AS TALLINNA SADAM
(PORT OF TALLINN)

Consolidated interim report for the
12 months ended 31 December 2008
(Translation of the Estonian Original)

AS TALLINNA SADAM

CONSOLIDATED INTERIM REPORT 12 MONTHS 2008

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@portoftallinn.com**
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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 of AS Tallinna Sadam set out on pages 5 - 12 presents a true and fair view of the business developments and results as well as the financial position, and includes a description of major risks and doubts of the Parent Company and the consolidation companies as a group.

Ain Kaljurand
Chairman of the Management Board

Allan Kiil
Member of the Management Board

26 February 2009

MANAGEMENT REPORT

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

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 ships which opened in 2006. As at the end of the 2008 financial year, in addition to the Parent Company, the consolidation group of AS Tallinna Sadam included:

Name of company	Ownership interest	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 2008)

2. ECONOMIC ENVIRONMENT

In 2008, global economic growth which had stayed at a record level over the last thirty years started to slow down sharply as a result of unleashing of risks accumulated during rapid growth, and only 0.5% growth is forecast for the year 2009 which would represent another end of the spectrum, i.e. the weakest result over the last 60 years since World War II. The outlook for economic growth is not expected to improve before the efficiency of the financial sector and the functioning of the financial markets are restored after the successful implementation of monetary and regulatory measures requiring international cooperation. The forecast of 4.1% for global economic growth in 2008 made earlier in the year has come down to 3.4%[1].

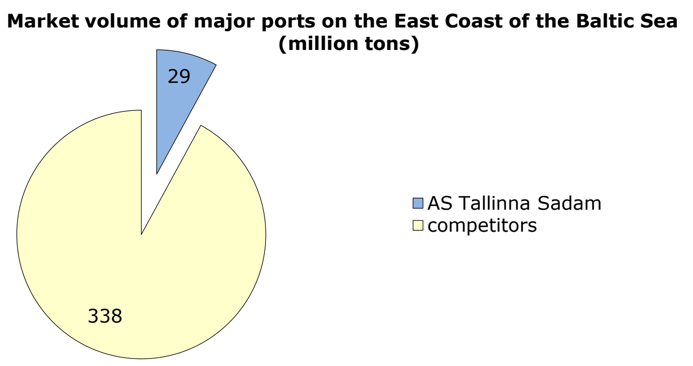
2.1. Developments in Russia

As compared to the forecast of stable economic growth for the upcoming years made by the Ministry of Finance of Russia last year, the events that had an impact on the global economy in 2008 have forced it to replace the 6-7% growth expectations with negative growth forecasts at the end of January of the current year. The Ministry for Economic Development and Trade forecasts contraction of the economy by 0.2% in 2009. In addition to the international financial crisis, the decline in the price of crude oil also has a negative impact on Russia's economy. The income from the oil and gas sector was expected to contribute 43% to Russia's state budget in 2008.
The recession was witnessed from mid-2008, mostly in the sectors of manufacturing, construction and transportation.

2.2. Competitive position

In evaluating the competitive position, the largest ports located on the East 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 primarily originating in Russia or directed there. In 2008, the total cargo volume of the largest ports on the East Coast of the Baltic Sea amounted to 367 million tons, signalling the replacement of the previous growth trend with a slight decline of - 0.7% (2007: the market volume was 369 million tons and growth was 6.8%).

[1] IMF "World Economic Outlook Update", January 2009



Combined with the trading volume of other Estonian ports (7.2 million tons), the market volume of cargo transit of AS Tallinna Sadam and its competitors was 374 million tons in 2008, decreasing by 4 million tons or 1.1% as compared to 2007.

Against the background of the relatively stable market volume, the most significant event was the reallocation of market share between the ports, with the most important change being the decrease of the cargo volume of AS Tallinna Sadam, on account of which the volume increased at several Latvian and Lithuanian ports and to a lesser degree, at Russia's ports. Of the ports, cargo volume increased the most at Butinge terminal in Lithuania (growth of 4.5 million tons, or 98%), followed by the ports of Riga (growth of 3.6 million tons, or 14%) and Klaipeda (growth of 2.5 million tons, or 9%). The cargo volume of the largest ports in the region, those of Primorsk and St. Petersburg, increased to a lesser degree.

Cargo volume decreased the most at AS Tallinna Sadam (-7 million tons, or -19%), the ports of Ventspils (-2.5 million tons, or -8%) and Gdansk (-2 million tons, or -10%).

The market development by cargo types was different in 2008, the volume of liquid cargo (growth of 2.4 million tons) and container goods (growth of 1.8 million tons), within general cargo group, saw increase. The volume of dry bulk cargo (primarily fertilizers and coal, -2.9 million tons) and general cargo (-2.7 million tons) decreased.

Along with the decline in cargo volume for the second consecutive year, AS Tallinna Sadam fell from the third place among the ports on the East Coast of the Baltic Sea to the fifth place, slightly behind the ports of Klaipeda and Riga. As a result of the decline of cargo volume, the market share of AS Tallinna Sadam fell from 9.8% to 8% among the largest ports on the East Coast of the Baltic Sea.

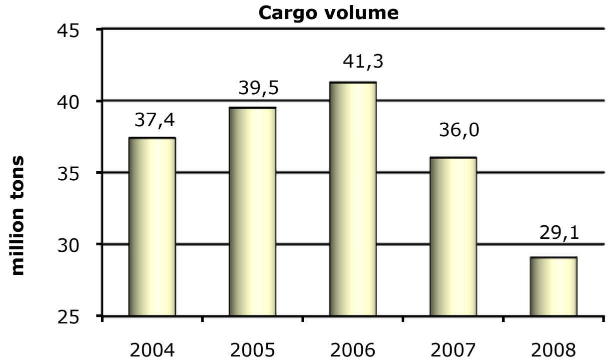
3. RESULTS OF OPERATIONS

The results of operations in 2008 were primarily impacted by sharp drop of Russia-originating cargo volume seen in mid-2007, which however stayed at a relatively stable level during the financial year, the decrease in cargo volume was 19% in total. As it is known, the decrease in cargo volume in 2007 started under the circumstances which were neither in the scope of influence of AS Tallinna Sadam nor related to the competitiveness of AS Tallinna Sadam. On the other hand, cargo volume reached the budgeted level, despite the impact of the global economic cool-down on some cargo groups.

However, the number of passengers passing through the port reached a record level both in respect of line as well as cruise passengers. The factors which impacted the growth of the number of passengers included Estonia's joining the Schengen visa zone in December 2007, ongoing upgrading of line vessels together with special offers being made available to passengers, and with regard to cruise traffic, the Baltic Sea becoming one of the fastest growing cruise regions in the world.

The combined effect of the decline in cargo volume and the growth in the number of passengers helped maintain the operating income at the same level as last year, but the growth of expenses led to lower efficiency.

