

TALLINNA  SADAM

**Unaudited interim condensed consolidated
report for the
6 months ended 30 June 2019**

AS Tallinna Sadam

AS TALLINNA SADAM**UNAUDITED INTERIM CONDENSED CONSOLIDATED REPORT
FOR THE 6 MONTHS ENDED 30 JUNE 2019**

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Beginning of financial year	1 January
End of financial year	31 December
Beginning of interim reporting period	1 January
End of interim reporting period	30 June
Legal form	Limited company (AS)
Auditor	KPMG Baltics OÜ

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MANAGEMENT REPORT

In the first half of 2019, the volume of cargo handled and the number of passengers served¹ at the Group's harbours decreased slightly. As a result, revenue dropped by 1.3% to EUR 61.4 million. The Group earned a net profit of EUR 18.2 million, an improvement of EUR 20.5 million on the same period last year due to an equivalent decrease in income tax expense on dividends. Income tax on dividends declined by EUR 20.5 million because the Group paid a smaller dividend: EUR 35.2 million compared with a record-large EUR 105 million a year ago. Profit before tax and adjusted EBITDA² remained at the same level as last year thanks to strong performance in the second quarter, which improved the half-yearly figures.

In the second quarter of 2019, the volume of cargo handled grew, the number of passengers served increased somewhat, and operating expenses decreased compared to the second quarter of 2018. Thus, profitability indicators, including adjusted EBITDA, improved. The Group's revenue grew by 0.2% to EUR 32.8 million and net profit improved by EUR 21.2 million to EUR 7.2 million.

KEY PERFORMANCE INDICATORS OF THE GROUP

Indicator	Unit	6 months		Difference	Change	Q2 2019		Q2 2018	Difference	Change
		2019	2018			Q2 2019	Q2 2018			
Revenue	EUR '000	61,350	62,166	-816	-1.3%	32,823	32,752	71	0.2%	
Operating profit	EUR '000	24,731	24,950	-219	-0.9%	13,273	12,611	662	5.2%	
Adjusted EBITDA	EUR '000	35,706	35,695	11	0.0%	18,837	18,092	745	4.1%	
Depreciation, amortisation and impairment	EUR '000	-11,193	-10,949	-244	2.2%	-5,643	-5,546	-97	1.8%	
Income tax	EUR '000	-5,764	-26,250	20,486	-78.0%	-5,764	-26,250	20,486	-78.0%	
Profit/loss for the period	EUR '000	18,199	-2,256	20,455	-906.7%	7,161	-14,084	21,245	-150.8%	
Investment	EUR '000	11,070	5,190	5,880	113.3%	7,123	3,267	3,857	118.1%	
Number of employees (average)		487	491	-4	-0.8%	491	497	-6	-1.2%	
Cargo volume	t '000	10,009	10,091	-82	-0.8%	5,290	5,072	218	4.3%	
Number of passengers	'000	4,697	4,827	-130	-2.7%	2,907	2,903	4	0.1%	
Number of vessel calls		3,671	3,676	-5	-0.1%	2,039	1,967	72	3.7%	
Total assets at period-end	EUR '000	608,687	656,406	-47,719	-7.3%	608,687	656,406	-47,719	-7.3%	
Net debt at period-end	EUR '000	185,591	159,996	25,595	16.0%	185,591	159,996	25,595	16.0%	
Equity at period-end	EUR '000	350,663	340,908	9,755	2.9%	350,663	340,908	9,755	2.9%	
Number of shares at period-end	'000	263,000	263,000	0	0.0%	263,000	263,000	0	0.0%	
Operating profit/revenue		40.3%	40.1%			40.4%	38.5%			
Adjusted EBITDA/revenue		58.2%	57.4%			57.4%	55.2%			
Profit for the period/revenue		29.7%	-3.6%			21.8%	-43.0%			
EPS: Profit for the period/average number of shares	EUR	0.07	-0.01	0.08	-694.0%	0.03	-0.07	0.10	-139.1%	
Equity/number of shares at period-end	EUR	1.33	1.30	0.04	2.9%	1.33	1.30	0.04	2.9%	

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

² 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 half of 2019, cargo throughput at the Group's harbours totalled 10.0 million tonnes, decreasing by 0.1 million tonnes, i.e. 0.8%, 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 236 thousand tonnes, i.e. 5.5%, mainly because of the impact of the first quarter. Dry bulk cargo increased by 173 thousand tonnes, i.e. 10%, mainly through growth in the volume of crushed stone, also at a new dry bulk terminal launched by the cargo operator PK Terminal. The volume of ro-ro cargo decreased by 44 thousand tonnes, i.e. 1.6%, and the volumes of other cargo types remained stable. The volume of container cargo grew by 4.4 thousand TEUs, i.e. 4%.

