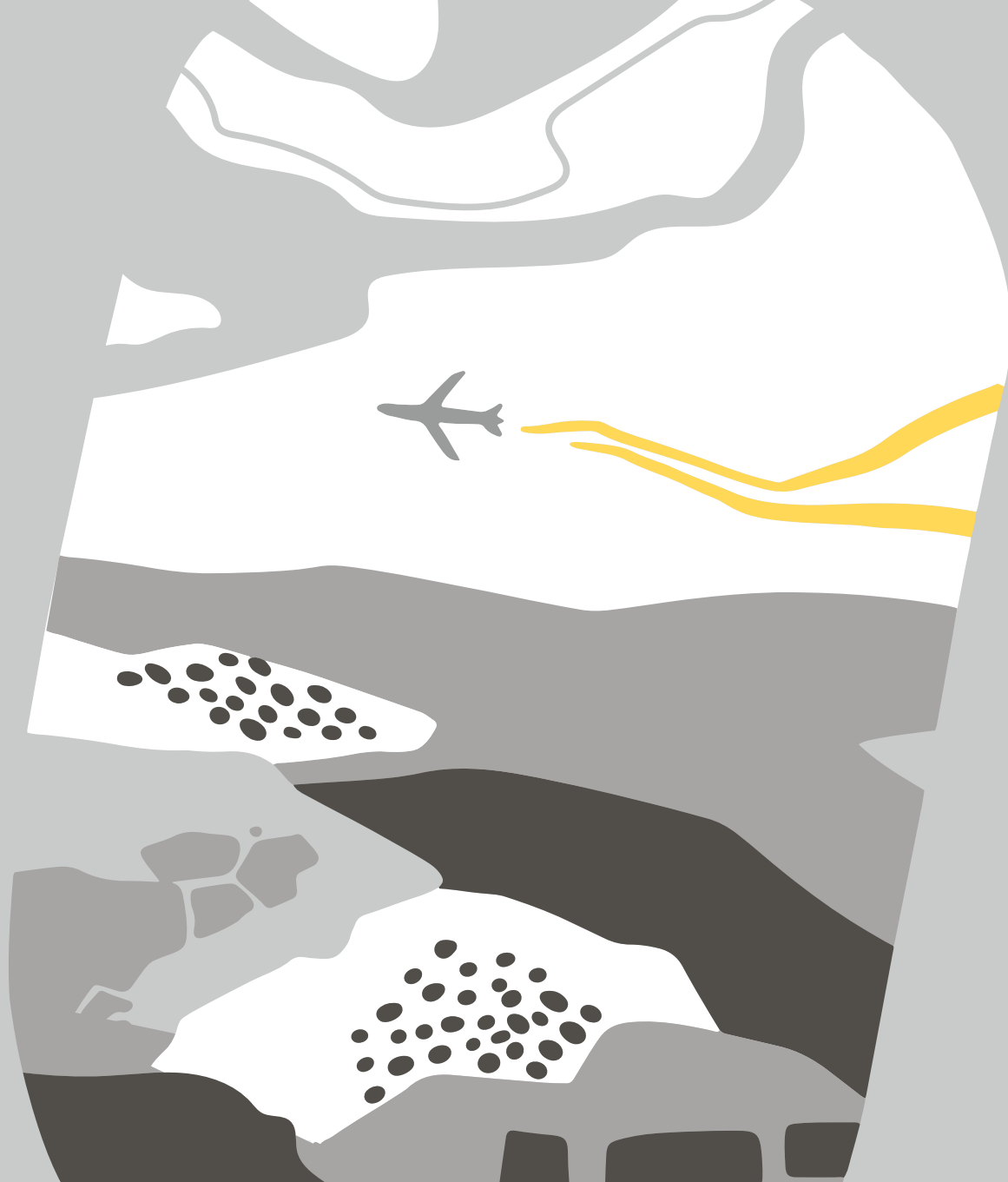


# Tallinn Airport's Annual report 2021



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Photos: Hannus Vard (drone photos), Jarek Jõepera (portraits).

## Chairperson's statement

### *Dear reader!*

For the last two years we have been filled with anticipation and hope – be it anticipation that with the introduction of vaccines travel will resume or hope that the coronavirus crisis will pass soon and ordinary, normal life will resume.

The year 2021 began on a relatively pessimistic note, because in the first five months 185,000 passengers, i.e. only 14% of the annual number of passengers, passed through Tallinn airport. Once summer approached and vaccination made headway, things started to look up for the first time. The pandemic was by no means over, but a recovery was already underway in the second half of the year.

Although in terms of the number of passengers we were at the same level as in 2005, we rejoiced once we exceeded the magical 1 million passenger threshold again. By the end of the year, we had provided services to 1,301,066 passengers and completed 26,689 flight operations.

The number of passengers increased by 51% as compared to 2020 but the figure for 2021 was still 60% lower than in 2019. The number of flight operations increased by 16% as compared to 2020 but was 44% less than in 2019. The wide range of destinations undoubtedly had a positive impact on the growth in the number of passengers because 40 destinations by the end of 2021 are already at the same level as before the crisis.

The recovery started primarily with vacation travel: after all, we are all adventurers at heart, wishing to discover new places, and collect emotions and memories. The crisis has deeply affected the business segment which has recovered at a slower pace than anticipated, but today we are witnessing that these customers also find their way more frequently to the airport. However, we estimate that the number of passengers will reach the year 2019 level only in 2024.

Regional airports continue to be of importance to us, both in terms of creating daily connections as well as saving lives. Of these airports, flights operated from Kärdla, Kuressaare and Ruhnu and we reopened air traffic from Pärnu airport. Tartu airport served primarily Estonian Aviation Academy's training flights and private pilots, but also charter and medical flights. A total of 42,663 passengers passed through and 9,191 flight operations were made at regional airports, which are 27% and 7% more, respectively, than in 2020.

Despite a slight air traffic recovery, we laid importance on the Group's sustainable and efficient management. The strong financial positions attained in prior years, government grants and the use of the subsidy provided by the Estonian Unemployment Insurance Fund helped us continue with the planned investments. While in 2020 we needed to make about 25% of our staff redundant, then with the growth in the number of passengers we started recruiting again in the last quarter of 2021. As of the year-end, the Group employed 514 employees.

We earned a profit of EUR 2.3 million in 2021. The earnings before interest, taxes and depreciation (EBITDA) of Tallinn Airport Group totalled EUR 11.0 million and our investments totalled EUR 33.8 million. The Group made a profit thanks to its efficient cost management and extraordinary income earned due to the weather conditions.

With the completion of the largest development project in the Group's history, i.e. the airside area, we enhanced aviation safety and improved the airport's capacity and environmental position. The airside area development project of Tallinn airport was implemented in several stages in the years 2012–2021 and it will be finally completed in 2023. The total cost of the project is EUR 74.6 million, including the investment of EUR 17.9 million in 2021.

## Chairperson's statement

To be better prepared to accommodate a higher number of passengers we also launched reconstruction of the baggage area of Tallinn passenger terminal with the total cost of EUR 6.3 million. Within its framework, we install an automatic baggage sorting system so that baggage would move faster and more efficiently from check-in to the aircraft.

At the end of September, we opened a recently renovated airside area at Pärnu airport and in December, the reconstruction of its passenger terminal was also completed. In order to create additional value for the airports and boost the local business environment, we launched planning and construction process of the hangar for aircraft maintenance. The hangar will be completed in the second half of 2022. The total cost of the reconstruction of Pärnu airport will be EUR 18.5 million.

The largest capital expenditure project of the next period (2022-2025) include extension of the passenger terminal at Tallinn airport to serve 4.2 million passengers and development of the southern part of the aerodrome for cargo and aircraft maintenance. To implement the latter, the State of Estonia increased the Group's share capital by EUR 20 million.

Despite difficult times and inconvenience in passenger service area due to construction-in-progress, we did not ease up on our principles: Tallinn airport continues to be the cosiest airport in the world with leading edge service quality. The passenger satisfaction survey conducted by the Airport Council International (ACI) also showed that passenger satisfaction remained at a very high level.

Our team has managed to cope very well despite the additional activities and stress brought about by the COVID-19 situation. I am proud of our people who even at the most difficult time set passenger and aircraft services at a very high level as their top priority. Thank you, the employees of Tallinn Airport Group!

At the center of everything else, we are taking major new steps to reduce our environmental impact to attain CO<sub>2</sub> neutrality by the year 2030 and the highest level in the accreditation system of the Airport Carbon Accreditation (ACA). Almost 80% of our CO<sub>2</sub> footprint comes from electricity consumption. Therefore, we will continue with development of our solar parks launched in 2020 and hope to be able to generate 30% of the electricity consumed by us by the end of 2023.

The year 2022 will be a year of a flexible recovery for Tallinn Airport Group when we need to cope with the continued effect of the coronavirus and increasing input prices as well as growth in the number of passengers. The foundation of our success is the strong team and close cooperation. We have adapted well to the changing circumstances, but we need to be ready to react quickly and move confidently forward also in 2022.

Have a successful year of 2022!

**Riivo Tuvike**  
Chairman of the  
Management Board



## Group overview

AS Tallinna Lennujaam is the operator and developer of airports in Estonia. AS Tallinn Lennujaam together with its subsidiary AS Tallinn Airport GH make up Tallinn Airport Group.

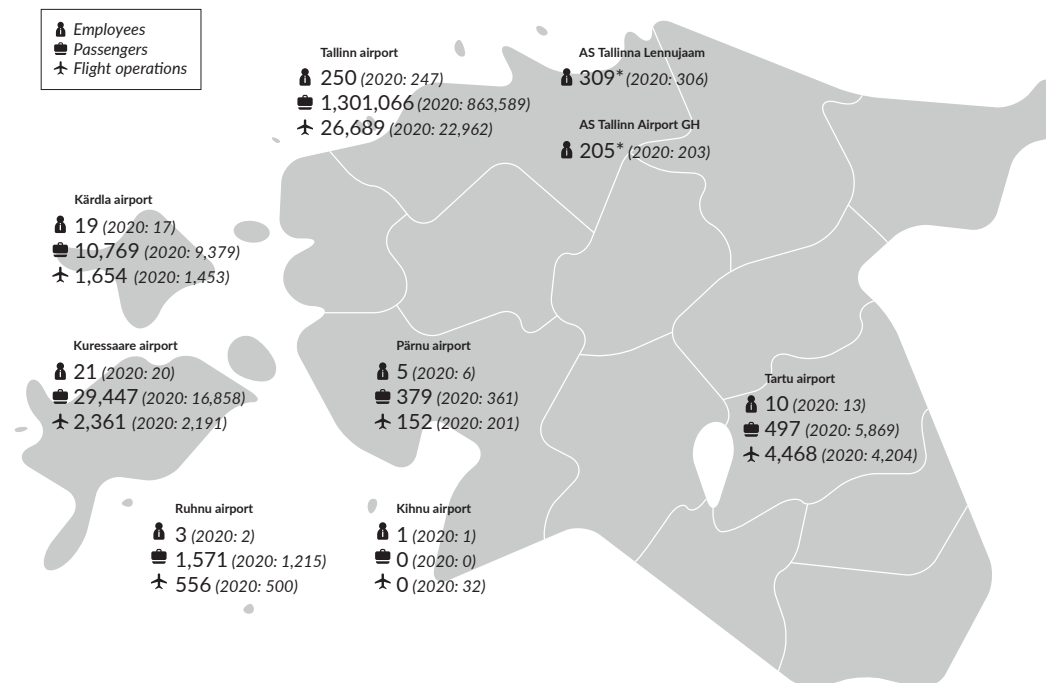
The Group's head office is located in Tallinn. The shares of AS Tallinna Lennujaam are held by the Republic of Estonia and the Company operates within the jurisdiction of the Ministry of Economic Affairs and Communications.

The founder and shareholder of AS Tallinn Airport GH is AS Tallinna Lennujaam. As at the end of the financial year, the Group had 514 employees.

### The Group's areas of operation include:

- management of airport infrastructure – the airports of Tallinn, Kuressaare, Kärdla, Pärnu and Tartu as well as the airfields of Kihnu and Ruhnu;
- provision of the airport and air navigation services;
- provision of ground handling services to international and domestic scheduled and general aviation aircraft, passengers and cargo;
- sales and real estate development.

Chart 1. The Group's key performance indicators for 2021, 2020 performance indicators in brackets



\* Number of employees as of 31 December 2021.

## Group overview

**Table 1. Group's key sales, operating and financial indicators**

<i>In EUR thousand</i>	2021	2020	2019	Variance 2021-2020 %
Passengers at Tallinn airport	1,301,066	863,589	3,267,910	51%
Passengers at regional airports	42,663	33,686	67,077	27%
Flight operations at Tallinn airport	26,689	22,964	47,867	16%
Flight operations at regional airports	9,191	8,581	10,944	7%
<b>Operating income total</b>	<b>45,099</b>	<b>36,266</b>	<b>60,386</b>	<b>24%</b>
<b>Sales revenue</b>	<b>29,777</b>	<b>20,555</b>	<b>47,120</b>	<b>45%</b>
incl. aviation revenue	8,687	6,575	17,497	32%
incl. non-aviation revenue	21,090	13,980	29,623	51%
<b>Other operating income</b>	<b>15,322</b>	<b>15,711</b>	<b>13,266</b>	<b>-2%</b>
incl. government grants for assets	3,729	3,744	3,763	0%
incl. government grants for aviation security and rescue costs	7,767	7,420	6,995	5%
incl. government grants for regional airports	2,300	2,200	2,200	5%
incl. other operating income	1,527	2,347	308	-35%
<b>Operating profit before depreciation (EBITDA)*</b>	<b>11,030</b>	<b>5,824</b>	<b>17,927</b>	<b>90%</b>
<b>Net profit</b>	<b>2,300</b>	<b>-1,997</b>	<b>9,718</b>	<b>215%</b>

<i>In EUR thousand</i>	2021	2020	2019	Variance 2021-2020 %
Cash flows from operating activities	7,992	4,164	17,262	92%
Investments	33,760	17,410	10,189	94%
<b>Total assets at the year end</b>	<b>258,287</b>	<b>230,534</b>	<b>226,149</b>	<b>13%</b>
<b>Assets as at the year-end excl. government grant*</b>	<b>177,514</b>	<b>154,624</b>	<b>149,010</b>	<b>15%</b>
<b>Equity as at the end of the year</b>	<b>116,282</b>	<b>93,982</b>	<b>95,457</b>	<b>23%</b>
<b>Borrowings as at the end of the year</b>	<b>49,057</b>	<b>52,333</b>	<b>45,619</b>	<b>-6%</b>
<b>Equity / assets at the end of the year *</b>	<b>66%</b>	<b>61%</b>	<b>64%</b>	<b>8%</b>
<b>Debt / operating profit before depreciation*</b>	<b>4.54</b>	<b>8.99</b>	<b>2.54</b>	<b>-49%</b>
<b>Operating expenses total</b>	<b>42,665</b>	<b>38,178</b>	<b>50,467</b>	<b>12%</b>
incl. goods, materials, services	12,085	10,030	15,734	20%
incl. miscellaneous operating expenses	1,001	1,355	1,902	-26%
incl. labour costs	17,194	15,705	20,949	9%
incl. other operating expenses	61	-392	111	-115%
incl. depreciation of fixed assets	12,324	11,480	11,771	7%
<b>Average number of employees in full - time equivalents</b>	<b>473.11</b>	<b>634.6</b>	<b>521.24</b>	<b>-9%</b>

\* Excluding government grants for non-current assets.



## The General Meeting of AS Tallinna Lennujaam

During the year, the annual general meeting of AS Tallinna Lennujaam was held four times, where

- the annual report, profit allocation proposal and auditor's report for the year 2020 was approved;
- the new version of the articles of association that changed, inter alia, the number of members of the Supervisory Board from five to six people and determined that the minimum and maximum amount of share capital shall be between EUR 40 million to EUR 160 million was approved;
- Sir John Elvidge as a member of the Supervisory Board was appointed;
- increase of the share capital of the company by EUR 20 million to EUR 45.6 million was decided. For this purpose, it was decided to issue 2 million new shares with the nominal value of EUR 10 and make a monetary contribution for it in the amount of EUR 20 million.



Riivo Tuvike



Einari Bambus



Anneli Turkin

## Supervisory Board of AS Tallinna Lennujaam

According to the articles of association of AS Tallinna Lennujaam, the Supervisory Board has up to six members. The Supervisory Board performs supervision over the activities of the Management Board and participates in making key decisions. The Supervisory Board acts independently in the best interests of the Group and the Shareholder. The Supervisory Board approves the Group's strategy, a general action plan, risk management principles and annual budget.

The members of the Supervisory Board are appointed for the period of three years and their remuneration is determined by the General Meeting.

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**Chairman:** Märten Vaikmaa (since 31.08.2017, contract extended by three years from 17.08.2020)

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**Members:** Toivo Jürgenson (since 17.08.2017, contract extended by three years from 17.08.2020)

Piret Kübbar (since 17.08.2017, contract extended by three years from 17.08.2020)

Kadri Land (since 17.08.2017, contract extended by three years from 17.08.2020)

Jaanus Uiga (since 21.11.2019)

Sir John Elvidge (since 16.09.2021)

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The Supervisory Board met on ten occasions. The Management Board reported on the financial performance to the Supervisory Board once in a quarter. The key topics of the meetings were related to the impact of COVID-19 and cost savings measures. In addition, they provided overviews of the year's key projects and the request to increase share capital as well as the strategic goals and budget for 2022.

The remuneration of the members of the Supervisory Board (fee without social taxes) amounted to EUR 42 thousand (2020: EUR 39 thousand).



## Audit Committee

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**Chairman:** Toivo Jürgenson

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**Members:** Piret Kübbar

Jaanus Uiga

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The Audit Committee met on 11 occasions. The internal audit area analysed the purchases made with bank cards, the issues related to risk management and IT access rights' management, execution of the contracts with partners, results of the extraordinary audit and group procurements and the related issues. Besides, the Committee approved the annual report for 2020 and the results of the interim audit 2021.

Since October 2020, the external partner KPMG Baltics OÜ provides the internal audit services to AS Tallinna Lennujaam. The internal auditor operates in accordance with the work plan of the Audit Committee and manages ethics, fraud and corruption tips emails.

The General Meeting approved the auditor PricewaterhouseCoopers (PwC) as the financial auditor for the financial year 2021. Certified auditor Janno Hermanson is responsible for the audit of the consolidated financial statements. The financial audit is conducted in accordance with the international auditing standards.

## The Management Board of AS Tallinna Lennujaam

The Management Board represents and manages the Group's daily operations in accordance with the law and its articles of association, acting in the most economically efficient manner. When making decisions, it proceeds from the Group's and Shareholder's best interests, and is responsible for ensuring sustainable development, based on goals and strategy set.

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**Chairman:** Riivo Tuvike

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**Members:** Einari Bambus

Anneli Turkin

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In 2021, the Management Board held 95 meetings (2020: 96).

The remuneration of the members of the Management Board (fee for service contract, bonus and vacation accrual) amounted to EUR 401 thousand (2020: EUR 253 thousand).

## Members of the management of Tallinn Airport Group

11-member management manages the Group's daily operations and makes decisions. It is made up of the managers of the different areas and members of the Management Board. The decisions will be made jointly at the meetings of the Management Board.

### Members of the management

- Riivo Tuvike, Chairman of the Management Board
- Anneli Turkin, Member of the Management Board, Financial, Quality and Risk Management
- Einari Bambus, Member of the Management Board, Airfield Services
- Indrek Nõlvak, Member of the Management Board of AS Tallinn Airport GH
- Katrin Hagel, Passenger Services
- Andrus Järg, Digitalization and IT
- Anneli Lille, People and Organizational Culture
- Tõnu Mühle, Infrastructure Development and Management
- Eero Pärasmäe, Commercial Services
- Margot Holts, Marketing and Communication
- Kristina Randveer, Legal Support

## **Management of AS Tallinn Airport GH**

The Chairman of the Management Board of AS Tallinna Lennujaam presides over the general meeting of AS Tallinn Airport GH, the subsidiary of AS Tallinna Lennujaam. The authorities and responsibilities of the Supervisory Board are laid down in the articles of association. The Supervisory Board consists of the members of the Management Board and management of AS Tallinna Lennujaam. The meetings of the Supervisory Board are held as necessary and under the conditions prescribed by law. The members of the Supervisory Board do not receive any additional fee. The Company's Supervisory Board appoints the Chairman of the Management Board.

## **Risk management**

Risk management is an integral part of the corporate governance process. The risk management system supports attainment of the Group's safety and business goals. With the help of risk management, we analyse, evaluate and manage the Group's all operational, business, environmental, work environment and financial risks.

Risk management activities include evaluation of the Group's strategic and operational area (incl. subdivisions) risks, mandatory risk assessment arising from the requirements and evaluation of risks related to projects and changes.

We analyse the Group's strategic and operational area risks regularly once a year. In 2021, we performed a risk analysis of biological risk factors.

In addition, we review the compliance of our activities and services during regular internal and external compliance assessments. The objective of internal reviews is to assess the compliance of activities and services with the requirements by self-monitoring. External compliance assessments and audits are performed by our customers, aviation regulators and certification bodies.

## **Business ethics is an integral part of honest business and company's good reputation**

We follow the principle of zero tolerance for all forms of corruption. All the employees must behave ethically, responsibly and by obeying the law and protect the Group's good name and reputation. The members of the Group's management boards and supervisory boards submit a declaration of economic interests to the external auditor once a year. The employees who organise procurements and /or are responsible for budget implementation submit a declaration of conflict of interest once a year.

To prevent corruption and agree on ethical conduct rules, the Group has developed internal regulations on the prevention of risk of corruption and introduced a Code of Business Ethics.

There were two serious cases of ethics or corruption in 2021 (2020: also two). In both cases, the employment contracts of the employees involved in the cases were terminated.

## Financial results and investments

### The Group's financial results for 2021

The Group's sales revenue increased by 45% as compared to the previous year. Profit increased by 215% and earnings before interest, taxes and depreciation (EBITDA) increased by 90%.

The coronavirus pandemic that started in 2020 still had a strong impact on the year. Thanks to vaccination, the restrictions were not as strict as the year before and this led to higher aviation volumes (see in more detail in section Air traffic in Tallinn and at regional airports).