3.1. Cargo volume



In 2008, the cargo volume passing through the ports of AS Tallinna Sadam decreased by 7 million tons (or 19%), to 29 million tons. The decrease was an aftermath to an steep drop that had occurred in mid-2007 subsequent to which the cargo volume has stayed at a relatively stable level.

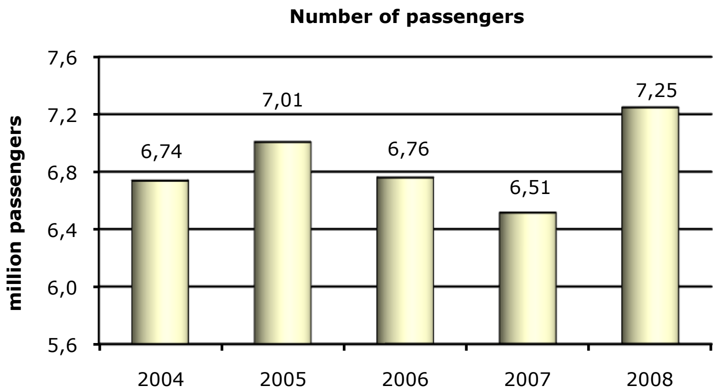
The decrease together with major changes occurred again in the volumes of bulk cargo and liquid cargo. The reason behind the decline in the volume of bulk and liquid cargo was primarily related to the continuing direction of cargo originating in Russia to Russia's own ports for the purpose of completely utilising their capacity.

The volume of container and rolling stock primarily related to the development of consumption on the East Coast of the Baltic Sea and its hinterland did not change (except for new passenger cars, the volume of which decreased) and their share in the structure of cargo volume increased due to the decrease in the volumes of the largest cargo groups.

By cargo types, liquid cargo made up 71%, bulk cargo 10%, rolling stock 12% and containers 5% of cargo volume (2007: 62%, 22%, 10% and 4%, respectively). With regard to cargo routes, transit made up 77%, exports 11% and imports 12% of cargo volume (2007: 82%, 8% and 10%, respectively).

Cargo transit through AS Tallinna Sadam is not seasonal by nature. 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 when ice-breaking activities may slow down the movement of vessels and cargo (extraordinarily difficult ice conditions occurred 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 2008, the number of passengers travelling through the ports of AS Tallinna Sadam was record-breaking 7.25 million, increasing by almost 730 thousand passengers or 11% (2007: 6.51 million passengers and a decrease of 3.7%, respectively). The number of passengers exceeded the expected level in 2008.

The number of passengers increased primarily both with regard to line as well as cruise passengers, the latter also increased the most in relative terms. In absolute terms, the number of passengers increased the most on the largest Tallinn-Helsinki line, by 570 thousand passengers or 10%. The number of passengers on the second largest line Tallinn-Stockholm increased by 100 thousand passengers or 15%. In addition to a long season of high-speed crafts permitted by mild winter, the growth in the number of passengers was also fostered by Estonia's joining the

Schengen visa zone at the end of 2007; once again, the addition of several new and larger passenger ships to the main lines and the effect of several marketing campaigns offered to passengers which made travelling easier and more convenient.

In 2008, several changes occurred in the operations of passenger ship operators. In the second half of the year, Nordic Jetline and Superseacat that had run seasonal high-speed crafts between Tallinn and Helsinki terminated their services, and Tallink's Superfast crafts no longer entered Tallinn as a stop on Finland-Germany route.

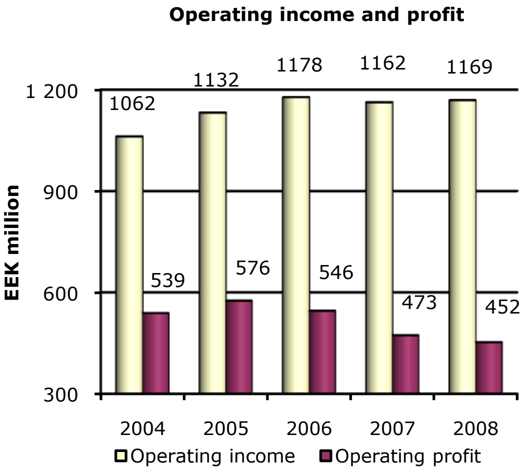
The number of cruise passengers increased by 83 thousand passengers or 28% and reached a record-breaking level, 378 thousand passengers. The reputation of Baltic Sea region as a fast-growing region and the world's fastest growing cruise tourism region helped to increase the number of cruise passengers. In the upcoming years, no major increase in the number of cruise passengers is expected at Saaremaa Harbour that was opened in 2006 for the purpose of receiving cruising passengers. In 2008, almost 2 thousand cruise passengers travelled through the port.

Over the last several years, important changes have occurred in the structure of ships carrying passengers on Tallinn-Helsinki line. In prior years, passenger ship operators used non-ice class high-speed craft in the spring-summer-autumn (or warmer) season which enabled them to provide faster and more cost-effective services for the growing number of passengers during this period. In 2004, such high-speed craft carried 40% of the annual volume on Tallinn-Helsinki line, whereas in 2008, they carried only 0.7 million passengers or 12% of the line's annual volume (2007: 1.1 million passengers or 20%, respectively), which once again represented a major decrease. However, some non-ice class high-speed craft were replaced by newer, larger high-speed ferries that can be run throughout the year which carried 3.6 million passengers or already 60% of the line's passengers (2007: 1.2 million passengers or 22%, respectively). As such ships replaced also larger, slower ice-class ships, the average crossing time on the line decreased.

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

Such seasonalities regularly exist 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 2008, the consolidated revenue of AS Tallinna Sadam amounted to EEK 1,169 million (EUR 74.7 million), increasing by EEK 7 million (EUR 0.4 million) or 0.6% (2007: 1,162 million (EUR 74.3 million) and a decrease of 1.3%, respectively).

Although there was almost no change in revenue, some changes occurred in the structure of income related to the changes in cargo volume and the number of passengers. The decrease in the cargo volume was accompanied by a decrease in income derived from cargo fees by EEK 26 million (EUR 1.7 million) or 16%, to EEK 138 million (EUR 8.8 million). However, growth in the number of passengers led to an increase in passenger fee revenue by EEK 20 million (EUR 1.3 million) or 16%, to EEK 148 million (EUR 9.4 million). Rental income increased by EEK 7 million (EUR 0.5 million) or 6%, to EEK 119 million (EUR 7.6 million). Revenue from port fees, directly related to the number of vessel calls and total capacity of vessels, did not change significantly, increasing by EEK 1 million (EUR 0.1 million) or 0.2%. Various factors affected the generation of revenue from port fees. The most significant factors lowering the revenue included a decrease in the number of calls of both cargo and passenger vessels, and decrease of total capacity of cargo vessels. Growth in the number of calls of cruise vessels, growth in the total capacity of passenger and cruise vessels as well as the effect of indexation of port fees can be mentioned as the factors contributing to the increase of port fees.

