

**TALLINNA  SADAM**

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**Unaudited interim condensed consolidated  
report for the  
3 months ended 31 March 2019**

AS Tallinna Sadam

**AS TALLINNA SADAM****UNAUDITED INTERIM CONDENSED CONSOLIDATED REPORT  
FOR THE 3 MONTHS ENDED 31 MARCH 2019**

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<b>Beginning of financial year</b>	<b>1 January</b>
<b>End of financial year</b>	<b>31 December</b>
<b>Beginning of interim reporting period</b>	<b>1 January</b>
<b>End of interim reporting period</b>	<b>31 March</b>
<b>Legal form</b>	<b>Limited company (AS)</b>
<b>Auditor</b>	<b>KPMG Baltics OÜ</b>

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**MANAGEMENT REPORT**

In the first quarter of 2019, the volume of cargo handled and the number of passengers<sup>1</sup> served at the Group's harbours decreased. As a result, revenue, adjusted EBITDA<sup>2</sup> and profit also declined somewhat. Revenue amounted to EUR 28.5 million and net profit to EUR 11.0 million, the results decreasing by EUR 0.9 million and EUR 0.8 million year on year respectively. The decrease in the number of passengers served and revenue generated by the Passenger harbours segment (by EUR 0.6 million) was mainly attributable to several passenger ferries operating on regular routes being out of service due to their planned maintenance and repair.

**KEY PERFORMANCE INDICATORS OF THE GROUP**

<b>Indicator</b>	<b>Unit</b>	<b>Q1 2019</b>	<b>Q1 2018</b>	<b>Change</b>	<b>%</b>
Revenue	EUR '000	28,527	29,414	-887	-3.0%
Operating profit	EUR '000	11,458	12,339	-881	-7.1%
Adjusted EBITDA	EUR '000	16,870	17,603	-733	-4.2%
Depreciation, amortisation and impairment	EUR '000	-5,550	-5,403	-147	2.7%
Income tax	EUR '000	0	0	0	-
Profit for the period	EUR '000	11,038	11,828	-790	-6.7%
Investment	EUR '000	3,947	1,923	2,023	105.2%
Number of employees (average)		468	484	-16	-3.3%
Cargo volume	t '000	4,719	5,019	-300	-6.0%
Number of passengers	'000	1,790	1,924	-135	-7.0%
Number of vessel calls		1,632	1,709	-77	-4.5%
Total assets at period-end	EUR '000	630,580	606,377	24,203	4.0%
Net debt at period-end	EUR '000	160,305	209,846	-49,541	-23.6%
Equity at period-end	EUR '000	378,755	337,684	41,071	12.2%
Number of shares at period-end	'000	263,000	185,203	77,797	42.0%
Operating profit/revenue		40.2%	41.9%		
Adjusted EBITDA/revenue		59.1%	59.8%		
Profit for the period/revenue		38.7%	40.2%		
EPS: Profit for the period/average number of shares	EUR	0.05	0.06	-0.02	-24.4%
Equity/number of shares at period-end	EUR	1.44	1.82	-0.38	-21.0%

**CARGO AND PASSENGER TRAFFIC**

In the first three months of 2019, cargo throughput at the Group's harbours totalled 4.7 million tonnes, decreasing by 0.3 million tonnes, i.e. 6.0%, compared to the same period last year. In terms of cargo types, the biggest change occurred in the volume of liquid bulk cargo that dropped by 0.3 million tonnes, i.e. 11.9%, mainly through the decrease in project cargo at the beginning of the year. The volume of ro-ro cargo decreased by 45 thousand tonnes, i.e. 3.4%, which may be attributed to several passenger ferries on the Tallinn-Helsinki route being out of service due to planned maintenance and, thus, making fewer trips than in the comparative period.

<sup>1</sup> The number of passengers does not include passengers of the Ferry segment that travelled between Estonia's mainland and biggest islands

<sup>2</sup> Adjusted EBITDA = profit before depreciation, amortisation and impairment losses, finance income and costs, and income tax expense, adjusted for amortisation of government grants

The volume of container cargo grew in terms of weight by 40 thousand tonnes, i.e. 9.0%, and in terms of capacity units by 7.9 thousand TEUs, i.e. 15%.

The number of passengers served in the first quarter decreased by 135 thousand, i.e. 7.0%, through the influence of the Tallinn-Helsinki and Tallinn-Stockholm routes. The decline may be attributed to the planned maintenance of passenger ferries operating on regular routes that made 102 trips (-7.8%) less in the first quarter than in the same period last year. The cruise season begins in the second quarter. Therefore, similarly to the comparative period, there were no traditional cruise passengers in the first quarter.

## REVENUE, EXPENSES AND PROFIT

**Revenue** for the first quarter of 2019 decreased by EUR 0.9 million, i.e. 3%, compared to the same period last year. In terms of revenue streams, the strongest decline occurred in vessel dues that dropped by EUR 0.9 million, i.e. 9%, and passenger fees that decreased by EUR 0.2 million, i.e. around 7%. The decline in vessel dues revenue is attributable to passenger ferries operating on regular routes, which made fewer calls due to planned maintenance, and tankers, which contributed less revenue because the volume of liquid bulk cargo decreased. Vessel dues revenue was also reduced by the discounts provided from 2019 to more environment-friendly vessels whose emissions are lower. However, revenue was improved by growth in the volume of container cargo. The decrease in passenger fees was proportionate to the decline in the number of passengers. Although cargo throughput decreased by 6%, cargo charge revenue declined by 2% (EUR -0.04 million) because the sharpest decline occurred in liquid bulk cargo whose charge rates are lower than those of other cargo types and, among other factors, quarterly cargo charge revenue is based on the estimated annual cargo charge revenue (as required by the new revenue recognition standard IFRS 15). Revenue from the provision of ferry service<sup>3</sup> grew by EUR 0.2 million, i.e. around 3%, mainly through a rise in contractual fee rates which are linked to the Estonian consumer and fuel price indices and wage inflation. Rental income also grew slightly, by EUR 0.1 million, i.e. 3%, primarily through new contracts signed in the Passenger harbours and Cargo harbours segments. Revenue from the sale of electricity decreased by EUR 0.08 million, i.e. 4%, mostly because the volume of electricity sold in cargo harbours (as an agent) dropped. In terms of segments, first-quarter revenue increased in the Ferry segment and the segment Other and decreased in the Passenger harbours and Cargo harbours segments.

