecasted and actual trip numbers due to the COVID-19 pandemic has led to the situation where 6 ships in our Fleet (Baltic Queen, Isabelle, Romantika, Silja Europa, Silja Serenade and Silja Symphony) did not complete 300 trips in scheduled traffic during the year, which is a prerequisite of preparing the summary report only of ship's data required by EU MRV Regulation instead of reporting the data per voyage. It was agreed with the 3rd party verifier that due to exceptional situation in 2020 the reporting for those ships will still be performed based on aggregated data.

## Renewal of certificates and standards

In 2020 the Company's ISO 14001 certificate was renewed by Lloyd's Register. The renewal process started with remote office audit in April and continued with the physical ships' audits in September. During this certificate renewal we were able to include the company's vessel Sailor, acquired in July 2020, into the scope of certification. Yet again due to the COVID-19 situation the old certificates' (expired on 3 July 2020) validity was extended by 6 months in order to enable the successful completion of certificate renewal audit. On 28 October 2020 the new ISO 14001:2015 certificate was issued to the company.

## High Voltage Shore Connection developments

During the year preparations for High Voltage Shore Connection progressed at the Port of Tallinn Old City Harbour. The connection for Silja Europa on quay 7 was completed by Port of Tallinn and relevant modifications onboard were made. Some technical issues remain to be resolved before full use can be initiated, but the work is in its final stages.

Silja Symphony is using shore power at the Port of Stockholm and Baltic Queen has full readiness to use shore power at the Port of Tallinn (quay 3), as soon as operations of the vessel resume. There is an open issue with the cost of shore electricity at the Port of Tallinn before shore power can be used more extensively. Considering current fuel prices in early 2021, the cost of shore power is considerably higher than using fuel in the vessels' auxiliary engines.

The taxation policies of the use of shore power are still required to be revised in order to provide some incentives for the shipowners to use this solution while berthed, instead of using the ships' auxiliary engines for power generation.

Port of Helsinki is developing shore power capability in Helsinki South Harbour, which is planned to be completed by the end of 2021.

## Other energy-saving developments and projects

Port of Tallinn is preparing the installation of an auto-mooring system on quay 5 in Tallinn Old City Harbour. This quay is used by Tallink's shuttle vessels Star and Megastar. The prepared auto-mooring system will be similar to the one already in use at Helsinki West Harbour for several years, although the Tallinn Old City Harbour system will be using next generation technology. As part of the project, a secondary communication system must be installed on Star and Megastar in order to communicate with the onshore auto-mooring system. The company hopes that the Port of Helsinki system will be upgraded to newer version in the future, thus cancelling the need for two separate communication systems on board the vessels.

In addition to auto-mooring, the company has additionally partnered with specialist company E-Marine in order to find the best possible ways for reducing the power consumption on vessels that are currently laid up and out of operation. The solution developed in partnership with E-marine includes a partial shut-down of some HVAC (ventilation) systems on board in order to reduce fuel consumption to the minimum. Progress and impact of the new solution will be monitored closely during the months to come, but initial results are promising.

## Environmental incidents and reporting

All incidents reported, including environment related incidents were reviewed on a regular basis to verify the corrective and/or preventive actions. Incident categories remained unchanged in 2020.



## ENVIRONMENTAL LEADERSHIP AND DEVELOPMENTS

Important developments and highlights in 2020 from the environmental aspect were the following:

- Investments continued to be made into several energy efficiency projects on our ships, e.g. high voltage shore power solutions, etc;
- The company's main investment during the first pandemic year was into the new ship build to reduce its environmental impact in the future. The construction of the new LNG-powered vessel MyStar commenced in April 2020;
- The company placed considerable emphasis during the year on the organisational culture change in relation to waste and on developing circular economy practises across the group.

**“ A precautionary approach is applied by the group to avoid incidents or accidents of the existing fleet and invest in the advanced technologies for the current and future fleet.**

The Group is cooperating closely with scientific organizations, universities and companies, who work towards more environmentally friendly solutions suitable for decreasing the environmental footprint of the group.

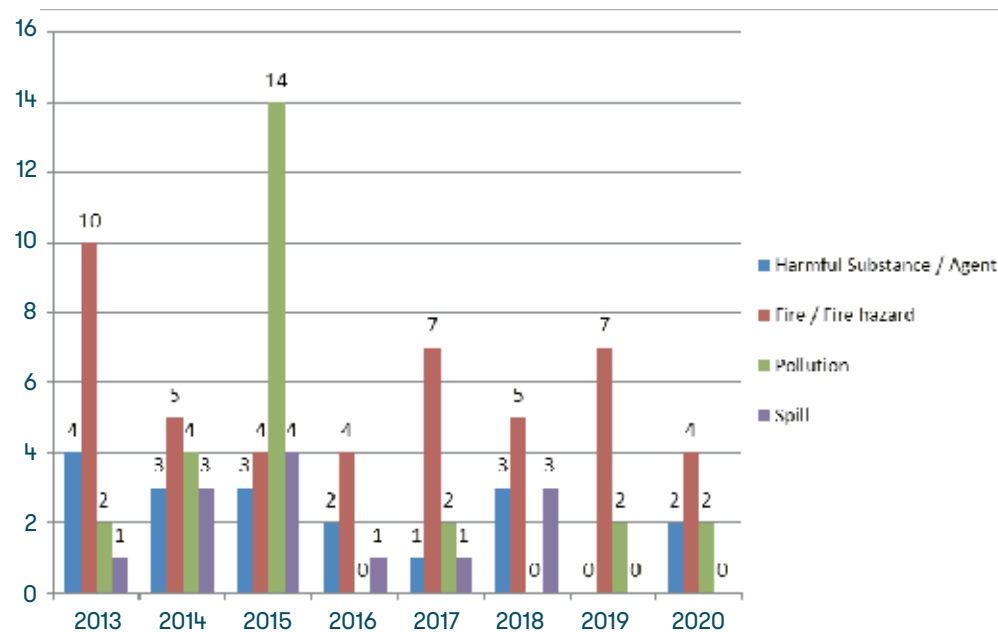
The company's guidelines of the environmental operations form the basic principles applied in carrying out the environmental policy of the company. The guidelines have been compiled in accordance with the sustainable development principles.



## According to the guidelines, the company:

- Emphasises the importance of environmental work in accordance with the principles of sustainable development.
- Includes environmental programmes and operations in the company's management system
- Constantly aims at improving the environmental programmes and operations in accordance with technical development simultaneously taking the expectations of the consumers and the respective society in consideration
- Trains and motivates the company's employees towards environmentally responsible behaviour
- Analyses the effects of the changes in the company's operations on the environment
- Supports environmental research work which is related to the operations of the company and its consequences.
- Maintains operational readiness and capacity for possible accidents which may have environmental effects
- Expects the company's suppliers and subcontractors to apply a similar environmental programme
- Promotes environmental awareness within the company and also externally
- Evaluates the results of environmental work regularly

## Environment related incidents



Two (2) pollution incidents occurred in 2020, both of them were considered serious even though the harm caused to the environment was relatively limited. In both cases the Estonian Environmental Inspectorate was involved and for one (Sea Wind's pollution incident in January 2020) supervisory measures were taken.

First, on 25 January 2020 a pollution incident occurred while Sea Wind was bunkered at Port of Muuga. The

vessel discovered Fuel Oil (MDO) leakage from an unused bunkering connection outside the ship's hull. According to estimates, 100 to 200 litres of Fuel Oil got into the sea. Activities defined in ship's SOPEP were initiated immediately and company as well as relevant Authorities (including Port and Environmental Inspectorate) were informed. Representatives of the Estonian Environmental Inspectorate visited the site, collected evidence and performed initial interviews

with the ship's Master as well as Tallink's relevant personnel. The port's emergency response team was able to localize and eliminate the pollution during the same day. The Estonian Environmental Inspectorate initiated a full investigation with an additional hearing of the Master and the company's EPS in February 2020. During this hearing the consent was given by the Master to conduct the investigation according to the simplified procedure. By June the investigation was concluded by the Estonian Environmental Inspectorate and as a result the Master was imposed a fine of 60 EUR after which the case was closed.

The second pollution incident involved the company's vessel Star and occurred at the Tallinn Old City Harbour on 24 October 2020. Leakage was spotted in the afternoon after one of the vessel's port calls and after every following port call. The Port of Tallinn eliminated the pollution over the next few days. The Estonian Environmental Inspectorate was informed about the situation by the port. A full investigation was conducted by the Company and it was found that the cause for the pollution was the leakage of oil from a stern tube starboard side. Mitigating measures were immediately taken by the crew, unfortunately those measures failed to eliminate the oil leakage completely. On 27 October, the Estonian Environmental Inspectorate contacted Tallink in order to clarify the situation and possible actions towards a full and final elimination of the leakage. The solution was to organise an emergency docking in Naantali starting 29 October, during which the leakage was permanently corrected. No further actions from authorities, case was closed.

A new category 'Fire Hazard' was introduced in 2019 in order to record the situations where a smoke alarm goes off or smoke is visually detected, but there is no actual fire on board. Four (4) 'Fire Hazard' incidents were recorded during 2020. All of them relatively minor in nature. One "fire" incident on board Victoria I when the light in corridor started to smoke which initiated the sprinkler system engagement. Incidents categorized as "Harmful substance" were related to discovery of legionella within a ship's fresh water system.

In total, there were 8 environmental incidents [harmful substance/agent, pollution, fire/fire hazard] in 2020, compared to 9 in 2019, 11 in 2018, 12 in 2017, 7 in 2016 and 26 in 2015.

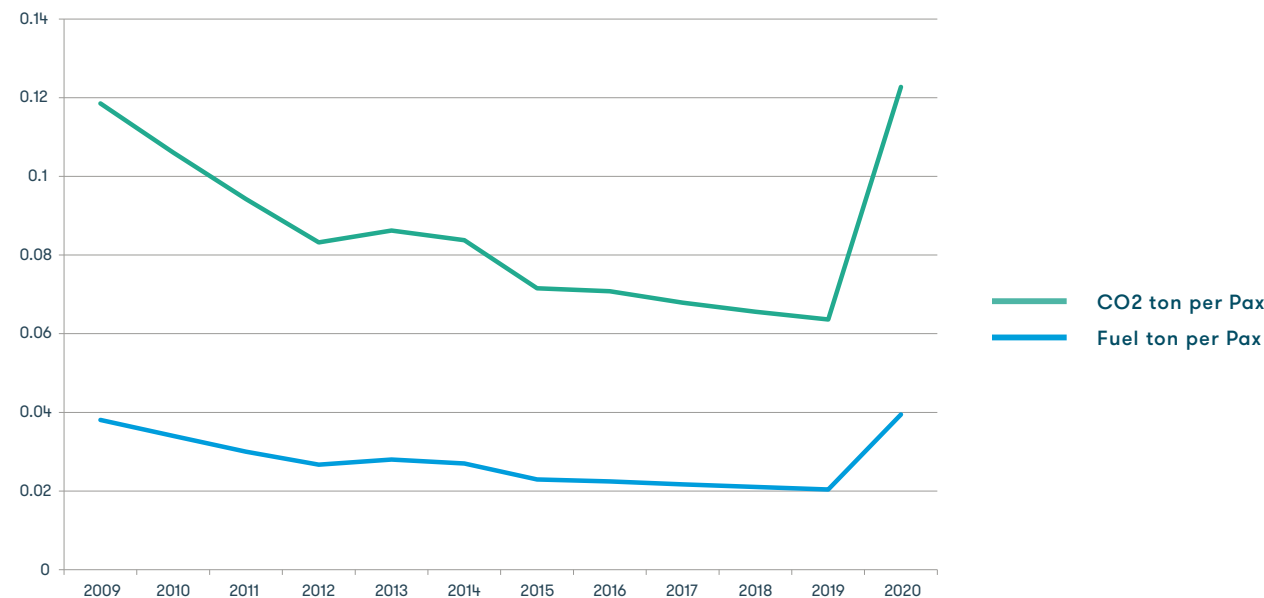
## EMISSIONS AND ENERGY

**“Tallink is actively looking for opportunities that would allow the company to do more to improve the air quality as it has a great influence on the overall welfare of the environment.”**

Considerable efforts have been made in preparation to comply with the Regulation (EU) 2015/757 on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport (i.e. the MRV Regulation). Ship specific Monitoring Plans were created and they were assessed for compliance by third party Verifier Verifavia. Finding new ways to improve the energy efficiency of our current fleet is an ongoing process.

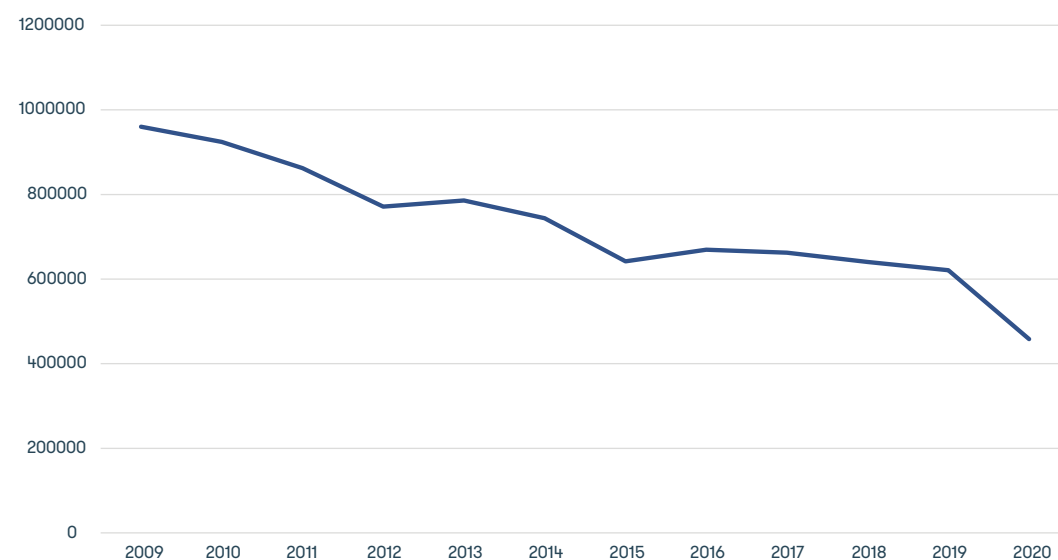
Same analysis and figures for 2020 are available. In addition we have created a CO2 Reduction Plan covering the whole fleet and specifying measures we are planning to take in order to reduce CO2 emissions. Reduction plan is based on approved investments in energy efficiency as well as developments in cooperation with ports and other parties. Comments are the same as previous year.

## Fuel and CO2 per passenger



Fuel used per Passenger has been reduced significantly since 2009 by 47,4%. CO2 emission per Passenger in the same period has dropped by 46,2%.

## Total CO2 emission of fleet



## Strategy for future investments to decrease emissions

AS Tallink Grupp has had a long cooperation with peers in technology and science to determine LNG as the environmentally responsible choice for future fleet development. As for the newbuilds, the Group strongly believes in usage of LNG as the fuel for the future due to significantly lower environmental impact as well as strong safety aspect related to LNG. In spring 2020, Tallink Grupp in partnership with Rauma Marine Constructions commenced the construction of its new LNG-powered vessel MyStar for the Tallinn-Helsinki route. The vessel's construction has been progressing well and the expected vessel delivery date is in early 2022.

In addition, Tallink Grupp has begun to invest in and install shore power equipment, starting with the ships which visit the Port of Stockholm and Port of Tallinn, with first vessels already connected to shore power in Stockholm since June 2019, and the shore power systems at the Port of Tallinn ready for use since late 2020 and the first systems expected to be completed at Port of Helsinki in late 2021.

## Energy efficiency

“Energy efficiency is an important part of the environmental strategy, involving both ships and onshore facilities like hotels.

For the fleet, the fuel consumption is the number one energy efficiency indicator. For the onshore facilities the focus is in optimized energy consumption in office buildings and hotels (state-of-the-art monitoring and adjusting systems of ventilation, heating, lighting and energy consumption), electronic documentation and marketing.

## WATER

The Group respects the water environment highly, both fresh and sea water.

“The policy to protect water resources and pay attention to water management, including waste water management in our fleet is considered to be one of the most important ones.

- All fresh water supplies are taken from the official onshore facilities in our destination ports.
- The ballast water is taken and discharged as much as possible in the same area.
- Waste water is a big problem for the Baltic Sea, as discharging waste water into the sea is still officially permitted. Tallink is cooperating with its destination ports to discharge grey and black water from the ships at the harbour reception facilities.
- We see raising our customer's awareness on the topics of waste and waste water as an important part of the process to reduce the amount of waste and waste water generated onboard our ships.
- Most of the detergents used by our cleaning personnel onboard our ships are biochemicals.
- The hulls of the group's vessels are regularly cleaned by divers who, when conducting this process, do not use chemicals that are harmful to the environment.



## WASTE AND SEWAGE

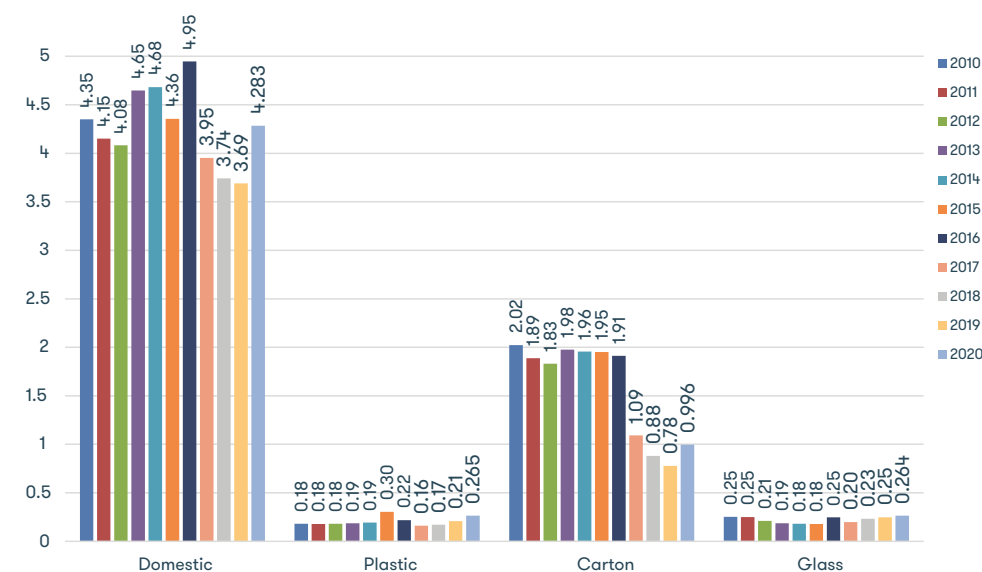
The group places great emphasis on recycling and the reduction of waste. The handling of domestic waste, which is produced onboard our ships by passengers and crew is the responsibility we take very seriously. We sort domestic waste onboard our ships as much as it is practicable, and at port all the waste is handed over to licenced waste-handling companies.

Waste water is one of our significant environmental aspect we monitor on a monthly basis. We are investigating various ways to reduce water consumption on board and by this the generation of the waste water as well. All the fresh water is taken from shore and waste water is also discharge into shore.

Volumes of different waste categories are recorded. Relevant records are maintained. Waste quantities are recorded and monitored as the significant environmental aspects of our activities.

### Waste per passenger (litres)

Tallink Grupp continues to work with suppliers to reduce the amount of materials ending up in waste coming onboard our vessels in the first place. The company strongly believes that further significant reductions in the waste generated can be achieved by reducing the amount of materials ending up as waste.



“ 100% of all waste is discharged onshore to the licenced waste-handling companies with the objective of recycling as much of the waste as possible.

### Waste handling objectives in 2020:

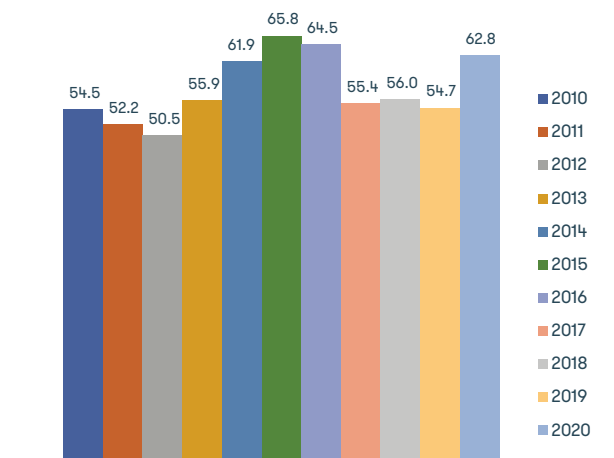
- Sorting waste onboard and onshore for recycling (there are opportunities for that also for passengers): carton, plastic, glass and tin cans, packaging, hazardous, organic, and domestic waste;
- Careful handling of hazardous waste (from engine-rooms, etc.);
- Using only licenced and trustworthy waste handling companies (Green Marine, RagnSells, and Sita Finland) to secure lawful disposal and maximum recycling of the waste materials.
- Identifying opportunities for greated group-wide recycling of usable items and opportunities for donating reusable goods. Promoting circular economy principles across the group and revising related processes.

“ In order to protect the biodiversity and overall health of the Baltic Sea, the Group uses only destination port reception facilities to discharge the waste water from our ships.

By doing that we ensure that the waste water is adequately treated by the competent organization, which also handles the city's general sewage system.

Since 2015, all sewage is discharged into shore reception facilities. The observed sewage reduction trend is positive despite the fact that there were no specific actions implemented to reduce the amount of sewage. We acknowlege that our voyage profile does not favor the dramatic reduction of sewage generated onboard but we continue to monitor the situation on a monthly basis and are ready to carry out improvements if necessary.

### Sewage per passenger per day



All hazardous waste onboard our ships is collected by type of waste and handed over to licenced waste handling companies. The types of hazardous waste collected and handed over include: bilge water, sludge, oily rags, fluorescent lamps, batteries, etc. The data is collected and reported monthly by individual ships to the company to monitor the amount of hazardous waste on an on-going basis. There is no annual overall data collated and available.



## BIODIVERSITY

**“As Tallink Grupp’s vessels sail on the Baltic Sea intensively and daily, we need to take responsibility for the impact our activities may have on this fragile marine environment. Nutrient inputs, oil spills, physical impact, and other possible pollutions are the main risks our operations pose to the local environment.**

The Group does not pollute the Baltic Sea as the waste water is always discharged to the port reception facilities and the ballast water is discharged in the same area where it was originally taken. Relevant measures have been taken to decrease NOx emissions.

**“We consider the impact on the biodiversity of the inhabitants of the Baltic Sea caused by our operations minimal.**

The ships are cleaned manually by divers, whereas only approved antifouling paints are used in the process. Our ships follow the speed limits in order to minimize the impact on the marine environment.

**“The Group cooperates with Scientific Organizations and NGOs, e.g. the John Nurminen Foundation, working to protect the biodiversity of the Baltic Sea.**

### MOOMIN „OUR SEA“ CAMPAIGN

Prior to the COVID-19 pandemic, Tallink Grupp had made a commitment to support the „Our Sea“ campaign, launched by the Moomin Characters and John Nurminen Foundation in January 2020 to mark the 75th anniversary of the Moomins and to help raise funds to save the Baltic Sea and its vibrant culture.

Eutrophication is caused by nitrogen and phosphorus discharges, which feed algae and water plant growth in the sea. The effects of climate change further accelerate the eutrophication of the Baltic Sea. According to forecasts, increasing rainfall and winters with only light snow will increase nutrient runoff from land to the Baltic Sea. As the climate heats up, seawater, too, will become warmer, boosting algae growth in the sea.

Tallink Grupp supports the campaign, continuing until the end of July 2021, with the sale of campaign produce on board the company’s Finnish and Swedish flagged vessels, the proceeds of which go to support the vital work carried out by the John Nurminen Foundation.

In addition, Tallink Grupp has been cooperating with the Foundation for over three years now, donating 5000 EUR annually to the foundation for carrying our projects aimed at protecting the Baltic sea. In 2020, the company also participated in the Baltic Sea Day on 27 August 2020 and shared information about state of the Baltic Sea and what everyone can do in their day to day life to protect our sea.

