

# TALLINNA SADAM

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**Unaudited interim condensed consolidated  
report for the  
9 months ended 30 September 2020**

AS Tallinna Sadam

**AS TALLINNA SADAM****UNAUDITED INTERIM CONDENSED CONSOLIDATED REPORT  
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2020**

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| <b>Beginning of financial year</b>           | <b>1 January</b>                                |
| <b>End of financial year</b>                 | <b>31 December</b>                              |
| <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 performance in the first nine months of 2020 was strongly affected by the restrictions imposed on the cross-border movement of people due to the COVID-19 pandemic. Because of travel restrictions and reduced timetables, both the number of passengers served<sup>1</sup> and vessel calls by ferries on international routes decreased substantially. There were no vessel calls by cruise ships, which had the strongest effect on the second and third quarter and a significant impact on nine-month results. However, cargo throughput at the Group's harbours increased. The pandemic had no major impact on the results of the Group's domestic ferry operations and the icebreaker Botnica.

The decrease in international ferry traffic was the main factor that caused nine-month revenue to decline by EUR 18.5 million, i.e. 18%, to EUR 82.1 million. Because of lower operating volumes and revenue, we reduced our operating expenses but due to a large share of fixed costs the cuts were smaller than the revenue decline and the Group's profitability decreased. The Group earned a net profit of EUR 22.8 million, EUR 13.2 million less than in the same period last year. Profit before income tax on dividends dropped by EUR 14.0 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 earlier. Adjusted EBITDA<sup>2</sup> decreased by EUR 13.1 million. The decline in nine-month revenue slowed in the third quarter while most of the cost savings were also achieved in the third quarter.

**KEY PERFORMANCE INDICATORS OF THE GROUP**

| Indicator   | Unit     | 9 months<br>2020 | 9 months<br>2019 | Difference | Change<br>% | Q3 2020 | Q3 2019 | Difference | Change<br>% |
|---|----------|------------------|------------------|------------|-------------|---------|---------|------------|-------------|
| Revenue   | EUR '000 | 82,055           | 100,531          | -18,476    | -18.4%      | 31,766  | 39,181  | -7,415     | -18.9%      |
| Operating profit  | EUR '000 | 29,305           | 42,598           | -13,293    | -31.2%      | 14,193  | 17,867  | -3,674     | -20.6%      |
| Adjusted EBITDA   | EUR '000 | 46,302           | 59,451           | -13,149    | -22.1%      | 19,909  | 23,745  | -3,836     | -16.2%      |
| Depreciation, amortisation<br>and impairment            | EUR '000 | -17,895          | -16,912          | -983       | 5.8%        | -5,983  | -5,719  | -264       | 4.6%        |
| Income tax  | EUR '000 | -4,913           | -5,764           | 851        | -14.8%      | 0       | 0       | 0          | -           |
| Profit for the period                                   | EUR '000 | 22,795           | 35,947           | -13,152    | -36.6%      | 13,644  | 17,748  | -4,104     | -23.1%      |
| Investment  | EUR '000 | 28,926           | 18,813           | 10,113     | 53.8%       | 11,544  | 7,743   | 3,801      | 49.1%       |
| Number of employees<br>(average)                        |          | 469              | 496              | -27        | -5.4%       | 467     | 515     | -48        | -9.3%       |
| Cargo volume  | t '000   | 15,537           | 14,284           | 1,253      | 8.8%        | 5,302   | 4,275   | 1,027      | 24.0%       |
| Number of passengers                                    | '000     | 3,703            | 8,297            | -4,594     | -55.4%      | 1,620   | 3,600   | -1,980     | -55.0%      |
| Number of vessel calls                                  |          | 5,320            | 5,961            | -641       | -10.8%      | 2,123   | 2,290   | -167       | -7.3%       |
| Total assets at period-end                              | EUR '000 | 622,251          | 616,176          | 6,075      | 1.0%        | 622,251 | 616,176 | 6,075      | 1.0%        |
| Net debt at period-end                                  | EUR '000 | 193,354          | 178,274          | 15,080     | 8.5%        | 193,354 | 178,274 | 15,080     | 8.5%        |
| Equity at period-end                                    | EUR '000 | 369,672          | 368,455          | 1,217      | 0.3%        | 369,672 | 368,455 | 1,217      | 0.3%        |
| Number of shares at<br>period-end                       | '000     | 263,000          | 263,000          | 0          | 0.0%        | 263,000 | 263,000 | 0          | 0.0%        |
| Operating profit/revenue                                |          | 35.7%            | 42.4%            |            |             | 44.7%   | 45.6%   |            |             |
| Adjusted EBITDA/revenue                                 |          | 56.4%            | 59.1%            |            |             | 62.7%   | 60.6%   |            |             |
| Profit for the period/<br>revenue                       |          | 27.8%            | 35.8%            |            |             | 43.0%   | 45.3%   |            |             |
| EPS: Profit for the period/<br>average number of shares | EUR      | 0.09             | 0.14             | -0.05      | -36.6%      | 0.05    | 0.07    | -0.02      | -23.1%      |
| Equity/number of shares at<br>end of period             | EUR      | 1.41             | 1.40             | 0.00       | 0.3%        | 1.41    | 1.40    | 0.00       | 0.3%        |

<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 third quarter of 2020, the number of passengers served decreased by 55% while the volume of cargo handled grew by 24% year on year. The number of international route passengers recovered after the COVID-19 related cross-border travel restrictions were eased and lifted in June, rising to about 50% of the level in the same period last year, but fell again slightly in the third quarter (restrictions on travel to Finland were tightened at the end of the quarter). The growth in cargo throughput increased the revenue of the Cargo harbours segment but this had a considerably smaller effect than the decrease in the revenue of the Passenger harbours segment. As a result of lower revenue, the Group's profit figures, including adjusted EBITDA, dropped, because due to a large share of fixed costs the cost savings achieved in the third quarter did not cover the revenue decline. The Group's third-quarter revenue decreased by EUR 7.4 million, i.e. 19%, to EUR 31.8 million and profit for the period dropped by EUR 4.1 million to EUR 13.6 million.

### CARGO AND PASSENGER TRAFFIC

In the first nine months of 2020, cargo throughput at the Group's harbours totalled 15.5 million tonnes, rising by 1.3 million tonnes, i.e. 8.8%, compared with the same period last year. In terms of cargo types, the biggest change occurred in the volume of liquid bulk cargo, which grew by around 1.5 million tonnes, i.e. 28%, mainly in the third quarter. The volume of general cargo decreased by 168 thousand tonnes, i.e. 35%, primarily due to a decline in pulpwood exports and in the handling of building materials which in the comparative period was influenced by the construction of Balticconnector, a natural gas pipeline between Estonia and Finland. The volume of dry bulk cargo remained relatively stable, decreasing by 70 thousand tonnes, i.e. 2.2%, mainly due to a decline in crushed stone and scrap metal volumes which was offset by growth in grain and wood pellet volumes. The volume of container cargo decreased by 45 thousand tonnes, i.e. 3.2% (-11.7 thousand units, i.e. -6.9% in TEUs). The volume of ro-ro cargo remained stable, increasing by 61 thousand tonnes, i.e. 1.5%.

In the third quarter of 2020, cargo throughput at the Group's harbours grew rapidly, rising by 1.0 million tonnes, i.e. 24%, year on year to 5.3 million tonnes. The main source of growth was liquid bulk cargo whose volumes increased (0.8 million tonnes, i.e. 71%) due to higher transaction activity caused by the volatility of oil prices. There was also a rise in the volumes of dry bulk cargo (173 thousand tonnes, i.e. 13.9%), ro-ro cargo (64 thousand tonnes, i.e. 4.8%) and container cargo (15 thousand tonnes, i.e. 3.2%, but a decrease of -5.2% in TEUs) and a slight decrease in the volume of general cargo (-28 thousand tonnes, i.e. -25%).

