

TALLINNA SADAM

**Unaudited interim condensed
consolidated report for the
3 months ended 31 March 2020**

AS Tallinna Sadam

AS TALLINNA SADAM**UNAUDITED INTERIM CONDENSED CONSOLIDATED REPORT FOR THE
3 MONTHS ENDED 31 MARCH 2020**

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Beginning of financial year	1 January
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MANAGEMENT REPORT

In the first quarter of 2020, the volume of cargo handled at the Group's harbours grew slightly but the number of passengers served¹, revenue, adjusted EBITDA² and profit decreased year on year. Revenue amounted to EUR 27.9 million and profit to EUR 10.0 million, a decrease of EUR 0.6 million and EUR 1.1 million compared to the same period last year, respectively. The decline in passenger traffic is attributable to the restrictions on the cross-border movement of people, imposed by governments in mid-March due to the COVID-19 pandemic.

KEY PERFORMANCE INDICATORS OF THE GROUP

Indicator	Unit	Q1 2020	Q1 2019	Difference	Change
Cargo volume	t '000	4,815	4,719	96	2.0%
Number of passengers	'000	1,552	1,790	-238	-13.3%
Number of vessel calls		1,585	1,632	-47	-2.9%
Number of employees (average)		473	482	-9	-1.9%
Revenue	EUR '000	27,890	28,527	-637	-2.2%
Operating profit	EUR '000	10,514	11,458	-944	-8.2%
Adjusted EBITDA	EUR '000	16,171	16,870	-699	-4.1%
Depreciation, amortisation and impairment	EUR '000	-5,989	-5,550	-439	7.9%
Income tax	EUR '000	0	0	0	-
Profit for the period	EUR '000	9,982	11,038	-1,056	-9.6%
Investment	EUR '000	8,757	3,947	4,810	121.9%
Total assets at period-end	EUR '000	640,994	630,580	10,414	1.7%
Net debt ³ at period-end	EUR '000	160,241	160,305	-64	0.0%
Equity at period-end	EUR '000	387,034	378,755	8,279	2.2%
Number of shares at period-end	'000	263,000	263,000	0	0.0%
Operating profit/revenue		37.7%	40.2%		
Adjusted EBITDA/revenue		58.0%	59.1%		
Profit for the period/ revenue		35.8%	38.7%		
EPS: Profit for the period/ weighted average number of shares	EUR	0.04	0.05	-0.01	-21.4%
Equity/number of shares	EUR	1.47	1.44	0.03	2.2%

CARGO AND PASSENGER TRAFFIC

In the first quarter of 2020, cargo throughput at the Group's harbours totalled 4.8 million tonnes, decreasing by 0.1 million tonnes, i.e. 2.0%, year on year. There were no major changes in terms of cargo types. The biggest change was growth in liquid bulk cargo by 0.2 million tonnes, i.e. 10.6%. Throughput of liquid bulk cargo continued to be influenced by project cargo, which causes volatility in the volume of liquid bulk cargo. The volume of ro-ro cargo grew by 59 thousand tonnes, i.e. 4.6%, mainly because in the first quarter of 2019 several ferries operating on the Tallinn-Helsinki route had their scheduled dry dock maintenance and thus made fewer trips.

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

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

³ Loans and borrowings less cash and cash equivalents

Reduced ferry timetables, introduced due to the restrictions imposed in connection with the COVID-19 pandemic, did not have a significant impact on the volume of ro-ro cargo in the first quarter. The volume of general cargo decreased by 81 thousand tonnes, i.e. 45%, mainly due to a decline in the volume of timber. The volume of dry bulk cargo (particularly fertilizers) and container cargo also decreased slightly, by 56 thousand and 33 thousand tonnes, i.e. 6.8% and 6.7%, respectively. In terms of TEUs, however, the volume of container cargo declined by 9.1 thousand units, i.e. 15%. This is partly attributable to changes in the schedules of container ships, which reduced their port calls in the first quarter of 2020.

The number of passengers decreased by 237 thousand, i.e. 13.3%, year on year due to the impact of the Tallinn-Helsinki and the Tallinn-Stockholm routes. The decrease emerged in the second half of March when, due to the COVID-19 pandemic, Estonia and Finland introduced restrictions on cross-border movement. As a result, passenger traffic ceased on the Stockholm route and dropped to 5-10% of the usual on the Helsinki route. The restrictions had a stronger impact on passenger traffic than the decrease in the number of trips due to the scheduled dry dock maintenance of several ferries in the first quarter of 2019. The cruise season usually starts in April. Therefore, there were no cruise passengers in the reporting or the comparative period.

REVENUE, EXPENSES AND PROFIT

Revenue for the first quarter of 2020 decreased by EUR 0.6 million, i.e. 2.2%, year on year. In terms of revenue streams, the biggest drop was in electricity sales: EUR 0.5 million, i.e. 28%, due to a decline in the consumption of electricity and network service at harbours (a mild winter being a factor) and a decrease in the price of electricity. Passenger fee revenue declined by EUR 0.4 million, i.e. around 14%, consistent with the decrease in passenger traffic. Cargo charge revenue dropped by EUR 0.17 million, i.e. 10%, because the share of liquid bulk cargo whose charges are lower grew. Vessel dues revenue remained stable year on year, increasing somewhat in the Passenger harbours segment and decreasing by a similar amount in the Cargo harbours segment. The vessel dues revenue of the Passenger harbours segment was supported by growth in the estimated average annual port call revenue, attributable to a decrease in the average vessel-based discount resulting from a decline in the number of port calls due to the COVID-19 restrictions, and the fact that from the second half of March the Muuga-Vuosaari route vessels were re-routed to the Old City Harbour for border checks (from the Cargo harbours segment to the Passenger harbours segment). The vessel dues revenue of the Cargo harbours segment was also affected by changes in the schedules and the resulting decrease in the port calls of container ships. Revenue from the provision of ferry service⁴ grew by EUR 0.2 million, i.e. around 3%, mainly through a rise in the contractual fee rates, which are linked to the Estonian consumer price and fuel price index and wage inflation. Charter fee revenue (from the icebreaker Botnica) grew by EUR 0.13 million, i.e. 3.7%, through the indexation of the contractual fee to the consumer price index. Lease income also grew slightly: by EUR 0.1 million, i.e. 2.6%, mostly through new leases signed in the Passenger harbours segment. First-quarter revenue grew in the Ferry segment and the segment Other but decreased in the Cargo harbours and the Passenger harbours segments.