In summary, a total of 1.3 million passengers passed through Tallinn airport which is 51% more than in 2020, but still 60% lower than in 2019. The Group's activities were targeted at ensuring economic sustainability of operations.

**Table 2. Overview of the Group's key performance indicators in 2021 as compared to 2020**

	2021	2020	%
Passengers at Tallinn airport	1,301,066	863,589	51%
Flight operations at Tallinn airport	26,689	22,962	16%
Passengers at regional airports	42,663	33,682	27%
Flight operations at regional airports	9,191	8,581	7%
Average number of employees in full-time equivalent units	473	521	-9%
Sales revenue EUR million	29.8	20.6	45%
Total operating income EUR million	45.1	36.3	24%
Operating profit before depreciation EUR million	11.0	5.8	90%
Net profit EUR million	2.3	-2.0	215%
Cash flows from operating activities EUR million	8.0	4.2	92%
Investments EUR million	33.8	16.7	102%

The Group earned a profit thanks to its efficient cost management and operating volume growth. Cold winter also helped to grow sales revenue, enabling to provide de-icing service to airlines.

Aviation revenue contributes 29% and non-aviation revenue contributes 71% to the consolidated sales revenue. As compared to 2020, aviation revenue has increased by 32%. Aviation revenue has increased at a slower pace than the number of passengers and flight operations because the number of flight routes served under the conditions of the route support programme have increased.

Non-aviation revenue has increased in line with the number of passengers. Rent of premises and other rental income have increased by 1%. Growth is attributable to the fact that we used fewer discounts as compared to the previous year.

The volume of serving passengers and aircraft has increased (48%) in line with the growth in the number of flight operations (14%).

**Table 3. Total sales revenue in millions of euros**

	2021	2020	Change of % from sales revenue
<b>Total sales revenue</b>	<b>29.8</b>	<b>20.6</b>	<b>45%</b>
<b>Aviation revenue</b>	<b>8.7</b>	<b>6.6</b>	<b>32%</b>
<b>Non-aviation revenue</b>	<b>21.1</b>	<b>14</b>	<b>51%</b>
Passenger and aircraft service (GH)	11	5.8	91%
Rent of premises and other rent	4.2	3.9	7%
Passenger-related services, incl.:	5.5	3.9	40%
<i>Concessions and rent of premises at the passenger terminal</i>	3	2.3	31%
<i>Parking of cars</i>	1.4	0.7	92%
<i>Advertising</i>	0.4	0.4	-2%
<i>VIP and business lounge service</i>	0.7	0.5	39%
Other non-aviation revenue	0.4	0.4	19%

## Financial results and investments

Other operating income increased due to the government grants of security and rescue expenses. In connection with the COVID-19 restrictions we received EUR 1.4 million in compensation for labour costs from the Estonian Unemployment Insurance Fund.

In the category of financial risks, the price risk of energy carriers materialised. The Group purchases both electricity and natural gas from the commodity exchange under annual procurement contracts and due to the increase in market prices, the cost of electricity increased on average by 161% percent in 2021 as compared to 2020. Risks related to the changes in currency exchange rates and interest rates did not materialise during 2021. Management of financial risks is described in the Note 3 of 2021. Consolidated Financial Statements.

### Cash flows

Cash flows from operating activities totalled EUR 8.0 million. As compared to EBITDA (EUR 11 million), cash flows from operating activities were 39% i.e. EUR 4.3 million higher in 2021 as compared to 2020.

Due to increased prepaid taxes, cash flows were EUR 3.0 million lower than EBITDA. An increase in current liabilities in the amount of EUR 4.1 million, an increase in inventories in the amount of EUR 0.3 million and an increase in short-term receivables in the amount of EUR 5.8 million impacted the working capital.

### Investments

Investments were made in the total amount of EUR 33.8 million (94% i.e. EUR 16.4 million higher than in 2020). The extension of the airside area contained 53% of this amount.

**Table 4. The main investments in 2021**

	Amount EUR million	% of total amount
Extension of the airside area in the eastern and southern direction (Cohesion Fund)	17.99	53
Construction of the baggage area for departing passengers, including automated sorting	3.09	9
Construction of solar parks (2 × 500 kW)	0.87	3

**Table 4. The main investments in 2021**

	Amount EUR million	% of total amount
Other projects	0.75	3
<b>Tallinn airport total</b>	<b>22.89</b>	<b>68</b>
Reconstruction of Pärnu airport	10.38	31
<b>Regional airports total</b>	<b>10.38</b>	<b>31</b>
<b>Investments of AS Tallinn Airport GH total</b>	<b>0.3</b>	<b>1</b>
<b>Group total</b>	<b>33.76</b>	<b>100</b>

*The Cohesion Fund supported the investment in the airside area with 50% in the amount of EUR 32.4 million. The investment of Pärnu airport was funded by the government grant from the state.*

### Balance sheet and financial covenants

At the end of 2021, the Group had borrowings in the amount of EUR 49 million (at the end of 2020: EUR 52.3 million). As at the end of the year, long-term borrowings include the loans received from the European Investment Bank (EIB) in the amount of EUR 30 million and the loan from the Nordic Investment Bank (NIB) in the amount of EUR 18.3 million. The Group had no undrawn loans as of the year-end.

In 2021, the Group paid EUR 3.3 million in loan repayments to EIB, NIB and Pohjola according to the payment schedule. With the loan contracts the Group has undertaken the obligation not to exceed limits of certain financial ratios, i.e. covenants. Because of the Covid-19 pandemic, the Group has entered into special agreements with the banks until 30 June 2022 for changing these limits so that the Group complies with the limits of special agreements.

The shares of AS Tallinna Lennujaam are owned by the Republic of Estonia. In December, the owner made a monetary contribution to equity in the amount of EUR 20 million to fund new investments. Statutory capital reserve will be increased in 2022 so that it would be in compliance with the requirements of the Commercial Code.

## Development trends for 2022

2022 will be the year of flexible recovery since the environment remains vulnerable and we must be ready to change our plans according to circumstances. We forecast an increase in the number of passengers and flight operations, and, as a result, in sales revenue and in EBITDA.

**Table 5. Group's goals for 2022 as compared to the results for 2019-2021**

	2022	2021	2020	2019
Passengers in Tallinn airport in million	2.6	1.3	0.9	3.3
Flight operations in Tallinn airport	39,693	26,689	22,962	47,867
Sales revenue EUR million	41.4	29.8	20.6	47.1
Operating profit before depreciation EUR million	13.2	11.0	5.8	17.9
Investments EUR million	25.9	33.8	17.4	10.2
Positions filled at the year-end (based on the workload)	545.7	483.85	472.8	625.1

Due to Covid-19 pandemic and the energy crisis the economic environment is very volatile at present. The extremely rapid price growth caused by the energy crisis can result in spiraling prices and wages. Because of significant increase in energy costs, rapid growth of input prices of other goods and services is expected to follow as well. Unemployment and rise in service prices are creating wage pressure. To curb inflation, the European Central Bank may start increasing interest rates that in turn would entail borrowing costs.

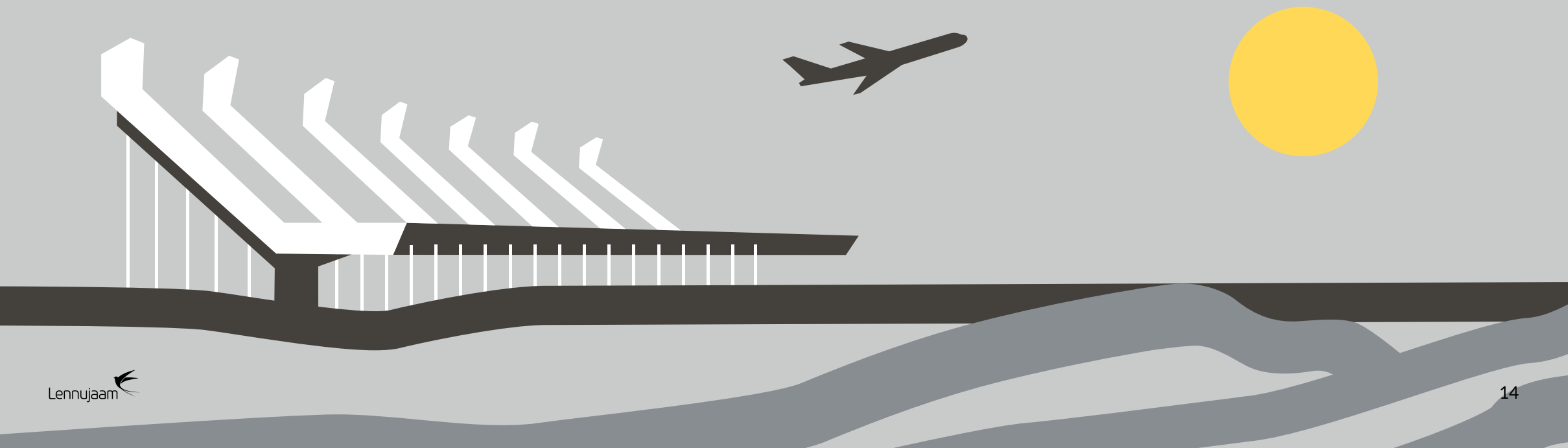
Extensive growth of the cost base triggers the need to increase service prices. Airport fees are regulated and the process of changing fees takes six months. We are initiating this process. To achieve its sustainability goals, the group plans during the following years to invest EUR 114 million, and therefore it is necessary to bring EBITDA back to the 2019 level.

In 2022, the Group plans to invest EUR 25.9 million.

The Group's two key strategic investments in 2022-2026 are the development of Tallinn airport's southern area and the expansion of the passenger terminal. The expansion of the passenger terminal helps us to increase the capacity of border areas, expand pre-waiting areas and solve the problem of low scattering of passengers, in addition create the capacity to open the market for ground handling services in accordance with the respective directive. We will also continue to implement the projects of the outbound passenger baggage area, expansion of the airside area and construction of solar parks.

In respect of regional airports, we will complete reconstruction of Pärnu airport. We will start reconstruction of Ruhnu airfield and replacement of its automated weather monitoring equipment. We will also continue building solar parks.

# Strategy and objectives, fulfilment of objectives



## Strategy and objectives, fulfilment of objectives



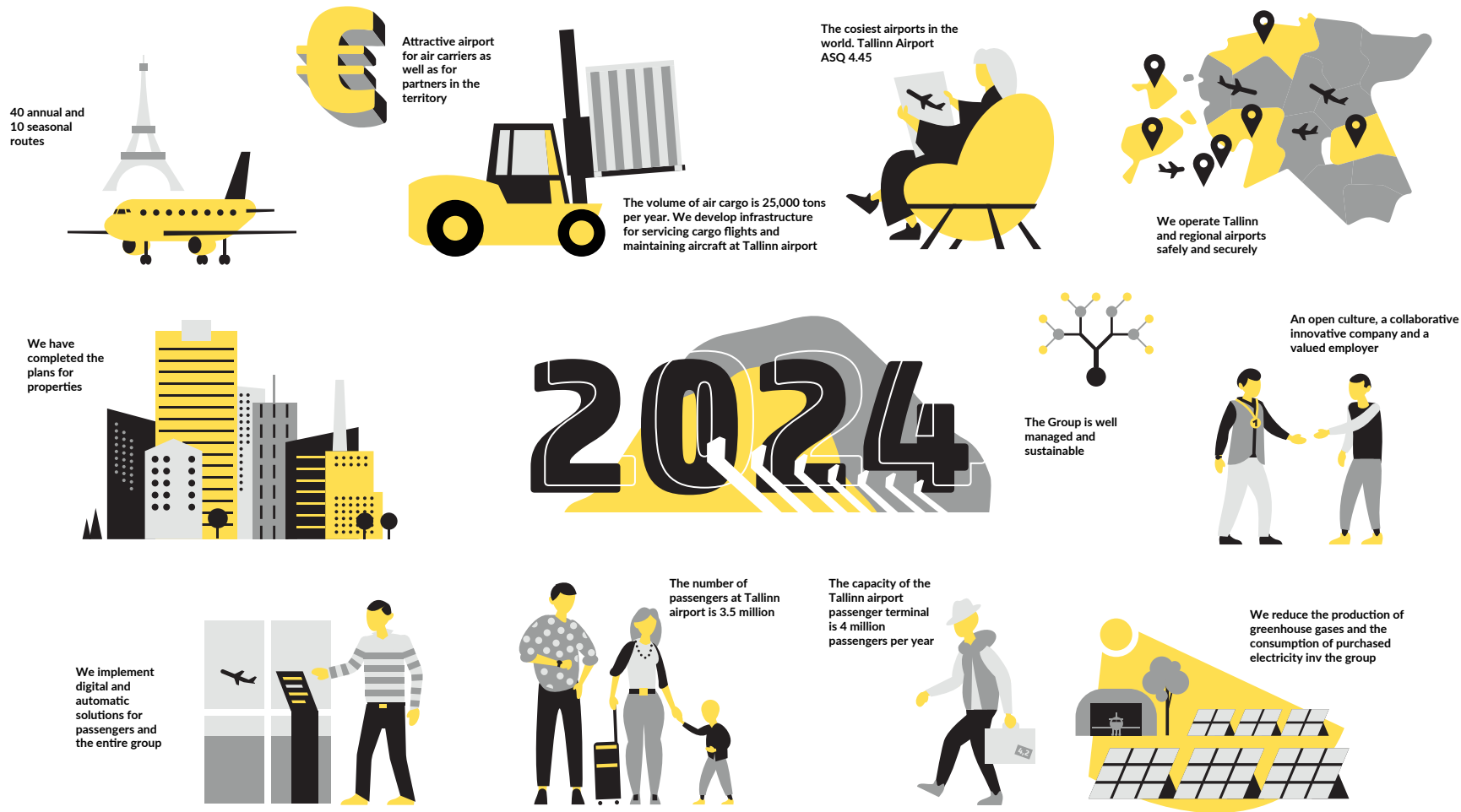
The mission of Tallinn Airport Group is to unite Estonia with the world. Our vision is to be the most attractive airport in Europe and our key values are reliability, openness and thoughtfulness.

The Republic of Estonia as the sole shareholder laid down the expectations of the owner for AS Tallinna Lennujaam:

- The Company will maintain and increase air traffic.
- Different focus groups will be able to travel from Tallinn airport to the main European destinations with a reasonable frequency and travel time.
- The Company's operations will be profitable and efficient.
- The Company's business will bring economic benefits to its owner, internal and external clients as well as the society at large. With its operations, the Company will contribute to the development of country's economic environment.
- The Company will operate in a sustainable and responsible manner (safety and environmental sustainability).
- The Company will create a safe and sustainable operating environment. It will guarantee the compliance of the operations of airfields as well as the level of services provided to aircraft, passengers and cargo with international and local regulations and mutually agreed terms and conditions.
- The Company will manage the effect of its operations on the natural and economic environment as well as its stakeholders and will apply measures to reduce negative impacts.
- The Company will operate regional airports to support the development of the economic environment in various regions of Estonia using the grants received from the state.

The strategic goals of Tallinn Airport Group include uniting Estonia with the world both concerning the movement of people and cargo, being an attractive airport for passengers, companies, partners and talents, operating the airports in a safe and secure manner, being responsible in our activities towards the natural environment and managing operations in cost-efficient, profitable and responsible manner, in addition, the properties owned by AS Tallinna Lennujaam are valued and earn income.

Chart 3. The Group's vision by 2024





## Fulfilment of the goals for 2021

The year turned out to be more successful than anticipated. **The number of passengers at Tallinn airport** increased by 51%. The cargo volume was as budgeted. There were significantly more year-round destinations and more regular routes than we had planned.

**The commitment target of Tallinn Airport Group's employees was not achieved.** It was evident from the survey that the indicator dropped for the third consecutive year (TRI\*M-index 2019: 72 points, 2020: 61 points, 2021: 56 points). The commitment at AS Tallinna Lennujaam it has increased (from 59 points in 2020 to 69 points in 2021), whereas it has decreased at AS Tallinn Airport GH (from 65 points in 2020 to 34 points in 2021). Employee satisfaction was impacted by the structural changes made at the Company, discontent of passengers regarding travel restrictions, labour shortage due to illnesses and long recruitment time of new employees. General mood changes and uncertainty related to the COVID situation also lowered satisfaction.

**The punctuality of departing flights was 98.66% and there were no incidents of air traffic having been halted because of us for more than 30 minutes.** We are planning to create an e- and self-service platform that supports the passenger journey and a customer programme, for which purpose we have already completed an analysis. Our route enhancement programme is attractive: airline companies are even more interested in it than we had initially anticipated.

**We registered 12 occupational accidents.** One of the reasons is the fact that after the coronavirus crisis the air traffic volume has increased and it is perceived that employees are tired of the COVID-19 crisis. Registration of safety incidents and analysis help reduce similar situations.

During the year there was one serious security area drawback caused by recurrent violations of the employees of a company that performed construction works on the territory of Tallinn airport.

**Table 6. Tallinn Airport Group connects Estonia with the world in terms of both the movement of people and goods ("Connect with the world")**

Target	Measure 2021	Achievement
Year-round destinations	15	35
Regular routes (summer and year-round routes)	20	40
Passengers in millions	1.06	1.3
Air freight in thousands of tonnes	10.0	10.6
Activities related to cargo handling and aircraft maintenance companies	Participation in fairs and launch of negotiations with one or two projects	Airport City sales environment was completed in December. There are several projects underway with Magnetic MRO

**Table 7. Tallinn Airport Group is an attractive for passengers, airlines, partners, and talent ("Attractive Airport")**

Target	Measure 2021	Achievement
Increase in passenger satisfaction according to the ASQ index (overall)	4.45	4.53
E-services for passengers (platform for e-and self-services service supporting the passenger journey and customer programme)	Customer programme analysis has been completed. We will proceed according to the management decision	Achieved
Increase in capacity	Construction of the pre-waiting and baggage area is according to the schedule. We are designing the 1st stage	Achieved
Growth in non-aviation revenue	-0.4% (EUR -0.06 million)	+51% (EUR 21.09 million in revenue)
Number of incidents when we have caused consecutive stops of air traffic for more than 30 minutes	0	Achieved
Punctuality of departing flights	85%	98.66%
Employee commitment	70 points in TRI*M-index (Group)	56 points in TRI*M-index (Group)
Results of employer reputation survey (Kantar)	Among the top five employers	Second place in the list employers

**Table 8. Tallinn Airport Group is operated safely and securely and the Company acts responsibly towards the natural environment ("Safe and responsible")**

Target	Measure 2021	Achievement
Level of the accreditation system Airport Carbon Accreditation (ACA) targeted at airports	Launch activities so that in 2022 it would be possible to attain the ACA level three certificate	Activities have been launched to obtain the ACA level three certificate in 2023. For example, CO <sub>2</sub> -neutrality action plan has been completed and taken to a new level. Employee and partner awareness has been enhanced. Group-wide CO <sub>2</sub> data modification has been launched
CO <sub>2</sub> emissions per passengers kg	14.1	11.82
Safety incidents	0 serious incidents	1 serious incident
Occupational safety incidents	Less than 8	12
Safety incidents per 1000 flight operations	0 aviation accidents and serious incidents	Achieved
Information security incidents	1 serious incident	0 serious incidents

**Table 9. Tallinn Airport Group is a cost-effective, profitable and innovative company (Well-managed)**

Target	Measure 2021	Achievement
Group's profit before interest, tax and depreciation (EBITDA) margin	12.6%	37%
Group's expenses (excluding depreciation) per passenger (Tallinn airport and regional airports) in euros	25.95	22.58
Tallinn Airport Group has comprehensive and modern information technology and digital solutions	The digitalization development plan "Airport 4.0" is being implemented based on management decisions	Achieved
Group's sale revenue per passenger (Tallinn airport and regional airports) in euros	19.3	22.2
New business projects have been launched and implemented	New solar parks will be built (1–3 MW)	Attained. Two solar parks have been built at Tallinn airport (total of 1 MW)

**Table 10. AS Tallinna Lennujaam properties are valued and earn income ("Properties are valued")**

Target	Measure 2021	Achievement
Business plans have been prepared or are being prepared. Plan and construction work has been launched	1. A detailed plan (DP) for the southern part of Tallinn airport has been approved.	1. Achieved
	2. Coordination of the DP of the eastern area has been finalised with the local government.	2. The DP of the eastern area will be made in two stages, the application for launch of the 1st stage has been submitted to the local government.
	3. The DP of Tallinn Airport City, and 2nd stage of the passenger terminal as well as the DP of Suur-Sõjamäe 48–50 and 60 have been launched.	3. The DP initiation of Tallinn Airport City, and 2nd stage of the passenger terminal as well as Suur-Sõjamäe 48–50 and 60 DP has been submitted to the local government.
	4. The change of DP of Valukoja properties has been launched.	4. The change of DP initiation of Valukoja properties is being prepared.
	5. The DP of southwestern area is being prepared.	5. The need for the DP of southwestern area is being determined.
	6. Reconstruction of Pärnu airside area has been completed, construction of the terminal is underway.	6. Reconstruction of Pärnu airside area and construction of the passenger terminal has been completed, design work of the airplane hangar is underway.
	7. Construction of the development project of Tallinn airport airside area has been completed.	7. Achieved

# Our services



## Air traffic in Tallinn and at regional airports

The spread of the coronavirus and the related restrictions led to a slump in aviation demand in 2021. The number of passengers was only 14% in the 1st quarter and 22% in the 2nd quarter of the pre-pandemic level.

The launch of a uniform Covid certificate (so-called Covid passport) across the European Union on 1 July 2021 helped to considerably lift the number of passengers in the second half of the year. This harmonised and simplified the travelling rules. Thanks to this, the number of passengers reached to 50% of the pre-crisis level already in June and 70% in December.

