INFORTAR

ANNUAL REPORT 2022

CONSOLIDATED ANNUAL REPORT 2022 OF AS INFORTAR

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Beginning of the financial year:	**1 January**
End of the financial year:	**31 December**
Business name:	**Aktsiaselts Infortar**
Registry code:	**10139414**
Address:	**Sadama 5, Tallinn, 10111**
	Republic of Estonia
Phone:	**+ 372 640 9833**
Email address	**info@infortar.ee**
Main field of activity:	**Activities of holding companies**
Supervisory board:	**Enn Pant**
	Kalev Järvelill
	Toivo Ninnas
Management board:	**Ain Hanschmidt**
	Eve Pant
Auditors:	**KPMG Baltics OÜ**

CONTENTS

MANAGEMENT REPORT 2022 OF AS INFORTAR

AS Infortar along with its subsidiaries (hereinafter 'the group') is an Estonian investment company mainly active in the energy, shipping, and real estate sectors. In addition, the group has invested in domains that support its main areas of activity.

OVERVIEW OF THE GROUP as at 31 December 2022

Equity capital:	**569**	**million euros**
Volume of assets:	**1,107**	**million euros**
EBITDA:	**120**	**million euros**
Number of employees:	**452**	**employees**

In total, the group includes 104 companies – 49 members of the group,
5 affiliated undertakings, and 50 subsidiaries of affiliated undertakings.
In 2022, 16.1 million euros were paid in dividends to the owners.

ENERGY

AS Eesti Gaas – an energy group active on external markets under the name of Elenger Infortar Marine Ltd. (LNG bunkering vessel Optimus)
OÜ EG Biofond – production of bioenergy in three CBM production units of Eesti Biogaas in Vinni, Ilmatsalu, and Oisu.
OÜ Gaslab (verification and calibration of gas devices).

SHIPPING

AS Tallink Grupp (40% share) – a leading shipping company in Europe, operating under the strong trademarks of Tallink and Silja Line on six lines (one line is currently suspended). The fleet consists of 15 vessels.

REAL ESTATE

Real estate portfolio: four hotels (three in Tallinn and one in Riga), five office buildings in Tallinn, a logistics centre in Maardu.

OTHER SECTORS

Printing sector; retail and wholesale trade; services; etc.

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Mission

- **The mission of Infortar is to build well-functioning companies that hold strong market positions.**
- **Our long-term goal is to achieve a stable increase in the value of the company that exceeds average growth.**
- **The strategy of the company is to invest based on long-term socio-economic trends and to make investment and management decisions that help create synergy between the companies belonging to Infortar.**

Investment principles

- **Investing in enterprises that support the synergy between investments.**
- **Being an active investor, participating in decision-making processes, and taking responsibility.**
- **Unique competency in managing large investments.**

Core values

- **Innovation**
  We believe that outstanding business results are largely achieved through constant technological innovation and an innovative approach to management.
- **Reliability**
  Good business can only be built on trust, respect, and mutual understanding both on an individual and an organisational level.
- **Openness**
  Smile and commit – a closer partnership begins with open communication. We keep an open mind to new ideas and everything unconventional. We value cooperation within our team and with our partners. Our team offers equal opportunities to everyone and fosters development, creativity, and self-actualisation.
- **Determination**
  We are convinced that determination is the essential cornerstone of success.

AKTSIASELTS INFORTAR

ENERGY

- AS Eesti Gaas 100%
  - AS Gaasivõrk (100%)
  - OÜ Elenger Marine (100%)
  - OÜ Elenger Crew Management (100%)
  - OÜ Pärnu Päikesepark 1 (80%)
  - OY Elenger (100%)
  - OÜ Pärnu Päikesepark 2 (80%)
  - SIA Elenger (100%)
  - OÜ Pärnu Päikesepark 3 (80%)
  - UAB Elenger (100%)
  - OÜ Pärnu Päikesepark 4 (80%)
  - SIA Elenger Partners (80%)
    - SIA Solar Marupe (100%)
    - SIA Solar Olaine (100%)
  - Elenger sp.z.o.o. (100%)
  - SIA Solar Nica (100%)
  - SIA Elenger Marine (100%)
- OÜ EG Biofond (100%)
- Infortar Marine Limited (100%)
- OÜ Gaslab (100%)

REAL ESTATE

- OÜ Sunbeam (100%)
- OÜ Fastinvest (100%)
- OÜ INF Maja (100%)
- OÜ Infor Invest (100%)
- OÜ Lasnamäe Tennisekeskus (100%)
- OÜ Liivalaia Plaza (100%)
- SIA Happy Trails (100%)
- OÜ INFCommunications (100%)
- OÜ INF (100%)
- OÜ LCI7 (90%)

Structure of the group as at 31/12/2022. The business names of the real estate companies have been changed after the reporting date. Information on the changes is shown in Note 17 to the report.

SUPPORTING COMPANIES

- OÜ EMG (60%)
  - OÜ EMG Karjäärid (100%)
    - OÜ EMG Kuiv Liiv (100%)
- AS Vaba Maa (100%)
  - AS Printon (100%)
  - OÜ CardPlus VM (60%)
- OÜ Aianurga (100%)
- OÜ Lasnamäe Spordikeskus (100%)
- OÜ INF Engineering (100%)
- AS H.T. Valuuta (100%)
- AS EG Ehitus (100%)
- AS Gastrolink (100%)
- OÜ Inf Ehitus (75%)
- AS Tallink Takso (66%)
- OÜ Inf Infra (51%)
- OÜ Taxitech (100%)
- OÜ Farmatar (80%)
- OÜ Medifort (100%)

AFFILIATED

- AS Tallink Grupp (40%)
  - 45 companies
- OÜ Eesti Biogaas (50%)
  - OÜ Tartu Biogaas (100%)
    OÜ Vinni Biogaas (100%)
    OÜ Kuusalu Biogaas (100%)
    OÜ Oisu Biogaas (60%)
- OÜ Vara HTG (50%)
- OÜ Vana-Posti Kinnisvara (50%)
- OÜ Pakrineeme Sadama (50%)
  - OÜ Balti Gaas (100%)

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Ain Hanschmidt

25 years ago, we established the public limited company Infortar to purchase Tallink and inject enough capital into it to ensure further growth. In 2004, we made our first investments in real estate, and in 2016, we entered the energy sector. Currently, the largest Estonian investment company by the total volume of its assets is active in five countries, with the headquarters still located in Estonia. The main areas of investment are companies in the energy, shipping, and real estate sectors.

AS Eesti Gaas is a rapidly developing flexible company with a diverse product range. In other Baltic countries, Finland, and Poland, we are operating under the name Elenger. In harmony with the green transition, the proportion of renewable energy is increasing in the form of CBM production units and solar parks. Liquefied natural gas (LNG) is increasingly important.

Tallink Grupp is a leading European shipping company that provides high-level mini-cruise, passenger transport, and ro-ro freight services. New vessels, and primarily MyStar, which was completed in December 2022, comply with all known future emission standards. In addition to passenger and cargo transport on sea, we also provide services on land.

Infortar owns a modern and diversified real estate portfolio, containing hotels, office buildings, a logistics centre, and a sports centre, as well as 56 hectares of land with great development potential in Tallinn and its vicinity. Construction companies EG Ehitus, INF Ehitus, and INF Infra as well as Eesti Maavarade Grupp active in the construction minerals sector are closely involved in real estate.

Sustainable thinking and the circular economy have become a real business opportunity and a competitive advantage. Having national green economy principles that are concrete and unchanging is important because of the security they offer to the investors. Recently, we have had to learn to pronounce place names such as Olkiluoto, Inkoo, and Inčukalns when discussing energy. Unfortunately, our 'nuclear power plant' and 'gas valve' are located in Finland, gas-fired power plants in Latvia and Lithuania, and larger wind farms in Lithuania and Finland. This means that our manageable and unmanageable power is managed by our neighbours. Estonia urgently needs more production capability because the security of supply, the competitiveness of the industry, prosperity, and literally our independence depend on it.

Energy is an important keyword in both the short and long term and new ways for producing and storing it are discussed more and more. Unlike banking and real estate, which were hit less compared to previous crises, manufacturing is facing serious challenges due to the price hikes of raw materials, energy, and transport, as well as supply issues, superinflation, wage pressure, and unbalanced green transition.

By making correct decisions on the national level, we could establish a competitive edge for our industry, increase national security, and also ensure jobs and income for everyone in Estonia. Several crises have taught us that producing a large variety of goods or even food domestically is strategically important. Trying to cope independently will mean that our partners respect us more and we are increasingly trusted to participate in making global decisions.

By building companies that perform well and have a significant market position, we are aiming to achieve a stable, above-average growth in the value of our investments and create a versatile portfolio with a strong asset base and cash flow. The last three years have transformed the world that surrounds us to a great extent. This has only served to confirm our deepest conviction that the company must be ready to adapt quickly and turn challenges into opportunities.
The most valuable resource of companies in the Infortar group is the joint value creation, and most importantly, a responsible team with a lot of experience, contributing to our further growth day after day.

ABOUT THE OPERATION OF THE GROUP

ENERGY

AS Eesti Gaas (hereinafter 'Eesti Gaas') is the largest privately owned energy company in Finnish-Baltic region, its history dating back to 1864. The core product and competence of the company is natural gas, provided to its clients as pipeline gas through a distribution network, as compressed natural gas (CNG) in petrol stations, and as liquefied natural gas (LNG) to off-grid customers. Shipments of LNG are transported to the Klaipeda terminal and, starting from 2023, to the Inkoo terminal, where gas is distributed to the customers through a pipeline. In addition, the company buys gas from the gas market and other wholesalers of gas. Eesti Gaas creates comprehensive energy solutions based on natural gas according to the needs of each customer, starting from the design of the gas pipeline and ending with complete heating solutions and maintenance. Eesti Gaas has been a pioneer in adopting natural gas as a transport fuel in the Baltic countries. The network of compressed gas fuelling stations of the company is the largest in Estonia. The network offers natural gas as well as domestically produced renewable fuel, i.e. green gas, also known as biomethane.

In addition to gas, the company provides power to private and business customers so that their homes and businesses would have heat and light conveniently from the same place. Green electricity is produced in its own solar farms as well as individual solar power stations constructed for customers. AS Gaasivõrk, a subsidiary of Eesti Gaas, manages one of the largest distribution networks of gas in Estonia and ensures that gas reaches consumers reliably and safely.

Eesti Gaas operates in Finland, Latvia, Lithuania, and Poland under the name Elenger, providing energy solutions to business customers.

Eesti Gaas has 50,000 customers, the company is certified, and complies with the ISO 9001 and ISO 14001 standards.

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MARITIME SHIPPING

As at 31 December 2022, AS Infortar (hereinafter 'Infortar') owns 40% of the leading Estonian shipping company AS Tallink Grupp (hereinafter 'Tallink Grupp'). The fleet of Tallink consists of 15 vessels which operate on six routes (one of which has been temporarily suspended) under the strong trademarks of Tallink and Silja Line. Its new vessels Megastar and MyStar comply with all current and known future emission quotas of the Emission Control Area (ECA). In addition, the group operates three hotels in the city centre of Tallinn and one in Riga (the operation of the hotel in Riga was suspended in October 2022; the hotel will be re-opened in April 2023) and 18 restaurants of Burger King in Estonia, Latvia, and Lithuania as the owner of the franchise in the Baltic countries. The shares of Tallink are listed on the Nasdaq Tallinn and Helsinki stock markets.

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REAL ESTATE

Infortar owns about 100,000 m2 of various commercial real estate, including Tallink City Hotel (324 rooms), Tallink Spa & Conference Hotel (300 rooms), and Tallink Express Hotel (166 rooms) in Tallinn, and the Tallink Hotel Riga (256 rooms) in Riga. In addition, it owns the office buildings 'Jäämaja' and 'Tulemaja' in Tallinn, housing the headquarters of Tallink and Eesti Gaas, the logistics centre in Maardu, office buildings in the Old Town and Lasnamäe city districts of Tallinn, and over 56 hectares of land in Tallinn and its vicinity. Last year, the real estate portfolio of Infortar increased by about 10 per cent and the growth continues. In the summer of 2023, the new headquarters of the group were completed at 9 Liivalaia Street in Tallinn.

Additional information about the real estate belonging to the group is provided in Note 8 to the annual accounts.

SUPPORTING COMPANIES

As at 31 December 2022, the group had 48 subsidiaries: Infortar Marine Ltd. (LNG bunkering vessel *Optimus*), Eesti Maavarade Grupp focusing on construction minerals, the printing houses Vaba Maa and Printon, the construction companies EG Ehitus, INF Ehitus, INF Infra, the pharmaceuticals wholesaler Farmatar, Gastrolink selling tableware and kitchen equipment, Tallink Takso, Tallink Tennis Centre with 20 tennis courts, and many others.

THE MOST IMPORTANT FINANCIAL INDICATORS AND RATIOS

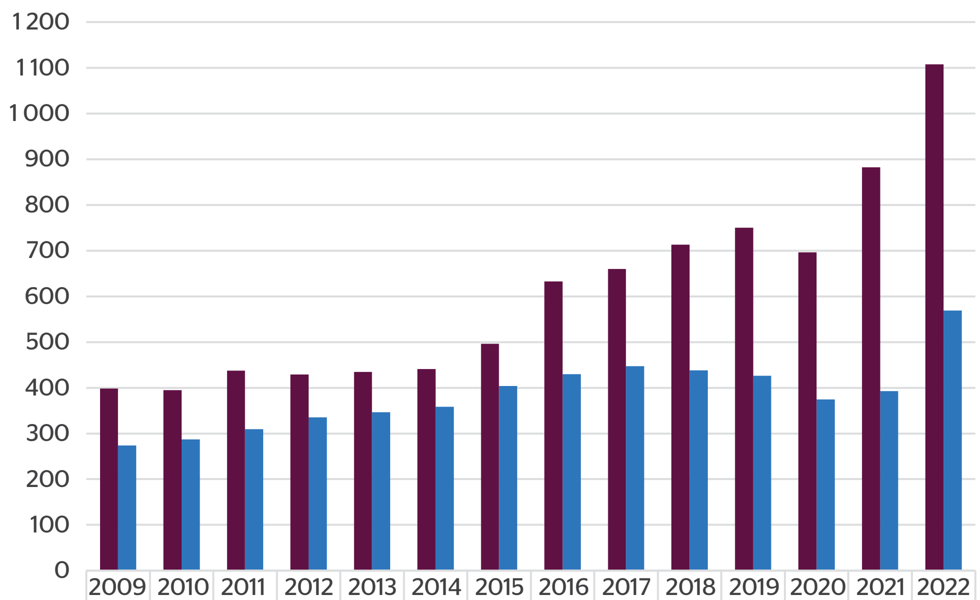
Infortar (group)	31/12/2022	31/12/2021
Assets (in thousands of euros)	1 107 412	882 517
Loan and lease liabilities (in thousands of euros)	417 714	342 366
Equity capital (in thousands of euros)	568 677	392 655
Share of equity capital (%)	51,4%	44,5%
Loans/equity capital (%)	73,5%	87,2%
Equity capital belonging to the owners of the parent company (in thousands of euros)	567 945	391 912
Number of shares issued	6 615 000	315 000
Earnings per share (in euros)	15	62
Book value of a share (in euros)	86	1 244
Number of employees as at the end of the period	452	486
Remuneration to employees along with taxes (in thousands of euros)	25 784	22 286
Sales revenue (in thousands of euros)	1 053 712	412 565
Gross profit (in thousands of euros)	126 537	50 785
EBITDA (in thousands of euros)	120 046	46 444
EBIT (in thousands of euros)	99 140	41 104
Profit of the financial year (in thousands of euros)	96 124	18 868
Profit belonging to the owners of the parent company (in thousands of euros)	95 943	18 687
Return on turnover (%)	76,0%	37,2%
Net margin (%)	12,0%	12,3%
ROA (%)	10,0%	5,2%
ROE (%)	20,0%	4,9%
Current ratio	1,4	0,9
Net debt / EBITDA	3,5	7,4
EBITDA margin (%)	11,4%	11,3%

Infortar (parent company)	31/12/2022	31/12/2021
Assets (in thousands of euros)	120 351	110 361
Loan and lease liabilities (in thousands of euros)	105 545	92 853
Equity capital (in thousands of euros)	12 224	14 740
Share of equity capital (%)	10,2%	13,4%
Number of employees as at the end of the period	36	33
Remuneration to employees along with taxes (in thousands of euros)	5 759	3 101
Sales revenue (in thousands of euros)	2 393	798
EBITDA (in thousands of euros)	-6 115	-3 504
EBIT (in thousands of euros)	-5 835	-3 653
Profit of the financial year (in thousands of euros)	12 169	-4 289

The formulae used for the calculation of the ratios

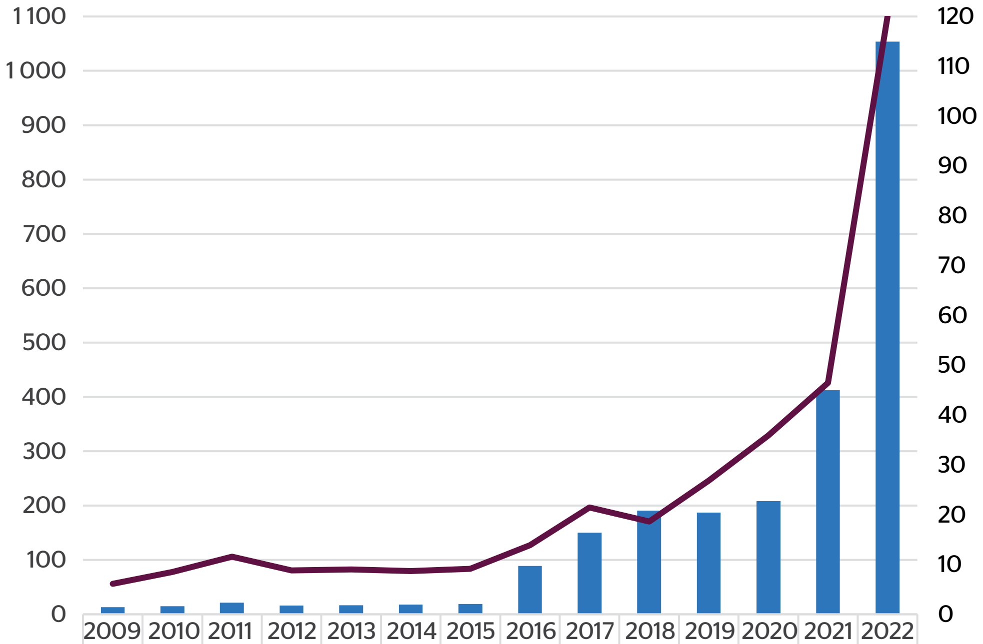
Book value of a share in euros = equity capital of the owners of the parent company / number of shares
EBITDA = Earnings before depreciation and change in the value of investment property
Return on turnover = net profit / gross profit
Net margin = gross profit / sales revenue
ROA = EBIT / average assets
ROE = net profit / average equity
Current ratio = current assets / short-term liabilities
Net debt/EBITDA = (interest-bearing liabilities - cash) / EBITDA
EBITDA margin = EBITDA / sales revenue

Group assets and equity capital (million euros)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Assets	398	395	438	429	435	441	496	633	660	713	750	696	883	1 107
Equity capital	274	287	310	335	347	358	404	430	447	438	426	375	393	569

Group turnover and EBITDA (million euros)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Turnover	13	15	21	16	16	18	19	89	150	191	187	209	413	1 054
EBITDA	6	8	12	9	9	9	9	14	21	19	27	36	46	120

The adjusted operating profit before depreciation and amortisation (EBITDA) of the group in the 2022 financial year was 120 million euros, increasing 2.6 times compared to 2021. The increase was mostly supported by high market prices for gas and power.

MACROECONOMIC DEVELOPMENT AND ITS IMPACT

Primarily due to the war which broke out in Ukraine, 2022 was a year of halting economic growth, rapid inflation, and energy crisis. In 2022, the Estonian GDP dropped by 1.3%. In November 2022, prices in Estonia increased by 21.3% compared to the previous year, while the yearly average was 19.4%. The inflation in the euro area amounted to 9.2% by the end of the year. In 2022, the recovery of the demand after the COVID pandemic, the rapidly increasing CO2 quota prices, and the interruption in the import of natural gas from Russia to Europe due to the war resulted in record-high energy prices in Estonia, as well as in the entire economic space of the European Union. On the other hand, towards the end of the year, the prices of oil and gas started to drop due to the weakening growth prospects of the global economy and the impact of the warmer-than-average winter in Europe, reaching the pre-war level by the end of the year (*). The price increase is estimated to continue at a slower pace and remain slightly under 10% in Estonia in 2023 (9.3%), exceeding the average increase in wages and thereby reducing the purchasing power of the consumers. The fast increase in the base interest rates of the European Central Bank also has a negative impact on the profitability and growth prospects of businesses. Based on the inflation prospects which were revised upwards significantly, the European Central Bank increased the base interest rates by 50 basis points in December 2022 (**).