⁴ Ferry service between Estonia's mainland and two biggest islands under a public transport service contract.

Other income increased by EUR 1.5 million 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 three months grew by EUR 0.9 million, i.e. 12.6%, through the combined effect of items with divergent impacts. The main increases, including growth in non-current asset maintenance expenses (consistent with the annual maintenance plan), the costs of acquiring and maintaining assets of insignificant value (non-recurring expenses on implementing phase 1 in the reconstruction of passenger terminal D at the Old City Harbour) and services purchased for vessels (mooring service), resulted from higher prices. Fuel and energy costs decreased in connection with the fall in the sales of electricity and network service at harbours as well as fuel efficiencies achieved in the provision of ferry service.

Personnel expenses grew by EUR 0.4 million, i.e. 9%, mainly because in the comparative period a previously recognised provision was reversed, which reduced expenses.

Depreciation, amortisation and impairment expenses grew by EUR 0.4 million, i.e. 7.9%, primarily on the side of harbour operations where non-current assets increased in connection with the completion of phase 1 in the reconstruction of passenger terminal D at the Old City Harbour (the Passenger harbours segment) in the autumn of 2019. Assets retired from use were written down by almost EUR 0.2 million, mainly in the Cargo harbours segment, due to the Group's exit from harbour operations at the Paljassaare Harbour.

Operating profit for three months decreased by EUR 0.9 million, i.e. 8%, year on year. The effect of a decrease in revenue and growth in expenses was offset by an increase in non-recurring other income. Operating margin decreased from 40.2% to 37.7%.

Adjusted EBITDA decreased by EUR 0.7 million, slightly less than operating profit because the growth in depreciation, amortisation and impairment expenses did not affect EBITDA. On the other hand, the equity-accounted loss from the associate Green Marine, had a negative impact on EBITDA. In terms of segments, adjusted EBITDA increased in the Cargo harbours and the Ferry segments but decreased in other segments, particularly in the Passenger harbours segment due to lower revenue and higher expenses. Adjusted EBITDA margin dropped from 59.1% to 58.0%.

Finance costs (net) decreased by EUR 50 thousand, i.e. 12%, mainly through a decline in the amount of interest-bearing liabilities.

Profit before tax decreased by EUR 1.1 million, i.e. 9.6%, to EUR 10.0 million. **Profit for the period** also amounted to EUR 10.0 million, a decrease of EUR 1.1 million compared to the same period last year.

INVESTMENTS

The Group's capital investments of the period totalled EUR 8.8 million. The figure is larger than the one for the same period last year when investments amounted to EUR 3.9 million.

The investments made in the first three months of 2020 were mainly related to 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.

SEGMENT REPORTING

In thousands of euros	Q1 2020					Q1 2019				
	Passenger harbours	Cargo harbours	Ferry	Other	Total	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	7,892	9,302	7,043	3,653	27,890	8,201	9,954	6,849	3,523	28,527
Adjusted EBITDA	4,043	6,734	3,245	2,149	16,171	5,173	6,086	3,165	2,446	16,870
Operating profit	2,415	4,551	1,801	1,747	10,514	3,715	4,070	1,773	1,900	11,458
Adjusted EBITDA margin	51.2%	72.4%	46.1%	58.8%	58.0%	63.1%	61.1%	46.2%	69.4%	59.1%

In thousands of euros	Change, Q1				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Revenue	-309	-652	194	130	-637
Adjusted EBITDA	-1,130	648	80	-297	-699
Operating profit	-1,300	481	28	-153	-944

In terms of segments, the largest year-on-year change in three-month revenue was in the Cargo harbours segment (EUR -0.7 million; -6.6%), followed by the Passenger harbours segment (EUR -0.3 million; -3.8%), the Ferry segment (EUR +0.2 million; +2.8%), and the segment Other (EUR +0.1 million; +3.7%).

The revenue of the **Passenger harbours segment** decreased mainly due to a decline in passenger fee revenue (EUR -0.4 million), caused by a decrease in the number of passengers in the second half of March as a result of movement restrictions imposed in connection with COVID-19. The decrease was offset by an increase of nearly EUR 0.2 million in vessel dues revenue, which resulted mainly from growth in the estimated average annual port call revenue, attributable to a decrease in the average vessel-based discount on tonnage charges resulting from a decline in the annual number of port calls (due to the COVID-19 measures).

The revenue of the **Cargo harbours segment** decreased by almost EUR 0.4 million, mainly due to a decrease in revenue from electricity and network charges (through the combined effect of a decrease in consumption and the electricity price). Revenue from vessel dues and cargo charges decreased somewhat because of a fall in the number of port calls by container ships and an increase in the volume and share of liquid bulk cargo whose charges are lower than those of other cargo types. As both vessels operating on the Muuga-Vuosaari route had dry dock maintenance lasting for 1 to 2 months in the first quarter, the number of port calls on the route remained slightly smaller than in the comparative period when only one ship (Sea Wind) operated on the route.

The revenue of the **Ferry segment** grew, mainly due to a year-on-year increase in fee rates, which are linked to the Estonian consumer price and fuel price index and wage inflation. From the second half of March, contractual revenue decreased slightly due to reduced timetables, which affected quarterly revenue through variable charges but the impact was small because the fixed fee accounts for most of the service revenue.