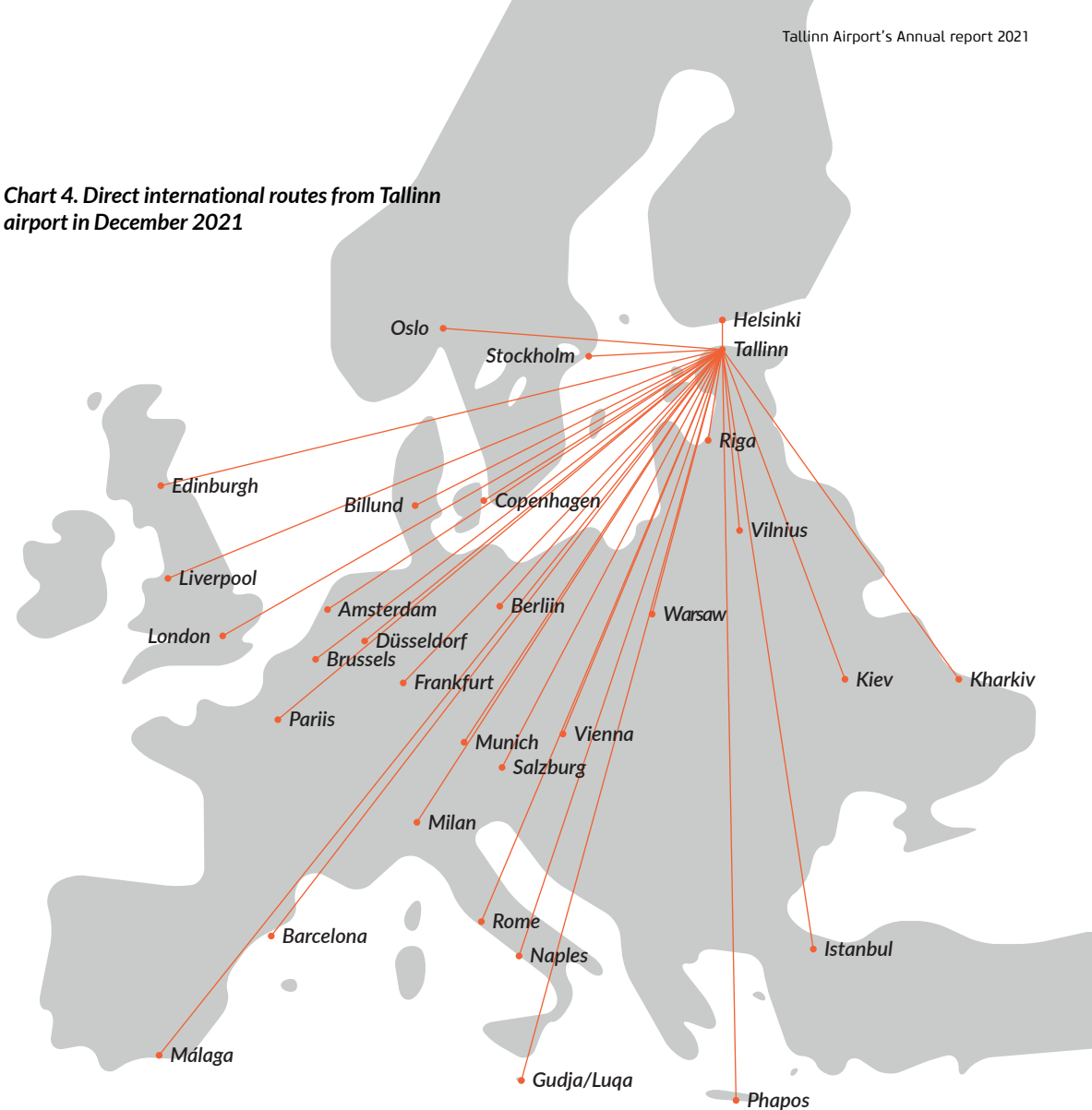
In 2021, 1.3 million passengers passed through Tallinn airport which is 51% more than in 2020 but still 60% less than in 2019. As compared to the pre-crisis level, the number of scheduled passengers recovered about 37% on average and that of charter flight passengers 60% on average.

AirBaltic carried the most of the total number of passengers (22%). The share of low-cost airlines was 24% (2020: 20%) and this figure is expected to continue growing in the Estonian market in 2022.

Due to the spread of the coronavirus, EasyJet and Aeroflot suspended their flights to Tallinn. The air traffic in Tallinn was impacted by political events, namely an incident that occurred in Belarus due to which Belavia's flights were suspended to the member states of the European Union, including regular Minsk-Tallinn direct flights.

The Swiss company Swiss International Air Lines, which belongs to Lufthansa Group, started to fly to Tallinn, opening a direct route between Zurich and Tallinn. Low-cost airlines Ryanair and Wizz Air also opened new routes (incl. Rome, Napoli, Barcelona, Billund and Liverpool).

**Chart 4. Direct international routes from Tallinn airport in December 2021**



## Air traffic in Tallinn and at regional airports

During the year, scheduled flights from Tallinn airport were made to 40 destinations, plus regular charter flights. The most popular destinations were Helsinki, Riga and Frankfurt: a third of all passengers used this option.



**Chart 5. Break-down of passengers at Tallinn airport by destination (scheduled flights) and by carriers in 2021**

Frankfurt	12.8%	airBaltic	22%
Helsinki	9.7%		
Riga	9.6%	Ryanair	14.2%
Stockholm	7.6%		
Warsaw	5.6%	Smartlynx	11.5%
Kiev	4.7%		
London	4.6%	Lufthansa	10.5%
Milan	4.5%		
Amsterdam	3.8%	Wizz Air	8.4%
Berlin	2.9%		
Istanbul	2.8%	Finnair	8%
Other	31.4%		
		SAS	5.2%
		LOT	4.6%
		Turkish Airlines	3.2%
		Muu	12.4%

**Table 11. Number of passengers, cargo and post, and number of flight operations at Tallinn airport 2017–2021**

<b>Passengers</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Incl. domestic flights	39,454	24,841	31,768	28,709	25,255
Incl. international flights	1,261,611	838,748	3,236,142	2,978,935	2,623,106
Incl. connecting flights	8,102	6,600	13,334	50,392	43,945
<b>Total</b>	<b>1,301,066</b>	<b>863,589</b>	<b>3,267,910</b>	<b>3,007,644</b>	<b>2,648,361</b>
<b>Cargo and post in tonnes</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Incl. post	1,205	1,319	2,932	2,535	2,096
Incl. air cargo	9,355	7,871	7,984	8,984	9,249
<b>Total</b>	<b>10,560</b>	<b>9,190</b>	<b>10,916</b>	<b>11,519</b>	<b>11,345</b>
<b>Flight operations</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Incl. passenger flights	16,617	14,461	38,808	39,892	36,856
Incl. cargo flights	1,602	1,552	1,538	1,597	1,662
Incl. non-business flights	8,470	6,949	7,521	7,079	6,807
<b>Total</b>	<b>26,689</b>	<b>22,962</b>	<b>47,867</b>	<b>48,568</b>	<b>45,325</b>

In respect of regional airports, Kuressaare airport served the highest number of passengers, with the service capacity reaching a record level of approximately 30,000 passengers per year. The growth in the number of passengers received a boost from the new 50-seat aircraft on Tallinn-Kuressaare route that is bigger than the previous one.

The majority of the flight operations were made from Tartu airport, related to the training flights of the Estonian Aviation Academy. The most significant event of 2022 was reopening of Finnair's Tartu-Helsinki route. We reopened Pärnu airport in autumn 2021 for scheduled flights and in summer 2022 we hope to be able to start charter flights in cooperation with the City of Pärnu.

## Overview of the airfield and passenger services

### Airfield service, air navigation service and aviation safety

The priority in achieving the goals in all areas of Tallinn Airport Group is to guarantee safety, regular and uninterrupted aviation operations in all airports and customer service at any time and any weather, in compliance with international safety requirements and standards.

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*In 2021, the number of flight operations at Tallinn airport was 26,689 which is 16% more than in 2020. There were 9,191 flight operations from regional airports which is 7% more than the year before.*

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The biggest challenge in 2021 was stage II of the airside area expansion project of Tallinn airport. The development project was carried out in several stages in 2021-2021, whereas the final activities will be completed in 2023. As a result of construction work, in November we opened a new southern aircraft apron area and new taxiways, and expanded the de-icing area in the eastern part as well as engine testing area. We opened the circular road for patrol and maintenance vehicles in the southern area. One of the goals of the development projects is to reduce the environmental impact of the airport. In the framework of the project we built and planned complex stormwater systems that will alleviate the problem with excess water. In addition, we installed oil traps and built a structure for storage and processing of de-icing chemicals.

In 2021, we launched comprehensive assessment to determine our compliance with updated requirements, for instance, changes in the European Aviation Safety Agency's (EASA) requirements for airport operators as well as changes in our organisation and its needs. For raising the competencies of our employees regarding the EASA requirements we launched a series of training courses. In 2022, we will continue working with the issues identified in the course of the assessment that require improvement.

In the autumn we re-opened the reconstructed airside area of the Pärnu airport. In the course of the renewal we reconstructed the runway to 1,970x30 metres, extended taxiways, reconstructed the aircraft apron area, installed an automatic weather monitoring system, upgraded the airfield lighting system and built a new maintenance and rescue equipment hangar.

In 2022, we will start preparations for the reconstruction project of Ruhnu airfield and installation of automatic weather monitoring systems in Kuressaare, Tartu and Kärdla airports.

We are participating in the remote tower project for the purpose of providing the air traffic control service for all regional airfields from one control centre in Tallinn. The Estonian Air Navigation Services (EANS) is in charge of the project and AS Tallinna Lennujaam, Aviation Service of the Estonian Transport Administration, AS Cybernetica and the Environment Agency are also included in the project. In autumn 2022, we plan to launch provision of the aviation information service from Tartu remote tower as a test airport.

In 2022, we will continue building solar parks at regional airports. We intend to partially cover our own energy consumption with the solar parks and sell it to the distribution network. In 2021, the solar parks built in regional airports produced electricity that covered the annual needs of airports as follows: 24% at Pärnu airport (2020: 34%), 28% at Kärdla airport (2020: 21%), 8% at Tartu airport (2020: 8%) and 25% at Kuressaare airport (2020: 19%). The Group's goal is that the airports throughout Estonia would consume renewable energy only.

### Aviation safety

We have a well-functioning safety management system and an engaging, open, and transparent organisational culture in place, due to which safety information is transmitted promptly.

The purpose of the safety management system is to prevent accidents and protect people, assets and environment. The safety management system enables notification of all cases affecting aviation safety that have been encountered in work to investigate what has happened and ensure that it will not occur again.

The representatives of all companies responsible for airport safety at Tallinn airfield participate in the meetings of Tallinn Airport Safety Committee. In 2021, four regular meetings were held in the Teams online environment due to the COVID-19 situation. At meetings, we share safety experiences and information about future changes in infrastructure



procedures. We also analyse incidents and necessary improvements to prevent them in the future.

In 2021, a total of 647 safety notices were registered on all airfields, which is more than in 2020. The growth is attributable to the higher number of flight operations on the one hand and improved notification culture on the other hand.

**Table 12. Safety notifications 2020-2021**

<b>Airport</b>	<b>Safety notifications 2021</b>	<b>Safety notifications 2020</b>
Tallinn	532	332
Tartu	83	40
Kuressaare	18	8
Kärdla	6	6
Ruhnu	3	0
Pärnu	2	21
Kihnu	0	0

**The key projects of Tallinn airport to enhance aviation safety:**

- airside area development project – in the summer, the airport operated without instrumental landing system's (ILS) devices and with a shorter runway. In autumn, new taxiways, de-icing areas, motor testing area and extension of the K-apron were taken into use;
- increasing the share of e-studies for aviation safety trainings and upgrading of training materials;
- implementation of the new methodology for measuring the friction coefficient of aerodrome pavements (GRF) in cooperation with the Estonian Air Navigation Services Ltd since 13 August.

**The key projects of regional airports to enhance aviation safety:**

- implementation of the new methodology for measuring the friction coefficient of aerodrome pavements (GRF) in cooperation with the Estonian Air Navigation Services Ltd since 13 August;
- reopening of the reconstructed airside area at Pärnu airport;
- AS Tallinna Lennujaam started to provide an aircraft fuel service.

**Dangers related to birds and animals**

Birds and animals present great danger to aircraft, because they may cause extensive damage to aircraft. To reduce danger, we actively use miscellaneous measures: bird control systems based on gas cannons, audio-visual and pyrotechnical measures. The best way to control birds and animals is to apply activities related to the use of land so that the airfield would not be an attractive place for them.

In addition to its team, Tallinn airfield employs a professional ornithologist to evaluate and monitor our ornithological situation.

In 2021, we registered a total of 149 notifications related to birds and animals which mainly concerned their movement in the airside area of the airport. There were three more serious cases that would have affected the operation or cancellation of flights.

**Chart 13. Notifications related to birds and animals 2020-2021**

<b>Airport</b>	<b>Notifications related to birds and animals 2021</b>	<b>Notifications related to birds and animals 2020</b>
Tartu	83	28
Tallinn	56	47
Kuressaare	8	1
Kärdla	2	2
Pärnu	0	0
Kihnu	0	0
Ruhnu	0	0

## Airfield service, air navigation service and aviation safety



### Air navigation services

AS Tallinna Lennujaam provides flight information services and communication and navigation system services.

**In 2021, the type of the air navigation service depends on the airport. We provided:**

- flight information services in Kärdla and Kuressaare;
- communication and navigation services in Tallinn, Kärdla and Kuressaare.

**Table 14. Incidents related to the provision of air navigation services on the airfields of AS Tallinna Lennujaam**

Airport	Flight information service		Communication and navigation service		Meteorological equipment (service provided by the Environmental Agency)	
	2021	2020	2021	2020	2021	2020
Tallinn	Not provided	Not provided		8	27	17
Tartu	Not provided	Not provided	Not provided	Not provided	4	1
Pärnu	Not provided	2	Not provided	0	Not provided	9
Kuressaare	2	2	0	0	0	1

## Passenger service



Our goal is to make sure that the passenger journey from arrival at the terminal to boarding the airplane or from the time a problem appears until resolving it would proceed smoothly.

Tallinn airport strives at being the world's cosiest airport and customer satisfaction is important to us. We want to make passengers feel at home at our airport. We will wait for them and welcome them hospitably so that they would feel at ease and safe. In our choices, we proceed from the expectations of the passengers, valuing the specificity of Estonia and unity of Europe.

### *Customer experience*

In 2021, we continued with the development activities at Tallinn airport's passenger terminal, the purpose of which is to expand the baggage area and baggage system of departing passengers to be able to handle the baggage of up to 6 million passengers per year. We installed a new baggage carousel and an automated baggage sorting system. The development project will be completed in the second quarter of 2022.

In addition we made preparations for the installation and configuration of the equipment for handing over self check-in and oversized baggage. According to the plan, these services will also be available in the second quarter of 2022.

The passenger terminal of Tallinn airport has been built to serve 2.6 million passengers but since we are living at a time when we need to ensure dispersion of passengers, we also need to fulfil this requirement at the passenger terminal. The expansion of the area targeted at passengers also takes account of the recovery in the estimated number of passengers to 3 million passengers. For these reasons we started to increase the terminal's capacity to 4.2 million passengers. In order for the passengers to have better conditions when waiting for their flights, comfortable waiting areas will be completed in the first half of the year, primarily aimed at the customers of low-cost airlines.

In 2022, we plan to continue with the construction work at the terminal: we will also design and build new waiting areas in non-Schengen areas.

## Feedback of the customers of Tallinn airport

In 2021, we registered 386 customer inquiries which is at the same level as in 2019 (2020: 141, 2021: 378). However, as compared to 2020, the number of inquiries increased. This was primarily related to the complicated questions about travel documents related to COVID-19. In 2021, countries demanded vaccination certificates and border crossing documents from passengers and they booked COVID-19 testing at destinations. As every country set its own document requirement, traveling became more complicated than it had been previously and there were miscellaneous travel disruptions for which passenger turned to the airport for assistance.

The inquiries related to COVID-19 travel documents made up more than a half of the feedback left for Tallinn airport in 2021. Besides, we received recommendations about the security service and airport infrastructure improvement.

The real-time feedback measurement equipment used in the passenger terminal showed that the average satisfaction with crossing the border was at the same level as in 2020: 88% of passengers rated their experience as pleasant. In catering establishments, satisfaction with the service remained positive to the extent of 96% (2020: 96%) and with the choice of food to the extent of 86% (2020: 84%), which is the same or better than the year before.

## Passenger survey at Tallinn airport

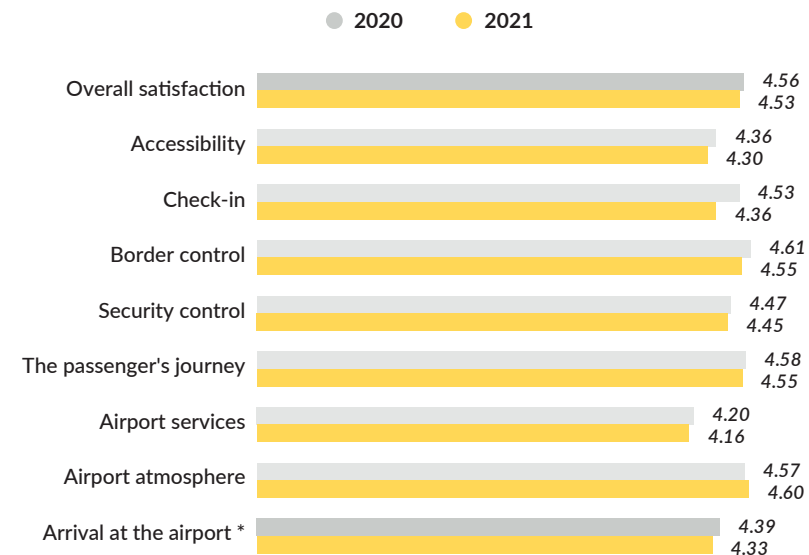
In 2021, Tallinn airport continued to participate in the International Airport Council (Airport Council International, ACI) passenger service survey (ASQ) with more than 360 airports worldwide (including 100 European airports). The study gives us the opportunity to analyse our strengths and development opportunities and compare ourselves with other airports. During the year, we interviewed nearly 1,300 passengers.

In 2021, passenger satisfaction remained very high, despite of the rapid growth in the number of passengers at Tallinn airport. With an overall result of 4.53 points (in terms of five points), Tallinn airport was ranked among the absolute best in Europe in terms of European airports and brought us the title of "Europe's Best Serviced Airport 2021" for the

fourth time in a row. According to tradition, the prize is awarded in solidarity among the best airports in the region.

The study shows that in the case of Tallinn airport, passengers primarily value the passenger route logical structure and simplicity and the cozy atmosphere of the terminal. The biggest change in passenger ratings was for the check-in service, which suffered in particularly from the increase in queues due to the verification of additional documents associated with the COVID-19 restrictions.

### Aggregate results of the Tallinn airport passenger survey by areas 2020 vs 2021



\* Departing passengers were asked to recall their latest arrival experience

### ***Provision of services to passengers with reduced mobility***

In 2021, Tallinn airport received 2,975 requests to serve people with reduced mobility, which is about 50% more than the year before.

In 2021, the share of passengers reduced mobility in the total number of passengers recovered: the figure was 0.2% at the year-end which is the record of all times. The share of passengers with reduced mobility decreased only in 2020 (greatly due to the COVID-19 crisis), in all other years it has clearly been in an upward trend.

We were able to carry out 63% of the requests to service passengers with reduced mobility, in the other cases; the customers did not want the airport to help them. There were only 7% of unannounced requests. We used special equipment to fill 15% of the requests.

The most common type of passengers needing help was those who were unable to walk unassisted long distances (WCHR), accounting for 48% of the total. They were followed by those who did not walk the stairs in addition to long distances (WCHS, 24%) and those who were immobile and needed assistance with boarding and exiting the aircraft (WCHC, 13%). The remaining 15% includes passengers with other special needs. The cost of servicing passengers with special needs totalled EUR 232,930 (2020: EUR 241,349).

### ***Aviation security***

The year 2021 was the year of recovery. We started to plan new positions already in the second half of 2020 to be ready for the growth in the number of passengers. As was the case in the overall labour market, it was difficult to recruit new people and a higher number of passengers in the second half of the year led to longer waiting times in security points. More thorough preliminary work and analysis was needed to solve the situation.

In February, the Police and Border Guard Board started to use automated border-crossing gates to serve the passengers flying to third countries, enabling them to check in using self-service machines. During the year, the work of cross-border gates was analysed and software was improved which increased the number of their users.

In 2022, the Aviation Security Department organised 118 training courses (2020: 90), in course of which 1,182 (2020: 981) aviation related employees received training.

Pärnu airport replaced the provider of security services. AS Viking Security that won the procurement is the new provider, being and is a new company in the aviation security area. We are now also paying more attention to the quality of the service at Pärnu airport.

### ***Ground handling services***

At Tallinn airport, ground handling of passengers, cargo and aircraft is provided by AS Tallinn Airport GH.

The company's strategic goal is to become a company with the highest quality ground handling services in Northern Europe, serve all airlines with at least 97.5% punctuality and be among the top five service stations in terms of quality rating.

To attain this goal we are constantly enhancing the quality management system, based on the requirements of the standard "Safety Audit for Ground Operations" (ISAGO) developed by the International Aviation Transport Association (IATA). In order to develop company's service standards and better meet customers' expectations, we regularly analyse customer feedback. In in-house training sessions, we analyse the target levels of performance indicators, potential impacts of these indicators and measures to reduce negative impacts.

The company's goal is to ensure the minimum punctuality level of 97.5% for the services provided to all airlines. We did not fulfil this goal only in month of 2021, when it was 97%. The average annual service punctuality was 99.1%.



## Digital automated solutions



Tallinn Airport Group has set for itself a goal to actively deploy efficient digital automated solutions. For the next four years we have prepared the development plan “Airport 4.0” whose main goal is to increase the level of our digitalisation, raise the efficiency of work processes and become an airport with advanced information technology. This will also increase our competitiveness on the international market since we will be able to guarantee lower expenses and faster aircraft turnaround time.

“Airport 4.0” is an international concept by the same name which forms the basis for development plans of many airports. Under this concept, the digital maturity of an airport is classified into four categories. The Group has prepared for the next four years a digitalisation action plan “Airport 4.0” that consists of key software projects. The maximum level (4.0) which Tallinn Airport Group plans to achieve within the next four years is a digital ecosystem that links all companies operating in airports operated by AS Tallinna Lennujaam into a single digital community.

### *In 2021, we had two key projects:*

- “Invoice” – a single service management solution for describing and provision of services as well as customer billing. The project was launched in 2020 and has been completed. The system is in use in the Tallinn airport and in regional airports. It is also used by Tallinn Airport GH, subsidiary of Tallinn Airport, that provides services for airlines;
- RMS – central information system for resource management and planning that enables to more automatically and efficiently manage and plan shifts, as well as aircraft turnaround equipment and systems. The project is at present in the phase of needs analysis and preparation of procurement tender. A detailed implementation plan will be drawn up after the successful completion of the procurement tender.

