

TALLINNA  SADAM

**Unaudited interim condensed consolidated
report for the
3 months ended 31 March 2021**

AS Tallinna Sadam

AS TALLINNA SADAM**UNAUDITED INTERIM CONDENSED CONSOLIDATED REPORT
FOR THE 3 MONTHS ENDED 31 MARCH 2021**

Commercial Registry no.	10137319
VAT registration no.	EE100068489
Postal address	Sadama 25 15051 Tallinn
Registered office	Sadama 25 15051 Tallinn Estonia
Country of incorporation	Republic of Estonia
Phone	+372 631 8555
E-mail	<u>ts@ts.ee</u>
Corporate website	<u>www.ts.ee</u>
Beginning of financial year	1 January
End of financial year	31 December
Beginning of interim reporting period	1 January
End of interim reporting period	31 March
Legal form	Limited company (AS)
Auditor	KPMG Baltics OÜ

Contents

MANAGEMENT REPORT	4
MANAGEMENT'S CONFIRMATION AND SIGNATURES	14
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	15
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	15
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	16
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	17
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	18
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	19
1. REPORTING ENTITY	19
2. ACCOUNTING POLICIES.....	19
3. OPERATING SEGMENTS	20
4. TRADE AND OTHER RECEIVABLES.....	22
5. INVESTMENTS IN AN ASSOCIATE	23
6. PROPERTY, PLANT AND EQUIPMENT.....	23
7. TRADE AND OTHER PAYABLES	24
8. LOANS AND BORROWINGS.....	24
9. EQUITY	26
10. REVENUE.....	26
11. OPERATING EXPENSES	28
12. COMMITMENTS	28
13. CONTINGENT LIABILITIES	28
14. INVESTIGATIONS CONCERNING THE GROUP	30
15. RELATED PARTY TRANSACTIONS	30

MANAGEMENT REPORT

In the first three months of 2021, the volume of cargo handled at the Group's harbours grew, while the number of passengers¹ served decreased. Revenue, adjusted EBITDA² and profit also decreased. Revenue amounted to EUR 25.0 million and profit for the period to EUR 6.8 million, EUR 2.9 million and EUR 3.1 million less, respectively, than in the same period last year. First-quarter cargo throughput was the past six years' largest. The decline in passenger traffic was attributable to cross-border travel restrictions imposed by governments since mid-March 2020 due to the COVID-19 pandemic.

KEY PERFORMANCE INDICATORS OF THE GROUP

Indicator	Unit	3 months 2021	3 months 2020	Change	%
Revenue	EUR '000	24,988	27,890	-2,902	-10.4%
Operating profit	EUR '000	7,221	10,514	-3,293	-31.3%
Adjusted EBITDA	EUR '000	13,022	16,171	-3,149	-19.5%
Depreciation, amortisation and impairment	EUR '000	-6,022	-5,989	-33	0.6%
Income tax	EUR '000	0	0	0	-
Profit for the period	EUR '000	6,844	9,982	-3,138	-31.4%
Investment	EUR '000	3,640	8,757	-5,117	-58.4%
Number of employees (average)		463	473	-10	-2.1%
Cargo volume	t '000	5,275	4,815	460	9.6%
Number of passengers	'000	373	1,552	-1,179	-76.0%
Number of vessel calls		1,678	1,585	93	5.9%
Total assets at period-end	EUR '000	634,393	640,994	-6,601	-1.0%
Net debt ³ at period-end	EUR '000	175,137	160,241	14,896	9.3%
Equity at period-end	EUR '000	382,314	387,034	-4,720	-1.2%
Number of shares at period-end	'000	263,000	263,000	0	0.0%
Operating profit/revenue		28.9%	37.7%		
Adjusted EBITDA/revenue		52.1%	58.0%		
Profit for the period/ revenue		27.4%	35.8%		
EPS: Profit for the period/ average number of shares	EUR	0.03	0.04	-0.01	-31.4%
Equity/number of shares at end of period	EUR	1.45	1.47	-0.02	-1.2%

OPERATING VOLUMES

In the first three months of 2021, cargo throughput at the Group's harbours totalled 5.3 million tonnes, an increase of almost 0.5 million tonnes (9.6%) year on year. In terms of cargo types, growth was driven by dry bulk and ro-ro cargo, which grew by 0.3 million tonnes (44%) and 0.2 million tonnes (16%), respectively.

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

² Adjusted EBITDA = profit before depreciation, amortisation and impairment losses, finance income and costs (net) and income tax expense, adjusted for amortisation of government grants

³ Loans and borrowings less cash and cash equivalents

Within dry bulk cargo, the volumes of fertilizers, wood pellets and grain grew the most. The volumes of ro-ro cargo grew mainly on the routes between Estonia and Finland, driven by growth in demand for road transport and supported by busier ferry schedules. The volumes of other cargo changed less. The volume of liquid bulk cargo decreased by 0.1 million tonnes (–4.3%) while the volume of general cargo grew by 25 thousand tonnes (+26%), mostly through larger volumes of timber. The volume of container cargo decreased somewhat: by 14 thousand tonnes (–3.2%). Container cargo throughput in TEUs, however, grew by 1.6 thousand units (+3.2%), mainly through growth in the number of empty containers.

The number of passengers served in the first three months decreased by 1.2 million (–76%), primarily due to the impact of the Tallinn-Helsinki and Tallinn-Stockholm routes. The drop is attributable to the cross-border travel restrictions imposed by governments due to the COVID-19 pandemic introduced in the second half of March 2020. Since then, the restrictions have been relaxed, lifted, and gradually retightened since autumn 2020. The cruise season usually starts in April. Thus, there were no traditional cruise passengers in the first quarter of 2021 and 2020.

The ferries operated by OÜ TS Laevad (Ferry segment) made a total of 4,305 trips between the mainland and the islands in the first quarter, 243 trips more (+6.0%) than a year earlier because in the second half of March 2020 passenger traffic on the routes was suspended and the number of trips therefore reduced due to pandemic-related restrictions.

The icebreaker Botnica (segment Other) operated by TS Shipping had one less charter day (contractual working day) than in the same period last year because the year 2020 was a leap year with an extra day in February. Both in 2021 and 2020 the vessel was fully utilised throughout the first quarter.

