

FINANTSINSPEKTSIOON

Company AS Tallink Grupp
Type Company Release
Category Annual financial report
Disclosure time 03 Apr 2023 09:00:00 +0300

Attachments:

- Tallink Grupp AR 2022 ENG.zip (<http://oam.fi.ee/en/download?id=7159>)
- Tallink Grupp AR 2022 ENG_copy.pdf (<http://oam.fi.ee/en/download?id=7160>)
- Tallink Grupp AR 2022 EST_copy.pdf (<http://oam.fi.ee/en/download?id=7161>)
- Tallink Grupp AR 2022_EST.zip (<http://oam.fi.ee/en/download?id=7162>)

Currency

Title AS Tallink Grupp Audited Annual Report of the 2022 Financial Year

Dear shareholders

For the third year in a row, we are starting the review of the previous year with the message "It was an unprecedented year in the history of our business." While in 2021 this was due to the pandemic and its impacts, 2022 brought with it a new kind of evil and different challenges with war breaking out in Europe, which Tallink has not experienced in such proximity during its 33-year history.

Before 24 February 2022, pandemic restrictions were lifting for the first time in nearly two years, borders were fully opening, passengers were returning to our vessels and hotels, and hope was shining bright for the year ahead that was going to see a rapid recovery of business. And recovery we did indeed see, although it was somewhat dampened by the war, particularly in the first half of the year, and the geopolitical and economic turbulence that echoed across the globe as a result.

With the above in mind, the results of the Group's and all its employees' efforts should be considered rather remarkable. The fact that despite everything, we were still able to continue this path of recovery throughout the year and cross the line back into the black with our financial result by the end of the year, speaks volumes of the perseverance of the people who work for Tallink, the loyalty of the customers who travel with Tallink and the faith of the people who have continued to invest in Tallink. And for this, I thank you all.

It is clear that in global history, the year 2022 will mostly be remembered for the start of the war in Ukraine. For nearly a year already, Tallink has played its part in the relief effort to support the millions of displaced Ukrainians,



both through free transport for refugees on our vessels and free transport of essential humanitarian aid, but also through providing shelter to thousands of Ukrainian refugees on two of our vessels, on Isabelle in Tallinn and on Victoria I in Edinburgh. Since the start of the war in Ukraine, more than 5 000 Ukrainian refugees had found temporary shelter on the vessel Isabelle. Tallink will continue its support to the governments as long as it is needed with the temporary accommodation, the contracts of which have undeniably also helped and supported Tallink Grupp during the period when passenger numbers are still recovering, and alternative work was necessary for our vessels not currently in regular traffic.

The year, of course, was not all dark clouds and no silver linings. Passenger numbers nearly doubled year on year to 5.5 million by the end of 2022, onboard spending per passenger increased compared to previous years, there was significant interest in our vessels for hire, which led to a number of charters and charter extensions, and the icing on the cake, of course, was the arrival of our newest fleet member and the most modern vessel on the Baltic sea - MyStar - in December. All this has laid a strong foundation to build on in 2023.

The year ahead will see us continuing to focus on the rebuild and recovery of our core routes between Estonia, Finland and Sweden, and ensuring an optimal growth of these core routes in the future. We will pay close attention to the passenger numbers and occupancy levels of the ships in regular traffic, and we are not afraid to make changes in our operations if there is a clear need to do so. We will also continue to monitor the need for short- and long-term vessel chartering and, if the timing and opportunity are right, we will carry on with the successful chartering projects, which have helped us keep our nose above water during the COVID-19 years and thereafter.

We will certainly also keep our sights on the more distant future beyond 2023, which will no doubt bring new opportunities and challenges. As we develop future strategies, these will have a stronger focus than ever before on sustainability. With new environmental regulations and directives, such as the Corporate Sustainability Reporting Directive (CSRD) and amendments to the EU Emissions Trading System (ETS) taking effect in the very near future, we are already today reassessing the impact we have on the world around us and the impact the world has on our business, and are taking the steps to reduce the negative impacts of our operations. We are, in many ways, on the verge of a new tomorrow and making sure we are ready for this, is essential for our long-term future.

Dear investors, customers, employees - I thank you once again for your faith, loyalty and dedication to Tallink Grupp and everything we do and stand for. I promise, on behalf of our Management Board and everyone within the Group, that we will continue working hard in 2023 and beyond to ensure your faith, loyalty and dedication to us is rewarded many times over in the years to come.

Yours sincerely,

Paavo Nõgene



AS Tallink Grupp Audited Annual Report of the 2022 Financial Year

In the 2022 financial year (1 January - 31 December), AS Tallink Grupp and its subsidiaries (the Group) carried 5.5 million passengers, which is 84.4% more than in the financial year 2021. The number of cargo units transported increased by 11.0% compared to the previous financial year.