## Cooperation with community members and partners, and economic effect



The activities of airports influence many stakeholders, ranging from staff and community members, airlines and business partners to travellers, taxpayers, owner, and the society at large.

To make economic, social, and environmental decisions, we identified the stakeholders that are either directly or indirectly related to Tallinn airport as well as their expectations of the company that we need take into account when setting or reviewing the company's strategic goals.

When making decisions, we consider both internal and external factors impacting the company that may give rise to various opportunities and risks. If we have an open dialogue with the stakeholders and consider various interests in the company's strategy, we can create and maintain trust in our activities.

### ***Cooperation of community members and partners***

In aviation, it is necessary to cooperate with partners on the topics of user conditions, passenger experience, risk management, safety and environment. In order to disseminate information and implement common values and culture, we regularly meet with our partners in many cooperation bodies. The airport community includes companies operating on the territory of our airports and their employees, as well as surrounding aviation-related companies.

### ***Tallinn Airport Users' Committee***

In accordance with the Estonian Aviation Act, the airport operator is obliged to consult with airport users at least once a year on the subject of fee rates and, if necessary, on the quality of airport services.

In 2021, the Tallinn Airport Users' Committee held two meetings (2020: no meetings were held because of COVID-19). Users were given an overview of the service quality, safety as well as environmental and investment plans of Tallinn airport, and consultations were held on the subject of fees for 2022.

### ***Tallinn Airfield's Safety Committee***

The safety management system consists of the company's safety policy, safety goals, risk management and safety promotion and assessment. Safety activities include the implementation and development of the safety management system on a daily basis.

The safety management system is effective only if the company's employees and cooperation partners are aware of its goals and importance as well as understand their role in assuring and adhering to the system.

The meetings of the Tallinn Airport Safety Committee are attended by aviation safety representatives of all companies that operate on the Tallinn airfield. At the meetings held in 2021, participants received an overview of the development activities of Tallinn airfield and related operational restrictions for airfield users, including cases influencing aviation safety and changes in the procedures of the operational and management system of the airfield.

### ***Tallinn Airport Passenger Terminal User's Committee***

The aim of the Tallinn Airport Passenger Terminal Users' Committee is to exchange information and to harmonize and enhance the passenger experience in the Passenger Terminal. The members of the committee are tenants operating in the Passenger Terminal and cooperation partners. In 2021, the committee held one meeting (2020: no meetings were held because of COVID-19).

### ***Environmental Steering Group***

The purpose of the environmental steering group is more efficient organisation of environmental management in the entire Group. The Group's key specialists participate in the work of the steering group.

In 2021, the environmental steering group met on three occasions (2020: once). The key topics included renewal of the environmental strategy, CO<sub>2</sub>-neutrality of the airport by the year 2030, assessment of environmental aspects, environmental investments and waste management situation as well as the concept of zero waste.

## Cooperation with community members and partners, and economic effect



### ***Safety and Quality Groups at regional airports***

Safety and quality groups meet at Kuressaare, Kärdla, Pärnu and Tartu airports at least once a quarter. Their purpose is to provide initial control over the performance of the safety management system, to receive feedback on improvement activities and to promote safety.

The meetings will address current airport operation, safety and quality issues, customer feedback and deficiencies identified during airport audits. The companies operating on airport sites will be involved in the meetings.

### ***Participation in the industry's promotion, and membership***

AS Tallinna Lennujaam actively participates both in the aviation cluster and the cooperation network to operate and find opportunities together in Europe and elsewhere in the world. For the Group, it creates an opportunity to develop both aviation and non-aviation areas which in turn are important to ensure the sustainable operations of airports in the future.

AS Tallinna Lennujaam is a member of the Responsible Business Forum (MTÜ Vastutustundliku Ettevõtluse Foorum). Since 2013, we have participated in the evaluation of a responsible business organised by this non-profit organisation. In 2020, AS Tallinna Lennujaam received a gold award (awarded every other year) for its responsible business activities for the third time already.

### ***Economic impact***

Our Group has a strong impact on the economy of Tallinn as well as the entire economy of Estonia. We have analysed our economic impact based on the input-output framework.

It is not possible to assess the economic impact of 2020 and 2021, because during the global health crisis, domestic aviation and tourism function in restricted conditions.



# Our team



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*The crisis caused by the coronavirus, which began in the spring of 2020, had a significant impact on our team also on 2021.*

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On the basis of the epidemic control plan and in accordance with the measures introduced in Estonia, we regularly instructed our employees. We raised awareness and promoted vaccination against COVID-19, as a result of which more than 88% of the Group's employees were vaccinated by the end of the year. We constantly reminded employees on the importance to use personal protective equipment. As part of our weekly monitoring we reported the number of employees who had tested positive for COVID-19, had been in close contact with an infected person and/or had self-isolated.

We updated the principles and risk analysis format of remote work and enabled office employees to work in the hybrid working mode. With the assistance of Võõras Sõber, an NGO, we started to offer our employees the service of a psychologist specialising in work issues. After the work volume temporarily decreased we used the follow-up salary support measure provided by the Estonian Unemployment Insurance Fund for the months of March, April and May.

### **Key indicators**

The Company operates only in Estonia, complying with the current labour laws of Estonia. We follow the principles of supporting the diversity of gender, age, education, and views.

At the year-end, Tallinn Airport Group employed 514 employees, of whom 63% were men and 37% women. At AS Tallinna Lennujaam, 48% of employees have worked there for more than a decade whereas the same indicator at AS Tallinn Airport GH is 22%.

In 2021, the voluntary staff turnover at AS Tallinna Lennujaam was 8% (2020: 5%) and at AS Tallinn Airport GH it was approximately 13% (2020: 10%). The total turnover (incl. redundancies) was 11% at AS Tallinna Lennujaam and 17% at AS Tallinn Airport GH.

Based on the results of the survey by Kantar Emor carried out in spring 2021, Tallinn Airport Group is the second most attractive employer for the residents of Estonia after Eesti Energia.

We continued to support the best students of the Estonian Aviation Academy, issuing annual AS Tallinna Lennujaam and AS Tallinn Airport GH scholarships. We also organised virtual career days and participated in career fair Võti Tulevikku.

### **Development of employee competencies**

In promoting studies, mentoring and development, we use the international 70:20:10 model for learning and development, which involves three types of learning: experiential, social and formal. External and internal trainers and practice mentors share their knowledge and skills.

In 2021, the training expenses made up 1.0% (2020: 0.7%) of staff costs. The Group's training and development costs totalled EUR 172,008 (2020: EUR 108,059). The focus of training courses was primarily on retention of competencies; in addition we provided online training sessions to promote mental health.

To efficiently monitor the matching of competencies required for positions and employee levels, we have developed an information system of competencies that will be taken into use at the beginning of 2022. The purpose of the system is to describe competency requirements, link them with the actual competencies of employees and in this way, create a user-friendly and unambiguous system for devising training courses. For supporting training and development activities, we made preparations to launch the new information system in January 2022.

In collaboration with management, we developed the Group's management principles and implemented the first stage of the management development programme which focused on self-management.

### **Employee involvement and value proposition**

In 2021, we continued our cooperation with Kantar Emor to carry out a working life survey at the Group, the purpose of which was to determine the aggregate indicator of employee commitment, i.e., the internationally used TRI\*M Index.

In the survey carried out in November 2021, the participation rate of the Group's employees was 77%, ensuring reliability of the results. The results of the study show that the average commitment index of our Group's employees was 56 points (2020: 61 points)

## Our team



which is slightly below the Estonian average (2020: 63 in the spring before the start of the coronavirus crisis).

We continued to organise regular briefings so as to disseminate information about the Group's financial performance, achievements and upcoming changes.

Our remuneration principles take account of external competitiveness, annually participating in Fontes salary surveys, as well as allocation of professional groups and principles of equal treatment. We treat our employees equally, regardless of their gender and other characteristics.

Over time, it has become a tradition to recognise our best colleagues who have made a great contribution to work. We will announce the winners for 2021 at the opening event of the 2022 financial year. We also provide ongoing positive feedback that the customers have given to our employees on our intranet.

We value long-term employment relationships - behind it there is the commitment and will to unite Estonia with the world. We acknowledge and thank our colleagues who in the current calendar year successfully reach the employment anniversary in our group companies - 10, 20, 30 and 40 years

To celebrate the 85th anniversary of Tallinn airport we organized a joint event at the start of the autumn. Ahead of the autumn-winter season we organized vaccination against flu for interested employees. For Christmas, we organized presents for our employees and their children and organized a festive lunch for the staff that was at work during Christmas.

We foster an athletic way of life and make sure that our employees always have an opportunity to select an appropriate and healthy way to spend their free time. In 2021, about 400 employees from the parent entity and the subsidiary, i.e. 80% of all our colleagues regularly used the sports and health promotion support through the Stebby environment.

The goal of the non-profit organisation Tallinn Airport Sports Club is to provide miscellaneous athletic activities to the employees for the purpose of promoting a healthy lifestyle. The members of the sports club can participate in group trainings, competitions, and other sports-related activities. At the end of 2021, the sports club had 66 members.

In 2021, the sports club participated in all major national sports competitions, several of which took place online. Our sports club with its strong team managed to win in several competitions, for example in the series competitions of the Estonian Company Sports Federation, Tartu Kuubik, Kõrvemaa competition of four fields of sport, and many biking and running marathons.

# Sustainable and responsible management



## Sustainable and responsible management



Sustainable and responsible attitude towards the surrounding environment is our key value. Inevitably, aviation as an industry impacts the environmental status and safety to a great degree. Therefore, we need to strive to alleviate the Company's negative impact and burden on the environment and to be as economical as possible in our activities and in line with the principles of sustainable development.

Our aim is to ensure the sustainable and responsible operation of the Group's airports and to provide a high-quality service, while saving the natural environment and reducing air emissions.

We have six environmental goals.

**Table 15. Production volume and production of solar parks in 2021 and forecast for 2025**

	Production volume kWh	Solar energy generated kWh 2021	Share of solar energy generated in electricity consumption of Tallinn airport Ltd 2021
Solar parks of Tallinn airport	1100	231,014	1.54%
Solar parks of regional airports	250	259,880	16.84%
	Production volume kWh	Tolar energy generated kWh 2025	Share of solar energy generated in electricity consumption of Tallinn airport Ltd 2025
Solar parks of Tallinn airport	3050	3,885,700	25.79%
Solar parks of regional airports	1570	200,180	130.09%
			<b>Total: 35.45%</b>

## 1. Ensuring energy efficiency and transition to renewable energy (SDG 7)

Electricity consumption makes up a major share of CO<sub>2</sub> emissions at Tallinn airport. The infrastructure, including the runway with lights and airport buildings, consumes electricity 24/7 and creates a sizable CO<sub>2</sub> footprint.

For this reason, we have started the transition to renewable energy and built solar parks both at Tallinn airport as well as all regional airports. To attain CO<sub>2</sub>-neutrality, we need to analyse energy efficiency, find areas for improvement in our infrastructure and consumption and consistently increase the share of renewable energy.

### Reduction of CO<sub>2</sub> and air pollution in the air (SDG 3, 7, 11, 13)

AS Tallinna Lennujaam has joined the Airports Council International's (ACI) pan-European commitment "Net Zero 2030". We have set ourselves a goal to reach CO<sub>2</sub>-neutrality by the year 2030 which is a confirmation of our determination to move towards climate neutral management.

Taking into account climate changes and the green transition which keeps gaining momentum, it is also necessary to find more sustainable ways to operate in the aviation sector. With the goal "Net Zero Target 2050", announced in 2021, many European airports committed themselves to reaching CO<sub>2</sub>-neutrality by the year 2050. However, 91 airports, including Tallinn airport, promise to do it already by 2030.

Tallinn airport is a member of Airports Council International Europe (ACI Europe) and has joined the global airport CO<sub>2</sub> management programme Airport Carbon Accreditation (ACA). The goal of the programme is to encourage airports to gradually reduce their CO<sub>2</sub> footprint. In 2021, we devised an action plan to visualise our key activities so as to achieve CO<sub>2</sub>-neutrality.

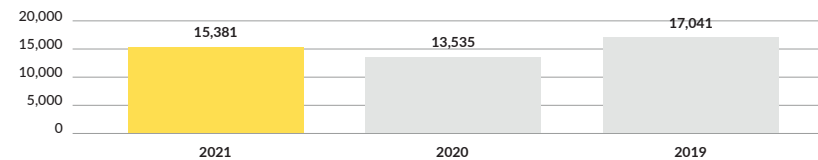
A CO<sub>2</sub>-neutral airport needs to minimise its energy consumption, increase use of renewable energy, upgrade its fleet and infrastructure, turn its processes more environmentally friendly through involvement of communities, partners and passengers.



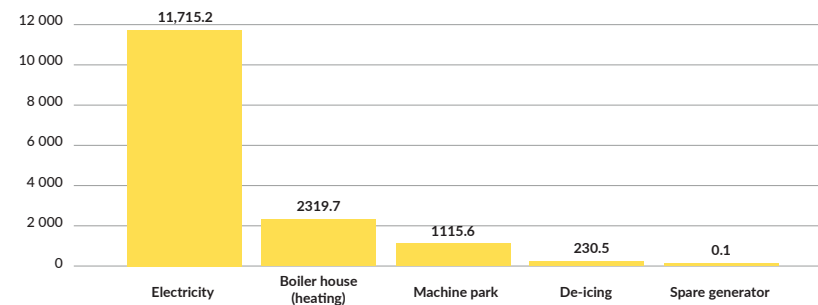
Sustainable and responsible management



**Chart 6. Volume of CO<sub>2</sub> emissions at Tallinn airport (tonnes in year)**



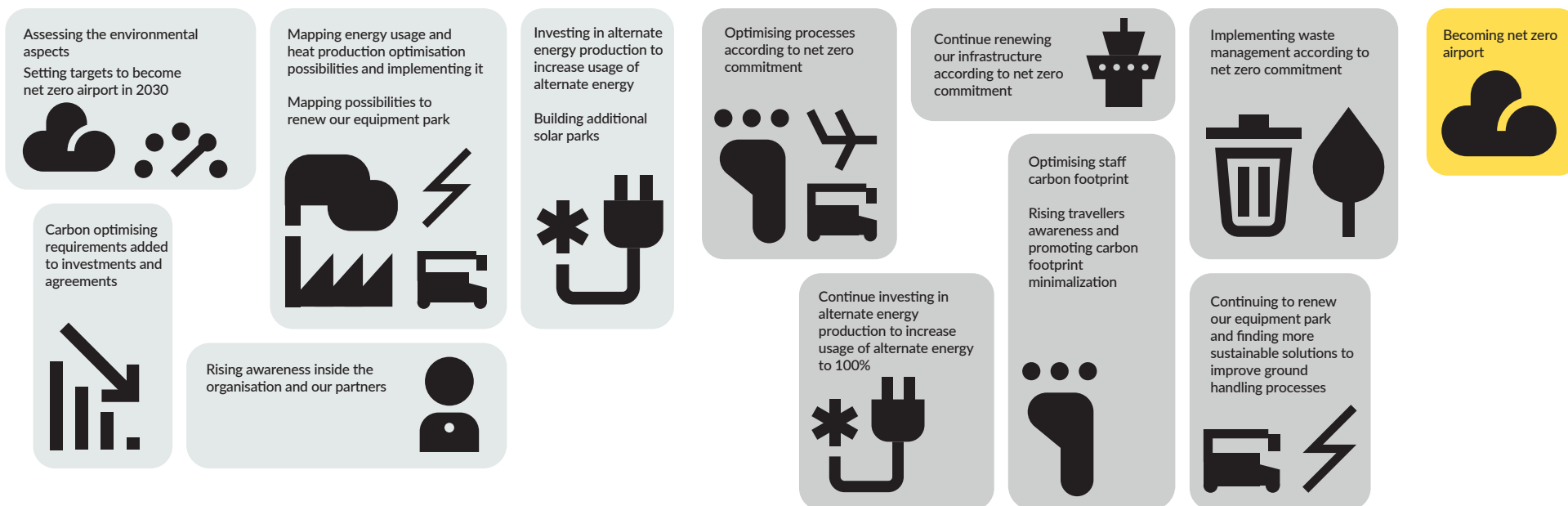
**Chart 7. Sources of CO<sub>2</sub> emissions at Tallinn airport (tonnes in year)**



## 2021 MAPPING IMPROVEMENT POSSIBILITIES

## CONTINUOUS CARBON OPTIMISATION

## BECOMING NET ZERO 2030



## Sustainable and responsible management



### 3. Reducing the consumption of clean drinking water and ensuring clean rainwater (SDG 6)

Clean drinking water and reduction of the consumption of non-renewable resources are both important to us.

The passengers of Tallinn airport are able to fill their water bottles in special locations so that they do not need to buy new water bottles after passing through the security checkpoint. Equally important to us is clean rainwater than runs on our territory. In 2021, we upgraded our rainwater systems within the framework of the project funded from the Cohesion Fund to ensure high-quality rainwater. In this way we will also keep the water of Lake Ülemiste and surface water clean. We monitor water quality once a quarter, on the basis of the environmental permits issued to us.

### 4. Reduction of waste generation (SDG12)

Waste reduction also plays an important role in attainment of CO<sub>2</sub>-neutrality. Therefore, we consider it necessary to minimise waste generation and upgrade the entire waste processing system to support the goals of circular economy and the concept of zero waste. We also promote sorting waste by type and educate the employees, partners and passengers of Tallinn airport on waste management topics.

In 2021, we analysed the Group's waste generation and determined ways to improve the quality of waste collection by type and upgrade the waste management system next year.

### 5. Ensuring compliance with noise level requirements (SDG 3,11)

Noise is an aspect that inevitably accompanies aviation and urbanisation, but we are doing everything in our possession to reduce noise pollution. Since the pre-Covid situation is beginning to resume in aviation, the noise from approaching and departing airplanes may seem even more disturbing. It is related to the fact that people have become used to silence during the crisis.

In 2021, we cooperated both with the Tallinn City Government and the Estonian Health Insurance Fund to analyse the noise situation and find areas for improvement. We have built noise barriers on the territory where aircraft engines are being tested because we wish to protect people and the surrounding environment. We also measure the noise level on our territory and analyse it. In 2021, the average noise level in the eastern section of the airport was 63 db and in the western section it was 65 db which is within the national noise boundaries (75 db during the day, 65 db at night).

### 6. Ensuring biodiversity (SDG 15)

We consider it important that the forests surrounding us would be managed in an environmentally sustainable manner while maintaining measures necessary for ensuring aviation safety. In 2021, we launched renewal of forest management plans and in 2022, we started replanting forests. In this way we will give back the trees felled for aviation safety purposes, helping to improve forest culture and preserve biodiversity.

We make sure that no trees are cut on the territory of Tallinn airport during the nesting period of birds to maintain diversity around us. The special management zone of Tallinn airport is home to the northern goshawk in the second protection category whose nesting turned out to be especially successful in 2021. There were five chicks in its clutch, a testimony of our ability to work hand in hand with nature.

We arrange our daily activities in a manner enabling us to follow the principles of sustainable environmental protection. We use such technological processes, mechanisms and materials that do not harm the environment or keep it in established boundaries. We continuously assess the effects and risks stemming from our activities on the environment and consider them in the Group's daily operations.

Environmental performance starts from increasing awareness and we can make progress together with our employees, partners and passengers. The environmental steering group of Tallinn airport has launched regular meetings to deal with all key green topics.

At the beginning of 2022 we joined the cross-sector cooperation platform Green Tiger to facilitate the Estonian green transition with other sustainable organisations. Working together, we can create long-term solutions that take us towards climate neutrality.



# Sustainability report



The 2021 annual report of Tallinn Airport Group is an integrated annual report, containing the sustainability and social responsibility report, corporate governance report and financial statements.

In respect of the sustainability and social responsibility reports, we proceed from the global reporting initiative (GRI). The guideline for preparation of the sustainability report consists of reporting principles, reporting guidelines and standard reported information.

In this annual report, we disclosed all activities for 2021. We prepare this report every year and it is a continuation of the Tallinn Airport Group's 2020 annual report.

***The key elements of the reporting process have been described in the accounting policies and guidelines:***

- materiality,
- stakeholder involvement,
- sustainability context,
- completeness reporting principles.

***Regarding the section on standard information to be reported, it includes data and information which is relevant and important to the company and is specified in the guidelines as three types of standard information:***

- strategy and profile – data that determine the general context necessary for understanding the company's activities, such as the company's strategy, profile and management;
- leadership style – data, that includes how entity deals with related topics, and provides context for understanding specific actions in the related area;
- performance measures – indicators that include comparable information about the company's economic, environmental, and social areas.

Interviews with the company's employees and management, literature, data, and media analysis, as well as site visits and expert assessments have been used to define and delimit

the scope of influence. Interviews with the company's employees and management have been used to determine materiality. Stakeholders are described in more detail in the relevant chapter. In addition, society's legislation and compliance with the law play a role in assessing materiality, reducing the importance of the issue for the company in the case of good functioning and vice versa.








***The key issues identified are as follows:***







- economic performance,
- indirect economic impact,
- fight against corruption,
- energy,
- biodiversity,
- emissions,
- wastewater and waste,
- environmental compliance,
- employment,
- occupational health and safety,
- training and education,
- non-discrimination,
- socio-economic compliance.

In our business, we are guided by the principles of sustainability. From 2018, we pursue and link our activities to the United Nations Sustainable Development Goals (DSG). We have also reflected the fulfilment of the sustainable development goals in this report.

In order to illustrate how our activities contribute to the achievement of the sustainable development goals, we have linked them to topics that are important to us and marked them with the SDG symbol in the report.

