AS TALLINNA SADAM
(PORT OF TALLINN)

Consolidated interim report for the 6 months ended 30 June 2008

(Translation of the Estonian original)

AS TALLINNA SADAM
(PORT OF TALLINN)

CONSOLIDATED INTERIM REPORT 6 MONTHS 2008

Commercial Registry no	10137319
VAT Registration no.	EE100068489
Mailing address	Sadama 25 15051 Tallinn
Country of incorporation	Republic of Estonia
Phone	+372 631 8001
Fax	+372 631 8006
E-mail	portoftallinn@ts.ee
Web site	http://www.portoftallinn.com/

Field of activity	provision of port services
Beginning of financial year	1 January
End of financial year	31 December
Legal status	Public limited company
Auditor	AS PricewaterhouseCoopers

TABLE OF CONTENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE MANAGEMENT REPORT

The Management Board confirms that the management report of AS Tallinna Sadam presented on pages 5-10 presents a true and fair view of major business developments within the first six months of the financial year and on their impact on the interim report and includes the description of main risks and uncertainties for the remaining six months.

Ain Kaljurand
Chairman of the Management Board

Allan Kiil
Member of the Management Board

Tallinn, 22 August 2008

MANAGEMENT REPORT

The Management Report of AS Tallinna Sadam is based on consolidated indicators.

1. COMPANY OVERVIEW

AS Tallinna Sadam is Estonia's largest complex of cargo and passenger ports. All ports are navigable round the year, well accessible and with sufficient depth, ready to receive all vessels passing through the Danish Straits.

The principal business of AS Tallinna Sadam as the Group's parent undertaking is provision of port services as a landlord-type port responsible for infrastructure management and development as well as arrangement of vessel traffic in the port area. The parent company is the owner of five ports: Old City Port located in the centre of Tallinn and known as a passenger port, commercial port in Paljassaare, the largest commercial port of Estonia in Muuga, commercial and passenger port in Paldiski (Paldiski South Port), and the newest port in Saaremaa for receiving cruise vessels, which opened in 2006.

At the end of the first six months in 2008 AS Tallinna Sadam has ownerships in the following companies:

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 first half-year 2008)
AS Green Marine	51%*	ship-generated waste reception and handling at the ports

* joint venture (joint control by owners)

2. ECONOMIC ENVIRONMENT

The first half of 2008 witnessed growth of developments tagged as risk factors to world economic growth a year ago, which led to cuts in world economic growth forecasts for the running year as well as for 2009 – respectively at 4,1% and 3,9%, compared to 5% in 2007[1]. The global economy is in a complicated position due to sharply slowing demand in many advanced economies, accompanied with an additional risk of globally rising inflation, that reached its 16-year high in Europe. The latter constrains governments' policy response in order to regain growth. Growing inflation is driven by record high oil prices and rising food prices. According to preliminary data for second quarter 2008, Eurozone economic growth was negative for the first time. At the same time financial markets remain turbulent due to doubtful quality of several assets classes, that does not allow to expect that tight credit conditions will ease which in turn limits investment opportunities.

2.1. Developments in Russia

In the first half of 2008, Russian crude oil production decreased by 0.3% compared to the same period last year. On the other hand, the export of oil products via railways grew by 7%, to 43.9 million tonnes. Russia's coal production in the first half of 2008 was 161 million tonnes (a growth by 7%), a year earlier 151 million tonnes (a decrease by 1%). Coal export volume through ports made

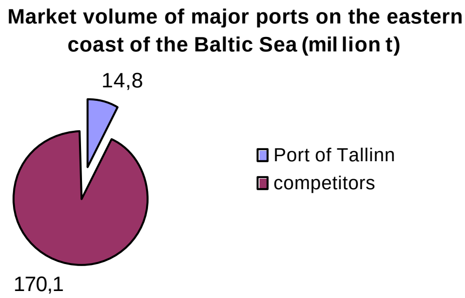
[1] IMF World Economic Outlook Update, July 2008

up 40.3 million tonnes (a decrease by 4%), of which the most or 24.5 million tonnes were exported through Russian own ports.

According to forecasts, import of goods into Russia in the running year shall grow by 34%, reaching to USD 298 billion, representing a substantial upward correction when compared to year earlier forecast, whereby the level was to be achieved not until 2010 (forecasts from Ministry of Economic Development of Russia). Rapid growth is also demonstrated in the growth forecast in sales of consumables for the current year, up by 27.5%. As the majority of imported consumables are transported in sea containers, and by several forecasts Russian own ports lack the capacity for growth of containerised cargo, the possibilities for increasing container flows through AS Tallinna Sadam to Russia are rising.

2.2. Competitive position

In the first half of 2008, the total cargo volume of the largest ports on the eastern coast of the Baltic Sea remained unchanged and amounted to 185 million tonnes (in the first six months of 2007, the market volume was also 185 million tonnes and the growth 10%).



