

ANNUAL REPORT 2020

TALLINK GRUPP AS



Beginning of the financial year	1 January 2020
End of the financial year	31 December 2020

CONTENTS

THE GROUP	4
STRATEGY.....	4
LETTER TO SHAREHOLDERS.....	5
MANAGEMENT REPORT.....	8
CORPORATE GOVERNANCE REPORT	22
MANAGEMENT BOARD'S CONFIRMATION.....	37
CONSOLIDATED FINANCIAL STATEMENTS.....	38
Consolidated statement of profit or loss and other comprehensive income	38
Consolidated statement of financial position	39
Consolidated statement of cash flows	40
Consolidated statement of changes in equity	41
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	43
Note 1 Corporate information.....	43
Note 2 Basis of preparation	43
Note 3 Significant accounting policies.....	49
Note 4 Segment information.....	66
Note 5 Operating expenses and financial items.....	70
Note 6 Income tax	71
Note 7 Earnings per share (EPS)	73
Note 8 Cash and cash equivalents	74
Note 9 Trade and other receivables	74
Note 10 Prepayments	74
Note 11 Inventories.....	75
Note 12 Investments in equity-accounted investees.....	75
Note 13 Other financial assets and prepayments	76
Note 14 Property, plant and equipment	76
Note 15 Intangible assets.....	79
Note 16 Interest-bearing loans and borrowings	80
Note 17 Trade and other payables	83
Note 18 Deferred income	83

Note 19 Share capital and reserves.....	84
Note 20 Contingencies and commitments	85
Note 21 Related party disclosures.....	87
Note 22 Group entities	89
Note 23 Financial risk management	90
Note 24 COVID-19 pandemic.....	95
Note 25 Subsequent events	97
Note 26 Primary financial statements of the Parent	98
STATEMENT BY THE MANAGEMENT BOARD	102
INDEPENDENT AUDITORS' REPORT	103
ALTERNATIVE PERFORMANCE MEASURES	109
CONTACT INFORMATION	112

THE GROUP

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 routes between Estonia, Finland, Sweden and Latvia under the brand names of “Tallink” and “Silja Line”. The Group has a fleet of 15 vessels that include cruise ferries, high-speed ro-pax ferries and ro-ro cargo vessels. In addition, the Group operates three quality hotels in Tallinn city centre and one in Riga, and, as the Burger King franchise owner in the Baltics, eight restaurants of the 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 and on shore, and a growing online presence in the Group’s home markets.

STRATEGY

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

LETTER TO SHAREHOLDERS

Dear shareholders

The past year has undoubtedly been a challenging one not only for Tallink Grupp and the global tourism and transport industries, but for the whole world. The sudden shock of the COVID-19 pandemic breaking out in March 2020 and the lockdowns, restrictions and the global health and economic crisis that followed, have had a clear and significant impact on our business and many others. Despite our own tremendous efforts throughout the year to keep our nose above water and all the external support we have so gratefully received from the authorities and our partners, 2020 will go down in history as the year of unprecedented reductions, decreases and losses on all fronts.

Although we had limited control over our fortunes in these circumstances, we focused on what we could influence and what was in our power to change, leaving no stone unturned to reduce the negative impacts of the global crisis on Tallink Grupp and to secure the liquidity and long-term sustainability of the Company. From the outset of the pandemic, the natural priority for us was the health, safety and well-being of all our people – employees, passengers, partners. Extremely rigorous protocols for hygiene, disinfecting and virus control were introduced across the Group already in February, even before the global crisis broke. This is probably why we have managed to avoid any outbreaks of the virus on our vessels and in our hotels and offices despite continued operations and we must give credit for the significant effort all our crew members have made to ensure this.

In addition to safety, our immediate focus was also on tightening our control of all costs. Over the year we scrutinised and negotiated many cost items with our partners – in most cases with success, in others with various degrees of success – and postponed all non-critical investments.

From a long-term sustainability perspective, it made sense to suspend some of our normal operations during periods of extremely low market demand to reduce costs, while offering our customers several creative alternative travel options during summer 2020, when restrictions eased for a period and travellers in the region were yearning for some distraction from the crisis. If nothing else, the crisis has certainly shown us that we are far more agile, flexible and quick-thinking than we, as a large company, would have imagined.

The toughest part of the year, however, lay ahead for us after the summer. Once it transpired that the virus was returning, it became clear that more long-term and significant cost-cutting was necessary. This was something we had hoped to avoid. New restrictions from September onwards and the second wave of the pandemic meant we had no option but to say goodbye to many of our professional and dedicated employees. By the end of the year, the number of our staff had decreased by 42%, that is by more than 3 000, and the number of people on payroll was just close to 3 800. In this crisis we witnessed the flexibility or rigidity of labour legislation having a direct impact on the need for redundancies – most took place in Estonia and Latvia while the setup in Finland and Sweden has allowed more flexibility to retain staff. There was, however, a small positive development from the personnel perspective in 2020 as well, with the Estonian government approving payroll tax incentives for seafarers, something which has been in place in all our other home markets already for years.

Overall, we are very grateful to all our home market governments and authorities for all the support we have received. Together with the support from the financial institutions, the liquidity management efforts have been successful, with the total liquidity buffer at the end of 2020 improving compared to the start of the year. In addition, the decision by our good shareholders not to distribute dividends in 2020, provided significant support for our liquidity.

When times are hard, keep your focus and sights on the future. This was also what we did, and it helped keep us motivated and focused. The key project that we moved on with in 2020 was the construction of our new LNG fuelled high-speed ro-pax ferry MyStar, which will start operating on the Tallinn-Helsinki route in a year and, together with its sister-vessel and also LNG-based Megastar, will establish a “green bridge” between the capital cities of Estonia and Finland.

The crisis also brought the need for the diversification of our business into sharper focus and the need for urgent development and investments in certain areas. It is no surprise then that the areas we quickly homed in on and developed were our online shop – providing our customers, who were trapped and locked-down at home, with great contactless opportunities to still purchase their favourite travel retail products and much more; and adding cargo capacity between our countries with the acquisition of the ro-pax ferry Sailor, as cost-effective cargo transportation continued to be vital during the crisis.

The biggest development challenge during the year proved to be the launch of the Burger King franchise in the Baltics during the restrictions imposed on the food and beverage sectors and the ongoing travel restrictions. It is testament to the utter determination, drive and excellence of the Tallink Grupp team, that by the end of the year the contractually agreed eight restaurants were opened in the three Baltic countries, against all odds and despite all obstacles. The past year was the launch of the start-up phase for the Burger King franchise with more substantial contribution to growth and results to be yielded in the coming years.

As travel restrictions continue in early 2021, nearly half of our fleet is currently still suspended in ports in our home markets, but we remain hopeful that they will return to the seas in summer 2021 as soon as the restrictions are lifted. Until then we continue to seek possible alternatives to put these assets into use with chartering being our key focus.

Dear shareholders,

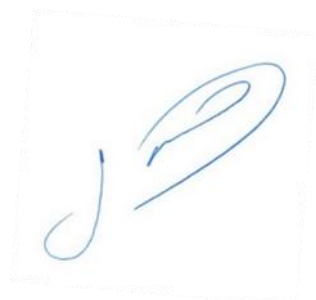
We are clearly not out of the woods yet, as the saying goes. No doubt 2021 will still bring many challenges for us and the world, but as a result of the measures we took in 2020, we believe we are far more efficient, lean, agile and flexible as a company today and in a strong position to move forward in 2021 and beyond. The pandemic has unexpectedly given us an opportunity to take stock of where we are and where we need to be as a business and has enabled us to restructure ourselves in a way that positions us well for post-COVID market recovery.

No one still knows how 2021 will unfold in detail, but we are quietly hopeful and optimistic that the vaccine roll-out, digital travel passport development initiatives and many other steps currently being taken across the world, will soon lead to a new dawn and move us into the recovery period. We are monitoring the situation carefully, preparing for both positive and negative development scenarios and evaluating the best course of action for returning to our scheduled services once the situation normalises. One thing is for sure and our customers tell us this every day – when the virus retreats, people WILL want to travel.

With all the above in mind, it is probably not surprising to any of you that the Management Board has proposed not to distribute dividends in 2021 and it will remain the case until we are back on a more solid footing with our cash flows once again. On our part we will continue to take every step to control costs and, in constructive cooperation with the financing institutions and the group of our lender banks, we are confident that we will manage to retain the necessary liquidity for sustainable long-term operations.

The year 2020 forced us to become a more lean, efficient, dynamic and flexible organization, prepared and ready to take on any challenges that might come our way. We are grateful to all our employees, customers, partners and shareholders for your continued faith and trust in us and in our future. Our team at Tallink Grupp is working with all hands on deck, keeping our sights on the horizon and is ready to prove that our ships will continue to sail steadily after this storm.

Yours sincerely,



Paavo Nõgene

Chairman of the Management Board

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.

Number of passengers carried by the Group's ships in 2020

3.7 million

The Group's revenue for 2020

EUR **442.9** million



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 Härnösand.

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.



