



**Unaudited interim condensed consolidated
report for the
3 Months ended 31 March 2018**

Translation of the Estonian Original

AS Tallinna Sadam

AS TALLINNA SADAM**UNAUDITED INTERIM CONDENSED CONSOLIDATED REPORT
FOR THE 3 MONTHS ENDED 31 MARCH 2018**

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Beginning of financial year	1 January
End of financial year	31 December
Beginning of interim reporting period	1 January
End of interim reporting period	31 March
Legal form	Limited company (AS)
Auditor	AS Deloitte Audit Eesti

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MANAGEMENT REPORT

In the first quarter of 2018, the volume of cargo and number of passengers serviced at the harbours of the Group slightly increased while the revenue slightly decreased. The Group's net profit decreased by EUR 2.5m to EUR 11.8m, that however, being mostly due to higher one-off additional income relative to additional expenses occurred in the first quarter of 2017 in the Ferry segment, related to the late delivery of the new passenger ferries. Due to this delay, the Group recognised penalty fee income of EUR 3.75m as other income and to a lesser extent higher than normal operating expenses (mostly due to chartering cost of the replacement ferries) for the first quarter of 2017, that did not occur in 2018. The higher than normal expenses in 2017 occurred until the end of third quarter, when the charter of M/V Hiiumaa (in Ferry segment) expired, while the additional penalty income was only received during the first quarter.

Cargo and passengers volume

In the first quarter of 2018, the cargo volume of the Group totalled 5.0m tonnes, increasing slightly compared to the same period in 2017, by 20k tonnes or 0.4%. By cargo types, growth was recorded for ro-ro cargo and dry bulk, by 132k tonnes or 11% and by 65k tonnes or 8%, respectively. The volume of liquid bulk decreased by 147k tonnes or 6%, mostly due to exceptionally large volume in March 2017 (350k tonnes above the monthly average for 2017). The volumes of containers and general cargo also slightly declined (by -15k and -14k tonnes, respectively, and alternatively by -2.9k TEUs or -5% for containers).

The total number of passengers also grew slightly, by 3k passengers or 0.2% to 1.92 million. Tallinn-Stockholm and Tallinn-Helsinki lines both had a small increase (by 6k and 4k passengers respectively) while Tallinn-St.Petersburg line and overnight cruises had a decrease.

Revenues, expenses and profit

The revenue of the Group decreased by EUR 0.4m to EUR 29.4m or by 1%. By types of revenue, several different changes occurred, none of which had a dominant effect. The largest change was a decrease of vessel dues by EUR 0.6m or 6%. The decrease was due to decline of liquid bulk and container volumes as described above, leading to a decrease in respective vessel calls. While the total number of passenger vessel calls increased, the revenue from passenger vessel dues slightly decreased related to the combined effect of increased number of calls of several passenger vessels, while the introduction of new M/V Megastar in February 2017 (replacing M/V Superstar) had one-off positive effect on passenger vessel dues in 2017, due to vessel-based tonnage due discount system depending on the number of total calls made during a calendar year by each individual passenger vessel. Revenue from cargo charges decreased by EUR 0.3m or 15% mostly as the result of decline in liquid bulk volume together with a decrease in expected total annual revenue allocated to the first quarter according to the new revenue standard IFRS 15. Revenue from passenger fees changed slightly in line with the change in the number of passengers. The revenue from sale of electricity increased by EUR 0.3m or 19%, mostly due to colder weather and higher electricity prices compared to the same period of previous year. Rental income decreased by EUR 0.2m or 8%, the change being related to termination of land rental agreements with coal terminal near the end of 2017, due to its bankruptcy, and expiring of some agreements in Old City Harbour mostly related to buildings and areas not designated for commercial purposes after reconstruction of the traffic areas in the harbour. Total revenue from sale of ferry services increased by EUR 0.3m or 4% due to combined effect of rise of revenue tariffs as a result of indexation with Estonian CPI and wage inflation and an increase in the number of trips made. Increase of charter fees was related to indexation of charter rate of M/V Botnica. By segments, the largest change of revenue was for the passenger harbours (EUR -0.5m or -5%), followed by cargo harbours (EUR -0.3m or -3%), ferry (EUR +0.3m or 5%) and other (EUR +0.1m or 2%). The decrease of revenue in the passenger harbours segment was mainly due to the combined effect of M/V Superstar and M/V Megastar (replacing the former from February 2017) resulting in higher average tariff than M/V Megastar based on full year, and the transfer of M/V Sea Wind from Old City Harbour into Muuga Harbour in October 2017 (effectively transferring revenue from passenger harbours segment into cargo harbours segment for 2018). The decrease of revenue in cargo harbours segment was mainly due to the decrease in the liquid bulk and container volumes leading to decreased volume of vessel calls the negative effect of which was only partially offset by additional revenue from M/V Sea Wind. The increase of revenue in ferry segment was due to combined effect of indexation of tariffs with Estonian CPI and wage inflation and an increase in the number of trips made. Revenue increase in other segment was related to indexation of charter rate of M/V Botnica.