REVENUE, EXPENSES AND PROFIT

Revenue for the first three months of 2021 decreased by EUR 2.9 million (–10.4%). In terms of revenue streams, the fall in passenger fees was the sharpest: EUR 1.9 million (–76%) due to an equivalent fall in the number of passengers resulting from the travel restrictions. Vessel dues revenue contracted by EUR 1.0 million (–12%). The decrease was mainly attributable to tankers and ferries. In the case of tankers, vessel dues revenue was affected by increasing competition for the declining volumes of liquid bulk cargo left over from Russian ports, which slightly reduced port calls by tankers. The port calls of ferries grew but mostly through growth in port calls by smaller ferries mainly designed for the transport of ro-ro cargo (Cargo harbours segment), while port calls by larger ferries mainly designed for international passenger transport (Passenger harbours segment) decreased slightly. Vessel dues revenue was also lowered year on year by the impact of above-average revenue recorded in the first quarter of 2020 because the forecast made at the beginning of the crisis projected a small number of annual port calls. Revenue from the sale of electricity grew by EUR 0.4 million (+29%) due to a rise in both the electricity price and the consumption of network service at the Group's harbours (also due to a colder winter).

Revenue from the provision of domestic ferry service⁴ dropped by EUR 0.2 million (–3,1%) because the fall in contractual fee rates, which are linked to the Estonian fuel price index, had a stronger impact than the increase in the number of trips. Lease income decreased somewhat, dropping by EUR 86 thousand (–3.0%), mostly due to tenants in the Passenger harbours segment that have been strongly affected by pandemic-related restrictions and have therefore been granted temporary lease discounts. Cargo charge revenue grew by EUR 60 thousand, that is by 4.0% but due to the combined effect of a number of smaller items, the rise in cargo charge revenue proved smaller than growth in cargo throughput. Changes in other revenue streams were less significant.

In segment terms, three-month revenue increased in the Cargo harbours segment but decreased in all other segments, particularly in the Passenger harbours segment.

Other income decreased by EUR 1.4 million year on year because in the first quarter of 2020 the Group recognised a one-off sales gain on the disposal of the last assets used in the operations of Paljassaare Harbour (Cargo harbours segment).

Operating expenses for the first quarter decreased by EUR 1.0 million (–12.3%) due to the combined effect of decrease in most items. Decreases were the largest in expenses on the acquisition and maintenance of assets of insignificant value (in the comparative period the Group incurred one-off expenses in connection with the implementation of phase 1 in the reconstruction of Terminal D at Old City Harbour) and in non-current asset maintenance and repair costs, which depend on the annual work plan for harbour operations and the segment Other. Fuel and energy costs grew due to a rise in both the electricity price and the volume of distribution service sold at harbours. The impact of the latter was partly offset by fuel cost savings achieved in ferry service.

Personnel expenses remained stable year on year (–0,7%). The main contributing factor to the change in personnel costs was the reversal of an unused bonus provision, which reduced expenses. The effects of a decline in the average number of employees and slight growth in the average salary counterbalanced each other.

Depreciation, amortisation and impairment expenses also remained stable (+0.6%) compared with the first quarter of 2020 when assets retired from use were written down by almost EUR 0.2 million, mainly in the Cargo harbours segment, in connection with the Group's gradual exit from Paljassaare Harbour.

Operating profit decreased by EUR 3.3 million (–31%) year on year because revenue and other income of a one-off nature decreased more than operating expenses. Operating margin declined from 37.7% to 28.9%.

Adjusted EBITDA decreased by EUR 3.1 million, which is slightly less than operating profit, mostly because the loss from the equity-accounted associate Green Marine was smaller. In segment terms, adjusted EBITDA grew in the segment Other and decreased in all other segments. The decrease was the sharpest in the Passenger harbours segment due to a fall in revenue. Adjusted EBITDA margin declined from 58.0% to 52.1%.

⁴ Public transport service provided with passenger ferries between Estonia's mainland and two biggest islands

Finance costs (net) did not change significantly (–2.4%).

Profit before tax decreased by EUR 3.1 million (–31%) to EUR 6.8 million. **Profit for the period** was also EUR 6.8 million, EUR 3.1 million less than in the comparative period.

INVESTMENTS

The Group's investments in the first quarter of 2021 totalled EUR 3.6 million, EUR 5.1 million less than in the comparative period when investments totalled EUR 8.8 million. Investments of the period were mostly related to the construction of a cruise terminal at Old City Harbour and a footbridge across the canal of the Admiralty Basin.

SEGMENT REPORTING

In thousands of euros	Q1 2021					Q1 2020				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	4,963	9,574	6,838	3,613	24,988	7,892	9,302	7,043	3,653	27,890
Adjusted EBITDA	1,821	5,587	2,994	2,620	13,022	4,043	6,734	3,245	2,149	16,171
Operating profit	173	3,439	1,501	2,108	7,221	2,415	4,551	1,801	1,747	10,514
Adjusted EBITDA margin	36.7%	58.4%	43.8%	72.5%	52.1%	51.2%	72.4%	46.1%	58.9%	58.0%

In thousands of euros	Change for Q1				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	–2,929	272	–205	–40	–2,902
Adjusted EBITDA	–2,222	–1,147	–251	471	–3,149
Operating profit	–2,242	–1,112	–300	361	–3,293

In terms of segments, the year-on-year change in three-month revenue was the largest in the Passenger harbours segment (EUR –2.9 million; –37%), which was expected. Revenue from the Ferry segment and the segment Other decreased by EUR 0.2 million (–2.9%) and EUR 0.04 million (–1.1%), respectively. The revenue of the Cargo harbours segment grew by EUR 0.3 million (+2.9%).

The revenue of the Passenger harbours segment decreased, mainly as a result of a decline in passenger fees (EUR –1.9 million), caused by a decrease in the number of passengers due to the COVID-19 related travel restrictions, which affected the comparative period from the second half of March 2020 only. Vessel dues revenue also contracted (EUR –1.0 million) because the number of port calls declined due to the reduction of timetables in connection with travel restrictions. Revenue was also reduced by the impact of above-average revenue recorded in the first quarter of 2020 because the forecast made at the beginning of the crisis projected a small number of annual port calls.

The revenue of the Cargo harbours segment grew by almost EUR 0.2 million, mainly through growth in revenue from the sale of electricity and electricity distribution service (due to the combined effect of an increase in both consumption and the electricity price). Changes in other items of revenue were less significant.

Within vessel dues revenue, revenue from tankers decreased but the decline was offset by revenue growth on the Muuga-Vuosaari route where the number of port calls increased, partly as a result of the dry dock maintenance of Eckerö Line's vessel Finbo Cargo during a couple of months in early 2020.

