

Company AS Tallink Grupp
Type Company Release
Category Annual financial report
Disclosure time 05 Apr 2022 11:55:00 +0300

Attachments:

- Tallink Grupp AR 2021 ENG.zip (<http://oam.fi.ee/en/download?id=6278>)
- Tallink Grupp AR 2021 ENG pdf copy.pdf (<http://oam.fi.ee/en/download?id=6279>)
- Tallink Grupp AR 2021 EST.zip (<http://oam.fi.ee/en/download?id=6280>)
- Tallink Grupp AR 2021 EST pdf koopia.pdf (<http://oam.fi.ee/en/download?id=6281>)

Currency

Title AS Tallink Grupp Audited Annual Report of the 2021 Financial Year

Dear shareholders

The 2021 was another year defined by serious COVID-19 related challenges for us, the entire industry, the whole global society. When 2020 was a year of initial reactions to the COVID-19 shock, then 2021 can be characterised as a year of carrying out decisive actions to end the pandemic. Be it through continuous restrictions, immunization of entire societies or developments of medical treatments.

We witnessed first-hand the extreme impact Finland's approach with its harsh restrictions had on our operating environment in the first half of the year as well as in the summer. On a flip side, it also contributed to relatively low numbers of COVID-19 infections in Finland and a high level of immunization by the autumn, which allowed to open the society and travel again.

I would like to express my gratitude to our loyal customers. It was very gratifying and encouraging to see how rapid and strong the recovery in the number of passengers from our home markets was in October and November last year, particularly on the routes between Finland and Sweden. But also on the re-opened Tallinn-Stockholm route with Baltic Queen. A strong signal that of our services are highly appreciated and were dearly missed. A loud and clear statement that Tallink Grupp has a mission to carry out - to continue offering our customers an enjoyable and return-worthy travel experience.

As a result of the painful cuts and concerted efforts made in 2020 we became a much more lean and efficient company in 2021 - a 'slim-fit' Tallink, which allowed us to drastically improve financial results and earn a profit in the second half of the year despite higher fuel prices and a significantly lower



amount of financial support from our home markets' governments.

In 2021 many of our own efforts were also aimed at helping the societies in our region open up again - we provided support to our home countries by bringing testing and vaccination services on board our vessels and into the terminals. I'm very proud that the rate of employee vaccination across the entire Group and our markets well exceeded 90% already by beginning of the autumn and that despite some inevitable infection cases there were no outbreaks of the virus on board our vessels as we were able to provide a safe environment for our customers and staff.

Throughout the year our focus remained on optimising the costs, ensuring liquidity and finding ways to earn new revenue streams in an extremely low demand and high uncertainty environment. We provided domestic cruises for Finnish and Swedish markets in the summer before reopening traffic on our regular routes, as well as managed to secure several short-term charter deals. All these efforts helped us to limit losses in the first half of the year and return to small profits in the second half. My total respect and appreciation goes to the entire professional team of our Group who pulled this off.

It has, no doubt, been a continuously difficult period for all our employees and words will fall short in expressing my gratitude and the pride I have for the dedication and hard work demonstrated by everyone within Tallink Grupp.

Although we were not yet able to earn profits in 2021 together with additional capital and a grace period for debt service agreed with our financing partners as well as shareholders, we ended the year with a very strong liquidity position. My sincere gratitude also to both all our shareholders and financing partners for the trust. Yet as we are still not completely out of the COVID crisis and did not reach profits in 2021, it will not be surprising to our shareholders that we are prioritising the long-term prospects of the company for now and are thus not going to propose any distributions this year.

From 2022 we expect continuous recovery, maintaining the efficiencies of a leaner organisation and improvements in financial results, although the events with the Omicron strain and even more the recent events threatening regional and global security complicate the outlook considerably and force us to make changes in our plans yet again.

At the time of writing this message to you in late-March we have seen a further significant hike in fuel prices and increases in the price volatility. We are also seeing high inflation nibbling away at purchasing power and a lower number of passengers arriving from many areas outside our home markets as a result of the military conflict in Europe. Planning has become even more difficult and, to reduce the risks, we have postponed the return of our laid-up vessels further into the high season.

