

# TALLINNA SADAM

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**Unaudited interim condensed consolidated  
report for the  
6 months ended 30 June 2020**

AS Tallinna Sadam

**AS TALLINNA SADAM****UNAUDITED INTERIM CONDENSED CONSOLIDATED REPORT  
FOR THE 6 MONTHS ENDED 30 JUNE 2020**

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

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**MANAGEMENT REPORT**

The Group's results for the first six months of 2020 were significantly affected by the restrictions countries imposed on the cross-border movement of people due to the COVID-19 pandemic. As a result, the number of passengers served<sup>1</sup> decreased substantially, the number of port calls by ferries declined due to reduced timetables, and there were no port calls of cruise ships in the first half of the year. All this mainly affected the figures for the second quarter but also had a strong impact on the half-year performance. On the other hand, the volume of cargo handled grew slightly.

The decrease in ferry traffic was the main factor that caused six-month revenue to decline by EUR 11.1 million, i.e. 18%, to EUR 50.3 million. Because of lower operating volumes and revenue, we also reduced operating expenses. However, due to a large share of fixed costs the cut in operating expenses was not comparable in size to the decline in revenue, which is why profitability decreased. The Group earned a net profit of EUR 9.2 million, EUR 9.0 million less than in the same period last year. Profit before income tax on dividends dropped by EUR 9.9 million. Income tax on dividends declined by EUR 0.85 million because the Group paid a smaller dividend: EUR 30.2 million compared with EUR 35.2 million a year ago. Adjusted EBITDA<sup>2</sup> decreased by EUR 9.3 million.

**KEY PERFORMANCE INDICATORS OF THE GROUP**

Indicator	Unit	6 months 2020	6 months 2019	Difference	Change %	Q2 2020	Q2 2019	Difference	Change %
Revenue	EUR '000	50,289	61,350	-11,061	-18.0	22,399	32,823	-10,424	-31.8
Operating profit	EUR '000	15,113	24,731	-9,618	-38.9	4,598	13,273	-8,675	-65.4
Adjusted EBITDA	EUR '000	26,394	35,706	-9,312	-26.1	10,223	18,837	-8,613	-45.7
Depreciation, amortisation and impairment	EUR '000	-11,912	-11,193	-719	6.4	-5,924	-5,643	-281	5.0
Income tax	EUR '000	-4,913	-5,764	851	-14.8	-4,913	-5,764	851	-14.8
Profit/loss for the period	EUR '000	9,151	18,199	-9,048	-49.7	-831	7,161	-7,992	-111.6
Investment	EUR '000	17,382	11,070	6,312	57.0	8,625	7,123	1,502	21.1
Number of employees (average)		471	487	-16	-3.3	468	491	-23	-4.7
Cargo volume	t '000	10,235	10,009	226	2.3	5,420	5,290	130	2.4
Number of passengers	'000	2,083	4,697	-2,614	-55.6	531	2,907	-2,376	-81.7
Number of vessel calls		3,197	3,671	-474	-12.9	1,612	2,039	-427	-20.9
Total assets at period-end	EUR '000	640,662	608,687	31,975	5.3	640,662	608,687	31,975	5.3
Net debt at period-end	EUR '000	160,132	185,591	-25,459	-13.7	160,132	185,591	-25,459	-13.7
Equity at period-end	EUR '000	355,994	350,663	5,331	1.5	355,994	350,663	5,331	1.5
Number of shares at period-end	'000	263,000	263,000	0	0.0	263,000	263,000	0	0.0
Operating profit/revenue		30.1%	40.3%			20.5%	40.4%		
Adjusted EBITDA/revenue		52.5%	58.2%			45.6%	57.4%		
Profit for the period/ revenue		18.2%	29.7%			-3.7%	21.8%		
EPS: Profit for the period/ average number of shares	EUR	0.03	0.07	-0.03	-49.7	0.00	0.03	-0.03	-111.6
Equity/number of shares at end of period	EUR	1.35	1.33	0.02	1.5	1.35	1.33	0.02	1.5

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

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

In the second quarter of 2020, the number of passengers served decreased by 82% while the volume of cargo handled grew by 2.4% year on year. Following the reduction and lifting of the COVID-19 related cross-border travel restrictions in June, the number of international route passengers recovered to about 50% of the level in the same period last year. As a result of a decrease in revenue, the profit figures, including adjusted EBITDA, dropped. The Group's revenue decreased by 32% to EUR 22.4 million and profit for the period fell by EUR 8.0 million to EUR -0.8 million. Profit before income tax decreased by EUR 8.8 million to EUR 4.1 million.

### **CARGO AND PASSENGER TRAFFIC**

In the first half of 2020, cargo throughput at the Group's harbours totalled 10.2 million tonnes, an increase of 0.2 million tonnes, i.e. 2.3%, on the same period last year. In terms of cargo types, the biggest change occurred in the volume of liquid bulk cargo, which grew by 671 thousand tonnes, i.e. 16.6%, mainly in the second quarter. The volume of dry bulk cargo, particularly that of grain and fertilizers, decreased by 243 thousand tonnes, i.e. 12.4%. The fall in the volume of fertilizers was caused by temporary closure of plants in Russia due to the COVID-19 pandemic. The volume of general cargo decreased by 140 thousand tonnes, i.e. 38%, mainly due to a decline in the volume of pulpwood exports. The volume of container cargo decreased by 60 thousand tonnes, i.e. 6.3% (-8.8 thousand units, i.e. -7.8% in TEUs). The volume of ro-ro cargo remained stable (-0.1%).

In the second quarter, the Group's harbours handled 5.4 million tonnes of cargo, 0.1 million tonnes, i.e. 2.5%, more than in the second quarter of 2019. Growth resulted from an increase in the volume of liquid bulk cargo (0.5 million tonnes, i.e. 22%). The volumes of other cargo types, particularly dry bulk cargo (-187 thousand tonnes, i.e. -16.5%) and general cargo (-59 thousand tonnes, i.e. -30%), decreased. The volume of container cargo grew by 0.5% (in terms of TEUs).

The number of passengers served in the first half-year dropped by 2.6 million, i.e. 56%, to 2.08 million. This was caused by international restrictions imposed on cross-border movement since mid-March due to the COVID-19 pandemic. The number of passengers on the Tallinn-Helsinki and Tallinn-Stockholm routes decreased mainly in the second quarter, by 2.1 million and 0.3 million passengers, respectively. The number of cruise passengers was zero (0.25 million passengers in the same period last year).

### **REVENUE, EXPENSES AND PROFIT**

**Revenue** for the first six months of 2020 decreased by EUR 11.1 million, i.e. 18%, and amounted to EUR 50.3 million. The decrease occurred almost entirely in the second quarter. In terms of revenue streams, the largest change occurred in **vessel dues revenue**, which dropped by EUR 5.2 million, i.e. 24%, to EUR 16.6 million. The decrease was mainly attributable to cruise ships and ferries. In connection with the restrictions on cross-border passenger movement imposed due to the COVID-19 pandemic, operators significantly reduced their ferry timetables from the second half of March and cruise ships did not make any port calls during the cruise season, which usually starts in April. The effect of other changes on vessel dues revenue was considerably smaller. Vessel dues from tankers grew due to an increase in the volume of liquid bulk cargo while vessel dues related to other cargo types decreased slightly.