In the second quarter of 2019, the Group's harbours handled 5.3 million tonnes of cargo, 0.2 million tonnes, i.e. 4.3%, more than in the second quarter of 2018. The improvement minimised and practically halted the decline in the half-yearly cargo volume. Growth resulted from a rise in the volume of crushed stone, i.e. dry bulk cargo (by 0.2 million tonnes, i.e. 22%). The volume of ro-ro cargo remained stable in the second quarter, following a decrease in the first quarter where vessel calls decreased due to the planned repairs of several passenger ferries. The number of passengers travelling on regular routes in the first six months decreased by 130 thousand, i.e. 2.7%, to 4.70 million. The number of passengers on the Tallinn-Helsinki and Tallinn-Stockholm routes decreased mostly in the first quarter when several passenger ferries operating on regular routes made fewer calls due to planned repairs. In the second quarter, the number of passengers was stable (+0.1%), remaining at the same level as last year both in terms of routes and cruise passengers.

REVENUE, EXPENSES AND PROFIT

Revenue for the first half of 2019 decreased by EUR 0.8 million, i.e. 1.3%, year on year and was EUR 61.4 million. In terms of revenue streams, the largest change occurred in vessel dues that dropped by EUR 1.2 million, i.e. 5%, to EUR 21.8 million. The decline is 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 container vessels grew through a rise in their average size. Revenue from passenger fees decreased by EUR 0.22 million, i.e. 2.8%, which was proportionate to the decline in the number of passengers. Revenue from the sale of electricity decreased by EUR 0.22 million, i.e. 7.2%, mostly because the volume of electricity sold in cargo harbours (as an agent) declined. Revenue from the provision of public ferry service increased by EUR 0.34 million, i.e. 2.4%, mainly through a rise in fee rates which are linked to the Estonian consumer and fuel price indices and wage inflation. Rental income grew by EUR 0.32 million, i.e. 5.9%, primarily because the Group has rented out the premises previously used by a coal terminal in the Cargo harbours segment (since the third quarter of 2018) and new parking areas in the Passenger harbours segment. Revenue from charter fees (the icebreaker Botnica) grew by EUR 0.12 million, i.e. 2.9%, through the indexation of contractual fees. Cargo charge revenue improved slightly (+1.2%) because a decrease in the volume of liquid bulk cargo whose cargo charge revenue is lower was offset by growth in the volume of dry bulk and general cargo.

In terms of segments, six-month revenue increased in the Ferry segment and the segment Other but decreased in the Passenger harbours and Cargo harbours segments due to the impact of the first quarter.

Operating expenses for the first half-year decreased by EUR 0.9 million, i.e. 5%, mostly due to a decline in consultation expenses and acquisition costs of assets of insignificant value (by EUR 0.39 million and EUR 0.31 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. The acquisition costs of assets of insignificant value were higher in the comparative period due to the implementation of the Smart Port traffic solution. 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 0.17 million. Other operating expenses grew (by EUR 0.5 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 second quarter decreased by EUR 0.7 million, i.e. 7%. The decrease was the largest for harbour operations and the icebreaker Botnica (repair costs decreased).

Personnel expenses remained relatively stable, rising by EUR 0.1 million, i.e. 1.5%. In the second quarter, the personnel expenses grew by 0.7% annually. In the first half of the year, the average number of employees of the Group decreased from 491 to 486, i.e. 0.8%.

Depreciation, amortisation and impairment expenses grew by EUR 0.2 million, i.e. 2.2%. 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 planned dry dock maintenance carried out in 2018. Depreciation, amortisation and impairment expense did not change significantly in the second quarter, rising by 1.7%.

Operating profit for the first half-year decreased by EUR 0.2 million, i.e. 1%, because the decrease in revenue exceeded somewhat the combined effect of the decline in operating expenses and growth in other income. However, operating margin increased slightly, rising from 40.1% to 40.3% because the decrease in operating profit was smaller than the decrease in revenue. Operating profit for the second quarter increased because slight revenue growth was accompanied by a decrease in operating expenses. Operating margin for the period rose from 38.5% to 40.4%.

