AS TALLINNA SADAM
(PORT OF TALLINN)

Consolidated interim report for the
12 months ended 31 December 2007

(Translation of the Estonian original)

AS TALLINNA SADAM
(PORT OF TALLINN)

CONSOLIDATED INTERIM REPORT 12 MONTHS 2007

Commercial Registry no.	**10137319**
VAT Registration no.	**EE100068489**
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Country of incorporation	**Republic of Estonia**
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E-mail	**portoftallinn@ts.ee**
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Beginning of financial year	**1 January**
End of financial year	**31 December**
Legal status	**Public limited company**
Auditor	**AS PricewaterhouseCoopers**

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MANAGEMENT BOARD'S CONFIRMATION OF THE MANAGEMENT REPORT

The Management Board confirms that the management report presented on pages 5-13 presents a true and fair view of the business developments and results, of the financial position, and includes the description of major risks and doubts for the parent company and consolidated companies as a group.

Ain Kaljurand
Chairman of the Management Board

Allan Kiil
Member of the Management Board

Tallinn, 29 February 2008

MANAGEMENT REPORT

The management report of AS Tallinna Sadam (Port of Tallinn) has been prepared on the basis of consolidated financial indicators.

1. GENERAL OVERVIEW OF THE COMPANY

AS Tallinna Sadam is the largest complex of cargo and passenger ports in Estonia. The main area of activity of AS Tallinna Sadam as the Group's Parent Company is the provision of port services as a *landlord*-type port with the task of infrastructure management and development as well as arrangement of vessel traffic in the port area. The Parent Company is the owner of five ports: Vanasadam (Old City Port) located in the centre of Tallinn and known as a passenger port, the commercial port in Paljassaare, the largest commercial port of Estonia in Muuga, the commercial and passenger port in Paldiski (Paldiski South Harbour) and the newest port in Saaremaa for receiving cruise vessels which opened in 2006.

As at the end of 2007, the consolidation group of AS Tallinna Sadam includes in addition to the Parent Company:

Name of the company	Ownership	Main activity
OÜ Tallinna Sadama Elektrivõrk	100%	provision of electricity transmission and distribution service at the ports
OÜ Tallinna Sadama Veevõrk	100%	provision of water and thermal energy transmission and distribution service at the ports (the company had not yet started active business operations as at the end of 2007)

2. ECONOMIC ENVIRONMENT

For the fourth consecutive year, world economic growth stayed at a record level of the last thirty years. World economic growth for 2007 is forecast at 4.9% which meets growth expectations but also signifies the growth of the main risk factors and their faster than anticipated emergence at the end of 2007. Quality issues with financial assets in international financial markets led to a significant slowdown in world economic growth which coupled with rising inflation and reduced consumption in developed countries will in its turn hinder capital flows into developing economies. Therefore, world economic growth is expected to slow down to 4.1%.[1]

2.1. Developments in Russia

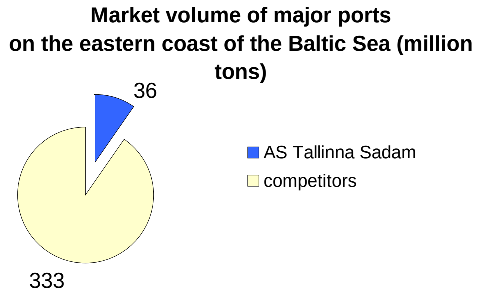
The Ministry of Finance of Russia forecasts stable growth in the near term, from 7.6% in 2007 to 6.4% in 2010. The state of Russia's economy continues to depend primarily on the revenue derived from the exports of natural gas and crude oil which make a significant contribution to the state budget. In the short term, the economy will continue to depend on the export of natural resources.

The prerequisite for acceleration of production growth rates of Russia's oil and natural gas industry is large-scale investments in the respective sectors. The main issue will be the possibility of attracting foreign investments along with the utilisation of new technologies. If the current strategy of investments based on domestic capital stays the same, the long-term growth of production output may be endangered which is also supported by the forecast of the Ministry of Finance for the next three years.

[1] IMF "World Economic Outlook Update", January 2008

2.2. Competitive position

In evaluating the competitive position, the major ports located on the eastern coast of the Baltic Sea and the ports of Finland are considered as competing ports, most of which directly compete with AS Tallinna Sadam in handling transit cargo mostly originating from Russia or directed over there. In 2007, the total cargo volume of the largest ports on the eastern coast of the Baltic Sea amounted to 369 million tons indicating acceleration of growth to 6.8% (in 2006, the market volume was 346 million tons and growth was 5.6%).



Combined with the cargo volume of other Estonian ports (8.8 million tons), the market volume of AS Tallinna Sadam and its competitors in 2007 was 378 million tons, increasing by 24 million tons or 6.8% in a year.

Similarly to previous years, the market share of Russia's ports on the eastern coast of the Baltic Sea continued to grow in 2007. The market share of Russia's ports along the Baltic Sea grew to a record 56%, grabbing market share primarily from Estonian ports. Most of the market growth was again attributable to Russia's ports of Primorsk, Vyssotski and Ust-Luga, followed by the Port of Klaipeda in Lithuania, the Port of Ust-Luga in Russia and the Port of Gdynia in Poland (obtaining 35%, 23%, 16%, 14% and 12% of the market volume growth, respectively). Of the Latvian ports, the share of market volume growth of the port of Ventspils was 9% and that of Riga 2%.

Against a backdrop of market volume growth, cargo volume decreased the most at AS Tallinna Sadam (-22%), Port of Gdansk (-11%) and Butinge terminal (-6%).

In 2007, the market volume of liquid cargo (growth of 10 million tons), container cargo (growth of 4.3 million tons) and bulk cargo (primarily fertilizers and grain, growth of 2.4 million tons) grew the most. The Port of Primorsk handled most of the growth of liquid cargo, the Port of St. Petersburg handled most of the container cargo and Klaipeda and St. Petersburg handled most of the bulk cargo. Market volume decreased the most with regard to coal as a component in bulk cargo (AS Tallinna Sadam and Gdansk), where additionally redistribution took place between the ports, as a result of which the coal volume at the Port of Ust-Luga grew.

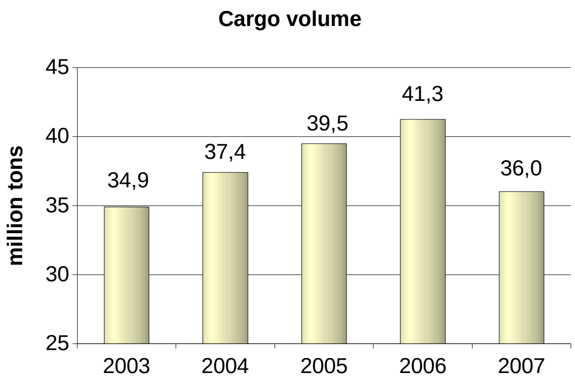
Despite a decline in cargo volume in 2007, AS Tallinna Sadam maintained for the fourth consecutive year its third position with regard to cargo volume among the major ports on the eastern coast of the Baltic Sea.

3. RESULTS OF OPERATIONS

In 2007, the results of operations were shaped by unexpected circumstances whereby growing cargo volume in the first half of the year declined sharply in the middle of the year as a result of which cargo volume for the year decreased by 13%. The flow of liquid cargo and coal passing through AS Tallinna Sadam and originating from Russia was redirected by cargo owners into Russia's own ports or other ports in the region. The number of passengers passing through the port also decreased somewhat. Due to the extraordinary nature of the decline in cargo volume, it fell short of the expected volume and the Group's market share also declined among the major ports on the eastern coast of the Baltic

Sea. The decline in cargo volume also led to the decline in operating income and efficiency of operations.