The number of passengers served in the first nine months dropped by 4.6 million, i.e. 55%, to a mere 3.7 million. This was mainly attributable to the restrictions imposed on cross-border passenger movement due to the COVID-19 pandemic and the instability caused by their constant changes which reduced interest in travelling and the opportunities to do so. In the third quarter, the number of passengers decreased mainly on the Tallinn-Helsinki and Tallinn-Stockholm routes: by 1.3 million and 0.3 million, respectively. The number of cruise passengers was zero (0.4 million passengers in the same period last year).

### REVENUE, EXPENSES AND PROFIT

**Revenue** for the nine months of 2020 decreased by EUR 18.5 million, i.e. 18%, year on year to EUR 82.1 million. In terms of revenue streams, the largest change occurred in **vessel dues revenue**, which dropped by EUR 8.1 million, i.e. 22%, to EUR 28.4 million. The decrease was mainly attributable to cruise ships and ferries on international routes.

In connection with the COVID-19-related restrictions imposed on cross-border passenger movement from the second half of March to the middle of June, international ferry operators significantly reduced the number of trips 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 7.3 million, i.e. 55%, which was proportionate to the decline in the number of passengers. **Revenue from the provision of public ferry service**<sup>3</sup> decreased by EUR 1.0 million, mainly because the customer (the state) ordered a smaller number of additional trips to be made by a replacement ferry instead of ordering an additional vessel for the summer high season, which meant both lower revenue and lower costs for the Group. **Revenue from the sale of electricity** dropped by EUR 0.87 million, i.e. 22%, mostly because the volumes of electricity sold (as an agent) and electricity distribution service provided at cargo harbours declined due to operators' higher operating efficiency. **Revenue from other services** decreased by EUR 0.55 million, mostly due to a decline in passenger traffic and related ship calls, which reduced revenue from additional services provided to cruise ships and advertising. **Cargo charge revenue** decreased by EUR 0.37 million, i.e. 7%, due to the combined effect of an increase in the volume of liquid bulk cargo whose cargo charges are lower (including growth in the so-called 'ship to terminal to ship' cargo movements) and a slight decrease in the volumes of other cargo types. **Revenue from operating leases** decreased somewhat (by EUR 0.28 million), mainly because the number of passengers and related ship calls declined, which reduced revenue from leasing out premises in the harbour area. **Charter fee revenue** (from the icebreaker Botnica) remained stable year on year. In terms of segments, nine-month revenue decreased primarily in the Passenger harbours segment and somewhat in the Ferry and Cargo harbours segments but remained stable in the segment Other.

**Other income** grew by EUR 2.0 million, mainly in connection with a non-recurring sales gain on the disposal of the assets used in the harbour operations of the Paljassaare Harbour (the Cargo harbours segment).

**Operating expenses** for the first nine months decreased by EUR 4.2 million, i.e. 15%. The largest decrease occurred in fuel and energy costs (EUR –2.4 million) because the volumes of electricity and electricity distribution service sold at harbours and the amount of water sold to vessels declined, while increased efficiency and lower fuel prices yielded fuel cost savings in the provision of ferry service. Non-current asset repair costs decreased by EUR 1.3 million, i.e. 26%, due to cost-cutting measures implemented in the Group. Expenses on the purchase of waste management and mooring services decreased by EUR 1.0 million, i.e. 22%, because ferries on international routes and cruise ships made fewer port calls. Expenses on the acquisition of assets of insignificant value grew by EUR 0.59 million in connection with one-off expenses incurred on the implementation of phase 2 (the last phase) in the reconstruction of passenger terminal D at the Old City Harbour. Rental expenses decreased by EUR 0.56 million, mostly because the Ferry segment did not charter an additional vessel for the summer season (additional trips were made by the existing replacement ferry Regula). Other operating expenses grew (by EUR 0.51 million), mainly because expenses on doubtful receivables grew due to the deterioration in the economic environment. Operating expenses for the third quarter decreased by EUR 3.0 million, i.e. 28%, which made a

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

strong contribution to the decrease in nine-month expenses. The decrease was the largest in harbour operations and the Ferry segment.

**Personnel expenses** decreased slightly (by EUR 0.1 million, i.e. 0.4%) due to downsizing carried out in the second and third quarter and not chartering an additional vessel for the summer. The decrease was reduced by the reversal of an unused bonus provision in the comparative period and one-off downsizing costs incurred this year. Personnel expenses for the third quarter declined by EUR 0.4 million, i.e. 8.7%. In the first nine months of the year, the average number of the Group's employees decreased from 496 to 469, i.e. by 5.4%.

**Depreciation, amortisation and impairment expenses** for nine months grew by EUR 1.0 million, i.e. 5.8%, primarily in harbour operations where the volume of non-current assets increased through the completion of the reconstruction of passenger terminal D at the Old City Harbour (Passenger harbours segment), which was carried out in stages. 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 during construction work at the Old City Harbour.

**Operating profit** for nine months decreased by EUR 13.3 million, i.e. 31%, because the decrease in revenue (EUR 18.5 million) and the growth in depreciation, amortisation and impairment expenses (EUR 1.0 million) exceeded the impact of growth in other income (EUR 2.0 million) and the decrease in operating expenses (EUR 4.2 million). The Group's operating margin dropped from 42.4% to 35.7% because the relative decrease in operating profit exceeded the decrease in revenue. The decrease in operating profit slowed down in the third quarter where the Group achieved cost savings, which reduced the impact of the decrease in operating income. Operating margin for the third quarter dropped from 45.6% to 44.7%.

**Adjusted EBITDA** decreased by EUR 13.1 million to EUR 46.3 million, primarily due to the impact of the Passenger harbours segment where the decrease was EUR 14.5 million. In terms of segments, EBITDA grew in the Cargo harbours segment (by EUR 2.0 million), mainly due to a non-recurring sales gain earned on the disposal of the assets of the Paljassaare Harbour, and slightly in the Ferry segment (by EUR 0.35 million). Adjusted EBITDA for the third quarter decreased by EUR 3.8 million, mainly in the Passenger harbours segment (EUR 5.5 million) and in the segment Other (EUR 0.6 million). Adjusted EBITDA margin for the first nine months dropped from 59.1% to 56.4% while the margin for the third quarter rose from 60.6% to 62.7% because adjusted EBITDA decreased relatively less than revenue.

**Finance costs (net)** for nine months did not change significantly, decreasing by EUR 38 thousand, i.e. 2.9%.

**Profit** before tax for nine months decreased year on year by EUR 14.0 million (–34%) to EUR 27.7 million. Profit decreased slightly 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 on international routes and cruise ships and a decline in the sales prices of reprocessed oil waste and the Group's share of that loss was EUR 0.33 million.

The Group declared a dividend of EUR 30.2 million in 2020. 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. The profit for nine months (EUR 22.8 million) was EUR 13.2 million smaller than the figure for the comparative period (EUR 35.9 million). The profit for the third quarter (EUR 13.6 million) was EUR 4.1 million smaller than the figure for the comparative period.

## INVESTMENTS

In the first nine months of 2020, the Group invested EUR 28.9 million, significantly more than in the same period last year (EUR 18.8 million). Investments made in the first nine months of 2020 were mostly related to the construction of a cruise terminal, phase 2 of the reconstruction of passenger terminal D, the installation of automated mooring systems and the beginning of the construction of a multi-storey car park at the Old City Harbour. Other major investments were dredging works at the Paldiski South Harbour, the development of ro-ro traffic at the Muuga Harbour and the installation of battery banks on the ferry Tõll. Investments made in the third quarter totalled EUR 11.5 million.