The impact of the COVID restrictions and the global delivery problems have receded, but the rapid increase in prices with the increase in interest rates has led to the subsiding of the global economic activity.

According to Eesti Pank, Estonian economic growth will remain at the level of 0.4% in 2023, primarily due to the increasing expenses of the government sector and the budget deficit. Registered unemployment will probably increase to 8.5 % over 2023, and the change in real wages will be -0.7%. On the other hand, the number of employed people in Estonia will likely grow (due to the entry of the Ukrainian war refugees to the Estonian labour market).

In conclusion, the general decline in purchasing power, higher interest rates, and greater uncertainty will restrict demand and the growth prospects of Infortar in 2023.

(*) Ministry of Finance. Press release of 6 January 2023. Press release of Statistics Estonia of 6 January 2023.
(**) Website of Eesti Pank. Forecast. 20/12/2022

Impact of the seasonality of business

To the extent that seasonality and changes in the weather affect the demand for products and services provided by companies in which Infortar has invested, seasonality has a potential impact on the financial results of Infortar. The effect of seasonality is considerable primarily in the case of investments in the energy sector, where the business operations of Eesti Gaas, a subsidiary of Infortar, have the greatest seasonal impact. The operating result of Eesti Gaas is seasonally dependent on the weather, as market demand for natural gas and electricity is higher in the first and fourth quarters of the year, i.e. during the winter heating period, and lower in the second and third quarters, when the weather is warmer. In addition, the production of renewable energy in solar plants has a seasonal, albeit small, effect compared to other business volumes. The production and supply of biomethane and LNG are less susceptible to seasonality, as the end user is the transport sector, which operates in a stable manner throughout the year.

The seasonal effect on the financial results of the group is also caused by an investment in maritime shipping (Tallink Grupp). Travel services are seasonal and the high season for Tallink Grupp is the warm summer from June to August, when the company earns most of its sales revenue and profit. We are aware that long-term climate change might bring unpredictable changes in the sectors in which Infortar invests, so we monitor the forecasts for long-term climate change (IPCC climate report from the Intergovernmental Panel on Climate Change).

Environmental impact

The largest investment with an environmental impact is the 40% holding in Tallink Grupp, where the biggest climate impact comes from the carbon footprint of fuel used in the vessels, which was about 400,000 tonnes of CO_2 equivalent. As an investor, we are always monitoring Tallink Grupp when it develops and implements plans related to corporate social responsibility. The environmental impact of the investments in the energy sector is mostly caused by the operation and maintenance of the distribution network, filling stations, and other infrastructure belonging to Eesti Gaas, a subsidiary of the group, and supplying fuel for transport (liquefied natural gas (LNG) and compressed natural gas (CNG)) to clients as well as delivering it to filling stations. The companies of the group have invested significant amounts in renewable energy with a climate-neutral impact on the environment. The biggest environmental impact of the investment property of the group is manifested as the CO_2 footprint caused by the operation of real estate leased to tenants (heating and power consumed in the buildings).

Due to the extraction of natural resources, we constantly focus on environmental and social responsibility. Environmental monitoring is carried out continuously and environmental solutions continue to be developed in relation to mining natural resources. Another aspect that is monitored is that the products made of natural resources must comply with the current requirements and that the products must be inspected in a construction materials laboratory in addition to an accredited laboratory.

Social impact

The most important social impact of Infortar group is the relationship between the group as the employer and the employees of the companies, which is based on mutual trust, fairness, and dedication. The HR principles of the group rely on the following: a caring attitude towards its employees; appreciation for its people and mutual respect; a high work culture; purposeful, reliable, and loyal professional relationships; equal treatment; and good social behaviour. When recruiting employees, we look at a candidate's diligence, intelligence, reliability, professional training, and openness to technological development. We contribute to the personal development of our employees – by providing additional professional training, we support the acquisition of new knowledge. Our salary policies are based on the inherent responsibility of a position, work results, competence, and the efficiency of the employee.

When developing the working environment for our employees, we are guided by the principle of wanting our employees to enjoy working here. We value long-term employment relationships and a healthy work-life balance, and fully support parents. We guarantee excellent opportunities for our employees for taking care of and supporting health and improving fitness levels.

The biggest social entrepreneurship project of the group involves investments in and operational grants to the Tallink Tennis Centre.

The wider social impact of the group is manifested through the remuneration paid to the employees and taxes paid to the state, which annually amount to about 25 million euros.

RISK MANAGEMENT POLICY

The main goal of the group's risk management policy is to ensure the stability of the group's equity and to ensure the long-term development of the business in the desired direction. We define risks as possible unexpected changes in the business environment and the internal processes of the company, which adversely affect the financial results of the company. The main risk is a strategic market risk accompanying capital-intensive investments, which manifests primarily as possible erroneous long-term strategic decisions about the future prospects of a business area. The group manages the strategic risk by preparing thorough and comprehensive business plans and necessary analyses when expanding into new markets and business areas.

To mitigate credit risk and the potentially resulting liquidity risk (expressed in possible losses if the end customers and business partners fail to perform their contractual obligations to the companies in which Infortar has invested, leading to Infortar not having liquid assets to fulfil its own financial obligations on time), the joint group accounts are utilised under the financial management of the company while maintaining sufficient reserves, bank instruments, and loan instruments, constantly monitoring cash flow forecasts and actual status, contributing towards long-term and reliable cooperation with credit institutions, and balancing the terms and conditions concerning the deadlines of financial assets and liabilities.

The management boards of companies in which Infortar has invested have the main role in risk management and the main risks are the ones where Infortar has heightened expectations regarding the risk management of its investments.

- **Internal monitoring of safety and security risks and compliance with regulatory principles**

  As developers of infrastructure and real estate as well as operators of commercial buildings where employees work and which clients use and visit every day, we must guarantee the safety and security of these buildings. This means constant internal monitoring and compliance with safety principles in all activities related to the buildings and infrastructure. We comply with all design, construction, and safety requirements when developing infrastructure and real estate. We cooperate only with competent and reliable construction companies and their subcontractors and use high-quality construction materials and working methods. As managers of the buildings, we monitor that the general order of real estate and its surroundings would not pose a hazard to people.

- **Continuous assessment and management of financial risks (credit, liquidity, EURIBOR, and market)**

  The purpose of financial risk management is to maintain a balance between continued and flexible financing through the use of bank overdrafts, bank loans, and other debt instruments. Contracts for the use of group accounts have been concluded with banks to manage the cash flows of the company as efficiently as possible. The group accounts opened in various banks allow the companies to rely on internal overdraft and use the account balances more efficiently, incl. allow a negative account balance of a group account.

  Credit risk is the risk that the group will incur a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the group's trade receivables and contractual assets. The maximum amount exposed to credit risk is the carrying amount of financial assets and contractual assets.

  Liquidity risk reflects the potential that the group's ability to meet its obligations on time will decrease as the group's financial position changes. The group keeps the liquidity risk under control by maintaining sufficient reserves, banking instruments, and loan facilities, constantly monitoring cash flow projections and actual balances, and balancing the conditions for the terms of financial assets and liabilities.

  Interest rate risk is caused by short- and long-term loan liabilities which are tied to a variable interest rate. Interest rate risk is primarily related to the fluctuations of EURIBOR.

  In managing market risks, we constantly analyse strategic goals described in business plans and the market changes that affect them, as well as other critical success factors. This allows us to anticipate and, if necessary, mitigate possible market fluctuations. This gives us the opportunity to make better use of market changes as opportunities and to mitigate market risks.

  When managing financial risks, the companies of the group buy and sell derivatives and may assume short-term financial liabilities if necessary. To avoid the volatility of loss and profit, we use an economically effective risk mitigation.

- **Continuous and correct compliance with environmental, business, and regulatory requirements**

  Whenever our business activities require energy and result in the generation of waste, we comply with the requirements for the energy efficiency and waste management of the structures and buildings under construction as well as other important requirements regarding environmental impact.

  We are continuously looking for new opportunities for making investment decisions and promoting business activities that are more in line with the climate objectives resulting from green transition policies and the growing expectations of the public.

- **Covering asset risks with insurance contracts**

  The management of the asset risks of the group through insurance contracts is based on the objective of ensuring compensation to the extent of the damage that may occur to the assets involved in business activities and thereby ensuring that the company remains a going concern. The assets of the group are covered with property insurance.

Financial reporting and auditing

The consolidated annual accounts of AS Infortar are prepared in compliance with international financial reporting standards, as adopted by the European Union (IFRS EU), and Estonian legislative acts.

The annual report is audited and then approved by the general meeting of shareholders.

As far as the company is aware, the auditors have fulfilled their contractual obligations and audited the company pursuant to the international auditing standards. Internal audits are conducted to verify the reliability of the information presented in the annual report. For a better management and control of risks, an audit committee and internal audit unit have been established, the latter of which participates in the process of preparing annual reports.

The company held a competition for finding an audit provider, where the main evaluation criteria were the following:

- **time and location of the audit;**
- **international network and expertise in the economic sector;**
- **audit contract and conditions of payment;**
- **audited companies.**

As a result of the evaluation process, an audit contract was concluded with KPMG Baltics OÜ to provide this service to all Estonian companies of the group. The affiliated undertakings of OÜ EG Biofond are an exception because they have an audit contract with Thornton Baltic OÜ.

The fee for the auditing service and the responsibilities of an auditor are determined in a contract concluded with the management board. Pursuant to the contract, the fee paid to the auditor is not disclosed and is considered confidential.

KEY PEOPLE IN MANAGEMENT

SUPERVISORY BOARD

Enn Pant (born in 1965) – Chairman of the Supervisory Board of AS Infortar since 1997

- Chairman of the Supervisory Board of AS Tallink Grupp since 2015
- Chairman of the Management Board of AS Tallink Grupp between 1996 and 2015, CEO
- Secretary General of the Ministry of Finance from 1992 until 1996
- Graduated from the School of Economics and Business Administration of the University of Tartu in 1990

Kalev Järvelill (born in 1965) – Member of the Supervisory Board of AS Infortar since 2003

- Member of the Supervisory Board of AS Tallink Grupp since 2007
- Member of the Management Board of AS Tallink Grupp from 1998 until 2006
- Director General of the Estonian Tax and Customs Board from 1995 until 1998
- Deputy Secretary General of the Ministry of Finance from 1994 until 1995
- Graduated from the School of Economics and Business Administration of the University of Tartu in 1993

Toivo Ninnas (born in 1940) – Member of the Supervisory Board of AS Infortar since 2011

- Chairman of the Supervisory Board of AS Tallink Grupp from 1997 until 2016
- From 1973 until 1997, worked in Eesti Merelaevandus (Estonian Maritime Shipping); starting from 1987, he was the Director General
- Graduated from the Far Eastern High Engineering Maritime College (FEHEMC) in 1966, where he specialised in the management of shipping operations

MANAGEMENT BOARD

Ain Hanschmidt (born in 1961) – Chairman of the Management Board of AS Infortar since 2005

- Member of the Supervisory Board of AS Tallink Grupp since 2005; also from 1997 until 2000
- Served as the Chairman of the Management Board of SEB Eesti Ühispank AS for a long time
- Graduated from the Polytechnical Institute (TalTech) in 1984

Eve Pant (born in 1968) – Member of the Management Board of AS Infortar since 1997

- Member of the Supervisory Board of AS Tallink Grupp since 1997
- Graduated from the Tallinn School of Economics in 1992

MANAGING DIRECTOR

Martti Talgre (born in 1982) – Managing Director of AS Infortar since 2015

- Deputy Head of Retail Banking and Technology of AS SEB Pank
- Head of Corporate Clients Department of AS SEB Pank
- Graduated from the TalTech University in 2007

Sustainability

As a responsible investment company, Infortar has always prioritised people, resources, and sustainability. A thorough evaluation of investment objectives requires a rigorous analysis of these components because all three elements affect the results of a company directly. Although the final analysis of the strategically selected environmental, social, and governance (ESG) measures of Infortar will be completed in 2023, we have long been concentrating on social and regional development, innovation, sustainability, the green transition, and circular economy, which is why five of the sustainable development goals of the UN are clearly emerging in our preparatory discussions regarding the current nature and future of the group:

- **Ensure healthy lives and promote well-being for all at all ages ('Good health and well-being');**
- **Ensure access to affordable, reliable, sustainable, and modern energy for all ('Affordable and clean energy');**
- **Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all**
- **('Decent work and economic growth');**
- **Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation ('Industry, innovation, and infrastructure');**
- **Ensure sustainable consumption and production patterns ('Responsible consumption and production').**

The sustainability strategy of the group is based on three priorities: **people, environment, and governance.**

Business ethics and compliance with legislation

When making long-term strategic management decisions, we always consider the possible environmental effects. The management of the daily business activities of the company is based on constant proper compliance with relevant requirements, legislative acts, legislative context, and other pertinent regulatory aspects.

Assessment and management of occupational safety risks

As developers of infrastructure and real estate as well as operators of commercial buildings where employees work and which clients use or visit every day, we must guarantee the safety and security of these buildings. This means constant internal monitoring and compliance with safety principles in all activities related to the buildings and infrastructure. We comply with all design, construction, and safety requirements when developing infrastructure and real estate. We cooperate only with competent and reliable construction companies and their subcontractors and use high-quality construction materials and working methods. As managers of the buildings, we monitor that the general order of real estate and its surroundings would not pose a hazard to people.

We support a wider social responsibility and a more cohesive society, and therefore, we contribute to the development of sports facilities (Tallink Tennis Centre) and support the opinion contest 'Edukas Eesti' ('Successful Estonia') of *Äripäev.*

Environment

We follow the due diligence process when analysing aspects of sustainability (sustainability analysis before acquiring new companies).

In 2023, we will evaluate and map the energy consumption of CO2 emissions of the companies in the group. We invest in companies which work on alleviating climate effects – among all else, in infrastructure, machinery, equipment, cars, trucks, etc. (CNG distribution network in transportation, LNG in maritime shipping).

Compliance with human rights

When investing in new enterprises and within our companies, we comply with the essential human rights agreements of the UN: UN Guiding Principles on Business and Human Rights (including the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, United Nations Universal Declaration of Human Rights).

CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	(in thousands of euros)		
Notes on pages 36-91 are an integral part of the annual accounts.	31/12/2022	31/12/2021	NOTE
ASSETS			
CURRENT ASSETS			
Cash	60 002	45 183	6.1
Short-term derivatives	71 109	15 589	14.4
Trade receivables	122 006	108 388	7.1
Prepaid taxes	1 006	327	7.1
Other liabilities and prepayments	114 984	9 266	7.1
Prepayments for inventories	9 581	20 698	7.7
Inventories	76 752	69 302	6.2
Total current assets	455 440	268 753	
NON-CURRENT ASSETS			
Investments in affiliated undertakings	296 061	283 090	9.2
Long-term derivatives	12 866	9 684	14.4
Long-term loans and other receivables	15 736	12 905	7.1
Investment property	160 540	146 741	8.1
Property, plant, and equipment	147 724	143 067	8.2
Intangible assets	8 853	7 895	8.3
Right-of-use assets	10 192	10 382	8.5
Total non-current assets	651 972	613 764	
TOTAL ASSETS	1 107 412	882 517	

LIABILITIES AND EQUITY	(in thousands of euros)		
CURRENT LIABILITIES	31/12/2022	31/12/2021	NOTE
Loan liabilities	264 559	185 972	10.1
Lease liabilities	1 749	1 670	8.4
Trade payables	19 845	29 122	7.3
Tax liability	31 135	24 647	7.3
Prepayments received	10 169	467	7.3
Derivatives	1 667	31 834	7.3
Other liabilities and prepayments	5 099	20 867	7.3
Total current liabilities	334 223	294 579	
NON-CURRENT LIABILITIES			
Other non-current liabilities	18 725	17 196	7.3
Deferred income tax liability	24 890	23 363	7.3
Loan liabilities	153 155	146 634	10.1
Lease liabilities	7 742	8 090	8.4
Total non-current liabilities	204 512	195 283	
TOTAL LIABILITIES	538 735	489 862	
EQUITY			
Share capital	1 985	1 985	11.1
Own shares	-95	-95	11.2
Option reserve	1 650	225	11.6
Legal reserve	205	205	
Hedging reserve	82 307	-12 465	11.5
Unrealised exchange rate differences	3	0	
Retained earnings from previous periods	385 947	383 370	
Profit for the financial year	95 943	18 687	
Total equity attributable to the owners of the parent company	567 945	391 912	
Minority shareholding	732	743	
Total equity	568 677	392 655	
TOTAL LIABILITIES AND EQUITY	1 107 412	882 517	

(in thousands of euros)

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Notes on pages 36–91 are an integral part of the annual accounts.	2022	2021	NOTE
Sales revenue	1 053 712	412 565	12
Cost of goods (goods and services) sold	-927 127	-361 722	13.1
Write-down of receivables	-48	-58	13.1
Gross profit	**126 537**	**50 785**	
Marketing expenses	-1 408	-1 298	13.2
General administrative expenses	-17 520	-14 089	13.3
Profit (loss) from the change in the fair value of the investment property	-10 492	4 543	8.1
Other operating revenue	2 275	1 902	7.6
Other operating expenses	-252	-739	
Operating profit	**99 140**	**41 104**	
Profit (loss) from investments accounted for by equity method	8 157	-23 952	9.2
Financial income and expenses			
Financial income (expenses) from other financial investments	1 952	975	
Interest expenses	-8 221	-4 169	10.3
Profit (loss) from changes in exchange rates	-6	0	
Interest income from loans issued	680	439	
Profit before tax	**101 702**	**14 397**	
Corporate income tax	-5 578	4 471	7.5
Profit for the financial year	**96 124**	**18 868**	
including:			
Profit attributable to the owners of the parent company	95 943	18 687	
Profit attributable to non-controlling interest	181	181	
Other comprehensive income			
Items that may be subsequently reclassified to the income statement:			
Revaluation of risk hedging instruments	94 772	-1 059	
Exchange rate differences attributable to foreign subsidiaries	3	0	
Total comprehensive income/loss for the financial year	**190 899**	**17 809**	
including:			
Comprehensive profit attributable to the owners of the parent company	190 718	17 628	
Comprehensive profit attributable to non-controlling interest	181	181	
Ordinary and diluted earnings per share (in euros per share)	15	62	11.8

INFORTAR

(in thousands of euros)

CONSOLIDATED CASH FLOW STATEMENT

Notes on pages 36–91 are an integral part of the annual accounts.	2022	2021	NOTE
Cash flows from operating activities			
Profit before tax	101 702	14 397	
Adjustments			
Depreciation, amortisation, and impairment of non-current assets	10 414	9 883	8.2
Change in the fair value of the investment property	10 492	-4 543	8.1
Equity profits/losses	-8 157	23 952	9.2
Change in the value of derivatives	-58 703	-25 080	14.4
Other financial income/expenses	-770	-1 414	
Calculated interest expenses	8 221	4 169	10.3
Profit/loss from non-current assets sold	-231	-802	
Income from grants recognised as revenue	-1 084	0	7.6
Income tax expense	-4 051	0	7.5
Change in receivables and prepayments related to operating activities	-116 072	-76 382	7.1
Change in inventories	3 667	-36 338	6.2
Change in payables and prepayments relating to operating activities	55 611	75 280	7.3
Total cash flows from operating activities	**1 039**	**-16 878**	
Cash flows from investing activities			
Acquisition of affiliated undertakings	-4 814	-16 540	9.2
Interest received	992	1 331	15.1
Loans issued	-6 438	-4 344	7.1
Acquisition of subsidiaries	-81	-161	
Proceeds from the sale of subsidiaries and non-controlling interest	0	10	
Acquisition of investment property	-24 236	-1 396	
Acquisition of property, plant, and equipment and intangible assets	-14 250	-31 211	
Proceeds from the sale of investment property and non-current assets	355	1 076	
Total cash flows from investing activities	**-48 472**	**-51 235**	
Cash flows from financing activities			
Proceeds from targeted financing	3 251	0	7.6
Change in bank overdraft balance	-9 456	6 159	10.4
Proceeds from borrowings	193 397	167 830	10.4
Loan repayments made	-98 833	-75 742	10.4
Principal repayments of lease obligations	-2 037	-3 228	10.4
Interests paid	-7 960	-4 482	10.3
Dividends paid	-16 110	0	
Total cash flow from financing activities	**62 252**	**90 537**	
Total cash flows	**14 819**	**22 424**	
Cash and cash equivalents at the beginning of the period	45 183	22 759	6.1
Cash and cash equivalents at the end of the period	60 002	45 183	6.1
Change in cash and cash equivalents	14 819	22 424	

INFORTAR

(in thousands of euros)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes on pages 36-91 are an integral part of the annual accounts.

