

Company AS Tallink Grupp
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Attachments:

- 529900QRMWAKKR3L9W75-2023-12-31-en.zip (<http://oam.fi.ee/en/download?id=8228>)
- Tallink Grupp-AR-2023-ENG-copy.pdf (<http://oam.fi.ee/en/download?id=8229>)
- 529900QRMWAKKR3L9W75-2023-12-31-et.zip (<http://oam.fi.ee/en/download?id=8230>)
- Tallink Grupp-AR-2023-EST-koopia.pdf (<http://oam.fi.ee/en/download?id=8231>)

Currency

Title AS Tallink Grupp Audited Annual Report for the Financial Year 2023

Dear investors and business partners

After several years of writing this message to you with mainly challenges and turbulence and uncertainties to report in addition to a constant struggle to keep our company's nose above water, I am pleased to be able to write this year's message with a slightly more positive tone.

As a result of almost a herculean effort, dedication, perseverance, commitment and many sacrifices, Tallink Grupp has achieved the near-impossible in 2023 and has risen like a phoenix from the ashes of the last four years of crises and challenges. To get to a point of reporting significant profits from nearly all operations being suspended for long periods almost four years ago today, has required the management and all employees of Tallink Grupp to put everything we have into the game - creativity, flexibility, speed, knowledge, experience, courage, determination and so much more.

The positive results we are reporting for 2023 speak volumes about the people who work in our company, our business partners, our suppliers, our customers, our investors and everyone who has had and continues to have faith in us.

The crisis years have forced us to re-think and re-evaluate our strategies and operations more than once. Things that once seemed like temporary solutions and business opportunities have now developed into fullyfledged new strategic business areas and are an important part of our company's plans for the foreseeable and possibly also long-term future, helping us reduce risks for our core business.

For example, the chartering out of company vessels, which has been part of our



activities and operations for a long time, but not to the extent of the last four years, is now firmly a part of our strategy for the years ahead. Keeping the most optimum number of our vessels in regular traffic on our core and most profitable routes and chartering out other vessels in the medium to long term has enabled us to turn our results around in the last few years and will be part of our business strategy for the years ahead. Tallink Grupp's vessels are highly sought after across the globe for a wide range of projects, and we have proven, in recent years in particular, that both our vessels and crews are able to meet the demands of any global project that we have the opportunity to support.

Closer to home, our focus must be and will continue to be on developing our products and services to ensure we meet the changing customer needs, the demands of the fastchanging world around us and regulatory requirements. To secure our place in the future 20 to 30 years from now, we must put even more emphasis on innovation and investment in sustainable development today. With regulations on the one hand and ambitious goals for tackling climate change on the other, we must pick up pace and get ahead in this race for a carbon-neutral future, responsible value chains and zero waste.

There is no denying that achieving all the goals set for a sustainable future is extremely challenging, especially for sectors like transport where solutions are still few and far between, but we are focusing our efforts on ever stronger cooperation with research institutions, tech start-ups, industry peers, other industries and many others to find more and better solutions to benefit us all. And find them urgently.

The targets that have been set cannot be achieved if everyone works in isolation. Fighting climate change should no longer be about competition, but all about collaboration. In summary, we look back on 2023 with gratitude for our colleagues' dedication and passion for our recovery, our investors' and partners' continued faith in and support for us, and our customers' loyalty towards us. On behalf of everyone at Tallink Grupp, I can promise you that we will continue working with the same passion and determination in 2024 and the years to come to deserve your trust and loyalty also in the future. Our ambition is still to be the best place to work for our people, the first choice for our customers, and the most innovative and sustainable service provider on and around the Baltic Sea. With your continued faith and trust, I know we can be all that.

Yours sincerely

Paavo Nõgene
Chairman of the Management Board

AS Tallink Grupp Audited Annual Report of the 2023 Financial Year

In the financial year 2023 (1 January - 31 December), AS Tallink Grupp and its subsidiaries (the Group) carried 5.7 million passengers, which is 4.5% more than in the financial year 2022. The number of cargo units transported decreased by



20.9% compared to the previous financial year, while the number of passenger cars transported exhibited a positive year-on-year growth of 2.6%.