## Main environmental goals for 2021

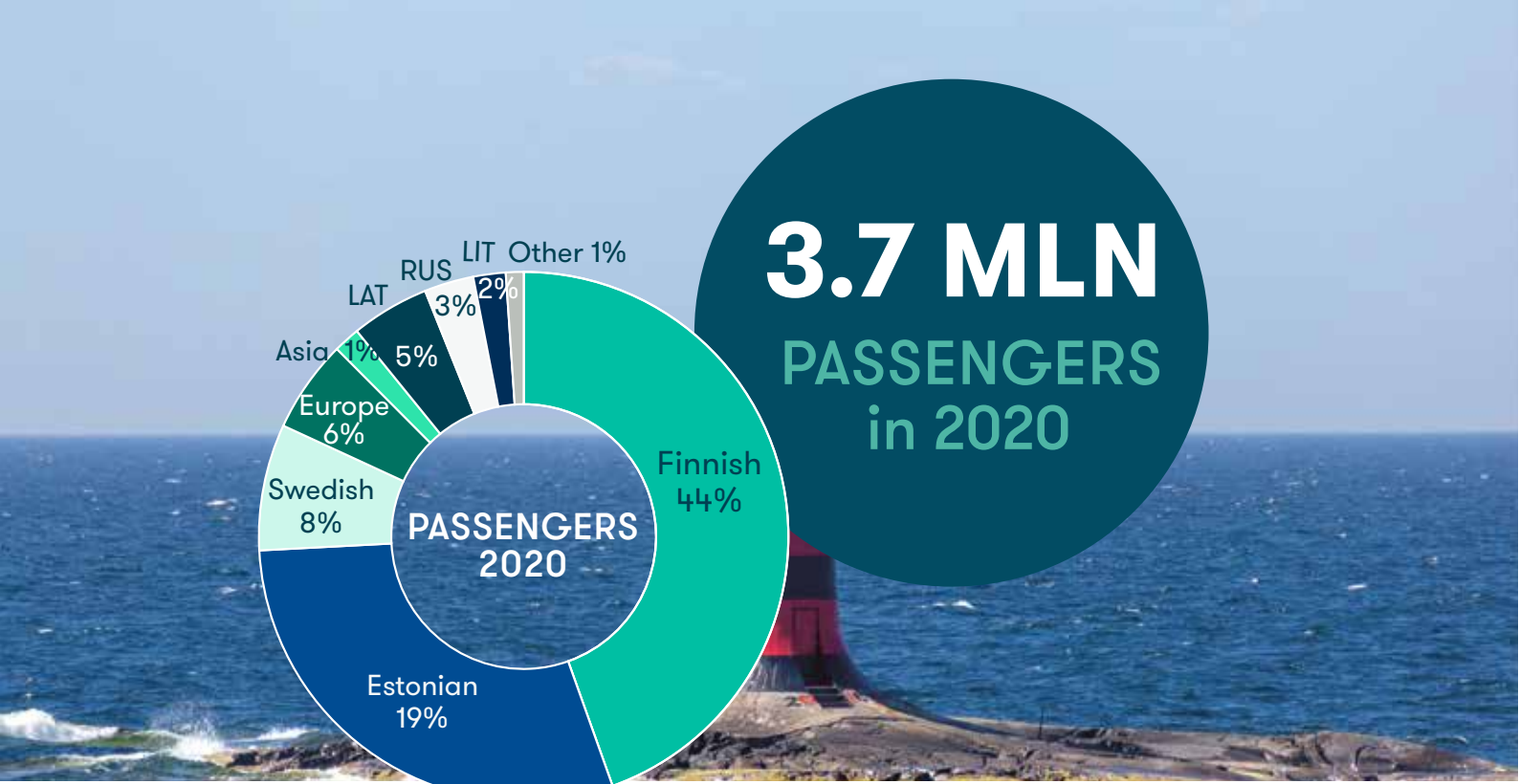
- Monitoring of Significant Environmental Aspects on a monthly basis continues. Relevant information will be analysed and compared against previous periods. Any deviations and incidents which might influence our environmental performance will be thoroughly investigated and relevant corrective/preventive actions will be taken.
- We maintain and develop our Environmental Management System in order to improve its performance and continuously comply with all relevant legal and other obligations. The Company’s EMS will maintain its certified status.
- The MRV Regulation: The third reporting period must be successfully completed by 30 April 2021. The ship-specific aggregated data for 2020 is presented to Verifavia in January. Verification process is ongoing.
- Collection and maintaining the information required by the MRV Regulation continues. There is a need to redefine the process of reporting to the European Commission due to the fact that at least 6 ships in our fleet are not forecasted to perform 300 or more trips in 2021 due to ongoing travel restrictions, hence they are obligated to report their emissions as per voyage to the European Commission through THETIS MRV Database. This will be a challenge, which will require specific efforts throughout the year, possibly continuous reporting to the THETIS MRV Database.
- IMO DCS: the second data collection period is ongoing. For the second period we have partnered with RINA who will provide us the data verification services on behalf of all relevant Flag Administrations. Aggregated ship-specific information is already forwarded to RINA. Deadline for completion was 30 March 2021.
- Completion of IHM initial certification leading to IHM Certificate have to be completed as soon as possible but not later than 30 June 2021. The final survey was completed and the certificate issued for all ships in Q1 2021.
- We will continue the further development and implementation of circular economy practises within the group; work on establishing a baseline for environment-related CSR targets and develop clear action plans for achieving SMART CSR goals.

## SUSTAINABLE TRAVEL FINLAND LABEL

Tallink Silja Oy was granted the Sustainable Travel Finland label developed by Visit Finland. The label is awarded for active companies in the Finnish tourism sector as well as for the Finnish tourist regions. Tallink Silja fully meets the economic, ecological, social as well as cultural sustainability criteria set by Visit Finland. The Sustainable Travel Finland label along with its sustainable development agenda aims at developing the sustainable travel in Finland, promoting Finland better as a sustainable travel destination, helping travellers in decision making when choosing their travel destinations, improving cooperation in the area of sustainable travel within the tourism sector, municipalities and other parties. So far, approximately 50 Finnish tourism sector companies or tourist regions in Finland have received the label.

[https://insider.tallink.com/fi/news/news-and-articles/daily-news/-/intranet\\_asset\\_publisher/R287o1B93dgo/article/id/140549905](https://insider.tallink.com/fi/news/news-and-articles/daily-news/-/intranet_asset_publisher/R287o1B93dgo/article/id/140549905)





# IV MARKET

## A HIGH QUALITY SERVICE

Tallink Group strongly believes that quality, and service quality particularly, is a competitive advantage. Training the staff, educating the managers and monitoring business activities onboard and onshore was constantly in focus. The accessible customer satisfaction feedback clearly presents that the quality of service is connected not only to the higher loyalty of our customers, but also willingness to recommend Tallink Group and its different brands to one's friends and relatives. Our studies show that higher customer satisfaction is clearly related to higher onboard spending. And most importantly - a satisfied customer usually becomes a returning customer, a loyal customer.

## MYSTERY SHOPPING

Mystery Shopping is a method to measure quality of service and compliance with company regulations. Due to the widespread Covid19 epidemic the Mystery Shopping program was activated only in February and March and then stopped for the rest of the year. Out of the previously planned 330 mystery shopping onboard audits just 20 were conducted.

Two major requirements were describing Tallink Group's customer service goals in 2020: greeting /noticing the customer and staff being proactive. Mystery shopping results were discussed and analyzed, those service units who did score low were encouraged to set up action plans in order to fix shortcomings. Even if we were forced to suspend the Mystery Shopping program, we put the intern quality training into focus.

## NPS

Tallink Grupp uses the NPS as the key measure of our customers' overall perception of your brand. It measures customer experience and predicts business growth. It is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. The score is based on just one question: How likely is it that you would recommend Tallink to a friend or colleague? The higher the score, the better. NPS formula has been customer loyalty metric for six years. The last three years before 2020 the company's Net Promoter Score has kept the level of +34%. In 2020 the NPS trend improved significantly reaching the level of 45%. As the new safety requirements for both customers and associates became a core part in safe travelling passengers felt protected and taken cared on their trips. Among other reasons Tallink's proactiveness was also ahightly appreciated in the context of popup routes during the summer.

## INTERNAL SERVICE MONITORING AND ADVISING

Customers are important stakeholders in our business. Our service fundamentals are about taking a service and making it meet customer's needs for that service. There are service standards for all service encounters and areas, following these standards is a required practice. Our service staff has generally been friendly, respectful and proactive.

During the 2020, the Service Quality Team conducted 16 hands-on workshops regarding the internal Service Card and the Tallink Group service standards, reaching 301 service crew members. Service advisors issued total 29 internal service summaries, all were subject to discussion and analyzing with vessels service managements.

In November 2020 a service quality monitoring was conducted for the Tallink call-centers, focus was put on the general politeness and correctness, but also on the issues coursed by Covid19 restrictions.

In 2020 Tallink Group opened 8 Burger King restaurants in Estonia, Latvia and Lithuania. The Quality Management group participated actively in the new employee training programs. Starting in June we carried thru a service and quality monitoring once in a month in every Burger King restaurant operated by Tallink. Analyzing and discussing critical comments, but also positive feedback collected by the service advisors, has become a routine, a usual standard procedure in the everyday work of our fast-wood restaurants.



## TALLINK CONTACT CENTER PLAYS KEY ROLE IN HELPING CUSTOMERS WEATHER COVID STORM

Customers are important stakeholders in our business. Our service fundamentals are about taking a service and making it meet customer's needs for that service. This has remained important despite the ressession in travel industry. Travel Experience is our service identity about the way we should treat our customers throughout our brands - by giving them best service, helping them and going an extra mile to make our customers happy, so they would be satisfied, stay loyal and spend more time with us. Tallink Contact Centre is handling customer contacts via calls, e-mails and social media channels. The main challenge in 2020 for Contact Center was to handle extreme amount of contacts due to the changes in departure times, routes and cancellations. In peak months, March and June, contact center agents handled 70% and 30% more contacts than a year before in 2019. We used pro-active approach and contacted passengers to provide convenient possibility to change their trips to another time in the future or for gift vouchers as a refund.

Restructuring and consolidation of different group-wide contacts were set-up in Contact Center to mitigate risks and keep the opetional efficiency during the difficult year. To keep customer service open daily routine has been reorganized from office to remote work from the beginning of the lockdown. Starting from Q4 Tallink Contact Contact Center has been continuously helping Synlab Contact Center with calls in the battle against corona virus.

In 2021 we will continue to provide excellent customer service for all Tallink customers and most of all, be ready when contact volumes will start to increase and customers will be able to travel again.

## Club One membership

Club One is the Group's customer loyalty programme, which aims to reward frequent travellers with different benefits and discounts. Club One members accrue bonus points when travelling with the group's vessels, making purchases onboard or staying at one of Tallink Grupp's hotels. The points can then be used to get discounts on tickets, accommodation or purchases. The membership programme has three levels (Gold, Silver and Bronze), each offering different benefits and discounts as you move up the membership programme. At the end of 2020, the programme had 2.7million members (2.6 million in 2019).

## Experiences for everyone

Tallink Grupp's aim is to provide memorable experiences for everyone, so we do all we can to enable people with disabilities to travel on our ships independently, easily and to be able to enjoy the journey. Assistance to people with reduced mobility, with hearing and visual impairments, temporary physical disabilities or in need of special assistance are looked after by the ports in terminal buildings and by our crew members onboard our vessels. We are happy to provide this service and offer this free of charge. We also have specific cabins onboard our vessels for people with disabilities and allergies, offering a more comfortable and safe journey for those passengers needing special attention.

## SUPPLIERS

In Tallink Group the supply chain is mostly related to our hotels, duty-free shops and other services on board. The major goal for our supply chain is to ensure availability of the right selection and levels of goods at any given time.

The number of suppliers on the company's certified supplier list reduced by 2750 suppliers in 2020, down to 4050 certified suppliers. This mainly due to the fact that as a result of the COVID-19 pandemic the company is currently carrying out less procurements, is buying directly from suppliers that we know very well. The number of products and services the company buys has reduced, only vital supplies for daily services have remained. The majority of the suppliers remaining on the certified suppliers list are those with whom the company has had a long-term relationship and those that are helping the company survive this difficult time, by extending payment terms and are willing to negotiate on prices for goods and services in these exceptional times.

**The supply chain of the Group has been centralized to the Headquarters and parent company AS Tallink Grupp in order to optimize the costs, our environmental impact and to enable a unified approach supporting the equally high quality of products and services consumed by the Group and our customers.**

The supply chain of AS Tallink Grupp has to meet the demand of the fleet of 15 vessels, 4 hotels and 6 main offices of the Group. The fleet normally transports nearly 10 million passengers annually and the revenue of onboard services and product sales is more than 50 percent of the Group's total revenue. This means that the demand for swift and flexible delivery is very high. Tallink Logistics Center, which operates in Maardu, Estonia, ensures a unified delivery process and efficient central operations.

**Tallink Grupp prefers to work with internationally certified and approved suppliers. Where possible, the Group also prefers to use local services and products, which have also been certified.**

In the selection of suppliers for products for all entities, the proportion of local suppliers ranges from 5–97%, dependant on the category, whereas the largest product sections have a higher proportion of local suppliers. In terms of technical suppliers, 90% are of local origin, from which 40% are from Estonia. From the suppliers of services, 97% are local service providers, out of which 80% are Estonian organisations.

**The Group's Supplier Code of Conduct reflects our core values and sets out the minimum requirements which Tallink Grupp, its subsidiaries, associated companies and affiliates expect its suppliers and their sub-suppliers to adhere to when doing business with the Group.** All suppliers of the Group are made aware of the requirements before contracts are signed with them. The Group monitors compliance with the Supplier Code by its suppliers, and any violations may jeopardize the supplier's business relationship with the Group. In 2020, the suppliers and the Group's internal entities did not encounter any significant negative impacts for labour practices or environmental impacts in the supply chain.

## Selection of products

The selection of products is based on customer preferences. The Group recognizes that there is a trend in the society whereby consumer behavior is increasingly influenced by healthy options. Tallink monitors trends and considers these patterns in designing its selection of products.

For example, since there is a trend for healthier food and beverage products, the Group has reduced the selection of energy drinks onboard and increased the offering of non-alcoholic drinks. With an increased need for vegetarian and vegan choices, the Group is also continuously looking to offer products that meet this need. With the increase of Asian passengers onboard our vessels in recent years, the Group, for example, also looks to offer products that meet the needs of this different customer group.

Tallink ensures it does not sell any banned products. For example as eels are among Red List of Threatened Species, they won't be found on any of our menus. Also, if the local authorities of a destination port have prohibited to sell a certain type of product (e.g wild bore meat due to Swine Flu cases in recent years), these will not be sold onboard Tallink ships.

The Supplier Code, cooperation with Consumer Protection Boards and the thorough work of the Group's departments responsible for our supply chain, have ensured, that during 2020, no sale of banned or disputed products was detected onboard Group operated vessels or in the Group's hotels.

There are no incidents to report related to the non-compliance's with regulations and voluntary codes concerning health and safety impacts of products and services in 2020.

In October 2018 a new **procurement policy** and procurement procedure entered into force across the group. The procurement policy sets the general framework for the purchase of goods and services within Tallink Grupp. It includes the principles and etiquette of our procurement operations for those involved in procurement procedures. The new **procurement procedure** is more detailed and provides specific guidelines and rules for employees on how to carry out different procurement activities.

With the procurement procedure, we agree upon rules and principles relating to procurement. Our ambition is to become the most attractive procurer in the Baltic Sea region with everyone wanting to take part in our tenders and all our tenders having many bidders, strong pricing competition and strong cooperation partners. This will only become reality if we are known as a quality procurer and if we are trusted.

In line with the company's CSR policy, the company has committed to gradually increase the number of locally and sustainably sourced products and services.

For example, already in 2019, the company made a commitment to gradually phase out the use of cage hen eggs, thus committing to using only cage-free eggs across the group by 2025.

## COMPLIANCE, ETHICS AND TRANSPARENCY

**Compliance with the laws as well as ethical business management are the cornerstones of the Group's everyday operations and long-term perspectives to maintain the trust of all stakeholders and to be sustainable in the business in general.**

The Group has a professional team of inhouse lawyers and cooperates with several respected law firms to secure compliance with the laws. The internal audit and internal control departments are responsible for carrying out regular audits and reporting the results to the Management Board. Additionally, external bodies, governmental institutions and authorities audit and monitor the Group's activities on a regular basis. Being a company listed on the Stock Exchange since 2005, also the financial management of the Group is monitored and inspected carefully by the financial authorities.

In 2020, no significant fines were addressed towards AS Tallink Grupp due to non-compliance with laws and regulations. In addition to that, no non-monetary sanctions were made, as the Group was able to solve any non-compliances in time with the given deadlines by the authorities.

**The Supervisory Board of Tallink Grupp adopted a new anti-corruption policy for the Group in November 2017, which entered into force in 2018.**

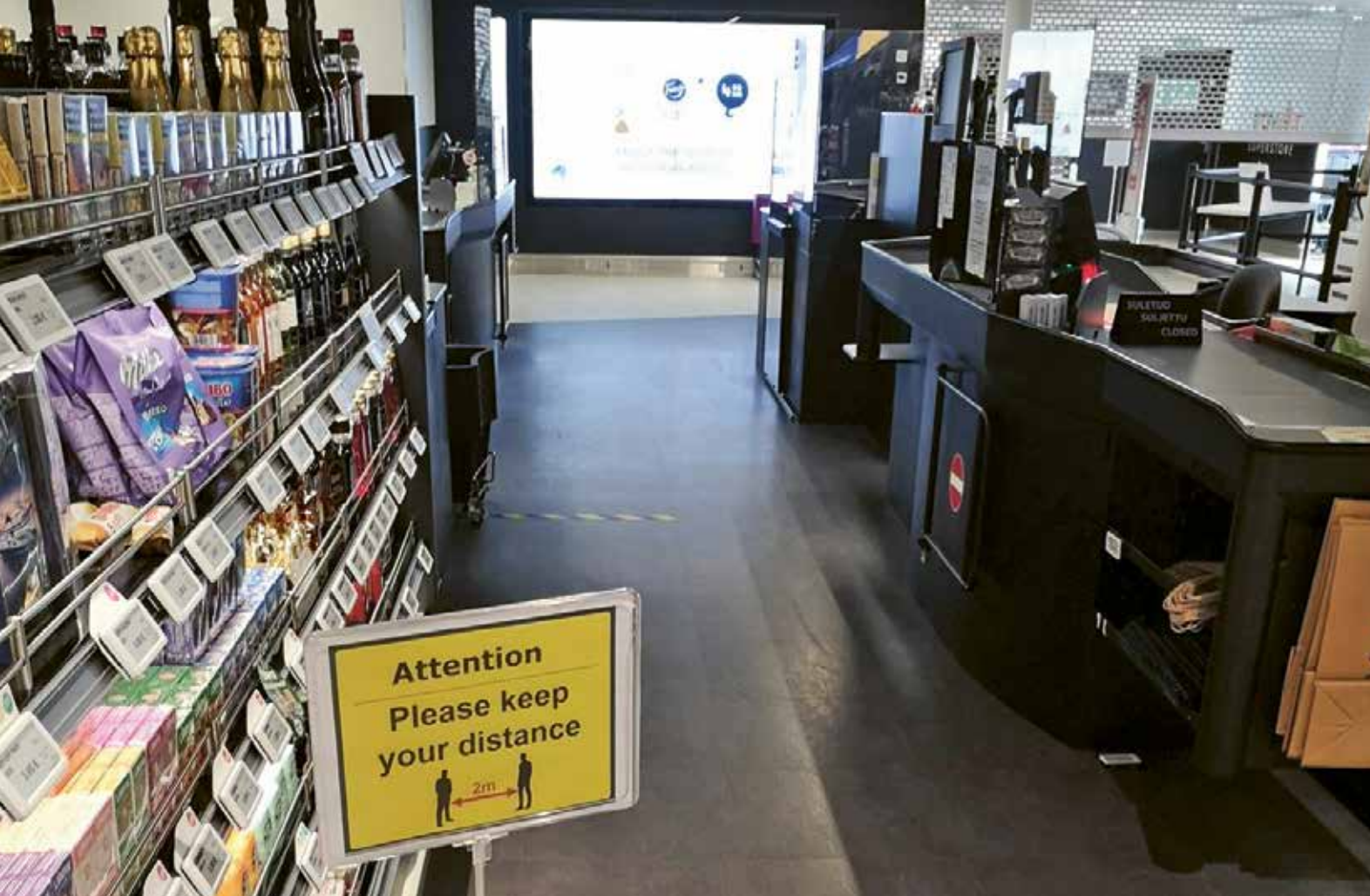
There were no confirmed incidents of corruption in 2020.

## Transparency

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

The auditors have fulfilled their contractual obligations and have audited the Group in accordance with International Standards on Auditing. The consolidated financial statements for the 2020 financial year were audited by KPMG Baltics OÜ.





### Political contributions

The Group did not financially support any politician or political party in 2020.

### Economic performance and impact

Tallink continues to perform well as a business and pay taxes, which benefit the local economies and thus support local communities. As a significant employer in Estonia, Finland, Sweden and Latvia, Tallink Grupp plays a key role in providing jobs in the markets it operates in.

### Fair marketing communications

There were no incidents of non-compliance concerning the group's marketing communications in 2020 in any of the markets we operate in.

### Customer privacy and data protection

Customer satisfaction is one of the highest priorities for Tallink Grupp and we take protecting our customers' and employees' privacy very seriously. Since 25 May 2018, the European General Data Protection

Regulation (GDPR) came into application, which applies to our activities related to services that we offer to our customers. The GDPR has created a range of new compliance obligations, which have caused us to change some of our business practices. In order to protect our customers' and employees' privacy on a highest level, we have added a highly qualified Data Protection Officer to our team.

In 2020, there were 2 registered data breaches. One was related with employees' personal data where approximately 800 employees' data was exposed to unauthorized parties. All related parties were informed about the data breach. The second data breach was related to customers' personal data where data processor's IT-system was hacked. The processor took necessary measures to avoid similar breaches in the future.

Despite our best efforts, there were occasions when unauthorized parties gained access to our customers' information. In partnership with the Group Data Protection Officer we provided consistent oversight, investigation, guidance and reporting of privacy incidents.

# V COMMUNITY

## COMMUNITY IMPACT AND CONTRIBUTION

2020 brought the significant role Tallink Grupp plays in the communities it operates in, into a sharper focus than ever before. As a major employer, a key link in the supply chains, major supporter of organisations and activities in all walks of life, a key transport link between the countries surrounding the Baltic Sea bringing families and friends together and enabling people in the Baltic Sea countries live and work where opportunities take them. The year that brought us face to face with the COVID-19 pandemic gave us an opportunity what life and society in this region was like, if we took Tallink Grupp out of the equation. And the reality is, that the company impacts and supports the life and activities of so many more people and organisations than we have probably realised and acknowledged ourselves.

In 2020, although the company's own operations were severely affected, revenues fell sharply and many excellent professional colleagues lost their jobs due to the pandemic and restrictions, the company and its people honoured the past commitments made to organisations that depend on its support and many of the company's employees rallied to provide much-needed community support where possible.

The company continued to support sports with tennis and the Tallink May Run as longer term commitments as a priority, support also continued for the Estonian National Opera and the Vanemuine theatre, both significantly affected by the closure of theatres during the restrictions and thus depending on the company's continuing support more than ever.

The company donated food left over from suddenly suspended vessels to Food Banks in its local markets, recycled surplus furniture to care facilities, our people volunteered to disinfect ambulance vehicles, support local churches, raise vital funds for medical charities, took part in world clean-up day awareness activities, collected clothing and footwear for disadvantaged families and so much more. The year 2020 truly brought out the community spirit in Tallink as a company and its many employees.

Naturally, the company was not able to offer support to as many and all the causes that it has supported

and helped in a normal year of operations, but in a year, when income and activities are limited, this was also understood by our many former partners and those applying for support. Once operations resume and the business recovers, the company will no doubt also once again widen the scope of its support and continue playing a key role in the communities in which it operates.

## MARITIME SAFETY AND EDUCATION

In 2020, Tallink Grupp continued to offer support to the Estonian Volunteer Rescue Association, which unites all the volunteers engaged in land and maritime rescue activities. In late 2017 Tallink Grupp signed a 3-year agreement with the association for the period 2018-2020. During the three-year period, Tallink will provide the association with an annual donation of 33 000 EUR and, in addition, carry out joint training exercises and donate equipment to the volunteer association. The doantion is aimed at helping the voluntary organisation achieve their strategic aims and meet the growing need for their services.

