

# TALLINNA SADAM

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**Unaudited interim condensed  
consolidated report for the  
9 months ended 30 September 2019**

AS Tallinna Sadam

**AS TALLINNA SADAM****UNAUDITED INTERIM CONDENSED CONSOLIDATED REPORT  
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 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>30 September</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 nine months of 2019, the Group's key performance indicators moved in different directions but, through their combined effect, revenue and profit figures did not change significantly. The volume of cargo handled at the Group's harbours decreased due to the impact of the third quarter, while the number of passengers served<sup>1</sup> reached the level of the previous year, also because of the impact of the third quarter. The number of vessel calls grew, mainly because of the impact of the third quarter when an additional ferry began to operate on the Muuga-Vuosaari route. Revenue generated by the icebreaker Botnica during the summer season also grew year on year. Overall, revenue decreased by 0.5% to EUR 100.5 million. The Group earned a net profit of EUR 35.9 million, an improvement of EUR 20.1 million year on year, mostly due to a decrease in income tax on dividends. Income tax on dividends declined by EUR 20.5 million because the Group paid a smaller dividend of EUR 35.2 million compared with a record-large EUR 105 million a year ago. Profit before tax and adjusted EBITDA<sup>2</sup> remained at a level similar to last year, while the third-quarter results slightly weakened the nine-month figures.

In the third quarter of 2019, the volume of cargo handled decreased significantly, the number of passengers served and vessel calls grew, and revenue and profit figures, including adjusted EBITDA, did not change significantly compared to the same time last year. The Group's revenue grew by 0.7% to EUR 39.2 million and net profit decreased by EUR 0.3 million to EUR 17.7 million.

**KEY PERFORMANCE INDICATORS OF THE GROUP**

Indicator	Unit	9 months		Difference	Change	9 months		Difference	Change
		2019	2018			Q3 2019	Q3 2018		
Revenue	EUR '000	100,531	101,063	-532	-0.5%	39,181	38,897	284	0.7%
Operating profit	EUR '000	42,598	43,064	-466	-1.1%	17,867	18,113	-246	-1.4%
Adjusted EBITDA	EUR '000	59,451	59,697	-246	-0.4%	23,745	24,002	-257	-1.1%
Depreciation, amortisation and impairment	EUR '000	-16,912	-16,516	-396	2.4%	-5,719	-5,567	-152	2.7%
Income tax	EUR '000	-5,764	-26,250	20,486	-78.0%	0	0	0	-
Profit for the period	EUR '000	35,947	15,823	20,124	127.2%	17,748	18,078	-330	-1.8%
Investment	EUR '000	18,813	8,123	10,689	131.6%	7,743	2,933	4,809	164.0%
Number of employees (average)		496	501	-5	-1.0%	515	523	-8	-1.5%
Cargo volume	t '000	14,284	15,581	-1,297	-8.3%	4,275	5,489	-1,215	-22.1%
Number of passengers	'000	8,297	8,305	-9	-0.1%	3,600	3,478	122	3.5%
Number of vessel calls		5,961	5,811	150	2.6%	2,290	2,135	155	7.3%
Total assets at period-end	EUR '000	616,176	647,044	-30,868	-4.8%	616,176	647,044	-30,868	-4.8%
Net debt at period-end	EUR '000	178,274	163,183	15,091	9.2%	178,274	163,183	15,091	9.2%
Equity at period-end	EUR '000	368,455	359,081	9,374	2.6%	368,455	359,081	9,374	2.6%
Number of shares at period-end	'000	263,000	263,000	0	0.0%	263,000	263,000	0	0.0%
Operating profit/revenue		42.4%	42.6%			45.6%	46.6%		
Adjusted EBITDA/revenue		59.1%	59.1%			60.6%	61.7%		
Profit for the period/revenue		35.8%	15.7%			45.3%	46.5%		
EPS: Profit for the period/average number of shares	EUR	0.14	0.07	0.06	87.5%	0.07	0.09	-0.02	-24.6%
Equity/number of shares at period-end	EUR	1.40	1.37	0.04	2.6%	1.40	1.37	0.04	2.6%

<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

## CARGO AND PASSENGER TRAFFIC

In the first nine months of 2019, cargo throughput at the Group's harbours totalled 14.3 million tonnes, decreasing by 1.3 million tonnes, i.e. 8.3%, compared to the same period last year. The decrease was attributable to liquid bulk cargo whose volume dropped by 1.7 million tonnes, i.e. 25%, mainly in the third quarter, which was caused by the general decline in market demand for dark oil products due to increasingly strict requirements for reducing the sulphur content in marine fuels and the project-specific nature of the commodity, causing volatility in quarterly comparisons. The decrease was partly offset by a rise in the volume of dry bulk cargo by 440 thousand tonnes, i.e. 16%, primarily through growth in the volume of crushed stone, including at a new dry bulk terminal launched by the cargo operator PK Terminal, and the volume of grain. The volumes of other cargo types remained fairly stable. The volume of ro-ro cargo reached almost the level of last year (-0.2%) after nearly 3% growth in the third quarter. The volume of container cargo grew by 4.5 thousand TEUs, i.e. 2.7%.