Adjusted EBITDA remained stable at EUR 35.7 million, because in contrast to operating profit, which decreased, 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 the Cargo harbours and less in the Passenger harbours segment. In the second quarter, adjusted EBITDA grew in all segments by EUR 0.7 million in total,

covering the decline of the first quarter. The adjusted EBITDA margin for the first half-year grew from 57.4% to 58.2% thanks to the second quarter where the margin grew from 55.2% to 57.4%.

Finance costs (net) decreased by EUR 176 thousand, i.e. 17%, mainly through a decline in the amount of interest-bearing liabilities.

Profit before tax for the first six months remained stable (-0.1%) year on year, amounting to EUR 24.0 million, because its second-quarter growth by EUR 0.7 million covered the decline of the first quarter.

In the second quarter of 2019, the Group declared a dividend of EUR 35.2 million. Related income tax expense amounted to EUR 5.76 million, being EUR 20.5 million smaller than in the previous year when the Group declared a record-high dividend (EUR 105 million). Due to the decrease in income tax expense, net profit for six months (EUR 18.2 million) exceeded the result of the comparative period (a loss of EUR 2.26 million) by EUR 20.5 million.

INVESTMENT

In the first half of 2019, the Group invested EUR 11.1 million, significantly more than in the same period last year (EUR 5.2 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 Reidi tee (a major road) at the Old City Harbour. Investments of the second quarter totalled EUR 7.1 million.

SEGMENT REPORTING

In thousands of euros	6 months 2019					6 months 2018				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	22,293	19,958	14,766	4,333	61,350	23,063	20,491	14,405	4,208	62,166
Adjusted EBITDA	14,875	11,889	6,719	2,223	35,706	15,061	12,363	6,062	2,210	35,695
Operating profit	11,877	7,882	3,923	1,049	24,731	12,269	8,272	3,256	1,153	24,950
Adjusted EBITDA margin	66.7%	59.6%	45.5%	51.3%	58.2%	65.3%	60.3%	42.1%	52.5%	57.4%

In thousands of euros	Change, 6 months				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	-770	-533	361	125	-816
Adjusted EBITDA	-186	-474	657	13	11
Operating profit	-392	-390	667	-104	-219

In thousands of euros	Q2 2019					Q2 2018				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	14,092	10,004	7,917	810	32,823	14,220	10,018	7,750	765	32,752
Adjusted EBITDA	9,702	5,803	3,554	-223	18,836	9,581	5,650	3,324	-462	18,092
Operating profit	8,162	3,812	2,150	-851	13,273	8,119	3,611	1,920	-1,039	12,611
Adjusted EBITDA margin	68.8%	58.0%	44.9%	-27.5%	57.4%	67.4%	56.4%	42.9%	-60.4%	55.2%

In thousands of euros	Change, Q2				Total
	Passenger harbours	Cargo harbours	Ferry	Other	
Revenue	-128	-14	167	45	71
Adjusted EBITDA	121	153	230	239	744
Operating profit	43	201	230	188	662

In terms of segments, the largest year-on-year change in six-month revenue was in the Passenger harbours segment (EUR -0.77 million, i.e. -3.3%), followed by the Cargo harbours segment (EUR -0.53 million, i.e. -2.6%), the Ferry segment (EUR +0.36 million, i.e. +2.5%), and the segment Other (EUR +0.13 million, i.e. +3.0%).

The revenue of the Passenger harbours segment for the first half of 2019 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 decline in respective volumes.

The revenue of the Cargo harbours segment for the first half of 2019 declined, because in the first quarter the volume of liquid bulk cargo decreased, which lowered vessel dues revenue. Rental revenue increased mainly because the premises previously used by a coal terminal were again rented out. Revenue from the sale of electricity decreased almost by the same amount due to a decrease in the volume of electricity sold (as an agent). Cargo charge revenue increased slightly through growth in cargo volumes in the second quarter.

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 through the indexation of the contractual fees of the icebreaker Botnica to the Estonian consumer price index.

Adjusted EBITDA for the first half-year grew in the Ferry segment, increased slightly in the segment Other and decreased in the Cargo harbours and Passenger harbours segments. Adjusted EBITDA for the second quarter grew in all segments, particularly in the segment Other and the Ferry segment. The adjusted EBITDA of the Passenger harbours segment decreased significantly less than revenue because expenses decreased. The adjusted EBITDA of the Cargo harbours segment decreased mainly through revenue decline. The adjusted EBITDA of the Ferry segment grew through the combined effect of higher revenue and lower expenses. In the segment Other, both revenue and expenses increased. Thus, EBITDA growth was modest.