	Share capital	Own shares	Option reserve	Legal reserve	Hedge reserve	Retained earnings	Minority interest	Total
Balance as at 31/12/20	**1 890**	**0**	**0**	**205**	**-11 406**	**383 370**	**625**	**374 684**
Share capital increase	95	0	0	0	0	0	0	95
Acquisition of own shares	0	-95	0	0	0	0	0	-95
Stock options	0	0	225	0	0	0	0	225
Change in minority shareholding	0	0	0	0	0	0	-63	-63
Profit for the financial year	0	0	0	0	0	18 687	181	18 868
Other comprehensive income	0	0	0	0	-1 059	0	0	-1 059
Balance as at 31/12/21	**1 985**	**-95**	**225**	**205**	**-12 465**	**402 057**	**743**	**392 655**
Stock options	0	0	1 425	0	0	0	0	1 425
Change in minority shareholding	0	0	0	0	0	0	-192	-192
Profit for the financial year	0	0	0	0	0	95 943	181	96 124
Other comprehensive income	0	0	0	0	94 772	3	0	94 775
Dividends paid	0	0	0	0	0	-16 110	0	-16 110
Balance as at 31/12/22	**1 985**	**-95**	**1 650**	**205**	**82 307**	**481 893**	**732**	**568 677**

Additional information on the changes in equity can be found in Note 11.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

NOTE 1.
GENERAL INFORMATION

AS Infortar (hereinafter 'Infortar' or 'parent company') is an undertaking established in the Republic of Estonia on 9 April 1997. The registered office of the parent company is located at Sadama 5 Tallinn, 10111, the Republic of Estonia. The consolidated annual accounts of AS Infortar comprise the parent company and its 26 subsidiaries and their 22 subsidiaries (hereinafter the 'group'). The group is mainly operating in the energy, shipping, and real estate sectors and fields that support these sectors. The notes to the accounts disclose detailed information on the subsidiaries.

The annual accounts presented in this report have been prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting and reporting principles described herein have been consistently applied to all periods included in the report.

The consolidated annual accounts were approved by the management of the group on 11 April 2023. In accordance with the Commercial Code of the Republic of Estonia, the annual report must also be approved by the supervisory board of the group and the general meeting of the shareholders.

Going concern

At the time of the approval of the financial statements, the management board has a justified expectation that the group has sufficient resources for continuing its operations in the near future. Therefore, the management board will continue to prepare annual reports based on the going concern assumption.

NOTE 2.
IMPLEMENTATION OF NEW AND UPDATED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following new standards, interpretations, and amendments do not apply to the reporting period that ended on 31 December 2022, and therefore, they were not implemented when preparing this annual report. The group is going to implement these standards, interpretations, and amendments when they take effect.

2.1. AMENDMENTS TO THE STANDARD IAS 1 *PRESENTATION OF FINANCIAL STATEMENTS* AND IFRS PRACTICE STATEMENT 2 *MAKING MATERIALITY JUDGEMENTS*

The amendments apply to reporting periods beginning on 1 January 2023 or later; they are implemented retroactively (earlier implementation is allowed). The purpose of the amendment of the standard IAS 1 is to help companies disclose useful information about their accounting policies:

- **by requiring companies to disclose only essential accounting policies;**
- **by clarifying that accounting policies related to immaterial transactions, other events, or conditions are also irrelevant, and therefore, do not warrant disclosure; and**
- **by explaining that not all accounting policies of material transactions, other events, or conditions are important from the point of view of the accounting of the company.**

The International Accounting Standards Board also amended the IFRS Practice Statement 2 by adding an explanation and two additional examples of implementing the notion of materiality when disclosing accounting policies.

The amendments are compliant with the refined definition of 'materiality':
'Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.'

According to the group, the amendments will not have a significant effect on the annual report of the group when first implemented.

2.2. AMENDMENTS TO THE STANDARD IAS 8 *ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS*

They are applied to reporting periods beginning on or after 1 January 2023; they are implemented prospectively (earlier implementation is allowed).

The amendment adopts a new definition of the notion 'Accounting estimates' – according to the clarification, these are monetary amounts presented in an annual report, the measurement of which involves uncertainty. The amendments also clarify the link between accounting policies and accounting estimates – they specify that the company uses accounting estimates to achieve an objective set in accounting policies.

The amendments are not expected to have a significant effect on the group because they provide guidelines on whether the changes should be regarded as changes in estimates, amendments of accounting policies, or errors.

2.3. AMENDMENTS TO THE STANDARD IAS 12 *INCOME TAXES*

These are applied to reporting periods starting on or after 1 January 2023 (earlier implementation is allowed). The amendments clarify the accounting for deferred income tax of transactions where both assets and liabilities are recognised and both are taxed in the same way.

The amendments narrow the application of an exception of initial recognition so that this exception does not apply to transactions that create equal temporary differences which can be offset. For this reason, companies must recognise deferred income tax assets and liabilities of temporary differences created when a lease agreement and a provision for decommissioning are initially recognised.

According to the group, the amendments will not have a significant effect on the annual report of the group when first implemented.

2.4. AMENDMENTS TO THE STANDARD IFRS 16 *LEASES*: SALE AND LEASEBACK OF AN ASSET

They are applied to reporting periods starting on or after 1 January 2024; they are applied retroactively (earlier implementation is allowed). The European Union has not yet approved the amendments.

The amendments to the Standard IFRS 16 Leases impact the recognition of variable lease payments resulting from sale and leaseback transactions by the seller/lessee. The amendments implement a new accounting model to variable payments.

The amendments confirm the following.

- **On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.**
- **After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no profit or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.**

The management board has not yet evaluated the impact of implementing the standard on the financial statements of the group.

2.5. AMENDMENTS TO THE STANDARD IAS 1 *PRESENTATION OF FINANCIAL STATEMENTS*

In November 2022, the amendments were postponed and they have not been adopted yet. The amendments clarify that the classification of liabilities to long-/short-term ones is based solely on the right of an enterprise to postpone settlement at the end of a reporting period. The right of an enterprise to postpone settlement by at least 12 months starting from the reporting date is not necessarily unconditional, but it must have substance. Classification is not affected by the plans or expectations of the management board about whether and when the company exercises its right. The amendments also clarify situations considered to be settlements of liabilities.

According to the group, the amendments will not have a significant effect on the annual report of the group when first implemented.

2.6. OTHER AMENDMENTS

Other new or amended standards or interpretations, not yet in effect, will not presumably have a material effect on the annual accounts of the company.

2.7. NEW STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO CURRENT STANDARDS THAT TOOK EFFECT ON 1 JANUARY 2022

New standards that took effect on 1 January 2022 do not have a material effect on the financial reports of the group.

NOTE 3.
MATERIAL ACCOUNTING POLICIES

3.1. STATEMENT OF COMPLIANCE

The consolidated annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and the Accounting Act of the Republic of Estonia.

3.2. BASIS OF PREPARATION

The cost method was used for preparing the consolidated annual accounts, except in the case of the following items in the statement of financial position:

- **affiliated undertakings – pursuant to principles on page 38;**
- **financial instruments – pursuant to subsection 3.15 on page 41;**
- **investment property – pursuant to subsection 3.11 on page 40;**

3.3. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The presentation currency of the consolidated annual accounts is the euro, which is also the functional currency of the parent company and its subsidiaries. The numeric indicators in main statements and notes are presented in thousands of euros rounded to the nearest thousand (unless stated otherwise).

3.4. BASIS OF CONSOLIDATION

The consolidated annual accounts present the financial indicators of the parent company and its subsidiaries, consolidated line by line.

Subsidiaries

A subsidiary is a company over which the group has dominant influence. The group has dominant influence over a subsidiary if it is open to or is entitled to variable income due to its holding in the subsidiary and is able to impact this income through its power over the subsidiary and the power is associated with the income.

When evaluating the existence of dominant influence, the potential right to vote, in effect at the moment under consideration, is taken into account.

The consolidation of a subsidiary begins at the moment when the group acquires controlling interest in the subsidiary and ends at the moment of losing controlling interest in the subsidiary. All assets, liabilities, income, and expenses acquired or sold by the subsidiaries within the year are recognised in the consolidated statement of comprehensive income starting from the day of acquiring controlling interest and ending on the day that the group loses controlling interest in the subsidiary. If necessary, the financial indicators of the subsidiaries are adjusted to comply with the accounting policies of the group.

If the group loses its controlling interest in a subsidiary, it will no longer recognise the assets and liabilities and the related non-controlling interest and other equity components of the subsidiary. The fair value of the remaining interest in the former subsidiary is assessed at the time of losing controlling interest.

Affiliated undertakings

An affiliated undertaking is a company over whose financial and operating policies the group has a significant, but not dominant, influence. A significant influence is when the group owns 20–50% of the rights to vote of the other company. Affiliated undertakings are recognised based on the equity method and initially recognised at cost. The investment of the group includes the goodwill of the company as established during the acquisition, less impairment. The consolidated annual accounts reflect the share of the group in the profits or losses of an affiliated undertaking, other comprehensive income and losses, and changes in equity after the accounting policies of the affiliated undertaking have been harmonised with the accounting policies of the group starting on the date of beginning of the significant influence until the date of ending thereof. If the share of the group in the losses of the investment exceeds the value of shares the former holds, the book value of the investment (incl. long-term investment) is reduced to zero and further losses are no longer recognised, except to the extent in which the group is liable to the affiliated undertaking or has made payments on behalf of the affiliated undertaking.

The vessels of the affiliated undertaking AS Tallink Grupp (hereinafter 'Tallink Grupp') are measured in revalued amounts determined based on fair value at the end of the reporting period. Tallink Grupp relied on the assessments of three independent assessors when determining the fair value of the vessels. Fair value was established according to market-based inputs, which are mostly unobservable. The management of Tallink Grupp takes into account the expected cash flows from chartered ships if necessary.

The frequency of revaluations depends on the variations in fair value assessed at the end of each year. If fair value differs significantly from the book value, another revaluation is carried out. The management of the company believes that there were no significant variations between the book value and fair value as at 31 December 2022 (also as at 31 December 2021).

The consolidated annual accounts of Infortar recognise affiliated undertakings based on the equity method, except segment reporting, which uses the financial data of Tallink Grupp (see Notes 3.27 and 5).

Transactions eliminated during consolidation

All internal transactions, receivables, and liabilities of the group and retained earnings from transactions between companies in the group are eliminated when preparing the consolidated annual accounts. The retained earnings from transactions with affiliated undertakings, recognised based on the equity method, are eliminated in relation to the investment to the extent corresponding to the holding of the group in the affiliated undertaking.

Retained losses are eliminated similarly to retained earnings, but only to the extent to which there is no evidence of the impairment of assets.

3.5. BUSINESS COMBINATIONS

Business combinations are recognised according to the purchase method. The acquisition cost of the holding acquired in the course of a business combination is assessed at fair value, which is calculated by adding up the total fair value of assets and liabilities obtained at the moment of acquisition and the equity instruments transferred to acquire controlling interest in the new combination. The expenses related to the acquisition are generally recognised when they arise in the income statement and statement of comprehensive income of the reporting period. Value that exceeds the difference between the acquisition cost of the purchased holding and the non-controlling holdings and holdings purchased in the past (if any) and the identifiable acquired net assets is expressed as goodwill. A negative difference between the acquisition cost of the acquired holding, fair value of the non-controlling holding and holding purchased in the past (if any), and the fair value of acquired net assets is immediately recognised as an expense in the income statement and statement of comprehensive income. Non-controlling interest in equity that ensures a proportionate share of net assets to the non-controlling owner in the case of liquidation is recognised at fair value or as a proportionate share of non-controlling interest in identifiable net assets.

The choice between alternative options of recognition is transaction-based. In other instances, the non-controlling interest is measured at fair value or in accordance with other principles established in IFRSs. If, in the course of a business combination, a holding is acquired in exchange for an asset or liability arising from conditional agreements, then such conditional agreements are a part of the acquisition cost of the business combination and they will be measured at fair value at the time of acquisition.

3.6. FOREIGN CURRENCIES

When preparing the unconsolidated annual accounts of the companies in the group, all transactions of the reporting period involving foreign currencies have been recognised in the functional currency based on the exchange rates of the European Central Bank on the balance sheet date. On every balance sheet date, the monetary balances are recalculated based on the exchange rates of the European Central Bank on the balance sheet date. Exchange rate profits and losses created as a result of the revaluation of monetary assets are recognised as profit or loss of the reporting period in the income statement or statement of other comprehensive income.

3.7. CASH AND CASH FLOWS

In the statements of financial position and cash flows, cash balance includes the balances of cash in hand, bank accounts, and short-term bank deposits (with a maturity of less than three months). The indirect method is used for reporting the cash flows from the principal activity, on the basis of which the net profit/loss of the reporting period is adjusted by the impact of non-financial economic transactions, changes in the balances of the assets and liabilities which are related to the principal activity, and the income and expenditure (profits and losses) related to investment and financing activities.

The cash flows from investment and financing activities are reported by using the direct method, i.e. as gross income and payments in the reporting period.

3.8. INVENTORIES

Inventories are initially recognised at cost, which consists of acquisition, manufacturing, and other costs that are required for bringing the inventories to the current location and condition. Purchasing costs of the inventories include, in addition to the purchase price, any customs duties, other non-refundable payments, and transportation costs which are related to purchasing the inventories, with any discounts or subsidies deducted.

Inventories are reported in the balance sheet at cost or in the net realisable value, depending on which is lower. The net realisable value is calculated by deducing the estimated expenses necessary for preparing a product for sale and for making a sale from the estimated selling price used in the regular course of business.

3.9. PROPERTY, PLANT, AND EQUIPMENT

'Property, plant, and equipment' means tangible assets with an expected useful life of over one year which are used in business activities.

Items of property, plant, and equipment are recognised as assets when it is likely that an economic unit will receive future economic benefits from the assets and the cost of the assets can be measured reliably.

Registration and recognition

Property, plant, and equipment are recorded in the balance sheet at cost, less accumulated depreciation and potential write-downs due to impairment. Land is registered in its actual cost. Land is not depreciated. If the useful life of different components of property, plant, and equipment varies, the components are registered separately as non-current assets (as important components). The normal depreciation rate of each component is determined separately based on the presumed useful life of the component.

Actual expenses related to property, plant, and equipment produced for own use are recognised as construction in progress. If preparing an object for its intended use takes a significant amount of time and it is financed with a loan (or some other debt instrument), the borrowing costs that are directly related to the production of the asset (including interest calculated based on the effective interest method) must be capitalised in the cost of the asset. Borrowing costs are capitalised from the moment that these expenses have been created (a loan has been issued) and the construction of the asset has begun. The capitalisation of borrowing costs ends at the moment when the asset is mostly completed and commissioned for its intended use by the economic unit. The cost of a self-constructed asset is determined using the same principles as for an acquired asset. Construction in progress is registered as property, plant, and equipment based on an instrument of delivery and receipt of the asset, stating the useful life of the asset. The cost of property, plant, and equipment does not include administrative and other general expenses.

The cost of non-current assets obtained with the help of a government grant is determined pursuant to the section on government grants in the accounting policies.

The profits and losses created by ending the recognition of property, plant, and equipment are recognised in the income statement.

Subsequent expenses

Depreciation is calculated based on a linear method by apportioning the cost up to the final value to the estimated useful life of the asset and recognised in the income statement. The useful life of property, plant, and equipment is reviewed at least at the end of each financial year, and when new assessments differ from previous ones, the differences are recognised as changes in accounting estimates, i.e. prospectively. An asset is going to be depreciated from the moment that it is ready for use (taken to the location and condition required by the management).

The useful life of property, plant, and equipment by asset groups:

- **buildings in use 2–5% per year;**
- **machinery and equipment 8–20% per year;**
- **vessels 2–5% per year;**
- **other inventory 20–50% per year.**

The assessment of the impairment of assets is described in greater detail in the accounting policy *Asset Impairment*.

3.10. INTANGIBLE ASSETS

Items of intangible assets include purchased software, customer agreements, and mining rights.

Intangible assets with limited useful life, acquired separately, are recognised at cost less write-downs due to the depreciation and impairment of the assets. Intangible assets with an indefinite useful life, acquired separately, are recognised at cost less write-downs due to the impairment of assets. The estimated useful life of intangible assets and the depreciation method are reviewed every accounting period. In the case of changes in estimates, it will be calculated prospectively. Intangible assets are depreciated according to the depreciation rate established for a specific asset. The recognition of an intangible asset ends when it is transferred or when future economic benefits are no longer expected from the use or transfer of the asset. Profit or loss resulting from the derecognition of an intangible asset is calculated by deducing residual book value of an asset from the sales income and recognised in the income statement and statement of comprehensive income when the asset is derecognised.

Customer agreements recognised among intangible assets are recognised based on the diminishing balance method with an amortisation rate of 16% (2021: 16%) per year because this method is more objective when reflecting the distribution of economic benefits of the asset across its useful life and the recoverable amount of an asset is tested on every balance day. In the course of the test, the cash flow of customer agreements is discounted with a risk-free rate of return. Estimated quantities, margins, and costs of customer contracts are used for calculating the cash flow.

The depreciation of the right to use quarries is calculated based on the activity volume method, i.e. depreciation costs are calculated based on the production volume of any given month.

3.11. INVESTMENT PROPERTY

Investment property is real estate (a plot of land or a building or a part of a building or both) which is mostly kept for earning lease income, increase in value, or both, and not for using it to manufacture products or provide services, for administrative purposes, or for sale in ordinary course of business.

Investment property is initially recognised in the balance sheet at cost that includes its purchase price and direct expenses of acquisition.

Subsequently, investment property with a fair value that can be reliably estimated with reasonable costs and effort will be recognised at fair value, which is based on market prices determined by independent real estate appraisers once a year; the prices of recent transactions with similar objects (adjusting the estimated difference); or the discounted cash flow model. Investment property, the fair value of which cannot be reliably evaluated with reasonable costs and effort, is recognised based on the cost model similarly to fixed assets until it is possible to evaluate its fair value reliably.

When applying the fair value option, investment property is recognised at fair value on every reporting date. Profits/losses arising from changes in value are reflected in the income statement for the reporting period on a separate line 'Profit (loss) from the change in fair value of the investment property'. If the investment property is recognised based on the fair value method, depreciation is not calculated.

If the use of an investment property changes, the property is reclassified in the statement of financial position and, as of the date of the change, the accounting principles which apply to the asset group to which the property was assigned are applied to the property.

3.14. INVESTMENTS IN SUBSIDIARIES (IN UNCONSOLIDATED STATEMENTS OF THE PARENT COMPANY)

Investments in subsidiaries which are not kept for sale are recognised at cost in the unconsolidated financial statements of the parent company. If necessary, cost is adjusted according to the impairment of the asset.

3.15. FINANCIAL INSTRUMENTS

(a) Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income, or fair value with changes through the income statement.

As at 31 December 2022 and 31 December 2021, the group classified all its non-derivative financial assets as measured at amortised cost.

The accounting policy for derivatives, designated as hedging instruments, is disclosed in subsection (D). Financial assets are measured at amortised cost if both of the following conditions have been met:

- **the financial asset 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 outstanding principal amount.**

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. For the purposes of the assessment of whether contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as the profit margin.

Following initial recognition, financial assets at amortised cost are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange profits and losses, and impairment are recognised in the income statement. Any profit or loss on derecognition is also recognised in the income statement.

(b) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value with changes through the income statement. As at 31 December 2022 and 31 December 2021, the group classified all its non-derivative financial liabilities as measured at amortised cost.

The accounting policy for derivatives, designated as hedging instruments, is disclosed in subsection (D). After initial recognition, financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method. Profits and losses from changes in interest expenses and foreign exchange rates are recognised in the income statement.

Any profit or loss on derecognition is also recognised in the income statement.

(c) Derecognition and offsetting

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 it does not retain control of the financial asset. Factoring without a recourse is recognised as a sale of receivables. The group derecognises a financial liability when it is paid, cancelled, or expires. The group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value based on modified terms. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position if, and only if, the group has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(d) Derivative instruments

The group holds derivative instruments to hedge its natural gas and electricity price risk exposures. Derivatives are measured at fair value both initially and subsequent to initial recognition. The group designates most of the derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in the commodity prices.

At the inception of designated hedging relationships, the group documents the risk management objective and strategy for undertaking the hedge. The group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised under other comprehensive income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from the inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement. The amount accumulated in the hedging reserve is reclassified to the income statement or in the cost of inventories in the same period or periods during which the hedged expected future cash flows affect the profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated, or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedging instruments is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to the income statement or reported in the cost of inventories in the same period or periods as the hedged cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then

the amounts that have been accumulated in the hedging reserve are immediately reclassified to the income statement.

3.16. FINANCIAL ASSETS

All regular purchases and sales of financial assets are recognised and their recognition is discontinued on the transaction date. Regular purchase or sale is a purchase or sale of financial assets which takes place within the deadlines set by legislation or the rules of a financial market. All financial assets reflected in accounting are measured at amortised cost or fair value, depending on the classification of the assets.