The Group's audited consolidated revenue amounted to EUR 771.4 million (EUR 476.9 million in 2021), up by 61.7%. Revenue from route operations (core business) increased by EUR 236.4 million to EUR 629.0 million compared to the financial year 2021.

The audited EBITDA was EUR 135.8 million (EUR 58.3 million in 2021) and the audited net profit for the period was EUR 13.9 million (net loss of EUR 56.6 million in the financial year 2021).

The following operational factors impacted the Group's revenue and operating results in the financial year 2022:

- * In the beginning of the financial year, the Group's operations and operating results were continuously influenced by the COVID-19 in all home markets. The demand for travelling increased after the travel restrictions were lifted in February in Finland and Sweden, and in Estonia from mid-March.
- * The demand was negatively impacted by the strong COVID-19 related travel restriction imposed by Asian countries on outbound tourism as well as the war in Ukraine that Russia unleashed on 24 February 2022.
- * The Group operated 15 vessels - including 3 shuttle vessels, 2 cargo vessels and 4 cruise ferries as well as 6 vessels that were on charter (2 vessels on long-term and 4 vessels on short-term charter). In 2022, the Group sold cargo vessel Sea Wind in April and delivered the new shuttle vessel MyStar to the Tallinn-Helsinki route in mid-December.
- * The Group operated 3 hotels in Tallinn. The Riga Hotel that has remained closed since October 2020 will be re-opened in April 2023.
- * The planned maintenance works of vessels totalled to 138 days.
- * High global fuel prices impacted the Group's cost level throughout the year.
- * The Group continues to focus on cost efficiency through previously implemented measures and restoring profitable operations on its core routes.
- * The Group regularly monitors the developments on its core routes including the capacity of each route and continues to look for chartering options for vessels not used on the main routes.

Key figures

	2022	2021	2020
Revenue (EUR million)	771.4	476.9	442.9



Gross profit/loss (EUR million)	113.5	21.7	-43.5
EBITDA ¹ (EUR million)	135.8	58.3	8
EBIT ¹ (EUR million)	37.7	-37	-92.6
Net profit/loss for the period (EUR million)	13.9	-56.6	-108.3
Depreciation and amortisation ¹ (EUR million)	98.1	95.3	100.7
Capital expenditures ^{1 2} (EUR million)	203.3	20.2	100.1
Weighted average number of ordinary shares outstanding	743 569 064 694 444 381 669 882 040		
Earnings/loss per share ¹ (EUR)	0.02	-0.08	-0.16
Number of passengers ¹	5 462 085	2 961 975	3 732 102
Number of cargo units ¹	409 769	369 170	359 811
Average number of employees ¹	5 023	4 360	6 104
As at 31 December	2022	2021	2020
-----	-----	-----	-----
Total assets (EUR million)	1 691.60	1 585.90	1 516.20
Total liabilities (EUR million)	984.7	893.4	801.9
Interest-bearing liabilities ¹ (EUR million)	853.5	779.9	705.1
Net debt ¹ (EUR million)	738.6	652.4	677.3
Net debt to EBITDA ¹	5.4	11.2	84.2
Total equity (EUR million)	706.9	692.5	714.3
Equity ratio ¹ (%)	41.80%	43.70%	47.10%



Number of ordinary shares outstanding	743 569 064	743 569 064	669 882 040
Shareholders' equity per share (EUR)	0.95	0.93	1.07
<hr/>			
Ratios ¹	2022	2021	2020
Gross margin (%)	14.70%	4.50%	-9.80%
EBITDA margin (%)	17.60%	12.20%	1.80%
EBIT margin (%)	4.90%	-7.80%	-20.90%
Net profit/loss margin (%)	1.80%	-11.90%	-24.50%
<hr/>			
ROA (%)	2.40%	-2.40%	-6.10%
ROE (%)	2.10%	-8.20%	-14.10%
ROCE (%)	3.10%	-2.80%	-7.20%
Current ratio	0.7	0.6	0.4

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

In 2022, the Group's total revenue increased by EUR 294.5 million to EUR 771.4 million. Total revenue in 2021 was EUR 476.9 million.

Revenue from route operations (core business) increased by EUR 236.4 million to EUR 629.0 million compared to the financial year 2021.