The revenue of the **segment Other** grew through the indexation of the contractual charter fee of the icebreaker Botnica to the Estonian consumer price index.

In terms of segments, **adjusted EBITDA** decreased year on year in the Passenger harbours segment and in the segment Other but increased in the Cargo harbours segment and somewhat in the Ferry segment. Adjusted EBITDA for the Passenger harbours segment decreased due to the combined effect of a decline in revenue and growth in expenses (mainly due to non-recurring expenses related to completing phase 1 in the reconstruction of passenger terminal D at the Old City Harbour and a rise in the price of mooring service). In the segment Other, expenses increased because the planned first-quarter repair and maintenance costs of the icebreaker Botnica were higher than usual. The resulting effect, together with the equity-accounted loss from the associate Green Marine, exceeded revenue growth and lowered adjusted EBITDA. In the Cargo harbours segment, adjusted EBITDA grew through a non-recurring gain on asset sales (assets used in port operations at the Paljassaare Harbour) despite a decrease in revenue. In the Ferry segment, revenue growth exceeded the growth in expenses and adjusted EBITDA increased slightly.

IMPACT OF THE COVID-19 PANDEMIC

In connection with the COVID-19 pandemic, in March European countries began to implement various measures to prevent the spread of the virus. Since a key objective of the measures is to minimise social contacts and the movement of people, they had the greatest impact on the tourism sector and passenger movement, which in turn affected the performance of the Group's Passenger harbours segment.

In the middle of March, Estonia and Finland declared a state of emergency and banned entry to the country for all foreign citizens, Estonia banned the berthing of cruise ships in its ports. There were no restrictions on cargo transport between countries. Due to a fall in demand as a result of the restrictions, ferry operators made a number of changes to the timetables of their ferries.

In March, several changes took place on the Tallinn-Helsinki route after the declaration of the state of emergency. A number of ferries were taken off the route, were assigned to other routes or began to operate with a reduced timetable. By the end of March, the Tallinn-Helsinki route had 4 ship calls per day less than in an ordinary situation (12 ship calls per day).

The Tallinn-Stockholm route was temporarily closed, effective from 15 March, which meant the cancellation of one ship call per day. The route's cargo transport was redirected to the Paldiski-Kapellskär route. The ban on cruise ships, which also applies to the Tallinn-St. Petersburg route, did not affect the results of the first quarter because the cruise season begins in April. Considering the global evolution of the COVID-19 pandemic, the

increasing cancellation of scheduled cruises and the restrictions on cross-border movement, we expect a significant decrease in the number of cruise ship calls this season.

Due to the temporary reintroduction of border control, from 17 March the ferries operating on the Muuga-Vuosaari route depart from the Old City Harbour and are temporarily accounted for in the Passenger harbours segment instead of the Cargo harbours segment. The provision of services to passengers with cars has been temporarily suspended on the route and the ferries offer cargo transport only.

In order to avoid queues at the Polish border and ensure the continuance of road transport, a temporary Paldiski-Sassnitz route (from Estonia to Germany) was opened for the period 19 March-18 April. The service was provided by M/S Star, a ro-pax ferry operated by Tallink that previously sailed on the Tallinn-Helsinki route, which called at the Paldiski South Harbour according to a timetable three times a week.

Due to the slowdown in the spread of the virus and the decrease in the number of infected patients, passenger traffic on the Tallinn-Helsinki route was reopened for labor migration on 14 May for passengers who have a contractual or otherwise proven employment relationship in Finland or Estonia. Travelling between Estonia and Finland for tourism purposes is still prohibited.

Since cargo transport and related vessel calls continued, the COVID-19 pandemic and the restrictions imposed to prevent the spread of the virus have so far had a significant adverse impact on the number of passengers and ship calls at the Old City Harbour, which belongs to the Group's Passenger harbours segment. The decrease in passenger traffic reduces the passenger fees revenue and the decrease in the number of ship calls reduces the vessel dues revenue of the Passenger harbours segment. The COVID-19 restrictions do not affect the financial result of the Ferry segment or the economic activities of the icebreaker Botnica (the segment Other).

The traffic on the domestic ferry routes between Estonia's mainland and two biggest islands, Saaremaa and Hiiumaa, which are operated by OÜ TS Laevad, a subsidiary of AS Tallinna Sadam, continued with a reduced timetable to ensure that people can return home and cargo transport will continue. According to the assessment of the management board, the changes resulting from the restrictions will not have a significant impact on the Ferry segment because, under the public transport service contract, a fixed fee that does not depend on the number of trips will cover all fixed vessel and vessel operation costs (incl. the salaries of the crews) and will ensure the projected profitability of the Ferry segment. Restrictions on movement between the mainland and the major islands were lifted on 8 May and normal passenger traffic will resume, provided that anti-virus measures are complied with in passenger transport.

Botnica, a multifunctional icebreaker operated by TS Shipping, a subsidiary of AS Tallinna Sadam, continued to provide the usual icebreaking service to the Estonian Maritime Administration until 20 April. Baffinland Iron Mines Corporation still intends to exercise the contractual option to charter Botnica to work in northern Canada in the summer. Botnica's operations and revenue have so far not been affected by the COVID-19 pandemic.

