

**TALLINNA  SADAM**

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**Unaudited interim condensed  
consolidated report for the  
12 months ended 31 December 2019**

AS Tallinna Sadam

**AS TALLINNA SADAM****UNAUDITED INTERIM CONDENSED CONSOLIDATED REPORT  
FOR THE 12 MONTHS ENDED 31 DECEMBER 2019**

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<b>Beginning of financial year</b>	<b>1 January</b>
<b>End of financial year</b>	<b>31 December</b>
<b>Beginning of interim reporting period</b>	<b>1 January</b>
<b>End of interim reporting period</b>	<b>31 December</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 2019, the volume of cargo handled at the Group's harbours decreased slightly, dropping to 19.9 million tonnes, but the number of passengers<sup>1</sup> reached a new record for the 12th consecutive year, rising to 10.64 million. Revenue remained at the same level as in 2018, amounting to EUR 130.5 million. Revenue decrease in the Cargo harbours segment was offset by growth in revenue generated by the icebreaker Botnica (the segment Other) and the Ferry segment. Larger depreciation, amortisation and impairment expense lowered operating profit but adjusted EBITDA<sup>2</sup> remained stable compared to 2018. The Group ended the year with its highest-ever profit of EUR 44.4 million, an improvement of EUR 20.0 million year on year due to a decrease in income tax on dividends. Income tax on dividends declined by EUR 20.4 million because in 2019 the Group paid a smaller dividend: EUR 35.2 million compared with a record-large EUR 105 million in 2018.

In the fourth quarter of 2019, the volume of cargo handled grew significantly (12.3%) and the number of passengers increased slightly (1.2%) year on year. The Group's revenue grew by EUR 0.4 million to EUR 30.0 million, adjusted EBITDA increased by EUR 0.2 million to EUR 14.8 million and profit decreased by EUR 0.1 million to EUR 8.5 million.

**KEY PERFORMANCE INDICATORS OF THE GROUP**

Indicator	Unit	12 months		Difference	Change	12 months		Difference	Change
		2019	2018			Q4 2019	Q4 2018		
Revenue	EUR '000	130,536	130,635	-99	-0.1%	30,005	29,572	433	1.5%
Operating profit	EUR '000	51,679	52,075	-396	-0.8%	9,081	9,011	70	0.8%
Adjusted EBITDA <sup>3</sup>	EUR '000	74,292	74,380	-88	-0.1%	14,841	14,683	158	1.1%
Depreciation, amortisation and impairment	EUR '000	-23,037	-22,345	-692	3.1%	-6,125	-5,829	-296	5.1%
Income tax	EUR '000	-5,764	-26,199	20,435	-78.0%	0	51	-51	-100.0%
Profit for the period	EUR '000	44,404	24,423	19,981	81.8%	8,457	8,600	-143	-1.7%
Investment	EUR '000	29,484	14,251	15,233	106.9%	10,671	6,128	4,544	74.2%
Number of employees (average)		492	496	-4	-0.9%	479	482	-2	-0.5%
Cargo volume	t '000	19,931	20,608	-677	-3.3%	5,647	5,028	620	12.3%
Number of passengers	'000	10,639	10,619	20	0.2%	2,342	2,314	29	1.2%
Number of vessel calls		7,855	7,652	203	2.7%	1,894	1,841	53	2.9%
Total assets at period-end	EUR '000	625,532	623,639	1,893	0.3%	625,532	623,639	1,893	0.3%
Net debt <sup>3</sup> at period-end	EUR '000	172,663	171,049	1,614	0.9%	172,663	171,049	1,614	0.9%
Equity at period-end	EUR '000	377,018	367,674	9,344	2.5%	377,018	367,674	9,344	2.5%
Number of shares at period-end	'000	263,000	263,000	0	0.0%	263,000	263,000	0	0.0%
Operating profit/revenue		39.6%	39.9%			30.3%	30.5%		
Adjusted EBITDA/revenue		56.9%	56.9%			49.5%	49.7%		
Profit for the period/revenue		34.0%	18.7%			28.2%	29.1%		
EPS: Profit for the period/weighted average number of shares	EUR	0.17	0.11	0.06	58.1%	0.03	0.03	0.00	-1.7%
Equity/number of shares	EUR	1.43	1.40	0.03	2.5%	1.43	1.40	0.03	2.5%

<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 (net), and income tax expense, adjusted by amortisation of government grants

<sup>3</sup> Loans and borrowings less cash and cash equivalents

## CARGO AND PASSENGER TRAFFIC

In 2019, cargo throughput at the Group's harbours totalled 19.9 million tonnes, decreasing by 0.7 million tonnes, i.e. 3.3%. In terms of cargo types, the decrease resulted from a decline in liquid bulk cargo (-1.2 million tonnes, i.e. -14%) and was partly offset by a rise in dry bulk cargo (0.6 million tonnes, i.e. 15%). The volumes of other cargo types did not change significantly: ro-ro cargo 19 thousand tonnes (0%), general cargo -44 thousand tonnes (-7%) and container cargo -44 thousand tonnes (-2.4%). In terms of TEUs, the volume of container cargo remained stable at 223 thousand TEUs.<sup>4</sup>

In the fourth quarter, the Group's harbours handled 5.6 million tonnes of cargo, 0.6 million tonnes, i.e. 12.3%, more than in the fourth quarter of 2018. Growth was driven by a rise in liquid bulk cargo (0.5 million tonnes, i.e. 26%), largely attributable to short-term growth in the demand for marine fuel storage and blending services due to the tightening of the IMO environmental requirements for marine fuels effective from 2020. Together with the growth in dry bulk cargo (0.2 million tonnes, i.e. 14%), resulting mainly from a rise in the export of grain and the import of crushed stone, this helped minimise the decline in annual cargo throughput. The volumes of other cargo types changed significantly less.