**Operating expenses** for the first three months decreased by EUR 0.2 million, i.e. 2.5%, year on year due to the combined effect of minor changes in different expense items. Tax expenses declined, mainly because from 2019 electricity excise expenses are reported within energy costs but in the comparative period were reported within tax expenses in an amount of EUR 0.1 million. Expenses on the acquisition and maintenance of assets of insignificant value declined, mostly because in the comparative period the Group recognised one-off expenses related to the purchase of equipment for the implementation of the Smart Port traffic solution. Other operating expenses grew (by EUR 0.4 million), mainly because in the comparative period the Group reversed the write-down of some receivables that had previously been classified as credit-impaired (the items were collected).

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<sup>3</sup> Public transport service provided with passenger ferries between Estonia's mainland and two biggest islands

**Personnel expenses** grew by EUR 0.1 million, i.e. 2.4%. The personnel expenses of the icebreaker Botnica and the ferry business increased and those of harbour operations decreased.

**Depreciation, amortisation and impairment** expenses grew by EUR 0.15 million, i.e. 2.7%, primarily on the side of harbour operations where the volume of non-current assets increased in connection with the implementation of the Smart Port project and the completion of investments made in the improvement of traffic solutions in the Old City Harbour (Passenger harbours segment). Expenses related to the icebreaker Botnica grew as well because in the comparative period it had its planned dry dock maintenance and relevant costs were capitalised.

**Operating profit** for the first quarter decreased by EUR 0.9 million, i.e. 7%, compared to the same period last year, mainly due to smaller revenue whereas changes in operating expenses and other income and expenses balanced each other out. Operating margin decreased slightly, dropping from 41.9% to 40.2%.

**Adjusted EBITDA** declined by EUR 0.7 million, somewhat less than operating profit because growth in depreciation, amortisation and impairment expenses did not affect EBITDA. In terms of segments, adjusted EBITDA grew in the Ferry segment and decreased in all other segments. The decline was the sharpest in the Cargo harbours segment due to the decrease in its revenue. Adjusted EBITDA margin dropped from 59.8% to 59.1%.

**Finance costs (net)** decreased by EUR 0.1 million, i.e. 17%, mainly through the decline in the amount of interest-bearing liabilities.

**Profit before tax** decreased by EUR 0.8 million, i.e. 6.7%, to EUR 11.0 million. **Net profit** also amounted to EUR 11.0 million, EUR 0.8 million less than in the comparative period.

## INVESTMENT

The Group invested EUR 3.9 million in the first quarter of 2019. The figure is larger than in the same period last year when investments totalled EUR 1.9 million. Investments of the period were mostly related to the reconstruction of passenger terminal D at the Old City Harbour.

## SEGMENT REPORTING

In thousands of euros	Q1 2019					Q1 2018				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	8,200	9,955	6,850	3,523	28,527	8,843	10,473	6,655	3,443	29,414
Adjusted EBITDA	5,173	6,085	3,165	2,446	16,870	5,480	6,713	2,738	2,672	17,603
Operating profit	3,715	4,070	1,773	1,900	11,458	4,150	4,661	1,336	2,192	12,339
Adjusted EBITDA margin	63.1%	61.1%	46.2%	69.4%	59.1%	62.0%	64.1%	41.1%	77.6%	59.8%

In thousands of euros	Change, Q1				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	-643	-518	195	80	-887
Adjusted EBITDA	-307	-628	427	-226	-733
Operating profit	-435	-591	437	-292	-881

In terms of segments, the largest year-on-year change in first-quarter revenue was in the Passenger harbours segment (EUR -0.6 million, i.e. -7%), followed by the Cargo harbours segment (EUR -0.5 million, i.e. -4.9%), the Ferry segment (EUR +0.2 million, i.e. +2.9%), and the segment Other (EUR +0.08 million, i.e. +3.0%).

**The revenue of the Passenger harbours segment** decreased, mainly because several passenger ferries operating on regular routes were out of service due to planned dry dock or wet berth maintenance. This reduced the number of trips and passengers, which also lowered revenue from vessel dues and passenger fees. The volume of ro-ro cargo carried by passenger ferries decreased for the same reason but its impact on revenue was smaller. Revenue was also reduced by the discounts provided from 2019 to more environment-friendly vessels whose emissions are lower, which during the period included mostly passenger ferries.

**The revenue of the Cargo harbours segment** declined, primarily because the volume of liquid bulk cargo decreased, which lowered vessel dues revenue. Cargo charge revenue was less affected by the decrease in the volume of liquid bulk cargo because the rates of relevant cargo charges are lower and quarterly cargo charge revenue also depends on the estimated annual cargo charge revenue (consistent with the requirements for the recognition of cargo charge revenue under IFRS 15).

**The revenue of the Ferry segment** grew, mainly because the fee rates, which are linked to the Estonian consumer and fuel price indices and wage inflation, were higher than in the comparative period.

**The revenue of the segment Other** grew through the indexation of the contractual fees of the icebreaker Botnica to the Estonian consumer price index.

**Adjusted EBITDA** for the first quarter grew in the Ferry segment and decreased in all other segments, particularly in the Cargo harbours and Passenger harbours segments. The adjusted EBITDA of the Ferry segment grew through the combined effect of higher revenue and lower expenses. The adjusted EBITDA of the Cargo harbours and Passenger harbours segments decreased mainly through revenue decline. The adjusted EBITDA of the segment Other decreased through higher expenses, particularly growth in non-current asset maintenance and repair and personnel expenses.

## SHARE AND SHAREHOLDERS

AS Tallinna Sadam was listed in the Baltic Main List of the Nasdaq Tallinn Stock Exchange on 13 June 2018. The ticker symbol of the share is TSM1T and the ISIN code is EE3100021635. The company has 263,000,000 ordinary shares of which 176,295,032, i.e. 67.03%, are held by the Republic of Estonia. The par value of a share is EUR 1. Each share carries one vote at the general meeting of the shareholders.