In the third quarter of 2019, the Group's harbours handled 4.3 million tonnes of cargo, 1.2 million tonnes, i.e. 22%, less than in the third quarter of 2018, which also caused a decline in the nine-month cargo volume. The decrease resulted from a fall in liquid bulk cargo (-1.5 million tonnes, i.e. -57%). The volume of dry bulk cargo increased by 267 thousand tonnes, i.e. 27%, mainly through growth in the volumes of crushed stone and grain. The volume of ro-ro cargo grew by 2.8%, following a stabilisation in the second quarter and a decrease in the first quarter when vessel calls dropped due to the planned repairs of several passenger ferries.

Because of the impact of regular-route passengers, the total number of passengers served in the first nine months of 2019 remained still 9 thousand passengers, i.e. 0.1%, short of the figure for the comparative period, amounting to 8.30 million. The number of passengers declined due to the impact of the Tallinn-Stockholm route, particularly in the first quarter, when several passenger ferries made fewer calls because of planned repairs. However, in the third quarter, the number of passengers began to grow (+3.5%), staying slightly below the figure for last year only on the Stockholm route. The number of cruise passengers reached a new nine-month record of 641 thousand thanks to the impact of the third quarter when the number of cruise passengers grew by 5.2%.

## REVENUE, EXPENSES AND PROFIT

**Revenue** for the first nine months of 2019 decreased by EUR 0.5 million, i.e. 0.5%, year on year and was EUR 100.5 million. In terms of revenue streams, the largest change occurred in vessel dues that dropped by EUR 2.0 million, i.e. 5%, to EUR 36.5 million. The decline was mostly attributable to tankers, which contributed less revenue because the volume of liquid bulk cargo decreased, and passenger ferries, which made fewer calls due to planned repairs in the first quarter. Vessel dues were also reduced by the discounts provided from 2019 to more environment-friendly vessels whose emissions are lower. Revenue from general and dry bulk vessels increased through growth in cargo volumes and revenue from passenger vessels grew in the Cargo harbours segment where in the third quarter an additional ferry, Finbo Cargo, began to serve the Muuga-Vuosaari route. Revenue from the sale of electricity decreased by EUR 0.27 million, i.e. 6.3%, mostly because the volume of electricity sold in cargo harbours (as an agent) declined. Revenue from passenger fees decreased by EUR 0.06 million, i.e. 0.4%, which was proportionate to the decline in the number of passengers. Revenue from the provision of public ferry service grew by EUR 0.57 million, i.e. 2.5%, mainly due to a rise in fee rates, which are linked to the Estonian consumer and fuel

price indices and wage inflation. Revenue from charter fees increased by EUR 0.54 million, i.e. 7.7%, year on year, mainly because the Group's icebreaker Botnica was chartered out for a longer period during the summer season. Rental income grew by EUR 0.45 million, i.e. 5.2%, primarily because in the Cargo harbours segment the former premises of a coal terminal were rented out in the third quarter of 2018 and in the Passenger harbours segment new parking areas were rented out. Cargo charge revenue grew by EUR 0.17 million, i.e. 3.3%, because a decrease in the volume of liquid bulk cargo whose cargo charges are lower was offset by growth in the volume of dry bulk and general cargo whose cargo charges are higher. In some cases, the decrease in cargo volume was offset by the collection of cargo charges on the contractual minimum volume. In terms of segments, nine-month revenue grew in the Ferry segment and the segment Other but declined in the Passenger harbours and Cargo harbours segments.

**Operating expenses** for the first nine months of 2019 decreased by EUR 0.6 million, i.e. 2%, mostly due to a decline in consultation expenses and fuel costs (by EUR 0.62 million and EUR 0.27 million respectively), as well as several other expense items. Consultation expenses of the comparative period included expenses related to the initial public offering of AS Tallinna Sadam shares. Fuel costs decreased mostly thanks to higher operating efficiency achieved in the Ferry segment. Tax expenses declined, mainly because from 2019 electricity excise expenses are reported within energy costs but in the comparative period they were reported within tax expenses in an amount of EUR 0.23 million. Other operating expenses grew (by EUR 0.6 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). Operating expenses for the third quarter grew by EUR 0.3 million, i.e. 3%. Expenses increased mainly in the Ferry segment, where repair costs grew, and harbour operations, where costs on assets of insignificant value grew in connection with the refurbishment of passenger terminal D at the Old City Harbour following stage I in its reconstruction.

**Personnel expenses** remained relatively stable, rising by EUR 0.2 million, i.e. 1.5%. In the third quarter, personnel expenses grew by 1.6% year on year. In the first nine months of 2019, the average number of the Group's employees decreased from 501 to 496, i.e. by 1.0%.

**Depreciation, amortisation and impairment expenses** for the first nine months of 2019 grew by EUR 0.4 million, i.e. 2.4%, year on year. On the side of harbour operations, 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). Assets relating to Botnica (the segment Other) grew in connection with the planned dry dock maintenance carried out in 2018. Depreciation, amortisation and impairment expenses for the third quarter grew by 2.7% year on year.

**Operating profit** for the first nine months of 2019 decreased by EUR 0.5 million, i.e. 1.1%, due to lower revenue, the impact of which was partly offset by slight growth in other income and a certain decrease in the overall amount of the main expense items. The Group's operating margin dropped slightly, falling from 42.6% to 42.4% because the relative decrease in operating profit exceeded somewhat the decrease in revenue. Operating profit for the

third quarter decreased because growth in expenses exceeded modest revenue growth. Operating margin for the period dropped from 46.6% to 45.6%.