The number of passengers broke a new record for the 12th year in a row, rising by 29 thousand, i.e. 0.2%, to an exceptional 10.64 million. Growth was driven by the Finland-bound Muuga-Vuosaari route and supported by a slight increase in the number of cruise passengers, which reached a new annual record of 660 thousand. Full-year passenger traffic on the Tallinn-Helsinki route recovered from the decline of the first half-year. The number of passengers on the Tallinn-Stockholm route, however, decreased by 76 thousand, i.e. 7.5%, due to the dry dock maintenance of vessels carried out at the beginning of the year.

In the fourth quarter, the number of passengers increased by 29 thousand, i.e. by 1.2%, year on year, driven by passenger traffic on the Tallinn-Helsinki and Muuga-Vuosaari routes.

## REVENUE, EXPENSES AND PROFIT

**Revenue** for the fourth quarter of 2019 grew by EUR 0.4 million, i.e. 1.5%, year on year but annual revenue decreased by EUR 0.1 million, i.e. 0.1%, to EUR 130.5 million. In terms of revenue streams, the largest change occurred in vessel dues, which dropped by EUR 1.8 million to EUR 46.7 million, mainly due to a fall in the volume of liquid bulk cargo. Charter fee revenue from the icebreaker Botnica grew by EUR 0.8 million to EUR 9.7 million, mostly thanks to a longer charter period in the summer and the indexation of the fees. Revenue from the provision of domestic ferry service grew by EUR 0.7 million to EUR 30.2 million, primarily through the indexation of contractual fees. Lease income increased by EUR 0.6 million to EUR 12.0 million through growth in premises leased out at the Old City Harbour (parking lots and roads) and additional premises leased to operators at the Muuga Harbour (partly already since 2018). Revenue from the sale of electricity decreased by EUR 0.4 million, i.e. 6.5%, to EUR 5.4 million, mostly because demand at cargo harbours declined due to a fall in liquid bulk cargo and the volume of electricity sold by the Group as an agent decreased. Cargo charge revenue and passenger fee revenue decreased somewhat (by EUR 97 thousand and EUR 30 thousand, i.e. 1.3% and 0.2%, respectively).

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<sup>4</sup> TEU (Twenty-foot Equivalent Unit) – Standard unit for counting containers and describing the capacities of container ships or terminals. One 20-foot container equals one TEU.

Cargo charge revenue decreased less than cargo volume because the volume of liquid bulk cargo, whose cargo charge revenue is lower, decreased and the volume of dry bulk cargo, whose cargo charge revenue is higher, increased. Revenue from passenger fees decreased somewhat although the number of passengers grew slightly because the number of cruise passengers, whose passenger fees are lower, increased.

**Other income** grew by EUR 0.2 million in 2019, mostly through growth in income from the amortisation of co-financing of investments received from the TEN-T programme.

**Operating expenses** for the year decreased by EUR 0.7 million, i.e. 1.8%, due to the combined effect of various expense items. The main decreases were in fuel and energy costs and tax expenses. Fuel costs decreased because the average fuel cost in the Ferry segment declined. Energy costs dropped mainly because the volume of electricity sold as an agent, which decreased the relevant revenue as well. Tax expenses declined, mostly because from 2019 electricity excise expenses are reported within fuel and energy costs. Expenses on the maintenance and repair of non-current assets and consultation expenses also decreased. In 2018, the latter included consulting expenses related to the initial public offering of the Group's shares. Expenses on the write-down of receivables grew in connection with the recognition of provisions for expected credit losses. In 2018, this expense item had a negative value because reversals of previously recognised impairment losses exceeded expenses on the recognition of new provisions. Operating expenses for the fourth quarter decreased by EUR 0.1 million, i.e. 1.4%.

**Personnel expenses** for the year grew by EUR 0.4 million, i.e. 2.3%, due to a certain increase in wages. Personnel expenses for the fourth quarter increased by EUR 0.2 million, i.e. 4.2%.

**Depreciation, amortisation and impairment expenses** grew by EUR 0.7 million, mainly through growth in depreciation and amortisation on the side of harbour operations where 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 and stage 1 in the reconstruction of passenger terminal D at the Old City Harbour. Another factor that increased depreciation and amortisation expenses was the completion of the road Reidi tee, which resulted in the accelerated depreciation and/or write-down of assets retired at the Old City Harbour. Depreciation and amortisation expenses were also increased by growth in depreciable assets, which resulted from the dry dock maintenance of the icebreaker Botnica. Depreciation, amortisation and impairment expenses for the fourth quarter grew by EUR 0.3 million, i.e. 5.1%.

**Operating profit** for the year decreased by EUR 0.4 million to EUR 51.7 million, i.e. 0.8%, due to growth in depreciation, amortisation and impairment expenses and personnel expenses, which exceeded the combined effect of a decrease in operating expenses and growth in other income. Due to the decrease in operating profit, operating margin for the period decreased slightly, dropping from 39.9% to 39.6%. Operating profit for the fourth quarter increased by EUR 0.1 million, i.e. 0.8%, year on year.

**Adjusted EBITDA** for 2019 remained at the level of 2018, decreasing by EUR 0.1 million to EUR 74.3 million, i.e. by 0.1%, because its decrease in the Cargo harbours segment was offset by improvements in other segments.

The decrease in adjusted EBITDA was smaller than the one in operating profit because the growth in depreciation, amortisation and impairment expenses does not affect EBITDA. The adjusted EBITDA margin remained stable at 56.9%. Adjusted EBITDA for the fourth quarter grew by EUR 0.2 million, i.e. 1.1% year on year.