In a way we find ourselves in a similar position as we did two years ago - looking optimistically ahead for a good year at the start, only to have global-



scale shocks threatening to derail the outlook a few months later. The difference between 2020 and today is that the last two years have seasoned us well and taught us many lessons in crisis preparedness. So, although we find ourselves in a completely different kind of crisis in March 2022, our experience has taught us well and we have not only plans A, B and C up our sleeves, but also plans X, Y and Z.

Similarly to the previous years we will continue keeping our costs under control and weigh and calculate the steps we take. Through vaccination and many people already recovered from COVID, the immunity levels in our region are high going into the high season of 2022. This is also reflected in the fact that by now COVID-19 restrictions have been abolished in Finland and Sweden and recently there has been a substantial easing of restrictions in Estonia, with final restrictions anticipated to be removed in a matter of weeks. With much less restrictions the operating environment looks much improved for our sales effort from the second quarter onward.

One of the distinctive highlights of last year were alternative revenue streams from the numerous short-term charters hunted down and delivered by our fast, agile and hungry-for-business mentality. Chartering activity will be important also in 2022 - in addition to Atlantic Vision in Canada our vessel Romantika has started a long-term charter deal from late March. Furthermore, we continue to actively look for more opportunities for other assets in our fleet.

The highlights of 2022 are yet to be discovered as the year unfolds, but there is no doubt that one of them will be the delivery of our brand new and the most efficient and environmentally friendly vessel in our fleet - shuttle vessel MyStar. Together with Megastar they will effectively create a 'green bridge' between Estonia and Finland and the development will underpin our increased environmental efforts towards a more sustainable future.

Dear shareholders, it is clear that 2022 will be another year of gradual recovery together with its own challenges, but we are confident it will also bring opportunities and positive developments. Our experience has shown that our customers want to travel with us once they're given the opportunity and we remain optimistic regarding the continuous recovery path we are on. The changes that we have made on our part, and the 'slim-fit' Tallink that we have become, gives us confidence that good financial results and sustainable operations can be achieved well before we are fully back to pre-pandemic levels of passengers. And the whole team of our Group will continue to do their very best to achieve this.

Yours sincerely,

Paavo Nõgene
Chairman of the Management Board



AS Tallink Grupp Audited Annual Report of the 2021 Financial Year

The Group carried a total of 2 961 975 passengers in 2021, which is 21% less than in 2020. The number of cargo units transported increased by 2.6% compared to 2020. The Group's revenue amounted to EUR 476.9 million (EUR 442.9 million in 2020). EBITDA was EUR 58.3 million (EUR 8.0 million in 2020) and net loss EUR 56.6 million or EUR 0.08 per share (net loss of EUR 108.3 million or EUR 0.16 per share in 2020).

In 2021, the Group's total revenue increased by EUR 34.0 million to EUR 476.9 million compared to the previous year. Total revenue for 2020 and 2019 amounted to EUR 442.9 million and EUR 949.1 million, respectively. Revenue from route operations (core business) decreased by EUR 7.6 million to EUR 392.6 million.

In 2021, the Group's revenue and operating results were continuously affected by the COVID-19 situation and the imposed travel restrictions. The significant events in 2021 include:

- * Temporary suspensions of vessel and hotel operations due to COVID-19 and related restrictions
- * Chartering out vessels
- * Reopening of Tallinn-Stockholm & Helsinki-Stockholm routes
- * Public offering of shares and increase in share capital
- * Ongoing construction of the new LNG-based vessel MyStar
- * Completion of renovation of Tallink City Hotel
- * Opening of Burger King restaurants in Latvia and Lithuania
- * Amendments to loan agreements
- * Exit from onshore fashion retail business

