Unaudited interim condensed consolidated report for the 6 months ended 30 June 2018

Translation of the Estonian original

AS Tallinna Sadam

AS TALLINNA SADAM

UNAUDITED INTERIM CONDENSED CONSOLIDATED REPORT FOR THE 6 MONTHS ENDED 30 JUNE 2018

Commercial Registry no.	**10137319**
VAT registration no.	**EE100068489**
Postal address	**Sadama 25 15051 Tallinn**
Registered office	**Sadama 25 15051 Tallinn**
Country of incorporation	**Republic of Estonia**
Phone	**+372 631 8555**
Fax	**+372 631 8166**
E-mail	**ts@ts.ee**
Corporate website	**www.ts.ee**
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**

TABLE OF CONTENTS

MANAGEMENT REPORT

In the first half of 2018, the volume of cargo handled and the number of passengers[1] served at the Group's harbours increased as did the Group's revenue. Operations ended in a net loss of EUR 2.3 million. Compared with the net profit earned in the same period last year, the net result decreased by EUR 16.2 million, mostly due to larger income tax expense on dividends. Income tax expense on dividends grew by EUR 14.3 million in connection with a larger dividend – the Group declared a record dividend of EUR 105 million compared with EUR 48 million in 2017. Profit before income tax declined by EUR 2.0 million, mainly because in the first quarter of 2017 the ferry segment received one-off penalty income for delays in the delivery of new passenger ferries, which exceeded the expenses caused by the delays. In the first half of 2018, there was no similar income or expense. In 2017, the Group's expenses were higher than usual until the end of the third quarter when the charter of M/V Hiiumaa (ferry segment) ended but additional penalty income was earned in the first quarter only.

In the second quarter of 2018, the volume of cargo handled, the number of passengers served and the amount of revenue earned also grew compared with the same period last year. The Group's profit before income tax grew by EUR 0.5 million to EUR 12.2 million, net profit, on the other hand, decreased by EUR 13.8 million. The loss in second quarter and first half of the year was caused by the impact of the anticipated income tax expense (EUR 26.3 million) on the record high dividend amount (EUR 105 million), which was announced in April 2018. Based on the management's estimates, the Group shall achieve the profit target set for 2018 and will be capable of paying dividends in 2019 in accordance with the set dividend policy, i.e. at least EUR 30 million.

KEY PERFORMANCE INDICATORS OF THE GROUP

Indicator	Unit	6 months 2018	6 months 2017	Difference	Change	Q2 2018	Q2 2017	Difference	Change
Revenue	EUR '000	62,166	61,513	653	1.1%	32,752	31,662	1,090	3.4%
Operating profit	EUR '000	24,950	26,981	-2,031	-7.5%	12,611	12,254	357	2.9%
Adjusted EBITDA[2]	EUR '000	35,547	36,524	-977	-2.7%	17,944	17,326	618	3.6%
Depreciation, amortisation and impairment	EUR '000	-10,949	-9,726	-1,223	12.6%	-5,546	-5,176	-370	7.1%
Income tax	EUR '000	-26,250	-12,000	-14,250	118.8%	-26,250	-12,000	-14,250	118.8%
Profit/loss for the period	EUR '000	-2,256	13,987	-16,243	-116.1%	-14,084	-320	-13,764	4301.3%
Total assets	EUR '000	656,406	652,596	3,810	0.6%	656,406	652,596	3,810	0.6%
Equity	EUR '000	340,908	313,231	27,677	8.8%	340,908	313,231	27,677	8.8%
Investments	EUR '000	5,190	24,513	-19,324	-78.8%	3,267	9,183	-5,917	-64.4%
Number of employees (average)		491	502	-11	-2.2%	497	512	-15	-2.9%
Cargo volume	t '000	10,091	9,948	143	1.4%	5,072	4,948	124	2.5%
Number of passengers	'000	4,827	4,819	8	0.2%	2,903	2,898	5	0.2%
Number of vessel calls		3,676	3,733	-57	-1.5%	1,967	2,055	-88	-4.3%
Number of shares at period-end	'000	263,000	185,203	77,797	42.0%	263,000	185,203	77,797	42.0%
Operating profit/revenue		40.1%	43.9%			38.5%	38.7%		
Adjusted EBITDA/revenue		57.2%	59.4%			54.8%	54.7%		
Profit or loss for the period/revenue		-3.6%	22.7%			-43.0%	-1.0%		
Profit or loss for the period/number of shares	EUR	-0.01	0.08	-0.09	-111.4%	-0.05	0.00	-0.05	2999.3%
Equity/number of shares	EUR	1.30	1.69	-0.39	-24.2%	1.30	1.69	-0.39	-24.2%

CARGO AND PASSENGER TRAFFIC

In the first half of 2018, cargo throughput at the Group's harbours grew by 143 thousand tonnes to 10.1 million tonnes, i.e. by 1.4% compared with the same period last year. In terms of cargo types, changes were relatively small: the largest increase was in the volume of ro-ro cargo (224 thousand tonnes, i.e. 9%) and the largest decrease was in the volume of dry bulk cargo (-119 thousand tonnes, i.e. 6%). The volume of

[1] The number of passengers does not include passengers travelling between the Estonian mainland and its two biggest islands
[2] Adjusted EBITDA=profit before depreciation, amortisation and impairment losses, amortisation of the Government grants, finance income, finance costs and income tax

containers handled grew by 53 thousand tonnes, i.e. 6% (in terms of TEUs by 6.6 thousand TEUs, i.e. 6%). The volume of liquid bulk cargo remained stable, growing by 43 thousand tonnes, i.e. 1%.

In the second quarter of 2018, the Group's harbours handled 5.1 million tonnes of cargo, an increase of 124 thousand tonnes, ie. 2.5%, on the same period in 2017. In terms of cargo types, the throughput of liquid bulk, ro-ro and container cargo grew by 190 thousand tonnes (10%), 92 thousand tonnes (7%) and 68 thousand tonnes (16%) respectively (in terms of TEUs the volume of containers grew by 9.4 thousand TEUs, i.e. 20%). The volume of liquid bulk cargo has remained stable in recent quarters, partly thanks to the oil price, which has risen in the past year. Steady growth in the volume of ro-ro cargo is attributable to busy vessel traffic between Tallinn and Helsinki, increasing trade relations in the region and a favourable economic cycle. The volume of containers has grown thanks to a rise in the calls of container ships. The volume of dry bulk and general cargo decreased by 184 thousand tonnes (16%) and 42 thousand tonnes (20%) respectively. The throughput of dry bulk cargo dropped because the volume of project cargo (e.g. sugar) declined and Estonia's cereal yield for 2017 was lower than the year before, which reduced cereal exports in the period following the year of harvest.

In the first half-year, the number of passengers increased through growth in the number of traditional cruise passengers by 8 thousand, i.e. 0.2%, to an all-time record of 4.83 million passengers.