3.1. Cargo volume



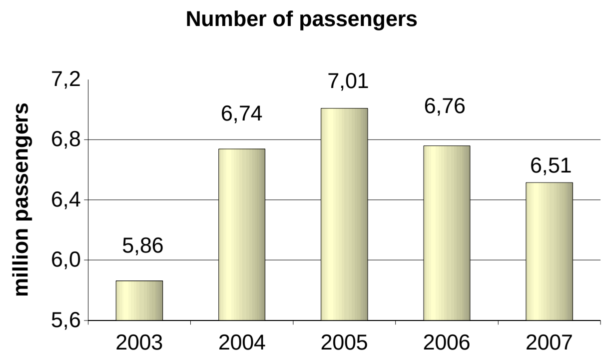
In 2007, the cargo volume passing through the ports of AS Tallinna Sadam decreased by 5.2 million tons (or 13%), to 36 million tons. The gradual decline of cargo volume since May occurred primarily in bulk and liquid cargo volume. The reason behind the decline in the volume of bulk and liquid cargo was primarily related to the redirection of cargo volume originating from Russia to Russia's own ports for the purpose of completely utilising their capacity due to the foreign and economic policy factors.

With regard to the structure of cargo volume, the volume of containers, rolling stock and new passenger cars grew together with the development of consumption on the eastern coast of the Baltic Sea and beyond. Container trade is also favoured by the growing trend of delivering cargo in containers which simplifies and accelerates cargo handling operations. The volume of these cargo groups is expected to surpass the volume of bulk cargo at the ports of AS Tallinna Sadam already in 2008. Against a backdrop of this trend, the share of export-driven transit originating from Russia (primarily liquid and bulk cargo) will decline in the cargo volume of AS Tallinna Sadam and it is being replaced by an import-driven cargo movement.

Along with the decline in cargo volume, the market share of AS Tallinna Sadam declined among the major ports on the eastern coast of the Baltic Sea – from 11.9% to 9.8%. By cargo types, liquid cargo made up 62%, bulk cargo 22%, rolling stock 10% and containers 4% of cargo volume (in 2006, the respective figures were 58%, 27%, 8% and 3%). With regard to transport directions, transit made up 82%, exports 8% and imports 10% of cargo volume (in 2006, the respective figures were 84%, 7% and 8%).

The cargo handling in AS Tallinna Sadam is not seasonal. Cargo volume passing through the port in winter may be affected by freezing sea lanes in the Baltic Sea due to long periods of cold weather in winter where ice-breaking activities may slow down the movement of vessels and cargo (extraordinarily difficult ice conditions existed for the last time at the beginning of 2003). The fluctuations in cargo volume are normally related to changes in market conditions (incl. changes in the world market prices of transported cargo, factors affecting Russia's exports such as export duties and tariffs as well as export capacity).

3.2. Number of passengers



In 2007, the number of passengers travelling through the ports of AS Tallinna Sadam was 6.51 million, declining by 250 thousand passengers or 3.6% (in 2006, the respective figures were 6.76 million passengers and a decline of 3.5%). The decline in the number of passengers was mostly attributed to the decline in the number of passengers on the most important Tallinn-Helsinki line where instead of the expected growth, the number of passengers declined by almost 170 thousand passengers or 3%. However, the number of passengers grew steadily on the second largest Tallinn-Stockholm line, reaching 676 thousand passengers and increasing by almost 54 thousand passengers or a healthy 9%. However, the number of passengers on Paldiski-Kapellskär line decreased by 86 thousand passengers or 63%. Instead of carrying passengers the transportation of rolling stock mostly occurs on this line as a result of which the former will be of less importance in the future.

In 2007, there were no major changes in the operating volumes of larger passenger liner operators with regard to the number of passengers passing through the ports of AS Tallinna Sadam.

As an overall trend, the size of vessels continued to grow as older and smaller vessels are being replaced by newer and larger ones. With regard to AS Tallinna Sadam, it requires large investments into the servicing equipment of new vessels and even more importantly, in the reconstruction of the traffic schemes in the port's territory and around it, in order to service escalating peak loads of travellers both on the territory of the port and exiting it.

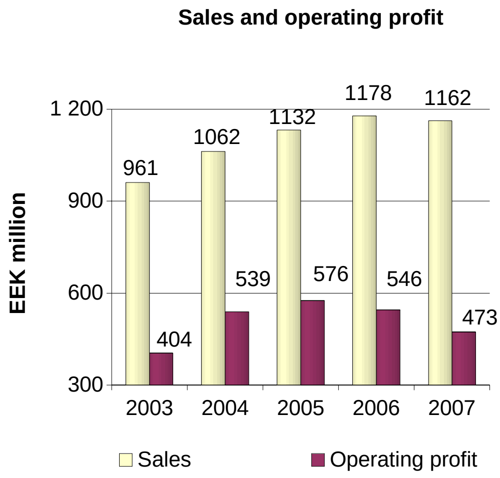
The number of cruise passengers of AS Tallinna Sadam declined for the first time in the last five years, by 6% to 295 thousand passengers, whereas the number of traditional cruise passengers declined by 2%. The decline in the number of cruise passengers was primarily related to the termination of operations of some cruise operators.

In the spring-summer-autumn (warmer) season, passenger vessel operators use fast ferries without ice class on Tallinn-Helsinki line to provide faster and more cost-efficient service for the growing number of passengers during this period. In 2007, 1.1 million passengers or 20% of the line's annual passenger volume (in 2006, the respective figures was 1.7 million passengers or 30%) on Tallinn-Helsinki line were serviced by fast ferries without ice class, which represented a major decline. However, Tallink replaced some of the fast ferries without ice class with new, larger fast ferries with ice class that can be run throughout the year, and which carried 1.2 million passengers or 22% of the line's passengers. As such ferries also replaced slower ice-class vessels, the average crossing time of the line decreased.

The season of cruise ship visits is mostly between May and September.

Such seasonalities exist regularly in carrying passengers and therefore they do not have an extraordinary effect on the results of operations of AS Tallinna Sadam.

3.3. Income and expenses



In 2007, the consolidated sales of AS Tallinna Sadam amounted to EEK 1 162 million (EUR 74.3 million), decreasing by EEK 16 million (EUR 1 million) or 1.3% (in 2006, the respective figures were EEK 1 178 million (EUR 75.3 million) and growth of 4.1%). The decline in sales was primarily related to the decline in cargo volume, and partly to the decline in the number of passengers. The effect of these negative changes on sales were somewhat alleviated by the growth in the total capacity of vessels calling at the port and the annual indexation of port dues in line with the change in the cost of living.

Of the types of sales, the sales directly related to the cargo volume and the number of passengers declined due to the aforementioned changes – sales from cargo and passenger fees decreased by EEK 19.4 million (EUR 1.2 million) or 11% and EEK 0.2 million (EUR 0.01 million) or 0.2%, respectively. The sales from port dues which are directly related to the number of vessel calls and the gross tonnage of vessels did not change much, increasing by EEK 3.4 million (EUR 0.2 million) or 0.5%. Of the factors decreasing the sales from port dues was the decline in the number of calls of both cargo and passenger vessels and the decline in the gross tonnage of cargo vessels. The growth of the gross tonnage of passenger vessels and the effect of indexation of port dues can be mentioned as the factors helping to increase the sales from port dues.

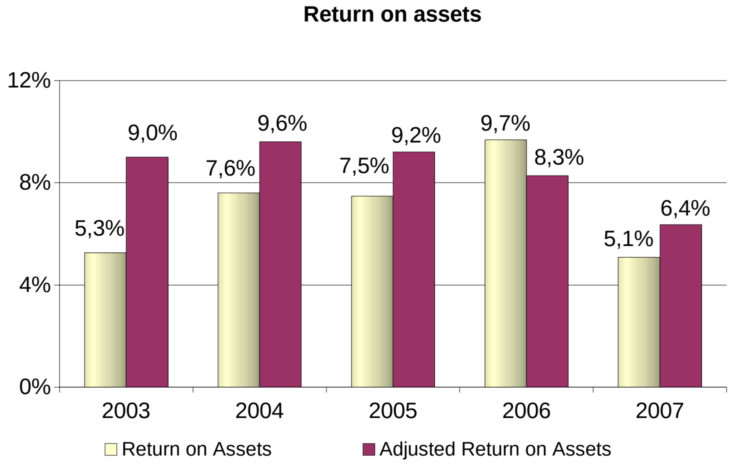
The expenses related to operating activities (operating expenses, personnel expenses as well as depreciation and impairment losses) totalled EEK 690 million (EUR 44.1 million), increasing by EEK 57 million (EUR 3.7 million) or 9,1% in a year. The growth of expenses was primarily related to the costs of expanding the port operations as well as appreciation of labour costs and service prices.