The dynamics of the closing price of the AS Tallinna Sadam share and the volume of shares traded since listing on the Nasdaq Tallinn Stock Exchange, i.e. from 13 June 2018 to 31 March 2019, is presented in the graph below:



Source: nasdaqbaltic.com

At 31 March 2019, the closing price of the share was EUR 2.12, having risen in the first quarter by 4.2%. Since listing, the share price has increased by 10.7%. Compared to the offering price in the initial public offering (EUR 1.7 per share), the share price has increased by 24.7%. At 31 March 2019, the company's market capitalisation was EUR 557.6 million.

In the first quarter of 2019, there were 1,552 transactions with the Tallinna Sadam share (Q4 2018: 2,745 transactions) in which 2.6 million shares (Q4 2018: 5.9 million shares) changed hands. The total turnover of the transactions was EUR 5.3 million (Q4 2018: EUR 12.3 million).

At 31 March 2019, the company had 12,342 shareholders (31 December 2018: 12,373) but only the Republic of Estonia had an ownership interest exceeding 5% (through the Ministry of Economic Affairs and Communications). The five largest shareholders as at 31 March 2019 were:

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>Interest, %</b>
Ministry of Economic Affairs and Communications	176,295,032	67%
JPMorgan Chase Bank	9,782,343	4%
European Bank for Reconstruction and Development (EBRD)	9,350,000	4%
SEB Progressiivne Pensionifond	6,484,365	2%
LHV Pensionifond L	5,174,314	2%

The shareholder structure has remained relatively stable since listing. Compared to the beginning of trading, the share of Estonian private investors has increased by 2 percentage points at the expense of foreign investors. There were no significant changes in the shareholder structure in the first quarter of 2019.



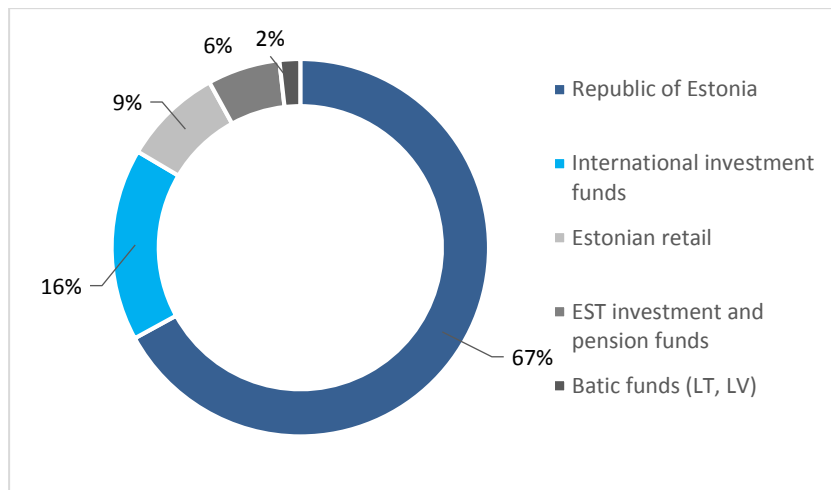


Chart: Shareholder structure as at 31 March 2019

## DIVIDENDS

The dividend policy of AS Tallinna Sadam sets the target to pay the shareholders regular post-tax dividends, which in the period 2019-2020 should amount to at least EUR 30 million per year and from 2021 onward to at least 70% of the preceding year's net profit, subject to market conditions, the company's growth and development plans, taking into account the need to maintain a reasonable level of liquidity and excluding the impact of non-recurring transactions.

Based on the resolution of the annual general meeting of 14 May 2019, in 2019 the company will pay for 2018 a dividend of EUR 0.134 per share, i.e. EUR 35.242 million in total. The list of shareholders entitled to receive the dividend will be determined as at the end of the business day of the settlement system on 28 May 2019. Consequently, the ex-dividend date (the date of change of the rights attaching to the shares) is 27 May 2019. The dividend will be paid out to the shareholders on 4 June 2019.

## CORPORATE GOVERNANCE

At 31 March 2019, AS Tallinna Sadam had two wholly-owned subsidiaries, OÜ TS Shipping and OÜ TS Laevad, and a 51% interest in an associate, AS Green Marine.

**The supervisory board** is responsible for the strategic planning of the company's activities and the supervision of the activities of the management board. According to the Articles of Association of AS Tallinna Sadam, the supervisory board has six to eight members. At 31 March 2019, the supervisory board had six members: Aare Tark (chairman), Ahti Kuningas, Maarika Liivamägi, Raigo Uukkivi, Urmas Kaarlep and Üllar Jaaksoo, of whom four members are independent. Under the supervisory board, there is a three-member audit committee, which consists of members of the supervisory board and acts as an advisory body in supervisory matters.

In the first quarter, the composition of the supervisory board and its bodies did not change.

**The management board** is responsible for the day-to-day management of the company in accordance with the law and the Articles of Association. According to the Articles of Association, the management board may have two to five members. At 31 March 2019, the management board had three members: Valdo Kalm (chairman and CEO), Marko Raid (CFO) and Margus Vihman (CCO).

In the first quarter, the composition of the management board did not change.

Further information about the company's corporate governance and members of the management and supervisory boards is presented in the annual report for 2018 that is available on the company's website: <https://investor.ts.ee/en/>.

The Group follows the principles of the Estonian Corporate Governance Code.