The revenue of the Ferry segment decreased, primarily because the impact of a decrease in fee rates, caused mostly by a decline in the fuel price index, exceeded the impact of a rise in the number of trips.

The revenue of the segment Other decreased slightly because last year was a leap year and thus there was an extra charter day along with related revenue in February 2020.

In terms of segments, **adjusted EBITDA** for the first three months decreased for Passenger harbours and Cargo harbours and somewhat for Ferry but grew in the segment Other. The adjusted EBITDA of the Passenger harbours segment decreased due to the combined effect of decreases in revenue and, to a lesser extent, expenses. The decline in revenue resulted from a smaller number of passengers and port calls and the decline in expenses resulted from one-off expenses incurred in the comparative period due to the implementation of phase 1 in the reconstruction of passenger terminal D at Old City Harbour. The adjusted EBITDA of the Cargo harbours segment decreased because in the comparative period the Group recognised a gain on the sale of assets used in the operations of Paljassaare Harbour (EUR 1.4 million). In the Ferry segment, the decline in adjusted EBITDA was comparable to the decline in revenue. Adjusted EBITDA for the segment Other grew because expenses decreased: in the comparative period the planned repair costs of Botnica were higher than usual and the loss from the equity-accounted associate Green Marine was larger.

IMPACTS OF THE COVID-19 PANDEMIC

The protective measures imposed by countries due to the COVID-19 pandemic began to affect the Group from the second half of March 2020. Thus, a comparison of financial and operating indicators for the reporting and the comparative period, both fully affected by COVID-19, will be available from the second quarter of 2021. As the protective measures in place are aimed at minimising contacts between people and cross-border movement, they have the greatest impact on the tourism sector and passenger traffic, which in turn mainly affect the performance of the Group's Passenger harbours segment.

In connection with a rise in the infection rate, Finland re-imposed restrictions on arrivals from Estonia from 28 September 2020 and only people travelling for work, in transit, or with other compelling reasons could enter Finland without the quarantine requirement. Starting from 27 January 2021, Finland also banned labour migration. People arriving in Estonia from other countries are subject to a ten-day self-isolation requirement or the obligation to get tested for COVID-19, depending on the weekly infection rate per 100,000 inhabitants in the country of departure and the established limit. Cruises between Estonia and Sweden have been banned. Due to the fall in demand caused by the restrictions, international ferry operators have made adjustments to their timetables and the ferries serving the routes. The Tallinn-Stockholm and Tallinn-St Petersburg routes have been closed since mid-March 2020. There have been no cruise ship calls since the beginning of the pandemic.

There have been no restrictions on international cargo transport and on the whole the pandemic has not reduced the Group's cargo throughput. From time to time there have been supply interruptions at the place of dispatch (e.g. short-term production suspensions) but these have not had any long-term effect. The volumes of certain cargo types (especially ro-ro cargo) have been growing steadily because regular vessel traffic has continued and, in the near term, nearshoring resulting from the pandemic may even increase cargo volumes.

Domestic ferry service on routes between mainland Estonia and the islands of Saaremaa and Hiiumaa that are operated by OÜ TS Laevad, a subsidiary of AS Tallinna Sadam, has continued as usual and in strict compliance with protective measures. In the first quarter, the number of vehicles carried even increased year on year. The changes resulting from the restrictions have not had a significant impact on the financial results of the Ferry segment because a major share of ferry service revenue is made up of a fixed fee that does not depend on the number of trips or passengers.

The multifunctional icebreaker Botnica, which is operated by OÜ TS Shipping, a subsidiary of AS Tallinna Sadam, has continued its normal operations and its revenue (segment Other) has not been significantly affected by the COVID-19 pandemic. The number of charter days and the vessel utilization rate for the first quarter remained stable year on year.

The Group applies all necessary measures and cooperates closely with the authorities to prevent the spread of the virus and to protect people's lives and health. In the first quarter, we began vaccinating our frontline staff, implemented rapid COVID-19 tests to test shift workers before the start of work and made testing for COVID-19 antibodies available to all employees. Passengers arriving in Estonia from high-risk countries can get tested for COVID-19 in the passenger terminals of Old City Harbour in order to reduce the period of self-isolation and to return to work more quickly.

Due to a large share of fixed costs, a decline in the profitability of the Group's Passenger harbours segment is inevitable. The Group will continue with planned investments and the Group's management believes that the impacts of COVID-19 will not affect the Group's ability to continue as a going concern.

SHARE AND SHAREHOLDERS

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

The dynamics of the closing price of the AS Tallinna Sadam share and the volume of shares traded since listing on the Nasdaq Tallinn Stock Exchange on 13 June 2018 to 31 March 2021 is presented in the following graph:



The opening price of the share at the beginning of 2021 was EUR 1.8. The closing price of the share at 31 March 2021 was EUR 1.86, having increased in the first quarter by 3.3%. The company's market capitalisation at 31 March 2021 was EUR 489.2 million (31 December 2020: EUR 473.4 million).

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



Source: nasdaqbaltic.com

In the first quarter of 2021, there were 12,093 transactions with the AS Tallinna Sadam share (Q4 2020: 11,747 transactions) in which 4.9 million shares (Q4 2020: 3.3 million shares) changed owner. The total turnover of the transactions was EUR 9 million (Q4 2020: EUR 5.7 million).

At 31 March 2021, the company had 16,412 shareholders (31 December 2020: 15,433 shareholders) but only the Republic of Estonia (through the Ministry of Economic Affairs and Communications) had an ownership interest exceeding 5%. The five largest shareholders as at 31 March 2021 were:

Name of shareholder	Number of shares	Interest, %
Ministry of Economic Affairs and Communications	176,295,032	67%
European Bank for Reconstruction and Development (EBRD)	9,350,000	4%
State Street Bank and Trust Omnibus	8,942,545	3%
SEB Progressiivne Pensionifond	6,484,365	2%
LHV Pensionifond L	5,536,570	2%

The shareholder structure has changed somewhat compared to the end of 2020. The share of international investment funds has decreased from 12% to 11% (–1.5 million shares) while Estonian retail investors have increased their share from 11% to 12% (+1.7 million shares). The share of Estonian retail investors in the company’s shareholder structure now exceeds that of international investment funds and is second-largest after the Republic of Estonia. The share of Estonian investment and pension funds has also increased slightly (+185 thousand shares).