The operating profit for 2007 (profit before other income and other expenses) totalled EEK 473 million (EUR 30.2 million) which represented a decline in the operating profit by EEK 72.9 million (EUR 4.7 million) or 13.4% as compared to 2006. The operating profit fell in conjunction with the growth of operating expenses and decline of sales. Thus, the efficiency of the operations of AS Tallinna Sadam expressed as the operating margin (sales divided by operating profit) fell, declining from 46.3% to 40.7% in 2007.

The Group's net profit for 2007 totalled EEK 336 million (EUR 21.5 million) which is EEK 260 million (EUR 16.6 million) less than in 2006. Considering that one-time profit from sale of assets made up EEK 171 million (EUR 10.9 million) out of the net profit in 2006, the net profit for 2007 declined by EEK 89 million (EUR 5.7 million).

The financial risks impacting AS Tallinna Sadam and the methods used for their hedging are presented in Notes 3, 5 and 8 of the interim financial statements.

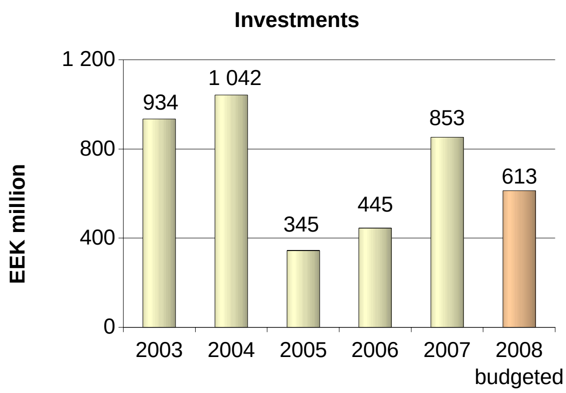
3.4. Return on assets



In 2007, the return on assets of AS Tallinna Sadam (net profit divided by the annual average volume of assets) decreased to 5.1% which is the lowest level in the last five years. The return on assets calculated using the adjusted net profit[2] was 6.4% which is also the lowest level in the same time period. However, the decline in the return on assets was somewhat expected, related to the volume growth of assets due to long-term and large-scale investments that will yield expected gains in future periods. The decline in the return on assets was related to an unexpected decline in cargo volume in 2007 which had a larger effect on the decline in the return on assets than asset growth.

In 2007, the return on equity of AS Tallinna Sadam (adjusted net profit divided by the annual average volume of equity, also adjusted by the same one-time profit) was 9.4%. This also represented a decline in the return as compared to the return of 10.1% previous year (which was also adjusted by the one-time profit on the sale of assets in the amount of EEK 171 million (EUR 10.9 million)). When compared with the larger decline in the return on assets, the return on equity was maintained due to a change which occurred in the capital structure, as the share of debt increased somewhat (when comparing the averages for the year). The reason for the decline in the return on equity was primarily related to the loss in profitability of the main operations.

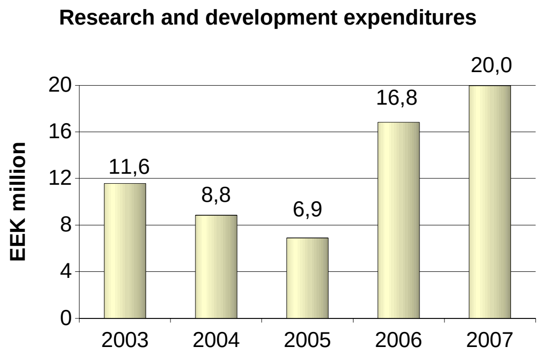
4. INVESTMENTS AND DEVELOPMENT OUTLOOK



[2] The net profit has been adjusted by the dividend income tax and profit from sale of assets

In 2007, the Group invested a total of EEK 853 million (EUR 54.5 million) in new infrastructure and improvements of existing infrastructure which on the one hand represented a growth of EEK 408 million (EUR 26.1 million) as compared to the previous year, but on the other hand did not meet the budgeted level. Due to much higher than anticipated appreciation of construction prices and the sharp lowering of cargo volumes from Russia during the year, the investment plan relating to the eastern part of Muuga Port was reviewed and no investments were made in 2007.

Most of the investments were related to the acquisition and construction of new territories totalling EEK 268 million (EUR 17.1 million) or 31% of the total volume of investments. New territories were acquired for the development of Muuga Port and Paldiski South Harbour and the infrastructure of the industrial park of Muuga Port was developed further. Investments related to marine transport facilities (quays and aquatory) totalled EEK 177 million (EUR 11.3 million) or 21% of the total volume of investments. Investments in the development of buildings, structure and service equipment totalled EEK 233 million (EUR 14.9 million), in the foundation of railway branches and a station park totalled EEK 81 million (EUR 5.2 million), in the necessary networks needed for the provision of utility services and increasing security of supply of these services totalled EEK 63 million (EUR 4 million).



In addition to investments, AS Tallinna Sadam incurs substantial research and development expenditures each year, which totalled a record of EEK 20 million (EUR 1.3 million) in 2007 as compared to EEK 16.8 million (EUR 1.1 million) previous year. A major part of research and development expenditures are directed at finding lucrative cargo flows and development of new potential projects from the point of view of their environmental, constractual as well as economic feasibility aspects. In 2008, research and development expenditure is budgeted at an even higher amount. The majority of research is targeted at the expansion projects of Muuga Port and Paldiski South Harbour, for the preparation of their drafts and detailed plans as well as for the development of the territory and traffic schemes in the Old City Port.

5. QUALITY AND ENVIRONMENTAL MANAGEMENT

5.1. Development of the management system

From 2003, AS Tallinna Sadam has an integrated quality and environmental management system which meets the international ISO 9001:2000 and ISO 14001:2004 requirements certified by Lloyd´s Register Quality Assurance. In providing port services, a long-term goal is to set up electronic exchange of information between the customers and partners. Another priority continues to be making document management more systematic and environmentally friendly (electronic) and simplifying internal document processing. One important goal of introducing project management is to ensure competitiveness of the customers and the port.

5.2. Indicators of the management system

In order to facilitate a balanced analysis of the Group's results as well as their periodic monitoring, AS Tallinna Sadam has developed indicators for measuring financial, customer, process, personnel, and development aspects. The following important observations and trends may be outlined on the basis of observable indicators for the year 2007:

- financial indicators (EVA[3], profit, cash flows, etc.) decreased as compared to 2006;
- indicators of the process aspect also decreased as compared to 2006 - both cargo volume and the number of passengers fell;
- customer surveys demonstrated that customer opinion of AS Tallinna Sadam improved in 2007;
- of the personnel and development indicators, the number of employees voluntarily leaving the Company fell in 2007. Also, the time spent on employee training fell in 2007 but it stayed at a slightly higher level as compared to previous years.

5.3. Environmental expenditure

The activities targeted at environmental protection incl. acquisition and training of anti-pollution devices, running of cleaning devices and anti-pollution vessels, environmental investments, pollution charges, etc. are becoming more important in development work and the daily activities of the ports. In 2007, AS Tallinna Sadam spent almost EEK 27 million (EUR 1.7 million) on environmental protection. The significant increase in environmental costs as compared to 2006 (growth of EEK 11 million (EUR 0.7 million)) was primarily related to environmental investments (acquisition of a special vessel and additional devices for the air surveillance station in Muuga Port) and the increase in the costs related to the acquisition and use of anti-pollution devices.