**Finance costs (net)**<sup>5</sup> decreased by EUR 215 thousand, i.e. 11%, in 2019, mainly through a decline in the average volume of interest-bearing liabilities and expenses related to derivative financial instruments. Net finance costs for the fourth quarter did not change significantly year on year.

**Profit** before tax decreased by EUR 0.5 million, i.e. 0.9%, to EUR 50.2 million in 2019. Profit before tax for the fourth quarter decreased by EUR 0.1 million year on year.

Income tax expense decreased by EUR 20.4 million because in 2018 the Group declared a record dividend of EUR 105 million compared with EUR 35.2 million in 2019. Due to lower income tax expense, profit for 2019 reached an all-time high of EUR 44.4 million, exceeding profit for 2018 by EUR 20.0 million. Net profit for the fourth quarter amounted to EUR 8.5 million compared with EUR 8.6 million for the same period in 2018.

## INVESTMENT

In 2019, the Group's capital investments totalled EUR 29.5 million. This is more than twice the amount invested in 2018, when investments amounted to EUR 14.3 million. Investments of 2019 were mainly related to the Old City Harbour, where work continued on the reconstruction of passenger terminal D and the installation of on-shore power supply systems for passenger ships, and the Group co-financed the construction of the road Reidi tee. Dredging works were carried out in the approach canal and waters of the Paldiski South Harbour, quays and supplier routes were reconstructed at Muuga harbour, machinery and technical systems were renewed on board of the icebreaker Botnica, and scheduled dry docking work was done and service areas were rebuilt on the ferries. In the fourth quarter, capital investments totalled EUR 10.7 million.

## SEGMENT REPORTING

In thousands of euros	12 months 2019					12 months 2018				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	49,826	40,113	30,825	9,772	130,536	49,897	41,718	30,095	8,925	130,635
Adjusted EBITDA	32,792	22,248	13,932	5,320	74,292	32,397	24,096	13,041	4,846	74,380
Operating profit	26,367	14,151	8,289	2,872	51,679	26,403	15,970	7,438	2,263	52,075
Adjusted EBITDA margin	65.8%	55.5%	45.2%	54.4%	56.9%	64.9%	57.8%	43.3%	54.3%	56.9%

In thousands of euros	Change, 12 months				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	-71	-1,605	730	847	-99
Adjusted EBITDA	395	-1,848	891	474	-88
Operating profit	-36	-1,819	851	609	-396

<sup>5</sup> The difference between finance costs and finance income

In thousands of euros	Q4 2019					Q4 2018				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	10,412	10,383	7,070	2,140	30,005	10,090	10,665	6,942	1,875	29,572
Adjusted EBITDA	5,648	5,210	3,283	699	14,841	5,245	5,848	3,032	558	14,683
Operating profit	3,807	3,109	1,851	314	9,081	3,503	3,832	1,641	34	9,010
Adjusted EBITDA margin	54.2%	50.2%	46.4%	32.7%	49.5%	52.0%	54.8%	43.7%	29.8%	49.7%

In thousands of euros	Change, Q4				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	323	-282	128	265	434
Adjusted EBITDA	403	-638	251	141	158
Operating profit	304	-723	210	280	71

In terms of segments, the most significant revenue change was in the Cargo harbours segment (EUR -1.6 million, i.e. -4%), which was counterbalanced by increases in the segment Other (EUR 0.8 million, i.e. 10%) and the Ferry segment (EUR 0.7 million, i.e. 2%). In the Passenger harbours segment revenue remained stable (EUR -0.07 million, i.e. -0.1%).

The revenue of the **Passenger harbours segment** remained at the same level as in 2018 due to items with divergent impacts. Revenue was reduced by the regular dry docking of several passenger ferries at the beginning of the year. Revenue was increased by growth in the gross tonnage and number of passengers of cruise ships, and a rise in lease income generated by the Old City Harbour. In the fourth quarter, revenue grew by EUR 0.3 million, i.e. 3% year on year, through growth in revenue from cruise ships and lease income.

The revenue of the **Cargo harbours segment** was reduced by a decrease in vessel dues, attributable to a decline in the volume of liquid bulk cargo. The effect was mitigated by additional revenue related to Eckerö Line's new cargo vessel Finbo Cargo, which was added to the Muuga-Vuosaari route in the second half of the year. Revenue from the sale of electricity decreased, reflecting a decline in the provision of network service due to decreases in the volume of liquid bulk cargo and the volume of electricity sold as an agent. Lease income increased through growth in harbour premises rented out (partly since 2018). In the fourth quarter, revenue increased by 3%, mostly through growth in cargo charge revenue and electricity sales.

The revenue of the **Ferry segment** grew, mainly due to changes in the contractual fee rates, which are linked to the Estonian consumer and fuel price indices and wage inflation. In the fourth quarter, revenue grew by 1.8%.

The revenue of the segment **Other** increased, mostly due to revenue generated by the icebreaker Botnica, which was chartered out for a longer period during the summer season than in 2018. Revenue growth was also supported by the indexation of the ice-breaking and charter fees to the inflation index. In the fourth quarter, revenue increased by 14% year on year.