The sale of electricity decreased by EEK 1 million (EUR 0.1 million) or 2% due to lower sales volume primarily related to lower consumption by cargo operators. The sale of other services increased by EEK 5.5 million (EUR 0.4 million) related to appreciation of public utility services sold to companies operating in the port.

The expenses related to main operations (operating expenses, personnel expenses, and depreciation and impairment expense) totalled EEK 717 million (EUR 45.8 million), increasing by EEK 27 million (EUR 1.7 million) or 4% in a year. Growth of expenses was primarily related to depreciation and impairment expense that increased by EEK 28 million (EUR 1.8 million) or 14% due to higher depreciation cost related to growth of assets as well as expensing non-feasible development projects. However, considering that expensing of development projects brought along recording of public grant as income in the amount of EEK 9 million (EUR 0.6 million) included within other operating income, the net growth of the expense was lower by this amount. Operating expenses decreased by EEK 1 million (EUR 0.1 million) or 0.4% and personnel expenses stayed at the same level as last year, despite price rise of services necessary for the main operations and the growth of assets related to the expansion of the port's territory. Within operating expenses, land tax increased the most due to the increase of the land tax rate in Tallinn, and research and development costs as well as the cost related to debtors decreased the most as a result of termination of several research projects and the collection of receivables previously written down, respectively.

The operating profit for 2008 (operating profit before other operating income and other operating expenses) was EEK 452 million (EUR 28.9 million), representing a decline of the operating profit by EEK 20.5 million (EUR 1.3 million) or 4% as compared to 2007. Therefore, the efficiency of operations of AS Tallinna Sadam, expressed as an operating margin (operating profit divided by sales revenue) fell from 40.7% to 38.7% (39.5% adjusted) in 2008. Lower efficiency of operations was impacted by a decrease of cargo volume in 2008 as a result of which income from cargo fees decreased and the lower number of cargo vessels calling the port lowered the income from port fees.

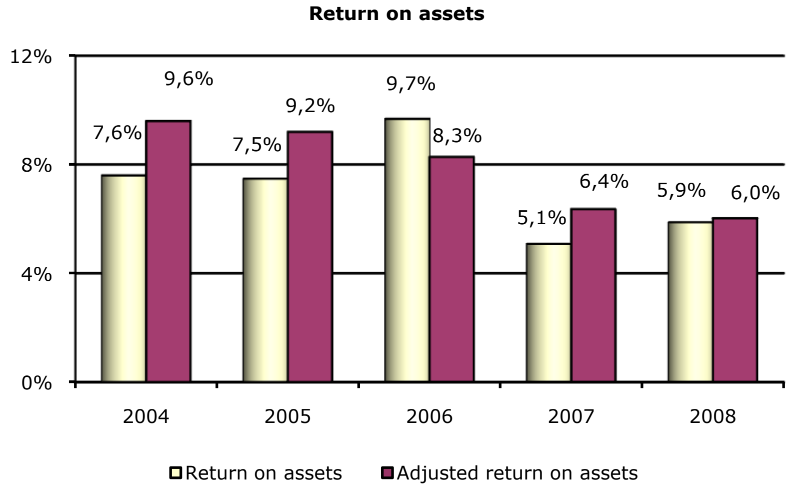
In 2008, the Group's net profit was EEK 417 million (EUR 26.6 million), which is EEK 81 million (EUR 5.2 million) higher than in 2007.

For comparing the net profits of different years of AS Tallinna Sadam, the net profit is adjusted by the most relevant extraordinary income and costs, and the corporate income tax expense on dividends paid.

By adjusting the net profit for 2008 by the amount of the income tax expense on dividends in the amount of EEK 26.6 million (EUR 1.7 million) and the profit from sale of non-current assets in the amount of EEK 16 million (EUR 1 million), the adjusted net profit equals EEK 427 million (EUR 27.3 million). By adjusting the net profit for 2007 by the income tax expense on dividends in the amount of EEK 84.6 million (EUR 5.4 million), the adjusted net profit is EEK 420 million (EUR 26.9 million). The growth of the adjusted net profit was related to the increase of the income derived from contractual penalties included within other operating income on the one hand and the co-effect of the cost of depreciation and impairment and growth of the financing expense on the other.

The financial risks impacting AS Tallinna Sadam and the methods used to hedge them are disclosed in note 2, 4 and 6 to the interim financial statements.

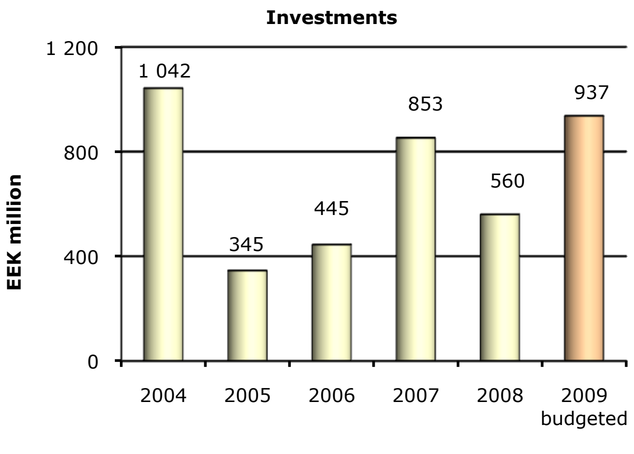
3.4. Return on assets



The return on assets of AS Tallinna Sadam (net profit divided by the annual average volume of assets) was 5.9% which is slightly more than in 2007. However, the return on assets determined using the adjusted net profit fell in 2008, to 6.0%. This represents the lowest return on assets over the last five years. However, the declining trend in the return on assets was partially expected, based on the growth in assets as a result of long-term and large-scale investments, the related income of which will be earned in future periods. The decline in the return was impacted by decline in cargo volume which reduced the impact of the growth of other income.

