

PORT OF  TALLINN

**Consolidated Report for the
12 Months Ended on 31 December 2017**

Translation of the Estonian Original

PORT OF TALLINN

(AS Tallinna Sadam)

**AS TALLINNA SADAM
(PORT OF TALLINN)****CONSOLIDATED REPORT 12 MONTHS 2017**

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

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MANAGEMENT REPORT

2017 was a busy year for AS Tallinna Sadam. In port operations, the number of passengers grew and passenger vessel traffic remained strong while cargo volume ended up in decline. As a result of growth in the number of line passengers, the number of passengers hit a new record of 10.6 million (growth by 387 thousand passengers or 3.8%). It also contributed to growth in revenue from the line and cruise passenger business. Cargo volume decreased by 0.9 million tonnes, i.e. by 5% to 19.2 million tonnes. In terms of cargo types, only the volume of liquid bulk cargo decreased (by 2.0 million tonnes) whereas the volumes of all other cargoes grew. Growth was the strongest for ro-ro and dry bulk cargo (0.5 million tonnes and 0.4 million tonnes respectively and 11% both).

Revenue grew by EUR 18.1 million (18%) to EUR 121.3 million, which is the group's highest ever revenue figure. Operating expenses grew by EUR 23.6 million, i.e. 38% (excluding the impact of growth in one-off impairment losses by EUR 5.7 million, expenses for 2017 grew by EUR 17.9 million, i.e. 29%), operating profit decreased by EUR 8.6 million, i.e. by 18%, and net profit decreased by EUR 13.1 million, i.e. by 33%. The decrease of net profit was impacted the most by one-off impairment cost of M/V Botnica in the amount of EUR 5.9 million and growth of income tax expense on dividends by EUR 3.25 million. In 2017, AS Tallinna Sadam paid the owner a record-large dividend of EUR 48.0 million which gave rise to income tax expense of EUR 12.0 million (2016: EUR 35.0 million and EUR 8.75 million respectively).

Adjusted EBITDA (earnings before interest, tax, depreciation, amortisation and impairment losses, and adjusted for amortisation of government grants) for 2017 was EUR 66.5 million, EUR 0.4 million, i.e. 1%, up on the EUR 66.1 million earned in 2016.

Revenues and expenses of 2017 were influenced the most by the new business line started in October 2016: provision of domestic ferry service between mainland and the largest islands. As the special vessels chartering market was still in a slump, the multi-functional icebreaker Botnica did not find profitable employment outside the icebreaking season when it provides services to Estonian ports on the coast of the Gulf of Finland under a contract with the Estonian Maritime Administration.

An important accomplishment of the year was the completion of a comprehensive long-term development plan for the Old City Harbour created by the internationally renowned architecture firm Zaha Hadid Architects. The plan will be used to redevelop the large and currently sparsely built-up harbour area into an attractive urban space. In the A-terminal area of the Old City Harbour, the group implemented an innovative electronically controlled traffic solution for passenger and freight vehicles along with renovated waiting and traffic areas, which should make the process of getting on and off vessels faster and more convenient for passenger cars and freight traffic. To reduce lorry-traffic on the Tallinn-Helsinki route operated from the Old City Harbour, in October a regular Muuga-Vuosaari cargo route was launched, which reduces daily lorry traffic through Tallinn city centre.

At the end of 2017, AS Tallinna Sadam had two subsidiaries (OÜ TS Shipping and OÜ TS Laevad) and one joint venture (AS Green Marine).

In the current interim report for 12 months of 2017, the group has applied in advance of their effective date several standards of International Financial Reporting Standards (IFRS), among which especially IFRS 15 Revenue from Contracts with Customers has impacted the data reporting format, due to which some comparable accounts of 2016 have been restated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in thousands of euros (unaudited)	31.12.2017	31.12.2016
ASSETS		
Current assets		
Cash and cash equivalents	6 954	49 918
Trade and other receivables	9 271	17 276
Inventories	301	378
Total current assets	16 526	67 572
Non-current assets		
Investments in joint venture	1 256	1 086
Other long-term receivables	272	362
Property, plant and equipment	577 125	568 533
Intangible assets	1 958	1 155
Total non-current assets	580 611	571 136
Total assets	597 137	638 708
LIABILITIES		
Current liabilities		
Borrowings	21 989	118 018
Derivative financial instruments	609	1 008
Provisions	1 503	1 156
Government grants	303	917
Taxes payable	698	9 436
Supplier and other payables	7 810	8 384
Total current liabilities	32 912	138 919
Non-current liabilities		
Borrowings	213 611	128 035
Government grants	23 826	23 703
Other payables	996	1 083
Total non-current liabilities	238 433	152 821
Total liabilities	271 345	291 740
EQUITY		
Share capital at nominal value	185 203	185 203
Statutory reserve capital	18 520	18 520
Hedge reserve	-609	-1 008
Retained earnings	96 253	104 775
Profit for the period	26 425	39 478
Total equity	325 792	346 968
Total liabilities and equity	597 137	638 708

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME**Consolidated statement of income**

in thousands of euros (unaudited)	2017	2016
Revenue	121 295	103 152
Other income	4 808	8 099
Operating expenses	-41 041	-30 327
Personnel expenses	-17 957	-14 121
Depreciation and impairment	-26 430	-17 358
Other expenses	-358	-550
Operating profit	40 317	48 895
Finance income and costs		
Finance income	33	32
Finance costs	-2 318	-1 075
Finance costs - net	-2 285	-1 043
Profit/loss from investments in joint venture under equity method of accounting	348	376
Profit before income tax	38 380	48 228
Income tax expense	-11 955	-8 750
Profit for the period	26 425	39 478

Consolidated statement of comprehensive income

in thousands of euros (unaudited)	2017	2016
Profit for the period	26 425	39 478
Other comprehensive income		
Revaluation of derivatives	399	-177
Total other comprehensive income	399	-177
Total comprehensive income for the period	26 824	39 301

CONSOLIDATED STATEMENT OF CASH FLOWS

in thousands of euros (unaudited)	2017	2016
Cash receipts from sale of goods and services	127 784	107 421
Cash receipts related to other income	450	286
Payments to suppliers	-48 658	-37 343
Payments to and on behalf of employees	-14 824	-11 939
Payments for other expenses	-744	-204
Income tax paid on dividends	-20 612	-7 763
Cash flows from operating activities	43 396	50 458
Purchases of property, plant and equipment (PPE)	-25 171	-39 208
Purchases of intangible assets	-1 346	-704
Proceeds from sale of PPE	524	726
Proceeds from connection fees	30	0
Proceeds from government grants for non-current assets	349	346
Dividends received	178	0
Interest received	19	14
Cash used in investing activities	-25 417	-38 826
Issue of bonds	105 000	75 000
Redemption of bonds	-111 250	-2 500
Repayments of loans	-6 766	-23 210
Change in overdraft	2 565	0
Finance lease principal repayments	-3	-2
Dividends paid	-48 000	-35 000
Interest paid	-2 459	-1 884
Other payments related to financing activities	-30	-20
Cash used in financing activities	-60 943	12 384
NET CASH FLOW	-42 964	24 016
Cash and cash equivalents at beginning of the period	49 918	25 902
Change in cash and cash equivalents	-42 964	24 016
Cash and cash equivalents at end of the period	6 954	49 918