## SEGMENT REPORTING

| In thousands of euros  | 9 months 2020      |                |        |       |               | 9 months 2019      |                |        |       |                |
|------------------------|--------------------|----------------|--------|-------|---------------|--------------------|----------------|--------|-------|----------------|
|                        | Passenger harbours | Cargo harbours | Ferry  | Other | Total         | Passenger harbours | Cargo harbours | Ferry  | Other | Total          |
| Revenue                | 22,582             | 29,085         | 22,758 | 7,630 | <b>82,055</b> | 39,414             | 29,730         | 23,755 | 7,632 | <b>100,531</b> |
| Adjusted EBITDA        | 12,658             | 19,018         | 10,996 | 3,630 | <b>46,302</b> | 27,144             | 17,038         | 10,649 | 4,621 | <b>59,451</b>  |
| Operating profit       | 7,830              | 12,622         | 6,596  | 2,257 | <b>29,305</b> | 22,560             | 11,042         | 6,438  | 2,558 | <b>42,598</b>  |
| Adjusted EBITDA margin | 56.1%              | 65.4%          | 48.3%  | 47.6% | <b>56.4%</b>  | 68.9%              | 57.3%          | 44.8%  | 60.5% | <b>59.1%</b>   |

| In thousands of euros | Change, 9 months   |                |       |       |                |
|-----------------------|--------------------|----------------|-------|-------|----------------|
|                       | Passenger harbours | Cargo harbours | Ferry | Other | Total          |
| Revenue               | -16,832            | -645           | -997  | -2    | <b>-18,476</b> |
| Adjusted EBITDA       | -14,486            | 1,980          | 347   | -991  | <b>-13,149</b> |
| Operating profit      | -14,730            | 1,580          | 158   | -301  | <b>-13,293</b> |

| In thousands of euros  | Q3 2020            |                |       |       |               | Q3 2019            |                |       |       |               |
|------------------------|--------------------|----------------|-------|-------|---------------|--------------------|----------------|-------|-------|---------------|
|                        | Passenger harbours | Cargo harbours | Ferry | Other | Total         | Passenger harbours | Cargo harbours | Ferry | Other | Total         |
| Revenue                | 10,047             | 10,342         | 8,338 | 3,040 | <b>31,767</b> | 17,121             | 9,772          | 8,989 | 3,299 | <b>39,181</b> |
| Adjusted EBITDA        | 6,785              | 7,035          | 4,278 | 1,811 | <b>19,909</b> | 12,269             | 5,149          | 3,930 | 2,398 | <b>23,745</b> |
| Operating profit       | 5,151              | 4,951          | 2,786 | 1,305 | <b>14,193</b> | 10,683             | 3,160          | 2,515 | 1,509 | <b>17,867</b> |
| Adjusted EBITDA margin | 67.5%              | 68.0%          | 51.3% | 59.6% | 62.7%         | 71.7%              | 52.7%          | 43.7% | 72.7% | 60.6%         |

| In thousands of euros | Change, Q3         |                |       |       |               |
|-----------------------|--------------------|----------------|-------|-------|---------------|
|                       | Passenger harbours | Cargo harbours | Ferry | Other | Total         |
| Revenue               | -7,074             | 570            | -651  | -259  | <b>-7,414</b> |
| Adjusted EBITDA       | -5,484             | 1,886          | 348   | -587  | <b>-3,836</b> |
| Operating profit      | -5,532             | 1,791          | 271   | -204  | <b>-3,674</b> |



In terms of segments, the largest year-on-year change in nine-month revenue occurred in the Passenger harbours segment (EUR –16.8 million, i.e. –43%), followed by the Ferry segment (EUR –1.0 million, i.e. –4.2%) and the Cargo harbours segment (EUR –0.65 million, i.e. –2.2%). The revenue of the segment Other did not change.

**The revenue of the Passenger harbours segment** for the first nine months decreased year-on-year, mainly as a result of a decrease in vessel dues and passenger fees revenue caused by the COVID-19 related travel restrictions. There were no port calls by cruise ships and the number of port calls by ferries on international routes and the number of passengers dropped significantly (starting from the second quarter).

**The revenue of the Cargo harbours segment** for the first nine months 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, which was mitigated by growth in port dues revenue. The increase in the volume of liquid bulk cargo increased port dues revenue, but as the charges for liquid bulk cargo are lower, the increase did not cover the effect of a decrease in the volumes of other cargo types on total cargo charge revenue. The revenue of the Cargo harbours segment was not significantly affected by the COVID-19 related restrictions. Revenue was reduced by the temporary transfer of the Muuga-Vuosaari route to the Old City Harbour (Passenger harbours segment) in the second quarter due to the temporary 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, a smaller number of additional trips was made by the existing replacement ferry Regula, which lowered the segment's total revenue. 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** remained stable. The number of days for which the icebreaker Botnica was chartered out did not change. The number of days with lower charter rates was somewhat higher but the effect was offset by the indexation of the contractual fees to the Estonian and Canadian consumer price indices.

In terms of segments, **adjusted EBITDA** for nine months decreased the most in the Passenger harbours segment, which was expected, declined in the segment Other, and increased somewhat in the Ferry segment and the Cargo harbours segment (in the latter, mainly due to a non-recurring sales gain on the disposal of the assets of the Paljassaare Harbour). Compared to the same period last year, adjusted EBITDA for the third quarter decreased the most in the Passenger harbours segment and less in the segment Other.

**Adjusted EBITDA margin** for nine months increased from 57.3% to 65.4% in the Cargo harbours segment and from 44.8% to 48.3% in the Ferry segment due to asset disposal gains (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 a decrease in revenue and an increase in expenses (which exceeded revenue growth), respectively. The Group's overall adjusted EBITDA margin decreased from 59.1% to 56.4%. Adjusted EBITDA margin for the third quarter increased in the Cargo harbours segment and the Ferry segment and decreased in the Passenger harbours segment and the segment Other.

#### IMPACTS OF THE COVID-19 PANDEMIC

The protective measures imposed by countries 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. Labour migration between Estonia and Finland resumed in the middle of May. Estonia opened its border to arrivals from most European countries from 1 June and Finland opened its border to all arrivals from Estonia on 15 June. Due to changing restrictions and quarantine requirements in most European countries, cruise companies cancelled the cruises they had scheduled and there were no cruise ship calls during the nine months. In connection with a rise in the infection rate in September, Finland re-imposed restrictions on arrivals from Estonia from 28 September. Only people who travel for work, are in transit, or have other compelling reasons can enter Finland without the quarantine requirement. From 15 June, people arriving in Estonia from other countries are subject to a two-week self-isolation requirement, depending on the weekly infection rate per 100,000 inhabitants in the country of departure and the established limit. Cruises between Estonia and Sweden are banned and Sweden has been classified as a high-risk country since spring, which means that all arrivals from Sweden are subject to the two-week self-isolation requirement.

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 from June, and Tallinn-Turku from July. At the end of June, a record number of vessels sailed between Estonia and Finland and ferry traffic was busier than ever. However, the total number of passengers was almost half smaller than it was in the same period last year.

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

Domestic ferry service on routes between mainland Estonia and the islands of Saaremaa and Hiiumaa that are operated by OÜ TS Laevad, a subsidiary of AS Tallinna Sadam, continued even during the state of emergency but with reduced timetables. The restrictions on movement between mainland and the two islands were lifted on 8 May and normal passenger traffic has resumed with measures taken to prevent the spread of the virus. During the summer months, the number of vehicles carried even increased year on year. 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.

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

The Group has taken all the necessary measures and cooperates closely with the authorities to prevent the spread of the virus and to protect people's lives and health. From 1 September, passengers arriving from high-risk countries can take a COVID-19 test in the passenger terminals of the Old City Harbour in order to reduce the period of self-isolation and to be able to return to work more quickly.

