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**Unaudited interim condensed consolidated  
report for the  
9 months ended 30 September 2018**

*Translation of the Estonian original*

AS Tallinna Sadam

**AS TALLINNA SADAM****UNAUDITED INTERIM CONDENSED CONSOLIDATED REPORT  
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2018**

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

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**MANAGEMENT REPORT**

In the first nine months of 2018, the volume of cargo handled and the number of passengers<sup>1</sup> served at the Group's harbours grew as did the Group's revenue and adjusted EBITDA<sup>2</sup>. Operations ended in a net profit of EUR 15.8 million. Compared to the same period last year, net profit decreased by EUR 9.6 million, mostly due to a rise in income tax expense on dividends. Income tax 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 to EUR 48 million in 2017. Profit before income tax on the other hand grew by EUR 4.6 million through a strong improvement in the third quarter (up EUR 6.6 million), which also increased the corresponding figure for nine months.

In the third quarter of 2018, the volume of cargo handled grew substantially, the number of passengers grew slightly and revenue and profit figures including adjusted EBITDA improved compared to the third quarter of 2017. Revenue grew by EUR 6.2 million to EUR 38.9 million and net profit improved by EUR 6.6 million to EUR 18.1 million.

**KEY PERFORMANCE INDICATORS OF THE GROUP**

Indicator	Unit	9 months	9 months	Difference	Change	Q3	Q3	Difference	Change
		2018	2017			2018	2017		
Revenue	EUR '000	101,063	94,206	6,857	7.3%	38,897	32,694	6,203	19.0%
Operating profit	EUR '000	43,064	38,740	4,324	11.2%	18,113	11,758	6,355	54.0%
Adjusted EBITDA	EUR '000	59,697	53,708	5,990	11.2%	24,002	17,185	6,817	39.7%
Depreciation, amortisation and impairment	EUR '000	-16,516	-15,033	-1,483	9.9%	-5,567	-5,307	-260	4.9%
Income tax	EUR '000	-26,250	-12,000	-14,250	118.8%	0	0	0	0
Profit for the period	EUR '000	15,823	25,436	-9,613	-37.8%	18,078	11,448	6,630	57.9%
Investments	EUR '000	8,123	29,454	-21,331	-72.4%	2,933	4,941	-2,008	-40.6%
Number of employees (average)		501	510	-9	-1.8%	523	526	-3	-0.6%
Cargo volume	t '000	15,581	14,254	1,327	9.3%	5,489	4,306	1,184	27.5%
Number of passengers	'000	8,305	8,224	81	1.0%	3,478	3,405	73	2.2%
Number of vessel calls		5,811	5,959	-148	-2.5%	2,135	2,226	-91	-4.1%
Total assets at period-end	EUR '000	647,044	661,505	-14,461	-2.2%	647,044	661,505	-14,461	-2.2%
Debt at period-end	EUR '000	225,394	238,419	-13,025	-5.5%	225,394	238,419	-13,025	-5.5%
Equity at period-end	EUR '000	359,081	324,699	34,382	10.6%	359,081	324,699	34,382	10.6%
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		42.6%	41.1%			46.6%	36.0%		
Adjusted EBITDA/revenue		59.1%	57.0%			61.7%	52.6%		
Profit for the period/revenue		15.7%	27.0%			46.5%	35.0%		
EPS: Profit for the period/average number of shares	EUR	0.07	0.14	0	-50.0%	0.07	0.06	0	16.7%
Equity/number of shares at period end	EUR	1.37	1.75	0	-22.1%	1.37	1.75	0	-22.1%

**CARGO AND PASSENGER TRAFFIC**

In the first nine months of 2018, cargo throughput at the Group's harbours grew by 1.3 million tonnes to 15.6 million tonnes, i.e. by 9.3% compared to the same period last year. In terms of cargo types, the biggest change occurred in the volume of liquid bulk cargo that grew by 1.2 million tonnes, i.e. 20%, mainly through a strong rise in the third quarter. The volume of ro-ro cargo grew by 263 thousand tonnes, i.e. 7%, while the volumes of other cargo types remained relatively stable. The volume of containers handled grew by 19 thousand tonnes, i.e. 1.4%, in terms of weight and 8.1 thousand TEUs, i.e. 5%, in terms of units.

In the third quarter of 2018, the Group's harbours handled 5.5 million tonnes of cargo, an increase of 1.2 million tonnes, i.e. 27.5%, compared to the same period in 2017. The rise resulted from growth in the volume of liquid bulk cargo (up 1.1 million tonnes, i.e. 76%); the volumes of other cargo types remained mostly stable. Growth in the volume of liquid bulk cargo was supported by last year's exceptionally low basis of

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

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

comparison as well as the oil price, which in the past year has been trending upward, increasing demand for terminal services. Steady small 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.

In the first nine months, the number of passengers increased through growth in the number of traditional cruise passengers by 81 thousand, i.e. 1.0%, to an all-time record of 8.31 million passengers. The rise in the number of passengers is mainly based on strong growth in the third quarter when the total number of passengers increased by 73 thousand, i.e. 2.2%, to 3.48 million. Most of the third-quarter growth resulted from a rise in the number of cruise passengers, which increased by 42 thousand, i.e. 12.4%. However, growth was also supported by a slight rise in the number of non-cruise customers. In the third quarter, the number of passengers on the most popular route, Tallinn-Helsinki, grew by 24 thousand, i.e. 0.9%.