### **SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2019**

- 1. Additional trips by the ferry "Regula" in summer 2019.** OÜ TS Laevad signed an additional agreement with the Estonian Road Administration based on the public passenger transport service contract signed on 11 December 2014. Under the additional agreement, the Estonian Road Administration will order 536 additional trips by the ferry "Regula" on the Virtsu-Kuivastu route from 20 June to 2 September 2019. For the additional trips, OÜ TS Laevad will receive fixed income of EUR 1.56 million plus a fee of EUR 350 per trip. In summer 2018, "Regula" made additional trips under a similar additional agreement.
- 2. Court ruling on the civil claim of Saaremaa Laevakompanii and Väinamere Liinid.** On 8 March 2019, Harju County Court dismissed the statement of claim filed by AS Saaremaa Laevakompanii and Väinamere Liinid OÜ in civil case no. 2-17-15955 against OÜ TS Laevad and OÜ TS Shipping because the plaintiffs did not provide security of EUR 14,000 in total ordered by the court for covering the estimated costs of the proceedings. The ruling entered into force on 28 March 2019 and ended the litigation. The dismissal of the claim and the termination of the litigation did not affect the Group's financial performance.
- 3. Approval of the annual report for 2018 and a dividend proposal.** The supervisory board approved the company's annual report for 2018 and, as agreed with the supervisory board, the management board proposed for 2018 a dividend distribution of EUR 0.134 per share. The general meeting approved both the annual report and the dividend distribution proposal. The annual general meeting was held on 14 May 2019. The decisions adopted and other information on the annual general meetings are available on the company's website: <https://investor.ts.ee/en/agm/>.

**MANAGEMENT'S CONFIRMATION AND SIGNATURES**

By authorising the unaudited interim condensed consolidated report as at and for the period ended 31 March 2019 for issue, the management board confirms that the information about AS Tallinna Sadam and the companies related to it, as set out on pages 12 to 26, is correct and complete and that:

1. the unaudited interim condensed consolidated financial statements have been prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS EU);
2. the unaudited interim condensed consolidated financial statements give a true and fair view of the financial position, cash flows and financial performance of the Group;
3. all significant events that occurred until the date on which the interim financial report was authorised for issue (16 May 2019) have been properly recognised and disclosed in the unaudited interim condensed consolidated financial statements;
4. AS Tallinna Sadam and its subsidiaries are going concerns.

16 May 2019



Valdo Kalm

Chairman of the Management Board



Marko Raid

Member of the Management Board



Margus Vihman

Member of the Management Board

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

In thousands of euros

<b>At</b>	<b>Note</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		50,307	42,563
Trade and other receivables	4	8,602	8,017
Contract assets		218	0
Inventories		297	305
<b>Total current assets</b>		<b>59,424</b>	<b>50,885</b>
<b>Non-current assets</b>			
Investment in an associate	5	1,574	1,569
Other long-term receivables	4	196	196
Property, plant and equipment	6	567,425	568,965
Intangible assets		1,961	2,024
<b>Total non-current assets</b>		<b>571,156</b>	<b>572,754</b>
<b>Total assets</b>		<b>630,580</b>	<b>623,639</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	9	15,766	15,766
Derivative financial instruments		382	425
Provisions		879	1,957
Government grants		188	174
Taxes payable	7	1,243	5,844
Trade and other payables	8	10,743	9,485
Contract liabilities	11	3,479	32
<b>Total current liabilities</b>		<b>32,680</b>	<b>33,683</b>
<b>Non-current liabilities</b>			
Loans and borrowings	9	194,846	197,846
Government grants		23,291	23,418
Other payables	8	79	79
Contract liabilities	11	929	939
<b>Total non-current liabilities</b>		<b>219,145</b>	<b>222,282</b>
<b>Total liabilities</b>		<b>251,825</b>	<b>255,965</b>
<b>EQUITY</b>			
Share capital	10	263,000	263,000
Share premium		44,478	44,478
Statutory capital reserve		18,520	18,520
Hedge reserve		-382	-425
Retained earnings (prior periods)		42,101	17,678
Profit for the period		11,038	24,423
<b>Total equity</b>		<b>378,755</b>	<b>367,674</b>
<b>Total liabilities and equity</b>		<b>630,580</b>	<b>623,639</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the 3 months ended 31 March

**Consolidated statement of profit or loss**

In thousands of euros	Note	2019	2018
Revenue	11	28,527	29,414
Other income		275	203
Operating expenses	12	-7,397	-7,584
Personnel expenses		-4,291	-4,189
Depreciation, amortisation and impairment	3	-5,550	-5,403
Other expenses		-106	-102
<b>Operating profit</b>	3	<b>11,458</b>	<b>12,339</b>
<b>Finance income and costs</b>			
Finance income		13	0
Finance costs		-438	-511
<b>Finance costs – net</b>		<b>-425</b>	<b>-511</b>
Share of profit of an associate accounted for under the equity method		5	0
<b>Profit before income tax</b>		<b>11,038</b>	<b>11,828</b>
<b>Profit for the period</b>		<b>11,038</b>	<b>11,828</b>
Attributable to:			
Owners of the Parent		11,038	11,828
Basic earnings and diluted earnings per share (in euros)		0.04	0.06
Basic earnings and diluted earnings per share – continuing operations (in euros)		0.04	0.06

**Consolidated statement of other comprehensive income**

In thousands of euros	Note	2019	2018
<b>Profit for the period</b>		<b>11,038</b>	<b>11,828</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value gain on hedging instruments in cash flow hedges		43	64
<b>Total other comprehensive income</b>		<b>43</b>	<b>64</b>
<b>Total comprehensive income for the period</b>		<b>11,081</b>	<b>11,892</b>
Attributable to:			
Owners of the Parent		11,081	11,892

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

for the 3 months ended 31 March

In thousands of euros	Note	2019	2018
Cash receipts from sale of goods and services		33,009	35,237
Cash receipts related to other income		118	3
Payments to suppliers		-8,911	-8,987
Payments to and on behalf of employees		-3,910	-3,517
Payments for other expenses		-102	-99
Income tax paid on dividends		-4,949	0
<b>Cash from operating activities</b>		<b>15,255</b>	<b>22,637</b>
Purchases of property, plant and equipment		-3,837	-2,984
Purchases of intangible assets		-107	-130
Proceeds from sale of property, plant and equipment		16	0
Interest received		14	0
<b>Cash used in investing activities</b>		<b>-3,914</b>	<b>-3,114</b>
Repayments of loans received	9	-3,000	-3,000
Change in overdraft (liability)		0	-2,565
Repayments of finance lease principal		0	-1
Interest paid		-593	-707
Other payments related to financing activities		-4	-16
<b>Cash used in financing activities</b>		<b>-3,597</b>	<b>-6,289</b>
<b>NET CASH FLOW</b>		<b>7,744</b>	<b>13,234</b>
Cash and cash equivalents at beginning of the period		42,563	6,954
Change in cash and cash equivalents		7,744	13,234
Cash and cash equivalents at end of the period		50,307	20,188