Key figures

For the year ended 31 December	2020	2019	2018
Revenue (EUR million)	442.9	949.1	949.7
Gross loss/profit (EUR million)	-43.5	196.9	183.8
EBITDA ^{1 2} (EUR million)	8.0	171.1	142.8
EBIT ¹ (EUR million)	-92.6	74.9	63.5
Net loss/profit for the period (EUR million)	-108.3	49.7	40.0
Depreciation and amortisation ² (EUR million)	100.7	96.2	79.3
Capital expenditures ^{1 3} (EUR million)	100.1	73.2	36.4
Weighted average number of ordinary shares outstanding	669 882 040	669 881 045	669 882 040
Earnings per share ¹	-0.16	0.07	0.06
Number of passengers ¹	3 732 102	9 763 210	9 756 611
Number of cargo units ¹	359 811	379 634	384 958
Average number of employees ¹	6 104	7 270	7 430
As at 31 December	2020	2019	2018
Total assets (EUR million)	1 516.2	1 533.0	1 500.9
Total liabilities (EUR million)	801.9	710.1	644.0
Interest-bearing liabilities (EUR million)	705.1	577.9	510.1
Net debt ¹ (EUR million)	677.3	539.0	428.0
Net debt to EBITDA ^{1 2}	84.2	3.1	3.0
Total equity (EUR million)	714.3	822.8	856.9
Equity ratio ¹ (%)	47.1%	53.7%	57.1%
Number of ordinary shares outstanding	669 882 040	669 882 040	669 865 540
Equity per share ¹	1.07	1.23	1.28
Ratios¹	2020	2019	2018
Gross margin (%)	-9.8%	20.7%	19.4%
EBITDA margin (%) ²	1.8%	18.0%	15.0%
EBIT margin (%)	-20.9%	7.9%	6.7%
Net loss/profit margin (%)	-24.5%	5.2%	4.2%
ROA (%)	-6.1%	4.8%	4.1%
ROE (%)	-14.1%	6.0%	5.6%
ROCE (%)	-7.2%	5.7%	5.2%
Current ratio	0.4	0.5	0.8

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

² 2018 without IFRS 16 adoption effect.

³ Does not include additions to right-of-use assets.

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.

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 Hännösand.

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.

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

Geographical segments	2020	%	2019	%
Finland - Sweden	149 485	33.7%	344 404	36.3%
Estonia - Finland	200 439	45.3%	353 978	37.3%
Estonia - Sweden	34 858	7.9%	112 271	11.8%
Latvia - Sweden	15 390	3.5%	72 535	7.6%
Other	45 196	10.2%	73 727	7.8%
Intercompany eliminations	-2 434	-0.5%	-7 795	-0.8%
Total revenue of the Group	442 934	100.0%	949 119	100.0%

Operating segments	2020	%	2019	%
Restaurant and shop sales on-board and on mainland	228 487	51.6%	536 569	56.5%
Ticket sales	95 628	21.6%	240 653	25.4%
Sales of cargo transportation	93 960	21.2%	119 078	12.5%
Sales of accommodation	4 022	0.9%	16 083	1.7%
Income from charter of vessels	9 968	2.3%	8 289	0.9%
Other	10 869	2.5%	28 449	3.0%
Total revenue of the Group	442 934	100.0%	949 119	100.0%

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
Silja Europa	Cruise ferry	1993/2016	Finland-Estonia	overnight cruise
Star	High-speed ro-pax	2007	Finland-Estonia	shuttle service
Megastar	High-speed ro-pax	2017	Finland-Estonia	shuttle service
Sea Wind	Ro-ro cargo vessel	1972/1989	Finland-Estonia	cargo transportation
Baltic Queen	Cruise ferry	2009	Sweden-Estonia	overnight cruise
Victoria I	Cruise ferry	2004	Sweden-Estonia	overnight cruise
Regal Star	Ro-ro cargo vessel	1999	Sweden-Estonia	cargo transportation
Sailor	Ro-ro cargo vessel	1987	Sweden-Estonia	cargo transportation
Silja Symphony	Cruise ferry	1991	Finland-Sweden	overnight cruise
Silja Serenade	Cruise ferry	1990	Finland-Sweden	overnight cruise
Galaxy	Cruise ferry	2006	Finland-Sweden	overnight cruise
Baltic Princess	Cruise ferry	2008	Finland-Sweden	overnight cruise
Romantika	Cruise ferry	2002	Sweden-Latvia	overnight cruise
Isabelle	Cruise ferry	1989	Sweden-Latvia	overnight cruise
Atlantic Vision	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
Finland-Sweden	980 076	2 894 494	-66.1%
Estonia-Finland	2 439 972	5 115 602	-52.3%
Estonia-Sweden	172 226	953 153	-81.9%
Latvia-Sweden	139 828	799 961	-82.5%
Total	3 732 102	9 763 210	-61.8%

Cargo units	2020	2019	Change
Finland-Sweden	70 088	78 095	-10.3%
Estonia-Finland	244 481	242 142	1.0%
Estonia-Sweden	40 193	42 845	-6.2%
Latvia-Sweden	5 049	16 552	-69.5%
Total	359 811	379 634	-5.2%

Passenger vehicles	2020	2019	Change
Finland-Sweden	80 768	158 699	-49.1%
Estonia-Finland	596 661	827 106	-27.9%
Estonia-Sweden	10 788	61 981	-82.6%
Latvia-Sweden	14 485	62 528	-76.8%
Total	702 702	1 110 314	-36.7%

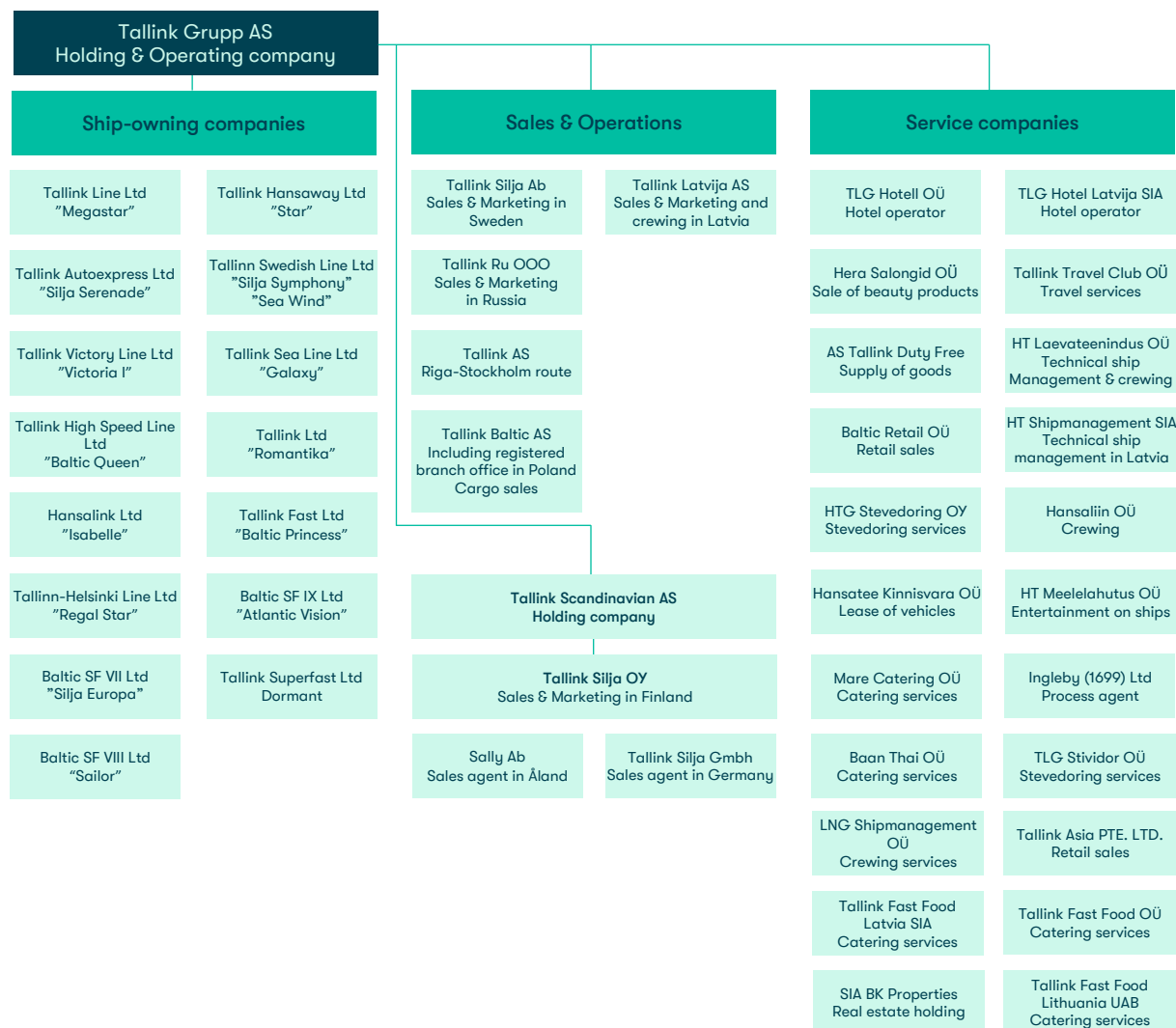
The Group's market shares on routes operated in 2020 were as follows:

- 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.

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.