The Group's audited consolidated revenue amounted to EUR 835.3 million (EUR 771.4 million in the financial year 2022), up by 8.3% year-on-year. Revenue from route operations (core business) increased by EUR 16.9 million to EUR 645.8 million compared to the financial year 2022. Audited EBITDA was EUR 214.5 million (EUR 135.8 million in the financial year 2022) and the unaudited net profit for the period was EUR 78.9 million (EUR 13.9 million in the financial year 2022), up 58.0% and 466.0%, respectively.

The following operational factors impacted the Group's revenue and operating results in 2023:

- * Cargo and passenger transportation volumes were impacted by fewer vessels in operation due to chartering and by fewer trips compared to the previous year.
- * Demand was also affected by low consumer and business confidence levels, and the weak economic environment in all of the Group's core markets as well as global geopolitical instability.
- * At the end of the financial year, the Group operated 15 vessels, including 2 shuttle vessels, 2 cargo vessels and 5 operating cruise ferries, as well as 5 vessels chartered out (3 vessels on long-term and 2 vessels on short-term charter) and 1 vessel in lay-up.
- * During the financial year, 2 charter agreements ended. The charter agreement of the cruise vessel Romantika was terminated in September 2023 prior to its expiry date. The short-term charter agreement of the cruise ferry Victoria I expired in July 2023. In addition, the Group extended the charter agreements of the cruise vessels Galaxy I and Silja Europa until April 2024 and the end of 2024, respectively. The shuttle vessel Oscar Wilde (formerly Star) was chartered out in May 2023 for 20 months with an option to extend the charter period by 2+2 years and included a purchase option.
- * The planned maintenance works of the vessels totalled to 61 days.
- * The Group operated 3 hotels in Tallinn and 1 in Riga.
- * Declining global fuel prices, an optimal fleet size and strict cost control had a positive impact on the Group's cost base. However, while the fuel prices have dropped, the fuel transportation cost component has increased due to the change in the country of origin of the fuel.
- * The Group repaid loans in the amount of EUR 487.6 million, which includes the refinancing of loans of EUR 298 million. The net repayment of interest-bearing loans was EUR 189.6 million.
- * The Group's net debt to EBITDA ratio was 2.8 as at the end of the financial year 2023, compared to 5.4 as at the end of the financial year 2022.
- * The Group continues to focus on cost efficiencies from previously implemented measures and maintaining 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 seek new chartering options for vessels not used on the main routes, as well as working to extend the



existing charter agreements.

Key figures

	2023	2022	2021
Revenue (EUR million)	835.3	771.4	476.9
Gross profit/loss (EUR million)	203.8	113.5	21.7
EBITDA ¹ (EUR million)	214.5	135.8	58.3
EBIT ¹ (EUR million)	113.3	37.7	-37.0
Net profit/loss for the period (EUR million)	78.9	13.9	-56.6
Depreciation and amortisation ¹ (EUR million)	101.2	98.1	95.3
Capital expenditures ^{1 2} (EUR million)	28.2	203.3	20.2
Weighted average number of ordinary shares outstanding	743 569 064	743 569 064	694 444 381
Earnings/loss per share ¹ (EUR)	0.11	0.02	-0.08
Number of passengers ¹	5 705 600	5 462 085	2 961 975
Number of cargo units ¹	323 990	409 769	369 170
Average number of employees ¹	4 879	5 023	4 360
As at 31 December	2023	2022	2021
Total assets (EUR million)	1 555.2	1 691.6	1 585.9
Total liabilities (EUR million)	769.5	984.7	893.4
Interest-bearing liabilities ¹ (EUR million)	649.3	853.5	779.9
Net debt ¹ (EUR million)	607.3	738.6	652.4



Net debt to EBITDA ¹	2.8	5.4	11.2
Total equity (EUR million)	785.8	706.9	692.5
Equity ratio ¹ (%)	50.5%	41.8%	43.7%

Number of ordinary shares outstanding	743 569 064	743 569 064	743 569 064
Shareholders' equity per share (EUR)	1.06	0.95	0.93

Ratios ¹	2023	2022	2021
Gross margin (%)	24.4%	14.7%	4.5%
EBITDA margin (%)	25.7%	17.6%	12.2%
EBIT margin (%)	13.6%	4.9%	-7.8%
Net profit/loss margin (%)	9.4%	1.8%	-11.9%

ROA (%)	7.0%	2.4%	-2.4%
ROE (%)	10.6%	2.1%	-8.2%
ROCE (%)	8.4%	3.1%	-2.8%
Current ratio	0.5	0.7	0.6

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 the financial year 2023, the Group's total revenue increased by EUR 63.9 million to EUR 835.3 million compared to EUR 771.4 million in the financial year 2022.