In terms of segments, **adjusted EBITDA** for the year changed the most in the Cargo harbours segment (EUR -1.8 million, i.e. -8%). The decrease was offset by its growth in other segments, primarily in the Ferry segment and in the segment Other (by EUR 0.9 million and EUR 0.5 million, i.e. 7% and 10%, respectively) and, to a lesser extent, in the Passenger harbours segment (by EUR 0.4 million, i.e. 1%). Adjusted EBITDA for the Cargo harbours segment decreased mainly due to revenue decline. In the Ferry segment, adjusted EBITDA grew through revenue growth, which was supported by a decline in expenses. Adjusted EBITDA for the segment Other grew through revenue growth, which was partly offset by a certain growth in expenses and a decrease in profit from the associate Green Marine, which is accounted for using the equity method. Adjusted EBITDA for the Passenger harbours segment increased through a fall in operating expenses.

Adjusted EBITDA for the fourth quarter increased, year on year, in all segments except Cargo harbours. The largest increases were posted by the Passenger harbours and Ferry segments. In the Passenger harbours segment, adjusted EBITDA for the fourth quarter increased through revenue growth, which also led to the growth of the annual figure. Adjusted EBITDA for the Ferry segment grew due to the combined effect of revenue growth and a decrease in expenses.

**The adjusted EBITDA margin** remained stable at 56.9% as the decrease in the Cargo harbours segment was offset by growth in other segments. In the fourth quarter, the margin also increased in all segments except Cargo harbours.

## SHARE AND SHAREHOLDERS

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

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



Source: nasdaqbaltic.com

At the beginning of 2019, the opening price of the share was EUR 2.04. At 31 December 2019, the closing price of the share was EUR 1.99, having increased in the fourth quarter by 1.0%. At 31 December 2019, the company's market capitalisation was EUR 522.1 million.

The dynamics of the price of the AS Tallinna Sadam share compared to the OMX Baltic Benchmark GI index is presented in the graph below:



Source: nasdaqbaltic.com

In the fourth quarter of 2019, there were 2,306 transactions with the Tallinna Sadam share (Q3 2019: 2,435 transactions) in which 4.4 million shares (Q3 2019: 4.2 million shares) changed hands. The total turnover of the transactions was EUR 8.7 million (Q3 2019: EUR 8.3 million). In 2019, there were 9,412 transactions (2018: 8,985 transactions) with 15.5 million shares (2018: 23.1 million shares) and the total turnover of the transactions was EUR 31.1 million (2018: EUR 46.3 million). Compared with 2018, trading activity has decreased considerably, as expected, because after the initial public offering (IPO) in 2018 a lot of the shares subscribed for by funds changed hands and the trading volume in the month following the IPO accounted for half of the total number and turnover of the transactions in 2018.

At 31 December 2019, the company had 12,796 shareholders (30 September 2019: 12,675) but only the Republic of Estonia had an ownership interest exceeding 5% (through the Ministry of Economic Affairs and Communications). The five largest shareholders as at 31 December 2019 were:

Name of shareholder	Number of shares	Interest, %
Ministry of Economic Affairs and Communications	176,295,032	67.0%
JP Morgan 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 changed slightly compared to the end of 2018. The share of foreign investors has decreased from 18% to 14% (-8.2 million shares), the share of Estonian private investors has increased from 7%

to 10% (+5.2 million shares) and the share of Estonian investment and pension funds has increased from 6% to 7% (+2.3 million shares).

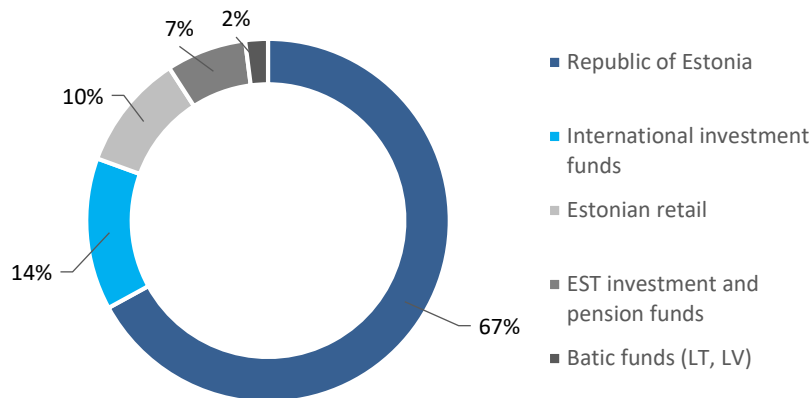


Chart: Shareholder structure as at 31 December 2019 (Source: Tallinna Sadam)

## DIVIDENDS

For 2018, AS Tallinna Sadam 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 31 December 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 31 December 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 fourth 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 31 December 2019, the management board had three members: Valdo Kalm (chairman and CEO), Marko Raid (CFO) and Margus Vihman (CCO). In the fourth quarter, the composition of the management board did not change.

Based on the resolution of the general meeting of 14 May 2019, the nomination committee of AS Tallinna Sadam was formed for the first time. The committee is responsible for evaluating the suitability of candidates to the supervisory board and making proposals to the general meeting regarding the election and removal of the members of the supervisory board, the composition of the supervisory board, and the duration of the mandate and remuneration of the members of the supervisory board. At 31 December 2019, the nomination committee comprised Veiko Tali (chairman), Ando Leppiman, Erkki Raasuke, Elena Kiseleva and Sven Kuning.

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://www.ts.ee/>.