**Revenue from passenger fees** decreased by EUR 4.2 million, i.e. 56%, which was proportionate to the decline in the number of passengers. By late June, the number of passengers on the main route, Tallinn-Helsinki, had recovered to around 50% of the level in June 2019. **Revenue from the sale of electricity** dropped by EUR 0.67 million, i.e. 23%, mostly because the volume of electricity sold (as an agent at cargo harbours) declined and the provision of electricity distribution service at cargo harbours also decreased somewhat. **Cargo charge revenue** decreased by EUR 0.46 million, i.e. 13%, due to the combined effect of an increase in the volume of liquid bulk cargo whose cargo charges are lower and a decrease in the volume of other cargo types. **Revenue from other services and operating leases** decreased (both by EUR 0.26 million each), mainly due to a decrease in the number of passengers and related ship calls. This reduced revenue from advertising and premises leased out in the harbour area. **Revenue from the provision of public ferry service**<sup>3</sup> decreased by EUR 0.26 million because instead of ordering an additional vessel for the summer high season the customer (the state) ordered a smaller number of additional trips to be made by a replacement ferry, which means both lower revenue and lower expenses for the Group. **Charter fee revenue** (from the icebreaker Botnica) grew by EUR 0.26 million through the indexation of contractual fees and a slightly earlier start of the summer work of the Group's icebreaker Botnica. In terms of segments, six-month revenue increased in the segment Other but decreased primarily in the Passenger harbours segment, somewhat in the Cargo harbours segment and slightly in the Ferry segment.

**Other income** grew by EUR 1.4 million, mainly in connection with a non-recurring sales gain on the disposal of the last assets used in the harbour operations of the Paljassaare Harbour (the Cargo harbours segment).

**Operating expenses** for the first six months decreased by EUR 1.2 million, i.e. 7%. The largest decrease occurred in fuel and energy costs (EUR –1.33 million) because the volume of electricity and electricity distribution service sold at harbours and the amount of water sold to vessels declined, and lower fuel prices allowed the Group to achieve fuel cost savings in the provision of ferry service. Expenses on the purchase of waste management and mooring services decreased because ferries and cruise ships made fewer port calls. Non-current asset repair costs were also somewhat lower due to the cost-cutting measures implemented. Expenses on the acquisition of assets of insignificant value increased in connection with one-off expenses incurred on the implementation of phase 1 in the reconstruction of passenger terminal D at the Old City Harbour. Growth in other operating expenses (EUR 0.26 million) is mainly attributable to an increase in expenses on doubtful receivables, caused by a deterioration in the economic environment. Operating expenses for the second quarter decreased by EUR 2.1 million, i.e. 23%. As a result, half-year expenses also dropped year on year. The decrease was the largest in harbour operations and the Ferry segment.

**Personnel expenses** grew slightly, rising by EUR 0.4 million, i.e. 4.1%, mainly because in the comparative period an unused bonus provision was reversed but also because the Group incurred one-off expenses in connection with downsizing undertaken to reduce costs. Personnel expenses remained stable in the second quarter. In the first half of the year, the average number of the Group's employees decreased from 487 to 471, i.e. 3.3%.

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<sup>3</sup> Ferry service between Estonia's mainland and biggest islands

**Depreciation, amortisation and impairment expenses** for the first six months grew by EUR 0.7 million, i.e. 6.4%, primarily in harbour operations where the volume of non-current assets increased through the completion of phase 1 in the reconstruction of passenger terminal D at the Old City Harbour (Passenger harbours segment) in autumn 2019. Assets retired from use were written down by almost EUR 0.24 million, mainly in connection with the Group's exit from the Paljassaare Harbour (Cargo harbours segment) and the write-off assets demolished in the course of construction work at the Old City Harbour.

**Operating profit** for the first six months decreased by EUR 9.6 million, i.e. 39%, because the decrease in revenue (EUR 11.1 million) exceeded the growth in other income (EUR 1.4 million) while the decrease in operating expenses (EUR 1.2 million) was offset by growth in personnel expenses and depreciation, amortisation and impairment expenses (EUR 0.4 million and 0.7 million, respectively). The Group's operating margin dropped from 40.3% to 30.1% because the decrease in operating profit exceeded the decrease in revenue. Operating profit decreased mainly due to the effect of the second quarter where the decrease in operating income (EUR 10.4 million) exceeded the impact of a decrease in operating expenses (EUR 2.1 million). Operating margin for the second quarter dropped from 40.4% to 20.5%.

**Adjusted EBITDA** decreased by EUR 9.3 million to EUR 26.4 million, primarily due to the impact of the Passenger harbours segment where the decrease amounted to EUR 9.0 million. In terms of segments, EBITDA increased slightly in the Cargo harbours segment but this was due to a non-recurring sales gain earned in the first quarter on the disposal of the assets of the Paljassaare Harbour. Adjusted EBITDA for the second quarter decreased by EUR 8.6 million, mainly through the impact of the Passenger harbours segment (EUR 7.9 million) and the Cargo harbours segment (EUR 0.6 million). Adjusted EBITDA margin for the first six months declined from 58.2% to 52.2% due to the impact of the second quarter when the margin dropped from 57.4% to 45.6%.

**Finance costs (net)** for the first six months decreased by EUR 64 thousand, i.e. 7%, through a decline in both the amount of interest-bearing liabilities and the interest rate.

**Profit before tax** for the first six months decreased by EUR 9.9 million (–41%) to EUR 14.1 million. Profit decreased more than operating profit because the Group's equity-accounted associate Green Marine incurred a loss due to a decrease in the volume of services provided to ferries and cruise ships and a decline in the sales prices of reprocessed oil waste and the Group's share of that loss was EUR 0.35 million.

In the second quarter of 2020, the Group declared a dividend of EUR 30.2 million. Related income tax expense amounted to EUR 4.91 million, EUR 0.85 million less than in the previous year when the Group declared a dividend of EUR 35.2 million. Profit for the first six months (EUR 9.2 million) fell short of the figure for the comparative period (EUR 18.2 million) by EUR 9.0 million. The result for the second quarter (a loss of EUR 0.8 million) fell short of the profit for the comparative period by EUR 8.0 million.

**INVESTMENT**

In the first six months of 2020, the Group invested EUR 17.4 million, significantly more than in the same period last year (EUR 11.1 million). Investments made in the first six months of 2020 were mostly related to phase 2 of the reconstruction of passenger terminal D at the Old City Harbour, the start of the construction of a cruise terminal and dredging works at the Paldiski South Harbour. Investments of the second quarter totalled EUR 8.6 million.