**Adjusted EBITDA** decreased by 0.4% to EUR 59.5 million because growth in depreciation, amortisation and impairment expenses, which affected operating profit, had no impact on EBITDA. In terms of segments, adjusted EBITDA grew in the Ferry segment and the segment Other, decreased in the Cargo harbours segment and remained stable in the Passenger harbours segment. In the third quarter, adjusted EBITDA decreased by EUR 0.26 million (1.1%) year on year, due to the impact of the Cargo harbours segment. The adjusted EBITDA margin for the first nine months of the year remained stable at 59.1% despite a slight decrease from 61.7% to 60.6% in the third quarter.

**Finance costs (net)** for nine months decreased by EUR 222 thousand, i.e. 15%, mainly through a decline in the amount of interest-bearing liabilities.

**Profit before tax** for nine months amounted to EUR 41.7 million, decreasing slightly (by EUR 0.4 million) year on year, mainly due to a decrease of EUR 0.3 million in profit before tax for the third quarter.

Income tax expense for nine months amounted to EUR 5.76 million, EUR 20.5 million less than in the previous year when the Group declared a record dividend of EUR 105 million compared to EUR 35.2 million this year. Due to the decrease in income tax expense, net profit for nine months (EUR 35.9 million) exceeded net profit for the comparative period (EUR 15.8 million) by EUR 20.1 million.

## INVESTMENT

In the first nine months of 2019, the Group invested EUR 18.8 million, significantly more than in the same period last year (EUR 8.1 million). Investments of the period were mostly related to the reconstruction of passenger terminal D at the Old City Harbour, dredging works at the Paldiski South Harbour and the co-financing of the construction of the road Reidi tee at the Old City Harbour. Investments of the third quarter totalled EUR 7.7 million.

## SEGMENT REPORTING

In thousands of euros	9 months 2019					9 months 2018				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	39,414	29,730	23,755	7,632	100,531	39,808	31,053	23,153	7,049	101,063
Adjusted EBITDA	27,144	17,038	10,649	4,621	59,451	27,152	18,248	10,009	4,288	59,697
Operating profit	22,560	11,042	6,438	2,558	42,598	22,900	12,138	5,797	2,229	43,064
Adjusted EBITDA margin	68.9%	57.3%	44.8%	60.5%	59.1%	68.2%	58.8%	43.2%	60.8%	59.1%

In thousands of euros	Change, 9 months				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	-394	-1,323	603	583	-532
Adjusted EBITDA	-8	-1,210	640	333	-246
Operating profit	-341	-1,095	642	329	-466

In thousands of euros	Q3 2019					Q3 2018				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	17,121	9,772	8,989	3,299	39,181	16,745	10,562	8,748	2,842	38,897
Adjusted EBITDA	12,269	5,149	3,930	2,398	23,745	12,091	5,885	3,947	2,079	24,002
Operating profit	10,683	3,160	2,515	1,509	17,867	10,632	3,865	2,540	1,076	18,113
Adjusted EBITDA margin	71.7%	52.7%	43.7%	72.7%	60.6%	72.2%	55.7%	45.1%	73.1%	61.7%

In thousands of euros	Change, Q3				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	376	-790	241	457	284
Adjusted EBITDA	177	-736	-17	319	-257
Operating profit	51	-705	-25	433	-247

In terms of segments, the largest year-on-year change in nine-month revenue was in the Cargo harbours segment (EUR -1.32 million, i.e. -4.3%), followed by the Ferry segment (EUR +0.60 million, i.e. + 2.6%), the segment Other (EUR +0.58 million, i.e. + 8.3%) and the Passenger harbours segment (EUR -0.39 million, i.e. -1.0%).

**The nine-month revenue of the Passenger harbours segment** decreased year on year, mainly due to a decline in vessel dues revenue. In the first quarter, several passenger ferries operating on regular routes were out of service due to planned repairs and, thus, the number of vessel calls decreased. Revenue was also reduced by the discounts provided from 2019 to more environment-friendly vessels whose emissions are lower. There was also a slight decrease in passenger and cargo charge revenue due to a certain decline in relevant volumes.

**The nine-month revenue of the Cargo harbours segment** declined year on year, mainly because in the third quarter the volume of liquid bulk cargo decreased, which lowered vessel dues revenue. Rental revenue increased primarily because the premises previously used by a coal terminal were rented out again. Revenue from the sale of electricity decreased almost by the same amount due to a decline in the volume of electricity sold (as an agent). Cargo charge revenue grew slightly because in the end of the second quarter an additional ferry began to operate on the Muuga-Vuosaari route, the volume of dry bulk cargo increased, some tariffs changed, and in some cases cargo charges were collected on the contractual minimum volumes.

**The revenue of the Ferry segment** grew because of a rise in fee rates, which are linked to the Estonian consumer and fuel price indices and wage inflation.

**The revenue of the segment Other** grew, mostly through growth in the revenue generated by the icebreaker Botnica during the summer season, as well as the indexation of the contractual fees to the Estonian and Canadian consumer price indices.