6. ORGANISATION AND PERSONNEL

In 2007, the average number of the Group’s employees was 553 (2006: 566) and employee wages and salaries totalled EEK 119.2 million (EUR 7.6 million). In 2006, employee wages and salaries totalled EEK 106.8 million (EUR 6.8 million). In 2007, the average gross wages of the Group’s employees was EEK 17 966 (EUR 1 148) which was 14.1% higher than in 2006 (EEK 15 747 (EUR 1 006)). The reason for the growth in average wages included both employee wage increases due to changes occurred in the labour market well as the changes in the number of employees in different salary groups.

In 2007, there were no changes in the management structure of AS Tallinna Sadam and the Management Board consisted of two members: Chairman of the Management Board Ain Kaljurand and member of the Management Board Allan Kiil.

In 2007, the members of the Management Board received remuneration in the amount of EEK 2 249 thousand (EUR 144 thousand). In 2006, the members of the Management Board received remuneration in the amount of EEK 2 973 thousand (EUR 190 thousand), incl. a bonus for the financial results of 2006 in the amount of EEK 740 thousand (EUR 47 thousand).

In addition to the remuneration paid to the Management Board, a bonus may be payable for the financial results of 2007 which will be ruled upon by the Supervisory Board after the annual report is approved.

The Supervisory Board of AS Tallinna Sadam held six meetings in 2007. Several changes occurred in the membership of the Supervisory Board. With the resolution of the Minister of Economic Affairs and Communications on 6 June 2007, the members of the Supervisory Board Juri Shehovtsov, Vilja Savisaar and Toomas Vitsut were removed and Tõnis Palts, Indrek Raudne and Eerik-Niiles Kross were appointed as new members. With the decree of the Minister of Finance of 4 June 2007, Margus Leivo

[3] EVA – Economic Value Added

and Jüri Saar were removed and Priit Paiste and Randel Lants were appointed as new members of the Supervisory Board.

In 2007, the members of the Supervisory Board received remuneration totalling EEK 551 thousand (EUR 35.2 thousand), in 2006, EEK 566 thousand (EUR 36.2 thousand).

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Management Board confirms the correctness and completeness of AS Tallinna Sadam consolidated interim financial statements for the 12 months ended 31 December 2007 as presented on pages 14 – 28.

The Management Board confirms that:

1. the accounting policies used in preparing the consolidated interim financial statements are in compliance with International Financial Reporting Standards as they have been adopted in the European Union;

2. the consolidated interim financial statements present a true and fair view of the financial position, the results of operations and the cash flows of the Group;

3. AS Tallinna Sadam and its subsidiaries are going concerns.

Ain Kaljurand
Chairman of the Management Board

Allan Kiil
Member of the Management Board

Tallinn, 29. February 2008

CONSOLIDATED BALANCE SHEET

in thousands of (unaudited) as at 31 December	Note	EEK 2007	EEK 2006	EUR 2007	EUR 2006
ASSETS					
Current assets					
Cash and cash equivalents		269 641	514 693	17 233	32 895
Available for sale financial assets		2 855	2 855	182	182
Other financial assets at fair value through profit and loss		0	34 855	0	2 228
Derivatives	3	11 427	9 078	730	580
Trade and other receivables		110 880	102 705	7 087	6 564
Total current assets		**394 803**	**664 186**	**25 232**	**42 449**
Non-current assets					
Investments in joint venture		2 673	0	171	0
Other long-term receivables		6 959	8 585	445	549
Property, plant and equipment	4	6 385 769	5 757 872	408 125	367 995
Total non-current assets		**6 395 401**	**5 766 457**	**408 741**	**368 544**
Total assets		**6 790 204**	**6 430 643**	**433 973**	**410 993**
LIABITLITIES					
Current liabilities					
Current portion of bonds and long-term loans	5	608 435	185 282	38 886	11 842
Short-term provisions		18 910	17 189	1 208	1 099
Supplier and other payables		195 190	113 267	12 475	7 238
Total current liabilities		**822 535**	**315 738**	**52 569**	**20 179**
Non-current liabilities					
Long-term borrowings	5	1 453 504	1 661 386	92 896	106 182
Government grants	6	11 455	18 358	732	1 173
Other long-term payables		9 400	6 712	601	429
Total non-current liabilities		**1 474 359**	**1 686 456**	**94 229**	**107 784**
Total liabilities		**2 296 894**	**2 002 194**	**146 798**	**127 963**
EQUITY					
Share capital at nominal value		2 786 204	2 755 619	178 071	176 116
Statutory reserve capital		275 562	275 000	17 612	17 576
Hedge reserve	8	8 642	8 494	552	543
Retained earnings		1 087 071	792 908	69 476	50 676
Net profit for the financial year		335 831	594 724	21 464	38 010
Capital and reserves attributable to equity holders of the Parent Company		**4 493 310**	**4 426 745**	**287 175**	**282 921**
Minority interest		0	1 704	0	109
Total equity		**4 493 310**	**4 428 449**	**287 175**	**283 030**
Total liabilities and equity		**6 790 204**	**6 430 643**	**433 973**	**410 993**

The accompanying notes on pages 19 - 28 are an integral part of these consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT

in thousands of EEK (unaudited)	Note	2007	2006	01.07.2007-31.12.2007	01.07.2006-31.12.2006
Sales		1 162 445	1 177 953	509 955	549 657
Other income		30 174	186 810	24 640	51 115
Operating expenses		-309 252	-289 023	-164 305	-150 510
Personnel expenses		-176 025	-153 651	-106 157	-93 216
Depreciation and impairment	**4**	-204 296	-189 545	-105 102	-97 328
Other expenses		-19 652	-973	-15 706	-468
Operating profit		**483 394**	**731 571**	**143 325**	**259 250**
Finance income and costs					
Finance income		12 798	11 714	4 488	7 160
Finance costs		-76 645	-62 557	-40 401	-33 791
Total finance income and costs		**-63 847**	**-50 843**	**-35 913**	**-26 631**
Profit/loss from investments in joint venture under equity method of accounting		**899**	**0**	**-145**	**0**
Profit before tax		**420 446**	**680 728**	**107 267**	**232 619**
Income tax expense	**7**	-84 615	-85 130	0	0
Profit for the period		**335 831**	**595 598**	**107 267**	**232 619**
attributable to:					
equity holders of the Parent Company		335 831	594 724	**107 267**	232 129
minority interest		0	874	0	490
Basic earnings and diluted earnings per share (in EEK)	**7**	1,21	2,16	0,39	0,84

in thousands of EUR	Note	2007	2006	01.07.2007-31.12.2007	01.07.2006-31.12.2006
Sales		74 294	75 285	32 592	35 129
Other income		1 929	11 939	1 575	3 267
Operating expenses		-19 765	-18 472	-10 501	-9 619
Personnel expenses		-11 250	-9 820	-6 785	-5 958
Depreciation and impairment	**4**	-13 057	-12 114	-6 717	-6 220
Other expenses		-1 256	-62	-1 004	-30
Operating profit		**30 895**	**46 756**	**9 160**	**16 569**
Finance income and costs					
Finance income		818	749	287	458
Finance costs		-4 899	-3 998	-2 582	-2 160
Total finance income and costs		**-4 081**	**-3 249**	**-2 295**	**-1 702**
Profit/loss from investments in joint venture under equity method of accounting		58	0	-9	0
Profit before tax		**26 872**	**43 507**	**6 856**	**14 867**
Income tax expense	**7**	-5 408	-5 441	0	0
Profit for the period		**21 464**	**38 066**	**6 856**	**14 867**
attributable to:					
equity holders of the Parent Company		21 464	38 010	6 856	14 836
minority interest		0	56	0	31
Basic earnings and diluted earnings per share (in EUR)	**7**	0,08	0,14	0,02	0,05