Other income decreased by EUR 3.7m as EUR 3.75m of income from penalty fees from shipyards was recognised in the first quarter of 2017, due to late delivery of the newbuilt ferries. At the same time, other expenses included EUR 0.1m penalty expense in the same period due to provision of ferry services with substitute ferries being at smaller capacity than required by the ferry service contract.

Operating expenses of the Group decreased by EUR 2.6m or 25%, mostly as a result of rental expense of substitute ferries in the amount of EUR 2.9m in the comparative period of 2017, that did not occur in the first quarter of 2018. The changes in other types of operating expenses remained small. Personnel expenses increased by EUR 0.1m or 3% and cost of depreciation, amortisation and impairment increased by EUR 0.9m or 19%, which both are mostly attributable to the ferry service. As the construction of the last two new ferries was completed by the end of first quarter of 2017, their amortisation cost started from the second quarter of 2017 and thus there was no comparable cost in the first quarter of 2017.

Operating profit of the Group decreased by EUR 2.4m or 16% mostly due to larger effect from the decrease of other income (discontinued penalty fees from shipyards) than the decrease of operating and other costs. While the penalty income from shipyards ended in the first quarter of 2017, the charter cost of one substitute ferry continued until the end of third quarter of 2017. Operating profit margin of the Group declined from 49.3% to 41.9%, due to decrease of operating profit as described above.

The Group's adjusted EBITDA declined to a lesser extent, by EUR 1.6m, as the increase of depreciation cost did not affect the measure.

By segments, adjusted EBITDA decreased in passenger harbours by EUR 0.8m, in cargo harbours by EUR 0.6m and in ferry by 0.6m, while increased in other by EUR 0.3m. The decrease of EBITDA in the passenger harbours segment was due to decrease in the segment revenue and increased operating cost (additional cost of materials and equipment related to implementation of reconstructed traffic areas, and some increase in maintenance and repair cost). The decrease of EBITDA in the cargo harbours segment was also due to decrease in the segment revenue and increase in energy cost due to colder weather. The decrease of EBITDA in ferry segment was due to discontinued penalties income from shipyards exceeding the cost savings from discontinued charter cost of substitute ferries. EBITDA increase in other segment was mainly due to lower repair and maintenance costs.

Adjusted EBITDA margin declined from 64.3% to 59.8%, mostly as a result of decline of margin in ferry, passenger harbours and cargo harbours segments, while the margin of other segment increased.

Finance costs increased slightly, by EUR 36 thousand or 8%, mostly due to capitalisation of the interest costs related to ferries under construction in the first quarter of 2017.

The Group's profit for the period decreased by EUR 2.5m or 17%, totalling EUR 11.8m. The change was mostly driven by the decrease in other income, that included EUR 3.75m of penalty fees from shipyards in the first quarter of 2017, which exceeded the decrease of costs, mostly related to chartering of replacement ferries in the first quarter of 2017. Some of the chartering cost continued also through second and third quarters of 2017.

Investments

In the first quarter of 2018 investments totalled EUR 1.9m, which was less than in the same period of previous year, when EUR 15.3m was invested, out of which EUR 13.3m was related to the construction of the new ferries. In the first quarter of 2018, investments were mainly related to the reconstruction of traffic areas and implementation of automatic traffic management systems in the Old City Harbour.

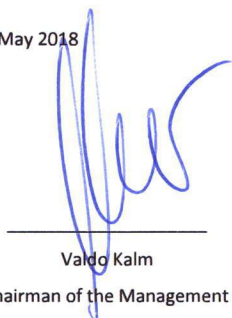
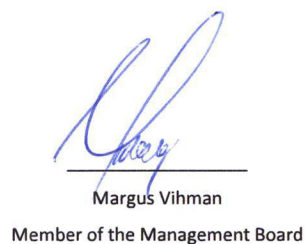
As of 31 March 2018, AS Tallinna Sadam had two subsidiaries (OÜ TS Shipping and OÜ TS Laevad) and one joint venture (AS Green Marine).