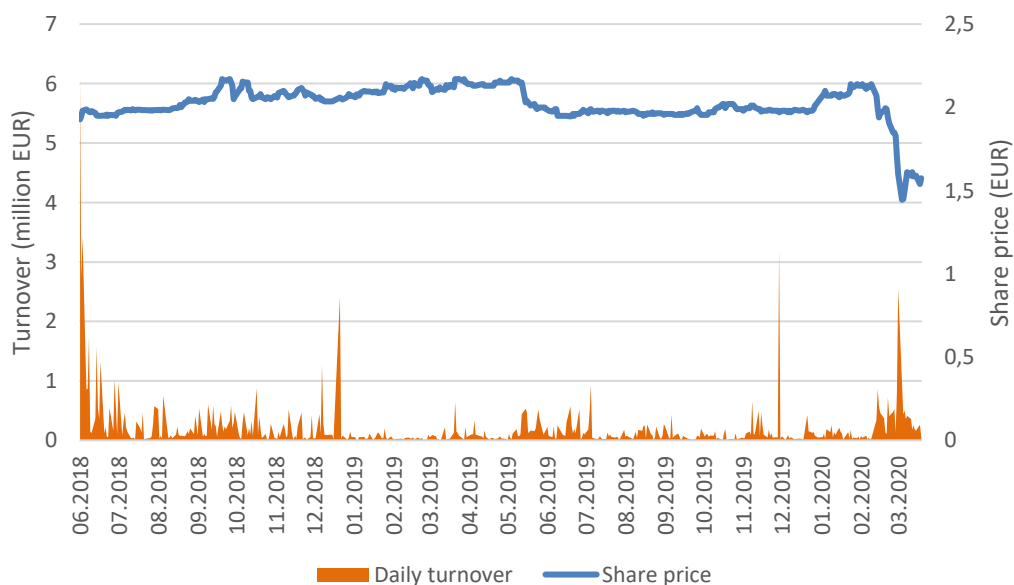
The Group is taking all the necessary measures and cooperating fully with the authorities to achieve the common global goal of preventing the spread of the virus and protecting human life and health. We have made several changes to the organization of work to ensure the continuity of service. The Group's office personnel work from home during the pandemic. The work of operational staff has been reorganized so that they have as little contact with each other and third parties as possible. All front-line staff have been provided with personal protective equipment.

The measures taken by governments to control the spread of the COVID-19 virus are constantly revised and the implications of their duration and scope are not yet clear. According to the assessment of the management board, the impact of the COVID-19 pandemic on the Group will be significant due to the disruptions to passenger traffic and the general economic downturn that will most likely follow the pandemic. In order to compensate for the decrease in revenue, we have critically reviewed all the Group's expenses in the changed circumstances but due to the large share of fixed costs, a decline in the Group's profitability is inevitable, particularly in the Passenger harbours segment. In order to improve the Group's cash flow, we have also reviewed all planned investments and, if possible, will postpone them. At this point, the Group has no plans to suspend investments already in progress. According to the assessment of the management board, the changes caused by COVID-19 will not affect the Group's business continuity.

SHARE AND SHAREHOLDERS

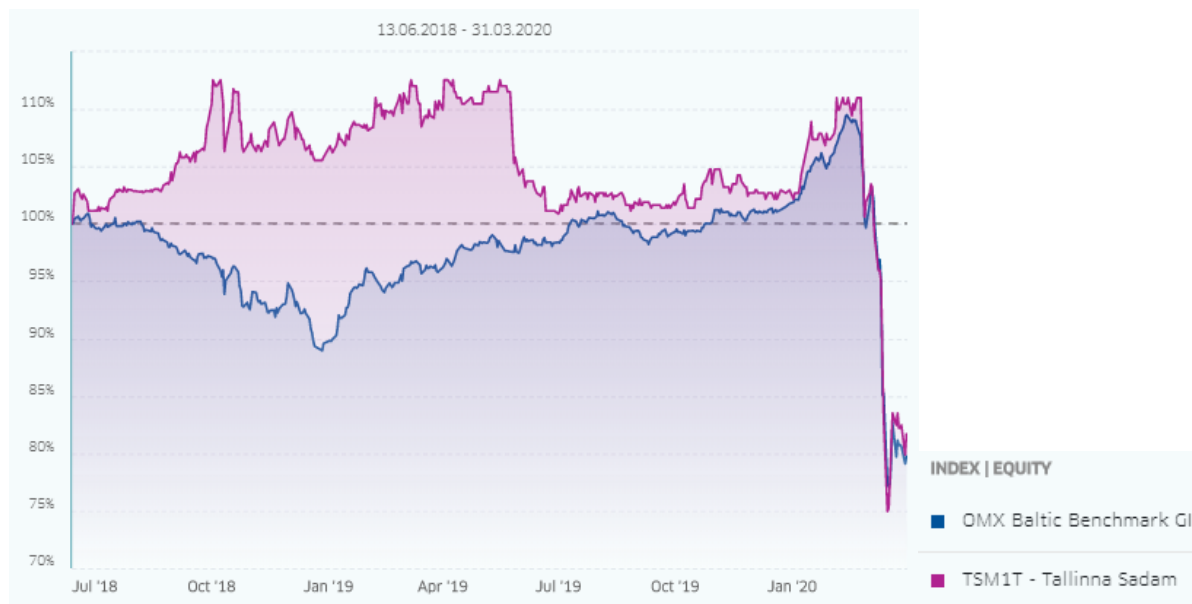
AS Tallinna Sadam was listed in the Baltic Main List of the Nasdaq Tallinn Stock Exchange on 13 June 2018. The ticker symbol of the share is TSM1T and the ISIN code is EE3100021635. The company has 263,000,000 ordinary shares of which 176,295,032, i.e. 67.03%, are held by the Republic of Estonia. The 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 31 March 2020, is presented in the graph below:



The opening price of the share at the beginning of 2020 was EUR 1.98. At 31 March 2020, the closing price of the share was EUR 1.58, having decreased in the first quarter by 20.4%. At 31 March 2020, the company's market capitalisation was EUR 414.2 million (31 December 2019: EUR 522.1 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 first quarter of 2020, there were 12,843 transactions with the Tallinna Sadam share (Q4 2019: 2,306 transactions) in which 9.1 million shares (Q4 2019: 4.4 million shares) changed hands. The total turnover of the transactions was EUR 16.1 million (Q4 2019: EUR 8.7 million).