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



The opening price of the share in the third quarter of 2020 was EUR 1.92. At 30 September 2020, the closing price of the share was EUR 1.71, having decreased in the third quarter by 10.7%. The company's market capitalisation at 30 September 2020 was EUR 449.7 million (30 June 2020: EUR 503.6 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 third quarter of 2020, there were 11,790 transactions with the Tallinna Sadam share (Q2 2020: 11,175 transactions) in which 3.6 million shares (Q2 2020: 4.5 million shares) changed hands. The total turnover of the transactions was EUR 6.4 million (Q2 2020: EUR 7.9 million).

At 30 September 2020, the company had 14,881 shareholders (30 June 2020: 14,516) 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 September 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                     | 10,528,437       | 4%          |
| European Bank for Reconstruction and Development (EBRD) | 9,350,000        | 4%          |
| SEB Progressiivne Pensionifond                          | 6,484,365        | 2%          |
| LHV Pensionifond L                                      | 5,536,570        | 2%          |

The shareholder structure has remained practically the same as it was in the second quarter. The ownership interest of foreign investors has decreased by 0.8 percentage points (from 12.8% to 12.0%) while the ownership interests of Estonian, Latvian, and Lithuanian pension and investment funds and retail investors have grown slightly.

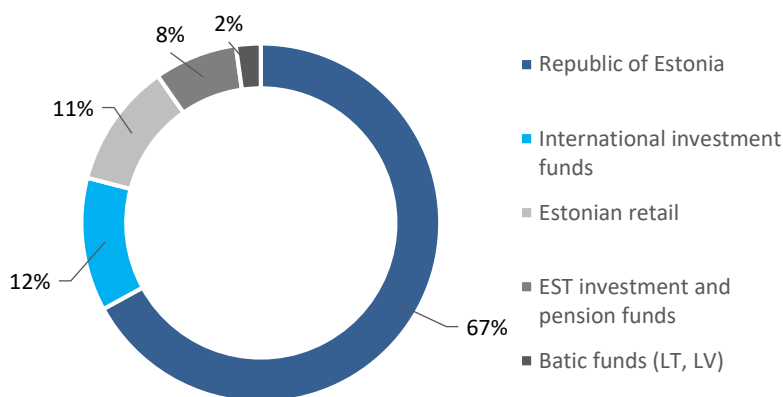


Chart: Shareholder structure as at 30 September 2020

## DIVIDENDS

On 29 June 2020, the general meeting approved the proposal of the management board to distribute a dividend of EUR 0.115 per share and EUR 30.2 million in total in 2020. 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 (through 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, and taking into account the need to maintain a reasonable level of liquidity and excluding the impact of non-recurring transactions.

## CORPORATE GOVERNANCE

At 30 September 2020, AS Tallinna Sadam had two 100% 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 September 2020, the supervisory board had eight members: Aare Tark (chairman), Ahti Kuningas, Maarika Honkonen, Raigo Uukkivi, Urmas Kaarlep, Üllar Jaaksoo, Riho Unt and Veiko Sepp, of whom six members are independent. Under the supervisory board, there is a four-member audit committee, which consists of members of the supervisory board and provides advice in supervisory matters.

In the third quarter, there were changes in the composition of the supervisory board. Based on the resolution of the general meeting of 29 June 2020, all members of the supervisory board were recalled from office as from 30 June 2020 and reappointed to office for the following two years, 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. The previous supervisory board was recalled in full in order to harmonise the terms of office of all members. At

a meeting held on 3 July 2020, the supervisory board re-elected Aare Tark as the chairman of the supervisory board.

**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 September 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 third quarter. On 29 September 2020, the supervisory board of AS Tallinna Sadam decided to extend the powers of Valdo Kalm and Marko Raid for another three-year term, which for Valdo Kalm is from 1 March 2021 to 28 February 2024 and for Marko Raid from 18 April 2021 to 17 April 2024.

Further information about the company's corporate governance and members of the management and supervisory boards is presented on the company's website and in its annual report for 2019.

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

#### **SIGNIFICANT EVENTS IN THE THIRD QUARTER OF 2020**

- 1. Completion of the reconstruction of passenger terminal D.** In late July, the Group opened the new modern-looking building of passenger terminal D, which allows serving six million passengers a year. The total area of the redesigned building, which uses state-of-the-art environmentally friendly energy solutions is 14,000 square metres, which is almost twice larger than that of the previous building. The general contractor was AS Nordecon. The terminal is used to serve the passengers of Tallink Group.
- 2. Hybrid ferry Tõll.** Since 2 September, passengers on the Virtsu-Kuivastu route have been served by the ferry Tõll which has been converted into Estonia's first hybrid ferry. The ferry's battery banks enable it to partly run on electricity, thus reducing the consumption of diesel fuel and minimizing air pollution. Hybrid ferry Tõll is part of the fleet of OÜ TS Laevad, a subsidiary of AS Tallinna Sadam.
- 3. The design of Rail Baltica's Muuga freight station begins.** A contract for the design of Rail Baltica's largest and only port-connected freight station was concluded with SWECO Projekt AS in late September. The construction is due to begin in early 2022.
- 4. Election of the chairman of the supervisory board and appointment of members of the audit committee.** At the meeting of the supervisory board of AS Tallinna Sadam held on 3 July 2020, Aare Tark was re-elected as the chairman of the supervisory board. The supervisory board also approved the new composition of the audit committee, which includes Riho Unt, Urmas Kaarlep, Raigo Uukkivi and Maarika Honkonen.
- 5. Dividend distribution.** AS Tallinna Sadam paid the shareholders a dividend of EUR 0.115 per share, i.e. EUR 30.2 million in total for 2019. The list of shareholders entitled to receive the dividend was determined on 13 July 2020 and the dividend was paid out to the shareholders on 20 July 2020 (through Nasdaq CSD).

- 6. Changes on the management board of OÜ TS Laevad.** The powers of Jaak Kaabel, chairman of the management board of OÜ TS Laevad, a subsidiary of AS Tallinna Sadam, expired on 10 September 2020 and he decided not to run for another term. A public competition was announced for the position of the chairman of the management board of OÜ TS Laevad. Member of the management board Guldar Kivro will serve as acting chairman of the management board from 11 September 2020 until the new chairman is appointed.
- 7. Investor Days.** On 8 and 16 September, AS Tallinna Sadam held Investor Days in passenger terminal D of the Old City Harbour. Valdo Kalm and Marko Raid, members of the management board of AS Tallinna Sadam, presented the company and its financial results, talked about future plans, and answered participants' questions. Also, a guided tour was conducted in the newly reconstructed terminal D. There was a lot of interest in the Investor Days. A total of 120 investors attended the events, including both retail investors and the representatives of banks and pension and investment funds.
- 8. Termination of the legal disputes with AS ESTEVE.** AS Tallinna Sadam had three legal disputes with AS ESTEVE that were related to AS Tallinna Sadam's early termination of AS ESTEVE's contracts for the provision of mooring services in the Old City Harbour and Paldiski South Harbour and AS ESTEVE's claims for compensation for it. The dispute over the validity of the Old City Harbour mooring services contract ended on 7 September 2020 when the Civil Chamber of the Supreme Court decided not to accept AS ESTEVE's appeal in cessation. In early October, Harju County Court approved a compromise agreement between the parties concerning the validity of the Paldiski South Harbour mooring services contract and the claim for compensation for loss of income of EUR 379,768, plus accrued interest, arising from the allegedly unjustified early termination of the Old City Harbour and Paldiski South Harbour mooring services contracts. As a result of the compromise, the parties terminated the disputes and AS ESTEVE waived all claims against AS Tallinna Sadam.
- 9. Extension of the powers of management board members.** On 29 September 2020, the supervisory board of AS Tallinna Sadam decided to extend the terms of office of Valdo Kalm, chairman of the management board, and Marko Raid, member of the management board and CFO, for new three-year term starting from the end of their previous term. Valdo Kalm's new term of office will last from 1 March 2021 to 28 February 2024 and Marko Raid's new term of office will last from 18 April 2021 to 17 April 2024.