**SEGMENT REPORTING**

In thousands of euros	6 months 2020					6 months 2019				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	12,536	18,743	14,420	4,590	50,289	22,293	19,958	14,766	4,333	61,350
Adjusted EBITDA	5,873	11,984	6,718	1,819	26,394	14,875	11,889	6,719	2,223	35,706
Operating profit	2,679	7,672	3,810	952	15,113	11,877	7,882	3,923	1,049	24,731
Adjusted EBITDA margin	46.8%	63.9%	46.6%	39.6%	52.5%	66.7%	59.6%	45.5%	51.3%	58.2%

In thousands of euros	Change, 6 months				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	-9,757	-1,215	-346	257	-11,061
Adjusted EBITDA	-9,002	95	-1	-404	-9,312
Operating profit	-9,198	-210	-113	-97	-9,618

In thousands of euros	Q2 2020					Q2 2019				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	4,644	9,440	7,377	938	22,399	14,092	10,004	7,917	810	32,823
Adjusted EBITDA	1,830	5,249	3,473	-330	10,222	9,702	5,803	3,554	-223	18,836
Operating profit	264	3,120	2,009	-795	4,598	8,162	3,812	2,150	-851	13,273
Adjusted EBITDA margin	39.4%	55.6%	47.1%	-35.2%	45.6%	68.8%	58.0%	44.9%	-27.5%	57.4%

In thousands of euros	Change, Q2				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	-9,448	-564	-540	128	-10,424
Adjusted EBITDA	-7,872	-554	-81	-107	-8,614
Operating profit	-7,898	-692	-141	56	-8,675

In terms of segments, the largest year-on-year change in six-month revenue occurred in the Passenger harbours segment (EUR -9.8 million, i.e. -44%), followed by the Cargo harbours segment (EUR -1.2 million, i.e. -6.1%), the Ferry segment (EUR -0.35 million, i.e. -2.3%), and the segment Other (EUR +0.26 million, i.e. +5.9%).

**The revenue of the Passenger harbours segment** for the first six months decreased year-on-year, mainly as a result of a decrease in vessel dues revenue brought about by travel restrictions imposed due to the COVID-19 pandemic. There were no port calls of cruise ships and the number of port calls by ferries dropped significantly,



especially in the second quarter. Revenue from passenger fees also decreased significantly in proportion to the decline in the number of passengers.

**The revenue of the Cargo harbours segment** for the first half of the year declined due to the combined effect of various items of revenue but mostly because the volume of electricity sold (as an agent) and cargo charge revenue decreased. Cargo charge revenue declined due to the combined effect of an increase in the volume of liquid bulk cargo whose cargo charges are lower and a decrease in the volumes of other cargo types. The revenue of the Cargo harbours segment was not significantly affected by the restrictions related to the COVID-19 pandemic. Revenue declined because in the second quarter the ferries operating on the Muuga-Vuosaari route were temporarily rerouted to the Old City Harbour (Passenger harbours segment) due to the reinstatement of border checks.

**The revenue of the Ferry segment** decreased slightly because the state did not order an additional vessel for extra trips during the summer season. Instead, the state placed an order for a reduced number of additional trips to be made by an existing replacement ferry, which means lower revenue for the segment. The decline was partly offset by a rise in fee rates, which are linked to the Estonian consumer and fuel price indices and wage inflation.

**The revenue of the segment Other** increased through the indexation of the contractual fees of the icebreaker Botnica to the Estonian and Canadian consumer price indices and a slightly earlier start of the work done by Botnica in Canadian waters during the summer season.

In terms of segments, **adjusted EBITDA** for the first six months decreased the most in the Passenger harbours segment, which was quite expected, dropped slightly in the segment Other and remained stable in the Ferry segment. In the Cargo harbours segment adjusted EBITDA grew somewhat but only due to a non-recurring sales gain on the disposal of the assets of the Paljassaare Harbour. Adjusted EBITDA for the second quarter declined in all segments, particularly in the Passenger harbours segment.

**Adjusted EBITDA margin** for the first six months of the year increased from 59.6% to 63.9% in the Cargo harbours segment and from 45.5% to 46.6% in the Ferry segment due to a sales gain on the disposal of assets (which offset the decrease in revenue) and a decrease in expenses, respectively. The margin decreased in the Passenger harbours segment and the segment Other through the impacts of a decrease in revenue and an increase in expenses (which exceeded the increase in revenue), respectively. The Group's overall adjusted EBITDA margin decreased from 58.2% to 52.5%. In the second quarter, the margin decreased in all segments, except the Ferry segment.

**IMPACTS OF THE COVID-19 PANDEMIC**

The measures imposed by countries in March due to the COVID-19 pandemic had the strongest impact on the Group in the second quarter. As the measures focused on minimizing contact between people and cross-border movement, they had the greatest impact on the tourism sector and passenger traffic, which in turn affected the performance of the Group's Passenger harbours segment.

The state of emergency declared in Estonia in March lasted until 17 May and foreign citizens were banned from entering the country in both Estonia and Finland. Due to the slowdown in the spread of the virus and the decrease in the number of confirmed cases of COVID-19, on 14 May passenger traffic between Tallinn and Helsinki was opened for labour migration, that is for passengers with a contractual or otherwise proven employment relationship in Finland or Estonia. From 1 June, the Estonian border was opened to most European arrivals without a mandatory quarantine requirement, including arrivals from Finland, the most important country for us in the context of passenger traffic. Finland opened its borders to all passengers arriving from Estonia on 15 June. The port calls of cruise ships were prohibited in Estonia until 1 May. Due to changing restrictions and quarantine requirements in other European countries, cruise companies cancelled the cruises they had scheduled and there were no cruise ship calls in the second quarter.

Due to the fall in demand caused by the restrictions, international ferry operators have made a number of adjustments to their timetables and the ferries serving the routes. The Tallinn-Stockholm and the Tallinn-St Petersburg routes have been closed since the middle of March but new temporary routes have been added, such as Paldiski-Sassnitz (from Estonia to Germany) during the state of emergency in Estonia, Tallinn-Mariehamn in June, and Helsinki-Saaremaa and Tallinn-Turku in July. At the end of the second quarter, a record number of vessels sailed between Estonia and Finland and ferry traffic was busier than ever. During the state of emergency (17 March - 14 June), the ferries operating on the Muuga-Vuosaari route departed from the Old City Harbour because of the reinstatement of border control and the revenue generated by them was recognised in the Passenger harbours segment instead of the Cargo harbours segment. Provision of service to passengers with cars was temporarily suspended and only cargo transport service was provided.

There have been no restrictions on cargo transport between countries and cargo throughput at the Group's harbours even increased slightly in the second quarter due to growth in the volume of liquid bulk cargo. According to management's assessment, cargo transport will be affected by the general economic crisis, caused by the virus prevention measures, in the next quarters, mainly through container and ro-ro cargo.

Service on domestic ferry routes between mainland Estonia and the islands of Saaremaa and Hiiumaa, which are operated by OÜ TS Laevad, a subsidiary of AS Tallinna Sadam, continued with reduced timetables to allow the islanders to return home and to enable cargo transport. The changes resulting from the restrictions did not have a significant impact on 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. Restrictions on movement between the mainland and the islands were lifted on 8 May and normal passenger traffic has resumed with measures taken to prevent the spread of the virus.

Multifunctional icebreaker Botnica, which is operated by OÜ TS Shipping, a subsidiary of AS Tallinna Sadam, continued its normal operations and the revenue generated by Botnica (segment Other) has not been affected by the COVID-19 pandemic so far.

The Group takes the necessary measures and cooperates closely with the authorities to prevent the spread of the virus and to protect people's lives and health. Management made several changes to the organisation of work during the state of emergency to ensure service continuity. During the outbreak of the virus, office staff worked mainly from home offices. To an extent, this has continued since the end of the state of emergency. The work of staff involved in operations has been reorganized to minimise their contact with each other and third parties. All frontline staff have been supplied with personal protective equipment. In June, passengers arriving at the Old City Harbour and all other interested parties could take a free rapid SARS-CoV-2 antibody test.