The accompanying notes on pages 19 - 28 are an integral part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of (unaudited)	Note	EEK 2007	EEK 2006	EUR 2007	EUR 2006
Cash receipts from sale of goods and services		1 261 917	1 302 556	80 651	83 249
Cash receipts related to other income		13 627	7 952	871	508
Payments to suppliers		-479 812	-420 586	-30 665	-26 880
Payments to and on behalf of employees		-105 739	-111 303	-6 758	-7 114
Payments for other expenses		-24 399	-5 803	-1 559	-371
Income tax on dividends paid	**7**	-17 830	-83 420	-1 140	-5 332
Cash generated from operating activities		**647 764**	**689 396**	**41 400**	**44 060**
Purchases of property, plant and equipment (PPE)	**9**	-781 436	-433 766	-49 943	-27 723
Proceeds from sale of PPE		1 706	235 311	109	15 039
Reclassification of subsidiary		-2 799	0	-179	0
Purchases of other financial investments		-36 851	-48 903	-2 355	-3 125
Proceeds from sale of other financial assets		72 730	40 000	4 648	2 556
Interest received		12 638	8 727	808	558
Cash used in investing activities		**-734 012**	**-198 631**	**-46 912**	**-12 695**
Issue of bonds	**5**	400 553	264 427	25 600	16 900
Redemption of bonds	**5**	0	-100 000	0	-6 391
Borrowings received		0	203 406	0	13 000
Repayments of borrowings	**5**	-185 282	-147 578	-11 842	-9 432
Dividends paid	**7**	-300 000	-285 000	-19 173	-18 215
Interest paid		-73 874	-56 727	-4 722	-3 625
Other payments related to financing activities		-201	-259	-13	-16
Cash used in financing activities		**-158 804**	**-121 731**	**-10 150**	**-7 779**
TOTAL CASH FLOWS		**-245 052**	**369 034**	**-15 662**	**23 586**
Cash and cash equivalents at beginning of the period		514 693	145 659	32 895	9 309
Net increase/decrease in cash and cash equivalents		-245 052	369 034	-15 662	23 586
Cash and cash equivalents at end of the period		269 641	514 693	17 233	32 895

The accompanying notes on pages 19 - 28 are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of EEK (unaudited)	Note	Share capital at nominal value	Statutory reserve capital	Hedge reserve	Retained earnings	Minority interest	Total equity
Equity as at 31 December 2005		**2 750 000**	**275 000**	**-6 030**	**1 077 911**	**830**	**4 097 711**
Revaluation reserve of hedging instruments	**8**	0	0	14 524	0	0	**14 524**
Net income recognised directly in equity		*0*	*0*	*14 524*	*0*	*0*	***14 524***
Net profit for the financial year		0	0	0	594 724	874	**595 598**
Total recognised income and expenses for 2006		*0*	*0*	*14 524*	*594 724*	*874*	***610 122***
Dividends declared	**7**	0	0	0	-285 000	0	**-285 000**
Issue of share capital		5 619	0	0	0	0	**5 619**
Adjustment		0	0	0	-3	0	**-3**
Equity as at 31 December 2006		**2 755 619**	**275 000**	**8 494**	**1 387 632**	**1 704**	**4 428 449**
Revaluation reserve of hedging instruments	**8**	0	0	148	0	0	**148**
Net income recognised directly in equity		*0*	*0*	*148*	*0*	*0*	**148**
Net profit for financial year		0	0	0	335 831	0	**335 831**
Total recognised income and expenses for 2007		*0*	*0*	*148*	*335 831*	*0*	**335 979**
Issue of share capital		30 585	0	0	0	0	**30 585**
Transfers to reserve capital	**7**	0	562	0	-562	0	**0**
Dividends declared	**7**	0	0	0	-300 000	0	**-300 000**
Reclassification of subsidiaries		0	0	0	0	-1 704	**-1 704**
Adjustment		0	0	0	1		**1**
Equity as at 31 December 2007		**2 786 204**	**275 562**	**8 642**	**1 422 902**	**0**	**4 493 310**

in thousands of EUR (unaudited)	Note	Share capital at nominal value	Statutory reserve capital	Hedge reserve	Retained earnings	Minority interest	Total equity
Equity as at 31 December 2005		**175 757**	**17 576**	**-385**	**68 891**	**53**	**261 892**
Revaluation reserve of hedging instruments	**8**	0	0	928	0	0	**928**
Net income recognised directly in equity		*0*	*0*	*928*	*0*	*0*	**928**
Net profit for the financial year		0	0	0	38 010	56	**38 066**
Total recognised income and expenses for 2006		*0*	*0*	*928*	*38 010*	*56*	**38 994**
Dividends declared	**7**	0	0	0	-18 215	0	**-18 215**
Issue of share capital		359	0	0	0	0	**359**
Equity as at 31 December 2006		**176 116**	**17 576**	**543**	**88 686**	**109**	**283 030**
Revaluation reserve of hedging instruments	**8**	0	0	9	0	0	**9**
Net income recognised directly in equity		*0*	*0*	*9*	*0*	*0*	**9**
Net profit for financial year		0	0	0	21 464	0	**21 464**
Total recognised income and expenses for 2007		*0*	*0*	*9*	*21 464*	*0*	**21 473**
Issue of share capital		1 955	0	0	0	0	**1 955**
Transfers to reserve capital	**7**	0	36	0	-36	0	**0**
Dividends declared	**7**	0	0	0	-19 173	0	**-19 173**
Reclassification of subsidiaries		0	0	0	0	-109	**-109**
Adjustment		0	0	0	-1	0	**-1**
Equity as at 31 December 2007		**178 071**	**17 612**	**552**	**90 940**	**0**	**287 175**

The accompanying notes on pages 19 - 28 are an integral part of these consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

AS Tallinna Sadam (hereinafter also the Parent Company) is an incorporated entity registered in the Republic of Estonia at 5.11.1996. The consolidated interim financial statements of AS Tallinna Sadam for the 12 months ended 31 December 2007 include the Parent Company and its subsidiaries (hereinafter the Group). The main field of activity of the Group's Parent Company is the provision of port services as a landlord-type port with the task of infrastructure management and development as well as arrangement of vessel traffic in the port area. The Parent Company owns five ports: Vanasadam (Old City Port) located in the centre of Tallinn known as a passenger port, the commercial port in Paljassaare, the largest commercial port of Estonia in Muuga, the commercial and passenger port in Paldiski (Paldiski South Harbour) and the newest port in Saaremaa for receiving cruise vessels which opened in 2006. The subsidiaries belonging to the Group provide supporting services in these ports.

Company	**Location**	**Ownership (%)**	**Main activity**
OÜ Tallinna Sadama Elektrivõrk	Estonia	100	Provision of network services and sale of electricity
OÜ Tallinna Sadama Veevõrk	Estonia	100	Provision of services related to water and heat supply as well as drainage of sewage

In 2007, the subsidiary AS Green Marine was reclassified from a subsidiary into a joint venture.

The interim report is unaudited and otherwise unexamined by the auditors.

The sole shareholder of AS Tallinna Sadam is the Republic of Estonia.
The bonds of AS Tallinna Sadam are listed on the Tallinn Stock Exchange.

These interim financial statements were authorised for issue by the Management Board on 29 February 2008.

The Group's consolidated interim financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted in the European Union.
The principal accounting policies applied in the preparation of the Group's consolidated interim financial statements are set out below. These accounting policies have been consistently applied to all the periods presented. All Group companies use uniform accounting policies.

2. ACCOUNTING POLICIES

New IFRS standards, amendments to published Standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

a) Amendments to IFRS standards and interpretations of IFRIC which became effective for the Group during 2007 and have an effect on the Group's interim financial statements:

Amendment to IAS 1 "Presentation of Financial Statements: Capital disclosures": The amendment to IAS 1 requires additional disclosures in the financial statements regarding the capital and its management.