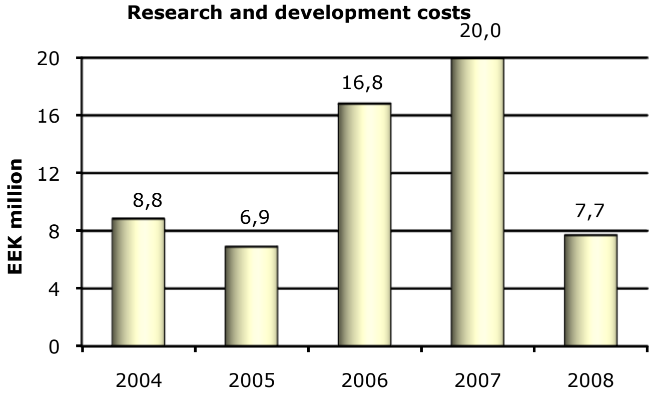
In 2008, the return on equity of AS Tallinna Sadam (adjusted net profit divided by the average annual volume of equity) was 9.2%. This also represented a slight decline in the return as compared to the return of 9.4% of the previous year (which is also based on adjusted net profit). As compared to a larger decline in the return on assets, the return on equity was somewhat maintained due to a change in capital structure as the share of debt increased slightly. The decline in the return on equity was primarily related to a decline of profitability of the main operations. In the upcoming years, the difference of returns on equity and assets is expected to increase further as in order to carry out a large-scale investment programme and to continue with the current dividend policy, debt also needs to be raised in the upcoming years.

4. INVESTMENTS AND DEVELOPMENT OUTLOOK



In 2008, the Group invested a total of EEK 560 million (EUR 35.8 million) in new infrastructure objects and improvement of existing infrastructure assets, representing a decline by EEK 293 million (EUR 18.7 million) and somewhat smaller volume than budgeted.

Most of the investments were made to build new quays and the hinterland area, totalling EEK 360 million (EUR 23.0 million) or almost 2/3 of the total volume of investments. Construction of quays for handling bulk cargo at Paldiski South Harbour and the quay and hinterland area for container cargo at Muuga Port were launched. The investments related to other water transportation structures (quays and aquatory) totalled EEK 67 million (EUR 4.3 million) or 12% of the total volume of investments. A total of EEK 91 million (EUR 5.8 million) was invested in buildings, structures and servicing, EEK 15 million (EUR 1.0 million) in railway runways, EEK 27 million (EUR 1.7 million) in necessary networks of utility services and for increasing the supply security of these services.



In addition to investments, AS Tallinna Sadam incurs substantial research and development costs each year which totalled EEK 7.7 million (EUR 0.5 million) in 2008 as compared to EEK 20.0 million (EUR 1.3 million) the year before. Most of research and development costs are incurred to find lucrative cargo flows and development of new potential projects from the point of view of their environmental, structural as well as economic feasibility aspects. Most of the research projects deal with the expansion projects of Muuga Port and Paldiski South Harbour, including preparation of their drafts and detailed plans, research related to the use of mineral resources and development of the territory and traffic schemes of the Old City Port.

The large-scale investments in the expansion of the port infrastructure at Muuga Port and Paldiski South Harbour were launched. In order to implement the development plans, a total of EEK 3 billion (EUR 189 million) is planned to be invested over the next five years. There will be no major changes in the capital structure that are related to the implementation of investments over the next five years.

5. QUALITY AND ENVIRONMENTAL MANAGEMENT

5.1. Development of the management system

Aimed at improving customer satisfaction and effectiveness of environmental actions AS Tallinna Sadam has utilised from 2003 an integrated quality and environmental management system which meets the requirement of the international standards ISO 9001:2000 and ISO 14001:2004 certified by Lloyd´s Register Quality Assurance.

The goals for developing the management system have been set at AS Tallinna Sadam and they are updated annually.

5.2. Management system measures

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 2008:

- financial indicators (EVA[2], profit, cash flows, etc.) fell as compared to 2007. The indicator of economic value added as well as the indicators of the cash flows from operating activities, the operating profit and the profitability of the operations all fell. However, the declining trend has levelled off as compared to 2007;
- with regard to indicators of the process aspect, cargo volume fell as compared to 2007 but the number of passengers increased: performance measures also fell;
- as the index for measuring client satisfaction has remained stable for several years and the response activity to the satisfaction survey declined over the last several years, it was decided not to carry out the survey in 2008 and instead, to focus on individual treatment of client feedback and more thorough preparation of the client information day;

[2] EVA - *Economic Value Added*

- with regard to personnel and development indicators, the number of employees who voluntarily left the Company, fell. The time spent on employee trailing fell similarly to 2007 but it stayed at the same level as in previous years.

5.3. Environmental expenditures

In 2008, the environmental expenses of AS Tallinna Sadam reached almost EEK 30 million (EUR 1.9 million) of which EEK 11 million (EUR 0.7 million) was the cost of running the ports' anti-pollution vessels. Environmental research and consulting costs totalled EEK 3.4 million (EUR 0.2 million), the running costs of the bio cleaner at Muuga Port totalled EEK 4.2 million (EUR 0.3 million) plus a pollution fee of almost EEK 4 million (EUR 0.26 million). An increase in the environmental expenses in 2008 as compared to 2007 (growth of EEK 3 million (EUR 0.24 million)) was primarily related to the payment of the fee related to user rights of mineral resources and the increase of pollution fee costs for disposing pollutants in the sea.

6. ORGANISATION AND PERSONNEL

In 2008, the average number of the Group's employees was 497 (2007: 553) and remuneration paid to the employees totalled EEK 117.6 million (EUR 7.5 million). In 2007, remuneration paid to the employees totalled EEK 119.2 million (EUR 7.6 million). In 2008, the average gross wages of the Group's employees totalled EEK 19,741 (EUR 1,262), which was 9.9% higher than in 2007 (EEK 17,966 (EUR 1,148)). The reason for the growth in average wages included both employee wage increases due to changes occurred in the labour market as well as the changes in the number of employees in different salary groups.

In 2008, 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. With its resolution of the meeting held at 9 September, the contracts with the members of the Management Board were renewed for the next three years.

In 2008, the remuneration paid to the members of the Management Board totalled EEK 2,230 thousand (EUR 142 thousand). In 2007, the remuneration paid to the Management Board totalled EEK 2,619 thousand (EUR 167 thousand), incl. a bonus for the financial results of 2007 in the amount of EEK 370 thousand (EUR 24 thousand).

In addition to the remuneration paid to the Management Board, a bonus may be payable for the financial results of 2008 which will be ruled upon by the Supervisory Board after the annual report is authorised for issue.

The Supervisory Board of AS Tallinna Sadam held 8 meetings in 2008. One change occurred in the membership of the Supervisory Board. With the directive of the Minister of Finance from October 1st 2008, Märt Vooglaid was removed from his position as a member of the Supervisory Board and Remo Holsmer was appointed as the new member.

In 2008, the remuneration paid to the members of the Supervisory Board totalled EEK 555 thousand (EUR 35.5 thousand), and EEK 551 thousand (EUR 35.2 thousand) in 2007.

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 2008 as presented on paged 13 - 27.