**MANAGEMENT'S CONFIRMATION AND SIGNATURES**

By authorising the unaudited interim condensed consolidated report as at and for the period ended 30 September 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 (12 November 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.

12 November 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

| As at                                | Note | 30 September 2020 | 31 December 2019 |
|--------------------------------------|------|-------------------|------------------|
| <b>ASSETS</b>                        |      |                   |                  |
| <b>Current assets</b>                |      |                   |                  |
| Cash and cash equivalents            |      | 18,109            | 35,183           |
| Trade and other receivables          | 4    | 13,554            | 10,614           |
| Contract assets                      | 11   | 1,072             | 0                |
| Inventories                          |      | 216               | 408              |
| <i>Total other current assets</i>    |      | <i>32,951</i>     | <i>46,205</i>    |
| Non-current assets held for sale     |      | 98                | 142              |
| <b>Total current assets</b>          |      | <b>33,049</b>     | <b>46,347</b>    |
| <b>Non-current assets</b>            |      |                   |                  |
| Investment in an associate           | 5    | 1,278             | 1,609            |
| Other long-term receivables          | 4    | 243               | 294              |
| Property, plant and equipment        | 6    | 585,696           | 575,267          |
| Intangible assets                    |      | 1,985             | 2,015            |
| <b>Total non-current assets</b>      |      | <b>589,202</b>    | <b>579,185</b>   |
| <b>Total assets</b>                  |      | <b>622,251</b>    | <b>625,532</b>   |
| <b>LIABILITIES</b>                   |      |                   |                  |
| <b>Current liabilities</b>           |      |                   |                  |
| Loans and borrowings                 | 9    | 16,766            | 16,266           |
| Derivative financial instruments     |      | 139               | 243              |
| Provisions                           |      | 973               | 1,915            |
| Government grants                    |      | 1,845             | 193              |
| Taxes payable                        | 7    | 1,491             | 893              |
| Trade and other payables             | 8    | 8,813             | 11,722           |
| Contract liabilities                 | 11   | 1,912             | 33               |
| <b>Total current liabilities</b>     |      | <b>31,939</b>     | <b>31,265</b>    |
| <b>Non-current liabilities</b>       |      |                   |                  |
| Loans and borrowings                 | 9    | 194,697           | 191,580          |
| Government grants                    |      | 25,024            | 24,754           |
| Other payables                       | 8    | 16                | 2                |
| Contract liabilities                 | 11   | 903               | 913              |
| <b>Total non-current liabilities</b> |      | <b>220,640</b>    | <b>217,249</b>   |
| <b>Total liabilities</b>             |      | <b>252,579</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                        |      | -139              | -243             |
| Retained earnings (prior periods)    |      | 19,276            | 6,859            |
| Profit for the period                |      | 22,795            | 44,404           |
| <b>Total equity</b>                  |      | <b>369,672</b>    | <b>377,018</b>   |
| <b>Total liabilities and equity</b>  |      | <b>622,251</b>    | <b>625,532</b>   |

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

for the 9 months ended 30 September

**Consolidated statement of profit or loss**

| In thousands of euros   | Note         | Q3 2020       | Q3 2019       | 2020          | 2019          |
|---|--------------|---------------|---------------|---------------|---------------|
| Revenue   | <b>3, 11</b> | 31,767        | 39,181        | 82,055        | 100,531       |
| Other income  |              | 823           | 209           | 2,793         | 789           |
| Operating expenses  | <b>12</b>    | -7,744        | -10,741       | -23,281       | -27,457       |
| Personnel expenses  |              | -4,581        | -5,019        | -14,065       | -14,127       |
| Depreciation, amortisation and impairment   | <b>3</b>     | -5,983        | -5,719        | -17,895       | -16,912       |
| Other expenses  |              | -89           | -44           | -302          | -226          |
| <b>Operating profit</b>   |              | <b>14,193</b> | <b>17,867</b> | <b>29,305</b> | <b>42,598</b> |
| <b>Finance income and costs</b>   |              |               |               |               |               |
| Finance income  |              | 5             | 2             | 29            | 29            |
| Finance costs   |              | -482          | -452          | -1,295        | -1,333        |
| <b>Finance costs – net</b>  |              | <b>-477</b>   | <b>-450</b>   | <b>-1,266</b> | <b>-1,304</b> |
| Share of loss (-)/profit(+) of an associate accounted for under the equity method |              | -72           | 331           | -331          | 417           |
| <b>Profit before income tax</b>   |              | <b>13,644</b> | <b>17,748</b> | <b>27,708</b> | <b>41,711</b> |
| Income tax expense  |              | 0             | 0             | -4,913        | -5,764        |
| <b>Profit for the period</b>  |              | <b>13,644</b> | <b>17,748</b> | <b>22,795</b> | <b>35,947</b> |
| Attributable to:  |              |               |               |               |               |
| Owners of the Parent  |              | 13,644        | 17,748        | 22,795        | 35,947        |
| Basic earnings and diluted earnings per share (in euros)                          |              |               |               |               |               |
|   |              | 0.05          | 0.07          | 0.09          | 0.14          |
| Basic earnings and diluted earnings per share – continuing operations (in euros)  |              |               |               |               |               |
|   |              | 0.05          | 0.07          | 0.09          | 0.14          |

**Consolidated statement of other comprehensive income**

| In thousands of euros   | Note | Q3 2020       | Q3 2019       | 2020          | 2019          |
|---|------|---------------|---------------|---------------|---------------|
| <b>Profit for the period</b>  |      | <b>13,644</b> | <b>17,748</b> | <b>22,795</b> | <b>35,947</b> |
| <b>Other comprehensive income</b>                                     |      |               |               |               |               |
| <i>Items that may be reclassified subsequently to profit or loss:</i> |      |               |               |               |               |
| Net fair value gain on hedging instruments in cash flow hedges        |      | 33            | 43            | 104           | 76            |
| <b>Total other comprehensive income</b>                               |      | <b>33</b>     | <b>43</b>     | <b>104</b>    | <b>76</b>     |
| <b>Total comprehensive income for the period</b>                      |      | <b>13,677</b> | <b>17,791</b> | <b>22,899</b> | <b>36,023</b> |
| Attributable to:  |      |               |               |               |               |
| Owners of the Parent  |      | 13,677        | 17,791        | 22,899        | 36,023        |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

for the 9 months ended 30 September

| In thousands of euros                                | Note | 2020           | 2019           |
|--|------|----------------|----------------|
| Cash receipts from sale of goods and services        |      | 86,160         | 105,558        |
| Cash receipts related to other income                |      | 31             | 156            |
| Payments to suppliers                                |      | -33,746        | -34,030        |
| Payments to and on behalf of employees               |      | -11,758        | -13,248        |
| Payments for other expenses                          |      | -327           | -299           |
| Income tax paid on dividends                         |      | -4,913         | -10,713        |
| <b>Cash from operating activities</b>                |      | <b>35,447</b>  | <b>47,424</b>  |
| Purchases of property, plant and equipment           |      | -28,134        | -17,909        |
| Purchases of intangible assets                       |      | -348           | -360           |
| Proceeds from sale of property, plant and equipment  |      | 1,618          | 39             |
| Government grants received                           |      | 2,061          | 0              |
| Interest received                                    |      | 15             | 27             |
| <b>Cash used in investing activities</b>             |      | <b>-24,788</b> | <b>-18,203</b> |
| Loans received                                       | 9    | 10,000         | 0              |
| Repayments of loans received                         | 9    | -6,383         | -6,383         |
| Dividends paid                                       |      | -30,008        | -34,970        |
| Interest paid  |      | -1,331         | -1,461         |
| Other payments related to financing activities       |      | -11            | -15            |
| <b>Cash used in financing activities</b>             |      | <b>-27,733</b> | <b>-42,829</b> |
| <b>NET CASH FLOW</b>                                 |      | <b>-17,074</b> | <b>-13,608</b> |
| Cash and cash equivalents at beginning of the period |      | 35,183         | 42,563         |
| Change in cash and cash equivalents                  |      | -17,074        | -13,608        |
| Cash and cash equivalents at end of the period       |      | 18,109         | 28,955         |