After adding the cargo volume of other Estonian ports (3.1 million tonnes), the total cargo volume of AS Tallinna Sadam and its competitors in the first half of 2008 was 188 million tonnes, decreasing by 2 million tonnes or 1 % over the same period in 2007.

The main change in the cargo market in the first half of 2008 was a structural change – the volume and share of dry bulk cargo somewhat decreased, while the volumes of liquid bulk and general bulk in total increased by the same amount. In comparison of Russian and Baltic ports, the market share of Estonian ports decreased while the volumes of Russia's and other major Baltic ports grew. Largest growth of cargo was recorded in the ports of Klaipeda and Riga, which preceded also the region's largest ports of Primorsk and St Petersburg. The former ones grew on the account of dry bulk and liquid bulk, and in Klaipedas case to a lesser extent on account of containers. Despite lagging behind Klaipeda and Riga in total cargo growth, the largest volume growth of containerised cargo took place in St.Petersburg, exceeding several times the respective total growth in other ports. The largest cargo volume decrease was recorded in AS Tallinna Sadam, where cargo volume dropped from 21.7 million tonnes to 14.8 million tonnes or by 32%.

In the first half of 2008 the market share of AS Tallinna Sadam among the major ports of the eastern coast of the Baltic Sea decreased, from 11.8% to 8%.

With its cargo volume of 37.4 million tonnes, Primorsk was still the largest port on the eastern coast of the Baltic Sea in the first half of 2008. The source of growth at the port of Primorsk was liquid cargo. The second largest port was St.Petersburg with a cargo volume of 29.6 million tonnes. The ports of Klaipeda and Riga followed, the former as a result of large growth of cargo volume and the latter due to lesser decrease of cargo volume when compared to AS Tallinna Sadam. AS Tallinna Sadam moved back from the third place to fifth, slightly preceding the Port of Riga.

The Port of Sillamäe, which was opened in 2005 in Eastern-Estonia, recorded a cargo volume of 0.5 million tonnes, which is half of the figure year earlier.

3. RESULTS OF OPERATIONS

The cargo volume passing through the ports of AS Tallinna Sadam decreased in the first half of 2008. The volume of cargo dropped sharply in the middle of last year, due to redirection of cargo flows originating from Russia into Russia's own ports and also into other Baltic countries, and has stayed on a similar level hereto. The number of passenger grew above expectations in both liner and cruise segments, reaching new historic highs.

Cargo volume

In the first half of 2008, the cargo volume passing through the ports of AS Tallinna Sadam decreased by 7 million tonnes (or 32%), reaching 14.8 million tonnes. After steep drop in May 2007, the volume of transit goods (mainly dry and liquid bulk) arriving to Estonia from Russia by the railway has stabilised on similar level. Some growth was recorded for container units and rolling stock volumes, but their positive impact on change of total cargo volume remained insignificant.

The majority of the cargo volume was still made up of liquid cargo with 70%, followed by rolling stock with 13% and dry bulk by 11%, which dropped third in rank after losing volume the most (in the first half of 2007, the respective figures were 60%, 8% and 26%).

By transport directions, the cargo volume included 78% transit, 10% export and 12% import goods (in the first half of 2007, the respective figures were 86%, 8% and 6%). As the change in cargo volume was driven by decrease of transit cargo originating from Russia, it brought about the respective change in transport directions' structure.

The cargo transport through AS Tallinna Sadam is not seasonal in nature. Cargo volume passing through the port in winter may be affected by freezing sea lanes in the Finnish Gulf due to long periods of cold weather where ice-breaking activities may slow down the movement of vessels and cargo (last extraordinarily difficult ice conditions existed 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 cargo, changes in factors of Russian exports such as export duties and tariffs, and export capacities). Currently no change is known in these factors in the direction that could reduce the cargo volume of AS Tallinna Sadam and hence the revenues of the company in the second half of the year. Although the drop of cargo volume in the first half-year took place on circumstances not dependent on AS Tallinna Sadam, the company continues its efforts to regain the previous volume of cargo.

Number of passengers

After some decrease during two former years the number of passengers increased in the first half of 2008 and reached new high. In the first half-year the number of passengers travelling through the ports of AS Tallinna Sadam was 3.3 million, which was 15% more than in the same period a year ago (the respective figures stood at 2.9 million passengers and a decrease of 4.1%).

The number of passengers grew both for liner and cruise passenger segments. The largest among lines, Tallinn-Helsinki line saw the growth of passengers by 351 thousand or by 14%, totalling 2.8 million passengers. The number of passengers on Tallinn-Stockholm line grew by 64 thousand or by 21%, totalling 371 thousand. Paldiski-Kapellskär line saw a decrease of passengers by 8 thousand or by 32%, totalling 17 thousand passengers. Considering that the line serves mainly rolling stock, the number of passengers served in the future is likely also to remain insignificant.