IFRS 7 "Financial Instruments: Disclosures": IFRS 7 introduces new disclosures to improve the information about financial instruments. The volume of disclosures will increase significantly with an emphasis on quantitative aspects of credit risk, liquidity risk and market risk exposures and the methods of risk management. The quantitative disclosures will provide information about the extent to which the Group is exposed to risk, based on information provided internally to the Group's key management personnel and it also includes sensitivity analysis of market risk. IFRS 7 supersedes IAS 30 ("Disclosures in the Financial Statements of Banks and Similar Financial Institutions") and some of the requirements in IAS 32 ("Financial Instruments: Disclosure and Presentation". The Group discloses required information in full extent in the consolidated financial statements.

Note 2 continued

b) Amendments to IFRS standards and interpretations of IFRIC which became effective for the Group during 2007 but do not have an effect on the Group's interim financial statements:

IFRS 4" Insurance Contracts";
IFRIC 7 Applying the Reinstatement Approach under IAS 29 – "Financial Reporting in Hyperinflationary Economies";
IFRIC 8 "Scope of IFRS 2";
IFRIC 9 "Reassessment of Embedded Derivatives";
IFRIC 10 "Interim Financial Reporting and Impairment".

Foreign currency translations

a) Functional and presentation currency

Items included in the interim financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates - the Estonian kroon ("the functional currency").
The consolidated interim financial statements are presented in Estonian kroons and pursuant to the requirements of the Tallinn Stock Exchange, in Euros. As the Estonian kroon is pegged to the Euro with the fixed exchange rate (EUR 1 = EEK 15.6466), no foreign exchange rate differences arise in the translation of the interim financial statements. All amounts in these consolidated interim financial statements are presented in thousands of kroons, unless referred to otherwise.

b) Foreign currency transactions and financial assets and financial liabilities denominated in foreign currencies

Foreign currency transactions are translated into the functional currency (Estonian kroon) using the exchange rates of the Bank of Estonia prevailing at the dates of the transactions. Monetary financial assets and liabilities and non-monetary financial assets and liabilities measured at fair value denominated in foreign currencies as at the balance sheet date are translated into Estonian kroons based on the foreign currency exchange rates of the Bank of Estonia prevailing at the balance sheet date. Profits and losses from foreign currency transactions and from revaluation of assets and liabilities denominated in foreign currencies are recognised in the income statement as income or expenses of that period.

3. DERIVATE INSTRUMENTS

As at 31 December 2007, AS Tallinna Sadam had interest rate swap transactions to fix the interest rates of long-term loans in the nominal value of EEK 805 174 thousand (EUR 51 460 thousand). As at 31 December 2006, the respective amount was EEK 827 392 thousand (EUR 52 880 thousand).
All terms and conditions and due dates of interest rate swap transactions follow the repayment schedule of a loan to be hedged and they are treated as hedging instruments for accounting purposes.
As at 31 December 2007, AS Tallinna Sadam had entered into four derivative transactions to hedge interest rate risk. The maturity of all derivative transactions is in 2009 and the base interest is 6-month Euribor. Three of these derivatives are *threshold swap* type products in which case the derivative instrument hedges interest rate risk only if at the date of fixing the rate of the floating base interest rate is lower than the agreed level or threshold. The threshold of these three derivatives is 5%. In 2007, all derivatives where fully functional.
The fair value of derivate instruments is based on the quotes of Nordea Bank Finland Plc and SEB Eesti Ühispank. The payments related to derivates are performed in euros.

Note 3 continued

in thousands of	EEK 2007	EEK 2006	EUR 2007	EUR 2006
Base amount as at 31 December	805 174	827 392	51 460	52 880
Fair value at the beginning of the reporting period (positive (+) / negative (-))	**9 078**	**-8 308**	**580**	**-531**
Change in fair value (Note 8)	5 654	11 865	361	759
Interest paid (+)/received (-) (Note 5)	-3 305	5 521	-211	352
Fair value at the end of the reporting end (positive (+) / negative (-))	**11 427**	**9 078**	**730**	**580**

The hedge reserve related to derivative transactions is disclosed in Note 8 to these interim financial statements.

As at 31 December 2007, the average fixed interest rate was 3.53% (31 December 2006: 3.23%); the basis for the floating interest rate is Euribor. Gains and losses on swap transactions included within the hedge reserve in equity are recorded in the income statement until the expiration of derivate contracts.

4. PROPERTY, PLANT AND EQUIPMENT

in thousands of EEK	Land and buildings	Machinery and equipment	Other PPE	Construction in progress	Pre-payments	Total
Property, plant and equipment as at 31 December 2005						
Cost	6 305 106	655 439	71 458	165 034	7 248	**7 204 285**
Accumulated depreciation and impairment	-1 279 605	-340 369	-49 449	0	0	**-1 669 423**
Net book amount as at 31 December 2005	**5 025 501**	**315 070**	**22 009**	**165 034**	**7 248**	**5 534 862**
Changes in 2006						
Acquisitions and reconstruction	381 524	45 078	3 427	14 871	15 630	**460 530**
Non-current assets sold at net book amount	-37 492	-79	-2	-9 142	0	**-46 715**
Depreciation charge and impairment	-143 950	-37 650	-7 945	0	0	**-189 545**
Reclassified at net book amount	0	0	0	-1 260	0	**-1 260**
Property, plant and equipment as at 31 December 2006						
Cost	6 629 734	687 238	71 352	169 503	22 878	**7 580 705**
Accumulated depreciation and impairment	-1 404 151	-364 819	-53 863	0	0	**-1 822 833**
Net book amount as at 31 December 2006	**5 225 583**	**322 419**	**17 489**	**169 503**	**22 878**	**5 757 872**
Changes in 2007						
Acquisitions and reconstruction	260 372	35 407	20 548	536 315	-18 157	**834 485**
Non-current assets sold at net book amount	0	-1 539	-46	0	0	**-1 585**
Depreciation charge and impairment	-157 675	-39 496	-7 125	0	0	**-204 296**
Reclassified at net book amount	414 930	77 845	0	-493 482	0	**-707**
Property, plant and equipment as at 31 December 2007						
Cost	7 292 648	782 375	87 999	212 336	4 721	**8 380 079**
Accumulated depreciation and impairment	-1 549 438	-387 739	-57 133	0	0	**-1 994 310**
Net book amount as at 31 December 2007	**5 743 210**	**394 636**	**30 866**	**212 336**	**4 721**	**6 385 769**

Note 4 continued

in thousands of EUR	Land and buildings	Machinery and equipment	Other PPE	Construction in progress	Pre-payments	Total
Property, plant and equipment as at 31 December 2005						
Cost	402 968	41 892	4 567	10 548	464	**460 439**
Accumulated depreciation	-81 782	-21 754	-3 160	-	-	**-106 696**
Net book amount as at 31.12.2005	**321 186**	**20 138**	**1 407**	**10 548**	**464**	**353 743**
Changes in 2006						
Acquisitions and reconstruction	24 385	2 881	219	950	998	**29 433**
Non-current assets sold at net book amount	-2 396	-5	0	-584	0	**-2 985**
Depreciation charge and impairment	-9 200	-2 407	-508	0	0	**-12 115**
Reclassified at net book amount	0	0	0	-81	0	**-81**
Property, plant and equipment as at 31 December 2006						
Cost	423 717	43 923	4 560	10 833	1 462	**484 495**
Accumulated depreciation and impairment	-89 742	-23 316	-3 442	0	0	**-116 500**
Net book amount as at 31 December 2006	**333 975**	**20 607**	**1 118**	**10 833**	**1 462**	**367 995**
Changes in 2007						
Acquisitions and reconstruction	16 640	2 263	1 313	34 277	-1 160	**53 333**
Non-current assets sold at net book amount	0	-98	-3	0	0	**-101**
Depreciation charge and impairment	-10 078	-2 524	-455	0	0	**-13 057**
Reclassified at net book amount	26 520	4 975	0	-31 540	0	**-45**
Property, plant and equipment as at 31 December 2007						
Cost	466 085	50 003	5 624	13 570	302	**535 584**
Accumulated depreciation and impairment losses	-99 027	-24 781	-3 651	0	0	**-127 459**
Net book amount as at 31 December 2007	**367 058**	**25 222**	**1 973**	**13 570**	**302**	**408 125**

The Group's assets have not been pledged.