Financial assets are measured at amortised cost if both of the following conditions have been met:

- **the financial asset 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 outstanding principal amount.**

A financial asset is measured at fair value with changes through OCI if it corresponds to both of the following conditions and is not defined as an asset that is recognised at fair value with changes through the income statement:

- **instruments are held within a business model whose objective is to achieve the collection of contractual cash flows and the sale of financial assets; and**
- **its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.**

By default, all other financial assets are subsequently measured at fair value with changes through the income statement.

Recognition of financial assets at amortised cost

The company recognises the following assets at amortised cost: trade receivables, loans issued, other financial claims, and cash and cash equivalents. The amortised cost model is applied to financial assets held for collecting contractual cash flows where cash flows consist of only the principal and the interest on outstanding principal by using the effective interest method. Financial assets are initially recognised at fair value plus transaction costs of acquisition, except for accounts receivable (do not contain a financing component), which are recorded at transaction value.

The effective interest method is a method for the calculation of the amortised cost of a financial instrument and the distribution of interest income and expenses across the validity of the contract. Effective interest rate is a rate at which estimated future payments or receipts are discounted during the presumed validity of a financial asset or financial liability; in the case of financial assets, it concerns gross value, and in the case of financial liabilities, amortised cost. Income or expense is recognised based on the effective interest of a debt instrument, except for financial assets classified as assets recognised at fair value with changes through the income statement.

Recognition of financial assets at fair value through income and OCI

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised under other comprehensive income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from the inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

Impairment of financial assets

The company uses the following models for determining impairment:

- **general model (regular);**
- **simplified model.**

The company relies on the general model to monitor changes in the level of credit risk related to an asset and classifies a financial asset to one of three stages of loss allowance due to impairment, based on the change in the level of credit risk compared to initial recognition. The group recognises loss allowances of investments in debt instruments, which are measured at amortised cost or fair value through OCI, and of lease receivables, trade receivables, contractual assets, and financial guarantee agreements.

The amount of expected credit losses is updated on each reporting date to record changes in credit risk starting from the initial recognition of the respective financial instrument. The group recognises lifetime ECLs (expected credit losses) on trade receivables, contractual assets, and lease receivables. The ECLs of these financial assets are evaluated based on a provision matrix which is based on the history of prior credit losses of the group, adjusted by factors specific to debtors, general economic conditions, and current estimates as well as the ones forecast on the reporting date, including the time value of money if necessary. In the case of all other financial instruments, the group recognises the lifetime ECLs if the credit risk has increased considerably after initial recognition. However, if the credit risk of a financial instrument has not considerably grown after initial recognition, the group measures the loss allowance of the financial instrument in the amount equal to the ECL of 12 months. The lifetime ECL stands for ECLs due to all possible cases of default during the presumed life of a financial instrument.

In contrast, the ECL of 12 months signifies the portion of lifetime ECL which is presumably due to the non-performance of the liabilities of a financial instrument, possible within 12 months following the reporting date.

(i) Definition of the non-performance of liabilities

The group considers the following situation a non-performance of liabilities for the purposes of credit risk management because past experience shows that financial assets corresponding to one of the following criteria are usually not coverable:

- **if a debtor has violated financial agreements; or**
- **internal or external information indicates that the debtor likely will not pay to the creditor, incl. the group, in full (not considering the guarantees in the possession of the group).**

Regardless of the aforementioned analysis, the group believes that the non-performance of liabilities has taken place when the due date of a financial asset has been exceeded by over 90 days, except when the group has reasonable and justified information proving that even if the contractual payments are delayed by over 90 days, it does not indicate a significant increase in the credit risk of the financial instrument.

(ii) Write-off

The group writes off a financial asset when it learns that a debtor has serious financial difficulties and there is no real possibility to regain cash flows; e.g. if a debtor is being reorganised or is currently the subject of bankruptcy proceedings, or when the amounts owed by buyers have exceeded the two-year payment deadline, depending on which is earlier. The group may still initiate enforcement activities regarding the written-off financial assets, taking into consideration legal advice if necessary. Potential recoveries are included in the income statement.

(iii) Measurement and recognition of ECLs

The measurement of ECLs depends on the likelihood of insolvency, the loss resulting from insolvency (i.e. the extent of losses in the case of insolvency), and the risk exposure in the case of insolvency.

The likelihood of insolvency is evaluated based on past data adjusted by forward-looking data that was described previously. Regarding the risk exposure in the case of non-performance of liabilities – it is recognised in the gross amount of the assets on the reporting date in the case of financial assets; in the case of financial guarantee agreements, risk exposure entails the amount used as at the reporting date along with additional amounts which are expected to be used by a default date in the future, set based on past experience, the understanding of the specific future debtors of the group, and other relevant forward-looking information. In the case of financial assets, the ECL is measured as the difference between all contractual cash flows owed to the group and all cash flows which the group will presumably receive, discounted by the original effective interest. In the case of lease receivables, cash flows are used for measuring the ECLs in compliance with cash flows used for measuring lease receivables pursuant to IFRS 16. In the case of financial guarantee agreements, the presumed losses are compensated by expected payments that are compensated to the owner in the case of a credit loss by deducting from it amounts that the group hopes to receive from the owner, debtor, or some other party, because the group must make payments only if a debtor does not perform its liabilities pursuant to the terms of the guaranteed instrument. When the group has measured the loss allowance of a financial instrument in the amount equal to the lifetime ECL of the previous reporting period, but determines on the current reporting date that the lifetime ECL conditions are no longer met, the group measures the ECL in the amount equal to the 12-month ECL on the current reporting date, except in the case of assets, where the simplified method was used.

The group recognises the profit or loss of a write-down of all financial instruments by adjusting their book value through the loss allowance account, except investments in debt instruments that are measured at fair value through comprehensive income statement, where the loss allowance is recognised in the OCI and the accumulated investment revaluation reserve, and it does not reduce the book value of a financial asset in the statement of financial position.

Derecognition of financial assets

The group derecognises a financial asset if, and only if, the contractual rights to cash flows created by the financial asset expire or it transfers virtually all risks and benefits of the ownership of a financial asset to a

third party. When a financial asset is fully derecognised, the difference between the carrying amount and the consideration received and receivable is recognised in the income statement and the statement of other comprehensive income.

Recognition of derivatives

Derivatives are measured at fair value both initially and subsequent to initial recognition. The group designates most of the derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in commodity prices.

At the inception of designated hedging relationships, the group documents the risk management objective and strategy for undertaking the hedge.
The group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised under other comprehensive income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from the inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

The amount accumulated in the hedging reserve is reclassified to the income statement or in the cost of inventories in the same period or periods during which the hedged expected future cash flows affect the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated, or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedging instruments is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to the income statement or reported in the cost of inventories in the same period or periods as the hedged cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to the income statement.

3.17. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification of debts and equity instruments

The debt instruments and equity instruments issued to the group are classified as financial liabilities or equity instruments, depending on the meaning attributed to them and the definition of 'financial liability' and 'equity instrument'.

Equity instruments

An equity instrument is any contract that proves a residual interest in the assets of an entity after deducting all of its liabilities. The issued equity instruments are recognised in the amount of income received, less the expenses of issuing the instrument.

The redemption of equity instruments issued by the company itself is recognised as equity reduction. Profit or loss from the purchase, sale, issuance, or annulment of the equity instruments of the company itself are not recognised in the income statement and the statement of other comprehensive income.

Financial liabilities

Financial liabilities (incl. loan obligations, trade payables, and other short- and long-term debt) are recognised at amortised cost using the effective interest method. The effective interest method is a method for calculating amortised cost and distributing interest expense across a specific period. The effective interest rate is a rate that discounts the predicted future cash flows precisely (including all fees paid or received between the contractual parties, which are the integral components of the effective interest rate, transaction costs, and all other premiums or discounts) during the entire expected life of a financial liability or (if necessary) to the amortised cost of a financial liability with a shorter term.

A financial liability is classified as short-term if it is due to be settled within 12 months after the end date of the reporting period or if the company does not have an unconditional right to defer the settlement of the liability for more than 12 months after the end date of the reporting period. Loan liabilities that fall due within 12 months of the end date of the reporting period but are refinanced as long-term after the end of the reporting period but before the consolidated annual accounts are approved are classified as short-term. Any such loans which the creditor was entitled to collect on the end date of the reporting period due to a violation of contractual obligations are also reported as short-term loan liabilities. Borrowing costs, which can be directly attributed to the acquisition and/or construction of assets where making them ready for use or sale takes a considerable amount of time (at least two years), are capitalised as part of the cost of the assets until the operations for taking the assets to a state of being ready for use or sale have been mostly completed. All other borrowing costs are recognised as expenses of the period when they occurred.

Derecognition of financial liabilities

The group derecognises a financial liability if, and only if, the liability has been settled, is cancelled, or expires. When a financial liability is derecognised, the difference between its book value and consideration paid or payable is recognised in profit or loss. When the group exchanges a debt instrument with a current lender for another one with a considerably different date of maturity, this exchange is recorded as a cancellation of the original financial liability and the recognition of the new financial liability. Likewise, the group records a significant change in an existing liability or extensive amendments to some of its terms and conditions as a cancellation of the original financial liability and the recognition of the new liability. The terms and conditions are presumed to be considerably different if, pursuant to the new terms, the current discounted value of cash flows, including all fees paid, less received fees discounted at the original effective rate, differs at present by at least 10 per cent compared to the original value of discounted cash flows of the financial liability. If the change or amendment is not significant, the difference is: (1) between the book value of the liability before the change or amendment; and (2) the current value of cash flows after the modification is recognised in the profit or loss.

3.18. PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources with economic benefits will be required to settle the obligation, and the amount can be reliably estimated. Amounts recognised as provisions correspond to the most accurate assessment of expenses needed for settling a current liability as at the end of the reporting period by taking into account unavoidable risks and uncertainties accompanying events and situations. When the time value of money is important, the provision must be recognised at the present value of expected expenditures for the settlement of a liability.

3.19. CONTINGENT LIABILITIES

Guarantees and other binding obligations which, under certain conditions, could become liabilities in the future are disclosed in the notes to the consolidated annual accounts of the group as contingent liabilities.

3.20. LEGAL RESERVE

Pursuant to the requirements of the Commercial Code, the parent company recognises its legal reserve, which is formed with provisions made from net profits. The amount of annual provision must be at least 1/20 of the approved net profits of a reporting period until achieving a legal reserve that is 1/10 of the paid-up capital.

3.21. RECOGNITION OF REVENUE

Sales revenue is revenue created in the course of the regular business activity of the group. Sales revenue is recognised at transaction price. Transaction price is the total fee that the group is entitled to for transferring the promised goods or services to customers, less amounts collected on behalf of third parties.

The company recognises sales revenue when control over goods or services is transferred to customers. Sales revenue is recognised in an amount without VAT and various excise duties applicable to the group.

Operating lease income from investment property is recognised in a linear manner as revenue during the lease period.

Revenue from exchange rates is calculated in net amounts.

Interest income and dividend income are reported when receipt of the income is likely and the amount of the income can be assessed reliably. Interest income is reported based on the efficient interest rate of the asset, unless the receipt of the interest is doubtful. In such cases, interest income is calculated on a cash basis. Dividend income is reported when a legal right has arisen for the owner to receive dividends.

Customers pay a connection fee when connecting to a gas network, which is determined based on the cost

of joining the network. When recognising connection fees, the part of the performance obligation that entails operations necessary for establishing a connection is considered fulfilled during the period when the network services are provided through the connection point established with fixed assets acquired for the connection fee. The weighted average life of the fixed assets acquired for the connection fee is considered to be the length of the aforementioned period, because subsequent reconstructions of the fixed assets are financed through network fees. The weighted average life of the fixed assets acquired for the connection fees is calculated by dividing the average annual acquisition costs of fixed assets with the amount of annual depreciation. Connections fees not recorded as revenue are recognised in the statement of financial position as long-term contractual obligations.

A more detailed information on the recognition of sales revenue from customer agreements is available in Note 12.

3.22. EXPENDITURE

Cost of goods and services sold

The costs of goods and services recognised as sales revenue of the reporting period and of bringing the sold assets to a state of being ready for sale are recorded as the cost of goods and services sold. Expenses related to the lease, development, and administrative services of real estate and to the operating services of leased buildings are also recognised on the line 'Cost of goods and services sold' in the income statement and statement of other comprehensive income.

Marketing expenses

Advertising costs related to the sale of products and services in the reporting period, agency fees, and other marketing costs are recognised as marketing expenses.

General administrative expenses

Employee remuneration and office expenses, R&D expenses, and the depreciation and amortisation of tangible and intangible assets are recognised as general administrative expenses.

Other operating expenses

Other operating expenses are costs not directly related to the main activity of the companies in the group.

3.23. LEASE ACCOUNTING

The group as the lessee

On the contract date, the group determines whether a contract is a lease contract within the meaning of this document. The group recognises right-of-use assets and the corresponding lease liabilities for each lease agreement where the group is a lessee, except in the case of short-term leases (the duration of a lease period is 12 months or less) and low-value assets (such as computers, small supplies, and phones). In such cases, lease payments are recognised in a linear manner as operating expenses during the lease period, or based on some other systematic principle which reflects the economically useful life of the leased assets better.

Lease liabilities are initially evaluated in the current amount of the future payment amounts at the implicit discount rate. If the discount rate cannot be determined, the group relies on an alternative loan interest rate.

When determining a lease liability, the following components of lease payments are taken into account:

- **fixed lease payments, less obtained benefits;**
- **fluctuating lease payments that depend on an index or an interest rate determined on the contract date;**
- **payments that the lessee is obligated to pay as guaranteed residual value;**
- **exercise price of call options if the lessee is sufficiently certain in using the options; and**
- **fines associated with the termination of lease contracts if a lease contract includes the possibility to resort to the termination of the lease contract.**

Lease liabilities are then adjusted by increasing the residual value so that it includes the interest of lease liabilities (at the effective interest rate) and reducing it by the lease payments.

The group revalues a lease liability (and makes the respective adjustments to the right-of-use assets) if:

- **the term of a lease contract changes or an important event takes place or circumstances change significantly, resulting in the assessment of the possibility to exercise a call option – then, the lease liability is revalued by discounting adjusted lease payments at an adjusted interest rate;**

- **lease payments change due to an index or an interest rate of the guaranteed residual value changes – then, the lease liability is revalued by discounting the adjusted lease payments at the former interest rate (unless the previous change was caused by a change in the floating rate – in this case, adjusted interest rate is used);**
- **the lease contract has been amended and the amendments have not been documented as a separate lease contract – then, the lease liability is revalued pursuant to the due date of the amended lease contract by discounting the adjusted lease payments at adjusted rate on the date of the amendment of the contract.**

Right-of-use assets include the value of the initial lease liability, lease payments settled on the accounting day or the period preceding it, with benefits received and initial direct expenses deducted. Subsequently, these are only recognised at cost, less depreciation and decrease in the value of the asset.

Right-of-use assets are depreciated until the expiry of a lease contract or the end of useful life of an asset, depending on which is earlier. If a leased asset transfers to a new owner or a right-of-use asset reflects the group's expectations to a call option, the assets are depreciated until the end of their useful life. The calculation of depreciation begins at the start of the contractual lease period. Right-of-use assets are recognised on a separate line in the consolidated statement of financial position.

The group proceeds from the principles of IAS 36 when assessing whether the value of right-of-use assets may have decreased and, if necessary, calculates the impairment of assets in the manner described in the accounting policy 'Impairment of tangible and intangible assets'.

The group as a lessor

The group earns income as a lessor with operational lease contracts which do not significantly transfer all the risks and advantages of owning investment property. The lease revenue from operational lease contracts is calculated in a linear manner during the lease period and recognised as revenue in the profit or loss statement due to the nature of the activity, except for conditional lease revenue, which is recognised when it arises. Initial direct expenses of negotiating and managing operational lease contracts are recognised as expenses based on the same principles as lease revenue during the lease period.

The group concludes lease contracts, in the scope of application of IFRS 16, as a lessor regarding investment property mainly held for earning lease revenue. These contracts entail certain services provided to lessees (e.g. customers), including the maintenance services of rooms in common use (such as cleaning services), security, landscaping, and clearing snow from shared areas as well as other support services. The fee collected from lessees for these services includes fees collected based on the percentage of the leased area and compensations for certain expenses. These services are detailed in lease contracts and can be separately invoiced.

Lessee deposits

The deposits of lessees are initially recognised at fair value and then measured at amortised cost. Any difference between the initial fair value and the nominal value is added as a component of the operational lease revenue and recognised in a linear manner during the lease period.

3.24. EMPLOYEE BENEFITS

(a) Short-term employee benefits

Liabilities associated with short-term employee benefits are recognised as expenses at the time of providing the service related to the benefit. The liability is recognised as an amount which must presumably be paid when the group is legally or constructively obligated to make the payment due to the past professional service of the employee and the amount of the obligation can be reliably assessed.

(b) Termination benefits

Termination benefits are recognised in the earliest date among the following: when the group can no longer withdraw the offer of the benefit and when the group recognises restructuring expenses. If the group does not plan to pay the benefits in full within 12 months of the end of the reporting period, then they are discounted to the current value.

(c) Share-based employee benefits

In the case of share-based payment transactions settled with equity, the group measures the goods or services received and the corresponding increase of equity at fair value of the received goods or services.

In the case of transactions with employees, the fair value of equity instruments is measured on the date of transfer. The transfer of equity instruments could depend on whether employees fulfil certain conditions for entry into force related to the provision of a service or performance. All terms and conditions of entry into force, which are related only to the service provided by the employees or the conditions of performance not related to the market, will be taken into account when assessing

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the number of equity instruments which is expected to apply. The group later adjusts this assessment if it receives new information indicating that the number of equity instruments could differ from the previous assessment.

The group adjusts this assessment on the date of entry into force so it would be equal to the number of equity instruments that was actually applied.

(d) Other employee benefits

Provisions have been created for the benefits due when the contract of service with a member of the management board is terminated and for other benefits meant for former employees, stipulated in other contracts. The expense of creating a provision for the benefit meant for the members of the management board after the termination of the service relationship is recognised in the income statement during the expected service period of the members of the management board.

3.25. GOVERNMENT GRANTS

Income from government grants is reported at fair value where there are sufficient assurances that the group is compliant with the criteria associated with the government grant and the grant is going to be realised.

Government grants are recognised on a gross basis, meaning that an asset acquired with a government grant is registered at cost in the statement of financial position. The amount of a government grant received for the acquisition of assets is recognised as a long-term liability as income of future periods from grants in the statement of financial position. The acquired assets are depreciated as part of expenditure and the grant liabilities as revenue during the useful life of the acquired assets.

3.26. TAXATION

Estonia

Pursuant to the Income Tax Act in force, a business entity registered in the Republic of Estonia does not pay income tax on earned profit, but on profit distributions as well as other payments made from equity exceeding the monetary and non-monetary contributions made to the equity of the company.

The income tax resulting from such a payment will be reported as an expense in the income statement and the statement of other comprehensive income upon the announcement of dividends or upon making any payments which reduce the amount of equity.

The group shows deferred income tax obligation regarding changes in temporary taxable amounts of subsidiaries, except when the time for recalculations of temporary taxable amounts can be verified and it is likely that the recalculation will not take place in the near future. The maximum income tax obligation accompanying the payment of available equity as dividends is shown in the notes to the report.

Other subsidiaries

The profits earned by the subsidiaries of the group are taxed with income tax pursuant to the tax rate stipulated by the laws of the country of location. Deferred income tax liability is calculated on all important temporary differences between the tax base of assets and liabilities and their carrying amounts.

Deferred income tax assets, mostly resulting from tax losses carried forward, are recognised in the statement of financial position only if their realisation through taxable income is likely in the future.

Deferred income tax

Deferred income tax is recognised on temporary differences which arise between the carrying amount of assets and liabilities of the group and the amounts used for imposing income tax on the company (so-called tax base). The amount of deferred income tax liability is measured based on the tax rates valid on the balance sheet date.

Pursuant to the laws of the Republic of Estonia, the profit/loss for the financial year of a company is not taxed in Estonia. Corporate income tax is paid on the distribution of profits and recognised as expense in the profit or loss of the period when the dividends are announced. The deferred income tax liability of the group arises on the investments of the group in Estonian subsidiaries, affiliated undertakings, and joint undertakings, except for when the group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the temporary differences will reverse in the foreseeable future. Examples of the reversal of taxable temporary differences are the payment of dividends, sale of an investment or liquidation, and other such transactions.

As the group controls the dividend policy of a subsidiary, it can control the timing of the reversal of the taxable temporary differences related to the investment. Therefore, if the parent company has decided not to distribute such profits in the near future, it does not recognise deferred income tax liability. When the parent company decides that dividends will be paid in the near future, deferred income tax liability will be recognised to the extent of the payments pursuant to IAS 12.40. As the group generally does not control the dividend policy of affiliated and joint undertakings, it does not control the timing of the reversal of taxable temporary differences. Therefore, the group recognises the deferred income tax liability on investments in affiliated and joint undertakings.