AS Tallink Grupp also has a cooperation agreement in place with the Estonian Maritime Academy to enhance the maritime education and promote maritime roles in the industry. The inhouse experts of AS Tallink Grupp regularly participate in the training programmes of the Academy, sharing their experience and giving guidelines to future employees of the sector.

**“ Tallink Grupp regularly provides work shadowing and practical work experience opportunities to both Academy students as well as secondary school students to promote maritime professions among the youth.**





## Donation to the Finnish Maritime Rescue Association

Tallink donated the ticket sale proceeds of 2020 Tallink Gala, held in February 2020, to the Finnish Maritime Rescue Association. For the third year in a row the ticket sale proceeds from the event were donated to the voluntary maritime rescue organisations in the countries where the company operates. 5470 EUR was donated to the association for carrying out its vital work on the Baltic sea.

## SPORTS

### Supporting tennis

Tallink Grupp has been the main supporter of tennis in Estonia for over 15 years. The Group sponsors individual top national players – both in Estonia and in Finland – and additionally also the Estonian youth tennis team. The Group supports the national sports federation annually and contributes also by participating in governing the organization. Mr Enn Pant, the Chairman of the Supervisory Board of AS Tallink Grupp is also the President of the Estonian Tennis Federation. Mr Peter Roose, Managing Director of TLG Hotels, also belongs to the Management Board of the Estonian Tennis Federation.

## Tallinn May Run

Tallink Grupp is also a long-term supporter and one of the main sponsors of two of the main national running events in Estonia – Tallinn Marathon taking place annually in September and the women's May Run, taking place annually in May. Both running events are popular sporting events, attracting both professional athletes and amateur runners from Estonia and wider afield. In 2017 Tallink Grupp signed the contract to become the headline sponsor of the May Run. In 2020 the run was carried out as a virtual run due to restrictions resulting from the coronavirus pandemic, but even then, over 4,400 participants took part in the race and 4500 EUR were raised from the participation fee in support of the Estonian Cancer Association.

### Supporting sports in Finland

Tallink Silja continued the co-operation with different sport teams: HIFK Juniors (ice hockey), HJK Juniors (football), TPS Juniors (ice hockey & floorball), Tappara Juniors (ice hockey) and the tennis player Emil Ruusuvuori.

Tallink Silja also participated in Silja Line Seurakisat, which is a low-threshold competition, to make children move and practice different sports skills with parents.

## CHILDREN AND YOUTH

Tallink Grupp has a long history of supporting charities and individual projects that focus on educating children and young people or helping those in need, especially concerning health matters. Families and children are an important customer segment for the Group, so working with organisations that support children and families is very important to the Group.

For a number of years already, Tallink Grupp has supported the joint integration programme of a number of Estonian governmental organisations entitled „Minu Riik“ (My State), aiming to provide Russian children with an insight into the Estonian state, institutions and business. In 2020 we were only able to support the project in the first two months of the year prior to the pandemic.

## Kummit (the Association of Friends of the University Children's Hospitals)

The Association of Friends of the University Children's hospitals is a charitable organization, founded in 1993, which supports the five Finnish university children's hospitals, development and research, and attempts to improve the comfort of patients during their hospital stay. Over recent years, the association has also placed significant attention on the mental health work of children and adolescents. Throughout its course, the Association of Friends of the University Children's hospitals has made donations of about 38 million euros. The year 2020 was already the 10th year of our co-operation. Last year's donation was postponed because of the Covid-19 situation. The company decided to donate 50 % of the usual annual total amount in 2020 and the rest will be donated in spring/summer 2021. The company's donations have been used for purchasing new equipment.

We participated in a big charity concert Elämä lapselle which is organized by Kummit. The company promoted the co-operation in its social media channels, newsletters (B2C & B2B), websites etc. There was visibility also on Kummit webpages, social media and magazine (ads, articles about family cruises to Stockholm, Elämä lapselle concert, Kummit cruise in August).





## Hope ry

Hope ry is a Finnish charity, established already in 2009, in order to support children and disadvantaged families. The year 2020 was the company's fourth year of co-operation. The company's donation of 15 000 EUR was used for supporting children's sport hobbies/ free time activities like: Day at indoor park, bowling, movie tickets, gift card to sports store, downhill/ outdoor sports day, new bicycles, support for different sports fees (swimming, gym, wrestling, football, horseback riding, basketball, gymnastics, underwater rugby, futsal).

### In 2020, the company also:

- donated cruises for 15 families. Many of them had their first cruise ever. Luckily families were able to travel during June 2020.
- collected clothes, footwear and toys from our employees for donation.
- donated 70 Christmas presents from Tallink Silja and about 30 presents from our employees to the children.

## Membership in local Trade Associations

In the Group's main home markets – Estonia, Finland, Sweden and Latvia – the Group belongs to different Trade Associations to build and develop our business network and identify opportunities between those countries, businesses and NGOs. The Group also values sharing the experiences we have gained throughout decades of being the market leader in our sector to support smaller or new enterprises.

## Memberships related to employment

As one of the largest employers of the maritime industry in the region, the company also belongs to a number of local employers' associations in order to follow the trends, exchange the know-how and experiences to further improve the working environment, following at the same time the interests of all stakeholders and maintaining the economic balance.

## COOPERATION WITH ORGANISATIONS

### Long-term membership in Ship Owners' Associations

AS Tallink Grupp and/or its local subsidiaries are active members of the Estonian, Finnish, Swedish and European Ship Owners' Associations in order to promote the maritime industry as a large employer, enhancer of economic and technical development and tourism and a responsible citizen in terms of environmental protection and sustainable operations. In 2020, during the time of crisis, the cooperation with the local associations got even stronger and brought the industry more closely together.

In the European Shipowners' Association, AS Tallink Grupp is also participating in specific committees of the organization (environmental, maritime employment, etc.), to provide regional insight for the governing bodies of the European Union.

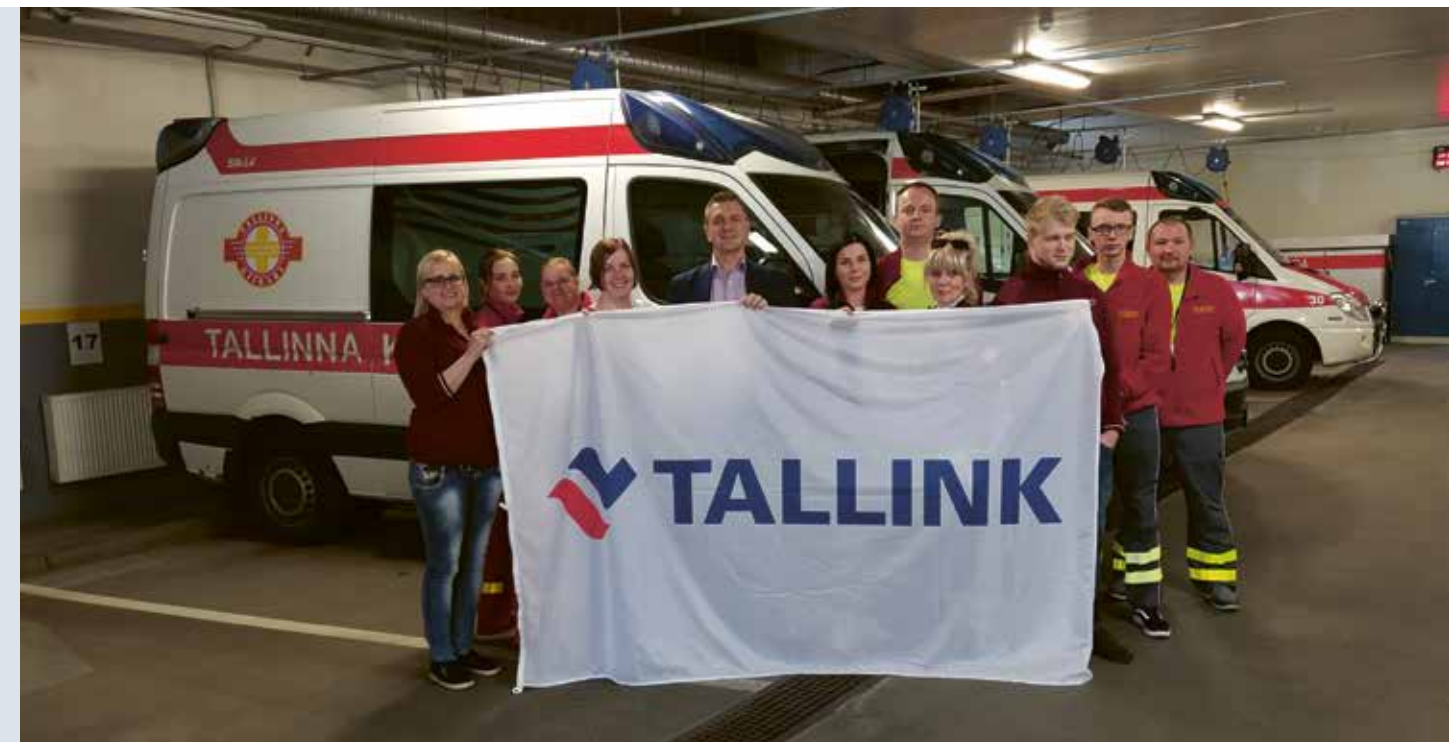


**TALLINK CITY HOTEL FURNITURE IS DONATED TO CARE FACILITIES ACROSS ESTONIA**

As the company decided to bring forward the renovation of Tallink City hotel due to the COVID pandemic, there was a huge amount of surplus furniture, fixtures and fittings suddenly available in late summer 2020. With the company's sustainability focus on embedding circular economy principles and practises in the group, discarding the furniture was not an option and opportunities for sending the surplus items into reuse was urgently sought in partnership with the Estonian Ministry of Social Affairs. Within a few weeks in August 2020, thousands of surplus pieces of furniture, fittings and fabrics were dispatched and found new homes in a number of care facilities all across Estonia.

## SILJA EUROPA EMPLOYEES VOLUNTEER AS DISINFECTING CREW WITH TALLINN CITY AMBULANCE SERVICE

During the height of the COVID 19 pandemic, a dozen crew members from the company's vessel Silja Europa, with its service temporarily suspended, volunteered with the Tallinn City Ambulance service to carry out disinfecting of ambulance vehicles, thus providing much-needed support in the fight against the virus spread.



# **SECTION III: GOVERNANCE REPORT**



# CORPORATE GOVERNANCE REPORT

## SHARES AND SHAREHOLDERS

At 31 December 2020, Tallink Grupp AS had a total of 669 882 040 (31 December 2019: 669 882 040) shares issued and fully paid.

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

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

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

On 9 June 2015, the annual general meeting of Tallink Grupp AS approved the terms of a share option programme that allowed issuing options for up to 20 million shares. At 31 December 2020 no options had been granted under the 2015 share option programme.

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

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

The Supervisory Board is authorised to increase share capital by EUR 25 000 000 to up to EUR 339 844 559 within three years from 1 July 2019. The Management Board of Tallink Grupp AS has not been granted the right to issue new shares.

The table below presents the breakdown of share capital by ownership size at 31 December 2020:

OWNERSHIP SIZE	NUMBER OF SHAREHOLDERS	% OF SHARE-HOLDERS	NUMBER OF SHARES	% OF SHARE CAPITAL
1 - 99	2 373	12.71%	83 720	0.01%
100 - 999	6 703	35.89%	2 721 361	0.41%
1 000 - 9 999	8 404	45.00%	20 400 659	3.05%
10 000 - 99 999	1 037	5.55%	25 291 095	3.78%
100 000 - 999 999	118	0.63%	33 815 703	5.05%
1 000 000 - 9 999 999	33	0.18%	98 158 850	14.65%
10 000 000 +	7	0.04%	489 410 652	73.06%
<b>Total</b>	<b>18 675</b>	<b>100.00%</b>	<b>669 882 040</b>	<b>100.00%</b>

The account NORDEA BANK ABP / CLIENTS FDR represented 4 468 FDR-holders at 31 December 2020. The total number of shareholders and FDR-holders was 23 142.

The table below presents the largest shareholders of the Group at 31 December 2020:

SHAREHOLDER	NUMBER OF SHARES	% OF SHARE CAPITAL
Infotar AS	262 889 736	39.2%
Baltic Cruises Holding L.P.	107 843 230	16.1%
ING Luxembourg S.A. AIF Account	44 077 066	6.6%
Baltic Cruises Investment L.P.	36 931 732	5.5%
Other shareholders	218 140 276	32.6%
<b>Total</b>	<b>669 882 040</b>	<b>100.0%</b>

The table below presents the residency of the shareholders of the Group at 31 December 2020:

RESIDENCY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARE CAPITAL
Estonia	18 339	375 781 862	56.1%
Cayman Islands	7	166 509 937	24.9%
Luxembourg	9	46 180 239	6.9%
Finland	133	31 565 377	4.7%
United States	15	19 570 995	2.9%
Germany	22	9 266 331	1.4%
Latvia	21	6 189 658	0.9%
Lithuania	7	5 165 558	0.8%
Austria	6	3 337 606	0.5%
Denmark	9	2 452 254	0.4%
United Kingdom	15	2 303 449	0.3%
Sweden	29	951 497	0.1%
Switzerland	9	473 450	0.1%
Other	54	133 827	0.0%
<b>Total</b>	<b>18 675</b>	<b>669 882 040</b>	<b>100%</b>

At 31 December 2020, 9.2% of the Group's shares were held by individuals.

The table below presents the investors of the Group by investor type at 31 December 2020:

INVESTOR TYPE	SHAREHOLDERS	NUMBER OF SHARES	% OF SHARE CAPITAL
Principal shareholder, Infortar AS	1	262,889,736	39.24%
Institutional investors	1,429	345,507,929	51.58%
Private individuals	17,245	61,484,375	9.18%

## SHAREHOLDERS' AGREEMENT

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

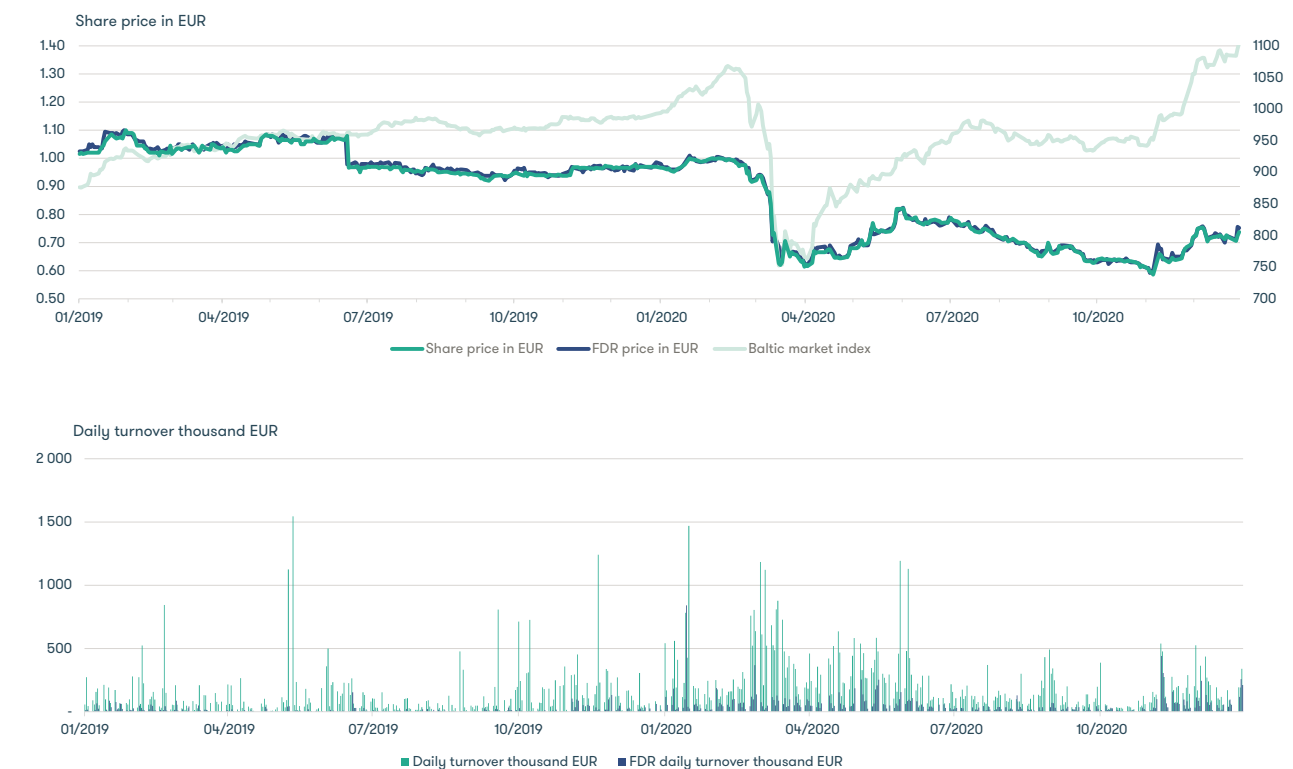
Two shareholders of Tallink Grupp AS, Baltic Cruises Holding L.P. ("BCH") and Baltic Cruises Investment L.P. ("BCI"), and another shareholder, Citigroup Venture Capital International Growth Partnership (Employee) II L.P. ("CVCI"), concluded an agreement that restricts the free transferability of Tallink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

## TRADING

During 2020, 77 912 682 Tallink Grupp AS shares were traded on the Nasdaq Tallinn Stock Exchange. The highest share price on the Nasdaq Tallinn Stock Exchange was EUR 1.01 and the lowest share price was EUR 0.58. The average daily turnover of Tallink Grupp AS shares on the Nasdaq Tallinn Stock Exchange was EUR 236.4 thousand.

In 2020, 19 513 555 Tallink Grupp AS FDRs were traded on the Nasdaq Helsinki Stock Exchange. The highest price was EUR 1.02 and the lowest price was EUR 0.58. The average daily turnover of Tallink Grupp AS FDRs on the Nasdaq Helsinki Stock Exchange was EUR 77.4 thousand.

The following charts and table give an overview of the performance of the share price and FDR price, daily turnovers and the Baltic market index from 1 January 2019 to 31 December 2020 as well as implied market valuation at the end of 2020.



INSTRUMENT	Open	Close	Daily close		Market value, EUR million	P/E ratio
			average	Payout		
TAL1T	0.978	0.738	0.748	-	494.4	-
TALLINK FDR	0.986	0.752	0.750	-	503.8	-

## TAKEOVER BIDS

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

## DIVIDENDS

In June 2020, the shareholders' annual general meeting decided not to pay a dividend from net profit for 2019. Due to a complicated operating environment and considering the Company's long-term interests, the Management Board has decided to prepare a proposal to the shareholders' annual general meeting not to pay a dividend for 2020.



# KEY MANAGEMENT PERSONNEL

## SUPERVISORY BOARD

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

Supervisory Board reports to the general meeting of the shareholders.

The Supervisory Board consists of five to seven members. Members of the Supervisory Board are elected for periods of three years at a time. The Supervisory Board elects one of its members as chairman.

### Mr Enn Pant (born 1965)

**Chairman of the Supervisory Board since 2015**

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

### Ms Eve Pant (born 1968)

**Member of the Supervisory Board since 1997**

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

### Mr Toivo Ninnas (born 1940)

**Member of the Supervisory Board since 1997**

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

### Mr Ain Hanschmidt (born 1961)

**Member of the Supervisory Board since 2005, also from 1997 to 2000**

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

### Mr Colin Douglas Clark (born 1974)

**Member of the Supervisory Board since 2013**

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

### Mr Kalev Järvelill (born 1965)

**Member of the Supervisory Board since 2007**

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

### Mr Raino Paron (born 1965)

**Member of the Supervisory Board since September 2019**

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

## MANAGEMENT BOARD

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

The Management Board must adhere to the decisions of the general meeting of the shareholders and law-

ful orders of the Supervisory Board. The Management Board ensures, with its best efforts, that the Company complies with the law and that the Company's internal audit and risk management functions operate effectively.

The Management Board consists of three to seven members. The members and the chairman of the Management Board are elected by the Supervisory Board for periods of three years at a time.



### Mr Paavo Nõgene (born 1980)

#### Chairman of the Management Board since May, 2018

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



### Mr Lembit Kitter (born 1953)

#### Member of the Management Board, since 2006

- Worked in the banking sector in Estonia since 1992 in leading positions, including in Eesti Maapank, Tartu Maapank, Põhja-Eesti Pank and in SEB Eesti Ühispank
- Over 40 years' experience in businesses with both an Estonian and international customer base, with responsibility for business areas ranging from finance to sales and marketing.
- Graduated from the Faculty of Economics, the University of Tartu, Estonia, in 1976

### Mrs Kadri Land (born 1964)

#### Member of the Management Board since February 2019

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



### Mr Harri Hanschmidt (born 1982)

#### Member of the Management Board since February 2019

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



### Mrs Piret Mürk-Dubout (born 1970)

#### Member of the Management Board since April 2019

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



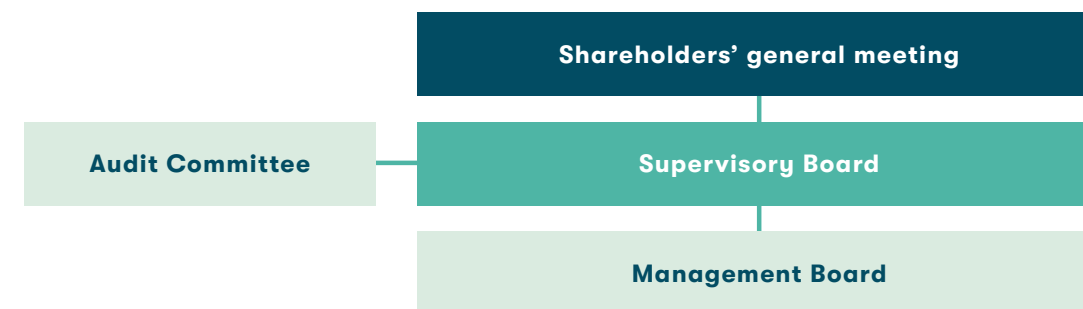


# CORPORATE GOVERNANCE REPORT

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

## ORGANIZATION AND ADMINISTRATION

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



## SHAREHOLDERS' GENERAL MEETING

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

Every shareholder or his/her proxy with a relevant written power of attorney may attend the general meeting, discuss the items on the agenda, ask questions, make proposals and vote.

The Group publishes a notice of an annual general meeting and an extraordinary general meeting at least three weeks in advance in a national daily newspaper, in the stock exchange information system and on the Company's website at [www.tallink.com](http://www.tallink.com). The notice includes information on where the meeting will be held.

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

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

In the reporting period Tallink Grupp AS held the annual general meeting on 30 July 2020. The meeting was attended by the Management Board members Mr Paavo Nõgene, Mr Lembit Kitter, Mrs Kadri Land, Mr Harri Hanschmidt and Mrs Piret Mürk-Dubout.

The Supervisory Board members present were Mr Enn Pant, Mr Toivo Ninnas, Mrs Eve Pant and Mr Raino Paron. The meeting was also attended by the Company's auditor. The chairman of the meeting was Mr Raino Paron. The meeting was held in Estonian. The attending shareholders represented 497 534 223 votes, i.e. 74.3% of all votes. The resolutions adopted were: approval of the annual report, distribution of profits, authorisation of acquisition of own shares, extension of the terms of office of the members of the Supervisory Board, remuneration of the members of the Supervisory Board and appointment of an auditor.

## THE SUPERVISORY BOARD

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

The Supervisory Board consists of five to seven members. Members of the Supervisory Board are elected for periods of three years at a time. The Supervisory Board elects one of its members as chairman. For electing a member to the Supervisory

Board, his or her written consent is needed. The general meeting of the shareholders may remove any member of the Supervisory Board without a reason. Such a decision requires 2/3 of the votes represented at the general meeting. A member of the Supervisory Board may resign without a reason by informing the general meeting of the shareholders about the resignation.

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

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

The meetings of the Supervisory Board are held according to need, but not less frequently than every three months. The Supervisory Board convened five times in 2020, during which five decisions were made, and four decisions were made in writing without convening. The Company's operations, development, strategies, targets and budget were discussed.