#### REVENUE, EXPENSES AND PROFIT

**Revenue** for the third quarter of 2018 grew by EUR 6.2 million, i.e. 19%, year on year, the rise accounting for most of the Group's nine-month revenue growth, which was EUR 6.9 million, i.e. 7%. Total revenue for the first nine months amounted to EUR 101.1 million. In terms of revenue streams, growth was broad-based. The strongest improvement occurred in charter revenue, which improved by EUR 2.9 million, i.e. 70%. Charter revenue was generated by the Group's icebreaker Botnica, which was rented out for the summer season and began providing escort and ice management services in northern Canada from the end of June. In the comparative period, there was no corresponding revenue. Provision of the services will end in the fourth quarter when Botnica will return to Estonia in connection with the beginning of the local icebreaking season. Revenue from the provision of ferry service grew by EUR 2.5 million, i.e. 13%, mainly through growth in government support. The latter increased mostly because based on an agreement with the state (the customer of the ferry service) an additional vessel was added to the routes operated by the Group to increase service capacity during the summer months (June-August). Revenue growth was also supported by fee rates, which were higher than in the comparative period due to a rise in Estonia's consumer and fuel price indexes and wage inflation, and growth in the number of trips made. Revenue from vessel dues grew by EUR 2.3 million, i.e. 6%, primarily through third-quarter growth in the volume of liquid bulk cargo as well as a rise in revenue from cruise ship calls. Revenue from cargo charges decreased by EUR 0.8 million, i.e. 14%, mostly because of a lower forecast of 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 for the first nine months decreased by EUR 0.7 million, i.e. 7%, 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 expired (mostly leases of buildings and areas which after the rearrangement of traffic in the harbour will not be rented out). Revenue from the sale of electricity grew by EUR 0.4 million, i.e. 11%. The main supporting factors were the weather, which at the beginning of the year was colder than in the comparative period, growth in cargo volumes and a higher electricity price. Passenger fee revenue grew by EUR 0.1 million, i.e. 1%, through growth in passenger numbers. In terms of segments, in the first nine months the strongest revenue growth was posted by the other segment and the ferry segment. The revenue of the cargo harbours segment also grew while the revenue of the passenger harbours segment remained stable, reflecting recovery from a slight decline in the first half-year.

**Other income** for the first nine months decreased by EUR 3.9 million compared to 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. Revenue from government grants received for covering operating expenses also declined somewhat. 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 big islands was smaller than agreed in the public transport contract.

**Operating expenses** for the first nine months decreased by EUR 3.7 million, i.e. 12%, mainly because in the same period in 2017 the Group incurred expenses of EUR 6.6 million from renting substitute ferries for ferry service between Estonia's mainland and big islands (the ferry segment) which in 2018 did not arise. Other more significant changes in operating expenses included growth in fuel, oil and energy costs by EUR 0.9 million, i.e. 12%, and a rise in non-current asset repair costs by EUR 0.5 million, i.e. 12%. Growth in energy costs was mainly attributable to larger electricity sales in the cargo harbours segment and the impact of the additional ferry put in service during the summer period in the ferry segment. Repair costs grew, above all, in connection with major repairs carried out in the harbours (passenger and cargo harbours segments). Consulting and development expenses grew (by EUR 0.25 million, i.e. 36%) through different development and design projects as well as the initial public offering of the shares in AS Tallinna Sadam whose total impact on the first nine months of the year was

stronger than the impact of the preparation of the Masterplan 2030 for the Old City Harbour that dominated operating expenses in the previous year but had the strongest effect on the fourth quarter.

**Personnel expenses** grew by EUR 0.9 million, i.e. 7%, mostly in connection with the provision of ferry service and harbour operations. The main contributing factors were the use of an additional ferry during the summer high season, slight growth in salaries and the recognition of a provision for compensation payable to members of the parent company's management board under the non-competition clauses of their service contracts (a one-off expense).

**Depreciation and amortisation expense** grew by EUR 1.5 million, i.e. 10%, 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 ferries acquired for providing domestic ferry service were completed by the end of the first quarter and their depreciation began from the second quarter of 2017.

Operating expenses for the third quarter decreased by EUR 1.16 million, i.e. 10%. The decrease was the strongest in the ferry segment where the prior period figure still included the charter costs of the substitute ferry M/V Hiiumaa. Personnel expenses for the third quarter grew by EUR 0.5 million, i.e. 11%, mainly because the icebreaker Botnica was rented out for the summer and an additional ferry was put in service for the high season. Depreciation and amortisation expense grew by EUR 0.26 million, i.e. 5%, in connection with the completion of new non-current assets in the passenger harbours segment (Smart Port and new traffic solutions).

**Operating profit** for the first nine months increased by EUR 4.3 million, i.e. 11%. The main contributing factor was revenue growth whose impact was weakened by a decrease in other income (termination of penalty income from shipyards) and strengthened by a decline in operating and other expenses. Growth in operating profit improved the Group's operating margin from 41.1% to 42.6%. The year-on-year rise in third quarter operating profit was stronger because revenue growth was supported by a smaller decrease in operating and other income and expenses. Operating margin rose from 36.0% to 46.6%.

**Adjusted EBITDA** for the first nine months grew by EUR 6.0 million year on year, roughly EUR 1.7 million more than operating profit because growth in depreciation and amortisation expense had no impact on EBITDA. Adjusted EBITDA for the third quarter grew by EUR 6.8 million, mainly through the strong performance of the ferry, other and cargo harbours segments. Adjusted EBITDA margin for the first nine months rose from 57.0% to 59.1%, underpinned by the margin for the third quarter that rose from 52.6% to 61.7%.

**Net finance costs** for the first nine months decreased by EUR 150 thousand, i.e. 9%, mainly through a decrease in interest-bearing liabilities and a slight decline in interest rates. Interest expense decreased mainly due to the influence of the third quarter where net finance costs declined by EUR 110 thousand, i.e. 18%.

**Profit before tax** for the first nine months grew by EUR 4.6 million, i.e. 12%, to EUR 42.1 million. The rise was underpinned by growth in the pre-tax profit for the third quarter that increased by EUR 6.6 million, i.e. 58%.

In connection with the declaration of a record dividend of EUR 105 million in the second quarter of 2018 compared to EUR 48 million in 2017, income tax expense increased by EUR 14.3 million to EUR 26.3 million. Due to larger income tax expense, the first nine months of 2018 ended in a profit of EUR 15.8 million, a decrease of EUR 9.6 million compared to the profit earned in the comparative period. The net result for the third quarter was a profit of EUR 18.1 million compared to a profit of EUR 11.4 million for the third quarter of 2017.