In the second quarter, the total number of passengers also increased slightly (by 5 thousand passengers, i.e. 0.2%), rising to 2.90 million passengers. Passenger traffic on the Tallinn-Helsinki line decreased somewhat (by 22 thousand passengers, i.e. 0.9%) but the decline was outweighed by growth in the number of traditional cruise passengers (by 30 thousand passengers, i.e. 14%).

REVENUE, EXPENSES AND PROFIT

Revenue grew in second quarter by EUR 1.1 million, i.e. 3%, triggering a rise in the half-year revenue, which grew by EUR 0.7 million, i.e. 1% year on year, to EUR 62.2 million. In the first half-year, there were divergent changes in revenue streams, the largest of them growth in government support for the provision of ferry service between the mainland and the biggest islands, which increased by EUR 1.0 million, i.e. 12%. This was underpinned by different factors: the fee rates were higher than in the comparative period due to a rise in Estonia's consumer and fuel price indexes and wage inflation, the number of trips made grew and, based on an agreement with the state (the customer of the ferry service), the Group's capacity to provide the service during the summer months (June-August) was improved by putting an additional ferry into service, which also increased contractual revenue. Revenue from cargo charges decreased by EUR 0.6 million, i.e. 14%, mostly because of a lower forecast for annual revenue from liquid bulk cargo, which underlies the recognition of cargo charge revenue under the new revenue recognition standard IFRS 15 (lower expected cargo charge revenue per one tonne of liquid bulk cargo). Rental income decreased by EUR 0.5 million, i.e. 9%, because in the second half of 2017 the Group terminated land lease contracts with the operator of a coal terminal in Muuga Harbour that had gone bankrupt and some lease contracts in the Old City Harbour, mostly leases of buildings and areas which after the rearrangement of traffic will not be rented out, expired. Revenue from the sale of electricity in the first half-year grew by EUR 0.3 million, i.e. 12%. The main supporting factors were the weather, which at the beginning of the year was colder than last year, growth in cargo volumes and higher electricity prices. Revenue from vessel dues grew by EUR 0.2 million, i.e. 1%, primarily through a rise in the number of cruise ship calls. Charter revenue grew by EUR 0.08 million, i.e. 2.0%, in connection with the indexation of the charter fee rate of the icebreaker M/V Botnica. Changes in other revenue streams were less significant. In terms of segments, in the first half-year the strongest revenue growth was posted by the ferry segment and somewhat smaller revenue growth by the segment comprising activities which do not qualify for separate reporting (referred to as "other" in segment reporting). The revenues of the passenger and cargo harbours segments decreased slightly although their second-quarter revenues improved somewhat compared with the same period last year.

Other income for the first half-year decreased by EUR 3.7 million compared with the same period last year because in the first quarter of 2017 the Group recognised penalty income of EUR 3.75 million received from shipyards for delays in the delivery of new passenger ferries. On the other hand, other expenses for the first quarter of 2017 included penalty expenses of EUR 0.1 million incurred because the capacity of the substitute ferries used to provide the ferry service between Estonia's mainland and the biggest islands was smaller than agreed in the public transport contract. Other income and expenses for the second quarter did not change significantly year on year.

Operating expenses for the first half-year decreased by EUR 2.5 million, i.e. 13%, mainly because in the same period in 2017 the Group incurred expenses of EUR 4.7 million from the rental of substitute ferries for the provision of the ferry service between Estonia's mainland and the biggest islands (the ferry segment) which in 2018 did not arise. Other more significant changes in operating expenses included growth in non-current asset repair costs of EUR 0.9 million, i.e. 45%, and fuel, oil and energy costs of EUR 0.4 million, i.e. 8%. Repair costs grew, above all, in connection with major repairs carried out in the harbours (passenger and cargo harbours segments). The increase in energy costs was mainly attributable to larger electricity sales in the cargo harbours segment.

Personnel expenses grew by EUR 0.4 million, i.e. 5%, primarily in harbour operations and the ferry service. The main reasons were a certain growth in salaries and recognition of a one-off provision for obligations resulting from the prohibition on competition clauses in the contracts of the members of the Parent company's management board.

Depreciation and amortisation expense grew by EUR 1.2 million, i.e. 13%, mostly on the side of harbour operations where the volume of non-current assets increased in connection with the implementation of the Smart Port project and the completion of investments made in the improvement of traffic areas at the Old City Harbour (passenger harbours segment). There was an almost equal rise in the depreciation and amortisation expense of ferry operations because the last two of the four passenger ferries acquired for providing the domestic ferry service were completed by the end of the first quarter and their depreciation began from the second quarter of 2017.

The Group's operating expenses for the second quarter did not change significantly, rising by EUR 56 thousand, i.e. 0.6%. Personnel expenses grew by EUR 0.3 million, i.e. 7%, mostly in harbour operations but also in other segments. Depreciation and amortisation expense grew by EUR 0.37 million, i.e. 7%, mainly in the passenger harbours segment in connection with the completion of new non-current assets in the Smart Port project and the implementation of new traffic solutions.

Operating profit for the first half-year decreased by EUR 2.0 million, i.e. 8%. The main reason was the decline in other income (no penalty income from shipyards), which was larger than the decrease in operating and other expenses. The Group received penalty income from the shipyards until the end of the first quarter of 2017 but charter fees for one substitute ferry had to be paid until the end of the third quarter of 2017. In connection with the decrease in operating profit, operating margin for the first half-year dropped from 43.9% to 40.1%. However, operating profit for the second quarter grew year on year because growth in revenue and other income exceeded growth in operating and other expenses. Operating margin for the second quarter decreased slightly (from 38.7% to 38.5%) because year-on-year growth in revenue and other income outpaced growth in operating profit.

Adjusted EBITDA for the first half-year decreased less than operating profit, by around EUR 1.0 million, because it was not influenced by growth in depreciation and amortisation expense. Adjusted EBITDA for the second quarter grew by EUR 0.6 million, driven by growth in the ferry segment which exceeded a slight decline in other segments. Adjusted EBITDA margin for the first half-year dropped from 59.4% to 57.2% while the same metric for the second quarter rose from 54.7% to 54.8% compared with the same period last year.

Net finance costs for the first half-year decreased slightly, by EUR 40 thousand, i.e. 4%, mainly in connection with a decrease in interest-bearing liabilities and a certain decline in interest rates. Interest expense decreased mainly due to the influence of the second quarter where net finance costs decreased by EUR 80 thousand, i.e. 13%.

Profit before income tax for the first half-year decreased by EUR 2.0 million, i.e. 8%, to EUR 24.0 million because other income, which in the first quarter of 2017 included penalty income from shipyards of EUR 3.75 million, declined. The decrease in other income exceeded the decrease in expenses which was mainly attributable to the fact that in the first half of 2017 the Group incurred expenses related to the charter of substitute ferries. A certain amount of charter expenses was also incurred in the third quarter of 2017. However, profit before tax for the second quarter improved by EUR 0.5 million, i.e. 4%, to EUR 12.2 million.