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the 3 months ended 31 March

In thousands of euros

	Share capital	Share premium	Statutory capital reserve	Hedge reserve	Retained earnings	Total equity attributable to owners of the Parent
<b>Equity at 31 December 2017</b>	<b>185,203</b>	<b>0</b>	<b>18,520</b>	<b>-609</b>	<b>122,678</b>	<b>325,792</b>
Profit for the period	0	0	0	0	11,828	<b>11,828</b>
Other comprehensive income for the period	0	0	0	64	0	<b>64</b>
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>64</i>	<i>11,828</i>	<b>11,892</b>
<b>Equity at 31 March 2018</b>	<b>185,203</b>	<b>0</b>	<b>18,520</b>	<b>-545</b>	<b>134,506</b>	<b>337,684</b>
<b>Equity at 31 December 2018</b>	<b>263,000</b>	<b>44,478</b>	<b>18,520</b>	<b>-425</b>	<b>42,101</b>	<b>367,674</b>
Profit for the period	0	0	0	0	11,038	<b>11,038</b>
Other comprehensive income for the period	0	0	0	43	0	<b>43</b>
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>43</i>	<i>11,038</i>	<b>11,081</b>
<b>Equity at 31 March 2019</b>	<b>263,000</b>	<b>44,478</b>	<b>18,520</b>	<b>-382</b>	<b>53,139</b>	<b>378,755</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. REPORTING ENTITY**

AS Tallinna Sadam (also referred to as the “Parent” or the “Company”) is a company incorporated and registered in the Republic of Estonia on 5 November 1996. The interim condensed consolidated financial statement of AS Tallinna Sadam as at and for the 3 months ended 31 March 2019 comprise the Parent and its subsidiaries (together referred to as the “Group”). The Group’s core business lines are rendering of port services in the capacity of a landlord port, providing passenger ferry service between Estonia’s mainland and biggest islands and operating the multifunctional icebreaker Botnica.

The Group owns five harbours: Old City, Saaremaa, Muuga, Paljassaare and Paldiski South. The Old City Harbour in the centre of Tallinn together with the Old City Marina for small vessels (opened in 2010) and the Saaremaa Harbour designed for receiving cruise ships provide mainly passenger harbour services. The Muuga Harbour, which is Estonia’s largest cargo harbour, the Paldiski South Harbour and the Paljassaare Harbour that serves mostly ship repair companies provide mainly cargo harbour services. The Group has ceased active operations in Paljassaare Harbour and is preparing for an exit from that harbour.

The Group’s subsidiaries as at 31 March 2019 and 31 December 2018:

Subsidiary	Domicile	Ownership interest (%)		Core business line
		31 March 2019	31 December 2018	
OÜ TS Shipping	Republic of Estonia	100	100	Rendering icebreaking and other offshore support services with the multi-functional icebreaker Botnica
OÜ TS Laevad	Republic of Estonia	100	100	Rendering domestic ferry service between Estonia’s mainland and biggest islands

In addition, the Group has a 51% interest in the associate AS Green Marine but it does not have control over the entity’s decision-making. In the Group’s financial statements, the interest in the associate is accounted for using the equity method.

The address of the Parent’s registered office is Sadama 25, Tallinn 15051, the Republic of Estonia.

The ultimate controlling party of AS Tallinna Sadam is the Republic of Estonia (ownership interest of 67.03% through the Ministry of Economic Affairs and Communications).

**2. ACCOUNTING POLICIES**

These interim condensed consolidated financial statements for the 3 months ended 31 March 2019 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.



**Note 2 continued**

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes and explanations included in the Company's consolidated annual report for the year ended 31 December 2018. See note 2 to the consolidated financial statements in the annual report for 2018 for additional information about significant accounting policies.

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The interim condensed consolidated financial statements are presented in thousands of euros.

**3. OPERATING SEGMENTS**

In thousands of euros	3 months 2019				Total
	Passenger harbours	Cargo harbours	Ferry	Other	
Vessel dues	4,133	4,516	0	0	<b>8,649</b>
Cargo charges	328	1,341	0	0	<b>1,669</b>
Passenger fees	2,908	25	0	0	<b>2,933</b>
Sale of electricity	254	1,516	0	0	<b>1,770</b>
Sale of ferry services - revenue from ticket sales	0	0	1,732	0	<b>1,732</b>
Sale of other services	172	257	19	1	<b>449</b>
Rental income	406	2,299	90	0	<b>2,795</b>
Charter fees	0	0	0	3,522	<b>3,522</b>
Sale of ferry services - government support	0	0	5,008	0	<b>5,008</b>
<b>Total segment revenue* (note 11)</b>	<b>8,201</b>	<b>9,954</b>	<b>6,849</b>	<b>3,523</b>	<b>28,527</b>
<b>Adjusted segment EBITDA</b>	<b>5,173</b>	<b>6,086</b>	<b>3,165</b>	<b>2,446</b>	<b>16,870</b>
Depreciation and amortisation	-1,486	-2,131	-1,392	-541	<b>-5,550</b>
Impairment losses	0	0	0	0	<b>0</b>
Amortisation of government grants received	28	115	0	0	<b>143</b>
Share of profit of an associate accounted for under the equity method	0	0	0	-5	<b>-5</b>
<b>Segment operating profit</b>	<b>3,715</b>	<b>4,070</b>	<b>1,773</b>	<b>1,900</b>	<b>11,458</b>
Finance income and costs, net					-425
Share of profit of an associate accounted for under the equity method					5
Income tax expense					0
<b>Profit for the period</b>					<b>11,038</b>

\* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 13 thousand and EUR 63 thousand for the Passenger harbours and Cargo harbours segments respectively, which was eliminated during consolidation.