In 2022, the Group's ships carried a total of 3.1 million passengers on the Estonia-Finland route, up by 76.9% year-on-year. The number of transported cargo units increased by 19.0%. The revenue from the Estonia-Finland route increased by EUR 93.3 million to EUR 277.8 million. The segment result improved by EUR 39.7 million to EUR 51.7 million. The segment reflects the operations of two shuttle vessels, one cruise ferry, and one cargo vessel. Shuttle vessel MyStar was added to the Estonia-Finland route in mid-December 2022. The cruise ferry Silja Europa stopped operating on the Tallinn-Helsinki route in August 2022 due to a charter agreement. The cargo vessel Sea Wind was sold at the end of April



2022. In the fourth quarter of 2022, the route was operated by two shuttle vessels.

The number of passengers almost doubled on Finland-Sweden routes amounting to 1.9 million in 2022. The number of transported cargo units decreased by 9.9%. The routes' revenue increased by EUR 115.6 million to EUR 274.3 million and the segment result improved by EUR 14.6 million to a loss of EUR 1.0 million. The segment reflects the operations of two cruise ferries on the Turku-Stockholm and two cruise ferries on the Helsinki-Stockholm route. Starting from the fourth quarter of 2022 the Turku-Kapellskär route was only operated by one cruise ferry as the cruise ferry Galaxy stopped operating on the route from September 2022 due to a charter agreement.

On Estonia-Sweden routes the number of carried passengers almost doubled compared to 2021 amounting to 0.5 million. The number of transported cargo units remained at the same level as a year earlier. The revenue of Estonia-Sweden routes increased by EUR 27.8 million to EUR 76.8 million and net loss increased by EUR 4.0 million to EUR 11.0 million. Estonia-Sweden routes reflect the operation of two cargo vessels and one cruise ferry as well as expenses related to the suspended cruise ferry Victoria I until the ferry was chartered out.

Revenue from the segment other increased by a total of EUR 61.9 million and amounted to EUR 147.4 million. The increase was mainly driven by chartering out vessels, accommodation sales, opening of Burger King restaurants and to a lesser extent by various retail activities. Additionally, items previously reported under the geographical segment Latvia-Sweden routes are also included in the segment other as the Latvia-Sweden route was not operated in 2022 and the amounts are below the materiality threshold.

Restaurant and shop sales on board and on shore in the total amount of EUR 378.2 million (EUR 233.4 million in 2021) contributed almost half of total revenue. Ticket sales amounted to EUR 191.9 million (EUR 99.1 million in 2021) and sales of cargo transport to EUR 103.2 million (EUR 94.8 million in 2021).

Earnings

In 2022, the Group's gross profit grew more than four-fold compared to previous financial year amounting to EUR 113.5 million. EBITDA increased by EUR 77.5 million and amounted to EUR 135.8 million.

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

- * The demand for travelling picked up after the COVID-19 related restrictions were lifted in core markets in spring
- * Continued strong focus on cost control through previously implemented measures
- * Chartering out of 6 vessels including two on long-term charter and four on short-term charter
- * An increase in global fuel prices, which resulted in EUR 71.9 million higher



fuel cost than in 2021

The Group's audited net profit for 2022 was EUR 13.9 million or EUR 0.019 per share compared to a net loss of EUR 56.6 million or EUR 0.081 per share in 2021.

The cost of goods sold at shops and restaurants, which is the largest operating cost item, amounted to EUR 160.6 million (EUR 110.5 million in 2021).

Fuel costs for 2022 amounted to EUR 144.1 million (EUR 72.2 million in 2021). Fuel costs were impacted by an increase in global prices. As a result, annual fuel costs increased by 99.5%. 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 162.9 million (EUR 124.0 million in 2021). Staff costs related to administrative staff and sales and marketing staff were EUR 23.3 million and EUR 19.6 million, respectively (EUR 21.2 million and EUR 16.8 million, respectively, in 2021). The staff costs related to servicing and technical personnel amounted to EUR 120.0 million compared to EUR 86.1 million in 2021. The average number of employees in 2022 was 5 023 (4 360 in 2021).

Marketing and administrative expenses for the period amounted to EUR 74.3 million (EUR 62.1 million in 2021). Excluding personnel, administrative expenses for the period amounted to EUR 14.1 million and sales and marketing expenses to EUR 17.3 million (EUR 13.5 million and EUR 10.5 million, respectively, in 2021).

Amortisation and depreciation expense increased by EUR 2.8 million to EUR 98.1 million compared to 2021. There were no impairment losses related to the Group's property, plant and equipment and intangible assets.

As a result of growth in interest-bearing liabilities, net finance costs increased by EUR 2.8 million year-on-year to EUR 24.7 million.

Liquidity and cash flow

The Group's net operating cash flow for 2022 was positive at EUR 144.3 million (EUR 59.4 million in 2021).

Net cash used in investing activities was EUR 200.3 million (EUR 19.4 million in 2021).

In 2022, the Group's loan repayments totalled EUR 110.1 million (EUR 14.7 million in 2021). Interest payments were EUR 23.5 million (EUR 19.3 million in 2021). The payment of previously postponed principal payments under existing loan agreements restarted in the second quarter of 2022.

At 31 December 2022, the Group's cash and cash equivalents totalled EUR 114.9 million (EUR 127.6 million on 31 December 2021). In addition, available unused overdraft credit lines amounted to EUR 135.0 million (EUR 134.8 million in



2021). The total liquidity buffer (cash, cash equivalents and unused credit facilities) amounted to EUR 249.9 million on 31 December 2022 (EUR 262.4 million on 31 December 2021).