3.27. SEGMENT REPORTING

IFRS 8 *Operating Segments* establishes segment reports that must be submitted on the segments of business activities, the results of which are constantly monitored by the management of the parent company when making decisions on business activities. The main basis of segmentation is business activity. Operational segments are parts of the business activity of an economic entity, for which separate financial information can be obtained to make decisions on the resources allocated to the segment and to assess its performance. The main criteria for monitoring operational segments are: external sales revenue, EBITDA, assets and liabilities, and investments.

3.28. EVENTS FOLLOWING THE REPORTING PERIOD

The consolidated annual report reflects any significant circumstances which have an impact on the assessment of the assets and liabilities and which arose within the period between the end date of the reporting period and the date on which the report was drawn up by the management, and which involve transactions which occurred during the reporting period or in previous periods. Events following the reporting period which do not impact the assessment of assets and liabilities but have a significant effect on the financial results of subsequent financial years are disclosed in the notes to the consolidated financial statements.

NOTE 4. THE MOST IMPORTANT ACCOUNTING ESTIMATES AND MANAGEMENT DECISIONS WITH THE BIGGEST IMPACT

Pursuant to the accounting policies of the group described in Note 3, the management is obligated to make decisions and use estimates and assumptions which concern the book value of assets and liabilities, in which case gathering sufficient information from other sources is not possible. These estimates and decisions are based on past experience and other factors considered relevant. Actual results may differ from the provided estimates.

Estimates and assumptions on which they are based are reviewed on an ongoing basis. Changes in accounting estimates are recognised during the period when the change took place.

4.1. MANAGEMENT ESTIMATES WITH THE BIGGEST IMPACT

The following contains important estimates of the management, which are based on the accounting policies of the group and which have the biggest impact on information recorded in the consolidated annual report.

Measurement of fair value

Several accounting policies and disclosure requirements of the company prescribe the measurement of fair value. Fair value is the amount that could be earned when selling an asset or transferring a liability from one market participant to another in the course of a normal transaction on the measuring date. When measuring fair value, it is presumed that the transaction of the sale of an asset or transfer of a liability takes place:
either on the main market of the asset or liability;
or in the absence of the main market, on the market that is most beneficial for the asset or liability. The company must have access to the main or beneficial market on the measuring date.

Measuring the fair value of an asset or a liability is based on the assumptions which market participants would use for determining the price of the asset or liability, presuming that the market participants act in their best economic interests. Measuring the fair value of non-financial assets is based on the capability of the market participants to create economic benefits by using the assets in the best manner or selling them to market participants who would use them in the best manner. The company uses assessment methods which are suitable in a particular situation and for which it has a sufficient amount of data necessary for measuring fair value, by relying on appropriate observable inputs to the maximum extent and non-observable inputs as little as possible, which are relevant for the entire measurement process:

1. **level 1 — quoted prices (unadjusted) in active markets for assets or liabilities;**
2. **level 2 — measurement methods where the input for the lowest level that is relevant for the entire measurement process can be directly or indirectly observed;**
3. **level 3 — measurement methods where the input for the lowest level that is relevant for the entire measurement process is non-observable.**

Likelihood of collecting receivables

In the case of significant financial assets, the reduction in the value of every item is assessed individually. To assess the expected losses from doubtful receivables, the group uses a discount matrix model based on past experiences. The group may have receivables that have not been provisioned. The management has assessed such receivables individually and decided that collecting them is unlikely, except for lease income, where receivables are assessed in an aggregated manner.

Additional information on the expected losses from outstanding invoices is presented in Note 14.3.1.

Recognition of deferred income tax

In accordance with paragraph 39 of IAS 12, the group recognises a deferred income tax liability for all investments in subsidiaries, affiliates, joint ventures, and branches that give rise to temporary taxable differences, unless: (a) the group is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is not recognised if the investment meets both criteria (a) and (b) above. The group's management analysed the investments made in the subsidiaries and found that in those subsidiaries where there is a temporary taxable difference in the investment, both exclusion criteria (a) and (b) are met at the same time and there is no need to recognise deferred income tax. As the group usually does not control the dividend policy of an affiliated undertaking, it does not control the timing of the reversal of temporary taxable differences. For this reason, the group recognises deferred income tax liability on investments in affiliated undertakings.

Additional information on the recognition of deferred income tax is presented in Note 7.5.

The recoverable amount of property, plant, and equipment

At the end of every reporting period, the management of the group assesses whether there are any indications of impairment. When such indications are discovered, the recoverable amount of property, plant, and equipment is determined. When calculating the recoverable amount of property, plant, and equipment, an asset value test is conducted to determine the recoverable value of assets. The recoverable amount of an asset is the greater of its current value of future cash flows of the asset and its fair value less costs to sell.

In the case of property, plant, and equipment recognised in the balance sheet at revalued amounts, the management assesses the correspondence of the carrying amount of assets to their fair value every year. Asset value discounts are recognised in the operational costs as valuation allowance.

Useful life of property, plant, and equipment

When assessing the useful life of property, plant, and equipment, the group takes into account the conditions and volume of business operations, prior experience in the segment, and future plans.

Additional information on the useful lives of fixed assets is presented in Note 3.9.

Fair value of vessels in the affiliated undertaking Tallink Grupp

Tallink Grupp determined the fair value of vessels for revaluation purposes as at 31 December 2022. The fair value of vessels depends on several circumstances, incl. the year of construction and several technical parameters as well as the maintenance of vessels (i.e. the amount of investment in the maintenance of a vessel by the owner). Tallink Grupp relied on independent assessors when determining the fair value.

Revaluation depends on the change in the fair value of the vessels. If the fair value of a vessel differs significantly from its carrying amount, revaluation is necessary. In the opinion of the management of Tallink Grupp, the carrying amount of the fleet was not significantly different from the fair value of the vessels as at 31 December 2022. Therefore, the vessels were not revalued as at 31 December 2022.

4.2. MANAGEMENT DECISIONS WITH THE BIGGEST IMPACT

Classification of real estate

Classification of real estate into inventories, investment property, or property, plant, and equipment is based on the intent of the management for the further use of the property. Real estate which was acquired for developing a residential area and sale or resale in the normal course of business activities is recognised as inventories. Real estate that is acquired for earning income from the operating lease or increase in the market value of the real estate is recognised as investment property. Investment property is also real estate which is planned to be held for a long period for several possible purposes.

Real estate which is going to be used for providing services or for administrative reasons over a period longer than a year is recognised as property, plant, and equipment.

Real estate which is mostly leased but partly also used by the companies in the group is recognised among investment property according to its purpose. The proportion of such buildings is small and the group is soon going to forgo the use of such buildings entirely.

Recognition of connection fees

Eesti Gaas, a subsidiary of the group, provides constant access to natural gas to customers who have paid a connection fee for joining the natural gas network. When recognising the connection fees in accordance with the requirements of IFRS 15, the performance obligation that involves the activities that are necessary for the preparation of connection is regarded as satisfied within the period when the gas network services are provided through connection points with the property, plant, and equipment acquired for the connection fees. According to the management's estimates, this period should be equal to the estimated average useful life of the property, plant, and equipment acquired for the connection fees, as the subsequent reconstructions of the property, plant, and equipment will be financed through the gas network service fees.

The weighted average life of the fixed assets acquired for the connection fees is calculated by dividing the average annual acquisition costs of fixed assets with the amount of annual depreciation.

4.3 UNCERTAINTIES OF ASSUMPTIONS AND ESTIMATIONS

The management provides its estimations based on experience and facts that it has learned on the due date of the annual report at the latest. Therefore, there is a risk of having to clarify such estimates regarding assets and liabilities and the related income and expenditure as presented on the reporting date. Uncertainties in the following assumptions and estimations carry a significant risk of adjustment within the subsequent financial year:

Fair value of the investment property

The group determined the fair value of the investment property for revaluation as at 31/12/2022.

The fair value of the investment property depends on various factors, incl. lease yield and discount rate. The group relies on independent appraisers when determining fair value. Revaluation depends on the change in the fair value of the investment property. If the fair value of the investment property differs significantly from its book value, revaluation is required. Revaluation of investment property is recognised on a separate line in the income statement – 'Profit/loss from the change in the fair value of the investment property'.

Additional information about investment property is available in Note 8.1.

Assessment of the impairment of buildings and premises that are classified as right-of-use assets

On every reporting date, the group evaluates the presence of potential signs of impairment of buildings classified as right-of-use assets. If such indications are present, an impairment test is conducted on every reporting date. The value in use of the assets is established to determine their value. When determining the value in use, discounted cash flow method is used.

Additional information on right-of-use assets is available in Note 8.4.

NOTE 5.
SEGMENT REPORTING

The management uses segment reporting for assessing the economic results of the group and making management decisions. The reports present the consolidated segment-based information of the companies in the group, which, in turn, are based on the reports of the companies, divided by the main areas of activity of the group.

The group distinguishes between three main areas of activity, which are presented as segments to be disclosed individually, and minor areas of activity, presented collectively as 'Other':

1. **Real estate (includes all companies in the group that lease or develop investment property);**
2. **Energy (includes biogas production, resale and distribution of natural gas, sale of electricity);**
3. **Shipping (includes Tallink Grupp (an affiliated undertaking of the group) and its subsidiaries);**
4. **Other (smaller companies that provide services to the aforementioned segments and other smaller enterprises).**

The 'Other' segment also includes areas of activity with an insignificant individual contribution to the sales revenue or EBITDA of the group. None of the areas of activity exceed quantitative criteria where disclosure of information is required individually.

The management assesses the results of the segments mostly based on EBITDA, but also monitors business profit. Financial income and expenditure and income tax expenditure is not divided between the segments. The assets and liabilities of the group are divided between the segments based on their purpose.

The sales revenue of the companies in the real estate segment derives mainly from the lease of real estate to the companies of Tallink Grupp. These companies make up 95% of the turnover of the real estate segment.

The sales revenue of the companies in the energy segment is mainly earned from the sale of gas and other energy products. There are no clients whose turnover exceeds 10% of the sales turnover in this sector.

The shipping segment is monitored for decision-making purposes on the group level by relying on the financial statements of Tallink Grupp, and therefore, segment reporting includes the financial data of Tallink Grupp (see Notes 3.4 and 3.27).

The sales revenue of the 'Other' segment is associated with selling to Tallink Grupp and other companies in the group. The companies offer taxi, printing, currency exchange, construction, and commercial services. The segment includes the parent company Infortar (see Note 16), whose operating losses amounted to 5.8 million euros in the reporting year, mainly due to investment and development expenses. Numerous expenses of the parent company cannot be allocated to the operating subsidiaries because these are tied up with preparing for new investments. The income of Infortar is mainly earned through investment and financing activities, not recognised in sales revenue. The 'Other' segment makes up 2% of the sales revenue of the entire group.

The companies in the group are managed, its assets are located, and its economic activity takes place mainly in Estonia.

In addition, SIA Happy Trails, a company in the real estate segment, operates on the Latvian market, and Eesti Gaas, a company in the energy segment, operates on the Latvian, Lithuanian, and Finnish markets. The revenue of the group on different geographical markets is disclosed in Note 12 to the accounts.

38.4 million euros' worth of assets of all assets of the real estate company are located in Latvia. Of the assets of the companies in the energy sector, 24.1 million euros' worth of assets are in Latvia, 6.8 million euros' worth of assets in Lithuania, and 35.2 million euros' worth of assets in Finland.

2022	Real estate	Energy	Maritime shipping	Other segments	Total
External sales revenue	13 261	1 010 431	751 843	30 020	**1 805 555**
Intersegment sales revenue	1 325	3 613	19 544	10 467	**34 949**
Total segment sales revenue	14 586	1 014 044	771 387	40 487	**1 840 504**
Profit/loss based on the equity method				2 386	**2 386**
Segment revenue	503	106 329	13 935	-5 306	**115 461**
Earnings before depreciation, amortisation, and revaluation of non-current assets (EBITDA)	11 328	114 108	135 800	-5 390	**255 846**
31/12/2022					
Assets of the segment	221 325	639 735	1 691 642	57 116	**2 609 818**
Liabilities of the segment	104 870	380 262	984 711	138 641	**1 608 484**
Investments 2022					
in property, plant, and equipment and real estate of the segment	25 870	6 228	217 285	4 064	**253 447**
in intangible assets of the segment	0	1 065	2 527	1 258	**4 850**
Depreciation of property, plant, and equipment	1	6 794	91 216	2 254	**100 265**
Change in the fair value of the investment property	-10 824	0	0	333	**-10 491**
Amortisation of intangible assets	0	985	6 920	380	**8 285**

Comparison of financial information with the consolidated report	**Sales revenue**	**Profit**	**Assets**	**Liabilities**
Reported segments	1 800 017	120 767	2 552 702	**1 469 843**
Other segments	40 487	-5 306	57 116	**138 641**
Elimination and adjustment in line-by-line consolidation	-15 405	-11 173	-93 788	**-85 038**
Elimination of affiliated undertakings	-771 387	-8 164	-1 408 618	**-984 711**
Total in group report	1 053 712	96 124	1 107 412	**538 735**

2021	Real estate	Energy	Maritime shipping	Other segments	Total
External sales revenue	11 492	380 494	445 326	20 579	**857 891**
Intersegment sales revenue	1 235	608	31 611	1 328	**34 782**
Total segment sales revenue	12 727	381 102	476 937	21 907	**892 673**
Profit/loss based on the equity method				270	**270**
Segment revenue	16 465	29 384	-56 576	-4 476	**-15 203**
Earnings before depreciation, amortisation, and revaluation of non-current assets (EBITDA)	11 777	36 639	58 300	-1 973	**104 743**
31/12/2021					
Assets of the segment	201 039	407 496	1 585 915	42 805	**2 237 255**
Liabilities of the segment	78 184	329 929	893 399	112 730	**1 414 242**
Investments 2021					
in property, plant, and equipment and real estate of the segment	2 051	28 211	48 242	2 782	**81 286**
in intangible assets of the segment	0	648	2 783	28	**3 459**
Depreciation of property, plant, and equipment	0	5 755	88 374	2 456	**96 585**
Change in the fair value of the investment property	4 688	0	0	-145	**4 543**
Amortisation of intangible assets	0	1 499	6 938	172	**8 609**

Comparison of financial information with the consolidated report	**Sales revenue**	**Profit**	**Assets**	**Liabilities**
Reported segments	870 766	-10 727	2 194 450	**1 301 512**
Other segments	21 907	-4 476	42 805	**112 730**
Elimination and adjustment in line-by-line consolidation	-3 171	1 717	-46 076	**-30 981**
Elimination of affiliated undertakings	-476 937	32 354	-1 308 662	**-893 399**
Total in group report	412 565	18 868	882 517	**489 862**

NOTE 6.
CASH AND INVENTORIES

(in thousands of euros)

6.1. CASH AND CASH EQUIVALENTS	31/12/22	31/12/21
Cash in hand	34	48
Bank accounts	59 968	45 135
Total	60 002	45 183

Additional information is available in Note 14.

(in thousands of euros)

6.2. INVENTORIES	31/12/22	31/12/21
Natural gas reserves	72 697	65 679
Work-in-progress	1 782	1 255
Goods for sale	887	873
Other raw material and other material	1 386	1 495
Total	76 752	69 302

During the reporting period, materials and goods were written down in the amount of 29 thousand euros (2021: 6 thousand euros).

(in thousands of euros)

6.3. PREPAYMENTS FOR INVENTORIES	31/12/22	31/12/21
Prepayments for gas	8 811	20 698
Other prepayments for inventories	770	0
Total	9 581	20 698

NOTE 7.
RECEIVABLES AND LIABILITIES

(in thousands of euros)

7.1. SHORT-/LONG-TERM RECEIVABLES	NOTE	31/12/22	31/12/21
Trade receivables	12		
With a remaining term of up to 12 months		122 006	108 388
With a remaining term between 1–5 years		0	3 593
Including receivables from related parties	15	4 383	4 978
Loans issued	14.3.1	15 716	9 279
Including loan receivables from related parties	15	15 716	9 188
Interest receivables		350	662
Including interest receivables from related parties	15	350	662
Prepaid revenues			
With a remaining term of up to 12 months		487	951
With a remaining term between 1-5 years		20	33
Other liabilities and prepayments		5 230	7 194
Prepaid taxes	7.4	1 006	327
Realised derivative receivables		108 917	459
Total receivables		253 732	130 886

The base currency of receivables and prepayments is the euro.

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(in thousands of euros)

7.2. CHANGES IN PROVISIONS	2022	2021
Employee-related provisions		
Initial balance at the beginning of the financial year	1 129	1 065
Provisions set up and revalued during the year	18	92
Calculated interest	4	4
Provisions used during the year	-506	-32
Balance at the end of financial year	645	1129
incl. short-term portion	31	31
incl. long-term portion	614	1 098
Other provisions		
Initial balance at the beginning of the financial year	330	444
Provisions set up and revalued during the year	22	16
Calculated interest		
Provisions used during the year	-244	-130
Balance at the end of financial year	108	330
incl. short-term portion	73	185
incl. long-term portion	35	145

(in thousands of euros)

7.3. SHORT-/LONG-TERM LIABILITIES	NOTE	31/12/22	31/12/21
with a remaining term of up to 1 year			
Trade payables		19 845	29 122
Incl. debts to related parties	15	44	635
Tax liability	7.4	31 135	24 647
Employee-related liabilities		2 683	4 628
Interest liabilities	10.3	375	114
Prepayments received	12	10 169	467
Derivatives	14	1 667	31 834
Short-term provisions	7.2	104	216
Other liabilities		1 937	15 909
with a remaining term between 1–5 years			
Revenue from government grants in future periods	7.6	4 879	2 743
Other liabilities		174	0
Long-term provisions	7.2	649	1 243
tähtajaga üle 5 aasta			
Deferred income tax liability	7.5	24 890	23 363
Revenue from connection fees in future periods	12.3	13 023	13 210
Total liabilities (except loan and lease liabilities)		111 530	147 496
incl. current liabilities		67 915	106 937
Deferred income tax liability		24 890	23 363
Other long-term liabilities		18 725	17 196

The base currency of debts and prepayments is euro.

(in thousands of euros)

7.4. TAX LIABILITIES AND PREPAID TAXES		
Prepaid taxes	**31/12/22**	**31/12/21**
VAT	950	323
Other prepaid taxes	56	4
Total prepaid taxes	1 006	327
Tax liabilities	**31/12/22**	**31/12/21**
VAT	23 671	21 164
Social tax	1 940	684
Personal income tax	1 050	366
Mandatory funded pension	82	25
Unemployment insurance	93	37
Income tax on fringe benefits	2 740	22
Excise duty	1 559	2 349
Total tax liabilities	31 135	24 647

(in thousands of euros)

7.5 INCOME TAX		
	2022	**2021**
Income tax on dividends paid	-4 050	0
Income tax of foreign subsidiaries	-1	0
EDeferred tax assets/change in liabilities*us*	-1 527	4 471
Total income tax expense (assets)	**-5 578**	**4 471**

Income tax expense consists of payable income tax and deferred income tax. Income tax expense is recognised in profit or loss, except for the part that is recognised in entries in other comprehensive income or loss. In the latter case, income tax liability is also recognised in other comprehensive income or loss. The accounting policy for income tax is explained in Note 3.26.

The income tax liability that arises when dividends are distributed from retained earnings of the group is disclosed in Note 11.3. Contingent liabilities.

7.6 GOVERNMENT GRANTS

In 2018, Infortar received a grant from the public sector through the Connecting Europe Facility (CEF) and concluded a support contract with the Innovation and Networks Executive Agency (INEA), which coordinates the implementation of the CEF programme of the European Union, to construct a bunkering vessel called *Optimus* for liquefied natural gas (LNG). The maximum amount of the grant was 5,423 thousand euros, part of which was received as a prepayment and the rest after the project was completed in 2022. A condition for concluding the support contract was completing the LNG bunkering vessel *Optimus* by 2021 and commissioning it for at least five years. The LNG bunkering vessel *Optimus* was completed and acquired as a fixed asset in 2021 and it is still in use.

The compensation from the grant was paid to the recipient after INEA validated the eligible costs in 2022. The received grant is recognised as income of the period when the ship is depreciated.

The income from the grant was 1,084 thousand euros in the reporting year (2021: 0 thousand euros) and it is recognised in the income statement (as 'Other operating revenue').

NOTE 8.
NON-CURRENT ASSETS

(in thousands of euros)

8.1. INVESTMENT PROPERTY			
			Recognised at fair value
As at 31/12/2020			**140 802**
Acquisition of investment property			1 396
Profit (loss) from the change in fair value			4 543
As at 31/12/2021			**146 741**
Acquisition of investment property			24 236
Transfer from property, plant, and equipment			55
Profit (loss) from the change in fair value			-10 492
As at 31/12/2022			**160 540**
	NOTE	**2022**	**2021**
Lease and rental income earned	12,15	13 987	11 448
Direct administrative costs of investment property			-632

Information on the investment property used as collateral for loans is available in Note 10.2.