#### INVESTMENT

In the first nine months of 2018, the Group invested EUR 8.1 million. The figure was smaller than in the same period last year when investments totalled EUR 29.5 million of which around EUR 20 million was related to the construction of new ferries. In the first nine months of 2018, the largest investments were made in the reconstruction of traffic areas and the implementation of automated traffic control systems (Smart Port) as well as the reconstruction of Terminal D at the Old City Harbour. Investments made in the third quarter totalled EUR 2.9 million.

## SEGMENT REPORTING

In thousands of euros	9 months 2018					9 months 2017				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	39,808	31,053	23,153	7,050	101,063	39,759	29,807	20,515	4,125	94,206
Adjusted EBITDA	27,152	18,248	10,009	4,288	59,697	28,155	18,294	5,451	1,807	53,708
Operating profit	22,900	12,138	5,797	2,229	43,064	24,918	12,192	1,934	-304	38,740
Adjusted EBITDA margin	68.2%	58.8%	43.2%	60.8%	59.1%	70.8%	61.4%	26.6%	43.8%	57.0%

In thousands of euros	Change, 9 months				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	49	1,246	2,638	2,925	6,857
Adjusted EBITDA	-1,003	-46	4,557	2,481	5,990
Operating profit	-2,018	-54	3,862	2,534	4,324

In thousands of euros	Q3 2018					Q3 2017				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	16,745	10,562	8,748	2,842	38,897	16,362	9,092	7,239	0	32,694
Adjusted EBITDA	12,091	5,885	3,947	2,079	24,002	11,732	4,629	1,274	-450	17,185
Operating profit	10,632	3,865	2,540	1,076	18,113	10,586	2,618	-119	-1,326	11,758
Adjusted EBITDA margin	72.2%	55.7%	45.1%	73.1%	61.7%	71.7%	50.9%	17.6%	n/a	52.6%

In thousands of euros	Change, Q3				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	383	1,470	1,509	2,842	6,203
Adjusted EBITDA	359	1,256	2,673	2,529	6,817
Operating profit	46	1,247	2,660	2,402	6,355

In terms of segments, the largest year-on-year change in nine-month revenue occurred in the segment 'other' (EUR +2.9 million, i.e. +71%). The next in size were changes in the revenues of the ferry segment (EUR +2.6 million, i.e. +13%), the cargo harbours segment (EUR +1.2 million, i.e. +4%) and the passenger harbours segment (EUR +0.05 million, i.e. +0.1%).

In the **passenger harbours segment**, revenue for the first nine months remained at the same level as last year due to items with divergent impacts. The following factors reduced revenue: 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 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 charge revenues of the cargo harbours segment increased and those of the passenger harbours segment decreased). The factor that increased revenue was a rise in the number of cruise ship calls; the cruise season in the region mainly falls in the second and third quarters. In the **cargo harbours segment**, growth in third-quarter revenue triggered a rise in nine-month revenue. The main sources of growth were a rise in vessel dues revenue, which may be attributed to growth in the volume of liquid bulk cargo, and additional revenue from the transfer of M/V Sea Wind (from October 2017 was transferred to the Muuga-Vuosaari route in the cargo harbours segment, previously was on the Old City Harbour-Vuosaari route in the passenger harbours segment). Cargo charges revenue for nine months decreased, mainly due to lower cargo charge revenue per tonne of liquid bulk cargo. The impact of a decline in rental income (primarily income from the rental of premises to the former Muuga coal terminal) was weakened by growth in the sale of electricity. In the third quarter, the rise in vessel dues revenue (mainly the dues charged from tankers and container ships) exceeded the impact of a slight decrease in cargo charge revenue.

In the **ferry segment**, revenue grew mainly in the third quarter and mostly because under an agreement with the state (the customer of the ferry service) an additional ferry was put in service for the summer season (June-August), which also increased contractual revenue. Revenue

growth was supported by the fee rates, which were higher than in the comparative period due to a rise in Estonia's consumer and fuel price indexes and wage inflation, and growth in the number of trips made.

In the **segment 'other'**, revenue grew because the icebreaker Botnica was rented out for the summer season, starting from the end of June. In the comparative period, the Group did not have corresponding revenue.

Compared to the same period last year, **adjusted EBITDA** for the first nine months increased in the ferry segment and the segment 'other' and decreased in the passenger harbours segment and somewhat also in the cargo harbours segment. Adjusted EBITDA for the third quarter improved in all segments; growth was the strongest in the ferry segment and the segment 'other'. In the third quarter, the adjusted EBITDA of the ferry segment grew, mainly through the charter costs of substitute ferries incurred in the comparative period (the costs, which exceeded the usual cost level, were not incurred in the third quarter of 2018) and revenue growth from an additional ferry put in service during the summer high season. The nine-month adjusted EBITDA of the segment 'other' grew thanks to the impact of the third quarter when the Group recognised charter revenue from renting the icebreaker out for the summer season. In the comparative period, there was no corresponding revenue. The nine-month adjusted EBITDA of the cargo harbours segment ceased decreasing and almost reached breakeven thanks to the impact of the third quarter in which the segment's revenue grew (mainly due to the low figure for the comparative period). The nine-month adjusted EBITDA of the passenger harbours segment decreased through the combined effect of growth in expenses and revenue remaining stable. Expenses for nine months grew due to a rise in repair costs and larger than usual one-off expenses related to the Smart Port project and the implementation of reconstructed traffic areas. Revenue for nine months, on the other hand, rose to the level of the previous year through third-quarter growth in cruise ship revenue.