Operations during the year

The Group's operations were impacted by extensive travel restrictions in the first half of the year. Only the two shuttle vessels, Turku-Stockholm route cruise ferries and cargo vessels were operated throughout 2021. Cruise ferry Silja Europa was chartered out in June and restarted cruise operations on Tallinn-Helsinki route from the end of June. Tallinn-Stockholm route was reopened from July with one cruise ferry, Baltic Queen. Cruise ferries Silja Serenade and Silja Symphony operated special domestic cruises during the summer and restarted the Helsinki-Stockholm route from August. Cruise ferries Romantika and Victoria I were chartered out to Morocco in July-September. Cruise ferries Silja Europa and Romantika were chartered out to Scotland in the autumn for about a month. Riga-Stockholm route and cruise ferry Isabelle remained inactive throughout the year.

Tallink Spa & Conference Hotel and Tallink Express Hotel operated throughout the year, Tallink City Hotel was reopened after renovation in the end of June. Tallink Hotel Riga remained closed during the year. During the year, six new Burger King restaurants were opened in the Baltics.



Key figures

(For the year ended 31 December)	(2021)	(2020)	(2019)
(Revenue (EUR million))	(476.9)	(442.9)	(949.1)
(Gross profit/loss (EUR million))	(21.7)	(-43.5)	(196.9)
(EBITDA ¹ (EUR million))	(58.3)	(8.0)	(171.1)
(EBIT ¹ (EUR million))	(-37.0)	(-92.6)	(74.9)
(Net profit/loss for the period (EUR million))	(-56.6)	(-108.3)	(49.7)
(Depreciation and amortisation (EUR million))	(95.3)	(100.7)	(96.2)
(Capital expenditures ^{1 2} (EUR million))	(20.2)	(100.1)	(60.9)
(Weighted average number of ordinary shares outstanding)	(694,444,381)	(669,882,040)	(669,881,045)
(Earnings/loss per share ¹)	(-0.08)	(-0.16)	(0.07)
(Number of passengers ¹)	(2,961,975)	(3,732,102)	(9,763,210)
(Number of cargo units ¹)	(369,170)	(359,811)	(379,634)
(Average number of employees ¹)	(4,360)	(6,104)	(7,270)
(As at 31 December)	(2021)	(2020)	(2019)
(Total assets (EUR million))	(1,585.9)	(1,516.2)	(1,533.0)
(Total liabilities (EUR million))	(893.4)	(801.9)	(710.1)
(Interest-bearing liabilities (EUR million))	(779.9)	(705.1)	(577.9)



(Net debt ¹ (EUR million))	(652.4)	(677.3)	(539.0)
(Net debt to EBITDA ¹)	(11.2)	(84.2)	(3.1)
(Total equity (EUR million))	(692.5)	(714.3)	(822.8)
(Equity ratio ¹ (%))	(43.7%)	(47.1%)	(53.7%)

(Number of ordinary shares outstanding)	(743,569,064)	(669,882,040)	(669,882,040)
(Equity per share ¹)	(0.93)	(1.07)	(1.23)

(Ratios ¹)	(2021)	(2020)	(2019)
(Gross margin (%))	(4.5%)	(-9.8%)	(20.7%)
(EBITDA margin (%))	(12.2%)	(1.8%)	(18.0%)
(EBIT margin (%))	(-7.8%)	(-20.9%)	(7.9%)
(Net profit/loss margin (%))	(-11.9%)	(-24.5%)	(5.2%)

(ROA (%))	(-2.4%)	(-6.1%)	(4.8%)
(ROE (%))	(-8.2%)	(-14.1%)	(6.0%)
(ROCE (%))	(-2.8%)	(-7.2%)	(5.7%)
(Current ratio)	(0.6)	(0.4)	(0.5)

((1) Alternative performance measures based on ESMA guidelines are disclosed in the "Alternative performance measures" section of the report.)

((2) Does not include additions to right-of-use assets.)

Sales and segments

The Group's revenue amounted to EUR 476.9 million in 2021 (442.9 million in 2020). Restaurant and shop sales on board and on shore of EUR 233.4 million in total (228.5 million in 2020) contributed nearly half of the total revenue. Ticket sales amounted to EUR 99.1 million (95.6 million in 2020) and sales of cargo transport to EUR 94.8 million (94.0 million in 2020).