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

The remuneration of the Supervisory Board was decided at the shareholders' general meeting on 7 June 2012. Accordingly, the remuneration of the chairman is EUR 2 500 per month and the remuneration of other members of the Supervisory Board is EUR 2 000 per month. There are no other special benefits for the chairman and the members of the Supervisory Board.

**The shareholdings of the members of the Supervisory Board (direct holding and holding via wholly-owned legal entities) at the end of 2020 were as follows:**

NAME	SHARES
Enn Pant	12 607 784
Toivo Ninnas	2 368 770
Eve Pant	710 000
Ain Hanschmidt	2 000 000
Raino Paron	37 500
Colin Douglas Clark	0
Kalev Järvelill	0

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

NAME	EXPIRATION OF TERM
Enn Pant	14 June 2023
Toivo Ninnas	18 September 2022
Eve Pant	18 September 2022
Ain Hanschmidt	18 September 2022
Raino Paron	18 September 2022
Colin Douglas Clark	18 September 2022
Kalev Järvelill	12 June 2021

## THE MANAGEMENT BOARD

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

The Management Board must adhere to the decisions of the general meeting of the shareholders and lawful orders of the Supervisory Board. The Management Board ensures, with its best efforts, that the Company complies with the law and that the Company's internal audit and risk management functions operate effectively.

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

At present, the Management Board has five members: Mr Paavo Nõgene – chairman, Mr Lembit Kitter, Mrs Kadri Land, Mr Harri Hanschmidt and Mrs Piret Mürk-Dubout. Mr Paavo Nõgene is responsible for leading the Board and general and strategic management of the Group, additionally he is responsible for daily operations, restaurant & bar operations, communications, internal audit and control, procurements, data protection and hotel operations. Mr Lembit Kitter is responsible for the Group's finances and route operations. Mrs Kadri Land is responsible for cargo operations, technical management, safety and security, human resources and regional offices.

Mr Harri Hanschmidt is responsible for IT, operational and business development, investor relations, EU funds and new strategic projects. Mrs Piret Mürk-Dubout is responsible for the Group's sales & marketing, customer experience, retail operations, onboard services and corporate social responsibility.

The Supervisory Board has concluded service agreements with the members of the Management Board. In 2020, the remuneration of the members of the Group's Management Board was EUR 1.1 million in total. The remuneration of the Management Board is determined by the Supervisory Board according to the CGR. The Supervisory Board has adopted the principles of remuneration of the management of Tallink Grupp AS. According to the document, besides work benefits, termination benefits and a share option programme, the members of the Management Board are eligible to annual bonuses of up to six-months' remuneration that are paid when the Group earns a profit and when they meet their individual performance criteria. On 20 November 2018, the Supervisory Board

adopted renewed principles of remuneration of the management of Tallink Grupp AS. According to the updated document, besides work benefits, termination benefits and a share option programme, the members of the Management Board are eligible to annual bonuses of up to 12-months' remuneration depending on the size of dividends. The remuneration is paid when the Group earns a profit and when the shareholders' general meeting decides to pay dividends from the profit of the previous financial year. The pay and benefits of individual Board members are not disclosed

as the Group believes that such detailed information is insignificant for investors and is outweighed by the possible harm and discomfort to the members of the Management Board from the disclosure of sensitive personal information. The Company does not want to disclose such information to its competitors (CGR 2.2.7).

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

**The shareholdings of the members of the Management Board (direct holding and holding via wholly-owned legal entities) at the end of 2020 were as follows:**

NAME	SHARES
Paavo Nõgene	150 000
Lembit Kitter	0
Kadri Land	74 792
Harri Hanschmidt	12 648
Piret Mürk-Dubout	0

## AUTHORITY OF THE MEMBERS OF THE MANAGEMENT BOARD TO ISSUE AND ACQUIRE SHARES

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

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

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

## DISCLOSURE OF INFORMATION

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

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



## FINANCIAL REPORTING AND AUDITING

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

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

The notice of the shareholders' general meeting includes information on the auditor candidate. The Company observes the auditors' rotation requirement. To the knowledge of the Company, the auditors have fulfilled their contractual obligations and have audited the Company in accordance with International Standards on Auditing.

For better risk management and control, the Company has established an Audit Committee and an Internal Audit Department. The Internal Audit Department takes part in the process of preparing the annual report. Internal audits are conducted to check that the information presented in the annual report is reliable.

The consolidated financial statements for 2020 were audited by KPMG Baltics OÜ. In addition to audit services, in 2020 KPMG Baltics OÜ provided to the Group with a limited assurance engagement in respect of the packaging report and other services that are permissible in accordance with the Auditors Activities Act of the Republic of Estonia.

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

- **Time and location of the audit**
- **International network and competency in the economic sector**
- **Audit contract and payment terms**
- **Audited entities**

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

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

## AUDIT COMMITTEE

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

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

## SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	NUMBER OF SHARES	% OF SHARE CAPITAL
Infotar AS	262 889 736	39.2%
Baltic Cruises Holding L.P.	107 843 230	16.1%
ING Luxembourg S.A. AIF Account	44 077 066	6.6%

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

# **SECTION IV: FINANCIAL STATEMENTS**



# 2019 KEY FIGURES

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

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

**Equity ratio:** total equity / total assets

**Equity per share:** shareholders' equity / number of shares outstanding

**Gross margin:** gross profit / revenue

**EBITDA margin:** EBITDA / revenue

**Net profit margin:** net profit or loss / revenue

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

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

**Current ratio:** current assets / current liabilities

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

<sup>2</sup> Figures reflect IFRS 16 adoption from 2019.

Comparative figures for 2016-2018 have not been restated.

<sup>3</sup> Does not include additions to right-of-use assets.

## For the year ended 31 December

	2020	2019	2018	2017	2016
Revenue (EUR million)	442.9	949.1	949.7	967.0	937.8
Gross loss/profit (EUR million)	-43.5	196.9	183.8	194.6	192.6
EBITDA <sup>1 2</sup> (EUR million)	8.0	171.1	142.8	158.3	149.5
EBIT <sup>1</sup> (EUR million)	-92.6	74.9	63.5	71.9	71.6
Net loss/profit for the period (EUR million)	-108.3	49.7	40.0	46.5	44.1
Depreciation and amortisation <sup>2</sup> (EUR million)	100.7	96.2	79.3	86.4	77.9
Capital expenditures <sup>1 3</sup> (EUR million)	100.1	73.2	36.4	219.3	68.9
Weighted average number of ordinary shares outstanding	669 882 040	669 881 045	669 859 148	669 882 040	669 882 040
Earnings per share <sup>1</sup>	-0.16	0.07	0.06	0.07	0.07
Number of passengers <sup>1</sup>	3 732 102	9 763 210	9 756 611	9 755 720	9 457 522
Number of cargo units <sup>1</sup>	359 811	379 634	384 958	364 296	328 190
Average number of employees <sup>1</sup>	6 104	7 270	7 430	7 406	7 163

## As at 31 December

	2020	2019	2018	2017	2016
Total assets (EUR million)	1 516.2	1 533.0	1 500.9	1 558.6	1 539.0
Total liabilities (EUR million)	801.9	710.1	644.0	722.3	729.1
Interest-bearing liabilities (EUR million)	705.1	577.9	510.1	560.9	558.9
Net debt <sup>1</sup> (EUR million)	677.3	539.0	428.0	472.0	480.1
Net debt to EBITDA <sup>1 2</sup>	84.2	3.1	3.0	3.0	3.2
Total equity (EUR million)	714.3	822.8	856.9	836.3	809.9
Equity ratio <sup>1</sup> (%)	47.1%	53.7%	57.1%	53.7%	52.6%
Number of ordinary shares outstanding	669 882 040	669 882 040	669 865 540	669 882 040	669 882 040
Equity per share <sup>1</sup>	1.07	1.23	1.28	1.25	1.21

## Ratios<sup>1</sup>

	2020	2019	2018	2017	2016
Gross margin (%)	-9.8%	20.7%	19.4%	20.1%	20.5%
EBITDA margin (%) <sup>2</sup>	1.8%	18.0%	15.0%	16.4%	15.9%
EBIT margin (%)	-20.9%	7.9%	6.7%	7.4%	7.6%
Net loss/profit margin (%)	-24.5%	5.2%	4.2%	4.8%	4.7%
ROA (%)	-6.1%	4.8%	4.1%	4.3%	4.6%
ROE (%)	-14.1%	6.0%	4.8%	5.6%	5.4%
ROCE (%)	-7.2%	5.7%	5.2%	5.3%	5.6%
Current ratio	0.4	0.5	0.8	0.6	0.7

# CONSOLIDATED FINANCIAL STATEMENTS

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

For the year ended 31 December, in thousands of EUR	2020	2019	2018	2017
Revenue (Note 4)	442 934	949 119	949 723	966 977
Cost of sales (Note 5)	-486 388	-752 234	-765 892	-772 372
<b>Gross loss/profit</b>	<b>-43 454</b>	<b>196 885</b>	<b>183 831</b>	<b>194 605</b>
Sales and marketing expenses (Note 5)	-37 817	-67 727	-69 315	-71 339
Administrative expenses (Note 5)	-48 263	-56 555	-55 223	-53 012
Impairment loss on receivables (Note 23)	-128	-228	-272	-660
Other operating income (Note 24)	37 339	2 599	4 633	2 873
Other operating expenses	-298	-106	-153	-509
<b>Result from operating activities</b>	<b>-92 621</b>	<b>74 868</b>	<b>63 501</b>	<b>71 958</b>
Finance income (Note 5)	1	995	8 631	12 738
Finance costs (Note 5)	-17 843	-18 674	-27 552	-33 987
Share of loss of equity-accounted investees (Note 12)	-158	-4	4	40
<b>Loss/profit before income tax</b>	<b>-110 621</b>	<b>57 185</b>	<b>44 584</b>	<b>50 749</b>
Income tax (Note 6)	2 313	-7 467	-4 535	-4 253
<b>Net loss/profit</b>	<b>-108 308</b>	<b>49 718</b>	<b>40 049</b>	<b>46 496</b>
Net loss/profit attributable to equity holders of the Parent	-108 308	49 718	40 049	46 496
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations	-193	161	267	13
<b>Other comprehensive income</b>	<b>-193</b>	<b>161</b>	<b>267</b>	<b>13</b>
<b>Total comprehensive income</b>	<b>-108 501</b>	<b>49 879</b>	<b>40 316</b>	<b>46 509</b>
Total comprehensive income attributable to equity holders of the Parent	-108 501	49 879	40 316	46 509
Basic and diluted earnings per share (in EUR, Note 7)	-0.162	0.074	0.060	0.069

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December, in thousands of EUR	2020	2019	2018	2017
<b>ASSETS</b>				
Cash and cash equivalents (Note 8)	27 834	38 877	82 175	88 911
Trade and other receivables (Note 9)	25 463	37 606	43 805	46 466
Prepayments (Note 10)	7 216	6 805	6 084	5 395
Prepaid income tax	0	67	46	40
Inventories (Note 11)	28 707	37 255	35 741	40 675
<b>Current assets</b>	<b>89 220</b>	<b>120 610</b>	<b>167 851</b>	<b>181 487</b>
Investments in equity-accounted investees (Note 12)	245	403	407	403
Other financial assets and prepayments (Note 13)	2 233	1 619	320	344
Deferred income tax assets (Note 6)	20 270	18 674	17 934	18 722
Investment property	300	300	300	300
Property, plant and equipment (Note 14)	1 363 485	1 347 093	1 267 928	1 308 441
Intangible assets (Note 15)	40 448	44 264	46 164	48 900
<b>Non-current assets</b>	<b>1 426 981</b>	<b>1 412 353</b>	<b>1 333 053</b>	<b>1 377 110</b>
<b>TOTAL ASSETS</b>	<b>1 516 201</b>	<b>1 532 963</b>	<b>1 500 904</b>	<b>1 558 597</b>
<b>LIABILITIES AND EQUITY</b>				
Interest-bearing loans and borrowings (Notes 16, 24)	111 601	89 198	78 658	159 938
Trade and other payables (Note 17)	73 477	98 926	100 682	95 548
Derivatives (Note 23)	0	0	918	29 710
Payables to owners	6	6	2	3
Income tax liability	10	0	116	34
Deferred income (Note 18)	23 253	33 314	32 113	31 429
<b>Current liabilities</b>	<b>208 347</b>	<b>221 444</b>	<b>212 489</b>	<b>316 662</b>
Interest-bearing loans and borrowings (Notes 16, 24)	593 518	488 682	431 477	400 968
Derivatives (Note 23)	0	0	0	4 688
Other liabilities	0	0	22	0
<b>Non-current liabilities</b>	<b>593 518</b>	<b>488 682</b>	<b>431 499</b>	<b>405 656</b>
<b>Total liabilities</b>	<b>801 865</b>	<b>710 126</b>	<b>643 988</b>	<b>722 318</b>
Share capital (Note 19)	314 844	314 844	361 736	361 736
Share premium (Note 19)	663	663	662	639
Reserves (Note 19)	69 854	69 608	69 474	68 946
Retained earnings	328 975	437 722	425 044	404 958
Equity attributable to equity holders of the Parent	714 336	822 837	856 916	836 279
<b>Total equity</b>	<b>714 336</b>	<b>822 837</b>	<b>856 916</b>	<b>836 279</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 516 201</b>	<b>1 532 963</b>	<b>1 500 904</b>	<b>1 558 597</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December, in thousands of EUR	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss/profit for the period	-108 308	49 718	40 049
Adjustments for:			
Depreciation and amortisation (Notes 14, 15)	100 660	96 249	79 280
Net loss/gain on disposals of property, plant and equipment	110	-80	-104
Net interest expense (Note 5)	17 273	17 644	19 806
Net expense from derivatives (Note 5)	0	111	-5 055
Loss from equity-accounted investees (Note 12)	158	4	-4
Net unrealised foreign exchange gain/loss	-179	107	4 294
Treasury shares	0	18	6
Income tax (Note 6)	-717	8 207	4 535
<b>Adjustments</b>	<b>117 305</b>	<b>122 260</b>	<b>102 758</b>
Changes in:			
Receivables and prepayments related to operating activities	10 822	4 740	2 407
Inventories	8 548	-1 514	4 934
Liabilities related to operating activities	-35 307	-311	6 723
Changes in assets and liabilities	-15 937	2 915	14 064
Cash generated from operating activities	-6 940	174 893	156 871
Income tax paid	-107	-317	-87
<b>NET CASH USED IN/FROM OPERATING ACTIVITIES</b>	<b>-7 047</b>	<b>174 576</b>	<b>156 784</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and intangible assets	-100 024	-60 887	-36 037
Proceeds from disposals of property, plant and equipment	115	192	368
Interest received	1	1	7
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-99 908</b>	<b>-60 694</b>	<b>-35 662</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans received	125 000	45 000	110 000
Repayment of loans received	-14 667	-79 750	-69 666
Repayment of bonds (Note 16)	0	0	-120 303
Change in overdraft (Note 16)	15 736	0	0
Payments for settlement of derivatives	0	-1 029	-3 569
Payment of lease liabilities	-12 565	-14 822	-108
Interest paid	-16 290	-16 717	-19 440
Payment of transaction costs related to loans	-1 302	-1 431	-1 113
Dividends paid (Note 19)	0	-33 443	-20 096
Reduction of share capital	0	-46 888	-1
Income tax on dividends paid (Note 19)	0	-8 100	-3 562
<b>NET CASH FROM/USED IN FINANCING ACTIVITIES</b>	<b>95 912</b>	<b>-157 180</b>	<b>-127 858</b>
<b>TOTAL NET CASH FLOW</b>	<b>-11 043</b>	<b>-43 298</b>	<b>-6 736</b>
Cash and cash equivalents at the beginning of period	38 877	82 175	88 911
Change in cash and cash equivalents (Note 8)	-11 043	-43 298	-6 736
<b>Cash and cash equivalents at the end of period</b>	<b>27 834</b>	<b>38 877</b>	<b>82 175</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share Translation reserve	Ships re-valuation reserve	Legal reserve	Reserve for treasury shares	Share option programme reserve	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
<b>In thousands of EUR</b>										
<b>As at 31 December 2019</b>	<b>314 844</b>	<b>663</b>	<b>430</b>	<b>39 505</b>	<b>29 673</b>	<b>0</b>	<b>0</b>	<b>437 722</b>	<b>822 837</b>	<b>822 837</b>
Adjusted balance as at 1 January 2020	314 844	663	430	39 505	29 673	0	0	437 722	822 837	822 837
Net loss for 2020	0	0	0	0	0	0	0	-108 308	-108 308	-108 308
Other comprehensive income for 2020										
Exchange differences on translating foreign operations	0	0	-193	0	0	0	0	0	-193	-193
Total comprehensive income for 2020	0	0	-193	0	0	0	0	-108 308	-108 501	-108 501
Transactions with owners of the Company, recognised directly in equity										
Transfer from profit for 2019	0	0	0	0	2 486	0	0	-2 486	0	0
Transfer from revaluation reserve	0	0	0	-2 047	0	0	0	2 047	0	0
Total transactions with owners of the Company, recognised directly in equity	0	0	0	-2 047	2 486	0	0	-439	0	0
<b>As at 31 December 2020</b>	<b>314 844</b>	<b>663</b>	<b>237</b>	<b>37 458</b>	<b>32 159</b>	<b>0</b>	<b>0</b>	<b>328 975</b>	<b>714 336</b>	<b>714 336</b>
<b>As at 31 December 2018</b>	<b>361 736</b>	<b>662</b>	<b>269</b>	<b>41 552</b>	<b>27 670</b>	<b>-17</b>	<b>0</b>	<b>425 044</b>	<b>856 916</b>	<b>856 916</b>
Initial application of IFRS 16	0	0	0	0	0	0	0	-3 590	-3 590	-3 590
Adjusted balance as at 1 January 2019	361 736	662	269	41 552	27 670	-17	0	421 454	853 326	853 326
Net profit for 2019	0	0	0	0	0	0	0	49 718	49 718	49 718
Other comprehensive income for 2019										
Exchange differences on translating foreign operations	0	0	161	0	0	0	0	0	161	161
Total comprehensive income for 2019	0	0	161	0	0	0	0	49 718	49 879	49 879
Transactions with owners of the Company, recognised directly in equity										
Transfer from profit for 2018	0	0	0	0	2 003	0	0	-2 003	0	0
Transfer from revaluation reserve	0	0	0	-2 047	0	0	0	2 047	0	0
Dividends	0	0	0	0	0	0	0	-33 494	-33 494	-33 494
Share-based payment transactions	0	1	0	0	0	17	0	0	18	18
Reduction of share capital	-46 892	0	0	0	0	0	0	0	-46 892	-46 892
Total transactions with owners of the Company, recognised directly in equity	-46 892	1	0	-2 047	2 003	17	0	-33 450	-80 368	-80 368
<b>As at 31 December 2019</b>	<b>314 844</b>	<b>663</b>	<b>430</b>	<b>39 505</b>	<b>29 673</b>	<b>0</b>	<b>0</b>	<b>437 722</b>	<b>822 837</b>	<b>822 837</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 CORPORATE INFORMATION

The consolidated financial statements of Tallink Grupp AS (the “Parent”) and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2020 were authorised for issue by the Management Board on 20 April 2021.

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

Tallink Grupp AS is a public limited company incorporated and domiciled in Estonia, with a registered office at Sadama 5 Tallinn. Tallink Grupp AS shares have been publicly traded on the Nasdaq Tallinn Stock Exchange since 9 December 2005.

The principal activities of the Group are related to marine transportation in the Baltic Sea (passenger and cargo transportation), EMTAK 50101 – Sea and coastal passenger water transport, EMTAK 50201 – Sea and coastal freight water transport, EMTAK 79121 – Travel agency activities. Further information on the Group’s principal activities is presented in Note 4 Segment information. At 31 December 2020 the Group employed 4 200 people (7 240 at 31 December 2019).

## NOTE 2 BASIS OF PREPARATION

### 2.1. Statement of compliance

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

### 2.2. Basis of measurement

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

- derivative financial instruments are measured at fair value (Note 23)
- equity securities are measured at fair value (Note 13)
- investment property is measured at fair value
- ships are measured at revalued amounts (Note 14)
- deferred income (Club One points) (Note 18)

### 2.3. Changes in accounting policies

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

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2020.

#### Changes in significant accounting policies

The Group applied the following amendments to standards initially on 1 January 2020.

#### Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The amendments did not have a material impact on the Group’s financial statements when they were initially applied.

#### Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

The amendments are mandatory and apply to all hedging relationships directly affected by the uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that the IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to:

- ‘Highly probable’ requirement
- Risk components
- Prospective assessments
- Retrospective effectiveness test (for IAS 39)
- Recycling of the cash flow hedging reserve.

The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The amendments did not have a material impact on the Group’s financial statements when they were initially applied.

#### Amendments to IFRS 3 Business Combinations

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The amendments did not have a material impact on the Group’s financial statements when they were initially applied.

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

The following new standards, interpretations and amendments are not yet effective for the reporting period ended 31 December 2020 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

#### Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (IBOR) (Phase two)

Effective for annual periods beginning on or after 1 January 2021, to be applied prospectively. Early application is permitted.

The amendments address issues that might affect financial reporting as a result of the interest rate benchmark reform, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

#### Change in the basis for determining cash flows

The amendments will require the Group to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

#### Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. This amendment will not result in a discontinuation of the hedge or designation of a new hedging relationship.
- When a hedged item in a cash flow hedge is



amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it can designate the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

### Disclosure

The amendments will require the Group to disclose additional information to enable users to understand the effect of the interest rate benchmark reform on the Group's financial instruments, including information about the Group's exposure to risks arising from the interest rate benchmark reform and related risk management activities.

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

### Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The European Commission decided to defer the endorsement indefinitely. The amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

### Amendments to IAS 1 Presentation of Financial Statements

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

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

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

### Amendments to IFRS 3 Business Combinations

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted. These amendments are not yet endorsed by the EU.

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. These amendments are not yet endorsed by the EU.

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. These amendments are not yet endorsed by the EU.

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

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

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

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

### Annual improvements to IFRS standards 2018-2020

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted. These amendments are not yet endorsed by the EU.

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

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

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

### Other changes

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

## 2.4. Functional and presentation currency

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

## 2.5. Use of estimates and judgements

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

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

### Judgements

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

#### Lease term

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

As at 31 December 2020, the Group had entered into lease agreements for four hotel buildings, four office buildings, one warehouse building, ten restaurant buildings and 16 shops (31 December 2019: four hotel buildings, four office buildings, one warehouse building, two restaurant buildings and 16 shops). See Note 20 for more detailed information on the minimum lease payments of the lease agreements.

### Assumptions and estimation uncertainty

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

#### Fair value of ships

For the purpose of revaluation, the Group determined the fair value of its ships as at 31 December 2020. The

fair value of ships depends on many factors, including the year of construction, several technical parameters as well as how the ships have been maintained (i.e. how much the owner has invested in maintenance).

In order to assess the fair value of ships, the Group's management used independent appraisers. Revaluation depends upon changes in the fair values of the ships. When the fair value of a ship differs materially from its carrying amount, a revaluation is required. Management is of the opinion that as at 31 December 2020 the carrying value of ships as a group did not materially differ from their fair value. Therefore, no revaluation was performed as at 31 December 2020. Further details are given in Note 3.4 and Note 14.

#### Determination of the useful lives of property, plant and equipment and intangible assets

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

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

#### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2020 amounted to EUR 11 066 thousand (31 December 2019: EUR 11 066 thousand). Further details are given in Note 15.

#### Deferred tax

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

assets and settle the liabilities simultaneously.

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

#### Customer loyalty programme

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

The Group recognises the credits that it awards to customers as a separate performance obligation, which is deferred at the date of the initial sale. The credits are recognised based on the relative stand-alone selling price allocation method. See also Note 18.

## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1. Basis of consolidation

#### Business combinations

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

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

### Subsidiaries

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

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

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



## Investments in equity-accounted investees

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

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

## Transactions eliminated on consolidation

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

## 3.2. Foreign currency

### Foreign currency transactions

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

Transactions in foreign currencies are translated into the respective functional currencies of Group

companies at the exchange rates at the dates of the transactions.