Revenue from route operations (core business) amounted to EUR 645.8 million, EUR 16.9 million more than in the financial year 2022. The segment result from route operations (core business) amounted to EUR 107.2 million compared to EUR 39.7 million in the financial year 2022.



In the financial year 2023, the Group's vessels carried a total of 3.5 million passengers on the Estonia-Finland route, an increase of 10.8% year-on-year. The number of cargo units transported decreased by 20.4%. Revenue from the Estonia-Finland route increased by EUR 20.2 million to EUR 298.0 million and the segment result improved by EUR 27.3 million to EUR 79.0 million. In the financial year 2023, the segment reflects the operations of the following vessels:

- * 1 January - 1 May 2023: the shuttle vessels MyStar, Megastar and Oscar Wilde (formerly Star). The latter stopped operating on the route in May 2023 due to a charter agreement.
- * 2 May - 11 October 2023: the shuttle vessels MyStar and Megastar.
- * 12 October - 31 December 2023: the shuttle vessels MyStar and Megastar and the cruise ferry Victoria I, which was added to the route in October 2023.

The cruise ferry Silja Europa stopped operating on the Estonia-Finland route in August 2022 due to a charter agreement.

In the financial year 2023, the Group carried a total of 1.7 million passengers on Finland-Sweden routes, down by 9.9% year-on-year. The number of cargo units transported decreased by 41.6%. The routes revenue decreased by EUR 17.2 million to EUR 257.1 million while the segment result improved by EUR 24.7 million year-on-year to EUR 23.8 million. The decline in passenger numbers and cargo volumes was mainly due to one less vessel in operation, 26% fewer trips compared to the financial year 2022 and the change of route to Turku-Kapellskär. In the financial year 2023, the segment reflects the operations of one cruise ferry on Turku-Stockholm/Turku-Kapellskär routes and two cruise ferries on the Helsinki-Stockholm route. The cruise ferry Galaxy I stopped operating on the Turku-Stockholm route from September 2022 due to a charter agreement.

On Estonia-Sweden routes the number of passengers carried increased by 19.0% to 0.6 million in the financial year 2023. The number of cargo units transported increased by 3.0% year-on-year. Revenue of Estonia-Sweden routes increased by EUR 13.9 million to EUR 90.8 million and the segment result improved by EUR 15.5 million to EUR 4.5 million year-on-year. Estonia-Sweden routes reflect the operation of two cargo vessels on the Paldiski-Kapellskär route and one cruise ferry on the Tallinn-Stockholm route.

Revenue from the segment Other increased by a total of EUR 48.6 million to EUR 196.0 million due to increase in the number of chartered vessels. The segment result improved by EUR 19.5 million year-on-year to EUR 54.5 million. At the end of the financial year 2023, the Group had 5 vessels on charter, of which 3 were on long-term and 2 on short-term charter.

At the end of the 2023 financial year, long-term charters were as follows:

- * The vessel Atlantic Vision was chartered to Canada in November 2008. The current agreement runs until May 2024 with an option to extend for another 12 months.
- * The shuttle vessel Oscar Wilde (formerly Star) was chartered out from 5 May



2023 for 20 months with an option to extend the charter by 2+2 years and an option to purchase the vessel.

- * The cruise ferry Isabelle has been chartered out on a long-term basis since 1 July 2023 with a purchase option.

At the end of the 2023 financial year, short-term charters were as follows:

- * The cruise ferry Galaxy I was chartered out in September 2022. In September 2023, the agreement was extended by six months until April 2024.
- * The cruise ferry Silja Europa was chartered out in August 2022. In October 2023, the charter agreement was extended until the end of 2024.

During the year, the charter agreements of 2 vessels ended. The charter agreement for the cruise ferry Romantika, signed in March 2022, was terminated on 1 September 2023. The cruise ferry Victoria I, the charter of which expired in July, started operating on the Tallinn-Helsinki route on 12 October 2023.