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

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

- 1. Changes in debt obligations.** On 25 October 2019, AS Tallinna Sadam signed an unsecured loan agreement with AS SEB Pank in the amount of EUR 10 million and a maturity of 10 years. The interest rate of the loan is 6-month Euribor plus interest margin, and the bank has an option to adjust the interest rate after 5 years. The loan was drawn down in full on 25 October 2019 and the final maturity date is 25 October 2029. The funding will be used for investments in the Old City Harbour infrastructure, including the acquisition and installation of auto-mooring systems and on-shore power supply equipment.
- 2. Agreement signed for the construction of a new cruise terminal.** AS Tallinna Sadam has signed an agreement with YIT Eesti AS for the construction of a new cruise terminal in Tallinn Old City Harbour. The value of the contract is EUR 13.7 million. The new cruise terminal will be completed by July 2021. The multifunctional and environmentally friendly cruise terminal will be built in the Old City Harbour in the immediate vicinity of the existing cruise quays. A public promenade with green spaces will be built along the shore from the roof top of the future terminal building to the northwest pier.
- 3. Icebreaker Botnica charter in summer 2020.** Baffinland Iron Mines Corporation declared of using the contractual option to charter the multifunctional icebreaker Botnica in 2020 during the period from the end of June to the end of October. The exact number of chartering days depends on weather and other conditions. In 2018, the subsidiary company of AS Tallinna Sadam, OÜ TS Shipping, signed an agreement with Baffinland for chartering m/v Botnica for the 2018 summer period and annual call options for the summer periods in 2019-2022.

Baffinland is a Canadian mining company, engaged in the mining of iron ore on Baffin Island in Northern Canada. According to the agreement, m/v Botnica provides escort and ice management services, oil spill and emergency response services.

- 4. Nomination Committee of AS Tallinna Sadam started work.** As the term of office of the current members of the supervisory board will expire in autumn 2020, the nomination committee of AS Tallinna Sadam is making preparations to be able to make proposals to the general meeting of AS Tallinna Sadam (through the nomination committee of state-owned companies formed by the government of Estonia) regarding the size and remuneration of the new supervisory board and to nominate candidates for election as members of the supervisory board.

**MANAGEMENT'S CONFIRMATION AND SIGNATURES**

By authorising the unaudited interim condensed consolidated report as at and for the period ended 31 December 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 (27 February 2020) have been properly recognised and disclosed in the unaudited interim condensed consolidated financial statements;
4. AS Tallinna Sadam and its subsidiaries are going concerns.

27 February 2020

Valdo Kalm

Chairman of the Management Board

Marko Raid

Member of the Management Board

Märgus Vihman

Member of the Management Board

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

In thousands of euros

<b>At 31 December</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		35,183	42,563
Trade and other receivables	4	10,614	8,017
Inventories		408	305
<i>Total other current assets</i>		<i>46,205</i>	<i>50,885</i>
Non-current assets held for sale		142	0
<b>Total current assets</b>		<b>46,347</b>	<b>50,885</b>
<b>Non-current assets</b>			
Investment in an associate	5	1,609	1,569
Other long-term receivables	4	294	196
Property, plant and equipment	6	575,267	568,965
Intangible assets		2,015	2,024
<b>Total non-current assets</b>		<b>579,185</b>	<b>572,754</b>
<b>Total assets</b>		<b>625,532</b>	<b>623,639</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	9	16,266	15,766
Derivative financial instruments		243	425
Provisions		1,915	1,957
Government grants		193	174
Taxes payable		893	5,844
Trade and other payables	8	11,755	9,517
<b>Total current liabilities</b>		<b>31,265</b>	<b>33,683</b>
<b>Non-current liabilities</b>			
Loans and borrowings	9	191,580	197,846
Government grants		24,754	23,418
Other payables	8	915	1,018
<b>Total non-current liabilities</b>		<b>217,249</b>	<b>222,282</b>
<b>Total liabilities</b>		<b>248,514</b>	<b>255,965</b>
<b>EQUITY</b>			
Share capital		263,000	263,000
Share premium		44,478	44,478
Statutory capital reserve		18,520	18,520
Hedge reserve		-243	-425
Retained earnings (prior periods)		6,859	17,678
Profit for the period		44,404	24,423
<b>Total equity</b>		<b>377,018</b>	<b>367,674</b>
<b>Total liabilities and equity</b>		<b>625,532</b>	<b>623,639</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the 12 months ended 31 December**Consolidated statement of profit or loss**

In thousands of euros	Note	Q4 2019	Q4 2018	2019	2018
Revenue	11	30,005	29,572	130,536	130,635
Other income		229	158	1,017	816
Operating expenses	12	-9,212	-9,347	-36,669	-37,360
Personnel expenses		-5,740	-5,508	-19,867	-19,420
Depreciation, amortisation and impairment		-6,125	-5,829	-23,037	-22,345
Other expenses		-77	-34	-301	-251
<b>Operating profit</b>		<b>9,080</b>	<b>9,012</b>	<b>51,679</b>	<b>52,075</b>
<b>Finance income and costs</b>					
Finance income		13	20	42	33
Finance costs		-463	-464	-1,797	-2,003
<b>Finance costs – net</b>		<b>-450</b>	<b>-444</b>	<b>-1,755</b>	<b>-1,970</b>
Share of loss/profit of an associate accounted for under the equity method		-173	-18	244	517
<b>Profit before income tax</b>		<b>8,457</b>	<b>8,550</b>	<b>50,168</b>	<b>50,622</b>
Income tax expense		0	51	-5,764	-26,199
<b>Profit for the period</b>		<b>8,457</b>	<b>8,601</b>	<b>44,404</b>	<b>24,423</b>
Attributable to:					
Owners of the Parent		8,457	8,601	44,404	24,423
Basic earnings and diluted earnings per share (in euros)	10	0.03	0.03	0.17	0.11
Basic earnings and diluted earnings per share – continuing operations (in euros)		0.03	0.03	0.17	0.11