In connection with the declaration of a record dividend of EUR 105 million in the second quarter of 2018 compared with EUR 48 million in 2017, income tax expense for the first half-year increased by EUR 14.3 million to EUR 26.3 million. Due to larger income tax expense, the first half of 2018 ended in a loss of EUR 2.3 million, a decrease of EUR 16.2 million compared with the profit earned in the comparative period. The net result for the second quarter was a loss of EUR 14.1 million compared with a loss of EUR 0.3 million for the second quarter of 2017. In both years, the second-quarter loss resulted from income tax expense on dividends declared during the quarter, which was anticipated. According to the management estimates, the Group shall achieve the profit target set for the 2018 and there will be no deviations from the dividend policy.

INVESTMENTS

In the first half of 2018 the Group made investments of EUR 5.2 million. The figure was smaller than in the same period last year when investments totalled EUR 24.5 million of which around EUR 20 million was related to the construction of new ferries. In the first half of 2018, the largest investments were made in the reconstruction of traffic areas and the implementation of automated traffic control systems at the Old City Harbour and the dry docking of M/V Botnica which is carried out every five years. Investments made in the second quarter totalled EUR 3.3 million.

SEGMENT REPORTING

	6 months 2018					6 months 2017				
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	23,063	20,491	14,405	4,208	62,166	23,398	20,715	13,275	4,125	61,513
Adjusted EBITDA	15,060	12,363	6,062	2,061	35,547	16,424	13,665	4,177	2,258	36,524
Operating profit	12,268	8,272	3,256	1,153	24,950	14,332	9,574	2,054	1,022	26,981
Adjusted EBITDA margin	65.3%	60.3%	42.1%	49.0%	57.2%	70.2%	66.0%	31.5%	54.7%	59.4%

	Change, 6 months				
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	-335	-224	1,129	83	653
Adjusted EBITDA	-1,364	-1,302	1,885	-196	-977
Operating profit	-2,064	-1,301	1,203	131	-2,032

	Q2 2018					Q2 2017				
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	14,220	10,018	7,750	765	32,752	14,088	9,893	6,933	750	31,664
Adjusted EBITDA	9,580	5,650	3,324	-611	17,944	10,170	6,374	866	-84	17,326
Operating profit	8,118	3,611	1,920	-1,039	12,611	9,107	4,337	-500	-689	12,254
Adjusted EBITDA margin	67.4%	56.4%	42.9%	-79.8%	54.8%	72.2%	64.4%	12.5%	-11.3%	54.7%

	Change, Q2				
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	132	125	816	15	1,088
Adjusted EBITDA	-590	-724	2,458	-526	618
Operating profit	-989	-725	2,421	-350	356

In terms of segments, the largest year-on-year change in revenue for the first half-year occurred in the ferry segment (EUR +1.1 million, i.e. +9%), followed by the passenger harbours segment (EUR -0.3 million, i.e. -1%), the cargo harbours segment (EUR -0.2 million, i.e. -1%) and the segment “other” (EUR +0.1 million, i.e. +2%).

In the **passenger harbours segment** the half-year revenue decreased because in 2017 the average rate of vessel dues was higher (in connection with the fact that in February 2017 M/V Megastar replaced M/V Superstar, the total discounts granted to them in 2017 based on the number of their harbour calls were smaller and the average rate of dues charged from them was higher than the corresponding figures for M/V Megastar alone in 2018) and in October 2017 M/V Sea Wind was transferred from the Old City Harbour to Muuga Harbour (as a result, in 2018 the vessel dues and cargo charges revenues of the cargo harbours segment increased and those of the passenger harbours segment decreased). The second-quarter revenue of the passenger harbours segment increased thanks to the impact of cruise ships (the number of calls increased).

In the **cargo harbours segment** the half-year revenue decreased, mainly due to a decline in cargo charges (primarily lower cargo charge revenue per tonne of liquid bulk cargo) and rental income (primarily rental income from the former coal terminal), which was partly counterbalanced by additional revenue from the transfer of M/V Sea Wind and growth in electricity sales. The second-quarter revenue of the cargo harbours segment increased through growth in vessel dues revenue (mainly the dues charged from tankers and container ships), which exceeded the impact of a decrease in cargo charge revenue and rental income.

The ferry segment revenue grew mainly in the second quarter through the combined effect of different factors: the fee rates were higher than in the comparative period due to a rise in Estonia’s consumer and fuel price indexes and wage inflation, the number of trips made grew and, based on an agreement with the state (the customer of the ferry service), the Group’s capacity to provide the service during the summer months (June-August) was improved by putting an additional ferry into service, which also increased contractual revenue.

In the **segment "other"** the revenue grew due to the indexation of the charter fee rate for M/V Botnica.

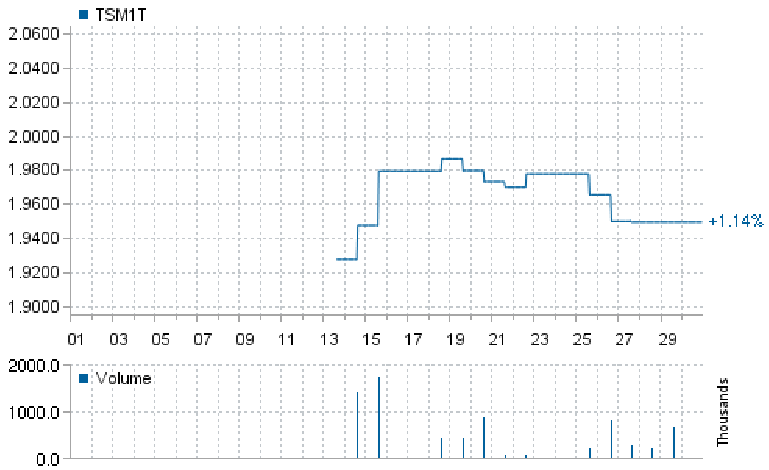
Both in the first half and second quarter of 2018, **adjusted EBITDA** grew in the ferry segment and decreased in other segments (year on year). In the second quarter adjusted EBITDA growth in the ferry segment exceeded the decreases in other segments but in the first half-year the impact of decreases proved stronger. In the second quarter, the adjusted EBITDA of the ferry segment grew mostly because in the comparative period the segment incurred larger than usual expenses from the rental of substitute ferries (which in 2018 were not incurred). In addition, the impact of penalty income received from the shipyards, which was recognised in the first quarter of 2017, was stronger than the cost savings derived from the termination of the charter of substitute ferries. The half-year adjusted EBITDA of the passenger harbours segment decreased due to a decline in revenue and growth in expenses (non-current asset repair costs and larger than usual one-off expenses related to the Smart Port project and the implementation of reconstructed traffic areas). The adjusted EBITDA of the cargo harbours segment decreased due to a decline in revenue and, particularly, higher non-current asset repair costs. In the first half-year, the adjusted EBITDA of the segment "other" declined, mostly through larger repair and maintenance costs in the second quarter which were partly related to preparations made for the summer season.