Restaurant and shop sales on board and on shore totalled EUR 391.0 million (EUR 378.2 million in 2022) accounting for almost half of total revenue. Ticket sales amounted to EUR 217.5 million (EUR 191.9 million in 2022) and sales of cargo transport to EUR 91.0 million (EUR 103.2 million in 2022). Revenue from the chartering of vessels amounted to EUR 101.2 million compared to EUR 65.8 million in the financial year 2022.

Earnings

In the financial year 2023, the Group's gross profit increased by EUR 90.4 million to EUR 203.8 million compared to EUR 113.5 million in the financial year 2022. EBITDA improved by EUR 78.7 million to EUR 214.5 million.

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

- * strong pricing and chartering strategy;
- * continued strong focus on cost efficiency through previously implemented measures;
- * lower global fuel prices and lower consumption due to chartering of vessels.

The Group's audited net profit for the financial year 2023 was EUR 78.9 million or EUR 0.106 per share compared to a net profit of EUR 13.9 million or EUR 0.019 per share in 2022 financial year.

The cost of goods sold at shops and restaurants amounted to EUR 170.6 million (EUR 160.6 million in 2022).

Fuel costs for the financial year 2023 amounted to EUR 97.2 million (EUR 144.1 million in 2022). The decline in fuel cost was driven by an approximately 23% drop in global fuel prices, but also by lower consumption and more vessels on charter compared to the previous financial year. At the same time, the share of the Group's fuel transport cost component in the fuel price increased year-on-



year due to the increased distance of the fuel sourcing.

The Group's total personnel expenses amounted to EUR 181.0 million (EUR 162.9 million in 2022). Personnel expenses related to administrative staff and sales and marketing staff were EUR 27.8 million and EUR 21.5 million, respectively (EUR 23.3 million and EUR 19.6 million, respectively, in 2022). The personnel expenses related to servicing and technical personnel amounted to EUR 131.7 million compared to EUR 120.0 million in 2022. The average number of employees in the financial year 2023 was 4 879 (5 023 in 2022).

Marketing and administrative expenses for the financial year 2023 amounted to EUR 83.0 million (EUR 74.3 million in 2022). Excluding personnel, administrative expenses for the period amounted to EUR 15.1 million and sales and marketing expenses to EUR 18.7 million (EUR 14.1 million and EUR 17.3 million, respectively, in 2022).

The increase in the amortisation and depreciation expense by EUR 3.1 million to EUR 101.2 million compared to the financial year 2022 was mostly driven by the delivery of the shuttle-vessel MyStar to the Tallinn-Helsinki route in December 2022. There were no impairment losses related to the Group's property, plant and equipment and intangible assets.

As a result of higher interest rates and increased financing obligations related to the delivery of the shuttle-vessel MyStar, net finance costs increased by EUR 10.9 million year-on-year to EUR 35.5 million in the financial year 2023.

Liquidity and cash flow

The Group's net operating cash flow for the financial year 2023 was positive at EUR 203.4 million (EUR 144.3 million in 2022).

Net cash used in investing activities was EUR 26.2 million (EUR 200.3 million in 2022).

In the financial year 2023, the net repayment of interest-bearing loans amounted to EUR 189.6 million. Interest payments were EUR 32.8 million (EUR 23.5 million in 2022).

At 31 December 2023, the Group's cash and cash equivalents totalled EUR 41.9 million (EUR 114.9 million on 31 December 2022). In addition, available unused overdraft credit lines amounted to EUR 75.0 million (EUR 135.0 million in 2022). The total liquidity buffer (cash, cash equivalents and unused credit facilities) amounted to EUR 116.9 million on 31 December 2023 (EUR 249.9 million on 31 December 2022).

In management's opinion, the Group has sufficient liquidity to support its operations.

Dividends



In 2018, the Group adopted a dividend policy subject to which dividends of a minimum amount of EUR 0.05 per share would be paid if the economic performance allows it.

Due to the ongoing global uncertainties the Annual General Meeting of Shareholders held on 13 June 2023 decided not to pay dividends for the financial year 2022.