The fair value of the investment property is based on the market price set by an independent real estate appraiser.

The appraisal principles of investment property are based on the discounted cash flow and the comparison method.

If the discounted cash flow cannot be used, the appraisal of premises under development relies on the market price calculated based on purchase transactions of similar properties, adjusted according to the changes in the real estate market.

Assumptions used:	2022	Hotels	Offices	Warehouses	Premises under development**
	discount rate	7,6-8,5%	7,4%	8,2%	appraised mostly based on the comparison method
	rate of increase in costs*	2,0-7,0%	2,0-7,0%	2,0-7,0%	
	capitalisation rate	7,5%	6,0%	7,0%	
	cash flow forecast	5 + 1 years	5 + 1 years	5 + 1 years	

* In 2022, the rate of increase in costs was calculated to be 7.0%, and in subsequent years, 2.0%.

** The premises under development include investment property for 7,490 thousand euros, which was acquired in 2022 or is under construction and is recognised at cost.

Assumptions used:	2021	Hotels	Offices	Warehouses	Premises under development
	discount rate	7,6-9,5%	8,0-9,0%	9,0%	appraised mostly based on the comparison method
	rate of increase in costs	0-2,5%	1,0-2,0%	2,0%	
	capitalisation rate	7,5-8,5%	6,0-8,0%	7,5%	
	cash flow forecast	5-6 years	6 years	6 years	

The change in the value of Tallink Spa & Conference Hotel was the largest among investment properties. The price hike of energy prices on the global market affected the entire sector, leading to a decrease of about 20% in the value of the investment (8.6 million euros). In the first few months of 2023, we could see a significant drop in energy prices and we can expect its value to recover.

A large part of the investment properties belonging to the group are used in the tourism and accommodation sector, which means that the COVID-19 pandemic had a negative impact on the real estate value of the hotel sector of the entire group.

Starting from 2022, the group uses the services of Colliers International Advisors OÜ in real estate appraisal.

The group has prepared a fair value sensitivity analysis for investment properties, which determined that if the discount rate used for calculating fair value would change by –/+ 1,0%, the fair value of the properties would change by +6,548/–6,212 thousand euros (2021: +5,379/–4,992 thousand euros).

If the rate of capitalisation would change by –/+ 1,0%, the fair value of the properties would change by +16,388/–12,312 thousand euros (2021: +13,997/–10,589 thousand euros).

(in thousands of euros)

8.2. PROPERTY, PLANT, AND EQUIPMENT

	Land and buildings*	Unfinished construction and prepayments	Machinery and equipment**	Other fixed assets	TOTAL
Residual value on 01/01/2021	**89 583**	**19 079**	**7 760**	**857**	**117 279**
Cost on 01/01/2021	137 975	19 079	28 024	1 943	**187 021**
Accumulated depreciation on 01/01/2021	-48 392	0	-20 263	-1 086	**-69 741**
Acquisition of property, plant, and equipment	4 952	23 565	1 782	236	**30 535**
Calculated depreciation	-4 234	0	-589	-210	**-5 033**
Reclassification of property, plant, and equipment	0	-37 009	37 558	11	**560**
Sales and write-offs	-187	-9	-79	0	**-275**
Residual value on 31/12/2021	**90 114**	**5 626**	**46 432**	**894**	**143 066**
Cost on 01/01/2022	142 298	5 626	65 798	2 179	**215 901**
Accumulated depreciation on 01/01/2022	-52 184	0	-19 365	-1 285	**-72 834**
Acquisition of property, plant, and equipment	4 856	4 218	2 541	312	**11 927**
Calculated depreciation	-4 327	0	-2 620	-144	**-7 091**
Reclassification of property, plant, and equipment	0	-55	0	0	**-55**
Sales and write-offs	0	0	-122	-2	**-124**
Residual value on 31/12/2022	**90 643**	**9 789**	**46 232**	**1 060**	**147 724**
Cost on 01/01/2022	147 097	9 789	66 011	2 477	**225 374**
Accumulated depreciation on 31/12/2022	-56 454	0	-19 780	-1 416	**-77 650**

* The 'Land and buildings' column includes 71,622 thousand euros' worth of gas pipes on the line 'Residual value 31/12/2022', which is recognised in a separate column 'Facilities' in the Eesti Gaas report.

** The 'Machinery and equipment' column includes the LNG vessel Optimus in the amount of 37,578 thousand euros on the line 'Residual value 31/12/2022'.

Information on non-current assets used as collateral for loans is provided in Note 10.2.

(in thousands of euros)

8.3. INTANGIBLE ASSETS

	Value of customer contracts	Computer software	Mining rights	TOTAL
Residual value on 01/01/2021	**3 797**	**2 832**	**2 261**	**8 890**
Acquisition of intangible assets	0	676	0	676
Calculated depreciation	-524	-1 044	-103	-1 671
Residual value on 31/12/2021	**3 273**	**2 464**	**2 158**	**7 895**
Acquisition of intangible assets	0	1 267	1 056	2 323
Calculated depreciation	-389	-731	-245	-1 365
Residual value on 31/12/2022	**2 884**	**3 000**	**2 969**	**8 853**

(in thousands of euros)

8.4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	NOTE	31/12/2022	31/12/2021
Lease liabilities	10	**9 491**	**9 760**
up to 1 year		1 749	1 670
1–5 years		6 172	6 213
over 5 years		1 570	1 877
Book value of leased assets		10 192	10 382
Lease payments in the reporting year		2 037	3 228
Interest payments on lease in the reporting year		191	204

Lease contracts are concluded with maturities of up to 2033 with the base currency being euro. Liabilities incurred are secured by leased assets. During the financial year, the lease interest remained between 1–5%.

Lease contracts do not include potential future increases of lease payments and obligations to extend lease contracts.

Right-of-use assets

The group leases office and storage spaces, means of transport, and other machinery and equipment, and it has concluded superficies agreements and personal right of use contracts for land use.

The group has decided to forego recognising right-of-use assets and lease liabilities based on short-term lease contracts and/or if assets that are leased have low value.

(in thousands of euros)

	Land and buildings	Machinery and equipment	TOTAL
Balance as at 01/01/2021		**11 609**	**12 216**
New right-of-use assets	103	1 801	1 904
Calculated depreciation	-72	-3 107	-3 179
Revaluation and write-off of lease liabilities	0	-559	-559
Balance as at 31/12/2021		**9 744**	**10 382**
New right-of-use assets	144	2 238	2 382
Calculated depreciation	-103	-1 855	-1 958
Revaluation and write-off of lease liabilities	0	-614	-614
Balance as at 31/12/2022		**9 513**	**10 192**

8.5. LEASED ASSETS (THE GROUP AS THE LESSOR)

(in thousands of euros)

Assets leased under operating lease	NOTE	2022	2021
Operating lease income	12	12 843	11 448
Carrying amount of assets leased as the lessor		**31/12/22**	**31/12/21**
Investment property	8.1	160 540	146 741

Important lease contracts

In 2009, the group concluded a lease contract for Tallink Express Hotel. The lease contract expires in 2028, lease payments are fixed for the contract period, and the lessor is entitled to a share of the operating profits of the lessee if certain conditions established by the contract have been met.

In 2006, the group concluded a lease contract for Tallink Spa & Conference Hotel. The lease contract expires in 2027, lease payments are fixed for the contract period, and the lessor is entitled to a share of the operating profits of the lessee if certain conditions established by the contract have been met.

In 2019, the group concluded a lease contract for office premises located at 7 Sadama Street in Tallinn. The contract is concluded for ten years and the parties to the contract are entitled to extend the lease period for another ten years. Lease payments are fixed for the contract period and the lessor is entitled to increase the lease payments based on the CPI.

In 2010, the group concluded a lease contract for Tallink Hotel Riga in Riga. The lease contract expires in 2030 and the lease payments are fixed for the duration of the contract.

In 2009, the group concluded a lease contract for office premises located at 5 Sadama Street in Tallinn. The lease contracts expire in 2029, lease payments are fixed for the contract period, and the lessor is entitled to increase the lease payments based on the CPI.
In 2015, the group concluded a lease contract for the warehouse and office building located at 3 Kaldase tee in Maardu. The lease contract expires in 2033 and the lease payments are fixed for the duration of the contract.

In 2022, the group acquired lease contracts for commercial premises located at 11 Tähesaju tee and 9 Tähesaju tee in Tallinn. The lease contracts are concluded for five or ten years and the parties to the contract are entitled to extend the lease period for another five years. The lease payments are fixed for the contract period and the lessor is entitled to increase lease payments based on the CPI.

8.6. COMMITMENTS FOR THE CONSTRUCTION AND LEASE OF ASSETS

LCI7 OÜ as a lessor has concluded a lease contract with Rimi Eesti Foods AS regarding a registered immovable property, based on which the lessor is going to build a warehouse and an office building for the lessee on the registered immov-able.

A construction permit for an office and warehouse building with an enclosed net area of 24,745 m2 has been issued for the registered immovable. The building is going to be constructed by OÜ INF Ehitus.

NOTE 9.
SUBSIDIARIES AND AFFILIATED UNDERTAKINGS

(in thousands of euros)

9.1. INVESTMENTS IN SUBSIDIARIES

Subsidiaries of AS Infortar as at 31/12/2022	date of incorpo-ration	Holding on 31/12/2022	Holding on 31/12/2021	Equity 31/12/2022	Equity 31/12/2021
AS Gastrolink	07.10.05	100%	100%	648	643
AS H.T.Valuuta	22.01.97	100%	100%	1 472	1 366
OÜ Sunbeam	03.10.02	100%	100%	37 126	48 693
OÜ Inf Maja	07.01.05	100%	100%	14 424	14 355
OÜ Fastinvest	19.03.04	100%	100%	21 834	21 320
OÜ Infor Invest	11.01.05	100%	100%	11 772	11 084
OÜ Lasnamäe Tennisekeskus	11.01.05	100%	100%	3 495	3 328
AS Tallink Takso	01.09.07	66%	66%	209	493
SIA Happy Trails	24.11.03	100%	100%	19 913	17 575
OÜ Taxitech	19.12.18	100%	100%	-9	-6
OÜ Lasnamäe Spordikeskus	18.07.16	100%	100%	28	62
AS Eesti Gaas Grupp	10.01.97	100%	100%	235 604	56 412
AS Vaba Maa Grupp	07.01.98	100%	100%	307	436
OÜ Liivalaia Plaza	28.03.02	100%	100%	-319	12
OÜ EMG Grupp	02.12.16	60%	60%	717	684
OÜ INF Communications	12.04.18	100%	100%	74	3
OÜ Gaslab	21.03.19	100%	100%	42	2
OÜ EG Biofond	14.05.08	100%	100%	2 448	2 264
OÜ Farmatar	21.02.20	80%	100%	-509	-154
OÜ Medifort	21.02.20	100%	80%	-23	3
Infortar Marine Ltd	15.06.20	100%	100%	680	98
OÜ Aianurga	26.05.10	100%	100%	42	41
OÜ INF	06.09.22	100%	0%	-190	0
LCI7 OÜ	23.08.21	90%	0%	1 836	0
OÜ INF Engineering	07.09.22	100%	0%	-17	0
OÜ INF Ehitus	29.04.21	75%	75%	-220	57

The country of location of SIA Happy Trails, a subsidiary of Infortar, is the Republic of Latvia, the country of location of Infortar Marine Ltd is the Republic of Cyprus, and other subsidiaries are located in the Republic of Estonia.
Eesti Gaas operates in Latvia under the name of SIA Elenger, in Lithuania under the name of UAB Elenger, in Finland under the name of OY Elenger, and in Poland as Sp. z o.o. Elenger. In 2022, it launched preparations for producing solar energy through the subsidiaries SIA Solar Nica (100%), SIA Elenger Partners (80% holding), SIA Solar Marupe (80% indirect holding), and SIA Solar Olaine (80% indirect holding) in Latvia.
OÜ EMG Karjäärid, a subsidiary of AS Infortar, merged with OÜ Geoforce and OÜ EMG Arendus.
The companies operate from 1 January 2022 under the business name OÜ EMG Karjäärid.
On 6 September 2022, Infortar established a wholly-owned company called OÜ INF.
On 7 September 2022, Infortar established a wholly-owned company called OÜ INF Engineering.
On 15 December 2022, Infortar acquired 90% ownership in a company called LC17 OÜ.
Direct holding in companies is equal to indirect holding and voting power.
The equity of some subsidiaries of Infortar was negative as at 31 December 2022. The group considers these amounts small and related to the costs of establishing the companies and developing non-current assets, which will be covered from the operating profit as the companies continue to operate. If necessary, the parent company is ready to increase the share capital of the subsidiaries.
In 2022, AS Infortar received dividends from other companies in the group: 5,400 thousand euros from OÜ Sunbeam, and 10,800 thousand euros from AS Eesti Gaas; in 2021, no dividends were paid.

(in thousands of euros)

9.2. INVESTMENTS IN AFFILIATED UNDERTAKINGS		31/12/22	31/12/21
Total investments		**296 061**	**283 090**
OÜ Vara HTG investment property	holding	50%	50%
	value of holding	6 595	5 211
AS Tallink Grupp* Maritime shipping and transport group (45 companies)	holding	40%	40%
	value of holding	283 024	277 253
	value in stock market price	155 396	175 639
OÜ Vana-Posti Kinnisvara investment property	holding	50%	50%
	value of holding	43	64
OÜ Eesti Biogaas Energy (5 companies)	holding	50%	50%
	value of holding	1 264	562
OÜ Pakrineeme Sadam investment property	holding	50%	0%
	value of holding	5 135	0

The country of location of the affiliated undertakings of the group is the Republic of Estonia.

The 2022 profit calculated by the equity method amounted to 8.2 million euros (2021: 24.0 million euros of losses).

* The share price of Tallink Grupp in stock market price differed significantly from its book value on 31 December 2022. As we consider it a long-term strategic investment, recognising it at book value is correct. The stock market price depends on the expectations of investors, market volatility, and the economic environment. In our opinion, the stock market price does not reflect the fair value of Tallink and does not take into consideration the greatly improved performance, stronger cash flows, and the business model which was streamlined after the COVID-19 crisis.

The value of the investment made in Tallink includes the income tax expense of its retained earnings in the amount of 23.3 million euros, which is allocated from its retained earnings as deferred income tax liability (see Note 7.3).

As at 31 December 2022, the value covered by the financial investments in affiliated undertakings was tested using a discounted cash flow model to identify potential impairment. As a result of this test, the management has estimated that there were no significant differences between the book value and fair value of financial investments in affiliated undertakings as at 31 December 2022 (as was the case on 31 December 2021).

(in millions of euros)

9.3. INFORMATION ON MAJOR INVESTMENTS ACCOUNTED FOR BY USING THE EQUITY METHOD	current assets/ non-current assets	short-/ long-term liability	net assets/ Infortar's holding	profit/ other comprehensive income	sales revenue/ EBITDA
AS Tallink Grupp*					
31/12/2022	195.7	296.2	706.9	13.9	771.4
	1495.9	688.5	40,02%	0.5	135.8
31/12/2021	203.4	357.9	692.5	-56.6	476.9
	1382.5	535.5	40,02%	0.1	58.3
OÜ Vara HTG					
31/12/2022	1.3	1.7	13.2	2.8	2.9
	33.4	19.9	50%	0.0	2.6
31/12/2021	0.8	1.7	10.4	-9.6	1.4
	32.8	21.5	50%	0.1	1.3

NOTE 10.
FINANCIAL LIABILITIES (LOANS, SECURITIES, PLEDGES, AND OTHER GUARANTEES AND LIABILITIES)

(in thousands of euros)

10.1. LOAN AND LEASE LIABILITIES	maturity date	31/12/22	31/12/21
current liabilities	Under 1 year	266 308	187 642
Non-current liabilities	1-5 years	159 327	152 847
Non-current liabilities	over 5 years	1 570	1 877
TOTAL		**427 205**	**342 366**

The liabilities are divided by types and maturity dates:

(in thousands of euros)

		31/12/22	31/12/21
Short-term loan liabilities			
Overdraft		16 179	25 635
Short-term loans		206 927	118 500
Short-term portion of long-term loan		41 453	41 837
TOTAL		**264 559**	**185 972**
Long-term loan liabilities			
Investment loan		153 155	146 634
TOTAL		**153 155**	**146 634**
Lease liabilities	**NOTE**		
Short-term portion of lease liabilities		1 749	1 670
Long-term portion of lease liabilities		7 742	8 090
TOTAL	**11**	**9 491**	**9 760**

Major loan liabilities

Real estate companies of the group have received loans in the amount of 80,857 thousand euros from the banks, secured by real estate; 44,295 thousand euros of this have a maturity date within 5 years.

The loans were issued with an interest rate of the 6-month Euribor + 1.15–1.95%.
The companies in the group have received a syndicated loan from banks for the acquisition of a company in the total amount of 31,833 thousand euros.

Due to the maturity term of the current contract (November 2023), the loan is recognised as a short-term one. The company is planning to extend the loan by 5 years. The loan was issued with an interest rate of the 6-month Euribor + 1.5%

The group also received a bank loan for the purchase of LNG vessel Optimus in the amount of 27,360 thousand euros with a maturity date of up to 3 years. The loan was issued with an interest rate of the 6-month Euribor + 1.68%

Information on loans received from related parties is presented in Note 15.

10.2. LOAN SECURITIES:

The companies in the group have taken loans against the following securities, and their carrying amounts are as follows:

(in thousands of euros)

	NOTE	31/12/22	31/12/21
Land and buildings	8.2	14 777	14 401
Machinery and equipment	8.2	37 578	37 013
Investment property	8.1	140 070	134 013
Financial assets		123 799	132 191

10.3. INTEREST

The annual interest on the loan and lease obligations of the group remained between the 3-month and 6-month EURIBOR + 1–4% during the financial year (2021: 3-month and 6-month EURIBOR + 0.1–4%). The base currency is euro.

(in thousands of euros)

	2022	2021
Initial balance at the beginning of the year	**114**	**427**
Interest of the reporting year	8 221	4 169
Interests paid	-7 960	-4 482
Final balance	**375**	**114**

10.4. CHANGE IN LIABILITIES RESULTING FROM FINANCING ACTIVITIES

(in thousands of euros)

	Overdrafts	Loans	Lease liabilities
Initial balance as at 01/01/2021	**19 476**	**214 883**	**11 084**
Changes in the cash flows from financing			
Proceeds from borrowings	0	167 830	0
Loan repayments made	0	-75 742	0
Principal repayments of lease obligations	0		-3 228
Total change in the cash flows from financing	0	92 088	-3 228
Other changes			
Change in bank overdraft balance	6 159	0	0
Accepting a lease liability	0	0	1 904
Total other changes	6 159	0	1 904
Balance as at 31/12/2021	**25 635**	**306 971**	**9 760**
Changes in the cash flows from financing			
Proceeds from borrowings	0	193 397	0
Loan repayments made	0	-98 833	0
Principal repayments of lease obligations	0	0	-2 037
Total change in the cash flows from financing	**0**	**94 564**	**-2 037**
Other changes			
Change in bank overdraft balance	-9 456	0	0
Accepting a lease liability	0	0	2 382
Terminating a lease liability	0	0	-614
Total other changes	**-9 456**	**0**	**1 768**
Final balance as at 31/12/2022	**16 179**	**401 535**	**9 491**

NOTE 11.
SHARE CAPITAL, CONTINGENT LIABILITIES, AND RESERVES

11.1. SHARE CAPITAL

		31/12/22	31/12/21
Total number of ordinary shares issued		6 615 000	315 000
incl. fully paid		6 300 000	300 000
nominal value	EUR	0.3	6.3
Share capital	in thousands of euros	1 985	1 985
Own shares	in thousands of euros	-95	-95

The share capital in the amount of 1,984,500 euros is divided between 6,615,000 ordinary shares with a nominal value of 0.30 euros per share (on 31 December 2021, 300,000 ordinary shares with a nominal value of 6.30 euros per share). The minimum share capital of the company is one million (1,000,000) euros and the maximum share capital four million (4,000,000) euros. The company may increase and decrease its share capital within the limits of the minimum and maximum share capital without amending the articles of association.

In the financial year, the nominal value of the shares was changed from 6.30 euros per share to 0.30 euros per share. The existing shareholders received 21 new shares per every existing share and the equity of the company remained the same.

11.2. OWN SHARES

In 2021, a shares and options programme was created for employees, due to which Infortar acquired 15,000 own shares with a book value of 94,500 euros. In 2022, Infortar owned 315,000 shares due to the change in the nominal value of shares into share options.

11.3. CONTINGENT LIABILITIES

Potential income tax liability	31/12/22	31/12/21
Retained earnings	481 890	402 057
incl. taxable profit	124 450	116 815
Maximum potential income tax liability	71 488	57 048
Amount of dividends paid if all retained earnings are distributed	410 402	345 009

The calculation is based on the tax rate (20/80) which applies to dividends paid from the beginning of the coming financial year and the prerequisite that the dividends that are going to be distributed and the income tax paid on them would not exceed the balance of retained earnings on the reporting date.