MANAGEMENT'S CONFIRMATION AND SIGNATURES

By authorising the unaudited interim condensed consolidated report as at 31 March 2018 the management board confirms the correctness and completeness of the data of AS Tallinna Sadam and companies related to it as set out on pages 7 to 20 and that

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

3 May 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	31.03.2018	31.12.2017
ASSETS			
Current assets			
Cash and cash equivalents		20,188	6,954
Trade and other receivables	4	8,505	9,271
Contract assets	10	234	0
Inventories		319	301
Total current assets		29,246	16,526
Non-current assets			
Investments in joint venture	5	1,256	1,256
Other long-term receivables	4	272	272
Property, plant and equipment	6	573,707	577,125
Intangible assets		1,896	1,958
Total non-current assets		577,131	580,611
Total assets		606,377	597,137
LIABILITIES			
Current liabilities			
Loans and borrowings	8	19,423	21,989
Derivative financial instruments		545	609
Provisions		881	1,503
Government grants		161	303
Taxes payable		1,223	698
Trade and other payables	7	7,497	7,777
Contract liabilities	10	3,663	33
Total current liabilities		33,393	32,912
Non-current liabilities			
Loans and borrowings	8	210,611	213,611
Government grants		23,687	23,826
Other payables	7	64	64
Contract liabilities	10	938	932
Total non-current liabilities		235,300	238,433
Total liabilities		268,693	271,345
EQUITY			
Share capital	9	185,203	185,203
Statutory reserve capital		18,520	18,520
Hedge reserve		-545	-609
Retained earnings		122,678	96,253
Profit for the period		11,828	26,425
Total equity		337,684	325,792
Total liabilities and equity		606,377	597,137

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	2018	2017
Revenue	3, 10	29,414	29,849
Other income	11	203	3,898
Operating expenses	12	-7,584	-10,163
Personnel expenses		-4,189	-4,057
Depreciation, amortization and impairment	3	-5,403	-4,550
Other expenses		-102	-251
Operating profit	3	12,339	14,726
Finance income and costs			
Finance income		0	4
Finance costs		-511	-475
Finance costs - net		-511	-471
Profit/loss from investments in joint venture under equity method of accounting		0	51
Profit before income tax		11,828	14,306
Profit for the period		11,828	14,306
Attributable to:			
Owners of the Parent		11,828	14,306
Basic earnings and diluted earnings per share (in euros)		0,06	0,08
Basic earnings and diluted earnings per share - continuing operations (in euros)		0,06	0,08

Other comprehensive income

in thousands of euros	2018	2017
Profit for the period	11,828	14,306
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net fair value gain on hedging instruments entered into for cash flow hedges	64	168
Total other comprehensive income	64	168
Total comprehensive income for the period	11,892	14,474
Attributable to:		
Owners of the Parent	11,892	14,474

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the 3 months ended 31 March

in thousands of euros	Note	2018	2017
Cash receipts from sale of goods and services		35,237	34,569
Cash receipts related to other income		3	327
Payments to suppliers		-8,987	-11,705
Payments to and on behalf of employees		-3,517	-2,934
Payments for other expenses		-99	-590
Income tax paid on dividends		0	-8,657
Cash flows from operating activities		22,637	11,010
Purchases of property, plant and equipment (PPE)		-2,984	-12,973
Purchases of intangible assets		-130	-236
Proceeds from sale of PPE		0	250
Interest received		0	3
Cash used in investing activities		-3,114	-12,956
Repayments of loans	8	-3,000	-3,000
Change in overdraft	8	-2,565	0
Finance lease principal repayments		-1	-1
Interest paid		-707	-789
Other payments related to financing activities		-16	0
Cash used in financing activities		-6,289	-3,790
NET CASH FLOW		13,234	-5,736
Cash and cash equivalents at beginning of the period		6,954	49,918
Change in cash and cash equivalents		13,234	-5,736
Cash and cash equivalents at end of the period		20,188	44,182

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 3 months ended 31 March

In thousands of euros

	Share capital	Statutory capital reserve	Cash flow hedging reserve	Retained earnings	Total equity attributable to the owners of the Parent
Equity at 31 December 2017	185,203	18,520	-609	122,678	325,792
Profit for the period	0	0	0	11,828	11,828
Other comprehensive income for the period	0	0	64	0	64
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>64</i>	<i>11,828</i>	11,892
Equity at 31 March 2018	185,203	18,520	-545	134,506	337,684
Equity at 31 December 2016	185,203	18,520	-1,008	144,253	346,968
Profit for the period	0	0	0	14,306	14,306
Other comprehensive income for the period	0	0	168	0	168
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>168</i>	<i>14,306</i>	14,474
Equity at 31 March 2017	185,203	18,520	-840	158,559	361,442

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 3 months ended 31 March 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 holds 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 liners, are focused on providing passenger port services. Muuga Harbour, Estonia's largest cargo harbour, the Paldiski South Harbour, and the Paljassaare Harbour that services mostly ship repair companies, are focused on providing cargo port services.