Compared to the same period last year, **adjusted EBITDA** for the first nine months grew in the Ferry segment and the segment Other, decreased in the Cargo harbours segment and remained stable in the Passenger harbours segment. Adjusted EBITDA for the third quarter grew in the segment Other and the Passenger harbours segment, and decreased in the Cargo harbours segment and somewhat also in the Ferry segment.

Adjusted EBITDA for the first nine months grew proportionately to revenue in the Ferry segment and, due to a certain increase in expenses, slightly less than revenue in the segment Other. The adjusted EBITDA of the Cargo harbours segment decreased due to a decline in revenue. The adjusted EBITDA of the Passenger harbours segment remained stable through the combined effect of decreases in both revenue and expenses.



The **adjusted EBITDA margin** for the first nine months increased from 43.2% to 44.8% in the Ferry segment and from 68.2% to 68.9% in the Passenger harbours segment but decreased slightly in other segments. As a result, the Group's adjusted EBITDA margin remained at 59.1%. In the third quarter, the margin decreased slightly in all segments.

## 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 30 September 2019, is presented in the graph below:



Source: nasdaqbaltic.com

At 30 September 2019, the closing price of the share was EUR 1.965, having increased in the third quarter by 0.8%.

At 30 September 2019, the company's market capitalisation was EUR 516.8 million.

In the third quarter of 2019, there were 2,435 transactions with the Tallinna Sadam share (Q2 2019: 3,149 transactions) in which 4.2 million shares (Q2 2019: 4.2 million shares) changed hands. The total turnover of the transactions was EUR 8.3 million (Q2 2019: EUR 8.7 million).

At 30 September 2019, the company had 12,675 shareholders (30 June 2019: 12,541) 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 30 September 2019 were:

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>Interest, %</b>
Ministry of Economic Affairs and Communications	176,295,032	67.0%
JPMorgan Chase Bank	9,600,930	3.7%
European Bank for Reconstruction and Development (EBRD)	9,350,000	3.6%
SEB Progressiivne Pensionifond	6,484,365	2.5%
LHV Pensionifond L	5,174,314	2.0%

The shareholder structure has remained relatively stable since listing. Compared to the beginning of trading, the share of Estonian private investors has increased by 3 percentage points at the expense of foreign investors. In the third quarter, the share of Estonian private investors grew by 1 percentage point at the expense of international investment funds.

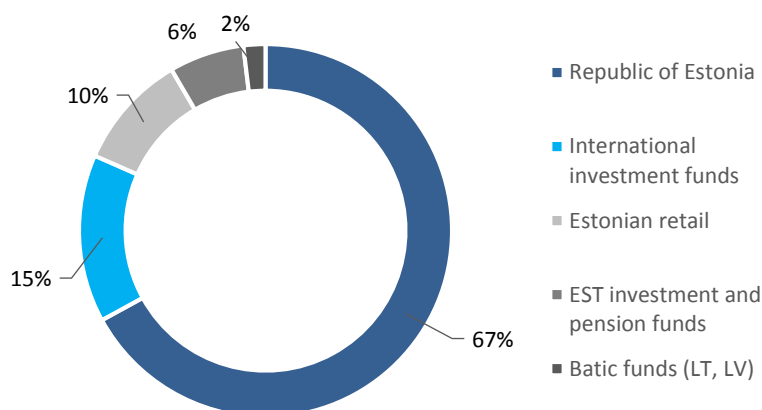


Chart: Shareholder structure as at 30 September 2019 (Source: Tallinna Sadam)

## DIVIDENDS

For 2018, the group paid 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 was determined on 28 May 2019 (the ex-dividend date: 27 May 2019) and the dividend was paid out to the shareholders on 4 June 2019 (through Nasdaq CSD).

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.

## CORPORATE GOVERNANCE

At 30 September 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 strategic planning of the company's activities and supervising 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 30 September 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 third quarter, the composition of the supervisory board and the audit committee 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 30 September 2019, the management board had three members: Valdo Kalm (chairman and CEO), Marko Raid (CFO) and Margus Vihman (CCO). In the third 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 THIRD QUARTER OF 2019**

- 1. Reconstruction of the ferry Tõll into a hybrid ship.** On 23 July, TS Laevad OÜ signed an agreement with the Estonian shipbuilding company Baltic Workboats AS for rebuilding the ferry Tõll, which operates on the Virtsu-Kuivastu route, into an environmentally friendly hybrid ship. During the reconstruction, a battery bank will be installed on the vessel to reduce the consumption of diesel fuel and the resulting exhaust gas by replacing fossil fuel with electricity stored in the battery bank. If the project is successful, the technology will be deployed on all four new ships. According to the agreement, the ferry Tõll will run on power supplied by the battery bank on 29 February 2020 at the latest.
- 2. Instalment of automated mooring systems for the Tallinn-Helsinki route.** On 24 July, Tallinna Sadam signed contracts with maritime engineering companies Trelleborg and Cavotec for installing automated mooring systems at quays 5, 12 and 13 of the Old City Harbour that are used by passenger ferries serving the Tallinn-Helsinki route. The systems will speed up mooring operations while saving man-hours and contributing to environmental sustainability. Vacuum mooring is a mooring system where vacuum pads moor, hold and release the vessel. The automated mooring systems are planned to be installed in 2020.

**MANAGEMENT'S CONFIRMATION AND SIGNATURES**

By authorising the unaudited interim condensed consolidated report as at and for the period ended 30 September 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 13 to 29, 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 (14 November 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.