The **adjusted EBITDA margin** for the first nine months rose from 26.6% to 43.2% in the ferry segment and from 43.8% to 60.8% in the segment 'other'. The adjusted EBITDA margins of the passenger harbours and cargo harbours segments decreased slightly. As a result, the Group's overall margin rose from 57.0% to 59.1%. In the third quarter, the margins of all segments improved.

#### 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 since the listing of the share on the Nasdaq Tallinn Stock Exchange from 13 June 2018 to 30 September 2018:



At 30 September 2018, the closing price of the share was EUR 2.098, having risen in the third quarter by 7.56%. Since listing, the share price has increased by 8.82%. Compared to the initial public offer price (EUR 1.70 per share), the share price has increased by 23.4% by the end of the third quarter.



In the third quarter, there were 2,807 transactions with the Tallinna Sadam share (Q2: 3,433 transactions) in which 6.93 million shares (Q2: 10.26 million shares) changed hands. The total turnover of the transactions was EUR 13.8 million (Q2: EUR 20.13 million). Compared to the second quarter, trading activity and volumes have declined. This may be attributed to keen investor interest following the listing and the redistribution of allocations received in the initial public offering.

At 30 September 2018, the company had 12,678 shareholders (30 June 2018: 13,386) but only the Republic of Estonia had an ownership interest exceeding 5% (through the Ministry of Economic Affairs and Communications). The five largest shareholders as at 30 September 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%
JPMorgan Chase Bank, National Association on behalf of non-treaty clients	7,252,226	3%
SEB Progressiivne Pensionifond	6,484,365	2%
LHV Pensionifond L	5,174,314	2%

The shareholder structure has remained relatively stable since listing. Compared to the start of trading, the share of Estonian private investors has increased by 2 percentage points at the expense of foreign investors.

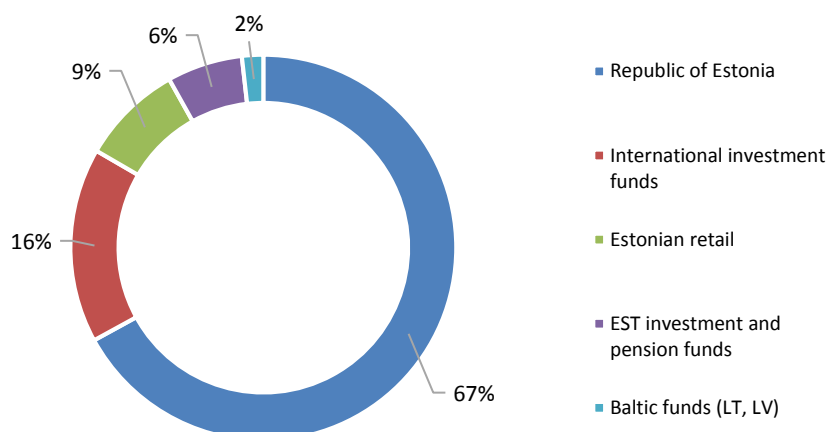


Chart: Shareholder structure as at 30 September 2018

## DIVIDENDS

In previous years, AS Tallinna Sadam has paid significant dividends and intends to pursue the same strong and solid dividend policy. The company's last ten years' average annual dividend amounts to 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 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, as well as the need to maintain a reasonable level of liquidity and excluding the impact of non-recurring transactions.

The approved dividend for 2017, which is to be paid out in 2018, amounts to EUR 105 million, of which 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. According to the terms and conditions of the initial public offering of the shares, the dividend for 2017 will only be paid to the former sole shareholder (the Republic of Estonia) and the shareholders who acquired shares during the initial public offering are entitled to dividends paid for 2018 and subsequent periods.

## CORPORATE GOVERNANCE

At 30 September 2018, AS Tallinna Sadam had two wholly-owned subsidiaries, OÜ TS Shipping and OÜ TS Laevad, and a 51% interest in the associate 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 has six to eight members. At 30 September 2018, the supervisory board had six members: Aare Tark (chairman), Ahti Kuningas, Maarika Liivamägi, Raigo Uukkivi, Urmas Kaarlep and Üllar Jaaksoo. Under the supervisory board, there is a 3-member audit committee, which consists of members of the supervisory board and acts as an advisory body in supervisory matters.

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

**Management board** is responsible for everyday management of the company in accordance with the law and the Articles of Association. According to the Articles of Association, the management board may have two to five members. At 30 September 2018, the management board had three members: Valdo Kalm (chairman and CEO), Marko Raid (CFO) and Margus Vihman (CCO).

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

Further information about the company's governance and members of the management and supervisory boards is presented in the prospectus of the initial public offering of the shares and on the investor page of the company's website: <https://investor.ts.ee/en/>.

The Group follows the principles of the Corporate Governance Recommendations promulgated by the Nasdaq Tallinn Stock Exchange.

## SIGNIFICANT EVENTS IN THE THIRD QUARTER OF 2018

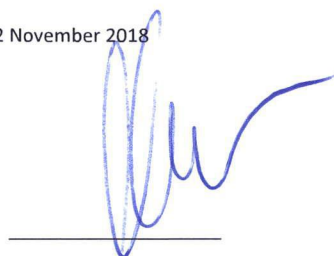
- 1. Funding decision on the TWIN-PORT 3 project.** The ports of Tallinn and Helsinki together with the City of Helsinki and passenger ship operators obtained EUR 21.4 million EU funding within the Connecting Europe Facility program for their infrastructure investments. The total cost of the planned investments is EUR 71.2 million. AS Tallinna Sadam will use the support to install auto-mooring and on-shore power supply systems in the Old City Harbour and to upgrade its safety systems and continue building sewerage systems. The TWIN-PORT 3 project will be implemented during the period 2018-2023. The expected total cost of investments to be made by AS Tallinna Sadam in the framework of this project amounts to EUR 16 million.
- 2. Sale of the equipment of the coal terminal.** AS Tallinna Sadam sold the equipment of the coal terminal at Muuga harbour as a whole asset in a public auction to the Finnish company Oy M. Rauanheimo Ab. There were two bidders in the auction and the best bid was made by the Finnish port operator Oy M. Rauanheimo Ab.