Geographically, 38.7% or EUR 184.5 million of revenue was generated by the Estonia-Finland routes and 33.3% or EUR 158.7 million by the Finland-Sweden routes. Revenue from the Estonia-Sweden routes was EUR 49.1 million or 10.3% and from the Latvia-Sweden route EUR 0.3 million or 0.1%. The share of revenue generated by other geographical segments increased to 17.9% or EUR 85.2 million.

In 2021, the Group's ships carried a total of 1.8 million passengers on the Estonia-Finland routes, a 27.7% decrease compared to 2020, but the number of cargo units transported on the routes increased by 2.1%. Estonia-Finland routes' revenue decreased by EUR 15.9 million to EUR 184.5 million. The Estonia-Finland routes' results also include the operations of the Tallinn-Visby and Tallinn-Mariehamn routes.

The Finland-Sweden routes' revenue increased by EUR 9.2 million and amounted to EUR 158.7 million. The Helsinki-Stockholm route was reopened from August 2021. The Finland-Sweden routes' results include also the special cruises from Stockholm to Visby, Härnösand and Ystad.

The Estonia-Sweden routes' revenue increased by EUR 14.2 million, compared to the previous year, and amounted to EUR 49.1 million. The Estonia-Sweden routes' results reflect the operations of the Paldiski-Kapellskär route and the operations of the Tallinn-Stockholm route that was reopened in July 2021.

The Latvia-Sweden route operations were suspended during the year. The EUR -12.5 million segment result reflects the expenses of the suspended cruise ferries Isabelle as well as Romantika after the conclusion of the charter period.

Revenue from the segment other increased by a total of EUR 40.0 million and amounted to EUR 85.2 million. The increase was mainly driven by significantly higher charter revenue, increase in online shop sales and the opening of Burger King restaurants.

Earnings

Gross profit for 2021 was EUR 21.7 million (gross loss of EUR 43.5 million in 2020) and EBITDA EUR 58.3 million (EUR 8.0 million in 2020). Net loss for 2021 was EUR 56.6 million (net loss of EUR 108.3 million in 2020). Net loss per share was EUR 0.08 (net loss per share was EUR 0.16 in 2020).

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

- * COVID-19 and related restrictions on travelling
- * A significant cut in operating expenses and cost savings from previously implemented measures
- * Short-term chartering of vessels and reopening of Tallinn-Stockholm and Helsinki-Stockholm routes
- * A positive impact from various government support measures in the total net



amount of EUR 12.8 million

- * A positive impact from the exemption from and reduction of ships' fairway dues in Estonia in the amount of EUR 2.8 million
- * An increase in global fuel prices

The cost of goods sold at shops and restaurants amounted to EUR 110.5 million (EUR 116.6 million in 2020).

Fuel costs for 2021 totalled EUR 72.2 million (EUR 56.3 million in 2020). Fuel costs were impacted by an increase in global prices. As a result, annual fuel costs increased by 28.2%. The Group makes continuous efforts to improve and optimise its day-to-day operations and lower the fleet's fuel costs.

The Group's total personnel expenses amounted to EUR 124.0 million (EUR 161.7 million in 2020). Staff costs related to administrative staff and sales & marketing staff were EUR 21.2 million and EUR 16.8 million, respectively (EUR 23.3 million and EUR 21.7 million, respectively, in 2020). The average number of employees in 2021 was 4 360 (6 104 in 2020).

Excluding personnel and depreciation expenses, administrative expenses for the period amounted to EUR 13.5 million and sales and marketing expenses to EUR 10.5 million (EUR 13.1 million and 13.7 million, respectively, in 2020).

During the year the Group received a net total of EUR 12.8 million in direct financial support through various government assistance measures in all its home markets (EUR 36.6 million in 2020).

Depreciation and amortisation totalled EUR 95.3 million (EUR 100.7 million in 2020). There were no impairment losses related to the Group's property, plant and equipment and intangible assets.