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
Onshore total	1 123	1 623	-30.8%
Estonia	671	976	-31.3%
Finland	272	414	-34.3%
Sweden	122	147	-17.0%
Latvia	40	67	-40.3%
Russia	12	13	-7.7%
Germany	6	6	0.0%
Onboard	2 750	5 109	-46.2%
Burger King ¹	206	0	-
Hotel ¹	121	508	-76.2%
Total	4 200	7 240	-42.0%

¹ 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).

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 TAL1T (REUTERS: TAL1T.TL, BLOOMBERG: TAL1T 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 shareholders	Number of shares	% of share capital
1 - 99	2 373	12.7%	83 720	0.0%
100 - 999	6 703	35.9%	2 721 361	0.4%
1 000 - 9 999	8 404	45.0%	20 400 659	3.0%
10 000 - 99 999	1 037	5.6%	25 291 095	3.8%
100 000 - 999 999	118	0.6%	33 815 703	5.0%
1 000 000 - 9 999 999	33	0.2%	98 158 850	14.7%
10 000 000 +	7	0.0%	489 410 652	73.1%
Total	18 675	100.0%	669 882 040	100.0%

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%
Total	669 882 040	100.0%

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%
Total	18 675	669 882 040	100.0%

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	Number of shareholders	Number of shares	% of share capital
Principal shareholder, Infortar AS	1	262 889 736	39.2%
Institutional investors	1 429	345 507 929	51.6%
Private individuals	17 245	61 484 375	9.2%

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.

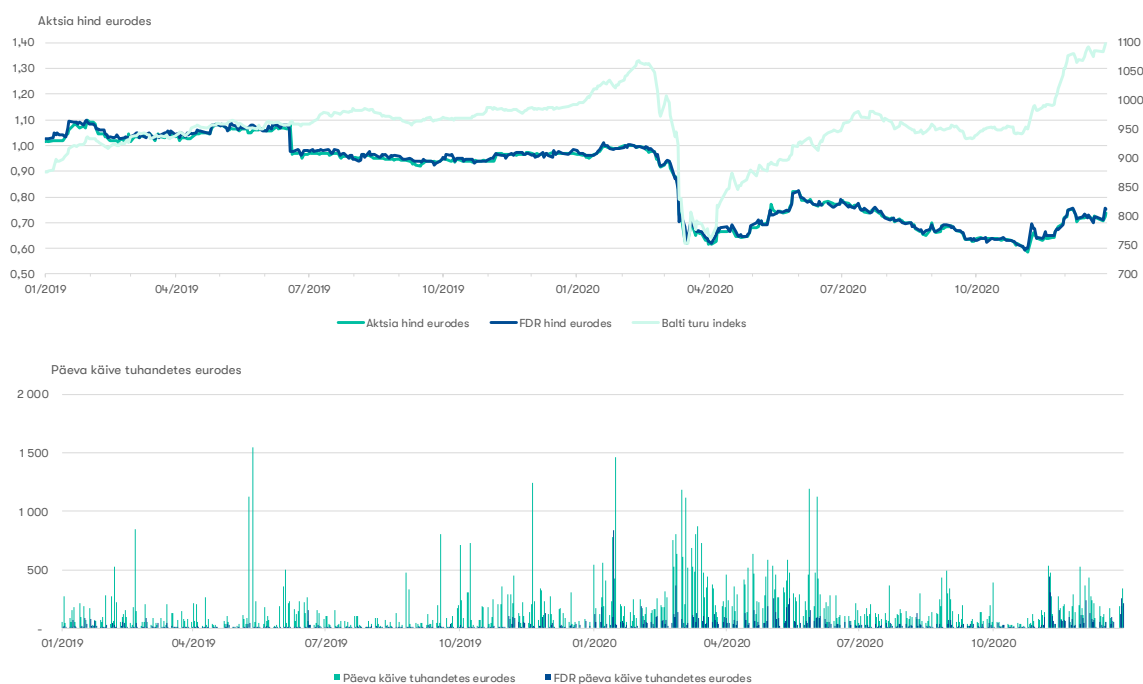
Two shareholders of Tallink Grupp AS, Baltic Cruises Holding L.P. ("BCH") and Baltic Cruises Investment L.P. ("BCI"), and another shareholder, Citigroup Venture Capital International Growth Partnership (Employee) II L.P. ("CVCI"), concluded an agreement that restricts the free transferability of Tallink 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 average	Payout	Market value, EUR million	P/E ratio
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.

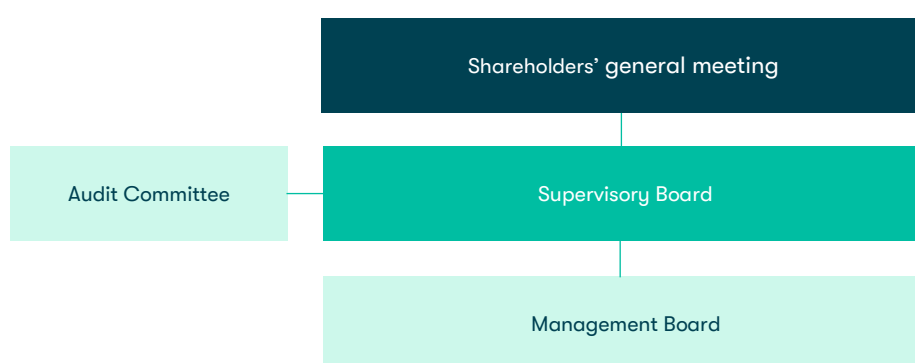
Due to a complicated operating environment and considering the Company's long-term interests, the Management Board has decided to prepare a proposal to the shareholders' annual general meeting not to pay a dividend for 2020.

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. The notice includes information on where the meeting will be held.

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

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

In the reporting period 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
Infotrar 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.

Key management personnel

Supervisory board

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

- Chairman of the Management Board from 1996 to 2015, Chief Executive Officer
- Chairman of the Supervisory Board of Infotrar 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

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 Infotrar 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

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

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

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

- 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

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 organization, including the roles of a Member of the Management Board between 2012 and 2015, and since 2016 the role of the Head of the Group's Global Operations and Logistics
- Member of the Supervisory Board of AS Tallinna Lennujaam and Chairwoman of the Supervisory Board of Tallink Silja AB
- Member of the Management Board of the Swedish Maritime Employers' Association and Member of the Management Board of the Swedish Chamber of Commerce in Estonia
- Graduated from the Faculty of Chemistry and Physics, the University of Tartu, Estonia, in 1987

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

- Has been working for the Group since 2009 and has held positions of Head of Investor Relations and Head of the Finance Department among other roles
- Since 2015 has held the position of the Group Head of Strategic Projects
- Worked in various roles in Estonian IT sector organizations prior to joining 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

Safety and security

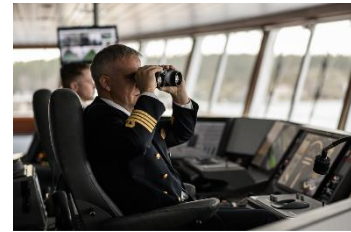
In the Group's operations the safety and security of people, environment and property are of the utmost importance. The Group's Safety Management System complies with the ISM (International Safety Management) and ISPS (International Ship Port Facility Security) Codes and the requirements according to 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.



Environmental and corporate social responsibility

The Group recognises the role it plays as a significant employer, large corporation, transport provider and a key economic player in its home markets and the increasing and urgent need to ensure that its operations and activities strongly support the global sustainable development goals. It is with this clear understanding in mind that management adopted the Group's sustainable development strategy and high-level goals and more clearly linked its sustainability activities with the UN Sustainable Development Goals going forward.

The Group's current sustainability focus areas have been selected based on impact assessment and include actions to reduce any negative impacts and take steps to increase the Group's positive impact on the sea, the climate, the resources and the people.



Environmental protection and management remains one of the highest priorities for the Group with every effort made across all Group activities and business areas to reduce marine and atmospheric pollution, increase energy efficiency, reduce the use of chemicals and pollutants, preserve and protect resources and reduce waste.

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.

The Group participates in an EU funded project TWIN PORT 3, carried out in 2018-2023, which focuses on reducing the environmental impact of the increasing ro-pax ferry traffic and continues to improve the multimodal transport link between Helsinki and Tallinn. On-shore power supply systems are being installed in Tallinn Old City Harbour and Helsinki Olympia and West Terminal, the Group's ferries will also be installed with shore power reception technology in order to make it possible to turn off ships internal combustion engines while in port to assure a silent, vibration and exhaust free stay in port, contributing to a cleaner living and working environment in the surrounding areas of the ports.

During 2020 preparations for High Voltage Shore Connection progressed at the Port of Tallinn Old City Harbour. The connection for Silja Europa was completed by the Port of Tallinn in 2020 and relevant modifications onboard the vessel were also completed. At the Port of Stockholm, Silja Symphony was using shore power during the year and, to some extent also Baltic Queen at the Port of Tallinn. The taxation policies for the use of shore power are still required to be revised in order to provide some incentives for shipowners to use this solution while the ships are berthed instead of using the ships' auxiliary engines for power generation.

The Port of Helsinki is currently developing shore power capability in Helsinki South Harbour and this is expected to be completed by the end of 2021.