## b. Sustainable development goals

Sustainable development goal	World	Tallinn airport
 3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	The Company has a functioning occupational safety and health management system
 4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	We support staff development and organise their learning activities and coaching with efficient use of resources and flexible learning opportunities
 5 GENDER EQUALITY	Achieve gender equality and empower all women and girls	We support the equality principles of gender, age, education, and diversity of views
 6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all	We are constantly monitoring rainwater. We use technical solutions to save water resources. We prevent environmental pollution through risk management. We provide clean drinking water for passengers, staff and partners at airports
 7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable, and modern energy for all	We reduce electricity consumption per passenger. We increase the share of renewable energy in final energy consumption. We plan energy-efficient buildings
 8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	We contribute to the development of the country's economic environment. We value performance and outstanding staff commitment as well as mutually respectful relationships with staff
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	We develop and operate infrastructure while considering the expectations of the society and the stakeholders, and the principles of sustainability

Sustainable development goal	World	Tallinn airport
 11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable	We monitor the emissions of fine particles into ambient air. We actively participate in addressing noise-related issues. We lower emissions, prepare an action plan to reduce CO <sub>2</sub>
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	We have obtained the ISO 14001:2015 environmental management system certificate. We ensure that hazardous waste is handed over to the handlers of hazardous waste. We reduce generation of waste per passenger. We increase the share of recyclable waste. We ensure sustainable and responsible airport operations within the company. We create a strategy for the Company's waste management system
 13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	We keep track of greenhouse gas emissions. We monitor CO <sub>2</sub> emissions when purchasing new machinery. We reduce consumption of fossil fuels
 15 LIFE ON LAND	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	We use environmentally friendly de-icing equipment at airports to minimise the negative impact on biodiversity
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote just, peaceful, and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels	We prevent corruption by setting procurement terms and avoiding conflicts of interest
 17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation of the action plan and revitalize the global partnership for sustainable development	We pay environmental tax based on the ambient air pollution permit and special permit for water use


## c. GRI Content Index





Standard	Disclosure	Page number
GRI 102: General disclosures	<b>Organisatsiooni profil</b>	
	102-1 Name of the organisation	AS Tallinna Lennujaam
	102-2 Activities, brands, products and/or services	5
	102-3 Location of headquarters	Tallinn
	102-4 Location of operations	5
	<b>Sustainable Development Goal no 9</b> Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	15-16, 19
	102-5 Ownership and legal form	5
	102-6 Markets served	5
	102-7 Scale of the organisation	5
	102-8 Workforce structure	34-35
	102-9 Supply chain description	12
	102-10 Significant changes to the organisation and its supply chain	3-4, 8, 34
	102-11 Precautionary principle or approach	10, 24-25
102-12 Participation in external initiatives (key support areas and activities)	31-32	
102-13 Membership in organisations	32	







Standard	Disclosure	Page number
	<b>Strategy</b>	
	102-14 Statement from Chairman of the Management Board	3-4
	102-15 Key impacts, risks and opportunities	11-13, 17-19
	<b>Ethics and integrity</b>	
	102-16 Values, principles, standards, and norms of behaviour	10, 15, 31
	<b>Governance</b>	
	102-18 Governance structure	7
	<b>Stakeholder engagement</b>	
	102-40 List of stakeholder groups	31
	102-42 Identifying and selecting stakeholders	31
	102-43 Approach to stakeholder engagement	31
	102-44 Key topics and concerns raised	31
	<b>Reporting practice</b>	
	102-45 Entities included in the consolidated financial statements	5
	102-46 Defining report content and topic boundaries	7, 9
	102-47 List of material topics	10-13, 15-19
	102-48 Restatements of information	-
	102-49 Changes in reporting	-
	102-50 Reporting period	01.01.2021-31.12.2021




## Sustainability report

Standard	Disclosure	Page number
	102-51 Date of most recent report	18.03.2021
	102-52 Reporting cycle	The report is prepared annually. A GRI guideline compliant report has been prepared since 2014. All previous reports are available on the website of AS Tallinna Lennujaam
	102-53 Contact point for questions regarding the report	quality@tll.aero
	102-54 Claims of reporting in accordance with the GRI Standards	The report follows an international Global Reporting Initiative (GRI) standard and has been drawn up according to the basic requirements of the standard
	102-55 GRI content index	44-46
	102-56 External assurance	The Group's annual report is audited by AS PricewaterhouseCoopers
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	7-9
	103-2 The management approach and its components	9
	103-3 Evaluation of the management approach	7-10
 RESPONSIBLE CONSUMPTION AND PRODUCTION	<b>Sustainable Development Goal no 12</b> Ensure sustainable consumption and production patterns	37-40
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	11-13, 32

Standard	Disclosure	Page number
 DECENT WORK AND ECONOMIC GROWTH	<b>Sustainable Development Goal no 8</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	12-13
	GRI 203: Indirect Economic Impacts	203-1 Infrastructure investments and services supported 10
	GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption 10 205-2 Communication and training about anticorruption policies and procedures 10 205-3 Confirmed incidence of corruption and actions taken 10
 PEACE, JUSTICE AND STRONG INSTITUTIONS	<b>Sustainable Development Goal no 16</b> Promote just, peaceful, and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels	7
	GRI 302: Energy	302-1 Energy consumption within the organisation 24, 37 302-3 Energy efficiency 37 302-4 Reduction of energy consumption 37
 AFFORDABLE AND CLEAN ENERGY	<b>Sustainable Development Goal no 7</b> Ensure access to affordable, reliable, sustainable and modern energy for all	24, 37
	GRI 304: Biodiversity	304-2 Significant impacts of activities, products and services on biodiversity 40
 LIFE ON LAND	<b>Sustainable Development Goal no 15</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	40

## Sustainability report

Standard	Disclosure	Page number
GRI 305: Emissions	305-5 Reduction of greenhouse gas emissions	37-38
	305-7 Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions	37-38
	<b>Sustainable Development Goal no 17</b> Strengthen the means of implementation of the action plan and revitalize the global partnership for sustainable development	32
	<b>Sustainable Development Goal no 11</b> Make cities and human settlements inclusive, safe, resilient and sustainable	19
	<b>Sustainable Development Goal no 13</b> Take urgent action to combat climate change and its impacts	37-40
GRI 306: Wastewater and waste	306-1 Water discharge by quality and destination	40
	306-2 Waste by type and disposal method	40
	306-3 Significant spills	
	306-4 Transport and hazardous waste	40
	306-5 Water bodies affected by water discharges and/or runoff	40
	<b>Sustainable Development Goal no 6</b> Ensure availability and sustainable management of water and sanitation for all	37-40
GRI 307: Environmental compliance	307-1 Non-compliance with environmental laws and regulations	40

Standard	Disclosure	Page number
GRI 401: Employment	401-1 New employee hires and employee turnover	34
GRI 403: Occupational health and safety	403-1 Occupational health and safety	18
	403-2 Risk identification, assessment and investigation of incidents	24-26
	403-4 Health and safety topics covered in formal agreements with trade unions	10, 34
	<b>Sustainable Development Goal no 3</b> Ensure healthy lives and promote well-being for all at all ages	34-35
GRI 404: Training and Education	404-1 Average number of training hour per employee per year	Since the company focuses on providing practical training at work, this indicator is irrelevant
	404-2 Programs for upgrading employee skills and transition assistance programs	34
	404-3 Percentage of employees receiving regular performance and career development reviews	34
	<b>Sustainable Development Goal no 4</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	34
	<b>Sustainable Development Goal no 5</b> Achieve gender equality and empower all women and girls	34
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	No incident of discrimination was registered in 2021
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	No non-compliance was detected in 2021

# 2021. Consolidated Financial Statements

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## General information of the Group

The Group operates in the Republic of Estonia, and runs airports in Tallinn, Kärdla, Kuressaare, Tartu, Pärnu and airfields in Ruhnu and Kihnu.

The Group's main activity is operation and development of airports, and provision of ground handling services for aircraft and passengers. During 2021 the Group employed on average 505 people (2020: 608 people). At the end of 2021 the Group employed 514 people (2020: 509 people).

The owner of the shares of AS Tallinna Lennujaam is the Republic of Estonia and the Company belongs to the administrative field of the Ministry of Economic Affairs and Communications of the Republic of Estonia.

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**Auditor** \_\_\_\_\_ AS PricewaterhouseCoopers

## Consolidated statement of financial position

<i>In EUR thousand</i>	Note	31.12.2021	31.12.2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	Note 5	179,218	157,245
Prepayments for property, plant and equipment	Note 5	1,942	1,539
Intangible assets		565	511
Right-of-use assets		59	92
Investment property	Note 6	14,737	15,698
<b>Total non-current assets</b>		<b>196,521</b>	<b>175,085</b>
<b>Current assets</b>			
Inventories	Note 8	527	265
Receivables and prepayments	Note 9	11,425	5,644
Cash	Note 11	49,814	49,530
<b>Total current assets</b>		<b>61,766</b>	<b>55,439</b>
<b>Total assets</b>		<b>258,287</b>	<b>230,524</b>

<i>In EUR thousand</i>	Note	31.12.2021	31.12.2020
<b>Equity</b>			
Share capital	Note 18	45,617	25,617
Statutory reserve capital		2,510	2,510
Retained earnings		68,155	65,855
<b>Total equity</b>		<b>116,282</b>	<b>93,982</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	Note 12	45,394	49,036
Lease liabilities	Note 12	27	56
Government grants	Note 14	80,773	75,900
Other payables		181	41
<b>Total non-current liabilities</b>		<b>126,375</b>	<b>125,033</b>
<b>Total current liabilities</b>			
Borrowings	Note 12	3,663	3,297
Lease liabilities	Note 12	33	36
Payables and prepayments	Note 15	11,934	7,965
Accruals		0	211
<b>Total current liabilities</b>		<b>15,630</b>	<b>11,509</b>
<b>Total liabilities</b>		<b>142,005</b>	<b>136,542</b>
<b>Total liabilities and equity</b>		<b>258,287</b>	<b>230,524</b>

The notes to the financial statements presented on pages 53-93 form an integral part of the consolidated financial statements.

## Consolidated statement of comprehensive income

<i>In EUR thousand</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
Revenue	Note 19	29,777	20,555
Other income	Note 20	15,322	15,711
Goods, materials and services	Note 21	-12,085	-10,030
Other operating expenses	Note 22	-1,001	-1,355
Staff costs	Note 23	-17,194	-15,705
Depreciation, amortisation and impairment	Note 5, 6	-12,324	-11,480
Other expenses		-61	392
<b>Operating profit/loss</b>		<b>2,434</b>	<b>-1,912</b>
Finance income and costs		-134	-85
<b>Net profit/loss for the year</b>		<b>2,300</b>	<b>-1,997</b>
<b>Comprehensive income/loss for the year</b>		<b>2,300</b>	<b>-1,997</b>

The notes to the financial statements presented on pages 53-93 form an integral part of the consolidated financial statements.

## Consolidated statement of cash flows

<i>In EUR thousand</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b><i>Cash flow from operating activities</i></b>			
Collections from customers		32,388	25,713
Payments to suppliers and employees		-34,405	-31,162
Interest received		35	96
Interest paid	Note 12	-143	-178
Government grants received from state budget for covering the cost of operating activities	Note 14	10,067	9,620
Other grants received for covering the cost of operating activities	Note 14	50	75
<b>Total cash flows from operating activities</b>		<b>7,992</b>	<b>4,164</b>
<b><i>Cash flows from investing activities</i></b>			
Paid for acquisition of intangible assets, property, plant and equipment and investment property	Note 5, 6	-33,497	-13,311
Proceeds from sale of property, plant and equipment	Note 5	6	318
Repayment of government grants from the state budget	Note 14	0	-1,456
Government grants received for non-current assets	Note 14	9,105	2,263
<b>Total cash flows from investing activities</b>		<b>-24,386</b>	<b>-12,186</b>

<i>In EUR thousand</i>	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b><i>Cash flows from investing activities</i></b>			
Repayments of borrowings	Note 12	-3,286	-3,285
Borrowings received	Note 12	0	10,000
Monetary contribution to share capital received	Note 18	20,000	0
Repayment of lease liabilities		-36	-66
<b>Total cash flows from financing activities</b>		<b>16,678</b>	<b>6,649</b>
<b><i>Net cash flows</i></b>			
Cash and cash equivalents at beginning of the period	Note 11	49,530	50,903
Cash and cash equivalents at end of the period	Note 11	49,814	49,530
<b>Net increase/decrease in cash and cash equivalents</b>		<b>284</b>	<b>-1,373</b>

The notes to the financial statements presented on pages 53-93 form an integral part of the consolidated financial statements.

## Consolidated statement of changes in equity

<i>In EUR thousand</i>	<i>Share capital</i>	<i>Statutory reserve capital</i>	<i>Retained earnings</i>	<i>Total</i>
Balance as at 31.12.2019	25,095	2,510	67,852	95,457
Increase of share capital by non - monetary contribution	522	0	0	522
Comprehensive income for 2020	0	0	-1,997	-1,997
Balance as at 31.12.2020	25,617	2,510	65,855	93,982
Increase of share capital by monetary contribution	20,000	0	0	20,000
Comprehensive income for 2021	0	0	2,300	2,300
Balance as at 31.12.2021	45,617	2,510	68,155	116,282

More detailed information about share capital is disclosed in Note 18. The notes to the financial statements presented on pages 53-93 form an integral part of the consolidated financial statements

## Notes to the consolidated financial statements

### **Note 1. General information**

The parent company AS Tallinna Lennujaam is a fully state-owned company registered on 30.12.1997 in the Republic of Estonia.

The consolidated financial statements of the Tallinn Airport Group comprise of AS Tallinna Lennujaam (parent company) and its fully owned subsidiary AS Tallinn Airport GH, engaged in provision of ground services for aircraft and passengers and the shares of which are registered in Estonia.

The Management Board authorised the Group's consolidated financial statements for issue at 30 March 2022.

### **Note 2. Overview of key accounting and reporting policies**

An overview of the key accounting and reporting policies applied to the preparation of the consolidated financial statements is presented below. These accounting and reporting policies have been applied consistently to all reporting periods, other than the cases for which information has been disclosed separately.

### **(A) Basis of Preparation**

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations of International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (IFRS).

The financial information presented in the consolidated financial statements is mostly based on historical cost, other than financial assets and liabilities carried at fair value through profit or loss.

Certain accounting estimates have been used for preparation of the consolidated financial statements, as well as management judgement has been used to apply several

accounting and reporting principles. The areas in which the accounting estimates and assumptions have had the greatest effect on the information presented in the financial statements are disclosed in the consolidated financial statement in Note 4. The consolidated financial statements of the Group are presented in thousands of euros, if not indicated otherwise.

### **(B) Changes in Accounting and Disclosure Policies**

#### **Changes in significant accounting and disclosure policies from 1.01.2021**

The accounting policies applied in the preparation of these financial statements are the same as those used in the consolidated financial statements of the Group for the year ended 31 December 2020, except as described below. The new or amended standards or interpretations that have been applied since 1 January 2021 do not have a material impact on the Group's financial statements.

Except as described below, the disclosure principles applied in these financial statements are the same as those applied in Group's consolidated financial statements as at the year ended 31.12.2020.

Prepayments for property, plant and equipment are presented on a separate line among non-current assets in the Consolidated statement of financial position and in the Separate statement of financial position. Corresponding adjustment has also been made in the comparative period. The column "Construction in progress and prepayments" in Note 5 has also been adjusted accordingly.

#### **Implementation of new or amended standards and interpretations from 1.01.2022**

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on 1 January 2022 or later, and which the Group has not early adopted.

**Classification of liabilities as current or non-current** - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if

the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other Resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group is assessing the impact of the amendment on the financial statements

**Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies** (effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU) - IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group is assessing the impact of the amendment on the financial statements.

**Amendments to IAS 8: Definition of Accounting Estimates** (effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU) - The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group is assessing the impact of the amendment on the financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

## ***(C) Preparation of Consolidated Financial Statements***

### ***Principles of consolidation***

The consolidated financial statements include the financial information of the parent AS Tallinna Lennujaam and its subsidiary AS Tallinn Airport GH consolidated line-by-line. The receivables, liabilities, income, expenses, and unrealised gains and loss on the transactions between the parent company and its subsidiary have been eliminated. If necessary, the accounting policies of the subsidiary have been changed to bring them into compliance with the Group's accounting policies.

### ***Subsidiary***

A subsidiary is an entity controlled by the parent company. Control is presumed to exist when the parent has power to govern the financial and operating policies of the investee and as a rule, it owns more than 50% of the voting power of the subsidiary. The existence and probable effect of potential voting rights currently in use or convertible is taken into account for the purpose of evaluation of the existence of control. The subsidiary is included in the consolidated financial statements from the time control arises until it ceases.

### ***Parent company's separate financial statements***

The separate primary financial statements of the consolidating entity (parent company)



are disclosed in the notes to the consolidated financial statements. The primary financial statements of the parent have been prepared using the same accounting policies as those that have also been used for the preparation of the consolidated financial statements, except for accounting policies for recognition of subsidiaries which have been changed in the parent's separate primary financial statements in accordance with the requirements of IAS 27 Consolidated and Separate Financial Statements and investments in the shares of subsidiaries have been recognised at cost less any impairment losses (see Note 26).

### ***(D) Foreign Currency Transactions and Financial Assets and Liabilities Denominated in a Foreign Currency***

#### ***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Functional currency of the parent and subsidiary is euro (EUR). The consolidated financial statements are presented in euros (EUR).

#### ***Foreign currency transactions and assets and liabilities denominated in a foreign currency***

Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the dates of the transactions. The exchange rate differences which arise in case of differences between the exchange rates at the cash transfer date and the transaction date are taken to the statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated on the basis of the official exchange rate of the European Central Bank prevailing at the reporting date, or when the European Central Bank does not provide the official exchange rate for this currency, using the official euro exchange rate of the central bank of the country that issues the currency. Gains and losses on translation of borrowings, and cash and cash equivalents are included within finance income and costs in the statement of comprehensive income; other changes arising from exchange rates are included within other income or other expenses.

### ***(E) Classification of Assets and Liabilities as Current and Non-Current***

Assets and liabilities are classified as current and non-current in the consolidated statement of financial position. The assets expected to be realised in the next financial year or during the Group's normal business cycle are considered to be current.

Liabilities are classified as short-term when they fall due within 12 months after the reporting date or the Group does not have an unconditional right to defer payment for the liability for later than 12 months after the reporting date.

Borrowings that are due within 12 months after the reporting date, but that are refinanced as long-term after the reporting date but before the annual report is authorised for issue, are also recognised as short-term. Also, borrowings are classified as short-term if at the reporting date, the lender had the contractual right to demand immediate payment of the borrowing due to the breach of conditions set forth in the contract.

The remaining assets and liabilities are classified as non-current.

### ***(F) Property, Plant and Equipment***

Property, plant and equipment are tangible assets that are used for rendering of services or for administrative purposes and that are expected to be used during more than one year. Property, plant and equipment are carried in the statement of financial position at historical cost less accumulated depreciation and any impairment losses.

#### ***Cost***

Property, plant and equipment initially is recognised at cost.

1. Cost of a fixed asset comprises its purchase price and any costs directly attributable to its acquisition, which are required for bringing the asset to its operating condition and location.
2. The cost of a self-constructed assets is comprised of location preparation, material and labour expenses.

When an item of property, plant and equipment takes a longer period of time to be completed and it is financed with a loan or another debt instrument, the borrowing costs (interest) attributable to it are capitalised in the cost of the asset under construction. Capitalisation of borrowing costs commences at the time when borrowing costs and expenditures attributable to the asset have been incurred and the construction of the asset has been launched. Capitalisation of borrowing costs is terminated when the asset is ready, or its use has been suspended for a longer period of time.

### **Depreciation**

If an item of property, plant and equipment consists of components with different useful lives, these components are depreciated as separate items.

Depreciation is calculated on cost, using the straight-line method over the estimated useful life of the asset. Land as an exception is not subject to depreciation.

The depreciation methods, norms and residual values of items of property, plant and equipment are reviewed at least at the end of each financial year and when new estimates differ from the previous ones, the changes are recognised as changes in accounting estimates, i.e. prospectively. The estimated useful lives are reviewed during the annual stocktaking, in case of recognition of subsequent expenditures and significant changes in development plans. When the asset's estimated useful life differs considerably from the previous estimate, it is recognised as a change in the accounting estimate, changing the remaining useful life of the asset, as a result of which the depreciation calculated for the asset changes in subsequent periods.

### **Assessment of useful lives of items of property, plant and equipment**

The useful lives of items of property, plant and equipment are determined on the basis of management estimates in respect of the period of the actual use of the asset. Prior experience has demonstrated that the actual time of use of the assets has been somewhat longer than the estimated useful lives of the assets.

The Group uses the following estimated useful lives for items of property, plant and equipment:

#### **Buildings and facilities**

Aprons, runways	20–50 years
Buildings	5–50 years
Other facilities (sewerage and other utility lines)	10–25 years
Small facilities (hangars)	2–20 years

#### **Machinery and equipment**

Miscellaneous systems	3–20 years
Runway maintenance machinery and equipment	6–20 years
Other machinery	2–15 years

#### **Other fixtures, tools, fittings:**

Furniture and fixtures at terminals	2–10 years
Computers and network equipment	3–5 years
Other assets	3–10 years

**Subsequent expenditures**

Subsequent expenditures incurred for items of property, plant and equipment are added to the cost of the asset or are accounted for as separate assets only when it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. When a component of an item of property, plant and equipment is replaced, the cost of the new component is added to the cost of the asset and the replaced component or a proportionate share thereof is taken off the consolidated statement of financial position. Ongoing maintenance and repair costs are charged to expenses in the statement of comprehensive income.

**Derecognition**

Items of property, plant and equipment are derecognised on date of sale, on disposal or when no future economic benefits are expected from their use. Gains and losses on derecognition of items of property, plant and equipment are recognised in the statement of comprehensive income line Other income or Other expenses of the period in which the asset was derecognised.

**Impairment of assets**

Assets are written down to their recoverable amount when their recoverable amount is lower than the carrying amount – see paragraph Impairment of non-financial assets.

**(G) Intangible assets**

An intangible asset is initially recognised at cost, comprising its purchase price and any directly attributable expenditure. An intangible asset is carried in the statement of financial position at cost less any accumulated amortisation and any impairment losses. Intangible assets include acquired software which has a limited useful life. The Group did not have any intangible assets with indefinite useful lives in the reporting period and in the comparative period.

**Software**

The costs related to the ongoing maintenance of software are charged to expenses on an accrual basis. Computer software which is not an integral part of the related hardware is recognised as an intangible asset. Software development costs which are directly related to the development of such software items that can be distinguished from one another and are controlled by the Group are recognised as intangible assets when the following conditions are met:

1. making software available for use is technically possible;
2. the Management Board intends to complete the software and use it;
3. it is possible to use the software;
4. it is possible to demonstrate how future economic benefits attributable to the software will flow to the Group;
5. there are sufficient technical, financial and other means to complete the development of the software and to start using it;
6. the development costs related to the software can be measured reliably.