At 31 March 2020, the company had 13,625 shareholders (31 December 2019: 12,796) 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 31 March 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	10,849,245	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%

The shareholder structure has changed slightly compared to the end of 2019. The share of foreign investors has decreased from 14% to 13% (–2.3 million shares), the share of Estonian private investors has increased from 10%

to 11% (+1.6 million shares) and the share of Estonian and other Baltic investment and pension funds has also increased.

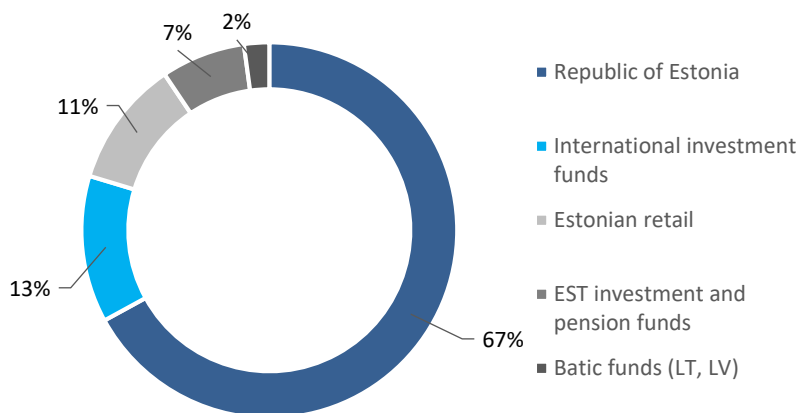


Chart: Shareholder structure as at 31 March 2020

DIVIDENDS

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.

Consistent with the above dividend policy, on approving the annual report for 2019 (13 March 2020) the management board proposed to pay a dividend of EUR 0.151 per share, i.e. EUR 39.7 million in total, in 2020. The COVID-19 pandemic has escalated since the approval of the annual report, which causes a great deal of uncertainty about the duration of the crisis and the extent of its impact on AS Tallinna Sadam. Therefore, the management board made a new dividend proposal to the supervisory board, which was also approved by the supervisory board at its meeting on 4 May. To the general meeting to be held in June, the management board will propose to pay a dividend of EUR 0.115 per share in 2020, i.e. EUR 30.2 million in total.

CORPORATE GOVERNANCE

At 31 March 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 strategic planning of the company's activities and supervising the activities of the management board. According to the Articles of Association of AS Tallinna Sadam, the supervisory board has six to eight members. At 31 March 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. The composition of the supervisory board and the bodies of the supervisory board did not change in the first quarter.

The management board is responsible for the day-to-day management of the company in accordance with the law and the Articles of Association. According to the Articles of Association, the management board may have two to five members. At 31 March 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 first 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 FIRST QUARTER OF 2020

- 1. Negotiations to acquire a new ferry for the Virtsu-Kuivastu route.** Due to continuously increasing demand on the Virtsu-Kuivastu ferry route, the Minister of Economic Affairs and Communications authorised the Estonian Road Administration to hold negotiations with OÜ TS Laevad, a subsidiary of AS Tallinna Sadam, to acquire an additional new-built ferry to serve the Virtsu-Kuivastu route. A more detailed assessment of the impact of the talks on the economic activities of the Group can be made after the agreement with the Estonian Road Administration has been signed and the acquisition cost of the vessel has become clear.
- 2. Changes in the management board and the supervisory board of OÜ TS Laevad.** The supervisory board of OÜ TS Laevad, a subsidiary of AS Tallinna Sadam, recalled Pille Kauber from the management board on 3 January 2020 and appointed Ave Metsla as a new member of the management board responsible for the service area, effective from 12 March 2020. The general meeting of OÜ TS Laevad prolonged the terms of office of the supervisory board members Valdo Kalm and Marko Raid for the next 5-year period, effective from 6 February 2020. In addition, the general meeting of OÜ TS Laevad recalled Tiit Rebane from the supervisory board based on his request and appointed Johann Peetre as a new member for a term of 5 years, effective from 6 February 2020.
- 3. Changes in the nomination committee of AS Tallinna Sadam.** The chairman of the nomination committee of state-owned companies formed by the government of Estonia is also a member of the nomination committee of AS Tallinna Sadam. At the end of January, the terms of office of all members of the nomination committee of state-owned companies expired, including that of the chairman Erkki Raasuke, and new members were appointed to the nomination committee. On 7 February 2020, Kaido Padar was

appointed as the new chairman of the nomination committee of state-owned companies, and he automatically became a member of the nomination committee of AS Tallinna Sadam.

- 4. The memorandum of understanding for the development of a passenger port on the Tallinn City Hall property, signed by Tallink Group and the City of Tallinn.** At the end of February, Tallink Group, Infortar and the City of Tallinn signed a memorandum of understanding to develop the city-owned architectural monument Tallinn City Hall and its adjacent properties into a conference and concert centre and to build a passenger port on the Tallinn City Hall property. According to the assessment of the management of AS Tallinna Sadam, the memorandum of understanding will have no short-term impact on the Group. The possible long-term impact can be estimated more accurately only after the feasibility of the planned development and its extent have been established. The impact of the development to the Group, if at all, will probably materialise in 5 years or later.
- 5. Dredging works at the Paldiski South Harbour were completed.** Dredging works in the [access channel](#) and waters of the Paldiski South Harbour were completed in March. As a result, the declared depth in the canal, in the waters of the harbour and at the tanker berth increased from 14.5 metres to 15.5 metres and the width of the canal increased from 120 metres to 180 metres. At the end of March, the 256-metre-long oil tanker STI CONDOTTI, the longest vessel to visit the Paldiski South Harbour to date, moored in the harbour. A wider and deeper canal reduces the navigation risks of large vessels as well as their environmental footprint, allowing the same amount of cargo to be transported with fewer ship calls.