As a result of increased interest-bearing liabilities, net finance costs increased by EUR 4.0 million to EUR 21.9 million compared to 2020.

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

Liquidity and cash flow

The Group's net operating cash flow for 2021 was positive at EUR 59.4 million (negative at EUR 7.0 million in 2020).

Net cash used in investing activities was EUR 19.4 million (EUR 99.9 million in 2020).

In 2021, the Group's loan repayments totalled EUR 14.7 million (EUR 14.7 million in 2020). Interest payments were EUR 19.3 million (EUR 16.3 million in 2020).



At 31 December 2021, the Group's cash and cash equivalents totalled EUR 127.6 million (EUR 27.8 million at 31 December 2020). In addition, available unused overdraft credit lines amounted to EUR 134.8 million (EUR 119.3 million in 2020).

Dividends

In June 2021, the shareholders' annual general meeting decided not to pay a dividend from net loss for 2020.

Due to a complicated operating environment and considering the Company's long-term interests, the Management Board has decided to prepare a proposal to the shareholders' annual general meeting not to pay a dividend for 2021.

Consolidated statement of profit or loss and other comprehensive income

(For the year ended 31 December, in thousands of EUR)	(2021)	(2020)
(Revenue (Note 4))	(476,937)	(442,934)
(Cost of sales (Note 5))	(-455,282)	(-486,388)
(Gross profit/loss)	(21,655)	(-43,454)
(Sales and marketing expenses (Note 5))	(-29,262)	(-37,817)
(Administrative expenses (Note 5))	(-45,633)	(-48,263)
(Impairment loss on receivables (Note 25))	(-99)	(-128)
(Other operating income (Note 22))	(16,336)	(37,339)
(Other operating expenses)	(-28)	(-298)
(Result from operating activities)	(-37,031)	(-92,621)
(Finance income (Note 5))	(34)	(1)
(Finance costs (Note 5))	(-21,921)	(-17,843)
(Share of profit/loss of equity-accounted investees)		



(Note 12))	(-80)	(-158)
<hr/>		
(Profit/loss before income tax)	(-58,998)	(-110,621)
(Income tax (Note 6))	(2,422)	(2,313)
(Net profit/loss)	(-56,576)	(-108,308)
(Net profit/loss attributable to equity holders of the Parent)	(-56,576)	(-108,308)
(Other comprehensive income)		
(Items that may be reclassified to profit or loss)		
(Exchange differences on translating foreign operations)	(123)	(-193)
<hr/>		
(Other comprehensive income)	(123)	(-193)
(Total comprehensive income)	(-56,453)	(-108,501)
(Total comprehensive income attributable to equity holders of the Parent)	(-56,453)	(-108,501)
(Basic and diluted loss per share (in EUR, Note 7))	(-0.081)	(-0.162)
<hr/>		

Consolidated statement of financial position

(As at 31 December, in thousands of EUR)	(2021)	(2020)
<hr/>		
(ASSETS)		
(Cash and cash equivalents (Note 8))	(127,556)	(27,834)
(Trade and other receivables (Note 9))	(29,298)	(25,463)



(Prepayments (Note 10))	(11,924)	(7,216)
(Inventories (Note 11))	(34,631)	(28,707)
<hr/>		
(Current assets)	(203,409)	(89,220)
(Investments in equity-accounted investees (Note 12))	(165)	(245)
(Other financial assets and prepayments (Note 13))	(555)	(2,233)
(Deferred income tax assets (Note 6))	(21,840)	(20,270)
(Investment property)	(300)	(300)
(Property, plant and equipment (Note 14))	(1,323,353)	(1,363,485)
(Intangible assets (Note 15))	(36,293)	(40,448)
<hr/>		
(Non-current assets)	(1,382,506)	(1,426,981)
(TOTAL ASSETS)	(1,585,915)	(1,516,201)
(LIABILITIES AND EQUITY)		
(Interest-bearing loans and borrowings (Notes 16, 24))	(244,436)	(111,601)
(Trade and other payables (Note 18))	(91,687)	(73,477)
(Payables to owners)	(6)	(6)
(Income tax liability)	(47)	(10)
(Deferred income (Note 19))	(21,734)	(23,253)
<hr/>		
(Current liabilities)	(357,910)	(208,347)
(Interest-bearing loans and borrowings (Notes 16, 17))	(535,489)	(593,518)
<hr/>		
(Non-current liabilities)	(535,489)	(593,518)
<hr/>		
(Total liabilities)	(893,399)	(801,865)