In the ferry segment, the **adjusted EBITDA margin** for the first half-year improved as expected, rising from 31.5% to 42.1%, while in other segments the margin decreased. As a result, the Group's margin dropped from 59.4% to 57.2%. The changes in the segments' second-quarter margins were mostly of the same nature but the Group's margin rose slightly compared with the second quarter of 2017.

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. 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 1 euro.

The dynamics of the closing price of the AS Tallinna Sadam share and the volume of shares traded in June since the listing of the share on the Nasdaq Tallinn Stock Exchange on 13 June 2018:



The offering price of the share was fixed at the end of the subscription period at EUR 1.70 per share. The closing price of the share as at 30 June 2018 was EUR 1.95, having remained relatively stable in the first weeks of trading and having increased by 1.14% compared with the closing price on the first day of trading. During the period, there were 3,433 transactions with the Tallinna Sadam share by which 10.26 million shares changed the owner. The total turnover of the transactions was EUR 20.13 million.

At 30 June 2018, the company had 13,386 shareholders but only the Republic of Estonia (through the Ministry of Economic Affairs and Communications) had an ownership interest exceeding 5%. The largest shareholders as at 30 June 2018 were as follows:

Name of shareholder	Number of shares	Ownership interest, %
Ministry of Economic Affairs and Communications	176,295,032	67%
European Bank for Reconstruction and Development	9,350,000	4%
SEB Progressiivne Pensionifond	6,484,365	2%
JPMorgan Chase Bank, National Association on behalf of non-treaty clients	5,611,031	2%
LHV Pensionifond L	5,174,314	2%

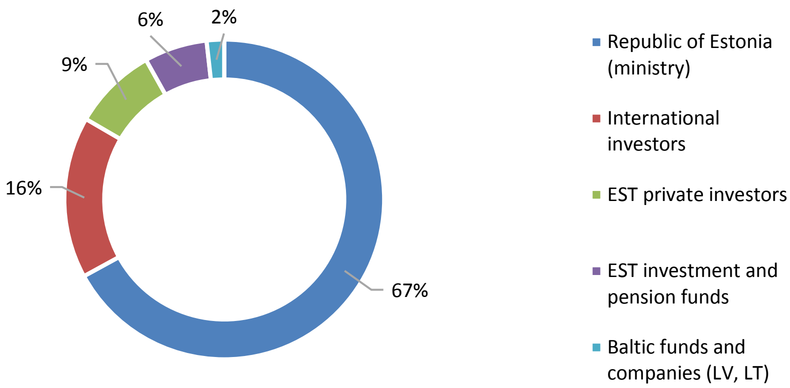


Chart: Shareholder structure as at 30 June 2018

DIVIDENDS

In the previous years, AS Tallinna Sadam has paid out significant dividend amounts and has set a goal to continuously pursuit the same strong and solid dividend policy. The average annual dividend of the company in the last ten years has reached EUR 28 million.

The dividend policy proposed by the supervisory board of AS Tallinna Sadam and approved by the former sole shareholder, the Republic of Estonia, sets a target to pay post tax regular dividends to the shareholders in the years 2019-2020 at least EUR 30 million per annum and from 2021 onward at least 70% of its preceding year's net profit, subject to market conditions, growth and development plans, as well as the need to maintain a reasonable level of liquidity.

The dividend for 2017 to be paid out in 2018 is confirmed at EUR 105 million, of which the first payment in amount of EUR 85 million was made on 25.06.2018 and the second payment in amount of EUR 20 million is planned to be made in the end of 2018. According to the terms and conditions of the initial public offering of the shares, the dividends for the year 2017 are only paid to the former sole shareholder (the Republic of Estonia) and the shareholders who acquired the shares during the initial public offering are entitled to dividends paid out for the year 2018 and onward.

Despite the loss of EUR 2.3 million for the first half of 2018, which was anticipated and caused by the income tax expense resulting from the declared record high dividend amount (EUR 105 million), according to the management estimates the Group will achieve its planned profit target for 2018 and is able to comply with the set dividend policy.

CORPORATE GOVERNANCE

As at 30 June 2018, AS Tallinna Sadam had two wholly-owned subsidiaries - OÜ TS Shipping and OÜ TS Laevad - and a 51% interest in a joint venture AS Green Marine.

Supervisory board is responsible for the strategic planning of the company's activities and supervision of the management board. According to the Articles of Association of AS Tallinna Sadam, the supervisory board consist of 6 to 8 members. As at 30.06.2018 there were six members in the supervisory board: Aare Tark (chairman), Ahti Kuningas, Maarika Liivamägi, Raigo Uukkivi, Urmas Kaarlep and Üllar Jaaksoo. Under the supervisory board acts the 3-member audit committee, consisting of members of the supervisory board, acting as an advisory body in supervisory issues.

Management board is responsible for the everyday management of the company according to the law and the Articles of Association. According to the Articles of Association, there can be 2 to 5 members in the management board. As at 30.06.2018, there were 3 members in the management board: Valdo Kalm (CEO), Marko Raid (CFO) and Margus Vihman (CCO).

Additional information about the corporate governance of the company and members of the management and supervisory boards is presented in the prospectus of the initial public offering of the shares and on the company's website dedicated to investors: https://investor.ts.ee/en/.

The Group follows the principles of the Corporate Governance Code.

SIGNIFICANT EVENTS IN THE SECOND QUARTER OF 2018

1. **Change in the composition of the supervisory board.** On 17 April 2018, the general meeting removed Kati Kusmin from the supervisory board of AS Tallinna Sadam and appointed Maarika Liivamägi as a new member of the supervisory board with a term of office until 8 September 2020.
2. **IPO and increase of capital.** The initial public offering of the shares in AS Tallinna Sadam was carried out from 25 May to 7 June 2018. In connection with this, the company issued 75,404,968 new shares. In addition, during the IPO 11,300,000 existing shares were sold. The offering price was fixed at the end of the IPO at the level of EUR 1.7 per share. The IPO was more than three times oversubscribed.
3. **Contract for an oilseeds processing plant and logistics centre.** On 28 June 2018, AS Tallinna Sadam and MPG AgroProduction OÜ (MPG) signed a cooperation contract and a contract on the right of superficies (building rights contract) for the development of an oilseeds processing and logistics complex at Muuga Harbour. The contracts were signed for a term of 99 years. Under the contracts, MPG will build an oilseed processing plant, a superstructure for loading and unloading raw material and end products on the quays as well as loading facilities for transporting raw material and end products to and from Muuga Harbour using the railway and road network. The complex will be situated in the eastern part of Muuga Harbour and is scheduled to be developed to full capacity within the next five years. The estimated processing capacity of the complex is 1.5 million tonnes per year and it is expected to increase the volume of cargo handled by AS Tallinna Sadam by 2.5 million tonnes per year.
4. **Contract for chartering M/V Botnica for summer periods**. OÜ TS Shipping, a subsidiary of AS Tallinna Sadam, signed a contract with Baffinland Iron Mines LP for chartering M/V Botnica for the summer period of 2018 and, subject to certain conditions, for the summer periods of 2019-2022. Baffinland Iron Mines LP 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 will provide escort and ice management, oil spill and emergency response services.
5. **Memorandum of Understanding with the City of Tallinn for developing the Old City Harbour in line with Masterplan 2030.** AS Tallinna Sadam and Tallinn City Planning Department have signed a memorandum of understanding in which they confirm their common interest to develop the area of the Old City Harbour into a contemporary, attractive and vibrant city centre with high-quality public space. According to the memorandum of understanding, AS Tallinna Sadam and Tallinn City Planning Department will work together to implement Masterplan 2030, created in 2017 for the development of the Old City Harbour by the architecture firm Zaha Hadid Architects, taking into account the vision of the Tallinn seaside.
6. **Termination of the Vesta lawsuit.** By a ruling issued on 20 June 2018 Harju County Court decided to dismiss an action brought against AS Tallinna Sadam based on a statement of claim by Vesta Terminal Tallinn OÜ (civil case no. 2-18-2058). Vesta Terminal had filed a civil action against AS Tallinna Sadam on 8 February 2018, seeking a change in the terms and conditions of a cooperation contract signed by the parties.