14 November 2019



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Valdo Kalm


Chairman of the Management Board



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Marko Raid

Member of the Management Board



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Margus Vihman

Member of the Management Board

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

In thousands of euros

At	Note	30 September 2019	31 December 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		28,955	42,563
Trade and other receivables	4	11,445	8,017
Contract assets	11	678	0
Inventories		287	305
<b>Total current assets</b>		<b>41,365</b>	<b>50,885</b>
<b>Non-current assets</b>			
Investment in an associate	5	1,782	1,569
Other long-term receivables	4	151	196
Property, plant and equipment	6	570,844	568,965
Intangible assets		2,034	2,024
<b>Total non-current assets</b>		<b>574,811</b>	<b>572,754</b>
<b>Total assets</b>		<b>616,176</b>	<b>623,639</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	9	15,766	15,766
Derivative financial instruments		349	425
Provisions		1,426	1,957
Government grants		344	174
Taxes payable	7	1,495	5,844
Trade and other payables	8	10,521	9,485
Contract liabilities	11	2,203	32
<b>Total current liabilities</b>		<b>32,104</b>	<b>33,683</b>
<b>Non-current liabilities</b>			
Loans and borrowings	9	191,463	197,846
Government grants		23,149	23,418
Other payables	8	81	79
Contract liabilities	11	924	939
<b>Total non-current liabilities</b>		<b>215,617</b>	<b>222,282</b>
<b>Total liabilities</b>		<b>247,721</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		-349	-425
Retained earnings (prior periods)		6,859	17,678
Profit for the period		35,947	24,423
<b>Total equity</b>		<b>368,455</b>	<b>367,674</b>
<b>Total liabilities and equity</b>		<b>616,176</b>	<b>623,639</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the 9 months ended 30 September**Consolidated statement of profit or loss**

In thousands of euros	Note	Q3 2019	Q3 2018	2019	2018
Revenue	<b>3, 11</b>	39,181	38,897	100,531	101,063
Other income		209	215	789	659
Operating expenses	<b>12</b>	-10,741	-10,426	-27,457	-28,013
Personnel expenses		-5,019	-4,941	-14,127	-13,912
Depreciation, amortisation and impairment	<b>3</b>	-5,719	-5,567	-16,912	-16,516
Other expenses		-44	-65	-226	-217
<b>Operating profit</b>		<b>17,867</b>	<b>18,113</b>	<b>42,598</b>	<b>43,064</b>
<b>Finance income and costs</b>					
Finance income		2	5	29	13
Finance costs		-452	-501	-1,333	-1,539
<b>Finance costs – net</b>		<b>-450</b>	<b>-496</b>	<b>-1,304</b>	<b>-1,526</b>
Share of profit of an associate accounted for under the equity method		331	461	417	535
<b>Profit before income tax</b>		<b>17,748</b>	<b>18,078</b>	<b>41,711</b>	<b>42,073</b>
Income tax expense		0	0	-5,764	-26,250
<b>Profit for the period</b>		<b>17,748</b>	<b>18,078</b>	<b>35,947</b>	<b>15,823</b>
Attributable to:					
Owners of the Parent		17,748	18,078	35,947	15,823
Basic earnings and diluted earnings per share (in euros)					
		0.07	0.07	0.14	0.07
Basic earnings and diluted earnings per share – continuing operations (in euros)					
		0.07	0.07	0.14	0.07

**Consolidated statement of other comprehensive income**

In thousands of euros	Q3 2019	Q3 2018	2019	2018
<b>Profit for the period</b>	<b>17,748</b>	<b>18,078</b>	<b>35,947</b>	<b>15,823</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	94	76	192
<b>Total other comprehensive income</b>	<b>43</b>	<b>94</b>	<b>76</b>	<b>192</b>
<b>Total comprehensive income for the period</b>	<b>17,791</b>	<b>18,172</b>	<b>36,023</b>	<b>16,015</b>
Attributable to:				
Owners of the Parent	17,791	18,172	36,023	16,015

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

for the 9 months ended 30 September

In thousands of euros	Note	2019	2018
Cash receipts from sale of goods and services		105,558	108,685
Cash receipts related to other income		156	62
Payments to suppliers		-34,030	-33,466
Payments to and on behalf of employees		-13,248	-12,364
Payments for other expenses		-299	-293
Income tax paid on dividends		-10,713	-21,405
<b>Cash from operating activities</b>		<b>47,424</b>	<b>41,219</b>
Purchases of property, plant and equipment		-17,909	-8,388
Purchases of intangible assets		-360	-509
Proceeds from sale of property, plant and equipment		39	6
Interest received		27	3
<b>Cash used in investing activities</b>		<b>-18,203</b>	<b>-8,888</b>
Contributions to share capital		0	119,882
Redemption of debt securities		0	-1,250
Repayments of loans received	9	-6,383	-6,383
Change in overdraft (liability)		0	-2,566
Repayments of finance lease principal		0	-7
Dividends paid		-34,970	-85,000
Interest paid		-1,461	-1,704
Other payments related to financing activities		-15	-46
<b>Cash used in/from financing activities</b>		<b>-42,829</b>	<b>22,926</b>
<b>NET CASH FLOW</b>		<b>-13,608</b>	<b>55,257</b>
Cash and cash equivalents at beginning of the period		42,563	6,954
Change in cash and cash equivalents		-13,608	55,257
Cash and cash equivalents at end of the period		28,955	62,211