5. LOANS AND BONDS

in thousands of	**EEK**	**EEK**	**EUR**	**EUR**
as at 31 December	**2007**	**2006**	**2007**	**2006**
Current portion				
Current portion of long-term bank loans	207 882	185 282	13 286	11 842
Short-term bonds	400 553	0	25 600	0
Total current portion	**608 435**	**185 282**	**38 886**	**11 842**
Non-current portion				
Bank loans	1 189 077	1 396 959	75 996	89 282
Bonds	264 427	264 427	16 900	16 900
Total long-term portion	**1 453 504**	**1 661 386**	**92 896**	**106 182**
Total borrowings	**2 061 939**	**1 846 668**	**131 782**	**118 024**

Note 5 continued

Interest paid

in thousands of	EEK 2007	EEK 2006	EUR 2007	EUR 2006
On bonds issued	12 464	7 678	797	491
On bank loans	64 715	43 528	4 136	2 782
On derivatives (Note 3)	-3 305	5 521	-211	352
Total interest paid	**73 874**	**56 727**	**4 722**	**3 625**

Issue and redemption of bonds

The bonds of AS Tallinna Sadam issued through a private placement at 17 March 2006 are listed on the Tallinn Stock Exchange with a nominal value of EUR 16 900 thousand (EEK 264 427 thousand) and a maturity of 3 years. The bonds were issued with a floating interest rate, the base interest being 6-month Euribor plus a margin of 0.32% per annum. There were no transactions with the bonds on the Tallinn Stock Exchange in the reporting period and in the comparable 2006 financial year.

At 19 November 2007, AS Tallinna Sadam carried out a private placement in the nominal value of EUR 25 600 thousand (EEK 400 553 thousand) with the maturity of 1 year. The bonds were issued with a floating interest rate, the base interest being 1-month Euribor plus a margin of 0.31% per annum.

Considering the effect of derivative transactions used to hedge interest rate risk, as at 31 December 2007, the average weighted interest rate on bonds was 4.934%.

in thousands of as at 31 December	EEK 2007	EEK 2006	EUR 2007	EUR 2006
Carrying amount of bonds				
Short-term bonds	400 553	0	25 600	0
Long-term bonds	264 427	264 427	16 900	16 900
Fair value of bonds based on the quoted sales at the reporting date*				
Short-term bonds	401 155	0	25 638	0
Long-term bonds	268 379	267 349	17 153	17 087

***** based on ex pit transactions between banks and funds

Long-term loans

Loan agreements are denominated in Euros and have a floating interest rate (base interest is 6-month Euribor). As at 31 December 2007, the weighted average interest rate on outstanding loans was 4.981% (2006: 3.866%). Considering the effect of derivative instruments for hedging the interest rate risk, as at 31 December 2007, the average interest rate on loans was 4.492% (2006: 3.778%).

Interest is paid on the loan balances semi-annually. Pursuant to the loan agreement, the lender shall reprice the new base interest rate two days prior to the beginning of the next interest period.

Payment commitments arising from loan agreements are unsecured liabilities, i.e. no assets have been pledged to meet the commitments. The Group has met all of its contractual commitments set out in loan agreements, such as meeting special terms, obligation to inform and minimum requirements with regard to financial ratios.

In 2007, principal loan payments amounted to EEK 185 282 thousand (EUR 11 842 thousand), in the comparable 2006 financial year, principal payments amounted to EEK 147 578 thousand (EUR 9 432 thousand).

As at 31 December 2007 and as at 31 December 2006, the Group did not have any undrawn loans. The maturities of loans are between 2013 – 2016.

Note 5 continued

Contractual repayments of outstanding loans

in thousands of as at 31 December	EEK 2007	EEK 2006	EUR 2007	EUR 2006
< 6 months	78 037	78 037	4 987	4 988
6 - 12 months	530 398	107 245	33 899	6 854
1 - 5 years	1 095 957	1 095 957	70 045	70 045
> 5 years	357 547	565 429	22 851	36 137
Total loans	**2 061 939**	**1 846 668**	**131 782**	**118 024**

6. GOVERNMENT GRANTS

in thousands of	EEK 2007	EEK 2006	EUR 2007	EUR 2006
Long-term prepayments of grants at the beginning of the reporting period				
TEN-T Fund	8 837	0	565	0
Cohesion Fund	9 063	6 759	579	432
Environmental Investment Centre	458	458	29	29
Total long-term prepayments of grants at the beginning of the reporting period	**18 358**	**7 217**	**1 173**	**461**
Grants received				
TEN-T Fund	0	11 610	0	742
Cohesion Fund	0	2 304	0	147
Total grants received	**0**	**13 914**	**0**	**889**
Recognized in income				
TEN-T Fund	6 445	2 773	412	177
Cohesion Fund	0	0	0	0
Total recognized in income	**6 445**	**2 773**	**412**	**177**
Adjustments				
Environmental Investment Centre *	-458	0	-29	0
Total adjustments	**-458**	**0**	**-29**	**0**
Long-term prepayments of grants at the end of the reporting period				
TEN-T Fund	2 392	8 837	153	565
Cohesion Fund	9 063	9 063	579	579
Environmental Investment Centre	0	458	0	29
Total long-term prepayments of grants at the end of the reporting period	**11 455**	**18 358**	**732**	**1 173**

* Adjusted in conjunction with the subsidiary’s reclassification to a joint venture (Note 1)

Grants related to costs

Project of EU TEN-T Fund “Technical Assistance for the Construction of Breakwaters in Muuga Port and Paldiski South Harbour for Environmental Protection Purposes" (2006-2007)

50% of this project is co-financed by TEN-T Fund of the European Union.

Research and analyses are conducted within the framework of the project and projects are prepared for building breakwaters in Muuga Port and Paldiski South Harbour. Two basic agreements were entered into for the preparation of construction (design with related research and analyses) and complementary agreements for special environmental research.

Note 6 continued

Grants related to assets

Project of the EU Cohesion Fund "Technical Assistance for Extension of Muuga Port" (2004-2006)
Required documents for the construction of the eastern part of Muuga port, including an estimate of environmental effects and project documents, were prepared within the framework of the technical assistance project. The rate of the project's co-financing by the EU was 80.45%.

Project of the European Commission "Construction of the Eastern Part of Muuga Port" (2007-2010)
At 26 December 2006, a resolution was adopted by the European Commission to co-finance the eligible costs of stage I construction of the extension of the eastern part of Muuga Port from the EU Cohesion Fund.
The European Commission will finance the extension of Muuga Port with EEK 361 280 thousand (EUR 23 090) which makes up approximately 32.3% of the total eligible costs.
As at 31 December 2007, no grants related to this project had been received.

7. EQUITY

Share capital

As at 31 December 2007, AS Tallinna Sadam had 278 620 401 registered shares outstanding (as at 31 December 2006: 275 561 901 registered shares). The nominal value of a share is 10 kroons (EUR 0.64). All of the Company's shares belong to the Republic of Estonia. The owner of the shares and the exerciser of the rights of the shareholder is the Ministry of Economic Affairs and Communications, represented by the Minister of Economic Affairs and Communications at the General Meeting of Shareholders.

The maximum number of ordinary shares established in the articles of association of AS Tallinna Sadam is 1 000 000 000 (in 2005: 1 000 000 000). As at 31 December 2007 and as at 31 December 2006, all shares issued (278 620 401 shares and 275 561 901 shares, respectively) had been fully paid for.