In addition to the landlord port operations carried out in passenger and cargo harbours, the Group's subsidiaries provide ice-breaking services and other maritime support services, and also a domestic ferry line services with passenger ferries.

Companies belonging to the Group as at 31 March 2018:

Subsidiary	Domicile	Ownership interest (%)	Core business line
OÜ TS Shipping	The Republic of Estonia	100	Rendering ice-breaking and other maritime support services with multi-functional ice-breaker Botnica
OÜ TS Laevad	The Republic of Estonia	100	Rendering a 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 the development activities constantly 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 sole shareholder of AS Tallinna Sadam is the Republic of Estonia.

2. ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the 3 months ended 31 March 2018 have been prepared in accordance with the International Accounting Standard IAS 34 “Interim Financial Reporting”. Current interim condensed consolidated financial statements for the 3 months ended 31 March 2018 is the first interim financial report that complies with IAS 34.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto 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 2017 annual report for additional information regarding significant accounting policies.

As disclosed in note 2 of the Group's annual consolidated financial statement for the year ended 31 December 2017; for the period commencing 1 January 2017 the Group adopted IFRS 15 *Revenue from Contracts with Customer* and IFRS 9 “Financial Instruments”. In addition, the Group has also changed certain accounting policies in order to provide more relevant and reliable information.

Note 2 continued

Since the aforementioned changes in accounting policies were applied retrospectively, in the financial statements for the 3 months ended 31 March 2018 and 2017 no further adjustments were made to the comparative period as the amounts are fully comparable.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed 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 have been presented in thousands of euros.

3. OPERATING SEGMENT REPORTING**Seasonality**

The Passenger Harbours segment experiences highly seasonal passenger flows that are driven by holiday periods. The winter season reduces the demand for passenger services. The number of international ferry liner port calls and the passenger volumes are generally lower during the months of January to March than at other times of the year. The main season for traditional cruise vessels and passengers is between May and October.

The Group provides ice-breaking services with its owned ice-breaker Botnica (included in segment Other) according to 10-year contract (expiring in December 2022) with the Estonian Maritime Administration. The ice-breaking period according to the contract is from December 20th until April 20th. During ice-free season (typically May to November) Botnica can be rented out by the Group for providing various maritime support services. Due to depressed offshore services market, Botnica has lacked utilisation during ice-free seasons since 2015.

Geographical information

The Group's revenues and non-current assets were 100% attributed to its country of domicile (Estonia), in both 3 months ended 31 March 2018 and 2017.

Information about major customers

Included in Group total revenue of EUR 29,414 thousand (2017: 29,849 thousand) are revenues of EUR 8,400 thousand (2017: EUR 7,974 thousand) which arose from sales to the Group's largest customer, whose revenues were reported under the Ferry and Other segments. In 2018, the Group's second largest customer also contributed 10% or more to the Group's total revenue, whose revenues of EUR 5,886 thousand (2017: EUR 6,111 thousand) were reported under the Passenger harbours and Cargo harbours segments. No other single customer contributed 10% or more to the Group's total revenue for 3 months ended 31 March 2018 or 2017.

Note 3 continued

3 months ended 31 March 2018					
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	4,530	4,989	0	0	9,519
Cargo charges	368	1,338	0	0	1,706
Passenger fees	3,123	24	0	0	3,147
Sale of electricity	242	1,604	0	0	1,846
Sale of ferry services - revenue from ticket sales	0	0	1,598	0	1,598
Sale of other services	205	274	16	0	495
Rental income	375	2,244	84	0	2,703
Charter fees	0	0	0	3,443	3,443
Sale of ferry services - government support	0	0	4,957	0	4,957
Total Segment Revenue*	8,843	10,473	6,655	3,443	29,414
Segment Adjusted EBITDA	5,480	6,713	2,738	2,672	17,603
Depreciation and amortisation	-1,354	-2,167	-1,402	-480	-5,403
Impairment loss	0	0	0	0	0
Amortisation of Grants received	24	115	0	0	139
Profit/loss from investments in joint venture under equity method of accounting	0	0	0	0	0
Segment operating profit	4,150	4,661	1,336	2,192	12,339
Finance income and costs, net					-511
Profit/loss from investments in joint venture under equity method of accounting					0
Income tax expense					0
Profit for the period					11,828

* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 5 thousand and EUR 36 thousand for the Passenger Harbours and Cargo Harbours segments, respectively, which has been eliminated during consolidation

3 months ended 31 March 2017					
In thousands of euros	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	4,884	5,213	0	0	10,097
Cargo charges	398	1,600	0	0	1,998
Passenger fees	3,134	8	0	0	3,142
Sale of electricity	199	1,349	0	0	1,548
Sale of ferry services - revenue from ticket sales	0	0	1,676	0	1,676
Sale of other services	200	254	11	0	465
Rental income	495	2,398	56	0	2,949
Charter fees	0	0	0	3,375	3,375
Sale of ferry services - government support	0	0	4,599	0	4,599
Total Segment Revenue*	9,310	10,822	6,342	3,375	29,849
Segment Adjusted EBITDA	6,254	7,290	3,311	2,342	19,197
Depreciation and amortisation	-1,026	-2,171	-757	-580	-4,534
Impairment loss	-16	0	0	0	-16
Amortisation of Grants received	13	117	0	0	130
Profit/loss from investments in joint venture under equity method of accounting	0	0	0	-51	-51
Segment operating profit	5,225	5,236	2,554	1,711	14,726
Finance income and costs, net					-471
Profit/loss from investments in joint venture under equity method of accounting					51
Income tax expense					0
Profit for the period					14,306

* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 9 thousand and EUR 51 thousand for the Passenger Harbours and Cargo Harbours segments, respectively, which has been eliminated during consolidation

4. TRADE AND OTHER RECEIVABLES

In thousands of euros	31.03.2018	31.12.2017
Receivables from customers	9,586	9,293
Allowance for doubtful receivables	-2,282	-2,384
Prepaid taxes	281	673
Outstanding government grants	237	189
Other prepayments	610	620
Receivables from joint venture (note 16)	27	27
Other receivables	318	1,125
Total trade and other receivables	8,777	9,543
Incl. short-term receivables	8,505	9,271
long-term receivables	272	272

Trade receivables provision matrix

In thousands of euros		Days past due					
31.03.2018	Not past due	0-30	31-60	61-90	>90	Total	
Expected credit loss rate	0,8%	1,5%	3,0%	80,0%	100,0%		
Total gross carrying amount	7,270	53	10	156	2,098	9,586	
Lifetime expected credit loss (ECL)	-58*	-1	0	-125	-2,098	-2,282	
						7,304	
31.12.2017							
Expected credit loss rate	5,1%	1,5%	3,0%	40,0%	100,0%		
Total gross carrying amount	7,015	180	47	49	2,002	9,293	
Lifetime expected credit loss (ECL)	-358	-3	-1	-20	-2,002	-2,384	
						6,909	

*The gross carrying amount of an individually impaired receivable as at 31 December 2017 in amount of EUR 301 thousand was subsequently collected.

5. INVESTMENTS IN JOINT VENTURE

In thousands of euros	3 months ended 31 March 2018	3 months ended 31 March 2017
Operating income	777	715
Operating expenses	769	610
Net profit	5	100

In thousands of euros	31.03.2018	31.12.2017
Net assets of the joint venture	2,462	2,462
Proportion of the group's ownership interest in the joint venture	51%	51%
Carrying amount of the group's interest in the joint venture	1,256	1,256

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	Prepayments	Total
At 31 December 2017						
Cost	591,570	234,606	6,887	9,053	15	842,131
Accumulated depreciation and impairment losses	-199,964	-59,905	-5,137	0	0	-265,006
Carrying amount at 31 December 2017	391,606	174,701	1,750	9,053	15	577,125
<i>Movements within 3 months ended 31 March 2018</i>						
Acquisition and reconstruction	124	20	172	1,462	61	1,839
Depreciation charge	-2,729	-2,419	-109	0	0	-5,257
Reclassified at carrying amount	0	15	0	-15	0	0
At 31 March 2018						
Cost	591,687	234,641	7,059	10,500	76	843,963
Accumulated depreciation and impairment losses	-202,686	-62,324	-5,246	0	0	-270,256
Carrying amount at 31 March 2018	389,001	172,317	1,813	10,500	76	573,707