**Note 3 continued**

In thousands of euros	3 months 2018				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	4,530	4,989	0	0	<b>9,519</b>
Cargo charges	368	1,338	0	0	<b>1,706</b>
Passenger fees	3,123	24	0	0	<b>3,147</b>
Sale of electricity	242	1,604	0	0	<b>1,846</b>
Sale of ferry services - revenue from ticket sales	0	0	1,598	0	<b>1,598</b>
Sale of other services	205	274	16	0	<b>495</b>
Rental income	375	2,244	84	0	<b>2,703</b>
Charter fees	0	0	0	3,443	<b>3,443</b>
Sale of ferry services - government support	0	0	4,957	0	<b>4,957</b>
<b>Total segment revenue* (note 11)</b>	<b>8,843</b>	<b>10,473</b>	<b>6,655</b>	<b>3,443</b>	<b>29,414</b>
<b>Adjusted segment EBITDA</b>	<b>5,480</b>	<b>6,713</b>	<b>2,738</b>	<b>2,672</b>	<b>17,603</b>
Depreciation and amortisation	-1,354	-2,167	-1,402	-480	<b>-5,403</b>
Impairment losses	0	0	0	0	<b>0</b>
Amortisation of government grants received	24	115	0	0	<b>139</b>
Share of profit of an associate accounted for under the equity method	0	0	0	0	<b>0</b>
<b>Segment operating profit</b>	<b>4,150</b>	<b>4,661</b>	<b>1,336</b>	<b>2,192</b>	<b>12,339</b>
Finance income and costs, net					-511
Share of profit of an associate accounted for under the equity method					0
Income tax expense					0
<b>Profit for the period</b>					<b>11,828</b>

\* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 5 thousand and EUR 36 thousand for the Passenger Harbours and Cargo Harbours segments respectively, which was eliminated during consolidation.

**4. TRADE AND OTHER RECEIVABLES**

In thousands of euros	31 March 2019		31 December 2018	
At				
Receivables from customers		9,725		8,636
Allowance for credit losses		-2,124		-2,020
Prepaid taxes		310		633
Government grants receivable		300		283
Other prepayments		315		409
Receivables from an associate (note 16)		24		25
Other receivables		248		247
<b>Total trade and other receivables</b>		<b>8,798</b>		<b>8,213</b>
Of which short-term receivables		8,602		8,017
long-term receivables		196		196

**Note 4 continued****Trade receivables – expected credit loss matrix**

In thousands of euros	Not past due	Days past due				Total
		0-30	31-60	61-90	>90	
<b>At 31 March 2019</b>						
Expected credit loss rate	0.8%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	7,222	179	259	41	2,023	9,725
Lifetime expected credit loss (ECL)	-58	-3	-7	-33	-2,023	-2,124
						<b>7,601</b>
<b>At 31 December 2018</b>						
Expected credit loss rate	0.8%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	6,442	191	30	42	1,931	8,636
Lifetime expected credit loss (ECL)	-52	-3	0	-34	-1,931	-2,020
						<b>6,616</b>

**5. INVESTMENT IN AN ASSOCIATE**

In thousands of euros	3 months 2019	3 months 2018
Income	885	777
Expenses	850	769
Net profit	31	5

In thousands of euros	31 March 2019	31 December 2018
<b>At</b>		
Net assets of the associate	3,086	3,076
The Group's ownership interest in the associate, %	51%	51%
Carrying amount of the Group's investment in the associate in the Group's statement of financial position	1,574	1,569

**6. PROPERTY, PLANT AND EQUIPMENT**

In thousands of euros	Land and buildings	Plant and equipment	Other items of property, plant and equipment	Assets under construction	Prepayments	Total
<b>At 31 December 2018</b>						
Cost	604,312	236,509	6,983	5,648	31	<b>853,483</b>
Accumulated depreciation and impairment losses	-210,846	-68,586	-5,086	0	0	<b>-284,518</b>
<b>Carrying amount at 31 December 2018</b>	<b>393,466</b>	<b>167,923</b>	<b>1,897</b>	<b>5,648</b>	<b>31</b>	<b>568,965</b>
<i>Movements within 3 months ended 31 March 2019</i>						
Acquisition and reconstruction	38	13	142	3,314	377	<b>3,884</b>
Depreciation charge	-2,757	-2,551	-116	0	0	<b>-5,424</b>
Reclassified at carrying amount	78	10	0	-88	0	<b>0</b>
<b>At 31 March 2019</b>						
Cost	604,428	236,464	7,125	8,874	408	<b>857,299</b>
Accumulated depreciation and impairment losses	-213,603	-71,069	-5,202	0	0	<b>-289,874</b>
<b>Carrying amount at 31 March 2019</b>	<b>390,825</b>	<b>165,395</b>	<b>1,923</b>	<b>8,874</b>	<b>408</b>	<b>567,425</b>

**7. TAXES PAYABLE**

At 31 March 2019, the Group's taxes payable amounted to EUR 1,243 thousand (31 December 2018: EUR 5,844 thousand, including income tax on dividends of EUR 4,949 thousand).

**8. TRADE AND OTHER PAYABLES**

In thousands of euros	31 March 2019	31 December 2018
<b>At</b>		
Trade payables	3,888	3,775
Payables to employees	1,729	1,054
Interest payable	285	446
Accrued taxes payable on remuneration	995	572
Advances for goods and services	930	375
Payables to an associate (note 16)	123	134
Other payables	2,872	3,208
<b>Total trade and other payables</b>	<b>10,822</b>	<b>9,564</b>
Of which current liabilities	10,743	9,485
non-current liabilities	79	79

**9. LOANS AND BORROWINGS**

In thousands of euros

<b>At</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>Current portion</b>		
Loans and borrowings	6,766	6,766
Debt securities	9,000	9,000
<b>Total current portion</b>	<b>15,766</b>	<b>15,766</b>
<b>Non-current portion</b>		
Loans and borrowings	36,596	39,596
Debt securities	158,250	158,250
<b>Total non-current portion</b>	<b>194,846</b>	<b>197,846</b>
<b>Total loans and borrowings</b>	<b>210,612</b>	<b>213,612</b>

**Debt securities**

All debt securities have been issued in euros and have floating interest rates (base rate of 3-month or 6-month EURIBOR plus a fixed risk margin). Their maturities fall in 2026 and 2027. In line with their settlement schedules, no debt securities were redeemed in the three-month period ended 31 March 2019. At 31 March 2019, the weighted average interest rate of debt securities was 0.684% (31 December 2018: 0.684%).