Capitalised software expenditure includes staff costs and other expenses directly attributable to development. Development costs which do not meet the conditions above are expensed. The expenditures which had initially been expensed are not capitalised as intangible assets in subsequent periods. Software costs are amortised under the straight-line method over the estimated useful life which is between 3 and 5 years.

**(H) Investment property**

Investment property includes properties that the Group holds for the purpose of earning rental income or for the purpose of capital appreciation, and that are not used at the Group's own operating activities.

The Group uses the cost method, i.e. the same accounting policies are used for recognition of investment properties as for recognition of items of property, plant and equipment.

The useful lives of the investment properties used at the Group are the following:

**Hangars**

Buildings	15–50 years
Other facilities (sewer and other utility lines)	3–20 years

**Office complex**

Office building	30 years
Outhouses	15–20 years
Constructions	5 years

If there is a significant change in the useful life on investment property, necessary changes in depreciation will be done prospectively. Recoverable amount of investment property is determined based on the principles described in section (I).

**(I) Impairment of non-financial assets**

On reporting date, the Group's management reviews whether there is any indication of possible impairment of investment property, property plant and equipment or intangible assets recognised at cost. The following circumstances are taken into consideration when assessing possible indication of impairment:

**External indicators of possible impairment:**

- Market value of similar assets has fallen;
- Overall economic environment and market situation have deteriorated as a result of which it is possible that the income generated by the assets will fall;

- Market interest rates have increased as a result of which the return on assets may fall below the interest rate;
- Carrying amount of assets is higher than the entity's market capitalization.

**Internal indicators of possible impairment:**

- Physical condition of assets has sharply deteriorated;
- Revenue generated by assets is lower than planned;
- Results in certain operating areas are worse than expected;
- Activities of a certain cash-generating unit are planned to be terminated.

If there is any such indication, the recoverable amount of the asset is assessed and compared with the carrying amount.

An impairment loss is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the higher of the fair value of the asset less costs to sell and its value in use. For the purpose of assessing impairment, the recoverable amount of the asset is assessed for each asset or the smallest possible group of assets for which it is possible to determine cash flows. Impairment losses of assets are charged to the expenses of the accounting period.

At each following reporting date, assets that have been written down are assessed to determine whether their recoverable amount has increased meanwhile. If the impairment test indicates that the recoverable value of an asset or asset group (cash-generating unit) has increased above its carrying amount, the previous impairment loss is reversed up to the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Reversals of impairment losses are recognised in the consolidated statement of comprehensive income as a reduction of the impairment loss.

## **(J) Financial assets**

### **Classification**

The Group classifies its financial assets in those to be measured at amortised cost measurement category. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

### **Recognition and derecognition**

Purchases and sales of financial assets made under normal market conditions are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

### **Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses). Foreign exchange gains and losses and impairment losses are presented as separate line items in the statement of profit or loss.

All the Group's debt instruments are classified in amortised cost measurement category.

### **Equity instruments**

The Group has no investments in equity instruments.

## **(K) Impairment of financial assets**

The Group assesses on a forward-looking basis the expected credit loss ("ECL") Associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables without a significant financing component, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

## **(L) Inventories**

Inventories are recorded in the consolidated statement of financial position at their cost, which consists of the purchase costs, production costs and other costs incurred in bringing the inventories to their present location and condition.

Purchase costs include the purchase price, customs duties and other non-refundable taxes and direct transportation costs related to the purchase, less discounts and subsidies.

Inventories are expensed using the FIFO (first-in, first-out) method. When using the FIFO method, the closing balance of inventories is recognised at the cost of goods arriving last

and not yet sold. Inventories are recorded in the consolidated statement of financial position at the lower of cost and net realizable value. Net realizable value is determined by subtracting the estimated expenditures necessary for preparing the product for sale and complete the sale from the estimated sales price.

### **(M) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents are cash on hand, bank account balances and term deposits with maturities of 3 months and less.

### **(N) Reserve capital and statutory reserve capital**

Ordinary shares are included within equity. The Group has not issued any preference shares. The transaction costs attributable to the issue of new shares are subtracted from equity under the assumption that they can be treated as unavoidable additional expenses directly attributable to the transaction.

Pursuant to the requirements of the Commercial Code, the parent company shall form statutory reserve capital out of the net profit, the minimum amount of which is 1/10 of share capital. The amount of annual statutory reserve capital is 1/20 of the net profit for the financial year until it reaches the limit set for reserve capital.

By the decision of the General Meeting, reserve capital may be used to cover losses if they cannot be covered from the available equity of the public limited company, as well as to increase share capital. No payments can be made from reserve capital to shareholder.

### **(O) Trade payables**

Trade payables are payables incurred in the ordinary course of business to pay suppliers for goods or services purchased. For classification of trade payables as current and non-current see section (E). Trade payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method.

### **(P) Borrowings**

Borrowings are initially recognised at fair value less transaction costs and are subsequently measured at amortised cost. The difference between the cost and the redemption value is recognised as an expense in the statement of comprehensive income during the period of the duration of the borrowing, using the effective interest rate method. The service fees payable upon conclusion of loan agreements are recognised as borrowing costs to the extent it is probable that the Group will take out the loan. Such service fees are included within accrued expenses in the statement of financial position and are recognised as borrowing costs when the loan is taken out. For classification of borrowings as current and non-current see section (E).

### **(Q) Borrowing costs**

General purpose and specific purpose borrowing costs directly attributable to acquisition or construction of qualifying assets, i.e. those which take a long time to get ready for their use or sale, are added to the cost of the assets until the assets are ready for their intended use or sale.

All other borrowing costs are reflected in income statement as costs in the period they incurred.

### **(R) Financial liabilities**

All financial liabilities recognised at amortised cost (trade payables, loans taken, accrued expenses) are initially recognised at their cost, including all direct transaction costs incurred.

The amortised cost of the current financial liabilities normally equals their nominal value; therefore, current financial liabilities are stated in the consolidated statement of financial position at their redemption value. To calculate the amortised cost of non-current fi-

nancial liabilities, they are initially recognised at fair value of the proceeds received (net of transaction costs incurred) and an interest cost is calculated on the liability in subsequent periods using the effective interest rate method.

## **(S) Taxation**

### ***Income tax on dividends in Estonia***

According to the Income Tax Act of Estonia, corporate profits are not taxed in Estonia but dividends payable and certain payment and expenses, outlined in the Income Tax Act are. The tax rate on the net dividends paid out of retained earnings is 20/80. From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount up to the average dividend payment during the three preceding years that were taxed with the rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

In certain circumstances, it is possible to distribute dividends without any additional income tax expense. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. An income tax liability is due on the 10th day of the month following the payment of dividends.

As it is the dividends and not corporate profits that are taxed, then there are no differences between the tax bases of assets and liabilities and their carrying amounts on which deferred income tax receivables or liabilities would arise.

In the consolidated statement of financial position, a potential income tax liability is not recognised for the Group's available equity which would accompany the payment of available equity as dividends. The maximum income tax liability which would accompany the payment of retained earnings as dividends is disclosed in the notes to the financial statements (Note 18).

Social security payments also include payments into mandatory funded pension funds.

The Group has neither a legal nor factual obligation to make other pension or similar payments in addition to the social security tax.

### ***Deferred income tax***

Deferred income tax is provided for all significant temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Pursuant to IAS 12.52A, a company registered in Estonia does not incur deferred income tax assets or liabilities, except for a possible deferred income tax liability from the company's investments in subsidiaries, associates and joint ventures and branches. Deferred income tax assets are recognized in the statement of financial position when it is probable that future taxable profits will be available against which the asset can be utilized. The following temporary differences are not taken into account:

- non-deductible goodwill;
- recognition of assets or liabilities that do not affect either accounting profit or taxable income;
- differences arising from investments in subsidiaries, if it is unlikely that a temporary difference will materialize in the foreseeable future

Deferred income tax liabilities are recognized in the consolidated balance sheet when the parent estimates that a dividend from the subsidiary will be paid in the foreseeable future and then measures the deferred income tax liability to the extent of the planned dividend payment. Deferred income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset is realized or the income tax liability is settled.

### ***(T) Employee benefits***

Employee short-term benefits include wages and salaries and social security taxes, benefits related to temporary suspension of employment contracts (holiday pay or other similar fees), when it is assumed that the temporary suspension of the employment contract takes place within 12 months after the end of the period in which the employee worked



and other benefits payable after the end of the period in which the employee worked. If an employee has performed other services during the reporting period for which payment of compensation is assumed, the Group shall recognise an undiscounted liability (accrued expense) in the amount of the forecast benefit, from which all amounts already paid will be subtracted.

### ***(U) Provisions and contingent liabilities***

Provisions are recognised when the Group has a legal or factual obligation related to past events, which require giving up of resources and the amount of the obligation can be measured reliably. Provisions are recognised at the present value of the expenditures necessary for fulfilment of obligations, using the interest rate which reflects the time value of money by the market and risks characteristic of obligations. The increase of provisions due to the approaching of the settlement date is recognised as an interest expense in the statement of comprehensive income. Provisions are evaluated using management's estimates, experience and if necessary, opinions of independent experts.

Provisions are not recognised to cover future operating losses

In case there are several similar obligations, the probability of a decline in resources necessary for fulfilment of obligations is determined by viewing the class of obligations as a whole. Although the probability of a decline in resources for each item may be insignificant, certain depletion of resources is probable for the class of obligations as a whole. In such a case, a provision shall be recognised (when other recognition criteria have been met).

Provisions are reviewed at the end of each reporting period and are revised using the best estimate at the time. The cost related to the recognition of provisions is included within other operating expenses in the statement of comprehensive income.

Provisions are only used to cover those expenses which they had been set up for.

Other possible or existing obligations, the settlement of which is improbable or the related expenditures of which cannot be determined with sufficient reliability, but which may become obligations in the future, are disclosed in the notes to the financial statements as contingent liabilities

### ***(V) Revenue recognition***

Revenue is income arising in the course of the Group's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a good or service to a customer.

#### ***Aviation revenue***

Revenue from passenger, landing, parking, navigation and takeoff services are recognised under aviation revenue. The Group provides air transportation and passenger services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

#### ***Non-aviation revenue***

Revenue generated by leasing of available premises, provision and intermediation of utility services to tenants, car parking and passenger and aircraft ground servicing facilities are presented as non-aviation revenue. Revenue from providing services is recognised in the accounting period in which the services are rendered. If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

#### ***Financing component***

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money

## **(W) Government grants**

Income from government grants is recognised at its fair value when it is sufficiently certain that the Group meets the conditions of the government grant and that it will be granted.

### **Government grants related to assets**

Government grants are recognised under the gross method. Assets acquired with government grants are initially recognised at cost in the consolidated statement of financial position; the amount received as a government grant is recognised as deferred income from the government grant within non-current liabilities in the consolidated statement of financial position. The acquired asset is depreciated and the grant as deferred income is recognised in profit on a systematic basis over the useful life of the asset.

### **Grants related to operating expenses**

Income from government grants for operating expenses is recognised in the period in which the respective costs are recognised. Government assistance which cannot be reliably measured (e.g. free consultations) is not recognised as government grants. Information about such assistance is disclosed in the notes to the financial statements.

Income from government grants is recognised in the line Other income in the statement of comprehensive income.

## **(X) Leases**

The Group leases vehicles.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group determines the lease term as the non-cancellable period of a lease, together

with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. A lessee reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

### **Initial measurement**

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability.

At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee.

Right-of-use asset is recorded on the separate line in the statement of financial position.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

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- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with the average interest margin of the industry adjusted with the credit risk of the Group;
- makes adjustments specific to the lease, e.g. lease term, country, currency and security.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates;
- c) amounts expected to be payable by the lessee under residual value guarantees;
- d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

**Subsequent measurement**

After the commencement date, a lessee measures the right-of-use asset by applying a cost model. To apply the cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, a lessee shall measure the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, a lessee recognises in profit or loss interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

If there are changes in lease payments, there may be a need to remeasure the lease liability. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

A lessee shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- a) there is a change in the lease term. A lessee shall determine the revised lease payments on the basis of the revised lease term; or
- b) there is a change in the assessment of an option to purchase the underlying asset. A lessee shall determine the revised lease payments to reflect the change in amounts payable under the purchase option.

A lessee shall remeasure the lease liability by discounting the revised lease payments, if either:

- a) there is a change in the amounts expected to be payable under a residual value guarantee. A lessee shall determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- a) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The lessee shall remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). A lessee shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. The lessee shall use an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates.

A lessee shall account for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The Group has elected not to apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## **(Y) Dividends**

Dividends are recognised at the time they are declared as a reduction of retained earnings and as an obligation to the shareholder.

## **(Z) Cash flow statement**

Cash flows are classified as cash flows from operating, investing and financing activities. For preparation of the statement of cash flows, the cash flows from operating, investing and financing activities are recognised under the direct method.

## **(A) Events after the reporting date**

Adjusting events – those that provide evidence of conditions that existed at the reporting date, are recognised in the consolidated statements of financial position and comprehensive income for the year ended.

Non-adjusting events – those that are not related to the conditions that existed at the reporting date, are disclosed in the notes to the financial statements.

## **(B) Transactions with related parties**

During the preparation of the consolidated financial statement, AS Tallinna Lennujaam members of the management and supervisory board and other persons and entrepreneurs, who can control or significantly influence finance and business decisions of the Group, are considered to be related parties. Additionally, immediate family member of the persons described above and the entities under their control or significant influence are also considered to be related parties. Since 100% of shares of AS Tallinna Lennujaam belong to the Republic of Estonia, the airlines related to the control or controlling influence of the state are also considered as related parties. Refer to Note 25.

**Note 3. Management of financial risks****(A) Financial risks**

The Group's activities expose it to a variety of financial risks: market risk (includes foreign currency risk, cash flow and fair value interest rate risk, and price risk), credit risk and liquidity risk. The overall risk management programme of the Group focuses on the unpredictability of the financial markets and attempts to minimise possible unfavourable effects on the Group's financial activities.

The goal of the management of financial risks is to mitigate financial risks and lower the volatility of financial performance. The Group's financial risks are managed in accordance with the principles approved by the Management Board at the Group level.

**(B) Market risks**

**Foreign currency risk** is the risk that the fair value or cash flows of financial instruments fluctuate due to the changes in exchange rates in the future. The assets and liabilities denominated in euros are considered to be neutral assets and liabilities in relation to the foreign currency risk. In order to avoid foreign currency risk, transactions are concluded primarily in euros. In 2021 and 2020, the Group's receivables exposed to foreign currency were insignificant.

**Interest rate risk** is the risk that the fair value of financial instruments or cash flows fluctuates in the future due to the changes in market interest rates.

Cash flow interest rate risk arises for the Group from borrowings with floating interest rates and represents the risk that finance costs increase when interest rates increase.

The Group's borrowings have floating interest rates; they depend on fluctuations in Euribor. Average interest rates have not changed significantly in 2021 compared to 2020 (Note 12).

**(C) Credit risk**

Credit risk represents a loss for the Group due to the inability of the other party to the financial instrument to fulfil its obligations. Cash in bank, trade receivables and other receivables are exposed to credit risk.

As at the reporting date the carrying amount of receivables, which are considered as doubtful receivables, is reduced by the amount of the expected credit loss. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2021 and 31 December 2020.

The following measures have been applied to mitigate credit risk:

1. One-month prepayment is required for new lease agreements to be concluded.
2. Prepayment equalling the cost of one forecast flight is required for airlines which have not concluded an aviation contract with AS Tallinna Lennujaam (including airlines arranging charter flights).
3. Bank guarantees are required from the airlines when aviation contracts are concluded with companies which are not well-known in the EU aviation market.



The accounting and marketing department is daily engaged in processing overdue receivables of customers. If the invoices that have been submitted to customers are overdue, repeat invoices, reminders and warnings are sent to them, upon non-collection of debt, the provision of the service is cancelled in accordance with the conditions laid down in the contract. There are also conditions in place requiring collection of debt through court or the collection of debt is transferred to a collection agency.

In accordance with the risk management principles of the Group, the Group's short-term available funds may be deposited into overnight and term deposits of credit institutions as well as into interest and money market funds.

The following principles are followed when depositing short-term available funds:

1. ensuring of liquidity;
2. capital preservation.

Additional information about receivables, prepayments and credit risk is disclosed in Note 10.

### **(D) Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its financial obligations due to the cash flow shortage. Liquidity risk is hedged with the help of various financial instruments such as loans.

As at the end of the financial year, the Group had available financial resources in the amount of EUR 49,814 thousand (31.12.2020: EUR 49,530 thousand) (Note 11).

In order to hedge liquidity risk, the Group uses various sources of financing, such as bank loans, overdraft facilities and ongoing monitoring of accounts receivable. As at the reporting date, the Group's current assets exceeded current liabilities by EUR 46,136 thousand (31.12.2020: EUR 43,930 thousand).

The following liquidity analysis shows the allocation of the Group's current and non-current liabilities by due date. All amounts presented in the table are undiscounted contractually payable cash flows

**Breakdown of liabilities by maturity date***In EUR thousand*

	<b>Up to 1 month</b>	<b>Between 1 and 3 months</b>	<b>Between 3 months and 1 year</b>	<b>Between 1 and 5 years</b>	<b>Later than 5 years</b>	<b>Total undiscounted cash flows</b>	<b>Carrying amounts</b>
<i>As at 31.12.2021</i>							
Borrowings (Note 12) <sup>1</sup>	96	192	3,208	27,104	25,258	55,858	49,117
Trade payables (Note 15)	2,873	4,790	0	0	181	7,844	7,844
<b>Total</b>	<b>2,969</b>	<b>4,982</b>	<b>3,208</b>	<b>27,104</b>	<b>25,439</b>	<b>63,702</b>	<b>56,961</b>
<i>As at 31.12.2020</i>							
Borrowings (Note 12) <sup>2</sup>	100	198	3,183	18,654	31,292	53,427	52,425
Trade payables (Note 15)	3,682	2,268	0	0	41	5,991	5,991
<b>Total</b>	<b>3,782</b>	<b>2,466</b>	<b>3,183</b>	<b>18,654</b>	<b>31,333</b>	<b>59,418</b>	<b>58,416</b>

<sup>1</sup> For determining the undiscounted cash flows, the interest rate at the year-end 2021 has been used<sup>2</sup> For determining the undiscounted cash flows, the interest rate at the year-end 2020 has been used



### **(E) Capital risk management**

All shares of AS Tallinna Lennujaam belong to the state. Decisions regarding the distribution of dividends, increase or decrease of share capital are made by the Republic of Estonia, through the Ministry of Economic Affairs and Communications.

In recent years, the Group has used borrowed capital to finance investments in fixed assets.

As of 31.12.2021 as well as 31.12.2020, the company's equity was in accordance with the requirements of the Commercial Code.

The equity of AS Tallinna Lennujaam consists of share capital in the amount of EUR 45,617 thousand (31.12.2020: EUR 25,617 thousand), statutory reserve capital in the amount of EUR 2,510 thousand (31.12.2020: EUR 2,510 thousand) and retained earnings in the amount of EUR 68,155 thousand (31.12.2020: EUR 65,855 thousand). In 2021, the owner increased the share capital of the company by issuing new shares in amount of EUR 20,000 thousand. Mandatory reserve capital is 5.5% of the share capital (31.12.2020: 9.8%). In 2022, the parent company will increase the statutory reserve capital in accordance with the requirements of the Commercial Code. In 2021, the debt liabilities of AS Tallinna Lennujaam decreased due to regular repayments of loan liabilities, and cash and cash equivalents increased due to the increase in share capital and decreased due to larger investments.

The debt to total capital ratio decreased by 3% as compared to 2020 (2020 vs. 2019: increase by 3%). The debt to total capital will decrease in 2022 due to the planned capital expenditures (see also Note 12). As of 31.12.2021, the ratio of net debt to total capital is negative due to cash and cash equivalents exceeding the borrowings. Cash and cash equivalents increased by EUR 20,000 thousand due to the increase in share capital.



**Ratio of debt to equity and the ratio of net debt to total capital**

<i>In EUR thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Borrowings (Note 12)	49,096	52,414
Cash and cash equivalents (Note 11)	-49,814	-49,530
Net debt (borrowings-cash and cash equivalents)	-718	2,884
Equity	116,282	93,982
<b>Total capital (net debt + equity)</b>	<b>115,564</b>	<b>96,866</b>
<b>Debt to equity</b>	<b>42%</b>	<b>54%</b>
<b>Net debt to total capital</b>	<b>-1%</b>	<b>3%</b>

**(F) Fair value estimates**

The Group estimates that the fair values of financial assets recognised at amortised cost do not materially differ from the carrying amounts reported in the consolidated statement of financial position of the Group as at 31.12.2021 and 31.12.2020. As most of the Group's long-term borrowings carried a floating interest rate which changes according to the changes in the money market interest rates, their fair values do not materially differ from their carrying amounts.

The carrying amount of short-term receivables and payables, minus allowances, is estimated to equal their fair value.

The Group has classified long-term borrowings at level 3 of the fair value hierarchy. The fair value of financial instruments not traded in an active market (e.g. exchange-traded derivative instruments) is determined using the valuation methods. Valuation methods maximise the use of observable market data wherever it is available and rely as little as possible on specific estimates. When all major inputs to determine the fair value of an instrument are observable, the instruments are accounted for at level 2 and when information about inputs is unobservable, the instruments are accounted for at level 3.

Specific valuation methods to estimate the value of financial assets and liabilities include:

- Quoted market price or bid price of traders for similar instruments;
- Fair value of changes in interest rates is calculated as the present value of estimated future cash flows, based on observable interest rate curves

**Note 4. Key accounting estimates**

Several estimates and assumptions have been used to prepare the consolidated financial statements which have an effect on the assets and liabilities reported in the financial statements. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ ultimately from those estimates. Changes in management's estimates are reported in the statement of comprehensive income of the period of the change. The following estimates have the most significant effect on the financial information presented in the statement of comprehensive income.

**Determination of the useful lives of items of property, plant and equipment and investment property**

Management estimates about the actual period of use of the asset are used to determine the useful lives of items of investment property and property, plant and equipment. Prior experience has shown that the actual usage time of assets has turned out to be sometimes longer than their estimated useful lives (see Note 5 Cost of non-current assets in use with carrying amount of zero).