In December 2022, the Group drew a EUR 196.3 million loan from KfW IPEX-Bank GmbH Ltd. to finance the purchase of the EUR 252 million shuttle vessel MyStar. The long-term loan was drawn at the delivery of the shuttle vessel and the maturity of the fixed interest rate loan is twelve years. In management's opinion, the Group has sufficient liquidity to support its operations.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December, in thousands of EUR	2022	2021
Revenue	771 387	476 937
Cost of sales	-657 917	-455 282
Gross profit/loss	113 470	21 655
 Sales and marketing expenses	-38 796	-29 262
Administrative expenses	-47 555	-45 633
Impairment loss on receivables	-153	-99
Other operating income	10 871	16 336
Other operating expenses	-164	-28
Result from operating activities	37 673	-37 031
 Finance income	215	34
Finance costs	-24 871	-21 921
Share of profit/loss of equity-accounted investees	-90	-80
Profit/loss before income tax	12 927	-58 998
 Income tax	1 008	2 422



Net profit/loss	13 935	-56 576
Net profit/loss attributable to equity holders of the Parent	13 935	-56 576
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	480	123
Other comprehensive income	480	123
Total comprehensive income		
Total comprehensive income attributable to equity holders of the Parent	14 415	-56 453
Basic and diluted loss per share (in EUR)	0.019	-0.081
Consolidated statement of financial position		
As at 31 December, in thousands of EUR		
	2022	2021
ASSETS		
Cash and cash equivalents	114 935	127 556
Trade and other receivables	31 380	29 298
Prepayments	9 379	11 924
Prepaid income tax	37	0
Inventories	39 965	34 631
Current assets	195 696	203 409
Investments in equity-accounted investees	75	165



Other financial assets and prepayments	3 622	555
Deferred income tax assets	21 840	21 840
Investment property	300	300
Property, plant and equipment	1 438 286	1 323 353
Intangible assets	31 823	36 293

Non-current assets	1 495 946	1 382 506
TOTAL ASSETS	1 691 642	1 585 915
LIABILITIES AND EQUITY		
Interest-bearing loans and borrowings	165 049	244 436
Trade and other payables	86 934	91 687
Payables to owners	6	6
Income tax liability	35	47
Deferred income	44 222	21 734

Current liabilities	296 246	357 910
Interest-bearing loans and borrowings	688 465	535 489

Non-current liabilities	688 465	535 489

Total liabilities	984 711	893 399
Share capital	349 477	349 477
Share Premium	663	663
Reserves	66 363	67 930
Retained earnings	290 428	274 446



Equity attributable to equity holders of the Parent	706 931	692 516
Total equity	706 931	692 516
TOTAL LIABILITIES AND EQUITY	1 691 642	1 585 915

Consolidated statement of cash flows

For the year ended 31 December, in thousands of EUR 2022 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Net profit/loss for the period 13 935 -56 576

Adjustments for:

Depreciation and amortisation 98 136 95 313

Net gain/loss on disposals of property, plant and equipment -34 -494

Net interest expense 24 622 21 843

Loss from equity-accounted investees 90 80

Net unrealised foreign exchange gain/loss 341 118

Loss from investments 0 75

Income tax -1 008 -852

Adjustments 122 147 116 083

Changes in:

Receivables related to operating activities -2 036 -3 918

Prepayments related to operating activities -1 602 -3 007

Inventories -5 334 -6 513

Liabilities related to operating activities 17 415 13 447

Changes in assets and liabilities 8 443 9

Cash generated from operating activities 144 525 59 516



Income tax paid	-227	-137
NET CASH FROM/USED IN OPERATING ACTIVITIES	144	298
<hr/>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	-203	322
Proceeds from disposals of property, plant and equipment	2	768
Interest received	215	3
NET CASH USED IN INVESTING ACTIVITIES	-200	339
<hr/>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans received	196	290
Repayment of loans received	-110	055
Change in overdraft	-165	-15
Payment of lease liabilities	-17	157
Interest paid	-23	516
Payment of transaction costs related to loans	-1	977
Issue of shares	0	34
NET CASH FROM FINANCING ACTIVITIES	43	420
TOTAL NET CASH FLOW	-12	621
<hr/>		

Cash and cash equivalents at the beginning of period	127	556	27	834
Change in cash and cash equivalents	-12	621	99	722
Cash and cash equivalents at the end of period	114	935	127	556



Anneli Simm
Investor Relations Coordinator

AS Tallink Grupp
Sadama 5
10111 Tallinn
E-mail Anneli.simm@tallink.ee

Finantsinspeksiōn
<http://www.fi.ee>