**Loans**

All loan agreements are denominated in euros and have floating interest rates (the base rate is 6-month EURIBOR). The final maturities of outstanding loan liabilities fall in the period 2024 to 2028. Principal repayments made in the first quarter of 2019 amounted to EUR 3,000 thousand (Q1 2018: EUR 3,000 thousand).

At 31 March 2019, the weighted average interest rate of drawn loans was 0.722% (31 December 2018: 0.703%). Considering the effect of derivative transactions used to hedge interest rate risk, at 31 March 2019 the average interest rate of loans was 1.403% (31 December 2018: 1.440%).

**Contractual maturities of loans and borrowings**

In thousands of euros

<b>At</b>	<b>31 March 2019</b>
< 12 months	15,766
1 - 5 years	63,064
> 5 years	131,782
<b>Total loans and borrowings</b>	<b>210,612</b>

**Fair value**

In the reporting period, the assessment of the Group's risk level did not change and there were no significant changes in the interest rates of international financial markets. Thus, according to the Group's assessment, at 31 March 2019, similarly to 31 December 2018, the fair values of loans and debt securities that are measured at amortised cost did not differ significantly from their carrying amounts.

**Note 9 continued**

All derivative financial instruments are measured at fair value in the statement of financial position. The fair value of derivatives is estimated on monthly basis using pricing provided by banks based on the forward-looking yield curves of interest rate swap transactions from market information providers. In the value hierarchy, this qualifies as a level 2 measurement.

All loan and debt securities agreements currently in force are unsecured, i.e. no assets have been pledged to cover the liabilities, and the debt securities are not listed. The Group has fulfilled all its obligations under the loan and debt securities agreements, including those resulting from special terms. At 31 March 2019, the Group was also in compliance with the covenants that set requirements to its financial indicators.

**10. EQUITY****Share capital**

At 31 March 2019, AS Tallinna Sadam had 263,000,000 ordinary shares, at 31 December 2018 also 263,000,000 shares, of which 67.03% were held by the Republic of Estonia (through the Ministry of Economic Affairs and Communications) and 32.97% were held by Estonian and international investment funds, banks, pension funds and Estonian retail investors. The par value of a share is EUR 1.

The maximum number of ordinary shares stipulated in the articles of association of AS Tallinna Sadam is 664,000,000 (in the comparative period in 2018: also 664,000,000). At 31 March 2019 and at 31 December 2018 all shares issued had been fully paid for.

	<b>3 months 2019</b>	<b>3 months 2018</b>
Weighted average number of shares	263,000,000	185,203,032
Consolidated net profit for the period (in thousands of euros)	11,038	11,828
Basic and diluted earnings per share (in euros)	0.04	0.06

The Group's unrestricted equity as at 31 March 2019 amounted to EUR 53,139 thousand (31 December 2018: EUR 42,101 thousand). Thus, the maximum possible income tax liability that would arise if all of the unrestricted equity were distributed as dividends amounts to EUR 10,239 thousand (31 December 2018: EUR 7,479 thousand). At 31 December 2018 and 31 March 2019, the tax rates used to calculate the maximum possible income tax liability for 2019 were 14/86 (was applied to a possible dividend of one third of profit distributed and taxed in 2018) and 20/80 (was applied to the remaining unrestricted equity).

The Company proposed a dividend distribution to holders of ordinary shares of EUR 35,242 thousand in total that was approved by the general meeting on 14 May 2019.

**11. REVENUE**

In thousands of euros	<b>3 months 2019</b>	<b>3 months 2018</b>
<b>Revenue from contracts with customers</b>		
Vessel dues	8,649	9,519
Cargo charges	1,669	1,706
Passenger fees	2,933	3,147
Sale of electricity	1,770	1,846
Sale of ferry services - ticket sales	1,732	1,598
Sale of other services	449	495
<b>Total revenue from contracts with customers</b>	<b>17,202</b>	<b>18,311</b>
<b>Revenue from other sources</b>		
Rental income from operating leases	2,795	2,703
Charter fees	3,522	3,443
Sale of ferry services - government support	5,008	4,957
<b>Total revenue from other sources</b>	<b>11,325</b>	<b>11,103</b>
<b>Total revenue (note 3)</b>	<b>28,527</b>	<b>29,414</b>

Vessel dues include the tonnage charge calculated on the basis of the gross tonnage of a vessel for each port call. For vessels visiting the port based on a pre-agreed schedule that have a prospective volume discount during the year, the transaction price is allocated between the tonnage services and the option for discounted tonnage services based on the estimated total number of port calls by that vessel during the calendar year. Revenue from tonnage charges is recognised based on the yearly average tariffs and estimated volume as described above. At 31 March 2019, the difference between revenue recognised and amounts billed to customers was recognised as a contract liability of EUR 3,379 thousand (revenue recognised was smaller than the amounts billed).

Some cargo charge contracts set out a minimum annual cargo volume. If the cargo operator handles less than the minimum, the Group has the right to charge the customer at the end of the calendar year based on the minimum volume of cargo handled. Management estimated the Group's remaining right to consideration by reference to the minimum cargo volume and the amount of consideration received from customers as at 31 March 2019. Based on the estimation, the Group recognised contract assets of EUR 218 thousand. At 31 March 2019 revenue received from some customers exceeded management's estimates. As a result, the Group recognised contract liabilities of EUR 61 thousand so that estimated revenue would be evenly recognised over all interim periods of 2019.

When connecting to the electricity network, customers pay a connection fee based on the expenses incurred in connecting to the network. The connection service does not represent a separate performance obligation as the customer does not benefit from this service separately from the consumption of electricity. Therefore, connection fees form part of the consideration for electricity and are recognised as revenue over the estimated period during which customers consume electricity.