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 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

26 February 2009

CONSOLIDATED BALANCE SHEET

in thousands of (unaudited) as at 31 December	Note	EEK 2008	EEK 2007	EUR 2008	EUR 2007
ASSETS					
Current assets					
Cash and cash equivalents		217 406	269 641	13 895	17 233
Term deposits with maturities greater than 3 months at banks		193 000	0	12 335	0
Available-for-sale financial assets		2 855	2 855	182	182
Derivatives	**2**	2 776	11 427	177	730
Trade and other receivables		190 113	110 880	12 150	7 087
Total current assets		**606 150**	**394 803**	**38 739**	**25 232**
Non-current assets					
Investments in joint venture		4 276	2 673	273	171
Other long-term receivables		4 453	6 959	285	445
Property, plant and equipment	**3**	6 777 456	6 385 769	433 158	408 125
Intangible assets	**3**	716	0	46	0
Total non-current assets		**6 786 901**	**6 395 401**	**433 762**	**408 741**
Total assets		**7 393 051**	**6 790 204**	**472 501**	**433 973**
LIABILITIES					
Current liabilities					
Current portion of bonds and long-term loans	**4**	1 342 261	608 435	85 786	38 886
Derivatives	**2**	9 242	0	591	0
Short-term provisions		20 511	18 910	1 311	1 208
Trade and other payables		230 950	195 190	14 760	12 475
Total current liabilities		**1 602 964**	**822 535**	**102 448**	**52 569**
Non-current liabilities					
Long-term borrowings	**4**	981 194	1 453 504	62 710	92 896
Government grants		2 386	11 455	152	732
Other long-term payables		9 835	9 400	629	601
Total non-current liabilities		**993 415**	**1 474 359**	**63 491**	**94 229**
Total liabilities		**2 596 379**	**2 296 894**	**165 939**	**146 798**
EQUITY					
Share capital at nominal value	**5**	2 786 204	2 786 204	178 071	178 071
Statutory reserve capital		278 620	275 562	17 807	17 612
Hedge reserve	**6**	-4 641	8 642	-297	552
Retained earnings		1 319 845	1 087 071	84 353	69 476
Net profit for the financial year	**5**	416 644	335 831	26 628	21 464
Total equity		**4 796 672**	**4 493 310**	**306 562**	**287 175**
Total liabilities and equity		**7 393 051**	**6 790 204**	**472 501**	**433 973**

The accompanying notes on pages 19 - 27 are an integral part of these consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT

in thousands of EEK (unaudited)	Note	2008	2007	01.07.2008-31.12.2008	01.07.2007-31.12.2007
Sales		1 168 968	1 162 445	553 571	509 955
Other income		82 726	30 174	65 117	24 640
Operating expenses		-307 871	-309 252	-169 578	-164 305
Personnel expenses		-176 371	-176 025	-105 865	-106 157
Depreciation and impairment	**3**	-232 363	-204 296	-130 029	-105 102
Other expenses		-7 877	-19 652	-3 746	-15 706
Operating profit		**527 212**	**483 394**	**209 470**	**143 325**
Finance income and costs					
Finance income		15 632	12 798	9 519	4 488
Finance costs		-101 221	-76 645	-55 632	-40 401
Total finance income and costs		**-85 589**	**-63 847**	**-46 113**	**-35 913**
Profit/loss from investments in joint venture under eguity method of accounting		1 603	899	702	-145
Profit before tax		**443 226**	**420 446**	**164 059**	**107 267**
Income tax expense	**5**	-26 582	-84 615	0	0
Net profit for the period		**416 644**	**335 831**	**164 059**	**107 267**
Basic earnings and diluted earnings per share (in kroons)	**5**	1,50	1,21	0,59	0,39

in thousands of EUR (unaudited)	Note	2008	2007	01.07.2008-31.12.2008	01.07.2007-31.12.2007
Sales		74 711	74 294	35 380	32 592
Other income		5 287	1 929	4 162	1 575
Operating expenses		-19 677	-19 765	-10 838	-10 501
Personnel expenses		-11 272	-11 250	-6 766	-6 785
Depreciation and impairment	**3**	-14 851	-13 057	-8 310	-6 717
Other expenses		-503	-1 256	-239	-1 004
Operating profit		**33 695**	**30 895**	**13 389**	**9 160**
Finance income and costs					
Finance income		999	818	608	287
Finance costs		-6 469	-4 899	-3 556	-2 582
Total finance income and costs		**-5 470**	**-4 081**	**-2 948**	**-2 295**
Profit/loss from investments in joint venture under eguity method of accounting		102	58	45	-9
Profit before tax		**28 327**	**26 872**	**10 486**	**6 856**
Income tax expense	**5**	-1 699	-5 408	0	0
Net profit for the period		**26 628**	**21 464**	**10 486**	**6 856**
Basic earnings and diluted earnings per share (in kroons)	**5**	0,10	0,08	0,04	0,02

The accompanying notes on pages 19 - 27 are an integral part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of (unaudited)	Note	EEK 2008	EEK 2007	EUR 2008	EUR 2007
Cash receipts from sale of goods and services		1 234 601	1 261 917	78 906	80 651
Cash receipts related to other income		21 287	13 627	1 360	871
Payments to suppliers		-455 771	-479 812	-29 129	-30 665
Payments to and on behalf of employees		-120 284	-105 739	-7 687	-6 758
Payments for other expenses		-3 875	-24 399	-248	-1 559
Income tax on dividends paid	**5**	-56 410	-17 830	-3 605	-1 140
Cash generated from operating activities		**619 548**	**647 764**	**39 597**	**41 400**
Purchases of property, plant and equipment (PPE)	**7**	-575 620	-781 436	-36 789	-49 943
Proceeds from sale of PPE		20 297	1 706	1 297	109
Purchase of subsidiary		-695	0	-44	0
Reclassification of subsidiary		0	-2 799	0	-179
Purchases of other financial investments		0	-36 851	0	-2 355
Proceeds from sale of other financial assets		1 440	72 730	92	4 648
Interest received		13 520	12 638	864	808
Net change in term deposits with maturities greater than 3 months		-193 000	0	-12 335	0
Cash used in investing activities		**-734 058**	**-734 012**	**-46 915**	**-46 912**
Issue of bonds	**4**	469 398	400 553	30 000	25 600
Repayments of borrowings		-207 882	-185 282	-13 286	-11 842
Dividends paid	**5**	-100 000	-300 000	-6 391	-19 173
Interest paid	**4**	-98 321	-73 874	-6 284	-4 722
Other payments related to financing activities		-920	-201	-59	-13
Cash used in financing activities		**62 275**	**-158 804**	**3 980**	**-10 150**
TOTAL CASH FLOWS		**-52 235**	**-245 052**	**-3 338**	**-15 662**
Cash and cash equivalents at the beginning of the period		269 641	514 693	17 233	32 895
Net increase/decrease in cash and cash equivalents		-52 235	-245 052	-3 338	-15 662
Cash and cash equivalents at the end of the period		217 406	269 641	13 895	17 233