In 2020 preparations for the installation of an auto-mooring system on quay 5 in Tallinn Old City Harbour also progressed. This quay is used by Tallink's shuttle ships Star and Megastar. The auto-mooring system will be similar to the one already in use in Helsinki West Harbour, although a slightly upgraded version, and will further speed up the mooring and unmooring process, thus reducing noise and emissions.

To further reduce its environmental footprint in 2020, the Group partnered with E-Marine in order to find the best possible ways to reduce power consumption on ships that are currently suspended in ports. The solution includes a partial shut-down of some HVAC systems in order to use as little fuel as possible during the lay-ups.

In 2020 the Group's ISO 14001 certificate was renewed. Due to the COVID-19 situation, the renewal process started with a remote office audit in April and continued with physical ships' audits in September. The Company received the new ISO 14001:2015 certificate in October 2020.

A 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 employer in the region with over 7 200 employees at the start of 2020, a corporation providing services to millions of passengers and customers throughout the year and a business with thousands of business partners across the globe, Tallink Grupp recognises its responsibilities and the key role it needs to play in setting an example as an organization caring for and looking after **people**. In 2020, more than ever, the Group was faced with challenges in this area in terms of the physical protection and safety of people, the mental well-being following major HR processes, remote working challenges, and the added responsibilities and pressures arising from the pandemic situation.

Throughout the year 2020, the Group's primary objective was to ensure the safety of all its people, with numerous steps taken to prevent the spread of the virus on all of the Group's premises, as well as numerous internal and external policies adopted to prioritise everyone's health, safety and well-being at the time of crisis. For example, implementing remote working for office workers for most of the year, limiting the number of passengers on board vessels for social distancing, providing a mental health helpline for employees, etc.

All necessary HR processes were carried out following the principles of equality, transparency, fairness and best interest of the people and with strong leadership. As a multinational company, Tallink highly values and supports diversity and has zero tolerance for any form of discrimination. The Group regularly trains its employees on human rights issues and, in partnership with regional NGOs and authorities, educates its staff on diversity, equality and human rights topics.

The Group's own gender and nationality mix is a great example of diversity with a gender mix of 53% male, 47% female across the group, and a Management Board mix of 60% male, 40% female.

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

Despite unprecedented reductions in revenues and suspension of operations, the Group honoured its support and sponsorship agreements signed in previous years also in 2020, providing vital lifelines to other struggling sectors, such as sports and culture. However, the Group and its employees also went above the agreements in place and supported others in need. For example, Tallink employees volunteered with the Tallinn City Ambulance in spring 2020, the Group donated left-over food from the vessels to Food Banks, furniture and furnishings left over from Tallink City hotel renovations were all donated to organizations providing social housing and services across Estonia, and much more.

The Group continues to support the areas of environmental protection and circular economy, children and young people and sports in all its markets.

A more detailed overview of the Group's sustainable development goals, plans, policies and activities is provided in the Group's Yearbook.

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.

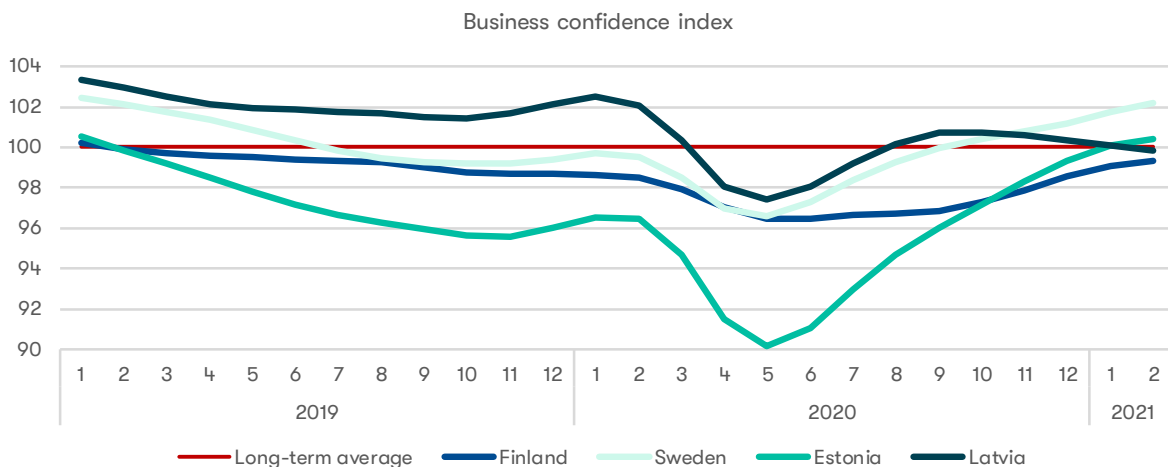
The dynamics of the environment are reflected in the volume of cargo units transported by the Group in 2020 – down 5.2% overall, but up 1.0% on the Estonia-Finland route. Yet the market conditions regarding price competition remained challenging, resulting in an overall decline both in the number of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

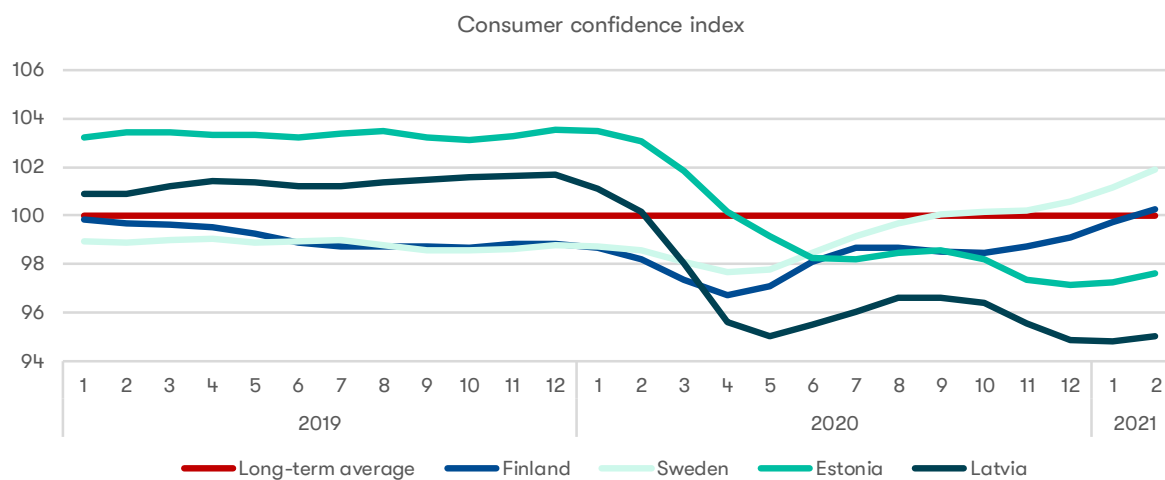
Average fuel prices were notably lower in 2020 than a year earlier. Combined with the effect of fuel price-fixing agreements with suppliers, effective fuel prices were, on average, 39% lower than in 2019. In addition to the decrease in the market price of fuel, the cost was affected by changes in the 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	2021f
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	2021f
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	2021f
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



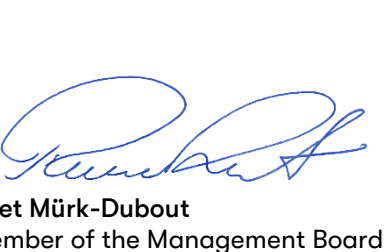
Lembit Kitter
Member of the Management Board



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

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
Revenue (Note 4)	442 934	949 119
Cost of sales (Note 5)	-486 388	-752 234
Gross loss/profit	-43 454	196 885
Sales and marketing expenses (Note 5)	-37 817	-67 727
Administrative expenses (Note 5)	-48 263	-56 555
Impairment loss on receivables (Note 23)	-128	-228
Other operating income (Note 24)	37 339	2 599
Other operating expenses	-298	-106
Result from operating activities	-92 621	74 868
Finance income (Note 5)	1	995
Finance costs (Note 5)	-17 843	-18 674
Share of loss of equity-accounted investees (Note 12)	-158	-4
Loss/profit before income tax	-110 621	57 185
Income tax (Note 6)	2 313	-7 467
Net loss/profit	-108 308	49 718
Net loss/profit attributable to equity holders of the Parent	-108 308	49 718
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translating foreign operations	-193	161
Other comprehensive income	-193	161
Total comprehensive income	-108 501	49 879
Total comprehensive income attributable to equity holders of the Parent	-108 501	49 879
Basic and diluted earnings per share (in EUR, Note 7)	-0,162	0,074

Consolidated statement of financial position

As at 31 December, in thousands of EUR

	2020	2019
ASSETS		
Cash and cash equivalents (Note 8)	27 834	38 877
Trade and other receivables (Note 9)	25 463	37 606
Prepayments (Note 10)	7 216	6 805
Prepaid income tax	0	67
Inventories (Note 11)	28 707	37 255
Current assets	89 220	120 610
Investments in equity-accounted investees (Note 12)	245	403
Other financial assets and prepayments (Note 13)	2 233	1 619
Deferred income tax assets (Note 6)	20 270	18 674
Investment property	300	300
Property, plant and equipment (Note 14)	1 363 485	1 347 093
Intangible assets (Note 15)	40 448	44 264
Non-current assets	1 426 981	1 412 353
TOTAL ASSETS	1 516 201	1 532 963
LIABILITIES AND EQUITY		
Interest-bearing loans and borrowings (Notes 16, 24)	111 601	89 198
Trade and other payables (Note 17)	73 477	98 926
Payables to owners	6	6
Income tax liability	10	0
Deferred income (Note 18)	23 253	33 314
Current liabilities	208 347	221 444
Interest-bearing loans and borrowings (Notes 16, 24)	593 518	488 682
Non-current liabilities	593 518	488 682
Total liabilities	801 865	710 126
Share capital (Note 19)	314 844	314 844
Share premium (Note 19)	663	663
Reserves (Note 19)	69 854	69 608
Retained earnings	328 975	437 722
Equity attributable to equity holders of the Parent	714 336	822 837
Total equity	714 336	822 837
TOTAL LIABILITIES AND EQUITY	1 516 201	1 532 963