**MANAGEMENT'S CONFIRMATION AND SIGNATURES**

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

1. the unaudited interim condensed consolidated financial statements have been prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS EU);
2. the unaudited interim condensed consolidated financial statements give a true and fair view of the financial position, cash flows and financial performance of the Group;
3. all significant events that occurred until the date on which the interim condensed consolidated financial statements were authorised for issue (12 November 2018) have been properly recognised and disclosed; and
4. AS Tallinna Sadam and its subsidiaries are going concerns.

12 November 2018



Valdo Kalm

Chairman of the Management Board



Marko Raid

Member of the Management Board



Margus Vihman

Member of the Management Board

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

In thousands of euros	Note	30 September 2018	31 December 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	62,211	6,954
Trade and other receivables	5	8,892	9,271
Contract assets	11	723	0
Inventories		322	301
<b>Total current assets</b>		<b>72,148</b>	<b>16,526</b>
<b>Non-current assets</b>			
Investments in associates	6	1,587	1,256
Other long-term receivables	5	235	272
Property, plant and equipment	7	571,064	577,125
Intangible assets		2,018	1,958
<b>Total non-current assets</b>		<b>574,904</b>	<b>580,611</b>
<b>Total assets</b>		<b>647,052</b>	<b>597,137</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	9	18,166	21,989
Derivative financial instruments		417	609
Payables to owners	10	20,000	0
Provisions		1,358	1,503
Government grants		326	303
Taxes payable		1,512	698
Trade and other payables	8	12,343	7,777
Contract liabilities	11	2,130	33
<b>Total current liabilities</b>		<b>56,252</b>	<b>32,912</b>
<b>Non-current liabilities</b>			
Loans and borrowings	9	207,228	213,611
Government grants		23,468	23,826
Other payables	8	73	64
Contract liabilities	11	950	932
<b>Total non-current liabilities</b>		<b>231,719</b>	<b>238,433</b>
<b>Total liabilities</b>		<b>287,971</b>	<b>271,345</b>
<b>EQUITY</b>			
Share capital at par value	10	263,000	185,203
Share premium	10	44,477	0
Statutory capital reserve		18,520	18,520
Hedge reserve		-417	-609
Retained earnings		33,501	122,678
<b>Total equity</b>		<b>359,081</b>	<b>325,792</b>
<b>Total liabilities and equity</b>		<b>647,052</b>	<b>597,137</b>

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

for the 9 months ended 30 September

**Consolidated statement of profit or loss**

In thousands of euros	Note	Q3 2018	Q3 2017	9 months 2018	9 months 2017
Revenue	11	38,897	32,694	101,063	94,206
Other income	12	215	441	659	4,576
Operating expenses	13	-10,426	-11,582	-28,013	-31,692
Personnel expenses		-4,941	-4,455	-13,912	-12,994
Depreciation, amortisation and impairment		-5,567	-5,307	-16,516	-15,033
Other expenses		-65	-33	-217	-323
<b>Operating profit</b>		<b>18,113</b>	<b>11,758</b>	<b>43,064</b>	<b>38,740</b>
<b>Finance income and costs</b>					
Finance income		5	5	13	23
Finance costs		-501	-611	-1,539	-1,699
<b>Finance costs - net</b>		<b>-496</b>	<b>-606</b>	<b>-1,526</b>	<b>-1,676</b>
Share of profit of an associate accounted for under the equity method		461	296	535	372
<b>Profit before income tax</b>		<b>18,078</b>	<b>11,448</b>	<b>42,073</b>	<b>37,436</b>
Income tax		0	0	-26,250	-12,000
<b>Profit for the period</b>		<b>18,078</b>	<b>11,448</b>	<b>15,823</b>	<b>25,436</b>
Attributable to owners of the Parent		18,078	11,448	15,823	25,436
Basic and diluted earnings per share (in euros)		0.07	0.06	0.07	0.14
Basic and diluted earnings per share - continuing operations (in euros)		0.07	0.06	0.07	0.14

**Consolidated statement of other comprehensive income**

In thousands of euros	Q3 2018	Q3 2017	9 months 2018	9 months 2017
<b>Profit for the period</b>	<b>18,078</b>	<b>11,448</b>	<b>15,823</b>	<b>25,436</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net fair value gain on hedging instruments in cash flow hedges	94	20	192	296
<b>Total other comprehensive income</b>	<b>94</b>	<b>20</b>	<b>192</b>	<b>296</b>
<b>Total comprehensive income for the period</b>	<b>18,172</b>	<b>11,468</b>	<b>16,015</b>	<b>25,732</b>
Attributable to owners of the Parent	18,172	11,468	16,015	25,732

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

for the 9 months ended 30 September

In thousands of euros	Note	9 months 2018	9 months 2017
Cash receipts from sale of goods and services		108,685	101,438
Cash receipts related to other income		62	436
Payments to suppliers		-33,466	-35,849
Payments to and on behalf of employees		-12,364	-11,460
Payments for other expenses		-293	-711
Income tax paid on dividends		-21,405	-8,657
<b>Cash from operating activities</b>		<b>41,219</b>	<b>45,197</b>
Purchases of property, plant and equipment		-8,388	-19,887
Purchases of intangible assets		-509	-524
Proceeds from sale of property, plant and equipment		6	500
Government grants received		0	349
Dividends received		0	178
Interest received		3	14
<b>Cash used in investing activities</b>		<b>-8,888</b>	<b>-19,370</b>
Contributions to share capital		119,882	0
Redemption of debt securities	9	-1,250	-1,250
Repayments of loans received	9	-6,383	-6,383
Change in overdraft (liability)	9	-2,566	0
Repayments of finance lease principal	9	-7	-2
Dividends paid	10	-85,000	0
Interest paid		-1,704	-2,004
Other payments related to financing activities		-46	0
<b>Cash from/used in financing activities</b>		<b>22,926</b>	<b>-9,639</b>
<b>NET CASH FLOW</b>		<b>55,257</b>	<b>16,188</b>
Cash and cash equivalents at beginning of the period		6,954	49,918
Change in cash and cash equivalents		55,257	16,188
Cash and cash equivalents at end of the period		62,211	66,106