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

for the 9 months ended 30 September

| 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             | 35,947            | <b>35,947</b>                                     |
| Other comprehensive income for the period        | 0              | 0             | 0                         | 76            | 0                 | <b>76</b>   |
| <i>Total comprehensive income for the period</i> | <i>0</i>       | <i>0</i>      | <i>0</i>                  | <i>76</i>     | <i>35,947</i>     | <b>36,023</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 September 2019</b>               | <b>263,000</b> | <b>44,478</b> | <b>18,520</b>             | <b>-349</b>   | <b>42,806</b>     | <b>368,455</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             | 22,795            | <b>22,795</b>                                     |
| Other comprehensive income for the period        | 0              | 0             | 0                         | 104           | 0                 | <b>104</b>  |
| <i>Total comprehensive income for the period</i> | <i>0</i>       | <i>0</i>      | <i>0</i>                  | <i>104</i>    | <i>22,795</i>     | <b>22,899</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 September 2020</b>               | <b>263,000</b> | <b>44,478</b> | <b>20,262</b>             | <b>-139</b>   | <b>42,071</b>     | <b>369,672</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 nine months ended 30 September 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 nine months of 2020 the Group sold several assets belonging to the Paljassaare Harbour.

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

| Subsidiary     | Domicile            | Ownership interest (%) |                  | Core business line   |
|----------------|---------------------|------------------------|------------------|--|
|                |                     | 30 September 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 nine months ended 30 September 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 Group's accounting policies have not changed compared to the previous financial year except for the application of IAS 12. 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.

*Changes in accounting policies*

According to the interpretation of IAS 12 that used to be generally accepted in Estonia until recently, companies did not have to recognise deferred tax for investments in subsidiaries and associates domiciled in Estonia and countries whose income tax system is similar to that of Estonia in their consolidated financial statements. In June 2020, IFRS Interpretations Committee (IFRIC) decided, however, entities preparing IFRS financial statements have to recognise the deferred tax associated with their investments in their consolidated financial statements even if the investments are in countries where income tax is paid only when profit is distributed.

Deferred tax is recognised for temporary differences that arise between the carrying amounts of assets and liabilities and their tax bases (the tax base is the amount attributed to an asset or liability for tax purposes).

Under the laws of the Republic of Estonia, corporate profit for the year is not subject to taxation. The obligation to pay income tax arises on the distribution of profit and it is recognised as an expense (in profit or loss for the period) when the dividend is declared. Due to the nature of the taxation system, companies registered in Estonia generally have no deferred tax assets or liabilities.

The Group incurs deferred tax liabilities only in connection with investments in entities domiciled in countries where profit for the year is subject to income tax and investments in subsidiaries and associates domiciled in Estonia except to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Examples of the reversal of taxable temporary differences include the distribution of a dividend, the disposal of an investment, and similar transactions.

Since the Group is able to control its subsidiaries' dividend policy and to block, where necessary, the profit distribution decisions of the associate AS Green Marine, it is able to control the timing of the reversal of the temporary differences associated with those investments. AS Tallinna Sadam has decided not to distribute the profits of the subsidiaries and the associate AS Green Marine in the foreseeable future. Therefore, it has not recognised any deferred tax liabilities. If profit is expected to be distributed in the foreseeable future, a deferred tax liability is recognised for the planned profit distribution, assuming that at the reporting date there are sufficient funds to make the profit distribution and there is sufficient equity from which profit can be distributed in the foreseeable future.

**Note 2 continued**

The Group measures deferred tax liabilities using tax rates that, based on the tax rates enacted at the reporting date, are expected to apply to the taxable temporary differences in the periods in which the temporary differences are expected to reverse.

The change in the interpretation of the standard does not require the Group to recognise any deferred tax liabilities associated with profit distributions because the subsidiaries and the associate are not planning to distribute dividends in the foreseeable future.

**3. OPERATING SEGMENTS**

| In thousands of euros   | 9 months 2020         |                   |               |              | Total         |
|---|-----------------------|-------------------|---------------|--------------|---------------|
|   | Passenger<br>harbours | Cargo<br>harbours | Ferry         | Other        |               |
| Vessel dues   | 13,780                | 14,570            | 0             | 0            | 28,350        |
| Cargo charges   | 973                   | 3,989             | 0             | 0            | 4,962         |
| Passenger fees  | 5,878                 | 109               | 0             | 0            | 5,987         |
| Sale of electricity   | 343                   | 2,768             | 0             | 0            | 3,111         |
| Sale of ferry services - ticket sales                               | 0                     | 0                 | 8,164         | 0            | 8,164         |
| Sale of other services  | 412                   | 692               | 38            | 58           | 1,200         |
| Lease income  | 1,196                 | 6,957             | 512           | 0            | 8,665         |
| Charter fees  | 0                     | 0                 | 0             | 7,572        | 7,572         |
| Sale of ferry services - government support                         | 0                     | 0                 | 14,044        | 0            | 14,044        |
| <b>Total segment revenue* (note 11)</b>                             | <b>22,582</b>         | <b>29,085</b>     | <b>22,758</b> | <b>7,630</b> | <b>82,055</b> |
| <b>Adjusted segment EBITDA</b>                                      | <b>12,658</b>         | <b>19,018</b>     | <b>10,996</b> | <b>3,630</b> | <b>46,302</b> |
| Depreciation and amortisation                                       | -4,910                | -6,644            | -4,400        | -1,704       | -17,658       |
| Impairment losses   | -65                   | -172              | 0             | 0            | -237          |
| Amortisation of government grants received                          | 147                   | 420               | 0             | 0            | 567           |
| Share of loss of an associate accounted for under the equity method | 0                     | 0                 | 0             | 331          | 331           |
| <b>Segment operating profit</b>                                     | <b>7,830</b>          | <b>12,622</b>     | <b>6,596</b>  | <b>2,257</b> | <b>29,305</b> |
| Finance income and costs, net                                       |                       |                   |               |              | -1,266        |
| Share of loss of an associate accounted for under the equity method |                       |                   |               |              | -331          |
| Income tax expense  |                       |                   |               |              | -4,913        |
| <b>Profit for the period</b>  |                       |                   |               |              | <b>22,795</b> |

\* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 38 thousand and EUR 113 thousand for the Passenger harbours and Cargo harbours segments, respectively, which was eliminated during consolidation.