MANAGEMENT'S CONFIRMATION AND SIGNATURES

By authorising the unaudited interim condensed consolidated report as at and for the period ended 31 March 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 16 to 31, is correct and complete and that:

1. the unaudited interim condensed consolidated financial statements have been prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS EU);
2. the unaudited interim condensed consolidated financial statements give a true and fair view of the financial position, cash flows and financial performance of the Group;
3. all significant events that occurred until the date on which the interim financial report was authorised for issue (14 May 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.

14 May 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

At	Note	31 March 2020	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents		44,605	35,183
Trade and other receivables	4	13,812	10,614
Contract assets	11	217	0
Inventories		462	408
<i>Total other current assets</i>		<i>59,096</i>	<i>46,205</i>
Non-current assets held for sale		98	142
Total current assets		59,194	46,347
Non-current assets			
Investment in an associate	5	1,452	1,609
Other long-term receivables	4	298	294
Property, plant and equipment	6	577,980	575,267
Intangible assets		2,070	2,015
Total non-current assets		581,800	579,185
Total assets		640,994	625,532
LIABILITIES			
Current liabilities			
Loans and borrowings	9	16,266	16,266
Derivative financial instruments		209	243
Provisions		1,044	1,915
Government grants		290	193
Taxes payable	7	586	893
Trade and other payables	8	17,847	11,722
Contract liabilities		2,955	33
Total current liabilities		39,197	31,265
Non-current liabilities			
Loans and borrowings	9	188,580	191,580
Government grants		25,278	24,754
Other payables	8	3	2
Contract liabilities	11	902	913
Total non-current liabilities		214,763	217,249
Total liabilities		253,960	248,514
EQUITY			
Share capital	10	263,000	263,000
Share premium		44,478	44,478
Statutory capital reserve		18,520	18,520
Hedge reserve		-209	-243
Retained earnings (prior periods)		51,263	6,859
Profit for the period		9,982	44,404
Total equity		387,034	377,018
Total liabilities and equity		640,994	625,532

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	2020	2019
Revenue	11	27,890	28,527
Other income		1,767	275
Operating expenses	12	-8,327	-7,397
Personnel expenses		-4,677	-4,291
Depreciation, amortisation and impairment		-5,989	-5,550
Other expenses		-150	-106
Operating profit		10,514	11,458
Finance income and costs			
Finance income		11	13
Finance costs		-386	-438
Finance costs – net		-375	-425
Share of loss (-)/profit(+) of an associate accounted for under the equity method		-157	5
Profit before income tax		9,982	11,038
Profit for the period		9,982	11,038
Attributable to:			
Owners of the Parent		9,982	11,038
Basic earnings and diluted earnings per share (in euros)		0.04	0.04
Basic earnings and diluted earnings per share – continuing operations (in euros)		0.04	0.04

Consolidated statement of other comprehensive income

In thousands of euros	2020	2019
Profit for the period	9,982	11,038
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net fair value gain on hedging instruments in cash flow hedges	34	43
Total other comprehensive income	34	43
Total comprehensive income for the period	10,016	11,081
Attributable to:		
Owners of the Parent	10,016	11,081

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the 3 months ended 31 March

In thousands of euros	Note	2020	2019
Cash receipts from sale of goods and services		30,041	33,009
Cash receipts related to other income		13	118
Payments to suppliers		-8,047	-8,911
Payments to and on behalf of employees		-3,661	-3,910
Payments for other expenses		-138	-102
Income tax paid on dividends		0	-4,949
Cash from operating activities		18,208	15,255
Purchases of property, plant and equipment		-6,859	-3,837
Purchases of intangible assets		-96	-107
Proceeds from sale of property, plant and equipment		1,099	16
Government grants received		581	0
Interest received		5	14
Cash used in investing activities		-5,270	-3,914
Repayments of loans received	9	-3,000	-3,000
Interest paid		-516	-593
Other payments related to financing activities		0	-4
Cash used in financing activities		-3,516	-3,597
NET CASH FLOW		9,422	7,744
Cash and cash equivalents at beginning of the period		35,183	42,563
Change in cash and cash equivalents		9,422	7,744
Cash and cash equivalents at end of the period		44,605	50,307

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 3 months ended 31 March

In thousands of euros

	Share capital	Share premium	Statutory capital reserve	Hedge reserve	Retained earnings	Total equity attributable to owners of the Parent
Equity at 31 December 2018	263,000	44,478	18,520	-425	42,101	367,674
Profit for the period	0	0	0	0	11,038	11,038
Other comprehensive income for the period	0	0	0	43	0	43
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>43</i>	<i>11,038</i>	11,081
Equity at 31 March 2019	263,000	44,478	18,520	-382	53,139	378,755
Equity at 31 December 2019	263,000	44,478	18,520	-243	51,263	377,018
Profit for the period	0	0	0	0	9,982	9,982
Other comprehensive income for the period	0	0	0	34	0	34
<i>Total comprehensive income for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>34</i>	<i>9,982</i>	10,016
Equity at 31 March 2020	263,000	44,478	18,520	-209	61,245	387,034

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

AS Tallinna Sadam (also referred to as the “Parent” or the “Company”) is a company incorporated and registered in the Republic of Estonia on 5 November 1996. The interim condensed consolidated financial statements of AS Tallinna Sadam as at and for the 3 months ended 31 March 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 opened in 2010 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 quarter of 2020 the Group sold several assets belonging to the Paljassaare Harbour.