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

for the 9 months ended 30 September

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	15,823	15,823
Other comprehensive income for the period	0	0	0	192	0	192
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>192</i>	<i>15,823</i>	<i>16,015</i>
Contributions to share capital	77,797	44,477	0	0	0	122,274
Dividends declared	0	0	0	0	-105,000	-105,000
<i>Total transactions with owners</i>	<i>77,797</i>	<i>44,477</i>	<i>0</i>	<i>0</i>	<i>-105,000</i>	<i>17,274</i>
<b>Equity at 30 September 2018</b>	<b>263,000</b>	<b>44,477</b>	<b>18,520</b>	<b>-417</b>	<b>33,501</b>	<b>359,081</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	35,947	35,947
Other comprehensive income for the period	0	0	0	76	0	76
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>76</i>	<i>35,947</i>	<i>36,023</i>
Dividends declared	0	0	0	0	-35,242	-35,242
<i>Total transactions with owners</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-35,242</i>	<i>-35,242</i>
<b>Equity at 30 September 2019</b>	<b>263,000</b>	<b>44,478</b>	<b>18,520</b>	<b>-349</b>	<b>42,806</b>	<b>368,455</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 statements of AS Tallinna Sadam as at and for the 9 months ended 30 September 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 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 the Paljassaare Harbour and is preparing for an exit from that harbour.

The Group’s subsidiaries as at 30 September 2019 and 31 December 2018:

Subsidiary	Domicile	Ownership interest (%)		Core business line
		30 September 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 9 months ended 30 September 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	9 months 2019				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	22,395	14,084	0	0	<b>36,479</b>
Cargo charges	1,077	4,257	0	0	<b>5,333</b>
Passenger fees	13,134	122	0	0	<b>13,256</b>
Sale of electricity	543	3,435	0	0	<b>3,978</b>
Sale of ferry services - revenue from ticket sales	0	0	9,294	0	<b>9,294</b>
Sale of other services	906	741	32	73	<b>1,751</b>
Rental income	1,360	7,092	494	0	<b>8,945</b>
Charter fees	0	0	0	7,560	<b>7,560</b>
Sale of ferry services - government support	0	0	13,935	0	<b>13,935</b>
<b>Total segment revenue* (note 11)</b>	<b>39,414</b>	<b>29,730</b>	<b>23,755</b>	<b>7,632</b>	<b>100,531</b>
<b>Adjusted segment EBITDA</b>	<b>27,144</b>	<b>17,038</b>	<b>10,649</b>	<b>4,621</b>	<b>59,451</b>
Depreciation and amortisation	-4,713	-6,343	-4,210	-1,646	<b>-16,912</b>
Impairment losses	0	0	0	0	<b>0</b>
Amortisation of government grants received	129	347	0	0	<b>476</b>
Share of profit of an associate accounted for under the equity method	0	0	0	-417	<b>-417</b>
<b>Segment operating profit</b>	<b>22,560</b>	<b>11,042</b>	<b>6,438</b>	<b>2,558</b>	<b>42,598</b>
Finance income and costs, net					-1,304
Share of profit of an associate accounted for under the equity method					417
Income tax expense					-5,764
<b>Profit for the period</b>					<b>35,947</b>

\* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 38 thousand and EUR 119 thousand for the Passenger harbours and Cargo harbours segments respectively, which was eliminated during consolidation.

**Note 3 continued**

	<b>9 months 2018</b>				
In thousands of euros	<b>Passenger harbours</b>	<b>Cargo harbours</b>	<b>Ferry</b>	<b>Other</b>	<b>Total</b>
Vessel dues	22,639	15,861	0	0	<b>38,500</b>
Cargo charges	1,136	4,027	0	0	<b>5,164</b>
Passenger fees	13,238	75	0	0	<b>13,313</b>
Sale of electricity	568	3,678	0	0	<b>4,246</b>
Sale of ferry services - revenue from ticket sales	0	0	8,896	0	<b>8,896</b>
Sale of other services	925	682	27	29	<b>1,662</b>
Rental income	1,302	6,730	467	0	<b>8,499</b>
Charter fees	0	0	0	7,020	<b>7,020</b>
Sale of ferry services - government support	0	0	13,763	0	<b>13,763</b>
<b>Total segment revenue* (note 11)</b>	<b>39,809</b>	<b>31,053</b>	<b>23,153</b>	<b>7,049</b>	<b>101,063</b>
<b>Adjusted segment EBITDA</b>	<b>27,152</b>	<b>18,248</b>	<b>10,009</b>	<b>4,288</b>	<b>59,697</b>
Depreciation and amortisation	-4,324	-6,455	-4,212	-1,524	<b>-16,516</b>
Impairment losses	0	0	0	0	<b>0</b>
Amortisation of government grants received	73	345	0	0	<b>417</b>
Share of profit of an associate accounted for under the equity method	0	0	0	-535	<b>-535</b>
<b>Segment operating profit</b>	<b>22,900</b>	<b>12,138</b>	<b>5,797</b>	<b>2,229</b>	<b>43,064</b>
Finance income and costs, net					-1,526
Share of profit of an associate accounted for under the equity method					535
Income tax expense					-26,250
<b>Profit for the period</b>					<b>15,823</b>

\* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 38 thousand and EUR 79 thousand for the Passenger harbours and Cargo harbours segments respectively, which was eliminated during consolidation.