**Note 3 continued**

|   | <b>9 months 2019</b>          |                           |               |              |                |
|---|-------------------------------|---------------------------|---------------|--------------|----------------|
| In thousands of euros   | <b>Passenger<br/>harbours</b> | <b>Cargo<br/>harbours</b> | <b>Ferry</b>  | <b>Other</b> | <b>Total</b>   |
| Vessel dues   | 22,395                        | 14,084                    | 0             | 0            | <b>36,479</b>  |
| Cargo charges   | 1,076                         | 4,257                     | 0             | 0            | <b>5,333</b>   |
| Passenger fees  | 13,134                        | 122                       | 0             | 0            | <b>13,256</b>  |
| Sale of electricity   | 543                           | 3,435                     | 0             | 0            | <b>3,978</b>   |
| Sale of ferry services - ticket sales                                 | 0                             | 0                         | 9,294         | 0            | <b>9,294</b>   |
| Sale of other services  | 906                           | 741                       | 32            | 73           | <b>1,751</b>   |
| Lease income  | 1,360                         | 7,092                     | 494           | 0            | <b>8,945</b>   |
| Charter fees  | 0                             | 0                         | 0             | 7,560        | <b>7,560</b>   |
| Sale of ferry services - government support                           | 0                             | 0                         | 13,935        | 0            | <b>13,935</b>  |
| <b>Total segment revenue* (note 11)</b>                               | <b>39,414</b>                 | <b>29,730</b>             | <b>23,755</b> | <b>7,632</b> | <b>100,531</b> |
| <b>Adjusted segment EBITDA</b>  | <b>27,144</b>                 | <b>17,038</b>             | <b>10,649</b> | <b>4,621</b> | <b>59,451</b>  |
| Depreciation and amortisation   | -4,713                        | -6,343                    | -4,210        | -1,646       | <b>-16,912</b> |
| Impairment losses   | 0                             | 0                         | 0             | 0            | <b>0</b>       |
| Amortisation of government grants received                            | 129                           | 347                       | 0             | 0            | <b>476</b>     |
| Share of profit of an associate accounted for under the equity method | 0                             | 0                         | 0             | -417         | <b>-417</b>    |
| <b>Segment operating profit</b>                                       | <b>22,560</b>                 | <b>11,042</b>             | <b>6,438</b>  | <b>2,558</b> | <b>42,598</b>  |
| Finance income and costs, net   |                               |                           |               |              | -1,304         |
| Share of profit of an associate accounted for under the equity method |                               |                           |               |              | 417            |
| Income tax expense  |                               |                           |               |              | -5,764         |
| <b>Profit for the period</b>  |                               |                           |               |              | <b>35,947</b>  |

\* Total segment revenue represents revenue from external customers and excludes inter-segment revenue of EUR 38 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                    | <b>30 September 2020 31 December 2019</b> |               |
|--|---|---------------|
| <b>At</b>                                |   |               |
| Receivables from customers               | 10,716                                    | 8,849         |
| Allowance for credit losses              | -1,677                                    | -2,160        |
| Prepaid taxes                            | 1,424                                     | 1,093         |
| Government grants receivable             | 2,487                                     | 2,287         |
| Other prepayments                        | 478                                       | 470           |
| Receivables from an associate (note 16)  | 20  | 36            |
| Other receivables                        | 349                                       | 333           |
| <b>Total trade and other receivables</b> | <b>13,797</b>                             | <b>10,908</b> |
| Of which current receivables             | 13,554                                    | 10,614        |
| non-current receivables                  | 243                                       | 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    |              |
| <b>At 30 September 2020</b>         |              |               |       |       |        |              |
| Expected credit loss rate           | 0.80%        | 1.5%          | 3.0%  | 80.0% | 100.0% |              |
| Total trade and other receivables   | 8,489        | 607           | 19    | 10    | 1,591  | 10,716       |
| Lifetime expected credit loss (ECL) | –68          | –9            | –1    | –8    | –1,591 | –1,677       |
|                                     |              |               |       |       |        | <b>9,039</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   | –2,065 | –2,160       |
|                                     |              |               |       |       |        | <b>6,689</b> |

**5. INVESTMENT IN AN ASSOCIATE**

| In thousands of euros                      |             |             |
|--|-------------|-------------|
| <b>For the 9 months ended 30 September</b> | <b>2020</b> | <b>2019</b> |
| Income                                     | 2,137       | 4,340       |
| Expenses                                   | 2,706       | 3,396       |
| Net loss (-)/profit (+)                    | –600        | 840         |

| In thousands of euros   |                          |                         |
|---|--------------------------|-------------------------|
| <b>At</b>   | <b>30 September 2020</b> | <b>31 December 2019</b> |
| Net assets of the associate   | 2,505                    | 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 | 1,278                    | 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 9 months ended 30 September 2020</i> |                    |                     |  |                           |              |                |
| Acquisition and reconstruction                           | 261                | 2,135               | 314  | 25,800                    | 11           | <b>28,521</b>  |
| Sold at carrying amount                                  | -591               | -40                 | 0  | 0                         | 0            | <b>-631</b>    |
| Depreciation charge                                      | -8,647             | -8,109              | -468   | 0                         | 0            | <b>-17,224</b> |
| Impairment losses  | -237               | 0                   | 0  | 0                         | 0            | <b>-237</b>    |
| Reclassified at carrying amount                          | 11,735             | 2,431               | 24   | -10,264                   | -3,926       | <b>0</b>       |
| <b>At 30 September 2020</b>                              |                    |                     |  |                           |              |                |
| Cost   | 624,912            | 244,661             | 7,595  | 23,235                    | 1,589        | <b>901,992</b> |
| Accumulated depreciation and impairment losses           | -224,680           | -86,112             | -5,504                                       | 0                         | 0            | <b>316,296</b> |
| <b>Carrying amount at 30 September 2020</b>              | <b>400,232</b>     | <b>158,549</b>      | <b>2,091</b>                                 | <b>23,235</b>             | <b>1,589</b> | <b>585,696</b> |

**7. TAXES PAYABLE**

At 30 September 2020, the Group's taxes payable amounted to EUR 1,491 thousand (31 December 2019: EUR 893 thousand).

**8. TRADE AND OTHER PAYABLES**

| In thousands of euros                 | 30 September 2020 | 31 December 2019 |
|---------------------------------------|-------------------|------------------|
| <b>At</b>                             |                   |                  |
| Trade payables                        | 5,468             | 5,281            |
| Payables to employees                 | 1,085             | 1,092            |
| Interest payable                      | 346               | 405              |
| Accrued taxes payable on remuneration | 560               | 596              |
| Advances for goods and services       | 682               | 212              |
| Payables to an associate (note 16)    | 99                | 127              |
| Other payables                        | 589               | 4,011            |
| <b>Total trade and other payables</b> | <b>8,829</b>      | <b>11,724</b>    |
| Of which current liabilities          | 8,813             | 11,722           |
| non-current liabilities               | 16                | 2                |

**9. LOANS AND BORROWINGS**

In thousands of euros

| At                                | 30 September 2020 | 31 December 2019 |
|-----------------------------------|-------------------|------------------|
| <b>Current portion</b>            |                   |                  |
| Loans and borrowings              | 7,766             | 7,266            |
| Debt securities                   | 9,000             | 9,000            |
| <b>Total current portion</b>      | <b>16,766</b>     | <b>16,266</b>    |
| <b>Non-current portion</b>        |                   |                  |
| Loans and borrowings              | 45,447            | 42,330           |
| Debt securities                   | 149,250           | 149,250          |
| <b>Total non-current portion</b>  | <b>194,697</b>    | <b>191,580</b>   |
| <b>Total loans and borrowings</b> | <b>211,463</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 debt securities will arrive in 2026 and 2027. In line with settlement schedules, no debt securities were redeemed in the reporting period. At 30 September 2020, the weighted average interest rate of debt securities was 0.77% (30 September 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. Principal repayments made in the nine-month period ended 30 September 2020 amounted to EUR 6,383 thousand (nine-month period ended 30 September 2019: EUR 6,383 thousand).

At 30 September 2020, the weighted average interest rate of drawn loans was 0.82% (30 September 2019: 0.65%). Considering the effect of derivative transactions used to hedge interest rate risk, at 30 September 2020 the average interest rate of loans was 1.23% (30 September 2019: 1.51%).

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. The first portion of EUR 10 million was drawn in July 2020 and the second portion, also EUR 10 million, was drawn in October 2020.