To compensate for the decrease in revenue, we have critically reviewed all of the Group's expenses in the light of the changed circumstances but due to a large share of fixed costs, a decline in the Group's profitability is inevitable, particularly in the Passenger harbours segment. To improve the Group's cash flow, some planned investments have been postponed but ongoing investments will not be suspended. 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, i.e. 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, i.e. from 13 June 2018 to 30 June 2020, is presented in the graph below:



The opening price of the share in the second quarter of 2020 was EUR 1.58. At 30 June 2020, the closing price of the share was EUR 1.92, having increased in the second quarter by 21.5%, i.e. to almost the level at the beginning of the year. The company's market capitalisation at 30 June 2020 was EUR 503.6 million (31 March 2020: EUR 414.2 million).

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



Source: nasdaqbaltic.com

In the second quarter of 2020, there were 11,175 transactions with the Tallinna Sadam share (Q1 2020: 12,843 transactions) in which 4.5 million shares (Q1 2020: 9.1 million shares) changed hands. The total turnover of the transactions was EUR 7.9 million (Q1 2020: EUR 16.1 million).

At 30 June 2020, the company had 14,516 shareholders (31 March 2020: 13,625) but only the Republic of Estonia had an ownership interest exceeding 5% (through the Ministry of Economic Affairs and Communications). The five largest shareholders as at 30 June 2020 were:

Name of shareholder	Number of shares	Interest, %
Ministry of Economic Affairs and Communications	176,295,032	67%
State Street Bank and Trust Omnibus	10,867,210	4%
European Bank for Reconstruction and Development (EBRD)	9,350,000	4%
SEB Progressiivne Pensionifond	6,484,365	2%
LHV Pensionifond L	5,446,083	2%

In the second quarter the shareholder structure remained practically the same as it was in the first quarter. The ownership interest of Latvian and Lithuanian pension and investment funds decreased by 0.5 percentage points (from 2.2% to 1.7%) while the ownership interests of foreign investors, retail investors and Estonian pension and investment funds grew slightly.

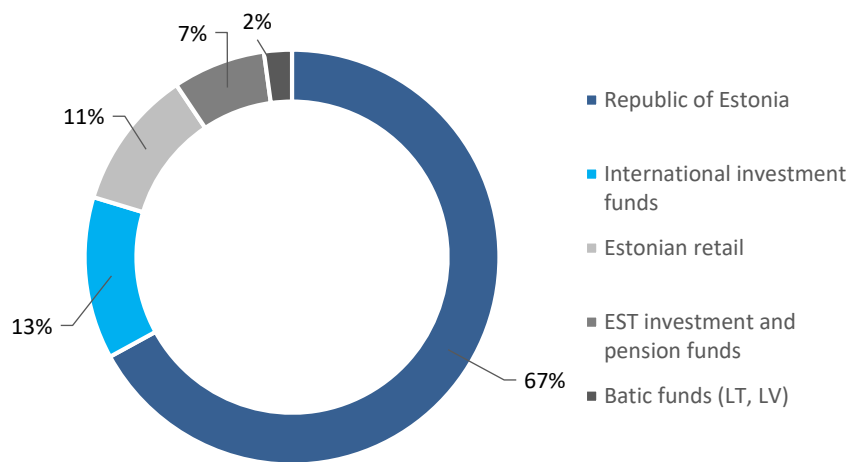


Chart: Shareholder structure as at 30 June 2020

## DIVIDENDS

On 29 June 2020, the general meeting approved the proposal of the management board to distribute in 2020 a dividend of EUR 0.115 per share and EUR 30.2 million in total. The list of shareholders entitled to receive the dividend was determined on 13 July 2020 (the ex-dividend date: 10 July 2020) and the dividend was paid out to the shareholders on 20 July 2020 (by Nasdaq CSD).

The dividend policy of AS Tallinna Sadam sets the target to pay the shareholders regular post-tax dividends, which in the period 2019-2020 should amount to at least EUR 30 million per year and from 2021 onward to at least 70% of the preceding year's net profit, subject to market conditions, the company's growth and development plans, taking into account the need to maintain a reasonable level of liquidity and excluding the impact of non-recurring transactions.

## CORPORATE GOVERNANCE

At 30 June 2020, AS Tallinna Sadam had two wholly-owned 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 30 June 2020, the supervisory board had six members: Aare Tark (chairman), Ahti Kuningas, Maarika Liivamägi, Raigo Uukkivi, Urmas Kaarlep and Üllar Jaaksoo, of whom four members are independent. Under the supervisory board, there is a three-member audit committee, which consists of members of the supervisory board and acts as an advisory body in supervisory matters.

There were no changes in the composition of the supervisory board or the bodies of the supervisory board in the second quarter but, based on the resolution of the general meeting of 29 June 2020, all members of the supervisory board were recalled from office effective from the end of 30 June 2020 and reappointed to the supervisory board effective from 1 July 2020. In addition, Riho Unt and Veiko Sepp were appointed as new members of the supervisory board with effect from 1 July 2020. Based on the resolution of the new supervisory board, from 3 July 2020 the audit committee consists of 4 members.

**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 30 June 2020, 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 second quarter.

Further information about the company's corporate governance and members of the management and supervisory boards is presented in the annual report for 2019 that 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 SECOND QUARTER OF 2020**

- 1. OÜ TS Laevad and the Road Administration concluded an agreement on additional trips and the procurement of a new ferry.** Due to the expected growth in demand in the coming years on the Virtsu-Kuivastu and the Rohuküla-Heltermaa ferry routes, OÜ TS Laevad, a subsidiary of AS Tallinna Sadam, and the Road Administration signed an annex to the public transport service contract. The purpose is to make at least 500 additional trips a year on the Virtsu-Kuivastu route from 1 June 2020 to 30 September 2026. In 2020–2022 additional trips will be made by M/V Regula or another suitable available ferry and in 2023–2026 additional trips will be made by a new ferry that will be acquired. The fee and other terms of carriage of the new ferry will be agreed once its possible acquisition cost is clear. For the summer of 2020, the Road Administration ordered up to 536 additional trips to be made by the replacement vessel M/V Regula to ensure additional transport capacity in case scheduled trips fail to meet the demand at peak times.