MANAGEMENT'S CONFIRMATION AND SIGNATURES

By authorising the unaudited interim condensed consolidated report as at 30 June 2018 for issue, the management board confirms that the information about AS Tallinna Sadam and companies related to it, as set out on pages 12 to 26, is correct and complete and that:

1. the unaudited interim condensed consolidated financial statements have been prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS EU);

2. the unaudited interim condensed consolidated financial statements give a true and fair view of the financial position, cash flows and financial performance of the Group;

3. all significant events that occurred until the date on which the interim condensed consolidated financial statements were authorised for issue (13 August 2018) have been properly recognised and disclosed; and

4. AS Tallinna Sadam and its subsidiaries are going concerns.

13 August 2018

Valdo Kalm	Marko Raid	Margus Vihman
Chairman of the Management Board	Member of the Management Board	Member of the Management Board

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Note	30 June 2018	31 December 2017
ASSETS			
Current assets			
Cash and cash equivalents		68,404	6,954
Trade and other receivables	4	10,137	9,271
Contract assets	10	419	0
Inventories		407	301
Total current assets		**79,367**	**16,526**
Non-current assets			
Investments in joint ventures	5	1,126	1,256
Other long-term receivables	4	198	272
Property, plant and equipment	6	573,657	577,125
Intangible assets		2,058	1,958
Total non-current assets		**577,039**	**580,611**
Total assets		**656,406**	**597,137**
LIABILITIES			
Current liabilities			
Loans and borrowings	8	18,172	21,989
Derivative financial instruments		511	609
Payables to owners		20,000	0
Provisions		1,027	1,503
Government grants		53	303
Taxes payable		21,931	698
Trade and other payables	7	15,116	7,777
Contract liabilities	10	3,860	33
Total current liabilities		**80,671**	**32,912**
Non-current liabilities			
Loans and borrowings	8	210,228	213,611
Government grants		23,607	23,826
Other payables	7	64	64
Contract liabilities	10	928	932
Total non-current liabilities		**234,827**	**238,433**
Total liabilities		**315,498**	**271,345**
EQUITY			
Share capital at par value	10	263,000	185,203
Share premium		44,477	0
Statutory capital reserve		18,520	18,520
Hedge reserve		-511	-609
Retained earnings		15,422	122,678
Total equity		**340,908**	**325,792**
Total liabilities and equity		**656,406**	**597,137**

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 2018	Q2 2017	6 months 2018	6 months 2017
Revenue	3,10	32,752	31,662	62,166	61,513
Other income	11	241	238	444	4,135
Operating expenses	12	-10,004	-9,948	-17,587	-20,110
Personnel expenses		-4,782	-4,483	-8,972	-8,541
Depreciation, amortisation and impairment	6	-5,546	-5,176	-10,949	-9,726
Other expenses	11	-50	-39	-152	-290
Operating profit		**12,611**	**12,254**	**24,950**	**26,981**
Finance income and costs					
Finance income		8	14	8	18
Finance costs		-527	-613	-1,038	-1,088
Finance costs - net		**-519**	**-599**	**-1,030**	**-1,070**
Share of profit of a joint venture accounted for under the equity method		74	25	74	76
Profit before income tax		**12,166**	**11,680**	**23,994**	**25,987**
Income tax		-26,250	-12,000	-26,250	-12,000
Profit/loss for the period		**-14,084**	**-320**	**-2,256**	**13,987**
Of which attributable to owners of the Parent		-14,084	-320	-2,256	13,987
Basic and diluted earnings per share (in euros)		-0.07	0.00	-0.01	0.08
Basic and diluted earnings per share - continuing operations (in euros)		-0.07	0.00	-0.01	0.08

Consolidated statement of other comprehensive income

In thousands of euros	Note	Q2 2018	Q2 2017	6 months 2018	6 months 2017
Profit/loss for the period		**-14,084**	**-320**	**-2,256**	**13,987**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Net fair value gain on hedging instruments in cash flow hedges		33	107	98	276
Total other comprehensive income		**33**	**107**	**98**	**276**
Total comprehensive income/expense for the period		**-14,051**	**-213**	**-2,158**	**14,263**
Of which attributable to owners of the Parent		-14,051	-213	-2,158	14,263

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the 6 months ended 30 June

In thousands of euros	**Note**	**6 months 2018**	**6 months 2017**
Cash receipts from sale of goods and services		67,535	67,309
Cash receipts related to other income		56	433
Payments to suppliers		-20,676	-22,976
Payments to and on behalf of employees		-8,019	-7,631
Payments for other expenses		-185	-677
Income tax paid on dividends		0	-8,657
Cash from operating activities		**38,711**	**27,801**
Purchases of property, plant and equipment		-5,908	-15,854
Purchases of intangible assets		-385	-362
Proceeds from sale of property, plant and equipment		0	501
Interest received		2	8
Cash used in investing activities		**-6,291**	**-15,707**
Contributions to share capital		122,287	0
Redemption of debt securities	8	-1,250	-1,250
Repayments of loans received	8	-3,383	-3,383
Change in overdraft (liability)	8	-2,566	0
Repayments of finance lease principal	8	-1	-1
Dividends paid	9	-85,000	0
Interest paid		-1,020	-1,239
Other payments related to financing activities		-37	-1
Cash from/used in financing activities		**29,030**	**-5,874**
NET CASH FLOW		**61,450**	**6,220**
Cash and cash equivalents at beginning of the period		6,954	49,918
Change in cash and cash equivalents		61,450	6,220
Cash and cash equivalents at end of the period		68,404	56,138