**4. TRADE AND OTHER RECEIVABLES**

In thousands of euros

At	30 September 2019	31 December 2018
Receivables from customers	11,743	8,636
Allowance for credit losses	-2,324	-2,020
Prepaid taxes	894	633
Government grants receivable	522	283
Other prepayments	293	409
Receivables from an associate (note 16)	49	25
Other receivables	419	247
<b>Total trade and other receivables</b>	<b>11,596</b>	<b>8,213</b>
Of which current receivables	11,445	8,017
non-current receivables	151	196

**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>30 September 2019</b>						
Expected credit loss rate	0.8%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	8,176	1,258	59	57	2,192	11,743
Lifetime expected credit loss (ECL)	-65	-19	-2	-46	-2,192	-2,324
						<b>9,419</b>
<b>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	9 months 2019	9 months 2018
Income	4,340	3,983
Expenses	3,396	2,819
Net profit	840	1,054

In thousands of euros	30 September 2019	31 December 2018
<b>At</b>		
Net assets of the associate	3,494	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	1,782	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	Pre-payments	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 9 months ended 30 September 2019</i>						
Acquisition and reconstruction	128	1,685	416	15,317	867	<b>18,413</b>
Sales at carrying amount	0	0	-12	0	0	<b>-12</b>
Depreciation charge	-8,441	-7,725	-356	0	0	<b>-16,522</b>
Reclassified at carrying amount	5,014	116	0	-5,130	0	<b>0</b>
<b>At 30 September 2019</b>						
Cost	609,453	238,242	7,194	15,835	898	<b>871,622</b>
Accumulated depreciation and impairment losses	-219,286	-76,243	-5,249	0	0	<b>-300,778</b>
<b>Carrying amount at 30 September 2019</b>	<b>390,167</b>	<b>161,999</b>	<b>1,945</b>	<b>15,835</b>	<b>898</b>	<b>570,844</b>

**7. TAXES PAYABLE**

At 30 September 2019, the Group's taxes payable amounted to EUR 1,495 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

<b>At</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
Trade payables	4,562	3,775
Payables to employees	1,062	1,054
Interest payable	296	446
Accrued taxes payable on remuneration	583	572
Advances for goods and services	810	375
Payables to an associate (note 16)	301	134
Other payables	2,988	3,208
<b>Total trade and other payables</b>	<b>10,602</b>	<b>9,564</b>
Of which current liabilities	10,521	9,485
non-current liabilities	81	79

**9. LOANS AND BORROWINGS**

In thousands of euros

<b>At</b>	<b>30 September 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	33,213	39,596
Debt securities	158,250	158,250
<b>Total non-current portion</b>	<b>191,463</b>	<b>197,846</b>
<b>Total loans and borrowings</b>	<b>207,229</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 nine-month period ended 30 September 2019. At 30 September 2019, the weighted average interest rate of debt securities was 0.702% (30 September 2018: 0.679%).

**Note 9 continued****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 9 months of 2019 amounted to EUR 6,383 thousand (9 months of 2018: EUR 6,383 thousand).

At 30 September 2019, the weighted average interest rate of drawn loans was 0.649% (30 September 2018: 0.698%). Considering the effect of derivative transactions used to hedge interest rate risk, at 30 September 2019 the average interest rate of loans was 1.507% (30 September 2018: 1.429%).

**Contractual maturities of loans and borrowings**

In thousands of euros

<b>At</b>	<b>30 September 2019</b>
< 12 months	15,766
1 - 5 years	61,064
> 5 years	130,399
<b>Total loans and borrowings</b>	<b>207,229</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 30 September 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.

All derivative financial instruments are measured at fair value in the statement of financial position. The fair value of derivatives is estimated on a 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 30 September 2019, the Group was also in compliance with the covenants that set requirements to its financial indicators (compliance with covenants setting requirements to financial indicators is generally assessed twice a year: as at the end of the financial year and as at the end of the first six months of the financial year).

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

At 30 September 2019, AS Tallinna Sadam had 263,000,000 registered 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 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 30 September 2019 and at 31 December 2018 all shares issued had been fully paid for.

	Q3 2019	Q3 2018	9 months 2019	9 months 2018
Weighted average number of shares	263,000,000	263,000,000	263,000,000	217,022,939
Consolidated net profit for the period (in thousands of euros)	17,748	18,078	35,947	15,823
Basic and diluted earnings per share (in euros)	0.07	0.07	0.14	0.07

Based on the resolution of the general meeting that convened on 14 May 2019, the Group paid 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 was determined on 28 May 2019 (the ex-dividend date: 27 May 2019) and the dividend was paid out to the shareholders on 4 June 2019 (through Nasdaq CSD).