Adjusted EBITDA margin for the first six months increased from 42.1% to 45.5% in the Ferry segment and from 65.3% to 66.7% in the Passenger harbours segment but decreased slightly in other segments. As a result, the Group's adjusted EBITDA margin grew from 57.4% to 58.2%. In the second quarter, the margin improved 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 June 2019, is presented in the graph below:



Source: nasdaqbaltic.com

At 30 June 2019, the closing price of the share was EUR 1.95, having dropped in the second quarter by 8.7%, mainly due to a dividend distribution on 4 June 2019 (the ex-dividend date: 27 May 2019). Compared to the offering price in the initial public offering (EUR 1.7 per share), the share price has increased by 14.7%. At 30 June 2019, the company's market capitalisation was EUR 512.9 million.

In the second quarter of 2019, there were 3,149 transactions with the Tallinna Sadam share (Q1 2019: 1,522 transactions) in which 4.2 million shares (Q1 2019: 2.6 million shares) changed hands. The total turnover of the transactions was EUR 8.7 million (Q1 2019: EUR 5.3 million).

At 30 June 2019, the company had 12,541 shareholders (31 March 2019: 12,342) 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 June 2019 were:

Name of shareholder	Number of shares	Interest, %
Ministry of Economic Affairs and Communications	176,295,032	67.0%
JPMorgan Chase Bank	9,761,204	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 2 percentage points at the expense of foreign investors. There were no significant changes in the shareholder structure in the second quarter of 2019.

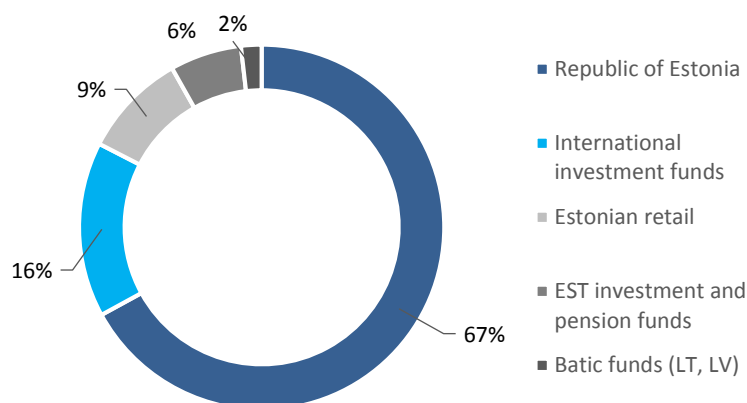


Chart: Shareholder structure as at 30 June 2019 (Source: Tallinna Sadam)

DIVIDENDS

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).

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 June 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 June 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 second quarter, the composition of the supervisory board and the audit committee did not change.

Based on the resolution of the general meeting of 14 May 2019, also the nomination committee of AS Tallinna Sadam was formed. The committee is responsible for making proposals to the general meeting regarding the nomination, removal and remuneration of the members of the supervisory board. The purpose is to ensure that the supervisory board can function as a cohesive team and to evaluate the compatibility of the candidates already before a proposal to the general meeting is made based on the effectiveness of the proposed composition of the supervisory board in achieving the company's goals. The nomination committee comprises Erkki Raasuke (chairman of the nomination committee formed by the Republic of Estonia), Veiko Tali (secretary general of the Ministry of Finance) and Ando Leppiman (secretary general of the Ministry of Economic Affairs and Communications) who were appointed as representatives of the Republic of Estonia based on the position they hold and Sven Kuning (member of the management board of AS SEB Varahaldus) and Elena Kiseleva (project manager of the transport department of the European Bank for Reconstruction and Development) who were appointed as the representatives of minority shareholders.

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 June 2019, the management board had three members: Valdo Kalm (chairman and CEO), Marko Raid (CFO) and Margus Vihman (CCO). In the second 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 SECOND QUARTER OF 2019