The number of traditional cruise passengers increased most in relative terms, growing by 31 thousand passengers or by 30%, reaching to 139 thousand. The growth in cruise passengers was achieved in Old City Port.

The first half-year saw the continuing of changes in vessel parks of the line passenger operators, whereby older and smaller vessels are being replaced by newer and larger ones, that increasingly replace also seasonal (summer) fast ferries.

In the spring-summer-autumn (warmer) season, passenger ship operators use without ice-class fast ferries on the Tallinn-Helsinki line to provide faster and more cost-efficient service for growing number of passengers during that period. In the first six months of 2008, without ice-class fast ferries carried 0.32 million passengers or 11% of the line's volume (the figures in the same period last year were 0.38 million passengers or 16%), that marked a drop of the respective share for the fourth year in a row.

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

Such seasonal variations occur regularly in passenger transport and, therefore, they do not have an extraordinary effect on the financial results of AS Tallinna Sadam.

The total capacity of passenger liner vessels has seen a fast growth during recent years, exceeding the growth in passenger numbers. Therefore, the risk of underutilisation of liner vessels has increased in the tightening competition in liner market, which might lead to a reduction in the number of vessels serving the lines or to a reduction in call frequency, which in turn could reduce the income from port dues for AS Tallinna Sadam.

Income and expenses

The consolidated sales of AS Tallinna Sadam in the first half of 2008 amounted to EEK 615.4 million (EUR 39.3 million), decreasing by 5.7% (in 2007, the respective figures were EEK 652.4 million (EUR 41.7 million) and 3.8% growth). The decrease in sales was mainly due to the decrease of cargo volume, the effect of which exceeded the positive effect from the growth in the number of passengers and liner vessels' capacity. Income from cargo dues decreased by EEK 32 million (EUR 2.0 million or 30%) and income from port dues by EEK 21 million (EUR 1.3 million or 5%). Income from passengers dues, rent and sale of services increased respectively by EEK 11 million (EUR 0.7 million), EEK 3 million (EUR 0.2 million) and EEK 1 million (EUR 0.1 million).

The operating profit[2] for the first half of 2008 amounted to EEK 304 million (EUR 19.4 million), which is below the figure for the same period last year by EEK 36 million (EUR 2.3 million or 10.6%), due to the decrease in sales.

The expenses related to the principal business totalled EEK 311 million (EUR 19.9 million), decreasing by 0.3%. Depreciation and impairment of fixed assets grew slightly (increase by EEK 3.1 million (EUR 0.2 million) or 3.2%) as a result of growth in the total volume of fixed assets. Operating expenses decreased by EEK 3.7 million (EUR 0.2 million or 2.6%). The decrease resulted from decrease in repairs and consultation expenses, exceeding the increase of land tax cost. Personnel expenses did not change from the previous year. The rise of wages was compensated by the reduction in average number of employees.

The operating margin[3] of the Group was 49%, which once again meant slight reduction compared to the same period last year (the corresponding figure was 52%), mainly due to the decrease in sales.

The operating profit amounted to EEK 318 million (EUR 20.3 million), which is EEK 24.3 million (EUR 1.6 million) less than the respective indicator from the last year. The smaller drop in operating profit than that of operating profit[2] was mainly caused by increase in other income from profit of sales of some fixed assets.

The finance cost totalled EEK 45.6 million (EUR 2.9 million), increasing by EEK 9.4 million (EUR 0.6 million) or 26% over the same period in the last year. The increase in finance cost is associated with

[2] operating profit + other expenses – other income
[3] operating profit/sales

both the increase in interest rates and slightly increased amount of borrowed funds. The impact of the increase in interest rates for AS Tallinna Sadam remained limited as a result of the reduction of interest rate risk through derivative instruments.

The consolidated net profit for the first six months in 2008 amounted to EEK 252.6 million (EUR 16.1 million), which meant an increase of net profit by EEK 23 million (EUR 1.5 million) or 10 % compared with the same period a year earlier. The increase in the net profit was caused by decreased dividend income tax expense in relation to smaller amount of dividends declared for 2007 (EEK 100 million (EUR 6.4 million)) than for the previous year (EEK 300 million (EUR 19.2 million)). Profit before income tax amounted to EEK 279 million (EUR 17.8 million), decreasing by EEK 35 million (EUR 2.2 million).

The interest rate risks affecting AS Tallinna Sadam and the methods used for their hedging are presented in Note 2 to the interim report.

Return on assets

The return on assets of AS Tallinna Sadam (annualised net profit divided by the average volume of assets for the period) was 7.4%, an increase based on stronger net profit when compared with last year's figure of 7.1%. When calculating the return on assets on the basis of adjusted net profit[4], the return on assets in the first half of the year will be 8.2% compared with 9.7% a year earlier. Lower return on assets was caused mainly by decrease of pre-tax profit and to some extent by the increased average volume of assets.