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 30 June

In thousands of euros	Note	Share capital at par value	Share premium	Statutory capital reserve	Hedge reserve	Retained earnings	Total equity
Equity at 31 December 2016		**185,203**	**0**	**18,520**	**-1,008**	**144,253**	**346,968**
Profit for the period		0	0	0	0	13,987	13,987
Other comprehensive income for the period		0	0	0	168	0	168
Total comprehensive income for the period		*0*	*0*	*0*	*168*	*13,987*	*14,155*
Dividends declared		0	0	0	0	-48,000	-48,000
Equity at 30 June 2017		**185,203**	**0**	**18,520**	**-840**	**110,240**	**313,123**
Equity at 31 December 2017		**185,203**	**0**	**18,520**	**-609**	**122,678**	**325,792**
Contributions to share capital	9	77,797	44,477	0	0	0	122,274
Loss for the period		0	0	0	0	-2,256	-2,256
Other comprehensive income for the period		0	0	0	98	0	98
Total comprehensive expense for the period		*0*	*0*	*0*	*98*	*-2,256*	*-2,158*
Dividends declared	**9**	0	0	0	0	-105,000	-105,000
Equity at 30 June 2018		**263,000**	**44,477**	**18,520**	**-511**	**15,422**	**340,908**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

AS Tallinna Sadam (also referred to as the "Parent" or the "Company") is a company incorporated and registered in the Republic of Estonia on 5 November 1996. The interim condensed consolidated financial statement of AS Tallinna Sadam as at and for the 6 months ended 30 June 2018 comprise the Parent and its subsidiaries (together referred to as the "Group"). The Parent's core business line is rendering of port services in the capacity of a landlord port (AS Tallinna Sadam owns the land on which it operates) whose tasks involve managing and developing port infrastructure and organising vessel traffic in the port basin.

The Group owns five harbours: Old City, Saaremaa, Muuga, Paljassaare, and Paldiski South. The Old City Harbour in the centre of Tallinn, together with the Old City Marina for small vessels (opened in 2010) and the Saaremaa Harbour, used mostly for receiving cruise ships, provide mainly passenger harbour services. Muuga Harbour, Estonia's largest cargo harbour, the Paldiski South Harbour, and the Paljassaare Harbour that serves mostly ship repair companies, are provide mainly cargo harbour services.

In addition to the landlord port operations (managing and developing port infrastructure and organising vessel traffic in the port basin) carried out in passenger and cargo harbours, the Group's subsidiaries provide ice-breaking services and other maritime support services as well as domestic ferry service with passenger ferries.

The Group's subsidiaries as at 30 June 2018:

Subsidiary	Domicile	Ownership interest (%)	Core business line
OÜ TS Shipping	Republic of Estonia	100	Rendering ice-breaking and other maritime support services with multi-functional ice-breaker Botnica
OÜ TS Laevad	Republic of Estonia	100	Rendering domestic ferry service with passenger ferries

In 2017, the Parent, AS Tallinna Sadam, merged with its wholly-held subsidiary OÜ TS Energia and the business of providing energy supply and associated network services in ports was transferred back to the parent. The purpose of the merger was to streamline and align the services and development activities carried out in the harbour area, and to improve the fluidity of everyday processes.

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%).

2. ACCOUNTING POLICIES

These interim condensed consolidated financial statements for the 6 months ended 30 June 2018 have been prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting".

The 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 2017. See note 2 to the consolidated financial statements in the annual report for 2017 for additional information about significant accounting policies.

As disclosed in note 2 to the Group's consolidated financial statements for the year ended 31 December 2017, in the period which started on 1 January 2017 the Group adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. The Group also changed certain accounting policies in order to provide more relevant and reliable information.

Note 2 continued

Since the changes in accounting policies were applied retrospectively, in the financial statements for the 6 months ended 30 June 2018 the comparative figures for 2017 have not been additionally adjusted as the amounts are fully comparable.

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 2017. The Group has not early adopted any other 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

	6 months 2018				
In thousands of euros	**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	22	0	**1,040**
Rental income	816	4,413	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*	**23,063**	**20,491**	**14,405**	**4,208**	**62,166**
Adjusted segment EBITDA	**15,060**	**12,363**	**6,062**	**2,061**	**35,547**
Depreciation and amortisation	-2,840	-4,321	-2,806	-982	**-10,949**
Impairment loss	0	0	0	0	**0**
Amortisation of government grants received	48	230	0	0	**278**
Share of profit of a joint venture accounted for under the equity method	0	0	0	74	**74**
Segment operating profit	**12,268**	**8,272**	**3,256**	**1,153**	**24,950**
Finance income and costs, net					-1,030
Share of profit of a joint venture 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 revenues of EUR 25 thousand and EUR 73 thousand for the passenger harbours and cargo harbours segments respectively, which were eliminated on consolidation.

Note 3 continued

	6 months 2017				
In thousands of euros	**Passenger harbours**	**Cargo harbours**	**Ferry**	**Other**	**Total**
Vessel dues	12,854	9,872	0	0	**22,726**
Cargo charges	796	3,199	0	0	**3,995**
Passenger fees	7,819	16	0	0	**7,835**
Sale of electricity	361	2,379	0	0	**2,740**
Sale of ferry services - revenue from ticket sales	0	0	4,554	0	**4,554**
Sale of other services	532	457	14	0	**1,003**
Rental income	1,036	4,792	174	0	**6,002**
Charter fees	0	0	0	4,125	**4,125**
Sale of ferry services - government support	0	0	8,533	0	**8,533**
Total segment revenue*	**23,398**	**20,715**	**13,275**	**4,125**	**61,513**
Adjusted segment EBITDA	**16,424**	**13,665**	**4,177**	**2,258**	**36,524**
Depreciation and amortisation	-2,102	-4,325	-2,123	-1,160	**-9,710**
Impairment loss	-16	0	0	0	**-16**
Amortisation of government grants received	27	234	0	0	**260**
Share of profit of a joint venture accounted for under the equity method	0	0	0	-76	**-76**
Segment operating profit	**14,332**	**9,574**	**2,054**	**1,022**	**26,981**
Finance income and costs, net					-1,070
Share of profit of a joint venture accounted for under the equity method					76
Income tax expense					-12,000
Profit for the period					**13,987**

* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 14 thousand and EUR 111 thousand for the passenger harbours and cargo harbours segments respectively, which were eliminated on consolidation.