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

Subsidiary	Domicile	Ownership interest (%)		Core business line
		31 March 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 3 months ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

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

Note 2 continued

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	For the 3 months ended 31 March 2020				
	Passenger harbours	Cargo harbours	Ferry	Other	Total
Vessel dues	4,307	4,362	0	0	8,669
Cargo charges	310	1,189	0	0	1,499
Passenger fees	2,499	26	0	0	2,525
Sale of electricity	142	1,142	0	0	1,284
Sale of ferry services - ticket sales	0	0	1,598	0	1,598
Sale of other services	177	267	9	0	453
Lease income	457	2,316	96	0	2,869
Charter fees	0	0	0	3,653	3,653
Sale of ferry services - government support	0	0	5,340	0	5,340
Total segment revenue* (note 11)	7,892	9,302	7,043	3,653	27,890
Adjusted segment EBITDA	4,043	6,734	3,245	2,149	16,171
Depreciation and amortisation	-1,619	-2,170	-1,444	-559	-5,792
Impairment losses	-59	-138	0	0	-197
Amortisation of government grants received	50	125	0	0	175
Share of loss of an associate accounted for under the equity method	0	0	0	157	157
Segment operating profit	2,415	4,551	1,801	1,747	10,514
Finance income and costs, net					-375
Share of loss of an associate accounted for under the equity method					-157
Profit for the period					9,982

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

Note 3 continued

In thousands of euros	For the 3 months ended 31 March 2019				Total
	Passenger harbours	Cargo harbours	Ferry	Other	
Vessel dues	4,133	4,516	0	0	8,649
Cargo charges	328	1,341	0	0	1,669
Passenger fees	2,908	25	0	0	2,933
Sale of electricity	254	1,516	0	0	1,770
Sale of ferry services - ticket sales	0	0	1,732	0	1,732
Sale of other services	172	257	19	1	449
Lease income	406	2,299	90	0	2,795
Charter fees	0	0	0	3,522	3,522
Sale of ferry services - government support	0	0	5,008	0	5,008
Total segment revenue* (note 11)	8,201	9,954	6,849	3,523	28,527
Adjusted segment EBITDA	5,173	6,086	3,165	2,446	16,870
Depreciation and amortisation	-1,486	-2,131	-1,392	-541	-5,550
Impairment losses	0	0	0	0	0
Amortisation of government grants received	28	115	0	0	143
Share of profit of an associate accounted for under the equity method	0	0	0	-5	-5
Segment operating profit	3,715	4,070	1,773	1,900	11,458
Finance income and costs, net					-425
Share of profit of an associate accounted for under the equity method					5
Income tax expense					0
Profit for the period					11,038

* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 13 thousand and EUR 63 thousand for the Passenger harbours and Cargo harbours segments, respectively, which was eliminated during consolidation.

4. TRADE AND OTHER RECEIVABLES

In thousands of euros		
At	31 March 2020	31 December 2019
Receivables from customers	11,268	8,849
Allowance for credit losses	-2,391	-2,160
Prepaid taxes	1,710	1,093
Government grants receivable	2,774	2,287
Other prepayments	312	470
Receivables from an associate (note 16)	35	36
Other receivables	402	333
Total trade and other receivables	14,110	10,908
Of which current receivables	13,812	10,614
non-current receivables	298	294

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

In thousands of euros		Days past due				Total
	Not past due	0–30	31–60	61–90	>90	
At 31 March 2020						
Expected credit loss rate	0.80%	1.5%	3.0%	80.0%	100.0%	
Total trade and other receivables	8,648	247	22	172	2,180	11,268
Lifetime expected credit loss (ECL)	–69	–4	–1	–137	–2,180	–2,391
						8,877
At 31 December 2019						
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	–2,065	–2,160
						6,689

5. INVESTMENT IN AN ASSOCIATE

In thousands of euros			
For the 3 months ended 31 March		2020	2019
Income		796	885
Expenses		1,046	850
Net loss (-)/profit (+)		–259	31

In thousands of euros			
At		31 March 2020	31 December 2019
Net assets of the associate		2,846	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		1,452	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
At 31 December 2019						
Cost	614,182	240,253	7,399	7,699	5,504	875,037
Accumulated depreciation and impairment losses	-216,471	-78,121	-5,177	0	0	-299,769
Carrying amount at 31 December 2019	397,711	162,132	2,221	7,699	5,504	575,267
<i>Movements in the 3 months ended 31 March 2020</i>						
Acquisition and reconstruction	0	161	126	7,802	474	8,563
Depreciation charge	-2,825	-2,677	-151	0	0	-5,653
Impairment losses	-197	0	0	0	0	-197
Reclassified at carrying amount	3,975	0	52	-4,027	0	0
At 31 March 2020						
Cost	617,859	240,414	7,576	11,474	5,978	883,301
Accumulated depreciation and impairment losses	-219,195	-80,798	-5,328	0	0	-305,321
Carrying amount at 31 March 2020	398,664	159,616	2,248	11,474	5,978	577,980

7. TAXES PAYABLE

At 31 March 2020, the Group's taxes payable amounted to EUR 586 thousand (31 December 2019: EUR 893 thousand).

8. TRADE AND OTHER PAYABLES

In thousands of euros	31 March 2020	31 December 2019
At		
Trade payables	7,123	5,281
Payables to employees	1,789	1,092
Interest payable	274	405
Accrued taxes payable on remuneration	995	596
Advances for goods and services	823	212
Payables to an associate (note 16)	98	127
Other payables	6,748	4,011
Total trade and other payables	17,850	11,724
Of which current liabilities	17,847	11,722
non-current liabilities	3	2

9. LOANS AND BORROWINGS

In thousands of euros

At	31 March 2020	31 December 2019
Current portion		
Loans and borrowings	7,266	7,266
Debt securities	9,000	9,000
Total current portion	16,266	16,266
Non-current portion		
Loans and borrowings	39,330	42,330
Debt securities	149,250	149,250
Total non-current portion	188,580	191,580
Total loans and borrowings	204,846	207,846

Debt securities

All debt securities have been issued in euros and have floating interest rates (base rate of 3-month or 6-month Euribor plus a fixed risk margin). The maturities of the debt securities will arrive in 2026 and 2027. In line with settlement schedules, no debt securities were redeemed in the three-month period ended 31 March 2020. At 31 March 2020, the weighted average interest rate of the debt securities was 0.63% (31 December 2019: 0.63%).