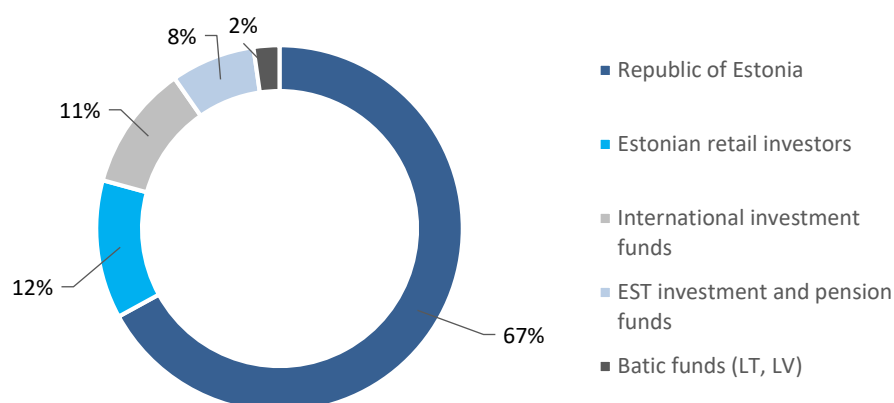


Chart: Shareholder structure as at 31 March 2021

DIVIDENDS

The dividend policy of AS Tallinna Sadam sets the target to pay the shareholders regular post-tax dividends, which should amount to at least 70% of the preceding year’s profit⁵, subject to market conditions, the company’s growth and development plans, while taking into account the need to maintain a reasonable level of liquidity and excluding the impact of non-recurring transactions.

Consistent with the dividend policy, the management board has proposed the annual general meeting convening in 2021 to pay a dividend of EUR 0.077 per share, i.e. EUR 20.3 million in total (i.e. 71% of profit for the previous financial year), in 2021. If shareholders vote in favour of the proposal, the list of shareholders entitled to receive the dividend will be determined as at the end of the business day of the settlement system on 3 June 2021.

⁵ The target for 2019–2020 was to make the shareholders a post-tax dividend distribution of at least EUR 30 million per year.

Consequently, the ex-dividend date (the date of change of the rights attaching to the shares) will be 2 June 2021. From that date, a person acquiring shares in the company will not be entitled to receive a dividend for 2020. The dividend approved by the general meeting will be paid out to the shareholders on 10 June 2021.

CORPORATE GOVERNANCE

At 31 March 2021, AS Tallinna Sadam had two wholly-held subsidiaries, OÜ TS Shipping and OÜ TS Laevad, and a 51% interest in an associate, AS Green Marine.

The supervisory board is responsible for the strategic planning of the company's activities and supervising the activities of the management board. According to the Articles of Association of AS Tallinna Sadam, the supervisory board has six to eight members. At 31 March 2021, the supervisory board had eight members: Aare Tark (chairman), Ahti Kuningas, Maarika Honkonen, Raigo Uukkivi, Urmas Kaarlep, Üllar Jaaksoo, Riho Unt and Veiko Sepp, of whom six members are independent. Under the supervisory board, there is a four-member audit committee, which consists of members of the supervisory board and provides advice in supervisory matters. The composition of the supervisory board and the audit committee did not change in the first quarter.

The management board is responsible for the day-to-day management of the company in accordance with the law and the Articles of Association. According to the Articles of Association, the management board may have two to five members. At 31 March 2021, the management board had three members: Valdo Kalm (chairman and CEO), Marko Raid (CFO) and Margus Vihman (CCO). The composition of the management board did not change in the first quarter.

Further information about the company's corporate governance and members of the management and supervisory boards is presented in its annual report for 2020, which is available on the company's website: <https://www.ts.ee/en/investor/annual-reports>.

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

SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2021

- 1. Extension of term of office of Guldar Kivro, member of the management board of OÜ TS Laevad.** The supervisory board of OÜ TS Laevad, a subsidiary of AS Tallinna Sadam, extended the term of office of Guldar Kivro, member of the management board, for the second three-year term starting from the end of the first term of office, that is from 9 December 2021 to 8 December 2024.
- 2. Icebreaker Botnica's ten-year contract with the Transport Administration.** TS Shipping OÜ, a subsidiary of AS Tallinna Sadam, won the public tender organised by the Estonian Transport Administration for the delivery of icebreaking service and ensuring navigation in the Gulf of Finland from 20 December 2022 to 20 April 2032, and signed the contract. Similarly to the previous 10-year charter agreement, the multifunctional icebreaker Botnica will deliver icebreaking service in Estonia's coastal waters annually from 20 December to 20 April. The total estimated contract price is EUR 54.2 million, i.e. EUR 5.4 million per year.

- 3. Icebreaker Botnica's charter for summer 2021.** Baffinland Iron Mines Corporation has declared that it will use the contractual option to charter the multifunctional icebreaker Botnica in 2021 for the period from the end of June to the end of October similarly to the previous three years. The exact number of charter days will depend on the weather and other conditions.
- 4. Nasdaq Baltic Awards 2021 – the best investor relations.** AS Tallinna Sadam won the Nasdaq Baltic Award 2021 in the main category Investor Relations of the Year. In the category, the past two years' investor relations quality and shareholder returns were assessed.
- 5. Digital Construction Cluster awards Deed of the Year and Organization of the Year.** The renovation project of Terminal D, managed by AS Nordecon and AS Tallinna Sadam, won the Deed of the Year award. It was an excellent collaboration project which allowed AS Tallinna Sadam to establish its own BIM (Building Information Modelling) requirements. The Organization of the Year award was granted to AS Tallinna Sadam for using its projects to develop the construction sector.
- 6. Car park for passenger terminal D.** A parking structure with 385 parking spaces on one below-ground and four above-ground levels was opened next to passenger terminal D at Old City Harbour in February. The car park is available to both passengers and those wishing to stay in the hotels or visit the businesses in the area.
- 7. Transition to renewable energy.** AS Tallinna Sadam signed a renewable energy purchase agreement with AS Eesti Energia and has been consuming only green electricity produced in Estonia since February 2021. Under the agreement, in 2021 AS Eesti Energia will supply AS Tallinna Sadam with an estimated amount of 10 GWh of renewable electricity for the Group's own use. This will reduce CO₂ emissions by nearly 7,000 tonnes per year, taking the Group closer to meeting its environmental goal of achieving climate neutrality by 2050. The Group will arrange a tender for the purchase of renewable energy for the next period starting from 2022.
- 8. Tallink's legal action against AS Tallinna Sadam.** AS Tallink Grupp filed a claim of EUR 15.4 million against AS Tallinna Sadam in connection with port dues paid by AS Tallink Group in 2017, 2018 and 2019. AS Tallinna Sadam finds that the claim filed by AS Tallink Grupp for the compensation of allegedly unfair port dues is unreasonable and intends to protect the sustainability of the company and the interests of its shareholders.
- 9. Changes in the composition of the nomination committee of AS Tallinna Sadam.** From 5 April 2021, Merike Saks, the new secretary general of the Ministry of Finance, is a member of the nomination committee because of the office she holds.
- 10. Dividend proposal.** With the approval of the supervisory board the management board has proposed the general meeting to pay a dividend of EUR 0.077 per share, i.e. 20.251 million in total (71% of the profit for the previous financial year), in 2021. The proposal is based on the current dividend policy to distribute at least 70% of profit for the previous year as dividends from 2021 onward.