4. TRADE AND OTHER RECEIVABLES

In thousands of euros	**30 June 2018**	**31 December 2017**
Receivables from customers	11,027	9,293
Allowance for credit loss	-2,276	-2,384
Prepaid taxes	459	673
Government grants receivable	193	189
Other prepayments	335	620
Receivables from joint venture (note 16)	19	27
Dividends receivable	204	0
Other receivables	374	1,125
Total trade and other receivables	**10,335**	**9,543**
Of which short-term receivables	10,137	9,271
long-term receivables	198	272

Note 4 continued

Trade receivables provision matrix

In thousands of euros		Days past due				
At 30 June 2018	Not past due	0-30	31-60	61-90	>90	Total
Expected credit loss rate	0.8%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	8,750	70	3	3	2,202	11,027
Lifetime expected credit loss (ECL)	-70	-1	-1	-2	-2202	-2,276
						8,751
At 31 December 2017						
Expected credit loss rate	5.1%	1.5%	3.0%	40.0%	100.0%	
Total trade and other receivables	7,015	180	47	49	2,002	9,293
Lifetime expected credit loss (ECL)	-358*	-3	-1	-20	-2002	-2,384
						6,909

* Includes an individually impaired receivable of EUR 301 thousand (gross carrying amount at 31 December 2017) which was collected after 31 December 2017.

5. INVESTMENTS IN JOINT VENTURE

In thousands of euros	**6 months 2018**	**6 months 2017**
Operating income	2,040	1,866
Operating expenses	1,784	1,621
Net profit	150	149

In thousands of euros	**30 June 2018**	**31 December 2017**
Net assets of the joint venture	2,207	2,462
The Group's ownership interest in the joint venture, %	51%	51%
Carrying amount of the Group's interest in the joint venture	1,126	1,256

At 30 June 2018, dividends receivable from the joint venture amounted to EUR 204 thousand (31 December 2017: EUR 0).

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 2017						
Cost	591,570	234,606	6,887	9,053	15	**842,131**
Accumulated depreciation and impairment losses	-199,964	-59,905	-5,137	0	0	**-265,006**
Carrying amount at 31 December 2017	**391,606**	**174,701**	**1,750**	**9,053**	**15**	**577,125**
Movements within 6 months ended 30 June 2018						
Acquisition and reconstruction	2,551	735	379	3,477	47	**7,189**
Depreciation charge	-5,514	-4,920	-223	0	0	**-10,657**
Reclassified at carrying amount	8,869	1,934	91	-10,894	0	**0**
At 30 June 2018						
Cost	602,983	236,412	7,338	1,636	62	**848,431**
Accumulated depreciation and impairment losses	-205,471	-63,962	-5,341	0	0	**-274,774**
Carrying amount at 30 June 2018	**397,512**	**172,450**	**1,997**	**1,636**	**62**	**573,657**

7. TRADE AND OTHER PAYABLES

In thousands of euros	30 June 2018	31 December 2017
Trade payables	6,249	4,994
Payables to employees	1,205	966
Interest payable	515	534
Accrued income tax payable on dividends	5,000	0
Accrued taxes payable on remuneration	555	557
Advances for goods and services	702	381
Payables to joint venture (note 16)	408	115
Other payables	546	294
Total trade and other payables	**15,180**	**7,841**
Of which current liabilities	15,116	7,777
non-current liabilities	64	64

8. LOANS AND BORROWINGS

In thousands of euros	30 June 2018	31 December 2017
Current portion		
Loans and borrowings	6,766	9,332
Debt securities	11,400	12,650
Finance lease liability	6	7
Total current portion	**18,172**	**21,989**
Non-current portion		
Loans and borrowings	42,978	46,361
Debt securities	167,250	167,250
Total non-current portion	**210,228**	**213,611**
Total loans and borrowings	**228,400**	**235,600**

Debt securities

All debt securities have been issued in euros and have floating interest rates (the base interest rate of 3 month or 6 month Euribor plus a fixed risk margin). The final maturities of the debt securities fall in 2018, 2026 and 2027. Principal payments made in the 6 months ended 30 June 2018 as per payment schedules totalled EUR 1,250 thousand (6 months ended 30 June 2017: EUR 1,250 thousand). Considering the effect of derivative transactions used to hedge interest rate risk, at 30 June 2018 the weighted average interest rate of the debt securities was 0.679% (30 June 2017: 0.800%).

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 loans fall in the years 2024-2028. Repayments of loan principal in the 6 months ended 30 June 2018 totalled EUR 3,383 thousand (6 months ended on 30 June 2017: EUR 3,383 thousand).

At 30 June 2018, the weighted average interest rate of drawn loans was 0.696% (30 June 2017: 0.818%). Considering the effect of derivative transactions used to hedge the interest rate risk, at 30 June 2018 the average interest rate of loans was 1.661% (30 June 2017: 1.742%).

Overdraft repayments of EUR 2,566 thousand were also made at their due dates.

Contractual maturities of loans and borrowings

In thousands of euros	30 June 2018
Up to 12 months	18,172
1–5 years	72,064
> 5 years	138,164
Total loans and borrowings	**228,400**

Fair value

As in the reporting period the evaluation of the Group's risk level did not change and there were no significant movements in the international financial market interest rates, the Group estimates that similarly to the period ended as at 31 December 2017 the fair values of loans and debt securities measured at amortised cost do not differ significantly from their carrying amounts stated in the Group's consolidated statement of financial position as at 30 June 2018.

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

Note 8 continued

All outstanding loan and debt securities agreements are unsecured commitments, i.e. no assets have been pledged to cover the obligations, and none of the debt securities is listed. The Group has performed all its contractual obligations stipulated in loan and debt securities agreements including those which relate to special terms. At 30 June 2018 the Group was also in compliance with all financial covenants imposed by the agreements.

9. EQUITY

Share capital and share premium

On 20 April 2018 AS Tallinna Sadam issued 2,392,000 new ordinary shares with a par value of EUR 1 each. The shares were paid for with non-monetary contributions – registered immovable properties belonging to the Republic of Estonia in Tallinn, Jõelähtme parish and Saaremaa parish.
The shares in AS Tallinna Sadam were listed in the Baltic Main List of the NASDAQ Tallinn Stock Exchange on 13 June 2018 after a successful initial public offering (IPO) of the shares. During the IPO, AS Tallinna Sadam issued 75,404,968 new shares with a par value of 1 euro each and the Republic of Estonia (sole shareholder until that time) sold 11,300,000 existing shares with a par value of EUR 1 each.
As at 30 June 2018, the company had 263,000,000 ordinary shares of which 176,295,032, i.e. 67.03%, belonged to the Republic of Estonia. The par value of a share is EUR 1.

Number of new shares issued	75,404,968
Share price at the end of subscription period, in euros	1.7
Proceeds from shares issued, in thousands of euros	**128,188**
Par value of new shares, in thousands of euros	-75,405
Costs related to IPO, in thousands of euros	-8,306
Share premium, in thousands of euros	**44,477**

Earnings per share

	6 months 2018	**6 months 2017**
Weighted average number of shares	193,653,382	185,203,032
Loss/profit for the period attributable to owners of the Parent (in thousands of euros)	-2,256	13,987
Basic and diluted earnings per share (in euros)	-0.01	0.08

Based on a decision made by the former sole shareholder (the Republic of Estonia) on 25 April 2018, AS Tallinna Sadam will distribute a dividend of EUR 105 million for 2017. As agreed with the Republic of Estonia, the dividend will be distributed in two parts: the first payment of EUR 85 million was made on 25 June 2018 and the second payment of EUR 20 million is expected to be made at the end of 2018. Under the terms and conditions of the IPO, dividend payments for 2017 will be made to the former sole shareholder (the Republic of Estonia) only and shareholders who acquired shares during the IPO are entitled to receive dividend payments for 2018 and later periods.