Consolidated statement of cash flows

For the year ended 31 December, in thousands of EUR

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss/profit for the period	-108 308	49 718
Adjustments for:		
Depreciation and amortisation (Notes 14, 15)	100 660	96 249
Net loss/gain on disposals of property, plant and equipment	110	-80
Net interest expense (Note 5)	17 273	17 644
Net expense from derivatives (Note 5)	0	111
Loss from equity-accounted investees (Note 12)	158	4
Net unrealised foreign exchange gain/loss	-179	107
Treasury shares	0	18
Income tax (Note 6)	-717	8 207
Adjustments	117 305	122 260
Changes in:		
Receivables and prepayments related to operating activities	10 822	4 740
Inventories	8 548	-1 514
Liabilities related to operating activities	-35 307	-311
Changes in assets and liabilities	-15 937	2 915
Cash generated from operating activities	-6 940	174 893
Income tax paid	-107	-317
NET CASH USED IN/FROM OPERATING ACTIVITIES	-7 047	174 576
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	-100 024	-60 887
Proceeds from disposals of property, plant and equipment	115	192
Interest received	1	1
NET CASH USED IN INVESTING ACTIVITIES	-99 908	-60 694
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans received	125 000	45 000
Repayment of loans received	-14 667	-79 750
Change in overdraft (Note 16)	15 736	0
Payments for settlement of derivatives	0	-1 029
Payment of lease liabilities	-12 565	-14 822
Interest paid	-16 290	-16 717
Payment of transaction costs related to loans	-1 302	-1 431
Dividends paid (Note 19)	0	-33 443
Reduction of share capital	0	-46 888
Income tax on dividends paid (Note 19)	0	-8 100
NET CASH FROM/USED IN FINANCING ACTIVITIES	95 912	-157 180
TOTAL NET CASH FLOW	-11 043	-43 298
Cash and cash equivalents at the beginning of period	38 877	82 175
Change in cash and cash equivalents (Note 8)	-11 043	-43 298
Cash and cash equivalents at the end of period	27 834	38 877

Consolidated statement of changes in equity

In thousands of EUR	Share capital	Share premium	Translation reserve	Ships re-valuation reserve	Legal reserve	Reserve for treasury shares	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
As at 31 December 2019	314 844	663	430	39 505	29 673	0	437 722	822 837	822 837
Net loss for 2020	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	-193	-193
Total comprehensive income for 2020	0	0	-193	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	-2 486	0	0
Transfer from revaluation reserve	0	0	0	-2 047	0	0	2 047	0	0
Reduction of share capital	0	0	0	0	0	0	0	0	0
Total transactions with owners of the Company, recognised directly in equity	0	0	0	-2 047	2 486	0	-439	0	0
As at 31 December 2020	314 844	663	237	37 458	32 159	0	328 975	714 336	714 336

In thousands of EUR	Share capital	Share premium	Translation reserve	Ships re-valuation reserve	Legal reserve	Reserve for treasury shares	Retained earnings	Equity attributable to equity holders of the Parent	Total equity
As at 31 December 2018	361 736	662	269	41 552	27 670	-17	425 044	856 916	856 916
Initial application of IFRS 16	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	421 454	853 326	853 326
Net profit for 2019	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	161	161
Total comprehensive income for 2019	0	0	161	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	-2 003	0	0
Transfer from revaluation reserve	0	0	0	-2 047	0	0	2 047	0	0
Dividends	0	0	0	0	0	0	-33 494	-33 494	-33 494
Share-based payment transactions	0	1	0	0	0	17	0	18	18
Reduction of share capital	-46 892	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	-33 450	-80 368	-80 368
As at 31 December 2019	314 844	663	430	39 505	29 673	0	437 722	822 837	822 837

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
2020							
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
Revenue	200 439	34 858	15 390	149 485	45 196	-2 434	442 934
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
Loss before income tax							-110 621
Income tax							2 313
Net loss for the period							-108 308
Segment's assets	406 793	264 552	108 667	455 998	146 738	-4	1 382 744
Unallocated assets							133 457
Assets							1 516 201
Segment's liabilities	23 843	9 315	3 683	50 985	82 707	-4	170 529
Unallocated liabilities							631 336
Liabilities							801 865
Capital expenditures							
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

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
2019							
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
Revenue	353 977	112 271	72 535	344 404	73 727	-7 795	949 119
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
Profit before income tax							57 185
Income tax							-7 467
Net profit for the period							49 718
Segment's assets	425 129	267 695	118 042	493 764	146 778	-490	1 450 918
Unallocated assets							82 045
Assets							1 532 963
Segment's liabilities	62 108	24 022	9 932	75 157	87 737	-490	258 466
Unallocated liabilities							451 660
Liabilities							710 126
Capital expenditures							
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
Total revenue from contracts with customers	396 248	32 795	429 043	874 307	66 523	940 830
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
Total revenue from other sources	3 924	9 967	13 891	8 880	-591	8 289
Total revenue of the Group	400 172	42 762	442 934	883 187	65 932	949 119

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
Trade and other receivables	25 463	37 606
Contract liabilities		
Club One points	9 855	11 250
Prepaid revenue	13 398	22 064
Total contract liabilities	23 253	33 314

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
Cost of goods sold	-116 624	-221 139
Port & stevedoring costs	-68 122	-103 469
Fuel costs	-56 341	-89 614
Staff costs	-116 818	-163 148
Ships' operating expenses	-37 048	-72 698
Depreciation and amortisation (Notes 14, 15)	-86 249	-82 710
Cost of travel package sales	-2 201	-10 684
Other costs	-2 985	-8 772
Total cost of sales	-486 388	-752 234

Sales and marketing expenses

For the year ended 31 December, in thousands of EUR	2020	2019
Advertising expenses	-11 152	-30 350
Staff costs	-21 653	-31 612
Depreciation and amortisation (Notes 14, 15)	-2 463	-1 970
Other costs	-2 549	-3 795
Total sales and marketing expenses	-37 817	-67 727

Administrative expenses

For the year ended 31 December, in thousands of EUR	2020	2019
Staff costs	-23 253	-28 748
Depreciation and amortisation (Notes 14, 15)	-11 948	-11 569
Other costs	-13 062	-16 238
Total administrative expenses	-48 263	-56 555

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
Wages and salaries	-139 328	-195 829
Government grants	23 306	36 724
Social security costs	-42 972	-59 490
Staff training costs	-728	-1 577
Other staff costs	-2 002	-3 336
Total staff costs	-161 724	-223 508

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
Employees under employment contract	5 825	6 939
Employees under service contract	274	326
Members of the Management Board	5	5
Total average number of employees	6 104	7 270

Finance income and finance costs recognised in profit or loss

For the year ended 31 December, in thousands of EUR	2020	2019
Net foreign exchange gain	0	76
Income on foreign exchange derivatives	0	0
Income on interest rate swaps	0	918
Income from other financial assets	1	1
Total finance income	1	995
Net foreign exchange loss	-569	0
Interest expense on financial liabilities measured at amortised cost	-14 989	-15 308
Expenses on interest rate swaps	0	-1 029
Interest expense on lease liabilities related to right-of-use assets	-2 285	-2 337
Total finance costs	-17 843	-18 674
Net finance costs	-17 842	-17 679

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
Latvian subsidiaries	0	-3
Finnish subsidiaries	-147	-150
German subsidiary	-10	-4
Estonian subsidiaries and Parent company	874	-8 050
Current period tax expense	717	-8 207
Swedish subsidiaries	-35	-625
Finnish subsidiaries	1 631	1 365
German subsidiaries	0	0
Deferred tax expense	1 596	740
Total tax expense	2 313	-7 467

Reconciliation of the effective tax rate

For the year ended 31 December, in thousands of EUR	2020	%	2019	%
Loss/profit before tax	-110 621		57 185	
Tax using the Company's domestic rate	0	0,00%	0	0,00%
Tax arising on dividends declared in Estonia	0	0,00%	-8 050	-14,08%
Current income tax expense in foreign jurisdictions	717	-0,65%	-157	-0,27%
Change in recognised tax losses	1 013	-0,92%	157	0,27%
Change in temporary differences	583	-0,53%	583	1,02%
Income tax expense	2 313	-2,10%	-7 467	-13,06%