- 1. The first public shareholder meeting.** The company's first general meeting since its listing on the stock exchange was held in Kultuurikatel on 14 May. The meeting was attended by 149 shareholders who represented 82% of voting power. The annual general meeting approved the company's annual report for 2018 and the proposal to pay the shareholders a dividend of EUR 0.134 per share. In addition, the general meeting amended the procedures of the supervisory board, formed the nomination committee of AS Tallinna Sadam and appointed members of the nomination committee.
- 2. AS Tallinna Sadam achieved the silver level for its socially responsible activities.** On 22 May, the Estonian Responsible Business Forum granted AS Tallinna Sadam the silver quality label of the Corporate Social Responsibility Index and its subsidiary OÜ TS Laevad the bronze quality label of the Corporate Social Responsibility Index. In 2017 and 2018, AS Tallinna Sadam was also granted the silver quality label.
- 3. Development of a dry bulk and general cargo terminal at the Muuga Harbour.** On 12 June 2019, AS Tallinna Sadam and PK Terminal OÜ signed a cooperation agreement and a building title agreement for building a dry bulk and general cargo terminal at the Muuga Harbour where round timber, wood pellets, metal products and crushed stone will be handled and stored. Under the agreement, the right of use of two quays and the area nearby used by the former steel sheet galvanisation factory as well as a property at Koorma 2 was transferred to the company. The total area of the dry bulk and general cargo terminal is 4.4 ha. The agreements expire in 20 years but they can be extended for an additional term of 15 years. Estimated revenue from the agreements amounts to EUR 14.6 million (during the period of 20 years).
- 4. Civil claim of Saaremaa Laevakompanii and Väinamere Liinid.** On 17 June 2019, Harju County Court accepted the statement of claim for damages filed by AS Saaremaa Laevakompanii (bankrupt) and Väinamere Liinid OÜ against OÜ TS Laevad and OÜ TS Shipping, the subsidiaries of AS Tallinna Sadam, 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 claim was filed to receive compensation of EUR 23.8 million. 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 ruling entered into force on 28 March 2019. The management board believes that the action demanded in the statement of claim is not substantiated.
- 5. Civil claim of Coal Terminal.** On 21 June 2019, Harju County Court accepted the statement of claim filed by AS Coal Terminal (bankrupt) and its bankruptcy trustees on 20 May 2019 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. The management board believes

that the action demanded in the statement of claim is not substantiated. 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 realization of the claims and liabilities.

- 6. New vessel on the Muuga-Vuosaari route.** On 25 June 2019, a new cargo vessel of Eckerö Line, MS Finbo Cargo, started operating on the Muuga-Vuosaari route. The vessel serves both trucks and passengers with vehicles and departs four times a day. It has space for 366 passengers and 2,000 lane meters for vehicles. On 12 June 2019, Tallink's ferry MS Sea Wind also started serving passengers and vehicles on the Muuga-Vuosaari route. Previously it provided only cargo service on the same route. The purpose is to reduce traffic and air pollution in the city centres of Tallinn and Helsinki by transferring cargo vessels to the Muuga and Vuosaari harbours, which are located outside the cities, and to offer passengers travelling by car on the Tallinn-Helsinki route an alternative opportunity for avoiding traffic jams in the city centre.

MANAGEMENT'S CONFIRMATION AND SIGNATURES

By authorising the unaudited interim condensed consolidated report as at and for the period ended 30 June 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 15 to 30, 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 (13 August 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.

13 August 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

At	Note	30 June 2019	31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents		24,638	42,563
Trade and other receivables	4	10,872	8,017
Contract assets	11	369	0
Inventories		341	305
Total current assets		36,220	50,885
Non-current assets			
Investment in an associate	5	1,451	1,569
Other long-term receivables	4	151	196
Property, plant and equipment	6	568,841	568,965
Intangible assets		2,024	2,024
Total non-current assets		572,467	572,754
Total assets		608,687	623,639
LIABILITIES			
Current liabilities			
Loans and borrowings	9	15,766	15,766
Derivative financial instruments		393	425
Provisions		1,105	1,957
Government grants		85	174
Taxes payable	7	6,895	5,844
Trade and other payables	8	11,201	9,485
Contract liabilities	11	3,988	32
Total current liabilities		39,433	33,683
Non-current liabilities			
Loans and borrowings	9	194,463	197,846
Government grants		23,130	23,418
Other payables	8	79	79
Contract liabilities	11	919	939
Total non-current liabilities		218,591	222,282
Total liabilities		258,024	255,965
EQUITY			
Share capital	10	263,000	263,000
Share premium		44,478	44,478
Statutory capital reserve		18,520	18,520
Hedge reserve		-393	-425
Retained earnings (prior periods)		6,859	17,678
Profit for the period		18,199	24,423
Total equity		350,663	367,674
Total liabilities and equity		608,687	623,639

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the 6 months ended 30 June**Consolidated statement of profit or loss**