At 18 April 2007, 2 175 000 and at 02 November 2007, 883 500 new ordinary shares with the nominal value of 10 kroons (EUR 0.64) were issued. In the comparable 2006 financial year, 561 901 new ordinary shares with the nominal value of 10 kroons (EUR 0.64) were issued. A non-monetary payment was made for all shares – in the form of registered immovables belonging to the Republic of Estonia.

Earnings per share

	2007	**2006**	**01.07.2007-31.12.2007**	**01.07.2006-31.12.2006**
Weighted average number of shares (pcs)	277 340 401	275 234 126	278 031 401	275 468 251

	2007	**2006**	**01.07.2007-31.12.2007**	**01.07.2006-31.12.2006**
Net profit for the year attributable to the equity holders of the Parent Company (in thousands of EEK)	335 831	594 724	107 267	232 129
Basic earnings and diluted earnings per share (in EEK)	1,21	2,16	0,39	0,84

	2007	**2006**	**01.07.2007-31.12.2007**	**01.07.2006-31.12.2006**
Net profit for the year attributable to the equity holders of the Parent Company (in thousands of EUR))	21 464	38 010	6 856	14 836
Basic earnings and diluted earnings per share (in EUR)	0,08	0,14	0,02	0,05

Note 7 continued

Distributable equity

As at 31 December 2007, the distributable equity of the Parent Company (taking into account the statutory requirement to transfer 1/20 of the financial year's net profit to statutory reserve capital) was EEK 1 419 844 thousand (EUR 90 745 thousand), in 2006, the respective figure was EEK 1 387 070 thousand (EUR 88 650 thousand). As at the balance sheet date, it s possible to pay dividends to the shareholders in the amount of EEK 1 121 677 thousand (EUR 71 689 thousand) and the corresponding income tax on dividends would amount to EEK 298 167 thousand (EUR 19 056 thousand). In 2006, the respective figures were EEK 1 081 915 thousand (EUR 69 147 thousand) and EEK 305 155 thousand (EUR 19 503 thousand).

The following table shows the basis for calculating distributable equity, a possible dividend amount and the accompanying income tax:

in thousands of as at 31 December	**EEK** **2007**	**EEK** **2006**	**EUR** **2007**	**EUR** **2006**
Retained earnings	1 422 902	1 387 632	90 940	88 686
Statutory reserve capital 5%	-3 058	-562	-195	-36
Distributable equity	**1 419 844**	**1 387 070**	**90 745**	**88 650**
Income tax in 2008: 21% (2007: 22%)	298 167	305 155	19 056	19 503
Dividends	**1 121 677**	**1 081 915**	**71 689**	**69 147**

Statutory reserve capital

Pursuant to the requirement of the Commercial Code, allocations to reserve capital amounted to EEK 562 thousand (EUR 36 thousand). In the comparable 2006 financial year, there were no allocations into reserve capital because it complied with the requirements set out in the Commercial Code.

Dividends

in thousands of	**EEK** **2007**	**EEK** **2006**	**EUR** **2007**	**EUR** **2006**
Dividends declared and paid out during the reporting period	300 000	285 000	19 173	18 215
Dividends per share (in EEK, EUR)	1,08	1,04	0,07	0,07

Income tax on dividends

in thousands of	**EEK** **2007**	**EEK** **2006**	**EUR** **2007**	**EUR** **2006**
Charge	84 615	85 130	5 408	5 441
Paid, incl.:				
in cash	*17 830*	*83 420*	*1 140*	*5 332*
set off with VAT	*10 375*	*1 710*	*663*	*109*
Total paid	28 205	85 130	1 803	5 441
Accrued income tax	56 410	0	3 605	0

8. HEDGE RESERVE

in thousands of	EEK 2007	EEK 2006	EUR 2007	EUR 2006
Hedge reserve at the beginning of the reporting period (positive (+)/negative (-))	**8 494**	**-6 030**	**543**	**-385**
Change in fair value of derivatives (Note 3)	5 654	11 865	361	759
Reduction of income (+) /expense (-) reported in the income statement	-5 506	2 659	-352	169
Hedge reserve at the end of the reporting period (positive (+)/negative (-))	**8 642**	**8 494**	**552**	**543**

Derivatives included within the hedge reserve are disclosed in Note 3 to these interim financial statements.

9. EXPLANATIONS TO THE CASH FLOW STATEMENT

Non-monetary transactions

in thousands of	EEK 2007	EEK 2006	EUR 2007	EUR 2006
Set-off between provision of services and payables to suppliers for goods and services	13 429	7 562	858	483
Set-off between tax receivables and tax liabilities	82 806	40 021	5 292	2 558
Total non-monetary transactions	**96 235**	**47 583**	**6 150**	**3 041**

Purchase of property, plant and equipment

in thousands of	EEK 2007	EEK 2006	EUR 2007	EUR 2006
Cash flows	**-781 436**	**-433 766**	**-49 943**	**-27 723**
Set-offs	-10 284	-1 312	-657	-84
Reclassifications	-587	-28	-38	-2
Co-financing received	0	-10 753	0	-687
Non-monetary payments	-30 585	-5 619	-1 955	-359
Paid for the previous financial year	34 324	25 272	2 195	1 615
Outstanding balance at end of the period	-45 917	-34 324	-2 935	-2 194
Total adjustments	*-53 049*	*-26 764*	*-3 390*	*-1 710*
Purchases and reconstruction (Note 4)	**834 485**	**460 530**	**53 333**	**29 433**

10. CONTINGENT LIABILITIES

The tax authorities may at any time inspect the Group's tax books and records within 6 years subsequent to the reported tax year, and upon finding errors impose additional tax assessments and penalties. The tax authorities have neither initiated nor conducted any tax inspections at the Group companies or a single-case inspection in the financial year and in the comparable period. The Group's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

Note 10 continued

The loan contracts concluded by the Group set out certain limits for the Group's consolidated financial indicators. The set limits have not been exceeded.

From 2003, the Group has a contractual obligation to prepare a territory under a terminal for its cooperation partner with the due date of 31 December 2006. As at 31 December 2007, the Group had not yet started to prepare the territory under the terminal which pursuant to the agreements entered into can lead to the obligation to pay contractual penalties. If the completion date for the territory under the terminal would be set at 31 December 2009 (i.e. length of construction period of ca. 18 months), the estimated contractual penalty would amount to EEK 19.6 million (EUR 1.3 million). Pursuant to current legislation and considering the client's interest in cooperation, the Group's management considers the realisation of penalties related to the completion of the terminal unlikely and no provision has been set up in the balance sheet specifically for the purpose of covering potential contractual penalties.

Pursuant to rental and right of superficies contracts, AS Tallinna Sadam has the obligation to compensate for the fair value of subsequent expenditure incurred for the facilities erected by the lessee or made to the assets of AS Tallinna Sadam after the contract's expiry. At the time of preparing the annual report, the amount of such a liability could not be determined reliably.

11. EVENTS AFTER THE BALANCE SHEET DATE

AS Tallinna Sadam is a company whose shares are owned by the state. During each financial year, the amount of dividends payable to the state budget is established by the order of the Government of the Republic of Estonia. According to the order of the Government of the Republic of Estonia, the dividends payable from the net profit of 2007 amount to EEK 100 000 thousand (EUR 6 391 thousand). Income tax on dividends is EEK 26 582 thousand (EUR 1 699 thousand).

12. CONTINUITY OF OPERATIONS

As at 31 December 2007, the Group's current liabilities exceeded its current assets by EEK 428 million (EUR 27.3 million). The Group's interim financial statements have been prepared under the going concern assumption. Management estimates that negative working capital will not cause any financial difficulties for the Group in 2008. The negative working capital mostly relates to the one-year bond issued by the Group at the end of 2007 with the value of EEK 401 million (EUR 25.6 million) which is planned to be refinanced at the end of 2008. Considering the Group's cash flows from operating activities and the capital structure, management has no reason to doubt the Group's ability to raise additional debt.