In the first half of 2008, the return on equity of AS Tallinna Sadam (annualised net profit divided by the average volume of equity for the period) was 11.1%, which was higher of the previous year's figure (10.4%). The corresponding figure based on adjusted net profit was 12.2% (and 14% a year earlier), where the decrease was associated with decrease of pre-tax profit and also with the increase in the average volume of equity.

4. INVESTMENTS AND DEVELOPMENT

In the first half of 2008, the Group invested a total of EEK 196 million (EUR 12.5 million) in new infrastructure objects and improvement of existing infrastructure, which was EEK 209 million (EUR 13.4 million) less than the year earlier. Most of the investments were traditionally related to water transport facilities (quays and aquatory), of which the largest share formed investment into a new dry bulk quay in Paldiski South Harbour and dredging works in Muuga Harbour. Investments were continued for improvement of passenger vessel reception conditions, into railway runways, purchase of land for port territory, and for improving the access routes to the port and the general utilities networks.

In addition to investments, AS Tallinna Sadam incurs each year substantial research and development costs, which totalled nearly EEK 5 million (EUR 0.3 million) in the first half of 2008, being slightly less than a year earlier. The main part of research and development costs are directed at finding lucrative trade flows and analysis of potential development projects in terms of their environmental, structural and economic feasibility.

5. ENVIRONMENTAL PROTECTION

The activities targeted at environmental protection play a very important role due to the large-scale development projects of AS Tallinna Sadam. The major projects continued in the first half of 2008 included air surveillance at Muuga Harbour and environmental impact assessments of the western part of Muuga Harbour. Studies are conducted to assess the impact of development on the environment,

[4] net profit has been adjusted by income tax expense on dividends

people, animals, plants, etc., and to develop measures for reducing negative environmental impact. The bird population and marine environment are monitored after completion of Saaremaa Harbour. Environmental impact assessment for port expansion and sand analysis related to former are carried out at Paldiski South Harbour.

6. ORGANISATION AND PERSONNEL

In the first half of 2008, the average number of the Group's employees was 514 (559 in the same period in 2007) and employee wages and salaries totalled EEK 46.4 million (EUR 3.0 million), compared with EEK 45.8 million (EUR 2.9 million) a year earlier.

In the first half of 2008, the members of the Group's supervisory boards received remuneration totalling EEK 349 thousand (EUR 22 thousand), while the corresponding amount in the previous year was EEK 443 thousand (EUR 28 thousand).

In the first half of 2008, the members of the Group's management boards received remuneration totalling EEK 1 170 thousand (EUR 74.8 thousand), in the previous year EEK 1 384 thousand (EUR 88.5 thousand).

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

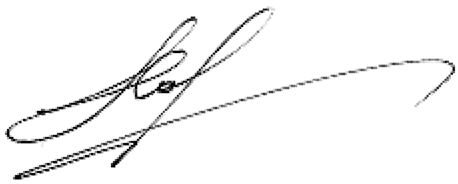
The Management Board confirms the correctness and completeness of AS Tallinna Sadam consolidated interim financial statements for 6 months ended 30.06.2008 as presented on pages 11 - 22.

The Management Board confirms that:

1. the accounting principles and presentation methods 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 assets, liabilities, financial position, results of operations and the cash flows of the parent company and consolidated companies;

3. AS Tallinna Sadam and its related companies are going concerns.



Ain Kaljurand
Chairman of the Management Board

Allan Kiil
Member of the Management Board

Tallinn, 22 August 2008

CONSOLIDATED BALANCE SHEET

in thousands of (unaudited)	Note	EEK 30.06.2008	EEK 31.12.2007	EUR 30.06.2008	EUR 31.12.2007
ASSETS					
Current assets					
Cash and cash equivalents		249 796	269 641	15 965	17 233
Available for sale financial assets		2 855	2 855	182	182
Derivatives	**2**	8 827	11 427	564	730
Trade and other receivables		129 923	110 880	8 304	7 087
Total current assets		**391 401**	**394 803**	**25 015**	**25 232**
Non-current assets					
Investments in joint ventures		3 574	2 673	228	171
Other long-term receivables		6 959	6 959	445	445
Property, plant and equipment	**3**	6 490 315	6 385 769	414 807	408 125
Total non-current assets		**6 500 848**	**6 395 401**	**415 480**	**408 741**
Total assets		**6 892 249**	**6 790 204**	**440 495**	**433 973**
LIABITLITIES					
Current liabilities					
Current portion of bonds and long-term loans	**4**	530 398	608 435	33 899	38 886
Supplier and other payables		143 475	195 190	9 170	12 475
Payable to shareholders	**5**	100 000	0	6 391	0
Short-term provisions		0	18 910	0	1 208
Total current liabilities		**773 873**	**822 535**	**49 460**	**52 569**
Non-current liabilities					
Long-term borrowings	**4**	1 453 504	1 453 504	92 896	92 896
Government grants		11 449	11 455	732	732
Other long-term payables		10 036	9 400	641	601
Total non-current liabilities		**1 474 989**	**1 474 359**	**94 269**	**94 229**
Total liabilities		**2 248 862**	**2 296 894**	**143 729**	**146 798**
EQUITY					
Share capital at nominal value		2 786 204	2 786 204	178 071	178 071
Statutory reserve capital		278 620	275 562	17 807	17 612
Hedge reserve		6 133	8 642	392	552
Retained earnings		1 319 845	1 087 071	84 353	69 476
Profit for the period	**5**	252 585	335 831	16 143	21 464
Total equity		**4 643 387**	**4 493 310**	**296 766**	**287 175**
Total liabilities and equity		**6 892 249**	**6 790 204**	**440 495**	**433 973**