Deferred tax assets and liabilities

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

Deferred tax assets and liabilities are attributable to the following

As at 31 December, in thousands of EUR	Assets 2020	Liabilities 2020	Assets 2019	Liabilities 2019
Tax loss carry-forward ¹	23 471	0	22 458	0
Intangible assets	0	-3 201	0	-3 784
Tax assets / liabilities	23 471	-3 201	22 458	-3 784
Offset of assets and liabilities	-3 201	3 201	-3 784	3 784
Tax assets	20 270	0	18 674	0

¹ 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
Tax loss carry-forward	23 471	1 013	22 458
Intangible assets	-3 201	583	-3 784
Net deferred tax asset	20 270	1 596	18 674

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
Shares issued	669 882	669 882
Treasury shares	0	0
Shares outstanding	669 882	669 882

For the year ended 31 December, in thousands of EUR	2020	2019
Weighted average number of ordinary shares outstanding (in thousands)	669 882	669 881
Net loss/profit attributable to equity holders of the Parent	-108 308	49 718
EPS (EUR)	-0,162	0,074

Note 8 Cash and cash equivalents

As at 31 December, in thousands of EUR	2020	2019
Cash at bank and in hand	27 834	38 877
Total cash and cash equivalents	27 834	38 877

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
Trade receivables	12 571	24 067
Allowance for doubtful receivables	-539	-594
Government grants receivable	7 810	9 285
Receivables from related parties	59	211
Other receivables	5 562	4 637
Total trade and other receivables	25 463	37 606

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
Prepaid expenses	4 287	5 654
Tax prepayments	2 929	1 151
Total prepayments	7 216	6 805

As at 31 December in thousands of EUR	2020	2019
Tax prepayments		
VAT	1 640	806
Other prepayments	1 289	345
Total tax prepayments	2 929	1 151

The balance of prepaid expenses includes mostly prepayments for insurance.

Note 11 Inventories

As at 31 December, in thousands of EUR	2020	2019
Raw materials (mostly fuel)	4 506	3 382
Goods for sale	24 201	33 873
Total inventories	28 707	37 255

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 investees

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
Investments at the beginning of financial year	403	407
Share of loss of equity-accounted investee	-158	-4
Investments at the end of financial year	245	403

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

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

Note 13 Other financial assets and prepayments

As at 31 December, in thousands of EUR	2020	2019
Equity securities	177	167
Other receivables	331	151
Prepaid expenses	1 725	1 301
Total other financial assets	2 233	1 619

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
Book value as at 31 December 2019	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
Book value as at 31 December 2020	1 477	1 134 564	54 483	94 738	78 223	1 363 485
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
As at 31 December 2018						
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
Book value as at 31 December 2019	1 870	1 173 534	56 985	97 723	16 981	1 347 093
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

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

In thousands of EUR	Buildings and premises	Plant and equipment	Total right-of- use assets
Book value as at 31 December 2019	97 142	581	97 723
Additions	13 038	709	13 747
Disposals	-90	-241	-331
Depreciation for the period	-15 988	-413	-16 401
Book value as at 31 December 2020	94 102	636	94 738
As at 31 December 2020			
Gross carrying amount	124 491	1 288	125 779
Accumulated depreciation	-30 389	-652	-31 041
As at 31 December 2018			
Book value as at 31 December 2018	0	0	0
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
Book value as at 31 December 2019	97 142	581	97 723
As at 31 December 2019			
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	Significant unobservable inputs
Market comparison technique, cost approach: independent appraisers consider both approaches. They scan the market and look at second-hand sales of similar ships and analyse general demand for the particular ship in various parts of the world. Also, they look at the construction cost of the ship less reasonable depreciation and the construction prices of similar new ships today.	Sales prices of similar ships Level of demand for particular ships Construction prices of ships Maintenance and repair programme of ships

The frequency of revaluations depends on changes in fair values which are assessed at each year-end. When fair value differs materially from the carrying amount, further revaluation is performed.

Management is of the opinion that as at 31 December 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
Net carrying amount	1 097 106

As at 31 December 2019	In thousands of EUR
Cost	1 771 452
Accumulated depreciation	-637 423
Net carrying amount	1 134 029

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 ¹	Trademark ²	Other ³	Assets under construction	Total
Book value as at 31 December 2019	11 066	18 922	13 055	1 221	44 264
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
Book value as at 31 December 2020	11 066	16 006	12 829	547	40 448
As at 31 December 2020					
Cost	11 066	58 288	40 357	547	110 258
Accumulated amortisation	0	-42 282	-27 528	0	-69 810
Book value as at 31 December 2018	11 066	21 838	12 000	1 260	46 164
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
Book value as at 31 December 2019	11 066	18 922	13 055	1 221	44 264
As at 31 December 2019					
Cost	11 066	58 288	36 870	1 221	107 445
Accumulated amortisation	0	-39 366	-23 815	0	-63 181

Intangible asset classes

¹ 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.

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

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

Note 16 Interest-bearing loans and borrowings

As at 31 December 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 ¹	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
Total borrowings		111 601	593 518	705 119

As at 31 December 2019, in thousands of EUR	Maturity	Current portion	Non-current portion	Total borrowings
Lease liabilities	2020-2021	72	232	304
Lease liabilities related to right-of-use assets ¹	2020-2030	14 175	87 402	101 577
Long-term bank loans	2020-2029	74 951	401 048	475 999
Total borrowings		89 198	488 682	577 880

¹ 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	Lease liabilities	Right-of-use assets' liabilities	Derivatives	Reserves	Retained earnings	Total
Balance as at 31 December 2019	0	475 999	304	101 577	0	69 608	437 722	1 085 210
Changes from financing cash flows								
Proceeds from loans	0	125 000	0	0	0	0	0	125 000
Repayment of loans	0	-14 667	0	0	0	0	0	-14 667
Change in overdraft	15 736	0	0	0	0	0	0	15 736
Payment of lease liabilities	0	0	-95	-12 470	0	0	0	-12 565
Interest paid	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	-1 302
Total changes from financing cash flows	15 736	109 031	-95	-12 470	0	0	-16 290	95 912
The effect of changes in foreign exchange rates	0	0	12	2	0	-193	0	-179
Liability-related changes								
New leases	0	0	79	13 747	0	0	0	13 826
Transfer from retained earnings	0	0	0	0	0	2 486	-2 486	0
Transfer from revaluation reserve	0	0	0	0	0	-2 047	2 047	0
Termination of old leases	0	0	-42	-347	0	0	0	-389
Amortisation of capitalised borrowing costs	0	1 162	0	0	0	0	0	1 162
Capitalised borrowing costs	0	424	0	0	0	0	0	424
Interest paid	0	0	0	0	0	0	16 290	16 290
Total liability-related changes	0	1 586	37	13 400	0	439	15 851	31 313
Total equity-related changes	0	0	0	0	0	0	-108 308	-108 308
Balance as at 31 December 2020	15 736	586 616	258	102 509	0	69 854	328 975	1 103 948

In thousands of EUR	Bank overdrafts	Long-term bank loans	Lease liabilities	Right-of-use assets' liabilities	Derivatives	Reserves	Retained earnings	Total
Balance as at 31 December 2018	0	509 707	428	0	918	69 474	425 044	1 005 571
Initial application of IFRS 16	0	0	0	104 360	0	0	0	104 360
Adjusted balance as 1 January 2019	0	509 707	428	104 360	918	69 474	425 044	1 109 931
Changes from financing cash flows								
Proceeds from loans	0	45 000	0	0	0	0	0	45 000
Repayment of loans	0	-79 750	0	0	0	0	0	-79 750
Payments for settlement of derivatives	0	0	0	0	-1 029	0	0	-1 029
Payment of lease liabilities	0	0	-101	-14 721	0	0	0	-14 822
Interest paid	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	-1 431
Dividends paid	0	0	0	0	0	0	-33 443	-33 443
Reduction of share capital	0	0	0	0	0	0	-46 888	-46 888
Income tax on dividends paid	0	0	0	0	0	0	-8 100	-8 100
Total changes from financing cash flows	0	-36 181	-101	-14 721	-1 029	0	-105 148	-157 180
The effect of changes in foreign exchange rates	0	0	-9	-45	0	161	0	107
Changes in fair value	0	0	0	0	111	0	0	111
Liability-related changes								
New leases	0	0	17	12 297	0	0	0	12 314
Transfer from retained earnings	0	0	0	0	0	2 003	-2 003	0
Transfer from revaluation reserve	0	0	0	0	0	-2 047	2 047	0
Termination of old leases	0	0	-31	-314	0	0	0	-345
Amortisation of capitalised borrowing costs	0	1 172	0	0	0	0	0	1 172
Capitalised borrowing costs	0	1 301	0	0	0	0	0	1 301
Treasury shares	0	0	0	0	0	17	0	17
Reduction of share capital	0	0	0	0	0	0	46 888	46 888
Income tax on dividends paid	0	0	0	0	0	0	8 049	8 049
Interest paid	0	0	0	0	0	0	16 717	16 717
Total liability-related changes	0	2 473	-14	11 983	0	-27	71 698	86 113
Total equity-related changes	0	0	0	0	0	0	46 128	46 128
Balance as at 31 December 2019	0	475 999	304	101 577	0	69 608	437 722	1 085 210

Note 17 Trade and other payables

As at 31 December, in thousands of EUR	2020	2019
Trade payables	24 002	42 316
Other payables	1 516	2 751
Payables to employees	19 129	25 393
Interest payable	1 996	2 174
Tax liabilities	19 861	20 120
Other accruals	6 973	6 172
Total trade and other payables	73 477	98 926