11.4. LEGAL RESERVE

Legal reserve is formed with annual provisions made from net profits as well as other provisions which are added to the legal reserve pursuant to law or the articles of association. The amount of legal reserve is determined by the articles of association and it cannot be smaller than 1/10 of the share capital. At least 1/20 of the net profit must be transferred to the legal reserve in each financial year. When the legal reserve reaches the amount provided for in the articles of association, it will no longer be increased on account of net profits.

The legal reserve may be used for covering losses with the decision of a general meeting, if it cannot be covered from the available equity of the public limited company; it may also be used for increasing share capital. Legal reserve cannot be used for payments to shareholders.

11.5. HEDGING RESERVE

The hedging reserve comprises the effective portion of the change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss if the hedged cash flows affect profit or loss.

	(in thousands of euros)
As at 01/01/2020	**6 065**
Cash flow hedging instruments – change in fair value	-19 544
Profit(-)/loss(+) from the realised cash flow hedging instruments	2 073
As at 31/12/2020	**-11 406**
Cash flow hedging instruments – effective portion of the change in fair value	-47 399
Profit(-)/loss(+) from the realised cash flow hedging instruments	46 340
As at 31/12/2021	**-12 465**
Cash flow hedging instruments – effective portion of the change in fair value	127 570
Profit(-)/loss(+) from the realised cash flow hedging instruments	-32 798
As at 31/12/2022	**82 307**

11.6. SHARE OPTIONS PROGRAMME

In 2021, the basic terms and conditions of the share options programme were established to motivate the staff and members of the management. The objective of the programme is to motivate the management and the staff by encouraging them to become shareholders so that persons who have received share options would be able to benefit from the increase in the share value as a result of their work.

In 2022, the company issued 3,420 options for shares through the share options programme (in 2021: 3,530 shares) with the weighted average exercise price of 6.30 euros per share. Due to the change in the nominal value of the shares, the company has issued 145,950 options for shares as at 31 December 2022 with the weighted average exercise price of 0.30 euros per share.

No options were cancelled or realised during the year.

In 2022, a change was introduced to the share options programme which means that a recipient of an option is entitled to additional options based on the calculated amount of dividends from option shares.

The main conditions of the share options programme are the following:

The date of issue of options	The condition for earning the right for receiving options	Exercise period of options
September and November 2021 June 2022	a) Three years have passed from the issue of options b) The option has not expired when it is exercised	Starts when three years have passed from the date of issue of the options and ends when the subsequent 12-month period passes

During the reporting year, the expense of the share options was 1,425 thousand euros (2021: 225 thousand euros) and it is recognised in the income statement among 'General administrative expenses' on the 'Labour costs' line (Note 13.3).

Calculation of fair value

The fair value of share options of employees was measured by the Black-Scholes-Merton model. Pursuant to IFRS 2, the option conditions based on service and the operating result were not taken into consideration when measuring fair value.

The following inputs were used for determining fair value:

The life of the option (in months)	36
Volatility	37,4%
Risk-free interest rate	0,0%
Weighted average fair value per share issued (in euros)	816

11.7. SHARES BELONGING TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS AS AT 31 DECEMBER 2022

Name	Position	Number of shares	Stock options	Holding %*
Ain Hanschmidt	Chairman of the Management Board	2 100	12 600	0.03%
Eve Pant	Member of the Management Board	9 450	12 600	0.15%
Enn Pant	Chairman of the Supervisory Board	270 900	12 600	4.30%
Kalev Järvelill	Member of the Supervisory Board	31 500	12 600	0.50%
Toivo Ninnas	Member of the Supervisory Board	420 000	12 600	6.67%

The family members of the management and supervisory board members are not direct shareholders of Infortar.

*Infortar owns 315,000 own shares, making up 4.76% of the share capital. Own shares were acquired to implement the share options programme and do not bestow shareholder's or voting rights on the members of the management or supervisory board.

11.8. EARNINGS PER SHARE

		2022	2021
Profit attributable to the owners of the parent company	in thousands of euros	95,943	18,687
Weighted average number of ordinary shares		6 300 000	300 000
Ordinary earnings per share	euro	15.23	62.29
Number of options issued		71 820	3 530
Purchase price in the options contract	euro	0.30	6.30
Average market price	euro	39	816
Number of shares that should have been issued at the market price		552	27
Weighted average number of shares		6 371 268	303 503
Diluted earnings per share	euro	15.06	61.57

NOTE 12.
SALES REVENUE

The group recognises its sales revenue when it gives control over goods or services to customers. Information on fulfilling the performance obligations established by customer agreements and the timing of fulfilment as well as the accounting policy for recognising revenue resulting from it is provided in Note 12.4.

(in thousands of euros)

12.1. SALES REVENUE BY CATEGORIES	NOTE	2022	2021
Total revenue		**1 053 712**	**412 565**
Profit/loss from hedging instruments		20 479	-72 328
Revenue from customer agreements		1 033 233	484 893
Revenue from customer agreements is distributed:			
Lease and rental of real estate	8.5; 15	12 843	11 448
Sale of natural gas		869 262	373 286
Sale of network services of natural gas		24 353	30 614
Sale of electricity		65 984	15 943
Sale of liquefied natural gas (LNG)		5 747	11 149
Sale of compressed natural gas (CNG)		8 502	4 169
Connection fees		811	785
Sale of other goods and services related to gas		8 241	5 425
Sale of construction and renovation services		13 464	11 451
Printed products		8 092	6 773
Taxi services		2 349	2 183
Management of sports facilities		1 039	832
Sale of minerals and construction materials		6 283	7 069
Retail and wholesale		2 431	2 557
Income from services for maritime passengers		353	169
Other services		3 479	1 040

(in thousands of euros)

12.2. SALES REVENUE BY GEOGRAPHICAL REGIONS	2022	2021
Estonia	511,406	159,715
Finland	303,337	154,364
Lithuania	131,801	64,498
Latvia	103,754	31,410
Rest of the European Union	3,127	2,289
Countries not in the EU	287	290
Total	**1,053,712**	**412,565**

12.3. CUSTOMER AGREEMENT BALANCES

The following table provides an overview of contractual assets and contractual obligations to customers.

(in thousands of euros)

	NOTE	31/12/22	31/12/21
Trade receivables	7 15		
With a remaining term of up to 12 months		122 006	108 388
With a remaining term between 1-5 years		0	3 593
Prepayments received	7 15	10 169	467
Future income from connection fees		13 023	13 210

The growth in the balances of customer agreements during the reporting year is mostly due to the increase in gas prices. Gas makes up 93% of the customer agreement balances.

The total of connection fees received during the reporting period and recognised under the sales revenue was:

(in thousands of euros)

Connection fees	2022	2021
Future income from connection fees in the beginning of the period	13 211	12 705
Connection fees received		1 290
Connection fees recognised as income		-785
Future income from connection fees at the end of the period	13 023	13 210

Connection fees are recognised as income for up to 33 years (2021: 33 years).

12.4. ACCOUNTING POLICY FOR RECOGNISING REVENUE

Lease contracts
Operating lease income from investment property is recognised in a linear manner as revenue during the lease period.

Construction contracts
The revenue of construction contracts is recognised during the provision of the service according to the cost-based method. Expenses related to the provision of the service are recognised in the income statement on an ongoing basis. Received prepayments are recognised as contractual obligations. The duration of the contract depends on the structure under construction; it could be longer than one year.

Type of revenue

FULFILMENT OF THE PERFORMANCE OBLIGATION AND TIMING	TIME OF RECOGNISING REVENUE
Accounting for the sale of natural gas, electricity, and network services	
The recognition of revenue is based on quantities determined with the help of meters or pursuant to agreements. Quantities on which the sale of natural gas and electricity is based are obtained from the data exchange platform of the system administrator. Quantities on which the sale of network services of natural gas is based are measured by the network operator, who collects the readings of the measuring equipment or forecasts these or, as an exception, concludes agreements on quantities. In the case of material impact, readings which are unknown, are reported late, and are believed to be reported incorrectly as at the end of the reporting period are also taken into account if this means that the revenue reflects actual consumption with greater accuracy.	In the case of the sale of natural gas, electricity, and network services, the group normally recognises revenue over time, except if natural gas is sold in storage. In this case, the revenue is recognised at the time of transfer of ownership. Payment terms are short. Income from network services is based on the quantities of natural gas that has passed through the distribution network. Pursuant to the Natural Gas Act, a network operator must submit the prices for network services and the grounds for the establishment of such prices to the Competition Authority for approval and, at the demand of the Competition Authority, state the reasons for the formation of those prices. The network operator must publish the approved prices for the network services in its licensed territory and inform the consumers on its licensed territory of the prices at least two months before the prices take effect.
Connection fees	
Customers pay a connection fee when connecting to a gas network, which is determined based on the cost of joining the network. When recognising connection fees, the part of the performance obligation entailing activities necessary for establishing a connection is considered fulfilled during the period when network services are provided with the connection established with fixed assets acquired for the connection fee. The length of the period is the weighted average life of fixed assets acquired for a connection fee because later reconstructions of fixed assets are financed by network service fees. The weighted average life of fixed assets acquired for connection fees is calculated by dividing the average annual acquisition cost of fixed assets with the total annual depreciation.	Connection fees are recognised as income for up to 33 years. Connection fees not recognised as income are recognised in the statement of financial position as long-term contractual obligations.
Revenue from the sale of goods (including minerals, construction materials, printed products, and retail and wholesale)	
The performance obligation is considered fulfilled and income is recognised when the goods are transferred to customers. In the case of some goods (such as compressed natural gas and green gas), loyalty cards are offered to customers for discounts.	Revenue is recognised when the goods are transferred to customers. Payment terms are short.

NOTE 13.
OPERATING EXPENSES

13.1. COST OF SALES (GOODS, SERVICES)

(in thousands of euros)

	NOTE	2022	2021
Raw materials		-802 867	-288 109
Write-down and write-off of inventories		-29	-8
Goods bought for reselling		-6 504	-5 538
Services bought for reselling*		-81 183	-34 371
Energy		-639	-369
Fuel		-1 847	-1 175
Subcontracting		-6 734	-6 669
Transport expenses		-1 631	-1 967
Leased land		-7	-6
Lease and rent	8.4	-290	-394
Miscellaneous office expenses		-2 013	-1 611
Travel expenses		-25	-31
Training costs		-73	-47
National and local taxes		-170	-234
Allowance for doubtful receivables		-48	-58
Labour costs	13.4	-12 705	-11 421
Depreciation and amortisation	8	-9 469	-9 193
Other		-941	-579
Total		**-927 175**	**-361 780**

*The line for services bought for reselling mostly reflects electricity and gas bought by Eesti Gaas for reselling, utility costs mediated by real estate companies, and subcontracting expenses mediated by construction companies.

13.2. MARKETING EXPENSES

(in thousands of euros)

	NOTE	2022	2021
Transport expenses		-267	-272
Miscellaneous office expenses		-4	-5
National and local taxes		-2	-2
Labour costs	13.4	-803	-681
Depreciation and amortisation	8	-71	-105
Other		-261	-233
Total		**-1 408**	**-1 298**

13.3. GENERAL ADMINISTRATIVE EXPENSES

(in thousands of euros)

	NOTE	2022	2021
Lease and rent	8.4	-51	-40
Energy		-140	-98
Fuel		-35	-24
Transport expenses		-502	-338
Miscellaneous office expenses		-826	-2 049
Travel expenses		-194	-19
Training costs		-73	-47
National and local taxes		-414	-348
Allowance for doubtful receivables		-6	-2
Labour costs	13.4	-13 411	-9 908
Depreciation and amortisation	8	-874	-585
Other		-994	-631
Total		**-17 520**	**-14 089**

13.4. LABOUR COSTS

(in thousands of euros)

	NOTE	2022	2021
Number of employees in the company		452	486
Persons employed under an employment contract		416	451
Members of a management or controlling body		36	35
Total calculated remuneration		-19 498	-16 777
Payroll taxes		-6 286	-5 509
Total labour costs		**-25 784**	**-22 286**

NOTE 14.
FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

14.1. ACCOUNTING CLASSIFICATION AND FAIR VALUES

(in thousands of euros)

AS AT 31/12/2022					Fair value	
	Fair value – hedging instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 2	Level 3
Financial assets measured at fair value						
Derivatives – swaps for buying and selling natural gas and electricity	83 974	-	-	**83 974**	83 974	-
	83 974	-	-	**83 974**		
Financial assets not measured at fair value						
Loans issued	-	15 717	-	**15 717**		15 717
Trade and other receivables (Note 7)	-	253 732	-	**253 732**	***	***
Cash and cash equivalents (Note 6)	-	60 002	-	**60 002**	***	***
	-	**329 451**	-	**329 451**		
Financial liabilities measured at fair value						
Derivatives – swaps for buying and selling natural gas and electricity	-1 667	-	-	**-1 667**	-1 667	
	-1 667	-	-	**-1 667**		
Financial liabilities not measured at fair value						
Overdraft and loans (Note 10)**	-	-	-417 714	**-417 714**	-	-417 714
Lease liabilities (Note 10)	-	-	-9 491	**-9 491**	-	-9 491
Trade and other payables (Note 7)*	-	-	-52 822	**-52 822**	***	***
	-	-	-480 027	**-480 027**		

* Does not include employee payables and tax liabilities.
** According to the estimates of the management, the fair values of the bank loans and overdraft that had a floating interest rate did not differ from their carrying amounts as the risk margins at the end of reporting period met the level of the market's risk margin.
*** The group has not disclosed the fair values for financial instruments such as cash and cash equivalents, trade and other receivables, and trade and other payables, because their carrying amounts are a reasonable approximation of their fair value.

(in thousands of euros)

AS AT 31/12/2021	Fair value – hedging instruments	Financial assets at amortised cost	Other financial liabilities	Total	Fair value Level 2	Fair value Level 3
Financial assets measured at fair value						
Derivatives – swaps for buying and selling natural gas and electricity	25 271	-	-	25 271	25 271	-
	25 271	-	-	25 271		
Financial assets not measured at fair value						
Loans issued	-	9 279	-	9 279		9 279
Trade and other receivables (Note 7)	-	121 148	-	121 148	***	***
Cash and cash equivalents (Note 6)	-	45 183	-	45 183	***	***
	-	175 610	-	175 610		
Financial liabilities measured at fair value						
Derivatives – swaps for buying and selling natural gas and electricity	-31 834	-	-	-31 834	-31 834	
	-31 834	-	-	-31 834		
Financial liabilities not measured at fair value						
Overdraft and loans (Note 10)**	-	-	-332 606	-332 606	-	-332 606
Lease liabilities (Note 10)	-	-	-9 760	-9 760	-	-9 760
Trade and other payables (Note 7)*	-	-	-94 858	-94 858	***	***
	-	-	-437 224	-437 224		

* Does not include employee payables and tax liabilities.
** According to the estimates of the management, the fair values of the bank loans and overdraft that had a floating interest rate did not differ from their carrying amounts as the risk margins at the end of reporting period met the level of the market's risk margin.
*** The group has not disclosed the fair values for financial instruments such as cash and cash equivalents, trade and other receivables, and trade and other payables, because their carrying amounts are a reasonable approximation of their fair value.

14.2. MEASUREMENT OF FAIR VALUES

	Valuation technique	Significant unobservable inputs
Financial assets and financial liabilities measured at fair value		
Derivatives – swaps for buying and selling natural gas	Fair value is determined using settlement prices for futures contracts at the ICE Endex market at the reporting date	
Derivatives – swaps for buying and selling electricity	Fair value is determined using Nord Pool's settlement prices of the Estonian and Latvian price area at the reporting date	
Financial liabilities not measured at fair value		
Proceeds from borrowings	Discounted cash flows: the valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate	Interest rate of borrowings
Loans issued	Discounted cash flows: the valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate	Interest rate of borrowings

14.3. FINANCIAL RISK MANAGEMENT

The group has exposure to the following financial risks arising from financial instruments:

- **credit risk**
- **liquidity risk**
- **market risk**

The management board of the parent company has responsibility for the establishment and oversight of the risk management framework of the group. The purpose of the overall risk management programme of the group is to mitigate financial risks and minimise the volatility of financial results to minimise potential adverse effects on the financial performance of the group. The risk management activities of the group focus on the identification and analysis of possible risks, setting appropriate risk limits and controls and monitoring adherence to limits. The efficiency of risk management and internal controls are monitored and analysed by the supervisory board.

14.3.1. CREDIT RISK

Credit risk is the risk that the group will incur a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the group's trade receivables and contractual assets. The maximum amount exposed to credit risk is the carrying amount of financial assets and contractual assets.

At the end of the reporting period, the maximum amount exposed to credit risk was as follows:

(in thousands of euros)

	31/12/22	31/12/21	NOTE
Trade receivables	122 006	111 981	7
Interest receivables	350	662	7
Other liabilities and prepayments	6 236	7 521	7
Realised derivative receivables	108 917	459	7
Derivatives	83 974	25 271	14.4
Bank accounts	59 968	45 135	6
Loans issued	15 717	9 279	7 ja 17
Total amount exposed to credit risk	**397 168**	**200 308**	

The exposure of the group to credit risk for accounts receivable is influenced mainly by the individual characteristics of each customer. For business customers, a credit analysis is performed prior to the conclusion of the contract and regularly during the validity of the contract. The write-down of receivables is deducted from trade receivables. Despite economic factors potentially impacting the collection of receivables, the management believes that there is no significant risk of loss which would exceed the amount of the write-down already recognised. Other types of receivables do not include written-down assets. Issued loans concern affiliated undertakings of the group and do not carry a risk of impairment (see Note 17).

(in thousands of euros)

EXPECTED CREDIT LOSS ASSESSMENT FOR ACCOUNTS RECEIVABLE	As at 31 December 2022		
	Weighted average loss rate	**Carrying amount**	**Calculated impairment**
Accounts receivable not yet due	0,02%	119 342	17
1-30 days past due	0,14%	1 859	3
31-179 days past due	2,83%	639	18
More than 180 days past due	82,93%	166	137
Total accounts receivable (Note 12)		**122 006**	**175**

			31/12/2021
	Weighted average loss rate	**Carrying amount**	**Calculated impairment**
Accounts receivable not yet due	0,04%	105 484	41
1-30 days past due	0,07%	6 158	4
31-179 days past due	1,42%	114	2
More than 180 days past due	84,74%	225	190
Total accounts receivable (Note 20)		**111 981**	**237**

(in thousands of euros)

Doubtful receivables	31/12/22	31/12/21
Doubtful receivables for natural gas and network services, incl.		
business consumers	-122	-180
household consumers	-19	-18
Doubtful receivables for other goods and services	-34	-39
Total doubtful receivables (Note 12)	**-175**	**-237**

Bank accounts are available financial means of the group deposited at financial institutions. The cash and cash equivalents of the group are mainly deposited at banks of the European Union with an A1 credit rating. According to the estimates of the management of the group, the group is not exposed to significant credit risk related to cash and cash equivalents based on the credit ratings issued to the financial institutions.

14.3.2. LIQUIDITY RISK

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and difficult conditions, without incurring unacceptable losses and risking damage to the reputation of the group. Long-term liquidity risk is the risk that the group does not have a sufficient amount of unrestricted cash or other sources of liquidity to meet its future liquidity needs to carry out its business plan and meet its commitments, or that for the above reasons, the group needs to raise additional cash quickly, which may result in higher costs.

Short-term liquidity risk is mitigated so that the group keeps a certain amount of cash buffer in its bank accounts to have a sufficient amount of cash also available in case there are deviations from the cash flow forecast. In order to have a sufficient amount of cash available, the group has concluded overdraft agreements, factoring agreements, and bank loan agreements for financing current assets. A short-term need for extra financing may occur when the group purchases natural gas for depositing in storage.

In order to finance investments related to various machinery, the group has concluded lease contracts.