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

for the 9 months ended 30 September

In thousands of euros	Note	Share capital at par value	Share premium	Statutory capital reserve	Hedge reserve	Retained earnings	Total equity
<b>Equity at 31 December 2016</b>		<b>185,203</b>	<b>0</b>	<b>18,520</b>	<b>-1,008</b>	<b>144,253</b>	<b>346,968</b>
Profit for the period		0	0	0	0	25,436	25,436
Other comprehensive income for the period		0	0	0	296	0	296
<i>Total comprehensive income for the period</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>296</i>	<i>25,436</i>	<i>25,732</i>
Dividends declared		0	0	0	0	-48,000	-48,000
<b>Equity at 30 September 2017</b>		<b>185,203</b>	<b>0</b>	<b>18,520</b>	<b>-712</b>	<b>121,689</b>	<b>324,700</b>
<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>
Contributions to share capital	10	77,797	44,477	0	0	0	122,274
Profit for the period		0	0	0	0	15,823	15,823
Other comprehensive income for the period		0	0	0	192	0	192
<i>Total comprehensive income for the period</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>192</i>	<i>15,823</i>	<i>16,015</i>
Dividends declared		0	0	0	0	-105,000	-105,000
<b>Equity at 30 September 2018</b>		<b>263,000</b>	<b>44,477</b>	<b>18,520</b>	<b>-417</b>	<b>33,501</b>	<b>359,081</b>

## 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 9 months ended 30 September 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. 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.

In addition to the landlord port operations (managing and developing port infrastructure and organising vessel traffic in the port basin) carried out in the 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 September 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% through the Ministry of Economic Affairs and Communications).

### 2. ACCOUNTING POLICIES

These interim condensed consolidated financial statements for the 9 months ended 30 September 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 9 months ended 30 September 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**

In thousands of euros	9 months 2018				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	22,639	15,861	0	0	38,500
Cargo charges	1,136	4,027	0	0	5,164
Passenger fees	13,238	75	0	0	13,313
Sale of electricity	568	3,678	0	0	4,246
Sale of ferry services - revenue from ticket sales	0	0	8,896	0	8,896
Sale of other services	925	682	27	29	1,662
Rental income	1,302	6,730	467	0	8,499
Charter fees	0	0	0	7,020	7,020
Sale of ferry services - government support	0	0	13,763	0	13,763
<b>Total segment revenue* (note 11)</b>	<b>39,808</b>	<b>31,053</b>	<b>23,153</b>	<b>7,050</b>	<b>101,063</b>
<b>Adjusted segment EBITDA</b>	<b>27,152</b>	<b>18,248</b>	<b>10,009</b>	<b>4,288</b>	<b>59,697</b>
Depreciation and amortisation	-4,324	-6,455	-4,212	-1,524	-16,516
Impairment loss	0	0	0	0	0
Amortisation of government grants received	73	345	0	0	417
Share of profit of an associate accounted for under the equity method	0	0	0	-535	-535
<b>Segment operating profit</b>	<b>22,900</b>	<b>12,138</b>	<b>5,797</b>	<b>2,229</b>	<b>43,064</b>
Finance income and costs, net					-1,526
Share of profit of an associate accounted for under the equity method					535
Income tax expense					-26,250
<b>Profit for the period</b>					<b>15,823</b>

\* Total segment revenue represents revenue from external customers and excludes the inter-segment revenues of the passenger harbours and cargo harbours segments, of EUR 38 thousand and EUR 79 thousand respectively, which were eliminated in consolidation.

**Note 3 continued**

In thousands of euros	9 months 2017				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	22,403	13,823	0	0	<b>36,226</b>
Cargo charges	1,194	4,799	0	0	<b>5,994</b>
Passenger fees	13,147	24	0	0	<b>13,171</b>
Sale of electricity	508	3,314	0	0	<b>3,822</b>
Sale of ferry services - revenue from ticket sales	0	0	8,655	0	<b>8,655</b>
Sale of other services	906	654	16	0	<b>1,575</b>
Rental income	1,602	7,191	378	0	<b>9,171</b>
Charter fees	0	0	0	4,125	<b>4,125</b>
Sale of ferry services - government support	0	0	11,467	0	<b>11,467</b>
<b>Total segment revenue* (note 11)</b>	<b>39,759</b>	<b>29,807</b>	<b>20,515</b>	<b>4,125</b>	<b>94,206</b>
<b>Adjusted segment EBITDA</b>	<b>28,155</b>	<b>18,294</b>	<b>5,451</b>	<b>1,807</b>	<b>53,708</b>
Depreciation and amortisation	-3,306	-6,452	-3,517	-1,740	<b>-15,015</b>
Impairment loss	-18	0	0	0	<b>-18</b>
Amortisation of government grants received	87	350	0	0	<b>437</b>
Share of profit of an associate accounted for under the equity method	0	0	0	-372	<b>-372</b>
<b>Segment operating profit</b>	<b>24,918</b>	<b>12,192</b>	<b>1,934</b>	<b>-304</b>	<b>38,740</b>
Finance income and costs, net					-1,676
Share of profit of an associate accounted for under the equity method					372
Income tax expense					-12,000
<b>Profit for the period</b>					<b>25,436</b>

\* Total segment revenue represents revenue from external customers and excludes the inter-segment revenues of the passenger harbours and cargo harbours segments, of EUR 20 thousand and EUR 157 thousand respectively, which were eliminated in consolidation