**Consolidated statement of other comprehensive income**

In thousands of euros	Q4 2019	Q4 2018	2019	2018
<b>Profit for the period</b>	<b>8,457</b>	<b>8,601</b>	<b>44,404</b>	<b>24,423</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net fair value gain/loss on hedging instruments in cash flow hedges	106	-8	182	184
<b>Total other comprehensive income/expense</b>	<b>106</b>	<b>-8</b>	<b>182</b>	<b>184</b>
<b>Total comprehensive income for the period</b>	<b>8,563</b>	<b>8,593</b>	<b>44,586</b>	<b>24,607</b>
Attributable to:				
Owners of the Parent	8,563	8,593	44,586	24,607



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

for the 12 months ended 31 December

In thousands of euros	Note	2019	2018
Cash receipts from sale of goods and services		138,690	138,746
Cash receipts related to other income		193	104
Other receipts		0	2,600
Payments to suppliers		-47,210	-46,260
Payments to and on behalf of employees		-16,892	-16,461
Payments for other expenses		-377	-366
Income tax paid on dividends		-10,985	-21,250
<b>Cash from operating activities</b>		<b>63,419</b>	<b>57,113</b>
Purchases of property, plant and equipment		-27,965	-11,941
Purchases of intangible assets		-550	-618
Proceeds from sale of property, plant and equipment		39	12
Dividends received		204	204
Interest received		28	18
<b>Cash used in investing activities</b>		<b>-28,244</b>	<b>-12,325</b>
Contributions to share capital		0	119,883
Redemption of debt securities	9	-9,000	-12,650
Loans received	9	10,000	0
Repayments of loans received	9	-6,766	-6,766
Change in overdraft (liability)		0	-2,565
Payments of lease principal		0	-7
Dividends paid		-34,970	-105,000
Interest paid		-1,769	-2,023
Other payments related to financing activities		-50	-51
<b>Cash used in financing activities</b>		<b>-42 555</b>	<b>-9,179</b>
<b>NET CASH FLOW</b>		<b>-7,380</b>	<b>35,609</b>
Cash and cash equivalents at beginning of the period		42,563	6,954
Change in cash and cash equivalents		-7,380	35,609
Cash and cash equivalents at end of the period		35,183	42,563

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

for the 12 months ended 31 December

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	24,423	<b>24,423</b>
Other comprehensive income for the period	0	0	0	184	0	<b>184</b>
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>184</i>	<i>24,423</i>	<b>24,607</b>
Contributions to share capital	77,797	44,478	0	0	0	<b>122,275</b>
Dividends declared	0	0	0	0	-105,000	<b>-105,000</b>
<i>Total transactions with owners</i>	<i>77,797</i>	<i>44,478</i>	<i>0</i>	<i>0</i>	<i>-105,000</i>	<b>17,275</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	44,404	<b>44,404</b>
Other comprehensive income for the period	0	0	0	182	0	<b>182</b>
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>182</i>	<i>44,404</i>	<b>44,586</b>
Dividends declared	0	0	0	0	-35,242	<b>-35,242</b>
<i>Total transactions with owners</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-35,242</i>	<b>-35,242</b>
<b>Equity at 31 December 2019</b>	<b>263,000</b>	<b>44,478</b>	<b>18,520</b>	<b>-243</b>	<b>51,263</b>	<b>377,018</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 12 months ended 31 December 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 opened in 2010 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 has started the disposal of the assets of the harbour, which will be carried out in stages.

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

<b>Subsidiary</b>	<b>Domicile</b>	<b>Ownership interest (%)</b>	<b>Core business line</b>
OÜ TS Shipping	Republic of Estonia	100	Rendering icebreaking and other offshore support services with the multi-functional icebreaker Botnica
OÜ TS Laevad	Republic of Estonia	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 12 months ended 31 December 2019 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

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	12 months 2019				Total
	Passenger harbours	Cargo harbours	Ferry	Other	
Vessel dues	27,581	19,139	0	0	46,720
Cargo charges	1,475	5,666	0	0	7,141
Passenger fees	16,905	169	0	0	17,074
Sale of electricity	742	4,691	0	0	5,433
Sale of ferry services - ticket sales	0	0	11,583	0	11,583
Sale of other services	1,174	1,063	45	107	2,389
Operating lease income	1,949	9,385	626	0	11,960
Charter fees	0	0	0	9,665	9,665
Sale of ferry services - government support	0	0	18,571	0	18,571
<b>Total segment revenue* (note 11)</b>	<b>49,826</b>	<b>40,113</b>	<b>30,825</b>	<b>9,772</b>	<b>130,536</b>
<b>Adjusted segment EBITDA</b>	<b>32,792</b>	<b>22,248</b>	<b>13,932</b>	<b>5,320</b>	<b>74,292</b>
Depreciation and amortisation	-6,475	-8,468	-5,643	-2,204	-22,790
Impairment losses	-154	-93	0	0	-247
Amortisation of government grants received	204	464	0	0	668
Share of profit of an associate accounted for under the equity method	0	0	0	-244	-244
<b>Segment operating profit</b>	<b>26,367</b>	<b>14,151</b>	<b>8,289</b>	<b>2,872</b>	<b>51,679</b>
Finance income and costs, net					-1,755
Share of profit of an associate accounted for under the equity method					244
Income tax expense					-5,764
<b>Profit for the period</b>					<b>44,404</b>

\* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 51 thousand and EUR 154 thousand for the Passenger harbours and Cargo harbours segments respectively, which was eliminated during consolidation.