As at 31 December 2021, the carrying amount of the Group's property, plant and equipment (including prepayments for fixed assets) was EUR 181,160 thousand (31 December 2020: EUR 158,784 thousand), the depreciation charge for the reporting period was EUR 9,728 thousand (2020: EUR 10,181 thousand) (see Note 5). If the useful lives of all assets were changed by one year, the profit would change by EUR 798 thousand (2020: EUR 843 thousand) and income from government grants related to assets would change by EUR

208 thousand (2020: 205 thousand).

As at 31 December 2021, the carrying amount of the Group's investment property was EUR 14,737 thousand (31 December 2020: EUR 15,698 thousand), the periods depreciation expense was EUR 1,003 thousand (2020: EUR 1,064 thousand) (see Note 6). If the useful lives of investment property were changed by one year, the profit would change by EUR 64 thousand (2020: EUR 62 thousand).

#### **Measurement of expected credit losses**

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Principles of measurement of expected credit loss and the loss allowance as at 31 December 2021 and 31 December 2020 is disclosed in Note 10.

#### **Estimation of the recoverable amount of items of property, plant and equipment and investment property**

IAS 36 specifies indications for estimating impairment losses of assets.

In 2020, the test of the recoverable amount of assets was performed for the Tallinn Airport Group as a cash-generating unit. The discounted cash flow method was used for the impairment test. The test showed that the recoverable amount of the asset exceeds the carrying amount of the asset's recoverable amount, so there is no need to recognise an impairment loss for assets.

The Group's management assessed possible indications for impairment of assets in the Group and identified no indications in 2021 that the assets had lost a significant portion of

their ability to generate cash, and the recoverable amount of the assets was not assessed.

#### **Effect of Covid-19 on the Group**

The coronavirus-related restrictions strongly impacted the Group's operations and financial performance in both 2020 and 2021. According to current estimates, the recovery to the level of 2019 will take place by 2024. The state implemented an emergency situation in 2021, and the Group used the measure of the Estonian Unemployment Insurance Fund to cope with the effects of the situation. Air traffic began to recover gradually in summer 2021, however remaining significantly lower level than in 2019.

The management has evaluated the impact of COVID-19 on the Group's results of operations in 2021 and its impact in the future. At preparing this annual report, the effect of the coronavirus on the annual report of the year ended as well as its potential impact on the cash flows and financial position of the next financial year has been taken into account.

The Group's management assessed possible indications for impairment of assets in the Group and identified no indications in 2021 that the assets had lost a significant portion of their ability to generate cash, and the recoverable amount of the assets was not assessed. The test of the recoverable amount of assets performed for the Tallinn Airport Group as a cash-generating unit in 2020 showed that the recoverable amount of the asset exceeds the carrying amount of the asset's recoverable amount as at 31.12.2020, so there was no need to recognise an impairment loss for assets in 2020.

Due to the effects of Covid-19, the Company may not comply with the specific terms of the loan agreements in future periods. The Group Management estimates that in this case agreements will be concluded with banks similarly to 2020 and 2021 and the banks will not prematurely call back the loans.

**Impact of Covid-19 on the Group's sales and financial performance**

In EUR thousand	2021	Variance from 2020 (%)	Variance from 2019 (%)
<b>Total operating income</b>	<b>45,100</b>	<b>24%</b>	<b>-25%</b>
<b>Sales revenue</b>	<b>29,777</b>	<b>45%</b>	<b>-37%</b>
Including aviation revenue	8,687	32%	-50%
Including non-aviation revenue	21,090	51%	-29%
<b>Other operating income</b>	<b>15,322</b>	<b>-2%</b>	<b>15%</b>
including government grants for assets	3,729	0%	-1%
including government grants for aviation security and rescue costs	7,767	5%	11%
including regional airports government grants	2,300	5%	5%
including other operating income	1,526	-35%	395%

**Impact of Covid-19 on the Group's sales and financial performance**

In EUR thousand	2021	Variance from 2020 (%)	Variance from 2019 (%)
<b>Total operating expenses</b>	<b>42,665</b>	<b>12%</b>	<b>-15%</b>
including goods, materials, services	12,085	20%	-23%
including miscellaneous operating expenses	1,001	-26%	-47%
including staff costs	17,194	9%	-18%
including other business expenses	61	-116%	-45%
including depreciation of fixed assets	12,324	7%	5%
<b>Operating profit before depreciation (EBITDA) *</b>	<b>11,030</b>	<b>90%</b>	<b>-38%</b>
<b>Net profit</b>	<b>2,300</b>	<b>215%</b>	<b>-76%</b>
<b>Cash flows from operating activities</b>	<b>7,992</b>	<b>92%</b>	<b>-54%</b>
<b>Passengers at Tallinn airport</b>	<b>1,301,066</b>	<b>51%</b>	<b>-60%</b>
<b>Passengers at regional airports</b>	<b>42,663</b>	<b>27%</b>	<b>-36%</b>
<b>Number of flight operations (Tallinn airport)</b>	<b>26,689</b>	<b>16%</b>	<b>-44%</b>
<b>Number of flight operations (regional airports)</b>	<b>9,191</b>	<b>7%</b>	<b>-16%</b>

\* Excluding government grants for non-current assets

**Note 5. Property, plant and equipment**

	<b>Construction in progress and prepayments</b>	<b>Prepayments of fixed assets</b>	<b>Land</b>	<b>Buildings and facilities</b>	<b>Machinery and equipment</b>	<b>Other inventory</b>	<b>Total</b>
<b>Balance as at 31.12.2019</b>							
Cost	967	1,174	11,274	173,143	86,753	2,123	275,434
Accumulated depreciation	0	0	0	-67,715	-54,400	-1,401	-123,516
<b>Carrying amount 31.12.2019</b>	<b>967</b>	<b>1,174</b>	<b>11,274</b>	<b>105,428</b>	<b>32,353</b>	<b>722</b>	<b>151,918</b>
<b>Changes occurred in 2020</b>							
Acquisitions and improvements	11,543	3,495	522	50	1,547	28	17,185
Reclassifications	-839	-3,071	0	835	2,722	353	0
Reclassification to expenses	-8	-59	0	0	0	0	-67
Depreciation charge	0	0	0	-5,886	-4,076	-219	-10,181
Carrying amount of assets sold	0	0	0	0	-33	0	-33
Carrying amount of assets written off	0	0	0	-32	-7	0	-39
<b>Balance as at 31.12.2020</b>							
Cost	11,663	1,539	11,796	173,623	88,632	2,474	289,727
Accumulated depreciation	0	0	0	-73,228	-56,125	-1,590	-130,943
<b>Carrying amount 31.12.2020</b>	<b>11,663</b>	<b>1,539</b>	<b>11,796</b>	<b>100,395</b>	<b>32,507</b>	<b>884</b>	<b>158,784</b>

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	<i>Construction in progress and prepayments</i>	<i>Prepayments of fixed assets</i>	<i>Land</i>	<i>Buildings and facilities</i>	<i>Machinery and equipment</i>	<i>Other inventory</i>	<i>Total</i>
<b><i>Changes occurred in 2021</i></b>							
Acquisitions and improvements	31,006	1,987	0	277	420	127	33,817
Reclassifications	-14,732	-1,584	0	12,997	3,266	11	-42
Reclassification to expenses	-282	0	0	0	0	0	-282
Depreciation charge	0	0	0	-5,652	-3,842	-234	-9,728
Carrying amount of assets written off	0	0	0	-1,183	-206	0	-1,389
<b><i>Balance at 31.12.2021</i></b>							
Cost	27,655	1,942	11,796	182,242	88,988	2,463	315,086
Accumulated depreciation	0	0	0	-75,408	-56,843	-1,675	-133,926
<b>Carrying amount 31.12.2021</b>	<b>27,655</b>	<b>1,942</b>	<b>11,796</b>	<b>106,834</b>	<b>32,145</b>	<b>788</b>	<b>181,160</b>

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The development of the airside area was launched in 2016. The cost of the total project is EUR 74.6 million, of which the eligible portion is EUR 70 million. The contribution of the Cohesion Fund will be EUR 35 million (see Note 14), the remainder of capital expenditures will be financed using own funds and loans (see Note 12). As of 31.12.2021, investments have been made in the total cost of EUR 70.4 million and the total government grant received is EUR 32.4 million. In 2021, investments were made in the amount of EUR 17,994 thousand (2020: EUR 8,754 thousand), of which construction-in-progress and prepayments as of 31.12.2021 were EUR 17,904 thousand (as of 31.12.2020, prepayments were EUR 7,186 thousand).

In September 2018, the reconstruction of Pärnu airport was launched, financed from the investment aid of the Ministry of Economic Affairs and Communications (Note 14). In connection with the reconstruction of Pärnu airport, investments in 2021 were made in the amount of EUR 10,377 thousand (31.12.2020: EUR 4,164 thousand). As at 31 December 2021, the construction-in-progress under this project was EUR 628 thousand (31.12.2020: EUR 4,215 thousand). As of 31.12.2021, investments have been made in the total cost of EUR 15,210 thousand.

The largest fixed assets recorded in 2021 are reconstruction of the airside area in Pärnu with the acquisition cost of EUR 14,355 thousand; two solar parks in Tallinn with the cost of EUR 825 thousand and the construction of a reagent warehouse in Tallinn with the cost of EUR 850 thousand.

The largest fixed assets recorded in 2020 were two runway vacuum cleaners in amount of EUR 1,197 thousand and a fire and rescue vehicle in amount of EUR 724 thousand, two checked baggage screening devices at Tallinn airport in the amount of EUR 1,858 thousand, improvements at Tallinn airport passenger terminal in amount of EUR 606 thousand. In 2020, the Government of the Republic transferred the state assets under management of the Ministry of Economic Affairs and Communications as a non-monetary contribution to the share capital of AS Tallinna Lennujaam, with the total value of EUR 522 thousand. The value was estimated by the professional appraiser and it was verified by the auditor. Please refer to Note 18.

The Group's assets were written off with the carrying amount of EUR 1,389 thousand (2020: EUR 40 thousand) during the normal course of business. All amounts written off were recognised in the line of depreciation and impairment in the statement of comprehensive income. Government grants related to written-off assets were recognized as income in the amount of EUR 288 thousand in 2021 (2020: no government grants were recognised in income).

In 2021, machinery and equipment in the carrying amount of EUR 0 thousand (2020: EUR 71 thousand) were sold. Profit from the sale of assets, which is recorded as other income in the consolidated statement of comprehensive income, amounted to EUR 3 thousand (2020: EUR 220 thousand) (Note 20). In 2021, the government grants related to the disposed assets were not recognised as income (2020: EUR 1 thousand).

In conjunction with a significant reduction in operating volumes, the useful lives of the non-current assets whose use depends on the intensity of the use of assets, were extended in 2020.

**Buildings and constructions leased out under operating lease**

<i>In EUR thousand</i>	2021	2020
Cost at 31.12.	31,323	32,203
Accumulated depreciation at 31.12.	-14,226	-13,677
Incl depreciation charge for the accounting period	-1,255	-1,526
<b>Total carrying amount of buildings and constructions leased out under operating lease at 31.12.</b>	<b>17,097</b>	<b>18,526</b>

The assets leased out are included within the investment properties and within the group of non-current assets Buildings and facilities and are used partially for core business and partially for rental income purposes (Note 6, Note 7).

**Property, plant and equipment in use with the carrying amount of zero**

<i>In EUR thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Tallinn airport	29,074	29,767
Kuessaare airport	6,881	6,722
Tartu airport	6,172	5,866
Kärdla airport	4,080	3,763
Pärnu airport	2,608	2,404
AS Tallinn Airport GH	2,002	1,926
<b>Total non-current assets in use with the carrying amount of zero</b>	<b>50,817</b>	<b>50,448</b>

**Note 6. Investment property**

In the case of smaller leased premises the agreements are indefinite and have a short cancellation notice agreed. Buildings specially built or adapted for the use of tenants have fixed-term leases, the termination of which is agreed by the parties or with a longer notice period. The normal maintenance and repair obligations related to the development of investment properties are the responsibility of the Group as the lessor. The responsibility for the maintenance and repair of specific special systems generally relies on the lessee. Rental income from investment properties was EUR 2,134 thousand (2020: EUR 2,058 thousand) (Note 7) and direct operating expenses EUR 478 thousand (2020: EUR 445 thousand) (Note 21). Direct operating expenses do not include depreciation expense, financial expenses, overheads, labor costs or land costs related to the investment property.

The management believes that the fair value of the aircraft maintenance hangars does not significantly differ from their carrying amount. The management estimates that the fair values of the office building, hangar and garage do not differ from their carrying amount because the assets were acquired by way of public tender at regular market conditions and there were no significant changes in the management's estimation during the interim period. The Group's investment properties are classified as level 3.

<i>In EUR thousand</i>	<b>2021</b>	<b>2020</b>
Cost as at 01.01.	24,782	24,801
Accumulated depreciation as at 01.01.	-9,084	-8,039
<b>Carrying amount of investment property as at 01.01.</b>	<b>15,698</b>	<b>16,762</b>
<b>Changes in investment property in the period</b>		
Reclassifications	42	0
Depreciation charge	-1,003	-1,064
<b>Total changes in investment property in the period</b>	<b>-961</b>	<b>-1,064</b>
Cost as at 31.12.	24,824	24,782
Accumulated depreciation as at 31.12.	-10,087	-9,084
<b>Total carrying amount of investment property as at 31.12.</b>	<b>14,737</b>	<b>15,698</b>

**Note 7. Operating lease**

Rental income has been earned from the leasing of premises, hangars and land (see Notes 5, 6, 19).

Concessions are recognised as contingent leases. In case of service concession arrangements, AS Tallinna Lennujaam grants a right to the recipient of the concession to provide services on its premises during the concession term. Contingent lease payments depend on the sale of the services provided on the airport premises and the number of passengers travelling through the airport during the year

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**Rental income**

<i>In EUR thousand</i>	2021	2020
Concessions from the activities of the lessees in the passenger terminal	2,042	1,337
Rent of investment properties (Note 6)	2,134	2,058
Rent of passenger terminals (Note 5)	620	674
Rent of rooms in the cargo terminal (Note 5)	660	690
Concessions from other activities	370	272
Infrastructure fees	462	300
Other rentals	339	301
<b>Total rental income (Note 19)</b>	<b>6,627</b>	<b>5,632</b>

The rental income for the following 12 months from non-cancellable leases<sup>1</sup> as at 31.12.2021 amounted to EUR 1,405 thousand (2020: EUR 1,277 thousand). The figures provided include rental income from property, plant and equipment as well as from investment properties.

<sup>1</sup> This does not include a contingent lease (concession) because the rental rate is not fixed but depends on the customer's turnover, the number of passengers and the consumer price index.

**Note 8. Inventories**

<i>In EUR thousand</i>	31.12.2021	31.12.2020
De-icing materials of aircrafts	209	167
Runway maintenance and rescue service materials	215	66
Fuel	76	28
Other inventories	27	4
<b>Total inventories</b>	<b>527</b>	<b>265</b>

No inventory write-downs were recognised during the reporting period or in 2020.

**Note 9. Receivables and prepayments****9.1 Trade receivables**

<i>In EUR thousand</i>	31.12.2021	31.12.2020
Accounts receivable	6,210	2,294
Allowance for doubtful receivables	-709	-1,094
<b>Total trade receivables (Note 10)</b>	<b>5,501</b>	<b>1,200</b>

Trade receivables include receivables from related parties (see Note 25).



**9.2 Other receivables**

<i>In EUR thousand</i>	31.12.2021	31.12.2020
Receivables for government grants (Note 14.1)	1,207	1,698
Other receivables	9	2
<b>Total other receivables (Note 10)</b>	<b>1,216</b>	<b>1,700</b>

**9.3 Prepayments**

<i>In EUR thousand</i>	31.12.2021	31.12.2020
Tax prepayments	4,305	2,367
Prepayments	380	368
Accrued income	23	9
<b>Total prepayments</b>	<b>4,708</b>	<b>2,744</b>
<b>Total receivables and prepayments</b>	<b>11,425</b>	<b>5,644</b>

The fair values of receivables and prepayments do not materially differ from their carrying amounts. The collection of receivables and the receipt of services and goods for prepayments are not secured by collateral. All Group's receivables and prepayments are denominated in euros, see Note 3 and 10.

**Note 10. Financial instruments****Financial instruments by category****Items of financial assets in the statement of financial position**

<i>In EUR thousand</i>	31.12.2021	31.12.2020
Trade receivables, government grant related to non-current assets not received and other receivables (Note 9.1, 9.2)	6,717	2,900
Cash and cash equivalents (Note 11)	49,742	49,448
<b>Total items of financial assets in the consolidated statement of financial position</b>	<b>56,459</b>	<b>52,348</b>

**Items of financial liabilities in the statement of financial position**

<i>In EUR thousand</i>	31.12.2021	31.12.2020
Borrowings (Note 12)	49,117	52,425
Trade and other payables (Note 15, 3)	7,664	5,950
<b>Total items of financial liabilities in the consolidated statement of financial position</b>	<b>56,781</b>	<b>58,375</b>

**Financial instruments by credit quality**

The Group has one type of financial assets, the value of which is determined on the basis of the credit loss model: trade receivables. It is also necessary to evaluate the credit losses of other receivables and cash and cash equivalents in accordance with the IFRS 9, but the credit losses identified as at 31 December 2021 and 31 December 2020 are immaterial (Note 11).

The Group applies the simplified model of IFRS 9 to determine the credit losses of all trade receivables, which is used to evaluate the potential loss over the entire life of the receivable. To evaluate credit losses, all receivables have been grouped on the basis of similar features and overdue dates. The estimated loss rate is based on the historical experience with similar receivables and the impairment losses of the current period. The historical loss rate has been adjusted so that it would reflect the current and forward-looking information on the basis of macroeconomic indicators.

#### **Movements on allowance for doubtful receivables**

<i>In EUR thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Allowance for doubtful receivables at the beginning of the period	1,094	716
Allowance for doubtful receivables during the period (Note 22)	193	502
Receivables written off during the period	-3	-3
Doubtful receivables received during the reporting period (Note 22)	-575	-121
<b>Allowance for doubtful receivables at the end of the period</b>	<b>709</b>	<b>1,094</b>

#### **Analysis of accounts receivable**

<i>In EUR thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Analysis of accounts receivable	6,210	2,294
Incl. the due date has not arrived	5,068	1,142
Incl. payments overdue 1-30 days	510	293
Incl. payments overdue 31-60 days	33	83
Incl. payments overdue 61-90 days	4	101
Incl. payments overdue >91 days	11	91
incl. Estonian Air AS overdue invoices	584	584
<b>Allowance for doubtful receivables</b>	<b>709</b>	<b>1,094</b>

#### **Note 11. Cash and cash equivalents**

<i>In EUR thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Cash on hand	72	82
Bank accounts	49,742	49,448
<b>Total cash and cash equivalents (Note 10)</b>	<b>49,814</b>	<b>49,530</b>

**Allocation of bank accounts and deposits by banks with different credit ratings**

<i>In EUR thousand</i>	31.12.2021	31.12.2020
Banks with Moody's credit rating of Aa2/Aa3	30,592	9,353
Banks with Moody's credit rating of Baa2	19,150	40,095
<b>Total amounts of bank accounts and deposits exposed to credit risk</b>	<b>49,742</b>	<b>49,448</b>

**Note 12. Borrowings**

All loans are denominated in euros (refer to Note 3 and Note 10).

The management estimates that the fair value of loans does not differ significantly from their carrying amount.

In 2016, loan agreements were signed with the European Investment Bank and the Nordic Investment Bank to finance investment projects. On the basis of these agreements, loans were taken out in 2016-2020, including a loan of EUR 10 million from the European Investment Bank in 2020. Loans taken in 2020 and 2019 financed the expansion and renewal of the airside area of Tallinn airport and other investments. Repayments of the Nordic Investment Bank loan started in 2019 and repayments of the European Investment Bank will start in 2022.

<i>In EUR thousand</i>	31.12.2021	31.12.2020
Long-term borrowings		
Long-term bank loans	45,394	49,036
Long-term lease liabilities	27	56
<b>Long-term borrowings</b>	<b>45,421</b>	<b>49,092</b>
Short-term borrowings		
Repayments of long-term bank loans in the next period	3,642	3,286
Interest payable related to long-term bank loans	21	11
Short-term lease liabilities	33	36
<b>Total short-term borrowings</b>	<b>3,696</b>	<b>3,333</b>
<b>Total borrowings</b>	<b>49,117</b>	<b>52,425</b>

**Principal of long-term bank loans and conditions**

	<i>Date of entry into contract</i>	<i>Due Date</i>	<i>Security</i>	<i>Loan amount</i>	<i>Interest rate</i>
Pohjola Bank	28.11.2011	30.09.2022	see Note 13	10,000,000	3m Euribor +1,0%
Nordic Investment Bank	16.12.2016	01.12.2029	see Note 13	24,000,000	6m Euribor +0,74%
European Investment Bank	07.12.2016	01.03.2030	see Note 13	30,000,000	6m Euribor +0,6%

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**Changes in loan liabilities during 2021**

<i>In EUR thousand</i>	<i>NIB</i>	<i>Pohjola</i>	<i>EIB</i>	<i>Total</i>
<b>As at 31.12.2021</b>				
Loan balance at beginning of the period	20,572	1,750	30,000	52,322
Paid off during the period	-2,286	-1,000	0	-3,286
Loan balance at end of the period	18,286	750	30,000	49,036
Loan interest payable	1	0	20	21

**Changes in loan liabilities during 2020**

<i>In EUR thousand</i>	<i>NIB</i>	<i>Pohjola</i>	<i>EIB</i>	<i>Total</i>
<b>Seisuga 31.12.2020</b>				
Loan balance at beginning of the period	22,857	2,750	20,000	45,607
Paid off during the period	-2,285	-1,000	0	-3,285
Received during the period	0	0	10,000	10,000
Loan balance at end of the period	20,572	1,750	30,000	52,322
Loan interest payable	2	0	9	11

**Net debt liabilities**

<i>In EUR thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Cash and cash equivalents (Note 11)	49,814	49,530
Short term liabilities	-3,642	-3,286
Short term lease liabilities	-33	-36
Long term liabilities	-45,394	-49,036
Long term lease liabilities	-27	-56
<b>Net debt</b>	<b>718</b>	<b>-2,884</b>
Cash and cash equivalents (Note 11)	49,814	49,530
Liabilities with fixed interest	-49,096	-52,414
<b>Net debt</b>	<b>718</b>	<b>-2,884</b>

<i>In EUR thousand</i>	<b>Cash and Cash equivalents</b>	<b>Liabilities &lt;1y</b>	<b>Liabilities &gt;1y</b>	<b>Total</b>
Net debt 31.12.2020	49,530	-3,322	-49,092	-2,884
Cash flow	284	-352	3,670	3,602
Net debt 31.12.2021	49,814	-3,674	-45,422	718

**Note 13. Loan collateral and pledged assets**

No assets have been pledged as collateral for the loan received from Nordic Investment Bank, European Investment Bank and Pohjola Bank, the loan contracts stipulate that without a prior written consent from the bank, AS Tallinna Lennujaam shall not:

- transfer, lease out, rent out or give its assets to a third party on another contractual basis when it is outside the scope of its daily economic activities;
- pledge its assets or encumber them with any other real rights.