MANAGEMENT'S CONFIRMATION AND SIGNATURES

By authorising the unaudited interim condensed consolidated report as at and for the period ended 31 March 2021 for issue, the management board confirms that the information about AS Tallinna Sadam and the companies related to it, as set out on pages 15 to 31, is correct and complete and that:

1. the unaudited interim condensed consolidated financial statements have been prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS EU);
2. the unaudited interim condensed consolidated financial statements give a true and fair view of the financial position, cash flows and financial performance of the Group;
3. all significant events that occurred until the date on which the interim financial report was authorised for issue (7 May 2021) have been properly recognised and disclosed in the unaudited interim condensed consolidated financial statements;
4. AS Tallinna Sadam and its subsidiaries are going concerns

7 May 2021

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

As at	Note	31 March 2021	31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents		33,443	26,679
Trade and other receivables	4	11,611	10,183
Contract assets	10	191	0
Inventories		383	360
<i>Total other current assets</i>		<i>45,628</i>	<i>37,222</i>
Non-current assets held for sale		98	114
Total current assets		45,726	37,336
Non-current assets			
Investments in an associate	5	1,136	1,147
Other long-term receivables	4	303	0
Property, plant and equipment	6	584,956	587,506
Intangible assets		2,272	2,104
Total non-current assets		588,667	590,757
Total assets		634,393	628,093
LIABILITIES			
Current liabilities			
Loans and borrowings	8	17,266	17,266
Derivative financial instruments		64	102
Provisions		585	1,289
Government grants		1,815	1,919
Taxes payable		943	744
Trade and other payables	7	8,225	9,116
Contract liabilities	10	3,215	33
Total current liabilities		32,113	30,469
Non-current liabilities			
Loans and borrowings	8	191,314	194,314
Government grants		26,979	26,145
Other payables	7	792	841
Contract liabilities	10	881	892
Total non-current liabilities		219,966	222,192
Total liabilities		252,079	252,661
EQUITY			
Share capital	9	263,000	263,000
Share premium		44,478	44,478
Statutory capital reserve		20,262	20,262
Hedge reserve		-64	-102
Retained earnings (prior periods)		47,794	19,276
Profit for the period		6,844	28,518
Total equity		382,314	375,432
Total liabilities and equity		634,393	628,093

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

for the 3 months ended 31 March

Consolidated statement of profit or loss

In thousands of euros	Note	2021	2020
Revenue	10	24,988	27,890
Other income		324	1,767
Operating expenses	11	-7,302	-8,327
Personnel expenses		-4,644	-4,677
Depreciation, amortisation and impairment		-6,022	-5,989
Other expenses		-123	-150
Operating profit		7,221	10,514
Finance income and costs			
Finance income		10	11
Finance costs		-376	-386
Finance costs – net		-366	-375
Share of loss of an associate accounted for under the equity method		-11	-157
Profit before income tax		6,844	9,982
Profit for the period		6,844	9,982
Attributable to:			
Owners of the Parent		6,844	9,982
Basic earnings and diluted earnings per share (in euros)		0.03	0.04
Basic earnings and diluted earnings per share – continuing operations (in euros)		0.03	0.04

Consolidated statement of other comprehensive income

In thousands of euros	2021	2020
Profit for the period	6,844	9,982
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net fair value gain on hedging instruments in cash flow hedges	38	34
Total other comprehensive income	38	34
Total comprehensive income for the period	6,882	10,016
Attributable to:		
Owners of the Parent	6,882	10,016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the 3 months ended 31 March

In thousands of euros	Note	2021	2020
Cash receipts from sale of goods and services		29,620	30,041
Cash receipts related to other income		14	13
Payments to suppliers		-9,956	-8,047
Payments to and on behalf of employees		-4,552	-3,661
Payments for other expenses		-111	-138
Cash from operating activities		15,015	18,208
Purchases of property, plant and equipment		-4,662	-6,859
Purchases of intangible assets		-218	-96
Proceeds from sale of property, plant and equipment		119	1,099
Government grants received		0	581
Interest received		1	5
Cash used in investing activities		-4,760	-5,270
Repayments of loans received	8	-3,000	-3,000
Interest paid		-491	-516
Cash used in financing activities		-3,491	-3,516
NET CASH FLOW		6,764	9,422
Cash and cash equivalents at beginning of the period		26,679	35,183
Change in cash and cash equivalents		6,764	9,422
Cash and cash equivalents at end of the period		33,443	44,605

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 3 months ended 31 March

In thousands of euros	Share capital	Share premium	Statutory capital reserve	Hedge reserve	Retained earnings	Total equity attributable to owners of the Parent
Equity at 31 December 2019	263,000	44,478	18,520	-243	51,263	377,018
Profit for the period	0	0	0	0	9,982	9,982
Other comprehensive income for the period	0	0	0	34	0	34
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>34</i>	<i>9,982</i>	10,016
Equity at 31 March 2020	263,000	44,478	18,520	-209	61,245	387,034

In thousands of euros	Share capital	Share premium	Statutory capital reserve	Hedge reserve	Retained earnings	Total equity attributable to owners of the Parent
Equity at 31 December 2020	263,000	44,478	20,262	-102	47,794	375,432
Profit for the period	0	0	0	0	6,844	6,844
Other comprehensive income for the period	0	0	0	38	0	38
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>38</i>	<i>6,844</i>	6,882
Equity at 31 March 2021	263,000	44,478	20,262	-64	54,638	382,314

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**1. REPORTING ENTITY**

AS Tallinna Sadam (also referred to as the 'Parent' or the 'Company') is a company incorporated and registered in the Republic of Estonia on 5 November 1996. The interim condensed consolidated financial statements of AS Tallinna Sadam as at and for the 3 months ended 31 March 2021 comprise the Parent and its subsidiaries (together referred to as the 'Group'). The Group's core business lines are rendering of port services in the capacity of a landlord port, organising ferry service between Estonia's mainland and biggest islands and operating the multifunctional icebreaker Botnica.