7. TRADE AND OTHER PAYABLES

In thousands of euros	31.03.2018	31.12.2017
Trade payables	3,424	4,994
Payables to employees	1,507	966
Interest payable	328	534
Accrued tax payable on remuneration	829	557
Advances for goods and services	1,071	381
Payables to joint venture (note 16)	121	115
Other payables	281	294
Total trade and other payables	7,561	7,841
Incl. current liabilities	7,497	7,777
non-current liabilities	64	64

8. LOANS AND BORROWINGS

In thousands of euros	31.03.2018	31.12.2017
Current portion		
Loans and borrowings	6,766	9,332
Debt securities	12,650	12,650
Finance lease liability	7	7
Total current portion	19,423	21,989
Non-current portion		
Loans and borrowings	43,361	46,361
Debt securities	167,250	167,250
Total non-current portion	210,611	213,611
Total loans and borrowings	230,034	235,600

Note 8 continued**Debt securities**

All debt securities have been issued in euros with a floating interest rate (with the base interest rate of 3 month or 6 month Euribor plus a fixed risk margin) and with final maturities in 2018, 2026 and 2027. According to the repayment schedules, the debt securities were not redeemed during the 3 month period ended 31 March 2018. Considering the effect of derivative transactions used to hedge interest rate risk, the weighted average interest rate of the debt securities as at 31 March 2018 was 0.677% (31 December 2017: 0.676%).

Loans

All loan agreements are denominated in euros and based on a floating interest rate (the base interest is 6 month Euribor). The final maturities of outstanding loans fall into the years from 2024 to 2028. In 3 months 2018, loan principal repayments amounted to EUR 3,000 thousand (3 months 2017: EUR 3,000 thousand). Also overdraft repayments in the amount of EUR 2,565 thousand were made on the maturity date. As at 31 March 2018, the weighted average interest rate on drawn loans was 0.693% (31 December 2017: 0.805%). Considering the effect of derivative transactions used to hedge the interest rate risk, the average interest rate on loans as at 31 March 2018 was 1.650% (31 December 2017: 1.710%).

Contractual maturities of loans and borrowings

In thousands of euros	31.03.2018
Up to 12 months	19,423
1–5 years	63,063
> 5 years	147,548
Total loans and borrowings	230,034

Fair value

As in the reporting period the evaluation of the risk level of the Group has not changed and there have not been any large scale movements in the international financial market interest rates, the Group estimates that similarly to the period ended as at 31 December 2017 the fair values of loans and debt securities recognized at amortized cost do not differ significantly from their carrying amounts stated in the Group's consolidated statement of financial position as at 31 March 2018.

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

All outstanding debt agreements are unsecured liabilities, i.e. no assets have been pledged to cover the obligations, and none of the debt securities are listed. The Group has performed all its contractual obligations stipulated in loan and debt securities agreements which concern meeting special terms, as at 31 March 2018 the Group was in compliance with the required financial covenants.

9. EQUITY**Share capital**

At 31 March 2018 AS Tallinna Sadam had 185,203,032 registered shares; in the comparative period at 31 December 2017: also 185,203,032 shares. The par value of a share is EUR 1. All shares of the limited company are held by the Republic of Estonia. The shares are held and the shareholder's right is exercised by the Ministry of Economic Affairs and Communications. At the general meetings of shareholders, the Ministry is represented by the Minister of Economic Affairs and Infrastructure.

Note 9 continued

The maximum number of ordinary shares of AS Tallinna Sadam stipulated in the articles of association was 664,000,000 (in the comparative year 2017: also 664,000,000). As at 31 March 2018 and at 31 December 2017 all shares issued had been fully paid for.

	3 months ended 31 March 2018	3 months ended 31 March 2017
Weighted average number of shares (pcs)	185,203,032	185,203,032
Consolidated net profit for the reporting period (in thousands of euros)	11,828	14,306
Basic earnings and diluted earnings per share (in euros)	0,06	0,08

The Parent's unrestricted equity as at 31 March 2018 amounted to EUR 134,506 thousand (31.12.2017: EUR 122,678 thousand). Consequently, the maximum possible dividend income tax liability which would become payable if unrestricted equity were to be fully distributed would be EUR 33,627 thousand (31.12.2017: EUR 30,670 thousand).

The Company has proposed dividend of EUR 105,000 thousand on ordinary shares. The proposed dividend on ordinary shares are subject to approval at the annual general meeting and are not therefore recognized as a liability as at 31 March 2018. The 2018 proposed dividend was approved by the annual general meeting on 25 April 2018 (as at 25 April 2018 the Company had 187 595 032 shares and dividend per share of EUR 0.56).