**4. CASH AND CASH EQUIVALENTS**

In thousands of euros	30 September 2018	31 December 2017
Cash on hand	37	28
Cash at banks	32,118	6,898
Short-term deposits	30,000	0
Cash in transit	56	28
<b>Total cash and cash equivalents</b>	<b>62,211</b>	<b>6,954</b>

**5. TRADE AND OTHER RECEIVABLES**

In thousands of euros	30 September 2018	31 December 2017
Receivables from customers	9,665	9,293
Allowance for credit loss	-2,261	-2,384
Prepaid taxes	605	673
Government grants receivable	228	189
Other prepayments	342	620
Receivables from an associate (note 17)	40	27
Dividends receivable	204	0
Other receivables	304	1,125
<b>Total trade and other receivables</b>	<b>9,127</b>	<b>9,543</b>
Of which short-term receivables	8,892	9,271
long-term receivables	235	272

**Trade receivables provision matrix**

In thousands of euros	Days past due					Total
	Not past due	0-30	31-60	61-90	>90	
<b>At 30 September 2018</b>						
Expected credit loss rate	0.8%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	7,262	125	54	127	2,098	9,665
Lifetime expected credit loss (ECL)	-58	-2	-1	-102	-2,098	-2,261
						<b>7,404</b>
<b>At 31 December 2017</b>						
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	-2,002	-2,384
						<b>6,909</b>

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

**6. INVESTMENT IN AN ASSOCIATE**

In the reporting period, the Group analysed the shareholder structure of AS Green Marine and came to the conclusion that AS Green Marine has transformed from a joint venture into an associate. Accordingly, the investment was reclassified. The reclassification of the investment had no impact on the Group's financial statements.

In thousands of euros	9 months 2018	9 months 2017
Operating income	3,983	3,422
Operating expenses	2,819	2,592
Net profit	1,054	730

In thousands of euros	30 September 2018	31 December 2017
Net assets of the associate	3,111	2,462
The Group's ownership interest in the associate, %	51%	51%
Carrying amount of the Group's interest in the associate	1,587	1,256

**Note 6 continued**

At 30 September 2018, dividends receivable from the associate amounted to EUR 204 thousand (31 December 2017: EUR 0). The dividend of EUR 204 thousand was received on 9 October 2018.

**7. PROPERTY, PLANT AND EQUIPMENT**

In thousands of euros	Land and buildings	Plant and equipment	Other items of property, plant and equipment	Assets under construction	Prepayments	Total
<b>At 31 December 2017</b>						
Cost	591,570	234,606	6,887	9,053	15	<b>842,131</b>
Accumulated depreciation and impairment losses	-199,964	-59,905	-5,137	0	0	<b>-265,006</b>
<b>Carrying amount at 31 December 2017</b>	<b>391,606</b>	<b>174,701</b>	<b>1,750</b>	<b>9,053</b>	<b>15</b>	<b>577,125</b>
<i>Movements within 9 months ended 30 September 2018</i>						
Acquisition and reconstruction	2,658	752	391	6,021	200	<b>10,022</b>
Depreciation charge	-8,269	-7,479	-335	0	0	<b>-16,083</b>
Reclassified at carrying amount	9,291	2,315	92	-11,698	0	<b>0</b>
<b>At 30 September 2018</b>						
Cost	603,511	236,753	7,350	3,377	215	<b>851,207</b>
Accumulated depreciation and impairment losses	-208,226	-66,465	-5,452	0	0	<b>-280,143</b>
<b>Carrying amount at 30 September 2018</b>	<b>395,285</b>	<b>170,289</b>	<b>1,898</b>	<b>3,377</b>	<b>215</b>	<b>571,064</b>

**8. TRADE AND OTHER PAYABLES**

In thousands of euros	30 September 2018	31 December 2017
Trade payables	3,972	4,994
Payables to employees	901	966
Interest payable	309	534
Accrued income tax payable on dividends	5,000	0
Accrued taxes payable on remuneration	522	557
Advances for goods and services	1,029	381
Payables to an associate (note 17)	288	115
Other payables	395	294
<b>Total trade and other payables</b>	<b>12,416</b>	<b>7,841</b>
Of which current liabilities	12,343	7,777
non-current liabilities	73	64

**9. LOANS AND BORROWINGS**

In thousands of euros	30 September 2018	31 December 2017
<b>Current portion</b>		
Loans and borrowings	6,766	9,332
Debt securities	11,400	12,650
Finance lease liability	0	7
<b>Total current portion</b>	<b>18,166</b>	<b>21,989</b>
<b>Non-current portion</b>		
Loans and borrowings	39,978	46,361
Debt securities	167,250	167,250
<b>Total non-current portion</b>	<b>207,228</b>	<b>213,611</b>
<b>Total loans and borrowings</b>	<b>225,394</b>	<b>235,600</b>

**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 9 months ended 30 September 2018 as per payment schedules totalled EUR 1,250 thousand (9 months ended 30 September 2017: EUR 1,250 thousand). Considering the effect of derivative transactions used to hedge interest rate risk, at 30 September 2018 the weighted average interest rate of the debt securities was 0.679% (30 September 2017: 0.801%).

**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 9 months ended 30 September 2018 totalled EUR 6,383 thousand (9 months ended on 30 September 2017: EUR 6,383 thousand).

At 30 September 2018, the weighted average interest rate of drawn loans was 0.698% (30 September 2017: 0.803%). Considering the effect of derivative transactions used to hedge the interest rate risk, at 30 September 2018 the average interest rate of loans was 1.429% (30 September 2017: 1.767%).

During the period, the Group settled on time overdraft liabilities of 2,566 thousand euros.

**Contractual maturities of loans and borrowings**

In thousands of euros	30 September 2018
Up to 12 months	18,166
1–5 years	72,064
> 5 years	135,164
<b>Total loans and borrowings</b>	<b>225,394</b>

**Fair value**

In the reporting period the evaluation of the Group's risk level did not change and there were no significant movements in the interest rates of the international financial market. Therefore, the Group estimates that similarly to the period ended 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 September 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 9 continued**

All outstanding loan and debt securities agreements are unsecured liabilities, i.e. no assets have been pledged to cover the obligations. None of the debt securities is listed.