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
Salary-related taxes	15 042	15 072
Excise duties	1 001	1 799
VAT	3 818	3 248
Other taxes	0	1
Total tax liabilities	19 861	20 120

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
Club One points	9 855	11 250
Prepaid revenue	13 398	22 064
Total deferred income	23 253	33 314

Note 19 Share capital and reserves

As at 31 December, in thousands	2020	2019
The number of shares issued and fully paid	669 882	669 882
Total number of shares	669 882	669 882

As at 31 December, in thousands of EUR	2020	2019
Share capital (authorised and registered)	314 844	314 844
Total share capital	314 844	314 844
Share premium	663	663
Total share premium	663	663

According to the articles of association of the Parent, the maximum number of ordinary shares is 2 400 000 000. Each share grants one vote at the shareholders' general meeting. Shares acquired by the transfer of ownership are eligible for participating in and voting at a general meeting only if the ownership change is recorded in the Estonian Central Registry of Securities at the time used to determine the list of shareholders for the given 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
Translation reserve	237	430
Ships' revaluation reserve	37 458	39 505
Legal reserve	32 159	29 673
Total reserves	69 854	69 608

Translation reserve

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

Ships' revaluation reserve

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

Legal reserve

The legal reserve has been formed in accordance with the Estonian Commercial Code. The legal reserve is formed by means of yearly net profit transfers. At least 1/20 of net profit must be transferred to the legal reserve, until the reserve amounts to 1/10 of share capital. The legal reserve

may be used to cover losses and to increase share capital but it may not be used to make distributions to owners.

Dividends

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.

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 (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
< 1 year	17 892	18 313
1-5 years	74 993	70 422
> 5 years	21 951	29 487
Total minimum lease payments	114 836	118 222

Right-of-use assets

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

In thousands of EUR	Buildings and premises	Plant and equipment	Total right-of-use assets
Book value as at 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
Book value as at 31 December 2020	94 102	636	94 738
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
Book value as at 31 December 2019	97 142	581	97 723

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
Lease expenses under IFRS 16	-17 493

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
Lease expenses under IFRS 16	-19 928

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
< 1 year	9 425	8 773
1-5 years	8 904	0
Total minimum charter payments	18 329	8 773

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
Total	720	18 444	59	89 177

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
Total	951	24 280	211	95 017

The following goods and services were purchased from related parties:

For the year ended 31 December, in thousand of EUR	2020	2019
Leases	12 172	14 922
Fuel	4 871	6 727
Other goods and services	1 401	2 631
Total goods and services	18 444	24 280

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 December 2020	31 Interest as at December 2019	31 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
Cash and cash equivalents (Note 8)	27 834	38 877
Trade and other receivables (Notes 9, 13)	17 984	28 472
Total	45 818	67 349

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
Balance at 1 January	594	436
Amounts written off	-179	-57
Impairment loss recognised	128	228
Reversal of prior period impairment loss	-4	-13
Balance at 31 December	539	594

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 ¹	-12 789	-11 162	-12 585	-3 151	-39 687
Total	-156 150	-209 886	-309 266	-104 045	-779 347

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 ¹	-10 169	-8 429	-11 830	-4 049	-34 476
Total	-173 133	-197 679	-208 193	-109 903	-688 908

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

² 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	Other	Total
Cash and cash equivalents	18 286	6	9 539	3	27 834
Trade receivables, net of allowance	11 976	0	110	5	12 091
Other financial assets	3 024	0	2 859	10	5 893
Total	33 286	6	12 508	18	45 818
Current portion of borrowings	-111 277	0	-320	-4	-111 601
Trade payables	-22 598	-106	-2 715	-51	-25 478
Other current payables	-19 236	0	-8 906	-2	-28 144
Non-current portion of borrowings and other liabilities	-593 050	0	-468	0	-593 518
Total	-746 161	-106	-12 409	-57	-758 741
Net, EUR	-712 875	-100	99	-39	-712 923

In thousands of EUR, 2019	EUR	USD	SEK	Other	Total
Cash and cash equivalents	30 845	9	7 924	99	38 877
Trade receivables, net of allowance	23 147	0	509	28	23 684
Other financial assets	2 888	0	1 889	11	4 788
Total	56 880	9	10 322	138	67 349
Current portion of borrowings	-88 009	0	-1 127	-62	-89 198
Trade payables	-39 677	-174	-4 038	-280	-44 169
Other current payables	-26 872	0	-7 771	0	-34 643
Non-current portion of borrowings and other liabilities	-488 044	0	-633	-5	-488 682
Total	-642 602	-174	-13 569	-347	-656 692
Net, EUR	-585 722	-165	-3 247	-209	-589 343

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
USD	10	17
SEK	-10	670
NOK	1	2
Other	4	19

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
Fixed rate financial liabilities	137 308	144 890
Variable rate financial liabilities	449 566	331 413
Total	586 874	476 303

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
10 basis point increase	-450	-331
10 basis point decrease	450	331

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
Government assistance		
Estonia	15 121	0
Finland	9 797	0
Sweden	11 660	0
Germany	64	0
Total government assistance	36 642	0
Total other income	697	2 599
Total	37 339	2 599

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
Revenue	238 619	450 274
Cost of sales	-251 534	-360 126
Gross loss/profit	-12 915	90 148
Sales and marketing expenses	-21 439	-38 602
Administrative expenses	-24 550	-29 102
Impairment loss on receivables	-95	-194
Other operating income	15 066	1 081
Other operating expenses	-24	-43
Result from operating activities	-43 957	23 288
Finance income	20 936	14 619
Finance costs	-20 069	-21 309
Share of profit of subsidiaries	140 000	401 600
Share of loss of equity-accounted investees	-158	-4
Profit before income tax	96 752	418 194
Income tax	876	-8 049
Net profit for the year	97 628	410 145

Statement of financial position

As at 31 December, in thousands of EUR	2020	2019
ASSETS		
Cash and cash equivalents	940	2 260
Receivables from subsidiaries	115 240	111 179
Receivables and prepayments	16 852	19 831
Inventories	9 059	10 026
Current assets	142 091	143 296
Investments in subsidiaries	608 679	541 679
Receivables from subsidiaries	614 955	557 746
Investments in equity-accounted investees	245	403
Other financial assets and prepayments	68	68
Property, plant and equipment	401 167	379 281
Intangible assets	12 389	13 584
Non-current assets	1 637 503	1 492 761
TOTAL ASSETS	1 779 594	1 636 057
LIABILITIES AND EQUITY		
Interest-bearing loans and borrowings	133 470	138 000
Payables and deferred income	68 055	96 590
Dividends payable to shareholders	6	6
Tax liabilities	4 571	3 738
Current liabilities	206 102	238 334
Interest-bearing loans and borrowings	682 472	604 331
Non-current liabilities	682 472	604 331
Total liabilities	888 574	842 665
Share capital	314 844	314 844
Share premium	663	663
Reserves	32 159	29 673
Retained earnings	543 354	448 212
Equity	891 020	793 392
TOTAL LIABILITIES AND EQUITY	1 779 594	1 636 057

Statement of cash flows

For the year ended 31 December, in thousands of EUR	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	97 628	410 145
Adjustment for:		
Depreciation and amortisation	57 665	69 281
Net gain on disposals of property, plant and equipment and intangible assets	-3	-12
Net interest expense	-865	6 642
Income from subsidiaries	-140 000	-401 600
Income tax	-876	8 049
Other adjustments	158	22
Adjustments	-83 921	-317 618
Changes in:		
Receivables and prepayments related to operating activities	260	-2 433
Inventories	967	11
Liabilities related to operating activities	3 709	36 565
Changes in assets and liabilities	4 936	34 143
Cash generated from operating activities	18 643	126 670
NET CASH FROM OPERATING ACTIVITIES	18 643	126 670
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, equipment and intangible assets	-66 558	-26 438
Proceeds from disposals of property, plant and equipment	0	8
Increase in share capital of subsidiaries	-67 000	-56 750
Loans granted to subsidiaries	-37 829	-67 735
Repayments of loans granted	88 310	90 600
Dividends received from subsidiaries	0	6 400
Interest received	17 833	12 076
NET CASH USED IN INVESTING ACTIVITIES	-65 244	-41 839
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	115 000	45 000
Proceeds from loans from subsidiaries	15 475	26 800
Repayment of loans	-7 000	-48 750
Repayment of loans to subsidiaries	-11 900	-1 700
Change in overdraft	1 562	46 390
Payments for settlement of derivatives	0	-1 029
Payment of lease liabilities	-48 232	-59 435
Interest paid	-19 340	-19 451
Payment of transaction costs related to loans	-284	-130
Dividends paid	0	-33 443
Reduction of share capital	0	-46 888
Income tax on dividends paid	0	-8 100
NET CASH FROM/USED IN FINANCING ACTIVITIES	45 281	-100 736
NET CASH FLOW	-1 320	-15 905
Cash and cash equivalents at the beginning of period	2 260	18 165
Decrease	-1 320	-15 905
Cash and cash equivalents at the end of period	940	2 260

Statement of changes in equity

In thousands of EUR	Share capital	Share premium	Mandatory legal reserve	Reserve for treasury shares	Retained earnings	Total equity
As at 31 December 2019	314 844	663	29 673	0	448 212	793 392
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
As at 31 December 2020	314 844	663	32 159	0	543 354	891 020
As at 31 December 2018 restated	361 736	662	27 670	-17	90 083	480 134
Initial application of IFRS 16	0	0	0	0	-16 519	-16 519
Adjusted balance as at 1 January 2019	361 736	662	27 670	-17	73 564	463 615
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
As at 31 December 2019	314 844	663	29 673	0	448 212	793 392

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
Adjusted unconsolidated equity at 31 December	714 336	822 837

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.