The accompanying notes on pages 16 - 22 are an integral part of these consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT

in thousands of (unaudited)	Note	EEK 6 months 2008	EEK 6 months 2007	EUR 6 months 2008	EUR 6 months 2007
Sales		615 397	652 380	39 331	41 695
Other income		17 609	5 544	1 125	354
Operating expenses		-138 293	-141 999	-8 839	-9 076
Personnel expenses		-70 506	-70 728	-4 506	-4 521
Depreciation and impairment	3	-102 334	-99 196	-6 540	-6 339
Other expenses		-4 131	-3 948	-264	-252
Operating profit		**317 742**	**342 053**	**20 307**	**21 861**
Finance income and costs					
Finance income		6 113	8 308	391	531
Finance costs		-45 589	-36 178	-2 914	-2 312
Total finance income and costs		**-39 476**	**-27 870**	**-2 523**	**-1 781**
Profit/loss from investments in joint venture under equity method of accounting		901	0	58	0
Profit before tax		**279 167**	**314 183**	**17 842**	**20 080**
Income tax expense	5	-26 582	-84 615	-1 699	-5 408
Profit for the period		**252 585**	**229 568**	**16 143**	**14 672**
attributable to:					
equity holders of the Parent Company		252 585	228 565	16 143	14 608
minority interest		0	1 003	0	64
Basic earnings and diluted earnings per share (in kroons , euros)	5	0,91	0,83	0,06	0,05

The accompanying notes on pages 16 - 22 are an integral part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of (unaudited)	Note	EEK 6 months 2008	EEK 6 months 2007	EUR 6 months 2008	EUR 6 months 2007
Cash receipts from sale of goods and services		610 864	676 187	39 041	43 216
Cash receipts related to other income		18 951	12 660	1 211	809
Payments to suppliers		-203 867	-246 739	-13 029	-15 770
Payments to and on behalf of employees		-68 529	-55 591	-4 380	-3 553
Payments for other expenses		-2 212	-444	-141	-29
Income tax on dividends paid	**5**	-56 410	-17 830	-3 605	-1 140
Cash flows from operating activities		**298 797**	**368 243**	**19 097**	**23 533**
Purchases of property, plant and equipment (PPE)	**6**	-219 891	-514 062	-14 054	-32 855
Proceeds from sale of PPE		20 075	1 005	1 283	64
Purchases of other financial assets		0	-11 851	0	-757
Proceeds from sale of other financial assets		0	47 284	0	3 022
Interest received		6 774	9 290	433	594
Cash used in investing activities		**-193 042**	**-468 334**	**-12 338**	**-29 932**
Repayments of borrowings	**4**	-78 037	-78 037	-4 987	-4 987
Dividends paid	**5**	0	-100 000	0	-6 391
Interest paid	**4**	-47 335	-35 150	-3 025	-2 246
Other payments related to financing activities		-228	-23	-15	-1
Cash used in financing activities		**-125 600**	**-213 210**	**-8 027**	**-13 625**
TOTAL CASH FLOWS		**-19 845**	**-313 301**	**-1 268**	**-20 024**
Cash and cash equivalents at beginning of the period		269 641	514 693	17 233	32 895
Change in cash and cash equivalents		-19 845	-313 301	-1 268	-20 024
Cash and cash equivalents at end of the period		249 796	201 392	15 965	12 871