**10. 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 EUR 1 each and the Republic of Estonia (the sole shareholder until that time) sold 11,300,000 existing shares with a par value of EUR 1 each.

As at 30 September 2018, the company had 263,000,000 ordinary shares of which 176,295,032, i.e. 67.03%, belonged to the Republic of Estonia (through the Ministry of Economic Affairs and Communications). 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
<b>Proceeds from shares issued, in thousands of euros</b>	<b>128,188</b>
Par value of new shares, in thousands of euros	-75,405
Costs related to IPO, in thousands of euros	-8,306
<b>Share premium, in thousands of euros</b>	<b>44,477</b>

**Earnings per share**

	<b>9 months 2018</b>	<b>9 months 2017</b>
Weighted average number of shares	217,022,939	185,203,032
Profit for the period attributable to owners of the Parent (in thousands of euros)	15,823	25,436
Basic and diluted earnings per share (in euros)	0.07	0.14

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 the shareholders who acquired shares during the IPO are entitled to receive dividend payments for 2018 and subsequent periods.

**11. REVENUE**

In thousands of euros	9 months 2018	9 months 2017
<b>Revenue from contracts with customers</b>		
Vessel dues	38,500	36,226
Cargo charges	5,164	5,994
Passenger fees	13,313	13,171
Sale of electricity	4,246	3,822
Sale of ferry services - ticket sales	8,896	8,655
Sale of other services	1,662	1,575
<b>Total revenue from contracts with customers</b>	<b>71,781</b>	<b>69,443</b>
<b>Revenue from other sources</b>		
Rental income from operating leases	8,499	9,171
Charter fees	7,020	4,125
Sale of ferry services - government support	13,763	11,467
<b>Total revenue from other sources</b>	<b>29,282</b>	<b>24,763</b>
<b>Total revenue (note 3)</b>	<b>101,063</b>	<b>94,206</b>

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 September 2018 was recognised as a contract liability of EUR 1,798 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 September 2018. As a result, the Group recognised a contract asset of EUR 723 thousand. Revenue received from some customers as of 30 September 2018 exceeded Management's estimate and, as a result, the Group recognised a contract liability of EUR 281 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 September 2018 such liabilities amounted to EUR 950 thousand (31 December 2017: EUR 932 thousand).

Revenue from ticket sales is recognised over time as the ferry transports the passengers and/or vehicles, which happens in a single day, or at the point in time when the ticket expires. Consideration received from tickets sold for trips not yet performed is deferred and recognised in the statement of financial position as a contract liability. At 30 September 2018 such liabilities amounted to EUR 51 thousand (31 December 2017: EUR 33 thousand).

**12. OTHER INCOME**

In thousands of euros	9 months 2018	9 months 2017
Gain on sale of non-current assets	6	0
Penalties, interest on arrears*	127	3,836
Income from government grants	502	740
Other income	24	0
<b>Total other income</b>	<b>659</b>	<b>4,576</b>

\* Penalties recognised during 9 months ended 30 September 2017 included penalties of EUR 3,750 thousand from shipyards for delays in the delivery of new passenger ferries.

**13. OPERATING EXPENSES**

In thousands of euros	9 months 2018	9 months 2017
Fuel, oil and energy costs	8,903	7,981
Technical maintenance and repair of non-current assets	4,853	4,337
Services purchased for infrastructure	2,231	2,045
Tax expenses	2,416	2,337
Consultation and development expenses	946	697
Services purchased	4,301	4,068
Acquisition and maintenance of insignificant assets	1,005	878
Advertising expenses	298	258
Rental expenses*	917	6,954
Insurance expenses	598	529
Other operating expenses	1,545	1,608
<b>Total operating expenses</b>	<b>28,013</b>	<b>31,692</b>

\* Line item *Rental expenses* includes the charter costs of replacement ferries of EUR 6,606 thousand for 9 months ended 30 September 2017, incurred due to delays in the delivery of new passenger ferries.

**14. COMMITMENTS**

At 30 September 2018, the Group's contractual commitments related to acquisition of property, plant and equipment, repairs, and research and development expenditures totalled EUR 22,454 thousand (31 December 2017: EUR 2,962 thousand).

The commitments include the obligation to co-finance the construction of Reidi tee (Reidi road) in the amount of up to EUR 3,300 thousand. The purpose of the co-financing is to help create the best possible connections between Reidi tee and the Old City Harbour, which belongs to the Group, and thus facilitate smooth flows of passengers and vehicles.

**15. 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, 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.



**Note 15 continued**

According to the assessment of the Group and its legal advisers, it is justified to pay compensation only 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.

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.

**16. 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.

**17. 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, associates, government agencies and companies under the control or significant influence of the Republic of Estonia.

In thousands of euros	9 months 2018	9 months 2017
<b>Transactions with an associate</b>		
Revenue	156	147
Operating expenses	1,943	1,804
<b>Transactions with companies in which members of supervisory and management boards of group companies have significant influence</b>		
Revenue	1	9
Operating expenses	7	6
Other expenses	11	11
<b>Transactions with government agencies and companies in which the state has control</b>		
Revenue	18,517	16,129
Other income	7	8
Operating expenses	5,277	4,876
Other expenses	0	136
Acquisition of property, plant and equipment	72	0

**Note 17 continued**

In thousands of euros	30 September 2018	31 December 2017
<b>Trade receivables from and payables to an associate</b>		
Receivables (note 5)	40	27
Payables (note 8)	288	115
<b>Trade receivables from and payables to companies in which members of supervisory and management boards of group companies have significant influence</b>		
Payables	3	1
<b>Trade receivables from and payables to government agencies and companies in which the state has control</b>		
Receivables	358	445
Payables	910	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 information provided by related parties.