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

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

### Foreign operations

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

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

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

## 3.3. Financial instruments

### Recognition and initial measurement

Trade receivables are initially recognised when they

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

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

### Classification and subsequent measurement

#### Financial assets

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

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

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

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

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

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

#### Financial assets – Subsequent measurement and gains and losses

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

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

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

#### Financial liabilities – Classification, subsequent measurement and gains and losses

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

### Derecognition

#### Financial assets

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

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

#### Financial liabilities

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

On derecognition of a financial liability, the difference between the carrying amount extinguished and the

consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### Offsetting

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

#### Share capital

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

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and presented in the reserve for treasury shares.

When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

### 3.4. Property, plant and equipment

#### Recognition and measurement

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

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

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

Ships are measured at revalued amounts (i.e. fair value less depreciation charged subsequent to the date of

the revaluation). Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

#### Subsequent costs

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

#### Depreciation

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

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

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

Land is not depreciated.

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

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

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

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

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

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

### 3.5. Intangible assets

#### Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition see Note 3.1.

#### Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

#### Research and development costs

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

asset will generate future economic benefits; (4) the availability of resources to complete the asset; and (5) the ability to measure reliably the expenditure attributable to the asset during development.

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

#### Trademark

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

#### Other intangible assets

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

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

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



## Subsequent expenditure

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

## Amortisation

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

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

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

## 3.6. Investment property

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

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

## 3.7. Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The costs of inventories, consisting mostly of fuel, and merchandise purchased for resale are assigned by using the weighted average cost method and include expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing the inventories to their existing location and condition.

## 3.8. Borrowing costs

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

## 3.9. Impairment

### Financial assets

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

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

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

### Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the

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

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

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

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

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

## 3.10. Employee benefits

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

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed

plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

## 3.11. Provisions

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

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

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

## 3.12. Leases

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

### The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component

on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

#### Short-term leases and leases of low-value assets

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

### The Group as a lessor

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

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

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

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

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

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

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

### 3.13. Revenue

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

#### Sale of goods – sales in restaurants and shops

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

#### Ticket sale and sale of cargo transport

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

#### Sales of hotel accommodation

Revenue from sales of hotel accommodation is recognised when the rooms have been used by the clients. At financial year-end, a revenue deferral is

recorded for the part of revenue that has not yet been earned in relation to prepaid room days.

### Revenue from travel packages

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

### Charter income

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

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

### Customer loyalty programme

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

### 3.14. Government grants and assistance

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



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

### 3.15. Finance income and finance costs

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

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

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

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

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

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

### 3.16. Income tax

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and the deferred tax assets and liabilities relate to income taxes levied by the same tax

authority on the same taxable entity, or on different taxable entities, but they intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

### Group companies in Estonia

According to the Estonian Income Tax Act, for Group companies registered in Estonia, including the Parent, net profit is not subject to income tax, but dividends paid are subject to income tax of 14% or 20% (calculated as 14/86 or 20/80 of the net dividends to be paid in 2020). The potential tax liability from the distribution of the entire retained earnings as dividends is not recorded in the statement of financial position for Estonian Group companies. The amount of the potential tax liability from the distribution of dividends depends on the time, amount and sources of the dividend distribution.

From 1 January 2018 there is a revised dividend taxation regime in Estonia including a lower income tax rate of 14% (14/86 of the net amount of the distribution) for regular profit distributions. The lower tax rate may be applied if the amount of the distribution does not exceed the Group's last three years' average profit distributions subject to taxation in Estonia. The portion of the distribution exceeding this threshold remains taxable at 20%.

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

Income tax from the payment of dividends is recorded as income tax expense in the period in which the dividends are declared. The maximum income tax liability that could arise on the distribution of dividends is disclosed in Note 20.

### Group companies in Cyprus

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

### Other foreign Group companies and permanent establishments

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

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

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

### 3.17. Earnings per share

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

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

### 3.18. Segment reporting

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

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

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

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

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

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

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

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

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

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

### 3.19. Determination of fair values

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

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

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

#### Ships (Level 3)

The market value of ships is the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The Group uses independent appraisers to determine the fair value of the ships. The frequency of revaluation depends upon changes in the fair values of the ships. When the fair value of a ship differs materially from its carrying amount, a revaluation is required.

#### Intangible assets (Level 3)

The fair value of patents and trademarks acquired in a business combination is determined using the relief from royalty method. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings

method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

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

#### Investment property (Level 3)

Fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

The Group uses independent appraisers having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

#### Non-derivative financial liabilities (Levels 1 and 2)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

### 3.20. Separate financial statements of the Parent

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the separate primary financial statements (i.e. statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity, collectively referred to as primary financial statements) of the Parent. The separate primary financial statements of Tallink Grupp AS are disclosed in Note 26 Primary Financial Statements of the Parent. These statements have been prepared using the same accounting policies and measurement bases that were used on the preparation of the consolidated financial statements, except for investments in subsidiaries which are stated at cost in the separate primary financial statements of the Parent.

## NOTE 4 SEGMENT INFORMATION

The Group's operations are organised and managed separately according to the nature of the different markets. As at 31 December 2020 the Group operated in the following business segments:

- Estonia-Finland routes: 4 ships (31 December 2019: 4 ships)
- Estonia-Sweden routes: 4 ships (31 December 2019: 3 ships)
- Latvia-Sweden route: 2 ships (31 December 2019: 2 ships)
- Finland-Sweden routes: 4 ships (31 December 2019: 4 ships)
- Other segment
  - Ships chartered out by the Group: 1 ship (31 December 2019: 1 ship)
- Hotels in Estonia: 3 hotels (31 December 2019: 3 hotels)
- Hotels in Latvia : 1 hotel (31 December 2019: 1 hotel)
- Shops in Estonia: 16 shops (31 December 2019: 16 shops)
- Restaurants in Estonia: 10 restaurants (31 December 2019: 2 restaurants)



The following tables present the Group's revenue and profit as well as certain asset and liability information regarding reportable segments for the years ended 31 December 2020 and 31 December 2019.

Geographical segments – by the location of assets

FOR THE YEAR ENDED 31 DECEMBER, IN THOUSANDS OF EUR	Estonia- Finland routes	Estonia- Sweden routes	Latvia- Sweden route	Finland- Sweden routes	Other	Intersegment elimination	Total
<b>2020</b>							
Sales to external customers	200 439	34 858	15 390	149 485	42 762	0	442 934
Intersegment sales	0	0	0	0	2 434	-2 434	0
<b>Revenue</b>	<b>200 439</b>	<b>34 858</b>	<b>15 390</b>	<b>149 485</b>	<b>45 196</b>	<b>-2 434</b>	<b>442 934</b>
Segment result	3 461	-17 921	-17 519	-53 937	4 645	0	-81 271
Unallocated expenses							-11 350
Net financial items							-17 842
Share of loss of equity-accounted investees							-158
<b>Loss before income tax</b>							<b>-110 621</b>
Income tax							2 313
<b>Net loss for the period</b>							<b>-108 308</b>
Segment's assets	406 793	264 552	108 667	455 998	146 738	-4	1 382 744
Unallocated assets							133 457
<b>Assets</b>							<b>1 516 201</b>
Segment's liabilities	23 843	9 315	3 683	50 985	82 707	-4	170 529
Unallocated liabilities							631 336
<b>Liabilities</b>							<b>801 865</b>
<b>Capital expenditures</b>							
Segment's property, plant and equipment	9 119	10 740	3 796	5 619	6 481	0	35 755
Unallocated property, plant and equipment							60 731
Segment's intangible assets	13	7	0	23	448	0	491
Unallocated intangible assets							3 047
Depreciation	22 062	9 383	8 013	29 315	17 829	0	86 602
Unallocated depreciation							6 704
Amortisation	846	172	55	621	416	0	2 110
Unallocated amortisation							5 244
<b>2019</b>							
Sales to external customers	353 977	112 271	72 535	344 404	65 932	0	949 119
Intersegment sales	0	0	0	0	7 795	-7 795	0
<b>Revenue</b>	<b>353 977</b>	<b>112 271</b>	<b>72 535</b>	<b>344 404</b>	<b>73 727</b>	<b>-7 795</b>	<b>949 119</b>
Segment result	80 435	4 724	606	26 771	16 622	0	129 158
Unallocated expenses							-54 290
Net financial items							-17 679
Share of loss of equity-accounted investees							-4
<b>Profit before income tax</b>							<b>57 185</b>
Income tax							-7 467
<b>Net profit for the period</b>							<b>49 718</b>
Segment's assets	425 129	267 695	118 042	493 764	146 778	-490	1 450 918
Unallocated assets							82 045
<b>Assets</b>							<b>1 532 963</b>
Segment's liabilities	62 108	24 022	9 932	75 157	87 737	-490	258 466
Unallocated liabilities							451 660
<b>Liabilities</b>							<b>710 126</b>
<b>Capital expenditures</b>							
Segment's property, plant and equipment	7 306	10 606	4 153	18 073	1 958	0	42 096
Unallocated property, plant and equipment							13 815
Segment's intangible assets	2	27	20	0	139	0	188
Unallocated intangible assets							4 805
Depreciation	17 649	12 086	8 163	28 698	16 409	0	83 005
Unallocated depreciation							6 351
Amortisation	731	153	45	517	229	0	1 675
Unallocated amortisation							5 218

## Revenue by service

For the year ended 31 December, in thousands of EUR	Routes 2020	Other 2020	Total 2020	Routes 2019	Other 2019	Total 2019
Revenue from contracts with customers						
Restaurant and shop sales on-board and onshore	203 345	25 142	228 487	504 606	31 962	536 568
Ticket sales	95 629	0	95 629	240 653	0	240 653
Sales of cargo transport	93 959	0	93 959	119 078	0	119 078
Sales of accommodation	0	4 022	4 022	0	16 084	16 084
Other	3 315	3 631	6 946	9 970	18 477	28 447
<b>Total revenue from contracts with customers</b>	<b>396 248</b>	<b>32 795</b>	<b>429 043</b>	<b>874 307</b>	<b>66 523</b>	<b>940 830</b>
Revenue from other sources						
Income from charter of vessels	0	9 967	9 967	0	8 289	8 289
Other	3 924	0	3 924	8 880	-8 880	0
<b>Total revenue from other sources</b>	<b>3 924</b>	<b>9 967</b>	<b>13 891</b>	<b>8 880</b>	<b>-591</b>	<b>8 289</b>
<b>Total revenue of the Group</b>	<b>400 172</b>	<b>42 762</b>	<b>442 934</b>	<b>883 187</b>	<b>65 932</b>	<b>949 119</b>

## Contract balances

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

In thousands of EUR	31 December 2020	31 December 2019	31 December 2018
Trade and other receivables	25 463	37 606	43 805
Contract liabilities			
Club One points	9 855	11 250	11 303
Prepaid revenue	13 398	22 064	20 810
<b>Total contract liabilities</b>	<b>23 253</b>	<b>33 314</b>	<b>32 113</b>

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

## NOTE 5 OPERATING EXPENSES AND FINANCIAL ITEMS

### Cost of sales

For the year ended 31 December, in thousands of EUR	2020	2019	2018
Cost of goods sold	-116 624	-221 139	-217 429
Port & stevedoring costs	-68 122	-103 469	-104 772
Fuel costs	-56 341	-89 614	-102 473
Staff costs	-116 818	-163 148	-160 608
Ships' operating expenses	-37 048	-72 698	-75 657
Depreciation and amortisation (Notes 14, 15)	-86 249	-82 710	-70 917
Cost of travel package sales	-2 201	-10 684	-11 001
Other costs	-2 985	-8 772	-23 035
<b>TOTAL COST OF SALES</b>	<b>-486,388</b>	<b>-752,234</b>	<b>-765,892</b>

### Sales and marketing expenses

For the year ended 31 December, in thousands of EUR	2020	2019	2018
Advertising expenses	-11 152	-30 350	-32 372
Staff costs	-21 653	-31 612	-32 652
Depreciation and amortisation (Notes 14, 15)	-2 463	-1 970	-1 435
Other costs	-2 549	-3 795	-2 856
<b>TOTAL SALES AND MARKETING EXPENSES</b>	<b>-37,817</b>	<b>-67,727</b>	<b>-69,315</b>

### Administrative expenses

For the year ended 31 December, in thousands of EUR	2020	2019	2018
Staff costs	-23 253	-28 748	-24 849
Depreciation and amortisation (Notes 14, 15)	-11 948	-11 569	-6 927
Other costs	-13 062	-16 238	-23 447
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>-48,263</b>	<b>-56,555</b>	<b>-55,223</b>



## Specification of staff costs included in the cost of sales, sales and marketing expenses and administrative expenses

For the year ended 31 December, in thousands of EUR	2020	2019	2018
Wages and salaries	-139 328	-195 829	-189 816
Government grants	23 306	36 724	35 807
Social security costs	-42 972	-59 490	-58 797
Staff training costs	-728	-1 577	-1 772
Other staff costs	-2 002	-3 336	-3 531
<b>TOTAL STAFF COSTS</b>	<b>-161,724</b>	<b>-223,508</b>	<b>-218,109</b>

During the reporting period EUR 23 306 thousand was deducted from the cost of sales in connection with government grants related to seamen's salaries in Estonia, Finland and Sweden (2019: EUR 36 724 thousand). The grants are received according to law.

Further EUR 10 537 thousand COVID-19 related aid was paid directly to the employees by the Estonian Unemployment Insurance Fund, see also Note 24.

Government grants receivable are disclosed in Note 9.

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

For the year ended 31 December	2020	2019	2018
Employees under employment contract	5825	6939	7018
Employees under service contract	274	326	408
Members of the Management Board	5	5	4
<b>TOTAL AVERAGE NUMBER OF EMPLOYEES</b>	<b>6104</b>	<b>7270</b>	<b>7430</b>

## Finance income and finance costs recognised in profit or loss

For the year ended 31 December, in thousands of EUR	2020	2019	2018
Net foreign exchange gain	0	76	0
Income on foreign exchange derivatives	0	0	4 854
Income on interest rate swaps	0	918	3 770
Income from other financial assets	1	1	7
<b>TOTAL FINANCE INCOME</b>	<b>1</b>	<b>995</b>	<b>8 631</b>
Net foreign exchange loss	-569	0	-4 170
Interest expense on financial liabilities measured at amortised cost	-14 989	-15 308	-19 813
Expenses on interest rate swaps	0	-1 029	-3 569
Interest expense on lease liabilities related to right-of-use assets	-2 285	-2 337	0
<b>TOTAL FINANCE COSTS</b>	<b>-17 843</b>	<b>-18 674</b>	<b>-27 552</b>
<b>NET FINANCE COSTS</b>	<b>-17,842</b>	<b>-17,679</b>	<b>-18,921</b>

## NOTE 6 INCOME TAX

Income tax contains current income tax and deferred income tax.

### Swedish, Finnish, German, Russian and Singaporean subsidiaries and Polish branch office

In accordance with the Swedish, Finnish, German, Russian, Singaporean and Polish tax laws, a company's net profit, adjusted for temporary and permanent differences as determined by the local income tax legislation, is subject to income tax in Finland, Sweden, Germany, Russia, Poland and Singapore. As at 31 December 2020, the tax rate was 20% in Finland, 21.4% in Sweden, 15% in Germany, 20% in Russia, 19% in Poland and 17% in Singapore (as at 31 December 2019, 20% in Finland, 21.4% in Sweden, 15% in Germany, 20% in Russia, 19% in Poland and 17% in Singapore)

### Income tax expense

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

For the year ended 31 December, in thousands of EUR	2020	2019	2018
Latvian subsidiaries	0	-3	-3
Finnish subsidiaries	-147	-150	-169
German subsidiary	-10	-4	-1
Estonian subsidiaries and Parent company	874	-8050	-3562
<b>CURRENT PERIOD TAX EXPENSE</b>	<b>717</b>	<b>-8207</b>	<b>-3735</b>
Swedish subsidiaries	-35	-625	-407
Finnish subsidiaries	1631	1365	-377
German subsidiaries	0	0	-16
Deferred tax expense	1596	740	-800
<b>TOTAL TAX EXPENSE</b>	<b>2313</b>	<b>-7467</b>	<b>-4535</b>

## Reconciliation of the effective tax rate

For the year ended 31 December, in thousands of EUR	2020	%	2019	%	2018	%
Loss/profit before tax	-110 621		57 185		44 584	
Tax using the Company's domestic rate	0	0.00%	0	0.00%	0	0.00%
Tax arising on dividends declared in Estonia	0	0.00%	-8 050	-14.08%	-3 562	-7.99%
Current income tax expense in foreign jurisdictions	717	-0.65%	-157	-0.27%	-170	-0.38%
Change in recognised tax losses	1 013	-0.92%	157	0.27%	-1367	-3.07%
Change in temporary differences	583	-0.53%	583	1.02%	564	1.27%
<b>INCOME TAX EXPENSE</b>	<b>2 313</b>	<b>-2.10%</b>	<b>-7 467</b>	<b>-13.06%</b>	<b>-4535</b>	<b>-10.17%</b>

## Deferred tax assets and liabilities

According to Russian, German, Finnish, Swedish, Polish and Singaporean legislation it is permissible to use higher depreciation and amortisation rates for taxation purposes and thereby defer tax payments.

These deferrals are shown as deferred tax liabilities. The Finnish and Swedish subsidiaries have also carry-forwards of tax losses, which are considered in the calculation of deferred tax assets.

As at 31 December, in thousands of EUR	Assets 2020	Liabilities 2020	Assets 2019	Liabilities 2019	Assets 2018	Liabilities 2018
Tax loss carry-forward <sup>1</sup>	23 471	0	22 458	0	22 302	0
Intangible assets	0	-3 201	0	-3 784	0	-4 368
Tax assets / liabilities	23 471	-3 201	22 458	-3 784	22 302	-4 368
Offset of assets and liabilities	-3 201	3 201	-3 784	3 784	-4 368	4 368
Tax assets	20 270	0	18 674	0	17 934	0

<sup>1</sup> Deferred tax assets of EUR 22 267 thousand (2019: EUR 21 219 thousand) in Finland and of 1 204 thousand (2019: EUR 1 239 thousand) in Sweden have been recognised in respect of losses carried forward. The recognised Finnish tax losses will expire from 2025 to 2030 (2019: 2024-2029) and the Swedish tax losses have no expiration date. The tax losses of the Finnish subsidiary that will expire before 2025 have not been recognised due to estimation uncertainty. Such unrecognised tax losses amounted to EUR 166 685 thousand as at 31 December 2020 (EUR 126 819 thousand as at 31 December 2019).

The Group has recognised deferred tax assets to the extent that the losses carried forward will be offset against projected future taxable profits. The estimations are based on the business plan of the Finnish operations for the year 2021 and beyond. The

revenue growth rate of the Finnish operations for the years 2022-2030 used in the calculations was 2-2.5% and the growth rate used for the cost increase was 0.5-2% (as at 31 December 2019, the revenue growth rate of the Finnish operations for the years 2020-2029 used in

the calculations was 2-2.5% and the growth rate used for the cost increase was 0.5-2%).

The sensitivity of the value of recognised deferred tax assets to the main assumptions of the projected future taxable profits is as follows: 1) +/- 1 percentage point change in the average revenue growth rate

for the years 2021-2030 would change the value of recognised tax assets by EUR +5 054 thousand / EUR -6 746 thousand, respectively; 2) +/- 1 percentage point change in average costs' growth rate for the years 2021-2030 would change the value of recognised tax assets by EUR -5 023 thousand / EUR +4 887 thousand, respectively.

## Movements in deferred tax balances

As at 31 December, in thousands of EUR	Balance as at 31 December 2020	Recognised in profit in 2020	Balance as at 31 December 2019	Recognised in profit/loss in 2019	Balance as at 31 December 2018
Tax loss carry-forward	23 471	1 013	22 458	156	22 302
Intangible assets	-3 201	583	-3 784	584	-4 368
<b>NET DEFERRED TAX ASSET</b>	<b>20 270</b>	<b>1 596</b>	<b>18 674</b>	<b>740</b>	<b>17 934</b>

## NOTE 7 EARNINGS PER SHARE (EPS)

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

As at 31 December, in thousands	2020	2019	2018
Shares issued	669 882	669 882	669 882
Treasury shares	0	0	-17
<b>SHARES OUTSTANDING</b>	<b>669 882</b>	<b>669 882</b>	<b>669 866</b>
For the year ended 31 December, in thousands of EUR	2020	2019	2018
Weighted average number of ordinary shares outstanding (in thousands)	669 882	669 881	669 882
Weighted average number of ordinary shares outstanding (in thousands, diluted)	669 882	669 881	669 882
Net loss/profit attributable to equity holders of the Parent	-108 308	49 718	40 049
<b>EPS (EUR)</b>	<b>-0.162</b>	<b>0.074</b>	<b>0.060</b>
<b>DILUTED EPS (EUR)</b>	<b>-0.162</b>	<b>0.074</b>	<b>0.060</b>

## NOTE 8 CASH AND CASH EQUIVALENTS

As at 31 December, in thousands of EUR	2020	2019	2018
Cash at bank and in hand	27 834	38 877	82 175
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>27 834</b>	<b>38 877</b>	<b>82 175</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates (in both 2020 and 2019 the rates were in the range of 0.00-0.01%).

The Group's exposure to currency risk is disclosed in Note 23.

## NOTE 9 TRADE AND OTHER RECEIVABLES

As at 31 December, in thousands of EUR	2020	2019	2018
Trade receivables	12 571	24 067	30 386
Allowance for doubtful receivables	-539	-594	-436
Government grants receivable	7 810	9 285	9 322
Receivables from related parties	59	211	33
Other receivables	5 562	4 637	4 500
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>25 463</b>	<b>37 606</b>	<b>43 805</b>

During the reporting period EUR 128 thousand of trade receivables was expensed as doubtful and uncollectible (2019: EUR 228 thousand).

The Group's exposure to the credit and currency risks of receivables (excluding government grants receivable) is disclosed in Note 23. Additional information about government grants is disclosed in Note 5.

## NOTE 10 PREPAYMENTS

As at 31 December in thousands of EUR	2020	2019	2018
Prepaid expenses	4 287	5 654	5 313
Tax prepayments	2 929	1 151	771
<b>TOTAL PREPAYMENTS</b>	<b>7 216</b>	<b>6 805</b>	<b>6 084</b>
As at 31 December in thousands of EUR	2020	2019	2018
Tax prepayments			
VAT	1 640	806	541
Other prepayments	1 289	345	230
<b>TOTAL TAX PREPAYMENTS</b>	<b>2 929</b>	<b>1 151</b>	<b>771</b>

The balance of prepaid expenses includes mostly prepayments for insurance.

## NOTE 11 INVENTORIES

As at 31 December, in thousands of EUR	2020	2019	2018
Raw materials (mostly fuel)	4 506	3 382	36 15
Goods for sale	24 201	33 873	32 126
<b>TOTAL INVENTORIES</b>	<b>28 707</b>	<b>37 255</b>	<b>35 741</b>

In 2020 the write-down of inventories to net realisable value amounted to EUR 584 thousand (2019: EUR 546 thousand). The write-downs are included in the cost of sales.

### Fuel price risk

The Group is exposed to fuel price risk as part of the fuel used for ship operations is purchased at market prices. The Group has implemented a fuel surcharge system according to which the Group charges its customers a fuel surcharge to partly offset the impact of fuel price increases. At 31 December 2020 (as well as at 31 December 2019) there were no derivative contracts for fuel outstanding. For more information, see Note 23.



## NOTE 12

### INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

At 31 December 2020 the Group had a 34% interest in the equity-accounted investee Tallink Takso AS, incorporated in Estonia (as at 31 December 2019: 34%).

In thousands of EUR	2020	2019	2018
Investments at the beginning of financial year	403	407	403
Share of loss of equity-accounted investee	-158	-4	4
<b>INVESTMENTS AT THE END OF FINANCIAL YEAR</b>	<b>245</b>	<b>403</b>	<b>407</b>

The key figures of the equity-accounted investee Tallink Takso AS are below. The figures as at and for the year ended 31 December 2020 are unaudited. The figures reflect 100% of the assets, liabilities and result of the associate.