The accompanying notes on pages 16 - 22 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	Hedging 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 of hedging instruments	**2**	0	0	3 252	0	0	**3 252**
Net income recognised directly in equity		*0*	*0*	*3 252*	*0*	*0*	***3 252***
Profit for the period		0	0	0	228 565	1 003	**229 568**
Total recognised income and expenses for 6 months 2007		*0*	*0*	*3 252*	*228 565*	*1 003*	***232 820***
Increase of share capital		21 750	0	0	0	0	**21 750**
Increase of reserve capital		0	562	0	-562	0	**0**
Dividends declared	**5**	0	0	0	-300 000	0	**-300 000**
Adjustment		0	0	0	1	0	**1**
Equity as at 30 June 2007		**2 777 369**	**275 562**	**11 746**	**1 315 636**	**2 707**	**4 383 020**
Equity as at 31 December 2007		**2 786 204**	**275 562**	**8 642**	**1 422 902**	**0**	**4 493 310**
Revaluation of hedging instruments	**2**	0	0	-2 509	0	0	**-2 509**
Net costs recognised directly in equity		*0*	*0*	*-2 509*	*0*	*0*	***-2 509***
Profit for the period		0	0	0	252 585	0	**252 585**
Total recognised income and expenses for 6 months 2008		*0*	*0*	*-2 509*	*252 585*	*0*	***250 076***
Increase of reserve capital		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 30 June 2008		**2 786 204**	**278 620**	**6 133**	**1 572 430**	**0**	**4 643 387**

in thousands of EUR (unaudited)	Note	Share capital at nominal value	Statutory reserve capital	Hedging reserve	Retained earnings	Minority interest	Total equity
Equity as at 31 December 2006		**176 116**	**17 576**	**543**	**88 686**	**109**	**283 030**
Revaluation of hedging instruments	**2**	0	0	208	0	0	**208**
Net income recognised directly in equity		*0*	*0*	*208*	*0*	*0*	***208***
Profit for the period		0	0	0	14 608	64	**14 672**
Total recognised income and expenses for 6 months 2007		*0*	*0*	*208*	*14 608*	*64*	***14 880***
Increase of share capital		1 390	0	0	0	0	**1 390**
Increase of reserve capital		0	36	0	-36	0	**0**
Dividends declared	**5**	0	0	0	-19 173	0	**-19 173**
Adjustment		0	0	0	-1	0	**-1**
Equity as at 30 June 2007		**177 506**	**17 612**	**751**	**84 084**	**173**	**280 126**
Equity as at 31 December 2007		**178 071**	**17 612**	**552**	**90 940**	**0**	**287 175**
Revaluation of hedging instruments	**2**	0	0	-160	0	0	**-160**
Net costs recognised directly in equity		*0*	*0*	*-160*	*0*	*0*	***-160***
Profit for the period		0	0	0	16 143	0	**16 143**
Total recognised income and expenses for 6 months 2008		*0*	*0*	*-160*	*16 143*	*0*	***15 983***
Increase of reserve capital		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 30 June 2008		**178 071**	**17 807**	**392**	**100 496**	**0**	**296 766**

The accompanying notes on pages 16 - 22 are an integral part of these consolidated interim financial statements.

Note 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 6 months ended 30 June 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 22 August 2008.

Note 2. DERIVATIVE INSTRUMENTS

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Group policy is to maintain approximately 50% of its borrowings in fixed rate instruments using interest rate swaps to achieve this when necessary. As at 30 June 2008 AS Tallinna Sadam had interest rate swap transactions to fix the interest rates of long-term loans in the nominal value of EUR 50 340 thousand (EEK 787 650 thousand). As at 30 June 2007, the respective amount was EUR 55 860 thousand (EEK 874 019 thousand).

in thousands of	**EEK 01.01.08-30.06.2008**	**EEK 01.01.07-30.06.2007**	**EUR 01.01.08-30.06.2008**	**EUR 01.01.07-30.06.2007**
Fair value at the beginning of the period (positive (+) / negative (-))	**11 427**	**9 078**	**730**	**580**
Change in fair value, incl.	-2 600	4 038	-166	258
change in fair value recorded in the income statement	4 458	1 877	285	120
change in fair value recorded in the hedging reserve	-2 509	3 252	-160	208
settled in cash (Note 4)	-4 549	-1 091	-291	-70
Fair value at the end of the period (positive (+) / negative (-))	**8 827**	**13 116**	**564**	**838**

The fair values of derivate instruments are based on the quotes of Nordea Bank Finland Plc and SEB Pank. The payments related to derivative instruments are performed in EUR.

On 12 May 2008 AS Tallinna Sadam bought back Cap and Digital Cap conditions (6 month Euribor ceiling at 5%) which were sold to Nordea Bank Finland Plc in relation to interest rate swap contract signed on 21 January 2004 with the nominal amount of EUR 16 200 thousand (EEK 253 475 thousand) and the swap interest rate of 3.19% per annum. As a result of the deal in the future the interest rate swap will be functional on 6 month Euribor levels 5% and above, in other words the loan with the nominal amount of EUR 16 200 thousand (EEK 253 475 thousand) stays fixed for AS Tallinna Sadam on an interest level of 3.19% per annum.