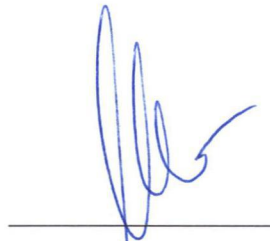
- 2. Conclusion of a loan agreement.** On 25 October 2019, AS Tallinna Sadam signed an unsecured loan agreement with AS SEB Pank. The loan amount is EUR 20 million and the maturity term is 5 years. The loan can be taken out in two parts: the first part of EUR 10 million on 30 July 2020 at the latest and the second part of EUR 10 million on 31 December 2020 at the latest.
- 3. Voting on the resolutions of the annual general meeting on 22-29 June 2020.** Due to risks and the restrictions imposed on gatherings in connection with the COVID-19 pandemic, the resolutions of the annual general meeting of AS Tallinna Sadam were adopted without convening the meeting. For the first time, shareholders could only cast their votes in writing. A webinar was organized on 19 June 2020 where the chairmen of the management board, the supervisory board and the nomination committee introduced the draft resolutions. 106 shareholders, whose shares represented 218,876,934 votes, i.e. 83.22% of total share capital, took part in the voting. The general meeting decided to approve the annual report for 2019 and the profit allocation proposal, including the proposal to distribute the shareholders a dividend of EUR 0.115 per share. The general meeting also elected a new supervisory board. The composition of the supervisory board was extended and two additional members, Riho Unt and Veiko Sepp, were elected.
- 4. Compromise in the bankruptcy proceedings of AS Coal Terminal.** On 29 June 2020, the bankruptcy trustees of AS Coal Terminal (bankrupt), Charboun Invest OÜ (a shareholder of AS Coal Terminal) and AS Tallinna Sadam agreed on a compromise. The compromise agreement states that the claims of all the creditors of AS Coal Terminal will be restructured, the parties will terminate all pending litigation and renounce all claims against each other, and AS Coal Terminal will be liquidated. Under the compromise agreement, AS Tallinna Sadam will pay EUR 2.7 million to the bankruptcy estate. The said amount is proceeds from the management of the sale and the sale of the assets of AS Coal Terminal transferred to the possession of AS Tallinna Sadam.
- 5. Announcements of calls for tenders to find designers for Rail Baltic's Muuga freight terminal and for a new tram line to the Old City Harbour.** In May, Rail Baltic Estonia announced a call for tenders to find a designer for Muuga multimodal freight terminal. Muuga terminal will be Rail Baltic's largest and only cargo terminal connected to a harbour. In June, Tallinn City Government announced a call for tenders to find a designer for a new tram line to the Old City Harbour. The tram line is part of the Rail Baltic project and will be the basis for the two kilometre-long connection between the harbour, future Rail Baltic terminal and the airport. The project will be financed by the European Union, Rail Baltic, the Republic of Estonia and the City of Tallinn.

**MANAGEMENT'S CONFIRMATION AND SIGNATURES**

By authorising the unaudited interim condensed consolidated report as at and for the period ended 30 June 2020 for issue, the management board confirms that the information about AS Tallinna Sadam and the companies related to it, as set out on pages 17 to 33, 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 (13 August 2020) have been properly recognised and disclosed in the unaudited interim condensed consolidated financial statements;
4. AS Tallinna Sadam and its subsidiaries are going concerns.

13 August 2020



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

<b>At</b>	<b>Note</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		44,331	35,183
Trade and other receivables	4	11,243	10,614
Contract assets	11	353	0
Inventories		297	408
<i>Total other current assets</i>		<i>56,224</i>	<i>46,205</i>
Non-current assets held for sale		98	142
<b>Total current assets</b>		<b>56,322</b>	<b>46,347</b>
<b>Non-current assets</b>			
Investment in an associate	5	1,349	1,609
Other long-term receivables	4	259	294
Property, plant and equipment	6	580,707	575,267
Intangible assets		2,025	2,015
<b>Total non-current assets</b>		<b>584,340</b>	<b>579,185</b>
<b>Total assets</b>		<b>640,662</b>	<b>625,532</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	9	16,266	16,266
Derivative financial instruments		173	243
Payables to owners		30,245	0
Provisions		1,035	1,915
Government grants		1,794	193
Taxes payable	7	715	893
Trade and other payables	8	16,612	11,722
Contract liabilities	11	3,482	33
<b>Total current liabilities</b>		<b>70,322</b>	<b>31,265</b>
<b>Non-current liabilities</b>			
Loans and borrowings	9	188,197	191,580
Government grants		25,219	24,754
Other payables	8	16	2
Contract liabilities	11	914	913
<b>Total non-current liabilities</b>		<b>214,346</b>	<b>217,249</b>
<b>Total liabilities</b>		<b>284,668</b>	<b>248,514</b>
<b>EQUITY</b>			
Share capital	10	263,000	263,000
Share premium		44,478	44,478
Statutory capital reserve		20,262	18,520
Hedge reserve		-173	-243
Retained earnings (prior periods)		19,276	6,859
Profit for the period		9,151	44,404
<b>Total equity</b>		<b>355,994</b>	<b>377,018</b>
<b>Total liabilities and equity</b>		<b>640,662</b>	<b>625,532</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the 6 months ended 30 June**Consolidated statement of profit or loss**

In thousands of euros	Note	Q2 2020	Q2 2019	2020	2019
Revenue	<b>3, 11</b>	22,399	32,822	50,289	61,350
Other income		219	305	1,970	580
Operating expenses	<b>12</b>	-7,210	-9,319	-15,537	-16,717
Personnel expenses		-4,807	-4,817	-9,484	-9,108
Depreciation, amortisation and impairment		-5,924	-5,643	-11,912	-11,193
Other expenses		-79	-75	-213	-181
<b>Operating profit</b>		<b>4,598</b>	<b>13,273</b>	<b>15,113</b>	<b>24,731</b>
<b>Finance income and costs</b>					
Finance income		13	14	24	27
Finance costs		-427	-443	-814	-881
<b>Finance costs – net</b>		<b>-414</b>	<b>-429</b>	<b>-790</b>	<b>-854</b>
Share of loss (-)/profit(+) of an associate accounted for under the equity method		-102	81	-259	86
<b>Profit before income tax</b>		<b>4,082</b>	<b>12,925</b>	<b>14,064</b>	<b>23,963</b>
Income tax expense		-4,913	-5,764	-4,913	-5,764
<b>Profit/loss for the period</b>		<b>-831</b>	<b>7,161</b>	<b>9,151</b>	<b>18,199</b>
Attributable to:					
Owners of the Parent		-831	7,161	9,151	18,199
Basic earnings and diluted earnings per share (in euros)	<b>10</b>	0.00	0.03	0.03	0.07
Basic earnings and diluted earnings per share – continuing operations (in euros)		0.00	0.03	0.03	0.07

**Consolidated statement of other comprehensive income**

In thousands of euros	Q2 2020	Q2 2019	2020	2019
<b>Profit/loss for the period</b>	<b>-831</b>	<b>7,161</b>	<b>9,151</b>	<b>18,199</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net fair value gain/loss on hedging instruments in cash flow hedges	36	-11	70	32
<b>Total other comprehensive income/expense</b>	<b>36</b>	<b>-11</b>	<b>70</b>	<b>32</b>
<b>Total comprehensive income/expense for the period</b>	<b>-795</b>	<b>7,150</b>	<b>9,221</b>	<b>18,231</b>
Attributable to:				
Owners of the Parent	-795	7,150	9,221	18,231

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

for the 6 months ended 30 June

In thousands of euros	Note	2020	2019
Cash receipts from sale of goods and services		55,328	65,769
Cash receipts related to other income		21	151
Payments to suppliers		-20,587	-20,480
Payments to and on behalf of employees		-7,956	-8,791
Payments for other expenses		-196	-216
Income tax paid on dividends		0	-4,949
<b>Cash from operating activities</b>		<b>26,610</b>	<b>31,484</b>
Purchases of property, plant and equipment		-16,162	-9,975
Purchases of intangible assets		-272	-233
Proceeds from sale of property, plant and equipment		1,101	24
Government grants received		2,061	0
Interest received		15	25
<b>Cash used in investing activities</b>		<b>-13,257</b>	<b>-10,159</b>
Repayments of loans received	9	-3,383	-3,383
Dividends paid		0	-34,970
Interest paid		-816	-887
Other payments related to financing activities		-6	-10
<b>Cash used in financing activities</b>		<b>-4,205</b>	<b>-39,250</b>
<b>NET CASH FLOW</b>		<b>9,148</b>	<b>-17,925</b>
Cash and cash equivalents at beginning of the period		35,183	42,563
Change in cash and cash equivalents		9,148	-17,925
Cash and cash equivalents at end of the period		44,331	24,638