In thousands of EUR	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
As at 31 December 2020	616	430	1 046	255	71	326
As at 31 December 2019	1 077	613	1 690	363	142	505
As at 31 December 2018	1 012	686	1 698	355	145	500

In thousands of EUR	REVENUES	EXPENSES	LOSS	EQUITY
For the year ended 31 December 2020	2 534	2 998	-464	720
For the year ended 31 December 2019	4 068	4 072	-4	1 185
For the year ended 31 December 2018	4 242	4 228	14	1 198

## NOTE 13

### OTHER FINANCIAL ASSETS AND PREPAYMENTS

As at 31 December, in thousands of EUR	2020	2019	2018
Equity securities	177	167	167
Other receivables	331	151	153
Prepaid expenses	1 725	1 301	0
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>2 233</b>	<b>1 619</b>	<b>320</b>

## NOTE 14

### PROPERTY, PLANT AND EQUIPMENT

In thousands of EUR	Land and buildings	Ships	Plant and equipment	Right-of-use assets	Assets under construction	Total
<b>Book value as at 31 December 2019</b>	<b>1 870</b>	<b>1 173 534</b>	<b>56 985</b>	<b>97 723</b>	<b>16 981</b>	<b>1 347 093</b>
Adjusted book value as at 1 January 2020	1 870	1 173 534	56 985	97 723	16 981	1 347 093
Additions	13	8 500	3 187	13 747	84 865	110 312
Reclassification	0	12 580	11 043	0	-23 623	0
Disposals	0	0	-283	-331	0	-614
Depreciation for the period	-406	-60 050	-16 449	-16 401	0	-93 306
<b>Book value as at 31 December 2020</b>	<b>1 477</b>	<b>1 134 564</b>	<b>54 483</b>	<b>94 738</b>	<b>78 223</b>	<b>1 363 485</b>

#### AS AT 31 DECEMBER 2020

Gross carrying amount	8 278	1 653 005	112 447	125 779	78 223	1 977 732
Accumulated depreciation	-6 801	-518 441	-57 964	-31 041	0	-614 247

#### Book value as at 31 December 2018

	2 324	1 215 295	43 658	0	6 651	1 267 928
Initial application of IFRS 16	0	0	0	100 770	0	100 770
Adjusted book value as at 1 January 2019	2 324	1 215 295	43 658	100 770	6 651	1 368 698
Additions	0	0	13 103	12 297	42 808	68 208
Reclassification	68	18 061	14 349	0	-32 478	0
Disposals	0	0	-154	-303	0	-457
Depreciation for the period	-522	-59 822	-13 971	-15 041	0	-89 356
<b>Book value as at 31 December 2019</b>	<b>1 870</b>	<b>1 173 534</b>	<b>56 985</b>	<b>97 723</b>	<b>16 981</b>	<b>1 347 093</b>

#### AS AT 31 DECEMBER 2019

Gross carrying amount	8 264	1 646 370	101 257	112 670	16 981	1 885 542
Accumulated depreciation	-6 394	-472 836	-44 272	-14 947	0	-538 449

#### Book value as at 31 December 2017

	2 308	1 268 604	32 958	0	4 571	1 308 441
Additions	0	6 595	19 938	0	6 651	33 184
Reclassification	792	2 488	1 291	0	-4 571	0
Disposals	0	0	-368	0	0	-368
Depreciation for the period	-776	-62 392	-10 161	0	0	-73 329
<b>Book value as at 31 December 2018</b>	<b>2 324</b>	<b>1 215 295</b>	<b>43 658</b>	<b>0</b>	<b>6 651</b>	<b>1 267 928</b>

#### AS AT 31 DECEMBER 2018

Gross carrying amount	8 226	1 629 933	76 999	0	6 651	1 721 809
Accumulated depreciation	-5 902	-414 638	-33 341	0	0	-453 881

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

IN THOUSANDS OF EUR	Buildings and premises	Plant and equipment	Total right-of-use assets
<b>Book value as at 31 December 2019</b>	97 142	581	97 723
Adjusted book value as at 1 January 2020	97 142	581	97 723
Additions	13 038	709	13 747
Reclassification	0	0	0
Disposals	-90	-241	-331
Depreciation for the period	-15 988	-413	-16 401
<b>Book value as at 31 December 2020</b>	<b>94 102</b>	<b>636</b>	<b>94 738</b>
<b>As at 31 December 2020</b>			
Gross carrying amount	124 491	1 288	125 779
Accumulated depreciation	-30 389	-652	-31 041
<b>Book value as at 31 December 2018</b>			
Initial application of IFRS 16	99 701	1 069	100 770
Adjusted book value as at 1 January 2019	99 701	1 069	100 770
Additions	12 256	41	12 297
Disposals	-288	-15	-303
Depreciation for the period	-14 527	-514	-15 041
<b>Book value as at 31 December 2019</b>	<b>97 142</b>	<b>581</b>	<b>97 723</b>
<b>As at 31 December 2019</b>			
Gross carrying amount	111 608	1 062	112 670
Accumulated depreciation	-14 466	-481	-14 947

## Revaluation of ships

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

The Group used the valuations of three independent appraisers to determine the fair value of ships. Fair

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

## Valuation technique

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

## Significant unobservable inputs

Sales prices of similar ships  
Level of demand for particular ships  
Construction prices of ships  
Maintenance and repair programme of ships

The frequency of revaluations depends on changes in fair values which are assessed at each year-end. When fair value differs materially from the carrying amount, further revaluation is performed.

Management is of the opinion that as at 31 December 2020 there were no material differences between the carrying amounts and fair values (as well as at 31 December 2019).

Due to the current pandemic the market is very illiquid with very few transactions made in this segment of tonnage. Therefore, the valuations are to be deemed

uncertain. Depending on how the situation develops and when passenger traffic resumes to its full extent the values are subject to adjustment in the short term. Management is of the opinion that buyers of this type of asset normally have a long-term view and a planning horizon stretching to 20-30 years and therefore possible market fluctuations are to be regarded as temporary.

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

As at 31 December 2020	In thousands of EUR
Cost	1 778 087
Accumulated depreciation	-680 981
<b>Net carrying amount</b>	<b>1 097 106</b>
<b>As at 31 December 2019</b>	<b>In thousands of EUR</b>
Cost	1 771 452
Accumulated depreciation	-637 423
<b>Net carrying amount</b>	<b>1 134 029</b>
<b>As at 31 December 2018</b>	<b>In thousands of EUR</b>
Cost	1 755 015
Accumulated depreciation	-581 272
<b>Net carrying amount</b>	<b>1 173 743</b>

Due to the annual transfer from the revaluation reserve to retained earnings (the difference between depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost) the revaluation reserve was decreased as at 31 December 2020 by EUR 2 047 thousand (2019: EUR 2 047 thousand) and retained earnings were increased by the same amount.

As at 31 December 2020 the Group's ships with a book value of EUR 1 111 561 thousand (2019: EUR 1 079 572 thousand) were encumbered with first or second ranking mortgages to secure the Group's bank loans (see also Note 16).

## Contractual commitments

As at 31 December 2020 the Group had a contractual commitment for a new vessel, MyStar, of EUR 172 900 thousand (2019: EUR 234 650 thousand).

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

## NOTE 15 INTANGIBLE ASSETS

In thousands of EUR	Goodwill <sup>1</sup>	Trademark <sup>2</sup>	Other <sup>3</sup>	Assets under construction	Total
<b>Book value as at 31 December 2019</b>	<b>11 066</b>	<b>18 922</b>	<b>13 055</b>	<b>1 221</b>	<b>44 264</b>
Additions	0	0	394	3 144	3 538
Reclassification	0	0	3 818	-3 818	0
Amortisation for the period	0	-2 916	-4 438	0	-7 354
<b>Book value as at 31 December 2020</b>	<b>11 066</b>	<b>16 006</b>	<b>12 829</b>	<b>547</b>	<b>40 448</b>
<b>As at 31 December 2020</b>					
Cost	11 066	58 288	40 357	547	110 258
Accumulated amortisation	0	-42 282	-27 528	0	-69 810
<b>Book value as at 31 December 2018</b>	<b>11 066</b>	<b>21 838</b>	<b>12 000</b>	<b>1 260</b>	<b>46 164</b>
Additions	0	0	712	4 281	4 993
Reclassification	0	0	4 320	-4 320	0
Amortisation for the period	0	-2 916	-3 977	0	-6 893
<b>Book value as at 31 December 2019</b>	<b>11 066</b>	<b>18 922</b>	<b>13 055</b>	<b>1 221</b>	<b>44 264</b>
<b>As at 31 December 2019</b>					
Cost	11 066	58 288	36 870	1 221	107 445
Accumulated amortisation	0	-39 366	-23 815	0	-63 181
<b>Book value as at 31 December 2017</b>	<b>11 066</b>	<b>24 754</b>	<b>9 166</b>	<b>3 914</b>	<b>48 900</b>
Additions	0	0	3 223	0	3 223
Reclassification	0	0	2 654	-2 654	0
Disposals	0	0	-8	0	-8
Amortisation for the period	0	-2 916	-3 035	0	-5 951
<b>Book value as at 31 December 2018</b>	<b>11 066</b>	<b>21 838</b>	<b>12 000</b>	<b>1 260</b>	<b>46 164</b>
<b>As at 31 December 2018</b>					
Cost	11 066	58 288	31 996	1 260	102 610
Accumulated amortisation	0	-36 450	-19 996	0	-56 446

### Intangible asset classes

<sup>1</sup> Goodwill in the amount of EUR 11 066 thousand is related to the Estonia-Finland routes segment. In the impairment test of goodwill related to the Estonia-Finland routes, the recoverable amount was identified based on value in use. Management calculated value in use using the results and margins achieved in 2020, a revenue growth rate of 0% p.a. (2019: 0%) and a discount rate of 4.4% (2019: 4.0%). Five-year cash flow to perpetuity value was used. There was no need to recognise an impairment loss.

<sup>2</sup> A trademark of EUR 58 288 thousand was recognised in connection with the acquisition of Silja OY Ab in 2006. The fair value of the trademark at the acquisition date was determined using the relief from royalty method. As at 31 December 2020 the remaining amortisation period of the trademark was 5.5 years.

As at 31 December 2020, the book value of the trademark was tested for impairment. For testing purposes the average annual revenue growth rate of 2.5% (2019: 2.5%), a royalty rate of 2.25% (2019: 2.25%) and a discount rate of 4.4% (2019: 4.0%) were used. There was no need to recognise an impairment loss.

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

## NOTE 16 INTEREST-BEARING LOANS AND BORROWINGS

As at 31 December 2020, in thousands of EUR	Maturity	Current portion	Non-current portion	Total borrowings
Lease liabilities	2021-2022	75	183	258
Lease liabilities related to right-of-use assets <sup>1</sup>	2021-2030	14,559	87,950	102,509
Overdraft		15,736	0	15,736
Long-term bank loans	2021-2029	81,231	505,385	586,616
<b>TOTAL BORROWINGS</b>		<b>111,601</b>	<b>593,518</b>	<b>705,119</b>
<b>As at 31 December 2019, in thousands of EUR</b>				
Lease liabilities	2020-2021	72	232	304
Lease liabilities related to right-of-use assets <sup>1</sup>	2020-2030	14,175	87,402	101,577
Long-term bank loans	2020-2029	74,951	401,048	475,999
<b>TOTAL BORROWINGS</b>		<b>89,198</b>	<b>488,682</b>	<b>577,880</b>
<b>As at 31 December 2018, in thousands of EUR</b>				
Liabilities under finance leases	2019-2021	77	351	287
Unsecured bonds <sup>1</sup>		0	0	91,288
Long-term bank loans	2019-2029	78,581	431,126	469,331
<b>TOTAL BORROWINGS</b>		<b>78,658</b>	<b>431,477</b>	<b>560,906</b>

<sup>1</sup> Lease liabilities related to the adoption of IFRS 16.

As at 31 December 2020 the Group had the right to use bank overdrafts of up to EUR 135 000 thousand (2019: EUR 90 000 thousand). Bank overdrafts are secured with a commercial pledge of EUR 20 204 thousand (2019: EUR 20 204 thousand) and mortgages on ships (see Note 14). In the year ended 31 December 2020 the average effective interest rate of bank overdrafts was EURIBOR + 2.31% (2019: EURIBOR + 2.23%). As at 31 December 2019 the balance of overdrafts in use was zero. At 31 December 2020 the Group also had the undrawn part of EUR 90.0 million of a EUR 100.0 million loan from Nordic Investment Bank. In the year ended 31 December 2020 the weighted average interest rate of the Group's variable rate bank loans was EURIBOR + 2.10% (2019: EURIBOR + 2.25%).

As at 31 December 2020 Tallink Grupp AS had given guarantees to Nordea Bank Plc, Danske Bank A/S and Nordic Investment Bank for loans of EUR 164 370 thousand (2019: EUR 162 239 thousand) granted to its ship-owning subsidiaries and Tallink Silja OY by the abovementioned banks. Ship-owning subsidiaries have given guarantees to Nordea Bank Finland Plc, Swedbank AS and SA KredEx for the loans granted to Tallink Grupp AS. As at 31 December 2020 the book value of the loan was EUR 422 246 thousand (31 December 2019: EUR

313 760 thousand). Primary securities for the loans are the ships belonging to the overseas subsidiaries and a pledge of the shares in these subsidiaries.

The Group has issued counter guarantees to the commercial banks that have issued guarantees to several governmental authorities in favour of Group entities required to perform the Group's daily operations. As at 31 December 2020 the total amount of the guarantees was EUR 6 202 thousand (2019: EUR 8 057 thousand). The guarantees issued are not recognised in the statement of financial position as, according to historical experience and management's estimations, none of them is expected to turn into an actual liability.

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

Travel restrictions caused by the COVID-19 pandemic induced the Group to pre-emptively request waivers of and amendments to loan covenants. The Group's loan covenants calculated as the net debt to EBITDA ratio were waived and loan covenants concerning liquidity were amended so that the covenants were not breached during 2020. See also Note 24.



## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

IN THOUSANDS OF EUR	Bank overdrafts	Long-term bank loans	Unsecured bonds	Lease liabilities	Right-of-use assets' liabilities	Derivatives	Reserves	Retained earnings	Total
<b>Balance as at 31 December 2019</b>	<b>0</b>	<b>475 999</b>	<b>0</b>	<b>304</b>	<b>101 577</b>	<b>0</b>	<b>69 608</b>	<b>437 722</b>	<b>1 085 210</b>
<b>Changes from financing cash flows</b>									
Proceeds from loans	0	125 000	0	0	0	0	0	0	125 000
Repayment of loans	0	-14 667	0	0	0	0	0	0	-14 667
Change in overdraft	15 736	0	0	0	0	0	0	0	15 736
Payment of lease liabilities	0	0	0	-95	-12 470	0	0	0	-12 565
Interest paid	0	0	0	0	0	0	0	-16 290	-16 290
Payment of transaction costs related to loans	0	-1 302	0	0	0	0	0	0	-1 302
<b>Total changes from financing cash flows</b>	<b>15 736</b>	<b>109 031</b>	<b>0</b>	<b>-95</b>	<b>-12 470</b>	<b>0</b>	<b>0</b>	<b>-16 290</b>	<b>95 912</b>
<b>The effect of changes in foreign exchange rates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>2</b>	<b>0</b>	<b>-193</b>	<b>0</b>	<b>-179</b>
<b>Changes in fair value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liability-related changes</b>									
New leases	0	0	0	79	13 747	0	0	0	13 826
Transfer from retained earnings	0	0	0	0	0	0	2 486	-2 486	0
Transfer from revaluation reserve	0	0	0	0	0	0	-2 047	2 047	0
Termination of old leases	0	0	0	-42	-347	0	0	0	-389
Amortisation of capitalised borrowing costs	0	1 162	0	0	0	0	0	0	1 162
Capitalised borrowing costs	0	424	0	0	0	0	0	0	424
Interest paid	0	0	0	0	0	0	0	16 290	16 290
<b>Total liability-related changes</b>	<b>0</b>	<b>1 586</b>	<b>0</b>	<b>37</b>	<b>13 400</b>	<b>0</b>	<b>439</b>	<b>15 851</b>	<b>31 313</b>
<b>Total equity-related changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-108 308</b>	<b>-108 308</b>
<b>Balance as at 31 December 2020</b>	<b>15 736</b>	<b>586 616</b>	<b>0</b>	<b>258</b>	<b>102 509</b>	<b>0</b>	<b>69 854</b>	<b>328 975</b>	<b>1 103 948</b>

IN thousands of EUR	Bank overdrafts	Long-term bank loans	Unsecured bonds	Lease liabilities	Right-of-use assets' liabilities	Derivatives	Reserves	Retained earnings	Total
<b>Balance as at 31 December 2018</b>	<b>0</b>	<b>509 707</b>	<b>0</b>	<b>428</b>	<b>0</b>	<b>918</b>	<b>69 474</b>	<b>425 044</b>	<b>1 005 571</b>
<b>Initial application of IFRS 16</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>104 360</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>104 360</b>
Adjusted balance as 1 January 2019	0	509 707	0	428	104 360	918	69 474	425 044	1 109 931
<b>Changes from financing cash flows</b>									
Proceeds from loans	0	45 000	0	0	0	0	0	0	45 000
Repayment of loans	0	-79 750	0	0	0	0	0	0	-79 750
Payments for settlement of derivatives	0	0	0	0	0	-1 029	0	0	-1 029
Payment of lease liabilities	0	0	0	-101	-14 721	0	0	0	-14 822
Interest paid	0	0	0	0	0	0	0	-16 717	-16 717
Payment of transaction costs related to loans	0	-1 431	0	0	0	0	0	0	-1 431
Dividends paid	0	0	0	0	0	0	0	-33 443	-33 443
Reduction of share capital	0	0	0	0	0	0	0	-46 888	-46 888
Income tax on dividends paid	0	0	0	0	0	0	0	-8 100	-8 100
<b>Total changes from financing cash flows</b>	<b>0</b>	<b>-36 181</b>	<b>0</b>	<b>-101</b>	<b>-14 721</b>	<b>-1 029</b>	<b>0</b>	<b>-105 148</b>	<b>-157 180</b>
<b>The effect of changes in foreign exchange rates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-9</b>	<b>-45</b>	<b>0</b>	<b>161</b>	<b>0</b>	<b>107</b>
<b>Changes in fair value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>111</b>	<b>0</b>	<b>0</b>	<b>111</b>
<b>Liability-related changes</b>									
New leases	0	0	0	17	12 297	0	0	0	12 314
Transfer from retained earnings	0	0	0	0	0	0	2 003	-2 003	0
Transfer from revaluation reserve	0	0	0	0	0	0	-2 047	2 047	0
Termination of old leases	0	0	0	-31	-314	0	0	0	-345
Amortisation of capitalised borrowing costs	0	1 172	0	0	0	0	0	0	1 172
Capitalised borrowing costs	0	1 301	0	0	0	0	0	0	1 301
Treasury shares	0	0	0	0	0	0	17	0	17
Reduction of share capital	0	0	0	0	0	0	0	46 888	46 888
Income tax on dividends paid	0	0	0	0	0	0	0	8 049	8 049
Interest paid	0	0	0	0	0	0	0	16 717	16 717
<b>Total liability-related changes</b>	<b>0</b>	<b>2 473</b>	<b>0</b>	<b>-14</b>	<b>11 983</b>	<b>0</b>	<b>-27</b>	<b>71 698</b>	<b>86 113</b>
<b>Total equity-related changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46 128</b>	<b>46 128</b>
<b>Balance as at 31 December 2019</b>	<b>0</b>	<b>475 999</b>	<b>0</b>	<b>304</b>	<b>101 577</b>	<b>0</b>	<b>69 608</b>	<b>437 722</b>	<b>1 085 210</b>

## NOTE 17

### TRADE AND OTHER PAYABLES

As at 31 December, in thousands of EUR	2020	2019	2018
Trade payables	24 002	42 316	43 824
Other payables	1 516	2 751	4 533
Payables to employees	19 129	25 393	25 258
Interest payable	1 996	2 174	2 418
Tax liabilities	19 861	20 120	19 221
Other accruals	6 973	6 172	5 428
<b>Total trade and other payables</b>	<b>73 477</b>	<b>98 926</b>	<b>100 682</b>

The Group's exposure to currency and liquidity risks (excluding tax liabilities and other accruals) is disclosed in Note 23. Additional information about tax liabilities is disclosed below.

As at 31 December, in thousands of EUR	2020	2019	2018
Salary-related taxes	15 042	15 072	13 771
Excise duties	1 001	1 799	2 000
VAT	3 818	3 248	3 449
Other taxes	0	1	1
<b>Total tax liabilities</b>	<b>19 861</b>	<b>20 120</b>	<b>19 221</b>

## NOTE 18

### DEFERRED INCOME

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

As at 31 December, in thousands of EUR	2020	2019	2018
Club One points	9,855	11,250	11,303
Prepaid revenue	13,398	22,064	20,810
<b>Total deferred income</b>	<b>23,253</b>	<b>33,314</b>	<b>32,113</b>

## NOTE 19

### SHARE CAPITAL AND RESERVES

As at 31 December, in thousands	2020	2019	2018
The number of shares issued and fully paid	669 882	669 882	669 882
<b>Total number of shares</b>	<b>669 882</b>	<b>669 882</b>	<b>669 882</b>
As at 31 December, in thousands of EUR	2020	2019	2018
Share capital (authorised and registered)	314 844	314 844	361 736
<b>Total share capital</b>	<b>314 844</b>	<b>314 844</b>	<b>361 736</b>
Share premium	663	663	662
<b>Total share premium</b>	<b>663</b>	<b>663</b>	<b>662</b>

According to the articles of association of the Parent, the maximum number of ordinary shares is 2 400 000 000. Each share grants one vote at the shareholders' general meeting. Shares acquired by the transfer of ownership are eligible for participating in and voting at a general meeting only if the ownership change is recorded in the Estonian Central Registry of Securities at the time used to determine the list of shareholders for the given shareholders' general meeting.

Ordinary shares grant their holders all the rights provided for under the Estonian Commercial Code

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

Tallink Grupp AS has 669 882 040 registered shares (31 December 2019: 669 882 040) without nominal value and the notional value of each share is EUR 0.47 (31 December 2019: EUR 0.47).

### Reserves

As at 31 December, in thousands of EUR	2020	2019	2018
Translation reserve	237	430	269
Ships' revaluation reserve	37 458	39 505	41 552
Legal reserve	32 159	29 673	27 670
Reserve for treasury shares	0	0	-17
<b>Total reserves</b>	<b>69 854</b>	<b>69 608</b>	<b>69 474</b>

#### Translation reserve

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

#### Ships' revaluation reserve

The revaluation reserve is related to the revaluation of ships. The ships' revaluation reserve may be transferred directly to retained earnings when the ship is disposed of. However, some of the revaluation surplus may be

transferred when the ship is used by the Group. In such a case, the amount of surplus transferred is the difference between depreciation based on the revalued carrying amount of the ship and depreciation based on the original cost of the ship. The Group uses the latter alternative.

#### Legal reserve

The legal reserve has been formed in accordance with the Estonian Commercial Code. The legal reserve

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

## NOTE 20 CONTINGENCIES AND COMMITMENTS

### Key Management Personnel's termination benefits

The members of the Management Board are entitled to termination benefits if their service agreement is terminated by the Group's Supervisory Board. At 31 December 2020 the maximum amount of such benefits was EUR 882 thousand (EUR 882 thousand in 2019) (see Note 21).

### Income tax on dividends

The Group's retained earnings as at 31 December 2020 were EUR 328 975 thousand (2019: EUR 437 722 thousand). As at 31 December 2020, the maximum income tax liability which would arise if retained earnings were fully distributed is EUR 65 795 thousand

### Dividends

Dividends declared and paid by the Company in 2020 amounted to EUR 0 (2019: EUR 33 494 thousand), i.e. EUR 0.00 per ordinary share (2019: EUR 0.05). This gave rise to income tax expense of EUR 0 (2019: EUR 8 050 thousand). For information about income tax on dividends, see also Note 6.

(2019: EUR 87 544 thousand). The maximum income tax liability has been calculated using the income tax rate effective for dividends on the assumption that the dividend and the related income tax expense cannot exceed the amount of retained earnings as at 31 December 2020 (2019: 31 December 2019).