The Group owns five harbours: Old City, Saaremaa, Muuga, Paljassaare and Paldiski South. Old City Harbour in the centre of Tallinn together with Old City Marina for small vessels that was opened in 2010 and Saaremaa Harbour designed for receiving cruise ships provide mainly passenger harbour services. Muuga Harbour, which is Estonia's largest cargo harbour, Paldiski South Harbour and Paljassaare Harbour that serves mostly ship repair companies provide mainly cargo harbour services. The Group has ceased active operations in Paljassaare Harbour and is making preparations to exit from the harbour. In connection with this, the Group sold a lot of assets belonging to Paljassaare Harbour in 2020.

The Group's subsidiaries at 31 March 2021 and 31 December 2020:

Subsidiary	Domicile	Ownership interest (%)		Core business line
		31 March 2021	31 Dec 2020	
OÜ TS Shipping	Republic of Estonia	100	100	Rendering icebreaking and other offshore support services with the multifunctional icebreaker Botnica
OÜ TS Laevad	Republic of Estonia	100	100	Rendering domestic ferry service between Estonia's mainland and biggest islands

In addition, the Group has a 51% interest in the associate AS Green Marine but it does not have control over the entity's decision-making. In the Group's financial statements, the interest in the associate is accounted for using the equity method.

The address of the Parent's registered office is Sadama 25, Tallinn 15051, the Republic of Estonia.

The ultimate controlling party of AS Tallinna Sadam is the Republic of Estonia (ownership interest of 67.03% through the Ministry of Economic Affairs and Communications).

2. ACCOUNTING POLICIES

These interim condensed consolidated financial statements for the 3 months ended 31 March 2021 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes and explanations included in the Group's annual report for the year ended 31 December 2020.

Note 2 continued

See note 2 to the consolidated financial statements in the annual report for 2020 for additional information about significant accounting policies.

The interim condensed consolidated financial statements have been prepared using the same accounting policies as those applied on the preparation of the Group's consolidated financial statements for 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The interim condensed consolidated financial statements are presented in thousands of euros.

3. OPERATING SEGMENTS

In thousands of euros	For the 3 months ended 31 March 2021				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	3,293	4,338	0	0	7,631
Cargo charges	313	1,246	0	0	1,559
Passenger fees	568	48	0	0	616
Sale of electricity	301	1,358	0	0	1,659
Sale of ferry services – ticket sales	0	0	1,606	0	1,606
Sale of other services	121	267	18	0	406
Lease income	367	2,317	99	0	2,783
Charter fees	0	0	0	3,613	3,613
Sale of ferry services – government support	0	0	5,115	0	5,115
Total segment revenue* (note 10)	4,963	9,574	6,838	3,613	24,988
Adjusted segment EBITDA	1,821	5,587	2,994	2,620	13,022
Depreciation and amortisation	-1,705	-2,301	-1,493	-523	-6,022
Impairment losses	0	0	0	0	0
Amortisation of government grants received	57	153	0	0	210
Share of loss of an associate accounted for under the equity method	0	0	0	11	11
Segment operating profit	173	3,439	1,501	2,108	7,221
Finance income and costs, net					-366
Share of loss of an associate accounted for under the equity method					-11
Income tax expense					0
Profit for the period					6,844

* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 3 thousand and EUR 50 thousand for the Passenger harbours and Cargo harbours segments, respectively, which was eliminated during consolidation.

Note 3 continued

	For the 3 months ended 31 March 2020				
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	4,307	4,362	0	0	8,669
Cargo charges	310	1,189	0	0	1,499
Passenger fees	2,499	26	0	0	2,525
Sale of electricity	142	1,142	0	0	1,284
Sale of ferry services – ticket sales	0	0	1,598	0	1,598
Sale of other services	177	267	9	0	453
Lease income	457	2,316	96	0	2,869
Charter fees	0	0	0	3,653	3,653
Sale of ferry services – government support	0	0	5,340	0	5,340
Total segment revenue* (note 10)	7,892	9,302	7,043	3,653	27,890
Adjusted segment EBITDA	4,043	6,734	3,245	2,149	16,171
Depreciation and amortisation	-1,619	-2,170	-1,444	-559	-5,792
Impairment losses	-59	-138	0	0	-197
Amortisation of government grants received	50	125	0	0	175
Share of loss of an associate accounted for under the equity method	0	0	0	157	157
Segment operating profit	2,415	4,551	1,801	1,747	10,514
Finance income and costs, net					-375
Share of loss of an associate accounted for under the equity method					-157
Profit for the period					9,982

* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 13 thousand and EUR 62 thousand for the Passenger harbours and Cargo harbours segments, respectively, which was eliminated during consolidation.

4. TRADE AND OTHER RECEIVABLES

In thousands of euros

At	31 March 2021	31 December 2020
Trade receivables	7,269	7,820
Allowance for credit losses	-965	-1,693
Prepaid taxes	1,106	744
Government grants receivable	3,532	2,487
Other prepayments	332	487
Receivables from an associate (note 15)	22	15
Other receivables	1,334	323
Allowance for credit losses for other receivables	-716	0
Total trade and other receivables	11,914	10,183
Of which current receivables	11,611	10,183
non-current receivables	303	0

Trade receivables – expected credit loss matrix

In thousands of euros

At 31 March 2021	Not past due	Days past due				Total
		0–30	31–60	61–90	>90	
Expected credit loss rate	5.16%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	6,168	329	114	103	555	7,269
Lifetime expected credit loss (ECL)*	-318	-5	-3	-83	-556	-965
						6,304
At 31 December 2020						
Expected credit loss rate	0.8%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	5,713	460	6	6	1,636	7,820
Lifetime expected credit loss (ECL)	-46	-7	0	-4	-1,636	-1,693
						6,127

* In 2021, the Group recognised a partial loss allowance of EUR 269 thousand for receivables not yet past due but due from customers that have had considerable settlement difficulties in the past.