(Share capital (Note 20))	(349,477)	(314,844)
(Share premium (Note 20))	(663)	(663)
(Reserves (Note 20))	(67,930)	(69,854)
(Retained earnings)	(274,446)	(328,975)
<hr/>		
(Equity attributable to equity holders of the Parent)	(692,516)	(714,336)
(Total equity)	(692,516)	(714,336)
<hr/>		
(TOTAL LIABILITIES AND EQUITY)	(1,585,915)	(1,516,201)

Consolidated statement of cash flows

(For the year ended 31 December, in thousands of EUR)	(2021)	(2020)
<hr/>		
(CASH FLOWS FROM OPERATING ACTIVITIES)		
(Net profit/loss for the period)	(-56,576)	(-108,308)
(Adjustments for:)		
(Depreciation and amortisation (Notes 14, 15))	(95,313)	(100,660)
(Net gain/loss on disposals of property, plant and equipment)	(-494)	(110)
(Net interest expense (Note 5))	(21,843)	(17,273)
(Loss from equity-accounted investees (Note 12))	(80)	(158)
(Net unrealised foreign exchange gain/loss)	(118)	(-179)
(Loss from investments)	(75)	(0)
(Income tax (Note 6))	(-852)	(-717)
<hr/>		
(Adjustments)	(116,083)	(117,305)
(Changes in:)		
(Receivables related to operating activities)	(-3,918)	(12,377)



(Prepayments related to operating activities)	(-3,007)	(-1,555)
(Inventories)	(-6,513)	(8,548)
(Liabilities related to operating activities)	(13,447)	(-35,307)
<hr/>		
(Changes in assets and liabilities)	(9)	(-15,937)
(Cash generated from operating activities)	(59,516)	(-6,940)
(Income tax paid)	(-137)	(-107)
<hr/>		
(NET CASH FROM/USED IN OPERATING ACTIVITIES)	(59,379)	(-7,047)
 (CASH FLOWS FROM INVESTING ACTIVITIES)		
(Purchase of property, plant and equipment and intangible assets)	(-20,192)	(-100,024)
(Proceeds from disposals of property, plant and equipment)	(816)	(115)
(Interest received)	(3)	(1)
<hr/>		
(NET CASH USED IN INVESTING ACTIVITIES)	(-19,373)	(-99,908)
 (CASH FLOWS FROM FINANCING ACTIVITIES)		
(Proceeds from loans received)	(90,000)	(125,000)
(Repayment of loans received)	(-14,667)	(-14,667)
(Change in overdraft (Note 16))	(-15,556)	(15,736)
(Payment of lease liabilities)	(-14,903)	(-12,565)
(Interest paid)	(-19,296)	(-16,290)
(Payment of transaction costs related to loans)	(-495)	(-1,302)
(Issue of shares (Note 20))	(34,633)	(0)
<hr/>		
(NET CASH FROM FINANCING ACTIVITIES)	(59,716)	(95,912)



(TOTAL NET CASH FLOW)	(99,722)	(-11,043)
-----------------------	----------	-----------

(Cash and cash equivalents at the beginning of period)	(27,834)	(38,877)
--	----------	----------

(Change in cash and cash equivalents (Note 8))	(99,722)	(-11,043)
--	----------	-----------

(Cash and cash equivalents at the end of period)	(127,556)	(27,834)
--	-----------	----------

Joonas Joost
Financial director

AS Tallink Grupp
Sadama 5
10111 Tallinn, Estonia
E-mail joonas.joost@tallink.ee