The following are the remaining contractual amounts by maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

(in thousands of euros)

	Carrying amount	Contractual cash flows				
As at 31/12/2022		**Total**	**1-6 months**	**7-12 months**	**1-5 years**	**more than 5 years**
Non-derivative financial liabilities						
Bank loans (Note 10.1)	401 535	-406 484	-218 431	-34 898	-153 155	0
Bank overdraft (Note 10.1)	16 179	-16 179	-16 179	0	0	0
Lease liabilities (Note 10.1)	9 491	-9 491	-895	-854	-6 172	-1 570
Trade and other payables (Note 7.3)	56 253	-56 253	-56 079	0	-174	0
Total non-derivative financial liabilities	**483 458**	**-488 407**	**-291 584**	**-35 752**	**-159 501**	**-1 570**
Derivatives						
Outflow	1 667	-2 011	-1 347	-664	0	0
Inflow	0	344	344	0	0	0
Total derivatives (Note 14.4)	**1 667**	**-1 667**	**-1 003**	**-664**	**-**	**-**
As at 31/12/2021		**Total**	**1-6 months**	**7-12 months**	**1-5 years**	**more than 5 years**
Non-derivative financial liabilities						
Bank loans (Note 10.1)	306 971	-308 502	-158 058	-3 810	-146 634	0
Bank overdraft (Note 10.1)	25 635	-25 635	-25 635	0	0	0
Lease liabilities (Note 10.1)	9 760	-9 760	-892	-778	-6 213	-1 877
Trade and other payables (Note 7.3)	74 636	-74 636	-74 636	0	0	0
Total non-derivative financial liabilities	**417 002**	**-418 533**	**-259 221**	**-4 588**	**-152 847**	**-1 877**
Derivatives						
Outflow	31 834	-35 502	-35 502	0	0	0
Inflow	0	3 668	636	3 032	0	0
Total derivatives (Note 14.4)	**31 834**	**-31 834**	**-34 866**	**3 032**	**-**	**-**

As at the date or reporting, the group had no violations of special conditions established by financial agreements.

14.3.3. MARKET RISKS

Currency risk

Currency risk is the risk of the fair value of financial instruments or cash flows fluctuating in the future due to changes in the exchange rate. Financial assets and liabilities in euros are considered currency risk-free financial assets and liabilities if the functional currency of the company is the euro. The group does not have any material financial assets or liabilities which would be exposed to currency risk.

Price risk

Price risk is a risk of the fair value or cash flows of financial instruments fluctuating in the future due to changes in market prices caused by factors other than interest rate risk or currency risk. The financial assets of the group are not exposed to price risk.
The group's major price risks of commodities arise from fixed-price gas sales contracts and floating-price electricity purchase contracts. The group uses derivatives – swap contracts for buying and selling natural gas and electricity – to manage price risks. The swap contracts have been entered into for the purchase or sale of a fixed volume of natural gas or electricity at each hour and their price is denominated in euros. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised under other comprehensive income. A hedging relationship meets the hedge effectiveness requirements if there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes, and the hedge ratio is the same as that resulting from the quantity of the hedged items that the group actually hedges and the quantity of the hedging instrument that the group actually uses to hedge that quantity of the hedged item. The goal of the group is to apply a hedge ratio approximately 1 : 1 or 100%.

The possible sources for ineffectiveness may be the differences in the quantities, underlying commodities, and prices of the hedged items and hedging instruments. The fair value changes of other transactions are recognised in the income statement. As at 31 December 2022, the group had concluded swap contracts for buying and selling natural gas for the years 2023–2027 in the volume of 873,095 MWh (31 December 2021: 90,640 MWh for the years 2022–2025) and swap contracts for buying and selling electricity for the year 2023 in the volume of 4,380 MWh (31 December 2021: 52,041 MWh for the years 2022–2023).

The basis for determining the fair value of the transactions are the quotes at the ICE Endex market and Nord Pool.

Interest rate risk of cash flows and fair value

Interest rate risk is the risk of the fair value of financial instruments or cash flows fluctuating in the future due to changes in the market exchange rates.

Cash flow interest rate risk arises to the group from floating interest rate borrowings and lies in the danger that financial expenses increase when interest rates increase.

The interest rate risk of the group is mainly associated with short-term and long-term borrowings (Note 10). The weighted average interest rate of the borrowings of the group was 2.85% as at 31 December 2022 and 1.89% as at 31 December 2021.

A change of 3 percentage points in the weighted average interest rate on borrowings would have increased the net profit of the group by 8,657.7 thousand euros in 2022 and by 6,612.9 thousand euros in 2021.

Nominal amounts, quantities, and average contract prices of cash flow hedging instruments per MWh

(in thousands of euros)

31/12/2022	1-6 months	7-12 months	over 1 year	Total
Nominal amount of swap contracts to hedge the price risk of gas sales at a fixed price	8 971	8 476	12 865	**30 312**
Nominal amount of swap contracts to hedge the price risk of gas sales at a floating price for storage	78 280	-	-	**78 280**
Nominal amount of swap contracts to hedge the price risk of purchasing gas for storage	-25 674	-	-	**-25 674**
Total nominal amount of swap contracts for buying and selling natural gas	**61 577**	**8 476**	**12 865**	**82 918**
Nominal amount of swap contracts for buying electricity	284	299	-	**583**
Nominal amount of swap contracts for selling electricity	-530	-664	-	**-1 194**
Total nominal amount of swap contracts for buying and selling electricity (Note 17)	**-246**	**-365**	**-**	**-611**
Nominal amount of swap contracts to hedge the price risk of gas sales at a fixed price (MWh)	538 230	303 906	369 132	**1 211 268**
Quantity of swap contracts to hedge the price risk of gas sales at a floating price for storage (MWh)	-1 041 979	-	-	**-1 041 979**
Quantity of swap contracts to hedge the price risk of purchasing gas for storage (MWh)	703 806	-	-	**703 806**
Total quantity of swap contracts for buying and selling natural gas (MWh)	**200 057**	**303 906**	**369 132**	**873 095**
Quantity of swap contracts for buying electricity (MWh)	28 229	28 711	-	**56 940**
Quantity of swap contracts for selling electricity (MWh)	-26 058	-26 502	-	**-52 560**
Total quantity of swap contracts for buying and selling electricity (MWh)	**2 171**	**2 209**	**-**	**4 380**
Average price of swap contracts to hedge the price risk of gas sales at a fixed price (€/MWh)	77	54	33	
Nominal amount of swap contracts to hedge the price risk of gas sales at a floating price for storage (€/MWh)	151	-	-	
Average price of swap contracts to hedge the price risk of buying gas (€/MWh)	141	-	-	
Average price of swap contracts for buying electricity (€/MWh)	17	17	-	
Average price of swap contracts for selling electricity (€/MWh)	152	152	-	

Swap contracts for buying electricity contain EPADs (electricity price area differentials), and as a result, the average price shown does not reflect the entire fixed price.

(in thousands of euros)

31/12/2021	1-6 months	7-12 months	over 1 year	Total
Nominal amount of swap contracts to hedge the price risk of gas sales at a fixed price	12 565	12 461	9 584	**34 610**
Nominal amount of swap contracts to hedge the price risk of gas sales at a floating price for storage	-42 680	-	-	**-42 680**
Total nominal amount of swap contracts for buying and selling natural gas	**-30 115**	**12 461**	**9 584**	**-8 070**
Nominal amount of swap contracts for buying electricity (Note 17)	1 269	139	99	**1 507**
Nominal amount of swap contracts to hedge the price risk of gas sales at a fixed price	336 261	418 348	698 279	**1 452 888**
Quantity of swap contracts to hedge the price risk of gas sales at a floating price for storage (MWh)	-1 362 248	-	-	**-1 362 248**
Total quantity of swap contracts for buying and selling natural gas (MWh)	**-1 025 987**	**418 348**	**698 279**	**90 640**
Quantity of swap contracts for buying electricity (MWh)	27 396	20 265	4 380	**52 041**
Nominal amount of swap contracts to hedge the price risk of gas sales at a fixed price (€/MWh)	34	34	23	
Nominal amount of swap contracts to hedge the price risk of gas sales at a floating price for storage (€/MWh)	56	-	-	
Average price of swap contracts for buying electricity (€/MWh)	97	99	59	

14.4. DERIVATIVES

(in thousands of euros)

	Assets	Liabilities	Assets	Liabilities
		31/12/2022		31/12/2021
Long-term derivatives				
Swap contracts for buying and selling natural gas	12 865	0	9 584	0
incl. derivatives subject to hedge accounting	12 865	0	9 584	0
incl. swap contracts to hedge the price risk of gas sales at a fixed price	12 865	0	9 584	0
Swap contracts for buying and selling electricity	0	0	99	0
incl. derivatives subject to hedge accounting	0	0	99	0
Short-term derivatives				
Swap contracts for buying and selling natural gas	70 526	-473	14 180	-31 834
incl. derivatives subject to hedge accounting	70 526	-473	14 180	-31 834
incl. swap contracts for hedging the price risk of gas sale at fixed prices	17 448	0	19 997	5 029
incl. swap contracts for hedging the price risk of gas sale at floating prices for storage	77 965	315	-5 817	-36 863
incl. swap contracts to hedge the price risk of purchasing gas for storage	-24 887	-788	0	0
Swap contracts for buying and selling electricity	583	-1 194	1 408	0
incl. derivatives subject to hedge accounting	583	-1 194	1 408	0
Total derivatives	**83 974**	**-1 667**	**25 271**	**-31 834**

The goal of the swap contracts for buying and selling natural gas is to manage the risk of changes in the purchase price of natural gas and the value of sales transactions. The goal of the swap contracts for buying and selling electricity is to manage the risk of changes in the purchase price of electricity.

The fair value of swap contracts for buying and selling natural gas is determined using settlement prices for futures contracts at the ICE Endex market at the reporting date.

The fair value of swap contracts for buying and selling electricity is determined using Nord Pool's settlement prices of the Estonian and Latvian price area at the reporting date.

Equity sensitivity analysis of derivative financial instruments

A potential change of 10% in the settlement prices that form the basis for calculating the value of derivative financial instruments would have increased (decreased) the value of equity by the following amounts as at 31 December 2022:

(in thousands of euros)

Equity	Increase	Decrease
	in settlement prices: +10%	in settlement prices: -10%
As at 31/12/2022		
Derivatives	8 662	-8 662
As at 31/12/2021		
Derivatives	-3 679	3 679

NOTE 15.
TRANSACTIONS WITH RELATED PARTIES

15.1. ACCOUNTING POLICY

A related party is a person or a company who is related to the group to the extent that transactions between them do not necessarily take place under market conditions.

A person or their close family member is a related party if that person:

(a) is a member of the management of Infortar or its parent company; or
(b) has a controlling or significant influence over Infortar.

The company is a related party if at least one of the following applies:

(a) the company and Infortar are under the same dominant influence;
(b) one company is controlled by a third party and the other company is under a significant influence of the aforementioned third party;
(c) the company has a dominant or significant influence over Infortar;
(d) the company is under a dominant or significant influence of Infortar;
(e) companies where a member of the management of Infortar (or their close family members) has a controlling or significant influence;
(f) companies where persons who are members of the management (or their close family members) have a controlling or significant influence over Infortar.

In order to determine the potential relationships between the related parties, the substance of the respective relationships must also be taken into consideration, not only the legal form thereof.

Aruandeperioodil on kontsern teinud tehinguid omanikettevõtetega; sidusettevõtetega AS Tallink Grupp, OÜ Vara HTG ja OÜ Vana-Posti Kinnisvara; juhatuse ja nõukogu liikmetega alljärgnevalt:

15.2. RELATED PARTY TRANSACTIONS

	Related party	2022	2021
Goods and services sold (Note 12)	Affiliated undertakings	6 951	20 077
Lease of real estate	Affiliated undertakings	12 593	11 534
Total sales to related parties		**19 544**	**31 611**
Calculated interest	Affiliated undertakings	662	351
Goods and services purchased	Affiliated undertakings	695	3 493
Interest expense	Members of the management and supervisory boards and companies associated with them	370	400
Total purchases from related parties		**1 065**	**3 893**

15.3. BALANCES OF RELATED PARTIES

		31/12/22	31/12/21
Receivables			
Receivables from the sale of goods and services (Note 7)	Affiliated undertakings	4 383	4 978
Loan and interest receivables (Notes 7, 10)	Affiliated undertakings	16 066	9 850
Kohustised			
Payables for the purchase of goods and services (Note 7)	Affiliated undertakings	44	635
Loan and interest liabilities (Note 10)	Affiliated undertakings	8 000	10 000
Calculated remuneration for the members of the management and supervisory boards of the companies in the group	Members of the management and supervisory boards and companies associated with them	3 621	2 734
Including calculated remuneration for the members of the management and supervisory boards of the group		1 625	863

The remuneration of the members of the management and supervisory boards includes basic remuneration, holiday pay, bonuses, allowances, and compensation. All paid remuneration is subject to social tax (33%).

In the course of the options programme of the company, 3,420 shares were sold to the members of the management and supervisory boards in 2022, at the weighted average price of 6.30 euros per share. A more detailed information on share-based payments is provided in Note 11.

Transactions with share capital are described in Note 11 and investments in subsidiaries in Note 9.
Transactions with related parties are associated with the services bought and sold during the normal economic activity of the companies.

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NOTE 16.
MAIN STATEMENTS OF THE PARENT COMPANY

16.1. ACCOUNTING POLICY

Pursuant to the Accounting Act of the Republic of Estonia, the notes to the consolidated annual accounts must disclose the unconsolidated main statements of the consolidating entity (parent company) separately (statement of financial position, income statement, cash flow statement, and statement of changes in equity). When preparing the main financial statements of the parent company, the same accounting policies have been followed as in the case of the consolidated annual accounts, except in the case of investments in subsidiaries and affiliated undertakings, which are recognised at cost (less write-downs) in the unconsolidated report.

Infortar manages liquidity at the group level and negative working capital is covered with monetary means on the group account.

16.2. STATEMENT OF FINANCIAL POSITION

(in thousands of euros)

ASSETS	31/12/22	31/12/21
CURRENT ASSETS		
Cash	0	5 002
Short-term financial investments	1	1
Receivables and prepayments	2 429	3 554
Total current assets	**2 430**	**8 557**
NON-CURRENT ASSETS		
Investments in subsidiaries	23 774	24 032
Investments in affiliated undertakings	35 539	30 726
Loans issued	50 346	41 855
Investment property	7 962	4 952
Property, plant, and equipment	300	239
Total non-current assets	**117 921**	**101 804**
TOTAL ASSETS	**120 351**	**110 361**

(in thousands of euros)

LIABILITIES	31/12/22	31/12/21
CURRENT LIABILITIES		
Loan and lease liabilities	35 185	33 499
Trade payables	283	1 756
Prepayments received	3	3
Other short-term payables	2 296	909
Total current liabilities	**37 767**	**36 167**
NON-CURRENT LIABILITIES		
Long-term provisions	0	100
Loan and lease liabilities	70 360	59 354
Total non-current liabilities	**70 360**	**59 454**
TOTAL LIABILITIES	**108 127**	**95 621**

(in thousands of euros)

EQUITY	31/12/22	31/12/21
Share capital	1 985	1 985
Own shares	-95	-95
Option reserve	1 650	225
Legal reserve	205	205
Retained earnings from previous periods	-3 690	16 709
Profit for the financial year	12 169	-4 289
Total equity	**12 224**	**14 740**
TOTAL LIABILITIES AND EQUITY	**120 351**	**110 361**

16.3. INCOME STATEMENT

(in thousands of euros)

	2022	2021
Sales revenue	2 393	798
Cost of sales	-61	-32
Total operating revenue	**2 332**	**766**
General administrative expenses	-8 494	-4 228
Result of revaluation of investment property	333	-145
Other operating revenue	0	6
Other operating expenses	-6	-52
Operating profit	**-5 835**	**-3 653**
Financial income and expenditure related to the shares of subsidiaries	15 805	-2 923
Financial income and expenditure of short-term financial investments	3 627	3 253
Interest expenses	-1 428	-966
Other financial income and expenses	**18 004**	**-636**
Profit for the financial year	**12 169**	**-4 289**

16.4. CASH FLOW STATEMENT

(in thousands of euros)

	2022	2021
Cash flows from operating activities		
Net profit/loss	12 169	-4 289
Adjustments		
Profit/loss from financial investments	-19 432	-330
Change in the fair value of the investment property	-333	145
Depreciation, amortisation, and impairment of non-current assets	52	4
Calculated interest expenses	1 428	664
Profit/loss from non-current assets sold	0	-6
Change in receivables and prepayments related to operating activities	1 268	126
Change in payables and prepayments relating to operating activities	1 206	-512
Total cash flows from operating activities	**-3 642**	**-4 198**
Cash flows from investing activities		
Acquisition of affiliated undertakings	-4 813	-16 540
Acquisition of subsidiaries/capital expansion	-137	-3 238
Loans issued	-8 491	-4 534
Sale of financial investments	0	1 230
Dividends received	16 200	0
Interest received	3 483	2 121
Payment upon the acquisition of investment property	-2 622	-1 385
Payment upon the acquisition of property, plant, and equipment	-168	-20 258
Proceeds from the sale of investment property and non-current assets	0	31 846
Total cash flows from investing activities	**3 452**	**-10 758**
Cash flows from financing activities		
Change in bank overdraft balance	13 685	1 694
Proceeds from borrowings	2 447	19 589
Loan repayments made	-3 440	0
Interests paid	-1 394	-1 334
Dividends paid	-16 110	0
Total cash flow from financing activities	**-4 812**	**19 949**
Total cash flows	**-5 002**	**4 993**
Cash and cash equivalents at the beginning of the period	5 002	9
Cash and cash equivalents at the end of the period	0	5 002
Change in cash and cash equivalents	**-5 002**	**4 993**

16.5. STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

	Share capital	Own shares	Option reserve	Legal reserve	Retained income	Total
Balance as at 31/12/20	**1 890**	**0**	**0**	**205**	**16 709**	**18 804**
Share capital increase	95	0	0	0	0	95
Acquisition of own shares	0	-95	0	0	0	-95
Stock options	0	0	225	0	0	225
Profit for the financial year	0	0	0	0	-4 289	-4 289
Balance as at 31/12/21	**1 985**	**-95**	**225**	**205**	**12 420**	**14 740**
Dividends paid	0	0	0	0	-16 110	-16 110
Stock options	0	0	1 425	0	0	1 425
Profit for the financial year	0	0	0	0	12 169	12 169
Balance as at 31/12/22	**1 985**	**-95**	**1 650**	**205**	**8 479**	**12 224**

Calculation of adjusted unconsolidated equity

(in thousands of euros)

	31/12/22	31/12/21
Unconsolidated equity	12 224	14 740
Carrying amount of holdings under dominant and significant influence	-59 313	-54 758
Value of holdings using the equity method	614 188	431 788
Adjusted unconsolidated equity	**567 099**	**391 770**

NOTE 17.
EVENTS AFTER THE REPORTING DATE

Infortar has concluded contracts for extending the limits recognised in Note 10 among short-term liabilities as 'Overdraft' for the subsequent financial year. As at the time of preparing this report, 50,000 euros of loans recognised on the 'Short-term loans' line in short term liabilities section of Note 10, which were supposed to mature in 2023, were repaid early.

The syndicated loan of the group in the amount of 31,833 thousand euros was extended by five years; the loan is recognised as a short-term loan in the report (see Note 11.1).

At the time of preparing the report, Pakrineeme Sadama OÜ, an affiliated undertaking of the group, sold the Paldiski LNG (liquefied natural gas) dock along with its infrastructure and port to Eesti Varude Keskus (Estonian Stockpiling Agency). The property was sold for a price below its acquisition cost; however, as the related disputes are ongoing, we cannot report on the impact of the transaction on the results of the company. Taking into consideration the group's holding in the company and the amount of the transaction that still needs to be finalised, the outcome of the dispute has no significant effect on the profit of the group.

By the time of preparing the report, Pakrineeme Sadama OÜ has repaid loans received from Infortar along with the interest liabilities (Note 14.3.1).

The business names of real estate companies belonging in the group have been changed by using the INF trademark.

Private limited company Infor Invest (commercial registry code 11096753) – new business name OÜ INF Kaldase

Private limited company Inf Maja (commercial registry code 11096411) – new business name OÜ INF Mustakivi

Private limited company Lasnamäe Tennisekeskus (commercial registry code 11096813) – new business name OÜ INF Tennisekeskus

Private limited company Liivalaia Plaza (commercial registry code 10858267) – new business name OÜ INF Liivalaia

Private limited company Fastinvest (commercial registry code 11021554) – new business name OÜ INF Sadama 579

Private limited company SUNBEAM (commercial registry code 10893520) – new business name OÜ INF Sadama 11

OÜ INF (commercial registry code 16568263) – new business name OÜ INF Tähesaju 9

APPROVAL OF THE MANAGEMENT BOARD OF THE CONSOLIDATED ANNUAL REPORT

We hereby accept responsibility for the preparation of consolidated annual report of Infortar AS ('parent company' in the consolidated annual report) and its subsidiaries (together 'the group' in the consolidated annual report).

The management board confirms the following:

- the consolidated annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the consolidated annual report reflects the financial position, economic results, and cash flows of the group and the parent company correctly and fairly;
- Infortar AS and its subsidiaries continue to operate at least for the year following the year of approving this consolidated annual report.

Ain Hanschmidt
Chairman of the Management Board

Eve Pant
Member of the Management Board

INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

(Translation of the Estonian original)

To the Shareholders of Infortar AS

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

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

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.

/signed digitally/

Andris Jegers

Certified Public Accountant, Licence No 171

Tallinn, 11 April 2023

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This version of our auditors' report is a copy from the original, which was digitally signed in e-Business Register. All possible care has been taken to ensure that the copy is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original version of our report takes precedence over this copy.

INFORTAR

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