In thousands of euros	Note	Q2 2019	Q2 2018	2019	2018
Revenue	11, 3	32,822	32,752	61,350	62,166
Other income		305	241	580	444
Operating expenses	12	-9,319	-10,004	-16,717	-17,587
Personnel expenses		-4,817	-4,782	-9,108	-8,972
Depreciation, amortisation and impairment	3	-5,643	-5,546	-11,193	-10,949
Other expenses		-75	-50	-181	-152
Operating profit		13,273	12,611	24,731	24,950
Finance income and costs					
Finance income		14	8	27	8
Finance costs		-443	-527	-881	-1,038
Finance costs – net		-429	-519	-854	-1,030
Share of profit of an associate accounted for under the equity method		81	74	86	74
Profit before income tax		12,925	12,166	23,963	23,994
Income tax expense		-5,764	-26,250	-5,764	-26,250
Profit/loss for the period		7,161	-14,084	18,199	-2,256
Attributable to:					
Owners of the Parent		7,161	-14,084	18,199	-2,256
Basic earnings and diluted earnings per share (in euros)		0.03	-0.07	0.07	-0.01
Basic earnings and diluted earnings per share – continuing operations (in euros)		0.03	-0.07	0.07	-0.01

Consolidated statement of other comprehensive income

In thousands of euros	Q2 2019	Q2 2018	2019	2018
Profit/loss for the period	7,161	-14,084	18,199	-2,256
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net fair value gain/loss on hedging instruments in cash flow hedges	-11	33	32	98
Total other comprehensive income/expense	-11	33	32	98
Total comprehensive income/expense for the period	7,150	-14,051	18,231	-2,158
Attributable to:				
Owners of the Parent	7,150	-14,051	18,231	-2,158

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the 6 months ended 30 June

In thousands of euros	Note	2019	2018
Cash receipts from sale of goods and services		65,769	67,535
Cash receipts related to other income		151	56
Payments to suppliers		-20,480	-20,676
Payments to and on behalf of employees		-8,791	-8,019
Payments for other expenses		-216	-185
Income tax paid on dividends		-4,949	0
Cash from operating activities		31,484	38,711
Purchases of property, plant and equipment		-9,975	-5,908
Purchases of intangible assets		-233	-385
Proceeds from sale of property, plant and equipment		24	0
Interest received		25	2
Cash used in investing activities		-10,159	-6,291
Contributions to share capital		0	122,287
Redemption of debt securities		0	-1,250
Repayments of loans received	9	-3,383	-3,383
Change in overdraft (liability)		0	-2,566
Repayments of finance lease principal		0	-1
Dividends paid		-34,970	-85,000
Interest paid		-887	-1,020
Other payments related to financing activities		-10	-37
Cash used in/from financing activities		-39,250	29,030
NET CASH FLOW		-17,925	61,450
Cash and cash equivalents at beginning of the period		42,563	6,954
Change in cash and cash equivalents		-17,925	61,450
Cash and cash equivalents at end of the period		24,638	68,404

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 30 June

In thousands of euros

	Share capital	Share premium	Statutory capital reserve	Hedge reserve	Retained earnings	Total equity attributable to owners of the Parent
Equity at 31 December 2017	185,203	0	18,520	-609	122,678	325,792
Loss for the period	0	0	0	0	-2,256	-2,256
Other comprehensive income for the period	0	0	0	98		98
<i>Total comprehensive income/expense for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>98</i>	<i>-2,256</i>	<i>-2,158</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>
Equity at 30 June 2018	263,000	44,477	18,520	-511	15,422	340,908
Equity at 31 December 2018	263,000	44,478	18,520	-425	42,101	367,674
Profit for the period	0	0	0	0	18,199	18,199
Other comprehensive income for the period	0	0	0	32	0	32
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>32</i>	<i>18,199</i>	<i>18,231</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>
Equity at 30 June 2019	263,000	44,478	18,520	-393	25,058	350,663

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 6 months ended 30 June 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 June 2019 and 31 December 2018:

Subsidiary	Domicile	Ownership interest (%)		Core business line
		30 June 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 6 months ended 30 June 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	6 months 2019				Total
	Passenger harbours	Cargo harbours	Ferry	Other	
Vessel dues	12,215	9,542	0	0	21,757
Cargo charges	708	2,776	0	0	3,484
Passenger fees	7,587	52	0	0	7,639
Sale of electricity	400	2,458	0	0	2,858
Sale of ferry services - revenue from ticket sales	0	0	4,876	0	4,876
Sale of other services	504	479	25	3	1,011
Rental income	879	4,651	260	0	5,790
Charter fees	0	0	0	4,330	4,330
Sale of ferry services - government support	0	0	9,605	0	9,605
Total segment revenue* (note 11)	22,293	19,958	14,766	4,333	61,350
Adjusted segment EBITDA	14,875	11,889	6,719	2,223	35,706
Depreciation and amortisation	-3,071	-4,238	-2,796	-1,088	-11,193
Impairment losses	0	0	0	0	0
Amortisation of government grants received	73	231	0	0	304
Share of profit of an associate accounted for under the equity method	0	0	0	-86	-86
Segment operating profit	11,877	7,882	3,923	1,049	24,731
Finance income and costs, net					-854
Share of profit of an associate accounted for under the equity method					86
Income tax expense					-5,764
Profit for the period					18,199

* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 25 thousand and EUR 119 thousand for the Passenger harbours and Cargo harbours segments respectively, which was eliminated during consolidation.