10. REVENUE

In thousands of euros	3 months ended 31 March 2018	3 months ended 31 March 2017
Revenue from contracts with customers		
Vessel dues	9,519	10,097
Cargo charges	1,706	1,998
Passenger fees	3,147	3,142
Sale of electricity	1,846	1,548
Sale of ferry services - revenue from ticket sales	1,598	1,676
Sale of other services	495	465
Total revenue from contracts with customers	18,311	18,926
Revenue from other sources		
Rental income from operating leases	2,703	2,949
Charter fees	3,443	3,375
Sale of ferry services - government support	4,957	4,599
Total revenue from other sources	11,103	10,923
Total revenue	29,414	29,849

Vessel dues include tonnage charge on the basis of the gross tonnage of the vessel for each port call of the vessel. For vessels visiting the port based on a pre-agreed schedule and having 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 with amounts charged to customers was recognised as a contract asset in the amount of EUR 54 thousand (revenue recognised is higher than revenue charged) and as a contract liability in the amount of EUR 3,523 thousand (revenue recognised is smaller than revenue charged) as of 31 March 2018.

Some cargo charge contracts set a minimum annual cargo volume whereby if the cargo operator handles less than the minimum, the Group has the right at the end of the calendar year to charge the customer based on the minimum volume. Management has estimated the Group's remaining right to consideration based on minimum cargo volumes and fees already received from customers as of 31 March 2018 and as a result, the Group has recognised a contract asset in the amount of EUR 180 thousand. Revenue received from some customers as of 31

Note 10 continued

March 2018 has exceeded the Management's estimate and as a result the Group has recognised a contract liability in the amount of EUR 80 thousand, to recognise the estimated revenue evenly throughout 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 from the electricity itself. Therefore, connection fees form part of the consideration for the electricity and are recognised as revenue over the estimated period during which customers obtain the electricity. Amounts received for the connection fee not yet included in revenue are recognized in the statement of financial position as contract liabilities. As at 31.03.2018 such liabilities amounted to EUR 938 thousand (31.12.2017: 932 thousand).

Revenue from the 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 recognized in the statement of financial position as contract liability. As at 31.03.2018 such liabilities amounted to EUR 60 thousand (31.12.2017: 33 thousand).

11. OTHER INCOME

In thousands of euros	3 months ended 31 March 2018	3 months ended 31 March 2017
Penalties, interest on arrears*	15	3,768
Income from government grants	188	130
Total other income	203	3,898

*Penalties recognised in 3 months ended 31 March 2017 include EUR 3,750 thousand for delay in delivery of the new passenger ferries which were under construction.

12. OPERATING EXPENSES

In thousands of euros	3 months ended 31 March 2018	3 months ended 31 March 2017
Fuel, oil and energy costs	3,009	2,770
Technical maintenance and repairs of non-current assets	873	846
Services purchased for infrastructure	699	653
Tax expenses	827	797
Consultation and development expenses	162	61
Services purchased	942	964
Acquisition and maintenance of insignificant items	324	339
Advertising expenses	94	70
Rental expenses*	110	2,986
Insurance expenses	188	155
Other operating expenses	356	522
Total operating expenses	7,584	10,163

*Rental expenses, includes vessel charters by EUR 2,867 thousand in 3 months ended 31 March 2017 due to delay in delivery of the new ferries.

13. COMMITMENTS

At 31 March 2018, the Group's contractual liabilities related to acquisition of property, plant and equipment; repairs; and research and development expenditures totaled EUR 2,085 thousand; at 31 December 2017, the above liabilities amounted to EUR 2,962 thousand.

In addition to contractual liabilities the Group has committed to co-finance the construction of Reidi tee (Reidi road) in the amount of up to EUR 3,300 thousand according to the memorandum of understanding signed with City of Tallinn in 2016. The aim of the co-financing is to provide for best possible connections between the Reidi road and Old City Harbour belonging to the Group in order to facilitate the smooth flow of passengers and vehicles.

14. CONTINGENT LIABILITIES

During the first half-year of 2017 AS Coal Terminal, one of the long-term customers of AS Tallinna Sadam and an owner of several right of superficies contracts, declared bankruptcy. Because the trustees of bankrupt estate refused to execute their commitments under the right of superficies contracts these contracts fell back into the possession of the group together with the assets erected on the land areas covered by the right of superficies contracts. Based on the contracts the group needs to compensate for the usual value of the assets, the amount of which cannot be reliably estimated because these are special purpose assets for which a regular market does not exist and there are opposing views on how the valuation should be performed. The trustees of bankrupt estate have not presented any claims with respect to the value to be compensated for the aforementioned assets. The group estimates that the compensation to be paid can be recovered by the proceeds from the sale of the same assets.