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

for the 6 months ended 30 June

In thousands of euros	Share capital	Share premium	Statutory capital reserve	Hedge reserve	Retained earnings	Total equity attributable to owners of the Parent
<b>Equity at 31 December 2018</b>	<b>263,000</b>	<b>44,478</b>	<b>18,520</b>	<b>-425</b>	<b>42,101</b>	<b>367,674</b>
Profit for the period	0	0	0	0	18,199	<b>18,199</b>
Other comprehensive income for the period	0	0	0	32	0	<b>32</b>
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>32</i>	<i>18,199</i>	<b>18,231</b>
Dividends declared	0	0	0	0	-35,242	<b>-35,242</b>
<i>Total transactions with owners</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-35,242</i>	<b>-35,242</b>
<b>Equity at 30 June 2019</b>	<b>263,000</b>	<b>44,478</b>	<b>18,520</b>	<b>-393</b>	<b>25,058</b>	<b>350,663</b>
<b>Equity at 31 December 2019</b>	<b>263,000</b>	<b>44,478</b>	<b>18,520</b>	<b>-243</b>	<b>51,263</b>	<b>377,018</b>
Profit for the period	0	0	0	0	9,151	<b>9,151</b>
Other comprehensive income for the period	0	0	0	70	0	<b>70</b>
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>70</i>	<i>9,151</i>	<b>9,221</b>
Dividends declared	0	0	0	0	-30,245	<b>-30,245</b>
<i>Total transactions with owners</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-30,245</i>	<b>-30,245</b>
Increase of capital reserve	0	0	1,742	0	-1,742	<b>0</b>
<b>Equity at 30 June 2020</b>	<b>263,000</b>	<b>44,478</b>	<b>20,262</b>	<b>-173</b>	<b>28,427</b>	<b>355,994</b>

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

AS Tallinna Sadam (also referred to as the “Parent” or the “Company”) is a company incorporated and registered in the Republic of Estonia on 5 November 1996. The interim condensed consolidated financial statements of AS Tallinna Sadam as at and for the 6 months ended 30 June 2020 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 passenger 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. The Old City Harbour in the centre of Tallinn together with the Old City Marina for small vessels and the Saaremaa Harbour designed for receiving cruise ships provide mainly passenger harbour services. The Muuga Harbour, which is Estonia’s largest cargo harbour, the Paldiski South Harbour and the Paljassaare Harbour that serves mostly ship repair companies provide mainly cargo harbour services. The Group has ceased active operations in the Paljassaare Harbour and is making preparations to exit from the harbour. In connection with this, in the first half of 2020 the Group sold several assets belonging to the Paljassaare Harbour.

The Group’s subsidiaries at 30 June 2020 and 31 December 2019:

Subsidiary	Domicile	Ownership interest (%)		Core business line
		30 June 2020	31 December 2019	
OÜ TS Shipping	Republic of Estonia	100	100	Rendering icebreaking and other offshore support services with the multi-functional 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 6 months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

**Note 2 continued**

These 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 2019. See note 2 to the consolidated financial statements in the annual report for 2019 for additional information about significant accounting policies.

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019. 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	6 months 2020				Total
	Passenger harbours	Cargo harbours	Ferry	Other	
Vessel dues	7,325	9,269	0	0	16,594
Cargo charges	627	2,395	0	0	3,022
Passenger fees	3,345	49	0	0	3,394
Sale of electricity	234	1,957	0	0	2,191
Sale of ferry services - ticket sales	0	0	3,706	0	3,706
Sale of other services	248	486	14	1	749
Lease income	757	4,587	183	0	5,527
Charter fees	0	0	0	4,589	4,589
Sale of ferry services - government support	0	0	10,517	0	10,517
<b>Total segment revenue* (note 11)</b>	<b>12,536</b>	<b>18,743</b>	<b>14,420</b>	<b>4,590</b>	<b>50,289</b>
<b>Adjusted segment EBITDA</b>	<b>5,873</b>	<b>11,984</b>	<b>6,718</b>	<b>1,819</b>	<b>26,394</b>
Depreciation and amortisation	-3,228	-4,413	-2,908	-1,126	-11,675
Impairment losses	-65	-172	0	0	-237
Amortisation of government grants received	99	273	0	0	372
Share of loss of an associate accounted for under the equity method	0	0	0	259	259
<b>Segment operating profit</b>	<b>2,679</b>	<b>7,672</b>	<b>3,810</b>	<b>952</b>	<b>15,113</b>
Finance income and costs, net					-790
Share of loss of an associate accounted for under the equity method					-259
Income tax expense					-4,913
<b>Profit for the period</b>					<b>9,151</b>

\* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 25 thousand and EUR 113 thousand for the Passenger harbours and Cargo harbours segments, respectively, which was eliminated during consolidation.

**Note 3 continued**

In thousands of euros	6 months 2019				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	12,215	9,542	0	0	<b>21,757</b>
Cargo charges	708	2,776	0	0	<b>3,484</b>
Passenger fees	7,587	52	0	0	<b>7,639</b>
Sale of electricity	400	2,458	0	0	<b>2,858</b>
Sale of ferry services - ticket sales	0	0	4,876	0	<b>4,876</b>
Sale of other services	504	479	25	3	<b>1,011</b>
Lease income	879	4,651	260	0	<b>5,790</b>
Charter fees	0	0	0	4,330	<b>4,330</b>
Sale of ferry services - government support	0	0	9,605	0	<b>9,605</b>
<b>Total segment revenue* (note 11)</b>	<b>22,293</b>	<b>19,958</b>	<b>14,766</b>	<b>4,333</b>	<b>61,350</b>
<b>Adjusted segment EBITDA</b>	<b>14,875</b>	<b>11,889</b>	<b>6,719</b>	<b>2,223</b>	<b>35,706</b>
Depreciation and amortisation	-3,071	-4,238	-2,796	-1,088	<b>-11,193</b>
Impairment losses	0	0	0	0	<b>0</b>
Amortisation of government grants received	73	231	0	0	<b>304</b>
Share of profit of an associate accounted for under the equity method	0	0	0	-86	<b>-86</b>
<b>Segment operating profit</b>	<b>11,877</b>	<b>7,882</b>	<b>3,923</b>	<b>1,049</b>	<b>24,731</b>
Finance income and costs, net					-854
Share of profit of an associate accounted for under the equity method					86
Income tax expense					-5,764
<b>Profit for the period</b>					<b>18,199</b>

\* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 25 thousand and EUR 119 thousand for the Passenger harbours and Cargo harbours segments, respectively, which was eliminated during consolidation.