**11. REVENUE**

In thousands of euros	9 months 2019	9 months 2018
<b>Revenue from contracts with customers</b>		
Vessel dues	36,479	38,500
Cargo charges	5,333	5,164
Passenger fees	13,256	13,313
Sale of electricity	3,978	4,246
Sale of ferry services - ticket sales	9,294	8,896
Sale of other services	1,751	1,662
<b>Total revenue from contracts with customers</b>	<b>70,091</b>	<b>71,781</b>
<b>Revenue from other sources</b>		
Rental income from operating leases	8,945	8,499
Charter fees	7,560	7,020
Sale of ferry services - government support	13,935	13,763
<b>Total revenue from other sources</b>	<b>30,440</b>	<b>29,282</b>
<b>Total revenue (note 3)</b>	<b>100,531</b>	<b>101,063</b>



**Note 11 continued**

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 30 September 2019, the difference between revenue recognised and amounts billed to customers was recognised as a contract asset of EUR 16 thousand (revenue recognised was larger than the amounts billed) and a contract liability of EUR 2,008 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 annual cargo volume. 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 30 September 2019. Based on the estimation, the Group recognised contract assets of EUR 662 thousand. At 30 September 2019, revenue received from some customers exceeded management's estimates. As a result, the Group recognised contract liabilities of EUR 137 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. Amounts received for connection fees not yet included in revenue are recognised in the statement of financial position as contract liabilities. At 30 September 2019, such liabilities amounted to EUR 924 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 point in 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 30 September 2019, such liabilities amounted to EUR 58 thousand (31 December 2018: EUR 32 thousand).

**12. OPERATING EXPENSES**

In thousands of euros	9 months 2019	9 months 2018
Fuel, oil and energy costs	8,629	8,903
Technical maintenance and repair of non-current assets	5,111	4,853
Services purchased for infrastructure	2,060	2,231
Tax expenses	2,068	2,416
Consultation and development expenses	327	946
Services purchased	4,432	4,301
Acquisition and maintenance of assets of insignificant value	856	1,005
Advertising expenses	258	298
Rental expenses	988	917
Insurance expenses	587	598
Other operating expenses	2,141	1,545
<b>Total operating expenses</b>	<b>27,457</b>	<b>28,013</b>

**13. COMMITMENTS**

At 30 September 2019, the Group's contractual commitments related to the acquisition of property, plant and equipment, repairs, and research and development expenditures totalled EUR 28,490 thousand (31 December 2018: EUR 21,003 thousand).

**14. CONTINGENT LIABILITIES**

In June 2019, Harju County Court accepted the statement of claim filed by AS Coal Terminal (bankrupt) and its bankruptcy trustees against AS Tallinna Sadam for the compensation of the market price of the buildings and equipment of the former coal terminal located at the Muuga Harbour and interest on arrears due to the expiry of the right of superficies contracts. The claim for compensation amounts to EUR 22.4 million plus interest on arrears. AS Coal Terminal (bankrupt), a long-term customer of AS Tallinna Sadam, was declared bankrupt on 2 May 2017. 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 sent AS Tallinna Sadam a letter of claim, demanding that AS Tallinna Sadam pay compensation of EUR 22.4 million for the value of the assets. AS Tallinna Sadam did not admit the claim. Thus, the bankruptcy trustees filed a statement of claim to the court. The Group has sold several assets that were transferred back to it. Proceeds from the sale of the assets amount to EUR 2.6 million. In connection with the termination of contracts, AS Tallinna Sadam has submitted a counter-claim, demanding compensation of EUR 11.7 million for damages incurred. The management board believes that the action demanded in the statement of claim is not substantiated.

**Note 14 continued**

The ultimate financial effect of the bankruptcy proceedings depends on the combined effect of the outcomes of several parallel disputes whose monetary impact on the Group cannot be estimated reliably. Also, there is no certainty about the timing of the realisation of the claims and liabilities. Thus, the management board has not recognised a provision for a possible claim.

In June 2019, the court accepted a statement of claim for damages of EUR 23.8 million in total filed against Group companies OÜ TS Laevad and OÜ TS Shipping in relation to alleged unjustified use of confidential information in a public tender to provide public passenger transport service on the Saaremaa and Hiiumaa routes. The statement of claim is identical to the one filed by the same plaintiffs in a previous civil case which was dismissed by Harju County Court on 8 March 2019 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 Group does not admit guilt and is defending itself in the action. 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.

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 ongoing. 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

	<b>9 months 2019</b>	<b>9 months 2018</b>
<b>Transactions with an associate</b>		
Revenue	178	156
Operating expenses	2,047	1,943
<b>Transactions with companies in which members of supervisory and management boards of group companies have significant influence</b>		
Revenue	0	1
Operating expenses	12	7
Other expenses	20	11
<b>Transactions with government agencies and companies in which the state has control</b>		
Revenue	18,809	18,517
Other income	5	7
Operating expenses	5,769	5,277
Other expenses	15	0
Acquisition of property, plant and equipment	2,578	72

In thousands of euros

<b>At</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
<b>Trade receivables from and payables to an associate</b>		
Receivables (note 4)	49	25
Payables (note 7)	301	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	382	412
Payables	1,307	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.

**17. EVENTS AFTER THE REPORTING PERIOD**

In September 2019, the Group announced a request for proposals for borrowing EUR 10 million for a term of 10 years, mainly to secure funding for infrastructure investments in the Old City Harbour. Requests for proposals were sent to banks and pension fund managers operating in Estonia. At the end of October 2019, a loan agreement was signed with SEB Pank that offered the best terms. At the date of release of this report, the whole loan amount has been drawn down.