**Contractual maturities of loans and borrowings**

In thousands of euros

| At                                | 30 September 2020 |
|-----------------------------------|-------------------|
| Up to 12 months                   | 16,766            |
| 1 - 5 years                       | 68,564            |
| > 5 years                         | 126,133           |
| <b>Total loans and borrowings</b> | <b>211,463</b>    |

**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 30 September 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 September 2020, the Group was also in compliance with all the covenants that set requirements to its financial indicators.

**10. EQUITY**

At 30 September 2020, AS Tallinna Sadam had 263,000,000 registered ordinary shares (31 December 2019: 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: 664,000,000). At 30 September 2020 and at 31 December 2019 all shares issued had been fully paid for.

|  | <b>Q3 2020</b> | <b>Q3 2019</b> | <b>9 months 2020</b> | <b>9 months 2019</b> |
|--|----------------|----------------|----------------------|----------------------|
| Weighted average number of shares                              | 263,000,000    | 263,000,000    | 263,000,000          | 263,000,000          |
| Consolidated net profit for the period (in thousands of euros) | 13,644         | 17,748         | 22,795               | 35,947               |
| Basic and diluted earnings per share (in euros)                | 0.05           | 0.07           | 0.09                 | 0.14                 |

Based on the resolution of the annual general meeting of 29 June 2020, the Group a dividend of EUR 0.115 per share and EUR 30,245 thousand in total paid for 2019. 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 9 months ended 30 September</b>         | <b>2020</b>   | <b>2019</b>    |
|--|---------------|----------------|
| <b>Revenue from contracts with customers</b>       |               |                |
| Vessel dues  | 28,350        | 36,479         |
| Cargo charges                                      | 4,962         | 5,333          |
| Passenger fees                                     | 5,987         | 13,256         |
| Sale of electricity                                | 3,111         | 3,978          |
| Sale of ferry services - ticket sales              | 8,164         | 9,294          |
| Sale of other services                             | 1,200         | 1,751          |
| <b>Total revenue from contracts with customers</b> | <b>51,774</b> | <b>70,091</b>  |
| <b>Revenue from other sources</b>                  |               |                |
| Operating lease income                             | 8,665         | 8,945          |
| Charter fees                                       | 7,572         | 7,560          |
| Sale of ferry services - government support        | 14,044        | 13,935         |
| <b>Total revenue from other sources</b>            | <b>30,281</b> | <b>30,440</b>  |
| <b>Total revenue (note 3)</b>                      | <b>82,055</b> | <b>100,531</b> |

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 September 2020, the differences between revenue recognised and amounts billed to customers were recognised as a contract asset of EUR 307 thousand (revenue recognised was larger than the amounts billed) and a contract liability of EUR 1,629 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 September 2020. Based on the estimation, the Group recognised contract assets of EUR 765 thousand. At 30 September 2020, revenue received from some customers exceeded management's estimates. As a result, the Group recognised contract liabilities of EUR 220 thousand so that estimated revenue would be evenly recognised over all interim periods of 2020.

**Note 11 continued**

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 September 2020, such liabilities amounted to EUR 903 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 September 2020, such liabilities amounted to EUR 63 thousand (31 December 2019: EUR 33 thousand).

**12. OPERATING EXPENSES**

In thousands of euros

| <b>For the 9 months ended 30 September</b>                   | <b>2020</b>   | <b>2019</b>   |
|--|---------------|---------------|
| Fuel, oil and energy costs                                   | 6,267         | 8,629         |
| Technical maintenance and repair of non-current assets       | 3,765         | 5,111         |
| Services purchased for infrastructure                        | 2,115         | 2,060         |
| Tax expenses   | 2,047         | 2,068         |
| Consultation and development expenses                        | 381           | 327           |
| Services purchased   | 3,450         | 4,432         |
| Acquisition and maintenance of assets of insignificant value | 1,449         | 856           |
| Advertising expenses   | 161           | 258           |
| Lease expenses   | 426           | 988           |
| Insurance expenses   | 570           | 587           |
| Other operating expenses                                     | 2,650         | 2,141         |
| <b>Total operating expenses</b>                              | <b>23,281</b> | <b>27,457</b> |

**13. COMMITMENTS**

At 30 September 2020, the Group's contractual commitments related to the acquisition of property, plant and equipment, repairs, and research and development expenditures totalled EUR 16,353 thousand (31 December 2019: EUR 19,810 thousand).

## 14. CONTINGENT LIABILITIES

In June 2019, the court accepted a statement of claim for damages of EUR 23.8 million in total filed against Group companies OÜ TS Laevad and OÜ TS Shipping in relation to alleged unjustified use of confidential information in a public tender to provide public passenger transport service on the Saaremaa and Hiiumaa routes. The statement of claim is identical to the one filed by the same plaintiffs in a previous civil case which was dismissed by Harju County Court on 8 March 2019 because the plaintiffs did not provide security of EUR 14,000 in total ordered by the court for covering the estimated costs of the proceedings. The Group did not admit guilt and is defending itself in the action. The management board believes that the claim is not substantiated and legal advice indicates that it is not probable that a liability will arise. Thus, the management board has not considered it necessary to recognise a provision for the claim.

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 and is planning to rule on the matter at the end of 2020. 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. By the order of Harju County Court dated 19 November 2018, the civil action has been included in the criminal proceedings against the above persons. On 28 October 2020, the Harju County Court issued a ruling and terminated the criminal proceedings concerning Allan Kiil in connection with his terminal illness and rejected the application to involve Allan Kiil as a civil defendant and/or a third party. The court ruling has not yet entered into force. At the date of release of these financial statements, court hearings in the criminal matter are

**Note 15 continued**

ongoing and the court case concerning the other accused persons continues. Based on information available at the reporting date, the management board believes that the above events 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 9 months ended 30 September</b>   | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
| <b>Transactions with an associate</b>  |             |             |
| Revenue  | 123         | 178         |
| Operating expenses   | 784         | 2,047       |
| <b>Transactions with companies in which members of supervisory and management boards of group companies have significant influence</b> |             |             |
| Operating expenses   | 7           | 12          |
| Other expenses   | 18          | 20          |
| <b>Transactions with government agencies and companies in which the state has control</b>  |             |             |
| Revenue  | 19,006      | 18,809      |
| Other income   | 3           | 5           |
| Operating expenses   | 4,798       | 5,769       |
| Other expenses   | 57          | 15          |
| Acquisition of property, plant and equipment   | 4           | 2,578       |

In thousands of euros

| <b>At</b>   | <b>30 September 2020</b> | <b>31 December 2019</b> |
|---|--------------------------|-------------------------|
| <b>Trade receivables from and payables to an associate</b>  |                          |                         |
| Receivables (note 4)  | 20                       | 36                      |
| Payables (note 7)   | 99                       | 127                     |
| <b>Trade receivables from and payables to companies in which members of supervisory and management boards of group companies have significant influence</b> |                          |                         |
| Receivables   | 2                        | 4                       |
| Payables  | 1                        | 1                       |
| <b>Trade receivables from and payables to government agencies and companies in which the state has control</b>  |                          |                         |
| Receivables   | 257                      | 412                     |
| Liabilities   | 1,066                    | 1,202                   |



**Note 16 continued**

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.

**17. EVENTS AFTER THE REPORTING PERIOD**

At the beginning of October, Harju County Court approved a compromise agreement between AS ESTEVE and AS Tallinna Sadam according to which the parties agreed to terminate their two pending legal disputes and AS ESTEVE agreed to waive all claims against AS Tallinna Sadam. The disputes were related to the early termination of AS ESTEVE's mooring services contracts by AS Tallinna Sadam.

The provision recognised for the expected costs of the disputes as at 30 September 2020 was reversed in the fourth quarter as at the date the court ruling took effect.