The accompanying notes on pages 19 - 27 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 2006		**2 755 619**	**275 000**	**8 494**	**1 387 632**	**1 704**	**4 428 449**
Revaluation reserve of hedging instruments	**6**	0	0	148	0	0	**148**
Net income recognised directly in equity		*0*	*0*	*148*	*0*	*0*	***148***
Net profit for the financial year		0	0	0	335 831	0	**335 831**
Total recognised income in 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	**5**	0	562	0	-562	0	**0**
Dividends declared	**5**	0	0	0	-300 000	0	**-300 000**
Reclassification of subsidiaries		0	0	0	0	-1 704	**-1 704**
Adjustment		0	0	0	1	0	**1**
Equity as at 31 December 2007		**2 786 204**	**275 562**	**8 642**	**1 422 902**	**0**	**4 493 310**
Revaluation reserve of hedging instruments	**6**	0	0	-13 283	0	0	**-13 283**
Total expenses recognised directly in equity		*0*	*0*	*-13 283*	*0*	*0*	**-13 283**
Net profit for financial year		0	0	0	416 644	0	**416 644**
Total recognised income and expenses for 2008		*0*	*0*	*-13 283*	*416 644*	*0*	**403 361**
Transfers to reserve capital	**5**	0	3 058	0	-3 058	0	**0**
Dividends declared	**5**	0	0	0	-100 000	0	**-100 000**
Adjustment		0	0	0	1	0	**1**
Equity as at 31 December 2008		**2 786 204**	**278 620**	**-4 641**	**1 736 489**	**0**	**4 796 672**

The accompanying notes on pages 19 - 27 are an integral part of these consolidated interim financial statements.

Consolidated statement of changes in equity, continued

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 2006		**176 116**	**17 576**	**543**	**88 686**	**109**	**283 030**
Revaluation reserve of hedging instruments	**6**	0	0	9	0	0	**9**
Total income recognised directly in equity		*0*	*0*	*9*	*0*	*0*	**9**
Net profit for the financial year		0	0	0	21 464	0	**21 464**
Total recognised income 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	**5**	0	36	0	-36	0	**0**
Dividends declared	**5**	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**
Revaluation reserve of hedging instruments	**6**	0	0	-849	0	0	**-849**
Total expenses recognised directly in equity		*0*	*0*	*-849*	*0*	*0*	**-849**
Net profit for the financial year		0	0	0	26 628	0	**26 628**
Total recognised income and expenses for 2008		*0*	*0*	*-849*	*26 628*	*0*	**25 779**
Transfers to reserve capital	**5**	0	195	0	-195	0	**0**
Dividends declared	**5**	0	0	0	-6 391	0	**-6 391**
Adjustment		0	0	0	-1	0	**-1**
Equity as at 31 December 2008		**178 071**	**17 807**	**-297**	**110 981**	**0**	**306 562**

The accompanying notes on pages 19 - 27 are an integral part of these consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING AND REPORTING POLICIES

AS Tallinna Sadam (hereinafter also the Parent Company) is an incorporated entity registered in the Republic of Estonian at 05 November 1996. The Parent Company's consolidated interim financial statements for the 12 months ended 31 December 2008 include the parent company and companies owned by the parent company (hereinafter the Group).

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.
All Group companies use uniform accounting policies. These policies have been consistently applied to all the periods presented in the financial statements.

The interim financial statements have been prepared in thousands of Estonian kroons and in thousands of Euros (if not noted otherwise).

The information contained in the interim financial statements has not been audited or otherwise checked by auditors.

These interim financial statements were authorised for issue by the Management Board on 26 February 2009.

2. DERIVATIVE INSTRUMENTS

As at 31 December 2008, AS Tallinna Sadam had interest rate swap transactions to fix the interest rates of long-term loans with the nominal value of EEK 1 188 201 thousand (EUR 75 940 thousand). As at 31 December 2007, the respective amount was EEK 805 174 thousand (EUR 51 460 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 2008, AS Tallinna Sadam had entered into 5 derivative transactions to hedge interest rate risk. The due dates of all derivative transactions are in 2009 and the floating interest rate to be swapped is Euribor.
The fair value of derivate instruments is based on the quotes of Nordea Bank Finland Plc, SEB Bank and Danske Bank A/S Estonia Branch.
The payments related to derivates are performed in Euros.

	Assets		**Liabilities**	
in thousands of	**EEK**	**EUR**	**EEK**	**EUR**
Interest rate swap as at 31 December 2007	11 427	730	0	0
Interest rate swap as at 31 December 2008	2 776	177	9 242	591

in thousands of	**EEK 2008**	**EEK 2007**	**EUR 2008**	**EUR 2007**
Base amount as at 31 December	1 188 201	805 174	75 940	51 460
Fair value at the beginning of the reporting period (positive (+)/ negative (-))	**11 427**	**9 078**	**730**	**580**
Change in fair value incl.	-7 484	5 654	-478	361
in the income statement	5 799	5 506	371	352
in the hedge reserve (Note 6)	-13 283	148	-849	9
Interest received (+)/paid (-) (Note 4)	-10 409	-3 305	-665	-211
Fair value at the end of the reporting end (positive (+)/ negative (-))	**-6 466**	**11 427**	**-413**	**730**

Note 2 continued

The hedge reserve related to derivatives is disclosed in Note 6 to these financial statements. As at 31 December 2008, the average fixed interest rate was 4.55% (31 December 2007: 3.53%); 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.

3. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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 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**
Carrying 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 (Note 7)	260 372	35 407	20 548	536 315	-18 157	**834 485**
PPE sold at the carrying amount	0	-1 539	-46	0	0	**-1 585**
Depreciation charge	-152 788	-33 879	-7 086	0	0	**-193 753**
Impairment	-4 887	-5 617	-39	0	0	**-10 543**
Reclassified at the carrying 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**
Carrying amount as at 31 December 2007	**5 743 210**	**394 636**	**30 866**	**212 336**	**4 721**	**6 385 769**
Changes in 2008						
Acquisitions and reconstruction (Note 7)	21 201	20 716	11 481	506 519	83 474	**643 391**
PPE sold at the carrying amount	-19 165	0	-175	-1	0	**-19 341**
Depreciation charge	-163 271	-37 555	-6 454	0	0	**-207 280**
Impairment	0	0	-112	-24 971	0	**-25 083**
Reclassified at the carrying amount	226 422	69 873	206	-296 501	0	**0**
Property, plant and equipment as at 31 December 2008						
Cost	7 482 458	871 285	97 240	397 382	88 195	**8 936 560**
Accumulated depreciation and impairment	-1 674 061	-423 615	-61 428	0	0	**-2 159 104**
Carrying amount as at 31 December 2008	**5 808 397**	**447 670**	**35 812**	**397 382**	**88 195**	**6 777 456**