### Leases

#### The Group as the lessee

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

Minimum lease payments are as follows:

As at 31 December, in thousands of EUR	2020	2019	2018
< 1 year	17 892	18 313	16 746
1-5 years	74 993	70 422	65 102
> 5 years	21 951	29 487	36 325
<b>Total minimum lease payments</b>	<b>114 836</b>	<b>118 222</b>	<b>118 173</b>

### Right-of-use assets

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

In thousands of EUR	Buildings and premises	Plant and equipment	Total right-of-use asset
Book value as at 1 January 2020	97 142	581	97 723
Additions	13 038	709	13 747
Disposals	-90	-241	-331
Depreciation for the period	-15 988	-413	-16 401
<b>Book value as at 31 December 2020</b>	<b>94102</b>	<b>636</b>	<b>94738</b>
Adjusted book value as at 1 January 2019	99 701	1 069	100 770
Additions	12 256	41	12 297
Disposals	-288	-15	-303
Depreciation for the period	-14 527	-514	-15 041
<b>Book value as at 31 December 2019</b>	<b>97 142</b>	<b>581</b>	<b>97 723</b>

Amounts recognised in profit or loss

For the year ended 31 December 2020	In thousands of EUR
Depreciation for the period	-16 401
Interest expense on lease liabilities related to right-of-use assets	-2 285
COVID-19 related lease discounts	2 435
Expenses on short-term and low-value leases	-1 242
<b>Lease expenses under IFRS 16</b>	<b>-17 493</b>

For the year ended 31 December 2019	In thousands of EUR
Depreciation for the period	-15 041
Interest expense on lease liabilities related to right-of-use assets	-2 337
Expenses on short-term and low-value leases	-2 550
<b>Lease expenses under IFRS 16</b>	<b>-19 928</b>

For the year ended 31 December 2018	In thousands of EUR
Lease expense	-19 781
Contingent lease expense	-1 053
<b>Operating lease expenses under IAS 17</b>	<b>-20 834</b>

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

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group applied the practical expedient for COVID-19 related rent concessions is EUR 2 435 thousand (2019: 0). See also Note 24.



### The Group as the lessor

The Group's charter income for 2020 was EUR 9 967 thousand (2019: EUR 8 289 thousand).

Minimum non-cancellable charter payments are as follows:

As at 31 December, in thousands of EUR	2020	2019	2018
< 1 year	9 425	8 773	7 018
1-5 years	8 904	0	0
<b>Total minimum charter payments</b>	<b>18 329</b>	<b>8 773</b>	<b>7 018</b>

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

## NOTE 21 RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are related if one controls the other or exerts significant influence on the other's financial or operating policies.

### Companies controlled by the Key Management Personnel

The Key Management Personnel hold positions in other entities that result in them having control of or significant influence over the financial or operating policies of these entities.

### Associated companies

The Key Management Personnel are members of the Group's Supervisory Board and Management Board.

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

For the year ended 31 December 2020, in thousands of EUR	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Companies controlled by the Key Management Personnel	716	18 287	59	89 166
Associated companies	4	157	0	11
<b>TOTAL</b>	<b>720</b>	<b>18 444</b>	<b>59</b>	<b>89 177</b>
For the year ended 31 December 2019, in thousands of EUR	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Companies controlled by the Key Management Personnel	950	24 093	211	94 997
Associated companies	1	187	0	20
<b>TOTAL</b>	<b>951</b>	<b>24 280</b>	<b>211</b>	<b>95 017</b>
For the year ended 31 December 2018, in thousands of EUR	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Companies controlled by the Key Management Personnel	949	25 029	33	1 942
Associated companies	6	241	0	24
<b>TOTAL</b>	<b>955</b>	<b>25 270</b>	<b>33</b>	<b>1 966</b>

The following goods and services were purchased from related parties:

For the year ended 31 December, in thousand of EUR	2020	2019	2018
Leases	12 172	14 922	14 987
Fuel	4 871	6 727	7 489
Other goods and services	1 401	2 631	2 794
<b>Total goods and services</b>	<b>18 444</b>	<b>24 280</b>	<b>25 270</b>

### Key Management Personnel's compensation

Tallink Grupp AS's members of the Management Board and members of the Supervisory Board are defined as the Key Management Personnel. In 2020, the Key Management Personnel's compensation was EUR 1 172 thousand (2019: EUR 3 011 thousand).

The members of the Management Board are entitled to termination benefits if their service agreement is terminated by the Group's Supervisory Board. At 31 December 2020 the maximum amount of such benefits was EUR 882 thousand (EUR 882 thousand in 2019).

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

## NOTE 22

### GROUP ENTITIES

Group entities	Interest as at 31 December 2020	Interest as at 31 December 2019	Country of incorporation	Parent company
Baan Thai OÜ	100%	100%	Estonia	Tallink Grupp AS
Baltic Retail OÜ	100%	100%	Estonia	Tallink Grupp AS
Hansaliin OÜ	100%	100%	Estonia	Tallink Grupp AS
Hansatee Kinnisvara OÜ	100%	100%	Estonia	Tallink Grupp AS
Hera Salongid OÜ	100%	100%	Estonia	TLG Hotell OÜ
HT Laevateenindus OÜ	100%	100%	Estonia	Tallink Grupp AS
HT Meelelahutus OÜ	100%	100%	Estonia	Tallink Grupp AS
Mare Catering OÜ	100%	100%	Estonia	Tallink Grupp AS
Tallink AS	100%	100%	Estonia	Tallink Grupp AS
Tallink Baltic AS	100%	100%	Estonia	Tallink Grupp AS
Tallink Duty Free AS	100%	100%	Estonia	Tallink Grupp AS
Tallink Fast Food OÜ	100%	100%	Estonia	Tallink Grupp AS
Tallink Scandinavian AS	100%	100%	Estonia	Tallink Grupp AS
Tallink Travel Club OÜ	100%	100%	Estonia	Tallink Grupp AS
LNG Shipmanagement OÜ	100%	100%	Estonia	Tallink Grupp AS
TLG Hotell OÜ	100%	100%	Estonia	Tallink Grupp AS
TLG Stividor OÜ	100%	100%	Estonia	Tallink Grupp AS
Baltic SF VII Ltd	100%	100%	Cyprus	Tallink Grupp AS
Baltic SF VIII Ltd	100%	100%	Cyprus	Tallink Grupp AS
Baltic SF IX Ltd	100%	100%	Cyprus	Tallink Grupp AS
Hansalink Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Autoexpress Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Fast Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Hansaway Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink High Speed Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Sea Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Superfast Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallink Victory Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallinn - Helsinki Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
Tallinn Swedish Line Ltd	100%	100%	Cyprus	Tallink Grupp AS
HTG Stevedoring OY	100%	100%	Finland	Tallink Grupp AS
Tallink Silja OY	100%	100%	Finland	Tallink Scandinavian AS
Sally AB	100%	100%	Finland	Tallink Silja OY
Tallink Silja GMBH	100%	100%	Germany	Tallink Silja OY
Tallink Latvija AS	100%	100%	Latvia	Tallink Grupp AS
BK Properties SIA	100%	-	Latvia	Tallink Latvija AS
HT Shipmanagement SIA	100%	100%	Latvia	HT Laevateenindus OÜ
TLG Hotell Latvija SIA	100%	100%	Latvia	TLG Hotell OÜ
Tallink Fast Food Latvia SIA	100%	100%	Latvia	Tallink Fast Food OÜ
Tallink Fast Food Lithuania UAB	100%	100%	Lithuania	Tallink Fast Food OÜ
Tallink-Ru OOO	100%	100%	Russia	Tallink Grupp AS
Tallink Asia Pte. Ltd	100%	100%	Singapore	Tallink Grupp AS
Tallink Silja AB	100%	100%	Sweden	Tallink Grupp AS
Ingleby (1699) Ltd.	100%	100%	UK	Tallink Grupp AS

## NOTE 23

### FINANCIAL RISK MANAGEMENT

#### Overview

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

- credit risk
- liquidity risk
- market risk

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

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

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

#### Credit risk

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

#### Maximum credit risk was as follows:

As at 31 December, in thousands of EUR	2020	2019	2018
Cash and cash equivalents (Note 8)	27 834	38 877	82 175
Trade and other receivables (Notes 9, 13)	17 984	28 472	34 636
<b>Total</b>	<b>45 818</b>	<b>67 349</b>	<b>116 811</b>

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

The Group's management has established a credit policy under which each new customer with a credit request is analysed individually for creditworthiness before the Group's payment terms and conditions

are offered. Some customers are obliged to present a bank guarantee to meet the credit sale criteria. Customers are assigned credit limits, which represent the maximum exposure that does not require approval from the Group's management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis only. Charterers hiring the Group's vessels have to provide bank guarantees to cover their payment risk.

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

In thousands of EUR	2020	2019	2018
Balance at 1 January	594	436	698
Amounts written off	-179	-57	-523
Impairment loss recognised	128	228	272
Reversal of prior period impairment loss	-4	-13	-11
<b>Balance at 31 December</b>	<b>539</b>	<b>594</b>	<b>436</b>

The Group holds cash and cash equivalents with banking groups that have investment grade credit ratings (BBB or higher).

### Liquidity risk

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

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

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

At 31 December 2020, the Group's cash and cash equivalents totalled EUR 27.8 million (EUR 38.9 million at 31 December 2019). In addition, the Group had available unused overdraft credit lines of EUR 119.3 million (EUR 90.0 million in 2019) and the undrawn part of EUR 90.0 million of a EUR 100.0 million loan from Nordic Investment Bank.

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

Travel restrictions caused by the COVID-19 pandemic induced the Group to pre-emptively request waivers of and amendments to loan covenants. The Group's loan covenants calculated as the net debt to EBITDA ratio were waived and loan covenants concerning liquidity were amended so that the covenants were not breached during 2020. See also Note 24.

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

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

In thousands of EUR, 2020	< 1 year	1-2 years	2-5 years	>5 years	Total
Non-derivative financial liabilities					
Lease liabilities	-75	-183	0	0	-258
Lease liabilities related to right-of-use assets	-14 559	-13 832	-34 556	-39 561	-102 509
Trade and other payables	-46 643	0	0	0	-46 643
Secured bank loan repayments	-82 083	-184 708	-262 125	-61 333	-590 250
Interest payments <sup>1</sup>	-12 789	-11 162	-12 585	-3 151	-39 687
<b>TOTAL</b>	<b>-156 150</b>	<b>-209 886</b>	<b>-309 266</b>	<b>-104 045</b>	<b>-779 347</b>

In thousands of EUR, 2019	< 1 year	1-2 years	2-5 years	>5 years	Total
Non-derivative financial liabilities					
Lease liabilities	-72	-232	0	0	-304
Lease liabilities related to right-of-use assets	-14 175	-13 935	-36 613	-36 854	-101 577
Trade and other payables	-72 634	0	0	0	-72 634
Secured bank loan repayments	-76 083	-175 083	-159 750	-69 000	-479 917
Interest payments <sup>1</sup>	-10 169	-8 429	-11 830	-4 049	-34 476
<b>TOTAL</b>	<b>-173 133</b>	<b>-197 679</b>	<b>-208 193</b>	<b>-109 903</b>	<b>-688 908</b>

In thousands of EUR, 2018	< 1 year	1-2 years	2-5 years	>5 years	Total
Non-derivative financial liabilities					
Finance lease liabilities	-77	-351	0	0	-428
Trade and other payables	-76 033	0	0	0	-76 033
Secured bank loan repayments	-79 750	-76 083	-233 250	-125 583	-514 667
Bond repayment	0	0	0	0	0
Interest payments <sup>1</sup>	-11 129	-9 414	-18 699	-6 911	-46 154

Derivative financial liabilities					
Interest rate swaps <sup>2</sup>	-1 029	0	0	0	-1 029
<b>TOTAL</b>	<b>-168 019</b>	<b>-85 848</b>	<b>-251 949</b>	<b>-132 494</b>	<b>-638 310</b>

<sup>1</sup> Expected, based on the interest rates and interest rate forward curves

<sup>2</sup> Net cash flow, expected, based on the interest rates and interest rate forward curves



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

## Market risk

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

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

### Foreign exchange rate risk

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

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

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

In thousands of EUR, 2020	EUR	USD	SEK	NOK	Other	Total
Cash and cash equivalents	18 286	6	9 539	0	3	27 834
Trade receivables, net of allowance	11 976	0	110	0	5	12 091
Other financial assets	3 024	0	2 859	0	10	5 893
<b>Total</b>	<b>33 286</b>	<b>6</b>	<b>12 508</b>	<b>0</b>	<b>18</b>	<b>45 818</b>
Current portion of borrowings	-111 277	0	-320	0	-4	-111 601
Trade payables	-22 598	-106	-2 715	-8	-51	-25 478
Other current payables	-19 236	0	-8 906	0	-2	-28 144
Non-current portion of borrowings and other liabilities	-593 050	0	-468	0	0	-593 518
<b>Total</b>	<b>-746 161</b>	<b>-106</b>	<b>-12 409</b>	<b>-8</b>	<b>-57</b>	<b>-758 741</b>
<b>Net, EUR</b>	<b>-712 875</b>	<b>-100</b>	<b>99</b>	<b>-8</b>	<b>-39</b>	<b>-712 923</b>

In thousands of EUR, 2019	EUR	USD	SEK	NOK	Other	Total
Cash and cash equivalents	30 845	9	7 924	0	99	38 877
Trade receivables, net of allowance	23 147	0	509	0	28	23 684
Other financial assets	2 888	0	1 889	0	11	4 788
<b>Total</b>	<b>56 880</b>	<b>9</b>	<b>10 322</b>	<b>0</b>	<b>138</b>	<b>67 349</b>
Current portion of borrowings	-88 009	0	-1 127	0	-62	-89 198
Trade payables	-39 677	-174	-4 038	0	-280	-44 169
Other current payables	-26 872	0	-7 771	0	0	-34 643
Interest rate swaps	0	0	0	0	0	0
Non-current portion of borrowings and other liabilities	-488 044	0	-633	0	-5	-488 682
<b>Total</b>	<b>-642 602</b>	<b>-174</b>	<b>-13 569</b>	<b>0</b>	<b>-347</b>	<b>-656 692</b>
<b>Net, EUR</b>	<b>-585 722</b>	<b>-165</b>	<b>-3 247</b>	<b>0</b>	<b>-209</b>	<b>-589 343</b>

In thousands of EUR, 2018	EUR	USD	SEK	NOK	Other	Total
Cash and cash equivalents	74 288	1	7 663	0	223	82 175
Trade receivables, net of allowance	27 886	0	2 058	0	36	29 980
Other financial assets	529	0	4 119	0	8	4 656
<b>Total</b>	<b>102 703</b>	<b>1</b>	<b>13 840</b>	<b>0</b>	<b>267</b>	<b>116 811</b>
Current portion of borrowings	-78 585	0	-73	0	0	-78 658
Trade payables	-40 721	-188	-4 577	0	-305	-45 791
Other current payables	-27 292	0	-8 380	0	0	-35 672
Interest rate swaps	-918	0	0	0	0	-918
Non-current portion of borrowings and other liabilities	-431 126	0	-351	0	0	-431 477
<b>Total</b>	<b>-578 642</b>	<b>-188</b>	<b>-13 381</b>	<b>0</b>	<b>-305</b>	<b>-592 516</b>
<b>Net, EUR</b>	<b>-475 939</b>	<b>-187</b>	<b>459</b>	<b>0</b>	<b>-38</b>	<b>-475 705</b>

A 10% strengthening of the euro against the following currencies at the end of the financial year would have increased (decreased) profit or loss and equity by the amounts shown below. This sensitivity analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2019.

As at 31 December, in thousands of EUR	2020 Profit or loss	2019 Profit or loss	2018 Profit or loss
USD	10	17	19
SEK	-10	670	-46
NOK	1	2	1
Other	4	19	3

#### Interest rate risk

The Group is exposed to interest rate risk through funding and cash management activities. The interest rate risk – the possibility that the future cash flows from

a financial instrument (cash flow risk) will change due to movements in market interest rates – results mainly from bank loans. There are no material interest rate risks related to the assets of the Group.

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

As at 31 December, in thousands of EUR	2020	2019	2018
Fixed rate financial liabilities	137 308	144 890	160 213
Variable rate financial liabilities	449 566	331 413	350 840
<b>Total</b>	<b>586 874</b>	<b>476 303</b>	<b>511 053</b>

A change of 10 basis points in the interest rates of interest-bearing financial instruments at the reporting date would have increased (decreased) profit and

equity by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2019.

In thousands of EUR	2020	2019	2018
10 basis point increase	-450	-331	-326
10 basis point decrease	450	331	326

#### Fair values of financial instruments

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

According to the assessment of the Group's management, as at 31 December 2020 and 31 December 2019 the fair values of assets and liabilities measured at amortised cost did not differ materially from their carrying amounts.

## Capital management

The Group considers total shareholders' equity as capital. As at 31 December 2020 the shareholders' equity was EUR 714 336 thousand (2019: EUR 822 837 thousand). The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business.

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

At the annual general meeting held on 8 February 2011, management introduced the strategic target of reaching the optimal debt level which would allow the Group to start paying dividends. In management's opinion, a comfortable level for the Group's equity ratio is between 40% and 50% and for the net debt to EBITDA ratio an indicator below 5. As at 31 December 2020 the Group's equity ratio was 47.1% and the net debt to EBITDA ratio was 84.2 (2019: 53.7% and 3.1, respectively). See also Note 24.

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

## NOTE 24 COVID-19 PANDEMIC

### Travel restrictions

In 2020, the Group's operations and results were strongly influenced by the COVID-19 situation, the restrictions on international travel and the authorities' advice against travel. As a result of changes in the operating schedules there were 20% less trips compared to 2019. Other limitations included restrictions on the maximum number of passengers on vessels.

Travel restrictions on all routes were in force from March to June and again starting from September. While the restrictions remained limited in most markets during the summer months, the restrictions for international passenger traffic to and from Sweden have been continuously in force since March 2020.

### Short-term outlook of vaccination against COVID-19

The European Union and the Group's home markets are making strong progress with the vaccination process and at the date these financial statements are authorised for issue it can be said that the level of protection against COVID-19 among the adult population in Estonia, Finland and Sweden has reached about 40% (either vaccinated or recovered from COVID-19).

During the second quarter of 2021, the European Union is going to supply its member states with a sufficient volume of vaccines for the vaccination of at least 70% of its member states' adult population during summer 2021 at the latest. Estonia and Finland rank among the top five member states in terms of the vaccination rate.

Management also believes that after the completion of the vaccination period and the start of gradual market recovery there will be good prospects for chartering out the Group's vessels, if necessary.

#### Government assistance

In 2020 EUR 36 642 thousand was received by Group entities as COVID-19 related government assistance from the governments of Estonia, Finland, Sweden and Germany. The assistance has been recognised in other operating income as stated in the table below.

## Other operating income

For the year ended 31 December, in thousands of EUR	2020	2019	2018
Government assistance			
Estonia	15 121	0	0
Finland	9 797	0	0
Sweden	11 660	0	0
Germany	64	0	0
Total government assistance	36 642	0	0
Total other income	697	2 599	0
<b>Total</b>	<b>37 339</b>	<b>2 599</b>	<b>0</b>

Further EUR 10 537 thousand of COVID-19 related aid was paid directly to employees by the Estonian Unemployment Insurance Fund.

In the second quarter of 2020, the Estonian parliament approved a change in legislation granting exemption from ships' fairway dues for twelve months starting from April 2020. The effect of the exemption amounted to EUR 3 418 thousand in 2020.

In order to relieve the liquidity issues caused by the COVID-19 situation, Group entities were allowed to postpone tax payments. The postponed tax liabilities, which amounted to EUR 5 410 thousand at the year-end, will be settled by autumn 2021.

According to the preliminary management accounts, government assistance from the Group's home markets amounted to EUR 6 993 thousand in the first quarter of 2021, including both assistance paid to Group entities and directly to employees. Known government assistance measures are in place also for the second quarter of 2021; however, the amount of assistance is expected to remain lower than in the preceding quarter.

## Loan covenants and waivers

Travel restrictions caused by the COVID-19 pandemic induced the Group to pre-emptively request waivers of and amendments to loan covenants. The Group's loan covenants calculated as the net debt to EBITDA ratio were waived and loan covenants concerning liquidity were amended so that the covenants were not breached during 2020. The Group is in good and continuous dialogue with all of its financial partners.

At the date these financial statements are authorised for issue the Group and its lenders are in advanced stages of negotiations to agree on the amendment and the prolongation of the waivers of financial covenants and the postponement of principal payments under existing loan agreements. Management expects the negotiations to be concluded successfully.

## Lease concessions

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

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group applied the practical expedient for COVID-19 related rent concessions is EUR 2 435 thousand (2019: 0).

## Dividends

Due to a complicated operating environment and considering the Company's long-term interests, management will propose to the shareholders' general meeting not to pay a dividend in 2021 for the results for 2020 (2020: not to pay a dividend from net profit for 2019).

## Liquidity

At 31 December 2020, the Group's cash and cash equivalents totalled EUR 27.8 million (EUR 38.9 million at 31 December 2019). In addition, the Group had available unused overdraft credit lines of EUR 119.3 million (EUR 90.0 million in 2019) and the undrawn part of EUR 90.0 million of a EUR 100.0 million working capital loan from Nordic Investment Bank. In management's opinion, the Group has sufficient liquidity to support its operations.

## Increase in operating efficiency

In 2020, the Group's main focus was on activities aimed at reducing the cost base and increasing efficiency. According to the preliminary management accounts, due to COVID-19 related restrictions revenue for the first quarter of 2021 declined by EUR 125.1 million compared to the first quarter of 2019 (the last pre-COVID-19 comparative period), dropping to EUR 53.7 million, while EBITDA declined in the same comparison by only EUR 10.1 million and to only EUR -6.3 million.

The increase in the period's operating efficiency was strongly supported by the efficiency improvement activities undertaken in 2020. Management expects improved efficiency also from the coming periods.

Due to the ongoing COVID-19 situation the earnings outlook is uncertain and continues to be strongly affected by external factors such as the progress of vaccination, states' decisions regarding the timing of the lifting of travel restrictions and allowing passenger traffic as well as the duration of the recovery period. In Group's main markets - Finland and Estonia - vaccination has progressed at a vigorous rate, providing a positive outlook for a gradual recovery of traffic between Estonia and Finland.

## Going concern

The outbreak of the COVID-19 pandemic and the measures adopted by governments worldwide to control the spread of the virus have had a significant negative effect on the Group's operations, liquidity position and financial performance.

The Group has reduced its cost base, will make significantly less investments compared to 2020, continues to apply for available government assistance, has increased the liquidity buffer and continues negotiations to agree on the amendment and the prolongation of the waivers of financial covenants and the postponement of principal payments under existing loan agreements. Liquidity can also be strengthened through a shareholder contribution or the sale of assets, if needed.

The Management Board is of the opinion that the Group is able to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis as according to the assessment of the Management Board the Group can continue its operations and meet its obligations for the foreseeable future, i.e. for at least 12 months from the date these financial statements are authorised for issue. Should the COVID-19 pandemic continue significantly longer than the Management Board has estimated, and should the measures mentioned above not be realized, the Group will have to review its business plan in order to ensure its ability to continue as a going concern.

## NOTE 25 SUBSEQUENT EVENTS

### Legal action against the Port of Tallinn

In March 2021, AS Tallink Grupp filed an action against AS Tallinna Sadam, the operator of the Port of Tallinn, with a claim of EUR 15.4 million for the fees paid by the Group in 2017, 2018 and 2019. The compensation is demanded for unjust enrichment or alternatively for damage caused by abusing the dominant position AS Tallinna Sadam has in the market for the provision of port services in Old City Harbour.