Note 3 continued

In thousands of euros	6 months 2018				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	12,736	10,188	0	0	22,924
Cargo charges	752	2,690	0	0	3,442
Passenger fees	7,811	50	0	0	7,861
Sale of electricity	406	2,673	0	0	3,079
Sale of ferry services - revenue from ticket sales	0	0	4,566	0	4,566
Sale of other services	542	477	21	0	1,040
Rental income	816	4,412	242	0	5,470
Charter fees	0	0	0	4,208	4,208
Sale of ferry services - government support	0	0	9,576	0	9,576
Total segment revenue* (note 11)	23,063	20,490	14,405	4,208	62,166
Adjusted segment EBITDA	15,061	12,363	6,062	2,209	35,695
Depreciation and amortisation	-2,840	-4,321	-2,806	-982	-10,949
Impairment losses	0	0	0	0	0
Amortisation of government grants received	48	230	0	0	278
Share of profit of an associate accounted for under the equity method	0	0	0	-74	-74
Segment operating profit	12,269	8,272	3,256	1,153	24,950
Finance income and costs, net					-1,030
Share of profit of an associate accounted for under the equity method					74
Income tax expense					-26,250
Loss for the period					-2,256

* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 25 thousand and EUR 73 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 June 2019	31 December 2018
Receivables from customers	11,299	8,636
Allowance for credit losses	-2,310	-2,020
Prepaid taxes	833	633
Government grants receivable	331	283
Other prepayments	375	409
Receivables from an associate (note 16)	26	25
Other receivables	469	247
Total trade and other receivables	11,023	8,213
Of which short-term receivables	10,872	8,017
long-term receivables	151	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	
30 June 2019						
Expected credit loss rate	0.8%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	8,781	248	30	27	2,214	11,299
Lifetime expected credit loss (ECL)	-70	-4	-1	-21	-2,214	-2,310
						8,989
31 December 2018						
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
						6,616

5. INVESTMENT IN AN ASSOCIATE

In thousands of euros	6 months 2019	6 months 2018
Income	2,240	2,040
Expenses	1,954	1,784
Net profit	190,301	150

In thousands of euros	30 June 2019	31 December 2018
At		
Net assets of the associate	2,845	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	1,451	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
At 31 December 2018						
Cost	604,312	236,509	6,983	5,648	31	853,483
Accumulated depreciation and impairment losses	-210,846	-68,586	-5,086	0	0	-284,518
Carrying amount at 31 December 2018	393,466	167,923	1,897	5,648	31	568,965
<i>Movements within 6 months ended 30 June 2019</i>						
Acquisition and reconstruction	38	1,291	169	9,226	89	10,813
Depreciation charge	-5,579	-5,125	-233	0	0	-10,937
Reclassified at carrying amount	1,267	116	0	-1,383	0	0
At 30 June 2019						
Cost	605,617	237,847	7,065	13,491	120	864,140
Accumulated depreciation and impairment losses	-216,425	-73,642	-5,232	0	0	-295,299
Carrying amount at 30 June 2019	389,192	164,205	1,833	13,491	120	568,841

7. TAXES PAYABLE

At 30 June 2019, the Group's taxes payable amounted to EUR 6,895 thousand, including income tax on dividends of EUR 5,764 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	30 June 2019	31 December 2018
At		
Trade payables	4,628	3,775
Payables to employees	1,254	1,054
Interest payable	428	446
Accrued taxes payable on remuneration	582	572
Advances for goods and services	414	375
Payables to an associate (note 16)	420	134
Other payables	3,554	3,208
Total trade and other payables	11,280	9,564
Of which current liabilities	11,201	9,485
non-current liabilities	79	79

9. LOANS AND BORROWINGS

In thousands of euros

At	30 June 2019	31 December 2018
Current portion		
Loans and borrowings	6,766	6,766
Debt securities	9,000	9,000
Total current portion	15,766	15,766
Non-current portion		
Loans and borrowings	36,213	39,596
Debt securities	158,250	158,250
Total non-current portion	194,463	197,846
Total loans and borrowings	210,229	213,612

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 six-month period ended 30 June 2019. At 30 June 2019, the weighted average interest rate of debt securities was 0.702% (30 June 2018: 0.679%).