5. INVESTMENTS IN AN ASSOCIATE

In thousands of euros

For the 3 months ended 31 March	2021	2020
Income	1,003	796
Expenses	987	1,046
Net profit (+)/loss (-)	6	-259

In thousands of euros

	At 31 March 2021	At 31 December 2020
Net assets of the associate	2,228	2,249
The Group's ownership interest in the associate, %	51%	51%
Carrying amount of the Group's investment in the associate in the Group's statement of financial position	1,136	1,147

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 2020						
Cost	627,291	246,929	8,615	25,554	0	908,389
Accumulated depreciation and impairment losses	-227,225	-88,092	-5,565	0	0	-320,882
Carrying amount at 31 December 2020	400,066	158,837	3,049	25,554	0	587,506
<i>Movements in the 3 months ended 31 March 2021</i>						
Acquisition and reconstruction	0	140	0	3,161	26	3,327
Depreciation charge	-2,961	-2,725	-191	0	0	-5,877
Reclassified at carrying amount	3,519	228	9	-3,756	0	0
At 31 March 2021						
Cost	630,810	247,297	8,605	24,959	26	911,697
Accumulated depreciation and impairment losses	-230,186	-90,817	-5,738	0	0	-326,741
Carrying amount at 31 March 2021	400,624	156,480	2,867	24,959	26	584,956

7. TRADE AND OTHER PAYABLES

In thousands of euros

At	31 March 2021	31 December 2020
Trade payables	4,368	5,764
Payables to employees	1,291	1,233
Interest payable	272	388
Accrued taxes payable on remuneration	550	621
Advances for goods and services	1,049	414
Payables to an associate (note 15)	102	78
Other payables	1,385	1,459
Total trade and other payables	9,017	9,957
Of which current liabilities	8,225	9,116
non-current liabilities	792	841

8. LOANS AND BORROWINGS

In thousands of euros

At	31 March 2021	31 December 2020
Current portion		
Loans and borrowings	8,266	8,266
Debt securities	9,000	9,000
Total current portion	17,266	17,266
Non-current portion		
Loans and borrowings	51,064	54,064
Debt securities	140,250	140,250
Total non-current portion	191,314	194,314
Total loans and borrowings	208,580	211,580

Debt securities

All debt securities have been issued in euros and have floating interest rates (base rate of 3-month or 6-month Euribor plus a fixed risk margin). The maturities of the debt securities will arrive in 2026 and 2027. In line with settlement schedules, no debt securities were redeemed in the three-month period ended 31 March 2021. At 31 March 2021, the weighted average interest rate of the debt securities was 0.54% (31 December 2020: 0.54%).

Note 8 continued**Loans**

All loan agreements are denominated in euros and have floating interest rates (the base rate is 6-month Euribor). The final maturities of outstanding loan liabilities fall in the period 2024 to 2029. Principal repayments made in the three-month period ended 31 March 2021 amounted to EUR 3,000 thousand (three-month period ended 31 March 2020: EUR 3,000 thousand).

At 31 March 2021, the weighted average interest rate of drawn loans was 0.90% (31 December 2020: 0.90%) (the Group did not have any undrawn loans or other credit facilities at 31 March 2021). Considering the effect of derivative transactions used to hedge interest rate risk, the average interest rate of loans at 31 March 2021 was 1.22% (31 December 2020: 1.24%).

Contractual maturities of loans and borrowings

In thousands of euros

At	31 March 2021
Up to 12 months	17,266
1 – 5 years	76,064
> 5 years	115,250
Total loans and borrowings	208,580

Fair value

In the reporting period, the assessment of the Group's risk level did not change and there were no significant changes in the interest rates of international financial markets. Thus, according to the Group's assessment, at 31 March 2021, similarly to 31 December 2020, the fair values of loans and debt securities that are measured at amortised cost did not differ significantly from their carrying amounts.

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

All loan and debt securities agreements currently in force are unsecured, i.e. no assets have been pledged to cover the liabilities and the debt securities are not listed. The Group has fulfilled all its obligations under the loan and debt securities agreements, including those resulting from special terms. At 31 March 2021, the Group was also in compliance with the covenants that set requirements to its financial indicators.

9. EQUITY

At 31 March 2021, AS Tallinna Sadam had 263,000,000 registered ordinary shares (31 December 2020: 263,000,000 shares), of which 67.03% were held by the Republic of Estonia (through the Ministry of Economic Affairs and Communications) and 32.97% were held by Estonian and international investment funds, banks, pension funds and retail investors. The par value of a share is EUR 1.

According to the Articles of Association of AS Tallinna Sadam, the maximum number of authorised ordinary shares is 664,000,000 (in the comparative period in 2020: 664,000,000). At 31 March 2021 and 31 December 2020 all shares issued had been fully paid for.

For the 3 months ended 31 March	2021	2020
Weighted average number of shares outstanding	263,000,000	263,000,000
Consolidated net profit for the period (in thousands of euros)	6,844	9,982
Basic and diluted earnings per share (in euros)*	0.03	0.04
Weighted average number of ordinary shares outstanding	263,000,000	263,000,000

* In the periods ended 31 March 2021 and 31 March 2020 the Group had no outstanding instruments with a dilutive effect.

The Company has proposed to pay a dividend of EUR 0.077 per share, i.e. EUR 20,251 thousand in total.

10. REVENUE

In thousands of euros

For the 3 months ended 31 March	2021	2020
Revenue from contracts with customers		
Vessel dues	7,631	8,669
Cargo charges	1,559	1,499
Passenger fees	616	2,525
Sale of electricity	1,659	1,284
Sale of ferry services – ticket sales	1,606	1,598
Sale of other services	406	453
Total revenue from contracts with customers	13,477	16,028
Revenue from other sources		
Operating lease income	2,783	2,869
Charter fees	3,613	3,653
Sale of ferry services – government support	5,115	5,340
Total revenue from other sources	11,511	11,862
Total revenue (note 3)	24,988	27,890

Note 10 continued

Vessel dues include the tonnage charge, which is calculated on the basis of the gross tonnage of a vessel for each port call. For vessels visiting the port based on a pre-agreed schedule that have a prospective volume discount during the year, the transaction price is allocated between the tonnage services and the option for discounted tonnage services based on the estimated total number of port calls by that vessel during the calendar year. Revenue from tonnage charges is recognised based on the yearly average tariffs and estimated volume as described above. At 31 March 2021, the difference between revenue recognised and amounts billed to customers was recognised as a contract liability of EUR 3,092 thousand (revenue recognised was smaller than the amounts billed).