## NOTE 26

### PRIMARY FINANCIAL STATEMENTS OF THE PARENT

#### Statement of comprehensive income

For the year ended 31 December, in thousands of EUR	2020	2019	2018
Revenue	238 619	450 274	460 392
Cost of sales	-251 534	-360 126	-376 102
Gross loss/profit	-12 915	90 148	84 290
Sales and marketing expenses	-21 439	-38 602	-40 711
Administrative expenses	-24 550	-29 102	-25 960
Impairment loss on receivables	-95	-194	-132
Other operating income	15 066	1 081	1 236
Other operating expenses	-24	-43	-68
Result from operating activities	-43 957	23 288	18 655
Finance income	20 936	14 619	43 662
Finance costs	-20 069	-21 309	-53 910
Share of profit of subsidiaries	140 000	401 600	107 500
Share of loss of equity-accounted investees	-158	-4	4
Profit before income tax	96 752	418 194	115 911
Income tax	876	-8 049	-2 787
<b>Net profit for the year</b>	<b>97 628</b>	<b>410 145</b>	<b>113 124</b>

#### Statement of financial position

As at 31 December, in thousands of EUR	2020	2019	2018 restated	2017 restated	2018
<b>ASSETS</b>					
Cash and cash equivalents	940	2 260	18 165	26 116	18 165
Receivables from subsidiaries	115 240	111 179	157 417	142 997	157 417
Receivables and prepayments	16 852	19 831	23 741	23 429	23 741
Inventories	9 059	10 026	10 037	10 386	10 037
Current assets	142 091	143 296	209 360	202 928	209 360
Investments in subsidiaries	608 679	541 679	484 962	461 951	490 401
Receivables from subsidiaries	614 955	557 746	208 205	219 396	208 205
Investments in equity-accounted investees	245	403	407	403	407
Other financial assets and prepayments	68	68	68	54	68
Property, plant and equipment	401 167	379 281	112 818	142 592	112 818
Intangible assets	12 389	13 584	12 852	12 589	12 852
Non-current assets	1 637 503	1 492 761	819 312	836 985	824 751
<b>TOTAL ASSETS</b>	<b>1 779 594</b>	<b>1 636 057</b>	<b>1 028 672</b>	<b>1 039 913</b>	<b>1 034 111</b>
<b>LIABILITIES AND EQUITY</b>					
Interest-bearing loans and borrowings	133 470	138 000	111 259	199 785	111 259
Derivatives	0	0	918	29 710	918
Payables and deferred income	68 055	96 590	111 901	124 752	111 901
Dividends payable to shareholders	6	6	2	3	2
Tax liabilities	4 571	3 738	3 739	3 783	3 739
Current liabilities	206 102	238 334	227 819	358 033	227 819
Interest-bearing loans and borrowings	682 472	604 331	320 719	290 276	320 719
Derivatives	0	0	0	4 688	0
Non-current liabilities	682 472	604 331	320 719	294 964	320 719
<b>TOTAL LIABILITIES</b>	<b>888 574</b>	<b>842 665</b>	<b>548 538</b>	<b>652 997</b>	<b>548 538</b>
Share capital	314 844	314 844	361 736	361 736	361 736
Share premium	663	663	662	639	662
Reserves	32 159	29 673	27 653	25 345	27 653
Retained earnings	543 354	448 212	90 083	-804	95 522
Equity attributable to equity holders of the Parent	891 020	793 392	480 134	386 916	485 573
Equity	891 020	793 392	480 134	386 916	485 573
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 779 594</b>	<b>1 636 057</b>	<b>1 028 672</b>	<b>1 039 913</b>	<b>1 034 111</b>

## Statement of cash flows

For the year ended 31 December, in thousands of EUR	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the period	97 628	410 145	113 124
<b>Adjustment for:</b>			
Depreciation and amortisation	57 665	69 281	42 648
Net gain on disposals of property, plant and equipment and intangible assets	-3	-12	-104
Net interest expense	-865	6 642	6 588
Net unrealised foreign exchange loss/gain	0	0	4 036
Income from subsidiaries	-140 000	-401 600	-107 500
Income tax	-876	8 049	2 787
Other adjustments	158	22	7 206
Adjustments	-83 921	-317 618	-44 339
Changes in:			
Receivables and prepayments related to operating activities	260	-2 433	-55 783
Inventories	967	11	349
Liabilities related to operating activities	3 709	36 565	47 776
Changes in assets and liabilities	4 936	34 143	-7 658
Cash generated from operating activities	18 643	126 670	61 127
Income tax paid/repaid	0	0	0
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>18 643</b>	<b>126 670</b>	<b>61 127</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant, equipment and intangible assets	-66 558	-26 438	-13 137
Proceeds from disposals of property, plant and equipment	0	8	104
Increase in share capital of subsidiaries	-67 000	-56 750	-23 003
Loans granted to subsidiaries	-37 829	-67 735	-28 150
Repayments of loans granted	88 310	90 600	47 300
Dividends received from subsidiaries	0	6 400	18 052
Proceeds from other financial assets	0	0	0
Interest received	17 833	12 076	10 160
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-65 244</b>	<b>-41 839</b>	<b>11 326</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans	115 000	45 000	110 000
Proceeds from loans from subsidiaries	15 475	26 800	5 600
Repayment of loans	-7 000	-48 750	-35 000
Repayment of loans to subsidiaries	-11 900	-1 700	0
Repayment of bonds	0	0	-120 303
Change in overdraft	1 562	46 390	0
Payments for settlement of derivatives	0	-1 029	-3 569
Payment of lease liabilities	-48 232	-59 435	0
Interest paid	-19 340	-19 451	-13 135
Payment of transaction costs related to loans	-284	-130	-1 113
Dividends paid	0	-33 443	-20 096
Reduction of share capital	0	-46 888	-1
Income tax on dividends paid	0	-8 100	-2 787
<b>NET CASH FROM/USED IN FINANCING ACTIVITIES</b>	<b>45 281</b>	<b>-100 736</b>	<b>-80 404</b>
<b>NET CASH FLOW</b>	<b>-1 320</b>	<b>-15 905</b>	<b>-7 951</b>
Cash and cash equivalents at the beginning of period	2 260	18 165	26 116
Decrease	-1 320	-15 905	-7 951
Cash and cash equivalents at the end of period	940	2 260	18 165

## Statement of changes in equity

In thousands of EUR	Share capital	Share premium	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Total equity
<b>As at 31 December 2019</b>	<b>314 844</b>	<b>663</b>	<b>29 673</b>	<b>0</b>	<b>448 212</b>	<b>793 392</b>
Net profit for 2020	0	0	0	0	97 628	97 628
Transfer from profit for 2019	0	0	2 486	0	-2 486	0
<b>As at 31 December 2020</b>	<b>314 844</b>	<b>663</b>	<b>32 159</b>	<b>0</b>	<b>543 354</b>	<b>891 020</b>
<b>As at 31 December 2018 restated</b>	<b>361 736</b>	<b>662</b>	<b>27 670</b>	<b>-17</b>	<b>90 083</b>	<b>480 134</b>
Initial application of IFRS 16	0	0	0	0	-16 519	-16 519
<b>Adjusted balance as at 1 January 2019</b>	<b>361 736</b>	<b>662</b>	<b>27 670</b>	<b>-17</b>	<b>73 564</b>	<b>463 615</b>
Net profit for 2019	0	0	0	0	410 145	410 145
Transfer from profit for 2018	0	0	2 003	0	-2 003	0
Dividends	0	0	0	0	-33 494	-33 494
Share-based payment transactions	0	1	0	17	0	18
Reduction of share capital	-46 892	0	0	0	0	-46 892
<b>As at 31 December 2019</b>	<b>314 844</b>	<b>663</b>	<b>29 673</b>	<b>0</b>	<b>448 212</b>	<b>793 392</b>

In thousands of EUR	2020	2019
Unconsolidated equity at 31 December	891 020	793 392
Interests under control and significant influence:		
Carrying amount	-608 924	-542 082
Value under the equity method	432 240	571 527
<b>Adjusted unconsolidated equity at 31 December</b>	<b>714 336</b>	<b>822 837</b>

# STATEMENT BY THE MANAGEMENT BOARD

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

The Management Board confirms that:

- The consolidated financial statements are in compliance with International Financial Reporting

Standards (IFRS) as adopted by the European Union.

- The consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group and the Parent.
- Tallink Grupp AS and its subsidiaries are able to continue as going concerns for at least one year after the date of approval of these consolidated financial statements.

**Paavo Nõgene**

Chairman of the Management Board




**Lembit Kitter**

Member of the Management Board




**Kadri Land**

Member of the Management Board



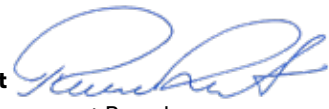

**Harri Hanschmidt**

Member of the Management Board




**Piret Mürk-Dubout**

Member of the Management Board




Tallinn, 20 April 2021





# Independent Auditors' Report

To the Shareholders of Tallink Grupp AS

## Report on the Audit of the Consolidated Financial Statements

### Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tallink Grupp AS and its subsidiaries (collectively, the Group) as at 31 December 2020, and of 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.

### What we have audited

We have audited the consolidated financial statements of the Group, which comprise:

- the consolidated statement of financial position as at 31 December 2020,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- the consolidated statement of changes in equity for the year then ended, and
- the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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

### Independence

We are independent of the Group in accordance with the ethical requirements of the Auditor's Activities Act of the Republic of Estonia and with the ethical requirements of the ethics standards for professional accountants as set in the same act, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Material uncertainty related to going concern

We draw attention to Note 24 to the consolidated financial statements which describes how the COVID-19 pandemic and the restrictions on international travel have negatively influenced the Group's operations, liquidity position and financial performance. Management's assessment of the Group's ability to continue as a going concern is based on business plans, which take into account different scenarios for the COVID-



19 pandemic, as well as the activities described in the Note 24 which are aimed at strengthening the Group's liquidity. These circumstances along with other matters presented in the Note 24 indicate that a material uncertainty may arise on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Audit Scope

Because we are solely responsible for our audit opinion, we are also responsible for the direction, supervision and performance of the group audit. In this respect, we have determined the type of work to be performed on the financial information of the entities (components) within the Group based on their financial significance and/or the other risk characteristics.

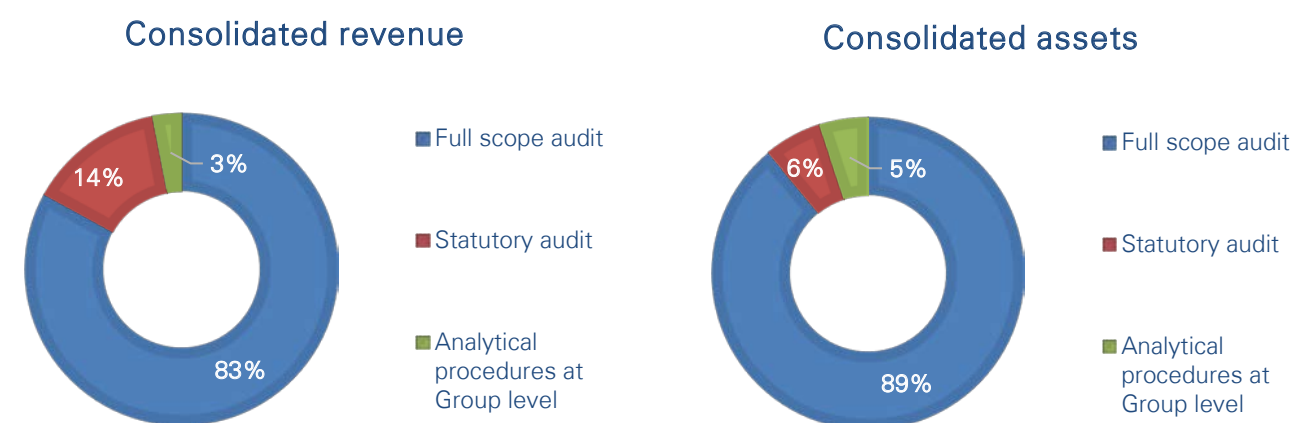
We, as group auditors, determined 16 of the Group's 47 entities to be significant Group components and we subjected those components to a full scope audit. These components include Tallink Grupp AS, Tallink Silja Oy, Tallink Ltd, Tallink Fast Ltd, Tallink Victory Line Ltd, Tallink Autoexpress Ltd, Tallink High Speed Line Ltd, Tallink Sea Line Ltd, Tallink Hansaway Ltd, Baltic SF VII Ltd, Baltic SF VIII Ltd, Baltic SF IX Ltd, Tallinn – Helsinki Line Ltd, Tallink Line Ltd, Hansalink Ltd, Tallinn Swedish Line Ltd.

We have used the results of statutory audits of financial statements of Tallink AS, Tallink Duty Free AS, HT Laevateenindus OÜ, Hansaliin OÜ and TLG Hotell OÜ to provide audit evidence for the Group audit.

For the remaining 26 non-significant components, we performed analytical procedures at Group level to re-examine our assessment that there were no significant risks of material misstatement within them.

We also performed procedures over the consolidation process at Group level.

Coverage of the Group's consolidated revenue and consolidated total assets with procedures performed:



The audit work on the financial information of the significant Group components was performed by the Group audit team in Estonia, except for the audit work of Tallink Silja Oy, which was performed by KPMG component auditor in Finland. The Group audit team instructed the component auditor as to the areas to be covered and determined the information required to be reported to the Group audit team. We had regular communications with the component auditor and executed audit file reviews, where necessary.

By performing the procedures mentioned above over the Group entities, together with additional procedures at the Group level, we have been able to obtain sufficient and appropriate audit evidence to form an opinion on the consolidated financial statements as a whole.



## 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.

Fair value of ships	
Refer to Note 14 to the consolidated financial statements for further information.	
The key audit matter	How the matter was addressed in our audit
<p>The Group's property, plant and equipment include ships, which are measured at revalued amounts (i.e. fair value less depreciation charged subsequent to the date of the revaluation). The carrying value of the Group's ships as at 31 December 2020 was EUR 1 134 564 thousand.</p> <p>The fair value of ships depends on many factors, including changes in the fleet composition, current and forecast market values and technical factors which may affect the useful life expectancy of the assets and therefore could have a material impact on any impairment charges or the depreciation charge for the year. In order to assess the fair value of the ships, the Group's management used independent appraisers.</p> <p>We have identified the carrying value of ships as a key audit matter because of its significance to the consolidated financial statements and because applying the Group's accounting policies in this area involves a significant degree of judgement by management in considering the nature, timing and likelihood of changes to the factors noted above which may affect both the carrying value of the Group's ships as well the depreciation charge for the current year and future years.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"><li>• assessing the methodologies used by the external appraisers to estimate the fair values of the ships;</li><li>• evaluating the independent external appraisers' competence, capabilities and objectivity;</li><li>• evaluating the historical accuracy of the Group's assessment of the fair values of the ships by comparing them to transaction prices in prior years;</li><li>• testing the adequacy of the capitalized expenditures of the ships;</li><li>• analysing the estimates of useful lives and residual values and comparing them to published estimates of other international ship operators; and</li><li>• assessing the adequacy of the consolidated financial statement disclosures.</li></ul>



## Recognition of deferred tax assets

Refer to Note 6 to the consolidated financial statements for further information.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2020 the Group has recognised deferred tax assets of EUR 23 471 thousand for deductible temporary differences and unused tax losses that it believes are recoverable.</p> <p>The recoverability of recognised deferred tax assets is in part dependent on the Group's ability to generate future taxable profits sufficient to utilise deductible temporary differences and tax losses (before the latter expire).</p> <p>We have determined this to be a key audit matter, due to the inherent uncertainty of forecasting the amount and timing of future taxable profits and the reversal of temporary differences.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"><li>• evaluating the Group's process to prepare the deferred tax calculation, including the Group's budgeting procedures upon which the forecasts are based;</li><li>• using our own tax specialists to evaluate the tax strategies the Group expects will enable the successful recovery of the recognised deferred tax assets;</li><li>• assessing the accuracy of forecast future taxable profits by evaluating the historical forecasting accuracy and comparing the assumptions, such as projected growth rates, with our own expectations of those assumptions derived from our knowledge of the industry and our understanding obtained during our audit, including where applicable their consistency with business plans; and</li><li>• evaluating the adequacy of the consolidated financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.</li></ul>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the consolidated annual 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. 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.



## 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 the 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 judgment 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, 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, related safeguards.

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 matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 30 July 2020 to audit the financial statements of Tallink Grupp AS for the year ended 31 December 2020. Our total uninterrupted period of engagement is 14 years, covering the periods ending 31 August 2007 to 31 December 2020.

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

Tallinn, 20 April 2021

**Eero Kaup**  
Certified Public Accountant, Licence No 459

**KPMG Baltics OÜ**  
Licence No 17

**KPMG Baltics OÜ**

Narva mnt 5  
Tallinn 10117  
Estonia

KPMG Baltics OÜ, an Estonian limited liability Group and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Reg no 10096082.



# GRI CONTENT INDEX

This report has been prepared in accordance with the GRI Standards: Core option.

GRI Standard	Disclosure number	Disclosure title	Location	Information
<b>GRI 101: Foundation 2016</b>				
<b>GRI 102: General Disclosures 2016</b>				
<b>Organizational profile</b>				
	102-1	Name of the organization	13, 14	
	102-2	Activities, brands, products, and services	13-25	
	102-3	Location of headquarters	184	
	102-4	Location of operations	13, 184	
	102-5	Ownership and legal form	30, 92-105	
	102-6	Markets served	13, 31, 37-38, 42-43, 80	
	102-7	Scale of the organization	13-33	
	102-8	Information on employees and other workers	60-67	Disclosures includes information that is considered relevant for outlining differences between different employee and other worker categories, also taking into consideration regular seasonal changes.
	102-9	Supply chain	82-83	
	102-10	Significant changes to the organization and its supply chain	82-83	
	102-11	Precautionary Principle or approach	44-46	
	102-12	External initiatives	51-52, 58-59, 69-71, 73, 75, 78-79, 81, 85-89	
	102-13	Membership of associations	66-67, 88	
<b>Strategy</b>				
	102-14	Statement from senior decision-maker	6-7	The statement does not cover the relevance and strategy of sustainability.
	102-15	Key impacts, risks, and opportunities	44-46	
<b>Ethics and integrity</b>				
	102-16	Values, principles, standards, and norms of behavior	26-29	
<b>Governance</b>				
	102-18	Governance structure	92-99	

<b>Stakeholder engagement</b>				
	102-40	List of stakeholder groups	25, 30, 61, 93	
	102-41	Collective bargaining agreements	66-67	
	102-42	Identifying and selecting stakeholders	26-27, 51-53, 82-89	
	102-43	Approach to stakeholder engagement	26-27, 51-53, 82-89	
	102-44	Key topics and concerns raised	26-27, 46, 51-52, 58, 62, 69-73	
<b>Reporting practice</b>				
	102-45	Entities included in the consolidated financial statements	30	GRI disclosures take into consideration all entities included in the consolidated financial statements.
	102-46	Defining report content and topic Boundaries	51-52	
	102-47	List of material topics	51-52	
	102-48	Restatements of information		There are no restatements of information given in previous reports
	102-49	Changes in reporting		There are no significant changes from previous reporting periods in the list of material topics and topic boundaries
	102-50	Reporting period		01.01.2020 – 31.12.2020
	102-51	Date of most recent report		29.04.2021
	102-52	Reporting cycle		Annual
	102-53	Contact point for questions regarding the report		Katri.link@tallink.ee
	102-54	Claims of reporting in accordance with the GRI Standards		This report has been prepared in accordance with the GRI Standards: Core option
	102-55	GRI content index	178-183	
	102-56	External assurance		GRI information has not been subjected to external assurance

## Material topics Economic Performance

GRI 103: Management Approach 2016	103-1 to 103-3		36-49	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	108-113	
	201-2	Financial implications and other risks and opportunities due to climate change	44-46	
<b>Procurement Practices</b>				
GRI 103: Management Approach 2016	103-1 to 103-3		82-83	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	82-83	Reported based on proportion of number of suppliers (more extensive group-wide monitoring has not been a strategic priority).

Anti-corruption				
GRI 103: Management Approach 2016	103-1 to 103-3		26-27	
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken		N/A
Energy				
GRI 103: Management Approach 2016	103-1 to 103-3		73-75	
GRI 302: Energy 2016	302-3	Energy intensity	73-75	Disclosure includes information about fuel consumption as the major source of energy
Water				
GRI 103: Management Approach 2016	103-1 to 103-3		75	
GRI 303: Water 2016	303-3	Water recycled and reused	75-77	Disclosure includes information about general principles of water discharge and volume of sewage (more extensive group-wide monitoring has not been a strategic priority).
Biodiversity				
GRI 103: Management Approach 2016	103-1 to 103-3		78	
GRI 304: Biodiversity 2016	304-2	Significant impacts of activities, products, and services on biodiversity	78-79	.
Emissions				
GRI 103: Management Approach 2016	103-1 to 103-3		73-75	
GRI 305: Emissions 2016	305-4	GHG emissions intensity	74	
Effluents and Waste				
GRI 103: Management Approach 2016	103-1 to 103-3		76	
GRI 306: Effluents and waste	306-1	Water discharge by quality and destination	76-77	Disclosure includes information that can be directly managed by the Company (more extensive group-wide monitoring has not been a strategic priority).
	306-2	Waste by type and disposal method	76	Disclosure includes major types of waste. The company hands over waste at ports to port authorities.
	306-3	Significant spills	72-73	

Environmental Compliance				
GRI 103: Management Approach 2016	103-1 to 103-3		68	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations		N/A
	non-GRI	Environmenal related incidents	72-73	
Supplier Environmental Assessment				
GRI 103: Management Approach 2016	103-1 to 103-3		82-83	
GRI 308: Supplier Environmental Assessment	308-2	Negative environmental impacts in the supply chain and actions taken		No negative environmental impacts were identified.
Employment				
GRI 103: Management Approach 2016	103-1 to 103-3		61-67	
GRI 401: Employment	401-1	New employee hires and employee turnover	66	Disclosure includes information in as much detail as is collected by Group companies in line with the concept of materiality.
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	64-65	Disclosure includes overview of benefits provided to employees (more extensive group-wide monitoring has not been a strategic priority).
	non-GRI	Employer brand attractiveness	62	
Labor/Management Relations				
GRI 103: Management Approach 2016	103-1 to 103-3		66-67	
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	66-67	
Occupational Health and Safety				
GRI 103: Management Approach 2016	103-1 to 103-3		65	
GRI 403: Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	65	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	65	Disclosure includes information about Company`s employees (more extensive group-wide monitoring has not been a strategic priority).

Training and Education				
GRI 103: Management Approach 2016	103-1 to 103-3		55-57, 63-64	
GRI 404: Training and Education	404-1	Average hours of training per year per employee	64	Disclosure includes general overview of hours of trainings (more extensive group-wide monitoring has not been a strategic priority).
	404-2	Programs for upgrading employee skills and transition assistance programs	64-65	Disclosure includes information about programs for upgrading employee skills (more extensive group-wide monitoring has not been a strategic priority).
	404-3	Percentage of employees receiving regular performance and career development reviews	62	
	non-GRI	Employees who received trainings	55-57, 63-64	
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1 to 103-3		66-67	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	56-57, 66-67	
Non-discrimination				
GRI 103: Management Approach 2016	103-1 to 103-3		66-67	
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	66-67	
Freedom of Association and Collective Bargaining				
GRI 103: Management Approach 2016	103-1 to 103-3		66-67	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	66-67	Disclosure includes information about Company's employees (more extensive group-wide monitoring has not been a strategic priority).
Security Practices				
GRI 103: Management Approach 2016	103-1 to 103-3		55-57	
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	67	
Local Communities				
GRI 103: Management Approach 2016	103-1 to 103-3		85-89	
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	85-89	Disclosure focuses on information about passenger and cargo transport as these operations have major impact on environmental and local communities
	non-GRI	Contribution to community projects	85-89	


Supplier Assessment for Labor Practices				
GRI 103: Management Approach 2016	103-1 to 103-3		82-83	
GRI 414: Supplier Social Assessment	414-2	Negative social impacts in the supply chain and actions taken		
		No negative social impacts were identified.		
Public Policy				
GRI 103: Management Approach 2016	103-1 to 103-3		83	
GRI 415: Public Policy 2016	415-1	Political contributions	83	
Customer Health and Safety				
GRI 103: Management Approach 2016	103-1 to 103-3		58-59, 80-83	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	55-57	Disclosure focuses on information about fleet and marine safety as these operations carry the major health and safety risks
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		
		No incidents were identified.		
	non-GRI	Marine Safety and Security Trainings	55-57	
Marketing and Labeling				
GRI 103: Management Approach 2016	103-1 to 103-3		83-84	
GRI 417: Marketing and Labeling 2016	417-3	Incidents of non-compliance concerning marketing communications	83-84	
Customer Privacy				
GRI 103: Management Approach 2016	103-1 to 103-3		84	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	84	
Compliance				
GRI 103: Management Approach 2016	103-1 to 103-3		83-84	
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	83-84	



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