**4. TRADE AND OTHER RECEIVABLES**

In thousands of euros	30 June 2020	31 December 2019
<b>At</b>		
Receivables from customers	9,991	8,849
Allowance for credit losses	-2,763	-2,160
Prepaid taxes	973	1,093
Government grants receivable	2,487	2,287
Other prepayments	387	470
Receivables from an associate (note 16)	12	36
Other receivables	415	333
<b>Total trade and other receivables</b>	<b>11,502</b>	<b>10,908</b>
Of which current receivables	11,243	10,614
non-current receivables	259	294

**Note 4 continued****Trade receivables – expected credit loss matrix**

In thousands of euros		Days past due				Total
<b>At 30 June 2020</b>	Not past due	0–30	31–60	61–90	>90	
Expected credit loss rate	0.80%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	6,742	523	22	16	2,688	9,991
Lifetime expected credit loss (ECL)	–53	–8	–1	–13	–2,688	–2,763
						<b>7,228</b>
<b>At 31 December 2019</b>						
Expected credit loss rate	0.8%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	6,220	467	52	45	2,065	8,849
Lifetime expected credit loss (ECL)	–50	–7	–2	–36	–2065	–2,160
						<b>6,689</b>

**5. INVESTMENT IN AN ASSOCIATE**

In thousands of euros			
<b>For the 6 months ended 30 June</b>		<b>2020</b>	<b>2019</b>
Income		1,460	2,240
Expenses		1,899	1,954
Net loss (-)/profit (+)		–459	190

In thousands of euros			
<b>At</b>		<b>30 June 2020</b>	<b>31 December 2019</b>
Net assets of the associate		2,646	3,154
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		1,349	1,609



**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
<b>At 31 December 2019</b>						
Cost	614,182	240,253	7,398	7,699	5,504	<b>875,036</b>
Accumulated depreciation and impairment losses	-216,471	-78,121	-5,177	0	0	<b>-299,769</b>
<b>Carrying amount at 31 December 2019</b>	<b>397,711</b>	<b>162,132</b>	<b>2,221</b>	<b>7,699</b>	<b>5,504</b>	<b>575,267</b>
<i>Movements within 6 months ended 30 June 2020</i>						
Acquisition and reconstruction	144	1,171	314	15,209	248	<b>17,086</b>
Sold at carrying amount	0	-19	0	0	0	<b>-19</b>
Depreciation charge	-5,853	-5,367	-308	0	0	<b>-11,528</b>
Impairment losses	-99	0	0	0	0	<b>-99</b>
Reclassified at carrying amount	5,527	652	0	-6,179	0	<b>0</b>
<b>At 30 June 2020</b>						
Cost	619,444	242,037	7,712	16,729	5,752	<b>891,674</b>
Accumulated depreciation and impairment losses	-222,014	-83,468	-5,485	0	0	<b>-310,967</b>
<b>Carrying amount at 30 June 2020</b>	<b>397,430</b>	<b>158,569</b>	<b>2,227</b>	<b>16,729</b>	<b>5,752</b>	<b>580,707</b>

**7. TAXES PAYABLE**

At 30 June 2020, the Group's taxes payable amounted to EUR 715 thousand (31 December 2019: EUR 893 thousand).

**8. TRADE AND OTHER PAYABLES**

In thousands of euros

<b>At</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Trade payables	5,716	5,281
Payables to employees	1,300	1,092
Interest payable	392	405
Accrued income tax liability on dividends	4,913	0
Accrued taxes payable on remuneration	613	596
Advances for goods and services	239	212
Payables to an associate (note 16)	97	127
Other payables	3,358	4,011
<b>Total trade and other payables</b>	<b>16,628</b>	<b>11,724</b>
Of which current liabilities	16,612	11,722
non-current liabilities	16	2

**9. LOANS AND BORROWINGS**

In thousands of euros

<b>At</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Current portion</b>		
Loans and borrowings	7,266	7,266
Debt securities	9,000	9,000
<b>Total current portion</b>	<b>16,266</b>	<b>16,266</b>
<b>Non-current portion</b>		
Loans and borrowings	38,947	42,330
Debt securities	149,250	149,250
<b>Total non-current portion</b>	<b>188,197</b>	<b>191,580</b>
<b>Total loans and borrowings</b>	<b>204,463</b>	<b>207,846</b>

**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 six-month period ended 30 June 2020. At 30 June 2020, the weighted average interest rate of the debt securities was 0.77% (30 June 2019: 0.70%).

**Loans**

All loan agreements are denominated in euros and have floating interest rates (the base is 6-month Euribor). The final maturities of outstanding loan liabilities fall in the period 2024 to 2028.

**Note 9 continued**

Principal repayments made in the six-month period ended 30 June 2020 amounted to EUR 3,383 thousand (six-month period ended 30 June 2019: EUR 3,383 thousand).

At 30 June 2020, the weighted average interest rate of drawn loans was 0.71% (30 June 2019: 0.73%). Considering the effect of derivative transactions used to hedge interest rate risk, at 30 June 2020 the average interest rate of loans was 1.00% (30 June 2019: 1.41%).

In the second quarter a loan agreement was signed with SEB Pank according to which AS Tallinna Sadam can take a loan of EUR 20 million of which EUR 10 million can be drawn before 30 July 2020 and EUR 10 million can be drawn before 31 December 2020. Neither portion of the loan had been drawn at 30 June 2020. The first portion of EUR 10 million was drawn in July 2020.

**Contractual maturities of loans and borrowings**

In thousands of euros

At 30 June	2020
Up to 12 months	16,266
1 - 5 years	61,064
> 5 years	127,133
<b>Total loans and borrowings</b>	<b>204,463</b>

**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 30 June 2020, similarly to 31 December 2019, 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 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 30 June 2020, the Group was also in compliance with all the covenants that set requirements to its financial indicators.

**10. EQUITY**

At 30 June 2020, AS Tallinna Sadam had 263,000,000 registered ordinary shares, at 31 December 2019 also 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.

The maximum number of ordinary shares stipulated in the Articles of Association of AS Tallinna Sadam is 664,000,000 (in the comparative period in 2019: also 664,000,000). At 30 June 2020 and at 31 December 2019 all shares issued had been fully paid for.

	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>6 months 2020</b>	<b>6 months 2019</b>
Weighted average number of shares	263,000,000	263,000,000	263,000,000	263,000,000
Consolidated net profit/loss for the period (in thousands of euros)	-831	7,161	9,151	18,199
Basic and diluted earnings per share (in euros)	0	0.03	0.03	0.07

Based on the resolution of the annual general meeting of 29 June 2020, the Group paid for 2019 a dividend of EUR 0.115 per share and EUR 30,245 thousand in total. The list of shareholders entitled to receive the dividend was determined on 13 July 2020 (the ex-dividend date was 10 July 2020) and the dividend was paid out to the shareholders on 20 July 2020 (through Nasdaq CSD).