10. REVENUE

In thousands of euros	6 months 2018	6 months 2017
Revenue from contracts with customers		
Vessel dues	22,924	22,726
Cargo charges	3,442	3,995
Passenger fees	7,861	7,835
Sale of electricity	3,079	2,740
Sale of ferry services - ticket sales	4,566	4,554
Sale of other services	1,040	1,003
Total revenue from contracts with customers	**42,912**	**42,853**
Revenue from other sources		
Rental income from operating leases	5,470	6,002
Charter fees	4,208	4,125
Sale of ferry services - government support	9,576	8,533
Total revenue from other sources	**19,254**	**18,660**
Total revenue	**62,166**	**61,513**

Vessel dues include 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 dues is recognised based on the yearly average tariffs and estimated volume as described above. The difference between revenue recognised and amounts charged to customers as of 30 June 2018 was recognised as a contract liability of EUR 3,521 thousand (revenue recognised was smaller than billings to customers).

Some cooperation 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. Management estimated the Group's remaining right to consideration based on minimum cargo volumes and fees already received from customers as of 30 June 2018. As a result, the Group recognised a contract asset of EUR 419 thousand. Revenue received from some customers as of 30 June 2018 exceeded Management's estimate and, as a result, the Group recognised a contract liability of EUR 161 thousand so that estimated revenue would be recognised as evenly as possible throughout the interim periods of 2018.

When connecting to the electricity network, customers pay a connection fee based on the expenses incurred by the Group on connecting them to the network. The connection service does not represent a separate performance obligation as the customer does not benefit from this service separately (i.e. without consuming electricity). Therefore, connection fees form part of the consideration for electricity and are recognised as revenue over the estimated period during which customers are expected to consume electricity. Amounts of connection fees received which have not yet been included in revenue are recognised in the statement of financial position as contract liabilities. At 30 June 2018 such liabilities amounted to EUR 928 thousand (31 December 2017: EUR 932 thousand).

Revenue from ticket sales is recognised over time as the ferry transfers the passengers and/or vehicles, which happens in a single day, or at the point in time when the ticket expires. Consideration received from tickets sold for trips not yet performed is deferred and recognised in the statement of financial position as a contract liability. At 30 June 2018 such liabilities amounted to EUR 178 thousand (31 December 2017: EUR 33 thousand).

11. OTHER INCOME

In thousands of euros	6 months 2018	6 months 2017
Gain on sale of non-current assets	0	1
Penalties, interest on arrears*	117	3,874
Income from government grants	327	260
Total other income	**444**	**4,135**

* Penalties recognised during 6 months ended 30 June 2017 included penalties of EUR 3,750 thousand from shipyards for delays in the delivery of new passenger ferries.

12. OPERATING EXPENSES

In thousands of euros	6 months 2018	6 months 2017
Fuel, oil and energy costs	5,728	5,312
Technical maintenance and repair of non-current assets	2,912	2,009
Services purchased for infrastructure	1,462	1,353
Tax expenses	1,640	1,583
Consultation and development expenses	575	351
Services purchased	2,482	2,377
Acquisition and maintenance of insignificant assets	799	669
Advertising expenses	211	133
Rental expenses*	399	4,959
Insurance expenses	390	345
Other operating expenses	989	1,019
Total operating expenses	**17,587**	**20,110**

* Line item *Rental expenses* for 6 months ended 30 June 2017 includes the charter costs of replacement ferries of EUR 4,726 thousand, incurred due to delays in the delivery of new passenger ferries.

13. COMMITMENTS

At 30 June 2018, the Group's contractual obligations related to acquisition of property, plant and equipment, repairs, and research and development expenditures totalled EUR 1,602 thousand (31 December 2017: EUR 2,962 thousand).
In addition to contractual obligations the Group has committed to co-finance the construction of Reidi tee (Reidi road) in the amount of up to EUR 3,300 thousand under a memorandum of understanding signed with City of Tallinn. The aim of the co-financing is to help create the best possible connections between Reidi tee and the Old City Harbour belonging to the Group and thus facilitate smooth flows of passengers and vehicles.

14. CONTINGENT LIABILITIES

In the first half of 2017 AS Coal Terminal, a long-term customer of AS Tallinna Sadam and holder of several right of superficies contracts, declared bankruptcy. Because the 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 pay compensation equal to the usual value of the assets, the amount of which cannot be reliably estimated because the assets in question are special purpose assets for which a regular market does not exist and there are contradictory views on how the valuation should be performed. On 6 July 2018, bankruptcy trustees submitted a claim, demanding that AS Tallinna Sadam pay compensation EUR 22.4 million for the value of the assets. AS Tallinna Sadam does not admit such a claim. According to the assessment of the Group and its legal advisers, compensation can only be paid from, and to the maximum extent of, the proceeds collected from the sale of the assets. Thus, the management board has not considered it necessary to recognise a provision for the claim.

Note 14 continued

A claim for damages of EUR 23.8 million was lodged against Group companies TS Laevad OÜ and TS Shipping OÜ in October 2017 in relation to alleged unjustified use of confidential information. The Group has disputed the claim and is defending itself in the action. The management board believes that the claim is not substantiated and legal advice indicates that it is not probable that a liability will arise. Thus, the management board has not considered it necessary to recognise a provision for the claim.

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

15. INVESTIGATIONS CONCERNING THE GROUP

On 26 August 2015, the Estonian Internal Security Service detained long-term members of the management board of the Parent company AS Tallinna Sadam, Ain Kaljurand and Allan Kiil, 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 trial has not yet started; it is expected to start in January 2019. 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

For the purposes of these interim consolidated financial statements related parties include members of the supervisory and management boards of group companies and their close family members, companies under the control or significant influence of the above persons, joint ventures, government agencies and companies under the control or significant influence of the Republic of Estonia.

In thousands of euros	**6 months 2018**	**6 months 2017**
Transactions with joint venture		
Revenue	95	88
Operating expenses	1,029	987
Transactions with companies in which members of supervisory and management boards of group companies have significant influence		
Revenue	1	8
Operating expenses	5	4
Other expenses	8	6
Transactions with government agencies and companies in which the state has control		
Revenue	14,170	13,033
Other income	7	8
Operating expenses	3,666	3,225
Other expenses	3	133
Acquisition of property, plant and equipment	2	55

Note 16 continued

In thousands of euros	**30 June 2018**	**31 December 2017**
Trade receivables from and payables to joint venture		
Receivables (note 4)	19	27
Payables (note 7)	408	115
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	360	445
Payables	591	1,206

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 only 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 declarations submitted by related parties.