Note 3. 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**
Net book amount as at 31 December 2006	**5 225 583**	**322 419**	**17 489**	**169 503**	**22 878**	**5 757 872**
Acquisitions and reconstruction	72 760	10 611	4 832	317 184	131 888	**537 275**
Non-current assets sold at net book amount	-271	-1 634	-46	0	0	**-1 951**
Depreciation charge and impairment	-77 073	-18 278	-3 845	0	0	**-99 196**
Reclassified at net book amount	285 792	38 828	0	-324 620	0	**0**
Property, plant and equipment as at 30 June 2007						
Cost	6 984 963	725 887	73 384	162 067	154 766	**8 101 067**
Accumulated depreciation and impairment	-1 478 172	-373 941	-54 954	0	0	**-1 907 067**
Net book amount as at 30 June 2007	**5 506 791**	**351 946**	**18 430**	**162 067**	**154 766**	**6 194 000**

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 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**
Acquisitions and reconstruction	14 897	3 658	5 625	171 707	22 445	**218 332**
Non-current assets sold at net book amount	-11 394	0	-58	0	0	**-11 452**
Depreciation charge and impairment	-80 781	-18 379	-3 174	0	0	**-102 334**
Reclassified at net book amount	124 439	55 101	205	-179 745	0	**0**
Property, plant and equipment as at 30 June 2008						
Cost	7 410 647	840 439	93 334	204 298	27 166	**8 575 884**
Accumulated depreciation and impairment	-1 620 276	-405 423	-59 870	0	0	**-2 085 569**
Net book amount as at 30 June 2008	**5 790 371**	**435 016**	**33 464**	**204 298**	**27 166**	**6 490 315**

Note 3 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 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**
Acquisitions and reconstruction	4 651	678	309	20 272	8 429	**34 339**
Non-current assets sold at net book amount	-17	-104	-3	0	0	**-124**
Depreciation charge and impairment	-4 925	-1 168	-246	0	0	**-6 339**
Reclassified at net book amount	18 265	2 482	0	-20 747	0	**0**
Property, plant and equipment as at 30 June 2007						
Cost	446 421	46 394	4 690	10 358	9 891	**517 754**
Accumulated depreciation and impairment	-94 472	-23 899	-3 512	0	0	**-121 883**
Net book amount as at 30 June 2007	**351 949**	**22 495**	**1 178**	**10 358**	**9 891**	**395 871**

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 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**
Net book amount as at 31 December 2007	**367 058**	**25 222**	**1 973**	**13 570**	**302**	**408 125**
Acquisitions and reconstruction	952	234	360	10 974	1 434	**13 954**
Non-current assets sold at net book amount	-728	0	-4	0	0	**-732**
Depreciation charge and impairment	-5 163	-1 175	-202	0	0	**-6 540**
Reclassified at net book amount	7 953	3 522	13	-11 488	0	**0**
Property, plant and equipment as at 30 June 2008						
Cost	473 627	53 714	5 966	13 056	1 736	**548 099**
Accumulated depreciation and impairment	-103 555	-25 911	-3 826	0	0	**-133 292**
Net book amount as at 30 June 2008	**370 072**	**27 803**	**2 140**	**13 056**	**1 736**	**414 807**

Note 4. LOANS AND BONDS

in thousands of	EEK 30.06.2008	EEK 31.12.2007	EUR 30.06.2008	EUR 31.12.2007
Current portion				
Current portion of long-term bank loans	129 845	207 882	8 299	13 286
Short-term bonds	400 553	400 553	25 600	25 600
Total current portion	**530 398**	**608 435**	**33 899**	**38 886**
Non-current portion				
Bank loans	1 189 077	1 189 077	75 996	75 996
Bonds	264 427	264 427	16 900	16 900
Total non-current portion	**1 453 504**	**1 453 504**	**92 896**	**92 896**
Total loans and bonds	**1 983 902**	**2 061 939**	**126 795**	**131 782**

Interest paid

in thousands of	EEK 6 months 2008	EEK 6 months 2007	EUR 6 months 2008	EUR 6 months 2007
On bonds issued	16 390	5 135	1 048	328
On bank loans	35 494	31 106	2 268	1 988
On derivatives (Note 2)	-4 549	-1 091	-291	-70
Total interest paid	**47 335**	**35 150**	**3 025**	**2 246**

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 is 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 first half of the year 2007.

In addition to above mentioned bond issue, AS Tallinna Sadam has 1-year unlisted bond issue with a nominal value of EUR 25 600 thousand (EEK 400 553 thousand) with a maturity date 19 November 2008. Bonds are issued with a floating interest rate based on 1 month Euribor plus a margin of 0.31% per annum.