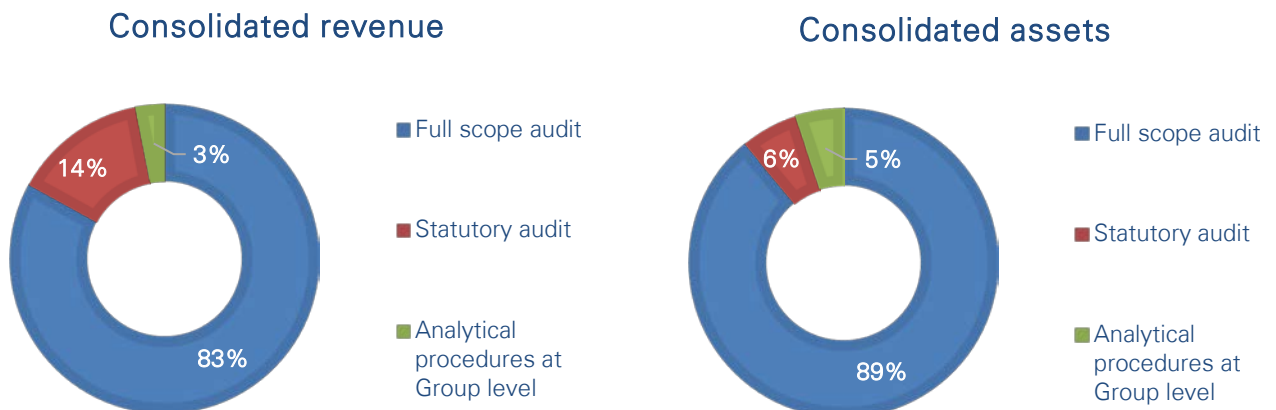
We, as group auditors, determined 16 of the Group's 47 entities to be significant Group components and we subjected those components to a full scope audit. These components include Tallink Grupp AS, Tallink Silja Oy, Tallink Ltd, Tallink Fast Ltd, Tallink Victory Line Ltd, Tallink Autoexpress Ltd, Tallink 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"> • assessing the methodologies used by the external appraisers to estimate the fair values of the ships; • evaluating the independent external appraisers' competence, capabilities and objectivity; • 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; • testing the adequacy of the capitalized expenditures of the ships; • analysing the estimates of useful lives and residual values and comparing them to published estimates of other international ship operators; and • assessing the adequacy of the consolidated financial statement disclosures.



Recognition of deferred tax assets

Refer to Note 6 to the consolidated financial statements for further information.

The key audit matter

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.

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).

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.

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- evaluating the Group's process to prepare the deferred tax calculation, including the Group's budgeting procedures upon which the forecasts are based;
- using our own tax specialists to evaluate the tax strategies the Group expects will enable the successful recovery of the recognised deferred tax assets;
- 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
- evaluating the adequacy of the consolidated financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

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.

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

Calculation formulas of alternative performance measures

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

EBIT: result from operating activities

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

Equity ratio: total equity / total assets

Shareholder’s equity per share: shareholder’s equity / number of shares outstanding

Gross margin: gross profit or loss / net sales

EBITDA margin: EBITDA / net sales

EBIT margin: EBIT / net sales

Net profit margin: net profit or loss / net sales

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

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

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

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

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

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

Current ratio: current assets / current liabilities

Reconciliations of certain alternative performance measures

In thousands of EUR	2020	2019	2018
Depreciation	93 306	89 356	73 329
Amortisation	7 354	6 893	5 951
Depreciation and amortisation	100 660	96 249	79 280
Result from operating activities	-92 621	74 868	63 501
Depreciation and amortisation	100 660	96 249	79 280
EBITDA	8 039	171 117	142 781
EBITDA	8 039	171 117	142 781
IFRS 16 adoption effect	-18 686	-17 378	0
Adjusted EBITDA	-10 647	153 739	142 781
Additions to property, plant and equipment	96 565	68 208	33 184
Additions to intangible assets	3 538	4 993	3 223
Capital expenditures	100 103	73 201	36 407
Net loss/profit	-108 308	49 718	40 049
Weighted average number of shares outstanding	669 882 040	669 881 045	669 882 040
Earnings per share (EUR)	-0,162	0,074	0,060
Liabilities under finance lease	258	304	287
Lease liabilities related to right-of-use assets	102 509	101 577	0
Unsecured bonds	0	0	91 288
Long-term bank loans	586 616	475 999	469 331
Interest-bearing liabilities	705 119	577 880	560 906
Total equity	714 336	822 837	856 916
Total assets	1 516 201	1 532 963	1 500 904
Equity ratio	47,1%	53,7%	57,1%
Equity attributable to equity holders of the Parent	714 336	822 837	856 916
Number of ordinary shares outstanding	669 882 040	669 882 040	669 865 540
Shareholders' equity per share (EUR)	1,07	1,23	1,28
Gross loss/profit	-43 454	196 885	183 831
Net sales	442 934	949 119	949 723
Gross margin (%)	-9,8%	20,7%	19,4%
EBITDA	8 039	171 117	142 781
Net sales	442 934	949 119	949 723
EBITDA margin	1,8%	18,0%	15,0%
Adjusted EBITDA	-10 647	153 739	142 781
Net sales	442 934	949 119	949 723
Adjusted EBITDA margin	-2,4%	16,2%	15,0%
EBIT	-92 621	74 868	63 501
Net sales	442 934	949 119	949 723
EBIT margin	-20,9%	7,9%	6,7%
Net loss/profit	-108 308	49 718	40 049
Net sales	442 934	949 119	949 723
Net loss/profit margin	-24,5%	5,2%	4,2%

In thousands of EUR	2020	2019	2018
Result from operating activities 12-months trailing	-92 621	74 868	63 501
Total assets 31 March	1 517 773	1 572 259	1 531 619
Total assets 30 June	1 505 876	1 609 873	1 554 542
Total assets 30 September	1 542 932	1 564 197	1 534 786
Total assets 31 December	1 516 201	1 532 963	1 500 904
Average assets	1 523 149	1 556 039	1 536 090
ROA	-6,1%	4,8%	4,1%
Net loss/profit 12-months trailing	-108 308	49 718	40 049
Total equity 31 December (previous year)	822 837	856 916	836 279
Total equity 31 March	793 224	828 255	817 056
Total equity 30 June	765 349	809 907	812 701
Total equity 30 September	741 507	817 658	858 705
Total equity 31 December	714 336	822 837	856 916
Average equity	767 451	827 115	836 332
ROE	-14,1%	6,0%	5,6%
Result from operating activities 12-months trailing	-92 621	74 868	63 501
Total assets 31 December (previous year)	1 532 963	1 500 904	1 558 597
Total assets 31 March	1 517 773	1 572 259	1 531 619
Total assets 30 June	1 505 876	1 609 873	1 554 542
Total assets 30 September	1 542 932	1 564 197	1 534 786
Total assets 31 December	1 516 201	1 532 963	1 500 904
Current liabilities 31 December (previous year)	221 444	212 489	316 662
Current liabilities 31 March	234 336	240 074	327 805
Current liabilities 30 June	254 934	303 996	367 624
Current liabilities 30 September	275 820	276 139	322 785
Current liabilities 31 December	208 347	221 444	212 489
Total assets - current liabilities 31 December (previous year)	1 311 519	1 288 415	1 241 935
Total assets - current liabilities 31 March	1 283 437	1 332 185	1 203 814
Total assets - current liabilities 30 June	1 250 942	1 305 877	1 186 918
Total assets - current liabilities 30 September	1 267 112	1 288 058	1 212 001
Total assets - current liabilities 31 December	1 307 854	1 311 519	1 288 415
Average assets - current liabilities	1 284 173	1 305 211	1 226 617
ROCE	-7,2%	5,7%	5,2%
Interest-bearing liabilities	705 119	577 880	510 135
Cash and cash equivalents	27 834	38 877	82 175
Net debt	677 285	539 003	427 960
Net debt	677 285	539 003	427 960
Depreciation	93 306	89 356	73 329
Amortisation	7 354	6 893	5 951
Depreciation and amortisation	100 660	96 249	79 280
EBITDA	8 039	171 117	142 781
Net debt to EBITDA	84,2	3,1	3,0
Current assets	89 220	120 610	167 851
Current liabilities	208 347	221 444	212 489
Current ratio	0,4	0,5	0,8

CONTACT INFORMATION

Commercial Registry no.	10238429
Address	Sadama 5 10111, Tallinn Republic of Estonia
Phone	+372 6 409 800
Fax	+372 6 409 810
Website	www.tallink.com
Main activity	maritime transport (passenger & cargo transport)