In agreement with the Supervisory Board of the Group, the Group's Management Board has decided to prepare a proposal to the General Meeting of Shareholders to pay a dividend of EUR 0.06 per share in 2024 for the financial year of 2023.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December, in thousands of EUR	2023	2022
Revenue	835 325	771 387
Cost of sales	-631 491	-657 917
Gross profit/loss	203 834	113 470
Sales and marketing expenses	-42 162	-38 796
Administrative expenses	-52 401	-47 555
Impairment loss on receivables	-71	-153
Other operating income	4 275	10 871
Other operating expenses	-171	-164
Result from operating activities	113 304	37 673
Finance income	1 332	215
Finance costs	-36 864	-24 871
Share of profit/loss of equity-accounted investees	-75	-90
Profit/loss before income tax	77 697	12 927



Income tax	1 175	1 008
Net profit/loss	78 872	13 935
Net profit/loss attributable to equity holders of the Parent	78 872	13 935
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	-172	480
Other comprehensive income	-172	480
Total comprehensive income	78 700	14 415
Total comprehensive income attributable to equity holders of the Parent	78 700	14 415
Basic and diluted loss per share (in EUR)	0.106	0.019

Consolidated statement of financial position

As at 31 December, in thousands of EUR	2023	2022
ASSETS		
Cash and cash equivalents	41 921	114 935
Trade and other receivables	31 766	31 380
Prepayments	7 661	9 379
Prepaid income tax	193	37
Inventories	41 411	39 965
Current assets	122 952	195 696



Investments in equity-accounted investees	0	75
Other financial assets and prepayments	4 794	3 622
Deferred income tax assets	21 840	21 840
Investment property	300	300
Property, plant and equipment	1 377 664	1 438 286
Intangible assets	27 671	31 823
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Non-current assets	1 432 269	1 495 946
TOTAL ASSETS	1 555 221	1 691 642
LIABILITIES AND EQUITY		
Interest-bearing loans and borrowings	104 097	165 049
Trade and other payables	85 406	86 934
Payables to owners	6	6
Income tax liability	10	35
Deferred income	34 788	44 222
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Current liabilities	224 307	296 246
Interest-bearing loans and borrowings	545 160	688 465
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Non-current liabilities	545 160	688 465
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Total liabilities	769 467	984 711
Share capital	349 477	349 477
Share Premium	663	663
Reserves	67 056	66 363



Retained earnings	368 558	290 428
Equity attributable to equity holders of the Parent	785 754	706 931
Total equity	785 754	706 931
TOTAL LIABILITIES AND EQUITY	1 555 221	1 691 642

Consolidated statement of cash flows

For the year ended 31 December, in thousands of EUR

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss for the period	78 872	13 935
Adjustments for:		
Depreciation and amortisation	101 224	98 136
Net gain/loss on disposals of property, plant and equipment	-15	-34
Net interest expense	35 290	24 622
Loss from equity-accounted investees	75	90
Net unrealised foreign exchange gain/loss	-198	341
Loss from investments	123	0
Income tax	-1 175	-1 008
Adjustments	135 324	122 147
Changes in:		
Receivables related to operating activities	-378	-2 036
Prepayments related to operating activities	1 718	-1 602
Inventories	-1 446	-5 334
Liabilities related to operating activities	-10 457	17 415
Changes in assets and liabilities	-10 563	8 443
Cash generated from operating activities	203 633	144 525



Income tax paid	-186	-227
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NET CASH FROM/USED IN OPERATING ACTIVITIES	203 447	144 298
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	-28 131	-203 322
Proceeds from disposals of property, plant and equipment	613	2 768
Interest received	1 332	215
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NET CASH USED IN INVESTING ACTIVITIES	-26 186	-200 339
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans received	59 972	196 290
Repayment of loans received	-251 431	-110 055
Change in overdraft	-15	-165
Payment of lease liabilities	-21 519	-17 157
Interest paid	-32 827	-23 516
Payment of transaction costs related to loans	-4 455	-1 977
NET CASH FROM FINANCING ACTIVITIES	-250 275	43 420
TOTAL NET CASH FLOW	-73 014	-12 621
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Cash and cash equivalents at the beginning of period	114 935	127 556
Change in cash and cash equivalents	-73 014	-12 621
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Cash and cash equivalents at the end of period	41 921	114 935

Anneli Simm



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