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 half of 2019 amounted to EUR 3,383 thousand (H1 2018: EUR 3,383 thousand).

At 30 June 2019, the weighted average interest rate of drawn loans was 0.726% (30 June 2018: 0.696%). Considering the effect of derivative transactions used to hedge interest rate risk, at 30 June 2019 the average interest rate of loans was 1.413% (30 June 2018: 1.661%).

Contractual maturities of loans and borrowings

In thousands of euros

At	30 June 2019
< 12 months	15,766
1 - 5 years	63,064
> 5 years	131,399
Total loans and borrowings	210,229

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 June 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 30 June 2019, the Group was also in compliance with the covenants that set requirements to its financial indicators.

10. EQUITY**Share capital**

At 30 June 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 30 June 2019 and at 31 December 2018 all shares issued had been fully paid for.

	Q2 2019	Q2 2018	6 months 2019	6 months 2018
Weighted average number of shares	263,000,000	202,010,872	263,000,000	193,653,382
Consolidated net profit for the period (in thousands of euros)	7,161	-14,084	18,199	-2,256
Basic and diluted earnings per share (in euros)	0.03	-0.07	0.07	-0.01

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	6 months 2019	6 months 2018
Revenue from contracts with customers		
Vessel dues	21,757	22,924
Cargo charges	3,484	3,442
Passenger fees	7,639	7,861
Sale of electricity	2,858	3,079
Sale of ferry services - ticket sales	4,876	4,566
Sale of other services	1,011	1,040
Total revenue from contracts with customers	41,625	42,912
Revenue from other sources		
Rental income from operating leases	5,790	5,470
Charter fees	4,330	4,208
Sale of ferry services - government support	9,605	9,576
Total revenue from other sources	19,725	19,254
Total revenue (note 3)	61,350	62,166

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 June 2019, the difference between revenue recognised and amounts billed to customers was recognised as a contract asset of EUR 19 thousand (revenue recognised was larger than the amounts billed) and a contract liability of EUR 3,683 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 30 June 2019. Based on the estimation, the Group recognised contract assets of EUR 350 thousand. At 30 June 2019, revenue received from some customers exceeded management's estimates. As a result, the Group recognised contract liabilities of EUR 146 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.

Note 11 continued

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 June 2019 such liabilities amounted to EUR 919 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 30 June 2019 such liabilities amounted to EUR 159 thousand (31 December 2018: EUR 32 thousand).

12. OPERATING EXPENSES

In thousands of euros	6 months 2019	6 months 2018
Fuel, oil and energy costs	5,604	5,728
Technical maintenance and repair of non-current assets	2,774	2,912
Services purchased for infrastructure	1,323	1,462
Tax expenses	1,377	1,640
Consultation and development expenses	187	575
Services purchased	2,532	2,482
Acquisition and maintenance of assets of insignificant value	492	799
Advertising expenses	155	211
Rental expenses	408	399
Insurance expenses	381	390
Other operating expenses	1,484	989
Total operating expenses	16,717	17,587

13. COMMITMENTS

At 30 June 2019, the Group's contractual commitments related to the acquisition of property, plant and equipment, repairs, and research and development expenditures totalled EUR 19,302 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 1,519 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 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. 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 realization 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.

Note 14 continued

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. 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

	6 months 2019	6 months 2018
Transactions with an associate		
Revenue	104	95
Operating expenses	1,057	1,029
Transactions with companies in which members of supervisory and management boards of group companies have significant influence		
Revenue	0	1
Operating expenses	4	5
Other expenses	6	8
Transactions with government agencies and companies in which the state has control		
Revenue	14,272	14,170
Other income	5	7
Operating expenses	3,818	3,666
Other expenses	15	3
Acquisition of property, plant and equipment	1,060	2

Note 16 continued

In thousands of euros

At	30 June 2019	31 December 2018
Trade receivables from and payables to an associate		
Receivables (note 4)	26	25
Payables (note 8)	420	134
Trade receivables from and payables to companies in which members of supervisory and management boards of group companies have significant influence		
Payables	1	1
Trade receivables from and payables to government agencies and companies in which the state has control		
Receivables	378	412
Payables	1,447	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.