**11. REVENUE**

In thousands of euros

<b>For the 6 months ended 30 June</b>	<b>2020</b>	<b>2019</b>
<b>Revenue from contracts with customers</b>		
Vessel dues	16,594	21,757
Cargo charges	3,022	3,484
Passenger fees	3,394	7,639
Sale of electricity	2,191	2,858
Sale of ferry services - ticket sales	3,706	4,876
Sale of other services	749	1,011
<b>Total revenue from contracts with customers</b>	<b>29,656</b>	<b>41,625</b>
<b>Revenue from other sources</b>		
Operating lease income	5,527	5,790
Charter fees	4,589	4,330
Sale of ferry services - government support	10,517	9,605
<b>Total revenue from other sources</b>	<b>20,633</b>	<b>19,725</b>
<b>Total revenue (note 3)</b>	<b>50,289</b>	<b>61,350</b>

**Note 11 continued**

Vessel dues include the tonnage charge calculated on the basis of the gross tonnage of a vessel for each port call. For vessels visiting the port based on a pre-agreed schedule that have a prospective volume discount during the year, the transaction price is allocated between the tonnage services and the option for discounted tonnage services based on the estimated total number of port calls by that vessel during the calendar year. Revenue from tonnage charges is recognised based on the yearly average tariffs and estimated volume as described above. At 30 June 2020, the differences between revenue recognised and amounts billed to customers were recognised as a contract asset of EUR 6 thousand (revenue recognised was larger than the amounts billed) and a contract liability of EUR 3,142 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 30 June 2020. Based on the estimation, the Group recognised contract assets of EUR 347 thousand. At 30 June 2020, revenue received from some customers exceeded management's estimates. As a result, the Group recognised contract liabilities of EUR 213 thousand so that estimated revenue would be evenly recognised over all interim periods of 2020.

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 estimated 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 30 June 2020, such liabilities amounted to EUR 914 thousand (31 December 2019: EUR 913 thousand).

Revenue from ticket sales is recognised over time, as the ferry transfers the passengers and/or vehicles which happens in a single day, or at the point in time when the ticket expires. Consideration received from tickets sold for trips not yet performed is deferred and recognised in the statement of financial position as a contract liability. At 30 June 2020, such liabilities amounted to EUR 127 thousand (31 December 2019: EUR 33 thousand).

**12. OPERATING EXPENSES**

In thousands of euros

**For the 6 months ended 30 June**

	<b>2020</b>	<b>2019</b>
Fuel, oil and energy costs	4,273	5,604
Technical maintenance and repair of non-current assets	2,519	2,774
Services purchased for infrastructure	1,373	1,323
Tax expenses	1,366	1,377
Consultation and development expenses	284	187
Services purchased	2,218	2,532
Acquisition and maintenance of assets of insignificant value	1,005	492
Advertising expenses	91	155
Lease expenses	281	408
Insurance expenses	385	381
Other operating expenses	1,742	1,484
<b>Total operating expenses</b>	<b>15,537</b>	<b>16,717</b>

**13. COMMITMENTS**

At 30 June 2020, the Group's contractual commitments related to the acquisition of property, plant and equipment, repairs, and research and development expenditures totalled EUR 28,811 thousand (31 December 2019: EUR 19,810 thousand).

**14. CONTINGENT LIABILITIES**

In June 2019, Harju County Court accepted the statement of claim filed by AS Coal Terminal (bankrupt) and its bankruptcy trustees against AS Tallinna Sadam for the compensation of the market price of the buildings and equipment of the former coal terminal located at the Muuga Harbour and interest on arrears due to the expiry of the right of superficies contracts. The claim for compensation amounts to EUR 22.4 million plus interest on arrears.

AS Coal Terminal (bankrupt), a long-term customer of AS Tallinna Sadam, was declared bankrupt on 2 May 2017. Because bankruptcy trustees refused to execute commitments under the right of superficies contracts, the contracts together with the assets erected on the plots covered by the right of superficies contracts were transferred back into the possession of the Group. Under the contracts, the Group has to compensate the value of buildings and equipment that form an essential part of the rights of superficies, the amount of which cannot be estimated reliably because the assets are special-purpose assets for which a regular market does not exist and there are contradictory views both among the experts and the parties of the dispute on the valuation methods that should be used. On 6 July 2018, bankruptcy trustees sent AS Tallinna Sadam a letter of claim, demanding that AS Tallinna Sadam pay compensation of EUR 22.4 million for the value of the assets.

**Note 14 continued**

AS Tallinna Sadam did not admit the claim. Thus, the bankruptcy trustees filed a statement of claim to the court. The Group has sold several assets that were transferred back to it. Proceeds from the sale of the assets amount to EUR 2.6 million. In connection with the termination of contracts, AS Tallinna Sadam has submitted a counter-claim, demanding compensation of EUR 11.7 million for damages incurred.

On 29 June 2020, the bankruptcy trustees of AS Coal Terminal (bankrupt), Charboun Invest OÜ (a shareholder of AS Coal Terminal (bankrupt)) and AS Tallinna Sadam agreed on a compromise. The compromise agreement states that the claims of all the creditors of AS Coal Terminal (bankrupt) will be restructured, the parties will terminate all pending litigation and renounce all claims against each other, and AS Coal Terminal (bankrupt) will be liquidated. Under the compromise agreement, AS Tallinna Sadam will after all pending litigation has been terminated pay EUR 2.7 million to the bankruptcy estate. The said amount is proceeds from the management of the sale and the sale of the assets of AS Coal Terminal (bankrupt) transferred to the possession of AS Tallinna Sadam. The compromise agreement was approved by court order and entered into force while this interim report was being prepared. However, not all conditions set out in the compromise agreement had been definitively fulfilled by the date of release of this report. As the compromise amount is the equivalent of proceeds from the management of the sale and the sale of the assets of AS Coal Terminal (bankrupt), the compromise does not have any material impact on the financial results of the Group.

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 does 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.

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. At the end of 2019, the customer filed an application to the Competition Authority, requesting the initiation of supervision proceedings to establish whether the Group has violated the Competition Act.

**Note 14 continued**

At the same time the customer made a request to Harju County Court for the suspension of proceedings until the Competition Authority has communicated its opinion on the matter. The County Court did not suspend the proceedings. The management board believes that the claim is not substantiated and legal advice indicates that it is not probable that a liability will arise. Thus, the management board has not considered it necessary to recognise a provision for the claim.

**15. INVESTIGATIONS CONCERNING THE GROUP**

On 26 August 2015, the Estonian Internal Security Service detained Ain Kaljurand and Allan Kiil, long-term members of the management board of the Group's Parent, AS Tallinna Sadam, as they were 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. At the date of release of this report, the court proceedings are still in the preliminary stages. Based on information available at the reporting date, the management board believes that the above event will not have any material adverse impact on the Group's financial performance or financial position. However, it may continue to cause damage to the Group's reputation.

**16. RELATED PARTY TRANSACTIONS**

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

<b>For the 6 months ended 30 June</b>	<b>2020</b>	<b>2019</b>
<b>Transactions with an associate</b>		
Revenue	88	104
Operating expenses	482	1,057
<b>Transactions with companies in which members of supervisory and management boards of group companies have significant influence</b>		
Operating expenses	5	4
Other expenses	17	6
<b>Transactions with government agencies and companies in which the state has control</b>		
Revenue	15,276	14,272
Other income	3	5
Operating expenses	3,101	3,818
Other expenses	28	15
Acquisition of property, plant and equipment	4	1,060



**Note 16 continued**

In thousands of euros

**30 June 2020 31 December 2019****At****Trade receivables from and payables to an associate**

Receivables (note 4)	12	36
Payables (note 8)	97	127

**Trade receivables from and payables to companies in which members of supervisory and management boards of group companies have significant influence**

Receivables	2	4
Payables	1	1

**Trade receivables from and payables to government agencies and companies in which the state has control**

Receivables	244	412
Liabilities	556	1,202

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 on 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.