Note 3 continued

Property, plant and equipment

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 2006						
Cost	423 718	43 922	4 560	10 833	1 462	**484 495**
Accumulated depreciation and impairment	-89 742	-23 316	-3 442	0	0	**-116 500**
Carrying amount as at 31 December 2006	**333 976**	**20 606**	**1 118**	**10 833**	**1 462**	**367 995**
Changes in 2007						
Acquisition and reconstruction (Note 7)	16 640	2 263	1 313	34 277	-1 160	**53 333**
PPE sold at the carrying amount	0	-98	-3	0	0	**-101**
Depreciation charge	-9 766	-2 165	-453	0	0	**-12 384**
Impairment	-312	-359	-2	0	0	**-673**
Reclassified at the carrying 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	-99 027	-24 781	-3 651	0	0	**-127 459**
Carrying amount as at 31 December 2007	**367 058**	**25 222**	**1 973**	**13 570**	**302**	**408 125**
Changes in 2008						
Acquisitions and reconstruction (Note 7)	1 355	1 324	734	32 372	5 335	**41 120**
PPE sold at carrying amount	-1 225	0	-11	0	0	**-1 236**
Depreciation charge	-10 435	-2 400	-413	0	0	**-13 248**
Impairment	0	0	-7	-1 596	0	**-1 603**
Reclassified at the carrying amount	14 471	4 466	13	-18 950	0	**0**
Property, plant and equipment as at 31 December 2008						
Cost	478 216	55 686	6 215	25 396	5 637	**571 150**
Accumulated depreciation and impairment	-106 992	-27 074	-3 926	0	0	**-137 992**
Carrying amount as at 31 December 2008	**371 224**	**28 612**	**2 289**	**25 396**	**5 637**	**433 158**

The Group's assets have not been pledged.

Intangible assets

In 2008, the costs related to software purchases in the amount of EEK 716 thousand (EUR 46 thousand) are included within intangible assets. In the comparable 2007 financial year, the Group did not have any intangible assets.

4. LOANS AND BONDS

in thousands of	EEK	EEK	EUR	EUR
as at 31 December	**2008**	**2007**	**2008**	**2007**
Current portion				
Current portion of long-term bank loans	207 882	207 882	13 286	13 286
Short-term bonds	1 134 379	400 553	72 500	25 600
Total current portion	**1 342 261**	**608 435**	**85 786**	**38 886**
Non-current portion				
Bank loans	981 194	1 189 077	62 710	75 996
Bonds	0	264 427	0	16 900
Total non-current portion	**981 194**	**1 453 504**	**62 710**	**92 896**
Total borrowings	**2 323 455**	**2 061 939**	**148 496**	**131 782**

Interest paid

in thousands of	EEK	EEK	EUR	EUR
	2008	**2007**	**2008**	**2007**
On bonds issued	36 677	12 464	2 344	797
On bank loans	72 053	64 715	4 605	4 136
On derivatives (Note 2)	-10 409	-3 305	-665	-211
Total interest paid	**98 321**	**73 874**	**6 284**	**4 722**

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 the 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 2007 financial year.

At 20 October 2008, AS Tallinna Sadam carried out a private placement of a bond issue with the nominal value of EUR 30 000 thousand (EEK 469 398 thousand) with the maturity of 6 months. The bonds were issued with a floating interest rate, the base interest is 1-month Euribor plus a margin of 0.30% per annum. The issue has not been listed on the Tallinn Stock Exchange.

At 18 November 2008, AS Tallinna Sadam extended the existing one-year bond issue with the nominal amount of EUR 25 600 thousand (EEK 400 553) with the maturity of 6 months with the additional unilateral right to extend the maturity of the issue to 10 years during the 6-month period. Between 1 January 2008 and 19 November 2008, this issue had a floating interest rate with the base interest of 1-month Euribor plus a margin of 0.31% per annum. The issue has a floating interest rate during the extended 6-month period with the base interest of 1-month Euribor plus a margin of 1.15% per annum. If AS Tallinna Sadam decides to use the option to change the maturity of the bond issue to 10 years, the base interest will be 6-month Euribor plus a retrospective interest margin of 2.50% per annum.

Considering the effect of derivative transactions used to hedge interest rate risk, the average weighted interest rate on bonds was 4.629% as at 31 December 2008 (31 December 2007: 4.934%).

Note 4 continued

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 2008, the weighted average interest rate on outstanding loans was 5.652% (in the comparable 2007 financial year: 4.981%). Considering the effect of derivative instruments for hedging the interest rate risk, the average interest rate on loans was 5.218% as at 31 December 2008 (31 December 2007: 4.492%).

Interest is paid on the loan balances semi-annually. Pursuant to the loan agreement, the lender shall fix 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 2008, principal loan payments amounted to EEK 207 882 thousand (EUR 13 286 thousand), in the comparable 2007 financial year, principal payments amounted to EEK 185 282 thousand (EUR 11 842 thousand).

As at 31 December 2008 and as at 31 December 2007, the Group did not have any undrawn loans. The maturities of loans are between 2013 and 2016.

Contractual repayments of outstanding loans

in thousands of as at 31 December	**EEK** **2008**	**EEK** **2007**	**EUR** **2008**	**EUR** **2007**
< 6 months	1 212 416	78 037	77 487	4 987
6 - 12 months	129 845	530 398	8 299	33 899
1 - 5 years	831 530	1 095 957	53 145	70 045
> 5 year	149 664	357 547	9 565	22 851
Total borrowings	**2 323 455**	**2 061 939**	**148 496**	**131 782**

Comparison of the book value and the fair value of loan commitments and bonds

in thousands of as at 31 December	**EEK** **2008**	**EEK** **2007**	**EUR** **2008**	**EUR** **2007**
Book value				
Bonds	1 134 379	664 980	72 500	42 500
Bank loans	1 189 076	1 396 959	75 996	89 282
Total book value	**2 323 455**	**2 061 939**	**148 496**	**131 782**
Fair value				
Bonds	1 135 805	664 980	72 591	42 500
Bank loans	1 125 901	1 396 959	71 958	89 282
Total fair value	**2 261 706**	**2 061 939**	**144 549**	**131 782**

5. EQUITY

Share capital

As at 31 December 2008 and in the comparable 2007 financial year, AS Tallinna Sadam had 278 620 401 registered shares outstanding. 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.

Note 5 continued

The maximum number of ordinary shares established in the articles of association of AS Tallinna Sadam is 1 000 000 000 (in the comparable 2007 financial year: 1 000 000 000). As at 31 December 2008 and as at 31 December 2007, all shares issued had been fully paid for.