**Note 3 continued**

In thousands of euros	12 months 2018				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	27,615	20,884	0	0	<b>48,499</b>
Cargo charges	1,551	5,687	0	0	<b>7,238</b>
Passenger fees	17,005	99	0	0	<b>17,104</b>
Sale of electricity	799	5,010	0	0	<b>5,809</b>
Sale of ferry services - ticket sales	0	0	11,150	0	<b>11,150</b>
Sale of other services	1,197	975	31	45	<b>2,248</b>
Operating lease income	1,730	9,063	583	0	<b>11,376</b>
Charter fees	0	0	0	8,880	<b>8,880</b>
Sale of ferry services - government support	0	0	18,331	0	<b>18,331</b>
<b>Total segment revenue* (note 11)</b>	<b>49,897</b>	<b>41,718</b>	<b>30,095</b>	<b>8,925</b>	<b>130,635</b>
<b>Adjusted segment EBITDA</b>	<b>32,397</b>	<b>24,096</b>	<b>13,041</b>	<b>4,846</b>	<b>74,380</b>
Depreciation and amortisation	-5,809	-8,585	-5,603	-2,066	<b>-22,063</b>
Impairment losses	-282	0	0	0	<b>-282</b>
Amortisation of government grants received	98	459	0	0	<b>557</b>
Share of profit of an associate accounted for under the equity method	0	0	0	-517	<b>-517</b>
<b>Segment operating profit</b>	<b>26,403</b>	<b>15,970</b>	<b>7,438</b>	<b>2,263</b>	<b>52,075</b>
Finance income and costs, net					-1,970
Share of profit of an associate accounted for under the equity method					517
Income tax expense					-26,199
<b>Profit for the period</b>					<b>24,423</b>

\* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 51 thousand and EUR 120 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 31 December	2019	2018
<b>Financial assets</b>		
Receivables from customers	8,849	8,636
Allowance for credit losses	-2,160	-2,020
Government grants receivable	2,287	283
Receivables from an associate (note 16)	36	25
Other receivables	320	223
<b>Total financial assets</b>	<b>9,332</b>	<b>7,147</b>
<b>Non-financial assets</b>		
Prepaid taxes	1,093	633
Other prepayments	470	409
Other receivables	13	24
<b>Total non-financial assets</b>	<b>1,576</b>	<b>1,066</b>
<b>Total trade and other receivables</b>	<b>10,908</b>	<b>8,213</b>
Of which current receivables	10,614	8,017
non-current receivables	294	196

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

In thousands of euros	Not past due	Days past due				Total
		0-30	31-60	61-90	>90	
<b>31 December 2019</b>						
Expected credit loss rate	0.80%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	6,220	467	52	45	2,065	8,849
Lifetime expected credit loss (ECL)	-50	-7	-2	-36	-2,065	-2,160
						<b>6,689</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	2019	2018
Income	5,307	4,906
Expenses	4,695	3,773
Net profit	500	1,018

In thousands of euros	2019	2018
<b>At 31 December</b>		
Net assets of the associate	3,154	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	1,609	1,569

On 3 October 2019, dividends of EUR 204 thousand (2018: EUR 204 thousand) were received from the associate.

**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 in 2019</i>						
Acquisition and reconstruction	128	2,236	747	20,385	5,473	<b>28,969</b>
Sales at carrying amount	0	0	-12	0	0	<b>-12</b>
Depreciation charge	-11,370	-10,402	-494	0	0	<b>-22,266</b>
Impairment losses	-233	-14	0	0	0	<b>-247</b>
Transferred to non-current assets held for sale at carrying amount	-128	-14	0	0	0	<b>-142</b>
Reclassified at carrying amount	15,848	2,403	83	-18,334	0	<b>0</b>
<b>At 31 December 2019</b>						
Cost	614,182	240,253	7,399	7,699	5,504	<b>875,037</b>
Accumulated depreciation and impairment losses	-216,471	-78,121	-5,177	0	0	<b>-299,769</b>
<b>Carrying amount at 31 December 2019</b>	<b>397,711</b>	<b>162,132</b>	<b>2,221</b>	<b>7,699</b>	<b>5,504</b>	<b>575,267</b>

**7. TAXES PAYABLE**

At 31 December 2019, the Group's taxes payable amounted to EUR 893 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 31 December</b>	<b>2019</b>	<b>2018</b>
<b>Financial liabilities</b>		
Trade payables	5,281	3,775
Interest payable	405	446
Payables to an associate (note 16)	127	134
Other payables	4,011	3,208
<b>Total financial liabilities</b>	<b>9,824</b>	<b>7,563</b>
<b>Non-financial liabilities</b>		
Payables to employees	1,092	1,054
Accrued taxes payable on remuneration	596	572
Liabilities related to contracts with customers (note 11)	946	971
Advances for goods and services	212	375
<b>Total non-financial liabilities</b>	<b>2,846</b>	<b>2,972</b>
<b>Total trade and other payables</b>	<b>12,670</b>	<b>10,535</b>
Of which current liabilities	11,755	9,517
non-current liabilities	915	1,018

**9. LOANS AND BORROWINGS**

In thousands of euros

<b>At 31 December</b>	<b>2019</b>	<b>2018</b>
<b>Current portion</b>		
Loans and borrowings	7,266	6,766
Debt securities	9,000	9,000
<b>Total current portion</b>	<b>16,266</b>	<b>15,766</b>
<b>Non-current portion</b>		
Loans and borrowings	42,330	39,596
Debt securities	149,250	158,250
<b>Total non-current portion</b>	<b>191,580</b>	<b>197,846</b>
<b>Total loans and borrowings</b>	<b>207,846</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). At 31 December 2019, the Group had two bond issues whose final maturities will arrive in 2026 and 2027. In the 12-month period ended on 31 December 2019, principal payments of EUR 9,000 thousand (2018: EUR 12,650 thousand) were made in accordance with the payment schedules. At 31 December 2019, the weighted average interest rate of the bonds was 0.629% (31 December 2018: 0.684%). Debt securities interest rates are not hedged with interest rate derivatives.