Some cargo charge contracts set out a minimum annual cargo volume. If the cargo operator handles less than the minimum, the Group has the right to charge the customer at the end of the calendar year based on the minimum annual cargo volume. Management estimated the Group's remaining right to consideration by reference to the minimum cargo volume and the amount of consideration received from customers as at 31 March 2021. Based on the estimation, the Group recognised contract assets of EUR 191 thousand. At 31 March 2021, revenue received from some customers exceeded management's estimates. As a result, the Group recognised contract liabilities of EUR 67 thousand so that estimated revenue would be evenly recognised over all interim periods of 2021.

When connecting to the electricity network, customers pay a connection fee based on the expenses incurred in connecting to the network. The connection service does not represent a separate performance obligation as the customer does not benefit from this service separately from the consumption of electricity. Therefore, connection fees form part of the consideration for electricity and are recognised as revenue over the period during which customers consume electricity. Amounts received for connection fees not yet included in revenue are recognised in the statement of financial position as contract liabilities. At 31 March 2021, such liabilities amounted to EUR 881 thousand (31 December 2020: EUR 892 thousand).

Revenue from ticket sales is recognised over time, as the ferry transfers the passengers and/or vehicles, which happens in a single day, or at the point in time when the ticket expires. Consideration received from tickets sold for trips not yet performed is deferred and recognised in the statement of financial position as a contract liability. At 31 March 2021, such liabilities amounted to EUR 56 thousand (31 December 2020: EUR 33 thousand).

11. OPERATING EXPENSES

In thousands of euros

For the 3 months ended 31 March	2021	2020
Fuel, oil and energy costs	2,561	2,413
Technical maintenance and repair of non-current assets	915	1,359
Services purchased for infrastructure	747	697
Tax expenses	662	683
Consultation and development expenses	93	137
Services purchased	1,084	1,122
Acquisition and maintenance of assets of insignificant value	227	712
Advertising expenses	27	59
Lease expenses	169	141
Insurance expenses	215	198
Other operating expenses	602	806
Total operating expenses	7,302	8,327

12. COMMITMENTS

At 31 March 2021, the Group's contractual commitments related to the acquisition of property, plant and equipment, repairs, and research and development expenditures totalled EUR 10,774 thousand (31 December 2020: EUR 9,448 thousand).

13. CONTINGENT LIABILITIES

In June 2019, the court accepted a statement of claim for damages of EUR 23.8 million in total filed against Group companies OÜ TS Laevad and OÜ TS Shipping in relation to alleged unjustified use of confidential information in a public tender to provide public passenger transport service on the Saaremaa and Hiiumaa routes. The statement of claim is identical to the one filed by the same plaintiffs in a previous civil case which was dismissed by Harju County Court on 8 March 2019 because the plaintiffs did not provide security of EUR 14,000 in total ordered by the court for covering the estimated costs of the proceedings.

The Group did not admit guilt and is defending itself in the action. The management board believes that the claim is not substantiated and legal advice indicates that it is not probable that a liability will arise. Thus, the management board has not considered it necessary to recognise a provision for the claim.

Note 13 continued

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. On 19 January 2021, Harju County Court decided that the statement of claim is to be denied and procedural expenses are to be borne by the customer. The decision has not entered into force because the customer has filed an appeal against it.

At the end of 2019, the customer filed an application to the Competition Authority, requesting the initiation of supervision proceedings in connection with the same claim to establish whether the Group has violated the Competition Act. The supervision proceedings by the Competition Authority are still ongoing.

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.

AS Tallink Grupp, the operator of several international ferry routes and a major and long-term customer of the Group, filed a claim against AS Tallinna Sadam with Harju County Court on 1 March 2021. AS Tallink Grupp is seeking partial repayment of baselessly received port dues of EUR 15.4 million (plus interest on arrears) or, alternatively, compensation of damage caused. According to AS Tallink Grupp, in the years 2017, 2018 and 2019 AS Tallinna Sadam charged unfairly high port dues at Old City Harbour from ferries operating on international routes and thus abused its dominant position in the market.

The Group considers the claim submitted by AS Tallink Grupp for compensation of allegedly unfair port dues to be baseless. AS Tallinna Sadam has a long-term and transparent pricing policy. The port dues for ferries have been at the same level since 2016 and have not been indexed despite a rise in consumer prices. Nor has the Group made any special deals with any ferry operators at prices outside the official price list. AS Tallinna Sadam intends to contest the claim and to defend itself in the case. Management believes that the claim is not substantiated and therefore the Group has not recognised a provision for it.

14. INVESTIGATIONS CONCERNING THE GROUP

On 26 August 2015, the Estonian Internal Security Service detained Ain Kaljurand and Allan Kiil, long-term members of the management board of the Group's Parent, AS Tallinna Sadam, as they are suspected 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. By the order of Harju County Court dated 19 November 2018, the civil action was included in the criminal proceedings against the above persons.

On 28 October 2020, Harju County Court issued an order terminating criminal proceedings concerning Allan Kiil in connection with his terminal illness. At the same time, Tallinn Circuit Court issued an order requiring Allan Kiil to be involved in the criminal proceedings as a civil defendant.

At the reporting date, court hearings in the criminal matter were under way and legal proceedings against other persons that have been charged continued. Based on information available at the reporting date, the management board believes that the above events will not have a material adverse impact on the Group's financial performance or financial position. However, they may continue to cause significant damage to the Group's reputation.

15. RELATED PARTY TRANSACTIONS

The Republic of Estonia (through the Ministry of Economic Affairs and Communications) holds 67.03% of the shares in AS Tallinna Sadam.

In thousands of euros

For the 3 months ended 31 March	2021	2020
Transactions with an associate		
Revenue	41	52
Operating expenses	253	294
Transactions with companies in which members of supervisory and management boards of group companies have significant influence		
Operating expenses	2	2
Other expenses	2	15
Transactions with government agencies and companies in which the state has control		
Revenue	8,895	9,157
Operating expenses	2,145	1,751
Acquisition of property, plant and equipment	64	0

Note 15 continued

In thousands of euros	At 31 March 2021	At 31 December 2020
Trade receivables from and payables to an associate		
Receivables (note 4)	22	15
Payables (note 7)	102	78
Trade receivables from and payables to companies in which members of supervisory and management boards of group companies have significant influence		
Receivables	0	2
Payables	1	1
Trade receivables from and payables to government agencies and companies in which the state has control		
Receivables	964	245
Liabilities	1,164	1,331

All purchases and sales of services were transactions conducted in the ordinary course of business on an arm's length basis.

Revenue and operating expenses from transactions with related parties comprise revenue and expenses from sales and purchases of business-related services.

Information presented about companies in which members of the supervisory and management boards of group companies have significant influence is based on the declarations provided by related parties.