Earnings per share

	2008	**2007**	**01.07.2008-31.12.2008**	**01.07.2007-31.12.2007**
Weighted average number of shares (pcs)	278 620 401	277 340 401	278 620 401	278 031 401

	2008	**2007**	**01.07.2008-31.12.2008**	**01.07.2007-31.12.2007**
Net profit for the year attributable to the equity holders of the Parent Company (in thousands of EEK)	416 644	335 831	164 059	107 267
Basic earnings and diluted earnings per share (in EEK)	1,50	1,21	0,59	0,39

	2008	**2007**	**01.07.2008-31.12.2008**	**01.07.2007-31.12.2007**
Net profit for the year attributable to the equity holders of the Parent Company (in thousands of EUR)	26 628	21 464	10 486	6 856
Basic earnings and diluted earnings per share (in EUR)	0,10	0,08	0,04	0,02

Distributable equity

As at 31 December 2008, 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 1 736 489 thousand (EUR 110 981 thousand), in 2007, the respective figure was EEK 1 419 844 thousand (EUR 90 745 thousand). As at the balance sheet date, it would be possible to pay dividends to the shareholders in the amount of EEK 1 371 826 thousand (EUR 87 675 thousand) and the corresponding income tax on dividends would amount to EEK 364 663 thousand (EUR 23 306 thousand), in 2007, the respective figures were EEK 1 121 677 thousand (EUR 71 689 thousand) and EEK 298 167 thousand (EUR 19 056 thousand).

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

in thousands of	**EEK**	**EEK**	**EUR**	**EUR**
as at 31 December	**2008**	**2007**	**2008**	**2007**
Retained earnings	1 736 489	1 422 902	110 981	90 940
Statutory reserve capital 5%	0	-3 058	0	-195
Distributable equity	**1 736 489**	**1 419 844**	**110 981**	**90 745**
Income tax on payment of all distributable equity (21%)	364 663	298 167	23 306	19 056
Potential net dividends	**1 371 826**	**1 121 677**	**87 675**	**71 689**

Statutory reserve capital

Pursuant to the requirements set out in the Commercial Code, reserve capital was increased in 2008 by EEK 3 058 thousand (EUR 195 thousand). As compared to 2007, reserve capital was increased by EEK 562 thousand (EUR 36 thousand).

Note 5 continued

Dividends

in thousands of	**EEK 2008**	**EEK 2007**	**EUR 2008**	**EUR 2007**
Dividends declared and paid out during the reporting period	100 000	300 000	6 391	19 173
Dividends per share (EEK, EUR)	0.36	1.08	0.02	0.07

Income tax on dividends

in thousands of	**EEK 2008**	**EEK 2007**	**EUR 2008**	**EUR 2007**
Unpaid income tax on dividends at the beginning of the reporting period	56 410	0	3 605	0
Charge	26 582	84 615	1 699	5 408
Paid, incl.:				
in cash	*56 410*	*17 830*	3 605	1 140
set off with VAT	*0*	*10 375*	0	663
Total paid	56 410	28 205	3 605	1 803
Unpaid income tax on dividends at the end of the reporting period	26 582	56 410	1 699	3 605

6. HEDGE RESERVE

in thousands of	**EEK 2008**	**EEK 2007**	**EUR 2008**	**EUR 2007**
Hedge reserve at the beginning of the reporting period (positive (+)/negative (-))	**8 642**	**8 494**	**552**	**543**
Change in fair value of derivatives (Note 2)	-7 484	5 654	-478	361
Reduction of expense reported in the income statement	-6 617	-5 506	-423	-352
Expense reported in the income statement	818	0	52	0
Hedge reserve at the end of the reporting period (positive (+)/negative (-))	**-4 641**	**8 642**	**-297**	**552**

Derivatives included within the hedge reserve are disclosed in Note 2 to these financial statements.

7. EXPLANATIONS TO THE CASH FLOW STATEMENT

Non-monetary transactions

in thousands of	**EEK 2008**	**EEK 2007**	**EUR 2008**	**EUR 2007**
Set-off between provision of services and payables to suppliers for goods and services	18 848	13 429	1 205	858
Set-off between tax receivables and tax liabilities	49 405	82 806	3 158	5 292
Total non-monetary transactions	**68 253**	**96 235**	**4 363**	**6 150**

Note 7 continued

Purchase of property, plant and equipment

in thousands of	**EEK 2008**	**EEK 2007**	**EUR 2008**	**EUR 2007**
Cash flows	**-575 620**	**-781 436**	**-36 789**	**-49 943**
Set-offs	-20 454	-10 284	-1 307	-657
Reclassifications	0	-587	0	-38
Non-monetary payments	0	-30 585	0	-1 955
Paid for the previous financial year	45 917	34 324	2 935	2 195
Outstanding balance at the end of the period	-93 234	-45 917	-5 959	-2 935
Total adjustments	*-67 771*	*-53 049*	*-4 331*	*-3 390*
Purchases and reconstruction (Note 3)	**643 391**	**834 485**	**41 120**	**53 333**

8. 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.

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 the terminal for its cooperation partner with the due date of 31 December 2006. As at 31 December 2008, 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. 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 interim report, the amount of such a liability could not be determined reliably.

9. 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 an order of the Government of the Republic of Estonia. Pursuant to the resolution of the Government of the Republic of Estonia, the dividends payable from the net profit of 2008 amount to EEK 100 000 thousand (EUR 6 391 thousand). Income tax on dividends is EEK 26 582 thousand (EUR 1 699 thousand).

At 12.02.2009, AS Tallinna Sadam entered into a loan contract with the European Investment Bank with the value of EUR 40 thousand (EEK 625.9 thousand) and the maximum length of the loan period of 20 years. The loan can be taken out in four instalments both on a floating as well as fixed basis which is fixed at the time each instalment is taken out. The interest margin added to base interest specified in the loan contract is 0.41% per annum. AS Tallinna Sadam plans to use the loan in 2009.

10. CONTINUITY OF OPERATIONS

As at 31 December 2008, the Group's current liabilities exceeded its current assets by EEK 997 million (EUR 63.7 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 2009. The negative working capital mostly relates to the six-month bond issued by the Group with the value of EEK 30 million (EUR 469.4 million) and the extension of the redemption date of the one-year bond issued in the autumn of 2007 with the value of EEK 25.6 million (EUR 400.6 million) by three months, both of which are planned to be refinanced in 2009. Bridge financing or the issuing of short-term bonds for the purpose of long-term refinancing is related to the crisis in international money markets and the long-term nature of processes related to preparing financing by international banks. As at the balance sheet date, AS Tallinna Sadam had a unilateral right to extend the bond issue with the value of EUR 25.6 million (EEK 400.6 million) for 10 years and the resolution of the Board of Directors of the European Investment Bank to finance the Company's investments with long-term capital of up to EUR 40 million (EEK 625.9 million) in 2009. 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.