**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 2029. Principal repayments made in the 12-month period ended 31 December 2019 amounted to EUR 6,766 thousand (2018: EUR 6,766 thousand). In the fourth quarter of 2019, a new loan of EUR 10,000 thousand was taken to finance investments in non-current assets in the Old City Harbour. The base rate of the new loan is also 6-month Euribor.

At 31 December 2019, the weighted average interest rate of drawn loans was 0.685% (31 December 2018: 0.703%). Considering the effect of derivative transactions used to hedge interest rate risk, at 31 December 2019 the average interest rate of loans was 1.376% (31 December 2018: 1.440%).

**Contractual maturities of loans and borrowings**

In thousands of euros

<b>At 31 December</b>	<b>2019</b>
< 6 months	3,383
6-12 months	12,883
1 - 5 years	63,064
> 5 years	128,516
<b>Total loans and borrowings</b>	<b>207,846</b>

**Fair value**

The fair value of loans and borrowings was calculated using the discounted cash flow method. The expected future cash flows were estimated based on future interest rates (extrapolated from observable corporate bond yield curves and 3-month and 6-month EURIBOR swap rates at the end of the reporting period) and contractual interest rates, which were discounted at a rate reflecting the Group's credit risk.

As at 31 December 2019, the fair value of financial liabilities calculated using the discounted cash flow method was 7.2% lower than their carrying amount (31 December 2018: 5.0% lower).

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. The debt securities are not listed. The Group's loan agreements include covenants that set certain limits for the Group's consolidated financial indicators. At 31 December 2019 and 31 December 2018, the Group was in compliance with all covenants that set requirements to its financial indicators.

## 10. EQUITY

### Share capital and share premium

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

### Earnings per share

	Q4 2019	Q4 2018	2019	2018
Weighted average number of shares	263,000,000	263,000,000	263,000,000	228,611,677
Consolidated net profit for the period (in thousands of euros)	8,457	8,601	44,404	24,423
Basic and diluted earnings per share (in euros)	0.03	0.03	0.17	0.11

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	2019	2018
<b>Revenue from contracts with customers</b>		
Vessel dues	46,720	48,499
Cargo charges	7,141	7,238
Passenger fees	17,074	17,104
Sale of electricity	5,433	5,809
Sale of ferry services - ticket sales	11,583	11,150
Sale of other services	2,389	2,248
<b>Total revenue from contracts with customers</b>	<b>90,340</b>	<b>92,048</b>
<b>Revenue from other sources</b>		
Operating lease income	11,960	11,376
Charter fees	9,665	8,880
Sale of ferry services - government support	18,571	18,331
<b>Total revenue from other sources</b>	<b>40,196</b>	<b>38,587</b>
<b>Total revenue (note 3)</b>	<b>130,536</b>	<b>130,635</b>

**Note 11 continued**

In 2019, revenue from services provided in the Republic of Estonia and Canada amounted to EUR 125,578 thousand and EUR 4,958 thousand (including charter fees of EUR 4,854 thousand), respectively. In 2018, revenue from services provided in the Republic of Estonia and Canada amounted to EUR 126,387 thousand and EUR 4,248 thousand (including charter fees of EUR 4,202 thousand) respectively.

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.

The agreements signed with cargo operators generally 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 agreed minimum annual cargo volume.

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 31 December 2019, such liabilities amounted to EUR 913 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 31 December 2019, such liabilities amounted to EUR 33 thousand (31 December 2018: EUR 32 thousand).

**12. OPERATING EXPENSES**

In thousands of euros	2019	2018
Fuel, oil and energy costs	11,388	11,725
Technical maintenance and repair of non-current assets	7,022	7,332
Services purchased for infrastructure	2,780	2,879
Tax expenses	2,762	3,224
Consultation and development expenses	757	1,299
Services purchased	5,523	5,364
Acquisition and maintenance of assets of insignificant value	1,269	1,321
Advertising expenses	349	398
Lease expenses	566	1,051
Expenses on short-term leases	581	0
Insurance expenses	809	787
Other operating expenses	2,863	1,980
<b>Total operating expenses</b>	<b>36,669</b>	<b>37,360</b>

**13. COMMITMENTS**

At 31 December 2019, the Group's contractual commitments related to the acquisition of property, plant and equipment, repairs, and research and development expenditures totalled EUR 19,810 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. At the end of 2019, the customer filed an application to the Competition Authority, requesting the initiation of supervision proceedings to establish whether the Group has violated the Competition Act. At the same time a request was made to Harju County Court for the suspension of proceedings until the Competition Authority has communicated its opinion on the matter. The County Court has not ruled on the suspension of the proceedings. 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	2019	2018
<b>Transactions with an associate</b>		
Revenue	238	207
Operating expenses	2,426	2,293
<b>Transactions with companies in which members of supervisory and management boards of group companies have significant influence</b>		
Revenue	0	1
Operating expenses	15	9
Other expenses	22	13
<b>Transactions with government agencies and companies in which the state has control</b>		
Revenue	24,117	23,760
Other income	10	13
Operating expenses	7,747	7,182
Other expenses	15	3
Acquisition of property, plant and equipment	2,579	748

In thousands of euros	2019	2018
<b>At 31 December</b>		
<b>Trade receivables from and payables to an associate</b>		
Receivables (note 4)	36	25
Payables (note 8)	127	134
<b>Trade receivables from and payables to companies in which members of supervisory and management boards of group companies have significant influence</b>		
Receivables	4	4
Payables	1	1
<b>Trade receivables from and payables to government agencies and companies in which the state has control</b>		
Receivables	412	412
Payables	1,202	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.