A claim for damages in the amount of EUR 23.8 million was lodged against the 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 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. Therefore, the management board did not consider it necessary to establish provision to cover the above claim.

Due to significant decrease in the cargo volumes handled, one of the Group's long-term customers has lodged a claim with the aim to void select conditions in long-term cooperation contracts concluded between the Group and the customer from 1 January 2017. The select conditions set the minimum cargo volumes that the customer is required to handle per each calendar year and thus also set the annual minimum cargo charge obligation for the client. The annual minimum cargo charge for all cooperation contracts combined for this particular customer is EUR 1.6 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. Therefore, the management board did not consider it necessary to establish provision to cover the claim.

Also another Group's long-term customer has sent a claim to the Group and is threatening to start legal proceedings unless the Group returns the contractual minimum cargo volume penalties it has already paid for years 2015-2017, on the basis of the cooperation agreement signed between the parties and unless the Company declares null and void certain sections of the cooperation agreement which relate to the contractual minimum cargo volume penalties. The contractual minimum cargo volume penalties of the customer for years 2015-2017 amount to EUR 0.45 million. The annual minimum cargo charge 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. Therefore, the management board did not consider it necessary to establish provision to cover the claim.

15. INVESTIGATIONS CONCERNING THE GROUP

On 26 August 2015, the Estonian Internal Security Service detained long-term members of the management board of the Parent company AS Tallinna Sadam, Ain Kaljurand and Allan Kiil on suspicions of large-scale bribery during several prior years. After long-term investigations, on 31 July 2017 the group filed a civil action lawsuit against Ain Kaljurand, Allan Kiil and any private and legal persons involved in the episodes under investigation. The trial is expected to start in January 2019. Based on the 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 can continue to cause damage to Group's reputation.

16. RELATED PARTY TRANSACTIONS

The shares of AS Tallinna Sadam are wholly owned by the Republic of Estonia.

In thousands of euros	3 months ended 31 March 2018	3 months ended 31 March 2017
Transactions with joint venture		
Revenue	49	38
Operating expenses	279	320
Transactions with companies in which members of supervisory and management boards of group companies have significant influence		
Revenue	3	2
Operating expenses	2	2
Other expenses	6	4
Transactions with government agencies and companies in which the state has control		
Revenue	8,613	9,838
Operating expenses	2,000	1,689
Acquisition of property, plant and equipment	5	54

In thousands of euros	31.03.2018	31.12.2017
Trade receivables from and payables to joint venture		
Receivables (note 4)	27	27
Payables (note 7)	121	115
Trade receivables from and payables to companies in which members of supervisory and management boards of group companies have significant influence		
Payables	1	1
Trade receivables from and payables to government agencies and companies in which the state has control		
Receivables	1,380	445
Payables	807	1,206

All provided and purchased services were transactions resulting from the normal course of business based on an arm's length basis.

Revenue and operating expenses on transactions with related parties comprise only business related services sold and purchased.

Information presented on companies in which members of supervisory and management boards of Group companies have significant influence is based on declarations submitted by related parties.

17. EVENTS AFTER REPORTING PERIOD

On 05 April 2018 the sole shareholder (the Republic of Estonia) decided to increase the share capital by non-monetary payment in the amount of EUR 2,392,000 by issuing 2,392,000 new shares with nominal value of EUR 1 each. The increase of the share capital was registered in the Estonian Commercial Register on 20 April 2018 with the new share capital being EUR 187,595,032.

On 25 April 2018 the sole shareholder decided to give to the Management Board of the Company the right to carry out an initial public offering (IPO) of the Company shares and apply for a listing on Nasdaq Tallinn stock exchange. The Company is planning to offer up to 75,404,968 newly issued ordinary shares with the nominal value of EUR 1 each and the current sole shareholder is planning to offer up to 11,300,000 existing shares with the nominal value of EUR 1 each, effectively offering to investors approximately one third of the Company's shares.

[Translation from Estonian original]

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholder of aktsiaselts TALLINNA SADAM:

Introduction

We have reviewed the accompanying interim condensed consolidated statements of financial position of aktsiaselts TALLINNA SADAM and its subsidiaries as of 31 March 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, interim condensed consolidated statements of cash flows and interim condensed consolidated statements of changes in equity for the three-months periods ended 31 March 2018 and 31 March 2017, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted in the European Union. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (Estonia). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted in the European Union.

03 May 2018



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