Accounting for the effect of derivative instruments used to hedge the interest rate risk, the weighted average interest rate on bonds was 4.67% per annum as at 30 June 2008 (as at 30 June 2007: 4.47% per annum).

in thousands of	EEK 30.06.2008	EEK 31.12.2007	EUR 30.06.2008	EUR 31.12.2007
Carrying amount of bonds				
Short-term bonds	400 553	400 553	25 600	25 600
Long-term bonds	264 427	264 427	16 900	16 900
Fair value of bonds based on the quoted sales price at the reporting date*				
Short-term bonds	401 193	401 155	25 641	25 638
Long-term bonds	268 254	268 379	17 145	17 153

* based on ex pit transactions between banks and funds

Note 4 continued

Long-term loans

In the first half of 2008, loan principal payments amounted to EUR 4 987 thousand (EEK 78 037 thousand). In the same period of 2007, the principal payments also amounted to EUR 4 987 thousand (EEK 78 037 thousand).
As at 30 June 2008 the Group had a undrawn overdraft in the amount of EEK 50 million (EUR 3.2 million). As at 30 June 2007, the Group had no undrawn loans. As at 30 June 2008, the weighted average interest rate on loans was 4.93% per annum (as at 30 June 2007: 4.4% per annum). Considering the effect of derivative financial instruments used for hedging the interest rate risk, the weighted average interest rate on the loan portfolio as at 30 June 2008 was 4.711% per annum (as at 30 June 2007: 4.094% per annum).
The maturities of the long-term loans are between 2013– 2016.

Note 5. EQUITY

Share capital

As at 30 June 2008 AS Tallinna Sadam had 278 620 401 registered shares. The nominal value of one share is EEK 10 (EUR 0.64). All 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. As at 30 June 2008 and 31 December 2007, all shares issued had been fully paid for.

Dividends

in thousands of	**EEK 6 months 2008**	**EEK 6 months 2007**	**EUR 6 months 2007**	**EUR 6 months 2007**
Dividends declared during the period	100 000	300 000	6 391	19 173
Dividends paid out during the period	0	100 000	0	6 391
Dividends per share (in kroons , euros)	0,36	1,08	0,02	0,07

Income tax on dividends

in thousands of	**EEK 6 months 2008**	**EEK 6 months 2007**	**EUR 6 months 2007**	**EUR 6 months 2007**
Accrued income tax at the beginning of the period	56 410	0	3 605	0
Accrued	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
Accrued income tax at the end of the period	26 582	56 410	1 699	3 605

Note 5 continued

Earnings per share

	6 months 2008	6 months 2007
Weighted average number of shares (pcs)	278 620 401	276 649 401

	EEK 6 months 2008	EEK 6 months 2007	EUR 6 months 2007	EUR 6 months 2007
Profit for the period attributable to Equity holders of the Parent Company (in thousands of)	252 585	228 565	16 143	14 608
Basic earnings and diluted earnings per share (in kroons , euros)	0,91	0,83	0,06	0,05

Note 6. EXPLANATIONS TO THE CASH FLOW STATEMENT

Non-monetary transactions

in thousands of	EEK 6 months 2008	EEK 6 months 2007	EUR 6 months 2008	EUR 6 months 2007
Set-off between provision of services and payables to suppliers for goods and services	3 894	1 032	249	66
Set-off between tax receivables and tax liabilities	17 218	40 012	1 100	2 557
Total non-monetary transactions	**21 112**	**41 044**	**1 349**	**2 623**

Purchase of property, plant and equipment

in thousands of	EEK 6 months 2008	EEK 6 months 2007	EUR 6 months 2008	EUR 6 months 2007
Cash flows	**-219 891**	**-514 062**	**-14 054**	**-32 855**
Set-offs	-17 269	-941	-1 104	-60
Non-monetary payments	0	-21 750	0	-1 390
Paid for the previous period	45 918	34 323	2 935	2 193
Outstanding balance at end of the period	-27 090	-34 845	-1 731	-2 227
Total adjustments	*1 559*	*-23 213*	*100*	*-1 484*
Acquisition and reconstruction (Note 3)	**218 332**	**537 275**	**13 954**	**34 339**

Note 7. EVENTS AFTER THE BALANCE SHEET DATE

Long-term loans

On 15 July 2008 AS Tallinna Sadam made a principal payment in the amount of EUR 1800 thousand (EEK 28 164 thousand) to Nordic Investment Bank in relation to a loan in the amount of EUR 16 200 thousand (EEK 253 475 thousand).

Derivative instruments

On 1 July 2008 AS Tallinna Sadam bought back Cap and Digital Cap conditions (6 month Euribor ceiling at 5%) from SEB Pank concerning the interest rate swap contracts signed on 28 May 2004 with a nominal amount of EUR 23 800 thousand (EEK 372 389 thousand) and on 28 February 2004 with a nominal amount of EUR 10 000 thousand (EEK 156 466 thousand). For the interest rate swap with the nominal amount of EUR 23 800 thousand (EEK 372 389 thousand) the new swap rate was fixed on 4.44% per annum (former swap rate was 3.265% per annum) and the interest rate swap with the nominal amount of EUR 10 000 thousand (EEK 156 466 thousand) the new swap rate was fixed on 4.56% per annum (former swap rate was 3.23% per annum). The deals of buying back the Cap and Digital Cap conditions were necessary because without it the mentioned derivative instruments would have lost their functionality if on the next interest fixing dates 6 month Euribor would have been 5% or above.