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 2029. Principal repayments made in the 3-month period ended 31 March 2020 amounted to EUR 3,000 thousand (3-month period ended 31 March 2019: EUR 3,000 thousand).

At 31 March 2020, the weighted average interest rate of drawn loans was 0.68% (31 December 2019: 0.68%). Considering the effect of derivative transactions used to hedge interest rate risk, at 31 March 2020 the average interest rate of loans was 0.97% (31 December 2019: 1.38%).

Contractual maturities of loans and borrowings

In thousands of euros

At 31 March	2020
Up to 12 months	16,266
1 - 5 years	61,064
> 5 years	127,516
Total loans and borrowings	204,846

Note 9 continued**Fair value**

In the reporting period, the assessment of the Group's risk level did not change and there were no significant changes in the interest rates of international financial markets. Thus, according to the Group's assessment, at 31 March 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 31 March 2020, the Group was also in compliance with the covenants that set requirements to its financial indicators.

10. EQUITY**Share capital**

At 31 March 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 31 March 2020 and at 31 December 2019 all shares issued had been fully paid for.

For the 3 months ended 31 March	2020	2019
Weighted average number of shares	263,000,000	263,000,000
Consolidated net profit for the period (in thousands of euros)	9,982	11,038
Basic and diluted earnings per share (in euros)	0.04	0.04

The Company has proposed to pay a dividend of EUR 39,245 thousand on ordinary shares, i.e. EUR 0.115 per share.

11. REVENUE

In thousands of euros

For the 3 months ended 31 March	2020	2019
Revenue from contracts with customers		
Vessel dues	8,669	8,649
Cargo charges	1,499	1,669
Passenger fees	2,525	2,933
Sale of electricity	1,284	1,770
Sale of ferry services - ticket sales	1,598	1,732
Sale of other services	453	449
Total revenue from contracts with customers	16,028	17,202
Revenue from other sources		
Operating lease income	2,869	2,795
Charter fees	3,653	3,522
Sale of ferry services - government support	5,340	5,008
Total revenue from other sources	11,862	11,325
Total revenue (note 3)	27,890	28,527

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 31 March 2020, the differences between revenue recognised and amounts billed to customers were recognised as a contract asset of EUR 12 thousand (revenue recognised was larger than the amounts billed) and a contract liability of EUR 2,847 thousand (revenue recognised was smaller than the amounts billed).

Some cargo charge contracts set out a minimum annual cargo volume. If the cargo operator handles less than the minimum, the Group has the right to charge the customer at the end of the calendar year based on the minimum annual cargo volume. Management estimated the Group's remaining right to consideration by reference to the minimum cargo volume and the amount of consideration received from customers as at 31 March 2020. Based on the estimation, the Group recognised contract assets of EUR 205 thousand. At 31 March 2020, revenue received from some customers exceeded management's estimates. As a result, the Group recognised contract liabilities of EUR 89 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,

Note 11 continued

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 31 March 2020, such liabilities amounted to EUR 902 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 31 March 2020, such liabilities amounted to EUR 19 thousand (31 December 2019: EUR 33 thousand).

12. OPERATING EXPENSES

In thousands of euros

For the 3 months ended 31 March	2020	2019
Fuel, oil and energy costs	2,413	2,933
Technical maintenance and repair of non-current assets	1,359	782
Services purchased for infrastructure	697	630
Tax expenses	683	689
Consultation and development expenses	137	84
Services purchased	1,122	944
Acquisition and maintenance of assets of insignificant value	712	198
Advertising expenses	59	71
Lease expenses	141	139
Insurance expenses	198	193
Other operating expenses	806	734
Total operating expenses	8,327	7,397

13. COMMITMENTS

At 31 March 2020, the Group's contractual commitments related to the acquisition of property, plant and equipment, repairs, and research and development expenditures totalled EUR 30,255 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. 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. The management board believes that the action demanded in the statement of claim is not substantiated.

The ultimate financial effect of the bankruptcy proceedings depends on the combined effect of the outcomes of several parallel disputes whose monetary impact on the Group cannot be estimated reliably. Also, there is no certainty about the timing of the realisation of the claims and liabilities. Thus, the management board has not recognised a provision for a possible claim.

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.

Note 14 continued

Due to a significant decrease in cargo volumes handled, one of the Group's long-term customers has lodged a claim to void select conditions in a long-term cooperation contract concluded between the Group and the customer retrospectively as from 1 January 2015. The conditions set out the minimum cargo volume that the customer is required to handle each calendar year as well as the customer's minimum annual cargo charge obligation, which are related to the contractual penalty charged for failure to meet the minimum cargo charge obligation. The customer's contractual penalties for failure to meet the minimum cargo charge obligation in the years 2015-2017 amount to EUR 0.45 million. The customer's minimum annual cargo charge obligation is EUR 0.31 million. 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. 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, and they were charged with 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 ongoing. 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

For the 3 months ended 31 March	2020	2019
Transactions with an associate		
Revenue	52	55
Operating expenses	294	273
Transactions with companies in which members of supervisory and management boards of group companies have significant influence		
Operating expenses	2	2
Other expenses	15	4
Transactions with government agencies and companies in which the state has control		
Revenue	9,157	8,723
Operating expenses	1,751	2,050
Acquisition of property, plant and equipment	0	167

In thousands of euros

At	31 March 2020	31 December 2019
Trade receivables from and payables to an associate		
Receivables (note 4)	35	36
Payables (note 7)	98	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	903	412
Liabilities	662	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.