Loan agreements set a number of limitations or special conditions that, if not fulfilled, the lender may require to repay the loan before the due date, including:

- Equity share of the total assets should be at least 30%;
- Total debt to EBITDA ratio should not exceed 4;
- Net debt to EBITDA ratio should not exceed 3;
- Debt coverage ratio (cash flow from operating activities divided by net debt) should be at least 40%.
- The cash and cash equivalents divided by amortisation of Interest Bearing Debt and interest payments on Interest Bearing Debt due over the following 12 months shall be greater than 1.5.

Prior to the year-end date, the banks have agreed that the banks will waive the requirements of the two special conditions agreed (total debt and EBITDA ratio should not exceed 4, net debt to EBITDA ratio should not exceed 3) from the reporting date until 30.06.2022.

Prior to 31.12.2020, the Bank had agreed to waive one covenant (total debt to EBITDA ratio should not exceed 4) from 31.12.2020 to 30.06.2021.

**Note 14. Government grants****14.1 Government grants receivable**

<i>In EUR thousand</i>	2021	2020
Government grants to be received for non-current assets (Note 9.2)	1,194	1,698
Government grants to be received for operating costs	13	0
<b>Total government grants receivable</b>	<b>1,207</b>	<b>1,698</b>

Binding future obligations under government grants are described in Note 24.

**14.2 Government grants relating to operating expenses**

<i>In EUR thousand</i>	2021	2020
Allocation for a specific purpose from state budget	10,067	9,620
incl. security and rescue expenses aid	7,767	7,420
incl. aid for regional airports <sup>4</sup>	2,300	2,200
Temporary subsidy from the Unemployment Insurance Fund	1,363	2,020
Other domestic grants related to operating expenses	63	75
<b>Government grants related to operating expenses recognised as income (Note 20)</b>	<b>11,493</b>	<b>11,715</b>

<sup>4</sup> The aid is provided for operating the regional airports: Kärdla, Kuressaare, Tartu, Pärnu airports and Ruhnu and Kihnu airfields.

### 14.3 Government grants related to assets

In 2017, the Ministry of Economic Affairs and Communications, the City of Pärnu and AS Tallinna Lennujaam signed a tripartite agreement to reconstruct Pärnu airport for the purpose of restoring regular air traffic and thereby promoting tourism in Pärnu region. The airport will be responsible for the construction and management of infrastructure, and the City of Pärnu for launching air traffic. The main goal of the development project is to upgrade the facilities and systems described in the project scope to meet the established requirements, whose maintenance would be as durable and long-lasting as possible and with the lowest possible maintenance costs.

The costs in the area of responsibility of the Ministry of Economic Affairs and Communications included allocation of the investment grant in the amount of EUR 2,700 thousand to be used in 2018-2019 and EUR 17,300 thousand in 2021.

In April 2019, a complaint was filed with the court by a third party, seeking to annul the regulation of Tori County Government that granted AS Tallinna Lennujaam a construction permit for the reconstruction of Pärnu airport. Tallinn Administrative Court made a compromise ruling in this administrative case in November 2019. As a consequence, EUR 1,456 thousand of the support measure to be used in 2018-2019 was not used for the reasons not related to the Company. Since the use of this amount could not be postponed under the State Budget Act, the Company repaid EUR 1,456 thousand to the state in December 2020. The project's budget was reduced by this amount.

In 2020 and 2021, the government grant of the state is related to the reconstruction of Pärnu airport (refer to Note 5) in accordance with the grant agreement signed in 2018.

In 2021 and 2020, the government grants related to assets that were received from the Cohesion Fund concern the development project of the airside area (see Note 5), which has been declared eligible by the Cohesion Fund of the European Union. The Cohesion Fund is contributing 50%, i.e. EUR 35 million, of the cost of the project. The European Commission has issued state aid authorisation to provide a government grant for the development project of the airside area from the funds of the Cohesion Fund.

<i>In EUR thousand</i>	<b>2021</b>	<b>2020</b>
<b>Long-term government grants received as at the beginning of the period</b>	<b>75,900</b>	<b>77,139</b>
<b>Changes in government grants in the accounting period</b>		
<b>Assets and liabilities acquired with government grants</b>	<b>8,602</b>	<b>2,505</b>
Incl. repayment of allocation for a specific purpose from state budget	0	-1,456
incl. Cohesion Fund (ISPA)	8,602	3,961
<b>Recognised as income (Note 20)</b>	<b>-3,729</b>	<b>-3,744</b>
incl. domestic government grants	-688	-363
Incl. Cohesion Fund (ISPA)	-2,507	-2,682
Incl. European Regional Development Fund (ERDF)	-534	-699
<b>Total long-term government grants as at the end of the period</b>	<b>80,773</b>	<b>75,900</b>
incl. domestic government grants	19,780	20,468
Incl. Cohesion Fund (ISPA)	56,130	50,035
Incl. European Regional Development Fund (ERDF)	4,863	5,397

**Note 15. Trade payables and prepayments****15.1 Trade payables and prepayments**

<i>In EUR thousand</i>	31.12.2021	31.12.2020
Payables for goods and services	2,308	934
Payables for non-current assets	5,341	5,005
Other payables	15	11
<b>Total trade payables</b>	<b>7,664</b>	<b>5,950</b>

**15.2 Accrued expenses to employees, tax liabilities and prepayments**

<i>In EUR thousand</i>	31.12.2021	31.12.2020
Accrued expenses to employees (Note 17)	2,920	832
Tax liabilities (Note 16)	1,136	995
Prepayments	215	188
<b>Total other payables and prepayments</b>	<b>4,271</b>	<b>2,015</b>
<b>Total payables and prepayments</b>	<b>11,935</b>	<b>7,965</b>

Refer to Note 24 for potential liabilities from tax revision.

**Note 16. Tax liabilities**

<i>In EUR thousand</i>	31.12.2021	31.12.2020
Social security taxes on wages and salaries, and fringe benefits	677	595
Income tax on wages and salaries, and fringe benefits	382	327
Unemployment insurance tax	46	40
Pension insurance	28	31
Excise tax	2	2
Corporate income tax	1	0
<b>Total tax liabilities (Note 15)</b>	<b>1,136</b>	<b>995</b>

**Note 17. Accrued expenses to employees**

<i>In EUR thousand</i>	31.12.2021	31.12.2020
Bonus reserve liability	1,969	0
Wages and salaries accrued but not yet paid	788	682
Holiday pay liability	161	149
Other payables to employees	2	1
<b>Total accrued expenses to employees (Note 15)</b>	<b>2,920</b>	<b>832</b>



### Note 18. Equity

All shares of AS Tallinna Lennujaam belong to the Republic of Estonia. Their administrator and the entity exercising shareholder rights is the Ministry of Economic Affairs and Communications, represented by the Minister of Economic Affairs and Communications at the General Meeting of Shareholder.

	31.12.2021	31.12.2020
Share capital	45,617,280 €	25,617,280 €
Number of shares	4,561,728 psc	2,561,728 psc
Nominal value of shares	10 €	10 €

In 2021, the owner increased the share capital by a monetary contribution in amount of EUR 20,000 thousand.

In 2020, the Government of the Republic transferred the state assets under management of the Ministry of Economic Affairs and Communications as a non-monetary contribution to the share capital of AS Tallinna Lennujaam, with the value of EUR 522 thousand. The value was estimated by the professional appraiser and it was verified by the auditor.

As at 31 December 2021, the retained earnings of the Group amounted to EUR 68,155 thousand (31 December 2020: EUR 65,855 thousand). In case of payment of dividends to shareholder, the income tax expense is 20/80 of the amount paid out as net dividends. As at the reporting date, it is possible to pay out dividends to the shareholder in the amount



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of EUR 54,524 thousand (31 December 2020: EUR 52,684 thousand) and the corresponding income tax would amount to EUR 13,631 thousand (31 December 2020: EUR 13,171 thousand).

The expectation of the state as the owner is that all state-owned companies on the market pay stable dividends. AS Tallinna Lennujaam's dividend policy is fixed in the Company's strategy and the optimal capital structure is determined by the Ministry of Finance by "Consolidated report of state owned entities, foundations and non profit organizations". The owner's expectation is that the Group's operations are profitable, but taking into account the investments made by the AS Tallinna Lennujaam in the infrastructure necessary for air traffic management, the owner does not plan to pay dividends in the coming years.

**Note 19. Revenue****Aviation revenue**

<i>In EUR thousand</i>	<b>2021</b>	<b>2020</b>
Passenger fees	3,755	2,670
Landing fees	4,060	3,234
Parking fees	846	652
Navigation fees	22	17
Take-off fees	4	2
<b>Total aviation revenue</b>	<b>8,687</b>	<b>6,575</b>

**Non-aviation revenue**

<i>In EUR thousand</i>	<b>2021</b>	<b>2020</b>
<b>Aircraft handling and passenger servicing revenue</b>	<b>10,104</b>	<b>5,279</b>
<b>Rental income</b>		
Concessions	2,412	1,610
Rent for premises and hangars	3,753	3,722
Infrastructure fees	462	300
<b>Total rental income (Note 7)</b>	<b>6,627</b>	<b>5,632</b>
<b>Other services sold</b>		
Parking services for cars	1,428	743
Services provided to tenants	1,260	1,054
Advertising services	423	433
Aviation related services	1,099	718
Other services provided and intermediated	149	121
<b>Total other services sold</b>	<b>4,359</b>	<b>3,069</b>
<b>Total non-aviation revenue</b>	<b>21,090</b>	<b>13,980</b>
<b>Total revenue</b>	<b>29,777</b>	<b>20,555</b>

**Note 20. Other income**

<i>In EUR thousand</i>	2021	2020
Government grants related to operating expenses (Note 14)	11,493	11,715
Government grants related to assets recognised as income (Note 14)	3,729	3,744
Gain from disposal of machinery and equipment and land (Note 5)	3	220
Other income	97	32
<b>Total other income</b>	<b>15,322</b>	<b>15,711</b>

**Note 21. Goods, materials and services**

<i>In EUR thousand</i>	2021	2020
Security, safety and rescue*	3,927	3,966
Utilities expenses	3,113	2,319
Maintenance of runways	1,249	698
Vehicle operation expenses	903	634
Cost of provision of services to passengers and aircrafts	1,067	460
Maintenance expenses of buildings and facilities	1,231	844
IT and communication expenses	595	1,109
<b>Total goods, materials and services</b>	<b>12,085</b>	<b>10,030</b>

\* Includes only outsourced security services. Other security and rescue expenses are recognised on other expense lines. In 2021, all security and rescue expenses amounted to EUR 7.8 million (2020: EUR 7.4 million).

**Note 22. Other operating expenses**

<i>In EUR thousand</i>	2021	2020
Administrative expenses	641	321
Marketing and public relations	301	243
Training costs	172	108
Human Resources	25	15
Special clothing and uniforms	214	260
Business trips	31	27
Costs related to doubtful receivables (Note 10)	-383	381
<b>Total other operating expenses</b>	<b>1,001</b>	<b>1,355</b>

**Note 23. Staff costs**

<i>In EUR thousand</i>	2021	2020
Wages and salaries, performance pay, holiday pay, bonuses	12,754	11,701
Average monthly salary in EUR	1,969	1,872
Taxes calculated on staff costs	4,289	3,933
Staff costs classified as fringe benefits	77	33
Taxes classified as fringe benefits	74	38
<b>Total staff costs</b>	<b>17,194</b>	<b>15,705</b>
<b>Staff count</b>		
Number of employees at the beginning of the period	509	681
Number of employees at the end of period	514	509
Average number of employees reduced to full-time equivalents	473	521

**Note 24. Contingent liabilities and commitments****Potential liabilities arising from tax inspection**

Tax authorities have neither launched nor performed tax inspections or single case reviews at Group entities. The tax authorities have the right to verify the Group's tax records up to 5 years from the time of submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The management estimates that there are no circumstances which may lead the tax authorities to impose additional significant taxes on the Group.

**Binding future obligations under construction contracts**

As at 31 December 2021, the Group had future commitments of EUR 6.0 million (2020: EUR 31.9 million) under contracts concluded for the construction of fixed assets (see Notes 5, 12 and 14).

**Binding future obligations under government grants**

In the event of a breach of the agreement, the Cohesion Fund of the European Union will be entitled to recover the funds granted. As at 31 December 2021, such government grants amounted to EUR 32.4 (31.12.2020: EUR 22.9 million).

**Note 25. Related party transactions**

<i>In EUR thousand</i>	2021	2020
Receivables	631	618
Incl. Estonian Air	584	584
Liabilities	54	8
Sales	466	479
Purchases	255	97

The Group's Management Board discloses the transactions with airline companies, over which the state has control or significant influence.

In 2021, the remuneration of the Supervisory and Management Boards of the parent company, excluding social security taxes amounted to EUR 443 thousand (2020: EUR 292 thousand) and the remuneration of the Supervisory and Management Boards of subsidiary, excluding social security taxes amounted to EUR 91 thousand (2020: 93 thousand).

The Group has provided cars for the members of the Management Board to be used for business purposes; the contract for services does not stipulate payment of termination benefits.

In 2020, an agreement was entered into between the liability insurer and parties in connection with the insured event, as a result of which the Group recognized a reduction of EUR 481 thousand in other operating expenses in 2020. As of 31.12.2021 and 31.12.2020, the provision related to the insurance case is 0 euros.

Transactions with related parties have been concluded at market prices and no allowance has been recognised for the receivables from related parties during the period, except for receivables from Estonian Air, which are 100% impaired in both the reporting and comparison periods due to bankruptcy. In 2022, a payment in the amount of EUR 29 thousand was received to cover these claims in accordance with the section on bankruptcy proceedings.

**Note 26. Financial information of the parent company****Separate statement of financial position**

<i>In EUR thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Long-term financial investments	1,028	1,028
Property, plant and equipment	175,846	153,977
Prepayments for property, plant and equipment	1,869	1,332
Right-of-use assets	32	46
Intangible assets	565	511
Investment property	14,737	15,698
<b>Total non-current assets</b>	<b>194,077</b>	<b>172,592</b>
<b>Current assets</b>		
Inventories	315	109
Payables and prepayments	8,653	4,981
Cash	43,562	43,556
<b>Total current assets</b>	<b>52,530</b>	<b>48,646</b>
<b>Total assets</b>	<b>246,607</b>	<b>221,238</b>

<i>In EUR thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>Equity</b>		
Share capital	45,617	25,617
Statutory reserve capital	2,510	2,510
Retained earnings	58,461	57,394
<b>Total equity</b>	<b>106,588</b>	<b>85,521</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	45,394	49,036
Lease liabilities	18	29
Government grants	80,773	75,900
Other debts	140	0
<b>Total non-current liabilities</b>	<b>126,325</b>	<b>124,965</b>
<b>Current liabilities</b>		
Borrowings	3,663	3,297
Lease liabilities	14	18
Receivables and prepayments	10,017	7,226
Provision	0	211
<b>Total current liabilities</b>	<b>13,694</b>	<b>10,752</b>
<b>Total liabilities</b>	<b>140,019</b>	<b>135,717</b>
<b>Total liabilities and equity</b>	<b>246,607</b>	<b>221,238</b>

## Separate statement of comprehensive income

<i>In EUR thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
Revenue	21,043	16,285
Other income	14,791	14,871
Goods, materials and services	-10,301	-9,339
Other operating expenses	-780	-1,175
Staff costs	-11,514	-9,937
Depreciation, amortisation and impairment	-11,977	-11,086
Other expenses	-58	-80
<b>Operating profit/loss</b>	<b>1,204</b>	<b>-461</b>
Finance income and costs	-137	-105
<b>Net profit/loss for financial year</b>	<b>1,067</b>	<b>-566</b>
<b>Comprehensive income/loss for financial year</b>	<b>1,067</b>	<b>-566</b>

## Separate statement of cash flows

<i>In EUR thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b><i>Cash flows from operating activities</i></b>		
Collections from customers	26,084	20,719
Paid to suppliers and employees	-28,685	-24,936
Interest received	30	73
Interest paid	-143	-178
Government grant received from the state budget for covering the cost of operating activities	10,067	9,620
Other grants received for covering the cost of operating activities	50	75
<b>Total cash flows from operating activities</b>	<b>7,403</b>	<b>5,373</b>
<b><i>Cash flows from investing activities</i></b>		
Paid for purchase of property, plant and equipment, and intangible assets	-33,198	-12,937
Proceeds from sale of property, plant and equipment	1	225
Government grants received from state budget for non-current assets	0	-1,456
Government grants received for non-current assets	9,105	2,263
<b>Total cash flows from investing activities</b>	<b>-24,092</b>	<b>-11,905</b>

<i>In EUR thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b><i>Cash flows from financing activities</i></b>		
Repayments of borrowings	-3,286	-3,285
Borrowings received	0	10,000
Repayment of lease liabilities	-19	-21
Monetary contribution to share capital received	20,000	0
<b>Total cash flows from financing activities</b>	<b>16,695</b>	<b>6,694</b>
<b><i>Net cash flows</i></b>	<b>6</b>	<b>162</b>
Cash and cash equivalents at beginning of year	43,556	43,394
Cash and cash equivalents at end of year	43,562	43,556
<b>Net increase/decrease in cash and cash equivalents</b>	<b>6</b>	<b>162</b>

## Separate statement of changes in equity

<i>In EUR thousand</i>	<i>Share capital</i>	<i>Statutory reserve capital</i>	<i>Retained earnings</i>	<i>Total</i>
Balance as at 31.12.2019	25,095	2,510	57,960	85,565
Increase of share capital by non - monetary contribution	522	0	0	522
Comprehensive income for 2020	0	0	-566	-566
Balance as at 31.12.2020	25,617	2,510	57,394	85,521
Increase of share capital by monetary contribution	20,000	0	0	20,000
Comprehensive income for 2021	0	0	1,067	1,067
Balance as at 31.12.2021	45,617	2,510	58,461	106,588

## Adjusted unconsolidated equity of AS Tallinna Lennujaam (parent company)

<i>In EUR thousand</i>	<b>2021</b>	<b>2020</b>
Unconsolidated equity of the parent	106,588	85,521
Carrying amount of subsidiaries in the separate reporting of the parent (minus)	-1,028	-1,028
Value of subsidiary under the equity method (plus)	10,722	9,489
<b>Total</b>	<b>116,282</b>	<b>93,982</b>





## Independent Auditor's Report

To the Shareholder of Aktsiaselts Tallinna Lennujaam

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### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aktsiaselts Tallinna Lennujaam and its subsidiary (together – the “Group”) as at 31 December 2021, and the Group’s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises Management report 2021, Strategy and objectives, fulfilment of objectives, Our services, Our team, Sustainable and responsible management and Sustainability report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

AS PricewaterhouseCoopers  
Pärnu mnt 15, 10141 Tallinn, Estonia; License No. 6; Registry code: 10142876  
T: +372 614 1800, F: +372 614 1900, www.pwc.ee

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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### Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AS PricewaterhouseCoopers

/signed/

Janno Hermanson  
Auditor's certificate no.570

31 March 2022  
Tallinn, Estonia

/signed/

Kristiina Veermäe  
Auditor's certificate no.596

Translation note:

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## Profit allocation proposal

<b>Retained earnings 31.12.2020</b>	<b>EUR 65,855 thousand</b>
Net profit for 2021	EUR 2,300 thousand
<b>Total distributable profit as at 31.12.2021</b>	<b>EUR 68,155 thousand</b>

The Management Board proposes to not distribute the net profit for 2021 in the amount of EUR 2,300 thousand and transfer it accordingly:

- EUR 115 thousand to the reserve capital
- EUR 2,185 thousand to retained earnings.

<b>Retained earnings after profit allocation</b>	<b>EUR 68,040 thousand</b>
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Riivo Tuvike Chairman of the Management Board 30.03.2022	Einari Bambus Member of the Management Board 30.03.2022	Anneli Turkin Member of the Management Board 30.03.2022
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## Signatures to the annual report

The Management Board of AS Tallinna Lennujaam has prepared the management report and financial statements for the year 2021. The Management confirms the correctness of information presented in the annual report.

### Management Board:

Riivo Tuvike Chairman of the Management Board 30.03.2022	Einari Bambus Member of the Management Board 30.03.2022	Anneli Turkin Member of the Management Board 30.03.2022
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The Supervisory Board has reviewed the annual report prepared by the Management Board and which consists of the management report, financial statements, profit allocation proposal and independent auditor's report and approved it for presentation at the General Meeting of Shareholder. The Supervisory Board confirms the correctness of the information presented in the annual report.

### Supervisory Board

Märten Vaikmaa Chairman of the Supervisory Board 6.04.2022	Kadri Land Member of the Supervisory Board 6.04.2022	Toivo Jürgenson Member of the Supervisory Board 6.04.2022
Piret Kübbar Member of the Supervisory Board 6.04.2022	Jaanus Uiga Member of the Supervisory Board 6.04.2022	Sir John Elvidge Member of the Supervisory Board 6.04.2022

## Sales revenue of Tallinn Airport Group according to EMTAK 2008

<i>In EUR thousand</i>		2021	2020
<b>EMTAK code</b>			
35131	Distribution of electricity	789	619
52231	Operation of airports and airport passenger terminals	18,841	14,624
52239	Other air transport service activities	10,104	5,279
85599	Other education	43	34