**Note 11 continued**

Amounts received for connection fees not yet included in revenue are recognised in the statement of financial position as contract liabilities. At 31 March 2019 such liabilities amounted to EUR 929 thousand (31 December 2018: EUR 939 thousand).

Revenue from ticket sales is recognised over time, as the ferry transfers the passengers and/or vehicles, which happens in a single day, or at the time when the ticket expires. Consideration received from tickets sold for trips not yet performed is deferred and recognised in the statement of financial position as a contract liability. At 31 March 2019 such liabilities amounted to EUR 39 thousand (31 December 2018: EUR 32 thousand).

**12. OPERATING EXPENSES**

In thousands of euros	3 months 2019	3 months 2018
Fuel, oil and energy costs	2,933	3,009
Technical maintenance and repair of non-current assets	782	873
Services purchased for infrastructure	630	699
Tax expenses	689	827
Consultation and development expenses	84	162
Services purchased	944	942
Acquisition and maintenance of assets of insignificant value	198	324
Advertising expenses	71	94
Rental expenses	139	110
Insurance expenses	193	188
Other operating expenses	734	356
<b>Total operating expenses</b>	<b>7,397</b>	<b>7,584</b>

**13. COMMITMENTS**

At 31 March 2019, the Group's contractual commitments related to the acquisition of property, plant and equipment, repairs, and research and development expenditures totalled EUR 21,175 thousand (31 December 2018: EUR 21,003 thousand).

The commitments include the obligation to co-finance the construction of a road, Reidi tee, in the amount of up to EUR 2,411 thousand (2018: EUR 2,555 thousand). The purpose of the co-financing is to help create the best possible connections between Reidi tee and the Group's Old City Harbour and thus make passenger and vehicle flows smoother.



#### **14. CONTINGENT LIABILITIES**

In the first half of 2017 AS Coal Terminal (bankrupt), a long-term customer of AS Tallinna Sadam and holder of several right of superficies contracts, declared bankruptcy. Because bankruptcy trustees refused to execute commitments under the right of superficies contracts, the contracts together with the assets erected on the plots covered by the right of superficies contracts were transferred back into the possession of the Group. Under the contracts, the Group has to compensate the value of buildings and equipment that form an essential part of the rights of superficies, the amount of which cannot be estimated reliably because the assets are special-purpose assets for which a regular market does not exist and there are contradictory views both among the experts and the parties of the dispute on the valuation methods that should be used. On 6 July 2018, bankruptcy trustees submitted a claim, demanding that AS Tallinna Sadam pay compensation of EUR 22.4 million for the value of the assets. AS Tallinna Sadam does not admit such a claim. At the end of 2018, the Group sold several assets that had been transferred back to it. Proceeds from the sale of the assets totalled EUR 2.6 million. In connection with the termination of contracts, AS Tallinna Sadam has submitted a counter-claim of EUR 11.7 million. Since AS Tallinna Sadam's monetary outcome from the bankruptcy proceedings of AS Coal Terminal (bankrupt) depends on the combined effect of the outcomes of several parallel disputes, the monetary impact of the bankruptcy of AS Coal Terminal (bankrupt) cannot be estimated reliably and there is also no certainty about the timing of the realization of the claims and liabilities. Thus, the management board has not recognised a provision for a possible claim.

Due to a significant decrease in cargo volumes handled, one of the Group's long-term customers has lodged a claim to void select conditions in a long-term cooperation contract concluded between the Group and the customer retrospectively as from 1 January 2015. The conditions set out the minimum cargo volume that the customer is required to handle each calendar year as well as the customer's minimum annual cargo charge obligation, which are related to the contractual penalty charged for failure to meet the minimum cargo charge obligation. The customer's contractual penalties for failure to meet the minimum cargo charge obligation in the years 2015-2017 amount to EUR 0.45 million. The customer's minimum annual cargo charge obligation is EUR 0.31 million. The management board believes that the claim is not substantiated and legal advice indicates that it is not probable that a liability will arise. Thus, the management board has not considered it necessary to recognise a provision for the claim.

#### **15. INVESTIGATIONS CONCERNING THE GROUP**

On 26 August 2015, the Estonian Internal Security Service detained Ain Kaljurand and Allan Kiil, long-term members of the management board of the Group's Parent, AS Tallinna Sadam, on suspicions of large-scale bribery during several prior years. After long-term investigation, on 31 July 2017 the Group filed a civil action lawsuit against Ain Kaljurand, Allan Kiil and other private and legal persons involved in the episodes under investigation. At the date of release of this report, the court proceedings are still in the initial stage.

**Note 15 continued**

Based on information available at the reporting date, the management board believes that the above event will not have any material adverse impact on the Group's financial performance or financial position. However, it may continue to cause damage to the Group's reputation.

**16. RELATED PARTY TRANSACTIONS**

67.03% of the shares in AS Tallinna Sadam are held by the Republic of Estonia (through the Ministry of Economic Affairs and Communications).

In thousands of euros	3 months 2019	3 months 2018
<b>Transactions with an associate</b>		
Revenue	55	49
Operating expenses	273	279
<b>Transactions with companies in which members of supervisory and management boards of group companies have significant influence</b>		
Revenue	0	3
Operating expenses	2	2
Other expenses	4	6
<b>Transactions with government agencies and companies in which the state has control</b>		
Revenue	8,723	8,613
Operating expenses	2,050	2,000
Acquisition of property, plant and equipment	167	5

In thousands of euros	31 March 2019	31 December 2018
<b>At</b>		
<b>Trade receivables from and payables to an associate</b>		
Receivables (note 4)	24	25
Payables (note 7)	123	134
<b>Trade receivables from and payables to companies in which members of supervisory and management boards of group companies have significant influence</b>		
Payables	1	1
<b>Trade receivables from and payables to government agencies and companies in which the state has control</b>		
Receivables	943	412
Payables	1,152	1,342

All purchases and sales of services were transactions conducted in the ordinary course of business on an arm's length basis. Revenue and operating expenses from transactions with related parties comprise revenue and expenses from sales and purchases of business-related services.

Information presented on companies in which members of the supervisory and management boards of group companies have significant influence is based on the information provided by related parties.